

Legislative Fiscal Office

LR 407 2022 Update on TANF Funds

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TANF Report

Temporary Assistance for Needy Families (TANF) is a federal block grant program to states for time-limited and work-conditioned income maintenance assistance and other supportive services for low-income families with children. In Nebraska the TANF block grant is used for cash assistance, employment-related services, child care, child welfare and administrative costs. Nebraska receives approximately \$56.6 million a year from the TANF Block Grant. States are allowed to carryover unspent funding for a subsequent year. The carryover funds may be used for any allowable TANF purpose. The carryover balances are referred to as “Rainy Day” funds.

Legislation is often introduced with the intent to use the “Rainy Day” funds. This report is to assist senators in understanding the federal requirements and the flexibility allowed for the use of the TANF funds to better assess uses of the fund when proposed.

Background

In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). The federal Aid to Families with Dependent Children Program changed from a federal/state match program to a block grant. The change to a block grant gave states greater flexibility in designing programs and providing services, but also came with new requirements and a major focus on work requirements and incentives for those receiving assistance.

Federal Requirements

All uses of TANF funds must meet one of four purposes:

- Assisting needy families so that children can be cared for in their own homes
- Reducing the dependency of needy parents by promoting job preparation, work and marriage
- Preventing out-of-wedlock pregnancies
- Encouraging the formation and maintenance of two-parent families

Although four purposes are broad in nature and allow states great flexibility in designing programs and delivering services, there are also specific requirements that states must meet to continue to receive their full block grant allotment.

In order to maintain the block grant funding, the state must meet certain other financial and programmatic requirements.

State may be penalized for the following:

- Use of the funds in violation of the purposes
- Failure to meet the Maintenance of Effort (MOE)
- Failure to satisfy minimum work participation rates
- Failure to participate in the Income and Eligibility Verification System
- Failure to enforce penalties requested by the child support agency
- Failure to comply with the five-year time limit on assistance

Maintenance of Effort

Nebraska receives approximately \$56.6 million a year. The state is required to meet maintenance of effort (MOE) which is based on 1995 spending levels for cash assistance and work programs. To meet the MOE obligation, a state must report spending an amount equal to at least 80 percent of its historical spending level; this minimum share falls to 75 percent for any year in which a state meets its TANF work participation rate requirement. In Nebraska the MOE is approximately \$28.4 million. The state must meet all federal requirements or may be subjected to penalties of a reduction of \$1 for every \$1 below the required MOE.

The chart below shows the expenditures used for the MOE from FFY 2019 (Federal Fiscal Year starting October 1, 2018 through September 30, 2019) and FFY 2020 (October 1, 2019 through September 30, 2020):

MOE Programs	FFY 2019	FFY 2020
Basic Assistance	5,989,133	10,069,466
Work Activities	9,134	5,914
Child Care	6,498,998	4,002,989
Earned Income Tax Credit	28,991,349	29,018,861
Child Care Tax Credit	3,821,853	3,453,140
Emergency Assistance	127,079	31,015
Services for Children and Youth	380,877	365,093
Total	45,818,423	46,946,478
HHS Programs	13,005,221	14,474,477
Tax Credits	32,813,202	32,472,001

During the two federal fiscal years, the Earned Income Tax Credit (EITC) and the child care tax credit were 72% and 69% of the MOE. State expenditures in Department of Health and Human Services (DHHS) programs alone do not meet the MOE.

Separate State Programs and Solely State Programs

TANF funding is not allowed for all assistance programs serving low-income families. There are two categories of programs not allowed to be paid from TANF funds. Those are the Separate State Program and the Solely State Program. The Separate State Program counts toward meeting the state's MOE but the participants are not counted towards the state's work requirements. Solely State Program expenditures do not count toward the state's MOE and the participants are not counted toward the work requirements. The programs are paid from State General Funds.

Separate State Programs

Nebraska has two Separate State Programs. One exempts single-parent families or minor parents receiving ADC from work requirements if they meet the following criteria: 1) Pregnant women beginning the first of the month before the month of the mother's due date are exempt. 2) Parents or needy caretaker relatives, guardians, or conservators of a child under the age of 12 weeks.

The other allows parents to pursue post-secondary education in lieu of work. Post-secondary education is not allowed to count towards meeting the federal work requirements.

Solely State Programs

In Nebraska those exempt from the work requirements and federal time limits under the Solely State Program are those where the adult or minor parent is incapacitated with a medically determinable physical, mental or emotional impairment or those who have significant barriers to participation in approved work activities. Those barriers include a parent who is needed to provide continuous care for a family member with a disability; victims of domestic violence, single parents who are unable to obtain child care, and parents over age 65.

Work Requirements

The states' work participation rates are 50 percent overall and 90 percent for two-parent families. States can reduce the targets through caseload reduction credits. For every percentage point the state reduces its caseload below the FY 2005 level, the credit reduces the States target participation rate by one percentage point. Excess MOE spending serves as a caseload credit reduction. Nebraska has claimed child welfare funds, tribal TANF, respite care expenditures, the Earned Income Tax Credit and early childhood grants in the excess MOE calculation.

Failure to meet the work participation rates would result in penalties. The first year a penalty is assessed, the block grant is reduced by five percent (approximately \$2.9

million in Nebraska) and by an additional two percent (approximately \$1.2 million in Nebraska) for each subsequent year of non-compliance. The state's MOE would also increase by the percentage decline in the block grant.

In FFY 2006, the state barely met the work participation rate, placing the block grant funding at risk. Excess MOE has helped to eliminate the likelihood of a penalty being assessed against the state, especially the Earned Income Tax Credit which provides the majority of the offset to the work participation rates.

Allowable Transfers

Federal law allows transfers of the TANF Block Grant of up to 30% to the Child Care and Development Block Grant (\$16,988,170) and up to 10% to the Title XX Social Services Block Grant (\$5,662,726). The combined amount cannot exceed 30% of the grant (\$16,988,170).

Programs Supported by TANF

- **Administration funds** are used for staff and overhead expenses for administering assistance programs. These funds support ACCESSNebraska and related administrative expenses based on a cost allocation plan. Administrative costs are capped at 15% of the block grant.
- **Child Care** assistance is available at no cost to families receiving ADC cash assistance or those whose gross income and unearned income is at or below 100 percent of the Federal Poverty Level (FPL). Families whose incomes are above the current income standard for the full child care subsidy may be eligible for a partial subsidy if their gross earned and unearned income is at or below 185% of FPL. On October 1, 2023, the income limit reverts to 130% of FPL. The time-limited increase in income was contained in LB 485 (2021 Session) to utilize the increase in the federal child care funding in the American Rescue Plan Amendment (ARPA). Eligible families cannot be required to pay more than 20 percent of their gross income towards the cost of child care. Families must show a need for child care for job search, employment, education, training purposes, incapacitation of the parent, or in order to obtain medical care.
- **Information Systems** are used to support information systems used for eligibility, client activities and payment processing. Information systems costs are not included in the 15% administrative cap.
- **Aid to Dependent Children (ADC)** provides cash assistance as part of the TANF program to low-income families with children 18 or younger. ADC income is used to pay for family living expenses like rent, utilities, food, clothing, and other necessities.

