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# MEMORANDUM

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**To:** Human Services Subcommittee of the Joint Committee on Ways and Means

**From:** Laurie Byerly, Legislative Fiscal Office  
503-986-1833

**Date:** June 18, 2015

**Subject:** HB 3535 - Relating to public assistance  
Work Session Recommendation

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House Bill 3535 includes changes for the Temporary Assistance for Needy Families (TANF) program that align with investments in the Department of Human Services (DHS) budget made possible due to caseload savings. The changes are targeted at helping participants transition off the program, simplifying eligibility requirements to strengthen family connections and stability for children, and providing services that can prevent families from entering TANF.

The measure previously had committee hearings in House Human Services and Housing on 4/20/15 and House Rules on 4/27/15. The measure, the original staff measure summary, and fiscal impact statement are available on the Oregon Legislative Information System (OLIS).

The bill has a fiscal impact of \$8,996,538 General Fund, which is included in the DHS Self Sufficiency budget (HB 5026) as part of an overall TANF reinvestment plan of \$30 million.

The measure is recommended to be moved to the Full Committee on Joint Ways and Means.

**Motion: I move HB 3535 to the Joint Committee on Ways and Means with a “do pass” recommendation.**

## Assignment of Carriers

Full: \_\_\_\_\_

1<sup>st</sup> Chamber: \_\_\_\_\_

2<sup>nd</sup> Chamber: \_\_\_\_\_

**FISCAL IMPACT OF PROPOSED LEGISLATION****Measure: HB 3535 - B**Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session  
Legislative Fiscal Office**Only Impacts on Original or Engrossed  
Versions are Considered Official**Prepared by: Kim To  
Reviewed by: Laurie Byerly, Michelle Deister  
Date: 5/14/2015**Measure Description:**

Modifies temporary assistance for needy families program to promote employment and financial stability for families at risk of qualifying for or who qualify for temporary assistance for needy families or who become ineligible for temporary assistance to needy families aid due to employment.

**Government Unit(s) Affected:**

Department of Human Services (DHS), Oregon Employment Department (OED)

**Summary of Expenditure Impact:**

	<b>2015-17 Biennium</b>	<b>2017-19 Biennium</b>
<sup>1</sup> Increase Flexibility in Support Services	2,900,000	2,900,000
<sup>2</sup> TANF Transition	3,115,125	4,984,200
<sup>3</sup> Expanding Care Taker Relative Definition	376,500	720,000
<sup>4</sup> Removal of Deprivation Requirement	2,604,903	5,001,414
<b>Total General Fund</b>	<b>\$8,996,528</b>	<b>\$13,605,614</b>

**Local Government Mandate:**

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**Analysis:**

House Bill 3535 with the – A2 amendment modifies eligibility and amount of aid determinations for the temporary assistance for needy families (TANF) program by:

- Increasing flexibility in providing support services for transportation, housing or other costs to prevent the loss of employment and TANF entry.
- Providing transition payments for up to three consecutive months to families exiting TANF under certain circumstances.
- Expanding the definition of “caretaker relative” to allow additional relatives to care for children, in the absence of a parent.
- Removing the requirement that a child must be deprived of parental support based on the parental absence, incapacity, or under/unemployment to be eligible to receive aid.

The bill also allows the Department of Human Services (DHS), in coordination with workforce agencies and stakeholders, to operate a 12-month program to pilot alternative ways to operate the JOBS Plus program; and directs DHS to include in its annual report the status of this program. In addition, the bill modifies the membership and scope of the Family Services Review Commission.

Department of Human Services (DHS)

The fiscal impact of this bill to the DHS is anticipated to be \$8,996,528 General Fund for the 2015-17 biennium, and \$13,605,614 for the 2017-19 biennium, based on an April 2016 implementation date, and the following assumptions and calculations:

1. Increasing flexibility in providing support services for transportation, housing or other costs to prevent the loss of employment and TANF entry: Based on supplemental payments issued through the JOBS program, DHS TANF stakeholder group derived an amount of \$2,900,000 as a feasible reinvestment to support clients with expenses such as housing, transportation, tools, and work clothing/
2. Providing transition payments for up to three consecutive months to families exiting TANF under certain circumstances: Extrapolating average placements for the TANF program, DHS assumes an average of 925 additional cases per month with this modification in transition payments. At an average cost per case of \$225, DHS projects the cost of providing transition payments to be \$3,115,125 General Fund for the 2015-17 biennium; and \$4,984,200 for the 2017-19 biennium.
3. Expanding the definition of "caretaker relative" to allow additional relatives to care for children, in the absence of a parent: Based on the number of cases closed when the definition of caretaker relative was restricted, DHS projects this expansion will result in 84 additional cases a month for the 2015-17 biennium, and 100 for the 2017-19 biennium. At \$300 cost per case, DHS projects the fiscal impact of this change to be \$376,500 General Fund for the 2015-17 biennium; and \$720,000 General Fund for the 2017-19 biennium.
4. Removing the requirement that a child must be deprived of parental support based on the parental absence, incapacity, or under/unemployment: Based on closed and denied cases from October 2013 through October 2014, DHS projects the number of additional average cases per month to be 397 for the 2015-17 biennium, and 477 for the 2017-19 biennium. Based on a cost per case of \$437.29, DHS estimates the cost of removing the deprivation requirement to be \$2,604,903 General Fund for the 2015-17 biennium; and \$5,001,414 General Fund for the 2017-19 biennium.

Because this bill along with policy option packages 101 and 113 in the DHS 2015-17 Governor's Budget, represents continuing efforts to reform and reinvest in the state TANF program, budgetary action to address the fiscal impact of this bill will be included in the agency's 2015-17 budget appropriation bill.

#### Oregon Employment Department (OED)

Passage of this bill is anticipated to have minimal impact on the Office of Administrative Hearings (OAH). OED predicts that this proposed legislation could cause slight increase in hearings related to the TANF program that can be absorbed using existing resources.

OED receives \$16 million in federal Wagner-Peyser administrative grant funds to operate employment related labor exchange service. Federal guidance requires that all exchange participants have the opportunity to receive the same level of service. If this bill is interpreted to require that OED prioritize services to TANF or JOBS participants, this funding could be at risk. Any additional services to a group of clients needs to be provided on contract/fee-for-service basis. OED has historically had such a contractual arrangement in place for clients of DHS and other community organizations, and has limitation in its 2015-17 recommendation to continue this arrangement.

**PRELIMINARY STAFF MEASURE SUMMARY**

**Joint Committee On Ways and Means**

**Fiscal:** Fiscal impact issued

**Revenue:** No Revenue Impact

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**Action Date:**

**Action:**

**Meeting Dates:**

**Prepared By:** Laurie Byerly, Budget Analyst

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**WHAT THE MEASURE DOES:**

Modifies Temporary Assistance for Needy Families (TANF) program. Declares emergency, effective on passage.

**ISSUES DISCUSSED:**

**EFFECT OF COMMITTEE AMENDMENT:**

No amendment.

**BACKGROUND:**

Temporary Assistance for Needy Families, or TANF, is a cash assistance program administered by the Department of Human Services (DHS) for families with children living in deep poverty. To qualify for TANF, families must be at or below 37 percent of the federal poverty level and must have very few assets. TANF provides parents the tools to be job ready and supports stability for children. Parents/caregivers receive a small cash grant for living expenses, transportation and child care to enhance their job search efforts, plus job readiness training. The program is designed to provide interventions for families both “Pre-TANF” and “Post-TANF” to ensure they are prepared to meet program requirements in advance, and have the supports they need to transition into employment when they exit the program. The current maximum monthly benefit for a family of three is \$506. Public assistance caseloads in Oregon are slowly and steadily declining, but are not projected to reach pre-recession levels for several years due to the uneven economic recovery.

House Bill 3535 supports DHS using savings from declining caseloads to “reinvest” in improvements to Oregon’s TANF program by making changes at all stages, such as: raising the income maximum for families exiting the program; providing small grants to families as they exit; reducing child care subsidies for three months as parents transition to employment; clarifying eligibility; expanding contracts with community-based organizations to prevent entry into the program in the first instance; improving the program’s ability to be customized; providing outcome-focused case management; and aligning state time limits with federal time limits.