

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 18, 2007**

**TO:** Honorable Patrick M. Rose, Chair, House Committee on Human Services

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3759** by Naishtat (Relating to providing monetary and other related support services through the TANF program and other state programs.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds for HB3759, As Introduced:** a negative impact of (\$61,890,710) through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$1,345,400)
2009	(\$60,545,310)
2010	(\$64,948,704)
2011	(\$69,688,930)
2012	(\$74,788,679)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable (Cost) from <i>VENDOR DRUG</i> <i>REBATES-MEDICAID</i> <b>706</b>	Probable (Cost) from <i>GR MATCH FOR</i> <i>MEDICAID</i> <b>758</b>	Probable (Cost) from <i>Vendor Drug Rebates-</i> <i>Sup Rebates</i> <b>8081</b>
2008	(\$920,400)	\$0	(\$425,000)	\$0
2009	(\$29,550,314)	(\$589,574)	(\$30,994,996)	(\$137,504)
2010	(\$30,795,251)	(\$664,366)	(\$34,153,453)	(\$154,947)
2011	(\$32,086,533)	(\$759,603)	(\$37,602,397)	(\$177,159)
2012	(\$33,375,146)	(\$868,504)	(\$41,413,533)	(\$202,558)

Fiscal Year	Probable (Cost) from <i>FEDERAL FUNDS -</i> <i>Medicaid</i> <b>555</b>	Probable (Cost) from <i>FEDERAL FUNDS -</i> <i>TANF</i> <b>555</b>	Probable Revenue Gain from <i>VENDOR DRUG</i> <i>REBATES-MEDICAID</i> <b>706</b>	Probable Revenue Gain from <i>Vendor Drug Rebates-</i> <i>Sup Rebates</i> <b>8081</b>
2008	(\$425,000)	(\$1,029,600)	\$0	\$0
2009	(\$47,509,915)	(\$74,722,000)	\$589,574	\$137,504
2010	(\$52,300,942)	(\$76,821,550)	\$664,366	\$154,947
2011	(\$57,643,873)	(\$79,005,580)	\$759,603	\$177,159
2012	(\$63,555,092)	(\$81,339,502)	\$868,504	\$202,558

<b>Fiscal Year</b>	<b>Probable Savings from FEDERAL FUNDS - TANF 555</b>	<b>Change in Number of State Employees from FY 2007</b>
2008	\$0	0.0
2009	\$57,954,291	17.0
2010	\$60,406,206	18.0
2011	\$62,949,645	18.0
2012	\$65,530,506	19.0

## **Fiscal Analysis**

The bill would amend Human Resources Code to require that the Health and Human Services Commission (HHSC) conduct pre-sanction reviews to determine if an individual had good cause for failure to cooperate with their responsibility agreement. The bill would prohibit HHSC from denying medical assistance to a sanctioned individual. The bill would require HHSC to develop and implement, with assistance from the Texas Workforce Commission (TWC), a program to assist sanctioned individuals with removing the sanction. The bill would direct HHSC to develop a six-month work support program for certain former recipients of financial assistance. The bill would require HHSC to develop and implement a state program for individuals with certain barriers to employment. The effective date would be September 1, 2007.

## **Methodology**

HHSC assumes an implementation date of September 1, 2008 in the calculations below except for TIERS modifications that would begin in fiscal year 2008. HHSC estimates that implementation of the bill would require 17 additional FTEs in fiscal year 2009 to staff the pre-sanction review and work support programs. This would rise to 19 FTEs in fiscal year 2012. FTE costs are estimated to be \$695,041 for fiscal year 2009, including \$153,268 in associated employee benefits, increasing to \$776,602 in fiscal year 2012, with associate benefit costs of \$171,253. HHSC indicates that other related expenses to implement the bill (other operating expenses, IT, and initial one-time costs) are estimated to be \$2,800,000 in fiscal year 2008 and a total of \$3,552,332 for fiscal years 2009-2012. Total Client Services costs are estimated to be \$97,871,359 in All Funds in fiscal year 2009 increasing to \$127,129,031 in All Funds in fiscal year 2012.

Implementation of the state program for those with barriers to employment would result in a \$28,362,212 savings to TANF Federal Funds in fiscal year 2009, increasing to \$32,040,945 in 2012, as the cost would shift to General Revenue funds. The net increase in General Revenue expenditures includes an average reduction of \$1.8 million per year in TANF Maintenance of Effort (MOE). In order for the state to continue to qualify for the full TANF block grant, the state would need to designate other qualified expenditures as TANF MOE. HHSC estimates that implementation of the bill would result in an average increase in TANF cash recipients of 7,824 in fiscal year 2009, increasing to 8,847 by fiscal year 2012. The average Medicaid recipient months per month would increase by 20,082 in fiscal year 2009, increasing to 22,725 in fiscal year 2012.

TWC indicates that the pre-sanction review process and work support program required by the bill would result in increased costs to the Choices program due to increased caseloads. TWC also indicates that costs to meet federal participation rates will increase due to reduced efficiencies from sanctioned individuals retaining Medicaid benefits. Total costs are estimated to be \$55,694,209 in fiscal year 2009, increasing to \$59,879,351 in fiscal year 2012. These costs include an average of \$26.2 million per year in Choices Child Care costs. Without additional child care funding, there would need to be a corresponding reduction of 2,834 At-Risk children served per day in fiscal year 2009, increasing to 2,873 in fiscal year 2012. TWC estimates that implementation of the bill will result in a savings of \$29,592,079 in TANF Federal Funds in fiscal year 2009, increasing to \$33,489,561 in fiscal year 2012 related to implementation of the state program for those with barriers to employment.

## **Technology**

HHSC estimates that implementation of the bill would have a Technology Impact of \$2,800,000 in

fiscal year 2008 for TIERS modifications and \$15,385 in fiscal year 2009, increasing to \$17,195 by fiscal year 2012, for seat management. These amounts are included in the total costs in the Methodology section above.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 320 Texas Workforce Commission, 529 Health and Human Services Commission

**LBB Staff:** JOB, CL, PP, VJC