

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1096-01
Bill No.: HB 343
Subject: Public Assistance; Social Services Department
Type: Original
Date: February 19, 2013

Bill Summary: This proposal changes the laws regarding public assistance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Could exceed \$4,833,960)	(Could exceed \$4,299,516)	(Could exceed \$4,314,527)
Total Estimated Net Effect on General Revenue Fund	(Could exceed \$4,833,960)	(Could exceed \$4,299,516)	(Could exceed \$4,314,527)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Other State	(\$148,551)	(\$166,584)	(\$168,578)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$148,551)	(\$166,584)	(\$168,578)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 30 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Federal Funds	\$0 or (Could exceed \$3,500,000,000)	\$0 or (Could exceed \$3,500,000,000)	\$0 or (Could exceed \$3,500,000,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 or (Could exceed \$3,500,000,000)	\$0 or (Could exceed \$3,500,000,000)	\$0 or (Could exceed \$3,500,000,000)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	23.63	23.63	23.63
Other State	3.1	3.1	3.1
Federal	5.27	5.27	5.27
Total Estimated Net Effect on FTE	32	32	32

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.010 - Eligibility determination:

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** state this section of the proposed legislation changes the wording for what income and resources are included to be granted federally aided programs from "a relative or other person" to "all relatives, members of the household and any other individuals who are eighteen years of age or older". Federal rules found at 42 CFR 435.602 specify whose income and resources must be considered in determining eligibility.

Officials from the **DSS - Division of Legal Services (DLS)** state this section is amended to require that all Family Support Division (FSD) income maintenance programs include the income and resources of all relatives, members of the house, and any other individuals who are eighteen years of age or older and living in the home in determining eligibility, and the amount of benefits to be granted in federal aid programs, to the extent the income, resources, support and maintenance are allowed by federal law or regulation. The proposed change does not define the term "all relatives" so it is not known if this term includes only relatives living in the home, or all relatives whether living in the home, or elsewhere. This change would expand the possible number of individuals whose income and resource are considered by the FSD when determining an individual's or household's eligibility for the programs administered by FSD, except where this is not allowed by federal law and regulation. The Temporary Assistance (TA) program, the Food Stamp program, the MO HealthNet program, and Low-Income Home Energy Assistance (LIHEAP) program are potentially impacted by the proposed change. The effect on each of these programs is summarized below:

Food Stamps: This proposed change has no fiscal impact on the Food Stamp (FS) program as administered by FSD. The definitions of household composition, income, and resource rules for the FS program are established by federal law. (See 7 CFR 273) FSD must comply with the federal FS regulations. FSD cannot consider the income and resources of all relatives, members of the house, and any other individuals who are eighteen years of age or older and living in the home, because this is not allowed by federal law. Since the statute takes into account and exempts when it is not allowed by federal law, there is no fiscal or legal impact on DLS. DLS will defer to FSD and the Division of Finance and Administrative Services (DFAS) for the fiscal impact on the program.

MO Health Net: This proposed change has no fiscal impact on the MO HealthNet program as administered by FSD. Federal Medicaid regulations specify whose income and resources must be considered in determining eligibility. See 42 CFR 435.602. FSD must comply with federal law in administering the MO HealthNet program and, therefore, the provisions of the proposed legislation will not apply. There is no fiscal or legal impact on DLS.

ASSUMPTION (continued)

Temporary Assistance for Needy Families (TANF) or Temporary Assistance (TA): FSD has determined that this section will not have a fiscal impact on the TA program. FSD currently does not include the income and resources of individuals over the age of 18 in determining eligibility and grant amount for TA households unless the individual is the parent or stepparent of the child for whom assistance is requested. The proposed change will result in a reduction of TA spending on cash assistance, but not a savings in TA or the general revenue maintenance of effort (MOE) funding because all TA/MOE funds are required by federal regulations to be spent on one of the other four purposes of the TA program which are: 1) to provide assistance for needy families; 2) to end dependence of needy parents by promoting job preparation, work and marriage; 3) to prevent and reduce out-of-wedlock pregnancies; and, 4) to encourage the formation and maintenance of two-parent families.

This change to the TA program will have an unknown fiscal impact on DLS. DLS anticipates an increase in administrative hearings due to households being removed from TA. However, it is not possible to estimate the number of such hearings because it is not possible to determine how many households may be affected, and the DLS Administrative Hearings Unit is unable to determine the number of individuals who will request such a hearing. DLS hearings estimate that it will take approximately two hours to conduct each hearing required by this proposal. This will include hearing preparation, the actual hearing, and the writing and reviewing of the hearing. DLS Hearings Unit assumes that their hearing officers can hold approximately 900 hearings per year. The hearings should not require complex evidence or facts. Therefore, once the number of potential hearings can be estimated, it will be possible to determine the fiscal impact.

Oversight assumes the DLS can absorb additional hearings until such time as they can determine the potential number of hearings. If hearings increase substantially, the DLS can request additional funding through the appropriations process.

Low Income Heating and Energy Assistance (LIHEAP): The proposed change has no impact to the LIHEAP program because federal law defines household as any individual or group of individuals who are living together as one economic unit for whom residential energy is customarily purchased in common, or who make undesignated payments for energy in the form of rent. (See 42 USC 8622) FSD must comply with the federal LIHEAP regulations, and it's section would be doing the controlling of federal law; therefore, there is no fiscal or legal impact on DLS.

Officials from the **DSS - Family Support Division (FSD)** state this section requires the income and resources of all relatives, members of the household and any other individuals who are eighteen (18) years of age or older and living in the home be taken into account in determining eligibility and the amount of benefits granted pursuant to federally aided programs to the extent the income, resources, support and maintenance are allowed by federal law or regulation to be considered.

ASSUMPTION (continued)

Food Stamp Program

There is no impact to the Food Stamp program because federal rules found at 7 CFR 273 defines household composition, income, and resource rules for the Food Stamp program.

MO HealthNet

There is no impact to the MO HealthNet programs because federal rules found at 42 CFR 435.602 specify whose income and resources must be considered in determining eligibility.

Temporary Assistance (TA)

The Family Support Division (FSD) currently does not include the income and resources of individuals over the age of 18 in determining eligibility and grant amount for TA households unless the individual is the parent or stepparent of the child for whom assistance is requested. In November 2012, there were 38,341 families receiving TA. The FSD is unable to determine how many of these households would be affected by this change. However, the FSD anticipates some households would be ineligible for continued assistance due to the addition of income and/or resources that exceed the limits from other individuals age 18 or over living in the home. This would result in a reduction of TANF spending on cash assistance, but not a savings in TANF or the general revenue maintenance of effort (MOE) funding because all TANF/MOE must be spent on one of the four purposes of the TANF program:

1. To provide assistance to needy families;
2. To end dependence of needy parents by promoting job preparation, work and marriage;
3. To prevent and reduce out-of-wedlock pregnancies; and,
4. To encourage the formation and maintenance of two-parent families.

Low-Income Home Energy Program (LIHEAP)

There is no impact to the LIHEAP program because federal law found at 42 USC 8622 defines household as any individual or group of individuals who are living together as one economic unit for whom residential energy is customarily purchased in common or who make undesignated payments for energy in the form of rent.

