PUBLIC ASSISTANCE REFORM TASK FORCE

Minutes of the 3rd Meeting of the 2019 Interim

October 7, 2019

Call to Order and Roll Call

The 3rd meeting of the Public Assistance Reform Task Force was held on Monday, October 7, 2019, at 3:00 PM, in Room 131 of the Capitol Annex. Senator Stan Humphries, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stan Humphries, Co-Chair; Senator Whitney Westerfield; Representative Russell Webber; Elizabeth Caywood and Bill Wagner.

Guests: Representatives Joni Jenkins and Kim Moser; Matt Weidinger, Resident Fellow, American Enterprise Institute; Meghan McCann, Senior Policy Specialist, National Conference of State Legislatures; Terry Brooks, Executive Director, Kentucky Youth Advocates; Jennifer Hancock, President and CEO, Volunteers of America Mid-States; Anne Polston, Kinship Caregiver from Casey County; Douglas Beard, Director, Division of Family Support, Cabinet for Health and Family Services. Kathy Curtis, Mt. Tabor Benedictines; Amanda Groves, Kentucky Council of Churches; Jessica Hinkle and Erin Kidder, DCBS; Mike Sasko, Softheon Inc.

LRC Staff: Chris Joffrion, Lead Staff, Hillary McGoodwin, Sean Meloney, and Ben Payne.

Approval of Minutes

A motion to approve the minutes of the August 19, 2019 meeting was made by Representative Webber, seconded by Senator Westerfield, and approved by a voice vote.

The Case for Public Assistance Reform

Matt Weidinger, Resident Fellow, American Enterprise Institute, stated that Kentucky House Bill 3 (HB3) would reorient the current allocation of funds from the Kentucky's Temporary Assistance for Needy Families (TANF) program. The TANF funds would be divided 25 percent for childcare; 25 percent for work, education, and training programs; 25 percent for work supports and supportive services; 15 percent for basic assistance; five percent for nonrecurring short-term benefits; and five percent for program maintenance. As of 2018, Kentucky is the only state that devoted a majority (65 percent) of its TANF funds to basic assistance compared to the national average of 21 percent. With the shift of funds towards pro-work related programming and appropriate broad disbursement of funds within TANF, Kentucky would be in line with the intended purposes of TANF and pending federal legislation.

In states which have undertaken to strengthen programs designed to assist adults with going to work, new programming to help recipients to find, enter, and remain in work can be more expensive than basic assistance. It may require spending above the five percent cap for "program maintenance" that HB3 proposes. The very precise funding allocations proposed under HB3 will hinder the current "above cap" spending the state is using for child welfare and basic assistance. If HB3 was to go into effect, and the state did not find alternative funding sources for basic assistance and child welfare, those programs could no longer be funded at their current rate.

HB3's work policy is similar to legislation implemented in Maine which found that after their pro-work activity policy went into effect, Maine saw their TANF, able-bodied adults without dependents caseloads drop by 80 percent. Falling from 13,332 recipients in December 2014 to 2,678 recipients in March 2015.

Mr. Weidinger stated that HB3 includes a measure to place a Supplemental Nutritional Assistance Program (SNAP) recipient's photo on their SNAP electronic benefits card (EBT) to help prevent EBT fraud. HB3 specifies that retailers participating in the food stamp program must ensure that the recipient's photo on the card matches the purchaser. While EBT fraud is a known problem, so is getting the retailers to comply with the various anti-fraud measures, like the photo on the card. This would require the state to institute more oversight on the retailers to ensure compliance with the measures. Massachusetts' implementation of the photo EBT casts doubt on the efficacy of this option. The most prevalent source of waste in the SNAP program occurs through payment errors resulting in agency miscalculation of recipient benefit eligibility. Kentucky is far from having the highest rate of SNAP payment error, the United States Department of Agriculture (USDA) reported Kentucky's rate was 7.17 percent last year, compared to the highest rate of 16.33 percent in Washington, DC.

Mr. Weidinger stated that HB3 would condition eligibility for SNAP and Medicaid benefits on compliance with a new substance abuse screening program. This requirement would provide advantages to both the state and the recipient since 78 percent of all jobs require applicants to pass a drug screening. Illegal drug use disqualifies a person from receiving unemployment insurance, and this condition on assistance should be no different. Limiting the substance use screening to persons with a history of substance use disorder might solve legal concerns by possibly providing just cause. The drug screening focus proposed in HB3 could both limit the cost of the policy on the state but improve the likelihood that persons with a history of substance abuse are not misusing taxpayer funds.

