

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$2,621,778	
CASH FUNDS				
FEDERAL FUNDS	\$143,746		\$18,607,856	
OTHER FUNDS				
TOTAL FUNDS	\$143,746		\$21,229,634	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill changes the standard of need for the Aid to Dependent Children (ADC) Program to \$1,132.50 for a single individual plus \$393 for each additional individual in the unit starting July 1, 2024. The bill requires the standard of need be adjusted annually every subsequent July 1 beginning July 1, 2024 based on the rate of growth of the Consumer Price Index for the previous calendar year. The Department of Health and Human Services (DHHS) indicates that this bill would impact the funding available to other current and future Temporary Assistance for Needy Families (TANF) grant funded programs. DHHS also indicates the bill would require updates to regulations and an update to the TANF State Plan, system updates and increase the number of households eligible for some programs while decreasing eligibility for others. The impact of increasing the ADC standard of need on other Economic Assistance programs include

- Increased maximum payments for Emergency Assistance (EA)
- Decrease in Supplemental Nutritional Assistance Program (SNAP) payments
- Decrease in Low-Income Home Energy Assistance Program (LIHEAP) payments
- Increase in Employment First (EF) Program participants
 - DHHS estimates this bill will necessitate an additional \$1,000,000 needed for the EF coordinator
- Increase in 'Mommy and Me' Program payments
 - DHHS estimates this bill would increase the costs of Mommy and Me by \$20,790 in general funds

It is unclear if the standard of need for FY24 will be the dollar amount stated or if the amount will be adjusted. This fiscal note represents the cost if the standard of need is not adjusted until FY25. The bill does not modify the provision in Neb. Rev. Stat. § 43-512 that dictates the maximum payment level for monthly assistance is 55% of the standard of need. Currently with the standard of need being \$601 per individual, the maximum monthly assistance is \$331. This bill would change the standard of need to \$1,132.50 therefore the maximum monthly assistance amount would be \$623. A four-person household will have maximum payments increase from \$562 a month to \$1,271 per month.

In Federal Fiscal Year 2022 the total ADC expenditure was \$15,672,885 (Federal fund \$13,591,379 and General fund \$2,081,506). Using the Federal Fiscal Year 2022 ADC case counts, this bill would increase the annual payments Children and Family Services (CFS) issues by \$20,007,600 (Federal fund \$17,406,612 and General fund \$2,600,988) to \$35,680,485 a year starting in FY 2025, assuming payments are issued at the maximum amount of the ADC grant based on household size.

The increase in the payment amount is expected to cause an increase in the number of families who apply for ADC. DHHS indicates the provisions in the bill necessitate hiring additional Economic Assistance eligibility and program staff to support the increase in ADC applications and to manage eligible ADC families. DHHS estimates a need for 1 additional Program Specialist and 2 Social Service Workers in anticipation of new individuals applying for ADC. Additional personnel costs (\$143,746 in FY24 and \$201,244 in FY25) would be paid using TANF federal funds. DHHS may need to hire additional workers if there are substantial households that apply beyond the workload capabilities of the staff requests. Updates to the eligibility system would be absorbed within current agency resources.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 290 AM: AGENCY/POLT. SUB: Nebraska Department of Health & Human Services

REVIEWED BY: Ann Linneman DATE: 3-3-2023 PHONE: (402) 471-4180

COMMENTS: The Nebraska Department of Health and Human Services' analysis and estimate of fiscal impact to the department appears reasonable.

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Prepared by: (3) John Meals

Date Prepared 3-3-2023

Phone: (5) 471-6719

	<u>FY 2023-2024</u>		<u>FY 2024-2025</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS			\$2,621,778	
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Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 290 requires the standard of need for the Aid to Dependent Children (ADC) Program to increase from \$601 per individual to \$1,132.50 and \$393 for each additional individual in the ADC unit. Additionally, the standard of need would be adjusted by the Consumer Price Index (CPI) annually on July 1st instead of the current state statute requirement of every two years. The effective operative date would be July 1st, 2024. There is no change to the formula regarding the ADC payments.

