

## Department of Planning and Budget 2017 Fiscal Impact Statement

**1. Bill Number:** HB2213

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

**2. Patron:** O'Bannon

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

**4. Title:** Time limit on the receipt of TANF financial assistance.

**5. Summary:** Reduces the total lifetime limit on Temporary Assistance for Needy Families (TANF) financial assistance to 24 months; reduces the number of consecutive months a person may receive TANF before a period of ineligibility from 24 to 12 consecutive months; and reduces the time period of ineligibility from 24 months to 12 consecutive months.

**6. Budget Amendment Necessary:** Yes.

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	-	-	-
2018	\$2,285,111	-	General
	(\$8,870,589)	-	Nongeneral
2019	\$1,730,911	-	General
	(\$6,720,070)	-	Nongeneral
2020	\$1,730,911	-	General
	(\$6,720,070)	-	Nongeneral
2021	\$1,730,911	-	General
	(\$6,720,070)	-	Nongeneral
2022	\$1,730,911	-	General
	(\$6,720,070)	-	Nongeneral
2023	\$2,076,941	-	General
	(\$8,064,003)	-	Nongeneral

**8. Fiscal Implications:** Currently, Virginia Initiative for Employment Not Welfare (VIEW) participants may receive TANF assistance for 24 cumulative months, followed by a 24-month period of ineligibility. Lifetime eligibility for TANF is limited to 60 months. This bill would limit VIEW eligibility to 12 consecutive months followed by a 12-month period of ineligibility, with a lifetime maximum of 24 months.

The fiscal impact of the proposed legislation has three primary components: (1) a decrease in TANF cash assistance payments for VIEW participants; (2) a decrease in Unemployed Parent (UP) cash assistance payments for VIEW participants; and (3) the impact of reduced TANF

assistance payments on TANF child support collections and disregards for VIEW participants. It should also be noted that the Department of Social Services (the Department) must maintain the state's federally required TANF maintenance of effort (MOE) commitment of \$128 million per year. State funds must be spent to meet the maintenance of effort requirement. Consequently, the decline in general fund spending for assistance payments must be redirected to other TANF programs in order for the state to avoid penalties on its TANF block grant. Therefore, there can be no general fund savings associated with a decline in TANF spending although there can be general fund savings in other areas.

#### TANF VIEW Cash Assistance

As a result of this proposed legislation, the number of VIEW clients receiving TANF cash assistance will decrease due to the shorter period of eligibility for VIEW participants. By reducing the lifetime eligibility for TANF from 60 months to 24 months, this legislation will, in effect, reduce the caseload by 60 percent when it is fully implemented. As of June 2016, there were 8,309 VIEW cases. Of this number, 2,659 were enrolled in VIEW for greater than 12 months and 5,650 were enrolled in VIEW for less than 12 months. It is estimated that the number of TANF cash assistance cases will decline by 66 percent in FY 2018, by 50 percent in FY 2019 through FY 2022, and 60 percent in FY 2023 as a result of clients cycling on and off of TANF due to the new time limit restrictions. Consequently, assistance payments are estimated to decline by \$17.4 million in FY 2018, by \$13.4 million in FY 2019 through FY 2022, and by \$16.1 million in FY 2023.

TANF assistance payments are funded by 50 percent general fund and 50 percent federal funds. However, due to the TANF MOE requirement previously mentioned, there will be no general fund savings as these general fund dollars will need to be redirected to other TANF programs. However, there will be a savings in federal TANF funds of \$8.9 million in FY 2018, \$6.7 million in FY 2019 through FY 2022, and \$8.1 million in FY 2023.

#### UP Cash Assistance

While TANF provides assistance to families with one parent, the Unemployed Parent (UP) Program is intended to provide assistance to families with two able-bodied parents. Both parents must participate, as required, in the VIEW Program unless one parent meets an exemption. As with TANF cash assistance, the number of VIEW clients receiving UP cash assistance will also decrease due to the shorter period of eligibility for VIEW participants. The rate of decline is estimated to be the same as that for TANF VIEW recipients: 66 percent in FY 2018, 50 percent in FY 2019 through FY 2022, and 60 percent in FY 2023. As of June 2016, there were 1,116 UP cases. Of this number, 357 were enrolled in VIEW for greater than 12 months and 759 were enrolled in VIEW for less than 12 months. Therefore, assistance payments are estimated to decline by \$3.7 million in FY 2018, \$2.9 million in FY 2019 through FY 2022, and \$3.4 million in FY 2023. UP cash assistance payments are funded with 100 percent general fund dollars, thereby creating a general fund savings.

