



January 23, 2001

No. 111

## \$32.9 MILLION AVAILABLE IN ENHANCED FEDERAL FOOD STAMP FUNDS

77<sup>th</sup> Legislature will decide how to spend these funds

In August 2000, the Texas Department of Human Services (DHS) received \$27.9 in enhanced federal funds from the United States Department of Agriculture (USDA) for its success in improving payment accuracy and reducing fraud in the Food Stamp Program in fiscal 1999. An additional \$4.9 in unspent enhanced funds received in 1999 is also available for a total of \$32.9 million. Last session, the legislature directed DHS to spend \$2 million of the enhanced funds received in 1999 on nutrition programs outreach. DHS' proposal to the legislature for spending the \$32.9 million does not include any funding for initiatives to improve access to nutrition assistance for low-income families. This Policy Page summarizes DHS' proposal and the Center's recommendations for using these funds.

### BACKGROUND

USDA imposes fiscal penalties on states that exceed the federal tolerance level for payment errors in the Food Stamp Program. Conversely, states that achieve payment error rates far below the national average are eligible for enhanced funding from USDA for administrative costs. In fiscal 1998, Texas' error rate was 5.27 percent—roughly half the national average. As a reward for its performance, in August 1999 Texas received \$19 million in increased federal funding for Food Stamp program administration. The 76<sup>th</sup> Legislature designated \$2 million of these funds for a Food Stamp outreach program and an initiative to increase participation in the Summer Food Service Program (SFSP), the federally funded summer meals program for low-income children. Other uses of these funds included \$2 million for caseworker bonuses to reward individual staff for their contribution to improving payment accuracy.

In fiscal 1999, DHS reduced its error rate even further, to 4.56%, and was awarded \$27.9 for its continued success in payment accuracy.

### HOW ERROR RATE SUCCESS WAS ACHIEVED

DHS attributes its success in lowering error rates to a host of measures implemented in response to the state welfare reform law enacted in 1995, which directed the agency to lower its error rate in order to avoid future federal sanctions. These measures include, among others:

- shortened certification periods (intervals at which Food Stamp recipients are required to return to an eligibility office to recertify for benefits). Currently, almost half of the non-welfare caseload must recertify for benefits at least every three months;
- routine pre-certification investigations of clients who are considered to be at a high risk for fraud, based on criteria established by regional DHS offices;
- the use of data broker services to search for "clues" that a client might have given inaccurate or misleading information about their family situation on their application;
- additional verification requirements beyond those required by federal law; and
- a finger imaging requirement implemented statewide in August 1999. Currently, all adults and minor heads-of-household who apply for Food Stamps must agree to be fingerprinted as a condition of receiving benefits.

How fiscal 1998 enhanced funds were spent* (millions)	
Summer Food Service Program outreach/supplemental payment	\$1.5
Food Stamp program outreach	\$.35
Nursing home financial incentive to increase quality outcomes	\$10.4
Caseworker bonuses	\$2.0
RO/OPI training/customer service (training for front-line staff to increase chance of future enhanced funding)	\$.3
Houston Change Center program (allows DHS clients to make changes to their case over the phone)	\$.2
Total spent:	\$14.7
Unallocated:	\$4.9

\*The amounts listed reflect state dollars only; many of these initiatives drew down additional federal matching funds.

While DHS should be recognized for its record in controlling error rates, this success may have come with a cost—deterring many eligible families from receiving Food Stamps. In the

four years since implementation of these error rate and fraud control measures, the Food Stamp caseload has declined 41 percent (from 2.5 million recipients in 1996 to 1.5 million in 1999), despite little change in the poverty and hunger rate in Texas. Although some of this decline can be attributed to an improved economy and changes in Food Stamp eligibility under welfare reform, more difficult and time-consuming enrollment and recertification requirements are also factors. Last session, it was this alarming drop in Food Stamp participation that prompted the legislature to invest \$2 million of the enhanced funds in nutrition programs outreach.

## DHS' PROPOSAL FOR FY1999 ENHANCED FUNDS

When the current award and the remaining funds from last year are combined, \$32.9 in enhanced funds is available for the 2002-2003 biennium. DHS is proposing to use these funds as follows (state dollars only):

- **Caseworker bonuses:** **\$3.0 million**  
Bonuses will be awarded to caseworkers whose efforts directly contributed to reducing the error rate. Caseworkers will be eligible to receive up to \$1,000 based on their region's contribution to the statewide payment accuracy rate. This reflects a \$1 million increase over the \$2 million appropriated for bonuses last session.
- **Star Plus shortfall:** **\$9.7 million**  
DHS projects a \$9.7 million shortfall for the biennium to operate this program, due to a larger number of nursing home clients than originally budgeted for, a shift of acute case costs from the Texas Department of Health, and rate increases above what was appropriated for the current budget cycle.
- **"Promoting Independence":** **\$1.3 million**  
A response to the Olmstead decision, this long-term care initiative is intended to build awareness about community-based service options, relocation support, and permanency planning activities for kids in nursing homes.
- **New integrated financial and administrative system:** **\$4.5 million**  
These funds will be used to replace 12 antiquated and disparate mainframe systems with a new People Soft system.
- **Colonia initiative to improve access to services for colonia residents:** **\$234,675**  
This is DHS' contribution to a multi-agency initiative led by the Health and Human Services Commission to improve access to services for colonia residents.

