

Department of Planning and Budget

2009 Fiscal Impact Statement

1. **Bill Number:** HB 1714

House of Origin X Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron:** Tyler, Roslyn C.

3. **Committee:** Health, Welfare and Institutions

4. **Title:** Diversionary cash assistance; revises limitation on receipt of one-time assistance to one payment

5. **Summary:** This legislation revises the limitation on receipt of one-time diversionary cash assistance from one payment every 60-month period to one payment per 12-month period.

6. **Fiscal Impact Estimate: Preliminary**

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2009	-	-	-
2010	(\$301,025)	-	Nongeneral
2011	(\$301,025)	-	Nongeneral
2012	(\$301,025)	-	Nongeneral
2013	(\$301,025)	-	Nongeneral
2014	(\$301,025)	-	Nongeneral
2015	(\$301,025)	-	Nongeneral

7. **Budget Amendment Necessary:** No

8. **Fiscal Implications:** Diversionary assistance provides eligible families with short-term assistance (not to exceed the amount of TANF cash assistance the family would otherwise receive during a 120 day period) if the assistance will resolve an emergency and prevent the need for ongoing cash assistance. By accepting diversionary assistance, the household waives the right to receive ongoing TANF assistance for up to 160 days. While federal law provides the latitude for a diversion payment to take place annually, the current state statutory time frame is once every 60 months. If enacted, this bill will allow eligible families to receive a diversionary cash payment once every 12 months. It is estimated that the Commonwealth would experience a nongeneral fund savings if individuals can be diverted from long-term dependency on TANF benefits by receiving more frequent diversionary assistance.

Existing Statute

There are approximately 2,785 households that receive diversionary assistance each year. During the first year following the receipt of assistance 83 percent ($2,785 \times 0.83 = 2,312$) do not

return to TANF. The remaining 17 percent ($2,785 \times 0.17 = 473$) return during the first year and enroll in the ongoing TANF program; this is an existing cost to the program.

Since the implementation of the TANF Program in 1995, 64 percent of households that received diversionary assistance have never returned to TANF. The remaining 36 percent ($2,785 \times 0.36 = 1,003$) do return to TANF. As calculated above, 473 return during the first year.

Assume that the remainder ($1,003 - 473 = 530$) return in equal increments over the next four years ($530/4 = 132$.)

The average diversionary assistance payment is \$541, so under current policy, the diversionary assistance cost for these households over 5 years would be \$1,506,685 ($2,785 \times \541). It is assumed that the households that return to ongoing TANF assistance stay on TANF for 16 months. The average TANF benefit is \$270 per month, so under current policy, the ongoing assistance cost would be \$4,332,960 ($1,003 \times \270×16 months) over a five year period. Total costs under existing policy are \$5,839,645 (\$1,506,685 for diversionary assistance + \$4,332,960 ongoing TANF Assistance).

Proposed Legislation

If this legislation is passed, it is assumed that 75 percent of the households that would otherwise return to ongoing TANF assistance could be again diverted with a second diversion assistance payment ($132 \times 0.75 = 99$.). The remaining 25 percent (33 households) would receive ongoing TANF assistance. Under this proposal, the cost of diversionary assistance for the 99 households that would be diverted each year is \$53,559 ($99 \times \$541 = \$53,559$).

Therefore the total cost for diversionary assistance is \$1,720,921. This is composed of \$1,506,685 for first year diversions ($2,785 \times \$541$) plus \$214,236 (\$53,559 in additional diversions each year for the next four years). The ongoing TANF Assistance cost would be \$2,613,600 ($605 \times \270×16 months = \$2,613,600) over a five year period. This is composed of 473 households that return to TANF assistance the first year and 33 that return in each of the next four years, or 605 households. Total costs under the proposed legislation would be \$4,334,521 (\$1,720,921 for diversionary assistance + \$2,613,600 ongoing TANF Assistance)

Net Savings

Costs under the current statute were compared with the estimated costs under HB 1714. The result is a net savings over five years of \$1,505,124 ($\$5,839,645 - \$4,334,521$), or an annual savings of \$301,025.

9. Specific Agency or Political Subdivisions Affected:

Department of Social Services

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/15/2009

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cc: Secretary of Health and Human Resources