

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

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, 2026. The bill requires the standard of need be adjusted annually every subsequent July 1 beginning July 1, 2026 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 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

- Increase in Employment First (EF) Program participants
- 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 'Mommy and Me' Program payments

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. 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 2024 the total ADC expenditure was \$17,852,902 (federal fund \$14,705,986 and General Fund \$3,146,916). Using the Federal Fiscal Year 2024 ADC case counts, this bill would increase the annual payments Children and Family Services (CFS) issues by \$20,064,612 (federal fund \$16,452,982 and General Fund \$3,611,630) to \$37,914,514 a year starting in FY 2026, 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 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.

Nebraska receives approximately \$56.6m annually in federal funds via TANF Block Grant for programs that meet the four purposes, (1) provide assistance to needy families so that children may remain in their homes; (2) end the dependence of needy parents on government benefits through work, job preparation, and marriage; (3) reduce out-of-wedlock pregnancies; and (4) promote the formation and maintenance of two-parent families. Uses must receive federal approval from the administering federal agency, Administration of Children and Families, a subagency of the U.S. Department of Health and Human Services, via annual submission of a state plan for which amendments may be submitted. Total available TANF grant funding as of September 30, 2024 was approximately \$115m. The current TANF state plan, assuming the current ADC standard of need, indicates the agency will fully spend down the balance of TANF carry-over funds during Federal Fiscal Year 2028 (the period between October 1, 2027 and September 30, 2028). Increased ADC expenditures without corresponding decreases to other TANF programs would result in expenditure of the carry-over funds sooner than currently anticipated.

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

LB: 102 AM: AGENCY/POLT. SUB: Nebraska Department of Health & Human Services

REVIEWED BY: Ann Linneman DATE: 2-5-2025 PHONE: (402) 471-4180

COMMENTS: Concur with the Nebraska Department of Health and Human Services' assessment of fiscal impact.

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 2-3-25

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	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB102 would require the Department of Health and Human Services (DHHS) to increase the Standard of Need for the Aid to Dependent Children (ADC) Program from \$683.00 per individual to \$1,132.50 and \$393.00 for each additional individual in the ADC unit. Furthermore, the standard of need would also be required to be adjusted by the Consumer Price Index (CPI) annually on July 1st instead of the current state statute requirement of every two years. The implementation of this bill would not alter any formulas regarding ADC payments. The effective operative date would be July 1st, 2026. This bill would necessitate regulation updates to 468 NAC 1-004.39, which defines how the standard of need is determined and how frequently it is adjusted. It would also mandate the TANF State Plan to be amended and approved to reflect the increased standard of need.

Increasing the standard of need would cause Nebraska to expend a higher percentage of its annual \$56 million Temporary Assistance for Needy Families (TANF) grant on the ADC program. Currently, the state spends approximately 26% of its annual TANF grant on the ADC program. Raising the payment amount for families would lead to a larger proportion of the TANF grant being spent on ADC, potentially resulting in a decrease in funding available for other TANF-funded programs and future programs being considered to assist families. Once the federal funding has been depleted, any additional costs associated with the TANF-funded programs will need to be covered by the state's general funds.

The ADC payment amount is determined as 55 percent of the standard of need for the household size. Enactment of this bill would increase Nebraska's TANF cash payments to \$623 for one family member. This would make Nebraska's TANF payment the fourth highest in the nation. The effect this change will have on ADC applications is indeterminable. Should any increase be substantial, DHHS may need to hire additional Economic Assistance Eligibility and Program staff to support and manage eligible ADC families.

With the projected growth in ADC recipients, the Employment First (EF) Program which is part of the Nebraska's mandatory Welfare-to-Work Program is expected to see an increase in the number of individuals referred to participate in the program. The outcome would result in increased costs awarded to the EF Coordinator to provide the services.

Other programs that utilize the ADC standards would also have an impact. For instance, the Emergency Assistance (EA) Program income limit is based on 185 percent of the ADC standard of need for their household size. Thus, as the ADC standard of need increases, then income limit for the EA Program would also increase, leading to more eligible families. Moreover, this bill would cause the maximum EA payment a family receives to significantly increase because the payment amount is based on three times the ADC payment standard for the household size. This program is funded by 100% TANF Federal Funds.

Additionally, eligible families in the Supplemental Nutrition Assistance Program (SNAP) and the Low-Income Home Energy Assistance Program (LIHEAP) would be impacted by this bill through the standard of need

increase. The family's assistance for both programs would decrease as the family's ADC payment increases. Both SNAP and LIHEAP consider the ADC cash grant as unearned income when determining eligibility.

Consequently, LB102 would also impact the TANF Mommy and Me Program, which is part of Children and Family Services (CFS). The payments for this program are based on ADC rates, and LB102 would increase the costs for State General Funds.

In FY2024, the total ADC expenditures were \$17,852,902 (Federal Fund \$14,705,986 and State General Fund \$3,146,916). Using the FFY2024 ADC case counts and federal and state fund split, this bill would increase the annual Office of Economic Assistance (OEA) payments issued by \$20,064,612, including federal funds of \$16,452,982 and state general funds of \$3,611,630. The new total cost would be \$37,917,514 a year starting in FY 2026. This assumes that payments are issued at the maximum amount of the ADC grant based on household size.

The current TANF expenditure plan includes more costs than the Department receives in the annual value of the grant. The Department's spending in fiscal years 2023 and 2024 exceeded the value of the annual TANF grant as the TANF balance has been spent down each of those two fiscal years. The current expenditure plan dictates that the excess TANF balance will be depleted within fiscal year 2028. Any change to programming, including the changes in LB102, would accelerate that balance reduction. Based on existing funds in the TANF grant, LB102 could be funded with federal funds for a brief period of time, but this would eventually become a state general fund cost. The alternative would be to instead eliminate or reduce other existing programming.

The Department's eligibility system, Nebraska Family Online Client User System (N-FOCUS) will need to be updated to increase the ADC Standard of Need. The following estimated additional hours will be required to make N-FOCUS system updates. 1 Expert Technical Analyst for 10 hours at \$100 per hourly rate and 1 Business Analyst for 30 hours at \$80 per hour rate. The total IS&T estimate for tasks relating to LB102 is \$3,400. DHHS will absorb these IT costs. Additionally, more legal services time could be spent on ADC appeals if there is an increase in ADC applications and recipients. This may impact the hearing office and may require more hearing office resources.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2025-2026 EXPENDITURES	2026-2027 EXPENDITURES
	25-26	26-27		
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			See Above	See above