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FISCAL IMPACT REPORT

SPONSOR <u>SHPAC</u>	LAST UPDATED _____
	ORIGINAL DATE <u>3/12/23</u>
	BILL <u>CS/Senate Bill</u>
SHORT TITLE <u>Temporary Assistance to Families in Need</u>	NUMBER <u>267/SHPACS</u>
	ANALYST <u>Esquibel</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HSD TANF costs for benefit change		\$1,981.9	\$3,963.8	\$5,945.7	Recurring	TANF block grant, General Fund
Child support pass through		\$1,100.0	\$2,200.0	\$3,300.0	Recurring	General Fund
Mailing conciliation notices		\$842.7	\$1,685.4	\$2,528.1	Recurring	General Fund
HSD Income Support Division IT, staffing costs		\$1,635.1			Nonrecurring	General Fund
Total		\$5,559.7	\$7,849.2	\$11,773.8		

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Relates to appropriation in the General Appropriation Act

Sources of Information

LFC Files

Responses Received From
 Children, Youth and Families Department (CYFD)
 Workforce Solutions Department (WSD)
 Human Services Department (HSD)

SUMMARY

Synopsis of SHPAC Substitute for Senate Bill 267

The Senate Health and Public Affairs Committee substitute for Senate Bill 267 (SB267/SHPACS) proposes changes to the provisions of the New Mexico Works (NMW) Act. These changes would include:

1. Amend the allowable core activities to allow homelessness, as defined in SB267/SHPACS, and to remove the 12-month lifetime limit from the exemption for a

- single parent with a child under 12 months old;
- 2. Exempt 100 percent of child support received as countable income in determining the temporary assistance for needy families (TANF) benefit;
- 3. Limit sanctions to adult members of a benefit group, and specifies the pro rata shares of the benefit group based on the adult(s) and children;
- 4. Remove the consequences for failure to complete the Individual Responsibility Plan (IRP);
- 5. Update the conciliation and sanction process;
- 6. Update the definitions, remove the term “food stamps” and update to supplemental nutrition assistance program (SNAP);
- 7. Amend language to replace “the availability of state or federal funds” to “a specific appropriation of state funds and the availability of federal funds;”
- 8. Remove the language for mandatory school attendance.

SB267/SHPACS also amends the New Mexico Education Works Act, Section 27-2D-4 NMSA 1978, to expand program eligibility to individuals who are pursuing their high school equivalency, vocational education, or certificate program.

The effective date of the provisions of the legislation would be January 1, 2024.

FISCAL IMPLICATIONS

House Bill 2, as passed by the House and the Senate Finance Committee, currently includes a 15 percent increase in the TANF/cash assistance standard of need. This increased benefit is funded with \$10 million in TANF funds.

Regarding SB267/SHPACS, the Human Services Department reports:

SB267/SHPACS would exclude 100 percent of the child support passed to the household by HSD’s Child Support Enforcement Division (CSED) as income in determining the TANF benefit. In 2022, CSED statute and regulations were updated to allow for the pass through to be increased to allow for a household with one child to receive \$100 per month and households with more than one child to receive \$200 per month. The New Mexico Administrative rule was finalized on July 2022; HSR Vol. XLV Register 12: <https://www.hsd.state.nm.us/wp-content/uploads/HSR-Vol.-XLV-No.-12.pdf>. HSD would require an estimated \$2,200,000 annually to re-pay the federal Office of Child Support Enforcement for their share of TANF recovery.

SB267/SHPACS is proposing language to allow for a conciliation period of 30 days for each instance of work program and child support noncompliance. SB267/SHPACS would codify in statute the requirement for both work program and child support noncompliance be offered a conciliation every 30 days. The addition of the conciliation notices to be sent for each occurrence of noncompliance for both work program and child support would increase the administrative costs to send a notice at each instance. HSD will incur an additional batch mailing expenditure of \$1,685,395 a year.

