

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4595-04
Bill No.: HCS for HB 1311
Subject: Social Services Department; Public Assistance; Children and Minors
Type: Original
Date: March 14, 2018

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue		(\$69,150) or (\$4,315,123)	(\$69,799) or (\$4,315,772)
Total Estimated Net Effect on General Revenue	(\$66,927)	(\$69,150) or (\$4,315,123)	(\$69,799) or (\$4,315,772)

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

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

* Income and expenses net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	0.5	1	1
Total Estimated Net Effect on FTE	0.5	1	1

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

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

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:

This version of the proposal changes the implementation date to July 1, 2019 in section 208.053.1; and in section 208.053.2 it changes the date the annual report shall be issued to the general assembly to September 1, 2020.

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 July 1, 2019 as a pilot in two counties as defined in the legislation, to be called the "Hand-Up Program". The program allows applicants in the program to receive transitional child care benefits without the requirement that applicants first be eligible for full child care benefits.

Provisions of this legislation also requires the CD to track the number of recipients in the program and provide an annual report to the general assembly beginning September 1, 2020 and annually thereafter. These provisions would result in an additional fiscal impact on the division. The Family Assistance Management Information System (FAMIS) would require changes to track the two counties in the Hand Up pilot program separately from the rest of the state, require changes in income levels allowing for different rates and a means of tracking payments made to the child care providers by the 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 would be needed to implement and oversee the program.

Family Support Division:

FSD officials state 208.053.1 creates the "Hand-Up Program" as a pilot program in Jackson and Greene counties. The pilot program allows families in these counties whose income exceeds the income eligibility guidelines for Child Care Subsidy to be eligible for child care assistance with three different tiers with income maximums of 165% FPL, 190% FPL, and 215% FPL.

ASSUMPTION (continued)

The individuals who would be eligible for the pilot program in the two counties listed was determined by identifying the individuals in these counties who applied for Child Care Subsidy in State Fiscal Year (SFY) 2017 with household incomes exceeding 138% FPL, but less than 215% FPL.

The FSD determined there would be **1,391** individuals eligible for the Hand Up program if the provisions of this bill are enacted as proposed.

FSD arrived at 1,391 individuals in this manner:

In SFY 2017, FSD rejected 903 children with household income between 138% FPL and 165% FPL; 341 children with household income between 166% FPL and 190% FPL; and 147 children with household income between 191% FPL and 215% FPL.

Tier One Children - 75% of maximum base rate for child care assistance: 903

Tier Two Children - 50% of maximum base rate for child care assistance: 341

Tier Three Children - 25% of maximum base rate for child care assistance: 147

Total Children eligible for Hand Up program: **1,391**

The FSD determines eligibility for child care assistance. The FSD assumes existing staff will be able to complete necessary additional work as a result of this proposal.

FSD further assumes the Office of Administration (OA), Information Technology Services Division (ITSD)/DSS will include the FAMIS programming costs for the system changes as well as the system generated notice needed to implement provisions of this bill in their response.

Therefore, there is no fiscal impact to FSD.

Children's Division:

CD officials state there are no costs for FY19 due to the program implementation date of July 1, 2019. The cost for implementation in FY20 results in an increase of \$4,245,972 for subsidy payments. Calculation of this cost is based on the number of children rejected per level of transitional child care multiplied by the transitional level rate and then annualized.

ASSUMPTION (continued)

The table below shows an example of costs based off two counties that meet the pilot program criteria:

Residence County	Transitional Level	Households	Children	Base Rate Monthly	TCC Percentage	Percentage of Base Rate Paid Monthly	Annual Per Child	Annual*
Greene	TCC 1	111	158	\$380	75%	\$285	\$3,417	\$539,962
Greene	TCC 2	38	58	\$380	50%	\$190	\$2,278	\$132,143
Greene	TCC 3	20	31	\$380	25%	\$95	\$1,139	\$35,314
Jackson	TCC 1	458	745	\$404	75%	\$303	\$3,639	\$2,711,234
Jackson	TCC 2	179	283	\$404	50%	\$202	\$2,426	\$686,603
Jackson	TCC 3	89	116	\$404	25%	\$101	\$1,213	\$140,717
TOTAL:		895	1391	\$2,352		\$1,176	\$14,113	\$4,245,973

* Rounding differences

TCC = Transitional Child Care

To implement the program and oversee the program once implemented, a full time Program Development Specialist (\$41,184 annually) would be needed. The Program Development Specialist would be required to draft program policy, regulations, contract amendments for child care providers in the defined counties, calculate data required by the provisions and write an annual report for the general assembly. DSS assumes this position will need to be hired 6 months into FY19 to ensure implementation by FY20.

Oversight assumes the DSS would not need additional rental space for 1 new FTE for this single proposal. However, Oversight notes, depending on the number of proposals passed during the legislative session, that cumulatively, DSS may need additional rental space or capital improvements as determined by the Office of Administration, Facilities Management, Design and Construction.

Oversight assumes the CD would receive the required federal waivers and there would be no additional child care expenses paid for by the State (only the FTE and ITSD expenses). However, since there is a possibility that the federal waiver would not be received, Oversight is ranging additional child care costs for the “Hand-up Program” as \$0 or (\$4,245,973) to the General Revenue Fund for FY20 and FY21 (if the State pays the \$4.2 million in childcare costs instead of the Federal government); there are no child care costs for FY19 since the program is to be implemented July 1, 2019.

ASSUMPTION (continued)

DLS officials state the DLS provides legal support for the Children's Division. Presuming that CD is granted the authority to promulgate regulation (see technical memo), DLS would assist in this process. Such assistance could be given at current staffing levels. The DLS defers to CD with regard to any fiscal costs related to program implementation.

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

ASSUMPTION (continued)

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 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.

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 three years after August 28, 2018 to August 28, 2021 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
GENERAL REVENUE FUND			
<u>Costs - DSS (§208.053)</u>			
Personal service	(\$20,592)	(\$41,596)	(\$42,012)
Fringe benefits	(\$11,526)	(\$23,175)	(\$23,299)
Equipment and expense	(\$9,537)	(\$4,379)	(\$4,488)
Increase in “Hand-up” child care expenditures	\$0	\$0 or (\$4,245,973)	\$0 or (\$4,245,973)
Total <u>Costs</u> - DSS	<u>(\$41,655)</u>	<u>(\$69,150) or (\$4,315,123)</u>	<u>(\$69,799) or (\$4,315,772)</u>
FTE Change - DSS	0.5 FTE	1 FTE	1 FTE
<u>Costs - OA-ITSD/DSS (§208.053)</u>			
FAMIS programming/IT costs	<u>(\$25,272)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$66,927)</u>	<u>(\$69,150) or (\$4,315,123)</u>	<u>(\$69,799) or (\$4,315,772)</u>
Estimated Net FTE Change on the General Revenue Fund	0.5 FTE	1 FTE	1 FTE
FEDERAL FUNDS			
<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	<u>(\$25,272)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2019
(10 Mo.)

FY 2020

FY 2021

\$0

\$0

\$0

FISCAL IMPACT - Small Business

This proposal may impact small business child care centers.

FISCAL DESCRIPTION

This proposal 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 July 1, 2019 as a pilot in two counties as defined in the legislation, to be called "Hand-Up." The program allows applicants in the program to receive transitional child care benefits without the requirement that applicants first be eligible for full child care benefits. (Section 208.053)

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

Ross Strobe



Acting Director
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L.R. No. 4595-04
Bill No. HCS for HB 1311
Page 10 of 10
March 14, 2018