

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

REVISED FISCAL NOTE: This fiscal note is a revision of the previous fiscal note which was issued on 2/27/95. The note has been revised to reflect the amendments made on 3/20/95 on the House Floor and to include better defined information on the number of Food Stamp recipients expected to participate in the Workfare program. The changes in the number of Food Stamp Recipients expected to participate in the Workfare program has lowered the cost of the counties' implementation of the Workfare Program in this revised fiscal note.

BILL NUMBER: House Bill 24 (2nd Edition) As Amended

SHORT TITLE: Food Stamp Workfare

SPONSOR(S): Representatives Howard and Berry

FISCAL IMPACT: Expenditures: Increase (X) Decrease ()
Revenues: Increase (X) Decrease ()
No Impact ()
No Estimate Available ()

FUND AFFECTED: General Fund () Highway Fund () Local Fund (X)
Other Funds ()

BILL SUMMARY:

Adds new GS 108A-52.1 requiring the Department of Human Resources (1) to ensure that all eligible Food Stamp recipients are available to work for no compensation at the discretion of, and under the supervision of public and nonprofit agencies DHR has designated as "employing agencies" for as long as they receive Food Stamps; (2) to ensure that all 100 counties participate; (3) to ensure that the number of hours worked per month do not exceed the number of hours produced, by dividing the monthly value of Food Stamps received by the minimum wage; (4) to ensure that applicants and recipients are notified of the work requirements; and (5) to review procedures developed by county departments of social services to ensure that employing agencies operate fairly and in full cooperation with the county departments. The new section specifies that the maximum age exemption threshold is 65 years of age and that a parent with a child under the age of five and full-time students are exempt from the work requirement. It directs DHR to apply for a federal waiver if it considers a waiver necessary, in order to implement the section, and conditions the effectiveness of the new section on the obtaining of any necessary waiver.

Amendment #1 rewrites exemption for parents of children under five to apply to parent or other household member responsible for the care of a dependent child under five or an incapacitated person, and provides that a parent or other household member responsible for a child between

age 5 and age 12 may be exempt for " good cause due to lack of adequate child

care," and makes a technical change. **Amendment #2** adds a provision to require that local implementation (i.e.. Counties)of the program allow maximum flexibility, including contracting with the Employment Security Commission.

EFFECTIVE DATE: October 1, 1995

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:

Department of Human Resources
 Division of Social Services

County Department of Social Services

Employment Security Commission

FISCAL IMPACT

SCENARIO #1

Assumes Counties will implement Workfare.

	<u>FY 95-96</u>	<u>FY 96-97</u>	<u>FY 97-98</u>	<u>FY 98-99</u>	<u>FY 99-00</u>
TOTAL EXPENDITURES	\$5,281,170	\$6,604,437	\$6,779,134	\$6,959,072	\$7,144,408
FEDERAL FUNDS	\$3,384,600	\$4,763,935	\$4,763,935	\$4,852,290	\$4,943,296
LOCAL FUNDS	\$1,896,570	\$1,926,284	\$2,015,199	\$2,106,782	\$2,201,112
STATE FUNDS	-0-	-0-	-0-	-0-	-0-
POSITIONS:	(0)	(0)	(0)	(0)	(0)

NOTE: See page 7 for more detailed description.

SCENARIO #2

Assumes ESC will contract with 95 counties to do Workfare.

	<u>FY 95-96</u>	<u>FY 96-97</u>	<u>FY 97-98</u>	<u>FY 98-99</u>	<u>FY 99-00</u>
TOTAL EXPENDITURES	\$2,746,981	\$3,749,084	\$3,838,121	\$3,929,828	\$4,024,287
FEDERAL FUNDS	\$2,117,505	\$3,250,476	\$3,293,428	\$3,337,668	\$3,383,236
LOCAL FUNDS	\$ 629,476	\$ 498,608	\$ 544,693	\$ 592,160	\$ 641,051
STATE FUNDS	-0-	-0-	-0-	-0-	-0-
POSITIONS:	(68.1)	(68.1)	(68.1)	(68.1)	(68.1)

NOTE: See page 8 for more detailed description.