§208.022 - TANF EBT Cards:

Officials from the **Department of Social Services (DSS) - Division of Legal Services (DLS)** state this section is amended to add the requirement that retail establishments shall be required to verify that the photograph on the benefits card matches the identity of the person presenting the card. This proposed amendment does not direct Family Support Division (FSD) or DLS to enforce this proposed requirement against the retail establishment. The DSS would not have any authority to enforce this provision under federal law governing food stamp benefits. This proposed amendment does not have any fiscal or legal impact on DLS/FSD.

ASSUMPTION (continued)

§208.048 - School Enrollment:

Officials from the **Department of Social Services (DSS) - Division of Legal Services (DLS)** state this section is amended to add subsection 2 that requires all recipients of Temporary Assistance (TA) benefits to provide proof that all dependent children who are eligible for enrollment in a public school are enrolled and attending school regularly. This proposed change will have an unknown fiscal impact on DLS/Family Support Division (FSD).

DLS/FSD are unable to determine how many of the 19,090 TA households with school age children who receive TA benefits may be affected by this section because the proposed section does not specify who would be penalized if the required proof of attendance is not provided. The proposed section does not define regular school attendance. The proposed section also does not specify if exceptions would be allowed for children who are home schooled or disabled and unable to attend school regularly. If families are removed from assistance, or receive a reduced benefit for failing to comply with this requirement, FSD would see a reduction of TA spending on cash assistance, but no savings in TA or the general revenue maintenance of effort (MOE) funding because all TA/MOE must be spent on one of the four purposes of the TA program set forth in federal law.

This change to the TA program will have an unknown fiscal impact on DLS. DLS anticipates an increase in hearings because of challenges as to whether households have failed to prove that all dependent children are regularly attending school. However, it is not possible to estimate the number of such hearings because it is not possible to determine how many households may be affected, and the DLS Hearings Unit is unable to determine the number of individuals who will request such a hearing. DLS Hearings Unit believes that it will take approximately two hours to conduct each hearing required by this proposal. This will include hearing preparation, the actual hearing and the writing, and reviewing of the hearing decision. DLS Hearings Unit assumes that their hearing officers can hold approximately 900 hearings per year. The hearings should not require complex evidence or facts. Therefore, once the number of potential hearings can be estimated, it will be possible to determine the fiscal impact.

Oversight assumes the DLS can absorb additional hearings until such time as they can determine the potential number of hearings. If hearings increase substantially, the DLS can request additional funding through the appropriations process.

Officials from the **DSS - Family Support Division (FSD)** state this section requires Temporary Assistance (TA) recipients to provide proof that all dependent children who are eligible for enrollment in a public school are enrolled and attending school regularly.

ASSUMPTION (continued)

In November 2012, there were 19,090 TA households with school age children receiving TA benefits. The FSD is unable to determine how many households may be affected by this section because the proposed legislation does not specify who would be penalized if required proof is not provided and does not define regular school attendance. The proposed legislation also does not specify if exceptions would be allowed for children who are home schooled or disabled and unable to attend school regularly. If families are removed from assistance or receive a reduced benefit for failing to comply with this requirement, this would result in a reduction of TANF spending on cash assistance, but not a savings in TANF or the general revenue maintenance of effort (MOE) funding because all TANF/MOE must be spent on one of the four purposes of the TANF program.

Officials from the **Department of Elementary and Secondary Education (DESE)** state the requirements of this section will likely place an additional burden on local school districts. DESE defers to them regarding the extent of any impact.

Officials from the **Parkway School District (District)** state the impact related to section 208.048 of this proposal would depend on what types of proof would be acceptable forms for verifying enrollment in a public or private secondary school or an equivalent level of vocational or technical school in lieu of secondary school. If parents can print enrollment information like class schedules from on-line school websites like Infinite Campus, it shouldn't place any additional burden on school staff. If, however, parents need a letter from the district, then the liaisons or registrars would have to generate and sign those letters. Therefore, the impact of this proposal on the District is unknown, pending further clarification.

Oversight assumes school districts will be able to absorb the potential costs associated with verifying the enrollment of children as outlined in Section 208.048.

§208.182 - SNAP EBT Cards:

Officials from the **Department of Social Services (DSS) - Division of Legal Services (DLS)** state section 208.182.1 repeals all references to the pilot project used to establish the use of electronic benefits transfer cards for food stamps and TA benefits. This section is amended to require the department to seek a waiver from the federal government to mandate the use of photo identification for continued eligibility in the food stamp program. One year after approval by the federal government, the department is to issue a photo identification card to each eligible household member who is sixteen years of age or older. The household member, or the household's authorized representative, is required to present the photo identification card at issuance points, retail food stores, or meal services when exchanging benefits for food. Any retailer participating in the food stamp program is required to verify that the photo identification

ASSUMPTION (continued)

on the card presented matches the identity of the person presenting the card. This proposed change does not direct the Family Support Division (FSD) or DLS to enforce this proposed requirement, and DSS would not have any authority to enforce this provision under federal law governing food stamp benefits. DLS will defer to the fiscal note prepared by FSD for the fiscal impact to FSD.

Section 208.182.3 is also amended to require that the regulations promulgated by DSS comply with federal law, taking into account individuals and households with special needs, as well as ensuring that all appropriate household members or authorized representatives are able to access benefits from the account as necessary. Assuming the waiver is granted, FSD will be required to issue a photo identification card to each eligible household member who is age sixteen or older. FSD assumes it is the intent of the sponsor of this bill to have the photo identification placed on the electronic benefits transfer card issued to each Food Stamp recipient household. While the photo would provide proof of identification, it does not provide proof of Food Stamp eligibility. This will result in a fiscal impact to FSD. DLS will defer to fiscal note prepared by FSD for the fiscal impact to FSD. This proposed amendment does not direct FSD or DLS to enforce this proposed requirement. This proposed amendment does not have any fiscal or legal impact on DLS.

Officials from the **DSS - Family Support Division (FSD)** state this section requires FSD to request a waiver to mandate the use of photo identification for continued eligibility in the Food Stamp program. Upon approval of the waiver, the FSD would be required to issue a photo identification card to each eligible household member age sixteen or older. The FSD assumes it is the intent of the sponsor of this proposal to have the photo identification placed on the electronic benefits transfer card issued to each Food Stamp recipient household. While the photo would provide proof of identification, it does not provide proof of Food Stamp eligibility.

Subsection 1 of the proposal would require a separate Electronic Benefits Transfer (EBT) card be issued to all eligible household members age sixteen or older and/or the household's authorized representative with a photo of the individual included on the card. This would require the FSD to obtain photos for all household members age sixteen or older and all authorized representatives. The FSD estimates the cost to implement the provisions of this section to be greater than \$494,659 for the first year and greater than \$79,855 for the second and subsequent years.

