The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

SPONSOR'S REBUTTAL TO FISCAL NOTE

House Bill Number: HB 0378 **Date Prepared:** 02/08/2019

Short Title: Require workfare participation for SNAP recipients

Sponsor: Webb, Peggy

Generally, why do you disagree with the fiscal note?

The fiscal note does not account for federal funding, does not account for existing state funding, overstates potential gross costs, does not account for potential savings, is based upon incorrect assumptions about target population size, compliance rates, and administrative requirements, and ignores experiences of other states.

Specifically, what in the fiscal note do you feel is flawed?

The fiscal note incorrectly assumes: (1) no federal funding will be available, contrary to federal law; (2) exempt populations would be subject to the requirement, contrary to the bill's text; (3) 100% compliance with the requirement and no caseload decline, contrary to other states' experiences; (4) costs not required by federal law; (5) no decline in costs associated with lower caseloads; (6) no TANF funding will be available; and (7) no spillover savings to Medicaid or other state-funded programs.

What is your estimate of the fiscal impact?

General Fund costs should be minim a ȧ rd ca nbe abs obed within exis tng res ources. Federal law provides that half of workfare costs will be covered by federal funds. Additionally, Montana ended fiscal year 2017 with an $11.3 million TANF surplus. Once accounting for available funding, lower administrative costs associated with fewer enrollees, spillover savings to Medicaid, and corrections to mistaken assumptions built into the fiscal note, the department should be able to implement the bill within existing resources.

Sponsor Signature: Peggy Webb

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The fiscal note does not properly account for federal funding.
The fiscal note assumes there will be no federal funding for operating costs associated with a workfare program. However, federal law expressly provides that "*fifty percent of all administrative costs incurred by State agencies or political subdivisions in operating a workfare program will be funded by the Federal government*." Claims that federal funding does not exist or will be unavailable do not reflect current law, current regulations, current practice, or current policy positions of USDA and the Trump administration.

The fiscal note may not accurately reflect the target population.
The fiscal note states that there are 17,576 work registrants in Montana and proceeds to use that enrollment figure as the basis for all calculations throughout the fiscal note. However, not all work registrants would be subject to the provisions of the bill. The bill specifically exempts all Able-Bodied Adults Without Dependents—who are subject to separate work requirements under federal law—as well as work registrants who are already participating in an employment and training program. Either the department provided the incorrect number of total work registrants in the fiscal note (which include populations not targeted by the bill), or its assumptions are invalid because it did not exclude from its estimate the number of work registrants not subject to the requirements of the bill.

The fiscal note assumes 100 percent compliance and static enrollment.
The fiscal note assumes all able-bodied adults subject to the workfare requirement will comply and that caseworkers would need to actively work all cases. However, this estimate does not reflect actual experiences in other states or Montana's experience with work requirements in TANF. In other states, work requirements were followed by significant declines in caseloads, primarily driven by two groups: individuals who self-select out of the program by choosing not to comply, and individuals who cycle out of the program due to increased earnings. Other states have witnessed a decline of 50 percent or more among similar groups of individuals as the group targeted by the bill.

The fiscal note assumes additional casework beyond federal requirements.
The fiscal note assumes that the department will perform monthly processing and case review on all cases. However, federal law requires such processing—and related sanctions—to occur "upon notification" that the enrollee has refused—without good cause—to comply with the requirement. Additionally, the fiscal note continues to assume there will be no change in enrollment whatsoever, despite the fact that similar requirements have been followed by significant declines in caseloads in other welfare programs and in other states.

The fiscal note assumes mandatory workers' compensation costs for all enrollees.
The fiscal note assumes that Montana would need to provide workers' compensation costs for all individuals assigned to workfare. However, federal law does not require such provisions. Current regulations expressly state that job-related benefits—such as workers' compensation—must only be offered "*at the same levels and to the same extent*" as they are offered to non-workfare employees performing similar work. Most workfare opportunities reflect volunteer and community-service activities. Other volunteers performing similar work are not typically covered by the workers' compensation system. Additionally, the fiscal note continues to assume

there will be no change in enrollment whatsoever, despite the fact that similar requirements have been followed by significant declines in caseloads in other welfare programs and in other states.

The fiscal note grossly overstates workers' compensation costs in Montana.
The fiscal note estimates workers' compensation costs for workfare participants as $1.9 million per year. However, according to federal data, the total benefit allotment of the population potentially subject to the requirements of the bill is roughly $32.8 million per year. This means that the maximum "payroll" against which workers compensation would be computed would be $32.8 million per year, as hourly requirements are based upon monthly allotments. The department's estimates reflect an assumption of nearly $6 in workers' compensation costs for every $100 in payroll – roughly triple the amount paid by Montana employers in fiscal year 2018, according to data compiled by the Oregon Department of Business and Consumer Services for all states. Additionally, federal law expressly provides that any such required workers' compensation costs shall be considered "*a matchable cost*."

The fiscal note grossly overstates transportation costs.
The fiscal note assumes that Montana would need to provide transportation costs for all individuals assigned to workfare. However, federal law requires only transportation reimbursement for costs "*necessary and directly related to participation in the program.*" The assumption that all transportation funding would be needed and maximized for all participants does not reflect usage in other employment and training programs or in other states. To put this in perspective, the department is estimating transportation costs at $5.3 million per year. Texas, which operates a mandatory program for more than 770,000 able-bodied adults, spends just $1.1 million per year on transportation reimbursement – the equivalent of $1.43 per year per mandatory participant. The department's assumption that Montana will be required to spend five times as much as Texas as a whole, while serving just 2 percent of the number of participants as Texas, is beyond belief. Additionally, the fiscal note continues to assume there will be no change in enrollment whatsoever, despite the fact that similar requirements have been followed by significant declines in caseloads in other welfare programs and in other states. Finally, federal law expressly states that half of such costs "*will be funded by the Federal government*."

The fiscal note ignores other sources of funding.
The fiscal note assumes virtually all expenditures will be funded out of the General Fund. However, federal matching funds are available for operating expenses, including transportation costs, workers' compensation premiums, and other administrative costs. Additionally, states have flexibility to use TANF funding to cover expenses associated with employment and training program components. At the end of fiscal year 2017, Montana had $13.2 million in unused carryover TANF funding, even after transferring $11.3 million from TANF to other programs (e.g., child care development fund and social services block grant). Montana could utilize some of its annual TANF funding and/or its TANF surplus to fund actual workfare expenditures.

The fiscal note does not account for administrative savings.
The fiscal note provides only for "direct costs" of the proposed legislation, intentionally omitting all administrative savings. At the end of the fiscal note, the department admits it made no attempts to quantify savings from lower caseloads, despite the fact that the savings would offset the department's reported costs.

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The fiscal note does not account for savings to other state-funded programs.
Work requirements would also have spillover effects on other state-funded welfare programs, including Medicaid. Most able-bodied adults receiving food stamps are also enrolled in Medicaid. Moving these adults from welfare to work would increase incomes, allowing many individuals to rise above the income threshold for Medicaid and move into the Exchanges or into private coverage offered by employers, reducing costs to taxpayers.

Administrative costs are significantly lower in other states.
States that have adopted this option do not have administrative costs on par with what the department is estimating. For example, Texas operates a mandatory program for more than 770,000 able-bodied adults. The total cost—including workers' compensation costs, transportation costs, administrative costs, etc.—averages approximately $25 per mandatory participant per year, including federal funds. The state share of those costs totals less than $10 per mandatory participant per year. In contrast, the department is estimating administrative costs of roughly $511 per mandatory participant per year—excluding start-up costs—nearly $455 of which it asserts will be funded by state dollars only.