

BILL # HB 2405

TITLE: welfare; wheels to work

SPONSOR: Anderson

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Stefan Shepherd

FISCAL YEAR

2001

2002

2003

EXPENDITURES

Federal Temporary Assistance for Needy Families (TANF) Block Grant	\$-0-	\$(275,200)	\$(275,200)
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FISCAL ANALYSIS

Description

The bill reduces from 12 months to 6 months the amount of time that welfare clients in the state's Wheels to Work program must participate before receiving title to the vehicle the client is using.

Estimated Impact

JLBC Staff estimates that this bill would reduce expenditures in the Wheels to Work program by \$(275,200) TANF in both FY 2002 and FY 2003. Since the Wheels to Work program is currently funded at a flat \$2,000,000 per year, this estimate assumes the savings generated by the reduction in lease time are not used to provide vehicles to additional people.

Assumptions

The Department of Economic Security (DES) contracts with Goodwill of Central Arizona to operate the state's Wheels to Work program. This program accepts cars donated by the public, repairs them, and gives them to persons receiving TANF cash benefits from DES. Persons donating cars to the Wheels to Work program can receive an income tax credit of up to \$1,500 if their vehicle is accepted by the Wheels to Work program. TANF clients participating in the program must have verifiable employment for which a vehicle is essential transportation. Goodwill provides case management and program staff, repairs vehicles, and pays for other associated vehicle costs such as insurance, registration, and emissions testing (but not gasoline.)

Under current law, the Wheels to Work program pays for insurance costs for the first 6 months; after that the clients are responsible for the vehicle's insurance. Clients receive the title to the vehicle after 12 months' participation in the program; at that point, all associated vehicle costs are the clients' responsibility. This bill would reduce the amount of time before clients receive the title to the vehicle from 12 months to 6 months.

The Wheels to Work program is funded with a \$2,000,000 yearly appropriation in the DES budget. Because this is a lump sum appropriation, it is possible that changes to program operation would have no effect on overall expenditures (e.g., if this provision reduces per participant costs, the program could provide vehicles to more participants for the same cost.) Based on discussions with the bill's sponsor, we have estimated the fiscal impact of the bill assuming that the program provides vehicles to the same number of participants.

The average monthly amount of leases in effect in FY 2001 has been approximately 307. Since this period also included part of the first year of operations and the number of leases in effect grew from 221 to 369 over this period, we have assumed that the average number of leases effective in any one month is 369. Data from Goodwill covering the November 1999 through

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Assumptions (Continued)

June 2000 time period indicated that fewer than 4% of all participants who signed the lease had lost their eligibility for the program. As a result, we have assumed that all 369 leases are effective for 12 months.

JLBC Staff assumes that the costs associated with vehicles that would be reduced if the lease period is shortened to 6 months are insurance and repairs. According to Goodwill, they have an umbrella insurance policy to cover all vehicles (including those not yet leased to program participants). Under the current policy, 12 months of coverage costs \$1,040 per vehicle. Goodwill estimates that if the lease period were reduced to 6 months the coverage would decrease to approximately \$600 per vehicle, a decrease of approximately \$440 per vehicle. This decrease would save a total of \$162,400 yearly if applied to the 369 vehicle leases effective in any given month.

Goodwill reports that the average amount spent on repairs per 12-month lease period is \$476 per vehicle. (This amount does not include the amount spent on initial repairs prior to leasing a vehicle to a program participant.) It is unclear how repairs occur over any 12-month period. Although it's possible that more repairs occur in the first 6 months of a lease, because the \$476 repair figure excludes repairs made prior to leasing the vehicle to a client, we assume that these post-lease repair costs are distributed equally between the 1st and 2nd 6-month periods. Reducing the lease period from 12 to 6 months, therefore, is estimated to reduce repair costs by half of \$476, or \$238 per vehicle. This decrease would save a total of \$87,800 yearly if applied to the 369 vehicle leases effective in any given month.

Finally, we need to estimate if there will be any administrative savings. Most of the administrative work (such as screening clients for employment and driving skills, preparing vehicles for lease, and receiving donated vehicles) occurs prior to leasing a car to a program participant. In addition, Goodwill has 5 employees for a program that provides services statewide. As a result, JLBC Staff does not believe there will be many administrative savings. Goodwill's estimate of "direct administrative costs" in calendar year 2000 totaled about \$617,000, plus approximately \$437,000 of "indirect administrative costs." Based on the fact that Goodwill has just 5 employees statewide, we estimate that the change will generate at most \$25,000 in yearly savings. This estimate is very speculative, however, and could vary based on how Goodwill defines its administrative costs.

Combining the insurance, repair, and administrative cost savings together generates total savings of \$275,200 yearly. Assuming an effective date for the bill of July 1, 2001, this bill would reduce expenditures in the Wheels to Work program by \$(275,200) TANF in both FY 2002 and FY 2003. As noted above, since the Wheels to Work program is currently funded at a flat \$2,000,000 per year, this estimate is based on an assumption that the program does not use the savings generated by the reduction in lease time to provide vehicles to additional people.

Local Government Impact

None