

March 4, 2019

The Honorable Brenda Landwehr, Chairperson
House Committee on Health and Human Services
Statehouse, Room 352-S
Topeka, Kansas 66612

Dear Representative Landwehr:

SUBJECT: Fiscal Note for HB 2157 by House Committee on Children and Seniors

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2157 is respectfully submitted to your committee.

HB 2157 would remove from statute certain provisions related to the HOPE Act that were implemented beginning in FY 2013. The HOPE Act placed various limits on assistance provided through the Department for Children and Families (DCF) for Temporary Assistance for Needy Families (TANF) cash assistance. The changes to program requirements that would be implemented include the following:

1. Increase the TANF time limit to 60 months (48 months for those receiving diversion payments) with a provision for hardship criteria for additional months as determined by DCF;
2. Remove the definition of non-cooperation;
3. Remove the requirement for completion of work program assessment for those disqualified for TANF because of non-compliance;
4. Exempt single parents with a child under one-year of age from work participation activities;
5. Remove the policy of not exempting those who are in two-parent homes, pregnant or parenting teen or those who are in treatment for substance abuse disorder;
6. Remove TANF work program non-cooperation and the penalty time periods and comparable penalties for food assistance;
7. Remove TANF child support non-cooperation and the penalty time periods and the comparable penalty for the individual in food assistance; and
8. Allow individuals to receive child care assistance for 60 months while in postsecondary education.

The Social Security Act provides regulations and restrictions on the use of TANF and eligibility requirements. The United States Department of Agriculture also provides regulations

and restrictions for eligibility requirements. These federal rules require states to have rules for failures to cooperate in work programs and child support cooperation. The need for these rules to be regulated in Kansas Statutes is not necessary in following already laid out regulations. Removing specific eligibility rules from statute will allow flexibility in administering programs based on the circumstances of the individual as well as the overall state of the economy.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	--	\$656,541
Expenditure	--	--	(\$561,000)	\$15,374,494
FTE Pos.	--	--	--	62.00

The changes outlined in HB 2157 are expected to affect the TANF and Child Care caseloads. Additionally, as more individuals would be eligible for TANF benefits, an increase is expected in the caseload related to TANF Employment Services. These increases in caseload would require additional FTE positions as the DCF FTE count has been reduced in the past several years. HB 2157 would also affect Child Support Services contracts and collections. In addition, it is anticipated these changes would affect the Foster Care caseload, though the degree of the effect cannot be determined. The following sections detail the projected effect of the changes related to HB 2157:

TANF Cash Assistance:

HB 2157 changes several restrictions and limitations on TANF cash assistance benefits. The following table details the impact of these changes on the projected caseload:

	<u>FY 2020</u>	<u>FY 2021</u>
Increasing time limit for cash assistance from 24 to 60 months	918	1,835
Increasing TANF work exemption from 2 months to 12 months following the birth of a child	106	204
Removal of progressive periods of ineligibility for noncompliance with work requirements or child support	<u>315</u>	<u>630</u>
Total impact on TANF caseload	1,338	2,669
Additional cases who may not have applied	<u>850</u>	<u>1,700</u>
Total projected additional cases	2,188	4,369
Estimated persons/case	<u>2.24</u>	<u>2.24</u>
Total projected additional persons	4,906	9,795
Projected monthly benefits/person	<u>\$ 114</u>	<u>\$ 114</u>
Total additional TANF benefits	\$6,711,030	\$13,399,416

The caseload for TANF cash assistance is projected to increase an average of 2,188 cases per month for FY 2020 and 4,369 cases per month in FY 2021 and future years. The increase relates to three changes impacting TANF eligibility: time limits; work exemptions for children

under the age of 12 months; and noncompliance with work requirements or child support. The effect is based on the differences between caseloads, denials and closures for the various items at the present compared to the levels prior to the initiation of the changes. Additionally, an estimate is being included for other cases representing applications which may not have been submitted due to concerns they may not be approved. It is estimated these cases total 1,700 annually (FY 2020 is a reduced number as it is expected to take a year to fully implement the changes). The persons per case is based on current figures. The benefit per person represents current monthly estimates. All expenses would be funded 100.0 percent with federal funds as there is currently an unused TANF balance.

