

Fiscal Note & Local Impact Statement

122nd General Assembly of Ohio

BILL: Sub. H.B. 408 (LSC-1221031-2) DATE: June 3, 1997
STATUS: In House Finance and Appropriations SPONSOR: Rep. Lawrence
LOCAL IMPACT STATEMENT REQUIRED: Yes

CONTENTS: The bill eliminates the ADC and JOBS programs and creates the Ohio Works First Program (OWF), modifies the Food Stamp and Disability Assistance programs, modifies the Social Services Block Grant program, and significantly changes the subsidized day care program.

State Fiscal Highlights

STATE FUND	FY 1997	FY 1998	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	Indeterminate gain	Indeterminate gain
Expenditures	- 0 -	Indeterminate net increase	Indeterminate effect
Social Services Incentive Fund			
Revenues	- 0 -	Indeterminate gain	Indeterminate gain
Expenditures	- 0 -	Indeterminate increase	Indeterminate increase

- The bill eliminates the ADC program and replaces it with the Ohio Works First (OWF) program. All expenditures mandated by this bill must fall within the boundaries of the federal block grant and state maintenance of effort funding requirements.
- The bill provides considerable latitude to the department to develop rules concerning the OWF program. This reliance on rules leaves the fiscal effect of this legislation dependent upon the rules the department implements.
- The department has indicated its intent to increase cash benefits under OWF, which will increase expenditures for cash grants, but total expenditures still must fall within federal block grant funds and state MOE funding.
- Under the OWF program prevention, retention, and contingency services are provided, which the department believes will prevent people from needing continued benefits of the OWF program decreasing expenditures in the long-run.
- There are increased participation requirements in work activities associated with receipt of OWF cash benefits which will require an increase in work, training and education expenditures.
- The impact time limits will have on the state is indeterminate at this time and will not be felt for three years from October 1, 1997.



- Expanding Medicaid eligibility to all OWF participants may increase expenditures up to \$15,000,000 in the first few years. The longer term effect depends on whether caseloads decline over time.
- Creates the Social Services Incentive Fund in the state Treasury with revenues to be deposited and expenditures for incentives incurred.
- Consolidated funding for the counties could potentially lead to county cost overruns for which the state would be liable.
- The bill allows the state to keep a higher percentage of collection of erroneously made cash benefits, resulting in revenue gain. This gain will not offset overall expenditure increases.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1997	FY 1998	FUTURE YEARS
Counties			
Revenues	- 0 -	Indeterminate gain	Indeterminate gain
Expenditures	- 0 -	Indeterminate increase	Indeterminate effect

- The bill allows counties to keep a higher percentage of collection of erroneously made cash benefits, which will result in an indeterminate increase in revenues for the counties. This increase will not offset overall expenditure increases.
- Counties are required to increase their share of public assistance expenditures to 80% of ADC spending in 1994, which requires additional expenditures for the counties, however the increase in FY 1998 will not exceed 110% of the previous year's public assistance expenditures.
- If the state were sanctioned by the federal government the bill allows the state to pass along a share of the cost of the sanction to the county.
- Creation of the Social Services Incentive Fund provides counties with a financial incentive to improve performance.
- Privatization of local or state human services activities or duties could produce savings for the state and local governments.
- Consolidated funding may enhance the counties ability to shift its resources to where they are needed most. However, if the consolidated funding is not monitored closely, there could be cost overruns and the state could be liable for such overruns.
- A new maximum rate of childcare provider payment must be developed by the Department of Human Services which takes into account information gathered from centers and type A homes.
- By assessing a fee for all subsidized day care, costs would be offset and more children served. By changing a fee for protective day-care, a CDHS could marginally offset the cost of providing the service and possibly serve more clients.

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 (per Sub. H.B. 167) 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 proposed 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 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

Beyond being limited to families with children, pregnant women and based on income eligibility criteria, eligibility for the work component of OWF, which includes the cash grant, is mainly left to rule in H.B. 408. This means that the department may expand or narrow eligibility rules at their discretion within the requirements currently in place at the state level and in compliance with 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 (Sub. H.B. 215). The department will be required to establish eligibility rules that allow 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 question remains, how much will have to be spent on grants and how much will that leave for other programs?

The one area where the bill does specify requirements for eligibility is income. Any family with a combined income at or below 63 percent, or an alternative percentage as determined by the Department of Human Services, 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 for the work component of OWF, which includes the cash grant, (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 income disregard allows families, after they are receiving assistance, 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. This 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.

