

STORAGE NAME: h1431.fpr.doc

DATE: April 23, 2001

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FISCAL POLICY & RESOURCES
ANALYSIS**

BILL #: HB 1431

RELATING TO: Welfare Transition

SPONSOR(S): Representative Byrd

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) WORKFORCE AND TECHNICALS SKILLS YEAS 7 NAYS 0
 - (2) FISCAL POLICY & RESOURCES
 - (3) COUNCIL ON LIFELONG LEARNING
 - (4)
 - (5)
-

I. SUMMARY:

HB 1431 creates the Passport to Economic Progress demonstration program in Hillsborough and Manatee counties. This program increases the earned income disregard for recipients of cash assistance from \$200 plus one-half of the remaining income to \$300 plus one-half of the remaining income. The program also provides wage supplementation and extends transitional benefits and services from two years to four years for former recipients of cash assistance. Wage supplementation is provided for no more than 12 months and pays the amount needed to bring a family's income up to 100 percent of the federal poverty level. The demonstration program is administered by Workforce Florida, Inc., the Department of Children and Family Services, the Agency for Workforce Innovation, and regional workforce boards. The bill requires that a report be submitted to the Governor and the Legislature by January 1, 2003, with recommendations about future expansion of the program.

The bill provides \$310,000 from the Federal Grants Trust Fund to the Department of Children and Family Services for the increase in the earned income disregard for nine months in FY 2001-2002 and \$3,222,500 from the Employment Security Administration Trust Fund to the Agency for Workforce Innovation for the extension of transitional benefits and services and for wage supplementation for nine months in FY 2001-2002. The source for these funds is the federal Temporary Assistance for Needy Families (TANF) block grant.

The bill creates unnumbered sections of the Florida Statutes and is effective on July 1, 2001.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Temporary Assistance for Needy Families

In 1996, the United States Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act (P.L. No. 104-193, 110 Stat. 2105, 1996). The act created federal block grants to states under approved state plans for Temporary Assistance for Needy Families (TANF) that replaced the former Aid to Families with Dependent Children (AFDC) program.

Section 409.031, F.S., directs the Department of Children and Family Services to administer welfare programs, referred to as WAGES, such as the cash assistance program and the federal Food Stamp Program. The Department of Children and Family Services is designated as the state agency responsible for the administration of social service funds and for submitting the state's TANF plan to the Federal Government.

Under Florida's Workforce Innovation Act of 2000 (Chapter 2000-165, L.O.F.), the Legislature created Workforce Florida, Inc., and the Agency for Workforce Innovation. In addition, the act combined local WAGES (Work and Gain Economic Self-Sufficiency Program - see below) boards with local workforce boards and revised the duties of the combined boards in each of Florida's 24 workforce regions.

Workforce Florida, Inc., (WFI) was established as a not-for-profit corporation and is the principal workforce policy organization for the state. The purpose of WFI is to design and implement strategies that help Floridians enter, remain in, and advance in the workplace through programs and services administered by the Agency for Workforce Innovation through the 24 regional workforce boards. The Agency for Workforce Innovation (AWI) houses programs and services formerly with the Department of Labor and Employment Security. AWI is an independent state agency and under a contract with WFI is responsible for administering federal and state workforce funding as directed by plans and policies of WFI.

Workforce development services are delivered to citizens by the regional workforce boards through regional one-stop delivery systems. These workforce development services include a variety of employment and training programs, some of which are funded through the state's TANF block grant.

Temporary Cash Assistance

Section 414.085(1)(a), F.S., provides that eligibility for the cash assistance program is limited to those families whose gross family income is equal to or less than 185 percent of the federal poverty level. However, eligibility is further limited by income level in a table published in s. 414.095(11)(c), F.S., (see Table 1 below). The table is used to determine the amount of a family's assistance payment. The table is subdivided based on the number of family members and the family's monthly expenses for shelter. For example, a family of four whose shelter expenses are more than \$50 per month would be eligible for temporary cash assistance in a month that the family's income was less than \$364.

