

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 1243 (Committee Substitute Favorable 7/1/99)

SHORT TITLE: Welfare Law Changes

SPONSOR(S): Rep. Adams

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES	N/A				
EXPENDITURES*	\$1,908,000	\$1,908,000	\$1,908,000	\$1,908,000	\$1,908,000
(*federal block grant funds within the budget would be used to cover certain costs)					
NET APPROPS.	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
POSITIONS:	N/A				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Health and Human Services, Division of Social Services					
EFFECTIVE DATE: When the bill becomes law.					

BILL SUMMARY: Committee Substitute for House Bill 1243 amends G.S. 108A-27.2 - 27.9 to effect various provisions of the welfare reform law enacted during the 1997 and 1998 Sessions of the General Assembly. The following summarizes the proposed changes:

1. Raises the income eligibility for Work First support services from 150% to 200% of the federal poverty level;
2. Reduces the waiting period from 36 to 18 months for reapplication for cash assistance when families reach the 24-month cumulative limitation (Standard Counties only);

3. Mandates that up to 20% of the Work First caseload, if certain requirements are met, may participate in post secondary educational activities (also allows waiver of the state time limitations);
4. Eliminates the requirement that qualifying two-parent families applying for cash assistance must first meet minimum work requirements; provides cash assistance to two-parent families for up to three months after qualifying for assistance;
5. Deletes 108A-27.11 (c) which mandates: (a) a formula for determining cash assistance allocations for Electing Counties; (b) advances of state funds to Electing Counties; and (c) non-reversion of state funds for Electing Counties;
6. Amends Section 5 of the 1999 Session Laws 1999-237 to make conforming changes necessitated by Item 5 above and appropriates \$6.2M in excess Temporary Assistance for Needy Families (TANF) Block Grant funds for Work First pilot programs;
7. Makes clarifying changes to various sections regarding maintenance of effort;
8. Provides for reduction in maintenance of effort requirements for Standard Counties if certain conditions are met and allows unspent state and federal funds that result from the reduction, to be reallocated to other counties (subject to county match);
9. Provides the Department of Health and Human Services the authority to realign Work First funds to assure that maintenance of effort requirements are met;
10. Requires counties to monitor and assist families who are within three months of reaching their 24-month cash assistance limitation and requires counties to include descriptions of the process for monitoring county plans;
11. Mandates that counties provide emergency cash assistance payments, as defined by counties' Work First Plans, for eligible families up to 200% of the federal poverty level;
12. Requires the Department of Health and Human Services to review and make recommendations regarding electing counties continuing the designation as electing;
13. Maintains the current eligibility criteria and methodology for determining cash assistance payments; and
14. Mandates that the DHHS and Department of Transportation work together to develop strategies to assist low-income individuals in addressing transportation needs.

ASSUMPTIONS AND METHODOLOGY: The following assumptions were used to estimate the cost of implementation of Committee Substitute for House Bill 1243:

SECTION 1. (a): Current law provides for the provision of support services such as transportation assistance for eligible families up to 150% of the federal poverty level. The bill would raise that level to 200%. Since the Department does not compile data regarding the

number or type of clients receiving these services, the fiscal impact cannot be projected. Additionally, G.S. 108A-27.15 (a) stipulates that the Work First Program is not an entitlement program, thus counties would be required to provide support services as long as Work First funds are available.

Fiscal Impact: While the fiscal impact of this proposed change is unknown, the increase in income eligibility from 150% to 200% raises the potential for significant cost increases in the future.

SECTION 1.1. (a): Current law requires individuals to wait 36 months prior to applying for cash assistance if they have received this assistance for a cumulative total of 24 months. This section would reduce the waiting period from 36 to 18 months for reapplication for cash assistance (in counties operating as Standard Counties). The Department estimates that 50% of cash assistance recipients receive cash assistance for approximately 12 months (the state does not collect data on why these individuals terminate assistance payments). Therefore, no significant fiscal impact is anticipated.

Fiscal Impact: Unknown

SECTION 1.2. (a) (2): This section mandates that the state allow up to 20% of the Work First caseload to participate in post secondary education as part of the state work activities. This provision would allow individuals, if certain conditions are met, to receive cash assistance while participating in at least half-time post secondary education. The direct fiscal impact is unknown however, the potential for federal fiscal penalties is increased since post secondary education is not an allowable work activity under federal regulations.

