State of Connecticut
GENERAL ASSEMBLY

Commission on Children

General Assembly Committee on Appropriations Public Hearing March 20, 2009

Testimony submitted by:

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Proposed S.B. No. 1, An Act Concerning Economic Security for Connecticut Families

S.B. No. 246, An Act Concerning a Commission on Federal Stimulus Distribution

Proposed H.B. No. 5309, An Act Concerning Federal Funds Under the Spending Cap

Senator Harp, Representative Geragosian and members of the Committee:

My name is Elaine Zimmerman. I am here to testify on behalf of the Connecticut Commission on Children in support of three bills: Proposed S.B. No. 1, Committee Bill No. 246, and Proposed H.B. No. 5309.

These bills free up the stimulus distribution from the spending gap, offer oversight of the federal stimulus distribution with participation of both the executive and legislative branches and promote the security of Connecticut families.

The recession is anticipated to cause three million children to fall into poverty. This will trigger $1.7 trillion in long-term losses to the U.S. economy. In Connecticut, more than one-quarter of those using food pantries belong to working families. More than 100,000 children under 12 years of age are at risk of hunger.

Teachers in Waterbury are witnessing more young students coming to school tired and stressed. In Willimantic, school authorities cannot keep up with the number of children who have moved into homeless shelters and who need to be transported to school. In Madison, the number of students receiving subsidized school lunch has gone up dramatically. Some child care centers in Connecticut are closing rooms because families are losing jobs and unable to pay – causing these same families to lack care for their children while they seek job training and employment.

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Children who fall into poverty now will not recover when the economy recovers. The last two recessions reveal that children stay poor for five to seven more years after a recession ends. What we do now as a state – regarding our budget, our policies, and federal support from the stimulus – will influence nearly a decade of children's lives.

We know from the esteemed national panel of bipartisan experts who were brought in by the Poverty and Prevention Council to advise the state on what was proven and efficient to reduce family poverty, that the proven way to reduce poverty is to invest in four major policy areas:

1. Family income and earnings potential
2. Education
3. The income safety net, and
4. Family structure and support.

Some of these policy areas avail themselves in the federal stimulus opportunity. There are federal resources for infant care, housing support, new job training programs, summer youth employment, to name a few.

We need to sandbag the shore to minimize the damage from this recession to children and families. With a coordinated cross sector review of the opportunities, we can impede the damage and bolster choices for families.

Proposed S.B. No. 1 is intended to promote the economic security of Connecticut families. We support this goal. The state must bolster economic security for families, so that the recession can be weathered, families can find work at a fair wage, and children can thrive.

The Commission recommends that the committee incorporate into the legislation some of the strategies to reduce child poverty presented by the bipartisan national poverty experts to the Poverty and Prevention Council. These strategies were approved by the Council, chaired by OPM, as the key proven areas to reduce family poverty. http://www.cga.ct.gov/coc/PDFs/poverty/120707_poverty_report.pdf).

The national experts from Brookings Institution, the University of Michigan , Gerald Ford School of Public Policy, the National Center on Children and Poverty, The National League of Cities, the University of California, Goldman School of Public Policy, The Task Force on Poverty for the Center for American Progress and the Annie E. Casey Foundation, mutually selected these strategies on the basis that they "have a sufficiently strong evidence base to support their potential effectiveness in reducing child poverty." The strategies include expanded rental assistance, supportive housing, expanded health insurance coverage and efforts to assure that eligible parents and children receive the health care for which they are eligible, early childhood education and teacher quality initiatives, education and job training and additional strategies in the areas of income safety net and family support.

Second, the Commission recommends that S.B. 1 establish a formal emergency response to the recession for children and families. The immediate challenges facing families require a coherent and intentional state plan. Without such a response, children and families will fall through the cracks.

When the previous national crisis of 9/11 occurred, Connecticut was a leader in prioritizing a response for children and families in the wake of terrorism (S.A. 02-8). Now it is time for Connecticut to take on this new economic crisis with the success of children and families firmly prioritized as Job #1.

