



Department of Audits and Accounts

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Honorable William T. Ligon, Jr.
State Senator
323-B Coverdell Legislative Office Building
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
Senate Bill 312 Substitute
(LC 33 4686S)

Dear Senator Ligon:

This bill would require applicants for food stamps to engage in professional development activities as a condition of eligibility. Such professional development activities would include, for example, working toward a general education development (GED) diploma, pursuing technical education, or enrolling in an adult literacy class. The Department of Human Services (DHS) would be required to take necessary steps, including revising applicable program rules, to implement the bill's program eligibility requirements. Applicable changes would initially be implemented in a five-county pilot program, prior to statewide implementation. The specific five counties that would be involved in the pilot program would be designated by the DHS and timeframes for expanding to a statewide basis are not stipulated. The bill stipulates that this Act would become effective only if funds are specifically appropriated for its purpose in an Appropriations Act that specifically refers to this Act.

Implementation of this bill in the five-county pilot program is estimated to cost a total of approximately \$23 million annually and would be subject to approval of a state plan amendment from the appropriate federal agency. Subsequent to this expenditure, it is assumed that the state would be reimbursed 50% by federal funds, as DHS explained this is the current federal reimbursement level for food stamp administration expenses, although direct food stamp client benefits are 100% federally funded. It should be noted that these pilot program costs were

calculated by taking 3.14% (representing the five pilot program counties as a percentage of the state's entire 159 counties) of the bill's estimated total statewide impact, which totals about \$772 million, comprised of \$365.2 million in state costs and an assumption of receiving the remaining \$406.8 million in federal funds. Actual costs of the pilot program could vary substantially, depending upon the specific demographics of any particular five counties that may be selected for the pilot program. Additionally, although it may be assumed that the bill could result in an increased likelihood of food stamp recipients obtaining employment and leaving the food stamp program, no offsetting state savings were calculated. This is because direct food stamp benefits are 100% federally funded and also because food stamp clients who obtain employment may still qualify for food stamp benefits, depending upon their respective employment income levels.

It should also be noted that the costs presented in this fiscal note do not include any eventual expenditures that may be needed to increase the state's capacity to provide GED, technical education, adult literacy, and other "professional development" classes to any increased number of adults enrolling in such classes as a result of this bill. The DHS estimates that, statewide, over 400,000 adults may be covered and that the bill's stipulated pilot program could result in over 12,000 adults (3.14% of the total) being covered. Information was not readily available, however, to accurately estimate how many of these adults may eventually become enrolled in "professional development" classes and, consequently, necessitate additional state expenditures to accomplish provision of such services to enrollees.

Assuming federal reimbursement is received for 50% of the \$23 million total expenditures resulting from the bill's stipulated pilot program, the state's net cost would total approximately \$11.5 million annually. As outlined below and explained in subsequent paragraphs, most of these costs would result from providing affiliated employment and training services to food stamp program participants. The federal Supplemental Nutrition Assistance Program Employment and Training (SNAP-ET) Program pertains to the type of "professional development" activities stipulated in the bill and requires that participants be reimbursed for all expenses that are reasonable, necessary, and directly related to participation in the program. Resultantly, the state's \$11.5 million increased annual expenditures would be comprised of approximately: \$7.85 million for providing child care services to the children of parents who are enrolled in such "professional development" activities; \$2.0 million for transporting participating adults to such activities; \$1.3 million for related costs to attend; and about \$368,000 for DCH's increased costs associated with determining and monitoring participants' eligibility. An additional \$1.3 million was estimated by the DHS to contract with a firm to contact, assess, and direct all affiliated adult participants to the appropriate professional development training. This \$1.3 million would be 100% reimbursed by the federal government, according to the DHS, up to a maximum of \$2 million annually.

The \$7.85 million for child care services was derived by estimating that approximately 4,900 children between the ages of six and 13 would need after-school care while parents were engaged in professional development services, at an annual cost of about \$3,000 per child (50% of which would be federally reimbursed). The remaining balance of this cost would be for expansion of the DHS' eligibility system and program support to assess, process, and monitor such child care service aspects.

The \$2.0 million for transportation services was estimated by assuming that each of the 12,000 adults would utilize approximately three months of transportation services to/from related professional development services, at an average monthly cost of slightly more than \$106 per participant (50% of which would be federally reimbursed).

The \$1.3 million of related costs covers the state's portion of costs for participant expenses such as books, tools, clothing, etc. relating to their attending such professional development activities.

The \$368,000 cost element is the state's portion of estimated expenses for handling the increased participant workload, including: an additional 14 staff to process applications, renewals, and case changes; affiliated support costs, such as phones and office space; and affiliated computer service fees related to Georgia Enterprise Technology Services.

Respectfully,

/s/ Russell W. Hinton
State Auditor

/s/ Debbie Dlugolenski Alford, Director
Office of Planning and Budget

RWH/DDA/cl/bb