

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4595-01  
Bill No.: HB 1311  
Subject: Social Services Department; Public Assistance; Children and Minors  
Type: Original  
Date: January 22, 2018

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Bill Summary: This proposal modifies provisions relating to the “Hand-up Program” to assist individuals who receive child care subsidy benefits.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$94,459) or (\$335,922)	(\$74,926) or (\$316,389)	(\$75,720) or (\$317,183)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$94,459) or (\$335,922)</b>	<b>(\$74,926) or (\$316,389)</b>	<b>(\$75,720) or (\$317,183)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Federal*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and expenses net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	1	1	1
<b>Total Estimated Net Effect on FTE</b>	<b>1</b>	<b>1</b>	<b>1</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **§208.053 - Hand-Up Program**

Officials from the **Department of Social Services (DSS)**, **Family Support Division (FSD)**, **Children's Division (CD)** and **Division of Legal Services (DLS)** provide the following information:

Section 208.053 requires the implementation of the "Low-Wage Trap Elimination Act" to transition persons receiving state-funded child care subsidy benefits under chapter 208. The program, subject to appropriations, is to be implemented by January 1, 2019 as a pilot in Jackson and Greene Counties, and is to be called the "Hand-Up Program" to allow recipients to continue to receive child care subsidy benefits while sharing in the cost of such benefits through the payment of a premium.

#### **Children's Division:**

The Children's Division (CD) would be required to provide full child care benefits, based on family size, to recipients whose income exceeds the gross maximum income for the family size. The recipient would be required to pay 44% of their excess adjusted gross income over the maximum allowable monthly income for the family size directly to the provider on a monthly basis. Recipients who fail to pay the premium after sixty days of non-payment lose their child care benefits. These provisions would require waivers from the Federal Office of Child Care. The first waiver would be due to the program not being voluntary, which would impact parental choice, especially in situations where the premium amount would exceed the Transitional Child Care parent share of 25%, 50%, or 75% (based on family size and income). The second waiver would be related to the 12-month eligibility period. Based on federal statute and regulation, once a recipient is determined to be eligible for child care, the household remains eligible for 12 months, unless there is no longer an eligible child, their income exceeds 85% of the state median income, or the household moves out of state. Under the provisions of this bill, the recipient would be ineligible for child care if they did not pay their premium for sixty days, thereby resulting in the need for a waiver.

The fiscal impact of this legislation on the CD would include: an increase in the amount of full benefits being paid for children who otherwise the division would only be paying 75%, 50%, or 25% of the child care benefits. As a recipient's income increases, the amount of the state's share of the child care benefit decreases and the recipient's share increases, allowing a gradual phase out of the child care subsidy program.

ASSUMPTION (continued)

Provisions of this legislation also require the CD to track the number of recipients in the program, the aggregate of such premiums and taxes as well as the aggregate of taxes paid on income exceeding the maximum allowable income, and provide an annual report to the general assembly. These provisions would result in an additional fiscal impact on the division.

The Family Assistance Management Information System (FAMIS) would require changes to track Jackson and Greene County Hand-Up program recipients separately from the rest of the state, require changes in income levels allowing for different rates and a means of tracking payments made to child care providers by recipients. In addition, a means of sharing recipient data with the Department of Revenue to track and calculate differences between recipient's income taxes and excess gross income, would be required. A full-time Program Development Specialist (\$41,184 annually) would be needed to implement and oversee the program.

Currently the DSS has three levels of transitional child care that allows families to continue to receive child care assistance as their incomes grow. Transitional child care eliminates the sudden loss of child care due to an increase in income. Recipients share in the cost of care while in the Transitional Child Care program. Recipients at transitional level one pay 25% of the base rate, plus a sliding fee; at level two, recipients pay 50% of the base rate, plus a sliding fee; and at level three they pay 75% of the base rate, plus a sliding fee.

The table below shows how many families/children in each of the proposed counties receive child care assistance and at each level during the most recent month. The information is used to show the increase in child care funding that would be required to implement the provisions of this legislation. A total annual increase of \$241,463 is anticipated. If the federal Office of Child Care does not issue the required waivers, the increase in child care expenditures would be to the General Revenue (GR) fund.

**Oversight** assumes the CD would receive the required federal waivers and there would be no additional child care expenses paid for by the State. However, since there is a possibility that federal waivers would not be received, Oversight is ranging additional child care costs for the "Hand-up Program" as \$0 or (\$241,463) to the General Revenue Fund.

ASSUMPTION (continued)

COUNTY (A)	TCC (B)	ELIGIBLE CHILDREN (Eligible for full child care subsidy) (C)	PAID CHILDREN (Receive child care subsidy) (D)	EXPENDITURES (E)	% Paid by State (F)	100% of Benefit Cost (G)	Annual Increase for Hand-Up (G-E)*12mo
GREENE	N	1,795	887	\$280,029.02			
GREENE	1	55	28	\$5,611.46	75%	\$7,481.95	\$22,445.84
GREENE	2	11	5	\$734.26	50%	\$1,468.52	\$8,811.12
GREENE	3	8	4	\$216.92	25%	\$867.68	\$7,809.12
JACKSON	N	7,658	4,039	\$1,407,061.86			
JACKSON	1	184	100	\$21,003.58	75%	\$28,004.77	\$84,014.32
JACKSON	2	90	47	\$6,608.65	50%	\$13,217.30	\$79,303.80
JACKSON	3	21	14	\$1,085.53	25%	\$4,342.12	\$39,079.08
				Additional Child Care Cost			\$241,463.28

TCC = Transitional Child Care

N= number of children receiving child care assistance at Traditional Level.

