

# LEGISLATIVE FISCAL ESTIMATE TO

## [Second Reprint] ASSEMBLY, No. 12

# STATE OF NEW JERSEY

DATED: JANUARY 7, 1997

### **Bill Summary:**

Assembly Bill No. 12 (2R) of 1996 is part of a package of four bills that establish "Work First New Jersey" (WFNJ) as the consolidated public assistance program replacing the current programs of Aid to Families With Dependent Children (AFDC), AFDC Emergency Assistance (EA), General Assistance (GA), GA Emergency Assistance (GAEA), the GA employability program and the Family Development Initiative. Specific provisions of the legislation include the following:

- C WFNJ continues the "family cap" provision under the State's AFDC program that a recipient is not entitled to receive an increase in cash assistance solely as a result of parenting an additional child during the period that the recipient is eligible for benefits. However, a child born as a result of rape or incest would be exempt from the "family cap" provisions.
- C A recipient is required to engage in one or more of the following work activities, unless exempted or deferred from participation: employment; on-the-job training; job search and job readiness assistance; vocational educational training; job skills training directly related to employment; community work experience; alternative work experience; supportive work; community service; high school or an equivalency program of study (mandatory for teenagers); and education that is necessary for employment in the case of a person who has not received a high school diploma or a certificate of high school equivalency, a course of study leading to a certificate of general equivalence, or post-secondary education, when combined with community work experience participation or another work activity approved by the Commissioner of Human Services, including employment.
- C The program would meet federal participation requirements for recipients in work activities established in Pub.L.104-193: FFY 1997 - 25%; FFY 1998 - 30%; FFY 1999 - 35%; FFY 2000 - 40%; FFY 2001 - 45%; FFY 2002 and beyond - 50%.
- C A teenage parent would be required to live with a parent or guardian or in an adult supervised setting, and to complete a high school or equivalency program of study, as a condition of eligibility for the program.
- C A recipient who fails to actively cooperate with the program or participate in required work activities would be subject to a loss of cash assistance.

- C Provisions related to workers compensation of a participant that is injured or dies while participating in community work experience or alternative work experience activity.

**Agency Comments:**

The Department of Human Services (DHS) and the Office of Management and Budget have not responded to a formal request for a fiscal note. However, DHS has provided the following budgetary information (\$000s omitted) on WFNJ for FY 1997 and FY 1998:

<b>PROJECTED EXPENDITURES (GROSS)</b>	<b>FY 1997 Transition</b>	<b>FY 1998</b>
Cash Assistance (including EA)	\$683,031	\$681,852
Administration		
TANF/IV-A/IV-F	155,048	133,589
Child Support Program	109,047	112,594
Food Stamp Program	107,145	109,684
Medicaid	319	319
Home Energy Assistance	709	709
General Assistance	29,900	23,663
Child Care	24,677	17,979
Work Activities(a)	59,601	84,390
Support Services(b)	108,344	119,358
Innovations/Reinvestments(c)	42,945	35,987
<b>TOTAL PROJECTED EXPENDITURES (GROSS)</b>	<b>\$1,320,765</b>	<b>\$1,320,125</b>
<b>PROJECTED REVENUES</b>		
Federal	\$596,116	\$622,168
State Appropriation	498,819	498,819
State One-Time Investment	14,683	0
County	139,818	121,296
Municipal	25,500	12,750
Third Part Recoveries	45,829	65,092
<b>TOTAL PROJECTED REVENUES</b>	<b>\$1,320,765</b>	<b>\$1,320,125</b>

(a). "Work Activities" include: job search, job placement, community work experience, alternate work experience, vocational training, work supplementation, on-the-job training, Food Stamp Employment and Training Program and General Assistance Employability Program. DHS has not specified how much will be expended on specific activities.

(b). "Support Services" include: child care service, transportation related expenses and community housing for teens. DHS has not specified how much will be expended on specific services.

(c). "Innovations/Reinvestments" include: "technology and breaking the

cycle initiatives." DHS has not provided any specific information about the initiatives to be funded.

