

FISCAL NOTE

Bill #: SB 442

Title: Revolving fund for low-income working families

Primary Sponsor: John Cobb

Status: As Introduced

Sponsor Signature

Date

Chuck Swysgood, Budget Director

Date

Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
Federal Special Revenue	\$206,094	\$206,094
Revenue:		
Federal Special Revenue	206,094	206,094
Net Impact on General Fund Balance:	\$ 0	\$ 0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Public Health and Human Services

1. For purposes of this fiscal note, funds for the revolving fund will be assumed to be spent from the TANF block grant. However, currently all funds from the TANF block grant are allocated for the 2003 biennium. Addition of this program will require either; 1) a reduction in other allocated expenditures from the current TANF block grant, or 2) funding this bill with general fund.

2. It is estimated that 200 Temporary Assistance to Needy Families (TANF) cases would apply for and obtain a loan.
3. The amortization schedule for a loan of \$1,000 for 2 years at 3% interest would be a \$42.98 monthly payment. The loan principle for 200 applicants would be \$200,000.
4. Administrative cost would be 3% of the amount loaned or \$6,000.
5. The Department of Public Health and Human Services would pay the Department of Revenue a 10% fee to collect bad debts associated with non-repayment of the loans. Based on Board of Housing foreclosure rate of 0.47%, \$940 of principal associated with the TANF loans would be in default, and the Department of Revenue would charge a fee of \$94 to collect on the defaulted loans.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>		
Benefits	<u>\$206,094</u>	<u>\$206,094</u>
TOTAL	\$206,094	\$206,094
<u>Funding:</u>		
Federal Special Revenue (03)	<u>\$206,094</u>	<u>\$206,094</u>
TOTAL	\$206,094	\$206,094

TECHNICAL NOTES:

TANF funds must be used in accordance with the Cash Management Improvement Act (CMIA), which allows the draw down of federal funds only when expenditures exist. In accordance with the CMIA, it would not be legal to draw down a lump sum of money and place it in a revolving loan account.

LONG-TERM IMPACTS:

Currently the TANF block grant is projected to be fully expended by the end of SFY2003. At that time, the state will be required to maintain expenditures at the annual federal allocation amount, along with required state maintenance of effort match. Existing programs will likely be reduced to meet that requirement.

Addition of this program will require further reductions in other programs for low-income working families to make up the difference, or this program will not have funding from the TANF block grant available to it.