

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0375-01
Bill No.: SB 4
Subject: Food; Public Assistance; Social Services Department
Type: Original
Date: January 21, 2019

Bill Summary: This proposal modifies the law relating to work requirements for participants in the Supplemental Nutrition Assistance Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$169,295) to (\$172,498)	(\$149,222) to (\$191,956)	(\$150,609) to (\$193,704)
Total Estimated Net Effect on General Revenue	(\$169,295) to (\$172,498)	(\$149,222) to (\$191,956)	(\$150,609) to (\$193,704)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Federal Funds*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenses exceed \$100,000 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	2.04 to 2.57	2.04 to 2.57	2.04 to 2.57
Federal Funds	1.96 to 2.43	1.96 to 2.43	1.96 to 2.43
Total Estimated Net Effect on FTE	4 to 5	4 to 5	4 to 5

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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.246 - Work requirements for SNAP

Officials from the **Department of Social Services (DSS), Family Support Division (FSD) and Division of Legal Services (DLS)** state:

In November 2018, 46,913 individuals aged 16-59, who would be subject to the work requirements as proposed in this legislation, are employed and meeting the work requirements. However, the individuals' employment does not provide earnings to promote self-sufficiency.

FSD determined that in November 2018:

- There were 45,113 Head of Households (HOH) (age 16-59) receiving SNAP benefits that would not meet an exemption and would be mandated to comply with work requirements. These households are not currently meeting the work requirements. These households include 51,739 children receiving SNAP benefits.
 - The average household received \$256.82 in SNAP benefits per month.
- There was an additional 4,503 other household members (age 16-59) that would also be mandated to comply with work requirements, but would not result in an entire household disqualification. These individuals may be meeting the work requirement, however, if the head of household were to be sanctioned these individuals would also lose benefits.
 - The average individual received \$119.59 in SNAP benefits per month.
- There were an additional 11,885 household members (age 16-59) that would be mandated to comply with work requirements; however, the head of household would not be mandated to comply with work requirements, due to an exemption or exclusion.
 - The average individual received \$119.59 in SNAP benefits per month.

FSD assumes that 35% (21,525) of the 61,501 (45,113 + 4,503 + 11,885) individuals will comply with work requirements. FSD made this determination based on the average work participation rate of the mandatory work requirements for Temporary Assistance (TA); in SFY '18, TA recipients had an average work participation rate of 25% and the goal is to increase the compliance rate with SNAP participants.

ASSUMPTION (continued)

Based on a 65% noncompliance rate, FSD determined that 39,976 (61,501 x 65%) individuals will be affected if the provisions of this bill are enacted.

- 10,652 (4,503 + 11,885 = 16,388 * 0.65) individuals who will be permanently disqualified after the third occurrence of noncompliance with the work requirements, which will result in a reduction in SNAP benefits of \$1,273,873 (10,652 * \$119.59) per month which is consistent for 3 months, 6 months or permanent disqualification.
 - 29,323 (45,113 * 0.65) households with 51,739 children who will be disqualified for up 180 days, which will result in a reduction of \$7,530,733 (29,323 * \$256.82) per month.
- FSD assumes an increase in:
 - Applications if entire households are disqualified for 3 months or 6 months. The household will be required to reapply once the disqualification has expired.
 - FSD estimates approximately a 5% increase in hearing requests a year with the implementation of this bill. (**Oversight** notes DSS officials stated this estimated increase is based on past experience.)

In SFY18 approximately 2,672 SNAP hearings were conducted (per DSS quarterly reports). FSD assumes that approximately 5% of the HOH or individuals, who are disqualified from SNAP benefits, will request hearings. This could result in an increase in the number of hearings conducted by DLS hearings officers by 1,999 (39,976 x 5%), and could increase the total number of SNAP hearings to approximately 4,671 yearly (2,672 + 1,999). The DLS estimates that a hearings officer can work 544 hearings per year. Therefore, this increase will result in the need for four (4) additional hearings officers (each at \$41,884) to handle the increase in SNAP hearings resulting from this legislation (1,999 / 544 = 3.67 FTE, rounded up).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs associated with hiring 4 FTE hearing officers in the fiscal note for DSS, DLS. The costs for the 4 additional hearings officers in DLS are split approximately 51% GR; 49% Federal.

