

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0498-01
Bill No.: SB 24
Subject: Family Services Division; Public Assistance
Type: Original
Date: January 20, 2015

Bill Summary: This proposal modifies provisions of law relating to the Temporary Assistance for Needy Families program and Supplemental Nutrition Assistance Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
	(\$285,682)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$285,682)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenses in FY 2016 less than \$100,000 and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	2.5	0	0
Total Estimated Net Effect on FTE	2.5	0	0

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

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS), Family Support Division (FSD)** provide 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.

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>

ASSUMPTION (continued)

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.

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. ($2,281/3 = 760.33$). 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.

ASSUMPTION (continued)

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.

§208.040.5 (5) – Reduction of Lifetime Eligibility Limit

This section modifies the eligibility for the TANF program to reduce the lifetime eligibility limit from five years to two years.

As of October 2014, there are 22,551 active TANF cases, of which 21,038 cases are subject to the current five year lifetime eligibility limit. Of those subject to the lifetime limit, 9,698 have received TANF longer than 24 months and would lose eligibility under this section. This would result in a reduction in TANF spending on cash assistance, but not a cost 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.

Savings resulting from this reduction would equal \$26,417,352 (9,698 cases x \$227 average monthly temporary assistance grant x 12 months). FSD anticipates a shift in spending from cash grants for eligible families to other purpose of the TANF program.

OA-ITSD states this section requires changes to FAMIS in the lifetime limit coding. Total costs are estimated to be **\$6,450** (86 contractor hours X \$75/hr).

ASSUMPTION (continued)

§208.040.5 (6) – Cash Diversion Program

FSD is unsure how many temporary assistance participants would opt to participant in a cash diversion program in lieu of cash assistance. This would result in a reduction in TANF spending on cash assistance due to some participants receiving only 3 months as a lump sum instead of 12 months of cash assistance. In addition, this would result in a reduction of TANF spending on cash assistance, but not a cost 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.

OA-ITSD states that programming is required to implement a diversion program in the FAMIS eligibility system. ITSD will add a new lump-sum payment plan instead of monthly payments. 2,160 Contractor hours x \$75/hr = **\$162,000**.

§208.040.5 (7) – Temporary Assistance Benefits for Felons

This section states that no person found guilty of a dangerous felony is eligible for temporary assistance benefits. While the person with the felony would no longer be eligible for benefits, children of any parent/caretaker found guilty of a dangerous felony would continue to be eligible to receive temporary assistance. This may result in a reduction of TANF spending on cash assistance, but not a cost 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. Although this may result in a short-term reduction in cash assistance payments, there may not be a long term reduction in these cash payments because, although the adult is not receiving assistance, the family would no longer be subject to the life-time limit. Children can receive cash assistance until they are 18 years of age.

FSD anticipates any reduction in cash grants would be used for another purpose of the TANF program.

ITSD states this will be included in the TANF application control flow and based on the actual requirements. 173 contract hours X \$75/hr = **\$12,975** estimated IT costs.

§208.244.1 – Waiver of the Work Requirements for SNAP

This section removes the waiver of the work requirements for the Supplemental Nutrition Assistance Program (SNAP), or Food Stamp (FS) program.

ASSUMPTION (continued)

Applying the work requirement policy is labor intensive for staff and would require staff training. FSD assumes the training will be provided online and FSD would absorb the costs of the development of the training and the additional duties for field staff to verify that work requirement are met for approximately 45,000 (October 2014) participants subject to the work requirement.

Costly programming is required to implement the policy. Work requirement data currently in FAMIS must be removed. The appropriate path to enter work requirement data must be activated in the system. Alerts detailing 3 month time limit without meeting the work requirement must be activated.

Appropriate notices concerning the policy must be mailed to all participants notifying them of the reinstatement of work requirement policy at a cost of **\$160,964** [392,593 FS households X \$0.41 postage = \$160,963.13, rounded up (split 50/50 GR and Federal)].

OA-ITSD states this involves changing a technical determination module in FAMIS as well as related rules table value changes related to waiver counties. The estimated cost is **\$12,975** (173 contractor hours X \$75/hr).

§208.244.2 – Savings Due to Modifications to the SNAP or TA programs:

This section states that any cost savings due to modifications in the SNAP or Temporary Assistance programs shall be used to provide child care assistance for single parent households, education assistance and job training.

Under section 208.244.1, if fewer individuals receive food stamp benefits, there may be a reduction in the program's administrative costs long term. Any savings could be redirected to other programs as required in 208.244.2, with the exception of child care assistance. In the short term, administrative costs are expected to increase due to training, administrative complexity of the work requirement policy, systems requirements and mass mailing.

As stated under 208.026 and 208.040, any cost savings resulting from these modifications in the temporary assistance program must be spent on one of the four purposes of the TANF program.

OA-ITSD states from the limited information provided, this appears like a one-time adjustment process that might have to happen in FAMIS. Costs are estimated to be **\$29,175** (389 contractor hours x \$75/hr).