- **Child Welfare** funds an array of safety and in-home services are provided to families whose children have been determined to be unsafe in their family homes or to the community. Eligibility is based on the family's eligibility for one of the following programs: Aid to Dependent Children, Supplemental Nutrition Assistance Program or Medicaid. The target population is: children ages 0 through 18 who are involved in a proceeding in the juvenile court system and placed in the custody of the department for reasons of abuse, neglect, status offense or delinquency; as well as families who are not involved in court proceedings, but who agree to participate in safety services. The following services are provided: in-home safety services, intensive family preservation services, family support services, family peer support and respite services.
- **Employment First** provides assistance for people through the transition from the Aid to Dependent Children to the workforce.
- **Home Visitations** Supports pregnant and parenting families of children from birth through age five who may struggle with significant life stressors such as poverty, exposure to violence or substance abuse, parenting teens or military families with one or more parent in the service. Families must be at or below 250 percent of poverty.
- **Family Focused Case Management** Intensive case management coordinating economic assistance and child welfare services to identify barriers and help clients reach self-sufficiency.
- **SSBG Transfer (Bridge, Inc.) and St. Monica's Women are Sacred** Both programs provide social services and non-medical case management for expectant mothers and their children in an inpatient drug treatment facility.
- **SSBG Community Response** Community Response is a system of supports and services for children and families to prevent the unnecessary entry into the child welfare system and/or other high-end systems of care. Participating communities develop and coordinate an array of local resources to determine eligibility criteria, identify families, administer and share screening and assessments, and provide short term support to qualified families.
- **Child Care Fingerprinting** The cost of fingerprinting for all child care providers, staff, and required household members is covered through September 30, 2023
- **SNAP Training and Employment** This is a partnership with the Department of Labor. SNAP recipients in certain areas of the State who are not receiving ADC or Employment First benefits are eligible. They are provided with work preparation training such as job search and on-the-job training and supportive services such as transportation and clothing for interviews.

- **Emergency Assistance** Financial assistance to low-income families to address an emergency situation that threatens the well-being of and eligible child or family. The assistance must be used to help return a family to a stable environment which they will be able to maintain.
- **Alternative Response** Alternative Response is an approach to working with families with allegations of abuse or neglect to safely care for children in their own homes and communities. Families are connected to services and/or informal supports to improve parents' ability to protect their children.
- **Fatherhood Initiative** The Fatherhood Initiative Project exists to serve Nebraska fathers who are wanting to better connect or re-engage with their children and learn how to be better parents. The Fatherhood Initiative staff of case managers, supervisors, trainers and employment specialist assist fathers in their efforts to overcome struggles and improve their lives for the overall betterment of the family.
- **JAG Program** Affiliated with the national organization Jobs for America's Graduates (JAG) collaborates with United Way and participating school districts. JAG Nebraska helps students overcome challenges to achieve personal and career success after high school. Certified career specialists teach a minimum of 37 skills during regular classroom hours to students interested in participating. The JAG curriculum prepares students for future job success.

Funding history

The following charts show TANF expenditures by Federal Fiscal Year from FFY 2016 through FFY 2021:

TANF Grant Spending by Federal Fiscal Year	FFY08 to FFY16 Average	FFY17 Actuals	FFY18 Actuals	FFY19 Actuals	FFY20 Actuals	FFY21 Actuals
Administration	\$ 3,493,085	\$ 7,353,534	\$ 3,525,246	\$ 3,294,010	\$ 3,099,547	\$ 2,123,095
Child Care	\$ 16,666,667	\$ 16,650,000	\$ 11,368,264	\$ 14,044,384	\$ 2,315,760	\$ 3,739,478
Information Systems	\$ 776,671	\$ (11,547)	\$ 214,232	\$ 242,540	\$ 244,760	\$ 217,788
Work Activity Admin. [Ended]	\$ 2,176,596	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Assistance [ADC]	\$ 16,762,373	\$ 18,528,781	\$ 19,027,589	\$ 17,820,799	\$ 18,215,229	\$ 15,564,210
Pandemic COVID FY20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,888
Child Welfare Services	\$ 2,824,033	\$ 2,835,724	\$ 4,174,113	\$ 4,901,257	\$ 6,087,158	\$ 6,338,066
Work Activities [Employment First]	\$ 12,388,124	\$ 10,963,180	\$ 8,846,828	\$ 8,821,492	\$ 12,176,694	\$ 9,523,720
ARRA [Spent on Work Act.][Ended]	\$ 1,828,301	\$ -	\$ -	\$ -	\$ -	\$ -
Home Visitations	\$ 10,576	\$ -	\$ -	\$ -	\$ 294,858	\$ 1,506,606
Women's Health Alternative [Ended]	\$ 196,322	\$ -	\$ -	\$ -	\$ -	\$ -
Subsidized Employment [Ended]	\$ 108,193.00	\$ 399,472	\$ 450,249	\$ -	\$ -	\$ -
Family Focused Case Management	\$ -	\$ 135,283	\$ 126,972	\$ 56,587	\$ 57,792	\$ 61,987
SSBG Transfer [Bridge]	\$ -	\$ -	\$ 134,115	\$ 471,608	\$ 428,785	\$ 428,669
St. Monica's Women Are Sacred	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201,863
SSBG Community Response	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 473,920
SSBG Child Care Fingerprinting	\$ -	\$ -	\$ -	\$ -	\$ 3,674	
SNAP Employment and Training				\$ -	\$ 16,161	\$ 35,365
Emergency Assistance				\$ -	\$ 58,859	\$ 42,284
Child Welfare/Alternative Response				\$ -	\$ 13,029	\$ 12,863
Fatherhood Initiative				\$ -	\$ -	\$ 361,289
Jag Program				\$ -	\$ 100,556.98	\$ 374,975.12
TOTAL	\$ 57,230,941	\$ 56,854,427	\$ 47,867,609	\$ 49,652,677	\$ 43,112,863	\$ 41,131,067

