



REPORT ON KEY ISSUES FROM THE  
HOUSE APPROPRIATIONS COMMITTEE

# BUDGET BRIEFING

DWIGHT EVANS, DEMOCRATIC CHAIRMAN

January 31, 2005

## Core TANF Funding Programs to Receive Budget Priority

### Overview

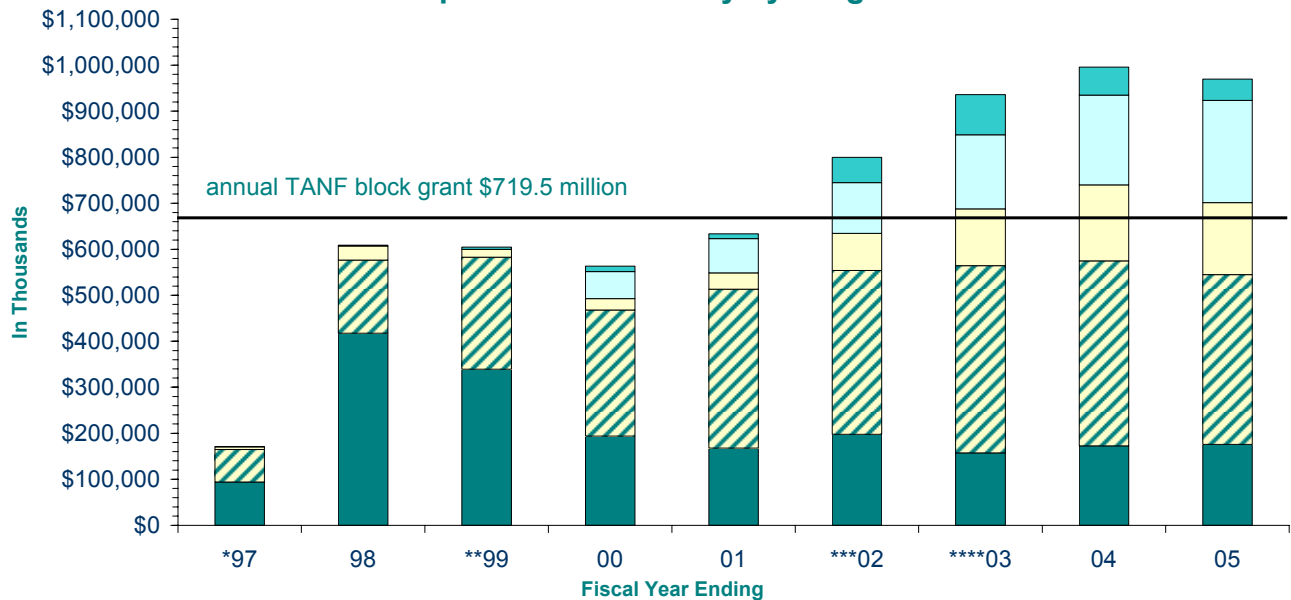
This is the second of four Budget Briefings that frame the discussion around the funding crisis related to the Temporary Assistance for Needy Families (TANF) federal block grant. **This Budget Briefing focuses on programs in the Department of Public Welfare (DPW) serving a core TANF purpose.** Other TANF funded programs will be highlighted in the third briefing.

For nearly nine years, the federal government has provided Pennsylvania with an annual TANF block grant of \$719 million in order to tailor **programs aimed at moving low-income individuals from government dependence to self-sufficiency.** The

Commonwealth has used TANF funds to provide cash assistance, job training, child care, and other social supports to low-income citizens.

When welfare caseloads decreased during the first years of TANF, Pennsylvania spent less than its annual block grant and accumulated a surplus of nearly \$588 million by 2000/01. In 2001/02, the Commonwealth began spending more than its annual TANF block grant amount, investing the accumulated surpluses in county child welfare, supplementing the declining Social Services Block Grant (SSBG), and committing funds to other social programs such as Access to Jobs.

### TANF Expenditure Summary by Program Area



\* TANF implemented March 3, 1997. Reflects four months (or one-third year) of TANF.  
 \*\* Two year work requirement implemented March 3, 1999  
 \*\*\* Five year lifetime limit implemented March 3, 2002  
 \*\*\*\* TANF reauthorization mandated for September 2002.  
 TANF block grant extensions at current levels through March 31, 2004, while awaiting reauthorization.

