

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4057-01
Bill No.: HB 1785
Subject: Food; Public Assistance; Social Services Department
Type: Original
Date: February 11, 2020

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$155,869)	(\$135,074)	(\$136,361)
Total Estimated Net Effect on General Revenue	(\$155,869)	(\$135,074)	(\$136,361)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Federal Funds*	\$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 2021	FY 2022	FY 2023
General Revenue	1.53 FTE	1.53 FTE	1.53 FTE
Federal Funds	1.47 FTE	1.47 FTE	1.47 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 FTE

☒ 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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.246 - Work requirements for the Supplemental Nutrition Assistance Program (SNAP)

Officials from the **Department of Social Services (DSS)** state in November 2019, 39,951 individuals aged 16-59, who would be subject to the work requirements as proposed in this legislation, are employed and meeting the work requirements. However, the individuals' employment does not provide earnings to promote self-sufficiency.

DSS' Family Support Division (FSD) determined that in November 2019:

- There were 37,890 Head of Households (HOH) (age 16-59) receiving SNAP benefits that would not meet an exemption and would be mandated to comply with work requirements. These households are not currently meeting the work requirements. These households include 45,256 children receiving SNAP benefits.
 - The average household received \$259.55 in SNAP benefits per month.
- There was an additional 3,825 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.
 - The average individual received \$122.10 in SNAP benefits per month.
- There were an additional 10,815 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 \$122.10 in SNAP benefits per month.

FSD assumes that 35% (18,386) of the 52,530 (37,890 + 3,825 + 10,815) individuals will comply with work requirements. FSD made this determination based on the average work participation rate of the mandatory work requirements for Temporary Assistance (TA); in SFY 19, TA recipients had an average work participation rate of 25% and the goal is to increase the compliance rate with SNAP participants.

ASSUMPTION (continued)

Based on a 35% compliance rate, FSD determined that 34,145 ($52,530 * 65\%$) individuals will be affected if the provisions of this bill are enacted.

- 9,516 ($14,640 * 65\%$) individuals who will be permanently disqualified after the third occurrence of noncompliance with the work requirements, which will result in a reduction in SNAP benefits of \$1,161,904 ($9,516 * \122.10) per month which is consistent for 3 months, 6 months or permanent disqualification.
 - 24,629 ($37,890 * 65\%$) households with 45,256 children who will be disqualified for up 180 days, which will result in a reduction of \$6,392,457 ($24,629 * \259.55) per month.
- FSD assumes an increase in:
 - Applications if entire households are disqualified for 3 months or 6 months. The household will be required to reapply once the disqualification has expired.
 - FSD estimates approximately a 5% increase in hearing requests a year with the implementation of this bill. (**Oversight** notes DSS officials stated this estimated increase is based on past experience.)

In SFY19, approximately 679 SNAP hearings were conducted. FSD assumes that approximately 5% of the HOH or individuals, who are disqualified from SNAP benefits, will request hearings which will increase hearings by 1,707 ($34,145 * 5\%$), which could increase total number of SNAP hearings to approximately 2,386 yearly ($679 + 1,707$). The Division of Legal Services (DLS) estimates that a hearings officer can handle 544 hearings per year. This will result in the need for three (3) additional hearings officers to handle the increase in SNAP hearings resulting from this legislation ($1,707 \text{ hearings} / 544 = 3.13 \text{ FTE}$, rounded down).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs associated with hiring 3 FTE hearing officers in the fiscal note for DSS, DLS. The costs for the 3 additional hearings officers in DLS are split approximately 51% GR; 49% Federal.

Oversight notes DSS assumes it will need a total of 3 FTE as a result of the provisions of this proposal. Based on discussions with DSS officials, it is assumed the additional FTE can be housed within current DSS locations. Therefore, Oversight will reflect the costs provided by DSS for fiscal note purposes, adjusted for rent, utility and janitorial costs. However, if multiple proposals pass during the legislative session requiring additional FTE, cumulatively the effect of all proposals passed may result in DSS needing additional rental space.

ASSUMPTION (continued)

FSD assumes existing staff will be able to complete necessary additional work as a result of this proposal for the Family Support Division. However, FSD may need to request additional federally appropriated funding from Food and Nutrition Service and additional state appropriation authority to spend federal funds (in the Food Nutrition and Employment Training section) to serve the additional individuals that will need to comply with this work requirement in order to not be disqualified. In addition, FSD currently uses existing available Temporary Assistance funds in the Missouri Work Assistance Program for work programs for SNAP able-bodied adults with children.

