



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **22 VAC 40-375 – Department of Social Services Economic and Employment Improvement Program for Disadvantaged Persons August 5, 2002**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

Pursuant to the statutory requirement under section 63.1-133.57 of the Code of Virginia, to promulgate regulations for the program, the proposed regulations will establish rules on grantee eligibility and responsibility and participant eligibility and responsibility for the Economic and Employment Improvement Program for Disadvantaged Persons.

### **Estimated Economic Impact**

The proposed regulations apply to the Economic and Employment Improvement Program for Disadvantaged Persons (the program). The funding source of the program is federal Temporary Assistance for Needy Families (TANF) funds. The General Assembly appropriated \$400,000 from TANF reserve funds for the 2001 - 2002 biennium, or \$200,000 for fiscal year (FY) 2002. Of this amount, only up to 15% may be used for administrative purposes, which is the standard allocation for administrative expenses in all other TANF programs.

The program, through the grantees, provides education and training to people who are i) historically underrepresented in Virginia institutions of higher education, and in management and administrative levels in the business community, ii) residing in counties, cities, and towns with high local stress indicators and in economically depressed regions of the Commonwealth, iii) disproportionately represented in the workforce in minimum wage jobs and occupations requiring minimum education, training, and skills, iv) ineligible to continue to receive public assistance under state and federal laws, v) eligible to participate in TANF program, vi) returning to the community from state and federal correctional institutions, vii) chronically employed or hard-to-employ, viii) displaced by technological advances in industry, or ix) possessing any combination of these characteristics.<sup>1</sup> In short, the purpose of the program is to improve the employability of and provide assistance to disadvantaged, certain hard to employ, and chronically unemployed persons through education and job skills programs.

To achieve its goals, the program issues a statewide request for proposal inviting grant applicants to submit proposed projects. The grant awards committee, composed of nine members, evaluates the proposals, and makes up to ten grant awards. In FY 2001 and FY 2002, seven applicants were operating with grants ranging from \$50,000 to \$75,000 and totaling \$400,000.<sup>2</sup> The 2002 General Assembly appropriated an additional \$400,000 in TANF funds for the current biennium. The existing seven grants were renewed for FY 2003 for \$25,000 each. A new request for proposal will be issued in early winter for new awards to begin on July 1, 2003 for a period of one year.

Several statutory changes related to this program occurred in the past several years. Prior to July 1, 2000, the Governor's Employment and Training Department (GETD) administered the program and \$150,000 was appropriated to the program from the general fund for each of the 1999-2000 biennium. When the federal Job Training Partnership Act administered by GETD ended in 2000, the agency closed. The 2000 General Assembly transferred the program to the Department of Social Services effective July 1, 2000. During this transition in 2000, several economically significant changes occurred.

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<sup>1</sup> Source: Section 63.2-702 Code of Virginia.

<sup>2</sup> Grantees were 1) Pittsylvania County Community Action, Inc., Chatham, Virginia, 2) Greater Peninsula Workforce Development Consortium, Hampton, Virginia, 3) Culpeper Department of Social Services, Culpeper, Virginia, 4) Fifth District Employment and Training Consortium, Roanoke, Virginia, 5) Capital Area Workforce

First, the funding source was shifted from general fund to federal TANF funds and the funding amount was increased from \$150,000 to \$200,000 annually. This change freed \$150,000 from Virginia's general fund for other purposes and increased the use of federal funds by \$200,000 for each year of operation under TANF. Second, approximately one full time position was terminated at the Governor's Employment and Training Department that can be attributed to this program and approximately one additional full time position was provided to the Department of Social Services for administration of this program. Third, the grant awards committee was reduced from 15 to 9 representatives from several agencies, and a representative from the Department of Social Services was added. Fourth, eligibility requirements were expanded to include persons eligible to participate in vocational, educational, and job skills training programs under federal and state welfare law reforms, persons ineligible to continue to receive assistance under federal and state welfare reform laws, and persons returning to community from federal and state correctional facilities. Fifth, participants in the program who are not participating in the program called "Virginia Initiative for Employment not Welfare" are required to work a minimum of eight hours per week in paid employment. Finally, TANF requirements were added restricting participants to custodial and non-custodial parents with family incomes below 200% of the federal poverty limit and requiring the program concentrate on one of the four TANF goals which is "to end dependence of needy parents by promoting job placement, work, and marriage."

Pursuant to the statutory requirement under section 63.1-133.57 of the Code of Virginia, to promulgate regulations for the program, the proposed regulations will establish rules on grantee eligibility and responsibility and participant eligibility and responsibility. Since the program have been administered under the statutory requirements effective since July 1, 2000 and the proposed regulations contain the same provisions as the statute, no significant change will occur in implementation of the program regarding the changes discussed above. Thus, no significant economic effects related to issues discussed above is expected upon promulgation of the proposed regulations, other than improving the clarity of the program administration and implementation and applicable laws by referencing and consolidating all relevant information in a regulatory document.

The Department of Social Services indicates that the only change that will depart from the current implementation of the program is the proposed requirement to consider demography in the distribution of funds in addition to the requirement that funds be distributed geographically equally throughout the Commonwealth, pursuant to section 63.1-133.58 (C) of the Code of Virginia. This change has the potential to more equally distribute the funds among the participants with different demographic backgrounds. However, currently it is not known what demographic characteristics will be used as criteria. Thus, no conclusive projections can be made about the potential changes in the mix of the program participants.

### **Businesses and Entities Affected**

The proposed regulations apply to program participants and grantees. In FY 2002, there were 135 participants and seven grantees in the program.

### **Localities Particularly Affected**

The proposed regulations apply throughout the Commonwealth.

### **Projected Impact on Employment**

Expected redistribution of funds among the participants with different demographic backgrounds is expected to change the composition of the persons participating in the program. This change is likely to increase assistance provided to participants in demographically underrepresented groups and decrease assistance provided to participants in demographically over-represented groups. The net effect on labor supply is not expected to be significant.

### **Effects on the Use and Value of Private Property**

No significant effect on the use and value of private property is expected.