



CWDA

May 21, 2008

To: The Honorable Denise Ducheny, Chair
Senate Committee on Budget and Fiscal Review

Honorable Members
Senate Committee on Budget and Fiscal Review

From: Frank J. Mecca
Executive Director

Re: Proposed Cut to County Food Stamp Operations – OPPOSE

The County Welfare Directors Association of California (CWDA) OPPOSES the Administration's proposed cut to county Food Stamp eligibility operations. Originally proposed in January, this cut remains in the Administration's May Revision. On top of the cuts already sustained by this program over the past seven years, the Governor's proposal will cause program integrity to suffer, resulting in long delays for Food Stamp applicants and increased risk of federal penalties to the program. Unfortunately, this comes at a time of increased need for the program – Food Stamp applications have risen 11.6 percent in the past year.

Food Stamps Already Substantially Underfunded

Counties have not received increases to reflect the actual cost of operating human services programs on behalf of the state since 2001. These lost funds now total an estimated \$160 million annually (\$66 million General Fund) for the Food Stamp program alone. This puts counties in the untenable position of backfilling the gap with our own limited resources or cutting services that the state expects us to deliver. Our clients are ultimately the ones who bear the brunt of these cuts.

In Food Stamps, this funding loss is exacerbated by overly optimistic savings assumptions related to the implementation of quarterly reporting for recipients. Large amounts of funding were taken from counties for several years, despite evidence that the savings had not materialized due to the complex quarterly reporting structure.

Budget Assumes County Overmatch that is Not Likely to Materialize

Some counties spend more of their local dollars than are necessary to match the available state funding in Food Stamps. This "county overmatch" funding is used to match more federal funds and partially backfill the program cuts that have occurred over the past several years. Not every county can overmatch in this manner, but a number of them do so in Food Stamps because of the severe underfunding in this program.

Note that the budget assumes counties will not only continue our existing \$24 million of overmatch but will *increase* this funding by another \$13.8 million. While counties have been able to make up for some of the lost funding, it is extremely unlikely that we will be able to continue this practice, let alone do more – especially when cuts are being proposed to every county-administered health and human services program, along with mental health, public health, substance abuse treatment, public hospitals and clinics. For these reasons, the cut must be taken at face value and its impacts considered accordingly.

On-the-Ground Impact of Cuts: Delayed Eligibility, Less Outreach, More Errors

The proposed cut would result in the loss of an estimated 250 county Food Stamp eligibility workers statewide. This loss of staff would have the following impacts:

- Delayed eligibility – The cuts would delay the provision of Food Stamp benefits for an estimated 100,000 parents and children each year. These families could wait weeks longer to receive benefits than they would in the absence of these cuts. Services would also be delayed for “immediate need” applicants, who apply for benefits at a moment of severe crisis. Cuts could force these hungry families to wait longer for the Food Stamp benefits for which they are eligible.

In fact, previous underfunding, combined with increasing caseload, is already causing longer waits for families to get benefits. The percentage of cases with eligibility determinations taking more than 30 days has increased from 9 percent in February 2007 to 11 percent in February 2008.

Over time we will see even longer lines in county waiting rooms, ineligible families remaining on the rolls, and more denials of coverage because counties will not have time to work with families to obtain necessary information and documentation to determine eligibility.

- Fewer eligible people receiving Food Stamps – For a number of years, counties have been working collaboratively with food banks, schools, and community organizations to implement and expand Food Stamp outreach activities. These activities are intended to increase the take-up rate for Food Stamps, since California’s take-up rate is lower than many other states. This extended outreach, which counties are not funded to provide, will be impossible to continue (let alone increase) in an environment where simply sustaining day-to-day operations and moving from one immediate crisis to the next is the norm.
- More errors – The federal government measures states on their benefit error rates. Over the past several years, counties worked with the state in an award-winning collaborative effort to reduce error rates and avoid substantial federal penalties. The ability to sustain this high level of performance is already jeopardized due to the continued underfunding of Food Stamps; yet another cut to the program will exacerbate the tenuous position we are already in.

Counties are Accountable for Performance; Federal Penalties Possible

Counties pay 90 percent of any penalties the federal government levies against California due to Food Stamp performance. Counties have worked hard to improve their programs and avoid these penalties over the past several years, despite the ongoing underfunding of Food Stamp operations. As county departments find themselves unable to keep pace with the

ongoing cuts to the program, error rates will begin to rise and the state will eventually find itself in danger of being penalized once again.

In this circumstance, however, the counties are not the ones at fault. It is impossible to sustain high performance in an environment of continual cuts and underfunding on the part of the state. Counties are doing our part by spending more than we need to in order to draw down as many federal matching funds as possible, but this level of commitment cannot be sustained if all county programs are asked to absorb even greater cuts.

For all of these reasons, and in light of the significant under funding of the Food Stamp program, counties must be indemnified against future federal penalties related to performance until the funding crisis is resolved.

Lost Federal Funds

In addition to the potential penalties noted above, the proposal would result in the loss of at least \$20.5 million in federal funding, to the extent that counties cannot backfill the General Fund lost from this program. This amount will increase, and the overall level of funding will drop even further, if counties must pull out existing overmatch from the program and redirect it to make up for cuts to other programs.

The cycle of program disinvestment that the health and human services cuts will touch off is likely to result in a *de facto* cut of far more than 4 percent to Food Stamps administration.

“Relief” Proposal Would Not Significantly Reduce Workload or Mitigate Cuts

The May Revision incorrectly assumes that the workload impact of the reduction proposal would be mitigated by a federal waiver that would replace the existing face-to-face interview with a telephone interview at application and annual renewal for working families. While we strongly support the convenience for clients that this proposal would provide, waiving the face-to-face interview would not result in significant workload savings for counties, since eligibility workers would still need to collect and process all of the same information and forms for a telephone interview.

Some Streamlining Options are Feasible, but Would Not Provide Short-Term Relief

Counties are interested in administrative changes to streamline ongoing client reporting processes, such as pre-populated client reporting forms, or semi-annual client reporting schedules. However, these options require automation system changes that would likely take at least a year to implement in most counties, and would not provide workload relief in 2008-09, when budget cuts and increased caseload will squeeze counties especially hard.

Summary and Conclusion

In summary, we oppose the proposed cut. Our concerns stem from the existing, long-term underfunding of this program, along with highly optimistic assumptions that the cut won't be as deep because counties will spend our own funds to backfill. The concerns are exacerbated by the potential impacts of the cut to applicants and beneficiaries, as well as the potential for federal penalties due to increasing error rates.

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Finally, the proposed federal waiver would not offset the workload impact of the proposed cut. Other streamlining options should be considered, but with an understanding that workload relief cannot be achieved until automation system changes are implemented.

Given all of these issues, and the fact that counties pay 90 percent of federal penalties levied against the state in this program, counties must be indemnified against future penalties. Therefore we are requesting placeholder trailer bill language to indemnify counties against future federal penalties related to performance until the funding crisis is resolved.

We appreciate the opportunity to weigh in on this proposal and look forward to working with you and your staff as the budget process moves forward. Please do not hesitate to contact CWDA if you have any questions regarding this memo.

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