

Department of Planning and Budget

2007 Fiscal Impact Statement

1. Bill Number SB 1133

| | | | |
|------------------------|---------------------------------------|-------------------------------------|--|
| House of Origin | <input type="checkbox"/> Introduced | <input type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| Second House | <input type="checkbox"/> In Committee | <input type="checkbox"/> Substitute | <input checked="" type="checkbox"/> Enrolled |

2. Patron Deeds

3. Committee Passed Both Houses

4. Title Virginia Initiative for Employment Not Welfare (VIEW) Program; increase of requirements

5. Summary/Purpose: Modifies the Temporary Assistance for Needy Families Program to increase Virginia Initiative for Employment Not Welfare (VIEW) requirements. This bill also eliminates food stamps from the subsidies replaced by the Full Employment Program, eliminates community work experience placement, and certain VIEW program exemptions. The bill authorizes posttermination payments of up to \$50 per month for recipients who work at least 30 hours per week.

6. Fiscal Impact is Final (see item 8)

7. Budget amendment necessary: No. The introduced budget bill (HB 1650/SB 750) includes funding to support this legislation.

8. Fiscal implications: Senate bill 1133 authorizes changes to the Temporary Assistance for Needy Families (TANF) program to meet the new requirements of the Deficit Reduction Act of 2005. These changes will enable the Department of Social Services (DSS) to adopt a new transitional benefit, and allow the Commonwealth to meet higher work participation rates by adopting definitions of federal work activities and changing work exemptions. The financial impact of this bill includes additional costs for transitional payments, VIEW employment support and VIEW child care. Calculation of the costs are as follows:

Transitional Payment

Families in VIEW that exit TANF with employment of at least 30 hours per week will be eligible for a transitional payment of \$50 per month for up to one year as long as employment is maintained.

From January 2006 – March 2006 an average of 615 people per month left VIEW with employment of 30 hours or more. After 6 months, the number still employed at 30 hours per week had dropped 200 per month. Assuming that the usual job retention levels were maintained, we estimated that up to 615 people could be potentially eligible for transitional benefits, but only 75 percent of these eligible families would provide the verification necessary to retain eligibility. The next month that number would fall to 415, and then, by month three, to 215 before leveling off for the remainder of the one year eligibility period.

Because this change will be implemented October 1, 2006, the cost for FY 2007 will be \$557,850 (9 months). Transitional costs for FY 2008 will be \$1,406,850 (the costs for months 10 through 12 + \$119,250 * 9 months), and \$1,431,000 (\$119,250*12) for FY 2009 and subsequent years.

VIEW Employment Support

The potential number of newly engaged participants is derived as follows: 2,376 added because of the change in exemption for caring for a young child, 401 for changing the exemption for non-parents, 1,000 for changing the pregnancy exemption, for a total of 3,777 potential newly engaged participants. It is expected that 65 percent of the new population will engage in the required hours of work. At an average cost of \$3,243 per participant, the projected annual cost is \$7,961,727 ($3,777 * .65 * \$3,243$).

Additionally, there are 938 non-participating VIEW participants that will be fully engaged due to policy changes. These participants are already in VIEW but not participating. It is assumed that the current allocation already provides funding for case management, but that new purchase of services funds will be necessary. The cost per case figure was reduced by 75 percent for this group, so that the total annual cost is \$760,484 ($\$3,243 * .25 * 938$).

Starting on September 1, 2006 local departments had a 3 month period to phase-in existing cases in which the exemptions changed. Assuming that the phase-in resulted in serving 1/3 of the new cases in the first month, 1/3 of the new cases in the second month and then serving the full population in month three and thereafter, the monthly costs will be as follows:

Because local departments are paid on a reimbursement basis, the cost for FY 2007 will be \$5,087,956 general fund (8 months), and the total annual cost for FY 2008 and all subsequent years will be \$8,722,212 general fund ($\$726,851 * 12$).

VIEW Child Care

To determine child care costs, staff separated the number of potential newly engaged VIEW participants into different groups. The first group consists of those cases where a mother was previously exempted because she had a child less than 18 months old ($2,376 * .65 = 1,544$). The other group consists of newly engaged participants who will be added because of the change in exemption for non-parents, the change in the pregnancy exemption and policy changes ($(401 + 1000) * 0.65 + 938 = 1,849$). Approximately 71 percent of participating VIEW cases are expected to receive child care. The 2006 annual cost for child care per case is \$7,584, so it will cost an additional \$1,522,507 monthly or \$18,270,084 ($((0.71 * (1,544 + 1,849)) * \$7,584)$) annually.

Given the three month implementation, 1/3 of the normal monthly cost is attributed to month one, 2/3 of the normal monthly cost is attributed to month two, with the full monthly cost attributed to month three and following months.

Total general fund needed for FY 2007 is \$12,164,831, and \$18,270,084 general fund in FY 2008 and each year thereafter.

Other Costs:

There are substantial new information reporting requirements contained in the reauthorization language. Approximately 5,000 man hours will be needed at an average per hour cost of \$70 for a total of \$350,000. In order to continue mandated development in the Medicaid and other modules of ADAPT eligibility system additional contractors must be brought in.

The Deficit Reduction Act authorized one percent award decreases in both the TANF and Child Care Discretionary grants. Both of these block grants are fully allocated. Thus to absorb these decreases would require a reduction of employment/child care services equal to \$1,992,850 annually. Because this change takes effect on October 1, 2006 only \$1,494,638 general fund is needed for FY 2007 and \$1,992,850 general fund each year thereafter.

Cost Summary

| FY 2007 | | | | |
|---------------------------------|---------------|--------------|-------------|---------------|
| | General Fund | Federal | Local | Total |
| Transitional Payment | \$ 557,850 | - | - | \$ 557,850 |
| VIEW Employment Support | \$ 5,087,956 | - | - | \$ 5,087,956 |
| VIEW Child Care | \$ 4,602,405 | \$ 6,345,943 | 1,216,483 | \$ 12,164,831 |
| Child Care/TANF Grant Decreases | \$ 1,494,638 | - | - | \$ 1,494,638 |
| Info System Modifications | \$ 350,000 | - | - | \$ 350,000 |
| Totals | \$ 12,092,849 | \$ 6,345,943 | \$1,216,483 | \$ 19,655,275 |

| FY 2008 | | | | |
|---------------------------------|--------------|--------------|-------------|---------------|
| | General Fund | Federal | Local | Total |
| Transitional Payment | \$ 1,406,850 | - | - | \$ 1,406,850 |
| VIEW Employment Support | \$ 2,603,838 | \$ 6,118,373 | - | \$ 8,722,211 |
| VIEW Child Care | - | \$16,443,075 | \$1,827,008 | \$ 18,270,083 |
| Child Care/TANF Grant Decreases | \$ 1,992,850 | - | - | \$ 1,992,850 |
| Totals | \$ 6,003,538 | \$22,561,448 | \$1,827,008 | \$ 30,391,994 |

Unexpended funds in DSS were reappropriated to cover the one-time startup costs that would be incurred in FY 2007 before funding could be provided through the budget. The remaining 2006-08 biennial financial impact of this bill is addressed in the introduced budget bill.

9. Specific agency or political subdivisions affected:

Department of Social Services

10. Technical amendment necessary: No**11. Other comments:** None

Date: 03/5/07

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cc: Secretary of Health and Human Resources