SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL	_:	CS/SB 1672							
SPONSOR:		Commerce and Economic Opportunities Committee and Senator Lee							
SUBJECT:		Passport to Economic Progress Act							
DATE:		March 30, 2001 REVISED: <u>04/11/01</u>		04/11/01					
	А	NALYST	STAFF DIRECTOR	REFERENCE	ACTION				
1.	Gillespie		Maclure	CM	Favorable/CS				
2.	Dowds		Whiddon	CF	Fav/ 1 amendment				
3.		<u>.</u>							
4.									
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I. Summary:

Committee Substitute for Senate Bill 1672 creates the Passport to Economic Progress demonstration program in Hillsborough, Manatee, and Miami-Dade 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 4 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. This demonstration program is administered by Workforce Florida, Inc., the Department of Children and Family Services, the Agency for Workforce Innovation, and the regional workforce boards. The committee substitute requires that a report be submitted to the Governor and the Legislature by January 1, 2003, with recommendations about future expansion of the program.

This committee substitute creates unnumbered sections of the Florida Statutes.

II. Present Situation:

Temporary Assistance for Needy Families

In 1996, the United States Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act (act). The act created block grants for Temporary Assistance for Needy Families (TANF) and replaced the former Aid to Families with Dependent Children (AFDC)

¹ Pub. L. No. 104-193, 110 Stat. 2105 (1996).

program.² The TANF block grant may only be expended under a state plan approved by the United States Department of Health and Human Services.³ In Florida, traditional welfare programs are administered by the Department of Children and Family Services. These programs include 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 funds⁴ and for submitting the state's TANF plan to the Federal Government.

Under Florida's Workforce Innovation Act of 2000,⁵ the Legislature created Workforce Florida, Inc., and the Agency for Workforce Innovation. In addition, the act revised the duties of the 24 regional workforce boards. Established as a not-for-profit corporation,⁶ Workforce Florida, Inc. (WFI), is the principal workforce policy organization for the state.⁷ The purpose of Workforce Florida, Inc., is "to design and implement strategies that help Floridians enter, remain in, and advance in the workplace, becoming more highly skilled and successful, benefiting these Floridians, Florida businesses, and the entire state, and to assist in developing the state's business climate."⁸ The Agency for Workforce Innovation is an independent state agency⁹ that ensures the state appropriately administers federal and state workforce funding by administering the plans and policies of WFI under contract with WFI.¹⁰

Workforce development services are delivered to citizens by the regional workforce boards¹¹ through the one-stop delivery system.¹² These workforce development services include a variety of employment and training programs,¹³ some of which are funded through the state's TANF block grant.

² See 42 U.S.C. s. 601(a); H.R. Conf. Rep. No. 104-725, 104th Cong., 2d Sess. 264 (1996).

³ 42 U.S.C. s. 602.

⁴ Section 409.031, F.S.

⁵ Chapter 2000-165, L.O.F.

⁶ Section 445.004(1), F.S.

⁷ Section 445.004(2), F.S.

⁸ *Id*.

⁹ The Agency for Workforce Innovation (AWI) is created within the Department of Management Services (DMS), but is not subject to control, supervision, or direction by DMS in any manner, including, but not limited to, personnel, purchasing, transactions involving real or personal property, and budgetary matters. Section 20.50, F.S.

¹⁰ Section 20.50(1), F.S.

¹¹ Section 445.007, F.S.

¹² Section 445.009, F.S.

¹³ *Id*.

Temporary Cash Assistance

Under Florida law, 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 statute (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.

(Table 1) Determination Levels for Temporary Cash Assistance ¹⁶						
Family	Zero Shelter Obligation	Greater than Zero, Less than	Greater than \$50 Shelter			
Size		or Equal to \$50	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, the family of four would be eligible based upon the table to receive an assistance payment for the difference between the family's average monthly gross income and \$364. Thus, if the family's income was \$300, an assistance payment of \$64 would be permitted. In addition, current law 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. Consequently, continuing with this example, if the family's income was \$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. 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.

¹⁴ Section 414.085(1)(a), F.S.

¹⁵ See s. 414.095(11)(c), F.S.

¹⁶ Id.

¹⁷ Section 414.095(12)(a), F.S.

¹⁸ Section 414.095(12)(a)2., F.S.

In addition to income levels, to be eligible for cash assistance a family must include 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, and the lifetime limit for receiving cash assistance is 48 months. Families receiving temporary cash assistance may also be eligible to receive other support services, including child care and transportation assistance to gain employment. These families often receive benefits under the federal Food Stamp and Medicaid programs as well.

Temporary cash assistance is disbursed electronically through debit cards, also known as electronic benefit transfer (EBT), issued by the Department of Children and Family Services.²³

Transitional Benefits and Services

After a family leaves the temporary cash assistance program, current law allows these families to continue receiving non-cash support services including Medicaid, education and training, transportation, and child care. These transitional support services are provided to assist the family in moving toward self-sufficiency. The 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. The services are provided to assist the family in moving toward self-sufficiency. The extended medical benefits are available for 12 months after leaving cash assistance if an individual cannot obtain medical insurance from his or her employer. The individual self-sufficiency is a self-sufficiency and self-sufficiency.

Transitional education and training programs are provided to an individual up to 2 years after a family no longer receives cash assistance.²⁸ These education programs are limited to job-related training and must improve the individual's job skills.²⁹ Transportation benefits are also available for 2 years after a family no longer receives cash assistance.³⁰ Transitional transportation

¹⁹ Section 414.095(2)(b), F.S. (Pregnant women are also eligible.)

²⁰ Sections 414.095(1) & 445.024, F.S.

²¹ Section 414.105, F.S.

²² Sections 414.095(1) & 445.009, F.S.

²³ Section 414.095(14)(a), F.S.; 42 U.S.C. s. 604(g).

²⁴ Sections 445.028-445.032, F.S.

²⁵ Section 445.028, F.S.

²⁶ Section 445.029(1), F.S.

²⁷ *Id*.

²⁸ Section 445.030, F.S.

²⁹ Id.

³⁰ Section 445.031, F.S.

services must be job or education related 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.³¹ A family may also receive transitional child care assistance for no more than 2 years, but these child care benefits are not continued if an individual's income exceeds 200 percent of the federal poverty level.³²

These transitional benefits and services are provided to families by the regional workforce boards through the one-stop delivery system. ³³

Work Incentive Approach to Welfare Transition

Two years before the United States Congress enacted welfare reform in 1996,³⁴ Florida implemented a welfare reform pilot project in Escambia and Alachua counties, the Family Transition Program (FTP).³⁵ The Alachua FTP project continued until 1996, and the Escambia FTP project was conducted until 1999.³⁶ 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:³⁷

- 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 child care assistance were provided.
- Employment-related, social, and health services were provided.

These features of the FTP were implemented statewide beginning in October 1996³⁸ as facets of the Work and Gain Economic Self-sufficiency (WAGES) Program and remain in effect under current law. To facilitate the evaluation of the Escambia FTP project, both the FTP and traditional AFDC continued to operate in Escambia County until late 1999.³⁹ Under grants from the United States Department of Health and Human Services, a study of the FTP was conducted.⁴⁰ In sum, the study found that, between 1994 and 1999, the FTP reduced cash

³¹ *Id*.

³² Section 445.032, F.S.

³³ Section 445.009, F.S.

³⁴ Personal Responsibility and Work Opportunity Reconciliation Act, Pub. L. No. 104-193, 110 Stat. 2105 (1996).

³⁵ Dan Bloom et al., Manpower Demonstration Research Corp., *The Family Transition Program: Final Report on Florida's Initial Time-Limited Welfare Program* 1 (Dec. 2000).

³⁶ *Id.* at 1 n.1.

³⁷ *Id.* at 3-7.

³⁸ See Work and Gain Economic Self-sufficiency (WAGES) Act, ch. 96-175, L.O.F.

³⁹ Bloom, *supra* note 35, at 10-11.

⁴⁰ *Id.* at 9.

assistance caseloads by 69 percent and benefited families; however, family incomes increased only modestly. Thus, reductions in cash assistance payments were offset by increases in family earnings, but family incomes increased only slightly. 42

Since welfare reform was implemented statewide in 1996, the number of cash assistance family cases has decreased by more than 120,000⁴³ families. Most (59.8 percent⁴⁴) 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 percent⁴⁵) at or below the federal poverty level (see Table 2 below).

