

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5211-02
Bill No.: HCS for HB 1486
Subject: Public Assistance; Food; Social Services Department
Type: Original
Date: March 2, 2018

Bill Summary: This proposal modifies provisions relating to work requirements for the Supplemental Nutrition Assistance Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$157,475)	(\$148,401)	(\$149,975)
Total Estimated Net Effect on General Revenue	(\$157,475)	(\$148,401)	(\$149,975)

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 8 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 exceed \$100,000 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	2	2	2
Federal	2	2	2
Total Estimated Net Effect on FTE	4	4	4

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

§208.246 - Complying with SNAP Work Requirements

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

FSD determined that in November 2017:

- There were 44,043 Head of Households (HOH) (age 16-59) receiving Supplemental Nutrition Assistance Program (SNAP) benefits that would not meet an exemption and would be mandated to comply with work requirements. These households include 48,541 children receiving SNAP benefits.
- There was an additional 4,378 other household members (age 16-59) that would also be mandated to comply with work requirements, but would not result in an entire household disqualification. These individuals may be meeting the work requirement; however, if the head of household were to be sanctioned these individuals would also lose benefits.
- There were an additional 12,304 household members (age 16-59) that would be mandated to comply with work requirements; however, the head of household would not be mandated to comply with work requirements, due to an exemption or exclusion.
- The average individual received \$119.61 in SNAP benefits per month.

FSD assumes that 30% of SNAP recipients will comply with work requirements. FSD made this determination based on the average work participation rate of the mandatory work requirements for Temporary Assistance, which in SFY 17 had an average work participation rate of 20%. The goal is to increase the compliance rate with SNAP participants.

ASSUMPTION (continued)

Based on a 30% compliance rate, FSD determined that 42,507 ($44,043 + 4,378 + 12,304 = 60,725 * 70\%$) individuals will be affected if the provisions of this bill are enacted.

- 42,507 individuals ($60,725 * 70\%$) who will be permanently disqualified after the third occurrence of noncompliance with the work requirements, will result in a reduction in SNAP benefits of \$5,084,262 ($42,507 * \119.61) per month which is consistent for 3 months, 6 months or permanent disqualification.
- FSD assumes an increase in:
 - o Applications if entire households are disqualified for 3 months or 6 months. The household will be required to reapply once the disqualification has expired.
 - o FSD estimates approximately a 5% increase in hearing requests a year, with the implementation of this bill.
- In SFY17 approximately 2,700 SNAP hearings were conducted. FSD assumes that approximately 5% of the individuals (42,507), who are disqualified from SNAP benefits, will request hearings. This will increase hearings by 2,125 ($42,507 * 5\%$) and could increase the total number of SNAP hearings to approximately 4,825 yearly ($2,700 + 2,125$).

The FSD assumes existing staff will be able to complete necessary additional work as a result of this proposal.

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

The federal Food and Nutrition Services (FNS) program that provides funding for the SNAP program, encourages states to consider implementing an escalation of disqualification up to 18 months versus a permanent disqualification for the third occurrence for noncompliance with the work requirements of the SNAP program.

Because SNAP benefits are 100% federally funded, FSD will not experience a fiscal impact due to any reduction in SNAP benefits that may result if this proposal is enacted. Therefore, there is no fiscal impact to the FSD.

ASSUMPTION (continued)

DLS officials state DLS will have to administer additional hearings for each disqualification period sanctioned by this proposed rule.

FSD estimates hearings will increase by 2,125 ($42,507 * 5\%$) annually. One hearing officer can handle 544 hearings per year, so DLS will need to have 4 additional hearings officers (each at \$41,184 annually) ($2,125 / 544 = 3.9$ FTE, rounded up).

The DLS estimates the fiscal impact of this proposal to be \$257,046 for FY 2019; \$300,102 for FY 2020; and \$303,334 for FY 2021. Costs will be split 50% General Revenue/50% Federal Funds using Food Stamp administration funding.

Oversight notes in response to proposals from the current session where agencies indicate additional rental space will be required, officials from the **Office of Administration (OA), Division of Facilities Management, Design and Construction (FMDC)** have stated additional space in leased facilities for additional staff in the Cole County area is estimated at 230 sq. ft. per FTE times \$17.50 per sq. ft., or \$4,025 annually per FTE. These costs are building lease cost, fuel and utilities, and janitorial services. The assumption for the need for larger space and/or in other regions of the state, or possible new construction space, would be a higher cost per sq. ft. (estimated at \$24.50 per sq. ft.).

