

Fiscal Note & Local Impact Statement

122nd General Assembly of Ohio

BILL: HB 408

DATE: May 6, 1997

STATUS: As Introduced

SPONSOR: Rep. Lawrence

LOCAL IMPACT STATEMENT REQUIRED: Yes

CONTENTS:

State Fiscal Highlights

STATE FUND	FY 1997	FY 1998	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Other State Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1997	FY 1998	FUTURE YEARS
Counties			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Other Local Governments			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

- No direct fiscal effect on local governments.



Detailed Fiscal Analysis

Ohio Works First (OWF)

With the enactment of the Personal Responsibility and Work Opportunity Act (PRWOA) the Department of Human Services has entered a new era for the delivery of human service programs. The PRWOA eliminated the Aid to Families with Dependent Children program (in Ohio ADC), the Job Opportunity and Basic Skills Program (JOBS), and Family Emergency Assistance (FEA), replacing these programs with the Temporary Assistance for Needy Families block grant (TANF).

The TANF program eliminated the federal entitlement of cash benefits to individuals with children who meet specific eligibility criteria that were in place under the ADC program. TANF eliminated all but a few of the exemptions from participation in work programs for welfare recipients. The TANF block grant prescribes little in the way of eligibility requirements, while being very prescriptive in the amount of work activity required of TANF recipients.

Under TANF, the state has been given a flat amount of money and the flexibility to design a new welfare program. Ohio's block grant amounts to \$728 million annually, which requires the state to ante up approximately \$417 million, bringing the total money available for TANF to \$1.145 billion per year. Along with restructuring the income maintenance programs, Congress restructured the funding for child care programs, which have significant impacts on the success of welfare reform initiatives (for a further explanation of the child care changes see the child care section of this document).

The TANF work requirements have changed significantly as compared to the old JOBS program. No longer can the state exempt significant portions of the welfare caseload from participation in work programs designed to move the recipients into the labor market. TANF requires all recipients to be engaged in work after receiving assistance for two years, with few exceptions. In federal fiscal year (FFY) 1997 25 percent of all families receiving assistance under TANF must be participating in a work activity, this rate increases over time to 50 percent in FFY 2002. According to the department of Health and Human Services (HHS), unsubsidized or subsidized employment, on-the-job training, work experience, community service, 12 months of vocational training, or providing child care services to community service participants are the only activities that count toward meeting the federal work activity participation rate. However there are caveats that allow other activities to count as work activity at different times.

Congress passed the TANF legislation in August 1996 and it became effective October 1, 1996. The state stood to gain a significant amount of federal money if it could start operation under the block grant when it became available. Since the state could not design and phase-in a complete revamping of the welfare programs in the state as quickly as would be required, and since most of the measures the state passed in the last round of welfare reform (Sub. H.B. 167 of the 121st General Assembly) complied with the new TANF program, the Department of Human Services submitted and had accepted the state's ADC program as the interim plan for TANF. Subsequently, the state started operating under the guidelines of the TANF block grant on October 1, 1996. The department has since contracted with Anderson Consulting to design a welfare program that helps recipients become self-sufficient.

The department's response to the TANF block grant is the Ohio Works First program (OWF). The OWF program includes the former cash assistance provided under the ADC program, the former JOBS program, and the former emergency assistance program (EA), as well as services new prevention, retention, and contingency services. The ADC, JOBS, and EA programs are no longer referred to in this manner: The cash grants that were known as ADC will simply be part of the assistance provided to recipients of OWF; The functions of the JOBS program will now be referred to as work activity or alternative work activity; and the services provided under the EA program will now be provided under the prevention, retention, and contingency services.

Eligibility – Work Component

Eligibility for the cash grant portion of OWF is mainly left to rule in HB 408. This means that the department may expand or narrow eligibility rules at their discretion within the requirements currently in place at the state and federal laws. The department may establish rules for initial and continued eligibility for the OWF cash grant. These rules may include eligibility requirements concerning citizenship, age, residence, and resource limits. With all this left to rule it is impossible to determine the fiscal impact of the legislation. Any fiscal effects that do occur will arise directly from the rules established by the department. The only stipulation is the rules must be able to be implemented within the budgetary restrictions of the appropriations bill (HB 215). The department will be required to establish eligibility rules that allows it to pay the required cash grant to recipients while leaving enough money to meet the required work participation requirements and the other programs that are being funded by the TANF block grant.

