# Temporary Assistance to Needy Families

Welfare reform—a process with a history of more than twenty years—is now fully invested in a strategy of workforce development. With the passage of House Bills 167 of the 121st General Assembly and 408 of the 122nd General Assembly—the latter implementing the Temporary Assistance for Needy Families (TANF) program that was created by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996—the Ohio Department of Job and Family Services (JFS) entered a new era for the delivery of human service programs. Now in 2001, the department's Ohio Works First (OWF) and Prevention, Retention, and Contingency (PRC) programs continue a transformation away from "income maintenance" toward a new mix of services that support workforce development, and thus provide what we might think of as "welfare" on a temporary basis.

The OWF program provides temporary assistance to a needy family with (or expecting) a child, by providing the parent(s) with cash assistance to assist with basic support while the family gains the job skills necessary to enable them to achieve economic independence. To accomplish this goal in the next biennium, ODHS will continue to emphasize early-entry employment, employment retention, and employment upgrade. County workers will continue to realign the kind of work they perform to provide more case management and support services that help to prepare individuals for the workplace and follow-up after employment. These goals will be increasingly pursued through the PRC program and less through the OWF program.

The PRC program replaced and expanded Ohio's Family Emergency Assistance program. As the name implies, the PRC program is a special category of assistance designed to help families with one-time urgent needs that could, if left unattended, result in the family entering the cash assistance caseload. Ohio House Bill 408, of the 122nd G.A., provided that each county develop a PRC program designed to meet the needs of the county or adopt the state model. Examples of assistance and services provided under PRC include such things as shelter and utility expenses, transportation and car repair, counseling/mentoring services, job-related expenses, household expenses, and job support and job retention services.

## TANF

The PRWORA eliminated the Aid to Families with Dependent Children program (or AFDC; in Ohio this was called Aid to Dependent Children or ADC), the Job Opportunity and Basic Skills (JOBS) program, and the Family Emergency Assistance (FEA) program. Congress replaced these programs with the TANF program. Prior to TANF, under the AFDC program, the federal government provided states with open-ended matching funds for cash welfare payments to all families who qualified. Cash benefits were an "entitlement" and had no time limit. Under an entitlement, qualified recipients have a "right" to receive benefits and appropriations must be provided in case of a shortfall. In the old AFDC entitlement program the federal government reimbursed states for welfare spending at a rate between 50 percent to 80 percent—depending on per capita income. In Ohio this reimbursement averaged approximately 60 percent over the decade prior to PRWORA.

The focus of public assistance programs has now shifted away from "entitlement" to temporary assistance that promotes self-sufficiency by encouraging recipients to participate in work or in a developmental activity. PRWORA established a five-year maximum lifetime limit on a family's receipt of federally funded TANF benefits. The TANF program requires that the states impose stricter work requirements on recipients, and eliminated all but a few of the exemptions from participation in work programs for adult welfare recipients. The PRWORA prescribes little in the way of eligibility requirements, while being very prescriptive in the amount of work activity required of adult TANF recipients. Exercising the flexibility that PRWORA allows, the Ohio Works First (OWF) Program, created by H.B. 408, further limits receipt of TANF benefits to three years, with a possible hardship extension of two years, if a minimum of two years has passed since the last receipt of benefits.

The PRWORA established a "flat-funded" block grant to the states that expires September 30, 2002. Ohio's TANF program started in October 1997. Ohio's annual TANF block grant award of approximately $728 million is based on the amount of federal funds expended in federal fiscal year 1994 for the three eliminated programs (AFDC, JOBS, and FEA). Ohio is required to meet a maintenance of effort (MOE) requirement of 80 percent of what it spent in federal fiscal year (FFY) 1994 on the three eliminated programs (80 percent of that amount is approximately $417 million), through FFY 2002. The MOE can be lowered to 75 percent if the state meets its participation requirement. Ohio currently meets the participation rate requirements and is meeting the MOE at a 77 percent level. If the state fails to meet the MOE in any FFY, its TANF grant for the next federal fiscal year will be reduced by the amount of the deficit, and the state will be required to increase its TANF spending by an amount equal to the penalty.

One of the consequences of the block grant funding arrangement is that reductions in recipient case loads reduce the amount of "baseline" cash benefits, thus leaving more funds available for other TANF related program services or activities. If TANF grant funds go unspent in a particular year, the PRWORA legislation provides that "a State may reserve amounts paid to the State under [this legislation] for any fiscal year for the purpose of providing, without fiscal year limitation, assistance under the State program funded under [this legislation]."[1] At the end of FFY 2000 (September 30, 2000), Ohio's TANF reserve was approximately $721.7 million. This figure does not include funds that have been transferred to the Social Services Block Grant and the Child Care Development Fund, but which had not yet been spent as of that date. Reserve funds are held at the federal level and are available to be drawn down as the funds are needed.

*Appropriation to Federal Special Revenue Fund 3G9*

In September 1999, pursuant to the authority provided by section 55.07 of Am. Sub. H.B. 283 (the main operating budget for the current biennium), JFS (then the Department of Human

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[1] H.R. 3734, Personal Responsibility and Work Opportunity Reconciliation Act of 1996, sec. 404 (e).

Services) requested, and the Director of the Office of Budget and Management agreed to increase the appropriation authority of the department's Federal Special Revenue Fund 3G9, ALI 400-657 (now renumbered 600-657), Special Activities/Self Sufficiency, by $584,362,817. These funds had already been appropriated during fiscal years 1997, 1998, and 1999 to the GRF line item 400-411, TANF Block Grant (now 600-689) , but went unused and authority for them had lapsed. Prior to this move the appropriation authority for SFY 2000 in line 400-657 was $498,600. The Controlling Board was notified of the appropriation on October 15, 1999.

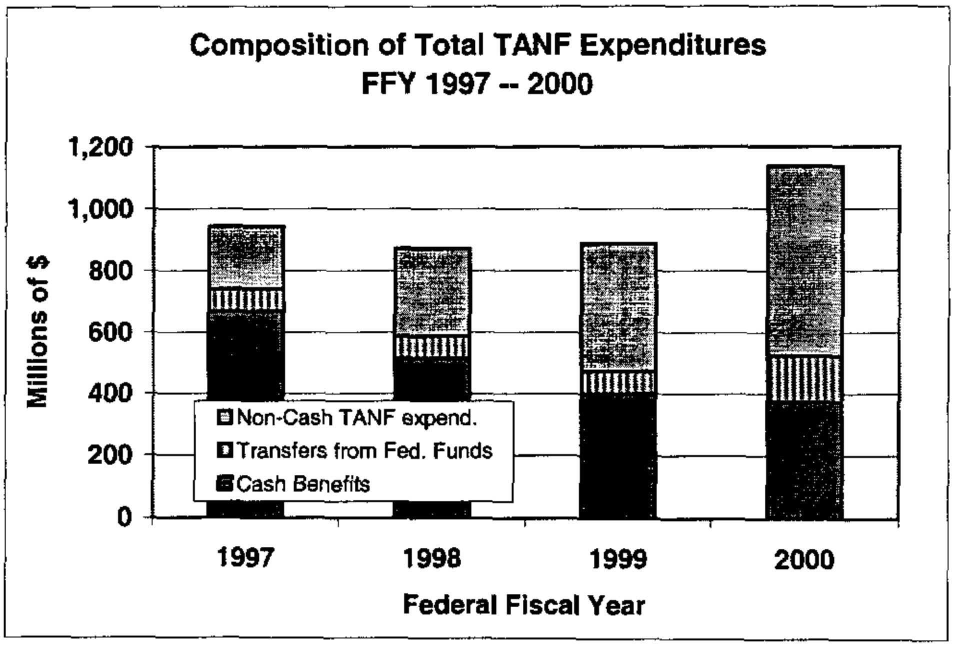
The appropriation increase in Fund 3G9, line 400-657, enabled the Department of Human Services to encumber the $584.4 million in federal TANF reserve funds to support the award of incentives to counties, for child care, and for the Prevention, Retention, and Contingency Development Reserve (PRC-DR) program. The three encumbrances are as follows:

| | |
|---|---|
| Prevention, Retention, and Contingency Reserves | $300,000,000 |
| County Performance and Caseload Reduction Incentives | $134,662,817 |
| Child Care from TANF Funds—Reserve | $149,700,000 |

According to JFS, the PRC-DR initiative does not represent any change in planned spending for the overall TANF program but is designed to "provide equal access to all counties seeking additional resources" in the effort to increase PRC services as the need for OWF benefits declines. The department planned to make available an additional $100 million in PRC funds for SFY 2000, and $200 million for SFY 2001, but revised the plan as implementation was slower than expected. A spending cap based on the county's population with income below 200 percent of poverty was determined for each county. Each county was to submit a project request that meets specific criteria in order for the PRC funds to be accessed.

County incentives are provided to encourage increased work participation rates, reduced out-of-wedlock pregnancy, reductions in expenditures for cash assistance, and other outcomes.

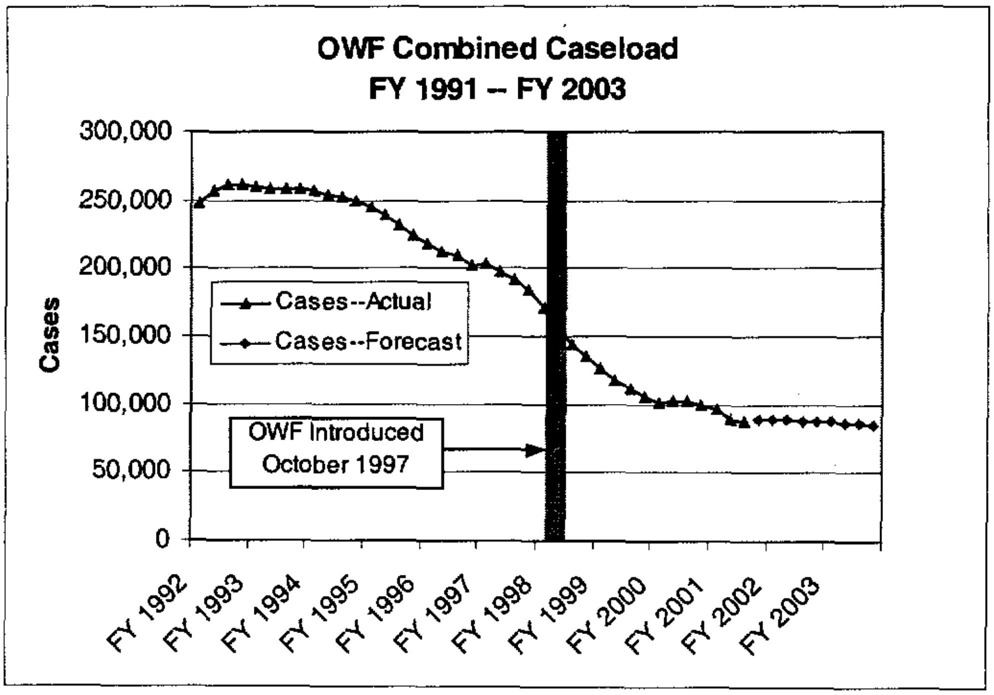
As a consequence of the increase of expenditures for other services and the reduction of expenditures for cash benefits, TANF funds going to non-cash expenditures exceeded cash benefits in both FFY 1999 and FY 2000 (see the chart on the composition of TANF expenditures).




*Devolution*

A significant aspect of Ohio's welfare reform is that it "devolves" significant authority to counties by introducing a "franchise" business model. Under this model counties can develop and implement their own program of services without Ohio Administrative Code rules, but within the parameters of all applicable state and federal laws and regulations. Counties can design their own services in human service functions, including TANF, PRC, day care, transportation services for low-income workers, child support, children services, and employment and training activities.