First year costs:

The implementation of placing a photo on the EBT cards for Food Stamp recipients will require a change to the current EBT contract and the systems. The FSD estimates the costs for these changes would be as follows:

ASSUMPTION (continued)

The FSD estimates a cost of \$0.60 per card to issue an initial EBT card with a photo to all household members age sixteen or older. As of November 2012, there are 545,459 individuals age sixteen or older receiving Food Stamp (FS) benefits in 440,484 Food Stamp households. This would result in an initial cost of \$327,275 ($\$0.60 \text{ per card} \times 545,459 \text{ cards} = \$327,275$, rounded down) to issue EBT cards with photos to all current FS recipients.

The FSD would need to mail at least one notice to each household notifying them to report to an FSD office to have a photograph taken. At a cost of \$0.38 per notice, the FSD would incur mailing costs of \$167,384 ($440,484 \text{ Food Stamp only households} \times \$0.38 \text{ per notice} = \$167,384$, rounded up) to mail one notice to each household. This cost will increase if multiple notices are needed to ensure each household complies with the photo requirement.

There would be additional costs relating to the EBT contract for storage of the photos and additional household member data. However, the FSD is unable to provide an estimate of these costs at this time. Therefore, the first year costs are estimated to be unknown, but greater than \$494,659 ($\$327,275 + \$167,384$).

Ongoing Costs:

After the initial card issuance, there would be ongoing yearly costs for card replacement of lost, stolen, or damaged EBT cards. The FSD estimates the cost per card is \$0.60. An average of 11,091 EBT cards is replaced each month. Therefore, the FSD estimates yearly costs would be \$79,855 ($\$0.60 \text{ per card} \times 11,091 \text{ cards replaced per month} \times 12 \text{ months} = \$79,855$, rounded down).

However, since this section increases the number of EBT cards in circulation, including for children age 16 or older in Food Stamp households, the FSD anticipates the number of EBT cards replaced each month will increase. Therefore, the ongoing costs are estimated to be unknown, but greater than \$79,855.

§208.249 - Fraud:

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** state this section of the legislation states any person who knowingly and intentionally commits fraud in obtaining or attempting to obtain public assistance benefits shall lose eligibility for public assistance benefits permanently. Federal law found at 42 USC 1396a sets forth the criteria for who must be covered under a state's Medicaid plan. If individuals applying for Medicaid meet the criteria set forth in federal law, states must cover those individuals.

ASSUMPTION (continued)

The U.S. government may impose sanctions against states that do not comply with federal Medicaid law. These sanctions may include disallowances and the loss of all or a portion of federal financial participation in the Medicaid program.

Officials from the **DSS - Division of Legal Services (DSL)** state subsection 1 defines the terms used in this section. The terms as defined are consistent with current program practice and create no fiscal or legal issues for DLS/Family Services Division (FSD).

Subsection 2 provides that any person who knowingly and intentionally commits fraud in order to obtain public assistance benefits shall permanently lose their eligibility for public assistance benefits. The proposed legislation does not specify which public assistance benefits the individual will suffer as a permanent loss of eligibility. As this proposed legislation is written it is presumed the individual will lose eligibility for all public assistance benefits. This amendment will have a varying effect depending on the public assistance program administered by FSD. The Temporary Assistance (TA) program, the Food Stamp program, the MO HealthNet program and the Low Income Heating and Energy Assistance (LIHEAP) program are all impacted by this change. The effect on these programs is summarized below:

Federal regulations require states to base food stamp eligibility solely on the criteria contained in the Food Stamp Act, and in the federal regulations. 7 CFR 273.2 Federal regulations specify the penalties that may be imposed for intentional fraud in the Food Stamp program, including when individuals can be permanently disqualified from receiving benefits. Based on 7 CFR 273.16, DLS reasonably anticipates that there could be sanctions imposed by the United States government for not complying with federal law. These sanctions could include a disallowance of some or all the federal food stamp funding. DLS will defer to the fiscal note prepared by FSD and the Division of Finance and Administrative Services (DFAS) regarding the fiscal impact. Enactment of this proposed amendment can reasonably be expected to result in litigation challenging DSS. It is not possible to accurately estimate the cost of this litigation to the State of Missouri, but experience in this type of litigation makes it clear that the cost of litigation in some cases can be reasonably anticipated to exceed \$100,000 dollars. An unsuccessful defense of a challenge to this proposed amendment may result in the assessment of attorney fees and costs against the state or state officials. It is not possible to accurately estimate the fiscal impact on the state as a whole, but in some cases, an attorney fee/cost award could exceed \$250,000 depending on the complexity of the litigation and the costs involved.

Federal law establishes the criteria relating to who must be covered under a state's Medicaid plan. See 42 USC 1396a. If individuals applying for Medicaid meet the criteria set forth in federal law, states must provide Medicaid benefits to these individuals. Federal law does not authorize

ASSUMPTION (continued)

states to disqualify an individual from eligibility for medical assistance benefits because he or she has committed fraud in another public benefit program. FSD must comply with the federal Medicaid law. The United States government may impose sanctions against states that do not comply with federal Medicaid law. These sanctions may include disallowances and loss of all or a portion of federal financial participation in the Medicaid program. DLS will defer to the fiscal note prepared by FSD and DFAS regarding the fiscal impact. Enactment of this proposed amendment can reasonably be expected to result in litigation challenging DSS. It is not possible to accurately estimate the cost of this litigation to the State of Missouri, but experience in this type of litigation makes it clear that the cost of litigation in some cases can be reasonably anticipated to exceed \$100,000 dollars. An unsuccessful defense of a challenge to this proposed amendment may result in the assessment of attorney fees and costs against the state or state officials. It is not possible to accurately estimate the fiscal impact on the state as a whole, but in some cases, an attorney fee/cost award could exceed \$250,000 dollars depending on the complexity of the litigation and the costs involved.

The DLS Administrative Hearings Unit anticipates there will be additional administrative hearings due to these requirements on the MO HealthNet program, but is unable to estimate the fiscal impact on its program. At this time, it is not possible to estimate the number of such hearings because it is not possible to determine the number of individuals who would be impacted or would request such a hearing. Therefore, DLS Administrative Hearings Unit cannot estimate the potential fiscal impact.

There will be an unknown fiscal impact on the TA program from individuals or households being permanently disqualified for public assistance benefits. The proposed amendment does not make it clear who will be disqualified - the individual committing the fraud or the individual's entire household that receives TA benefits because of the individual's eligibility. The proposed amendment to Section 208.249.2 does not designate how the determinations of whether a person has knowingly and intentionally committed fraud are to be made. The terms "fraud" and "knowingly and intentionally" are not defined. Therefore, it is not possible to estimate the number of cases in which a finding of knowing and intentional fraud will be reached until regulations are developed defining the process for making the determination of fraud. FSD anticipates some individuals and/or families would lose eligibility for assistance because of this section. This would result in a reduction of TA spending on cash assistance, but not a savings in TA or the general revenue maintenance of effort (MOE) funding because all TA/MOE must be spent on one of the four purposes of the TA program.

