

February 28, 2019

The Honorable Gene Suellentrop, Chairperson
Senate Committee on Public Health and Welfare
Statehouse, Room 441-E
Topeka, Kansas 66612

Dear Senator Suellentrop:

SUBJECT: Fiscal Note for SB 12 by Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services and KanCare Oversight

In accordance with KSA 75-3715a, the following fiscal note concerning SB 12 is respectfully submitted to your committee.

SB 12 would remove from statute items related to the HOPE Act which was implemented beginning in FY 2013. The HOPE Act placed various limits on assistance provided through the Department for Children and Families (DCF) for cash assistance (TANF), food assistance (SNAP), and child care subsidies. This bill would remove these items from statute, placing the responsibility for policy decisions with DCF. Program requirements that would be removed include the following:

1. Definition of non-cooperation;
2. TANF time limits;
3. TANF assessments at the time of application;
4. TANF work program requirements;
5. TANF, Food Assistance, and Child Care subsidy penalties for noncooperation regarding work program, child support, etc.;
6. Mandatory Child Support Services cooperation for SNAP recipients;
7. Ineligibility for failing to cooperate with fraud investigations or individuals found guilty of a drug related offense;
8. Photo ID requirements for EBT cards;
9. Restrictions on the use of TANF benefits;
10. Child Care eligibility requirements related to the number of hours worked, education, etc.;

11. Food Assistance waiver restrictions especially for Able-bodied Adults without Dependents (ABAWD) and broad-based categorical eligibility;
12. Prohibition of using SNAP funds for the promotion of the Food Assistance Program;
13. Lottery match for benefit recipients;
14. Ability to recover debts incurred due to the sale, transfer or disposal of benefits; and
15. Other miscellaneous revisions.

The Social Security Act (SSA) provides regulations and restrictions on the use of TANF and child care benefits and eligibility requirements. The United State Department of Agriculture (USDA) provides specific regulations and restrictions on the use of food assistance benefits and eligibility requirements. The need for program rules to be regulated in Kansas Statutes is not required by federal program requirements. Currently, when changes occur in the SSA or USDA regulations, it requires agencies to take action to request changes to the statutes. SB 12 would remove these requirements and leave policy decisions at the discretion of the Secretary of the Kansas Department for Children and Families.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	--	\$767,486
Expenditure	(\$277,358)	(\$612,539)	(\$602,318)	\$18,782,898
FTE Pos.	--	--	--	74.00

For estimation purposes, projections are based on the policies in place prior to the implementation of the HOPE Act. Unless noted, it is assumed these changes would be effective beginning July 1, 2019. Changes related to assistance eligibility would be fully implemented after one year. The changes outlined in SB 12 would impact the TANF and child care caseloads. Additionally, as more individuals would be eligible for TANF benefits, an increase would be expected in the caseload related to TANF Employment Services. These increases in caseload would require additional FTE positions as the DCF FTE count was reduced following implementation of the HOPE Act. Savings would be realized based on the elimination of the requirement for photos on the EBT card. SB 12, as proposed, would also impact Child Support Services contracts and collections. These changes would also impact the foster care caseload, though the degree of the impact cannot be determined. The following sections detail the projected impact of the changes related to SB 12:

TANF Cash Assistance:

SB 12 would remove from statute several restrictions and limitations on TANF cash assistance benefits. The following table describes the restrictions being removed and the impact of these changes on the projected caseload:

	<u>FY 2020</u>	<u>FY 2021</u>
Remove Time Limits - Default to Federal Level of 60 months	918	1,835
Remove Work Program Assessment - Application Requirements	270	540
Remove Limit of Work Exemption for New Child of Three Months	53	105
Removal of Progressive Periods of Ineligibility for Noncompliance with Work Requirements or Child Support	315	630
Other Items	<u>3</u>	<u>6</u>
Total Impact on TANF Caseload	1,558	3,116
Additional Cases who may not have applied	<u>1,000</u>	<u>2,000</u>
Total Projected Additional Cases	2,558	5,116
Estimated Persons/Case	<u>2.24</u>	<u>2.24</u>
Total Projected Additional Persons	5,735	11,469
Projected Monthly Benefits/Person	\$ <u>114</u>	\$ <u>114</u>
Total Additional TANF Benefits	\$7,845,085	\$15,690,170

The caseload for TANF cash assistance is projected to increase an average of 2,558 cases per month for FY 2020 and 5,116 cases per month in FY 2021 and future fiscal years. The increase relates to four primary restrictions that would be removed: time limits; application requirements; work exemptions for individuals with children under the age of three months; and noncompliance with work requirements or child support. The estimated impact 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 2,000 annually (FY 2020 is a reduced number as is 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. Additional funds, if needed, would have to be obtained through reductions to TANF funded grants. The current balance is expected to be \$56.9 million at the end of FY 2019 and would be depleted by FY 2022 without adjustments 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	2,558	5,116
Percentage of TANF Employment Services Adults	60%	60%
Additional TANF Adults Requiring Employment Services Monthly	1,535	3,070
Cost of Services per person per month	\$98.92	\$98.92
Additional TANF Costs for Employment Services	\$1,821,985	\$3,643,970

The number of individuals participating in TANF Employment Services is projected to increase an average of 1,535 persons per month in FY 2020 and 3,070 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:

SB 12 would remove references related to the minimum hours of work required to receive the Child Care Subsidy. It also would remove language related to restrictions on subsidy payments for parents obtaining post-secondary education.