Either the department's recommended percentage, or the 63 percent guideline, is used only 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 ½ 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 OWF eligibility. The income level at which a family loses 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 is lost at a lower percentage of poverty. Loss of benefits varies with the grant size because of the method of determining the grant amount. Cash grants are determined by deducting the first \$250 and ½ of the 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 affect 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 as of May, 1997

AG*	Federal Poverty Guideline (monthly)	63% of Federal Poverty Guideline (monthly)	Max. Monthly benefit	Max. income to be eligible for OWF at application (monthly)	Max. income to be eligible for OWF after 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
8	\$ 2,244.17	\$ 1,413.83	\$ 680.00	\$ 1,413.83	\$ 1,610.00

Benefit Levels with 3% increase

AG*	Federal Poverty Guideline (monthly)	63% of Federal Poverty Guideline (monthly)	Max. Monthly benefit	Max. income to be eligible for OWF at application (monthly)	Max. income to be eligible for OWF after initial determination of eligibility (monthly)
1	\$ 657.50	\$ 414.23	\$ 209.09	\$ 414.23	\$ 668.18
2	\$ 884.17	\$ 557.03	\$ 287.37	\$ 557.03	\$ 824.74
3	\$ 1,110.83	\$ 699.83	\$ 351.23	\$ 699.83	\$ 952.46
4	\$ 1,337.50	\$ 842.63	\$ 433.63	\$ 842.63	\$ 1,117.26
5	\$ 1,564.17	\$ 985.43	\$ 507.79	\$ 985.43	\$ 1,265.58
6	\$ 1,790.83	\$ 1,128.23	\$ 565.47	\$ 1,128.23	\$ 1,380.94
7	\$ 2,017.50	\$ 1,271.03	\$ 631.39	\$ 1,271.03	\$ 1,512.78
8	\$ 2,244.17	\$ 1,413.83	\$ 700.40	\$ 1,413.83	\$ 1,650.80

Benefit Levels with 6% increase

AG*	Federal Poverty Guideline (monthly)	63% of Federal Poverty Guideline (monthly)	Max. Monthly benefit	Max. income to be eligible for OWF at application (monthly)	Max. income to be eligible for OWF after initial determination of eligibility (monthly)
1	\$ 657.50	\$ 414.23	\$ 215.18	\$ 414.23	\$ 680.36
2	\$ 884.17	\$ 557.03	\$ 295.74	\$ 557.03	\$ 841.48
3	\$ 1,110.83	\$ 699.83	\$ 361.46	\$ 699.83	\$ 972.92
4	\$ 1,337.50	\$ 842.63	\$ 446.26	\$ 842.63	\$ 1,142.52
5	\$ 1,564.17	\$ 985.43	\$ 522.58	\$ 985.43	\$ 1,295.16
6	\$ 1,790.83	\$ 1,128.23	\$ 581.94	\$ 1,128.23	\$ 1,413.88
7	\$ 2,017.50	\$ 1,271.03	\$ 649.78	\$ 1,271.03	\$ 1,549.56
8	\$ 2,244.17	\$ 1,413.83	\$ 720.80	\$ 1,413.83	\$ 1,691.60

*AG = Assistance Group Size

Increasing benefits will not only affect 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 \$21.2 million to be spent to provide cash assistance, while a 6 percent grant increase will require an additional \$42.2 million. (Both of these figures are assuming caseload of around 190,000 families, an average family size of 3, and an average current cash grant of \$310 per assistance group. Increases in cash grants simply decrease the amount available for other OWF services).

Eligibility – Prevention, Retention, and Contingency

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 delay the movement of families 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 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 presented 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, and
- 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 would 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 collected on behalf of assistance recipients. The department has stated its intent is 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 County Department of Human Services, (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%. Previously the federal government received approximately 60 percent of the total.

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 to participate in a federally defined work activity after receiving assistance for 24 months. Within 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. This will require the state department to fully fund work activities to meet the required participation levels, which will most likely require increased expenditures as compared to the current JOBS program. The exact amount of the increase is indeterminate because there is no reliable data on the cost per work activity that is allowable under the bill.

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* family under the federal law:

	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 basically codifies the federal requirements. Sub. H.B. 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 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, yet to be 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.

Work Participation Assessment

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 an 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 functions 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.