DLS anticipates that additional administrative hearings maybe requested to contest the permanent disqualification. However, the DLS Administrative Hearings Unit cannot determine the fiscal impact in terms of the number of hearings because the number of hearings cannot be accurately determined. This proposed legislation has a fiscal impact on LIHEAP. LIHEAP had 46 claims

ASSUMPTION (continued)

filed. Since LIHEAP benefits are for the household, one individual who is permanently disqualified would prevent the entire household from receiving LIHEAP benefits. However, since LIHEAP is a block grant program, any savings from ineligible households would be reinvested in the program. Block grant money can be re-allocated to another block grant program, or it can carry over to the next fiscal year under 45 CFR 96.81. However, block grant money cannot be spent on other programs. 42 USC 8626(b)(1). FSD is unable to determine how many individuals may be permanently disqualified because of this section.

DLS anticipates that additional administrative hearings may be requested to contest LIHEAP disqualification. DLS is unable to determine how many individuals may be permanently disqualified because of this proposed legislation. However, assuming that there are only 46 claims annually resulting in disqualification and all 46 claimants requested a hearing, the DLS Administrative Hearings Unit estimates that it could absorb an additional 46 hearings with its current staff.

Section 208.249.3 requires that all persons who, based upon their personal knowledge, have reasonable cause to believe that public assistance benefits fraud is being committed, report the alleged fraud to the department. When the report is received by the department, the department shall investigate such report within fifteen days of receipt of the report. The investigation must be concluded within sixty days of receipt of the fraud report. Failure to comply with the provisions of this section is grounds for termination of employment. The investigator must request the following documents in every investigation, even if the documents are unnecessary, due to the subject matter of the investigation:

- (1) The employment records and pay stubs of the recipient covering the previous six months;
- (2) Verification of all individuals living in the household of the recipient;
- (3) A copy of any rental agreement for the residence or a copy of the deed of the home;
- (4) A copy of any order regarding custody of any minor children living in the home: and,
- (5) The state and federal tax returns of the recipient for the previous two years.

DLS anticipates that there would be fiscal impact on DLS investigations resulting from this proposed legislation. In calendar year 2012, 1921 cases were opened for investigation averaging 113 cases per investigator. In general, the closing time for an investigation averages 154 days. The minimum average number of days to close a case is 41 days, while the average maximum number of days to close a case is 259. The average time it takes to complete an investigation depends on the complexity of the investigation and other extenuating circumstances that the investigators do not have control of, such as: client availability, interviewing witnesses, current caseloads of the investigators, compiling bank records and other subpoenaed documents. In order for DLS investigations to reduce the number of days to 60, it will require an additional 18 investigators.

ASSUMPTION (continued)

Oversight assumes because the potential for litigation is speculative that the DSS will not incur significant costs related to this proposal. If a fiscal impact were to result, the DSS may request additional funding through the appropriations process.

Oversight assumes the DLS can absorb additional hearings until such time as they can determine the potential number of hearings. If hearings increase substantially, the DLS can request additional funding through the appropriations process.

Officials from the **DSS - Family Support Division (FSD)** state this section permanently disqualifies any person who knowingly and intentionally commits fraud in obtaining or attempting to obtain public assistance benefits. The definition of public assistance benefits includes the Temporary Assistance (TA), Food Stamp, MO HealthNet, and Low-Income Home Energy Assistance (LIHEAP) programs administered by the FSD.

Food Stamps

Federal rules found at 7 CFR 273.2 specifies that states must base food stamp eligibility solely on the criteria contained in the Food Stamp Act and in the federal rules. Federal rules found at 7 CFR 273.16 outlines penalties allowed for intentional fraud in the Food Stamp program, including when individuals can be permanently disqualified from receiving benefits. The FSD anticipates that there could be sanctions imposed by the United States government for not complying with federal law. These sanctions could include a disallowance of some or all of the federal Food Stamp program funding.

MO HealthNet

Federal law found at 42 USC 1396a sets forth the criteria for who must be covered under a state's Medicaid plan. If individuals applying for Medicaid meet the criteria set forth in federal law, states must cover those individuals. Adding a disqualification for fraud would be adding an eligibility requirement that is not in federal law. The United States government may impose sanctions against states that do not comply with federal Medicaid law. These sanctions may include disallowances and the loss of all or a portion of federal financial participation in the Medicaid program.

Temporary Assistance

In calendar year 2012, there were 394 investigations completed by the Welfare Investigation Unit, of which 18 were referred for prosecution. The FSD anticipates the 18 cases that were referred for prosecution would be the cases that would be disqualified under this section. Since the proposed legislation does not specify if remaining household members would be eligible for assistance, the FSD is unable to determine a fiscal impact. However, the FSD anticipates some

ASSUMPTION (continued)

individuals and/or families would lose eligibility for assistance as a result of this section. This would result in a reduction of Temporary Assistance for Needy Families (TANF) spending on cash assistance, but not a savings in TANF or the general revenue maintenance of effort (MOE) funding because all TANF/MOE must be spent on one of the four purposes of the TANF program.

Low-Income Home Energy Program (LIHEAP)

In federal fiscal year 2012, there were 46 claims filed for the LIHEAP program. The FSD is unable to determine how many individuals may be permanently disqualified as a result of this section. Since LIHEAP benefits are for the household, one individual who is permanently disqualified would prevent the entire household from receiving LIHEAP benefits. The need for LIHEAP exceeds the current grant amount; therefore, any savings would go to fund additional participants.

Section 1 - Work Program:

Officials from the **Department of Social Services (DSS) - Division of Legal Services (DLS)** state Section 1 requires that the department establish a welfare-to-work program that requires all recipients of Temporary Assistance (TA) benefits to make at least twenty job contacts per week. The department is to allow recipients to work as unpaid interns for a governmental entity. Recipients working as interns only have to make ten job contacts per week. The department is to apply for all waivers of requirements under federal law necessary to implement the provisions of this section. This proposed legislation will have a fiscal and legal impact on Family Support Division (FSD)/DLS if the waivers are granted. There will be no fiscal impact on FSD/DLS if the waivers are not granted since the legislation requires that waivers be granted before implementing the program.

Under federal law found at 42 USC 603, the U.S. Department of Labor can grant funds to states to administer welfare-to-work programs. FSD would have to make an application for such a grant. DLS will have to defer to FSD and the Division of Finance and Administrative Services for the fiscal cost of administering a welfare-to-work program.

FSD will be able to require TA recipients to make twenty job contacts per week, or the ten job contacts per week, plus unpaid intern work without violating federal law. The proposed legislation does not specify which TA recipients are to make the required job contacts. As the proposal is currently drafted, all TA recipients would be required to make the job contacts, including infants, children and disabled individuals who are unable to work. For example, the minimum age at which parents/caretakers would be required to make job contacts is not set out in

ASSUMPTION (continued)

the proposed legislation. Therefore, DLS assumes that only parents or caretakers age 18 or older would be required to make job contacts because recipients under age 18 must be attending school. It is estimated that 34,037 parents/caretakers age 18 or older are receiving Temporary Assistance in November 2012. These parents/caretakers would be required to comply with the provisions of this section. FSD is unable to determine how many of these parents/caretakers would fail to comply with this requirement. Additionally, since the penalties for non-compliance are not outlined in this legislation, FSD is unable to determine the fiscal impact of this section until such penalties are determined by regulation. However, FSD anticipates that any penalties imposed under this section would result in a reduction of TA spending on cash assistance, but not an overall savings in TA or the general revenue maintenance of effort (MOE) funding because all TA/MOE must be spent on one of the four purposes of the TA program.

