Economic Impact Analysis
Virginia Department of Planning and Budget

22 VAC 40-295 – Temporary Assistance for Needy Families
Department of Social Services

December 6, 1999

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.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

The Department of Social Services is proposing to revise the regulations governing Temporary Assistance for Needy Families (TANF). The revised regulations change processing requirements to mirror the Food Stamp Program, remove ineffective eligibility criteria, and consolidate various other existing TANF regulations into one comprehensive program regulations.

Background

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) replaced the Aid to Families with Dependent Children (AFDC) program with the TANF block grant. The TANF block grant funding structure was designed to allow states discretion in administering cash assistance and employment services programs. The AFDC program was restrictive and left states little flexibility through extensive federal regulation.

A TANF Advisory Committee, comprising legislators, social services directors and workers, local government officials, and other citizens, was established in March 1997 for the purpose of developing Virginia's TANF program. The Committee addressed such issues as program options, program administration, work participation, and community involvement. In November 1997, the Committee issued the "Report of the Temporary Assistance to Needy Families Advisory Committee" containing program recommendations, some of which are contained in these proposed regulations.

Estimated Economic Impact

Assistance Units

Sections 20-40 address assistance units, which are those persons who must participate together as a family unit when receiving TANF benefits. The proposed regulations require minor parents to be included in the assistance unit of the minor parent's parent. Currently, minor parents may have a separate assistance unit. The TANF Advisory Committee recommended revising this policy in order to reinforce parental responsibility and to reduce costs. Due to the manner in which TANF benefits are calculated, two assistance units of two individuals each receive a higher monthly payment than one assistance unit of four individuals. DSS estimates that approximately 66 households per year would be affected by this change. Combining these assistance units can be expected to reduce their annual TANF benefits by $2,917 per year. This would translate into a reduction of approximately $192,500 in annual TANF expenditures.

The number of days a minor child can be absent from a home and still retain eligibility for TANF is reduced from 45 to 30 days. However, the proposed regulation also provides exemptions for good cause absences including hospitalization, education, or vacation. DSS estimates that a negligible number of households each year would be affected by this proposed change.

Resource Eligibility

The proposed regulation increases the amount of available resources allowed each assistance unit from $1,000 to $2,000, eliminates property transfer restrictions, and adds the following to the list of items excluded from the resource limit: real property, burial plots, bona fide funeral agreements, and insurance policies. In addition, lump sum payments will now be considered resources rather than income. These changes provide consistency between the TANF and Food Stamp program resource policies.

The changes are expected to extend TANF benefits of $2,917 per year to approximately 351 additional households, although the net cost will not be this great because there will be administrative savings by aligning the requirements with the Food Stamp program.

Income Eligibility

The proposed regulation includes several changes regarding counting income intended to streamline the eligibility determination process without increasing the number of eligible clients. The determination process will consist solely of a net income screen rather than a gross income and net income screen, as is currently done. Analysis conducted by DSS showed that the gross income screen did not exclude any cases that were not excluded by the net income screen and therefore it was determined unnecessary to have both income tests. The proposed earned income disregard provisions are standardized and aligned with the food stamp program. According to DSS, this change will affect a negligible number of individuals and is not expected to have any significant economic impact.[1] The income of students under 18 will be disregarded in the proposed eligibility determination process. This change may be expected to extend benefits of $2,917 per year to approximately 10 households.

Administrative Processing

Several changes are proposed to make the processing of applications more efficient. Processing procedures are changed to mirror the Food Stamp program in areas such as

[1] Earned income disregards only apply to individuals who are exempt from the Virginia Initiative for Employment not Welfare (VIEW) program, but are working and receiving TANF benefits.

application processing time frames and effective dates, eligibility redetermination cycles, and reporting requirements.

In most cases, the same eligibility worker is processing the same information for the same client who applies for both TANF and Food Stamp benefits. Consistent administrative procedures will reduce the administrative burden by having one procedure rather than two when processing the same case. TANF expenditures may increase as a result of an earlier application effective date. On the other hand, standardized eligibility redetermination cycles will reduce additional payments made because of overdue case reviews. The net economic impact of these changes is not measurable given the data available at this time.

Intentional Program Violations

The proposed regulation increases the time individuals found to have committed an Intentional Program Violation (IPV) are ineligible to participate in the TANF program from 6 to 12 months for the first offense, and from 12 or 24 months for the second offense. These time periods are consistent with the sanctions provided for in the Food Stamp program. DSS reports that there were 330 IPV disqualifications during FY 1999 in the TANF program. The average benefit per individual is $60 per month, therefore, DSS could expect to save approximately $118,800 per year by increasing the sanction time for intentional program violators.

Childcare

PRWORA forbids a state from sanctioning a TANF recipient for refusal to work if that recipient has a child under the age of six and the recipient has a demonstrated inability to obtain needed childcare. Federal regulations, therefore require states to define “appropriate childcare,” “reasonable distance,” “unsuitability of informal care,” and “affordable childcare arrangements.” The proposed regulations contain these definitions, which were derived to closely reflect current policies used by local DSS agencies regarding arranging childcare.

TANF-Emergency Assistance Program

The TANF-Emergency Assistance program will be a component of the Virginia diversionary assistance program under the proposed regulations. Limitations on TANF-EA funding have been broadened and may increase expenditures, although a significant impact is not expected since the number of individuals served by this program is very small (only 68 during FY 1999).

Businesses and Entities Affected

The proposed changes will affect all TANF recipients. In FY 1999, there was an average of 37,798 TANF recipients per month.

Localities Particularly Affected

No localities are particularly affected by the proposed regulation.

Projected Impact on Employment

The proposed regulation is not anticipated to have a significant effect on employment.

Effects on the Use and Value of Private Property

The proposed regulation is not anticipated to have a significant effect on the use and value of private property.

Summary

The Department of Social Services proposes to revise the regulations governing Temporary Assistance for Needy Families (TANF). The revised regulations change processing requirements to mirror the Food Stamp Program, remove ineffective eligibility criteria, and consolidate various other existing TANF regulations into one comprehensive program regulations. Certain changes are expected to increase TANF expenditures, while other changes may reduce expenditures. The following table presents the best estimate of the potential net fiscal impact of these proposed changes.

Estimated Fiscal Impact of Proposed Changes

Proposal Description	# Households Affected	Estimated Cost/Unit	Annual Cost	Annual Savings
Minor parent included in same	66	$2,916.72		**($192,503.52)**

assistance unit with senior parent				
Child absent more than 30 days is ineligible	Negligible number of clients affected			
Total resource provision changes	351	$2,916.72	**$1,023,769**	
Increase resource limit to $2,000 and expand resource disregards	165	$2,916.72	**$481,259**	
Eliminate property transfer restrictions	48	$2,916.72	**$140,003**	
Count lump sums as a resource instead of income	138	$2,916.72	**$402,507**	
Eliminate gross income screening	Negligible number of clients affected			
Standardize earned income disregard to mirror food stamp program	Negligible number of clients affected			
Disregard earnings of students under 18	10	$2,916.72	**$29,167**	
Increase IPV sanction time periods	330	$60.00		**($118,800)**
Make TANF-EA a component of diversionary assistance	68	$500.00	**$34,000**	
Administrative savings				**Not known**
TOTAL - Estimated			**$2,110,705**	**At least $311,303 in savings**

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