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FISCAL IMPACT REPORT

ORIGINAL DATE 02/20/09

SPONSOR Nunez LAST UPDATED _____ HB 635

SHORT TITLE Federal Funds to Fatherhood Program SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|-----------|-------------------------|-------------------------------------|
| FY09 | FY10 | | |
| | \$2,212.6 | Recurring | Federal Funds (TANF Block Grant) |

(Parenthesis () Indicate Expenditure Decreases)

The bill conflicts with appropriations in the General Appropriation Act for the TANF program. The bill duplicates Senate Bill 383.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY09 | FY10 | FY11 | 3 Year Total Cost | Recurring or Non-Rec | Fund Affected |
|--------------|------|--------|--------|----------------------|-------------------------|------------------|
| Total | | \$76.0 | \$76.0 | \$152.0 | Recurring | Federal Funds |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

Public Education Program (PED)

Aging and Long Term Services Department (ALTSD)

SUMMARY

Synopsis of Bill

House Bill 635 provides for Fiscal Year 2010 and in each subsequent fiscal year, a sum of at least two percent of the State's federal Temporary Assistance for Needy Families (TANF) block grant to be spent on programs to enhance family formation.

HB635 lists the following family formation programs:

1. Education in high schools on the value of marriage, relationship skills and budgeting
2. Marriage education, marriage skills and relationship skills programs;
3. Premarital education programs;
4. Marriage enhancement and marriage skills training programs;
5. Divorce reduction programs;
6. Marriage mentoring programs;
7. Responsible fatherhood programs

HB 635 requires all programs to offer at least eight hours of education or training to individuals or couples using evidence-based curricula and including domestic violence protocol in conjunction with a local domestic violence program. All programs will be voluntary.

HB 635 requires that the federal funds for family formation programs shall be administered by the Human Services Department (HSD) and be awarded through a competitive request for proposals process.

HB 635 requires that the HSD Secretary promulgate rules for responsible fatherhood training programs and report annually through 2012 on family formation programs and funding to the welfare reform oversight committee.

FISCAL IMPLICATIONS

The State's TANF base grant is \$110.578 million, of which HB 635 calls for 2%, the equivalent of \$2,211.6 for programs to enhance family formation. During the 2008 Legislative Session, \$600,000 was appropriated for family strengthening and fatherhood programs from the TANF block grant for expenditure in the SFY 2009 operating budget. Using this funding, HSD currently contracts with New Mexico State University (NMSU) to provide strengthening family and fatherhood services. HB 635 would nearly quadruple the amount of funding for family formation efforts in New Mexico.

By earmarking a certain percentage of the block for specific program, the bill reduces the legislature's ability to appropriate the TANF block grant for other program needs. Both the LFC and executive budget recommendations for the TANF Program already include \$600,000 for strengthening families and fatherhood programs.

HSD is concerned that increasing funding for strengthening families and fatherhood programming reduces the funding available for job preparation and work, leaving New Mexico vulnerable to the loss of federal funds through work participation sanctions. If New Mexico is faced with a work participation penalty, the maximum penalty starts at 5% of the State's TANF block grant, increases by 2 percentage points each year of non-compliance, up to a ceiling of 21% of the TANF block grant. The estimated first year all-family work participation rate penalty for New Mexico could be as much as a \$3,917,935 loss in federal funds, a requirement to make up this difference in State funds and an increase in TANF Maintenance of Effort (MOE) funds (State or local funds) to 80% (\$32,748,302 will increase to \$34,931,522.)

HSD estimates the need for additional TANF administrative funds to pay for one FTE (a Social Services and Community Coordinator) to manage this program. Projected costs for this position total \$76,001.

SIGNIFICANT ISSUES

According to HSD, the federal Deficit Reduction Act of 2005 (DRA) reauthorized TANF. The DRA and related interim final rules issued by the United States Department of Health and Human Services introduced new requirements on states and stricter requirements on work program compliance. Although it would appear that the work participation rates (50% all-families and 90% two-parent) under the DRA did not change, in reality these are new performance requirements because the State was required to meet a much lower participation rate due to a “caseload reduction credit” (CRC) given to all states. In addition, the combination of changes made to the definition of what counts as an activity, the restrictive supervision, documentation and validation processes, including households paid for with State funds counted towards the State’s MOE in the work participation rates and the change in the caseload reduction credit calculation will make it difficult to meet these targets.

Funding for the TANF Program must be related to accomplishing the goals of the TANF Program. One goal of the TANF Program is to encourage the formation and maintenance of two-parent families. However, TANF efforts must be extended to all needy family types. It should be noted that the primary caseload in TANF is single parent families.

PED reports that any program developed and implemented in public high schools would have to be aligned with the New Mexico content standard with benchmarks and performance measures. HB 635 requires all programs to offer at least eight hours of education or training to individuals or couples using evidence-based curricula and including domestic violence protocol in conjunction with a local domestic violence program. All programs will be voluntary. It is unclear if schools would be required to deliver eight hours of programming on the value of marriage, relationship skills and budgeting. In addition, PED note that HSD does not have the authority to promulgate rules for public schools as this rests with the Public Education Department.

ADMINISTRATIVE IMPLICATIONS

HSD noted the following administrative requirements to implement the bill:

HB 635 requires that the HSD Secretary promulgate rules for responsible fatherhood training programs and report annually through 2012 on family formation programs and funding to the Welfare Reform Oversight Committee.

HB 635 states that family formation programs may include education in high schools. Programs must be at least eight hours. HSD would be required to collaborate with the Public Education Department (PED) to provide these services. PED would require programs in schools to align with Health Education Content Standards.

Implementation of HB 635 would require an amendment to the TANF State Plan, that is approved through December 31, 2011, be submitted to the United States Department of Health and Human Services Administration of Children and Families for review and approval.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill conflicts with the General Appropriation Act, which appropriates \$600 thousand for family and fatherhood initiatives. In addition, the GAA appropriated the entire block grant and additional TANF carry-forward revenue.

HB 635 duplicates Senate Bill 383.

BE/svb