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State of Connecticut
GENERAL ASSEMBLY

Commission on Children

General Assembly Committee on Human Services Public Hearing March 17, 2009

Testimony submitted by:

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Raised Bill No. 1112, An Act Maximizing the Federal Stimulus Funding

Senator Doyle, Representative Walker and members of the Committee:

Thank you for this opportunity to testify on behalf of the Connecticut Commission on Children in support of Raised Bill No. 1112, An Act Maximizing the Federal Stimulus Funding.

The Commission on Children actively works to maximize federal funding for programs that serve Connecticut's children and families. We have been instrumental in identifying and accessing previously untapped federal sources of funding. Last year, the Commission brought to the attention of the General Assembly a federal law that permits states to earn an uncapped 50-cents-for-the-dollar match on a broad range of employment and training services for food stamp recipients. Working with the Commission, the legislature created the framework to accept the funds and ensure that those funds are dedicated to poverty reduction (P.A. 08-161). We estimate conservatively that this program will bring at least $2-3 million annually in federal support for strategies to reduce poverty in Connecticut's towns and cities.

Regarding the federal stimulus act, the Commission on Children is a state leader in identifying strategies to maximize the value of stimulus funds for the state and, particularly, for children and families. Last week, we led a state forum at the Legislative Office Building to examine opportunities in the federal stimulus act to assist families in the areas of poverty reduction, health care, early child care, education, and job creation. Resources from our forum are available on the Commission website at www.cga.ct.gov/coc/stimulus.htm. Attached to this testimony is a Commission on Children document identifying state budget decisions that will affect the amount of federal stimulus support for Connecticut.

The Commission on Children supports Raised Bill 1112, which would require the Department of Social Services (DSS) to account for expenditures of federal stimulus funds and to recommend how the state can maximize federal stimulus funds for the benefit of federally qualified health centers that help individuals lacking health insurance to receive quality health care. As an early and strong supporter of results-based accountability, the Commission believes it is essential for state agencies to chart their strategic work in improving the health of Connecticut residents.

Over the next two years, a total of $2 billion in federal stimulus funding will be invested in Community Health Centers to support renovations and repairs, investments in health information technology and health care services. Because these funds will be made available through competitive grants, the role of DSS in maximizing receipt of such funds is critical.

However, the Commission believes that Raised Bill 1112 should be amended to require reporting by DSS, as well as DSS' recommendations for stimulus maximization, to begin *much* sooner than January 1, 2010. Also we recommend that DSS collaborates with DPH who has oversight over the federally qualified health centers, in order to fully maximize the federal stimulus dollars. The federal stimulus act requires immediate action by states and localities to access federal stimulus funds in all areas, including health. Federal stimulus funds for this purpose are already being released. On March 2, the federal government announced the release of $155 million in stimulus grants to support 126 Community Health Centers across the country. We recommend that the reporting by DSS begin in the current quarter.

The legislation before you is an important strategy to improve the health of Connecticut children and adults, promote accountability, and ensure federal funds maximization. With our recommended change, the Commission on Children urges passage of the bill.

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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.