

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**March 25, 2013**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** SB11 by Nelson (Relating to the administration and operation of the Temporary Assistance for Needy Families (TANF) program.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB11, As Introduced: a negative impact of (\$2,803,032) through the biennium ending August 31, 2015.

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 |
|-------------|--|
| 2014        | (\$1,193,014)  |
| 2015        | (\$1,610,018)  |
| 2016        | (\$1,609,748)  |
| 2017        | (\$1,610,018)  |
| 2018        | (\$1,610,018)  |

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

| Fiscal Year | Probable Savings/(Cost) from General Revenue Fund 1 | Probable Savings/(Cost) from GR Match For Medicaid 758 | Probable Savings/(Cost) from Wrkforce Commission Fed 5026 | Probable Savings/(Cost) from Federal Funds 555 |
|-------------|---|--|---|--|
| 2014        | (\$1,191,938)                                       | (\$1,076)  | (\$62,686)  | (\$21,155)                                     |
| 2015        | (\$1,596,748)                                       | (\$13,270)   | (\$19,939,317)  | \$3,250,568                                    |
| 2016        | (\$1,596,478)                                       | (\$13,270)   | (\$20,245,297)  | \$3,303,393                                    |
| 2017        | (\$1,596,748)                                       | (\$13,270)   | (\$20,561,257)  | \$3,357,649                                    |
| 2018        | (\$1,596,748)                                       | (\$13,270)   | (\$20,887,179)  | \$3,413,406                                    |

| <b>Fiscal Year</b> | <b>Change in Number of State Employees from FY 2013</b> |
|--------------------|---|
| 2014               | 0.0   |
| 2015               | 22.9  |
| 2016               | 22.9  |
| 2017               | 22.9  |
| 2018               | 22.9  |

## **Fiscal Analysis**

The bill would amend Chapter 31 of the Human Resources Code to require a drug screening assessment for adult applicants for financial assistance benefits in the Temporary Assistance for Needy Families (TANF) program to establish the applicant's or the applicant's child's eligibility for benefits. The bill would require the applicant to submit to a drug test if the screening assessment indicated good cause to suspect the person of controlled substance use. Should the applicant test positive for a controlled substance, the provisions of the bill would make the person and the person's family ineligible for financial assistance benefits for one year.

The bill would require that any person denied financial assistance benefits for results of a drug test and any person who has been convicted of a felony drug offense must submit to a drug test at the time of initial application and any application for the continuation of benefits without first submitting to a screening assessment.

Before denying financial assistance, the bill would require the Health and Human Services Commission (HHSC) to notify the person of the results of the drug test and confirm the results with a second drug test. The bill would require HHSC to utilize the most cost-effective controlled substance screening assessment tool, to pay for the screening assessment and drug test with TANF block grant funds, and to report to the Department of Family and Protective Services for use in an investigation conducted under Chapter 261, Family Code, any person whose drug test indicated the presence of a controlled substance not prescribed to the person. The bill would require the executive commissioner to adopt rules establishing the new drug assessment and testing requirements for financial assistance benefits.

The bill would amend regulations regarding mandatory participation in TANF employment programs and require the Texas Workforce Commission to establish criteria for good cause failure to cooperate with regard to work or employment activities.

The bill would prohibit the executive commissioner of HHSC from adopting rules that provide exceptions to a person's required participation in work or employment activities except for those exemptions provided for in statute or federal law.

The bill would repeal Section 31.0126 (c) of the Human Resources Code that requires HHSC to establish criteria for determining which recipients and non-recipient parents are required to participate in a particular work program or to ensure that a recipient or a non-recipient parent is incapable of participating in a particular work program.

The bill would repeal Section 31.014 (c) of the Human Resources Code that exempts an adult caretaker of a child younger than three years of age of a family enrolled in the state's two-parent financial assistance program from certain work activity requirements.

The bill would amend the TANF time limited benefit regulations to establish that HHSC shall limit

financial assistance to a cumulative total of 36 months of financial assistance benefits and 12 months of transitional benefits. The bill would require the Texas Workforce Commission and the executive commissioner of HHSC to adopt rules that exempt a recipient from the time limits for certain hardships.

The bill would amend TANF responsibility agreement regulations to specify that the responsibility agreements also apply to each teen parent recipient who is the head of household.

The bill would require HHSC to require each non-recipient parent to sign a bill of responsibilities that defines the responsibilities of the state and of the non-recipient parent to require the non-recipient parent to comply with the same requirements of recipient parents.

The bill would repeal Section 31.0031(f) of the Human Resources Code that authorizes HHSC to exempt a teen parent from certain requirements in the responsibility agreement.

The bill would require HHSC to conduct a study of the feasibility of providing financial assistance benefits in the form of an electronic voucher and to report its findings to the governor, the lieutenant governor, the speaker of the house of representatives, and relevant senate and house committees by September 1, 2014.

The bill would authorize a delay in implementation should the agency determine that they need to seek a waiver or authorization from a federal agency to implement that provision.

## **Methodology**

For purposes of this analysis, it is assumed that there is no additional federal TANF block grant funding available for expenditures; the analysis uses freed-up TANF Federal Funds at HHSC to pay for the drug tests required by the bill. To the extent TANF Federal Funds become available, they could be utilized in lieu of General Revenue Funds. In addition, TWC indicates they would redirect appropriated funds to implement the provisions of the bill.