As of June 30, 2018, Kansas had a TANF fund balance of \$59.5 million. Budgeted TANF expenditures are greater than revenues beginning in FY 2019. Based on the current budget, the TANF balance is projected to become negative in FY 2027. The increase in TANF expenses associated with this bill would result in the balance going negative sooner. Additional funds, if needed, would have to be obtained through reductions to TANF funded grants, many of which were added since the implementation of the HOPE Act.

TANF Employment Services:

TANF Employment Services are provided to adults required to meet federal work activity requirements. These services include providing job training, supports and other activities to assist persons in becoming employed and maintaining that employment. The number of persons participating in this program correlates to the number of TANF Cash Assistance cases. Historically, the number of participants is 60.0 percent of the TANF Cash Assistance cases. The following table details impact on the expenses related to TANF Employment Services based on an increase in the TANF Cash Assistance caseload:

	<u>FY 2020</u>	<u>FY 2021</u>
Estimated additional TANF cases	2,188	4,369
Percentage of TANF employment services adults	60 %	60 %
Additional TANF adults requiring employment services monthly	1,313	2,622
Cost of services per person per month	\$98.92	\$98.92
Additional TANF costs for employment services	\$1,558,606	\$3,111,953

The number of individuals participating in TANF Employment Services is projected to increase an average of 1,313 persons per month in FY 2020 and 2,622 in FY 2021. The cost per person is based on current expenditures. All expenses would be funded with federal funds as there is currently an unused TANF balance. Additional funds, if needed, would have to be obtained through reductions to TANF funded grants.

Child Care Subsidy:

HB 2157 would increase the lifetime maximum for child care for postsecondary education from 24 to 60 months. This change impacts the number of families eligible for Child Care Subsidy. The increase in the TANF caseload is expected to increase the number of families receiving Child Care Subsidy as a TANF recipient (this is separate from those receiving subsidies for employment purposes). Prior to the enactment of the HOPE Act in FY 2012, there were 2,797 TANF families that received the Child Care Subsidy. This represented 23.0 percent of the TANF cases. In FY

2018, there were 829 TANF families that received Child Care Subsidy, 19.0 percent of the total TANF cases. For estimation purposes, it is projected that 20.0 percent of the new TANF cases would require or be eligible to receive Child Care Subsidy.

The following table details the impact of this bill on Child Care Subsidy payments:

	<u>FY 2020</u>	<u>FY 2021</u>
Extend child care subsidy benefits for post-secondary education from 24 to 60 months	35	69
Projected increase associated with TANF caseload increase	<u>438</u>	<u>874</u>
Total projected increase in child care cases	472	943
Estimated persons per case	<u>1.85</u>	<u>1.85</u>
Total projected additional persons for child care	874	1,745
Projected monthly benefit/person	<u>\$ 408</u>	<u>\$ 417</u>
Total additional child care benefits	\$4,277,740	\$8,730,530

The number of persons per case is based on current levels. The monthly benefit is the most recent projected benefit amount. Child Care Subsidy payments are projected to increase by \$4.3 million in FY 2020 and by \$8.7 million in FY 2021. The increase is due primarily to the increase in the TANF caseload. All expenses would be funded 100.0 percent with federal funds as there are currently unbudgeted Child Care Development Funds. Any Additional funds would have to be obtained through transfers of TANF funds. This transfer would require additional reductions in TANF only funded grants.

Additional FTE Costs:

The increase in the caseload would also result in a need for additional positions. Between FY 2012 and FY 2018, the TANF caseload decreased 65.0 percent. During that same period, the Economic and Employment Services Field FTE Staff positions were reduced by 25.0 percent (from 930 to 698). To calculate the position increase needed, the projected percentage increase in the TANF caseload was applied to the position decrease from FY 2012. Estimates include salaries and benefits and other operating expenses based on the number of positions added. It is anticipated that the caseload would take a year to reach its maximum. This results in only half the positions being required during the first year. The following table details the positions requirements:

	<u>FY 2020</u>	<u>FY 2021</u>	
Projected increase in caseload	2,188	4,369	
Projected increase in FTE positions	63	125	
	<u>Current</u>	<u>Percentage</u>	<u>Number of New</u>
<u>Current Budget</u>	<u>FTE</u>	<u>of Total</u>	<u>Positions Based on</u>
Human Services Assistant	58	10.96%	14
Human Services Specialist	416	78.64	98
Human Services Supervisor	<u>55</u>	<u>10.40</u>	<u>13</u>
	529	100.00%	125

Additional salaries, benefits and other operating expenses total \$3.5 million all funding sources in FY 2020 and \$7.0 million from all funding sources in FY 2021. These are projected as 100.0 percent federal funds as the increase in the caseload relates to 100.0 percent federally funded programs. The distribution of these costs which is based on a random moment time study would reflect this increase in cases.

