

## Fiscal Highlights

### **\$107 Million of Excess Federal TANF Spending Authority** - Stephen C. Jardine

The Department of Workforce Services (DWS) administers the federal Temporary Assistance for Needy Families (TANF) program - a flexible funding source for states to assist needy families. DWS spent \$46,806,400 in TANF funds in FY 2013 (the last full year of reported *actual* spending). During the 2014 General Session, DWS indicated to the Social Services Appropriations Subcommittee that it had \$107 million in excess TANF spending authority. In response, the Legislature authorized \$17.3 million in additional uses for TANF funding and directed DWS through legislative intent language.

States can use TANF funds on benefits, services, or activities that achieve the four TANF goals described in the following section. DWS determines the eligibility of programs for TANF funding. The \$107 million in excess TANF authority is due to the cumulative effect of the TANF block grant funds received from the federal government being more than DWS used in some years. A summary of Utah TANF expenditures compared to national TANF spending is included. A list of possible future uses of excess TANF spending authority is also included.

### **TANF is a flexible federal block grant to assist needy families**

The federal TANF block grant is "essentially a flexible funding source for states to address the needs of needy families. Federal TANF funds must be used to address these four basic purposes:

1. Provide assistance to needy families so that children can be cared for in their own homes
2. Reduce the dependency of needy parents by promoting job preparation, work and marriage
3. Prevent and reduce the incidence of out-of-wedlock pregnancies
4. Encourage the formation and maintenance of two-parent families."

(Source: *Innovative Uses of TANF Funds*, compiled by the National Conference of State Legislatures, or NCSL, at the request of the Utah Office of the Legislative Fiscal Analyst, February 2014.)

### **Can use TANF funds on benefits, services, or activities that achieve the four TANF goals**

Funds can be used for benefits, services, or activities aimed at achieving any of these four goals. "Examples include:

- Short-term non-recurring aid (diversion payments)
- Child care for working families
- Transportation for working families
- Refundable tax credits
- Individual development accounts
- Education and training for low-income parents

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- Family formation/healthy marriage/pregnancy prevention activities

These can be provided to cash welfare recipients and those not receiving any cash aid. In FY 2012, roughly 29% of all federal TANF funds were spent on direct cash assistance. Most states are using the bulk of funds on other programs and services. Utah spent 26% on basic assistance and the rest on other services and activities." (Source: *Innovative Uses of TANF Funds*, NCSL, February 2014.)

## **DWS determines the eligibility of programs for TANF funding**

The Department of Workforce Services, based upon the four TANF purposes, determines eligible uses of TANF funds. DWS decisions are subject to federal review after the fact, either through the Single State Audit and Fiscal Reporting Requirements/Records submitted to the federal Agency for Children and Families quarterly.

## **DWS had \$107 million in additional TANF spending authority as of January 2014**

During the 2014 General Session, DWS indicated to the Social Services Appropriations Subcommittee that it had \$107 million excess TANF spending authority as of January 2014 (see the table found on page 5 of the issue brief *Federal Funds - Department of Workforce Services*, <http://le.utah.gov/interim/2014/pdf/00001530.pdf>).

## **\$107 million excess authority results from the cumulative effect of the TANF grant being more than needed in some years**

DWS accumulated its \$107 million excess TANF spending authority due to the cumulative effect of the TANF block grant funds received from the federal government (\$75.6 million each year contingent upon DWS obtaining the full Maintenance of Effort, or MOE, requirement) being more than DWS used in some years. This happened in enough years and in sufficient amounts, to increase the DWS excess TANF spending authority to \$107 million as of January 1, 2014.

## **The Legislature funded \$17.3 million in additional TANF uses**

The Social Services Appropriations Subcommittee directed DWS to use \$17.3 million flexible TANF federal funds. Funding for the following items is dependent upon the availability of and qualification for Temporary Assistance for Needy Families federal funds.

- \$8,193,200 - Child care competitive rate subsidy: increases the lowest three rates for licensed child care centers from the 43rd to the 60th percentile of Utah rates. DWS states that the federal government would like Utah to work toward paying at the 75th percentile.