DLS anticipates that additional administrative hearings may be requested resulting from penalties assessed for non-compliance with this proposed legislation. The DLS Administrative Hearings Unit anticipates that any penalties imposed under this section would result in a reduction or closing of TA benefits. Any recipient adversely affected by this provision of law would be entitled to an administrative hearing. The DLS Administrative Hearings Unit believes that it will take approximately two hours to conduct each hearing required by this proposal. This will include hearing preparation, the actual hearing and the writing and reviewing of the hearing decision. DLS Administrative Hearings Unit assumes that their hearing officers can hold approximately 900 hearings per year. The hearings should not require complex evidence or facts. Therefore, once the number of potential hearings can be estimated, it will be possible to determine the fiscal impact.

Oversight assumes the DLS can absorb additional hearings until such time as they can determine the potential number of hearings. If hearings increase substantially, the DLS can request additional funding through the appropriations process.

Officials from the **DSS - Family Support Division (FSD)** state this section requires DSS to establish and implement a welfare-to-work program that requires all Temporary Assistance (TA) families to make at least twenty (20) job contacts per week. Recipients may work as unpaid interns for a governmental entity and shall be required to only make ten (10) job contacts per week if they do so. Any county, city, or other political subdivision shall be allowed to submit to DSS available intern positions in which TA recipients may be placed. This section is subject to appropriation and to waivers of requirements under federal law. However, a waiver of federal requirements is not necessary for the Temporary Assistance (TA) program as it is a block grant program.

ASSUMPTION (continued)

Under federal law found at 42 USC 603, welfare-to-work grants are administered by the U.S. Department of Labor. Therefore, the FSD would have to make an application for such a grant. However, the FSD would be able to require the twenty job contacts per week or the ten job contacts per week plus unpaid intern work without applying for or receiving a welfare-to-work grant.

Since the proposed legislation does not outline which TA recipients are to make the required job contacts, it is difficult to project a fiscal impact. For example, it is difficult at this time to set the minimum age at which parents/caretakers would be required to make job contacts. Therefore, the FSD is assuming that only parents or caretakers age 18 or older would be required to make job contacts, since recipients under age 18 must be attending school.

The FSD estimates there were 34,037 parents/caretakers age 18 or older receiving Temporary Assistance in November 2012. These parents/caretakers would be required to comply with the provisions of this section. The FSD is unable to determine how many of these parents/caretakers would fail to comply with this requirement. Additionally, since the penalties for non-compliance are not outlined in this legislation, the FSD is unable to determine the fiscal impact of this section. However, the FSD anticipates that any penalties imposed under this section would result in a reduction of TANF spending on cash assistance, but not a savings in TANF or the general revenue maintenance of effort (MOE) funding because all TANF/MOE must be spent on one of the four purposes of the TANF program.

Section 2 - Educational requirement:

Officials from the **DSS - Division of Legal Services (DLS)** state this section requires that all recipients of any governmental assistance including Temporary Assistance, Food Stamp, MO HealthNet and Low Income Heating and Energy Assistance (LIHEAP) possess a high school diploma or graduate equivalency diploma. The department shall apply for all waivers of requirements under federal law necessary to implement the provisions of this section. This proposed legislation will have a fiscal and legal impact on the Family Support Division (FSD)/DLS if the waivers are granted. There will be no fiscal impact on FSD/DLS if the waivers are not granted since the legislation requires that waivers be granted before implementing the program.

Federal regulations specifies that states must base food stamp eligibility solely on the criteria contained in the Food Stamp Act and in the federal regulations. See 7 CFR 273.2. Since the Food Stamp Act and federal regulations do not require recipients age 18 or older to possess a high school diploma or graduate equivalency diploma (GED), FSD does not anticipate that a waiver will be granted.

ASSUMPTION (continued)

Federal law sets forth the criteria for who must be covered under a state's Medicaid plan. See 42 USC 1396a. If individuals applying for Medicaid meet the criteria set forth in federal law, states are required to find these individuals eligible for Medicaid. Since adding a requirement for all recipients age 18 or older to possess a high school diploma or GED, would be adding an eligibility requirement that is not in federal Medicaid law, FSD does not anticipate that a waiver will be granted. The Temporary Assistance program does not require a waiver to implement this change. The TA program will be impacted if all recipients of TA are to possess a high school diploma or GED. The proposed legislation does not state who is required to possess a high school diploma/GED. The proposed legislation does not state if children age 18 or older, who are still attending school would be ineligible, or if any exceptions would be allowed for disabled or elderly individuals who are unable to attend classes to obtain a diploma or GED. In November 2012, there were 101,153 individuals receiving Temporary Assistance (TA) benefits, of which 35,404 were age 18 or older. FSD estimates that 43% or 15,224 of individuals age 18 or older do not have at least a high school diploma or GED. Since the proposed legislation also does not specify if remaining household members would be eligible for assistance, FSD is unable to determine a fiscal impact. However, FSD anticipates some individuals and/or families would lose eligibility for assistance because of this section. This would result in a reduction of TA spending on cash assistance, but not a savings in TA or the general revenue maintenance of effort (MOE) funding because all TA/MOE must be spent on one of the four purposes of the TA program.

DLS anticipates that additional administrative hearings may be requested to contest the lack of a high school diploma. Assuming ten percent of the 15,224 affected by this legislation request a hearing; the DLS Administrative Hearing Unit anticipates that the legislation would result in at least 1,522 additional hearings. DLS Administrative Hearings Unit believes that it will take approximately two hours to conduct each hearing required by this proposal. This will include hearing preparation, the actual hearing, and the writing and reviewing of the hearing decision. The hearings should not require complex evidence or facts. DLS Administrative Hearings Unit assumes that their hearing officers can hold approximately 900 hearings per year. This would result in the need of an additional two hearing officers ($1,522/900 = 1.69$).

The LIHEAP program does not require a waiver to implement this change. LIHEAP will be impacted if all recipients of LIHEAP are to possess a high school diploma or graduate equivalency diploma. LIHEAP currently does not capture educational levels of household individuals. In federal fiscal year 2012, 166,600 households received LIHEAP benefits. However, FSD estimates approximately 31% or 51,464 households have a household member who is age 18 or older, and does not have a high school diploma or GED. Since LIHEAP benefits are for the household, one household member age 18 or older without a high school diploma or GED would prevent the entire household from receiving LIHEAP benefits. FSD does not believe there would be a fiscal impact because LIHEAP program is a block grant program. Thus, any savings from ineligible households would be reinvested in the program.