Based on agency analysis, it is assumed implementation of the drug screening, new work requirement provisions, new state time limit provisions, and new personal responsibility provisions will take effect September 1, 2014.

HHSC indicates they would implement a drug screening assessment at no cost. HHSC anticipates the following numbers of TANF applicants will be subject to screening each fiscal year, based on the average number of applicants per month: 72,683 in fiscal year 2015, 73,684 in fiscal year 2016, 74,739 in fiscal year 2017 and 75,837 in fiscal year 2018. Of the total screened, HHSC anticipates 5% will be subject to drug testing. Accounting for the population that will be required to be drug tested and not subject to an initial screening, the likelihood that 5% of those will refuse to be tested, and the requirement for a second test to confirm results in those cases where illegal substances were found, HHSC anticipates providing 8,816 drug tests in fiscal year 2015, 8,937 in fiscal year 2016, 9,065 in fiscal year 2017 and 9,199 in fiscal year 2018. With an estimated cost per test of \$35, the total cost for the drug tests would be \$308,556 in fiscal year 2015, \$312,808 in fiscal year 2016, \$317,288 in fiscal year 2016, and \$321,951 in fiscal year 2018. The estimated savings in client services for those cases that will be excluded from TANF benefits (averaging \$191 per month) as a result of positive drug testing is \$741,766 in fiscal year 2015, \$766,099 in fiscal year 2016, \$791,665 in fiscal year 2017 and \$818,398 in fiscal year 2018.

The bill would require HHSC to refer every positive test to DFPS. Based on the HHSC estimated

number of cases who would test positively per year, DFPS would be required to investigate 4,003 additional cases in fiscal year 2015, 4,058 in fiscal year 2016, 4,116 in fiscal year 2017, and 4,176 in fiscal year 2018. DFPS estimates that half of the cases would be closed at intake, leaving an additional 2,001 to 2,088 cases to be investigated per year. Based on DFPS analysis and the HHSC estimated cases referred per year, DFPS would require an additional 22.9 FTEs per year, including 15.7 investigators and 7.2 support staff beginning in fiscal year 2015. Cost for additional staffing, benefits and \$24,678 for hardware and software for each FTE, would be \$1,870,992 in fiscal year 2015 and each subsequent year. There is also a possibility that some of the investigations will lead to child removals, and that would increase the cost associated with implementation of the bill. However, we are unable to estimate the number of child removals resulting from the investigation.

Based on HHSC and TWC analysis, the exclusion of certain exemptions for work requirements would result in 3,820 additional individuals being subject to mandatory work requirements in the TANF program in fiscal year 2015. TWC indicates that 78 percent of mandatory Choices clients will participate in the Choices program and their children will participate in Choices Child Care each fiscal year. Based on the analysis of TWC, increased costs in the Choices program would be \$32,207,784 in fiscal year 2015, \$32,813,234 in fiscal year 2016, \$33,438,589 in fiscal year 2017, and \$34,084,203 in fiscal year 2018. An estimated 22 percent of the new mandatory clients will not enroll in the Choices work program and would lose TANF eligibility, resulting in an estimated client services savings at HHSC of \$1,752,458 in fiscal year 2015, \$1,781,632 in fiscal year 2016, \$1,796,459 in fiscal year 2017 and \$1,811,505 in fiscal year 2018.

Based on HHSC and TWC analysis, an estimated 1,135 cases in fiscal year 2015, 1,151 cases in fiscal year 2016, 1,167 cases in fiscal year 2017, and 1,183 in fiscal year 2018 would be subject to the time limits changes provided for in the bill. The client services savings at HHSC resulting from the total recipient number reductions is estimated to be \$1,311,303 in fiscal year 2015, \$1,329,442 in fiscal year 2016, \$1,347,786 in fiscal year 2017, and \$1,366,427 in fiscal year 2018. The estimated savings realized at TWC in the Choices work program and Choices Child Care programs is estimated to be \$12,268,467 in fiscal year 2015, \$12,567,937 in fiscal year 2016, \$12,877,333 in fiscal year 2017, and \$13,197,024 in fiscal year 2018.

Based on the analysis of the Office of the Attorney General, the Department of State Health Services, HHSC, TWC and DFPS, other duties and responsibilities required for implementing the provisions of the bill, including adopting rules, amending handbooks and eligibility forms, training, and potential increases in cases involving the refusal of benefits could be accomplished utilizing existing resources.

## **Technology**

HHSC estimates \$1,062,500 in one-time total additional funding will be needed for systems modifications in TIERS related to drug screening testing (\$276,250 in FY 2014), mandatory participation in work programs (\$212,500 in FY 2014), TANF time limit changes (\$212,500 in FY 2014), and Personal Responsibility Agreement requirement changes (\$361,250 in FY 2014).

DFPS estimates a new functionality for the new drug testing reports from HHSC will need to be implemented in the IMPACT system for a total cost of \$151,669 in fiscal year 2014. In addition, DFPS anticipates a cost of \$24,678 for computer hardware and software for the new FTEs.

TWC estimates a one-time cost for programming modifications in the TWIST system for a total cost of \$62,686 in FY 2014.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 302 Office of the Attorney General, 320 Texas Workforce Commission, 529 Health and Human Services Commission, 530 Family and Protective Services, Department of, 537 State Health Services, Department of

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