ASSUMPTIONS AND METHODOLOGY:

Expenditure Assumptions:

1. **Number of Participants:** An estimated 31,000 Food Stamp recipients will be registered for Workfare each month. An estimated 7,440 individuals registered for Workfare will work at worksites each month. The number of Food Stamp recipients registered for Workfare was determined by multiplying the average number of monthly Food Stamp recipients by the **workfare registration rate** in the five Workfare counties which is about 5%. The number of individuals working at worksites was determined by multiplying the estimated number of Food Stamp Recipients by the **worksite participation rate** in the five Workfare counties which is 24%.
2. **Work Obligation:** The average household monthly work obligation will be 37 hours. The work obligation was determined by dividing the average household food stamp allotment of \$157 per month by the current minimum wage (\$4.25 per hour).
3. **State Costs:** There will be no additional state staff. State level expenditures are estimated to remain the same (currently \$101,000) under a statewide Workfare program and are expected to continue to be funded from the 100% federal funding available under the Food Stamp Employment and Training Program.
4. **Scenario #1 - County Implementation Of Workfare:** Under Scenario #1, the county staff cost is calculated using the average annual cost and caseloads from the five existing Workfare counties, which is \$16.31 per month per individual registered for the Workfare program. This cost includes direct worker time and indirect cost; it does not include the cost for workers' compensation because these costs are calculated in section 6a. of the this fiscal note. This fiscal note also assumes that county staff costs will be 10% less after FY 1995-96 because initial start-up activities will be completed. For the purposes of this fiscal note, the county staff cost is the total cost of implementing Workfare in all 100 counties even though some counties may not have additional costs because they may use existing staff. In addition, the five existing Workfare counties are included in the county costs because Workfare will be mandatory under the proposed legislation.

County staff costs will vary from county to county depending how county departments of social services implement the Workfare program. Each county will be expected to determine whether current staff can take on additional responsibilities required to operate Workfare or whether additional staff must be hired to carry out the Workfare program responsibilities. The complexity of the local Workfare program will be a factor in determining the number of staff. In a small county with a low Workfare caseload,

and a small number of worksites, an existing worker may be able to handle the Workfare program. If a county uses existing staff, it will not

incur additional costs and may be able to receive federal funding for a portion of the worker's time which has previously been charged to county funding. In a large county with a large caseload and many worksites, a new worker(s) may be needed to handle the Workfare program. If a county uses new staff, it will pay only 50% of the staff cost; federal funds will pick up the remaining cost.

5. **Scenario #2 - ESC Implementation of Workfare:** As amended, the proposed legislation has a provision which requires that local implementation of the Workfare program allow maximum flexibility, including contracting with the Employment Security Commission (ESC). Under Scenario #2, ESC has estimated that the annual cost for implementing a statewide Workfare program, excluding the five counties currently operating a Workfare program. Their proposal assumes that each month, county Department's of Social Services will refer to ESC the estimated 31,000 Food Stamp recipients registered for Workfare. ESC will assess and process the 31,000 individuals including trying to place them in paid employment before assigning them to worksites. Scenario #2 does assumes that 7,440 individuals will be placed into worksites.
6. **Participant Costs:** Counties will be required to pay for some costs incurred by participants under federal rules even if they choose to contract with ESC. The federal rules state the following: "...Participants shall be reimbursed by the operating agency for transportation and other costs that are reasonably necessary and directly related to participation in the Workfare program." The federal government will pay 50% of the participant reimbursement, up to \$25 per month. In addition, federal rules require that workers' compensation be provided.
 - a. **Workers' Compensation:** The estimated cost was determined using rates currently used by the JOBS Community Work Experience Program. This program is available in all 100 counties and is considered a reliable guideline for statewide costs.
 - b. **Transportation and Other Expenses:** Reimbursement for transportation costs will be necessary for participants who do not walk to work and when transportation is not provided by the worksite agency unless the county exempts the individual from the Workfare program. Federal rules allow an individual to be exempted for good cause if an individual lacks transportation and transportation is not provided by the operating agency, but if an individual has their own transportation or has other eligible expenses, they must be paid for their expenses. Based on experience in the current Food Stamp Employment and Training program operating in 52 counties, it is assumed that 35% of the individuals working

at worksites will be reimbursed \$25 a month for Workfare related expenses.