Oversight does not have any information to the contrary. Therefore, Oversight will assume the FSD can complete the additional work required by this proposal within current funding/staffing levels.

FSD assumes the Office of Administration, Information Technology Services Division (OA-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.

Because SNAP benefits are 100% federally appropriated and funded, FSD will not experience a fiscal impact due to any reduction in SNAP benefits that may result from this legislation. Therefore, there is no fiscal impact to the FSD. However, FSD may need to request additional federally appropriated funding from Food and Nutrition Service and additional state appropriation authority to spend federal funds (in the Food Nutrition and Employment Training section) to serve the additional individuals that will need to comply with this work requirement in order to not be disqualified.

Until the FY 21 budget is final, the Department cannot identify specific funding sources.

Officials from **OA, ITSD/DSS** state changes to the Family Assistance Management Information System (FAMIS) will be required. These changes will include screen changes, eligibility determination changes, forms and notice changes and new online/batch interface programs to obtain data if it has to be from any external sources. It is assumed that every new IT project/system change will be bid out because all ITSD resources are at full capacity. Costs are estimated at a contract rate of \$95/hour for 807.84 hours; therefore, one-time FY 21 costs are estimated to total \$76,745 (\$40,675 GR; \$36,070 Federal funds).

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.

ASSUMPTION (continued)

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Office of the Secretary of State (SOS)** assume 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 \$5,000. 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 require additional resources.

Oversight notes the **Department of Higher Education and Workforce Development** and the **OA, Commissioner's Office** have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Costs - DSS (\$208.246)</u>			
Personal service	(\$68,047)	(\$82,473)	(\$83,297)
Fringe benefits	(\$37,286)	(\$45,015)	(\$45,289)
Equipment and expense	(\$9,861)	(\$7,586)	(\$7,775)
Total <u>Costs - DSS</u>	<u>(\$115,194)</u>	<u>(\$135,074)</u>	<u>(\$136,361)</u>
FTE Change - DSS, DLS	1.53 FTE	1.53 FTE	1.53 FTE
<u>Costs - OA, ITSD (\$208.246)</u>			
FAMIS system changes	(\$40,675)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$155,869)</u>	<u>(\$135,074)</u>	<u>(\$136,361)</u>
Estimated Net FTE Change on the General Revenue Fund	1.53 FTE	1.53 FTE	1.53 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
FEDERAL FUNDS			
<u>Income</u> - DSS (§208.246)			
Increase in program reimbursements	\$110,676	\$129,775	\$131,015
<u>Income</u> - OA, ITSD (§208.246)			
Reimbursement for FAMIS system changes	\$36,070	\$0	\$0
<u>Costs</u> - DSS (§208.246)			
Personal service	(\$65,378)	(\$79,238)	(\$80,031)
Fringe benefits	(\$35,824)	(\$43,249)	(\$43,513)
Equipment and expense	(\$9,474)	(\$7,288)	(\$7,471)
Total <u>Costs</u> - DSS	<u>(\$110,676)</u>	<u>(\$129,775)</u>	<u>(\$131,015)</u>
FTE Change - DSS, DLS	1.47 FTE	1.47 FTE	1.47 FTE
<u>Costs</u> - OA, ITSD (§208.246)			
FAMIS system changes	<u>(\$36,070)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimate Net FTE Change on Federal Funds	1.47 FTE	1.47 FTE	1.47 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2021 (10 Mo.)	 FY 2022	 FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct, negative fiscal impact on small business grocery and retail establishments that take SNAP benefits if recipients lose benefits because of not meeting the work requirements of the proposal. Yet it also may help small businesses that are looking for qualified applicants to fill vacant employment positions.

FISCAL DESCRIPTION

This bill requires individuals 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 shall 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 shall be disqualified for three months;
- (2) For the second occurrence of noncompliance, the individual shall be disqualified for six months; and
- (3) For the third occurrence of noncompliance, the individual shall be disqualified permanently (§208.246).

If a disqualified individual is the head of a household, the household shall be ineligible to participate in SNAP for a period not to exceed the lesser of either the duration of the ineligibility period of the disqualified individual or 180 days. A household disqualified may reestablish eligibility by meeting specified criteria. If a disqualified head of the household joins another household during the disqualification period, that household shall be ineligible for the remaining disqualification period (§208.246).

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. Also, an individual disqualified shall be entitled to a fair hearing under applicable federal and state law (§208.246).

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 Higher Education and Workforce Development
Department of Social Services
Joint Committee on Administrative Rules
Office of Administration - Commissioner's Office
Office of Secretary of State



Julie Morff
Director
February 11, 2020



Ross Strobe
Assistant Director
February 11, 2020