

Temporary Assistance to Needy Families (TANF) Block Grant Program: Current Issues

Presentation to the Senate Finance Committee

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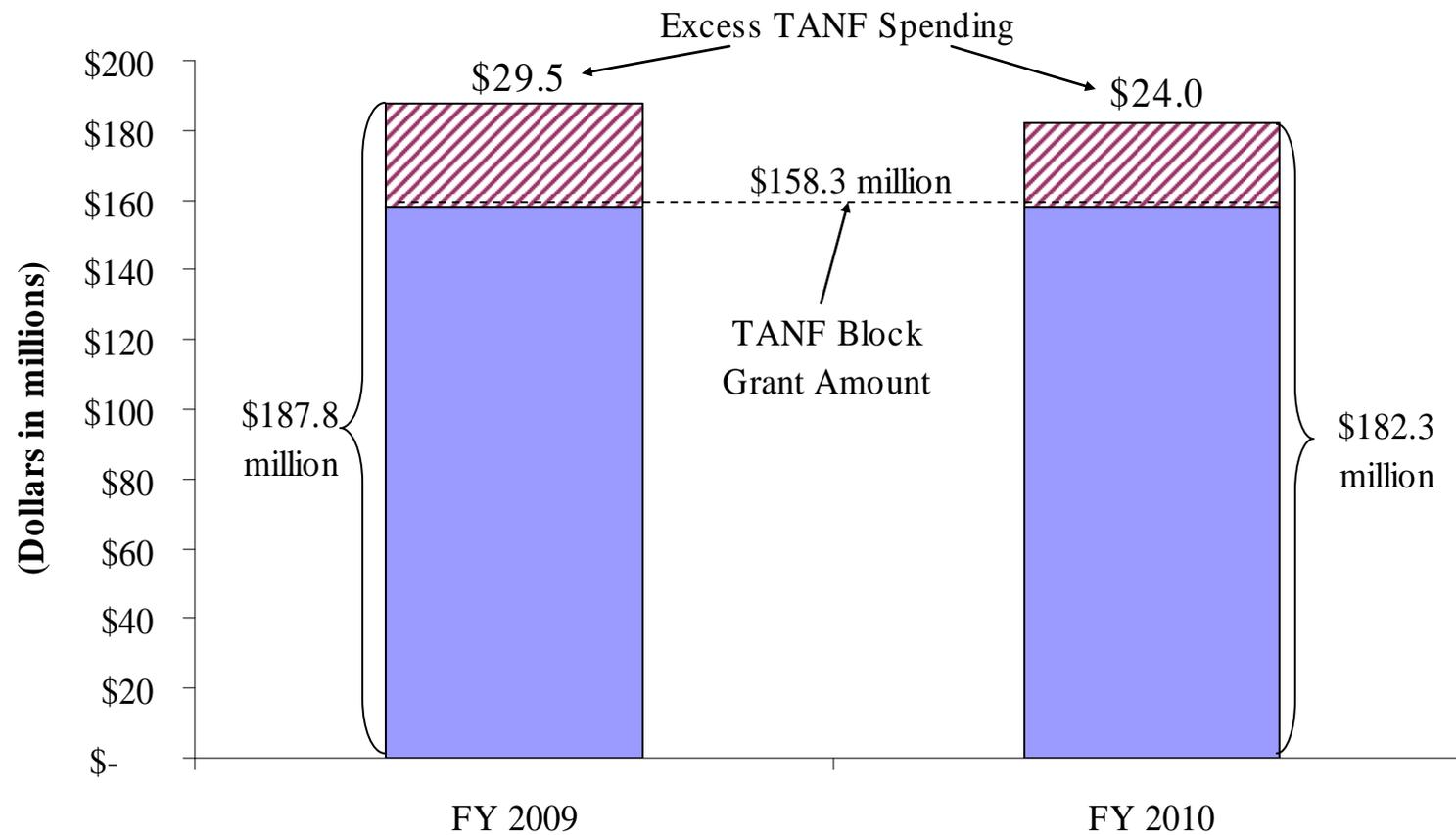
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Why are we talking about TANF?

- ❑ It has been a few years since we discussed the “nuts and bolts” of TANF.
- ❑ There was considerable discussion about the TANF program and spending during the most recent session.
- ❑ The current level of spending from the federal TANF block grant is not sustainable.
- ❑ Caseloads have risen 10 percent in the past 12 months.