**FSD** officials state the division currently determines eligibility for the child care program and would determine eligibility for the "Hand-up Program."

The child care population that would potentially be eligible for the "Hand-up" Program would already be known to FSD as they must currently be receiving child care services in order to be eligible for the program.

FSD redetermination processes would need to be updated to determine eligibility for the "Hand-up Program" in the affected counties. This can be accomplished with current staff and resources.

In order for FSD to be able to fulfill these requirements, several changes will have to be made to the Family Assistance Management Information System (FAMIS). FSD assumes the Office of Administration, Information Technology Services Division (OA - ITSD) will include the FAMIS programming costs for the system changes needed to implement provisions of this bill in their response.

There is no fiscal impact to FSD.

**DLS** officials defer to the Children's Division regarding the fiscal impact on the Division.

ASSUMPTION (continued)

DSS officials provided the response for the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS**. ITSD states FAMIS already has a process in place to determine eligibility for Transitional Child Care Eligibility Units. The system already caters to Transition Child Care 1, 2, and 3 (TCC1, TCC2, and TCC3) based on the specified income guidelines. The current functionality within the TCC Program Eligibility Determination is to fail a participant/family if the income exceeds the specified limit. The proposed functionality is to allow recipients to continue to received benefits should their income rise above the maximum allowable monthly income for persons to receive full child care benefits if the recipient pays a premium that is applied only to the portion of the recipients income above such maximum allowable monthly income for the receipt of full child care benefits. The system needs to stop failing them and instead move them to a new program called the "Hand-Up Program".

This will involve Screen changes, Eligibility Determination Changes, Forms & Notice Changes in addition to any new processes that may be needed. There could be changes on the data warehouse programs as well.

ITSD assumes that every new IT project/system will be bid out because all ITSD resources are at full capacity. The current contract rate for IT consultants is \$75 per hour. It is assumed FAMIS changes will require 673.92 contract hours. Therefore, FY 2019 costs are estimated to be:

ESTIMATED NET EFFECT ON STATE FUNDS

<u>Fund Affected</u>	<u>FY 2019</u>	
General Revenue	\$25,272	
Federal Funds	\$25,272	
Total Costs	<u>\$50,544</u>	(673.92 hours X \$75)

Officials from the **Department of Revenue** and the **Joint Committee on Administrative Rules** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of the 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 SOS 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 that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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

ASSUMPTION (continued)

office can sustain with the 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.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from **Green County** and **Jackson County** did not respond to **Oversight's** request for a statement of fiscal impact.

**Oversight** notes the "Low-Wage Trap Elimination Act" became effective August 28, 2013 with the passage of HB 1323 and sunset August 28, 2017. The program implemented a pilot program called the "Hand-Up Program" at an urban child care center in Jackson County and at a rural child care center in Cape Girardeau County. This proposal modifies the original statute by extending the sunset date six years after August 28, 2018 to August 28, 2024 and implements the pilot program in Jackson and Greene counties. For FY 2018, the DSS, Children's Division was appropriated \$186,413,888 to fund child care services and related expenses of which \$40,000 from GR was directly appropriated to fund the Hand-Up pilot program.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DSS (§208.053)</u>			
Personal service	(\$34,320)	(\$41,596)	(\$42,012)
Fringe benefits	(\$19,210)	(\$23,175)	(\$23,299)
Equipment and expense	(\$15,657)	(\$10,155)	(\$10,409)
Increase in “Hand-up” child care expenditures	\$0 or (\$241,463)	\$0 or (\$241,463)	\$0 or (\$241,463)
Total <u>Costs</u> - DSS	(\$69,187) or (\$310,650)	(\$74,926) or (\$316,389)	(\$75,720) or (\$317,183)
FTE Change - DSS	1 FTE	1 FTE	1 FTE
<u>Costs - OA-ITSD/DSS (§208.053)</u>			
FAMIS programming/IT costs	(\$25,272)	\$0	\$0
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b>(\$94,459) or (\$335,922)</b>	<b>(\$74,926) or (\$316,389)</b>	<b>(\$75,720) or (\$317,183)</b>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE
<b>FEDERAL FUNDS</b>			
<u>Income - OA-ITSD/DSS (§208.053)</u>			
Increase in program reimbursements	\$25,272	\$0	\$0
<u>Costs - OA-ITSD/DSS (§208.053)</u>			
FAMIS programming/IT costs	(\$25,272)	\$0	\$0
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



FISCAL IMPACT - Local Government

FY 2019  
(10 Mo.)

FY 2020

FY 2021

\$0

\$0

\$0

FISCAL IMPACT - Small Business

The proposal could negatively impact small business child care facilities in Greene and Jackson Counties if parents that participate in the Hand-up Program do not pay their share of child care costs.

FISCAL DESCRIPTION

This bill reauthorizes the Hand-Up Program, which allows recipients of child care subsidy benefits to continue to receive their benefits through a cost-sharing program. This program is a pilot program for Jackson and Greene counties and will begin on January 1, 2019. The program is designed to prevent a person who is receiving child care benefits from suddenly losing child care assistance should his or her income rise above the maximum allowable income.

A participant in the Hand-Up Program must pay a share of child care costs monthly and directly to the child care provider. The participant's portion is 44% of his or her excess income over the maximum allowable income. A participant who fails to pay their share will lose child care subsidy benefits all together after 60 days of non-payment.

The Children's Division must make rules for the Hand-Up Program. The Division must track recipients of the Hand-Up Program and annually report statistics on the program to the General Assembly.

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 Revenue  
Department of Social Services  
Joint Committee on Administrative Rules  
Office of Secretary of State

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director  
January 22, 2018