The one area the bill does specify specific requirements for eligibility is income requirements. Any family with a combined income at or below 63 percent of the federal poverty guidelines may apply for assistance. However this does not guarantee eligibility, the assistance group may be subject to other eligibility requirements established by rule. Based upon the 63 percent guideline 146,000 to 151,000 families will be eligible to apply the work component of OWF (based upon Census and Current Population Survey (CPS)), this represents anywhere from 9.5 percent to 10.2 percent of Ohio's population. However, there will be significantly more families receiving assistance that are over 63% of the federal poverty guidelines since the disregard allows families to earn more than 63% of the poverty guidelines and retain eligibility for the work component. The same is true of the current ADC program which allows people to earn more than 63% of the federal poverty guidelines and maintain eligibility, as shown in the April, 1997 caseload of 189,000 assistance groups. The 63% guideline is only used to determine eligibility, after eligibility has been determined the family may earn much more than 63% of the federal poverty guidelines.

The 63 percent guideline is only used to determine initial eligibility. Once a person has been determined eligible for the work component of OWF they can earn more than 63 percent of the federal poverty guideline. This can occur because the \$250 and 1/2 disregard remains in place under the bill, with an extension to 18 months from 12 months. This means a family can get closer to the federal poverty guideline before they would lose the OWF eligibility. The income level at which a family would lose OWF benefits varies by family size and grant amount. The level at which families lose benefits varies with family size because the grants do not increase at the same rate the federal poverty guidelines increase across family sizes. As the family size increases eligibility for OWF benefits are lost at a lower percentage of poverty. Loss of benefits vary with the grant size because of the method of determination of grant amount. Cash grants are determined by deducting the first \$250 and 1/2 of the remaining earnings from total income. If this amount is less than the grant amount for the family size a grant is awarded. If grants vary, while holding the family size constant, a family will be able to earn more money before losing eligibility for OWF.

There have been several different benefits levels talked about in the course of the welfare reform debate, which will effect continued eligibility for OWF benefits. The following tables display some of the different earning levels that may apply to OWF recipients under the current benefit level and with a 3 or 6 percent increase in cash benefits.

Benefit Levels May, 1997

Increasing benefits will not only effect exit criteria for OWF benefits, but also the overall cost associated with the benefits. Increasing grants by 3 or 6 percent will have an equal increase in the overall benefit cost associated with OWF. The 3 percent increase would require an additional \$XXXXX to be spent to provide cash assistance, while a 6 percent grant increase will require an additional \$XXXXX as compared to the current ADC program.

AG	Federal Poverty Guideline (monthly)	Federal Poverty Guideline (monthly)	Max. Monthly benefit	Max. income to be eligible for OWF at application (monthly)	Max. income to be eligible initial determination of eligibility (monthly)
1	\$ 657.50	\$ 414.23	\$ 203.00	\$ 414.23	\$ 656.00
2	\$ 884.17	\$ 557.03	\$ 279.00	\$ 557.03	\$ 808.00
3	\$ 1,110.83	\$ 699.83	\$ 341.00	\$ 699.83	\$ 932.00
4	\$ 1,337.50	\$ 842.63	\$ 421.00	\$ 842.63	\$ 1,092.00
5	\$ 1,564.17	\$ 985.43	\$ 493.00	\$ 985.43	\$ 1,236.00
6	\$ 1,790.83	\$ 1,128.23	\$ 549.00	\$ 1,128.23	\$ 1,348.00
7	\$ 2,017.50	\$ 1,271.03	\$ 613.00	\$ 1,271.03	\$ 1,476.00

Eligibility for the prevention, retention, and contingency components of OWF is limited to families with children. Monies provided under these components is to help families before they are in a position of needing longer-term assistance. These services are new services to be provided, however this does not necessarily mean that they will require an increase in expenditures. If this program works as desired families will be diverted from the welfare roles, thus allowing the money to be spread across more families. However if the rules established for these

components only prolong families movement to the welfare roles, then these components will have new expenditures associated with them. The bill does allow counties to opt out of providing prevention, retention and contingency services at the county commissioners discretion.

Application

All assistance groups seeking assistance under the OWF program will be required to apply for benefits using an application specific to the component they are applying for assistance under. What this means to the application process is the establishment of a new application process. The department has indicated that it will be a simplified application process that will take considerably less time to fill-out, thus saving staff time and money. As with the establishment of any new forms to determine eligibility there will be one time expenditures needed to develop and train county staff on the new application process. On net, the simplified application process, if implemented as the department sold the simplified application process should save the state and counties time and money.

