

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1578-01  
Bill No.: HB 654  
Subject: Public Assistance  
Type: Original  
Date: February 9, 2015

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Bill Summary: This proposal requires any person seeking temporary assistance for needy families benefits to engage in work activities before becoming eligible for benefits.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$84,225)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$84,225)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<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>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to similar legislation from the current session, SB 24/LR # 0498-01, officials from the **Department of Social Services (DSS), Family Support Division (FSD)** provided the following:

#### §208.026.1 - Work Activities Prior to Eligibility for Benefits

This section requires applicants of the temporary assistance program (Temporary Assistance for Needy Families or TANF) to engage in work activities before becoming eligible for benefits, unless the individual is exempt from the work requirement.

FSD would utilize the Missouri Work Assistance (MWA) contractors to determine compliance with work activities for applicants; therefore, case management system changes (MWA system) would be required and additional funding to contractors to work with applicants would be necessary. This would also require eligibility system changes in FAMIS (Family Assistance Management Information System).

In October 2014, 3,295 temporary assistance applications were received. There were 20,716 temporary assistance (TA) participants subject to work requirements in October 2014, and 4,497 met exemptions/exclusions from work participation requirements ( $4,497 / 20,716 = 21.7\%$ ). Since 21.7% of the TANF population subject to work requirements are exempt/excluded, FSD assumes approximately 21.7% of applicants would also be exempt/excluded from participating in work activities ( $3,295 \times 21.7\% = 715$ ). Therefore, 2,580 applicants per month would be subject to work activities (3,295 applicants – 715 exempt/excluded applicants).

The MWA contracts total \$22,268,652 per fiscal year or approximately \$1,855,721/month ( $\$22,268,652 / 12$  months). The average cost per TA participant per month would be \$114 [ $\$1,855,721$  average monthly cost/ 16,219 participants (20,716 TA participants subject to work requirements - 4,497 exempt/excluded TA participants = 16,219) = \$114.42 (rounded down)]. Using the average cost for TA participants as the base for implementing this section would result in an average monthly cost of \$294,120 ( $\$114$  average cost X 2,580 applicants) for TA applicants to engage in work activities prior to becoming eligible for benefits.

ASSUMPTION (continued)

MWA Contracts per fiscal year	\$22,268,652
Cost per month	\$1,855,721
Individuals per month	16,219
Cost per participant	\$114
Applicants per month	<u>2,580</u>
Cost per month:	<u>\$294,120</u>

Since the MWA program meets the criteria for one of the four purposes of the TANF program, this cost could be covered with the savings from the reduction in cash assistance benefits as a result of other requirements in Sections 208.026 and 208.040.

**Oversight** notes that section 208.040 is not in HB 654. However, Oversight assumes the costs in this section would be covered by savings from other provisions in 208.026.

FSD submitted the Office of Administration (OA), Information Technology Services Division's (ITSD) response for all sections of this legislation. OA-ITSD staff state this section of the proposal will require changes to the FAMIS and MWA systems.

FAMIS has technical eligibility factors in place to verify sanctions and person declarations. Based on the requirements listed under this topic, ITSD estimates a cost of **\$55,875** (745 contractor hours X \$75/hr).

§208.026.2-3 - Non Cooperation with Work Activity Requirements

FSD states these sections require the DSS to sanction the entire temporary assistance grant if a participant is not meeting the work requirements for a minimum of one month. To remove the sanction, the participant must perform thirty consecutive days of work activities. If the sanction is not cured, the case will close.

45 CFR 261.31 states that a person is meeting the work requirement if they participate in work activities during the month for a minimum average of thirty hours per week. Since the federal requirement is based on hours per week, implementation of this legislation will require individuals to meet federally required work participation hours in addition to meeting thirty consecutive days of work activities.

In October 2014, there were 8,996 participants sanctioned for not meeting the work requirements. Of these participants, 2,281 have been sanctioned for three or less months. FSD assumes approximately 760 participants could have their cases closed per month. ( $2,281/3 = 760.33$ ).

