



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

22 VAC 40-295 – Temporary Assistance for Needy Families
Department of Social Services
June 6, 2014

Summary of the Proposed Amendments to Regulation

To enact new legislative restrictions on temporary assistance to needy families (TANF) expenditures contained in §63.2-621, the State Board of Social Services (Board) proposes to amend its TANF regulation to include sanctions for violating §63.2-621.

Result of Analysis

There is insufficient information available to ascertain whether the benefits of this proposed regulatory change will outweigh its costs.

Estimated Economic Impact

To comply with federal restrictions placed on TANF funds, the General Assembly passed a law (63.2-621) that prohibits electronic benefits transfers (EBT) used to purchase:

- 1) alcoholic beverages,
- 2) tobacco products,
- 3) lottery tickets or
- 4) sexually explicit visual materials.

The law also prohibits any transaction, including ATM transactions, at government stores established for the sale of alcoholic beverages (ABC stores) and establishments in which:

- 1) pari-mutual betting or charitable gaming is conducted,
- 2) tattooing or body piercing is performed for hire or consideration and
- 3) there is adult oriented entertainment provided by semi-nude or nude performers.

The Board now proposes to amend TANF regulations to set forth penalties for TANF recipients who use their EBT cards in prohibited establishments or to purchase prohibited items. The Board proposes to suspend benefits for one month for a first offense, three months for a second offense and six months for third and subsequent offenses.

Board staff report that they will investigate reports of prohibited use of TANF benefits and apply sanctions when the reports are accurate. Board staff also report that the average TANF benefit per family is \$258 per month and that the Board expects there will be very low numbers of incidences where TANF benefits are suspended under these new provisions (approximately five suspensions per month for first time offenses). If benefit suspensions follow the pattern expected by the Board, approximately 60 families a year (out of the 30,000 that receive TANF) will lose one month of benefits. These families in total will lose \$15,480 per year and the state will see an average savings of \$15,480 per year that will not be paid out in TANF benefits.

While it is fairly easy to estimate the number of families that might be affected by these regulatory changes, estimating the number of businesses that might be affected is more complicated. There are thousands of grocery and drug stores across the Commonwealth that sell both wine and beer and tobacco products. The Department of Alcoholic Beverage Control (ABC) reports that there are 350 ABC stores around the state. Depending on how broadly sexually explicit visual material is defined, all bookstores in Virginia may be on the list of affected businesses. Nude and semi-nude bars and gentlemen's clubs will be affected although the Department of Planning and Budget (DPB) does not have access to the resources needed to estimate the number of these establishments in Virginia. The Department of Professional and Occupational Regulation (DPOR) reports that, as of April 1, 2014, there are 248 tattoo parlors and 196 body piercing establishments which may be affected. The Virginia Department of Agriculture and Consumer Services (VDACS) does not have any estimates of how many groups or establishments conduct charitable gaming but does report that such groups include churches, athletic associations and school clubs such as band boosters. All of these entities may lose revenues on account of 63.2-621 and this proposed regulation. If the Board's estimates of sanction incidences and scope are correct, the total revenue lost to all businesses, clubs and organizations will be \$15,480 per year. If the Boards estimates are not correct, total revenues lost will be equal to total sanctions imposed.

Businesses and Entities Affected

Board staff reports that approximately 30,000 families in the Commonwealth receive TANF benefits. All of these families, as well as many businesses, groups and establishments have the potential to be affected by these proposed regulatory changes. Please see the paragraph above this section for estimates of businesses, groups and establishments that may be affected.

Localities Particularly Affected

No locality will be particularly affected by this proposed regulatory action.

Projected Impact on Employment

Given the likely scope of potential revenue lost, this regulatory action is unlikely to have an effect on employment in the Commonwealth.

Effects on the Use and Value of Private Property

To the extent that monies received through TANF benefits can be considered the recipients' private property, this proposed regulation, and the law that necessitates it, restrict the use of that private property.

Small Businesses: Costs and Other Effects

No small businesses will incur costs on account of this regulatory action but some small businesses may lose some revenue.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There is likely no alternative method of regulation that would both meet the General Assembly's and the Board's goals and be less costly for affected businesses.

Real Estate Development Costs

This regulatory action will likely have no effect on real estate development costs in the Commonwealth.

Legal Mandate

General: The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia and Executive Order Number 14 (2010). Section 2.2-4007.04 requires that such economic impact analyses

determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to:

- the projected number of businesses or other entities to whom the proposed 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.

Small Businesses: If the proposed regulation will have an adverse effect on small businesses, § 2.2-4007.04 requires that such economic impact analyses include:

- an identification and estimate of the number of small businesses subject to the proposed regulation,
- the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents,
- a statement of the probable effect of the proposed regulation on affected small businesses, and
- a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation.

Additionally, pursuant to § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules (JCAR) is notified at the time the proposed regulation is submitted to the *Virginia Register of Regulations* for publication. This analysis shall represent DPB's best estimate for the purposes of public review and comment on the proposed regulation.

AMH

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