Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **Sub. H.B. 408** DATE: **June 24, 1997**

STATUS: **As Reported by Senate Human Services and Aging** 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), the Prevention Retention and Contingency Program (PRC),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 -	Loss of up to $4.1 million	Loss of up to $8.2 million
Expenditures	- 0 -	Indeterminate increase	Indeterminate effect
Social Services Incentive Fund			
Revenues	- 0 -	Indeterminate gain	Indeterminate gain
Expenditures	- 0 -	Indeterminate increase	Indeterminate increase
Ohio Works First Reserve Fund			
Revenues	-0-	Potential gain	Potential gain
Expenditures	-0-	Potential increase	Potential increase

- The bill eliminates the ADC program and replaces it with the Ohio Works First (OWF) program and the Prevention Retention and Contingency (PRC) 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 long term fiscal effect of OWF and PRC depends on whether caseloads decline over time.

- The bill provides considerable latitude to the department to develop rules concerning the OWF and PRC programs. 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. Cash grants will also be increased for families that have children attending a cooperative day care center, both of which will increase expenditures for cash grants, but total expenditures still must fall within federal block grant funds and state MOE funding.

- Under the PRC program 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.

- The bill requires the department to spend up to $5 million in FY 1998 and FY 1999 from TANF program funds to enhance transportation services to OWF participants.

- The bill creates the Ohio Works First Reserve Fund which receives unspent TANF monies.

- The bill allows the county departments of human services to establish an IDA for persons with incomes below 150% of the federal poverty guideline. The state or county is not obligated to match recipient contributions, but if they do so, their expenditures will increase accordingly.

- The tax deductions could cost the state up to $4.4 million annually in lost corporate franchise and personal income tax revenue in the first years of the program. As participation increases, the loss is expected to double to $8.8 million annually. Of this amount, the state GRF is expected to bear $4.1 million and $8.3 million, respectively. If participation rates are higher than LBO expects, the tax loss could be much larger.

- The bill permits county departments of human services to reimburse a fiduciary organization for all or part of the cost of administering IDAs.

- The bill requires the county departments to report information concerning the IDA program to the state semi-annually and requires the state department to compile all the county reports into a single report for the Governor and General Assembly, which will require a minimal increase in expenditures to develop and prepare these reports.

- Increasing the personal needs allowance of Medicaid recipients residing in nursing facilities from $30 a month to $40 a month would increase Medicaid costs by $5.6 million in FY 1998 and by $7.6 million in FY 1999. Future costs would be directly related to the number of Medicaid recipients in nursing facilities.

- 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
Counties, Municipalities, Townships and Libraries (loss from LGF, LGRAF, and LLGSF)			
Revenues	- 0 -	Loss of up to $251,000	Loss of up to $503,000

- 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 percent of ADC spending in 1994, which requires additional expenditures for the counties, however the increase in FY 1998 will not exceed 110 percent 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.

- The bill requires counties to establish a loan program for post-secondary tuition for eligible OWF participants after October 1, 1998, which would require an increase in administrative expenditures by the counties.

- The bill allows counties to establish and contribute funds into an IDA for persons with incomes at or below 150% of the federal poverty guideline. The county is not obligated to match the recipient contributions, but if they do so, their expenditures will increase accordingly.

- The tax loss from the deductions for donations to IDAs would be shared by the three local government funds. LBO is assuming that, since both individuals and corporations can make donations and claim the credits, the percentage of the loss borne by the LGFs is a blend of the personal income tax percentage (10.5 percent) and the corporate franchise tax percentage (4.8 percent). The loss is estimated to be $251,000 annually in the short run and $503,000 annually in the long run.

- The bill mandates counties to report to the state on the IDA program, this will require a new reporting mechanism to be implemented, which will result in additional costs to the counties.

- 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 charging a fee for protective day-care, a CDHS could marginally offset the cost of providing the service and possibly serve more clients.

- By permitting a CDHS to establish a parent cooperative day-care center or cooperative home, a county could increase its number of day care providers and receive a $5,000 incentive for the establishment of such facilities.

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) and the Prevention, Retention, and Contingency program (PRC). The OWF program includes the former cash assistance provided under the ADC program, the former JOBS program. The PRC program includes 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 know 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 PRC program along the new services.