ASSUMPTION (continued)

This will result in a savings from \$6,213,444 (2,281 participants x \$227 average monthly TA grant x 12 months) to \$24,505,104 (8,996 participants x \$227 average monthly TA grant x 12 months). Please note that savings obtained due to this sanction may duplicate other savings due to the time limits of the program.

FAMIS system changes would be needed to sanction the entire grant amount for one month while the participant remains on the caseload in sanction status. Missouri currently reduces the TA grant by 25% while in sanction status. This legislation proposes closing the entire case. 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.

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

OA-ITSD states that under section 208.026.2, it may be possible to use the same screen that would be used under subsection 1 above to meet this requirement. If that gets too complex, then a new screen will have to be designed for this and new processes should be included in the technical determination – this should only be for those TANF recipients that got sanctioned.

Section 208.026.3 should be covered by level of effort (LOE) provided for subsections 1, and 2 above. IT contractor costs are estimated to be **\$28,350** (378 contractor hours X \$75/hour).

§208.026.4 – Eligibility for Other Social or Support Services

There are no changes or fiscal impact as a result of this section.

Supportive services would be allowed for those who are sanctioned for failure to comply with the work requirement.

§208.026.5 – Authority to Promulgate Rules:

There is no fiscal impact to this section.

ASSUMPTION (continued)

In summary, the following costs are associated with section 208.026:

**OA-ITSD:**

<u>Section</u>	<u>Cost</u>	<u>Contract Hours @\$75/hour</u>
208.026.1	\$55,875	745 hours
208.026.2-3	<u>\$28,350</u>	<u>378 hours</u>
208.026 total	\$84,225	1,123 hours

**Oversight** notes the DSS estimate of IT costs to implement this proposal was based on the current state contract rate for IT consulting services. DSS officials told us OA-ITSD had informed them employees would not be available in FY 2016 for projects required to implement new legislation and contractors would be required.

**Oversight** notes all program costs related to recipient benefits under the TANF programs are 100 % federally funded. Only the administrative costs associated with implementing the program changes resulting from this proposal are costs to the state.

Officials from the **Joint Committee on Administrative Rules** do not anticipate the proposal to have a fiscal impact on their organization beyond its current appropriation.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b>			
<u>Costs - OA-ITSD</u>			
Programming and system changes (\$208.026)	<u>(\$84,225)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$84,225)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### FISCAL IMPACT - Small Business

If small businesses are Missouri Work Assistance contractors, they could be positively impacted because TANF applicants would be expected to participate in work activities before becoming eligible for TANF. However, small retail businesses may be negatively impacted if recipients lose TANF funds for not complying with work criteria.

### FISCAL DESCRIPTION

This proposal specifies that beginning January 1, 2016, any parent or caretaker seeking assistance under the Temporary Assistance for Needy Families Program (TANF) must engage in work activities before becoming eligible for benefits, unless the individual is otherwise exempt from the work requirement.

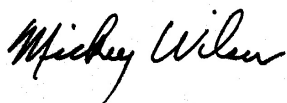
If after an investigation the department determines the parent or caretaker is not cooperating with a work activity requirement under the TANF program, the department must immediately apply a sanction terminating the total amount of temporary assistance benefits to or for the individual and his or her family for a minimum of one month. During the month of sanctions, the individual must remain on the caseload in sanction status. To cure the sanction, he or she must perform 30 consecutive days of work activities. If the individual does not cure the sanction, the case must be closed.

To return to the TANF program after having been sanctioned off the caseload, the parent or caretaker must complete 30 days of work activities within 40 days of the temporary assistance eligibility interview. These provisions do not prohibit the state from providing child care or any other related social or support services for the individual who is eligible for financial assistance but to whom that assistance is not paid because of his or her failure to cooperate with the work activity.

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

Department of Social Services -  
Family Support Division  
Joint Committee on Administrative Rules



Mickey Wilson, CPA

Ross Strope

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Director  
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Assistant Director  
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