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Summary of TANF and Disability Assistance Caseload and Expenditure Forecasts Before the House Finance and Appropriations Committee On The FY 2004-2005 Biennial Budget

Steve Mansfield, Fiscal Supervisor

February 4, 2003

Good afternoon, my name is Steve Mansfield. I am a fiscal supervisor at the Legislative Service Commission, and I will present the Legislative Service Commission's forecasts for the Temporary Assistance for Needy Families (TANF) and Disability Assistance (DA) caseloads and expenditures.

Under the TANF program, Ohio receives a federal block grant with flat funding from the federal government and a static "maintenance of effort" requirement for the state. Thus, unless the costs of cash assistance exceed the amount available, the caseload count no longer dictates expenditures. And since the caseload count has significantly decreased over the last several years, a large portion of the TANF expenditures provide supportive services to those transitioning off welfare or to "divert" people from reliance on government cash assistance.

The state DA program, in contrast, has recently experienced increasing caseloads and sharp cost increases. In response to these increases, the Governor has recommended an increase of funding over the FY 2003 level to \$124.2 million for each year of the biennium. Since the recommended level of funding is lower than what is required to fully fund the forecast growth in the DA caseload, it will be necessary, if spending is to stay within this level, to introduce changes in the DA program and its eligibility criteria.

I will now summarize our forecasts for these two programs.

With the introduction of the federal TANF program in 1996 and Ohio's implementation of that program with the Ohio Works First (OWF) and the Prevention, Retention, and Contingency (PRC) programs in 1997, the purpose of cash assistance has

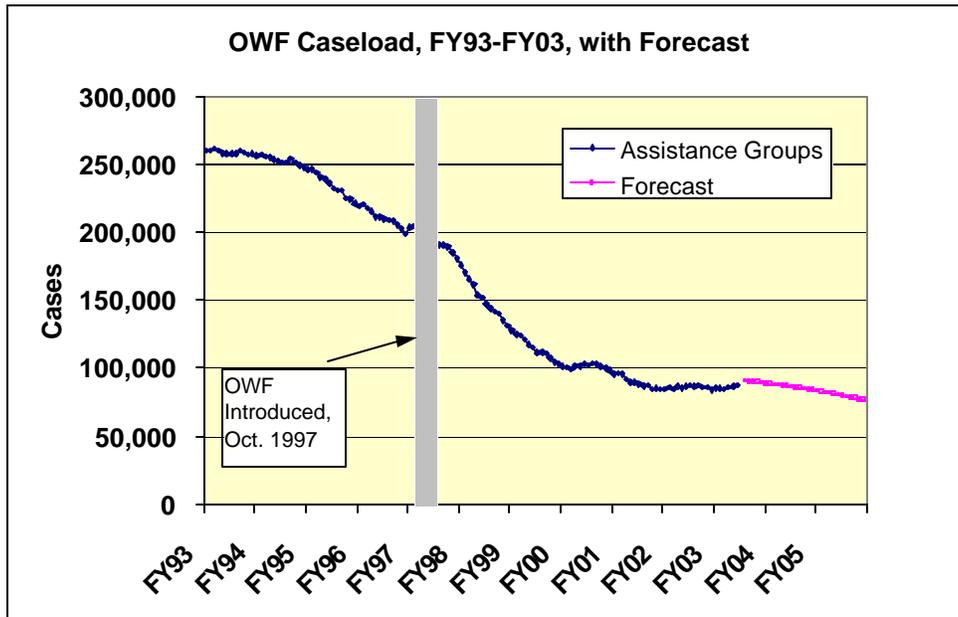
changed from an entitlement program to a block grant program with temporary benefits designed to assist people as they move to the workforce. The effects of the program are seen in large numbers of recipients moving into jobs, as well as some recipients being forced off of assistance by sanctions for failure to meet program requirements and by time limits that began to be felt in October 2000.

