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ISSUES FOR LHHS HEARING

Update to LFC Special Review of Financial Impact of Debra Hatten-Gonzales (DHG) Lawsuit

- **April 2016 LFC special review:** LFC estimated a general fund financial impact of the DHG lawsuit to be **\$5.4 million** (**\$2.4 million** in additional benefits and **\$3 million** in administrative costs) since 2014.
- **Attorney's Fees:** Two emergency procurements by the Human Services Department (HSD) in May 2016 for Paul Kennedy & Associates, P.C. to provide legal advice regarding the Hatten-Gonzales lawsuit. The two emergency procurements total **\$80 thousand**.
- **Cost of SNAP benefits resulting from DHG lawsuit:** HSD could not provide an estimate for Supplemental Nutrition Assistance Program (SNAP) benefits issued as a result of the DHG lawsuit for the special review. However, in a May 27, 2016 letter to Secretary Earnest, the United States Department of Agriculture (USDA) notified HSD about issues with federal compliance relating to SNAP. The USDA quantified the potential cost of the Hatten-Gonzales lawsuit to the SNAP program stating "***HSD may be liable for incorrectly issuing millions of dollars of SNAP benefits***". The letter notes issues with HSD failure to respond to data requests from the USDA and states that continued noncompliance with federal requirements could result in suspension or disallowance of federal funding.
- **HSD response to USDA:** In a June 14, 2016 letter to the USDA, Secretary Earnest acknowledges the USDA issue with compliance to federal regulation and explains that HSD is barred from denying SNAP applications or closing cases for administrative reasons by a federal court order. The letter explains how federal court orders related to the DHG lawsuit conflict with federal SNAP mandates.
- **Appointment of a Special Master:** In July of 2016, federal court issued an order appointing a special master to assist the parties and the court in HSD's implementation of the consent decree. The special master is accountable to the court. The court order outlines a process for HSD and the Center on Law and Poverty to select the special master. HSD is ordered to pay the special master's salary. It is unclear how costly the special master position will be at this time.