

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6788**  
**BILL NUMBER: SB 341**

**DATE PREPARED:** Jan 10, 2000  
**BILL AMENDED:**

**SUBJECT:** Increase in TANF Cash Assistance.

**FISCAL ANALYST:** Alan Gossard  
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**FUNDS AFFECTED:**  **GENERAL**  
**DEDICATED**  
 **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill increases the amount of monthly assistance provided to dependent children and families under the Temporary Assistance to Needy Families (TANF) program by the amount of inflation since 1987 as measured by the Consumer Price Index (CPI). The bill also provides for an annual increase in TANF payments equal to the increase in the CPI for the preceding year.

**Effective Date:** July 1, 2000.

**Explanation of State Expenditures:** (Revised) *Summary:* This bill increases the monthly cash assistance amounts under the TANF program and provides for an annual adjustment of these amounts by the rate of change in the Consumer Price Index. This provision increases the monthly TANF expenditure for those recipient families who are currently eligible for benefits. Since the standard of need is increased, new families are also made eligible for TANF benefits, as well as benefits under the Medicaid program (due to their eligibility for TANF).

The expenditure estimates in the following table are based on the current TANF caseload. Should the caseload increase because of a change in economic conditions, the impact of this bill on state expenditures would be greater.

		<b>Total Costs</b>	<b>Federal Share</b>	<b>State Share</b>
<b>FY 2001</b>	<b>Current Eligibles:</b>			
	<b>Cash Assistance</b>	\$38.2 M	\$23.7 M	\$14.5 M
	<b>New Eligibles:</b>			
	<b>Cash Assistance</b>	\$47.6 M	\$29.5 M	\$18.1 M
	<b>Medicaid Costs</b>	\$13.3 M	\$6.4 M	\$6.9 M
	<b>Total</b>	\$99.1 M	\$59.6 M	\$39.5 M
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<b>FY 2002</b>	<b>Current Eligibles:</b>			
	<b>Cash Assistance</b>	\$41.1 M	\$25.5 M	\$15.6 M
	<b>New Eligibles:</b>			
	<b>Cash Assistance</b>	\$52.6 M	\$32.6 M	\$20.0 M
	<b>Medicaid Costs</b>	\$14.9 M	\$7.2 M	\$7.7 M
	<b>Total</b>	\$108.6 M	\$65.3 M	\$43.3 M
* Under federal regulations, some portion or all of the state share may be paid from either the TANF High Performance Bonus Award of \$8.8 M recently received by the state or some portion of the TANF Block Grant Funds that are unobligated.				

*Background:* This bill increases the monthly standard of need and payments for the recipients of the TANF program and provides for subsequent annual increases based on the change in the CPI. The impact of this provision is to: (1) increase the monthly TANF cash payment to currently eligible TANF recipients; (2) increase the number of families eligible for the TANF program because of the higher standard of need; and (3) increase the number of families eligible for benefits under the Medicaid program due to their new eligibility for TANF assistance.

*Impact from Current Eligibles:* The bill increases the standard of need by about 47%, the approximate change in the CPI since 1987 when the standard of need was last changed. The maximum cash assistance payment for an adult and two children would then become \$423 per month (up from the current maximum of \$288). This maximum cash payment represents \$5,076 per year, equivalent to about 36% of the federal poverty level. As of November 1999, there were 30,657 TANF cases representing 19,419 adults and 57,844 children. The cash assistance payments to *current* eligibles is estimated to increase by \$38.2 M for FY2001. This represents about \$23.7 M in additional federal funds and \$14.5 M in state expenditures (approximate Federal share of TANF expenditures = 62%; state share = 38%).

*Impact from New Eligibles:* The increased standard of need will also make an estimated additional 7,715 families eligible for TANF. Projected cash assistance payments for the newly eligible families will represent an additional \$47.6 M in TANF expenditures for FY2001. This represents about \$29.5 M in additional federal funds and \$18.1 M in state TANF expenditures. Eligibility for the TANF program also implies eligibility for the Medicaid program resulting in additional Medicaid expenditures of \$13.3 M. This

represents \$6.4 M in new federal funds and \$6.9 M in additional state expenditures. This estimate assumes that the children were already receiving services under the CHIP program with enhanced federal reimbursement (73% Fed /27% State), but would now receive medical services funded through the regular Medicaid program at the customary reimbursement rate (62% Fed/38% State).

A second provision of the bill provides for annually increasing the TANF standard of need and payments by the change in the CPI from the previous year. Assuming a change in the CPI of 2.5%, the additional state share of TANF cash assistance for FY2002 is estimated to be \$15.6 M for currently eligible families. The additional cash assistance for newly eligible families is estimated to be \$20.0 M. Additional state Medicaid expenditures for FY2002 are estimated to be \$7.7 M.

Summarizing, total new expenditures for TANF families is estimated to be \$99.1 M for FY 2001 and \$108.6 for FY2002. New federal reimbursement for Indiana is estimated to be \$59.6 M for FY 2001 and \$65.3 M for FY2002. Additional state costs are estimated to total \$39.5 M for FY2001 and \$43.3 M for FY 2002. [Note: Under federal regulations, some portion or all of the state share may be paid from either the TANF High Performance Bonus Award of \$8.8 M recently received by the state or some portion of the TANF Block Grant Funds that are not obligated. It is unclear whether this would require an additional statutory change to accomplish this.]

The additional state TANF expenditures would also qualify as maintenance of effort (MOE) expenditures and would contribute toward the state's annual \$121 M MOE requirement under the TANF program.

Note: This analysis is based on the current TANF caseload of 30,700 cases. However, the current caseload represents less than half of the peak caseload of 69,700 reached in 1993. This significant reduction in caseload is attributable to welfare reform provisions implemented by the state, as well as an economy that has provided sustained low unemployment levels over several years. Assuming that the economy is not likely to perform at this level indefinitely and caseloads will again rise, the fiscal impact of an increase in cash assistance payments as provided in this bill will be larger than described above. It is not known what portion of the caseload reduction is attributable to welfare reform policies and what portion is attributable to good economic conditions. However, as an example, the cost *that would be attributable to the increase* in monthly cash payments as provided in this bill [resulting from a reversal in the caseload trend equivalent to 20% of the reduction since 1993] would cost an additional \$5.8 M in state dollars (Total expenditure increase = \$15.3 M; Federal share = \$9.5 M).

**Explanation of State Revenues:** See Explanation of State Expenditures, above, regarding federal reimbursement of TANF and Medicaid expenditures.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration

**Local Agencies Affected:**

**Information Sources:** Data from U.S. Census Bureau and FSSA.