

Department of Planning and Budget 2016 Fiscal Impact Statement

1. **Bill Number:** HB991

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

2. **Patron:** Lopez

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

4. **Title:** Virginia Initiative for Employment Not Welfare; education and training programs.

5. **Summary:** Requires local Departments of Social Services to place VIEW participants who have not completed high school in a program preparing individuals for a high school equivalency examination approved by the Board of Education, and authorizes local departments to place VIEW participants who are in need of job skills and who would benefit from additional job skills training in an apprenticeship program developed by the local department in accordance with requirements established by the Department of Social Services with information and advice from representatives of the U.S. Department of Labor's Bureau of Apprenticeship and Training and representatives of the Virginia Apprenticeship Council.

6. **Budget Amendment Necessary:** No.

7. **Fiscal Impact Estimates:** Preliminary. See Item 8.

8. **Fiscal Implications:** This bill requires any VIEW participant who does not have a high school diploma or a General Education Development (GED) certificate to participate in a program preparing individuals for a high school equivalency examination approved by the Board of Education.

The TANF block grant requires 50 percent of work-eligible adult TANF recipients to participate in "core" work or education activities in order to receive cash assistance. These core activities include employment, job skills training, and community service programs. The 50 percent requirement, otherwise known as the work participation rate (WPR), can be impacted by a reduction in caseload and the amount of state spending on TANF programs or maintenance of effort (MOE). Each state that fails to meet its WPR will be penalized through a loss in TANF block grant funding, an increase in the WPR requirement, and an increase in its MOE. Virginia has always met its WPR which, after adjustment, averages in the low to mid 40 percent range and was confirmed by the federal government to be 43.1 percent in federal FY 2013. The federal government takes Virginia's caseload reductions and

reported state MOE spending into account, which allows the state's WPR to be adjusted from 50 percent to 43.1 percent without penalty.

High school equivalency or GED programs are considered "non-core" activities and would only count towards the WPR if those enrolled also participated in a core activity for at least 20 hours per week. However, it is possible that applicable VIEW participants would not be able to complete the 20 hours per week of allowable core WPR activities if also enrolled in a GED program due to time limitations. Therefore, if enough VIEW participants could not meet the federal requirements for core activity completion, the Department's work participation rate could decline below the required percentage.

Furthermore, every year the state must spend a minimum of \$128 million as a MOE requirement, which is 75 percent of its historic state spending of \$170.9 million. This MOE is met through a combination of state general fund and local match funds which, along with the TANF block grant, are used to support programs and activities accomplishing at least one of the four purposes of TANF. A penalty of not meeting the required WPR is that Virginia's MOE will increase from 75 to 80 percent of historic state spending. This would create a new MOE total of \$137 million, which is an increase of \$8.5 million. Additional general fund may be necessary to meet the new MOE requirement.

Based on recent VIEW program data, 2,513 participants did not have a high school diploma or GED certificate; however, 142 or 5.6 percent of them were enrolled in a GED or high school program. Out of those 142 individuals, 26 or 18.3 percent met the WPR requirement for completing at least 20 hours a week of a core activity. If it was mandatory for all VIEW recipients without a diploma or GED to take GED classes, it is assumed that 18.3 percent of those recipients would meet the WPR core activity requirement. Therefore, 81.7 percent or 2,053 would not complete 20 hours of core activities weekly and would negatively impact the WPR. The commonwealth's WPR averaged 44.2 percent in the first five months of FY 2016. Reducing the number of VIEW participants who meet the WPR goals by 2,053 would decrease the WPR to 27.5 percent. The penalty for failure to meet the work participation rate is a loss in revenue equivalent to five percent of Virginia's \$158 million TANF block grant, or approximately \$7.9 million.

Additionally, some adult education programs charge fees for testing, assessments, and books. It is assumed that the Department of Social Services will pay these fees since the agency is directed by the bill to place participants in a program preparing the individual for a high school equivalency (GED) exam. According to the Virginia Department of Education, fees for adult education programs across the state vary in range from \$25 to \$75 and up. For this analysis, it is assumed that the average cost per person is \$50. Additionally, testing costs range from \$30 for one portion of the high school equivalency exam to \$120 for the exam in its entirety. There is an additional \$10 testing center fee, per test. Students receive two free retakes per test, but the testing center fee still applies. This analysis assumes a total per person fee of \$200. The breakdown can be found in the table below.

Adult Education program costs	
Program fee	\$50
GED exam	\$120
Testing center fees (\$10/ea.) (assuming 2 retakes)	\$30
Total cost per person:	\$200
Number of participants	2,053
Total program cost:	\$410,600

The legislation also states that the Department and local Departments of Social Services must develop requirements for an apprenticeship program for VIEW participants. Since apprenticeships are core TANF activities, local agencies already regularly utilize apprenticeship programs for their VIEW clients. Therefore, the administrative time and cost associated with these activities are expected to be minimal and could be absorbed by the department.

9. Specific Agency or Political Subdivisions Affected: Department of Social Services, local Departments of Social Services

10. Technical Amendment Necessary: No

11. Other Comments: