

Department of Planning and Budget 2022 Fiscal Impact Statement

1. **Bill Number:** HB1158

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron:** Sickles

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

4. **Title:** Temporary Assistance for Needy Families; Virginia Initiative for Education and Work; sanctions.

5. **Summary:** Lowers from the full amount of the Temporary Assistance for Needy Families (TANF) grant to a maximum of six percent of the TANF grant the amount a local department of social services can impose as a sanction on a parent for noncompliance with the requirements of the Virginia Initiative for Education and Work.

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

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2023	\$1,320,216	General Fund
2024	\$1,230,216	General Fund
2025	\$1,230,216	General Fund
2026	\$1,230,216	General Fund
2027	\$1,230,216	General Fund
2028	\$1,230,216	General Fund
2029	\$1,230,216	General Fund

8. **Fiscal Implications:** Currently, if Temporary Assistance for Needy Families (TANF) recipients fail or refuse to participate in the Virginia Initiative for Education and Work (VIEW) program without good cause, the family is sanctioned by withholding the entire amount of the TANF benefit.

This legislation decreases the amount a local department of social services (LDSS) can impose as a sanction on a parent for non-compliance with the requirements of the VIEW program. The proposed change would decrease the maximum sanction from the full amount of the TANF benefit received by the family, to a maximum of six percent of the TANF benefit.

There are an average of 260 cases in VIEW sanction on a monthly basis. The average payment per case is \$419.47. If the sanction changed from full TANF benefit sanction to a reduction of six percent of the benefit, there would be an increase of \$394.30 per sanction case per month. Therefore, the estimated annual cost of reducing the sanction is \$1,230,216 ($\$394.30 \times 260 \times 12$) in fiscal year (FY) 2023 and each year thereafter.

Virginia's work participation rate is calculated based on the number of families receiving assistance. Currently, sanctioned cases are not included in the rate. However, according to the Department of Social Services, those cases will be calculated in the work participation rate if this legislation is passed, which will reduce Virginia's work participation rate. As outlined in 45 CFR 261.20 and 261.50 of the federal regulations, the penalty for failing to meet the work participation rate is a reduction in the TANF block grant of \$7.8 million (TANF funds), coupled with an increased Maintenance of Effort (MOE) of \$8.5 million (general fund). However, because of the current caseload reduction credit that DSS receives, the target work participation rate is reduced to almost zero. Therefore, considering the current credit, the agency believes that it is unlikely that the state would be penalized.

In addition to the increase monthly benefit paid to sanctioned families, there will be a one-time cost of \$90,000 general fund in FY 2023 for Virginia Case Management System (VaCMS) modifications to change eligibility rules, reports and correspondences to clients. It is unlikely that this legislation will affect local effort, since these families already have open TANF cases.

The total estimated cost of this legislation is \$1,320,216 general fund in FY 2023 and \$1,230,216 general fund in FY 2024 and each year thereafter. The TANF grant is fully obligated and will be in a deficit beginning in FY 2025; therefore, this impact statement proposes funding TANF program costs with general fund dollars.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.