(Table 2) 2001 Federal Poverty Guidelines for Florida ⁴⁶							
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. ⁴⁷ Although 58 percent of former WAGES participants work 40 or more hours per week, ⁴⁸ their hourly wage generates \$13,500⁴⁹ per year. For a family of four, this income is 76.4 percent of the federal poverty level. ⁵⁰ Thus, Florida's welfare reform programs have provided similar results to

⁴¹ *Id.* at 225-26.

⁴² *Id.* at 99-100.

⁴³ Temporary Assistance for Needy Families (TANF) Program, U.S. Dep't of Health & Human Services, *Third Annual Report to Congress* 19 (Aug. 2000); Florida Dep't of Children & Family Services, *Agency Strategic Plan FY 2000-2001* 11 (Feb. 2000); Florida Senate Select Comm. on Workforce Innovation, *Final Report: The Workforce Innovation Act of 2000* 5 (Mar. 2000).

⁴⁴ Robert E. Crew, Jr. & Joe Eyerman, After WAGES: Results of the Florida Study, 15 (Florida State Univ. Mar. 1999).

⁴⁵ Florida Inter-University Welfare Reform Collaborative, *Qualitative Study of WAGES*, 152 (Fall 1999) (This study was prepared by a team of researchers from Florida A&M University, Florida State University, Nova Southeastern University, the University of Florida, and the University of South Florida).

⁴⁶ 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.)

⁴⁷ Crew & Eyerman, *surpa* note 44, at 17.

⁴⁸ Florida Inter-University, *supra* note 45, at 136.

 $^{^{49}}$ This figure is estimated by multiplying the midpoint between \$6 and \$7 per hour (\$6.50) by 40 hours per week. The product is then multiplied by 52 weeks per year, resulting in a figure of \$13,520 per year. 50 See Table 2, supra note 46.

the Family Transition Program: cash assistance caseloads are reduced, family earnings are increased, but family incomes are increased only modestly, leaving most of these families below the federal poverty level. Evaluations of programs in Minnesota, ⁵¹ Connecticut, ⁵² and Canada ⁵³ 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.
- Canadian Self-Sufficiency Project: The project required full-time work (at least 30 hours per week), provided a wage supplement, and imposed a 3-year limit on the supplement.

Preliminary research indicates that work incentive programs that encourage full-time work, like these programs, consistently produce large, positive effects on employment, earnings, and total income for long-term welfare recipients.⁵⁴ The additional income reduced poverty rates, but these gains came at some increase in costs.⁵⁵

III. Effect of Proposed Changes:

The committee substitute requires Workforce Florida, Inc. (WFI), the Department of Children and Family Services (department), and the Agency for Workforce Innovation (AWI) to implement a demonstration program in Hillsborough, Manatee, and Miami-Dade counties. The program, cited as "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 committee substitute expresses the goal of developing a model for the continued evolution and enhancement of the welfare-reform efforts of the state.

Increase of Earned Income Disregard

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

⁵¹ Gordon L. Berlin, Manpower Demonstration Research Corp., *Encouraging Work, Reducing Poverty* (Mar. 2000).

⁵² Dan Bloom et al., Manpower Research Demonstration Corp., *Jobs First: Implementation and Early Impacts of Connecticut's Welfare Reform Initiative* (Feb. 2000).

⁵³ Winston Lin et al., Social Research & Demonstration Corp., *Executive Summary*, *When Financial Incentives Encourage Work: Complete 18-Month Findings from the Self-Sufficiency Project* (Sept. 1998).

⁵⁴ Berlin, *supra* note 51, at 17.

⁵⁵ Id.

earned income to \$300 plus one-half of the remaining earned income. Using the example discussed in the Present Situation section of this analysis, 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 committee substitute would allow the family to disregard the entire \$300 in earned income, thereby allowing the family to receive an assistance payment of \$364. ⁵⁶

Extension of Transitional Benefits and Services

The committee substitute also 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 committee substitute extends the time periods for transitional education and training, transportation, and child care support services from 2 years to 4 years. The committee substitute exempts only the time periods for these benefits and services and does not impact other eligibility requirements. The committee substitute also establishes that these extended transitional benefits and services are not an entitlement program. Further, the committee substitute allows WFI's board of directors to limit these extended benefits and services if there are insufficient funds.

Wage Supplementation

The committee substitute requires WFI, in cooperation with the department 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 committee substitute requires an individual:

- To reside in one of the designated counties for the demonstration program, Hillsborough, Manatee, and Miami-Dade counties;
- To be a former recipient of temporary cash assistance;
- To have received temporary cash assistance on or after January 1, 2000;
- To be employed full time (at least 32 hours per week); and
- To have a family income for the preceding 6 months which is less than 100 percent of the federal poverty level.

The committee substitute 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 the department and AWI. The committee substitute requires the regional workforce boards to disburse the wage supplements using electronic debit card technologies to the maximum extent possible. Thus, the committee substitute envisions delivery of the wage supplements through the electronic benefit transfer (EBT) system currently administered by the department.

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⁵⁶ See Table 1, supra note 16.

The committee substitute establishes that these wage supplements are not an entitlement program. Further, the committee substitute allows WFI's board of directors to limit these wage supplements if there are insufficient funds. The committee substitute also makes legislative findings concerning 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; and
- 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 committee substitute requires WFI to consult with the applicable regional workforce boards and the applicable offices of the department and to encourage community input into the implementation of the demonstration program. Further, the committee substitute requires WFI, in consultation with the department, to determine whether any waivers are needed from the Federal Government to facilitate implementation of the demonstration program. The department must request the necessary federal waivers. The committee substitute 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 committee substitute also requires the department to seek federal waivers from the federal Food Stamp Program if WFI determines that waivers would facilitate implementation of the demonstration program.

The committee substitute also 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 committee substitute requires WFI in conjunction with the department, 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 committee substitute 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 9 months during FY 2001-2002. The committee substitute 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 9 months during FY 2001-2002. The source of these funds is the

federal Temporary Assistance for Needy Families (TANF) block grant. Based on the estimated government sector impact, the amount appropriated in the committee substitute (\$3,532,500) would fund about 11.74 percent of the 9-month implementation of the demonstration program. This figure equals about 1 month of full implementation. It is noted that the committee substitute allows WFI's board of directors to limit the wage supplements and the extension of transitional benefits and services if there are insufficient funds. The committee substitute does not specifically stipulate this limitation for the earned income disregard. However, s. 414.095(17), F.S., provides for the Department of Children and Family Services to apply a reduction to the temporary cash assistance levels if the Social Services Estimating Conference forcasts that funds will be insufficient which the department has stated provides them the authority to limit earned income disregard. The estimated cost to implement 9 months of the earned income disregard is \$2,007,904. Because the committee substitute appropriates \$310,000 for the income disregard, an estimated deficit of \$1,697,904 would result.

Effective Date

The committee substitute takes effect July 1, 2001.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

During the duration of this demonstration program, families receiving temporary cash assistance in Hillsborough, Manatee, and Miami-Dade 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.

C. Government Sector Impact:

Based upon estimates provided by the Department of Children and Family Services, implementation of the demonstration program would cost \$3,532,500 for 9 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. Extrapolating these estimates based upon relative population sizes in these counties, the implementation of the demonstration program would cost \$30,079,663 for 9 months during FY 2001-2002 for Hillsborough, Manatee, and Miami-Dade counties. The annualized recurring cost of the demonstration program in these three counties would be \$40,106,217. 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.

(In Millions of Dollars)	FY 2001-2002		FY 2002-2003	
	Trust Fund	Trust Fund	Trust Fund	Trust Fund
	Recurring	Cash	Recurring	Cash
Increases earned income disregard from	(2.68)	(2.01)	(2.68)	(2.68)
\$200 plus 1/2 to \$300 plus 1/2				
Subtotal Federal Grants Trust Fund	(2.68)	(2.01)	(2.68)	(2.68)
Extends transitional education and	(1.70)	(1.28)	(1.70)	(1.70)
training from 2 to 4 years				
Extends transitional transportation from 2	(2.21)	(1.66)	(2.21)	(2.21)
to 4 years				
Extends transitional child care from 2 to 4	(22.65)	(16.99)	(22.65)	(22.65)
years				
Wage supplementation up to 100 percent	(10.86)	(8.14)	(10.86)	(10.86)
of federal poverty level for 12 months				
Subtotal Employment Security	(37.42)	(28.07)	(37.42)	(37.42)
Administration Trust Fund				
TOTAL	(40.10)	(30.08)	(40.10)	(40.10)

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

1 by Children and Families:

Removes Miami-Dade County from the pilot counties for the Passport to Economic Progress demonstration program.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.