PREPARED BY: Liz Hruska
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PHONE: 471-0053

LB 351

Revision: 01

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised based on amendments adopted through 5-23-07

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(585,846)		(250,933)	
CASH FUNDS				
FEDERAL FUNDS	(495,441)		(312,172)	
OTHER FUNDS				
TOTAL FUNDS	(1,081,287)		(563,105)	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

This bill makes changes to the Aid to Dependent Children's Program (ADC) and work-related conditions associated with the ADC Program to comply with new federal requirements. The bill changes the half-month transitional payment to families leaving ADC due to employment to a transitional payment of one-fifth of the ADC payment for five months. A family would become ineligible for the payments if the following occurs: 1) the family's earnings exceed 185% of the poverty guidelines, 2) the family members are no longer working, 3) the family ceases to be residents of Nebraska, 4) there is no minor child in the household, and 5) the family becomes eligible for ADC. The two-year time period for continuous eligibility is repealed and reverts to the federal cap of 60 months. The bill provides for 12 month transitional medical assistance if allow by federal law. The bill also removes post-secondary education as an allowable work participation activity. Full participation in work activities is required for two-parent families whose youngest child is over the age of six months. Currently all families are required to participate when the youngest child reaches the age of six months. Part-time participation would be required for single-parent families until the youngest child reaches six years of age.

The change in time limits for eligibility of ADC from 24 out of 48 months to the federal cap of 60 months will have a net impact of $360,984 ($144,394 and $216,590 FF) in FY 08 and $666,432 ($266,573 GF and $399,859 FF) in FY 09. Currently on average 13 cases per month are closed due to the state's time limits. These cases under this bill would continue to receive assistance. In FY 08, it is assumed 85 cases would continue to receive assistance and 156 families in FY 09.

This bill establishes a 60-month lifetime cap. Currently the state does not have a lifetime cap. Currently 609 families are exceeding 60 months of assistance. They would be become ineligible unless they are granted hardship status. Assuming 20% receive hardship status, the savings would be $2,081,318 ($832,527 GF and $1,248,791 FF) annually.

The transitional grant program is changed from one-half of the family's last month payment to one-fifth of the last month's payment for five months. The net cost is $102,287 GF in FY 08 and $315,021 GF in FY 09.

All of the above changes are intended to bring the state in compliance with federal requirements and to avoid federal sanctions of up to $2.9 million.

This bill, as amended, removes the family cap on payments to families on Aid to Dependent Children (ADC). The family cap refers to a cap on payments to families for a child born in a family after the initial ten month participation in the ADC program.

The family cap currently applies to 700 cases. The additional payment a family would receive would be $71 per month. Child support or other payments to the family would reduce this amount. Assuming 10% of the families had other payments that would negate the increase, the increase in the cost of the program would be $536,760 (630 X $71 X 12).

Federal assistance for ADC is funded through the Temporary Assistance to Needy Families (TANF) block grant. Nebraska's amount was $57,769,382 last year. The state must also meet a state maintenance of effort (MOE) requirement. Nebraska's MOE is $28,501,559. The state has been exceeding the MOE and anticipates continuing to exceed it. As eligibility increases or decreases, the federal amount is not adjusted. When the state under spends the block grant, the state may hold the unspent funds in reserve. If the state exceeds the federal allocation, state funds or federal "rainy day" funds are required to cover costs above the amount available from the annual block grant amount. "Rainy day" funds have traditionally been used to handle increases in utilization or for downturns in state revenue. At the end of federal fiscal year 2006, the "rainy day" balance was $25.5 million. The current budget uses $10 million from the balance to reduce general funds expenditures in the ADC Program. The "rainy day" funds could be used for the costs associated with this bill in the short term. Once the balance is depleted, state general funds would be required to cover the costs. Using the "rainy day" funds would also reduce the amount available in the future to cover increases in eligible families or to replace general fund appropriations.

The table below summarizes the costs and savings:

	FY 2008				**FY 2009**		
	Gen	Federal	Total		Gen	Federal	Total
time limit change	144,394	216,590	360,984		266,573	399,859	666,432
60-month cap	(832,527)	(1,248,791)	(2,081,318)		(832,527)	(1,248,791)	(2,081,318)
transitional	102,287		102,287		315,021		315,021
Repeal family cap		536,760	536,760			536,760	536,760
Total	**(585,846)**	**(495,441)**	**(1,081,287)**		**(250,933)**	**(312,172)**	**(563,105)**