Temporary Assistance to Needy Families

Overview

The Temporary Assistance for Needy Families (TANF) program was created by the federal government in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. TANF is now in the process of being reauthorized, and at this time it is not known whether there will be programmatic changes. Congress is expected to act on reauthorization in the next few months. The purposes of the program as it now exists are to:

- Provide assistance to needy families so that children may be cared for in their own home or in the homes of relatives.
- End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.
- Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies.
- Encourage the formation and maintenance of two-parent families.

To accomplish these goals Ohio has developed and implemented two main programs that provide time limited cash assistance to needy families with children and also provide a new array of services that furnish parents with work training and other supports to help them attain permanent self-sufficiency. Ohio's two main programs that are administered by the Department of Job and Family Services (JFS) are the Ohio Works First (OWF) program and the Prevention, Retention, and Contingency (PRC) program. In addition, Ohio also operates some specific programs in which TANF eligible individuals receive services (TANF funds may fully or partially fund these programs). These include the Head Start program in the Department of Education, the TANF Family Planning program in the Department of Health, the TANF Housing Program in the Department of Development, the AdoptOhio program in the Department of Job and Family Services, and the Substance Abuse, Treatment and Mentoring program in the Department of Alcohol and Drug Addiction 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 program the federal government reimbursed states for welfare spending between 50 and 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 has now shifted from "entitlement" to temporary assistance that encourages self-sufficiency by requiring recipients to work or participate in a developmental activity. PRWORA established a five-year maximum lifetime limit on a family's receipt of federally funded cash benefits. The TANF program requires that states impose stricter work requirements on recipients than under AFDC, and eliminated all but a few of the exemptions from participation in work 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, OWF further limits receipt of cash 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.

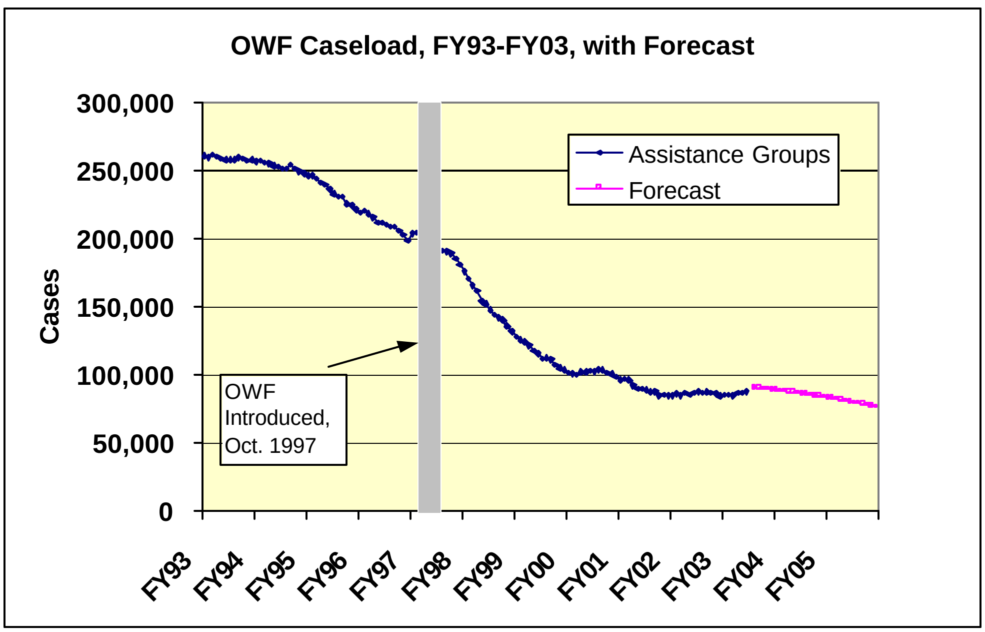
While Congress has not yet passed legislation re-authorizing the TANF program, we are likely to see a continuation of federal funding for the TANF program at the current level of $16.5 billion. The President's proposal for reauthorization of the TANF program continued funding at the current level, and the reauthorization bill that passed the U.S. House of Representatives last year also continued funding at that level.

Ohio's annual TANF block grant award of approximately $728 million is based on the amount of federal funds expended in federal fiscal year (FFY) 1994 for the three eliminated programs (AFDC, JOBS, and FEA). Ohio is required to meet a minimum maintenance of effort (MOE) requirement of 80 percent of what it spent in 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 ($390.8 million) if the state meets its participation requirement. Ohio currently meets the participation rate requirements and has been meeting the MOE at a 77 percent level, leaving a small cushion for underspending or disallowances in an audit. If the state fails to meet the MOE, 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]."[10] At the end of FFY 2002 (September 30, 2002), Ohio's TANF reserve was $520.9 million, with $278.9 million reported as unliquidated obligations, and $242.0 million as the unobligated balance. These figures do 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 spent on cash benefits.

Another significant aspect of Ohio's welfare reform is that it "devolves" significant authority to counties to 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 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 funding.

<u>TANF/OWF Forecast</u>



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

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.

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.[11] Such cases are exempt from time limits and work requirements. The number of "child only" cases in November 2002 was approximately 39,000 -- fully 46 percent of the caseload. Because the children in these cases remain eligible until age 18 and they are not subject to adult participation requirements, they form a stable core of the OWF caseload.