Self-Sufficiency contract

Substitute House Bill 167 of the 121st general assembly required all adult applicants for public assistance to sign a self sufficiency contract. The bill extends this requirement to all adult applicants for all components of OWF. Each self sufficiency contract will include:

- Employment goals
- Responsibilities of the assistance group
- Amount the assistance group is to receive
- Other provisions at the discretion of the departments
- Consequences for failure to meet the requirements of the contract
- Procedures for monitoring the assistance groups compliance with the contract
- Procedures for amending the contract as the assistance group's status changes
- Statement of purpose of the OWF program

The bill requires some changes to the self sufficiency contract that is currently in place which will require some level of increased expenditures for one-time costs associated with changing the contract.

Child Support for OWF assistance groups

Current law requires recipients of ADC to assign their rights to child support to the Ohio Department of Human Services. ODHS is then required to pass through the first \$50 of child support to the assistance group. Under the old ADC law the federal government participated in the \$50 pass through helping offset the cost. The TANF law did not extend the federal participation in the child support pass through, therefore continuing the \$50 pass through will increase state expenditures as compared to the ADC program. The bill eliminates the pass through in state law. This will give families who were receiving a pass through of child support less money each month, while saving the state some money by allowing it to keep the entire child support collection. The department has stated its intent to use the money saved from the elimination of the child support pass through to finance an increase in cash grant benefits. However, the increase in benefits is not in the bill because levels of benefits are left at the discretion of the department.

Recovery of Erroneous payments

The bill requires the CDHS to take action to recover erroneous payments. The state department is allowed to establish rules that allow a CDHS to not take action under certain circumstances. The bill allows the county to keep 25% of the recovered payment, as compared to 50% of the non-federal share of erroneous payment recoveries. The state would get the remaining 75%. This allows counties to retain more of the recovered payment than under current law. Under current law the county keep 50% of approximately 40% of the recovered payment, which works out to approximately 20% of the total collection. The bill increases the amount a county keeps by approximately 5%. The state will retain more of the collections for erroneous payments as well. Under current law the state gets approximately 20% of the total collection, the bill increases this to 75%.

Work Activity Participation Requirements

Under the federal law adult recipients who receive monies from the TANF block grant are required to participate in community service within two months of receiving assistance if they are not employed and a federally defined work activity after receiving assistance for 24 months. With in these guidelines, the state must meet ever increasing participation rates:

	All Families	Two-Parent Families	
FY 1997		25%	75%
FY 1998		30%	75%
FY 1999		35%	90%
FY 2000		40%	90%
FY 2001		45%	90%
FY 2002 and beyond	50%		90%

Substitute House Bill 408 requires the state Department of Human Services to ensure that county departments of human services exceed these federal guidelines by 5 percent each year.

The federal legislation requires each mandatory work activity participant to participate for a minimum number of hours in order to be considered to be participating in a work activity. These hours must be met by one of the allowable work activities, but beyond the federal hours required a state may require more hours in an activity that does not meet the federal definition of work activity. The following table shows the minimum hours of work required of *each* individual:

	All Families	Two-Parent Families	
FY 1997		20 hours	35 hours
FY 1998		20	35
FY 1999		25	35
FY 2000		30	35
FY 2001		30	35
FY 2002 and beyond	30		35

To meet the increased work participation requirements of the federal legislation, the bill codifies the federal requirements. HB 408 eliminates the JOBS program, but keeps several of the activities of the JOBS program as work activities for recipients of OWF. The components of the JOBS program that remain a work activity are Job Club, Individual Job Search Program, Subsidized Employment Program, and the Work Experience Program. The bill allows county departments of human services to establish other work activities or alternative work activities for OWF recipients, including various education programs, unpaid internships, training programs, among other work programs.

The bill, in accordance with the federal law, eliminates most of the exemptions from participation in a work activity. The bill only provides for three exemptions:

1. The person has a physiological or psychological impairment, illness, or disability.
2. The person is needed as a caretaker of another person in the assistance group.
3. The person is exempt under rules adopted by ODHS.

The first two exemptions are the current practice of the department, however the third exemption define (or left very broad) is not currently practiced under the ADC program. By allowing the department to set-up rules that determine who is required to participate in a work activity, a broad range of authority has been given to the department. Of course the department will have to make sure that any rules that exempt people from participation do not violate federal law and allow the state to meet the mandatory participation rate of the TANF legislation. The fiscal impact of eliminating most of the exemptions, combined with the increased participation requirements will require an increase in expenditures on work training programs. There are more people who are mandatory participants in the training program as a result of eliminating most of the exemptions and increasing participation requirements, which will require expansion of the work training programs as compared to the JOBS program. This expansion will have increased expenditures associated with it, however the magnitude is unknown as much of

the work training program will be developed through rules, which at this time are not developed. Based upon LBO's baseline forecast of TANF recipients the state will need to place a minimum of 49,250 families in FY 1998 and 55,620 families in FY 1999 into a work activity. This assumes that 30% and 35% of the families will be required to participate (meeting the federal guidelines) in FY 1998 and FY 1999 respectively.

