

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3101-01
Bill No.: HB 1247
Subject: Children and Minors; Family Support Division; Public Assistance; Department of Social Services
Type: Original
Date: February 15, 2010

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(\$376,376 to Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$376,376 to Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

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. Treatment costs per person in a CSTAR program is \$3,194 (\$1,144 General Revenue and \$2,050 Federal). For example, the Division of Alcohol and Drug Abuse served 641 TANF recipients in FY 2009. However, it is difficult to estimate how many of these individuals would be impacted by this legislation. Therefore, DMH assumes an unknown cost.

Officials from the **Department of Social Services-Division of Legal Services (DLS)** states in late 2008, FSD estimated that 10,641 cases would lose eligibility immediately under section 208.038(1). If 10% of those cases requested an administrative hearing, the result would be an immediate increase of 1,064 hearings.

In late 2008, FSD estimated that an additional 9,313 cases would remain eligible for cash diversion payments for three months under section 208.030(2). At the end of three months, if not employed, their cases would be closed. If 10% of those cases requested an administrative hearing, the result would be an increase of 931 hearings 90 days after the legislation takes effect.

In late 2008, FSD estimated that 1,764 cases a year would be affected by the provisions in section 208.038(3). If 10% of those cases requested an administrative hearing, the result would be an increase of 176 cases a year.

The significant implications to DLS would be in the short term, with the potential for well over 1,000 hearings requested within the first ninety days. In the long term, those hearing requests would be a very minor increase, which could be absorbed with existing staff.

Oversight notes DLS assumes the proposal would have no fiscal impact on their Division.

ASSUMPTION (continued)

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(FAMIS). 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).

Level of Effort (guess estimate) for the changes required in the TANF program:

(1) Reduce the Lifetime eligibility limits for TANF recipients from five years to two years:

<u>Functions</u>	<u>Work effort in Hrs</u>
Time tracking batch	60
Determination	40
Time tracking screen	60
Time tracking notices	120
Any actions for the existing case who are over 24 months	100
TA online conversion	40
Extracts and Reports	<u>120</u>
	<u>540</u>

(2) Modification of the work requirements for TANF recipients and applicants:

<u>Functions</u>	<u>Work effort in Hrs</u>
Determination	120
Work Requirement Screen	60
Work Requirement Criteria	80
Notices	120
Authorization	80
Payments	60
Funding code process	80
Extracts and Reports	<u>100</u>
	<u>700</u>

ASSUMPTION (continued)

(3) Cap on TANF cash benefits based on number of children in the recipient's family:

<u>Functions</u>	<u>Work effort in Hrs</u>
Income Determination	80
Determination process	40
Capture of exceptions	80
Any conversion for existing cases	100
Notices	80
Any exparte to do family planning services	80
Extracts and Reports	<u>120</u>
	<u>580</u>

Estimate of all 3 changes: 1,820 hours X Risk (10%) = 182; Total Estimate: 2,002

Additional effort to adjust Food Stamp benefits due to the decreased TA income = 120 hours to program and execute the benefit adjustment and 80 hours to develop and generate notices to Food Stamp recipients. Anticipating this effort to be performed by FTE's.

FAMIS is currently under development by contract staff. The average consultant rate for this project is \$88.00 per hour.

$\$88.00 * 2,002 \text{ hours} = \$176,176$

NOTE: All software development would be completed in FY 2011 so projecting no additional expenses beyond that time for OA-ITSD-DSS.

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

Section 208.038 (1): As of September 30, 2009, there are 40,231 active TANF cases, of which 29,061 cases are subject to the current five year lifetime eligibility limit. Of those cases, 11,109 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:

SEC:LR:OD (12/02)

ASSUMPTION (continued)

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 equivalency 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 17,952 TANF cases (29,061-11,109 ineligible due to sub-section 1) subject to the provisions of Section 208.038(2). Of these cases, FSD estimates that 29% or 5,206 (17,952 x 29%) qualify for a work participation exemption and would remain eligible for TANF cash assistance. FSD estimates that 10% or 1,795 cases (17,952 x 10%) have earned income and would remain eligible for TANF cash assistance.

FSD estimates there are 11,170 TANF cases (40,231 - 29,061) 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: 11,170 cases not subject to lifetime limits + 5,206 cases that qualify for a work participation exemption + 1,795 cases that have earned income = 18,171.

FSD estimates that the remaining 10,951 cases would be eligible for the cash diversion program for up to 3 months (40,231 active TANF cases as of September 30, 2009 - 11,109 cases closed pursuant to Section 208.038(1) - 11,170 cases not subject to Section 208.038(1) - 5,206 cases that qualify for a work participation exemption - 1,795 cases with earned income).

ASSUMPTION (continued)

FSD estimates that 1,913 applications would be approved for cash diversion each month based on September 2009 TANF case approvals that were subject to work participation activities. Therefore, FSD estimates the on-going cash diversion caseload to be 5,739 (1,913 x 3 months) after the initial 10,951 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.

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 283 cases had newborn children added to the active TANF cases per month, of which 163 cases per month or 1,956 cases per year (163 x 12) would remain eligible after the provisions of sub-section (1) of this legislation. 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.

ASSUMPTION (continued)

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.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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GENERAL REVENUE FUND

<u>Costs - Department of Mental Health</u>			
Program Costs	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Department Social Services</u>			
Program Costs-ITSD	(\$176,176)	\$0	\$0
Program Costs-FSD	<u>(\$200,200)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Costs - DSS</u>	<u>(\$376,376)</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$376,376 to Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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:

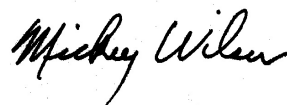
By October 28, 2010, this legislation requires the Department of Social Services to apply for a federal waiver from the United States Department of Health and Human Services to modify the eligibility requirements for the Missouri Temporary Assistance for Needy Families (TANF) Program to:

- (1) Reduce the lifetime eligibility limits for recipients from five years to two years and require beneficiaries subject to any work requirements to be employed at the time of receiving any TANF benefits;
- (2) 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 monthly payments equal to the amount the applicant would be eligible to receive if he or she was a TANF recipient; and
- (3) Establish a cap on TANF cash benefits for recipients that is 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



L.R. No. 3101-01
Bill No. HB 1247
Page 10 of 10
February 15, 2010

Mickey Wilson, CPA
Director
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