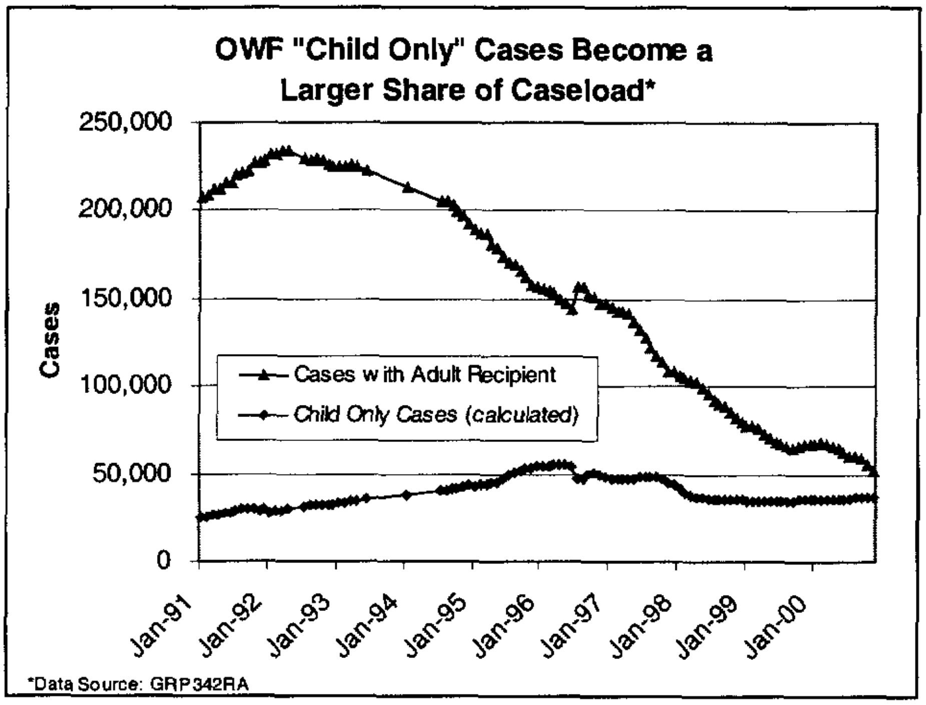
Each county is also given various options to consolidate all or a portion of their funding, or maintain as separate the eight different allocation streams from the federal government. All 88 of the counties have opted for the full consolidation of their state funding.




As the chart detailing the trend in the OWF combined caseload indicates, the number of OWF (or ADC as it was known) cases reached a peak in the spring of 1992 and then began a long-term decline as Ohio and the nation recovered from recession. The rate of decline was strong prior to the implementation of OWF, but the rate of decline clearly accelerated around the time of the introduction of OWF.

Over the last year or so, the pace of caseload decline has slowed substantially. The last quarter of calendar year 2000 has seen a significant decline that is largely associated with the effects of the 36-month time limit, which had its first impact in October 2000. In the coming years, unemployment is expected to increase slightly. LSC believes that this will have the effect of removing virtually all the downward movement in the OWF caseload, leaving the caseload essentially static over the course of the biennium.

As the caseload has declined since 1992, and especially after the introduction of OWF, there have been several important changes in the demographic composition of OWF. One of the most significant developments in the changing demographics of TANF recipients in Ohio is the increase in the number of "child only" cases. These cases occur when adults in the household are ineligible for TANF benefits or they are recipients in other programs such as supplemental security income (SSI). Recent data indicates that in Ohio the relationship of non-recipient adults in the households where "child only" cases occur is most often that of the catch-all category of "other relative," followed by grandparent, natural or foster parent, sibling, non-relatives, and step parents.[2] Such cases are exempt from time limits and work requirements. As the chart detailing the trend in "child only" cases indicates, the number of child only cases has been increasing slowly during the last two years, while cases with adults are falling. The number of "child only" cases in November 2000 was approximately 37,000—fully 40 percent of the caseload.




**FY 2002**

LSC expects the total number of TANF cases (or assistance groups) to decrease slightly in FY 2002 to an average of 88,515 monthly cases from a FY 2001 monthly average of 90,746. This total masks the fact that as the unemployment rate inches up slightly from historically low levels there will be some upward pressure due to layoffs and fewer available jobs. However, such small increases in unemployment will only serve to slow the rate of decline rather than to reverse it. The decrease in the total number of TANF cases will amount to approximately $9.7 million less being spent on TANF cash grants in FY 2002 than LSC estimates for FY 2001 expenditures. This brings forecasted total spending on cash grants, using current grant levels, to $327.5 million for FY 2002.