The county departments of human services will be required to assess all applicants for OWF to determine if the adult recipients are required participants. Current law requires each CDHS to do a similar assessment of applicants to determine employability of welfare applicants. The bill requires an assessment that is basically the same as the one that is the current practice to determine a member's work activity requirement, thus there should be minimal if any increase in expenditures as a result of the assessment.

An outgrowth of the assessment will be the determination of employability goal and work assignment. The CDHS is required to help the applicant determine a employability goal and identify the member's assistance group's responsibilities and the type of assistance that will be provided under OWF. The CDHS will be required to continue the current practice of assigning the welfare recipient to a work activity. Since this is mainly a new administrative function that will be replacing other administration function the only new costs associated with the development of employability goals is training staff on this process.

Job Search Activities

The primary job search activities of the JOBS program were the Job Club and the Individual Job Search Program. Both of these programs remain as allowable work activity under the OWF work requirements. The bill requires all CDHS to assign all adult applicants to one or both of these activities before eligibility is determined. The applicant or recipient, if determined eligible, is required to continue participating in these activities until they find a job or until the CDHS reassigns them to another work activity (only recipients may be reassigned to other work activities). Since these programs are very inexpensive to administer the additional number of people that enter these programs will require a minimal increase in expenditures.

Subsidized Employment Program/Work Experience Program

The bill continues to permit OWF recipients to participate in the Subsidized Employment Program (SEP) and the Work Experience Program (WEP) to meet the work activity requirements of the OWF program. The bill eliminates the priorities on types of SEP and WEP placements. There is no fiscal effect of these changes to the WEP program.

The bill permits a state agency or political subdivision to create full-time or part-time positions for work component participants assigned to the SEP program. The pay for these positions is required to be equivalent to that of other employees doing similar work. Persons employed in these positions under the SEP program are not be classified as employees of the state or political subdivision for the purposes of any benefits. The bill exempts all participants in the work component from the prevailing wage law governing public works, including SEP and all other work activities. These provisions concerning the SEP and WEP program limit the fiscal impact of expanding these programs, thus there should be a minimal increase in expenditures associated with the costs of these programs per recipient. However, the expansion of these programs will require a much greater increase in expenditures for administration and subsidizing wages under the SEP provision established under Sub. HB 167 of the 121st General Assembly.

Alternative Work Activities

Under the bill individuals may be assigned to an alternative work activity if they have significant barriers to employment. In the assessment process the CDHS must determine if a person who is otherwise exempt from participation in a work activity is capable of working. If the CDHS determines the person is capable of working they must be assigned to an alternative work activity. This does not exempt the individuals from the work responsibilities set-up under the bill. A county may assign no more than 20% of person subject to the work requirements to an alternative work activity. The components the bill allows to be set-up as alternative work activities are all currently part of the JOBS program, which the TANF block grant only allows to be counted as work activity in certain circumstances. However, since the department had obtained a waiver prior to the passage of the federal legislation the department is stating that these activities are allowable work activities:

1. Educational program leading to a high school diploma or GED.
2. Vocational education programs that conform to ODHS rules for work participation.
3. Post-Secondary education for no more than two years (tuition may not be paid with OWF dollars, there are exceptions if a person cannot find other sources of funding for the education).
4. Unpaid internship program (similar to the LEARN program established in Sub. HB 167)
5. Other employment and work programs.

As with the other components of the work activities, the alternative work activities are basically the same as programs that are in place under the JOBS program. The costs associated with alternative work activities will not be with establishing them, but rather with expanding them to serve a larger number of people than are currently in these activities under the JOBS program. There may be costs to the state in the form of sanctions if the Department of Health and Human Services (HHS) does not certify these activities as allowable activities and the state continues to count the alternative work activities as work participation.

Food Stamp Program

The bill allows the Department of Human Services to establish rules governing the Food Stamp Program. These rules are to include eligibility, sanctions, Food Stamp allotments, administration, and a system to pay Food Stamp benefits to persons who are subject to the work requirements of the Food Stamp program after they meet their work requirement. The bill does require the department to establish these rules in accordance with federal laws and regulations. The bill allows the department to automatically approve OWF recipients for Food Stamp benefits to simplify the eligibility process. None of these changes should significantly change the number of people eligible for Food Stamps. Even if more people become eligible the only cost to the state will be administrative cost, since Food Stamp benefits are paid in their entirety by the federal government.