- c. **Child Care:** Parents with children between age 5 and age 12 may be exempted under the amended legislation (GS

108A-52.1(c)(2))for "good cause due to the lack of adequate child care"; expenses related to child care have not been included.

7. **General Assumptions:** A 3% annual growth factor is assumed on all expenditures except participant reimbursements which are capped at \$25 per month. **Since the effective date for the legislation is October 1, 1995, costs for FY 1995-96 are for nine months.** Subsequent years are annualized.

Revenue Assumptions:

1. **Maximization of Federal Funds:** Under the Food Stamp Employment and Training Program, North Carolina receives \$1,700,000 which can be used for Workfare. No state or local match is required. Under Food Stamp Workfare, federal funding will cover 50% of the costs for the program, with county funds paying the remaining 50%.

For the purposes of this fiscal note, it is assumed that the \$1,700,000 the state receives for the Food Stamp Employment and Training Program, less the state staff costs discussed under the expenditure assumptions, will be available to counties for Workfare. In addition, it is assumed that the remaining costs of Workfare will be funded with 50% federal funding and 50% county funding.

2. **Cost Sharing of Workfare Savings:** When Workfare participants working at worksites enter employment, the federal Food Stamp Program will pay counties with Workfare programs a portion of the cost savings which result, subject to the availability of federal funds. Cost sharing only applies if an individual has performed work for the first time at a worksite. If an individual is employed while participating in a job search component allowed under Workfare, cost sharing does not apply. These cost savings can be used to cover the costs of the Workfare Program. Experience in the current Workfare counties indicates that 25% to 33% of the individuals working at worksites enter employment.

If the 33% rate continues in all counties, about 2,455 individuals will enter employment each year. If each of these cases received an average food stamp allotment of \$157 per month and the case is closed when the individual goes to work, gross savings from no longer paying for the food stamp allotment will be \$385,435. Federal cost sharing on this amount will be \$578,153 using the federal formula, which is gross savings times 3/2. **It is assumed that funding from cost sharing will be available for three months in 1995-96.** Subsequent years are annualized.

3. **Additional Federal Funds:** By implementing Workfare statewide, the counties will receive new federal funding which has not been available to them, previously.

Effect on Employment Security Commission

Under the current Food Stamp Employment and Training Program in North Carolina, the Department of Human Resources contracts with the Employment Security Commission (ESC) to provide employment and training services for food stamp recipients in 52 counties. Currently, ESC receives \$1,400,000 (100% federal funds) for this contract which pays for additional workers in ESC local offices located in the 52 counties covered by the contract. The contract is limited to 52 counties because the federal funding is capped at \$1,700,000. The remaining \$300,000 is used to pay state level costs and a contract with Community Colleges to provide employment and training services in 3 counties. The additional workers at ESC local offices are intended to cover the additional workload resulting from food stamp recipients receiving services. Under the proposed legislation, the contract would be terminated and the federal funds would be used to operate Workfare in the counties unless the counties choose to contract with ESC as allowed under the proposed legislation.

SOURCES OF DATA:

Department of Human Resources
Division of Social Services
Division of Information Resource Management

County Department of Social Services

Employment Security Commission

TECHNICAL CONSIDERATIONS: None.

FISCAL RESEARCH DIVISION
733-4910

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DATE: 3/28/95

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SCENARIO #1: ASSUMES COUNTIES WILL IMPLEMENT WORKFARE.

