LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 29, 2011

TO: Honorable Richard Pena Raymond, Chair, House Committee on Human Services

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

IN RE: **HB3070** by Veasey (Relating to the creation of a social loan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3070, As Introduced: a negative impact of ($49,557,152) through the biennium ending August 31, 2013.

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
2012	($1,165,000)
2013	($48,392,152)
2014	($50,493,621)
2015	($12,403,011)
2016	($6,624,684)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1	Probable Revenue Gain from *New General Revenue-Dedicated*
2012	($1,165,000)	$0
2013	($48,392,152)	$13,451,148
2014	($50,493,621)	$51,562,734
2015	($12,403,011)	$57,365,136
2016	($6,624,684)	$57,365,136

Fiscal Year	Change in Number of State Employees from FY 2011
2012	0.0
2013	24.8
2014	24.8
2015	24.8
2016	24.8

Fiscal Analysis

The bill would require the Health and Human Services (HHSC) to establish and implement a crisis loan program for the purpose of making low-interest, short-term loans to low-income individuals under emergency circumstances. The bill would establish qualifications for loan eligibility and would direct HHSC to adopt rules regarding the use of the loan money.

The bill would establish a maximum loan amount of $400; the bill would authorize HHSC to charge interest on the loan of a rate not to exceed 15 percent per year; the bill would require the loan to be repaid within one year and authorize the payment through deductions from the assistance or benefits received by the loan recipient through the Temporary Assistance for Needy Families program, the Supplemental Nutritional Assistance Program (SNAP), or Medicaid. The loan proceeds would be distributed using the recipient's Lone Star Card.

The bill would create a General Revenue-Dedicated Account–Social Loan Fund. The GR-D Account would receive appropriations; gifts, grants and donations; matching funds; interest earned on the account principal; and money required by law to be deposited to the account. Money in the account could be used only for the program.

The bill would take effect December 1, 2011, but only if a constitutional amendment authorizing the Legislature to create a social loan program is approved by the voters. If that amendment is not approved by the voters, this bill has no effect.

The bill would do one of more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either within or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Methodology

For purposes of this analysis, it is assumed that this program would not be eligible for federal matching funds. All costs and savings are estimated as 100% General Revenue Funds and revenues are estimated as 100% General Revenue-Dedicated Funds for the new fund that would be created by enactment of the bill.

Based on the analysis of HHSC, it is estimated that 10% of SNAP recipient households will apply for and receive an emergency loan, which would be 150,000 households per year, or 12,500 households per month. As the loan program would not be implemented until December 1, 2012, only 9 months of loans are accounted for in fiscal year 2013. At a cost of $400 per loan, the total loan distribution in fiscal year 2013 would be $45,000,000 in General Revenue Funds, and $60,000,000 in distribution in each subsequent year.

For purposes of this analysis, it is assumed the $60,000,000 in General Revenue Funds to be distributed in fiscal year 2014; collections in 2015 and beyond would be offset by distribution from the collections in the Social Loan Fund Dedicated Account. Federal law restricts states from deducting money from SNAP benefits; Medicaid payments are made directly to providers and not beneficiaries. While TANF rules could be amended so that loan repayments could be deducted from benefits, TANF recipients represent a very small percentage who could repay their loan from their future benefits. As such, this analysis assumes that HHSC would need to collect the loan repayment directly from beneficiaries. Based on HHSC analysis, approximately 15% of loans would default. Using a 10% interest rate and assuming collection of repayments within a year of the loan issuance, HHSC estimates the loan repayment would total $13,451,148 in fiscal year 2013, $51,562,734 in fiscal year 2014, $57,365,136 in fiscal year 2015 and $57,365,136 in fiscal year 2016. It is assumed that the collected revenue in one year could be used to offset GR for the purpose of the loan distribution in the following year.

HHSC anticipates needing an additional 24.8 FTEs to process the loan applications and determine eligibility for the loans. Estimated costs for 24.8 additional FTEs, including salaries, benefits, seat management costs, supplies and travel are estimated to be $1,540,402 in fiscal year 2013, $1,457,769 in fiscal year 2014, $1,460,745 in fiscal year 2015 and $1,463,820 in fiscal year 2016.

There will be increases in eligibility contractor costs, which include the Electronic Benefits Transfer and Document Processing. This increased cost is estimated to average $16.65 per year per recipient.

Technology

Based on HHSC analysis, there would be one-time technology costs for application and systems modifications in the Texas Integrated Eligibility Redesign System (TIERS) of $1,165,000 in fiscal year 2012. FTE-related technology costs for seat management and data storage total $91,618 in fiscal year 2013 and $50,081 in each subsequent fiscal year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 529 Health and Human Services Commission

LBB Staff: JOB, CL, MB, ES, VJC