Rainy Day or Carryover Funding

States may use the unused TANF balance in subsequent years. The carryover balance could only be used for ADC payments in the past, but that restriction has been lifted. The carryover funds are also referred to as Rainy Day funds. Nebraska has had a carryover balance since the start of the TANF Block Grant. The block grant amount was determined using the base year of 1994 when public assistance caseloads in Nebraska and all states were at an all-time high. As welfare reform measures were implemented, caseloads declined significantly. Cash assistance covered approximately 15,000 families in 1994 and as of August 2022, 2,787 families were receiving cash assistance.

The following chart shows annual TANF balance projections as prepared by the Department of Health and Human Service.

TANF BLOCK GRANT BALANCES	
FFY 2022 - 2028 ESTIMATED EXPENDITURES	
Total Available TANF Grant as of Sept 30, 2021	\$ 108,461,983
FFY 22 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(54,321,736)
Unobligated Reserves	\$ 108,461,983
FFY22 TANF Balance - Sept 30, 2022	\$ 110,767,481
FFY 23 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(70,659,906)
Unobligated Reserves	\$ 110,767,481
FFY23 TANF Balance - Sept 30, 2023	\$ 96,734,809
FFY 24 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(74,383,658)
Unobligated Reserves	\$ 96,734,809
FFY24 TANF Balance - Sept 30, 2024	\$ 78,978,385
FFY 25 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(74,383,658)
Unobligated Reserves	\$ 78,978,385
FFY25 TANF Balance - Sept 30, 2025	\$ 61,221,961
FFY 26 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(75,207,410)
Unobligated Reserves	\$ 61,221,961
FFY26 TANF Balance - Sept 30, 2026	\$ 42,641,785
FFY 27 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(75,207,410)
Unobligated Reserves	\$ 42,641,785
FFY27 TANF Balance - Sept 30, 2027	\$ 24,061,609
FFY 28 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(76,031,162)
Unobligated Reserves	\$ 24,061,609
FFY28 TANF Balance - Sept 30, 2028	\$ 4,657,681

Estimate of Annual Grant Expenditures		
TANF Administration		
TANF Child Care		
TANF Information Systems		
TANF Cash Assistance [ADC]		
TANF Child Welfare Services		
TANF Work Activities [Employment First]		
TANF Cash Assistance LB89 [ADC SON]		
TANF Home Visiting Program		
TANF Family Focused Case Management		
TANF SSBG Mommy & Me		
TANF SSBG Community Response Program		
TANF SNAP Employment and Training*		
TANF Emergency Assistance		
TANF Supportive Services and Work Supports for Child Welfare Families/TANF Alternative Response		
TANF Fatherhood Initiative*		
TANF Crisis Pregnancy Program*		
TANF JAG Program		
TANF Program Work Group Recommendations (TBD)*		
TOTAL		
* These Programs began in the last 18 months and should increase as the program continues implementation.		