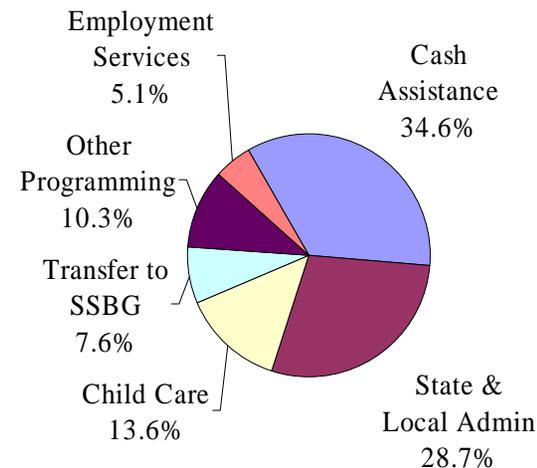
Current TANF Block Grant Spending



Composition of FY 2010 Spending from the federal TANF block grant

- TANF spending primarily supports:
 - Income assistance for families (\$63.1 million)
 - Administrative activities at the state and local level (\$52.4 million)
 - Child day care services (\$24.8 million); and
 - Other or expanded TANF programming (\$18.9 million).

Current TANF Spending
(\$182.3 million in FY2010)





TANF Program Funding

- ❑ TANF is a program but also a funding source.
- ❑ Other TANF program spending includes \$128 million from state and local funds for the Commonwealth's required maintenance of effort.
- ❑ In addition, \$27 million from the Child Care Development Fund is used to support recipients that are working or transitioning from TANF assistance.



Federal TANF Block Grant Fund is Out of Balance

- Virginia's annual block grant allocation is \$158.3 million.
- However, in FY 2009 and FY 2010, the General Assembly budgeted \$187.8 million and \$182.3 million, respectively, from the federal TANF block grant.
- The General Assembly spent the unanticipated balance of \$54 million on eligible activities including:
 - Income benefits;
 - At-risk child care services;
 - Local adoption services; and
 - Community-based programming.
- Many of these strategies resulted in general fund savings.
- An annual structural imbalance of at least \$24 million is anticipated beginning July 1, 2010.



TANF Emergency Fund

- States can receive up to \$79 million from the new federal TANF emergency fund.
- However, states must experience:
 - Rising caseloads or expenditures for cash assistance,
 - Increase spending on non-recurring, short-term benefits, or
 - Increase spending on subsidized employment.
- The federal grant requires a 20% state general fund match for each \$1.00 spent.
- Virginia can probably claim \$16 million based on rising caseloads and expenditures.
- Legislative action will be required to access additional funding.



How did we get here?

- States built up sizeable reserve funds as:
 - Built-in TANF funding “sweetener” provided windfall for states;
 - Guidance from the federal government lagged; and
 - Caseloads plummeted.
- States like Virginia began to experiment with other permissible uses of TANF such as:
 - Pregnancy prevention;
 - Fatherhood initiatives;
 - Housing assistance;
 - Community action agencies;
 - Local domestic violence services;
 - Local social services staffing; and
 - Numerous local programs.



How did we get here? (continued)

- TANF was also used to offset the loss of other federal resources.
 - \$13 million each year provided to make up for loss of federal Social Services Block Grant (SSBG) funding.
- During difficult economic times, surplus TANF funds have been used to support the following programs and take the pressure off the general fund:
 - Healthy Families;
 - CHIP of Virginia;
 - Community action agencies; and
 - Domestic violence services.
- Rising caseloads and expenditures for TANF as well as a worsening general fund picture will create pressures for all activities funded with federal TANF dollars.



What needs to be done?