LSC expects the total number of TANF cases (or assistance groups) to decrease in FY 2004 to an average of 85,573 monthly cases from a FY 2003 average of 87,551. This forecast assumes an economic recovery and an expansion in service sector employment, although there are a number of significant uncertainties at the present time. The forecast decrease in the total number of TANF cases will result in approximately $10.2 million less being spent on TANF cash benefits in FY 2004 than LSC estimates for FY 2003 expenditures. The total spending on cash benefits, assuming current benefit levels, is forecast to be $305.2 million for FY 2004.

[11] 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 decline in the number of TANF cases is expected to continue into FY 2005. The monthly average of cases is expected to decline to 79,063, representing a decrease in spending for TANF cash benefits of $26.6 million for the year. That estimate brings total spending for cash benefits, assuming current eligibility and benefit levels, to $278.6 million for FY 2005.

TANF TANF/OWF - LSC Baseline Estimates			
	FY 2003	**FY 2004**	**FY 2005**
Average monthly cases	87,551	85,573	79,063
Total cash benefits (millions)	$316.4	$305.2	$278.6

The TANF cash benefits are paid from line items 600-410, TANF State, 600-658, Child Support Collections, and 600-689, TANF Block Grant. The executive has recommended FY 2004 total funding for the combination of these three line items at $1,018.1 million. The total recommended funding level for these three line items in FY 2005 is $1,017.5 million.[12]

Funding cash benefits for FY 2004 at the forecast level of $305.2 million, and at $278.6 million for FY 2005, leaves $712.9 million in FY 2004 and $738.9 million in FY 2005 from these three line items for employment services, work activities, PRC services, transitional services, direct payments from TANF federal funds for child day care (in addition to receiving funds directly from the TANF federal block grant, child care receives funding from other sources), and other allowable 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.

[12] Approximately $17.0 in FY 2004 and $17.6 million in FY 2005 from administrative line items and $28.5 million from counties in each year will be included in the state's total MOE. The executive has also recommended an earmark for a portion of the state's TANF MOE of $45.4 million in each year, out of line item 600-413, Day Care Match/MOE for use, along with other non-TANF funds, to provide child day care.

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 benefit levels.

Disability Assistance

The Disability Assistance (DA) program is a state- and county-funded effort to provide 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, however, the cash assistance caseload has been increasing steadily. In January 2001 the medical caseload also began to increase and, along with an increase in medical inflation, has added quickly to the cost of the program. LSC forecasts that these trends will continue at the same pace that has been exhibited since these upturns.

Disability Assistance LSC Baseline Forecast			
	FY 2003	**FY 2004**	**FY 2005**
Average monthly cash recipients	15,393	17,442	19,247
Average monthly medical recipients	20,628	24,321	28,262
(millions $)			
DA Cash	$23.0	$26.1	$29.4
DA Medical	$90.1	$109.0	$134.9
DA Total -- LSC Forecast	**$113.1**	**$135.1**	**$164.3**
Recommended by Gov. -- DA Cash		$22.8	$22.8
Recommended by Gov. -- DA Medical		$101.4	$101.4
DA Total--Recommended by Gov.		**$124.2**	**$124.2**

If current eligibility criteria stay the same, LSC anticipates the FY 2004 average number of monthly recipients of DA cash benefits to be 17,442, which represents an increase of 13.3 percent from the level LBO estimates for FY 2003. If cash benefit levels stay the same, benefits for the year will total $26.1 million, constituting an increase of 13.5 percent over the FY 2003 estimate for cash benefits. Total cash benefits for the DA program in FY 2005 are forecast to be $29.4 million, representing a 12.6 percent increase from FY 2004. This reflects an expected increase in FY 2005 to about 19,250 average monthly recipients of DA cash.

If current eligibility criteria stay the same, the DA medical recipient caseload is expected to continue its recent increases. Overall expenditures to serve DA medical recipients are anticipated to increase in FY 2004 to $109.0 million, representing a 21.0 percent increase over the FY 2003 estimate. If current eligibility criteria stay the same, DA medical expenditures will continue to increase. LSC anticipates total medical spending to increase to $134.9 million in FY 2005, which represents a 23.8 percent increase. In addition to the effects of continued caseload growth, the calculation of DA expenditures includes the effects of inflation in medical costs. Historically, medical costs in the DA program constitute about 70 percent of total DA expenses.

Combined DA cash benefits and DA medical benefits are estimated to total $113.1 million for FY 2003, $135.1 million for FY 2004, and $164.3 million for FY 2005. This assumes current eligibility and benefit levels. OBM estimates the combined total for

DA to be $118.4 million in FY 2003, $144.2 million in FY 2004, and $180.4 million in FY 2005.

The Governor has recommended an increase of funding over the FY 2003 level to $124.2 million for each year of the biennium. Since this level of funding is lower than what is required to fully fund the forecast growth in the DA caseload, it will be necessary, if funding is to stay within those levels, to introduce changes in the DA program and its eligibility criteria.

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 October 1, 2000. This model takes the DA cash recipient time series and identifies patterns in the data. These patterns are assumed to continue into the future.

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. Summing the monthly benefits each fiscal year yields the yearly total DA cash benefit 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 October 2000. These trends are assumed to continue into the future.

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