

## ***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% 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% of what it spent in FFY 1994 on the three eliminated programs (80% of that amount is approximately \$417 million), through FFY 2002. The MOE can be lowered to 75% (\$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% level, leaving a small cushion for under spending 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].”<sup>9</sup> At the end of FY 02, Ohio’s unspent federal TANF award funds totaled \$420.5 million, with \$135.0 million reported as unliquidated obligations, and \$285.6 million reported 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. Unspent TANF funds are held at the federal level.

If all prior appropriation is used and all appropriation for FY 04 and FY 05 is also used, the appropriation levels for appropriation item 600-689, TANF Block Grant (Fund 3V6) in FY 04 (\$761.1 million), and for FY 05 (\$829.9 million), the total unspent TANF award remaining at the end of FY 05 will be \$13.0 million.

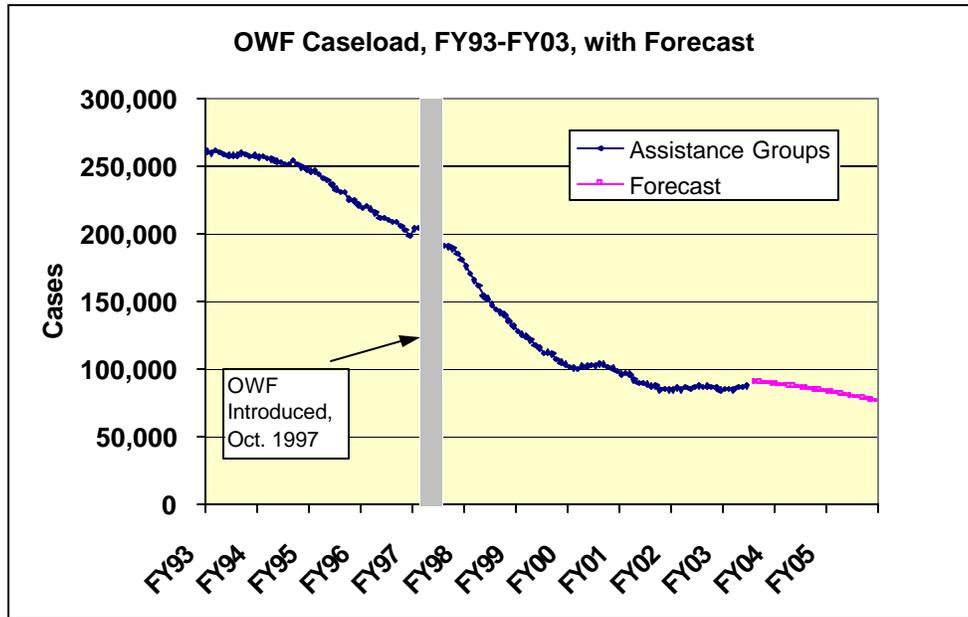
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<sup>9</sup> H.R. 3734, Personal Responsibility and Work Opportunity Reconciliation Act of 1996, sec. 404 (e).

| <b>TANF FEDERAL FUNDS--APPROPRIATION ANALYSIS<br/>SFY 2003-2005</b>                                       |                        |
|---|------------------------|
| <b><i>Resources SFY03</i></b>   |                        |
| Total Unspent TANF Award, end of SFY02  | \$420,547,668          |
| TANF Award, SFY03   | \$727,968,260          |
| <b>Total Available, FY03</b>  | <b>\$1,148,515,928</b> |
| <b><i>Spending Authority SFY03</i></b>  |                        |
| Fund 3V6 Encumbrance, Beginning Balance SFY03   | \$136,544,326          |
| Fund 3G9 Encumbrance, Beginning Balance SFY03   | \$82,954,243           |
| Appropriation FY03--Fund 3V6 (see H.B. 94 and CB item JFS076 of March 25, 2002)                           | \$777,963,666          |
| SFY03 Transfer to CCDF (made Q1)  | \$16,000,100           |
| <b>Total Possible Spending, SFY03</b>   | <b>\$1,013,462,335</b> |
| <b><i>Resources SFY04</i></b>   |                        |
| Total Unspent TANF Award, end of SFY03 (assuming all prior appropriation used & transfer made)            | \$135,053,593          |
| TANF Award, SFY04   | \$727,968,260          |
| <b>Total Available, SFY04</b>   | <b>\$863,021,853</b>   |
| <b><i>Spending Authority SFY04</i></b>  |                        |
| <b>H.B. 95 Appropriation SFY04--Fund 3V6</b>  | <b>\$761,095,609</b>   |
| <b><i>Resources SFY05</i></b>   |                        |
| Total Unspent TANF Award, end of SFY04 (assuming all prior appropriation used & transfer made)            | \$101,926,244          |
| TANF Award, SFY05   | \$727,968,260          |
| <b>Total Available, SFY05</b>   | <b>\$829,894,504</b>   |
| <b><i>Spending Authority SFY05</i></b>  |                        |
| <b>H.B. 95 Appropriation SFY05--Fund 3V6</b>  | <b>\$816,909,688</b>   |
| <b>Cumulative Unspent TANF Award, end of SFY05 (assuming all appropriation used &amp; transfers made)</b> | <b>\$12,984,816</b>    |

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.

**TANF/OWF Forecast**



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.<sup>10</sup> 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% of the caseload. Because the children in these

<sup>10</sup> 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.

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.

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.

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

LSC's cash assistance expenditure estimates are \$12.1 million below the Office of Budget and Management's (OBM's) baseline forecast for FY 04 and \$39.9 million below OBM's forecast for FY 05.

Total federal, state, and local resources available to the TANF program, according to the Department of Job and Family Services, in FY 04 are \$1,158.5 million, and in FY 2005 are \$1,133.0 million. Subtracting the LSC forecast costs of cash benefits from the resources available leaves available \$853.3 million in FY 04, and \$854.4 million in FY 2005, for other TANF services and administrative costs.

**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 benefit levels.