Total proposed: \$18.7 million  
Remaining funds: \$14.1 million

No funding is proposed to continue the two nutrition-related initiatives authorized during the last legislative session—the SFSP initiative and the Food Stamp outreach program.

DHS is proposing that the \$14 million leftover be used to cover a portion of the agency's Federal Medical Assistance

Percentage (FMAP, the federal matching funds for Medicaid) shortfall—\$21 million for fiscal 2001—or to provide for additional nursing home incentives. The FMAP and Star Plus shortfalls (see above) are a result of underestimates in the state budget of the amount of state funds needed for the biennium to pay for Medicaid. Because shortfalls like these are common—budget writers always have to estimate what the future match rate (federal share vs. state share) will be in setting appropriations—and therefore predictable, they illustrate the need for a specific contingency process to automatically adjust appropriations in the event of underestimates of the state's share (as happened this time). This approach is a safer alternative to relying on one-time funding fixes, such as the enhanced federal Food Stamp funds, which may not be available in future budget cycles. Reserving funds in anticipation of such "predictable unpredictable" would also prevent the raiding of other programs' budgets to cover these shortfalls. The decision whether to use the enhanced Food Stamp funds to pay for the FMAP shortfall will be made early in the session, when the "emergency" or supplemental appropriations bill is passed (this bill funds immediate needs and current biennial shortfalls through August 2001).

## ENHANCED FUNDING SHOULD SUPPORT CONTINUED NUTRITION- RELATED INITIATIVES

In its 2002-2003 budget request to the 77<sup>th</sup> legislature, DHS predicts it will serve less than one-third of the population eligible for Food Stamps. Because the error rate reduction measures have played a role in the decline among eligible families who receive Food Stamps, at least a portion of the \$32 million in enhanced funds should be reinvested in efforts to boost Food Stamp participation and other initiatives to prevent hunger among low-income Texans. CPPP recommends that the legislature appropriate enhanced funds for the following initiatives:

- **Caseworker bonuses to reward exemplary customer service and increase in percentage of eligible population receiving benefits:** **\$3 million**  
Currently, caseworkers are rewarded for lowering error rates but there are no incentives in place that reward efforts to make sure that eligible families get benefits and are always treated with dignity and respect. Further, although incorrectly certifying someone who is NOT ELIGIBLE for Food Stamps IS considered an error by USDA and therefore can affect a state's error rate, NOT certifying someone who IS ELIGIBLE is NOT considered an error. This creates an additional disincentive to make sure eligible families don't fall through the cracks. To address these problems, CPPP proposes developing performance measures to evaluate caseworker efforts in these areas and setting aside funds to reward improved performance.
- **Increased funding for SFSP outreach and supplemental payments to program sponsors:** **\$2 million**  
Of the \$2 million appropriated last session for nutrition programs outreach, DHS allocated \$1.5 million to conduct

outreach for the SFSP and provide a financial supplement to organizations who sponsored summer meal programs. These efforts resulted in a dramatic jump in the number of SFSP sponsors (from 358 in 1999 to 381 in 2000). A greater state supplement will attract more sponsors, increase participation, and bring more federal dollars to the program.

- **Expand the Food Stamp outreach program to include other federal nutrition programs: \$1 million**  
DHS allocated \$350,000 of the \$2 million appropriated last session to operate a Food Stamp Information and Education Campaign. The agency contracted with the Texas Association of Community Action Agencies (TACAA) to develop and implement the program. TACAA conducts statewide outreach for Food Stamps and contracts with community-based organizations (CBOs) in underserved areas of the state to do local outreach. The funding these subcontractors receive is so limited (no funds are available for Border counties under the current methodology for targeting counties with low Food Stamp enrollment) that most of the CBOs are making “in-kind” contributions of labor, supplies, office space, etc., to supplement the funding they receive for outreach. Additional funding for outreach would expand the program to the Border region, enhance the subcontractors’ ability to do outreach, and also allow these CBOs to do outreach for other nutrition programs, such as the SFSP and WIC. This kind of combined outreach approach makes sense, given that the target populations are so similar (in terms of eligibility criteria).

**Total CPPP-proposed spending for nutrition-related initiatives and improved customer service: \$6 million**  
This represents less than 20 percent of the total enhanced federal Food Stamp funds available for the 2002-2003 biennium. Last session, the legislature invested 10 percent of the enhanced funds in nutrition programs outreach.

## WHAT YOU CAN DO

Contact your representative and senator regarding the use of enhanced federal Food Stamp funds. To find out who represents you, visit the Texas Legislature’s web site at <http://www.capitol.state.tx.us/>, or call (877) 824-7038. Public debate over the use of the \$32.9 million in enhanced funds will be limited to DHS’ budget hearings before the Senate Finance and House Appropriations committees. These hearings provide an opportunity for public testimony regarding the agency’s proposed budget and will most likely be held sometime in February. If you cannot appear in person to provide oral or written testimony, you can always contact the respective members of these two committees with your views. Committee membership and schedules are posted on the Texas Legislature’s web site. CPPP will also inform Policy Page subscribers when these hearing are set.

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