

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4501-01
BILL NO.: HB 2020
SUBJECT: Establishes the Missouri Works Program
TYPE: Original
DATE: February 28, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$3,793,967)	(\$7,838,365)	(\$8,179,261)
Total Estimated Net Effect on <u>All</u> State Funds	(\$3,793,967)	(\$7,838,365)	(\$8,179,261)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

* Savings and costs of approximately \$2,000,000 net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration** assume this proposal will not fiscally affect their agency.

Officials from the **Department of Social Services - Division of Family Services (DFS)** stated they see two distinct pieces to this proposal: 1) a separate state program for non-exempt individuals with severe or multiple barriers to participation and 2) the Missouri Works Program.

SEPARATE STATE PROGRAM FOR NON-EXEMPT INDIVIDUALS WITH SEVERE OR MULTIPLE BARRIERS TO PARTICIPATION: (Section 208.071.3 to .5)

In Section 208.071.3 regarding self-sufficiency pacts, the DFS is already meeting this requirement of the legislation.

As stated in Section 208.071.4, Temporary Assistance benefits will be paid out of State Maintenance of Effort (MOE) funds. There will be no additional cost associated with paying cash assistance from MOE. The DFS would shift \$26,970,084 in benefits from Temporary Assistance for Needy Families (TANF) to MOE funds. This shift is not reflected in the fiscal note as it is not additional effort or responsibility for the DFS.

The DFS currently does not have a separate state program in place to address the needs of individuals with severe or multiple barriers to participation in a work activity. This subset of the temporary assistance population will require much more intensive case management services to prepare them for unsubsidized employment. In order to adhere to the intent of the proposed language in Section 208.071.4, DFS will incur programmatic and staffing costs. National standards assume that 1/3 of the non-exempt temporary assistance household's statewide face severe or multiple barriers to participation in a work activity. As of 12/31/99, there were 47,093 temporary assistance households, of which 27,748 are non-exempt.

27,748 Total Non-Exempt Temporary Assistance Caseload
÷ 3
9,249 Individuals with severe or multiple barriers

Assume 35 cases per case manager based on the intense case management services required to address the severe and/or multiple barriers. Average caseload per self-sufficiency case manager (SSCM) is calculated at: 47,093 total TANF cases ÷ 656 SSCMs = 72 Cases/SSCM.

ASSUMPTION (continued)

Additional Self-Sufficiency Case Managers to be contracted are calculated as follows:

9,249 cases @ 35 cases per SSCM = 264 SSCMs – Separate State Program plus
37,844 cases @ 72 cases per SSCM = 526 SSCMs – Remaining TANF Program
equals 790 Total SSCMs needed
less 656 Current SSCMs
equals 134 Additional SSCMs

Assume case manager annual salary to be \$29,184.

\$29,184 Annual salary/SSCM
x 134 Additional SSCM
\$3,910,656 Annual salaries for the separate state program

Assume funding for these contracted services to be State Maintenance of Effort funds.

MISSOURI WORKS PROGRAM: (Section 208.326.1 – 10)

The DFS has made the following assumptions related to this proposal:

- Assume that DFS will establish 3 pilot sites around the state in accordance with the terms and conditions of the Missouri Works Program if the bill is enacted.
- DFS assumes 1,000 positions per month as an accumulated total number of program participants collectively between 3 pilot sites.
- Assume program participants are employees of the contracting agencies.
- Assume the federal minimum wage of \$5.15 per/hr as the standard used to calculate salary and fringe benefits for program participants.
- Assume annual salary per participant at \$5.15/hour, 20 hours/week, 52 weeks/year = \$5,356.
- Assume annual work related expense stipend of \$90/month = \$1,080
- Assume 0.65% of annual wage to cover Unemployment and Worker's Compensation = \$35
- Assume bonus payment to participant of \$250 for 90 day retention of unsubsidized employment (based on current DFS contracted case management contracts).

ASSUMPTION (continued)

- Assume bonus payment to participants of \$500 for 180 day retention of unsubsidized employment (based on current DFS contracted case management contracts).
- Assume annual contracted case management cost of \$1,800/participant (based on current DFS contracted case management contracts).

Therefore, the costs for the Missouri Works Program can be summarized as follows:

\$5,356	Wage per Participant
1,080	Work Related Expense Stipend
35	Unemployment/Worker's Compensation Coverage
250	Retention Bonus – 90 days
500	Retention Bonus – 180 days
1,800	Contracted Case Management
<u>1,353</u>	Administrative Costs
\$10,374	Annual Cost per Participant
x1,000	Participants/year
<u>\$10,374,000</u>	Total annual cost of Missouri Works Program

The above costs were split between state and federal funds for fiscal note purposes.