ASSUMPTION (continued)

In summary, this legislation will have the following fiscal impact on the General Revenue Fund:

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 subtotal	\$84,225	1,123 hours
208.040.5(5)	\$6,450	86 hours
208.040.5(6)	\$162,000	2,160 hours
208.040.5(7)	<u>\$12,975</u>	<u>173 hours</u>
208.040 subtotal	\$181,425	2,419 hours
208.244.1	\$12,975	173 hours
208.244.2	<u>\$29,175</u>	<u>389 hours</u>
208.244 subtotal	<u>\$42,150</u>	<u>562 hours</u>
Total OA-ITSD	<u>\$307,800</u>	<u>4,104 hours</u>

DSS, FSD:

<u>Section</u>	<u>Cost</u>
208.244.1	<u>\$80,482</u>

Total all GR costs **\$388,282**

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 assumes implementing new legislation on a yearly basis is part of the core responsibilities included in the budget for OA-ITSD. Oversight has calculated the estimated number of hours available for programming work and the average cost of salary plus benefits for OA-ITSD programmers. Oversight notes the estimated hours to implement this proposal would represent approximately 2.5 programmers available time for a year (2080 total hours - 120 hours sick leave - 120 hours vacation - 96 hours (12) holidays = 1,744 hours; 4104 contact hours/1,744 hours = 2.35 FTE, rounded up). Therefore, the IT costs to implement this proposal with 2.5 FTE would be approximately \$218,000 (1,744 hours X 2.5 FTE X \$50/hour salary and fringe benefits).

ASSUMPTION (continued)

For fiscal note purposes, Oversight will assume OA-ITSD could implement this proposal with the hiring of 2.5 additional FTE. If this proposal would create an unanticipated additional workload or if multiple proposals are implemented which would require more staffing than anticipated, OA-ITSD could request resources through the budget process.

Oversight notes all program costs related to recipient benefits under the TANF and SNAP/FS 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 **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Joint Committee on Administrative Rules** assume the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Costs - OA-ITSD</u>			
Programming and system changes (\$208.026)	(\$56,150)	\$0	\$0
Programming and system changes (\$208.040)	(\$120,950)	\$0	\$0
Programming and system changes (\$208.044)	<u>(\$28,100)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - OA-ITSD	<u>(\$205,200)</u>	<u>\$0</u>	<u>\$0</u>
FTE Change - OA-ITSD	2.5 FTE		
<u>Costs - DSS- FSD (\$208.244)</u>			
Postage and mailing costs	<u>(\$80,482)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$285,682)</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on the General Revenue Fund	2.5 FTE	\$0	\$0
FEDERAL FUNDS (\$208.244)			
<u>Income - DSS-FSD</u>			
Increase in program reimbursements	\$80,782	\$0	\$0
<u>Costs - DSS-FSD</u>			
Increase in program expenditures	<u>(\$80,782)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<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 modifies provision of the Temporary Assistance for Needy Families (TANF) program and the Supplemental Nutrition Assistance Program (SNAP).

FULL FAMILY IMMEDIATE SANCTION (§ 208.026)

This provision requires the Department of Social Services to immediately apply a total full family unit sanction of TANF benefits if after an investigation the Department determines that a person is not cooperating with a work activity requirement under the TANF program. The sanction shall apply for a minimum of one month. During that month of sanctions, the person shall remain on the caseload in sanction status. To cure a sanction, the person shall perform 30 consecutive days of work activities. If the person does not cure the sanction, the case shall be closed. This proposal allows for the person to reapply for benefits by completing 30 days of work activities within 40 days of the eligibility interview.

LIFE-TIME LIMITS, CASH DIVERSION, DANGEROUS FELONIES, WORK REQUIREMENT (§208.026.1 & §208.040.5)

Beginning January 1, 2016, the following changes shall be made to the TANF program:

- (1) The life-time limit for TANF shall be 24 months;
- (2) The Department shall implement a cash diversion program that grants eligible TANF benefits recipients lump-sum cash grants for short-term needs in lieu of signing up for the long-term monthly cash assistance program. The lump-sum maximum limit shall be set at three times the family size allowance and for use once in a 12-month period and for only five instances in a lifetime;
- (3) Persons found guilty of a dangerous felony will be banned from receiving benefits;
- (4) Persons seeking benefits will be required to engage in work activities before becoming eligible.

FISCAL DESCRIPTION (continued)

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (§208.244.1)

The Supplemental Nutrition Assistance Program allows states with a certain level of unemployment to seek a waiver of the work requirement for assistance. Missouri currently has such a waiver. This proposal removes the waiver and reinstates the work requirements.

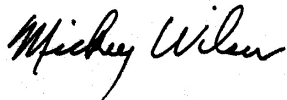
APPLICATION OF SAVINGS (§208.244.2)

Any savings resulting from the changes to TANF and SNAP under this proposal shall be used to provide child care assistance for single parents, education assistance, and job training for individuals receiving benefits under the programs.

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
Office of Administration -
Information Technology Support Division
Office of Secretary of State



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January 20, 2015

Ross Strobe
Assistant Director
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