Fiscal Impact: Unknown

SECTION 2. (b) (1c): This section would eliminate the current policy (known as pay-for-performance) that qualifying two-parent families applying for cash assistance first meet minimum work requirements. This section also provides for cash assistance payments to two-parent families for up to three months after qualifying for assistance. It is estimated that this proposed policy change would impact approximately 2,000 two-parent families, for a total of \$1,308,000 (2,000 families x \$218/month x 3 months = \$1,308,000). The number of families and average monthly payment is based on actual state experience prior to implementation of the current policy (March 1998). These estimated costs would be absorbed by federal Temporary Assistance for Needy Families (TANF) Block Grant funds.

In addition to the cost of cash assistance provided under this provision, an additional \$600,000 in state funds would be needed to cover the federal penalties associated with this section. Federal regulations for the use of TANF Block Grant funds impose specific work participation goals for states. For federal fiscal year 1999/00, states must prove that 90% of their two-parent family caseload is meeting work requirements. States that fail to do so will be penalized by the loss of federal block grant funds and the requirement to replace the loss with state funds. The Committee Substitute for House Bill 1243 would require the provision of cash assistance to

qualifying families regardless of the work requirements. It is anticipated that the proposed change would increase the number of qualifying families substantially and result in a financial penalty for the state. That estimated cost is approximately \$600,000 in state funds (based on a formula prescribed by the federal government).

Fiscal Impact: \$1,908,000

SECTION 3. (c) This section of the bill would impact Electing Counties by eliminating the basis for calculation of their allocations for cash assistance. Additionally, Electing Counties would no longer receive the state portion of their Work First County Block Grant in advance and these unspent state funds would no longer revert to Electing Counties.

Fiscal Impact: The implementation of this section is projected to equate to a loss of approximately \$12.4 million in federal TANF funds specifically earmarked for Electing Counties. Additionally, Electing Counties would lose any reversion of state funds currently permitted under state law. No other State funds are impacted.

SECTION 3. (b): This section amends Section 5 of the 1999 Session Law (S.L. 1999-237) to conform with Section 3. (c) of the HB 1243 Committee Substitute. The bill reallocates existing TANF Block Grant funds to provide cash assistance to all counties based on caseload projections.

Fiscal Impact: Reduces Electing Counties' cash assistance allocation by approximately \$12.4 million. No state funds are impacted.

SECTION 3. (c): . This section reallocates funds freed up by Section 3. (b) to create a Work First Pilot Program.

Fiscal Impact: A total of \$6,189,025 in TANF funds would be reallocated under this section. No state funds are impacted.

SECTION 5. (c) (h) and SECTION 5. (c) (d): These sections mandate that all counties provide emergency cash assistance to eligible families up to 200% of the federal poverty level (the income eligibility would be set at county discretion within the 200% level). Under current law, emergency assistance may be provided (at the discretion of counties) to eligible families up to 135% of the federal poverty level.

Prior to FY97/98, all counties were required to operate emergency assistance programs. Under that capped entitlement, counties expended approximately \$17M (the state and federal government shared equally in the cost) in emergency assistance payments and funds were exhausted prior to the end of each fiscal year.

Fiscal Impact: Since each county would have the discretion to define its own plan (including the definition of "emergency") and set its eligibility level, it is impossible to project the cost of

this provision. Currently, most counties exercise the option of providing emergency assistance. Additional costs associated with implementation of these sections would be absorbed via counties' Work First County Block Grants (a combination of federal, state and local funds).

SECTION 7. : This section requires the state to calculate Work First cash assistance payments based on the methodology employed during FY97/98. The current Work First State Plan does include a new method for calculating cash assistance, but this change has not been implemented. Thus, the bill would require the state to continue the application of *current* methodologies for determination of cash assistance and no additional funds would be needed.

Fiscal Impact: None.

The remaining items included in the bill are estimated to have **no fiscal impact** on the state or counties.

TECHNICAL CONSIDERATIONS: None.

FISCAL RESEARCH DIVISION 733-4910

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DATE: Thursday, July 08, 1999



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