IT Systems:

This bill changes several eligibility requirements which may require eligibility system changes. These changes would need to be examined to determine cost and time impact. An estimate of \$1.0 million is being included for impact purposes. These costs would be a one-time cost in FY 2020 and would not continue in later years. As these changes relate primarily to TANF and Child Care, they would be funded mostly with federal dollars.

Child Support Services:

HB 2157 removes the requirements that all Supplemental Nutrition Assistance Program (SNAP) recipients cooperate with Child Support Services. Following enactment of the HOPE Act, child support contracts were amended to include additional costs related to this mandatory participation. Contractors were awarded an additional \$150 for each mandatory SNAP case (not required to participate under a separate program). The removal of these requirements is expected to decrease the number of SNAP participants in the program. For FY 2020 and FY 2021, these cases were projected to require expenditures of \$1.7 million annually. With the removal of the mandated participation with Child Support Services for SNAP recipients, the amendment to the child support contracts would end resulting in savings of the budgeted amount as cases wishing to continue would become part of the base caseload. However, the contract may require rebidding depending on the number of cases moving. This could result in additional costs later. It is estimated the removal of the mandatory participation in Child Support Services would result in an annual savings of \$1.7 million from all funding sources.

Removing the mandatory requirement related to SNAP cooperation and participation with Child Support Services may result in a decrease in the amount of child support collections received and passed on to SNAP recipients. This change will not impact revenues received and maintained by DCF as the full amount collected for these families is passed on. The impact of this change cannot be estimated as it is unknown how many families would opt to continue voluntarily.

Foster Care Caseload:

It is anticipated that expanding TANF and other assistance will reduce the agency's future foster care expenditures. Additional assistance payments may allow children to stay in their homes with their families. It is not possible to estimate the amount by which expenditures would be reduced.

Revenues:

HB 2157 increases the TANF caseload. Federal law requires TANF recipients to cooperate with Child Support Services. This would possibly increase the assigned support maintained by

DCF and deposited into the fee fund. The following table details the changes in assigned support maintained by DCF based on the estimated increase in the TANF Caseload:

	<u>FY 2020</u>	<u>FY 2021</u>
Estimated monthly increase in TANF cases	2,188	4,369
Estimated collections/month/case	\$25	\$25
Projected increase in collections	\$656,541	\$1,310,867

The projected increase in the TANF caseload based on HB 2157 is projected to increase assigned support for TANF cases by \$656,541 in FY 2020 and \$1.3 million in FY 2021. This fee fund is currently projected to run at a deficit in FY 2022. The projected increase in assigned support based on an increase in the TANF caseload would reduce the amount of State General Fund needed to offset the projected deficit.

Summary:

The following table summarizes the estimated fiscal impact by category related to HB 2157:

	<u>FY 2020</u>		<u>FY 2021</u>	
	<u>All Funds</u>	<u>SGF</u>	<u>All Funds</u>	<u>SGF</u>
Increase in TANF cash assistance	\$ 6,711,030	\$ --	\$13,399,416	\$ --
Increase in TANF employment services	1,558,606	--	3,111,953	--
Increase in child care subsidy for TANF cases	4,277,740	--	8,730,530	--
Additional FTE for increase caseload	3,477,518	--	6,987,773	--
IT systems	1,000,000	--	--	--
Increase in assigned support for TANF cases (Fee Fund)	(656,541)	(656,541)	(1,310,867)	(1,310,867)
Reduction in foster care caseload	Unable to Estimate		Unable to Estimate	
Reduction in child support contract costs	<u>(1,650,000)</u>	<u>(561,000)</u>	<u>(1,650,000)</u>	<u>(561,000)</u>
Total	\$14,718,353	(\$1,217,541)	\$29,268,805	(\$1,871,867)

The additional expenses detailed above would be expected to continue into later years as the caseload would remain fairly constant. Increases would be noted if the rate of benefits or caseload increased. Any fiscal effect associated with HB 2157 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget