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## FISCAL IMPACT REPORT

SPONSOR: Pinto DATE TYPED: 1/31/03 HB

SHORT TITLE: Navajo and Zuni Temporary Assistance SB 5/aSPAC

ANALYST: Weber

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
\$186.9	\$186.9			Non-recurring	General Fund
\$3,286.3	\$3,286.3			Non-recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

Human Services Department  
Office of Indian Affairs

Responses Received From  
Human Services Department  
Office of Indian Affairs

### SUMMARY

#### Synopsis of SPAC Amendments

The Senate Public Affairs Committee amendments strike all reference to the appropriation as maintenance of effort. This removes the necessity of use restrictions on the funds that maintenance of effort implies when expended by the state. It also requires the appropriation to be general fund and not an allocation of the current maintenance of effort requirement already in the Human Services Department.

Synopsis of Original Bill

Senate Bill 5 appropriates \$6,946,384 from the general fund to the Human Services Department for the purpose of augmenting the Navajo Nation and Zuni Nation Temporary Assistance for Needy Families programs.

Of the amounts appropriated;

- \$186,870 is appropriated for state fiscal year 2003 – 2006, and \$186,870 for 2004 to 2006 for use by the Pueblo of Zuni ;
- \$3,286,322 is appropriated for state fiscal years 2003 through 2006, and \$3,286,322 for 2004 through 2006, use by the Navajo Nation.

Unexpended or unencumbered balances remaining at the end of FY-2006 revert.

Significant Issues

The Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA) creates the Temporary Assistance for Needy Families (TANF) program. Federal funding is provided through a block grant based on the amount of federal funds expended by the state in the AFDC and related programs during federal fiscal year 1994 (FFY94). In order to receive the block grant each year, the state must expend state funds in support of TANF assistance payments and services. The funds are called Maintenance of Effort (MOE). The amount of MOE is calculated based on state fund expenditures in the AFDC and related programs during FFY94. TANF is currently federally authorized only through March 31, 2003.

PRWORA authorizes Indian tribes to operate TANF programs using funds deducted by the federal government from the TANF grant of the state where the tribal program is located. Tribal grants equal the federal share of FFY94 expenditures made by the state in the AFDC and related programs with respect to Indian families living in a service delivery area defined by the tribe. PRWORA does not require states or tribes to provide any funds in addition to the federal grant to support tribal TANF assistance or services. In fact, the state MOE requirement is reduced based on the amount the federal TANF grant to the state is reduced.

States may choose to make state funds available to tribes to support their TANF programs. Prior to development of the Indian Nation TANF programs, New Mexico received federal TANF block grant revenue of \$126,103,200.0 and had to contribute a minimum of \$36,923,118 of MOE general fund. Subsequent to the establishment of the Indian nation programs, the New Mexico block grant was reduced to \$110,578,141 and the Navajo and Zuni Nations respectively received \$14,723,670 and \$801,389. Concurrently, the federal government proportionally reduced New Mexico's MOE requirement to a minimum of \$32,748,302, the amount in HSD's FY03 operating budget.

The Navajo Nation and Zuni Pueblo each assumed responsibility for a tribal TANF program in New Mexico during state fiscal year 2002. The Zuni Pueblo program is operational on reservation areas only. The Navajo Nation program is operational in Arizona and Utah as well as New Mexico and includes reservation lands as well as adjacent towns with high Indian populations.

## **FISCAL IMPLICATIONS**

The appropriation of \$6,946,384 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2006 shall revert to the general fund.

SB5's characterization of the appropriation as MOE is unclear since MOE requirements are not applicable to tribal programs. Rather, references to maintenance of effort should be deleted from the bill and the specific uses for the funds stated. Actual MOE funds currently already required to be spent through the TANF program could be appropriated negating the need for additional general fund. If these state MOE funds are transferred to the Indian Nation programs, the state obligation to entirely expend the funds each fiscal year for purposes consistent with allowed state MOE uses would remain. This course would require oversight and certification to ensure expenditure for allowed purposes.

## **OTHER SUBSTANTIVE ISSUES**

All New Mexico Native Americans are eligible for both their Indian Nation TANF program and the New Mexico state program. The Indian Nation programs received a pro rata share of the federal block grant and it is a constant amount. If Indian Nation TANF clients opt to become New Mexico TANF clients, the Indian Nation portion of the federal block grant does not flow back to the New Mexico program.

MW/yr/lr