The DFS also assumes a savings from the TANF Block Grant from the average monthly Temporary Assistance benefit that would have been paid to the 1,000 participants of the Missouri Works Program. The savings was calculated as follows:

\$1,000	Number of participants
x \$ 243	Average grant
\$ 243,000	
x 12	Months
<u>\$ 2,916,000</u>	TANF Block Grant Savings

This total would be split 83% federal (\$2,420,280) and 17% General Revenue (\$495,720).

In Section 208.326.6 it states that the DSS is provide assistance to localities seeking to secure grant funding. To address this section it is DFS' plan to receive technical assistance from an agency, which specializes in grant writing.

ASSUMPTION (continued)

For the purpose of this estimate, the DFS contacted Grant Link, Inc. Grant Link provides several different levels of consultation. For this illustration DFS will use the least expense option, which is \$495 annually.

The DFS also assumed they would need one additional FTE to implement the proposal. The DFS stated they would need one Program Development Specialist (\$39,696) to develop the contract language, monitor contract compliance and ensure payments to contractors. The FTE would need the accompanying expense and equipment items as well. **Oversight** has removed the office space expense from the fiscal cost estimate assuming the new FTE would locate in existing space.

Finally, the DFS stated that if TANF or Welfare to Work dollars are used for this program, the funds are considered assistance and count toward the five year lifetime benefit limits. If State only Maintenance of Effort funds are used, the time clock for the 5 year assistance stops for the participants.

Officials from the **Department of Economic Development** responded to a similar proposal from this session and stated they do not anticipate fiscal impact for personal service or expense and equipment funds; only a diversion of Federal Welfare to Work (WtW) program funds.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Savings - Department of Social Services</u>			
Reduction in TANF Block Grant Costs	\$247,860	\$495,720	\$495,720
<u>Costs - Department of Social Services</u>			
Personal Service (1 FTE)	(\$33,893)	(\$41,706)	(\$42,748)
Fringe Benefits	(\$10,422)	(\$12,824)	(\$13,145)
Expense and Equipment for FTE	(\$20,240)	(\$14,583)	(\$15,018)
Grant Link	(\$412)	(\$510)	(\$525)
Missouri Works Program	<u>(\$3,976,860)</u>	<u>(\$8,264,462)</u>	<u>(\$8,603,545)</u>
Total <u>Costs</u> - Dept. of Social Services	<u>(\$4,041,827)</u>	<u>(\$8,334,085)</u>	<u>(\$8,674,981)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$3,793,967)</u>	<u>(\$7,838,365)</u>	<u>(\$8,179,261)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
FEDERAL FUNDS			
<u>Savings - Department of Social Services</u>			
Reduction in TANF Block Grant Costs	\$1,210,140	\$2,420,280	\$2,420,280
<u>Costs - Department of Social Services</u>			
Missouri Works Program	<u>(\$1,210,140)</u>	<u>(\$2,420,280)</u>	<u>(\$2,420,280)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>			
	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal establishes the Missouri Works Program to provide community service jobs to welfare recipients to help them prepare for permanent unsubsidized employment.

Currently, Section 208.071, RSMo, requires the Department of Social Services to make individual assessments of certain public assistance recipients. New language states that, upon assessment, the Department should develop a self-sufficiency pact with the recipient. If recipients face barriers to participation in work activities, they will be required to participate in activities appropriate to their circumstances. Such individuals will receive temporary assistance from state maintenance of effort funds instead of federal Temporary Assistance for Needy Families (TANF) benefits during their participation.

A new Section 208.326 creates the Missouri Works program. The program must provide jobs to 1,000 TANF recipients per month, divided among at least three pilot sites throughout the state.

The Department must contract with not-for-profit agencies who will help participants in their job-seeking efforts and may give preference to communities offering local funds for the program.

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DESCRIPTION (continued)

Program participants must work at least twenty hours per week for up to one year at minimum wage or above. Participants will also receive a monthly stipend of \$90 for work-related expenses and will receive TANF subsidized child care. The participant may also be eligible for certain TANF grants, depending on wages. If funding is available, the Department shall allow bonus payments to participants who obtain unsubsidized employment after completion of the program.

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

SOURCES OF INFORMATION

Department of Social Services
Department of Economic Development
Office of Administration



Jeanne Jarrett, CPA
Director
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