In order to carry out the workforce development focus, we have available to us approximately \$728 million per year in federal TANF block grant funds, and we are obligated to provide state funding to meet our mandated MOE level of \$417 million. The federal government set the MOE rate at 80 percent of what we spent in FFY 1994 on the programs that TANF replaced (ADC, JOBS, and Family Emergency Assistance). However, the mandatory MOE rate can be reduced to 75 percent (or approximately \$390 million) if a state meets work participation requirements, and Ohio's current performance should allow for us to draw our full federal block grant, without penalty. Current year appropriations have allocated \$401 million, or 77 percent of that level, which included a 2 percent cushion to offset any disallowances or underspending. If a state fails to meet its MOE requirement, 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 the amount of the penalty.

One of the consequences of the block grant funding arrangement is that reductions in recipient caseloads 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 2002 (September 30, 2002), Ohio's TANF reserve was \$520.9 million, with \$278.9 million reported as unliquidated obligations, and \$242.0 million reported as the unobligated balance. Reserve funds are held at the federal level and are available to be spent on cash benefits.

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

TANF/OWF Forecast



As the chart detailing the trend in the OWF combined caseload indicates, the number of OWF cases (or ADC as it was known before) 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 two years, with a stagnating economy, the caseload has stayed about the same, with only a small decline. In the coming fiscal years, however, the economy is expected to recover and the creation of jobs, particularly service sector jobs, is expected to increase. LSC believes that this will have the effect of further reducing the OWF caseload over the course of the biennium.

LSC forecasts the total number of TANF cases (or assistance groups) to decrease in FY 2004 to an average of 85,573 monthly cases. 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 a continuation of the current benefit levels, is forecast to be \$305.2 million for FY 2004.

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.

<i>TANF/OWF - LSC Baseline Estimates</i>			
	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.

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.

Disability Assistance

Disability Assistance (DA) is a wholly state and county funded program, which provides cash and medical assistance to persons not eligible for TANF or SSI. Ohio has divided that program into two components -- DA Cash, and DA Medical. There are no time limits, and all those receiving cash benefits also receive medical benefits -- currently about 15,400 recipients. An additional 5,000 or so individuals currently receive medical benefits only. 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.

<i>Disability Assistance</i>			
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 over the FY 2003 estimate. 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 and expenditures are 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. 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 \$135.1 million for FY 2004 and \$164.3 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.

Estimated FY 2003 GRF Revenue Shortfall - State Sources Only

GRF Amounts by Source (dollar amounts in millions)

REVENUE SOURCE	OBM	OBM	difference from July 2002 OBM estimates	LSC	difference from July 2002 OBM estimates
	July 2002 Estimates	Jan 2003 Estimates		Jan 2003 Estimates	
Auto Sales & Use	\$905.0	\$905.0	\$0.0	\$914.0	\$9.0
Non-Auto Sales & Use	\$5,385.0	\$5,172.0	-\$213.0	\$5,197.0	-\$188.0
Total Sales & Use	\$6,290.0	\$6,077.0	-\$213.0	\$6,111.0	-\$179.0
Personal Income	\$7,863.0	\$7,501.0	-\$362.0	\$7,599.0	-\$264.0
Corporate Franchise	\$774.3	\$725.0	-\$49.3	\$690.0	-\$84.3
Public Utility	\$265.0	\$240.0	-\$25.0	\$228.7	-\$36.3
Kilowatt-Hour	\$335.0	\$335.0	\$0.0	\$339.5	\$4.5
Foreign Insurance	\$225.0	\$225.0	\$0.0	\$194.1	-\$30.9
Domestic Insurance	\$155.0	\$155.0	\$0.0	\$161.6	\$6.6
Business & Property	\$56.9	\$56.9	\$0.0	\$49.0	-\$7.9
Cigarette	\$568.2	\$583.2	\$15.0	\$585.0	\$16.8
Alcoholic Beverage	\$58.0	\$58.0	\$0.0	\$56.3	-\$1.7
Liquor Gallonage	\$30.0	\$30.0	\$0.0	\$29.7	-\$0.3
Estate	\$91.0	\$95.0	\$4.0	\$91.0	\$0.0
Total Taxes	\$16,711.4	\$16,081.1	-\$630.3	\$16,134.9	-\$576.5
Earnings on Investment	\$85.0	\$50.0	-\$35.0	\$33.1	-\$51.9
Licenses and fees	\$33.0	\$33.0	\$0.0	\$28.0	-\$5.0
Other Income	\$746.5	\$125.8	-\$620.7	\$125.8	-\$620.7
ISTV's & IDC's	\$0.0	\$605.7	\$605.7	\$605.7	\$605.7
Total Non-Tax Receipts	\$864.5	\$814.5	-\$50.0	\$792.6	-\$71.9
Liquor Transfers	\$105.0	\$105.0	\$0.0	\$115.0	\$10.0
Transfers In - Other	\$248.5	\$235.2	-\$13.3	\$235.2	-\$13.3
Transfers In - Temporary	\$0.0	\$13.3	\$13.3	\$13.3	\$13.3
Total Transfers In	\$353.5	\$353.5	\$0.0	\$363.5	\$10.0
Total Sources Excluding Federal	\$17,929.4	\$17,249.1	-\$680.3	\$17,291.0	-\$638.4

LSC and Baseline OBM GRF Revenue Forecasts Compared - State Sources Only

GRF Amounts by Source (dollar amounts in millions)

REVENUE SOURCE	FY 2003			FY 2004			FY 2005		
	OBM	LSC	Difference	OBM	LSC	Difference	OBM	LSC	Difference
Auto Sales & Use	\$905.0	\$914.0	\$9.0	\$920.0	\$912.4	-\$7.6	\$920.0	\$922.0	\$2.0
Non-Auto Sales & Use	\$5,172.0	\$5,197.0	\$25.0	\$5,410.0	\$5,381.5	-\$28.5	\$5,680.0	\$5,628.3	-\$51.7
Total Sales & Use	\$6,077.0	\$6,111.0	\$34.0	\$6,330.0	\$6,293.9	-\$36.1	\$6,600.0	\$6,550.3	-\$49.7
Personal Income	\$7,501.0	\$7,599.0	\$98.0	\$7,834.0	\$7,987.1	\$153.1	\$8,262.0	\$8,467.9	\$205.9
Corporate Franchise	\$725.0	\$690.0	-\$35.0	\$770.0	\$742.1	-\$27.9	\$837.0	\$821.5	-\$15.5
Public Utility	\$240.0	\$228.7	-\$11.3	\$250.0	\$239.3	-\$10.7	\$262.5	\$238.3	-\$24.2
Kilowatt-Hour	\$335.0	\$339.5	\$4.5	\$345.0	\$347.3	\$2.3	\$355.0	\$354.8	-\$0.2
Foreign Insurance	\$225.0	\$194.1	-\$30.9	\$230.0	\$203.7	-\$26.3	\$230.0	\$211.9	-\$18.1
Domestic Insurance	\$155.0	\$161.6	\$6.6	\$165.0	\$170.7	\$5.7	\$175.0	\$178.3	\$3.3
Business & Property	\$56.9	\$49.0	-\$7.9	\$0.0	\$50.9	\$50.9	\$0.0	\$52.8	\$52.8
Cigarette	\$583.2	\$585.0	\$1.8	\$554.8	\$563.0	\$8.2	\$551.2	\$555.0	\$3.8
Alcoholic Beverage	\$58.0	\$56.3	-\$1.7	\$60.0	\$56.7	-\$3.3	\$60.0	\$57.4	-\$2.6
Liquor Gallonage	\$30.0	\$29.7	-\$0.3	\$30.0	\$29.9	-\$0.1	\$31.0	\$30.2	-\$0.8
Estate	\$95.0	\$91.0	-\$4.0	\$105.0	\$69.0	-\$36.0	\$105.0	\$72.0	-\$33.0
Total Taxes	\$16,081.1	\$16,134.9	\$53.8	\$16,673.8	\$16,753.6	\$79.8	\$17,468.7	\$17,590.4	\$121.7
Earnings on Investment	\$50.0	\$33.1	-\$16.9	\$60.0	\$49.0	-\$11.0	\$75.0	\$62.0	-\$13.0
Licenses and fees	\$33.0	\$28.0	-\$5.0	\$35.0	\$28.0	-\$7.0	\$35.0	\$28.0	-\$7.0
Other Income	\$125.8	\$125.8	\$0.0	\$98.0	\$98.0	\$0.0	\$98.0	\$98.0	\$0.0
ISTV's & IDC's	\$605.7	\$605.7	\$0.0	\$60.0	\$60.0	\$0.0	\$60.0	\$60.0	\$0.0
Total Non-Tax Receipts	\$814.5	\$792.6	-\$21.9	\$253.0	\$235.0	-\$18.0	\$268.0	\$248.0	-\$20.0
Liquor Transfers	\$105.0	\$115.0	\$10.0	\$105.0	\$118.0	\$13.0	\$97.0	\$122.0	\$25.0
Transfers In - Other	\$235.2	\$235.2	\$0.0	\$102.5	\$102.5	\$0.0	\$102.5	\$102.5	\$0.0
Transfers In - Temporary	\$13.3	\$13.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Transfers In	\$353.5	\$363.5	\$10.0	\$207.5	\$220.5	\$13.0	\$199.5	\$224.5	\$25.0
Total Sources Excluding Federal	\$17,249.1	\$17,291.0	\$41.9	\$17,134.3	\$17,209.1	\$74.8	\$17,936.2	\$18,062.9	\$126.7

