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FISCAL IMPACT STATEMENT

LS 7316

BILL NUMBER: HB 1009

NOTE PREPARED: Apr 12, 2021

BILL AMENDED: Apr 12, 2021

SUBJECT: TANF Program.

FIRST AUTHOR: Rep. Goodrich

FIRST SPONSOR: Sen. Ford Jon

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *Income Disregard:* The bill provides that beginning January 1, 2022, for purposes of the Temporary Assistance for Needy Families (TANF) program, income earned by a certain individual in the household who is participating in or pursuing a postsecondary degree, workforce certificate, pre-apprenticeship, or apprenticeship may not disqualify an eligible household from receiving benefits, and may not be considered in determining the amount of assistance.

Income Eligibility: It sets the income eligibility requirements for the TANF program at phased-in specified percentages of the federal income poverty level (FPL).

Division of Family Resources (DFR): It also requires the Division of Family Resources (DFR) to amend the state TANF plan or take any other action necessary to implement the income requirements. It repeals language requiring the DFR resources to apply a percentage reduction to the total needs of TANF applicants and recipients in computing TANF benefits.

Benefits Payments: The bill increases certain payment amounts under the TANF program beginning July 1, 2023. It requires the payments to be annually adjusted using the Social Security cost of living adjustment (COLA) rate beginning July 1, 2023, but provides that the total adjustment in a year must be reduced to the extent the adjustment would result in the transfer to the Child Care and Development Fund (CCDF) grant program being less than the maximum allowable transfer under federal law.

Effective Date: (Amended) July 1, 2021; January 1, 2022; July 1, 2022.

Explanation of State Expenditures: *Summary* - Increasing the income eligibility, excluding income from certain sources, and increasing payment levels for the TANF cash benefits program, known as basic assistance, may change the use of federal funds under the TANF Block Grant or may increase state spending (in a future biennium). Any change to the payment limits will depend on the federal approval of the state TANF plan.

The bill will increase administrative expenditures for the DFR to amend the state plan and adopt emergency rules. These requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Additional Information - Excluded Income and Income Eligibility: The DFR is to disregard up to \$15,000 earned by a household member less than 24 years of age that is earned from pursuit of postsecondary degree, workforce certificate, pre-apprenticeship, or apprenticeship in determining income eligibility. The impact of the disregard on benefits and additional caseload is indeterminate. Also, the bill incrementally increases the income eligibility from statutorily set amounts that represent between 13% and 16% FPL depending on family size to 50% FPL by 2025. Prior to the pandemic, an analysis of income eligible households from income tax filings suggested that the number of families eligible for TANF could increase by about 300% between the current limits and the 50% FPL in FY 2025. [Indiana personal income from net earnings decreased 29.6% between the first and second quarter 2020, suggesting that additional families will have income that qualifies for TANF.]

A 50-state analysis of the six-year period from 2014 to 2019 found that TANF caseloads were declining in most states. Changes in TANF caseloads appeared to be unrelated to changes in income eligibility levels. In Indiana, the number of households receiving TANF decreased from 2014 to 2019. Different eligibility criteria, including applicant job search requirements and lifetime limits on benefits, also impact the total number of families participating in TANF cash benefits. However, beginning in 2020, the TANF caseload grew during the COVID-19 pandemic. The extent to which these increases will remain and could impact total caseloads is yet unknown. Due to lifetime limits, increases in caseloads now may not translate to continued increases over the long-run.

Caseload: To estimate the caseload growth from the larger pool of potentially income eligible families, LSA used two methods of analysis providing a range of caseload estimates. The declining approval rate of TANF applications was used in one caseload estimation method to provide the lower bound. Comparing the current number of families in poverty to the current caseload provided a higher range caseload estimate.

Pandemic Emergency: The potential for ongoing increases in TANF caseload resulting from layoffs due to the pandemic emergency is currently indeterminable. Monthly caseloads for basic assistance have increased between 42.1% and 166.1% from September 2019 to September 2020. Nationally in July 2020, 28% of workers with annual income less than \$40,000 were laid off, and 22% of laid-off workers were not employed and were not expecting to return to the same employer. Under the emergency, job search and work requirements have been waived, although the state 24-month limit on benefits for some two-parent families and the federal 60-month lifetime limit for adults are not waived. Thus, TANF benefits received during the pandemic emergency may reduce the number of adults receiving benefits at a later time due to the lifetime limits.

Payment Limits: The current payment limit for a family comprised of one adult and two children is \$288 when the 10% payment reduction is applied. Starting in FY 2023, the payment limit for this family would be \$513. The payment limit will increase each year according to the Social Security Income Cost of Living Adjustment rate until payments for basic assistance limit the transfer to the CCDF. [The average individual benefit paid in September 2020 was between \$78.46 and \$92.31 and the average case benefit was between \$208.14 and \$270.17.]

Table 1 uses a three-member family and the estimated caseloads to illustrate that costs for basic assistance could almost double current expenditures in each of the next two bienniums. Because the cost of basic assistance will vary based on the composition of the members of a household and many other eligibility and economic factors, this growth in cost is stated as a percentage.

Table 1 - Estimates of Caseload and Costs with Increasing Income Eligibility			
	Income Eligibility		
	Current Amounts	to 35% FPL by FY 2023	to 50% FPL by FY 2025
Eligible Households	31,429	60,442	94,263
Total TANF Caseload	6,481	7,778 to 12,833	12,061 to 35,514
Estimated Change in Cost		178% to 181%	184% to 187%

TANF recipients receive other noncash benefits and support services including priority for child care grants. Also, programs that defer to TANF enrollment as a criteria for eligibility or count TANF recipients in the calculation or allocation of benefits, such as the K-12 tuition support formula, will have increased costs if more people are eligible for TANF.

Use of TANF Block Grant and State Maintenance of Effort: Under TANF rules, states have the authority to transfer up to 30% of any grant to the Social Security Block Grant or the CCDF. The transfer of TANF funds to the CCDF would take precedence over any future increase in cash assistance. [Indiana transfers federal TANF Block Grant money to the CCDF before any other expenditures are made. In recent years, this transfer has been at the maximum amount allowable, or \$61.8 M in 2019.]

The federal block grant may be carried forward for use in another year. The state is required to spend a certain amount for maintenance-of-effort in order to receive the federal block grant. Spending that exceeds the available federal block grant would have to come from state funds.

Table 2 - Estimated Amount of Federal TANF Funding Available to Indiana, 2019	
TANF Federal Block Grant to Indiana	\$206.1 M
State Maintenance of Effort	118.6 M
Carryover	<u>64.7</u> M
Total	392.4 M
Less: Funds Used and Obligated	<u>351.9</u> M
Federal Funds Available	\$40.5 M

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DFR.

Local Agencies Affected:

Information Sources: <https://fas.org/sgp/crs/misc/RL32748.pdf>; <https://fas.org/sgp/crs/misc/RL32760.pdf>; <https://www.acf.hhs.gov/ofa/resource/tanf-financial-data-fy-2019>; https://www.in.gov/fssa/files/MMR-STATEWIDE-en-us_September_2020.pdf; LSA Income Tax Database; 42 USC 604 (d); <https://www.ssa.gov/cola/>; US Census. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_17_5YR_DP03&src=pt; <https://www.acf.hhs.gov/ofa/programs/tanf/data-reports>; https://www.bea.gov/sites/default/files/2020-09/spi0920_0.pdf; <https://data.census.gov/cedsci/table?g=0400000US18&d=ACS%205-Year%20Estimates%20Data%20Pr ofiles&tid=ACSDP5Y2018.DP03>.

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