In proposing this emergency response, we have interviewed agencies, families, as well as state and national experts. Their key recommendation is that state leaders work together immediately to craft and carry out a carefully coordinated plan to protect families from economic despair. Another bill, H.B. 6411, contains some of these proposals.

Third, the Commission on Children recommends that S.B. 1 contain provisions to ensure maximization of federal stimulus opportunities. Much of the funding in the stimulus act affects children and families – in health, education, safety, economic security and many other areas. We have identified provisions in the federal stimulus where the amount received by Connecticut will be affected by state budget and policy decisions.

In some cases, our state's impending budget decisions may have a significant impact on the amount of federal stimulus funds to be received. The state needs to go after the stimulus funds in an expeditious manner. It also needs to use "creative accounting" to shift state funds as necessary in order to maximize favorable federal match opportunities in the stimulus act.

Committee Bill No. 246 would establish a Federal Stimulus Distribution Commission (FSDC) to make recommendations concerning the distribution of stimulus funds.

The Commission supports this legislation, which would bring together the expertise of the executive and legislative branches to formulate a coordinated approach to the use of federal stimulus funds. Some funds are being released quickly to states, and competitive grant opportunities are already appearing. It is important for legislators to engage their communities in this process to maximize Connecticut's receipt of stimulus support. The FSDC will provide a focal point for state coordination and communication on this important task.

The Commission recommends that S.B. 246 be amended to specifically reference conditions facing Connecticut's families in the recession and to offer recommendations that use stimulus funds to impede the impact of the recession on children, including but not limited to strategies related to poverty, homelessness, hunger and limited early care and education.

The FSDC should pay close attention to stimulus opportunities for which state budget investments must be increased in order to maximize the enhanced federal level of support established in the stimulus law. Examples include:

- cash welfare, including scheduled TFA COLA (TANF emergency contingency fund)
- subsidized employment (TANF emergency contingency fund)
- non-recurrent short-term assistance (TANF emergency contingency fund)
- FMAP-eligible expenditures (Medicaid)

The TANF emergency contingency fund in the stimulus act reimburses states for 80 percent of the *increased* expenditures in any or all of these areas – which could total up to $133.4 million in additional funding for Connecticut. The stimulus act also provides a temporary but significant increase in the share of the Medicaid program paid by the federal government.

National experts, presenting at our March 10 forum on the federal stimulus act, identified additional opportunities for Connecticut. One such example is the availability of $58.5 million in additional stimulus funding *if* Connecticut adopts any one of the following three policies:

(1) Provide Unemployment Insurance (UI) coverage to workers seeking part-time employment (under current state law, these workers are eligible only if they have a disability),

(2) Make eligible for UI those workers who leave a job due to spouse relocation, or

(3) Provide extended UI benefits while a recipient is in training.

Proposed H.B. No. 5309 is intended to redefine the spending cap to permit the state to accept federal funds. The Commission supports this goal. Under state law, most federal funds that Connecticut receives count against the cap, since the state appropriates both federal and state funds for various programs (e.g., Medicaid) and then counts federal reimbursements as revenues.

New federal funds could push the budget over the spending cap. As a result, there is a disincentive to seek new federal funding. The Commission recommends that H.B. 5309 exclude new federal funds from the cap in their first year, but include them in the budget base, in order to eliminate the disincentive to seeking new federal funds.

Thank you for your consideration of the Commission's views on these important bills.

State of Connecticut
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Federal Stimulus Funding for Connecticut's Children & Families: State Budget Opportunities

March 10, 2009

President Obama signed into law the *American Recovery and Reinvestment Act of 2009* on February 17, 2009. Under this federal stimulus act, Connecticut will receive an estimated $1.65 billion in direct aid and $1.32 billion in Medicaid assistance. The state is eligible for billions more in competitive grants that will be available through various federal agencies.

Much of the funding in the federal stimulus act affects children and families. The law includes funding in health, education, safety, economic security and many other areas.