SB267/SHPACS proposes to amend the sanctioning process by removing the sanction levels and defining the pro rata share for the adult when in noncompliance. This process as proposed would keep the adult that is sanctioned as an active participant, resulting in

the clock for the lifetime limits to continue to be active. The adult will remain as the head of household to keep receiving the benefits. (45 CFR 264.1 and 45 CFR 264.2) In December 2022, there were 4,376 TANF cases with sanctions where 66 percent (2,888) of the sanctions are due to work program noncompliance. This group represents about 33 percent of the total TANF cash assistance cases and the average monthly TANF benefit amount for a 1- to 2-person household is \$305. The chart below outlines the estimated costs for the families who will comply with the works program would increase to:

	Number of Households	New Average Expenditure per Case	Monthly Estimate	3 month estimate	6 month estimate	Annual Estimate	Budget Impact = 3 month estimate + 6 month estimate
100% Compliance	2,888	\$ 305.00	\$ 880,840.00	\$ 2,642,520.00	\$ 5,285,040.00	\$ 10,570,080.00	\$ 7,927,560.00
75% Compliance	2,166	\$ 305.00	\$ 660,630.00	\$ 1,981,890.00	\$ 3,963,780.00	\$ 7,927,560.00	\$ 5,945,670.00
50% Compliance	1,444	\$ 305.00	\$ 440,420.00	\$ 1,321,260.00	\$ 2,642,520.00	\$ 5,285,040.00	\$ 3,963,780.00
25% Compliance	722	\$ 305.00	\$ 220,210.00	\$ 660,630.00	\$ 1,321,260.00	\$ 2,642,520.00	\$ 1,981,890.00

As of December 2022, there were 4,376 TANF households with a sanction. Currently, the benefits are restored the month after compliance is established. Under SB267/SHPACS, the household would be entitled to receive the cash benefit in the month they established compliance. The tables below outline the proposed direct cost to implement pro-rata sanctions.

No change in Standard of Need			
TANF cases (Dec 2022)	Number of Families in Sanction Status due to Non-Cooperation with NM Works Program	Percentage of Families in Sanction Status	Average Expenditure per case
9,444	2,888	30.4%	\$ 305.00

	New Average Expenditure per Case	Monthly Estimate	3-month estimate	6-month estimate	Annual Estimate	Budget Impact = 3-month estimate + 6-month estimate
50% of Expenditure	\$ 152.50	\$440,420	\$1,321,260	\$2,642,520	\$ 5,285,040	\$ 3,963,780

HSD indicates it would also need to make changes to the ASPEN IT eligibility system and other administrative and staffing changes at a cost of \$1,635.1.

SIGNIFICANT ISSUES

HSD notes SB267/SPACS would expand the number of state allowed exemptions for TANF customers allowed for limited participation activity. This expansion will limit HSD's ability to meet the federally required work participation rates. If HSD does not meet the work participation rate it is subject to penalty which will result in a reduction of the TANF Block Grant between 5 percent (\$3,938,711) up to 21 percent (\$16,542,586).

SB 267/SPACS proposes to amend the tiered sanctioning process. It identifies the "pro-rata" share to the children and adult(s), but does not specify the amount of the reduction to the household benefits. Federal requirements stipulate the individual receiving TANF must be referred to the Title-IV D agency (i.e., Child Support Enforcement Division, CSED). CSED makes the determination if the individual is cooperating with the requirements. As outlined federal regulations, the Title-IV-A agency (i.e., HSD) must take appropriate action by deduction from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance, or denying the family any assistance under the program. Federal regulation states if the Title IV-A agency (HSD) does not enforce penalties against the recipients then the state's TANF block grant can be reduced by 1 percent.

The Child Support Enforcement Division does not currently have the budget to increase the current assistance pass through over the excepted portion. Sanctioning a "pro rata share" may jeopardize up to \$2 million in federal performance incentive funds CSED receives annually.

TECHNICAL ISSUES

SB267/SHPACS proposes for the full cash assistance to resume as soon as the requirements are met. There is not a definition of "as soon as." HSD recommends utilizing the currently allowed timeframes established by the HSD when sanctions are lifted. This process is currently defined in 8.102.620.120.J(2) NMAC.

SB267/SHPACS is not clear regarding the sanction amounts and how it will apply in situations of two-parent households where both adults are in non-compliance.

OTHER SUBSTANTIVE ISSUES

SB267/SHPACS would repeal Section 27-2B-9 NMSA 1978, Mandatory School Attendance requirement, for school aged children. Currently HSD only requires a client statement to fulfill this requirement. HSD reports maintaining the current language allows parents to play a critical role in creating the environment that promotes healthy developmental outcomes and school readiness for their children.

RAE/mg/ne