

Temporary Assistance for 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. To accomplish the goals of TANF, Ohio developed and implemented two main programs that provide time limited cash assistance to needy families with children and also provide an 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 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.

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.

TANF was extended in its current form on September 30, 2004, its eighth extension since it was originally set to expire in 2002. Whether there will be programmatic changes in its next scheduled appearance before Congress in March 2005 is unclear, however, several proposals have garnered support from both the President and the Congress, making some alterations in the current TANF program more likely. Possible modifications to the legislation include: raising work participation requirements to 40 hours a week, increased child care funding with or without state match requirements, and stagnant TANF block grant levels. Previous reauthorization attempts have increased the work participation requirement to 40 hours a week, from a current 20-hour-a-week requirement.

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% — 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.

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). The MOE can be lowered to 75% (\$390.8 million) if the state meets its participation requirement. Ohio currently meets the participation rate requirements. 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].²⁰ At the end of FFY 2004 (September 30, 2004), Ohio's TANF balance was \$836.1 million, with \$505.2 million reported as unliquidated obligations, and \$330.9 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. The unspent balance is held at the federal level and is available to be spent on cash benefits or on other services or activities during the period in which the funds may be obligated.

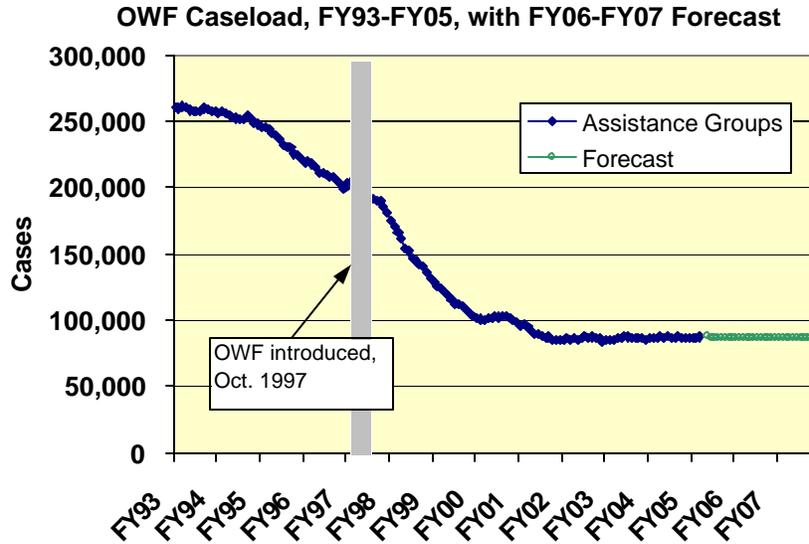
Another significant aspect of Ohio's welfare reform is that it "devolved" significant authority to counties to implement their own program of services without Ohio Administrative Code rules, but within the parameters of all applicable state and federal laws and regulations. Under Ohio's state-supervised/county-administered system, 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. Until recent months, each county was also given various options to consolidate their funding, or maintain as separate the different allocation streams from the federal government. Am. Sub. H.B. 215 of the 122nd General Assembly granted the Department of Job and Family Services (then the Department of Human Services) the authority to make a "consolidated" funding option available to the counties that would combine 11 different funding streams into a single allocation that could be used for any of the purposes authorized by the 11 funding sources. Counties could spend on services as needed without regard of the origin of the funds so long as they stayed within their total allocation. Under this system, the Department of Job and Family Services would reconcile the county spending each year. All 88 counties opted for the full consolidation of their funding.

However, the consolidated allocation has been discontinued due to the announcement last year that the Department of Job and Family Services had not actually been performing a thorough reconciliation of the separate funding streams, but only a reconciliation of the consolidated payment system as a whole to balance expenditures by counties that exceeded their allocation with those that had not. The failure to develop a system that would reconcile the different funding streams resulted in TANF funds being spent from SFY 2000 through the first months of SFY 2005 for administrative costs in the Medicaid and Food Stamps programs, when state funds should have been used instead. Estimates of the funds needed to repay the TANF block grant ranged up to \$280 million. The Department began to correct the structural deficiencies of the consolidated allocation system by replacing it with a new system termed Public Assistance Fund Linkages that retains some flexibility for counties but also limits the

²⁰ H.R. 3734, Personal Responsibility and Work Opportunity Reconciliation Act of 1996, sec. 404 (e).

funds to more narrowly defined sets of purposes. Reimbursement of the TANF allocation has begun with transfers proposed by the Department and approved by the Controlling Board. The capital bill included additional provisions for a funding mechanism to continue the process of compensating for misallocated funds. LSC expects that further corrective steps will be proposed in the budget bill.