LB 290 would impact the funding available to other current programs and the ability to fund future programs. It would require regulation updates such as Standard of Need regulation and the TANF State Plan, require system updates, and increase the number of households eligible for some programs while decreasing eligibility for other programs.

In FFY2022 the total ADC expenditure was \$15,672,885 (Federal fund \$13,591,379 and General fund \$2,081,506). Using the FFY2022 ADC case counts, this bill would increase the annual payments CFS issued by \$20,007,600 (Federal fund \$17,406,612 and General fund \$2,600,988) to \$35,680,485 a year starting in FY 2025. This assumes that payments are issued at the maximum amount of the ADC grant based on household size.

With increasing the standard of need it would result in Nebraska expending a higher percentage of its annual \$56 million Temporary Assistance for Needy Families (TANF) grant on the ADC program. The State currently spends approximately 29 percent of its annual TANF grant on the ADC program. The increase in the TANF grant percentage to ADC will potentially decrease the funding available for other TANF programs and future programs being considered to assist families.

The increase in the payment amount is expected to cause an increase in the number of families who apply for ADC as Nebraska TANF payments will become the highest in the nation. For instance, a four-person household will have maximum payments increase from \$562 a month to \$1,271 per month. The Department of Health and Human Services (DHHS) will need to hire more Economic Assistance eligibility and program staff to support the increase in ADC applications and to manage eligible ADC families. DHHS estimates a need for 1 additional Program Specialist and 2 Social Service Workers in anticipation of new individuals applying for ADC. Additional costs would be paid using TANF federal funds. DHHS may need to hire additional workers if there are substantial households that apply beyond the workload capabilities of the staff requests.

In addition, with the expected increase of ADC recipients, the Employment First Program (Nebraska's mandatory Welfare-to-Work Program) will see an increase in the number of individuals referred to participate in the program. This will result in an estimated \$1,000,000 in increased costs awarded to the Employment First Coordinator to provide the service.

One of the TANF programs, the 'Mommy and Me' program, would also be affected by an increase in the ADC rates. The payments for this program are based on ADC rates and this increase would result in an annual cost of approximately \$20,790 of state general funds.

The Emergency Assistance (EA) program income limit is based on 185 percent of the ADC standard of need for their household size. Therefore, as the ADC standard of need increases, the income limit for the EA program will rise, resulting in more eligible families. The maximum EA payment a family receives will significantly increase because the payment amount is based on three times the ADC payment standard for the household size. In State Fiscal Year 2022, EA had a total expenditure of \$45k which is below the program allocation of \$250k per year. This program is funded by 100% TANF funds.

The standard of need increase will also impact families in Supplemental Nutritional Assistance Program (SNAP) and Low-Income Home Energy Assistance Program (LIHEAP). The family's assistance for both programs would decrease as the family's ADC payment increases. Both SNAP and LIHEAP consider the ADC grant as unearned income when determining eligibility. In addition, the standard of need increase would also impact the family's assistance for other income-based assistance programs not administrated by DHHS due to the ADC payment increase.

The Department's eligibility system (N-FOCUS) will need to be updated to increase the Aid to Dependent Children (ADC) Standard of Need. The following estimated additional hours will be required to make N-FOCUS system updates, 1 IT Business Analyst (BA) for 30 hours at \$80 hourly rate and 1 Technical Analyst Expert (TA) at 10 hours for \$100 hourly rate. The total IS&T estimate for tasks relating to LB290 is \$3,400. The Department will absorb these IT costs.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	NUMBER OF POSITIONS		2023-2024	2024-2025
	23-24	24-25	EXPENDITURES	EXPENDITURES
K73210 - DHHS Program Specialist	0.75	1.0	\$34,637	\$48,491
R72172 - Social Service Worker	1.0	2.0	\$54,260	\$75,964
Benefits.....			\$31,114	\$43,559
Operating.....			\$23,735	\$33,230
Travel.....				
Capital Outlay.....				
Aid.....				\$21,028,390
Capital Improvements.....				
TOTAL.....			\$143,746	\$21,229,634