	1995-96 ¹	1996-97	1997-98	
1998-99	1999-2000			
EXPENDITURES				
County Staff	\$4,550,490	\$5,624,406	\$5,793,138	\$5
Workers' Compensation ²	144,780	198,831	204,796	
Participant Reimbursement ³	<u>585,900</u>	<u>781,200</u>	<u>781,200</u>	
Total Expenditures	\$5,281,170	\$6,604,437	\$6,779,134	\$6
REVENUES				
E & T Grant ⁴	\$1,198,953	\$1,595,562	\$1,592,429	\$1
Workfare ⁵	2,041,109	2,504,438	2,593,353	2
Cost Sharing ⁶	<u>144,538</u>	<u>578,153</u>	<u>578,153</u>	
Total Federal Funds	\$3,384,600	\$4,678,153	\$4,763,935	\$4
State Funds	-0-	-0-	-0-	
Local Funds	<u>\$1,896,570</u>	<u>\$1,926,284</u>	<u>\$2,015,199</u>	<u>\$2</u>
Total Revenues	\$5,281,170	\$6,604,437	\$6,779,134	\$6

NOTES:

1. Since the effective date is October 1, 1995, costs estimated for 1995-96 are for nine months.
2. The estimated cost was determined using rates currently used by the JOBS Community Work Experience Program.
3. Assumes 35% of the individuals working at worksites will be reimbursed \$25 a month for Workfare related expenses (e.g. 7,440 worksite participants x 35% = 2,604 worksite participants x \$25/month x 12 months = \$781,200)..
4. The estimated State cost is subtracted from this federal grant which requires no state or local match, and it is assumed that the state cost will increase by 3% each year.
5. This federal grant requires a 50/50 match from the state and/or counties.
6. Assumes cost sharing will be available for three months in 1995-96 due to start -up time lag. Subsequent years are annualized.

SCENARIO #2: ASSUMES ESC WILL CONTRACT WITH 95 COUNTIES TO DO WORKFARE.

	1995-96 ¹	1996-97	1997-98	
1998-99	1999-2000			
EXPENDITURES				
ESC Contract	\$2,016,301	\$2,769,053	\$2,852,125	\$2
Workers' Compensation ²	144,780	198,831	204,796	
Participant Reimbursement ³	<u>585,900</u>	<u>781,200</u>	<u>781,200</u>	
Total Expenditures	\$2,746,981	\$3,749,084	\$3,838,121	\$3
REVENUES				
E & T Grant ⁴	\$1,198,953	\$1,595,562	\$1,592,429	\$1
Workfare ⁵	774,014	1,076,761	1,122,846	1
Cost Sharing ⁶	<u>144,538</u>	<u>578,153</u>	<u>578,153</u>	
Total Federal Funds	\$2,117,505	\$3,250,476	\$3,293,428	\$3
State Funds	-0-	-0-	-0-	
Local Funds	<u>\$629,476</u>	<u>\$498,608</u>	<u>\$544,693</u>	
Total Revenues	\$2,746,981	\$3,749,084	\$3,838,121	\$3
Total ESC Positions	(68.1)	(68.1)	(68.1)	

NOTES:

1. Since the effective date is October 1, 1995, estimated costs for 1995-96 are for nine months.
2. The estimated cost was determined using rates currently used by the JOBS Community Work Experience Program.
3. Assumes 35% of the individuals working at worksites will be reimbursed \$25 a month for Workfare related expenses (e.g. 7,440 worksite participants x 35% = 2,604 worksite participants x \$25/month x 12 months = \$781,200).
4. The estimated State cost is subtracted from this federal grant which requires no state or local match, and it is assumed that the state cost will increase by 3% each year.
5. This federal grant requires a 50/50 match from the state and/or counties.
6. Assumes cost sharing will be available for three months in 1995-96 due to start -up time lag. Subsequent years are annualized.



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