

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0126-01  
Bill No.: HB 42  
Subject: Children and Minors; Public Assistance; Department of Social Services  
Type: Original  
Date: February 24, 2009

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Bill Summary: This legislation modifies the requirements for eligibility and receipt of TANF benefits.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
General Revenue	(Greater than \$460,360)	(Greater than \$100,000)	(Greater than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	(Greater than \$460,360)	(Greater than \$100,000)	(Greater than \$100,000)

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Section 208.038:**

Officials from the **Department of Health and Senior Services** and the **Office of Administration - Budget and Planning** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Department of Mental Health (DMH)** state the DMH does not know how many DMH clients would lose TANF eligibility and MO HealthNet eligibility. If a DMH client loses MO HealthNet eligibility, DMH assumes DMH would pay for the full cost of care. Therefore, DMH assumes the fiscal impact is unknown cost greater than \$100,000 to DMH General Revenue.

Officials from the **Department of Social Services - Legal Services Division** states Family Support Division (FSD) estimates that 10,641 cases would lose eligibility immediately under section 208.038(1). If 10% of those cases ask for an administrative hearing, that would result in an increase of immediate 1,064 hearings.

FSD estimates that an additional 9,313 cases would remain eligible for cash diversion payments for three months under section 208.0308(2). At the end of three months, if not employed, their cases would be closed. If 10% of those cases ask for an administrative hearing, that would result in an increase of 931 hearings 90 days after the legislation takes effect.

FSD estimates that 1,764 cases a year will be affected by the provisions in section 208.038(3). If 10% of those cases request an administrative hearing, this will result in an increase of 176 cases a year. It is possible for DLS to absorb the potential additional hearings with existing staff.

Officials from the **Department of Social Services - Information Technology Services Division (ITSD)** states system modifications will be needed to handle the new eligibility criteria for the TANF program. Modifications will primarily be required to the Family Assistance Management System. The reduction in TA benefits will require adjustment of benefit levels on other programs where TA is counted as income in eligibility determinations (for instance, Food Stamps). ITSD estimates 2,002 hours of system work will be needed. FAMIS is currently under development by contract staff. The average consultant rate for this project is \$80.00 per hour.

$\$80.00 * 2,002 \text{ hours} = \$160,160$  (Not included in FSD fiscal impact)

ASSUMPTION (continued)

Officials from the **Department of Social Services - Family Support Division (FSD)** states the following:

Section 208.038 (1):

As of November 30, 2008, there are 37,811 active TANF cases, of which 26,698 cases are subject to the current five year lifetime eligibility limit. Of those cases, 10,641 have received TANF longer than 24 months and would lose eligibility under this section. This would result in a reduction of TANF spending on cash assistance, but not a savings in TANF or the general revenue maintenance of effort (MOE) funding because all TANF/MOE must be spent on one of the four purposes of the TANF program:

1. To provide assistance to needy families;
2. To end dependence of needy parents by promoting job preparation, work and marriage;
3. To prevent and reduce out-of-wedlock pregnancies; and
4. To encourage the formation and maintenance of two-parent families.

Therefore, FSD anticipates a shift in spending from cash grants to eligible families to other purposes of the TANF program.

Section 208.038 (2):

FSD assumes that "employed" means having earned income as it is not defined in the legislation. The Social Security Act allows 12 activities to count as work activities in meeting the work participation requirement, of which only 3 are employment activities. The 12 activities are: unsubsidized employment, subsidized private sector employment, subsidized public sector employment, work experience if sufficient private sector employment is not available, on-the-job training, job search and job readiness assistance, community service programs, vocational educational training, job skills training directly related to employment, education directly related to employment in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency, satisfactory attendance at a secondary school or in a course of study leading to a certificate of general equivalence in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency, and the provision of child care services to an individual who is participating in a community service program.

FSD estimates there are 16,057 TANF cases (26,698-10,641 ineligible due to sub-section 1) subject to the provisions of Section 208.038(2). Of these cases, FSD estimates that 32% or 5,138 (16,057 x 32%) qualify for a work participation exemption and would remain eligible for TANF cash assistance. FSD estimates that 10% or 1606 cases (16,057 x 10%) have earned income and would remain eligible for TANF cash assistance.

ASSUMPTION (continued)

FSD estimates there are 11,113 TANF cases (37,811 - 26,698) that would remain eligible for TANF because they are not subject to lifetime limits and are not subject to work requirements.

Total cases remaining on TANF: 11,113 cases not subject to lifetime limits + 5,138 cases that qualify for a work participation exemption + 1,606 cases that have earned income = 17,857.

FSD estimates that the remaining 9,313 cases would remain eligible for the cash diversion program for up to 3 months (37,811 active TANF cases as of November 30, 2008 - 10,641 cases closed pursuant to Section 208.038(1) - 11,113 cases not subject to Section 208.038(1) - 5,138 cases that qualify for a work participation exemption - 1,606 cases with earned income).

