



WORKFORCE SERVICES – STRUCTURAL IMBALANCE

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

A structural imbalance is when an agency's ongoing expenditure exceeds its ongoing revenue. The Department of Workforce Services (DWS) has a structural imbalance currently estimated to be \$8,241,600. Workforce Services has tried to address this imbalance by strategically reducing its expenditures. DWS has turned also to a temporary solution by claiming in-kind efforts of other state agencies and private entities to meet its federal Maintenance of Effort (MOE) requirements. This temporary solution has allowed DWS to need less state General Fund. The Governor has not recommended funding this item at this time.

LEGISLATIVE ACTION

No Legislative action is required. The Department of Workforce Services is requesting an increase of \$8,241,600 in one-time General Fund for FY 2013 and \$8,241,600 in ongoing General Fund for FY 2014 to resolve its structural imbalance, but the Governor has not recommended funding of this request.

OVERVIEW

A structural imbalance is when an agency's ongoing expenditure exceeds its ongoing revenue. The Department of Workforce Services has a structural imbalance. DWS is annually spending more money than it has ongoing revenue to cover. DWS states, "Every year since FY 2009 the General Fund appropriations to the Department of Workforce Services have been insufficient to meet department obligations to provide the service it is charged with providing." In response to this structural shortfall, each year since FY 2009 DWS has "implemented efficiency measures allowing it to reduce its FTEs through attrition." DWS has also "negotiated reduced fees, rates, and licensing costs." In addition to the cost savings, the department has relied on a temporary solution involving the Temporary Assistance for Needy Families (TANF) program to manage the shortfall of General Fund. In addition to managing its budget, DWS requested an increase of \$8,241,600 in one-time General Fund for FY 2013 and \$8,241,600 in ongoing General Fund for FY 2014 to resolve its structural imbalance. The Governor has not recommended the Legislature appropriate funds to pay for the structural imbalance at this time. In the absence of an appropriation from the Legislature for this issue, DWS plans to continue reducing costs and use outside Maintenance of Effort (MOE), if available, to manage its budgetary challenge. DWS has indicated that in the absence of a General Fund appropriation, it has a plan through continued budget reductions to eliminate its structural imbalance.

A TEMPORARY SOLUTION TO RESOLVE THE DWS STRUCTURAL IMBALANCE

States are required to provide Maintenance of Effort (MOE) in order to receive federal funding for the TANF program. The MOE requirement for DWS is calculated as 75 percent of state expenditures on these activities as documented in 1995. The federal government allows DWS to meet much of its MOE requirement by claiming in-kind efforts (expenditures) of other state agencies or private organizations that also meet the basic TANF goals. The department's TANF expenditures are not reduced as a result of this. Instead, by claiming outside MOE DWS is allowed to draw more federal dollars to cover its costs. This allows DWS to use the General Fund that would otherwise be used for MOE on other department activities (e.g. – Medicaid and SNAP) where a state General Fund match is required. Since TANF allocations from the federal government are usually fixed, the additional burden of claiming outside TANF MOE causes the department to spend TANF federal funds at a higher rate than its 'fixed' federal allocation.

GENERAL FUND EXPENSES/APPROPRIATIONS, CUSTOMERS SERVED, AND COST PER CUSTOMER SERVED

The following figure is provided by the Department of Workforce Services to help illustrate some of the components affecting its structural imbalance:



Department of Workforce Services

General Fund Expenses, Appropriation, Customers Served and Cost Per Customer Served

