CONNECTICUT VOICES FOR CHILDREN

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Field Hearing of the U.S. Senate Committee on Homeland Security and Governmental Affairs
The American Recovery and Reinvestment Act: Making the Economic Stimulus Work for Connecticut
April 7, 2009

Chairman Lieberman, Ranking Member Collins, and Members of the Committee:

I am honored to present testimony today on behalf of Connecticut Voices for Children, a research-based public education and advocacy organization which works statewide to promote the well-being of Connecticut's children, youth, and families. Thank you for inviting me here this morning to discuss the challenges that our state faces in ensuring that the stimulus funds for health care and education are spent quickly, wisely and fully.

I provide this testimony from the vantage point of our organization's understanding of the Medicaid program and educational systems, in particular, and our work on broader issues related to how we fund government and how we spend our federal and state revenues. We at Connecticut Voices are fortunate to have on staff individuals who have varied backgrounds and advanced degrees in law, education, economics, public health, public policy, and social work.

We know that our state is reeling from the collapse of the financial markets, the slump in the housing market, and the alarming increase in the unemployment rate – now 7.4%. At the same time the Governor and the state legislature are faced with tackling a projected state budget deficit of $8 billion over the next two state fiscal years starting July . Our current yearly services budget is $18 billion. Connecticut's 169 cities and towns in turn are faced with terrible budget choices. The federal stimulus dollars have come none too soon to help our state keep its commitment to children and struggling families.

Connecticut is slated to receive approximately $3 billion in new federal dollars through the American Recovery and Reinvestment Act (ARRA) in order to preserve essential services and to assist our state in saving and creating new jobs during this deep economic recession. Of the $3 billion, Connecticut expects to receive $1.32 billion in additional Medicaid funding during the 27 months covered by the stimulus package – October 1, 2008 through December 31, 2010, and over $500 million in federal educational stabilization funds.

We are heartened to see that federal government agencies, such as the Centers for Medicare and Medicaid Services (CMS) within the U.S. Department of Health and Human Services, and the U.S. Department of Education have already begun to issue guidance to the states on how to take full advantage of the funding opportunities of the stimulus and also comply with the maintenance of efforts provisions, and the stringent reporting and accountability requirements. For instance, the CMS guidance precludes adoption of the Governor's recommendations to impose premiums on low-income parents receiving Medicaid or eliminate simplified application processes that have helped families get on Medicaid more quickly and therefore access need care sooner. Adoption

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of such budget "savings" measures would violate the Medicaid maintenance of effort requirements, and jeopardize our state's ability to access the additional Medicaid funds under the stimulus. The legislature's appropriations committee budget rejects the Governor's recommendations, as well as many others that would reduce health care services to over 450,000 low-income children, families, seniors and persons with disabilities, who rely on our Medicaid program. We would have to cut almost 3 dollars in health care to save a dollar in state funding during the next two years to garner "savings" in Medicaid.

We know that the Obama Administration through conference calls, postings on the federal .recovery. and agency websites, and other outreach efforts, is attempting to communicate quickly and clearly with the many government and non-government stakeholders about what is in the stimulus, and how to take full advantage of the opportunities the new law presents.

We are worried, however, that Connecticut will forego opportunities to utilize all the federal funds available since the state has a long history of leaving federal funding on the proverbial table – whether they are funds for Medicaid, Disproportionate Share Hospital payments, the Children's Health Insurance Program, or others, and because of the opaque nature of Connecticut's budgeting process.

With regard to the State Fiscal Stabilization Fund Program (SFSFP), there will be many challenges to ensure that the money reaches local school systems in time to prevent layoffs and the reduction of essential services to vulnerable children. The detailed Guidance on the SFSFP issued at the end of this past week lays out the steps that states must take in order to receive the funds.

Connecticut's state budgeting process will make it difficult to know how federal stimulus dollars are spent

Connecticut "gross budgets" federal Medicaid and child welfare ("Title IV-E") dollars, and appropriates many of the federal block grant funds. This means that the federal and state dollars are combined in line items of the state budget. For example, the anticipated Medicaid stimulus funds in the form of increased federal medical assistance percentage (FMAP) payments to the state will appear in the "Medicaid" line item in the state Department of Social Services budget. As a result of this longstanding practice of including the federal funds without explanation in the state budget, it will be difficult to track the actual use of the federal stimulus funds. With regard to federal grant funds, the legislature's Office of Fiscal Analysis lumps all federal grant funds together in each agency's budget without explaining which general fund or other appropriate fund programs are receiving the federal monies.

Shelley Geballe, Distinguished Senior Policy Fellow, and co-founder of Connecticut Voices for Children, has submitted recommendations to our state legislature about requiring greater detail in the Governor's budget with regard to the appropriation of federal funds received via federal matching programs, such as Medicaid and Title IV-E, as well grant funded programs.

To meet the transparency and accountability goals of the ARRA our organization has urged the legislature to require that the Governor report how ARRA funds have been incorporated within the state budget in FY 09, FY 10, and FY 11, including

- The total amount of ARRA funds included in each budget line of the General Fund budget; and
- The specific uses to which ARRA funds have been used or are proposed to be used in each fiscal year.

While we support state legislation to convene a state Commission on Federal Stimulus Distribution (Senate Bill 246), your Committee may be interested in the following recommendations Attorney Geballe made to the state legislature to maximize the effectiveness of such a Commission:

- the Commission should be constituted quickly and hold meetings at least monthly;
- the Governor should be required to provide bi-weekly reports to the Commission on her current efforts to respond to the various deadlines, requirements, and competitive grants in the ARRA; and
- the agendas and minutes of the Commission and the Governor's bi-weekly reports to the Commission be posted on Connecticut's ARRA "recovery" website (.recovery.ct.gov/recovery/site/default.) .

The implementation timeline for the ARRA is understandably quite rapid. Establishing the Commission and requiring public reporting of all current efforts to draw down and use ARRA funds would increase markedly transparency and accountability in the use of ARRA funds, a key goal of the federal legislation. It also would help ensure that the funds are put to their highest and best use, and provide the federal government with a window on the state's plans for distribution of the funds.

Thank you for this opportunity to provide testimony today on the implementation of the ARRA in Connecticut. Please feel to contact me or my colleagues at Connecticut Voices for Children if you need further information.