FSD estimates that 1,653 applications would be approved for cash diversion each month based on November 2008 TANF case approvals that were subject to work participation activities. Therefore, FSD estimates the on-going cash diversion caseload to be 4,959 (1,653 x 3 months) after the initial 9,313 cases lose eligibility for cash diversion after 3 months.

FSD assumes that families who find jobs while receiving the cash diversion assistance would be moved to the regular TANF program and would be allowed the earned income disregards presently available to TANF families who obtain employment while receiving TANF cash benefits.

It is unknown how many of the cases approved for cash diversion will obtain employment during the 3 months of the cash diversion program. However, because "employed" is not defined in the bill, FSD anticipates an increase in individuals accepting low paying, part-time jobs to qualify for TANF cash benefits, but which do not help the individual become self-sufficient. These individuals would not meet work participation requirements, but would move from the cash diversion program to the regular TANF program.

FSD is concerned that under the provisions of this legislation, people who meet the work participation requirements through the activities listed above other than employment will not qualify for TANF. This requirement would mean that many individuals who are involved in work activities, such as educational programs, to prepare for jobs leading the individual to self-sufficiency would no longer qualify for TANF cash benefits.

ASSUMPTION (continued)

FSD feels that the provisions of this legislation would potentially leave a caseload consisting mainly of individuals exempt from the work participation requirements and those employed but not meeting the work participation requirements. Since 50% work participation is required to receive the TANF block grant without a penalty, this type of caseload could have a detrimental effect on TANF block grant funding in Missouri as it would make it much harder to meet the 50% work participation required.

Section 208.038 (3):

An average of 258 cases had newborn children added to the active TANF cases per month, of which 147 cases per month or 1,764 cases per year (147 x 12) would remain eligible after the provisions of sub-section (1) of this l. The amount of cash awarded for adding an individual to an active case is estimated at \$58 per month or \$696 per year (\$58 x 12). If the provisions of this section were implemented, there would be a reduction of TANF spending on cash assistance, but not a savings in TANF funding because all TANF funding must be spent on one of the four purposes of the TANF program.

FSD assumes existing Central Office Program Development Specialists in the Policy Unit will be able to complete necessary policy and/or forms changes.

FAMIS estimates \$200,200 would be needed to make necessary programming changes to accommodate the changes made by this legislation. (Not included in ITSD fiscal impact)

While the provisions of this legislation would result in a reduction of TANF spending on cash assistance, the state maintenance of effort money would have to be re-invested in one of the four purposes of the TANF program or the state would lose the TANF block grant money it currently receives.

FISCAL IMPACT - State Government

FY 2010  
(10 Mo.)

FY 2011

FY 2012

## GENERAL REVENUE FUND

### Costs - Department of Mental Health

Program Costs	(Greater than \$100,000)	(Greater than \$100,000)	(Greater than \$100,000)
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### Costs - Department Social Services

Program Costs-ITSD	(\$160,160)	\$0	\$0
Program Costs-FSD	(\$200,200)	\$0	\$0
Total Costs - DSS	(\$360,360)	\$0	\$0

### **ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**

<b>(Greater than \$460,360)</b>	<b>(Greater than \$100,000)</b>	<b>(Greater than \$100,000)</b>
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### FISCAL IMPACT - Local Government

FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### FISCAL DESCRIPTION

#### **Section 208.038:**

By October 28, 2009, the proposed legislation requires the Department of Social Services to apply for a federal waiver from the United States Department of Health and Human Services to modify eligibility requirements for the Temporary Assistance for Needy Families (TANF) Program. Modifications include reducing the lifetime eligibility limits for recipients from five years to two years and requiring beneficiaries subject to any work requirements to be employed before receiving benefits.

### FISCAL DESCRIPTION (continued)

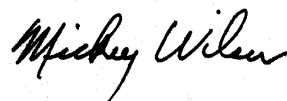
The Department of Social Services is required to establish a cash diversion program for unemployed applicants whose TANF benefits are subject to work requirements. The Department must offer job assistance services for up to three months to unemployed applicants; and if the applicant is using the services, he or she will be eligible to receive up to three equal monthly payments to be paid into the program. Each payment will be the amount the applicant would receive if he or she was eligible for TANF benefits.

A cap on TANF cash benefits for recipients will be based on the number of children in the recipient's family. Additional cash benefits will not be awarded to a recipient in the event of a child's birth after an initial award has been granted, except if a child is born as a result of rape or incest. The Department must offer family planning services to all TANF cash benefit recipients.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Office of Administration - Budget and Planning  
Department of Mental Health  
Department of Health and Senior Services  
Department of Social Services

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
February 24, 2009