LSC and Baseline OBM GRF Revenue Forecasts Compared - State Sources Only

Growth Rates

REVENUE SOURCE	FY 2003		FY 2004		FY 2005	
	OBM	LSC	OBM	LSC	OBM	LSC
Auto Sales & Use	-2.4%	-1.5%	1.7%	-0.2%	0.0%	1.1%
Non-Auto Sales & Use	1.2%	1.7%	4.6%	3.6%	5.0%	4.6%
Total Sales & Use	0.6%	1.2%	4.2%	3.0%	4.3%	4.1%
Personal Income	2.7%	4.0%	4.4%	5.1%	5.5%	6.0%
Corporate Franchise	1.8%	-3.1%	6.2%	7.6%	8.7%	10.7%
Public Utility	-7.7%	-12.1%	4.2%	4.6%	5.0%	-0.4%
Kilowatt-Hour	3.6%	5.0%	3.0%	2.3%	2.9%	2.2%
Foreign Insurance	5.0%	-9.4%	2.2%	4.9%	0.0%	4.0%
Domestic Insurance	17.1%	22.0%	6.5%	5.6%	6.1%	4.5%
Business & Property	704.3%	592.6%	-100.0%	3.9%	0.0%	3.7%
Cigarette	107.3%	108.0%	-4.9%	-3.8%	-0.6%	-1.4%
Alcoholic Beverage	4.1%	1.0%	3.4%	0.7%	0.0%	1.2%
Liquor Gallonage	2.3%	1.3%	0.0%	0.7%	3.3%	1.0%
Estate	-18.3%	-21.7%	10.5%	-24.2%	0.0%	4.3%
Total Taxes	3.9%	4.3%	3.7%	3.8%	4.8%	5.0%
Earnings on Investment	-36.7%	-58.1%	20.0%	48.0%	25.0%	26.5%
Licenses and fees	6.1%	-10.0%	6.1%	0.0%	0.0%	0.0%
Other Income	-87.5%	-87.5%	-22.1%	-22.1%	0.0%	0.0%
ISTV's & IDC's	0.0%	0.0%	-90.1%	-90.1%	0.0%	0.0%
Total Non-Tax Receipts	-27.2%	-29.1%	-68.9%	-70.4%	5.9%	5.5%
Liquor Transfers	-6.3%	2.7%	0.0%	2.6%	-7.6%	3.4%
Transfers In - Other	-32.5%	-32.5%	-56.4%	-56.4%	0.0%	0.0%
Transfers In - Temporary	-72.5%	-72.5%	0.0%	0.0%	0.0%	0.0%
Total Transfers In	-30.5%	-28.5%	-41.3%	-39.3%	-3.9%	1.8%
Total Sources Excluding Federal	0.9%	1.1%	-0.7%	-0.5%	4.7%	5.0%