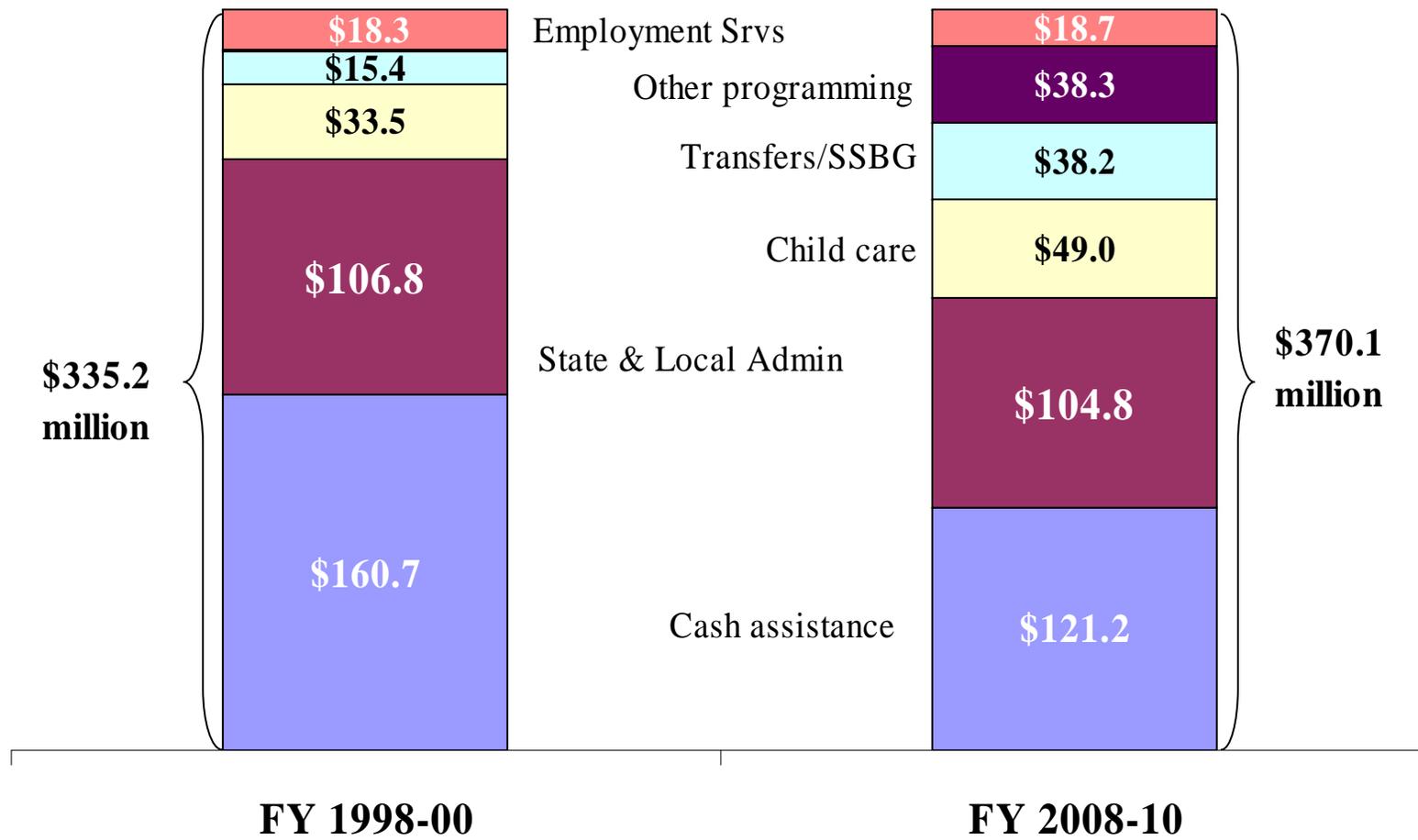
- Re-examine programs and services currently funded with federal TANF block grant and general fund MOE dollars.
- Ensure programs adhere to one of the four TANF purposes:
 - (1) to **provide assistance to needy families** so that children may be cared for in their own homes or in the homes of relatives;
 - (2) to **end the dependence of needy parents on government benefits** by promoting job preparation, work, and marriage;
 - (3) to **prevent and reduce the incidence of out-of-wedlock pregnancies** and establish numerical goals for preventing and reducing the incidence of these pregnancies; and
 - (4) to **encourage the formation and maintenance of two-parent families.**



What needs to be done? (continued)

- Review other funds that support the TANF program including general funds that count toward our maintenance of effort and other federal grants including the Child Care Development Fund.
 - The Commonwealth receives \$137 million annually from the federal CCDF grant with \$28 million directly related to TANF.

Comparison of Biennial TANF Spending





Observations from Biennial TANF Spending

- ❑ Funding for cash assistance has fallen by \$39.5 million or 25 percent in ten years.
- ❑ Other or expanded TANF program has largely replaced cash assistance, increasing by \$37.8 million.
- ❑ State and local administration has remained largely flat but inflation has diminished the value of funding over time.
- ❑ Child care spending has increased by nearly 50%.



What is Expanded TANF Programming?

- Totaling \$18.9 million in FY2010, major programming includes:
 - Healthy Families/Healthy Start - \$5.5 million
 - Homeless Assistance - \$4.9 million
 - Community action agencies - \$3.2 million
 - Domestic violence services - \$1.5 million
 - CHIP of Virginia - \$1.1 million.
- Other programming funding includes:
 - Teen pregnancy prevention services;
 - Employment and training services;
 - CSA innovations; and
 - Child advocacy centers.



Conclusion

- ❑ Current level of federal TANF block grant spending is unsustainable.
- ❑ Deteriorating general fund revenue picture complicates the task ahead at the same time caseloads are rising.
- ❑ All TANF-funded programs need to be re-examined.