#### Child Support TANF Collections and Disregards

It is assumed that TANF child support collections will also decline at the same rate as TANF cash assistance since the collections are related to the number of TANF child support cases.

As the TANF VIEW cases decrease, so will the number of TANF child support cases. TANF child support collections help fund the Division of Child Support Enforcement (DCSE) by offsetting departmental costs of the child support program, which handles both TANF and non-TANF cases. Estimated TANF VIEW child support collections totaled \$16.5 million in FY 2016. Therefore, collections are estimated to decline by \$10.9 million (66 percent) in FY 2018, by \$8.2 million (50 percent) in FY 2019 through FY 2022, and by \$9.9 million (60 percent) in FY 2023. Virginia is allowed to retain 50 percent of child support collections from TANF cases. The decline in collections will result in reduced retained TANF collections of \$5.4 million in FY 2018, \$4.1 million in FY 2019 through FY 2022, and \$4.9 million in FY 2023. These retained TANF collections are used as a match to obtain federal child support funds at an approximately two-to-one federal/state match rate. General fund support will be needed to replace the decline in retained TANF collections in order to ensure the collection of child support from non-custodial parents, maintain current operational levels, and the program's overall effectiveness.

The first \$100 of child support collected by DCSE on behalf of a TANF child is sent to the custodial parent with the remainder of the child support payment shared by the Department and the federal government. The Department is able to claim 50 percent of the disregarded collections as MOE spending towards the commonwealth's \$128 million TANF MOE obligation. In FY 2016, there was an estimated \$1.9 million in child support disregards for VIEW cases. It is assumed that the disregards will also decline at the same rate as the VIEW caseload. Assuming an estimated decline of 66 percent in FY 2018, 50 percent in FY 2019 through FY 2022, and 60 percent in FY 2023, the disregarded collections will decrease by \$1.2 million, \$946,491, and \$1.1 million respectively. The state portion of those disregards, which can be claimed as TANF MOE, is approximately 50 percent. Based on this, TANF MOE will be reduced by \$624,684 in FY 2018, \$473,245 in FY 2019 through FY 2022, and \$567,892 in FY 2023. Consequently, general fund support is needed to replace the reduction in child support disregards in order to meet the state's maintenance of effort requirement.

The general fund cost of this legislation is estimated to be \$2.3 million in FY 2018, \$1.7 million in FY 2019 through FY 2022, and \$2.1 million in FY 2023. Federal TANF savings are estimated to be \$8.9 million in FY 2018, \$6.7 million in FY 2019 through FY 2022; and \$8.1 million in FY 2023. Any federal savings generated through this bill will increase the commonwealth's TANF block grant balance surplus.

Program Area affected by HB2213:	FY 2018		FY 2019 - FY 2022		FY 2023	
	GF	NGF	GF	NGF	GF	NGF
<b>TANF Cash Benefits</b>	\$0	(\$8,870,589)	\$0	(\$6,720,070)	\$0	(\$8,064,003)
<b>UP Cash Benefits</b>	(\$3,773,914)	\$0	(\$2,859,259)	\$0	(\$3,431,239)	\$0
<b>DCSE TANF Collections / GF</b>	\$5,434,341	\$0	\$4,116,925	\$0	\$4,940,288	\$0
<b>DCSE Disregards / MOE GF</b>	\$624,684	\$0	\$473,245	\$0	\$567,892	\$0
<b>Totals</b>	<b>\$2,285,111</b>	<b>(\$8,870,589)</b>	<b>\$1,730,911</b>	<b>(\$6,720,070)</b>	<b>\$2,076,941</b>	<b>(\$8,064,003)</b>

TANF Regulations

It is also important to note that this bill could negatively impact the state's federal work participation rate by reducing the pool of VIEW individuals in a work activity compared to the total TANF population. The first year penalty for not meeting the state's work participation rate is approximately \$16 million.

**9. Specific Agency or Political Subdivisions Affected:** Department of Social Services, local departments of social services

**10. Technical Amendment Necessary:** No.

**11. Other Comments:**