ASSUMPTION (continued)

DLS anticipates that additional administrative hearings may be requested to contest the lack of a high school diploma and the resulting LIHEAP disqualifications. The DLS Administrative Hearing Unit assumes that ten percent of the 51,464 affected by this legislation would request a hearing relating only to LIHEAP benefits. The DLS Administrative Hearing Unit anticipates that the legislation would result in at least 5,146.4 additional hearings. DLS Administrative Hearings Unit believes that it will take approximately two hours to conduct each hearing required by this bill. This will include hearing preparation, the actual hearing and the writing and reviewing of the hearing decision. The hearings should not require complex evidence or facts. DLS Administrative Hearings Unit assumes that their hearing officers can hold approximately 900 hearings per year. This would result in the need of an additional five hearing officers ($5,146.4/900 = 5.71$). DLS will also need six additional support staff to provide support to the investigators and hearings officers as well as equipment and supplies and rental space.

Officials from the **DSS - Family Support Division (FSD)** state this section requires all recipients age eighteen (18) or older of the Temporary Assistance, Food Stamp, MO HealthNet and Low-Income Home Energy Assistance (LIHEAP) programs to possess a high school diploma or graduate equivalency diploma (GED). This section is subject to appropriation and to waivers of requirements under federal law.

Food Stamps

The FSD would request a waiver of federal requirements as required by this section. Federal rules found at 7 CFR 273.2 specifies that states must base food stamp eligibility solely on the criteria contained in the Food Stamp Act and in the federal rules. The Food Stamp Act and federal rules do not require recipients age 18 or older to possess a high school diploma or GED. Therefore, the FSD anticipates such a waiver would not be approved by the U.S. Department of Agriculture.

MO HealthNet

The FSD would request a waiver of federal requirements as required by this section. Federal law found at 42 USC 1396a sets forth the criteria for who must be covered under a state's Medicaid plan. If individuals applying for Medicaid meet the criteria set forth in federal law, states must cover those individuals. Adding a requirement for all recipients age 18 or older to possess a high school diploma or GED would be adding an eligibility requirement that is not in federal law. Therefore, the FSD believes such a waiver would not be approved by the Department of Health and Human Services.

Temporary Assistance

A waiver of federal requirements is not necessary for the Temporary Assistance (TA) program as it is a block grant program. In November 2012, there were 101,153 individuals receiving Temporary Assistance (TA) benefits, of which 35,404 were age 18 or older. The FSD estimates

ASSUMPTION (continued)

that 43% or 15,224 of individuals age 18 or older do not have at least a high school diploma or GED. Since the proposed legislation does not outline who is required to possess a high school diploma/GED, it is difficult to project how many individuals would be impacted by this section. For example, it is difficult at this time to determine if children age 18 who are still in school would be ineligible or if any exceptions would be allowed for disabled or elderly individuals who are unable to attend classes to obtain a diploma or GED. Since the proposed legislation also does not specify if remaining household members would be eligible for assistance, the FSD is unable to determine a fiscal impact. However, the FSD anticipates some individuals and/or families would lose eligibility for assistance as a result of this section. This would result in a reduction of TANF spending on cash assistance, but not a savings in TANF or the general revenue maintenance of effort (MOE) funding because all TANF/MOE must be spent on one of the four purposes of the TANF program.

Low-Income Home Energy Program (LIHEAP)

A waiver of federal requirements is not necessary for the LIHEAP program as it is a block grant program. In federal fiscal year 2012, there were 166,600 households that received LIHEAP benefits. The LIHEAP program currently does not capture educational levels of household individuals. However, the FSD estimates approximately 31% or 51,464 households have a household member age 18 or older who does not have a high school diploma or GED. Since LIHEAP benefits are for the household, one household member age 18 or older without a high school diploma or GED would prevent the entire household from receiving LIHEAP benefits. The need for LIHEAP exceeds the current grant amount; therefore, any savings would go to fund additional participants.

Officials from the **DSS - Children's Division (CD)** state this section will impact the CD as it will reduce the number of families who are eligible for child care.

The CD will need to revise the current Child Care State Plan, approved by the Administration for Children and Families (ACF). The ACF gives states latitude in the implementation of state plans, and there is nothing to specifically prohibit requiring a Graduate Equivalency Diploma (GED) or high school diploma before giving child care assistance. However, DSS believes that it is unlikely that ACF will approve the Child Care State Plan with the changes proposed in this legislation.

Additionally, since Child Care is also used to meet the Temporary Assistance for Needy Families (TANF) Block Grant maintenance of effort (MOE) and federal funding levels, any reduction not reinvested into the program would affect the Department's ability to meet TANF MOE and could result in the loss of TANF block grant funds.

ASSUMPTION (continued)

Due to the above reasons, the savings from this legislation is \$0 to Unknown, but greater than \$100,000 GR and federal funds.

While education level is a field in the Family Assistance Management Information System (FAMIS) system, it is not a required field. The computer system would need modification to require capturing the education level field in order to meet the requirements of this legislation.

Officials from the **DSS - MO HealthNet Division (MHD)** state this new section requires all recipients of temporary assistance for needy families, food stamps, child care assistance, supplemental nutrition assistance program (SNAP), or any other similar governmental assistance program who are eighteen years of age or older to possess a high school diploma or graduate equivalency diploma. Federal law found at 42 USC 1396a sets forth the criteria for who must be covered under a state's Medicaid plan.

The U.S. government may impose sanctions against states that do not comply with federal Medicaid law. These sanctions may include disallowances and the loss of all or a portion of federal financial participation in the Medicaid program.

Officials from the **Department of Elementary and Secondary Education (DESE)** state per officials with the Department of Social Services (DSS), the number of households on food stamps is 429,633. Thirty-one percent (31%) or 133,186 of those households do not have a high school credential. Therefore, assuming these people would want to continue receiving food stamps, as well as other public assistance, DESE assumed the majority of those people would try to test for a high school credential.

The Graduate Equivalency Diploma (GED) system currently tests approximately 13,000 individuals per year at a program cost of approximately \$300,000 (cost of tests). Based on the estimates provided by DSS, this proposal could result in a ten-fold increase in the number of applicants per year and would boost program costs to approximately \$3,000,000 annually. In addition, DESE will require at least 1.0 FTE supervisor to handle the additional workload.

Additional information:

DSS provided the number of households on Temporary Assistance for Needy Families (TANF) and food stamps. Individuals on TANF also receive food stamps, so those figures do not represent a double count. However, these figures do not account for the other public assistance programs listed in Section 2, i.e. child care assistance, supplemental nutrition assistance, or other similar governmental assistance programs. DESE was unable to obtain information as to the

ASSUMPTION (continued)

number of those individuals that don't have a high school certificate. Therefore, the impact of Section 2 of this proposal is likely greater than presented here. In addition, it should be noted that DESE is currently in the bid process to select a new vendor for the high school equivalency test starting January 1, 2014. The outcome of this process could result in higher estimates than presented here.

DESE estimates FY 14 costs to the General Revenue Fund exceeding \$3,067,281; FY 15 costs exceeding \$3,079,092; and FY 16 costs exceeding \$3,080,675.

Oversight assumes the DESE does not need 1 FTE supervisor to handle the additional workload; Oversight assumes DESE would need an Office Support Assistant (\$27,324 annually) to handle the additional workload.

