

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1578-02  
Bill No.: HCS for HB 654  
Subject: Public Assistance  
Type: Original  
Date: March 16, 2015

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Bill Summary: This proposal changes the laws regarding nonmedical public assistance.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Could exceed \$97,200)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Could exceed \$97,200)</b>	<b>(Unknown)</b>	<b>(Unknown)</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 12 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>
Federal	(\$32,400)	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$32,400)</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**

Officials from the **Department of Social Services (DSS)** provide the following assumptions:

#### **208.026.1 - Work Activities**

This section defines work activities to have the same meaning as defined in 42 U.S.C. Section 607(d). In addition, it includes a provision for the Family Support Division (FSD) and the Department of Economic Development to create a method for Temporary Assistance for Needy Families (TANF) participants to utilize the employment database jobs.mo.gov, and to track the results. This section also adds what job search and readiness assistance will include.

FSD assumes this requirement could be completed with a memorandum of understanding between DSS and the Department of Economic Development (DED) Some costs may be associated with implementing a tracking method.

#### **208.026.2 - Work Activities Prior to Eligibility for Benefits**

This section requires applicants for the temporary assistance (TA) program to engage in work activities before becoming eligible for benefits, unless the individual is exempt from the work requirement.

13 CSR 40-2.370 and 40.2.315 (1) will need to be updated to reflect that the applicant must be engaged in work activities as defined in 42 U.S. C. Section 607 (d) prior to becoming eligible for benefits.

FSD would utilize the Missouri Work Assistance (MWA) contracted entities to determine compliance with face to face requirements and work activities for applicants. Therefore, case management system changes (MWA) would be required and additional funding to contracted entities to work with applicants would be necessary.

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

The MWA contracts total \$22,268,652 per fiscal year. Using the average cost for temporary assistance participants as the base for implementing this section, this results in an average cost of \$294,120 per month for temporary assistance applicants to engage in work activities prior to

ASSUMPTION (continued)

becoming eligible for benefits. [ $\$22,268,652 / 12 \text{ months} = \$1,855,721 \text{ per month} / 16,219$  individuals (20,716 TA participants subject to work activities - 4,497 exempt individuals) = \$114 per participant.  $\$114 \times 2,580 \text{ applicants per month} = \$294,120 \text{ per month}$ ]. 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.

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	2,580
Cost per month:	\$294,120

**208.026.3 - Non Cooperation with Work Activity Requirements**

This section requires an investigation to determine that a person is not cooperating with work requirements. A representative of the department shall attempt to meet with the participant face-to-face to explain the ramifications of the impending sanction if it is determined they are not meeting the work requirement. After such, the participant shall have six weeks to comply with the work activity requirement during which no sanction is imposed. If compliance is not met, 50% of the amount of TANF benefits will be sanctioned for a maximum of ten weeks. During the ten week period, the case remains in sanction status and a representative of the department must meet face-to-face with the person to explain the imposed sanction and how to cure the sanction. In order to cure the sanction during that ten week period, the person must participate a minimum average of thirty hours per week for one month as described in 45 CFR 261.31(d). If the person does not comply, the case is closed.

In January 2015, there were 8,732 participants sanctioned for not meeting the work requirements. Of these participants, 4,062 would be removed from TANF due to implementation of the 30 month lifetime limit in Section 208.040.5(5). The remaining 4,670 sanctioned participants (8,732 sanctioned participants - 4,062 at life-time limit) could lose 50% of their grant for a maximum of ten weeks.

There would be a savings from this 10 week sanction period of \$1,330,950 [4,670 sanctioned participants x \$114 (half of the average temporary assistance grant) x 2.5 months]. However, it is reasonable to assume that some participants will attempt to cure the sanction by complying with the work requirements before the entire case closes. Using a six month average, approximately 4% of sanctioned participants per month currently comply with Missouri Work Assistance and meet work requirements. Therefore, FSD assumes that 187 (4,670 x 4%) of these individuals would comply prior to the end of the ten week period of the 50% benefit reduction sanction being imposed. FSD assumes the remaining 4,483 (4,670 sanctioned participants - 187

ASSUMPTION (continued)

complying with work requirements) cases would close for the remaining 9.5 months of the year for non-compliance with the work requirements. This savings would amount to \$9,667,590 [4,483 sanctioned participants x \$227 (the average temporary assistance grant) x 9.5 months] Total annual savings would be \$10,998,540 (\$1,330,950 10-week sanction period savings + \$9,667,590 closed case savings).

FSD assumes the MWA providers will meet with participants to discuss ramifications of potential sanctions and how to cure any sanctions imposed.

MWA system changes would be needed to track the six week period to become compliant with work requirements, and Family Assistance Management Information System (FAMIS) system changes would be needed to sanction 50% of the grant amount for ten weeks while the participant remains on the caseload in sanction status, as currently the grant is reduced by 25%.

Missouri currently reduces the temporary assistance grant by 25%. This legislation proposes closing the entire case after up to ten weeks of a 50% grant reduction. 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.

The **Division of Legal Services (DLS)** anticipates that additional administrative hearings may be requested resulting from non-compliance with the work requirements. Using January 2015 as a reference, 8,732 participants were sanctioned in the month. Of those, FSD projects 4,062 participants will be removed from TA due to implementation of the 30 month lifetime limit. The remaining 4,670 participants per month could be sanctioned for a fifty percent reduction of their TANF grants for a maximum of ten weeks. Assuming ten (10%) percent of those participants request a hearing, DLS anticipates that the legislation would result in at least 467 additional hearing requests annually. DLS believes that it will take approximately two hours to conduct each hearing required by this proposal. This will include hearing preparation, the actual hearing and the writing and reviewing of the hearing decision. The hearings should not require complex evidence or facts. DLS assumes hearing officers can hold approximately 900 hearings per year. This would result in the need for 0.45 additional hearing officers ( $467/900 = .51$ ). This additional need will be absorbed within existing resources.

ASSUMPTION (continued)

Additionally, any who did not comply will have their TANF case closed after the fifty percent reduction of their TANF grant. This will provide for another opportunity to request another hearing. 4,670 participants could have their TANF grants closed. Assuming ten (10%) percent of those participants request a hearing, DLS anticipates that the legislation would result in at least 467 additional hearing requests annually. DLS believes that it will take approximately two hours to conduct each hearing required by this proposal. This will include hearing preparation, the actual hearing and the writing and reviewing of the hearing decision. The hearings should not require complex evidence or facts. DLS assumes hearing officers can hold approximately 900 hearings per year. This would result in the need for 0.5 additional hearing officers ( $467/900 = .51$ ). This additional need will be absorbed within existing resources.

DSS provided the **Office of Administration (OA), Information Technology Services Division (ITSD)** response. ITSD state it is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.

ITSD states section 208.026.2 and .3 would require changes to the FAMIS system. It is estimated that contract IT consultants will require 378 hours to make the changes at the contract rate of \$75/ hour. Therefore, estimated General Revenue (GR) costs for this section is \$28,350.

In addition, FSD would utilize MWA contractors to determine compliance with work activities for applicants. Therefore, case management system changes would be required and additional funding to contractors to work with applicants would be necessary. This would also require eligibility system changes in FAMIS. These MWA-related changes are expected to require 367.2 hours contract IT consultants X \$75 or \$27,540 in GR funds.

**208.026.4 - Returning to TANF Program**

This section states after having been sanctioned and the case closing, the person must complete a minimum average of thirty hours per week within one month of the eligibility interview.

This will have no impact on FSD or DLS.

**208.026.5 - Eligibility for Other Social or Support Services**

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

This will have no impact on FSD or DLS.

ASSUMPTION (continued)

ITSD states the screen mentioned under subsection 1 can be reused for 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 - and this should only be for those TANF recipients who got sanctioned off.

It is estimated this should have no cost, but if changes are necessary it would require 378 hours contract IT consultant time X \$75/ hour or \$28,350 to the GR fund.

**208.026.6 - Once-in-a-lifetime Benefit for Two-parent Families**

This section disregards the income and assets of a new spouse of a TA recipient for six months.

In January 2015, there were 26,382 single parent temporary assistance households and 3,206 were married. ( $3,206 / 26,382 = 12\%$ ).

The FSD believes there will be an increased cost to continue to cover some of these families, at most this cost would be \$4,366,572 ( $\$227 \times 3,206 \times 6$  months). This cost would be offset by savings in other sections. FSD anticipates the cost to be less than the maximum of \$4,366,572.

ITSD states the changes to FAMIS as a result of these provisions will require 172.8 contract IT Consultant hours X \$75/hour or \$12,960 in GR.

**208.067.1 (1) and (2) - TANF Funding Set-aside**

DSS would be required to set aside at least 2% of the TANF federal funding received to fund the alternatives-to-abortion services program and alternatives-to-abortion public awareness program. DSS would contract for these services, giving preference to not-for-profit entities that promote one or more of the four purposes of TANF.

DSS would be required to set aside at least 2% of the TANF federal funding received to fund healthy marriage promotion activities and activities promoting responsible fatherhood. DSS would contract for these services, giving preference to not-for-profit entities that promote one or more of the four purposes of TANF.

