Department of Planning and Budget
2011 Fiscal Impact Statement

1. **Bill Number:** SB 866

House of Origin	☒	Introduced	☐	Substitute	☐ Engrossed
Second House	☐	In Committee	☐	Substitute	☐ Enrolled

2. **Patron:** Martin, Stephen H.

3. **Committee:** Rehabilitation and Social Services

4. **Title:** VIEW work requirement; exemption

5. **Summary:** The proposed bill will revise the allowable exemptions from participation in the Virginia Initiative for Employment not Welfare (VIEW) program. Currently, an individual is exempt from VIEW participation for the first 12 months following the birth of a child; the exemption is valid regardless of the number of children born to the individual. This bill will limit the exemption to one 12 month period which may be consecutive or not consecutive.

6. **Budget Amendment Necessary**: No. While this bill does have a first year cost, it provides a savings in subsequent years. The department has indicated that it will absorb these costs in order to generate these future savings.

7. **Fiscal Impact Estimates:** Preliminary (see item 8)

Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2011	-	-	-
2012	158,625	-	General Fund
2013	(58,858)	-	TANF
2014	(222,750)	-	TANF
2015	(285,687)	-	TANF
2016	(285,687)	-	TANF
2017	(285,687)	-	TANF

8. **Fiscal Implications:** This legislation will transition some of the existing Temporary Assistance for Needy Families (TANF) cases into Virginia Initiative for Employment not Welfare (VIEW) employment services program an estimated six months earlier than would otherwise occur under existing law. Clients enrolled in TANF must also enter VIEW where they receive cash benefits, child care, and employment services for two years. In their third or transitional year, these clients are entitled to child care and employments services only. Current law allows for individuals to remain in TANF and be exempt from VIEW for 12 months following the birth of a child and this exemption is valid regardless of the number of children born to the individual. In other words, current law does not limit the number of 12

month exemptions an individual may observe if they have any children under 12 months of age.

The Department of Social Services' (DSS) records indicate that there has been an average of 4,823 individuals exempt due to caring for a child less than twelve months of age. Of those individuals, an average of 300 cases per month received an exemption from VIEW for a period of longer than twelve months. Therefore, the ages of the infants creating these 300 exemptions are equally distributed from 0 -11 months. These three hundred cases are the ones which will be immediately impacted by this bill as this is the caseload that currently is utilizing more than 12 months of exemption from VIEW.

The department expects the TANF program to experience an attrition rate of approximately 50 percent if this legislation is enacted and the work exemption provision is eliminated. This assumption is based on the agency's historical experience relative to the impact of implementing other policies (1997 and 2005) that served to enhance or increase work requirements on TANF recipients.

Assuming that the 50 percent attrition rate is applied to the estimated population of 300 cases that will lose their exemption; 150 TANF clients will no longer receive TANF cash assistance. This caseload reduction is estimated to save $158,625. This amount is calculated by comparing the difference in monthly caseload for each of the first twelve months under the proposed bill versus existing law. The difference for each month is multiplied by $270 which is the average monthly cost for TANF benefits per case. The monthly amounts of savings were then summed for the twelve month period.

It is further assumed that the provisions of the bill will shorten the amount of time the estimated population of 150 clients above will be able to receive cash benefits. Currently, a TANF client who has a child during their two-year eligibility receives a VIEW exemption for up to twelve additional months, once that exemption expires they retain the remainder of their original cash benefit eligibility thereby extending the overall amount of time they can receive cash assistance. The provisions of this bill will no longer allow this benefit extension. Under this bill, the estimated 150 clients will begin exiting the TANF caseload beginning 24 months after entering VIEW thereby generating a $222,750 savings over the next eleven months.

It is estimated that eliminating the additional VIEW exemption will produce a TANF benefits savings of $158,625 in FY 2012 and a total savings of $381,375 ($158,625 + $222,750) over the next three years.

All participants in the VIEW program are entitled to receive supportive services which include employment assistance and child care.

Assuming the average monthly cost for VIEW services is $39.35 or $472 annually, the total phased-in cost for VIEW employment services for the first year is $85,586. On average child care for a child under twelve months of age is $528 per month, or $6,336 annually. Based on

current experience, it is expected that seventy-percent of the new VIEW clients will participate in work activities each month. Furthermore, only seventy-five percent of those individuals will require child care services as others will rely on family or friends to provide the required child care. Therefore, it is estimated that only 52.5 percent of the new VIEW clients will require child care services. Applying these assumptions to the monthly caseload projections results in an estimated annual cost for child care of $603,504.

Currently, exemptions for the 300 cases impacted will lapse, on average, at six months as the children reach 12 months of age. Therefore, 150 of these cases will be expected to enter VIEW in a 12 month period. In contrast, under the proposed legislation all three hundred cases will enter VIEW at the same time. The proposed legislation is expected to cause one half of the expected additional annual VIEW costs for child care and employment services, $344,545, ($85,586 VIEW employment + $603,504 Child Care = $ 689,090 x 50 percent) to occur six months earlier than would otherwise be the case.

Summary of Costs

Netting the first year cash benefit savings versus employment services costs yields a one-time cost of $185,920 ($344,545 - $158,625) for FY 2012. However, this bill is expected to begin producing a cost savings estimated at $58,858 in FY 2013 and grow to over $222,000 in subsequent years. The TANF block grant is fully allocated in the introduced budget; therefore, the first year cost shows a general fund need. Either currently budgeted TANF resources need to be diverted from other programs or the additional costs will have to be supported with state dollars as assumed in this statement.

9. **Specific Agency or Political Subdivisions Affected:**
   Department of Social Services

10. **Technical Amendment Necessary:** No

11. **Other Comments:** The proposed legislation will also assist Virginia in meeting its federal workforce participation requirements. Federal law mandates that states require 50 percent of their TANF population to participate in a work activity or face a financial penalty beginning at $16.4 million. The population impacted by this bill currently counts against the Commonwealth's participation rate.

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