

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 1134 Welfare Reform Changes

**SHORT TITLE:** Welfare Reform Changes

**SPONSOR(S):** Senator Bill Martin

<b>FISCAL IMPACT</b>					
	<b>Yes (x)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>
<b>REVENUES</b>	N/A				
<b>EXPENDITURES*</b>	\$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)					
<b>NET GF APPROPS.</b>	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
<b>POSITIONS:</b>	N/A				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Department of Health and Human Services, Division of Social Services					
<b>EFFECTIVE DATE:</b> When the bill becomes law.					

**BILL SUMMARY:** Senate Bill 1134 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. Maintains the current eligibility criteria (Medicaid Standard of Need for the Categorically Needy) for cash assistance;
2. 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;

3. 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);
4. Requires counties to monitor and assist families who are within three months of reaching their 24-month cash assistance limitation and to include a description of the process for monitoring in their county plans; and
5. Requires the Department of Health and Human Services to review and make recommendations regarding electing counties continuing the designation as electing.

**ASSUMPTIONS AND METHODOLOGY:** The following assumptions are used to estimate the cost of implementation of Senate Bill 1134:

**Section 1 (1b):** Since the bill requires the state to continue the application of the *current* eligibility criteria for determination of cash assistance, no additional cost is anticipated. (*See comments under Technical Considerations Section.*)

**Estimated Cost: \$0**

**Section 1 (1c):** This section would eliminate the requirement that qualifying two-parent families applying for cash assistance must 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 (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.

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.

Senate Bill 1134 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).

**Estimated Cost: \$1,908,000**

**Section 3 (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 on is anticipated. However, the cost to provide Medicaid coverage is unknown.

**Estimated Cost: \$0**

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

**TECHNICAL CONSIDERATIONS:** Section 1 (1b), as written, would *not* prevent the state from implementing a provision included in the current TANF State Plan which would change the formulas/calculation for cash assistance payments to eligible families. Since the sponsor's intent is to maintain the current practice for calculating cash assistance payments, consideration should be given to amending the bill to do so.

Section 7 of the bill would amend current law to require the Department to review and recommend whether electing counties should remain designated as electing. The bill also requires the Department to make these recommendations as part of their submission of the proposed biennial TANF State Plan. Current law would require a new plan be presented to the General Assembly during the 2000 Legislative Session. The Department is currently preparing a new state plan for consideration by the General Assembly during the *current* legislative session. This proposal recommends a October 1, 1999 – September 30, 2001 plan period, thus consideration should be given to aligning the legislative and federal plan cycles.

**FISCAL RESEARCH DIVISION 733-4910**

**PREPARED BY:** Karen Hammonds-Blanks, Senior Fiscal Analyst

**APPROVED BY:** Tom Covington

**DATE:** Friday, June 04, 1999



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