Learnfare

The bill allows the expansion of the Learnfare program from only Allen and Shelby counties to all counties, at the commissioners' discretion. Each county that chooses to have a Learnfare program shall do so in compliance with rules the department establishes concerning the program. The Learnfare program reduces the amount of cash assistance provided to an assistance group of a Learnfare participant if the student fails to comply with the school participation requirements of the program. Learnfare shall provide an incentive for the student's assistance group if satisfactory attendance at school is achieved. The sanction under the Learnfare program is equal to the amount of assistance attributable to the student's membership in the assistance group, while the amount of the incentive for satisfactory attendance is not mentioned in the bill. The bill allows the county participating in the Learnfare program to provide incentives in forms other than cash. As the bill is silent on the amount or form of the incentives it is not possible to estimate additional expenditures. Any savings from monetary sanctions would depend on the participants' behavior.

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 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. H.B. 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 persons subject to the work requirements to an alternative work activity. The components which 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 asserting 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. H.B. 167), or
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.

Time Limits

Current law allows people to receive ADC for 36 months in any 60 month period. The federal law requires the state to adopt a five year (60 month) lifetime limit on TANF benefits, however the federal law is open to shorter time limits. The substitute bill would limit OWF benefits to a lifetime maximum of 36 months (3 years). However, the state may exempt up to 20 percent of the OWF families from the time limit after the family has participated in the work component for 36 months. The state is applying this 20 percent exemption to each county. In order for the counties to assure they will not exceed the 20 percent limitation the Department of Human Services is required to notify a county that it has exempted 18 percent of its OWF families when it reaches this threshold. This will not save the state any money in the first three years after this policy is enacted. After that time, the state will cut off benefits to those people who have been receiving benefits for three years. These time limits apply regardless of the funding source of their benefits, whether the 36 months are consecutive, or in which state the benefits were received. Most people who come on the OWF rolls will never meet the time limit, however at any point in time, over 50% of the ADC caseload has been on assistance for over three years. It will be this group of people who will have to find a work activity that will lead to employment and it is this group who will no longer be eligible to receive benefits after three years, saving the state the cost of assistance they may have received under current law.

Sanctions

The bill ties sanctions to the self-sufficiency agreement between the department and the OWF participant. If a OWF participant fails to comply with the agreement the department may sanction based upon the following three tier sanction process:

- 1st Occurrence: The assistance group is ineligible for OWF benefit for one month or until in compliance with the contract, whichever is longer.
- 2nd Occurrence: The assistance group is ineligible for OWF benefits for three months or until in compliance with the contract, whichever is longer.
- 3rd Occurrence: The assistance group is ineligible for OWF benefits for six months or until in compliance with the contract, whichever is longer.

This is similar to the sanction process that was introduced with Sub. H.B. 167 of the 121st General Assembly, but different enough to not allow us to make any conclusions based upon any data that might be retrieved. The guiding philosophy behind a sanction is that it is severe enough to deter the assistance group from straying from the terms of the contract. If the sanctions work as desired they will have a minimal effect because more people will be meeting the terms of their agreements. However if the sanctions are implemented and a significant number of people fall under a sanction there could be a net savings to the state, but the exact amount is indeterminate.

Local Share

The bill changes the way the county mandated share is to be calculated. Under the old method of calculating the county mandated share counties were responsible for a percentage of the total public assistance costs attributable to the county, with a cap of 110% of the previous year's county mandated share. Under the bill this method is retained for all public assistance programs except OWF. The counties are responsible for 80% of their FY 1994 expenditures for the ADC,

JOBS, and FEA programs to meet the county share of OWF. The 110% of the previous year's county mandated share is retained, effectively phasing in the local impact this legislation has on counties that will be severely affected by the change in the method of calculating the county mandated share. This definitely increases the counties expenditures for public assistance programs. Their exposure in the first year is limited by the 110% cap, after the first year counties will be forced to ante-up the entire 80% plus a percentage of the other public assistance programs. The counties are receiving more revenue as a result of this bill, however it does not offset the increased expenditures associated with the county mandated share.

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 OWF 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 group is receiving less. This in effect makes sanctions less effective because the assistance group is compensated for the sanction in one program with an increase in Food Stamp Benefits. In an attempt to make the sanction process more effective at motivating people to comply with the rules and regulations, the bill does not permit a Food Stamp assistance group to receive an increased allocation when under a sanction for another public assistance program. 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, but it should help make sanctions more effective.