The Commission on Children has identified provisions in the federal stimulus where the amount received by Connecticut will be affected by state budget and policy decisions. In some cases, our state's impending budget decisions regarding rescissions in the current fiscal year – as well as regarding the upcoming two-year budget – may have a significant impact on the amount of federal stimulus funds to be received.

The following state budget investments should be increased, not decreased, in order to maximize the enhanced federal level of support established in the new stimulus law:

- cash welfare, including scheduled TFA COLA (TANF emergency contingency fund)
- subsidized employment (TANF emergency contingency fund)
- non-recurrent short-term assistance (TANF emergency contingency fund)
- FMAP-eligible expenditures (Medicaid)

In addition, the following budget and policy areas should not be decreased or weakened in order to meet federal stimulus requirements:

- child care: federal stimulus funds for CCDBG may not supplant state funding
- Medicaid eligibility criteria and enrollment/renewal procedures as of 7/1/08
- prompt payment of physicians, hospitals & nursing homes that provide Medicaid services
- Unemployment Insurance: alternative base period must remain to obtain some new funds

Background on TANF emergency contingency fund:

The Temporary Assistance for Needy Families (TANF) emergency contingency fund provides significant new funding for states that increase certain investments for families in need.

Funds are made available through FY 2010 and shall be used to make grants in FY 2009 and 2010 for states in three areas:

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- basic assistance (cash welfare) [caseload increase must also occur to be eligible]
- non-recurrent short term benefits, and
- expenditures for subsidized jobs.

The fund reimburses states for 80 percent of the *increased* expenditures in any or all of these areas. Federal TANF, state Maintenance of Effort (MOE) or a separate state program claimed as MOE expenditures can be used as increased expenditures to receive the federal reimbursement. Examples of increased state expenditures eligible for reimbursement could include the scheduled COLA for TFA recipients, Jobs Funnel and other employment initiatives, emergency shelter and supportive housing services, and helping families pay security deposits or avoid utility shut-offs.

Only increases in Connecticut state budget funding qualify for emergency contingency reimbursement at 80 percent. Conversely, state budget decisions that decrease or flat-fund such investments – rather than increase them – cause our state to miss out completely on that federal support.

Once qualified for reimbursement, the law provides that a state can spend the emergency contingency fund payments in any way that a state can use TANF block grant funding.

There is a limit to the amount of funds to be received. Each state cannot receive more than 50 percent of its TANF Block Grant from the emergency contingency and regular contingency fund over the two-year period.

Background on Medicaid/FMAP increase:

The federal stimulus act provides a temporary increase in the share of the Medicaid program paid by the federal government (Federal Medical Assistance Percentage (FMAP)). The provision will take effect immediately and provide states with assistance over nine calendar quarters (October 1, 2008 through December 31, 2010).

There are three components to the policy. First, each state will be "held harmless" from any drop in its FMAP rate that would otherwise occur under the regular FMAP formula as a result of an increase in its per capita income in years prior to the recession. States with higher incomes have lower FMAP rates than states with lower incomes, so Connecticut's FMAP rate for FY 2009 prior to passage of the Recovery Act was 50 percent.

Second, under the Recovery Act, each state will receive a "base" 6.2-percentage-point FMAP increase. Therefore, Connecticut's FMAP rate over the nine quarters will temporarily increase to 56.2 percent.

Third, states that are experiencing large increases in their unemployment rates — as Connecticut and most states are — will receive an additional FMAP increase that will proportionally reduce the state's share of Medicaid costs by 5.5 percent, 8.5 percent, or 11.5 percent, depending on the size of the increase in unemployment. Each state's eligibility for this additional FMAP increase will be evaluated each quarter based on the most recent unemployment data, with states qualifying for a greater level of assistance if their economic situation worsens. (No state would lose this higher FMAP rate if its unemployment dropped before July 1, 2010.)

Given the increased Medicaid match rate, every eligible state expenditure is worth more in federal reimbursement – and every cut by Connecticut will lose more federal dollars – than ever before. It is important for Connecticut not to cut FMAP-eligible expenditures. It is also essential that the state ensure that it claims federal matching funds for all services that may be reimbursed under Medicaid.