TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 137 - SB 144

March 1, 2021

SUMMARY OF BILL: Creates the *Tennessee Opportunity Act.* Requires the Department of Human Services (DHS) to establish, at the beginning of federal fiscal year 2022, a reserve of funds from the Temporary Assistance for Needy Families (TANF) program in an amount equal to within $10,000,000 of the federal fiscal year 2021 TANF block grant amount awarded to the state. Authorizes DHS to use this fund to address any emergency that has ben declared in the state, or economic needs arising when the state unemployment rate reaches a level deemed concerning by the Governor. Requires DHS to replenish any funds used from this reserve fund.

Beginning October 1, 2021, requires DHS to spend or dedicate within each federal fiscal year 100 percent of all available TANF funds that are not already allocated or part of the newly created reserve fund. Requires DHS, beginning in the quarter following the end of federal fiscal year 2021, to allocate any unspent TANF funds that are not part of the newly created reserve fund to each county in allotments proportional to their percentage share of the total number of children living in households at or below the federal poverty line. Requires these allotments to be allocated through programs that provide services to recipients eligible for the TANF program and living in households at or below 200 percent of the federal poverty line. Requires DHS to place funds unspent in any county due to absence of qualified providers into a pool to be distributed to other counties, and to work with nonprofits and local government entities to develop a plan for appropriating a full allotment to that county in the subsequent year. Requires DHS to use TANF funds for any additional administrative costs incurred as a result of the proposed legislation, to the extent permitted by federal law.

Requires DHS to: (1) dedicate $300,000,000 from the Department's existing surplus reserve of TANF funds to establish a three-year Tennessee Opportunity Pilot Program (Pilot) in eight counties with the goal of demonstrating the efficacy of well-implemented two-generation approaches to improving education, heath, and economic outcomes; (2) select and fund a research partner to support the research and evaluation of the Pilot; and (3) retain one or more TANF experts to advise in decision-making regarding Pilot grants.

Creates an advisory board (Board) to approve: (1) the hire of the research partner; (2) approve the recipients of planning and implementation grants for the Pilot; and (3) approve the hire of the TANF expert. Requires the Board to submit a final report to the General Assembly by December 31, 2025, detailing the Board's findings from the Pilot, recommendations for future TANF program spending in this state and legislation needed to support those recommendations.

Requires DHS to compile a report and make a presentation to various committees of the General Assembly by January 31, 2022, and each January 31 thereafter, detailing the costs, allotments, the number of individuals and families served and efforts made and planned by the Department

to identify qualified providers in counties where a full allotment was not appropriated in the prior year.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $404,200/FY21-22
$4,200/Each FY22-23 through FY24-25
$2,500/FY25-26

Other Fiscal Impact – There will be a recurring increase in federal Temporary Assistance for Needy Families (TANF) expenditures for the Department of Human Services (DHS) of approximately $101,261,268 in FY21-22 and subsequent years for the DHS to spend or dedicate 100 percent of available TANF funds.

A one-time increase in federal TANF expenditures for DHS of $480,000,000 in FY21-22 from existing TANF reserve funds will be required to accommodate the establishment of a state TANF reserve fund and to fund the proposed pilot program. Additional expenditures from the federal TANF reserve funds may be required in future years to replenish any expenditures from the state TANF reserve fund; the timing and amount of any such expenditures is unknown and subject to the availability of sufficient funds.

Local government entities will realize an increase in revenue of approximately $186,261,300 in FY21-22, $181,261,300 in each year FY22-23 through FY23-24, and $101,261,300 in FY24-25 and subsequent years. Such revenue is to be utilized for specified purposes in this legislation. Therefore, local governments will incur equivalent expenditures in each of those years. The net impact on local government is estimated to be not significant.

It is possible that these expenditures can currently be absorbed within DHS's existing TANF block grant and reserve funds. However, to the extent such funding is currently encumbered by pending contracts or allocations, or other legislation is enacted that utilizes such funding, DHS may experience an increase in state expenditures to meet the requirements of this legislation. The extent and timing of any such increases are dependent upon future events and are unknown at this time. Additionally, it is unclear whether certain requirements of this legislation are allowable uses of TANF funds under federal compliance regulations. Passage of this legislation could jeopardize a portion or all of the federal funding for the Temporary Assistance for Needy Families.

Assumptions relative to State Impact:

- The Board will consist of two legislative members, five state department heads, and four non-legislative members, for a total of 11 members.
- Legislative members of the Board are to be reimbursed as members of the General Assembly and paid for attending legislative meetings. Other members shall not receive compensation for service, but will be reimbursed for any travel expenses incurred for attending meetings, except for the five state department heads, who will attend board meetings in the course of their regular business. Therefore, four non-legislative members will be reimbursed for travel expenses.
- The Board will meet at least monthly until May 1, 2022, and at least quarterly thereafter.
- Meetings may be held virtually. It is assumed that most meetings will be held virtually, and that the Board will meet in person once per quarter.
- The Board will meet by July 1, 2021, and will remain active until December 31, 2025. Therefore, four meetings in each FY21-22, through FY24-25 and two meetings in FY25-26, for a total 18 in-person meetings.
- The General Assembly will be in session at the time of four quarterly meetings.
- Legislative members will receive per diem of $295 per day for 14 total meetings. Four members will receive $0.47 per mile roundtrip; the average miles travelled per member is estimated to be 234 miles roundtrip.
- The average mileage reimbursement per member for each meeting is estimated to be $110 ($0.47 x 234 miles).
- The total cost per legislative member for each meeting is estimated to be $405 ($295 per diem + $110 mileage).
- The total cost for two legislative members to attend three meetings in each FY21-22 though FY24-25 is estimated to be $2,430 (2 members x $405 x 3 meetings).
- The total cost for four non-legislative members to attend four meetings in each FY21-22 though FY24-25 is estimated to be $1,760 (4 members x $110 x 4 meetings).
- The total cost for two legislative members to attend two meeting in FY25-26 is estimated to be $1,620 (2 members x $405 x 2 meetings).
- The total cost for four non-legislative members to attend two meetings in FY25-26 is estimated to be $880 (4 members x $110 x 2 meetings).
- The total increase in state expenditures associated with the Board is estimated to be $4,190 ($2,430 + $1,760) in each FY21-22 through FY24-25.
- the total increase in state expenditures associated with the Board is estimated to be $2,500 ($1,620 + $880) in FY25-26.
- Any increase in expenditures to the Board to compile and submit the annual report will be not significant.
- The precise costs to enlist at least one research partner and one TANF expert are unknown. However, it is reasonably assumed DHS will contract with a research partner and a TANF expert to meet the provisions of the proposed legislation.
- The one-time increase in state expenditures is estimated to be $400,000 in FY21-22.
- The total increase in state expenditures is estimated to be $404,190 ($4,190 + $400,000) in FY21-22.

- The total increase in state expenditures is estimated to be $4,190 in FY22-23 through FY24-25.
- The total increase in state expenditures is estimated to be $$2,500 in FY25-26.

Assumptions relative to allocating TANF funds:

- The recurring annual amount the state receives from the federal government per the TANF block grant is approximately $191,000,000. Additionally, DHS has the authority to draw from TANF reserve funds. As of September 30, 2020, the balance of the TANF reserve funds, was approximately $735,800,000.
- Per federal requirements, TANF funds must only be expended for one of the four following purposes: (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families.
- It is unclear whether some of the requirements of this bill could utilize TANF funds without risking federal non-compliance. Based on information provided by DHS, the following provisions are of particular concern in this regard:
    - 71-1-303 – Establishment of a state TANF reserve fund
    - 71-1-304(d) – Pooling of funds
    - 71-1-305(b)(1) – Awards of $500,000 in planning grants
- In addition, issuing large scale block allotments to cities, counties, and multi-county regions as required in 71-1-304 and 71-1-305 may present challenges to the Department in monitoring for federal compliance.
- Based on information provided by DHS, the average total annual TANF expenditures from the block grant over the three previous fiscal years was $89,738,732.
- Pursuant to section 71-1-304(a) of the proposed legislation, beginning in FY21-22, DHS will be required to spend or dedicate 100 percent of all available TANF funds in the annual block grant; therefore, a recurring increase in federal TANF expenditures for DHS from the annual TANF block grant of approximately $101,261,268 ($191,000,000 - $89,738,732) in FY21-22 and subsequent years.
- Pursuant to section 71-1-303 of the proposed legislation, DHS is required, at the beginning of federal fiscal year 2022, to establish a state TANF reserve fund of approximately $180,000,000 from existing federal TANF reserve funds, and, in the quarter following the end of each federal fiscal year, replenish any expenditures from that fund that occurred in the previous fiscal year. Therefore, a one-time increase in federal TANF expenditures in FY21-22 estimated to be $180,000,000; and a periodic increase in federal TANF expenditures of unknown timing and extent to replenish any expenditures.
- Pursuant to section 71-1-305(a) of the proposed legislation, in FY21-22, DHS must dedicate $300,000,000 from the existing surplus reserve of TANF funds to support the planning, implementation, and evaluation of the three-year Pilot programs in eight local communities.

- The total increase in federal TANF expenditures from the existing federal TANF surplus reserve funds is $480,000,000 ($180,000,000 new state TANF reserve fund + $300,000,000 pilot programs).
- It is possible that these expenditures can currently be absorbed within DHS's existing TANF block grant and reserve funds. However, to the extent such funding is currently encumbered by pending contracts or allocations, or other legislation is enacted that utilizes such funding, DHS may experience an increase in state expenditures to meet the requirements of this legislation. The extent and timing of any additional fiscal impact to the DHS, if any, are unknown and cannot be reasonably determined.

Assumptions relative to local revenue:

- Pursuant to section 71-1-305(b) of the proposed legislation, by October 1, 2021, DHS must award planning grants in amounts up to $500,000 to each of 10 selected cities, counties, or multi-county regions; therefore, a one-time increase in local revenue in FY21-22 estimated to be $5,000,000 ($500,000 x 10 selected cities and counties).
- Pursuant to section 71-1-305(e) of the proposed legislation, DHS is required to award implementation grants in amounts up to $10,000,000 to each of eight selected cities, counties, or multi-county regions per year for three years; therefore, an increase in local revenue in each year FY21-22 through FY23-24 estimated to be $80,000,000 ($10,000,000 x 8).
- Pursuant to section 71-1-304(a) of the proposed legislation, beginning in FY21-22, DHS will be required to spend or dedicate 100 percent of all available TANF funds in the annual block grant; therefore, a recurring increase in local revenue from the annual TANF block grant of approximately $101,261,268 ($191,000,000 - $89,738,732) will occur in FY21-22 and subsequent years.
- The total increase in local revenue in FY21-22 is estimated to be $186,261,268 ($101,261,268 block grant spending + $80,000,000 pilot programs + 5,000,000 planning grants).
- The total increase in local revenue in each FY22-23 through FY23-24 is estimated to be $181,261,268 ($101,261,268 block grant spending + $80,00,000 pilot programs).
- The total recurring increase in local revenue in FY24-25 and subsequent years is estimated to be $101,261,268 (block grant spending).
- Such revenue is to be utilized for specified purposes in this legislation. Therefore, local governments will incur equivalent expenditures in each of those years. The net impact on local government is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Bojan Savic

Bojan Savic, Interim Executive Director

/jj