Section 3 - Eligible SNAP Purchases:

Officials from the **Department of Social Services (DSS) - Division of Legal Services (DLS)** state this section directs DSS to establish and implement policies that will only allow recipients of food stamp benefits to purchase food items on an approved food list for women, infants and children. The Food and Nutrition Act of 2008 defines eligible food as any food or food product for home consumption, which includes food items that are not included on the approved food list for the Women, Infants and Children program. States cannot restrict the purchase of food items if federal regulations and the Food and Nutrition Act of 2008 have those items listed as eligible food. The United States government may impose sanctions against states that do not comply with federal Food Stamp law. These sanctions may include disallowances and loss of all, or a portion of, federal financial participation in the Food Stamp program. DLS will defer to the fiscal note prepared by the Family Support Division (FSD) and the Division of Finance and Administrative Services regarding the fiscal impact. Enactment of this proposed amendment can reasonably be expected to result in litigation challenging DSS. It is not possible to accurately estimate the cost of this litigation to the State of Missouri, but experience in this type of litigation makes it clear that the cost of litigation in some cases can be reasonably anticipated to exceed \$100,000 dollars. An unsuccessful defense of a challenge to this proposed legislation may result in the assessment of attorney fees and costs against the state or state officials. It is not possible to accurately estimate the fiscal impact on the state as a whole; however, in some cases, an attorney fee/cost award could exceed \$250,000, depending on the complexity of the litigation and the costs involved.

Oversight assumes because the potential for litigation is speculative that the DSS will not incur significant costs related to this proposal. If a fiscal impact were to result, the DSS may request additional funding through the appropriations process.

ASSUMPTION (continued)

Officials from the **DSS - Family Support Division (FSD)** state this section requires DSS to establish and implement policies and procedures to allow recipients of the Supplemental Nutrition Assistance Program (SNAP), called the Food Stamp program in Missouri, to only purchase food items that are included on the approved food list for the Women, Infants and Children program with their EBT card.

The Food and Nutrition Act of 2008 defines eligible food as any food or food product for home consumption, which includes food items that are not included on the approved food list for the Women, Infants and Children program. States cannot restrict the purchase of food items if federal regulations and the Food and Nutrition Act of 2008 have those items listed as eligible food. The FSD reasonably anticipates that there could be sanctions imposed by the United States government for not complying with federal law. These sanctions could include a disallowance of some or all of the federal food stamp funding.

FSD assumes existing Central Office Program Development Specialists in the Policy Unit will be able to complete necessary policy and/or forms changes resulting from this proposal.

There will be changes to FAMIS as a result of this proposal. The cost incurred will be outlined in the OA-ITSD fiscal note.

Bill as a Whole:

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** state MHD provides medical assistance to eligible individuals through the federal and state Medicaid program. Federal matching funds for the costs of these programs are available to states that elect to participate. As a condition of participation, states must cover certain populations and services that are considered mandatory. If states do not cover these mandatory populations and services, they lose their federal matching funds.

Federal matching funds for SFY 13 are expected to be about \$3.5 billion. The fiscal impact to MO HealthNet could be an unknown, but greater than \$3.5 billion, loss in federal matching funds.

Oversight notes from DSS officials the U.S. Government may impose sanctions against states that do not comply with federal Medicaid law. These sanctions may include disallowances and the loss of all or a portion of federal financial participation in the Medicaid program.

Oversight assumes the DSS does not have confirmation from the Centers for Medicare and Medicaid Services (CMS) that the changes made to the Medicaid program and other assistance programs by this proposal will result in the loss of federal funds. Therefore, Oversight will indicate "\$0 or" for the loss indicated by DSS-MHD for fiscal note purposes.

ASSUMPTION (continued)

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD) - Department of Social Services (DSS)** provide the following assumptions:

Passage of this proposal would require modifications to Family Assistance Management Informaion System (FAMIS), Electronic Benefits Transfer (EBT), and Missouri Work Assistance (MWA) systems.

FAMIS Estimates:

<u>Section</u>	<u>Work Effort(hours)</u>
208.010.3	4500
208.022	3000
208.048.2	1500
208.182.1	1500
208.249.2	3000
Total:	13,500

FAMIS would be required to mail a one-time letter to all current Food Stamp recipients with instructions regarding the photo id EBT card.

FAMIS Assumptions:

1. Photo ID on the EBT card is not required for eligibility determination for Food Stamp benefits, per phone conversation with Program and Policy.
2. Estimates for programming to generate notices to recipients assume state staff will code the one time notice.

One time Letter Cost: The price per foot for simplex print is \$0.03098. So the price for this one time job will be 481,528 pages X 11 inches divided by 12 = 441,401 feet X \$0.03098 = approx. \$13,675.

<u>FAMIS costs:</u> State Staff \$63.04/hr x 13,500 hours =	\$ 851,040
One Time Letter	13,675
	<u>\$ 864,715</u>

EBT System estimates for 208.182.1:

<u>Function</u>	<u>Work Effort (hours)</u>
Analysis/Design	80
Coding	300
Testing	200
<u>Implementation</u>	<u>20</u>
Total:	600 hours

ASSUMPTION (continued)

EBT costs: State Staff \$63.04/hr X 600 hours = \$ 37,824

MWA System estimates for 208.182.1:

Function	Work Effort (hours)
Analysis/Design	40
Coding	120
Testing	120
<u>Implementation</u>	<u>25</u>
Total:	305 hours

MWA costs: State Staff \$63.04/hr X 305 hours = \$ 19,227

The match rate for Food Stamps is 50% GR and 50% Federal.

Total costs:	FAMIS	\$ 864,715
	EBT	37,824
	<u>MWA</u>	<u>19,227</u>
		<u>\$ 921,766</u>

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources. Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews, the AGO will need to request additional staff to handle the increase in workload.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** stated the Department of Social Services indicated they will not be using photos stored with DOR. Therefore, the proposal will have no fiscal impact on DOR.

Officials from the **Office of Administration**, the **Office of State Courts Administrator**, the **Department of Mental Health** and the **Department of Health and Senior Services** each assume the proposal would not fiscally impact their respective agencies.