***TANF - LSC Baseline Estimates***

| | FY 2001 | FY 2002 | FY 2003 |
|---|---|---|---|
| Average monthly cases | 90,746 | 88,515 | 86,234 |
| Total cash grants (millions) | $337.10 | $327.40 | $319.00 |

[2] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research and Evaluation, "Characteristics and Financial Circumstances of AFDC Recipients" FY 1996, Table 33.

The total of state and federal TANF dollars available in the Executive recommendation totals $994 million. The Executive has also recommended an earmark out of the state MOE of $53.0 million for child day care. Funding cash grants at the forecast level of $327.4 million leaves $613.6 million for administration, work activities, PRC services, transitional services, and other activities.

**FY 2003**

The slow decline in the number of TANF cases is expected to continue into FY 2003. There is an expectation of a slight improvement in the unemployment rate. The monthly average of cases is expected to decline to 86,9234, representing a decrease in spending for TANF cash grants of $8.4 million for the year. That estimate brings total spending for cash grants, assuming current eligibility and grant levels, to $319.0 million for FY 2003.

The total of state and federal TANF dollars available in the Executive recommendation totals $994 million. The Executive has also recommended an earmark out of the state MOE of $53.0 million for child day care. Funding cash grants at the forecast level of $319.0 million leaves $622.0 million for administration, work activities, PRC services, transitional services, and other activities.

*Methodology*

The forecasts of TANF recipients and families are done using econometric models. These models are based on a multiple-regression analysis of the relationship between the TANF caseload and explanatory factors that predict TANF participation. These models decompose past data trends and discern the interaction of policy changes with the recipient count. The TANF forecast is based on forecasts of these explanatory factors under the assumption that the historical relationships in the model will continue into the future.

The total cash benefits for a fiscal year are developed by calculating the moving average value of the cost per recipient, projecting this into the future, and then multiplying the forecast cost per recipient in each quarter by the forecast of TANF recipients. This forecast assumes the continuation of current eligibility requirements and grant levels.

## Summary Table

***Distribution of TANF funds*** (in $ millions)

| | FY 2002 | FY 2003 |
|---|---|---|
| TANF Block Grant (Federal) | $728 | $728 |
| Unappropriated* (as introduced) | ($135) | ($135) |
| Available TANF Federal, 600-689, plus 600-689 | $593 | $593 |
| Total State MOE | $401 | $401 |
| Total TANF | $994 | $994 |
| LSC TANF Cash Benefit Estimate | ($327.4) | ($319.0) |
| Child Care Earmark | ($53.0) | ($53.0) |
| Remainder for TANF Admin., work activities, info. systems, & other | $613.6 | $622.0 |

*The unappropriated amount, along with other reserve funds, are held at the federal level; this $135 million is not included in the Executive's budget.

*Child Care*

Child care services for required OWF participants will be provided from a number of funding sources including the earmark in the TANF line items, plus funds from the Child Care and Development Block Grant (CCDBG). Ohio's share of the CCDBG amounts to $189.1 million in FFY 2001. In order for the state to draw down the entire CCDBG amount that is anticipated to be allocated in FFY 2002 and 2003, the Executive has recommended $84.1 million in SFY 2002 and SFY 2003 for Day Care Match/Maintenance of Effort, ALI 600-413. This amount contains the earmark of $53.0 million for the MOE requirement.

*Disability Assistance*

The Disability Assistance (DA) program is a state- and county-funded effort which provides cash and/or medical assistance to persons not eligible for public assistance programs that are supported in whole or in part by federal funds, for example OWF or Supplemental Security Income. Eligibility criteria for DA are established by the state.

The DA program has two distinct components: DA cash assistance and DA medical assistance. There is no time limit for receipt of DA benefits; assistance is provided on an ongoing basis as long as all eligibility requirements are met.

Three recent pieces of legislation have had a direct effect on the DA program. These are Am. H.B. 249 and Sub. H.B. 167 of the 121st General Assembly and Am. Sub. H.B. 408 of the 122nd General Assembly. Am. H.B. 249 eliminated cash eligibility for people who had previously qualified solely because of a medication dependency. Emancipated minors also became eligible for DA benefits under H.B. 249. Sub. H.B. 167 and Am. Sub. H.B. 408 affected the DA program by easing certain qualifications for OWF. Under these two acts, the work history requirement and the 100-hour work rule for two-parent families have been eliminated, thus making it easier for DA recipients with children to meet qualifications for OWF.