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 of the aforementioned entities to serve as two or all three of such local agencies.

Funding sources for these local entities are provided from county, state and federal outlays. Any expenditures or savings from privatization would accrue to the counties.

Under a partnership agreement, the Department of Human Services is permitted to establish a consolidated funding allocation for two or more of CDHS' duties. Under current rules and regulations, the CDHS receives two distinct pools of funding for the operation of the CDHS : 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 RSS. 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. Thus, there is the potential for additional state funds that may have to be provided for such cost overruns by the counties.

Also under the partnership agreement, a CDHS that meets or exceeds a duty's performance standard specified in their 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 set up 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 provide 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 be on spent for the purposes for which the funds are appropriated.

The bill creates the Social Services Incentive Fund in the state Treasury. 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 Social Services Block Grant plan and replaces it with a process of approval by boards of county commissioners.

It limits to fourteen percent the amount of the 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 most noteworthy is the requirement that the Department of Human Services establish a rate of reimbursement for publicly funded day care that may vary based on certain factors.

Under current law, the department is required to establish a maximum rate based on market rate surveys for which it will reimburse a CDHS for publicly funded child care. The bill repeals this market rate survey requirement concerning maximum rates for assistance. Instead, it requires the department to collect annually information concerning the amounts charged by each child day care center or type A family day-care home. When the department calculates its maximum rate of reimbursement for day care it must include the information it collected from the providers. The bill allows the department to determine this reimbursement rate by rule.

Because the maximum rate for day care is yet to be determined, LBO maintains that the cost of this provision is indeterminate.

The bill permits a CDHS to assess a fee to a caretaker parent for protective daycare services. Under current law, a CDHS is permitted to require a caretaker parent to pay a fee for publicly funded child day care, but a CDHS may not charge for protective day care. If a CDHS requires a caretaker parent for protective day care to pay a fee, this fee would invariably offset some of the cost of providing the service. Thus, a county could conceivably serve more clients by assessing this fee. The protective day care population receives benefits under the non-guaranteed day care program. Counties have had a difficult time managing this program with very limited resources. Thus, any revenue used to offset the costs of the program would be beneficial and is likely to expand slightly the number of children that can be covered by subsidized child care.

Under this bill, all recipients of publicly funded day care are required to pay a fee. Currently, public assistance recipients are not required to pay a fee. Thus, there will be an increase in the amount of fees generated. Nearly \$800,000 per month is generated by the current fee schedule. The level of increased revenue generated by this change is contingent upon what the department determines is the new fee schedule. The bill allows the department to make this change by rule. As noted above, any revenue used to offset the costs of the child care program may help expand the number of children that can be covered by subsidized child care.

The bill stipulates that child day-care must be provided to the following:

- ◆ Recipients of transitional day care which will be provided for twelve months,
- ◆ Participants in the work component of the Ohio Works First Program,
- ◆ Other individuals determined eligible in accordance with rules, subject to available funds.

The bill also requires that the rules developed by the department must specify the amount of maximum income a family may have for initial eligibility and allow a family to continue to receive publicly funded child day-care until the family's income exceeds 150 percent of the federal poverty guideline.

Initial and continued eligibility for day care is subject to the availability of funds if the family is not receiving transitional or OWF childcare. If the department must limit eligibility due to the lack of funds, it is required to give priority to an assistance group whose income is not more than 150 percent of poverty that received transitional day-care but is no longer eligible because the twelve-month period has expired.

Medicaid

This bill would potentially increase the number of individuals eligible for Medicaid, and thus increase Medicaid costs. The federal PRWOA requires states to continue to provide Medicaid eligibility to families that meet the income, resource, and family composition requirements in effect on July 16, 1996, for the former Aid to Dependent Children program. In addition to this mandate, this bill proposes that Ohio exercise the option to provide Medicaid coverage to all individuals participating in the Ohio Works First program. It is this option that would potentially increase Medicaid costs.

Although the coverage option likely would increase the number of adults and children eligible for Medicaid, the latter group would already be receiving Medicaid under a provision contained in the pending budget bill (H.B. 215) that would expand Medicaid coverage to all children under nineteen years of age in families with incomes not exceeding 150 percent of poverty. Because the eligibility expansion provision in H.B. 215 has been included in all iterations of that bill — which is now in conference committee — this analysis assumes children will already be covered. Thus, only adults would become newly eligible under this bill. (Note that if the eligibility expansion to children were to occur under this bill rather than H.B. 215 — the provision is also included in this bill — this bill would likely cost an additional \$7.9 million in FY 1998 and \$51.3 million in FY 1999.)