The increase in the TANF caseload is expected to increase the number of families receiving the 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 the 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>
Remove minimum work requirement for Child Care	128	257
Remove changes to parents engaged in Post-secondary Education	<u>35</u>	<u>69</u>
Projected Impact on Child Care Caseload	163	326
Projected Increase Associated with TANF Caseload Increase	<u>512</u>	<u>1,023</u>
Total Projected Increase in Child Care Cases	675	1,350
Estimated Persons per Case	<u>1.85</u>	<u>1.85</u>
Total Projected Additional Persons for Child Care	1,249	2,497
Projected Monthly Benefit/Person	<u>\$ 408</u>	<u>\$ 417</u>
Total Additional Child Care Benefits	\$6,113,802	\$12,497,331

Persons per case are based on current levels. The monthly benefit is the most recent projected benefit amount. Child Care Subsidy payments are projected to increase by \$6,113,802 in FY 2020 and by \$12,497,331 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. Additional funds, if needed, 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 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	2,558	5,116
	Projected increase in FTE Positions	73	147
<u>Current Budget</u>	<u>Current FTE</u>	<u>Percentage of Total</u>	<u>Number of New Positions Based on Current Distribution</u>
Human Services Assistant	58	10.96%	16
Human Services Specialist	416	78.64	116
Human Services Supervisor	<u>55</u>	<u>10.40</u>	<u>15</u>
	529	100.00%	147

Additional salaries, benefits, and other operating expenses total \$3,743,275 from all funding sources in FY 2020 and \$8,294,484 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.

Electronic Benefit Transfer (EBT) Photo IDs:

SB 12 would remove the requirement for photos to be included on EBT cards. This would result in an annual savings \$612,539 in FY 2019 and \$91,249 in both FY 2020 and FY 2021. These figures represent budgeted amounts for photo IDs. FY 2019 represents the first year of the program and includes start-up costs such as programming, destruction of old card stock, purchase of equipment, etc. Later years include only equipment maintenance and costs related to producing cards for new applicants and lost cards. This Program is funded with various state and federal funds. Estimated State General Fund savings included in the estimate total \$277,358 in FY 2019 and \$41,318 in both FY 2020 and FY 2021.

IT System:

This bill would remove multiple requirements from statute as indicated above. Responsibility for these policy decisions would then shift to DCF. Depending on the policy changes chosen by the agency, there could be eligibility system changes needed which would incur additional cost and time to implement. These changes would need to be examined on a policy by

policy basis to determine cost and time impact as all changes are not of equal effort. 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 fiscal years. As these changes relate primarily to TANF and Child Care, they would be funded mostly with federal dollars.

Child Support Services:

SB 12 would remove the requirements that all 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 \$1,650,000 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 will result in an annual savings of \$1,650,000 from all funding sources.

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:

SB 12 would increase the TANF caseload. Federal law requires TANF recipients to cooperate with Child Support Services (CSS). This will 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	2,558	5,116
Estimated Collections/Month/Case	\$25	\$25
Projected Increase in Collections	\$767,486	\$1,534,972

The projected increase in the TANF caseload based on SB 12 is projected to increase assigned support for TANF cases by \$767,846 in FY 2020 and \$1,534,972 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 will 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 SB 12:

	FY 2020		FY 2021	
	<u>All Funds</u>	<u>SGF</u>	<u>All Funds</u>	<u>SGF</u>
Increase in TANF Cash Assistance	\$ 7,845,085	\$ --	\$15,690,170	\$ --
Increase in TANF Employment Services	1,821,985	--	3,643,970	--
Increase in Child Care Subsidy for TANF Cases	6,113,802	--	12,497,331	--
Additional FTE for Increase Caseload	3,743,275	--	8,294,484	--
Savings for Photos on EBT Cards	(91,249)	(41,318)	(91,249)	(41,318)
IT Systems	1,000,000	--	--	--
Increase in Assigned Support for TANF Cases (Fee Fund)	(767,486)	(767,486)	(1,534,972)	(1,534,972)
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	\$18,015,412	(\$1,369,804)	\$36,849,734	(\$2,137,290)

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 SB 12 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Jackie Aubert, Children & Families