In the wake of this legislation and the implementation of OWF, the DA cash and medical recipient caseloads both exhibited a steady decline until the Fall of 1999. Since then, the cash assistance caseload has been increasing slowly and the medical caseload has been declining slowly. LSC forecasts that these trends will continue at the same pace and that the inflation rate in medical costs, especially for prescription drugs, will push costs up for the medical caseload despite a slightly smaller number of recipients.

***Disability Assistance*** - LSC Baseline Forecast

| | FY 2001 | FY 2002 | FY 2003 |
|---|---|---|---|
| Average monthly cash recipients | 11,305 | 12,180 | 12,888 |
| Average monthly medical recipients | 13,095 | 12,962 | 12,756 |
| DA Cash | $16.2 | $17.9 | $19.1 |
| DA Medical | $52.9 | $59.8 | $70.5 |
| **DA Total** | **$69.1** | **$77.7** | **$89.6** |

### FY 2002

Assuming current eligibility, LSC anticipates the average number of monthly recipients of DA cash benefits to be 12,180, which represents an increase of 7.7 percent from the level LSC estimates for FY 2001. Cash benefits for the year will total $17.9 million, constituting an increase of 10.5 percent over LSC's FY 2001 estimate for cash benefits.

The DA medical recipient caseload is expected to continue its slow decline. Overall expenditures to serve DA medical recipients, however, are anticipated to increase to $59.8 million, representing a 13.0 percent increase over LSC's FY 2001 estimate. The calculation of DA expenditures includes a forecast annual inflation factor for prescription drugs of 19.0 percent. This inflation rate is derived from actual experience with the cost of prescription drugs per recipient in the DA program. Historically, the cost of prescription drugs constitutes about 62 percent of DA medical expenses.

Combined DA cash benefits and DA medical benefits are estimated by LSC to total $77.7 million for FY 2002. This assumes current eligibility and grant levels.

### FY 2003

The increase in the number of DA cash recipients is expected to continue at the same rate as that forecast for FY 2002. Total cash benefits for the DA program in FY 2003 are forecast to be $19.1 million, representing a 6.7 percent increase from FY 2002. This reflects an expected increase from about 12,180 to about 12,888 average monthly recipients of DA cash.

DA medical expenditures will continue to increase sharply. LSC anticipates total medical spending to increase to $70.5 million in FY 2003, which represents a 17.9 percent increase, which includes an annual inflation rate of about 19.0 percent for prescription drugs.

Total spending for the DA program in FY 2003, assuming current program specifications is forecast by LSC to increase by 15.3 percent over FY 2002 spending to about $89.6 million.

**Methodology**

The forecast of DA cash recipients is based solely on a quantitative model that analyzes past trends in the DA cash recipient time series during the time period since implementation of Am. H.B. 249 of the 121st General Assembly. This model takes the DA cash recipient time series and identifies patterns in the data. These patterns are assumed to continue into the future for the forecast of DA cash recipients.

Total cash benefits payable are then determined by forecasting average benefits per month per recipient. Average benefits are forecast using a linear regression model. Multiplying the average cash benefits and the number of monthly recipients produces the total monthly benefit for DA cash grants. Summing the monthly benefits each fiscal year yields the yearly total DA cash grant forecast.

The forecast of DA medical recipients is based solely on a quantitative model that analyzes past trends in the time series during the time period since implementation of Am. H.B. 249 of the 121st General Assembly. These trends are assumed to continue into the future for the forecast of DA medical recipients. The prescription drug expenses in the program per recipient and remaining medical services per recipients are forecast separately to take account of their different inflation rates. Total medical expenditures are then determined by adding the average medical and prescription drug benefits per month per recipient. Multiplying the average medical benefit (which contains an inflator) and the forecast number of monthly medical recipients produces the total DA medical expenditures estimate.

To determine the baseline total spending, the DA cash grant forecast and the DA medical forecast are simply added together.

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