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DATE PREPARED: February 02, 2011
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LB 507

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * | | | | |
|--|--------------|---------|--------------|---------|
| | FY 2011-12 | | FY 2012-13 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | See below | | See below | |

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

This bill would change the Aid to Dependent (ADC) work participation requirements for adults, ages of 20 and 23, from the required 30 hours a week to 20 hours a week and allows time spent in education directly related to employment, including but not limited to, Adult Basic Education and English as a Second Language to count towards meeting those requirements. The Department of Health and Human Services could limit participation in these activities if the state's work participation rate reaches 55%.

Adult members over age of 19 in families receiving ADC assistance are required to participate in certain employment activities for 30 hours per week. Some educational activities such as enrollment in post-secondary education are allowable work activities under federal regulations. Adult Basic Education and English as a Second Language are not allowable. The lower weekly work-hour participation requirement for those ages 20 to 23 also would not be in compliance with federal work requirements and would count against the state's work participation rate.

In order to stay in compliance with federal work participation requirements the state rate must be 50% or higher. The state's work participation rates prior to caseload reductions being applied range between 49% and 53%. Because the state has an Earned Income Tax Credit and a Child Care Tax credit, the state exceeds the Maintenance of Effort (MOE) requirement which is between \$28 million and \$31 million annually. Excess MOE can be used for a caseload credit reduction which can be used to lower the target work participation rate to a rate of less than 50%.

It is unknown how many individuals who would be eligible for the provisions in this bill would choose the options provided. There are 1,670 in the age group receiving ADC. The state could provide these options and monitor the work participation rates and make adjustments if it appeared they would reach below 55%. The final determination of work participation requirements is often not known for up to two years. However, the state has a good estimate when reports are submitted to the federal government well in advance of the final determination by the federal government. Another option is to move the clients choosing the options available in the bill to a state-only program, so they do not count against meeting the work participation requirement. This would result in a General Fund cost. If 25% choose this option and the costs were paid from General Funds, there would be a General Fund increase of \$1,081,282 in FY 12 and \$1,297,539 in FY 13.

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FISCAL NOTE

2011

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Willard Bouwens

Date Prepared:(4) February 1, 2011

Phone: (5) 471-8072

| | FY 2011-2012 | | FY 2012-2013 | |
|---------------|---------------|---------|---------------|---------|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$1,081,282 | | \$1,297,539 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | (\$1,081,282) | | (\$1,297,539) | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$0 | \$0 | \$0 | \$0 |

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

Extending the age limit for clients to participate in these educational components could impact approximately 1670 people in the higher age group that are currently on ADC. Assuming that 25% of these people, or 418, chose to participate in the education component the funding of their grant would change from 20%-GF to 100%GF. At an average cash grant amount of \$323.35 per month, the annual increase in general funds for the state only ADC program would be \$1,297,539-GF. The first year would be \$1,081,282, to account for a September 2010 effective date. The amount of people not currently on ADC that would apply to participate in this new education component is unknown, but could increase this cost estimate. Section 3 gives DHHS the ability to limit the number of clients participating in this program if the work participation rate drops to help prevent penalties. Due to the average lag time of approximately two years for finalization of work participation rates, there is a risk that penalties may be assessed before limits could be implemented in the state only program.

The changes in the computer system needed to satisfy the reporting requirements can be accomplished within existing resources.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

| POSITION TITLE | NUMBER OF POSITIONS | | 2011-2012 EXPENDITURES | 2012-2013 EXPENDITURES |
|---------------------------|---------------------|-------|---------------------------|---------------------------|
| | 11-12 | 12-13 | | |
| Benefits..... | | | | |
| Operating..... | | | | |
| Travel..... | | | | |
| Capital Outlay..... | | | | |
| Aid..... | | | | |
| Capital Improvements..... | | | | |
| TOTAL..... | | | \$0 | \$0 |