The DSS used a lease cost for the additional rental space needed for four (4) new FTE of \$21 per square foot. This is an average of the lease rates for the various regions in the state. Since it is unknown where these FTE will be located, lease costs have not been changed. However, Oversight is removing utility and janitorial costs since those costs are included in lease costs.

The DSS provided the fiscal impact statement for the **OA, Information Technology Services Division (ITSD)/DSS**. OA, ITSD/DSS states this bill adds a new section to Chapter 208, RSMo, to be known as 208.246.

It is assumed changes to FAMIS will require: 1) Screen changes, including adding new code/rules tables and table values to process the different codes, 2) Eligibility Determination changes to implement all the business rules mentioned for eligibility, as well as to reinstate after the disqualification period, 3) Forms and notice changes and/or new forms/notices to notify the participant if this cannot be done using existing methods, and 4) any new online/batch interface programs to obtain data if it has to be from any external sources.

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 further assumed FAMIS program changes will require IT consultants 807.84 contract hours. The total FY 2019 cost is estimated to be \$60,588 ($807.84 \text{ hours} * \75), split 50/50 between General Revenue and Federal funds.

ASSUMPTION (continued)

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.

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 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.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Costs - DSS (\$208.246)</u>			
Personal service	(\$68,640)	(\$83,192)	(\$84,024)
Fringe benefits	(\$37,621)	(\$45,391)	(\$45,638)
Equipment and expense	(\$20,920)	(\$19,818)	(\$20,313)
Total <u>Costs - DSS</u>	<u>(\$127,181)</u>	<u>(\$148,401)</u>	<u>(\$149,975)</u>
FTE Change - DSS	2.0 FTE	2.0 FTE	2.0 FTE
<u>Costs - OA, ITSD/DSS (\$208.246)</u>			
FAMIS changes/updates	(\$30,294)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$157,475)</u>	<u>(\$148,401)</u>	<u>(\$149,975)</u>
Estimated Net FTE Change on the General Revenue Fund	2.0 FTE	2.0 FTE	2.0 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
FEDERAL FUNDS			
<u>Income - DSS (\$208.246)</u>			
Increase in reimbursements	\$127,181	\$148,401	\$149,975
<u>Income - OA - ITSD/DSS (\$208.246)</u>			
Computer system reimbursements	\$30,294	\$0	\$0
<u>Costs - DSS (\$208.246)</u>			
Personal service	(\$68,640)	(\$83,192)	(\$84,024)
Fringe benefits	(\$37,621)	(\$45,391)	(\$45,638)
Equipment and expense	<u>(\$20,920)</u>	<u>(\$19,818)</u>	<u>(\$20,313)</u>
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FTE Change - DSS	2.0 FTE	2.0 FTE	2.0 FTE
<u>Costs - OA, ITSD/DSS (\$208.246)</u>			
FAMIS changes/updates	<u>(\$30,294)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	2.0 FTE	2.0 FTE	2.0 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal will have a direct negative fiscal impact on small business grocery and retail establishments that take SNAP benefits.

FISCAL DESCRIPTION

This bill requires any individual participating in the Supplemental Nutrition Assistance Program (SNAP) to comply with the work requirements described in federal statute and regulations. Any nonexempt participant who refuses or fails without good cause to comply with the work requirements will be ineligible to participate in the program for the duration of the disqualification period as follows: (1) For the first occurrence of noncompliance, the individual will be disqualified for three months; (2) For the second occurrence of noncompliance, the individual will be disqualified for six months; and (3) For the third occurrence of noncompliance, the individual will be disqualified permanently.

Except in cases of permanent disqualification, an individual may resume participation in SNAP at the end of a disqualification period if the individual applies again and is in compliance with the work requirements. A disqualified individual may be permitted to resume participation during a disqualification period by becoming exempt from the work requirements.

An individual disqualified under these provisions shall be entitled to a fair hearing under applicable federal and state law.

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

SOURCES OF INFORMATION

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

Ross Strobe



Acting Director
March 2, 2018