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FISCAL IMPACT REPORT

SPONSOR: Lopez DATE TYPED: 03/01/01 HB _____
 SHORT TITLE: Amend New Mexico Works Act SB 392/aSPAC
 ANALYST: Dunbar

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		See Narrative - Significant		Recurring	General Fund to Medicaid Program

Duplicates HB 238

SOURCES OF INFORMATION

Human Services Department (HSD)
 Health Policy Commission

SUMMARY

Synopsis of SPAC Amendments

The Senate Public Affairs Committee amends the bill as follows:

- c Deletes the emergency clause section,
- c Reduces the time limit on application processing from 45 days to 30 days,
- c Subjects the disregard allowance from income to the availability of State and Federal Funds, and
- c Designates a new Medicaid category as "JUL Medicaid". The amended language specifies that the income eligibility criteria for the new category shall be the same as the income criteria as described in the NM Works Act.

Persons eligible for TANF benefits will also be eligible for Medicaid benefits. This amendment does not preclude a person from applying for Medicaid only under the JUL category.(see fiscal implications below for costs)

The amendment adds protection to the Department's ability to control spending by subjecting the disregard allowances to the availability of State and Federal funds. It also creates an administrative burden on department staff to process applications quicker (30 days vs. 45 days).

Synopsis of Original Bill

Senate Bill 392/aSPAC – Page 2

SB 392, which includes an emergency clause, amends the New Mexico Works (NMW) Act as follows:

- C Repeals the household group concept and amends current methods of handling household group income so that income from household members who are not part of the benefit group would not be considered in determining benefit group eligibility or payment. Perhaps the most compelling reason for this amendment is that a recent policy guidance was issued by the Federal Administration for Children and Families, the US Department of Agriculture (Food Stamp Program) and the Office of Civil Rights that prohibits a state agency from asking for the citizenship, immigration status or Social Security Number of a NON applicant. Household group only members are non-applicants, yet their social security number and citizenship or immigration status are determined in the application process. This amendment will allow the department to comply with this recent directive.
The changes would not significantly affect NMW caseload or expenditures, but will ease program administration.
- C Repeals the definitions of "landlord" and "tenant" because these two definitions are relevant only to the household group concept. The changes would not significantly affect NMW caseload or expenditures.
- C Creates a gross income test for NMW eligibility that limits cash assistance to benefit groups with a gross income below 85% of federal poverty guidelines. The change would reduce NMW caseload and expenditures.
- C Repeals the clause that conditions certain earned income disregards on the availability of state and federal funds. According to HSD, the change means (1) that the disregards must be provided regardless of whether program funds are sufficient to support them; and (2) the change reduces the ability of the Secretary of HSD to manage the program and keep expenditures within the authorized appropriation. However, the NMW act still contains language that the Secretary of the department can reduce the payment standard based on the availability of state and federal funds. The change would have no immediate impact on NMW caseload or costs.
- C Reduces the amount of the earned income disregard from \$150.00 to \$125.00, and would continue the requirement to further reduce earnings by one-half after deducting \$125.00 for a single parent benefit group. For a two-parent family, the amount disregarded from earned income would change from \$250.00 to \$225.00 and one-half of the remainder. The change would reduce NMW caseload and expenditures.
- C Makes technical revisions to the definitions of "earned income" and "unearned income." These changes provides more consistency between the NMW Cash Assistance and Food Stamp programs. The changes would not significantly affect NMW caseload or expenditures.
- C Expands the listing of those who are exempt from the 60-month limit to include an adult whose application for SSI is pending or in the appeal process, and would allow the records of the Social Security Administration to be used for determining a hardship exemption. The changes would not significantly affect NMW caseload or expenditures.
- C Repeals the \$50 special housing subsidy currently provided to about one-half of NMW families. The change would significantly reduce NMW expenditures but would not reduce the number of eligible cases.

- C Deletes the exemption of foster care and adoption payments for children included in the benefit group. This change would continue to exempt foster care payments, but only if the child for whom the foster care payment is received is excluded from the benefit group. The change would not materially affect NMW caseload or expenditures.
- C Revises the type of income that is excluded for a dependent child in the benefit group. The earned income of a dependent child would continue to be excluded, but the unearned income of a dependent child would be counted to determine eligibility and benefit amount. The change would not materially affect NMW caseload or expenditures.
- C Requires HSD to develop conciliation procedures in those cases where an adult or head of household fails to comply with work or child support enforcement requirements. HSD developed such procedures by regulation when the program was implemented. The proposed amendment clarifies sanctioning requirements and timelines, but does not materially increase or decrease the number sanctioned.
- C Provides that sanctioned individuals continue to receive Medicaid during the period of sanction and that all NMW cash assistance groups would be eligible for Medicaid. The current policy makes the New Mexico Works benefit group eligible for Medicaid if they meet the requirements of the State's former Aid to Families with Dependent Children (AFDC) as they existed on July 16, 1996. The change would affect NMW caseload and expenditures (see below).

FISCAL IMPLICATIONS

HSD has developed a cost model, which calculates that the changes, taken as a whole, would decrease NMW Cash Assistance expenditures by about \$10.1 million per year. A total of 11,974 cases would be affected by the changes, out of which 1,547 would be closed to cash assistance.

The proposed Medicaid modifications would result in extended periods of eligibility for an estimated 5,624 persons, which would cost an estimated \$4.004 million in general fund.

Anticipated costs to reprogram ISD2 to accomplish the proposed changes are expected to be approximately \$63,000 in general fund.

SB 392 does not appropriate additional funds to meet the almost \$4.07 in additional general fund that the proposed changes would require for Medicaid modifications and system changes. There is no appropriation for this amount in HB 2.

ADMINISTRATIVE IMPLICATIONS

Implementation of changes would require development of emergency regulations, training of supervisors, county directors, caseworkers, hearing officers and other department personnel, in addition to reprogramming ISD2, HSD's automated eligibility and payment determination system.

DUPLICATES

HB 238 which amends the NM Works Act.

TECHNICAL ISSUES

Language in SB 392 would create the gross income test twice, once under §27-2B-7—C (revised numbering) and once under §27-2B-7-D (revised numbering)

OTHER SUBSTANTIVE ISSUES

SB 392 was developed in collaboration between HSD and the Legislative Interim Welfare Reform Oversight Committee with significant public input and participation. From HSD's perspective, SB 392 represents legislation that would correct a number of policies that do not work well in practice. Currently, expenditures from the state's TANF grant exceed the amount actually received each year and the department has had to rely on carryover funds left from prior years. At current rates of expenditure, the carryover funds will be exhausted by the end of FY-2002. According to the department the cost reductions contained in SB 392 would allow the state's TANF program to stay within the amounts received each year.

AMENDMENTS

Delete the language at §27-2B-7-C, as renumbered, and renumber all following subsections; and

- (1) Revise the language at §27-2B-7-D-1, as renumbered in the bill, by adding the words "earned and unearned" following the words "gross countable" and prior to the words "income that."

POSSIBLE QUESTIONS

1. If the bill is passed, how is the additional Medicaid cost funded (\$ 4,004.0 general fund)?
2. Does the department need to secure a waiver from the Medicaid federal level to expand the program to all TANF participants?
3. How much more general fund would be required to fund low income working adults up to 100% of poverty?

BD/ar:njw