Family Size	Zero Shelter Obligation	Greater than Zero, Less than or Equal to \$50	Greater than \$50 Shelter Obligation
1	\$95	\$153	\$180
2	\$158	\$205	\$241
3	\$198	\$258	\$303
4	\$254	\$309	\$364
5	\$289	\$362	\$426
6	\$346	\$414	\$487
7	\$392	\$467	\$549
8	\$438	\$519	\$610
9	\$485	\$570	\$671
10	\$534	\$623	\$733
11	\$582	\$676	\$795
12	\$630	\$728	\$857
13	\$678	\$781	\$919

In this example, a family of four would be eligible to receive an assistance payment for the difference between the family's average monthly gross income and \$364. If the family's income were \$300, an assistance payment of \$64 would be permitted. In addition, s. 414.095(12)(a), F.S., allows the family to disregard the first \$200 of earned income plus one-half of the remaining earned income when determining the amount of assistance payments. Given a family's income of \$300, the first \$200 would be disregarded and one-half of the remaining \$100 would also be disregarded. Therefore, a family earning \$300 would have \$50 subtracted from the \$364 determination level, and the family would receive an assistance payment of \$314. The income disregard, however, does not impact eligibility for assistance. Section 414.095(12)(a) 2, F.S. requires that a family must be eligible for assistance without the income disregard. In this example, the family must earn less than \$364 to be eligible for any cash assistance.

In addition to income levels, to be eligible for cash assistance a family must have a minor child. Unless exempted, individuals receiving temporary cash assistance are required to work or participate in job search or job readiness assistance programs, job skills training, or other educational programs. In general, individuals are limited to receiving temporary cash assistance for 24 cumulative months in any 60-month period. The lifetime limit for receiving cash assistance is 48 months. Families receiving temporary cash assistance may also be eligible to receive other employment-related and support services including childcare and transportation assistance. Cash assistance is disbursed electronically through debit cards, also known as electronic benefit transfer (EBT), issued by the Department of Children and Family Services.

¹ Section 414.095 (11), F.S.

Transitional Benefits and Services

After a family leaves the temporary cash assistance program, ss. 445.028-445-032, F.S., allows for the family to continue receiving non-cash support services including Medicaid, education and training, transportation, and childcare. These and other transitional assistance services and programs are delivered by WFI/AWI regional workforce boards through one-stop delivery systems.

Extended medical benefits are available for 12 months after leaving cash assistance if an individual cannot obtain medical insurance from his or her employer. If the individual's income exceeds 185 percent of the federal poverty level after six months, these transitional medical benefits are not continued.

Transitional education and training programs are provided to an individual up to two years after a family no longer receives cash assistance. Transportation benefits are also available for two years after a family no longer receives cash assistance and may include the provision of a vehicle valued at no more than \$8,500 if the vehicle is needed for work or educational purposes. A family may also receive transitional childcare assistance for no more than two years and are not continued if an individual's income exceeds 200 percent of the federal poverty level.

Work Incentive Approach to Welfare Transition

Two years before the United States Congress enacted welfare reform in 1996, Florida implemented welfare reform pilot projects in Escambia and Alachua counties called the Family Transition Program (FTP). The Alachua FTP project continued until 1996, and the Escambia FTP project was conducted until 1999. Operating under federal waivers from the former Aid to Families with Dependent Children (AFDC) program, the FTP combined time limits on cash assistance, financial work incentives, and employment-related and other services as follows:

- Cash assistance was limited to 24 months in any 60-month period and 36 months in any 72-month period, with certain exceptions.
- The first \$200, plus 50 percent of any remaining earned income, was disregarded in calculating cash assistance payments.
- Two years of transitional childcare assistance were provided.
- Employment-related, social, and health services were provided.

These features of the FTP were implemented statewide beginning in October 1996 as components of the Work and Gain Economic Self-sufficiency (WAGES) Program.

Since welfare reform was implemented statewide in 1996, the number of cash assistance family cases has decreased by more than 120,000 families. Most (59.8 %) stopped receiving cash assistance because of employment and have held no more than two different jobs since leaving welfare. However, the income earned by these families leaves most of them (92 %) at or below the federal poverty level (see Table 2 below).

Family Size	Poverty Guideline	Family Size	Poverty Guideline
1	\$8,590	5	\$20,670
2	\$11,610	6	\$23,690
3	\$14,630	7	\$26,710
4	\$17,650	8	\$29,730

For families with sizes of more than 8 members, add \$3,020 for each additional member. (The same increment applies to smaller family sizes also, as can be seen in the figures above.)

Fifty-five percent of former WAGES Program participants earn less than \$7 per hour, with most of this group (28.3 percent of former WAGES participants) earning less than \$6 per hour. Although 58 percent of former WAGES participants work 40 or more hours per week, their hourly wage generates \$13,500 per year. For a family of four, this income is 76.4 percent of the federal poverty level.

Thus, Florida's welfare reform programs have provided similar results of the earlier pilot Family Transition Program:

- Cash assistance caseloads are reduced;
- Family earnings are increased;
- Family incomes are modestly increased;
- Most of these families below the federal poverty level.

Evaluations of welfare assistance programs in Minnesota and Connecticut Manpower Demonstration Research Corporation have produced noteworthy results by extending transitional benefits and services, including wage supplementation, in order to help lift families out of poverty:

- Minnesota Family Investment Program: The program increased the earned income disregard and increased cash assistance by up to 20 percent for those who worked.
- Connecticut's Jobs First Program: The program provided an earned income disregard for all income below 100 percent of the federal poverty level.

Such evaluation research indicates that work incentive programs that encourage full-time work consistently produce large, positive effects on employment, earnings, and total income for long-term welfare recipients.

C. EFFECT OF PROPOSED CHANGES:

The bill requires Workforce Florida, Inc. (WFI), the Department of Children and Family Services (DCFS) and the Agency for Workforce Innovation (AWI) to implement a demonstration program in Hillsborough and Manatee counties. The program, called "Passport to Economic Progress," provides incentives and services designed to assist current and former recipients of temporary cash assistance in generating family income levels that help foster the achievement and maintenance of economic self-sufficiency. These incentives include an increase in the earned income disregard, extension of transitional benefits and services, and wage supplementation. As a demonstration program, the bill expresses the goal of developing a model for the continued evolution and enhancement of the welfare-reform efforts of the state.

² U.S. Dep't of Health & Human Services, *Annual Update of the HHS Poverty Guidelines*, 66 Fed. Reg. 10,695 (Feb. 16, 2001) (Table 2 displays the federal poverty guidelines for the 48 contiguous states and the District of Columbia. Alaska and Hawaii have separate guidelines.)

Increase of Earned Income Disregard

For those families residing in the designated counties, the bill increases the earned income disregard for temporary cash assistance from \$200 plus one-half of the remaining earned income to \$300 plus one-half of the remaining earned income.

Using the example discussed in Section II B above, a family of four whose shelter expenses are more than \$50 per month and whose average gross monthly income is \$300 would currently be eligible to receive a \$314 assistance payment. The bill would allow the family to disregard the entire \$300 in earned income, thereby allowing the family to receive an assistance payment of \$364.

Extension of Transitional Benefits and Services

The bill extends the time periods for transitional benefits and services for families residing in the designated counties who no longer receive temporary cash assistance. Specifically, the bill extends the time periods for transitional education and training, transportation, and child care support services from two years to four years. The bill exempts only the time periods for these benefits and services and does not impact other eligibility requirements. The bill establishes that these extended transitional benefits and services are not an entitlement program. Further, the bill allows the WFI board of directors to limit these extended benefits and services if there are insufficient funds.

Wage Supplementation

The bill requires WFI, in cooperation with DCFS and AWI, to create a transitional wage supplementation program by November 1, 2001, for the designated counties. The program allows eligible individuals to receive a wage supplement equal to the amount necessary to bring the individual's total family income to 100 percent of the federal poverty level. In order to be eligible to receive the wage supplement, the bill requires an individual to:

- Reside in Hillsborough or Manatee county;
- Be a former recipient of temporary cash assistance;
- Have received temporary cash assistance on or after January 1, 2000;
- Be employed full time (at least 32 hours per week); and
- Have a family income for the preceding six months that is less than 100 percent of the federal poverty level.

The bill allows an individual to receive the wage supplement for no more than a total of 12 months. These wage supplements will be disbursed through the regional workforce boards and the one-stop delivery system under the policies and schedule determined by WFI, in cooperation with DCFS and AWI. The bill requires regional workforce boards to disburse the wage supplements using electronic debit card technologies to the maximum extent possible. Thus, the bill envisions the delivery of wage supplements through the electronic benefit transfer (EBT) system currently administered by the DCFS.

The bill establishes that these wage supplements are not an entitlement program. Further, the bill allows the WFI board of directors to limit these wage supplements if there are insufficient program funds. The bill also makes the following legislative findings concerning wage supplementation:

- There are former recipients of temporary cash assistance who are working full time but whose incomes are below the federal poverty level.

- Having incomes below the federal poverty level makes such individuals particularly vulnerable to reliance on public assistance despite their best efforts to achieve or maintain economic independence through employment.
- It is necessary to supplement the wages of such individuals for a limited period of time in order to assist them in fulfilling the transition to economic self-sufficiency.