■ Other Supports - Non-DPW (include transportation and housing)  
 □ Child Care  
 □ Employment and Training  
 ▨ Other Supports - DPW (include Child Welfare and human services)  
 ■ Cash Grants

Now, TANF spending continues to exceed the annual block grant amount, the surpluses are no longer available to sustain current expenditures, and welfare caseloads have been steadily increasing since May 2002. **In 2005/06, the Commonwealth must bring TANF expenditures back to a level equal to annual block grant amount.** Core TANF programs serving welfare and former welfare recipients will receive priority, as intended by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) which created TANF. These core programs of cash assistance, job training, and child care are examined in this Budget Briefing.

**Core TANF Programs:  
Department of Public Welfare**

TANF provides the funding stream to help needy families with children meet their basic needs, supporting families temporarily unable to work. In accordance with the tenets of PRWORA, **large allocations of Pennsylvania’s TANF block grant have gone toward the core programs:** cash assistance for low-income families (Cash Grants), child care services for these families, and job training (New Directions) for low-income individuals.

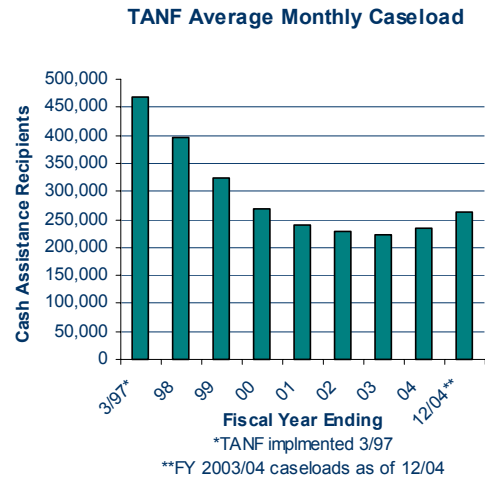
**Monthly Cash Grants**

The Cash Grants appropriation in DPW provides direct money payments to eligible TANF recipients to help them meet everyday living expenses and allow them to move from government dependence to self-sufficiency. In order to be classified as a TANF client, individuals must fall within rigid income guidelines and have dependent children. For detailed information on eligibility and benefits, please see the DPW’s Cash Assistance website at <http://www.dpw.state.pa.us/LowInc/Cash/>.

Through the Cash Grants appropriation, TANF clients receive average monthly cash payments of \$138.79 per month, per recipient as well as allowances for support services and child care.

**Please note that child care services funded through the Cash Grants appropriation are for TANF and former TANF families.** A separate Child Care Services appropriation in DPW provides child care subsidies to serve a larger cross-section of working families as explained in the Child Care section on page 3. Cash grant payments for TANF clients are funded by state general fund and federal dollars, largely TANF. A weakened economy, higher child care costs, and increasing caseloads since 2002 have necessitated larger allocations of TANF funds for cash assistance in recent years. In 2003/04, a total of \$890 million in state and federal funds were appropriated for the Cash Grants appropriation, that includes approximately \$242 million in TANF block grant funds of which \$54 million is for child care

services for TANF clients.



The enacted budget for **2004/05 increases total state and federal spending to \$917 million that includes approximately \$234 million in TANF block grant** funds of which \$58 million is for child care services for TANF clients.

**Employment and Training**

The success of welfare reform is predicated upon the TANF recipient’s permanent transition from welfare to work. **As a condition for eligibility, adult recipients must seek, accept, and maintain employment.** After receiving TANF for two years, adult recipients must participate in a work activity for an average of at least 20 hours per week. However, during the first 24 months on TANF, no hourly requirements exist regarding work participation.

Programs under the New Directions appropriation serve TANF clients and other low-income people enabling individuals to obtain full-time, permanent employment, thereby reducing their need for public assistance. These employment and training programs are funded through state general funds and federal funds, including TANF. Descriptions of Employment and Training programs funded through New Directions are below:

- **Single Point of Contact (SPOC):** Provides intensive case management, skills training, and education for welfare recipients with significant barriers to employment.
- **Maximizing Participation Project (MPP):** Provides a medical and vocational assessment and develops individualized plans to assist clients in overcoming the barriers to working.
- **Welfare-to-Work Program:** Funded by temporary categorical federal grants created in 1997 and distributed to the local Workforce Investment Boards to serve the hardest to employ TANF clients. This program was set to end in 2001, but the end date had been extended

to September 2003. These grants have been phased out.