Eligibility – Ohio Works First

Beyond being limited to families with children, pregnant women and based on income eligibility criteria, eligibility for 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. The bill limits eligibility to families to the current income standards as determined using the current $90 plus $30 and a third of the remaining earned income disregard. The following table displays the earned income eligibility standards for applicants for assistance under the OWF program.

Assistance Group Size	Income Standard for OWF Eligibility
1	$423
2	$537
3	$630
4	$750
5	$858
6	$942
7	$1,038
8	$1,139

There will be significantly more families receiving assistance that are over these income standards since the income disregard allows families, after they are receiving assistance, to earn more than the standard for initial eligibility, while retaining eligibility for OWF. The same is true of the current ADC program, which allows people to earn more than these income standards and maintain eligibility. The income standard is only used to determine eligibility, after eligibility has been determined the family may earn much more than the income standard and retain OWF benefits by making use of the income disregard.

Once a person has been determined eligible for the work component of OWF they can earn more than the income standards in the above table. 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

Benefit Levels with 3% increase
Benefit Levels with 6% increase

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. A 3 percent increase would require an additional $21.2 million to be spent to provide cash assistance, while a 6 percent increase will require an additional $42.2 million. The figures are assuming 190,000 families, an average family size of 3, and average benefit amounts of $[illegible] (monthly) assistance group. Increases in cash grants only determine [illegible] other OWF services).

Eligibility – Prevention, Retention and Contingency

Eligibility for the PRC program is limited to families with high risk factors. The only restriction on PRC eligibility is the requirement that [illegible] be in compliance [illegible] under these components is to help families before they are [illegible] needing longer-term assistance. The [illegible] services to be provided, however this does not necessarily

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 determination (monthly)
1	$ 657.50	$ 414.23	$ 215.18	$ 423.00	$ 680.36
2	$ 884.17	$ 557.03	$ 295.74	$ 537.00	$ 841.48
3	$ 1,110.83	$ 699.83	$ 361.46	$ 630.00	$ 972.92
4	$ 1,337.50	$ 842.63	$ 446.26	$ 750.00	$ 1,142.52
5	$ 1,564.17	$ 985.43	$ 522.58	$ 858.00	$ 1,295.16
6	$ 1,790.83	$ 1,128.23	$ 607.40	$ 942.00	$ 1,448.08
7	$ 2,017.50	$ 1,271.03	$ 681.32	$ 1,038.00	$ 1,610.94
8	$ 2,244.17	$ 1,413.83	$ 700.40	$ 1,139.00	$ 1,650.80
9	$ 2,247.17	$ 1,415.68	$ 720.30	$ 1,139.00	$ 1,691.08

AG = Assistance Group Size

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 and PRC 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 OWF and PRC. 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.

Reimbursement of post-secondary tuition

After October 1, 1998 OWF recipient who are attending college, with their tuition being paid by the OWF program will be required to repay the tuition paid by the OWF program. The bill keeps the two year limit on the payment of tuition for OWF recipients that was in place under the ADC program. The bill requires county departments who provide loans under this provision of the bill to establish rules for the operation of this program. The bill does stipulate that the OWF program will be the source of financial support as a last resort after all other avenues for payment of tuition have been exhausted. This would mean that the counties would be left providing loans to those individuals that financial institutions have determined are bad credit risks, thus the default on these loans the county made is likely to be higher than that on similar student loans. This provision

would require counties to set-up a system for collection of the loan payment that may be costly. Furthermore, for counties to avoid unnecessary risks of these loans they would have to establish credit criteria to ensure that loans that were made would not cost the county more to collect on than would be paid back from the loan. This would require the development of a credit risk model, which can cost as much as $100,000 per model developed privately. There would also be the cost of obtaining credit reports to determine credit worthiness, which would be a new cost to the counties. While all these costs would be new for a county, they would most likely come from the county's allocation for the OWF program, thus reimbursement for tuition would crowd out other services that would be available under the OWF program

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 percent of the recovered payment, as compared to 50 percent of the non-federal share of erroneous payment recoveries. The state would get the remaining 75 percent. This allows counties to retain more of the recovered payment than under current law. Under current law the county keep 50 percent of approximately 40 percent of the recovered payment, which works out to approximately 20 percent of the total collection. The bill increases the amount a county keeps by approximately 5 percent. The state will retain more of the collections for erroneous payments as well. Under current law the state gets approximately 20 percent of the total collection, the bill increases this to 75 percent. 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 cumulatively 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 percent and 35 percent of the families will be required to participate (meeting the federal guidelines) in FY 1998 and FY 1999 respectively.

The bill permits, but does not require, county departments of human services to exempt a minor head of household or adult who is unmarried and caring for a child under the age of one from the work requirements of the OWF program. If a county chooses this option the person exempted under as a result of either of these conditions is disregarded for the purpose of determining the county's participation rate.

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 percent 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 bill would limit OWF benefits to a lifetime maximum of 36 months (3 years). In addition, the bill would allow a family that has met the 36 month time limit and not received any OWF assistance in the previous 24 months to reapply to receive up to an additional 24 months of OWF benefits. This in effect brings the state's time limit up to the federal time limit of five years. The 24 additional months of benefits is not automatic, the county department must determine that the family has good cause to return to the OWF roles.

Under the bill 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 percent 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.

Five years out expenditures will likely increase as some families come back on the OWF roles after not receiving OWF benefits for 24 months. The exact number of families who might come back on the roles is indeterminate, as there are entirely too many variables that could effect the families behavior to predict what will happen to any family that receives OWF benefits five years from now. Regardless, the five year total lifetime limit should result in savings over time.

Transportation Needs of OWF Participants

The bill requires the department to spend up to $5 million in FY 1998 and FY 1999 to "enhance" transportation services for OWF participants. The money would come from funds that are not used due to caseload reduction. The source of these funds creates a timing problem for getting additional funds to counties to expand transportation services to OWF clients. Since the money shall come from any unspent funds due to caseload reduction, the funds would not be available until late in the fiscal year when the department is sure that there will be unspent funds that are due to caseload reduction. This would provide the counties with very little time to spend the money they are allocated, since the monies would have to be spent in the fiscal year for which they were appropriated.

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.

Title IV-A Reserve Fund

The bill creates the Ohio Works First Reserve Fund. This fund would allow the director of the Office of Budget and Management to transfer unspent funds allocated for OWF to an account in the state treasury. The monies transferred to this fund are to be used for the OWF program and may be transferred to the social services incentive fund. To the extent required, the Director of

OBM also shall transfer monies to the cash management improvement fund. The creation of this fund would allow the state to pull the entire block grant allocation into the state treasury and save any unused funds for use in future years. There is a question of whether the federal government will allow the state to pull down money that it has not obligated, but there have been contrasting views on this issue and at this time it is unclear to LBO what implications this could have for the state.

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 percent of the previous year's county mandated share. Under the bill this method is retained for all public assistance programs except OWF and PRC. The counties are responsible for 80 percent of their FY 1994 expenditures for the ADC, JOBS, and FEA programs to meet the county share of OWF and PRC. The 110 percent 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 percent cap, after the first year counties will be forced to ante-up the entire 80 percent 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.

Individual Development Accounts

The bill permits county departments of human services (CDHS) to establish an Individual Development Account (IDA) for persons with income at or below 150% of the federal poverty guidelines. The IDA works as a tool to accumulate assets in a manner that does not jeopardize the eligibility for welfare benefits. The bill would allow welfare recipients with earned income to make deposits into an IDA to save money without jeopardizing their welfare eligibility. The bill permits (but does not mandate) organizations (CDHS, the fiduciary organization, or various other organizations, but not the participant's employer) to match a recipient's deposits into an IDA, up to a maximum matching rate of 2-to-1. All assets in an IDA would be exempt from consideration in determination of eligibility and amount of aid for which the family is eligible (this includes OWF and Medicaid). The account balance of an IDA is not allowed to exceed $10,000 at any time. Withdrawals from an IDA may only be used for educational expenses, a first home purchase, business capitalization, or in the case of an emergency (which will result in the loss of matching funds).[1]

The Personal Responsibility and Work Opportunity Act (PRWOA), which created the TANF block grant, allows states to establish IDAs for TANF recipients. The TANF program only allows monies in an IDA to be used for the three purposes this bill designates. Furthermore, TANF allows state block grant funds to be used for the state's contribution to an IDA for TANF eligibles.

[1] Under this bill, and current federal law, individuals depositing money in their IDAs would not receive a tax deduction, but TANF recipients would presumably owe little or no Ohio tax.

The most recent report on JOBS participation indicates that on average 13,183 JOBS participants were employed in a given month. If every one of these recipients established an IDA and contributed the maximum amount, with the public or private entity providing the match dollar for dollar, the total cost to the state, county, or nonprofit organization would be approximately $40 million. However, according to ODHS it is highly unlikely the counties or the state would be able to contribute funds at this level considering how tight funding will be under TANF. Complicating the determination of the impact of this bill is the fact that there will be more participants in work as a result of TANF, how many more is indeterminate. Then there is the question of how many TANF recipients will be in a position to set money aside, rather than using it for day to day expenses. These problems of estimation only deal with the population that is receiving welfare, once the eligibility for an IDA is opened up to a significantly larger population (as the substitute bill does) the impact of this legislation increases dramatically. The bill allows IDAs to be established for individuals or families with incomes up to 150% of the federal poverty guidelines. The most recent Current Population Survey (1996) indicated that there are approximately 2.18 million individuals under 150% of the federal poverty guideline, of which 0.89 million are 18 or younger.

Undoubtedly some people will want to establish an IDA. However it is unknown how many IDAs will be established as a result of this bill and how much money the working poor will divert to the IDAs. Furthermore, how much if any the various organizations could contribute to an IDA is in question. One thing is certain, if a county or the state establishes IDAs and is the agency providing the match, expenditures will increase for that agency.

Tax Deductions

The bill provides a tax deduction for individuals and corporations who contribute matching funds to county IDA programs. For the most part, these contributions should be deductible on federal tax returns as charitable contributions. For corporate returns, the proposed Ohio deduction in the bill will in some cases create a double tax benefit. Since contributions should be deductible at the federal level, they will be taken out in calculating federal taxable income (FTI). Because this is the starting point of calculating Ohio corporate tax liability under the net income method, the federal deduction means that the contribution is already out of the tax base in Ohio. This bill would then allow the taxpayer to deduct the contribution again for Ohio tax purposes. The only cases where this would not be true would be:

(i) where the taxpayer pays on the net worth or minimum method;
(ii) where the contribution is for some reason disallowed as a federal deduction.

For individuals, the bill provides no such double tax benefit. If the IDA contributions are deductible at the federal level as charitable giving, they are itemized deductions. Since these do not affect federal adjusted gross income (FAGI), which is the starting point for calculating Ohio's personal income tax, the federal deduction has no impact on Ohio tax. For this reason, the tax incentive for giving to IDA programs is stronger for corporations than for individuals.

According to information from the National Governors' Association (NGA) and the Corporation for Enterprise Development (CFED), Colorado and Virginia have proposed a tax

benefit in the form of a credit, and Pennsylvania is about to implement a pilot IDA program that also includes a tax credit. However, because these programs are either just getting under way or are still in the proposal stage, LBO has not found any data from other states that would help in estimating the impact of the proposed deduction on Ohio. Since the tax estimates below have been prepared without any guidance on participation rates, they must be regarded as extremely rough.

Persons who would be eligible for IDAs are those whose income is below 150 percent of the federal poverty guideline. U.S. Census data for 1993 shows roughly 1.5 million Ohioans below the federal poverty line. Less precise estimates for 1995 put the number at about 1.3 million (this is not unrealistic given the improvement in the state economy in 1994 and 1995). However, according to the 1996 Current Population Survey (CPS), the number of Ohioans below 150 percent of poverty is a much larger figure than 1.3 million. Specifically, in 1995 an estimated 2.18 million Ohioans were below 150 percent of the federal poverty guidelines. Of these, an estimated 0.89 million are age 18 or younger.

How many counties would develop IDA programs is unknown. There is anecdotal evidence that the smaller counties will be more likely to implement IDA programs in the early years because they have greater flexibility, and the smaller number of persons in poverty will keep the costs down. LBO therefore assumed that the counties most likely to implement IDA programs were the ones where there were fewer than 50,000 persons below 100 percent of the federal poverty guidelines. This excludes six counties, based on the 1993 detailed county data (Cuyahoga, Franklin, Hamilton, Lucas, Montgomery, and Summit). These counties have about half of all the Ohioans below 150 percent of the federal poverty line. So, the counties that are assumed to establish IDA programs, in the first years, have about 1.09 million persons below 150 percent of the federal poverty line.

A full-blown analysis of the tax consequences of this bill would extend out over a large number of years. It would incorporate steadily increasing participation rates as the program became known (if the program were successful), and would model different cohorts of IDA participants. Early program participants would "roll off" the tax deduction contributions as they hit the IDA balance limit of $10,000, while new participants would come on. However, since LBO has virtually no solid data on which to make estimates of participation rates, such a full-blown, multi-year analysis is impossible. Instead, what follows is a simplified annual analysis that presents tax revenue estimates into a short-run, long-run framework.

If 5 percent of all eligible persons choose to participate in the IDA program, then there would be roughly 55,000 IDA beneficiaries. If individuals and corporations contribute matching funds to all the operating county programs, at an average amount of $1,000 per eligible per year, then the amount deductible would be $55 million annually. If 75 percent of the donations come from corporations and 25 percent come from individuals (or from "flow-through" businesses whose owners pay the personal income tax), then $41.25 million would be deductible from the corporate franchise tax, and $13.75 million would be deductible from the personal income tax. Assuming that the marginal tax rate facing donating corporations is 8.9 percent, and the average marginal tax rate facing donating individuals is 5.2 percent, then the annual tax revenue loss would be approximately $4.39 million ($3.67 million from the corporate franchise tax and $0.72 million from the personal income tax).

In the long run, one must assume that the six large counties will also establish IDA programs. Since these counties have roughly half of all Ohioans below 150 percent of the federal poverty line, adding them to the total will double the tax revenue loss. The annual loss will then be $8.78 million ($7.34 million from the corporate franchise tax and $1.44 million from the personal income tax).

The estimated revenue losses will be split between the GRF and the three local government funds (LGFs) as shown in the table below.

Short-Run	Tax Loss	GRF	LGF	LLGSF	LGRAF
Corporate Franchise	$3,671,250	$3,495,030	$154,193	$0	$22,028
Personal Income	$715,000	$639,925	$30,030	$40,755	$4,290
Total	$4,386,250	$4,134,955	$184,223	$40,755	$26,318
Long-Run					
Corporate Franchise	$7,342,500	$6,990,060	$308,385	$0	$44,055
Personal Income	$1,430,000	$1,279,850	$60,060	$81,510	$8,580
Total	$8,772,500	$8,269,910	$368,445	$81,510	$52,635

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, [illegible] 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.

Day Care Cooperatives

Under the bill a CDHS is permitted to establish a program to encourage the organization of parent cooperative child day-care centers and parent cooperative type-A homes for recipients of child day care. Such a program may include: the recruitment of parents interested in organizing a cooperative center or cooperative type-A home; the provision of technical assistance in organizing such facilities; and assistance in developing, conducting, and disseminating training for parents interested in organizing these facilities.

Under this program, a county shall receive from state funds appropriated for the Ohio Works First Program a $5,000 incentive payment for each parent cooperative center or cooperative type-A home that is a result of this program.

The fiscal impact of this provision is contingent upon how many CDHSs establish the program and how many centers and homes are established under the program. It is unclear under this bill whether the $5,000 incentive payment will be spent for the start-up costs associated with the establishment of such centers or homes. Because it is unknown how many counties will opt to establish such a program, the fiscal effect is indeterminate.

Medicaid

There are three main ways in which the Medicaid program could be affected by this bill: through changes in eligibility, through alterations made in regard to the substance abuse screening of pregnant women, and through the increase in the personal needs allowance. Each of these will be discussed in turn. Note that while the bill could generate savings to Medicaid over time if

eligibility declines as a result of the provisions in the bill, LBO estimates that the additional costs to the Medicaid program in the upcoming biennium would be $10.1 million ($4.2 million state share) in FY 1998 and $19.7 million ($8.3 million state share) in FY 1999.

Eligibility

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 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. The second change 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, also would likely result in an increase in Medicaid eligibility. In total, the two provisions would likely result in the phase-in of roughly 9,000 newly eligible adults relative to the ADC program beginning on October 1, 1997, at a cost of $4.5 million ($1.9 million state share) in FY 1998 and $12.1 million ($5.1 million state share) in FY 1999. 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.

Drug and Alcohol Abuse Screening for Pregnant Women

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.

Personal Needs Allowance Increase

The bill increases the personal needs allowance of Medicaid recipients residing in nursing facilities from $30 a month to $40 a month. In other words, when determining the amount of income a Medicaid recipient in a nursing facility must pay towards their cost of care, they have been allowed to keep the first $30 of their income. Under this bill, they now would be permitted to keep the first $40.

LBO estimates that an average of 62,689 Medicaid recipients will reside in nursing facilities each month during FY 1998. If the personal needs allowance applies to all of these individuals beginning on October 1, this provision would cost $5.6 million ($2.3 million state share). In FY 1999, the $10 increase applied to an estimated monthly average of 63,250 nursing facility residents, would generate a total cost of $7.6 million ($3.2 million state share).

❑ *LBO staff: Grant Paullo, Economist*
Clarence Campbell, Senior Budget Analyst
Chris Whistler, Economist

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Overview

With the introduction of a new yet another round of refo assistance programs (PA). Previous attempts at welfare reform have altered various aspects of PA programs to attempt to get more people in the workforce and off the welfare rolls. The previous welfare reform initiatives have ranged from altering the child support collection programs to tweaking eligibility requirements to completely eliminating an entire program. To say whether any of the different policies markedly changed the face of welfare is hard. However the current round of welfare reform has completely changed the game. While only programs with federal fiscal participation are required to be changed, the changes in federal programs also affect state only programs.

TANF

No longer is there a federal entitlement of cash benefits to individuals with children who meet specific eligibility criteria, as was the case under the Aid to Families with Dependent Children program (ADC). No longer can the state exempt significant portions of the welfare caseload from participation in work programs for welfare recipients.

Under the most recent federal welfare reform legislation, the Temporary Assistance for Needy Families program (TANF), the state has been given a flat amount of money and the flexibility to design a new welfare program. The TANF block grant combined the funding sources for the ADC, Job Opportunity and Basic Skills (JOBS), and Family Emergency Assistance (FEA) programs. Ohio's block grant amounts to approximately $728 million annually, which requires the state and counties to ante up approximately $417 million, which gives the mately $1.145 billion a year to wishes to serve TANF clients. e has recommended leaving $75 block grant at the federal level as a reserve for a future economic downturn, thus appropriating less than the total amount available to the TANF program. This reserve will be allowed to accumulate and be drawn down by the state at any time in the future.

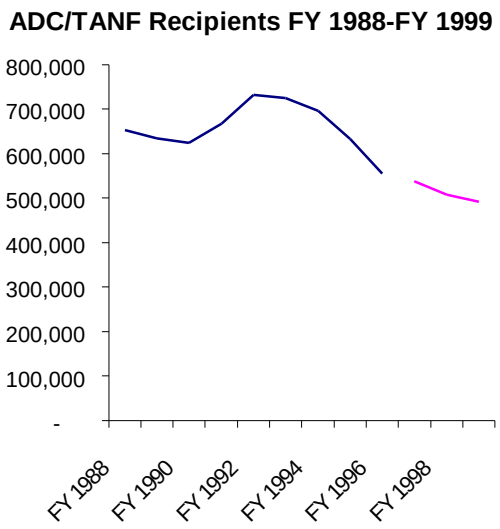
Along with restructuring the income maintenance programs, Congress restructured the funding for the child care programs. Congress combined most of the federal money for child care into the Child Care Development Block Grant (CCDBG); Ohio's share of the CCDBG amounts to $139 million in federal FY (FFY) 1998 and $142.9 million in FFY 1999. For the state to pull down the entire amount allocated the Executive has recommended $76.4 million in FY 1998 and $76.5 million in FY 1999.

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 operating 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 state 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 state Department of Human Services has since contracted with Anderson Consulting to design a welfare program that helps recipients become self-sufficient. According

to the department this plan is to be unveiled sometime in March.

While it is known that the interim TANF plan will be completely overhauled, a baseline forecast must be developed from the current plan (reflecting Sub. H.B. 167) in order to determine the impact of the changes on the various programs. For this baseline forecast it is assumed that the existing policies for TANF and TANF-related child care are in place throughout the biennium, which is not likely to be the case.

TANF			
LBO Baseline Estimates			
	FY 1997	FY 1998	FY 1999
Average monthly cash recipients	529,066	507,493	491,282
Total cash grants (Millions)	$722	$692.4	$671.7



FY 1998

With these assumptions in mind, LBO expects the total number of recipients of TANF to decrease in FY 1998 to an average of 507,492 monthly recipients from a FY 1997 average of 529,066. This total masks the fact that as the unemployment rate stops falling, the number of recipients of what was know as ADC-Unemployed (ADC-U) is forecasted to increase slightly, and then level out in the first year of the biennium. Any increase in ADC-U is expected to be offset by a decrease of larger magnitude in what was ADC-Regular (ADC-R, including the incapacitated component). This decrease in the total number of TANF recipients will amount to approximately 4.1 percent, equating to $29.6 million less being spent on cash grants to TANF recipients in FY 1998 than LBO estimates for FY 1997 expenditures. This brings forecasted total spending on cash grants, using current eligibility and grant levels, to $692.4 million for FY 1998.

The TANF cash grants are to be paid out of 400-410, TANF State, and the 400-411, TANF Federal Block Grant, line items. The Executive has recommended FY 1998 total funding for the combination of these line items at $956.9 million. Funding at this level leaves $264.5 million for administration, JOBS and FEA. However, the Executive has recommended that $29.4 million of this remaining amount be used for child care. This leaves $235.1 million for administration and any JOBS or FEA programs developed by the state.

The work activity participation rate requirements for all families receiving TANF are 25 percent, 30 percent, and 35 percent in FFYs 1997, 1998, and 1999 respectively. Since federal fiscal years and state fiscal years overlap, the participation rates in each state fiscal year will be slightly lower than the corresponding federal fiscal year. For simplicity it will be assumed that participation rates for state and federal FYs

will be equal. This will slightly overstate the number of families that will be required to participate in a work activity. With this in mind, there will be approximately 164,169 families receiving TANF in FY 1998, which implies that approximately 49,250 families will be required to participate in the JOBS program. This number of participants in the JOBS program will utilize most of the $235.1 million remaining in the TANF line items for administration, JOBS and FEA.

Day care services for the required participants will be provided from the earmark in the TANF line items, plus the CCDBG line items. The Executive recommended total for these sources of day care funding is $252.2 million representing an increase of approximately 5.8 percent. With the new work requirements, the utilization of day care services by JOBS participants is expected to increase, but to what extent is indeterminate. For this reason 40 percent to 50 percent of the required participants will be assumed to need 1.5 units of day care. (A day care unit is one month of full time day care for one child.) LBO assumes an average monthly cost of $268 per unit of day care. This means that between 29,550 and 36,937 units of day care each month will be needed to serve the TANF clients. The total cost of day care for TANF recipients participating in a work activity would range from a low of $95 million to a high of $118.8 million for FY 1998. This range would leave $133.4 to $157.2 million to meet the transitional and non-guaranteed day care programs, plus required administration.

FY 1999

The decreasing trend for the number of TANF recipients is expected to continue into FY 1999, but the rate of decrease will slow to 3.2 percent. In the second year of the biennium, both of the former ADC categories, ADC-R (including incapacitated) and ADC-U, are forecast to marginally decrease. This will lower the average total recipients to 491,282 per month, representing a decrease in spending for TANF cash grants of $20.7 million for the year. That estimate brings total spending for cash grants, assuming current eligibility and grant levels, to $671.7 million for FY 1999.

As mentioned previously, funding for TANF cash grants is provided through line items 400-410 and 400-411, along with administration, JOBS and FEA. The cash grants are forecast to take approximately 70.2 percent of the money in these two line items, leaving available $285.3 million. As in FY 1998, the Executive has recommended setting aside money in these line items for day care, totaling $49.9 million. This leaves $235.4 million in FY 1999 for administration, JOBS and FEA, constituting flat funding for these activities.

The work activity participation rate for all families receiving TANF increases to 35 percent in the second year of the biennium. In FY 1999 there are on average 158,905 families per month forecast to receive TANF cash benefits. At the 35 percent work participation rate requirement, approximately 55,616 families will be required to participate in one of the defined work activities. This represents a 13 percent increase over FY 1998 in the number of families that must participate in the JOBS program. With the money available for administration, JOBS an d FEA after deductions for cash grants and child care remaining essentially constant over the biennium, this may put a crunch on dollars available for administration, JOBS, and FEA.

With more families required to participate in a work activity in FY 1999, the demand for day care is expected to increase. The TANF earmark and the CCDBG combine for a 4 percent increase in day care funding, raising

the total in FY 1999 to $262.4 million. This compares to a 13 percent increase in the number of people required to participate in a work activity. Using the same assumptions as used in FY 1998, (40 to 50 percent of the families required to participate in a work activity needing 1.5 units of day care at a cost of $268 per month per unit) the total cost of providing day care services to TANF recipients in FY 1999 is expected to range from $107.3 to $133.3 million. This provides from 33,372 to 41,445 units of day care per month. The remaining money from the TANF earmark and CCDBG totals $129.1 to $155.1 million, which will be available for the transitional and non-guaranteed day care programs, and required administration.

Methodology

The forecasts of TANF recipients and families are done using quantitative models. These models are based solely on the past number of TANF recipients (before TANF existed ADC numbers are used). These models take the TANF recipient time series and identify patterns in the data. These patterns are assumed to continue into the future for the forecast of TANF recipients.

The total cash benefits are developed by taking a moving average of the cost per recipient. The forecasted cost per recipient is then multiplied by the monthly forecast of TANF recipients to determine the monthly cash benefits. The monthly forecasts are then summed up for each year of the biennium to determine the cost per year of providing TANF cash benefits assuming current eligibility and grant levels.

The amount that is expected to go out each year for cash benefits is then deducted from the total in the TANF line items (400-410 and 400-411) to determine the amount remaining for the other services of the TANF program. After deducting the day care earmark in each year of the biennium from the TANF funds, the total amount of money available for administration, JOBS and FEA is determined.

The total available funds for day care are a combination of the TANF earmark and the Executive recommendations for the CCDBG line items (400-413 and 400-617). Using the specification of the TANF legislation, the number of families that are required to be participating in a work activity is determined. Applying the percentage of families that will need day care provides an estimate of the number of families needing day care services. Further assuming each family needs 1.5 units of day care at a cost of $268 per unit, produces the total cost estimate for TANF day care needs. Deducting this amount from the total available day care funds determines the amount remaining for transitional and non-guaranteed day care.

Summary Tables

Distribution of TANF funds

	FY 1998 (in millions)	FY 1999 (in millions)
Total TANF*	$956.9	$956.9
LBO TANF Cash Benefit estimate	$692.4	$671.7
Day Care Earmark*	$29.4	$49.9
Remainder for TANF Admin., JOBS, FEA	$235.1	$235.4

** As recommended by Executive*

Distribution of TANF Block Grant and Maintenance of Effort

TANF block grant (federal)	$728	$728
Maintenance of Effort (state)	$417	$417
TANF money available (total)	**$1,145**	**$1,145**
Distribution:		
TANF Block Grant	$728	$728
400-411, TANF Federal	*$653*	*$653*
*Reserve**	*$75*	*$75*
TANF MOE	$417	$417
400-410, TANF State	*$304*	*$304*
400-413, Day Care MOE	*$58*	*$58*
400-658. Child Support Collections	$25	$25
County Share	$30	$30

**The reserve of block grant monies will be held at the federal level; this $75 million is not included in the Executive's budget.*

LBO Estimates of the Distribution of Day Care dollars*

	FY 1998	FY 1999
TANF Day Care	$106.9	$120.3
Non-TANF Day Care/Admin	$145.3	$142.1
Total Day Care	$252.2	$262.4

*Day care figures are averages over the range.