Currently, sanctions in a public assistance program other than Food Stamps results in an increased Food Stamp allocation since the assistance groups is receiving less cash to operate with. This in effect makes sanctions less effective because the assistance groups is compensated for the sanction in one program with an increase in Food Stamp Benefits. In an attempt to make the sanction process of other public assistance program more effective at motivating people to comply with the rules and regulations regarding other public assistance programs, the bill does not permit a Food Stamp assistance group to receive an increased allocation in this situation. This will have little effect on the state since the only benefits being adjusted as a result of this provision are the Food Stamp benefits, which as previously mentioned are federally funded.

If a family that is eligible for Food Stamps is determined to be in immediate need of food assistance, under current law, must have its eligibility certified within 24 hours. The bill changes the certification of Food Stamp eligibility to 72 hours in the case of an emergency. The department feels this will relieve some of the administrative burden of certifying eligibility within 24 hours, however since certification will still have to take place, just in a different timeframe, there will be no cost savings from this policy change.

Flexibility and Privatization

This bill provides the state and local governments more flexibility to administer TANF and several other assistance programs through contracts with private non-profit and for-profit organizations. This is in line with the Federal Personal Responsibility and Work Opportunity Reconciliation Act, which is designed to reduce the costs of human services programs and to give states the flexibility to enhance efficiencies or improve services. Privatizing several aspects of the human services delivery system is an option that states and local governments may use to achieve these ends.

Under this bill, each board of county commissioners is required to enter into a written partnership agreement with the Director of the Department of Human Services no later than January 1, 2000, regarding the administration and design of the county department of human services duties that

the commissioners and the Director agree to include in the agreement. The bill permits the commissioners and the Director to include the administration and design of the child support enforcement agency and the duties of the public children services agency.

Moreover, the bill permits the commissioners to designate any private or government entity, including a community action agency or religious organization, to serve as a CSEA, CDHS, and PCSA. It also allows for one the aforementioned entities to serve as two or all three of such local agencies.

Funding sources for these local entities are provided from local, state and federal outlays. Operating funds for the CDHS are provided from zzzzz. Operating funds for the CSEA are provided from mmmm. Operating funds for the PCSA are provided from ...

Under a partnership agreement, the Department of Human Services is permitted to establish a consolidated funding allocation for two or more of CDHS's duties. Under current rules and regulations, the CDHS receives two distinct pools of funding for the operation of the CDHSs : a county income maintenance administrative pool and a county social services pool.

Included in the income maintenance pool are administrative dollars for TANF, Food Stamps, Disability Assistance and Medicaid. Included in the social services pool are administrative dollars for Social Services Block Grant, Social Services Operating, Adult Protective Services, Food Stamp Employment and Training, Child Care Administration, And RRSS. Under a consolidated funding allocation, these would be aggregated into one pool of funding.

Inherent in such a funding scheme is the problem of tracking spending. A spokesperson for the Department of Human Services maintains that the state would be held liable for overspending by local governments. It will be the state's responsibility to track spending and to ensure that it is appropriately spent.

Also under the partnership agreement, a CDHS that meets or exceeds a duty's performance standard specified in the agreement is allowed to retain unspent funds that are appropriated for the duty for the first fiscal year of a state fiscal biennium. Funding for this incentive is provided in Sub. H. B. 215, which earmarks \$15.0 million in FY 1998 and FY 1999 from the 400-411, TANF Federal, line item for incentives to county departments of human services that exceed performance standards setup under the Ohio Works First (OWF) program. These incentives may be spent by the county without regard to the fiscal year in which they are awarded. The standards of performance remain to be established the Department of Human Services.

In addition to the TANF incentive funds, the bill permits the Department of Human Services to annual financial, administrative, or other incentive awards to CDHSs, CSEAs, and PCSAs. These incentives are awarded to the local entities that exceed performance standards specified in the partnership agreement. These incentive dollars may on be spent for the purposes for which the funds are appropriated.

The bill creates the Social Services Incentive Fund. The Director is permitted to request that the Director of Budget and Management transfer funds appropriated for social services duties into the Fund.

Social Services Block Grant

The bill makes several significant changes to the Social Services Block Grant. It eliminates the process of review and approval by the General Assembly of the state Title XX plan and replaces it with a process of approval by boards of county commissioners.

It limits to fourteen percent the amount of SSBG funds that may be used at the local level for administrative costs.

It requires that any TANF funds transferred to SSBG program be distributed solely to the county department of human services.

Day Care

The bill makes several important changes to the Day Care program. The changes with cost implications include:

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