Oversight notes DSS assumes it will need a total of 4 new FTE as a result of the provisions of this proposal. Based on discussions with DSS officials, it is assumed the additional FTE can be housed within current DSS facilities. However, if multiple proposals pass during the legislative session requiring additional FTE, cumulatively the effect of all proposals passed may result in the DSS needing additional rental space.

Oversight notes DSS assumes, for fiscal note purposes that 21,525 of 61,501 individuals would comply with the proposed work requirements if this proposal is passed. Based on discussions with DSS officials, the DSS may not have enough existing resources available to provide work participation assistance to all individuals that could lose food stamp benefits if they were to comply with the provisions. DSS officials believe it is very unlikely that all recipients would comply with the work requirements.

ASSUMPTION (continued)

In addition, DSS officials stated they assume a life-time ban for an able-bodied adult without children would not apply if the person were to become a HOH and that person could receive benefits if the work requirements under this proposal were met. If that person was later permanently disqualified, it would not permanently disqualify the family from receiving benefits. The maximum period of time a family could lose benefits is 180 days; the count of the family members to receive benefits would exclude the individual permanently disqualified (ex: Family of 4 with permanently disqualified HOH would receive benefits for a family of 3 after 180 days if someone reapplied for benefits for the household).

The **FSD** assumes existing staff will be able to complete additional work as a result of this proposal. FSD plans to use existing available Temporary Assistance funds in the Missouri Work Assistance Program for work programs for SNAP able-bodied adults with children.

Oversight contacted DSS officials regarding the assumption that existing staff will be able to complete the additional work resulting from of this proposal. DSS assumes the additional duties would cost the department less than \$10,000 annually and is absorbable within current funding levels.

Discussions with DSS officials indicated that systems are still in place from 2014 and would simply be updated to meet the new work requirements. In addition, DSS has staff in place familiar with the prior system which would minimize costs. Oversight does not have any information to the contrary. Therefore, Oversight will assume the FSD can complete the additional work required by this proposal within current funding/staffing levels.

The **FSD** assumes OA-ITSD will include the FAMIS programming costs for the system changes as well as the system generated notice needed to implement provisions of this bill in their response.

Because SNAP benefits are 100% federally appropriated and funded, FSD will not experience a fiscal impact due to any reduction in SNAP benefits.

Until the FY 2020 budget is final, the DSS cannot identify specific appropriations.

Officials from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS** state changes to the Family Assistance Management Information System (FAMIS) will be required. These changes will include screen changes, eligibility determination changes, forms and notice changes and new online/batch interface programs to obtain data if it has to be from any external sources. It is assumed that every new IT project/system change will be bid out

ASSUMPTION (continued)

because all ITSD resources are at full capacity. Costs are estimated at a contract rate of \$75/hour for 807.84 hours; therefore, one-time FY 20 costs are estimated to total \$60,588 (\$32,112 GR; \$28,476 Federal funds).

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes needed to the FAMIS system. ITSD estimates the project would take 807.84 hours at a contract rate of \$75 per hour for a total cost to the state of \$60,588 (\$32,112 GR; \$28,476 Federal funds). Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$60,588) to hiring an additional FTE IT Specialist (roughly \$80,000 per year) at the same percentages (53% GR and 47% Federal) as assumed by DSS.