No other schools responded to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Savings - DSS-CD (Section 2)</u>			
Reduction in child care assistance	\$0 or Unknown greater than \$100,000	\$0 or Unknown greater than \$100,000	\$0 or Unknown greater than \$100,000
<u>Costs - OA-ITSD-DSS (Proposal as a whole)</u>			
FAMIS, EBT & WMA system changes	(\$460,883)	\$0	\$0
<u>Costs - DSS-FSD (§208.182)</u>			
Equipment and expense related to issuing EBT cards with photos	(Greater than \$163,638)	\$0	\$0
Mailing costs	(Greater than \$83,692)	\$0	\$0
Replacement cards	<u>\$0</u>	<u>(Greater than \$39,928)</u>	<u>(Greater than \$39,928)</u>
<u>Total Costs - DSS-FSD</u>	(Greater than \$247,330)	(Greater than \$39,928)	(Greater than \$39,928)
<u>Costs - DSS-DLS (§208.249 and Section 2)</u>			
Personal service	(\$577,768)	(\$700,535)	(\$707,541)
Fringe benefits	(\$293,188)	(\$355,487)	(\$359,041)
Equipment and expense	<u>(\$213,468)</u>	<u>(\$160,040)</u>	<u>(\$164,041)</u>
<u>Total Costs - DSS-DLS</u>	<u>(\$1,084,424)</u>	<u>(\$1,216,062)</u>	<u>(\$1,230,623)</u>
FTE Change - DSS-DLS	22.63 FTE	22.63 FTE	22.63 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND (cont.)			
<u>Costs - DESE (Section 2)</u>			
Personal service	(\$22,770)	(\$27,873)	(\$28,152)
Fringe benefits	(\$11,553)	(\$14,143)	(\$14,284)
Expense and equipment	<u>(Could exceed \$3,007,000)</u>	<u>(Could exceed \$3,001,510)</u>	<u>(Could exceed \$3,001,540)</u>
<u>Total Costs - DESE</u>	<u>(Could exceed \$3,041,323)</u>	<u>(Could exceed \$3,043,526)</u>	<u>(Could exceed \$3,043,976)</u>
FTE Change - DESE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND			
	<u>(\$4,833,960)</u>	<u>(\$4,299,516)</u>	<u>(\$4,314,527)</u>
Net FTE Change for the General Revenue Fund	23.63 FTE	23.63 FTE	23.63 FTE
OTHER STATE FUNDS			
<u>Costs - DSS-DLS (\$208.249 and Section 2)</u>			
Personal service	(\$79,146)	(\$95,964)	(\$96,923)
Fringe benefits	(\$40,163)	(\$48,697)	(\$49,184)
Equipment and expense	<u>(\$29,242)</u>	<u>(\$21,923)</u>	<u>(\$22,471)</u>
<u>Total Costs - DSS-DLS</u>	<u>(\$148,551)</u>	<u>(\$166,584)</u>	<u>(\$168,578)</u>
FTE Change - DSS-DLS	3.1 FTE	3.1 FTE	3.1 FTE
ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
	<u>(\$148,551)</u>	<u>(\$166,584)</u>	<u>(\$168,578)</u>
Estimated Net FTE Change on Other State Funds	3.1 FTE	3.1 FTE	3.1 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS			
<u>Income - OA-ITSD-DSS</u>			
Increase in program reimbursements	\$460,883	\$0	\$0
<u>Income - DSS-FSD</u>			
Increase in program reimbursements	Greater than \$247,330	Greater than \$39,928	Greater than \$39,928
<u>Income - DSS-DLS</u>			
Increase in program reimbursements	\$252,538	\$283,193	\$286,583
<u>Savings - DSS-CD</u>			
Reduction in program expenditures	\$0 or Greater than \$100,000	\$0 or Greater than \$100,000	\$0 or Greater than \$100,000
<u>Costs - OA-ITSD-DSS</u>			
Increase in program expenditures	(\$460,883)	\$0	\$0
<u>Costs - DSS-FSD</u>			
Increase in program expenditures	(Greater than \$247,330)	(Greater than \$39,928)	(Greater than \$39,928)
<u>Costs - DSS-DLS</u>			
Personal service	(\$134,549)	(\$163,138)	(\$164,770)
Fringe benefits	(\$68,277)	(\$82,785)	(\$83,612)
Equipment and expense	(\$49,712)	(\$37,270)	(\$38,201)
<u>Total Costs - DSS-DLS</u>	(\$252,538)	(\$283,193)	(\$286,583)
FTE Change - DSS-DLS	5.27 FTE	5.27 FTE	5.27 FTE
<u>Loss - DSS-CD</u>			
Reduction in program reimbursements	\$0 or (Unknown greater than \$100,000)	\$0 or (Unknown greater than \$100,000)	\$0 or (Unknown greater than \$100,000)

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS (cont.)			
<u>Loss - DSS-MHD (bill as a whole)</u>			
Reduction in program reimbursements	<u>\$0 or (Unknown, could exceed \$3,500,000,000)</u>	<u>\$0 or (Unknown, could exceed \$3,500,000,000)</u>	<u>\$0 or (Unknown, could exceed \$3,500,000,000)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0 or (Unknown, could exceed \$3,500,000,000)</u>	<u>\$0 or (Unknown, could exceed \$3,500,000,000)</u>	<u>\$0 or (Unknown, could exceed \$3,500,000,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

If the State of Missouri is found to be out of compliance with federal regulations for Medicaid and other assistance programs and loses federal matching funds, small businesses that participate in these programs will be negatively impacted.

FISCAL DESCRIPTION

This proposal changes the laws regarding public assistance benefits. In its main provisions, the proposal: (1) Requires the Division of Family Services within the Department of Social Services, when determining eligibility and the amount of public assistance benefits to be granted pursuant to federal aided programs, to take into account the income and resources of all relatives, members of the household, and any other individuals who are 18 years of age or older and living in the home; (2) Requires retail establishments accepting electronic benefit cards for payment to verify that the photograph on the card matches the identity of the person presenting the card; (3) Requires all recipients of temporary assistance for needy families (TANF) benefits to provide proof that all dependent children who are eligible for enrollment in a public school are enrolled and attending school regularly; (4) Requires the department to seek a waiver from the federal

FISCAL DESCRIPTION (continued)

government to require the use of photo identification for continued eligibility in the food stamp program. One year after approval from the federal government, the department must issue a photo identification card to each eligible household member who is sixteen years of age or older. The photo identification must be presented when exchanging benefits for eligible food; (5) The department must establish rules and regulations that ensure compliance with federal law and take into account individuals and households with special needs as well as ensuring that all appropriate household members or authorized representatives are able to access benefits from the account as necessary; (6) Specifies that any person who knowingly and intentionally commits fraud in obtaining public assistance benefits must lose eligibility for the benefits permanently; (7) Specifies the requirements a public assistance benefits fraud investigation must meet to be sufficient; (8) Authorizes the department to terminate the employment of any fraud investigator who fails to comply with the requirements of a public assistance benefits fraud investigation; (9) Requires the department to establish and implement a welfare-to-work program that requires all recipients of TANF benefits to make at least 20 job contacts per week. Recipients must be allowed to work as unpaid interns for a governmental entity, and those working as interns are only required to make 10 job contacts per week. Any county, city or other political subdivision must be allowed to submit available intern positions to the department for the placement of TANF recipients; (10) Requires all recipients of TANF, food stamps, child care assistance, supplemental nutrition assistance, or any other similar governmental assistance program who are 18 years of age or older to possess a high school diploma or graduate equivalency diploma; and (11) Requires the department to establish and implement policies and procedures that will allow recipients of supplemental nutrition assistance programs to only purchase food items that are included on the approved food list for the women, infants and children program.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements.

SOURCES OF INFORMATION

Office of Administration -
Information Technology Services Division - Department of Social Services
Office of Attorney General
Office of State Courts Administrator
Office of Administration
Department of Elementary and Secondary Education
Department of Mental Health
Department of Health and Senior Services
Department of Revenue

HWC:LR:OD

SOURCES OF INFORMATION (continued)

Department of Social Services -
 Children's Division
 Division of Legal Services
 Family Support Division
 MO HealthNet Division
Joint Committee on Administrative Rules
Office of Secretary of State
Parkway School District



Ross Strope
Acting Director
February 19, 2013