

## *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 Ohio Department of Job and Family Services (ODJFS) 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.

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; and
- Encourage the formation and maintenance of two-parent families.

The Deficit Reduction Omnibus Reconciliation Act of 2005 (DRA) reauthorized the TANF program through 2010 and level funded the program. The DRA eliminated the high performance bonuses but added new funding for healthy marriage and responsible fatherhood initiatives. While there were discussions about the possibility of changes to the work participation rate, the DRA kept the current work participation rate requirements. The DRA also recalibrates the caseload reduction credit, with the base year now being federal fiscal year (FFY) 2005. Perhaps most significantly, the DRA directs the U.S. Department of Health and Human Services to regulate and review activities that count toward work and how to count and verify reporting hours and who is

work eligible. The DRA additionally requires states to establish verification procedures and establishes a new federal penalty for failure to comply with the verification process.

### **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 was meeting the participation rate requirements until the end of FFY 2007 and MOE was set at 75%. However, due to the DRA changes, Ohio is experiencing challenges to meeting the work participation requirements for FFY 2008. 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. To ensure that MOE is met during the

current fiscal year and for the next biennium, ODJFS has planned for MOE at the 80% level (\$416.9 million).<sup>11</sup>

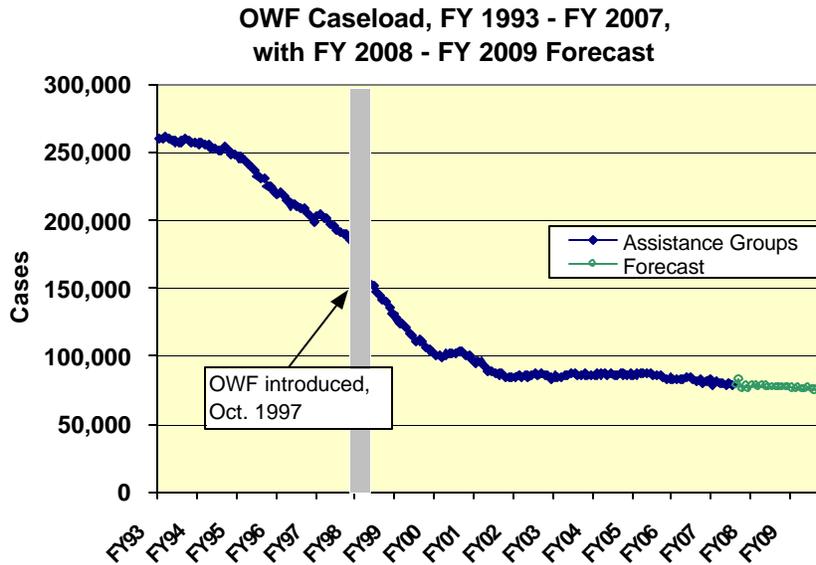
One of the consequences of the block grant funding arrangement is that reductions in recipient caseloads reduce the amount of "baseline" cash benefits, thus leaving more funds available for other TANF-related program services or activities. If TANF grant funds go unspent in a particular year, the PRWORA 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]."<sup>12</sup> As of December 31, 2006, Ohio's TANF balance was \$801.9 million, with \$399.4 million reported as unliquidated obligations, and \$402.5 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 or planned current year expenditures (i.e., cash assistance payments or early learning initiative costs), 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.

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<sup>11</sup> The state meets its MOE requirement from spending at the state and local level. The counties contribute about \$28.5 million toward MOE; the remaining MOE is met through allowable expenditures made by the Department of Job and Family Services and several other state agencies such as the Department of Alcohol and Drug Addiction Services and the Board of Regents.

<sup>12</sup> 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 (formerly ADC) cases began to decline in Ohio prior to the passage of PRWORA and the establishment of OWF. The mid-1990s was a period of business cycle expansion, which was the likely cause of the decline at that time. The rate of decline accelerated around the time of the introduction of OWF. Certainly one reason for the acceleration was the imposition of time limits on the receipt of benefits. There is a natural limit to the decline that can be expected, due in part to the exemption of certain subgroups from the time limits. In particular, "child only" cases are exempted from the limits. These cases are typically instances when a child is living with a specified relative caregiver or when the adults in the household are recipients in other programs such as Supplemental Security Income (SSI). The number of "child only" cases in December 2006 was 52.5% 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.

LSC expects the total number of TANF cases (or assistance groups) to decrease in FY 2008 to an average of 77,884 monthly cases from a FY 2007 average of 79,479. This decline in the total number of TANF cases will result in approximately \$6.3 million less being spent on TANF cash benefits in FY 2008 than LSC estimates for FY 2007 expenditures. The total spending on cash benefits is forecast to be \$308.5 million for FY 2008.

The decline in the number of TANF cases is expected to continue into FY 2009. The monthly average of cases is expected to decline to 76,053, representing a decrease in spending for TANF cash benefits of \$7.2 million for the year. That estimate brings total

spending for cash benefits, assuming current eligibility and benefit levels, to \$301.2 million for FY 2009.

<b>TANF/OWF - LSC Baseline Estimates</b>			
	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Average monthly cases	79,479	77,884	76,053
Total cash benefits (in millions)	\$314.8	\$308.5	\$301.2

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 2008 total funding for the combination of these three line items at \$1,337.0 million. The total recommended funding level for these three line items in FY 2009 is \$1,385.2 million.

Funding cash benefits for FY 2008 at the forecast level of \$308.5 million, and at \$301.2 million for FY 2009 leaves \$1,028.5 million in FY 2008 and \$1,084.0 million in FY 2009 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 the number of unemployed Ohioans, and a trend term. The regression included caseload observations starting in January of 2000 in order to exclude the most dramatic effects resulting from the policy change of imposing time limits on benefits. Experimentation with several specifications led to the selection of a model in which the effects of unemployment on caseload appeared with both a two-month lag and a three-month lag. The trend term captures the effects that time limits on benefits have on the number of eligible assistance groups, as well as other factors.

The TANF forecast is based on forecasts of the explanatory factors, Ohio unemployment, and the trend effect, 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 that the number of unemployed Ohioans peaks in the fourth quarter of CY 2007, then begins to decline.

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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