



February 26, 2009

81st Legislature

House Appropriations Subcommittee on Health and Human Services

ARTICLE II – HEALTH & HUMAN SERVICES COMMISSION BUDGET

The Legislature must fully fund HHSC Exceptional Items 2 and 3 to provide additional staff for the eligibility system. The demand for services is already on the rise and will only increase as the full effects of the economic downturn hit Texas. Without adequate staff, HHSC cannot provide timely and accurate benefits to eligible families. The delay or inappropriate denial or termination of benefits not only causes great hardship to needy Texans, it also causes the state to lose out on critical federal funds for Food Stamps and Medicaid that boost our state and local economies. The Legislature should also use some of the projected balance (by 2011) in TANF block grant funds to increase cash assistance to extremely poor families and help them weather the economic downturn. The American Recovery and Reinvestment Act (ARRA) includes an Emergency Contingency Fund that would reimburse Texas for 80% of this increased TANF spending.

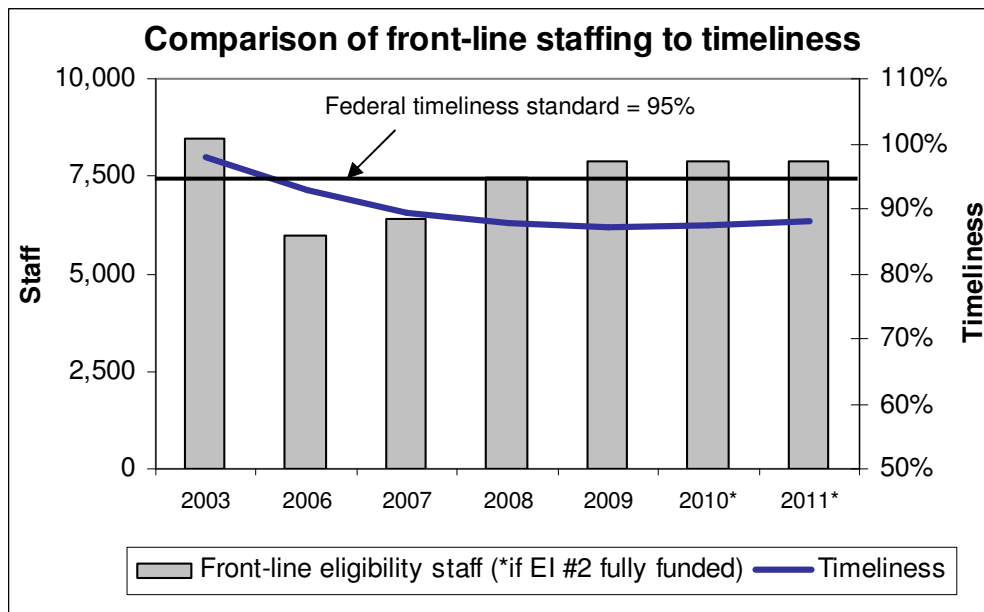
Fully Fund HHSC Exceptional Items 2 and 3
Requesting Additional Staff for the Eligibility System

- According to HHSC, HB 1 as introduced, funds 25% fewer staff in fiscal 2010 and 27% fewer staff in 2011 than needed to keep up with caseload increases and improve the performance of the eligibility system.

Comparison of HHSC Request to HB 1, as introduced

Table with 8 columns: State Fiscal Year, Total Eligibility FTEs in HHSC's Base Request for 2010-11, Total FTEs if EI 2 funded (maintain 09 budgeted staffing), HHSC's estimate of what HB 1 would fund, Unfunded FTEs in Exceptional Item 2, Total FTEs if both Exceptional Items 2 and 3 funded, Total unfunded FTEs in HB 1, % Difference between HB 1 and HHSC request. Rows for 2010 and 2011.

- Exceptional item 2. This exceptional item would allow HHSC to maintain fiscal 2009 budgeted staffing levels of 9,039 full-time equivalent employees (FTEs—including 7,889 front-line eligibility staff). However, as introduced, HB 1 only includes enough funding to support 7,229 FTEs, according to HHSC's estimates. This would force HHSC to cut 23% of its current staff. The legislature should revise LBB's estimates of the cost of funding exceptional item #2 to reflect the higher amount HHSC says it needs to maintain current eligibility staffing levels. Even with this funding, HHSC will not be able to meet federal timeliness standards. Without this funding, HHSC will have to cut staff and performance will get worse.



- **Exceptional item 3.** This exceptional item reflects the additional staff HHSC will need in fiscal 2010-11 to keep up with the increase in caseload that is expected. This would bring total eligibility FTEs to 9,695 in 2010 and 9,861 in 2011. *HHSC needs this funding in order to improve performance.*
- **The Legislature should invest some of the enhanced Medicaid funds from ARRA in improving the performance of the eligibility system and increasing enrollment in public benefits.** A portion of the increased FMAP should be used to increase enrollment, which would also maximize Texas' share of the enhanced Medicaid funds in the economic recovery package. In addition, ARRA includes additional funds for Food Stamp administration, which should be used to fund additional staff and boost enrollment.

Symptoms of an Underfunded, Poorly Performing Eligibility System

- HHSC is not meeting federal timeliness standards, which require that 95% of all applications be processed within a certain number of days. Timeliness has been below federal standards for more than three years. The delays are most severe in applications processed through TIERS. In many regions of the state, delays of more than three months in processing have become so common that formal policies have been put in place to deal with the serious backlog of applications.
- Children moving between Medicaid and CHIP routinely get dropped from coverage, even though they qualify and are supposed to move directly between programs without *any* gap.
- The rate of improper denials in the Food Stamp program (known as the “negative error rate”) has soared over the last five years, increasing from 2.8% in fiscal 2004 to 18.9% in the first quarter of fiscal 2008. Federal regulations state that a negative error rate above 1% is indicative of poor customer service and requires corrective action.

Use Federal Recovery Funds for TANF to Help Extremely Poor Families During the Downturn

- The TANF block grant, at \$486 million annually, is the seventh-largest source of federal funds in the state budget. The block grant was intended to help states provide cash assistance, child care, and employment services to extremely poor families with children. However, Texas uses more than half the block grant to pay for child protective services and other programs across multiple state agencies. Fewer than 114,000 people currently receive TANF in Texas, even though 3.6 million Texans live below the poverty level. Over four-fifths (85%) of TANF recipients are children. In 2007, TANF reached less than 8% of poor children.
- The American Recovery and Reinvestment Act includes an Emergency Contingency Fund that would allow Texas to draw down additional TANF funds in 2009 and 2010—up to 50% of the block grant over the two-year period, or approximately \$243 million. States are eligible for 80% reimbursement of *increased* TANF-related state spending since 2007 or 2008 in three areas: basic assistance (cash grants), one-time payments, and subsidized employment. To draw down funds for increases in basic assistance, a state must have a TANF caseload increase relative to the base year, but there is no caseload increase requirement for the other two categories. *The legislature should provide a one-time additional payment to TANF recipients in 2009 and 2010 to take advantage of this opportunity to help these extremely poor families weather the economic downturn.*
- ARRA also provides Texas with a \$52.7 million supplemental TANF grant in fiscal 2010, in addition to the base block grant. With these funds, the proposed budget leaves a \$108 million balance in TANF funds by the end of fiscal 2011. *Some of the projected TANF balance should be used to draw down the emergency contingency fund.*