TANF/OWF Forecast



As the chart detailing the trend in the OWF combined caseload indicates, the number of OWF (formerly ADC) cases has been in a long-term decline as Ohio and the nation recovered from the recession of the early 1990s. 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.

Several important demographic changes also developed in conjunction with the decline in the overall caseload. 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). Data indicates that in Ohio the relationship of nonrecipient 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, nonrelatives, and step parents.²¹ Such cases are exempt from time limits and work requirements. The number

²¹ 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.

of "child only" cases in December 2004 was 47.4% of the total 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.

Another significant development in recent years is the return of previously time-limited adults to TANF cash assistance after the initial expiration of their 36-month time limit eligibility. An extension of benefits for hardship can occur anytime after the expiration. An extension for good cause can be offered only after a 24-month waiting period. In the last two years, since the first cases eligible for good cause extensions, there has been an increase of almost 50% in the number of adults receiving cash assistance after 36 months. January 2004 data show approximately 3,000 adults receiving cash assistance after 36 months. A continued increase in the number of cases making their way back onto assistance due to hardship or good cause could signal a bump in the number of cases funded by OWF. Each county determines criteria for which cases are eligible for hardship or good cause extensions.

LSC expects the total number of TANF cases (or assistance groups) to decrease in FY 2006 to an average of 86,514 monthly cases from a FY 2005 average of 86,919. Assuming current benefit levels do not change, the decline in the total number of TANF cases will result in approximately \$2.3 million less being spent on TANF cash benefits in FY 2006 than LSC estimates for FY 2005 expenditures. The total spending on cash benefits is forecast to be \$315.0 million for FY 2006.

The decline in the number of TANF cases is expected to continue into FY 2007. The monthly average of cases is expected to decline to 86,162, representing a decrease in spending for TANF cash benefits of \$3.5 million for the year. That estimate brings total spending for cash benefits, assuming current eligibility and benefit levels, to \$311.5 million for FY 2007.

TANF/OWF - LSC Baseline Estimates			
	FY 2005	FY 2006	FY 2007
Average monthly cases	86,919	86,514	86,162
Total cash benefits (millions)	\$317.3	\$315.0	\$311.5

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 2006 total funding for the combination of these three line items at \$1,055.9 million. The total recommended funding level for these three line items in FY 2007 is \$1,081.3 million.²²

²² Funds from administrative line items and county expenditures will be included in the state's MOE each year. The Executive has also recommended earmarks from the TANF Block

Funding cash benefits for FY 2006 at the forecast level of \$315.0 million, and at \$311.5 million for FY 2007 leaves \$740.9 million in FY 2006 and \$769.8 million in FY 2007 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 forecast of TANF Assistance Groups was based on a regression of the TANF caseload against Ohio employment numbers in the manufacturing industry and in a selection of key service sector industries as its primary independent variables, together with a dummy variable used to indicate the initiation of welfare reform. This model, therefore, uses past data trends in the economy and recognizes the interaction of policy changes with the recipient count.

The TANF forecast is based on forecasts of the explanatory factors, manufacturing and service sector employment, under the assumption that the historical relationships in the model will continue into the future. Guided by economic forecasts, notably by Global Insight, LSC assumes no growth in Ohio's manufacturing sector employment over the coming biennium and only a slight expansion in service sector employment that will facilitate the employment of some TANF clients.

The total cash benefits for a fiscal year are based on the historical trend of the average cost per recipient over the last three biennia, projecting this model into the future, then multiplying the forecast cost per assistance group each month by the forecast of TANF assistance groups. This forecast assumes the continuation of current eligibility requirements and benefit levels.

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Grant (Fund 3V6) of up to \$97,380,000 in FY 2006 and \$116,256,000 in FY 2007 for the Early Learning Initiative.