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 \$5,000. 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 require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Costs - DSS (\$208.246)</u>			
Personal service	(\$71,580)	(\$86,755)	(\$87,622)
Fringe benefits	(\$43,364)	(\$52,299)	(\$52,563)
Equipment and expense	<u>(\$22,239)</u>	<u>(\$10,168)</u>	<u>(\$10,424)</u>
Total Costs	<u>(\$137,183)</u>	<u>(\$149,222)</u>	<u>(\$150,609)</u>
FTE Change - DSS, DLS	2.04 FTE	2.04 FTE	2.04 FTE
 <u>Costs - OA, ITSD (\$208.246)</u>			
FAMIS system changes (ranged from contracting out the programming to hiring additional FTE IT Specialist)	<u>(\$32,112) to (\$35,315)</u>	<u>\$0 to (\$42,734)</u>	<u>\$0 to (\$43,095)</u>
FTE Change - OA, ITSD	0 to 0.53 FTE	0 to 0.53 FTE	0 to 0.53 FTE
 ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	 <u>(\$169,295) to (\$172,498)</u>	 <u>(\$149,222) to (\$191,956)</u>	 <u>(\$150,609) to (\$193,704)</u>
 Estimated Net FTE Change on the General Revenue Fund	 2.04 to 2.57 FTE	 2.04 to 2.57 FTE	 2.04 to 2.57 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
FEDERAL FUNDS			
<u>Income - DSS (§208.246)</u>			
Increase in program reimbursements	\$130,387	\$141,829	\$143,146
<u>Income - OA, ITSD (§208.246)</u>			
Reimbursement for FAMIS system changes	\$28,476 to <u>\$31,317</u>	<u>\$0 to \$37,897</u> <u>\$141,829 to</u>	<u>\$0 to \$38,217</u> <u>\$143,146 to</u>
<u>Total All Income</u>	<u>\$161,704</u>	<u>\$179,726</u>	<u>\$181,363</u>
<u>Costs - DSS (§208.246)</u>			
Personal service	(\$68,034)	(\$82,457)	(\$83,281)
Fringe benefits	(\$41,216)	(\$49,708)	(\$49,959)
Equipment and expense	<u>(\$21,137)</u>	<u>(\$9,664)</u>	<u>(\$9,906)</u>
<u>Total Costs</u>	<u>(\$130,387)</u>	<u>(\$141,829)</u>	<u>(\$143,146)</u>
FTE Change - DSS, DLS	1.96 FTE	1.96 FTE	1.96 FTE
<u>Costs - OA, ITSD (§208.246)</u>			
FAMIS system changes (ranged from contracting out the programming to hiring additional FTE IT Specialist)	<u>(\$28,476) to</u> <u>(\$31,317)</u>	<u>\$0 to (\$37,897)</u>	<u>\$0 to (\$38,217)</u>
FTE Change - OA, ITSD	0 to 0.47 FTE	0 to 0.47 FTE	0 to 0.47 FTE
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimate Net FTE Change on Federal Funds	1.96 to 2.43 FTE	1.96 to 2.43 FTE	1.96 to 2.43 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct, negative fiscal impact on small business grocery and retail establishments that take SNAP benefits if recipients lose benefits because of not meeting the work requirements of the proposal.

FISCAL DESCRIPTION

This act requires individuals participating in the Supplemental Nutrition Assistance Program (SNAP) to comply with the work requirements described in federal statute and regulations. Any nonexempt participant who refuses or fails without good cause to comply with the work requirements shall be ineligible to participate in the program for the duration of the disqualification period as follows: (1) for the first occurrence of noncompliance, the individual shall be disqualified for three months; (2) for the second occurrence of noncompliance, the individual shall be disqualified for six months; and (3) for the third occurrence of noncompliance, the individual shall be disqualified permanently.

If a disqualified individual is the head of a household, the household shall be ineligible to participate in SNAP for a period not to exceed the lesser of either the duration of the ineligibility period of the disqualified individual or 180 days. A household disqualified under this act may reestablish eligibility if the head of the household leaves the household, a new and eligible head of the household joins the household, or the head of the household becomes exempt from the SNAP work requirements during the disqualification period. If a disqualified head of the household joins another household during the disqualification period, that household shall be ineligible for the remaining disqualification period.

Except in cases of permanent disqualification, an individual may resume participation in SNAP at the end of a disqualification period if the individual applies again and is in compliance with the work requirements. A disqualified individual may be permitted to resume participation during a disqualification period by becoming exempt from the work requirements.

An individual disqualified under the provisions of this act shall be entitled to a fair hearing under applicable federal and state law.

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
 Division of Legal Services
Joint Committee on Administrative Rules
Office of Administration -
 Information Technology Services Division/DSS
Office of Secretary of State



Kyle Rieman
Director
January 21, 2019

Ross Strobe
Assistant Director
January 21, 2019