Authorization and Federal Requirements

The bill requires WFI to consult with regional workforce boards and DCFS to encourage community input into the implementation of the demonstration program. Further, the bill requires WFI to determine whether any waivers are needed from the Federal Government to facilitate the implementation of the demonstration program. WFI must request the necessary federal waivers.

The bill requires WFI to report to the Governor and the Legislature if the Federal Government prevents implementation of the demonstration program by refusing to grant a necessary waiver. Similarly, the bill also requires DCFS to seek federal waivers from the federal Food Stamp Program if WFI determines that waivers would facilitate implementation of the demonstration program.

The bill provides that federal requirements and regulations will control if there are any conflicts between implementation of the demonstration program and these requirements and regulations.

Program Evaluation and Recommendations

The bill requires WFI in conjunction with DCFS, AWI, and the regional workforce boards in the designated counties to conduct a comprehensive evaluation of the effectiveness of the demonstration program. Workforce Florida, Inc., is required to submit a report by January 1, 2003, to the Governor and the Legislature. The report must include recommendations on whether the program should be expanded to other areas.

Appropriations

The bill provides an appropriation of \$310,000 from the Federal Grants Trust Fund to the Department of Children and Family Services for the increase in the earned income disregard for nine months during FY 2001-2002. The bill also provides an appropriation of \$3,222,500 from the Employment Security Administration Trust Fund to the Agency for Workforce Innovation for the extension of transitional benefits and services and for wage supplementation for nine months during FY 2001-2002. The source of these funds is the federal Temporary Assistance for Needy Families (TANF) block grant.

Effective Date

The bill takes effect July 1, 2001.

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

Based upon estimates provided by the Department of Children and Family Services, implementation of the demonstration program would cost \$3,532,500 for nine months during FY 2001-2002 in Hillsborough and Manatee counties. The annualized recurring cost of the demonstration program in these counties would be \$4,710,000 per year (see table below).

The source of these funds is the federal Temporary Assistance for Needy Families (TANF) block grant. The funds allocated to increase the earned income disregard (\$310,000) are appropriated from the Federal Grants Trust Fund to the Department of Children and Family Services. The funds allocated for extension of transitional benefits and services and wage supplementation (\$3,222,500) are appropriated from the Employment Security Administration Trust Fund to the Agency for Workforce Innovation.

<i>(In Millions of Dollars)</i>	FY 2001-2002		FY 2002-2003	
	Trust Fund Recurring	Trust Fund Cash	Trust Fund Recurring	Trust Fund Cash
Increases earned income disregard from \$200 plus 1/2 to \$300 plus 1/2	(0.31)	(0.31)	(0.31)	(0.31)
Subtotal Federal Grants Trust Fund	(0.31)	(0.31)	(0.31)	(0.31)
Extends transitional education and training from 2 to 4 years	(0.20)	(0.15)	(0.20)	(0.20)
Extends transitional transportation from 2 to 4 years	(0.26)	(0.19)	(0.26)	(0.26)
Extends transitional child care from 2 to 4 years	(2.66)	(1.95)	(2.66)	(2.66)
Wage supplementation up to 100% of federal poverty level for 12 months	(1.28)	(0.94)	(1.28)	(1.28)
Subtotal Employment Security Administration Trust Fund	(4.40)	(3.22)	(4.40)	(4.40)
TOTAL	(4.71)	(3.53)	(4.71)	(4.71)

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

During the duration of this demonstration program, families receiving temporary cash assistance in Hillsborough and Manatee counties will be eligible for increased assistance payments based upon an increase in the earned income disregard. Former recipients of cash assistance in these counties may also be eligible to receive extended transitional benefits and services and a wage supplement equal to the amount needed to bring a recipient's total family income to 100 percent of the federal poverty level.

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to spend funds or to take action that requires the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the percentage of a state tax shared with counties and municipalities.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

The bill does not reduce the percentage of a state tax shared with counties and municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Workforce and Technical Skills unanimously passed HB 1431 out of the committee on April 10, 2001. The committee also adopted an amendment to the bill that directed the Department of Children and Family Services, rather than Workforce Florida, Inc., to seek any federal waivers needed to implement the demonstration program provided for in the bill.

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VII. SIGNATURES:

COMMITTEE ON WORKFORCE AND TECHNICALS SKILLS:

Prepared by:

Staff Director:

Ken Winker

Ken Winker

AS REVISED BY THE COMMITTEE ON FISCAL POLICY & RESOURCES:

Prepared by:

Staff Director:

Douglas Pile

Greg Turbeville