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- \$2,179,200 - Afterschool programs to address intergenerational poverty: starts 21 new and expands 32 current afterschool programs in Title I schools. The total fund request represents an increase of funding from DWS to afterschool programs of 57%.
  - \$1,500,000 - Refugee services: 1) case management for refugees who need this service longer than the required two years; 2) caseload size reduction for refugee case managers; 3) additional English as a Second Language teachers; and 4) the development, implementation, and maintenance of the core programs to be operated at the planned Utah Refugee Community Center.
  - \$1,500,000 - Mental Health Early Intervention for Children/Youth: Childrens mental health promotion and mental illness prevention. An additional \$1.5 million one-time from the General Fund was provided to the Department of Human Services for a similar purpose.
  - \$1,000,000 - Children's Center: preschool for children with serious emotional or behavioral problems who are provided with a continuum of needed mental health services.
  - \$1,000,000 - Supported Employment for Individuals with Disabilities: funding of this item is contingent upon federal approval of a waiver application to be submitted by the Department of Workforce Services. If funded, it would provide for programs to place people with disabilities in jobs in regular work environments by funding on-the-job training and other assistance to help solve problems that may arise in the course of that employment.
  - \$750,000 - Family Resource Facilitator Higher Education Navigator Program: post-secondary academic success and self-sufficiency assistance for children who either have or will age out of foster care.
  - \$566,600 - Child care for 60 days during temporary unemployment: 20 hours of child care help for 60 days while someone is between jobs, unemployed, and looking for work.
  - \$300,000 - Marriage Commission: maintain existing commission staff and expand efforts statewide to provide courses locally to help individuals form and sustain healthy and enduring marriages.
  - \$150,000 - Hyrum Community Resource Center: direct services in English and Spanish to children and families to strengthen families while preventing child abuse.
  - \$104,000 - Garland Community Resource Center: increase a rural communities access to resources and services to assist in self-reliance and connect to technology.
  - \$50,000 - Weber County Youth Impact Program: youth services in Weber County.

The Legislature also provided additional directions to DWS through intent language, to:

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1. Ensure that the funding for these programs is dependent upon the availability of and qualification for Temporary Assistance for Needy Families federal funds (H.B. 2, Items 75, 78, 79, 80, 82);
  2. Prepare proposed performance measures for all TANF federal fund increases and give this information to the Office of the Legislative Fiscal Analyst (LFA) by June 30, 2014 (S.B. 3, Items 67, 73, 76, 79 and H.B. 2, Items 67, 74, 78, 84);
  3. Make efforts to use TANF funding to increase services to families in need statewide (H.B. 2, Item 75);
  4. Pursue TANF funding for items identified by the Legislature as possible candidates for meeting TANF purposes (H.B. 2, Item 75);
  5. Seek a federal TANF waiver during the 2014 Interim in order to waive federal TANF requirements with regard to supported employment services provided to individuals with disabilities who might otherwise meet the TANF purposes (H.B. 2, Item 75); and
  6. Provide a report to the LFA on items 3, 4, and 5 no later than September 1, 2014.

## **A summary of Utah TANF expenditures compared to national TANF spending**

Utah's TANF expenditure pattern compares to the national average in the following ways:

- "spend substantially more on work-related activities (26% versus only 8% nationally)
- slightly more on non-recurrent short term benefits
- slightly more on SSBG [Social Services Block Grant] transfer and less on childcare than national average
- slightly less on other non-assistance and assistance authorized under prior law." (Source: *Innovative Uses of TANF Funds*, NCSL, February 2014.)

## TANF Categorical Spending – Utah Compared to Nation

Spending by Category (in millions)	Utah Spending		National Spending
	Amount	Percentage	Percentage
Basic assistance	\$27	26%	29%
Work-related activities	\$27	26%	8%
Child care	\$7	7%	16%
Admin/Systems	\$9	8%	7%
Refundable tax credits	\$0	0%	8%
Non-recurrent short term benefits	\$5	4%	2%
Social Services Block Grant (SSBG) transfer	\$8	7%	4%
Pregnancy prevention and family formation	\$7	6%	7%
Authorized under prior law and other non-assistance	\$16	15%	19%

(Source: NCSL)

## Possible future uses of Excess TANF spending authority

In its response to a request from Utah, NCSL provided the following possible list of TANF expenditure options beyond what Utah is currently doing:

- Put more TANF funding into child care.
- Raise the work bonus for those who are employed 30 hours per week (Utah already provides an extra \$60 per month for those who are working 30 hours or more per week).
- Put more funding into the other programs already identified in Utah's TANF state plan (homeless prevention, marriage, pregnancy prevention, etc.).
- Identify other services (similar to the ones reported by other states below) for additional TANF funding such as:

### o Child welfare payments and services (29 states)

Work with our child welfare agency to identify and work with needy families at risk of abuse or neglect:

- Provide cash assistance to needy caretaker relatives
- Screen families sanctioned under TANF for risk of abuse or neglect
- In-home services
- Family preservation

NCSL Note: *Federal government is very clear that TANF funds cannot be used to supplant state spending.*

### o Domestic violence (15 states)

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- Information and referral
  - Short-term emergency shelter or transitional housing
  - Case management
  - Counseling

o **Mental health and addiction services (14 states)**

- Assessment
- Referral
- Individual and group counseling
- Residential treatment services

o **Education and youth programs (11 states)**

- Afterschool and community-based programs
- School-related social services
- Mentoring/tutoring

o **Early childhood care and education (14 states)**

- Pre-Kindergarten
- Head start/Early Head Start
- School readiness programs
- Early childhood home visitation

o **Health/Disability (11 states)**

- Outreach to children for immunization
- Disability assessment
- Vocational rehabilitation services
- Respite care for caregivers
- Non-medical services to allow disabled children to remain at home

NCSL Note: *TANF funds may not be used for medical services other than pre-pregnancy family planning services.*

o **Teen pregnancy and prevention programs (9 states, including Utah)**

- Family planning
- Home visiting
- Parenting education

NCSL Note: *Utah reported spending \$1.37M on home visitation for families with newborns.*

o **Child support (6 states)**

- Supplemental payments and other services not covered by the states Title IV-D plan or reimbursed by IV-D

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- Child support pass-through and disregard
  - Grants to local agencies for providing support services to unemployed non-custodial parents (Wisconsin)

o **Employment services and work supports (12 states)**

- Employment preparation and work supports
- Transportation services
- Purchase of tools/supplies, uniforms, etc.

o **Marriage and parenting initiatives (10 states)**

- Life-skills education
- Peer group instruction
- Parenting workshops

o **Emergency assistance (20 states, including Utah)**

- Clothing distributions
- Remedial care
- Information referral
- Counseling
- Securing family shelter (homeless prevention, housing search)

NCSL Note: *Utah reported spending \$3.5M on services and volunteer hours for families in crisis - service associated with food distribution.*

o **Adult post-secondary education (5 states)**

- Scholarship programs
- Tuition payments
- College tutoring services
- Adult basic education

o **TANF program expenses (22 states)**

- Program management and related expenditures
- Fraud prevention
- Quality control
- Case management

NCSL Note: *there is some confusion around the difference between TANF program expenses and administrative costs that are reported separately.*

o **Additional expenditures (24 states, including Utah)**

- Case management, planning, linking, monitoring and evaluating client outcomes (New York)

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- Medical services (Hawaii, Illinois and Utah)
  - Homeless prevention (Illinois, New York, Oregon)
  - Nutritional assistance and food bank services (New York and Montana)

NCSL Note: *some states reported spending on services that could have been reported under other categories, ex. domestic violence or child welfare services.*

**o Additional programs or potential expansions**

- Establish and fund a refundable Earned Income Tax Credit (EITC) or fund federal EITC outreach efforts

NCSL Note: *25 states and the District of Columbia have earned income tax credits. All but Minnesota base it on the federal credit.*

- Provide matching funds for individual development accounts (IDA).
- Fund subsidized jobs and/or expansion of "bonus" payment for working.
- Put more money into child care - (Utah spends slightly less in this category).
- Pregnancy prevention: abstinence programs, visiting nurse services, and programs and services for youth such as teen pregnancy prevention campaigns, counseling, and after-school programs that provide supervision when school is not in session. A state may also fund a media campaign for the general population on abstinence or prevention of out-of-wedlock childbearing.
- Family formation: parenting skills training, premarital and marriage counseling and mediation services, activities to promote parental access and visitation, job placement and training services for noncustodial parents, initiatives to promote responsible fatherhood and increase the capacity of fathers to provide emotional and financial support for their children, and crisis or intervention services.
- States can use federal TANF dollars for pregnancy prevention and family formation purposes to serve single or childless adults or youth and can serve persons without regard to income.

NCSL provided the following two suggestions for a state thinking how it would use excess federal TANF spending authority:

- Does the state just want to spend the unspent dollars? If so, look at short-term or one-time funding options.
- What are the goals of the TANF program and how can this money be used to further those goals?