Two possible changes in eligibility for cash assistance under TANF relative to ADC would likely generate the additional cost to Medicaid. The first, changing the application of the income disregard of \$250 and one-half to eighteen months from twelve, would increase the number of adults eligible for cash assistance, and in turn Medicaid. While we have not been able to estimate the possible number of newly covered adults, estimates of the annual Medicaid cost per eligible can be found in the following table. Note that the costs differ depending upon whether the individual would receive their health care coverage on a fee-for-service basis or through a health maintenance organization (HMO).

Medicaid Costs Per Adult TANF Eligible

FY 1997 Statewide Averages (12-month total)

<i>Eligibility Category</i>	<i>HMO Capitation Rates</i>	<i>Fee-for-Service Costs*</i>
Male TANF Ages 14-44	\$927.31	\$986.50
Female TANF Ages 14-44	\$1,907.30	\$2,029.04
TANF Ages 45+	\$2,532.44	\$2,694.09

* Estimated using the assumption that the HMO rates, which were set by incorporating a 6 percent managed care savings relative to estimated fee-for-service costs, accurately reflects actual fee-for-service experience.

The second change in eligibility for cash assistance that would likely have an effect on Medicaid is the setting of a flat means test at 63 percent of poverty. This provision, which represents an increase in the eligibility guideline from the effective ADC income requirement of approximately 59 percent of poverty, would likely result in an increase in Medicaid eligibility by 8,000 to 10,000 adults relative to the ADC program. In FY 1997 dollars, this could result in an annual increase in Medicaid costs of \$7.4 million to \$26.9 million, with a more reasonable rough estimate of around \$15.0 million. These are estimates that do not take into consideration what may happen to change recipients' behavior that would result in fewer families, over time, receiving TANF benefits.

While not a direct Medicaid cost, a Medicaid-related provision in the bill could generate additional costs to the state. Under H.B. 167 of the 121st G.A., a referral process was established to require each managed care organization providing Medicaid services to have their contracted providers screen pregnant women at their first prenatal medical examinations for drug use. If a provider were to determine that a recipient might have a substance abuse problem, the provider must refer the recipient to an organization certified by the department of alcohol and drug addiction services for assessment. If the recipient should fail to cooperate with the assessment or participate in treatment, various sanctions of ADC/TANF cash benefits would occur.

This bill, while maintaining the screening and referral process, eliminates the sanctioning of cash benefits. Thus, any possible reduction in cash benefits that could have occurred due to drug-related sanctions would be eliminated.

Synopsis of Changes from Preceding Version

This synopsis compares the fiscal effects of the changes in this bill to the previous version (LSC-1221031-1).

- This version of the bill allows the department to change initial eligibility in rule from the stated 63% of the federal poverty guideline. The previous version of the bill allowed any family with a child under the age of eighteen with earned income totaling less than 63 % of the federal poverty guideline to receive assistance under the OWF program. This could have a fiscal effect depending upon if the department opts to change the eligibility criteria. The effect could be positive or negative with regard to expenditures, depending upon what the department's actions are.
- The new substitute bill requires transitional Medicaid benefits be limited to 12 months. The previous version of the bill allowed OWF families to receive transitional Medicaid benefits for up to 18 months. This will reduce expenditure as compared to the previous version of the bill, but not as compared to the current practices of the Medicaid program.
- The new version of H.B. 408 retains the language allowing counties to exempt up to 20% of the OWF families from the time limits imposed under the OWF program. This version adds the caveat that a family may not be exempted from the time limit until the family has participated in the work component of OWF for 36 months. This will require more people to be mandatory participants in the work activity for the first 36 months of the OWF program, which will increase expenditures over the previous version of the bill.
- This version of H.B. 408 requires the department to monitor the counties exemptions from the work activity to assure that no county exempts more than 20% from the time limit. This put an additional administrative burden on the state department, which will probably require some level of increased administrative expenditures at the state level.
- The previous version of the bill required both parents in a two-parent OWF family to participate in a work activity: one parent for 35 hours; and the second parent for 35 hours. This version of the bill changes this to a 35 hour total for both parents combined. This will reduce the number of people who will be required to participate in a work activity under the OWF program, which will reduce the expenditures associated with the work component.

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