



CWDA

County Welfare Directors Association of California

925 L Street, Suite 350, Sacramento, CA 95814 (916) 443-1749

Frank J. Mecca, Executive Director

Washington, DC Office
Tom Joseph
Waterman & Associates
900 Second Street NE
Washington, DC 20002
(202) 898-1444
tj@wafed.com

To: County Welfare Directors Association of California

From: Tom Joseph, Director, CWDA Washington, D.C. Office

Date: February 11, 2013

Re: Federal Update

Congress and the Administration remain focused on federal budget issues, with agreement reached on dodging one crisis and discussions through the media just beginning on whether and how to avert the across-the-board cuts slated for March 1.

Federal Budget Issues and Deadlines

Debt Limit: Facing a breach of the \$16.4 trillion debt ceiling by mid-February, the House and Senate adopted a bill to 'suspend' the nation's debt limit until May 19. President Obama signed the measure last week.

In early January, Obama indicated that he would not negotiate on spending cuts as a way to garner Republican support to raise the debt ceiling. Republicans decided not to risk the financial market turmoil expected to result if the U.S. defaults. Instead, they pivoted to focusing on sequestration and the expiration of the six-month extension of federal fiscal year (FFY) 2013 funding as points of leverage to try to make additional spending cuts.

Sequestration: Without legislative action, a 5.1 percent cut to domestic discretionary programs will be triggered on March 1, 2013. For defense discretionary programs, the cut is even higher -- 7.3 percent. Entitlements are protected from the cuts and include Medi-Cal, IV-E foster care, SSI, SNAP, TANF and the child support enforcement program.

Even though the sequester was designed to be such bad policy that it was assumed there would be a budget alternative crafted to avoid the cuts, both Democrats and Republicans have not yet entered into any serious budget discussions. Both sides, however, are at least beginning to talk at each through the media about how the cuts would be devastating to individuals, businesses and will stress a slowly improving economy.

President Obama is expected to emphasize the dire impact of the sequester during his February 12 State of the Union speech.

FFY 2013 Spending: On March 27, the six-month extension expires for federal funding for this current fiscal year. As that date approaches, there may be efforts to un-do some of the across-the-board cuts, if indeed they are triggered on March 1 -- and, there will be other efforts to enact further spending reductions before there is an agreement to extend the FFY 2013 appropriations past March 27. Some fiscal conservatives view this deadline as the

best opportunity in the short run to extract spending cuts. Without a FFY 2013 spending extension, there would be a partial federal government shut down.

FFY 2014 Budget Process: The Administration missed the February 4 deadline to submit to Congress its FFY 2014 budget proposals. While the Administration is required by law to submit a budget on the first Monday of February, it has not done so in the last three years. There is no real penalty for not submitting it on time. The Administration is now expected to deliver it sometime in March. They have argued that the uncertainty over the fiscal cliff negotiations late last year made it impossible to craft FFY 2014 proposals.

The budget serves as a broad blueprint of policy and spending priorities and does not have the force of law. The House and Senate will also craft budget resolutions during the spring to outline their visions for revenues and spending, including proposed policy changes to entitlement programs. At this point, it is all but certain that the two houses will be unable to agree upon a single, compromise budget resolution, leaving the House and Senate policymakers serving on the appropriations and policy committees very little reason to work cooperatively.

Health and Human Services Policy Issues

Affordable Care Act (ACA) Proposed Rule: On January 22, 2013, HHS released a 132 page proposed rule addressing a number of Medicaid, CHIP and health insurance exchange issues needing resolution before the ACA becomes effective on January 1, 2014. CWDA is preparing comments that are due on February 21.

Among the items CWDA will comment on is an interpretation by the Centers for Medicare and Medicaid Services (CMS) that the ACA's expansion of Medicaid coverage to former foster youth under age 26 is at a state's option if the former foster youth was not a resident of the state when he/she was in or left foster care. In brief, CWDA will argue that former foster youth be afforded the same parity and consistency with the ACA's provision providing health insurance coverage under a parent's plan for young adults up to age 26, regardless of their state of residence.

Medicaid Protected from Cuts?: Early this month, Gene Sperling, the head of President Obama's National Economic Council, stated that the Administration would protect Medicaid from any budget cuts, including ruling out any cuts the Administration had proposed in earlier budget proposals or in previous budget negotiations with Republicans. Past Administration proposals targeted the financing of the program and did not contain direct cuts to providers or beneficiaries. Proposals advanced over the past few years included blending into one federal rate the various match rates for Medicaid and CHIP and placing additional limits on the amount of revenues states could raise through taxes or assessments on health care entities.

This positive development from the Administration is an attempt to signal to states implementing the ACA that the Administration will not retreat from its commitment to fully fund the federal match for ACA's Medicaid expansion. There is still some concern, however, that some of the financing mechanisms states employ, such as the provider tax mentioned above, may become a bargaining chip if and when discussions begin on entitlement reforms.

TANF WPR Guidelines Remain Under Congressional Scrutiny: Last week, House Ways and Means Committee Chairman Dave Camp (R-Mich.) and Senate Finance Committee Ranking Member Orrin Hatch (R-Utah) sent another letter to HHS Secretary Kathleen Sebelius requesting a response to their numerous requests for justification to allow states to waive the work participation requirements of the Temporary Assistance for Needy Families (TANF) program. Republicans continue to assert that the Administration would waive all TANF work requirements, and have rejected HHS's contention that states that wish to apply for a waiver would have to demonstrate that their program would indeed still advance the goals of moving families into self-sufficiency.

The Ways and Means Committee may consider issuing a subpoena to force HHS to respond if HHS does not provide documents by February 15. This political squabble is also a huge barrier to any discussion of drafting and moving a TANF reauthorization package.