

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: HB 1918

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

2. Patron: LeMunyon, James M.

3. Committee: Health, Welfare and Institutions

4. Title: Public assistance; local director of social services to determine eligibility

5. Summary: The proposed legislation requires a local director of social services to verify identity, income, assets, and other information about an applicant for public assistance necessary, and consistent with federal law and regulations, for the purpose of determining eligibility for public assistance, eliminating the duplication of assistance, and deterring fraud and to deny public assistance in cases in which information provided by an applicant is inconsistent with information obtained by the local director. The bill requires the Department of Social Services to enter into a contract with a third-party vendor for the provision of data for the search required to be made by local directors of social services and to report annually to the General Assembly on the specific types and sources of information that local directors are using for such purpose, the number of applications for public assistance reviewed by local directors each year, the number of cases in which eligibility was approved or denied, the number of cases referred for investigation of potential fraud, and any savings to the Commonwealth resulting therefrom.

6. Budget Amendment Necessary: Yes

7. Fiscal Impact Estimates:

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars*</i>	<i>Fund</i>
2015	\$124,700	General
	\$589,700	Nongeneral
2016	\$1,244,149	General
	\$1,803,115	Nongeneral
2017	\$6,044,149	General
	\$6,603,115	Nongeneral
2018	\$1,244,149	General
	\$1,803,115	Nongeneral
2019	\$1,244,149	General
	\$1,803,115	Nongeneral
2020	\$1,244,149	General
	\$1,803,115	Nongeneral
2021	\$1,244,149	General
	\$1,803,115	Nongeneral

*Expenditure impact does not include a required local match of \$558,965 beginning in FY 2016.

8. **Fiscal Implications:** The legislation requires that the Department of Social Services (DSS) enter into a contract with a third party vendor in order to review electronic eligibility data for each public assistance case. To accomplish this, each of the local eligibility and child care workers and supervisors (approximately 4,874 state reimbursed and 128 locally funded only) would need access to the data information system. The department estimates that access costs for a web-based, third party vendor would cost approximately \$660 per worker per year for an expense of \$3,216,840 ($\$660 * 4,874$) comprised of \$1,109,810 general fund, \$1,608,420 federal funds, and \$498,610 local matching dollars. It is also estimated that localities would spend an additional \$84,480 annually ($\$660 * 128$) for the 100 percent locally funded positions.

Currently, local staff reviews cases two times per year; however, the bill also requires the vendor to review recipient data quarterly to verify eligibility information and to contact the department if a change in the recipient's circumstance warrants reconsideration. In FY 2013 2.5 percent of the local caseload was referred for investigation, out of which 13 percent of those cases were determined to be fraud. In November 2014, there were approximately 667,301 active cases in the public assistance programs that would be affected by this bill. Assuming the vendor would notify the department about three percent of the cases (during each of the additional two quarters where cases would normally not be reviewed), local staff will conduct 40,038 ($3\% * 667,301 * 2$) additional reviews each year. It is estimated that each additional review will take approximately 15 minutes per case to complete and local staff would need an extra 10,010 ($0.25 \text{ hours} * 40,038 \text{ cases}$) hours to conduct the new reviews annually. The department reports that the average annual cost of employing (salary, benefits, nonpersonal services, etc.) a local case worker, including the \$660 third party vendor cost mentioned above, is \$68,994. Local governments are required to cover 15.5 percent of these expenses, so the estimated state share would be \$58,300 for a local worker. Assuming 1,500 annual productive hours per full-time employee, the state reimburses localities \$38.90 per hour for local case workers. Therefore, the state cost of requiring 10,010 additional hours of work would be \$389,389 ($10,010 \text{ hours} * \38.90) each year. The statewide local share would be \$60,355.

The agency must provide an annual report to the General Assembly stating the sources of information localities used and did not use to verify applicant data. Therefore the department would need to develop a way for local staff to electronically track these sources. In addition, the number of applications approved, changed, denied, and/or investigated pursuant to this legislation, and any savings resulting from the investigations, are to be included in the report. The department's current systems are not capable of providing all of this information. The department is undergoing a modernization of its eligibility determination systems. The current legacy systems are being phased out as the modules of the new system, VaCMS, become operational. This legislation would necessitate that new system modules be developed in both VaCMS and the legacy systems for the tracking of sources, investigations, and savings to be detailed in the General Assembly report. The tracking modules would need to be operational as of July 1, 2015 when the legislation goes into effect. This would impact the timeline for the completion of VaCMS, causing greater expense for the project and longer

use of the legacy systems as project priorities would be rearranged to accommodate the requirements of this legislation. DSS staff, along with consultations with a vendor, suggests these modifications would cost at least \$600,000 in VaCMS (\$67,500 general fund and \$532,500 nongeneral fund) and \$114,400 in the legacy systems (\$57,200 general fund and \$57,200 nongeneral fund). The VaCMS funding split assumes the modifications would qualify for enhanced federal funding. These would be one-time FY 2015 expenses necessary for the modules to be operational on July 1. In addition, due to the rearrangement of project priorities, staff estimates keeping applicable public assistance programs on the legacy systems for an additional six months past the expected December 2016 end date. Assuming an average monthly VITA cost of \$1.6 million for the legacy systems, the expense for the extended six months of usage would be \$9.6 million (\$4.8 million general fund and \$4.8 million nongeneral fund) in FY 2017.

It is difficult to calculate the total projected savings that could be generated based on the provisions of this bill because of the variety of public assistance cases. Those committing fraud could be on one program or be on multiple programs. For example, a recipient could be found guilty of fraud at their initial application or they could be found guilty of fraud three months from the end of their TANF eligibility. However, since it is assumed that any savings resulting from fraud determinations would be reinvested in the programs, as allowed under federal and state law, this statement does not assume any savings to offset costs.

9. Specific Agency or Political Subdivisions Affected:

Department of Social Services

10. Technical Amendment Necessary: No

11. Other Comments: The proposed legislation requires that DSS expand the process used for determining eligibility and annually report to the General Assembly the results of the expanded process. Federal regulations are very specific regarding eligibility determination processes and DSS reports that several of this bill's provisions would put Virginia in violation of federal law. Conversely, many the bill's other requirements are expected to fall within federal guidelines that are currently being practiced by local staff.

Date: 1/29/15