In response to questions from Bill Wagner, Mr. Weidinger stated that the language in HB3 is not similar to any other state legislation that he is aware of but that the federal government has several laws that have incorporated similar language.

Representative Moser commented that drug testing SNAP and Medicaid recipients invokes another barrier to treatment for an already barrier ridden part of Kentucky's population. Representative Moser stated that while the intention behind the drug testing is to benefit the employer and the taxpayer, the recipient would bear the unintended consequences of potentially keeping those persons with substance abuse disorders from seeking any help for themselves or their family. Mr. Weidinger responded that the language in HB3 is targeted in its intended implementation and those unintended consequences are things to consider.

Elizabeth Caywood commented that the state already has a number of drug screening programs and services that do not entail drug testing. Public assistance programs afford many with substance use disorders the financial support to access recovery and rehabilitative services. Both the drug testing and Mr. Weidinger' s support for HB3's requirement for photo identification on EBT cards would be too costly for the state and are a barrier to caregivers, children, and recipients who rely on others to get their groceries.

Ms. Caywood stated that in regards to Mr. Weidinger' s statement on how TANF funds are currently being used by the state and his support for HB3's change in disbursement, those changes would have drastic impact on how the Department for Community Based Services is able to fill in funding gaps for child welfare. Ms. Caywood stated that Mr. Weidinger' s presentation is based on assumptions that there are enough jobs in Kentucky to support a shift to a pro-work assistance model and that this does not address the cyclical problem of people being in low-paying unstable jobs. The Kentucky model should be a practical, human-centric, and specialized program that reaches Kentuckians.

In response to comments from Ms. Caywood, Mr. Weidinger stated that those concerns are all things that need to be considered within the targeted approach of HB3.

In response to questions from Senator Humphries, Mr. Weidinger stated that to create a 10 percent "slush" fund within TANF for poor economic times or anomalous situations, Kentucky could shave two percent the TANF spending categories within HB3.

Benefits Cliffs: What are they and how can we bridge them

Meghan McCann, Senior Policy Specialist, National Conference of State Legislatures stated that benefits cliff are what happens when public benefit programs taper off or phase out quickly as household earnings increase. When income increases, families sometimes lose some or all economic supports. These can include the SNAP, school nutrition programs, health care, child care assistance, TANF, and housing assistance.

Often, the benefit cliff means wage increases result in a net loss of resources or only a small overall increase. For this reason, the benefit cliff is viewed as a disincentive to work. The abrupt reduction or loss of benefits can be very disruptive for families because even though household earnings increased, they usually have not increased to the point of self-sufficiency.

Ms. McCann stated that for families, the cliff effect can create an anchor into, rather than a ladder out of, poverty. They lose more than they gain when they take a job or receive a raise, and their safety net is simultaneously weakened or eliminated. For businesses, it often means perpetually recruiting, hiring, and training for the same entry-level positions. This effect is seen by some, including the U.S. Department of Health and Human Services (HHS), as an effective marginal tax rate on low-income earners, because they do not realize the full dollar-for-dollar value of their earnings.

Ms. McCann stated that New England is emerging as a leader in developing policy solutions to the cliff effect. The six New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont) are tackling benefits cliffs in policy, agency culture, and frontline practice as part of a nationally recognized regional two-generation initiative: A Whole Family Approach to Jobs work group. The work group conducted a nationwide environmental scan to identify administrative policy changes and legislation that have been enacted to address benefits cliffs. Short-term solutions primarily fell into three categories: 1) phasing out benefits slowly, extending certification periods or using sliding fee scales, 2) raising eligibility limits or changing exit/loss of eligibility standards to enable a longer stay on benefits while working, and 3) providing monetary incentives for continued employment or allowing more earned income to be retained.

Ms. McCann stated that policies aimed at mitigating or eliminating benefits cliffs have interrelated goals that together support workers, families, and business while bolstering the economy. The Whole Family Approach to Jobs work group identified a menu of policy options for both state and federal consideration. The state policies are organized into five overarching state policy strategies: 1) mapping benefits cliffs and pathways to financial self-sufficiency, 2) aligning eligibility levels, 3) making work pay, 4) increasing family economic security through asset development, and 5) fostering culture and system changes in the public and private sectors.