**Office of Legislative Services Comments:**

The adequacy or inadequacy of the DHS' budget estimates cannot be verified or refuted as they are based on assumptions that will only be known once the program is implemented. Also as noted in (a), (b) and (c) above, all costs have not been identified in detail.

Below is a discussion of certain provisions of the legislation.

**Program eligibility.** At least for the near future, WFNJ is likely to serve approximately the same number of people as the AFDC and GA programs currently serve. Nearly 116,000 cases, equal to about 299,100 persons, received AFDC benefits (including EA) during July 1996 and nearly 31,500 persons received GA benefits (including GAEA) during June 1996.

Under WFNJ there may be changes as to the amount of income and assets persons may retain in order to receive assistance and remain eligible for assistance. This may increase the number of cases eligible for assistance and cases could remain eligible for assistance for a longer period of time. Whether financial incentives to be less dependent on public assistance results in a reduction in public assistance rolls is uncertain at this time.

**Work requirements and exemptions.** At present, based on DHS data on the JOBS/FDI program, the State would meet the 25% participation rate requirement established in federal law for FFY 1997. However, about 45% of the State's current AFDC caseload -- approximately 51,800 cases -- is exempt from participation in the State's current AFDC work programs.

During FY 1996 (based on July 1995 - March 1996 expenditures as reported in the Quarterly Legislative Report for Quarter Ending March 1996), the JOBS/FDI program will incur the following estimated gross costs related to the program's work requirements:

Case Management - \$26.6 million.

Employability/Education Services (including JTPA costs) - \$22.3 million.

Participant Allowances - \$8.9 million.

Child Care (including administration) - \$42.8 million.

The number of recipients who would be exempt under the criteria specified in the bill will not be known until WFNJ is implemented. In all probability, fewer cases will be exempted. As more recipients will be required to work, additional costs will be incurred for "case management," "employability/education services," "participant allowances" and "child care". As noted on page 2 of this fiscal estimate, DHS has indicated that in FY 1997 and FY 1998, respectively, gross expenditures for Work Activities and Support Services are estimated at:

Support Services\*: \$108.3 million and \$119.4 million.

Work Activities: \$59.6 million \$84.4 million.

(\* Most of the monies to be expended on Support Services will be for child care, though DHS is not able to provide a specific amount that will be expended on child care at this time.)

Though the GA program is not part of the new federal welfare reform law and, thus, the GA program does not have to meet the specific work participation requirements established in federal law, GA recipients will also be affected by the legislation's work requirements. At present about 10,600 GA recipients are considered "unemployable." Under the new requirements, some of the 10,600 "unemployable" recipients may no longer be considered "unemployable" and may have to participate in the legislation's work requirement. In addition, GA recipients participating in various work requirements may receive more services than they currently receive under the GA employability program.

**Requirements affecting a parent who is a minor.** Approximately 6% of female AFDC payees are under the age of 20. (Data are not readily available as to the number under the age of 18.) Thus, about 6,800 households may be affected by the legislation. However, until the program is implemented, many aspects of the legislation cannot be determined such as:

- (a) The number of minors who are exempted;
- (b) The most appropriate living arrangement for minors who are exempted.

There may be some savings to the State by requiring the minor to reside with a parent, legal guardian, or other adult relative, but such savings cannot be quantified as the household size of the parent, legal guardian, or other adult relative is not known. Thus, the amount of assistance the household would receive cannot be determined.

The requirement that a county agency is to determine the most appropriate living arrangement for the minor who cannot reside with a parent, legal guardian, or other adult relative may involve additional costs, as placement in a group home or residential facility may be required. Included within the \$108.3 million and \$119.4 million to be expended in FY 1997 and FY 1998, respectively, for "Support Services" are funds for "Community Housing for teens," although a specific amount that will be expended on this service is not identified.

**Provisions regarding the birth of a child while receiving assistance.**

The current State policy of denying additional assistance due to the birth of a child while a case is receiving assistance would be continued, except that a child born as a result of rape or incest would be exempt from the "family cap." Approximately 400 to 500 cases monthly are currently affected by this provision, though the amount of assistance saved is not readily known. The number of cases that would be not be subject to a "family cap" because of the rape or incest provision is not known.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.