**208.067.2 - TANF Funding to Supplement Other Sources**

The intent of the general assembly is to supplement existing sources of funding for the above services rather than supplant current funding sources.

DSS is required to utilize TANF funding in a manner that meets one of the four purposes of TANF:

ASSUMPTION (continued)

1. provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
2. end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. encourage the formation and maintenance of two-parent families.

In order to receive TANF funding, contractors would be required to provide services that meet one of the four purposes described above and meet TANF block grant requirements.

The annual TANF block grant is \$217,051,740. DSS would be required to set aside \$4,341,035 for the alternatives-to-abortion services and awareness programs, and \$4,341,035 for activities promoting healthy marriage and responsible fatherhood. ( $\$217,051,740 \times 2\% = \$4,341,034.80$  rounded up).

TANF block grant funding is federal funding, therefore, there is no fiscal impact as a result of these sections. If savings in other sections do not off-set any increased expenditures from this section, other services funded by TANF would have to be reduced.

ITSD contract consultant costs are summarized as follows:

<u>Section</u>	<u>Hours</u>	<u>Rate</u>	<u>Total GR</u>
208.026.2 and .3	378	\$75	\$28,350
208.026.2 and .3	367	\$75	\$27,540
208.026.4 and .5	378	\$75	\$28,350
208.026.6	<u>173</u>	\$75	<u>\$12,960</u>
Total	<u>1,296</u>		<u>\$97,200</u>

ITSD notes that if the changes required under 208.026.2 and .3 are implemented together, costs can be reduced by 68 hours X \$75 or \$6,300. However, for fiscal note purposes, ITSD was asked to separate the fiscal note into each section. Each section is assumed to be implemented separately.

For fiscal note purposes, **Oversight** will present ITSD costs as "Up to \$97,200" to the General Revenue Fund since some savings may be obtained if all of the changes are made at one time.

Officials from the **Department of Economic Development (DED), Division of Workforce Development (DWD)** states section 208.026 would initially require one FTE to dedicate approximately 50% of their time for set up, training, running reports and maintaining information regarding TANF on jobs.mo.gov. This section would also require the Information Technology Services Division to have an initial investment of time with an ongoing charge for servers.



ASSUMPTION (continued)

**Oversight** assumes DED-DWD would not hire 0.5 FTE Workforce Development Specialist and would delegate the additional duties to existing staff.

DED-DWD provided the response for the **Office of Administration (OA), Information Technology Services Division (ITSD)**. ITSD states it is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity. It is assumed that it will take IT consultants 432 hours at the contract rate of \$75/hour to make modifications to the Toolbox system. Changes would meet the need for providing services to track individual performance, creating records for outcome evaluation, generating reports and securely transferring data between agencies. The total costs for this proposal would be \$32,400 charged to Federal Funds.

Officials from the **Department of Elementary and Secondary Education (DESE)** state a mandatory TANF work requirement would certainly increase referrals to Vocational Rehabilitation (VR) for service. Without further information on how many individuals with disabilities would generate a referral, the cost is unknown. VR would also need to establish a protocol to report shared client TANF participants confirming participation in work activities.

Officials from the **Department of Labor and Industrial Relations** and **Joint Committee on Administrative Rules** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **OA, Commissioner's Office** and the **Office of Secretary of State** did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE</b>			
<u>Costs - DESE (§208.026)</u>			
Increase in vocational rehabilitation services	(Unknown)	(Unknown)	(Unknown)
<u>Costs - OA-ITSD (§§208.026)</u>			
IT contract costs	<u>(Up to \$97,200)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(Could exceed \$97,200)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>FEDERAL FUNDS</b>			
<u>Costs - DED/OA-ITSD (\$208.026)</u>			
IT consultant costs	<u>(\$32,400)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>(\$32,400)</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. In addition, small business retailers could be negatively impacted when the SNAP waiver expires and certain recipients only receive food stamp benefits for three months.

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 that a parent or caretaker is not cooperating with a work activity requirement under the 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.

FISCAL DESCRIPTION (continued)

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.

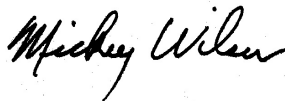
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
Department of Elementary and Secondary Education  
Department of Labor and Industrial Relations  
Department of Social Services -  
    Family Support Division  
    Division of Legal Services  
Joint Committee on Administrative Rules  
Office of Administration -  
    Information Technology Services Division

**Not Responding:**

Office of Administration -  
    Commissioner's Office  
Office of Secretary of State



Mickey Wilson, CPA  
Director

Ross Strobe  
Assistant Director

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