Ms. McCann stated that the work group found the median wage to lift a family out of poverty was between $15-$18/hour. While this presents the state with immediate difficulties, the state can implement various tax exemptions and credits to give cliff-bound families a boost. Those exemptions come in the form of 1) earned income tax credits, 2) asset development from escrow accounts and individual development accounts. The state can engage with the labor force, employers, and schools to create a streamlined career pathway as well as looking into the importance of dual-parent income and investing in childcare assistance.

In response to questions from Mr. Wagner, Ms. McCann stated that she did not know where Kentucky ranked for benefits cliffs in relation to the national average, as it not data that is actively tracked.

Senator Humphries commented that the ideal hourly wage to avoid cliffs referenced in Ms. McCann's presentation ($15-$18/hr.) is a rate that the state and employers would be hard pressed to meet.

Public Assistance and Kentucky's Kids

Terry Brooks, Executive Director, Kentucky Youth Advocates, stated that the focus of the state should be on various forms of tax credits and exemptions that help families stay together and children prosper. He fears the emphasis in HB3 on work misses an opportunity to help impoverished Kentuckians without mandatory programming. The state should pursue earned income tax credits which are refundable tax credits for low to moderate income working individuals. Mr. Brooks stated that earned income tax credits have a 2:1 return on revenue. Childcare assistance is an opportunity for the state to invest in programming, similar to what is offered currently to foster parents, as a means to help keep parents at work without sacrificing the care of their children or childcare as a barrier to stable employment. Another avenue the state should consider is the age of youngest child tax exemption which would waive work requirements for TANF recipients after the birth of a child, generally for 3- 12 months.

Anne Polston, a kinship caregiver from Casey County detailed her struggles raising her five grandchildren without any assistance from the state and advocated for a program that mirror the financial assistance given to foster parents.

Jennifer Hancock, President and CEO of Volunteers of America Mid-States, stated that the Volunteers of America has many programs that help low-income, individuals bridge the housing and recovery gap while searching for and also maintaining employment.

An Update on the New SNAP National Accuracy Clearinghouse

Meghan McCann, Senior Policy Specialist, National Conference of State Legislatures explained that the 2018 Farm Bill established the SNAP National Accuracy Clearinghouse (NAC). The clearinghouse is an interstate data system that would aim to prevent multiple issuances of SNAP benefits and could reduce SNAP federal spending by $576 million from 2019-2028. According to the 2018 Farm Bill, all states will be required to join the NAC by December 2021.

Ms. McCann stated that in 2013, five states (Alabama, Florida, Georgia, Louisiana, and Mississippi) participated in a pilot project which looked at four things: impact on dual participation, effectiveness in utilization of the NAC, the Public Assistance Reporting Information System (PARIS), and the return on investment. The pilot project did reduce dual participation across the five pilot states. The effectiveness of utilization of the NAC varied from state to state. NAC proved more successful and efficient than PARIS in preventing and identifying dual participation. The cost savings across the pilot states was $5.6 million in federal overpayment avoidance. States can join the NAC program prior to December 2021, but they would be responsible for funding and would have to receive a waiver from their regional Food and Nutrition office. The startup costs for the five pilot programs were: $29,200 for Alabama, $147,019 for Florida, $35,557 for Georgia, $127,555 for Louisiana, and $330,000 for Mississippi.

Kentucky's Plans for the SNAP National Accuracy Clearinghouse

Douglas Beard, Director, Department for Community Based Services Division of Family Support stated that no states bordering Kentucky participate in the NAC. He explained that for this reason, early participation does not make logistical or fiscal sense but that the Cabinet for Health and Family Services (CHFS) would continue to monitor participation by other states. He reported that Kentucky would be prepared to join the NAC by December 2021 as required by federal laws.

Public Comments

Kathy Curtis, Mt. Tabor Benedictines, stated that as a resident of eastern Kentucky, she would encourage members of the task force to come engage with the people who depend on these programs, in their communities, and get their opinions since they will be directly impacted.

Amanda Groves, Kentucky Council of Churches, stated that she did not like the impression that people who receive benefits are takers. She explained that many people are depending on these funds to survive, especially in light of recent plant closings and layoffs. She echoed the sentiments of Kathy Curtis and encouraged the members to talk to recipients in their communities before making grave changes.

Adjournment

There being no further business, the meeting was adjourned at 5:00 pm.