- **Retention and Advancement Services:** Aids employed clients (up to 235 percent of the Federal Poverty Income Guidelines) in maintaining employment and/or upgrading their skills to promote job advancement, increased hours, higher pay and medical benefits.

During the first two years of welfare reform (1996/97 and 1997/98), **the Ridge Administration strategy for employment and training focused on funding “rapid attachment” services** with an emphasis placed on job preparation, job readiness and job placement services for relatively job-ready clients. **The focus was not on job training, education or skills development.**

As Pennsylvania approached the first deadline (March 3, 1999) for welfare recipients to meet the two-year work requirement, more emphasis was placed on job retention and enhancement services to upgrade clients' work skills. **This shifting emphasis resulted in the state directing a greater amount of TANF funds into employment and training.**

In 2003/04, a total of \$263 million in state and federal funds were appropriated for the New Directions appropriation, including approximately \$167 million in TANF block grant funds. **The enacted budget for 2004/05 decreases total state and federal spending to \$249 million, including approximately \$156 million in TANF block grant funds.** The apparent decrease in TANF funding largely is the result of savings from initiatives expected to maximize resources and streamline services.

### **Child Care**

The Child Care appropriation under DPW provides subsidized child care to low-income working families on a sliding fee scale. These child care services reach a larger cross section of the population and are separate from those provided to TANF recipients under the Cash Grants appropriation. Working families with incomes up to 200 percent of the Federal Poverty Income Guidelines (FPIG) -- \$37,700 for a family of four -- could qualify for a subsidy. Families can remain in the program until their incomes reach 235 percent of FPIG, or \$44,060 for a family of four.

Child care may be purchased from: regulated day care centers (13 or more children); group day care homes (4 to 6 children), or from legally unregulated child care providers or relative/neighbor caregivers (3 or fewer children). Most families pay between \$5 and \$25 per week for child care, regardless of the number of children who receive care. In general, the family's annual co-payment can not exceed 11 percent of annual income, except for families at or below 100

percent of FPIG who pay no more than eight percent of annual income.

In 2003/04, a total of \$265 million in state and federal funds were appropriated to the **Child Care Services appropriation**, including a \$2 million appropriation of TANF funds and approximately \$171 million in federal Child Care Development Fund (CCDF) money. The CCDF amount already included a separate \$139 million transfer from TANF for child care services in 2003/04. The enacted budget for **2004/05 appropriates a total of \$285 million in state and federal funds, including a \$2 million appropriation of TANF block grant funds and approximately \$189 million in CCDF funds.** As in 2003/04, the 2004/05 CCDF amount already included a separate \$162 million transfer from the TANF block grant to CCDF, including approximately \$14 million for initiatives designed to expand and enhance child care services.

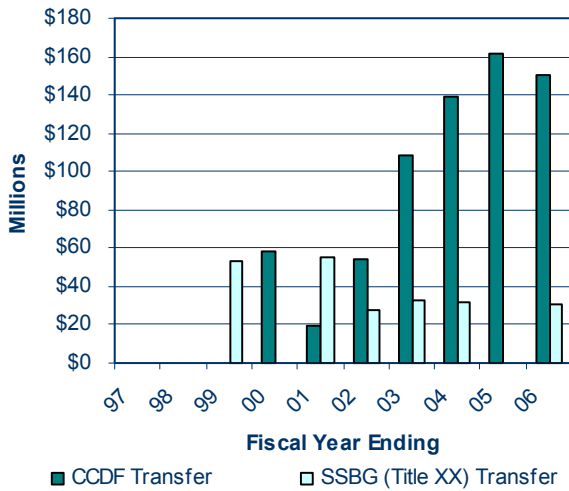
As explained below, a percentage of TANF funds may be transferred to CCDF if needed. Beginning with \$58.5 million in 1999/00, **increasing amounts of TANF funds have been transferred to CCDF to cover the cost of providing subsidized child care.** The starting date of these transfers corresponds with new state regulations adopted in November 1999 that expanded the availability of child care for low-income families.

TANF funds were not appropriated directly to Child Care Services until 2001/02, when funds were directed to the Head Start Collaboration Project Initiative in order to facilitate the development of additional full-day/full-year comprehensive child care services.

### **TANF Transfers to Child Care Development Fund and Social Services Block Grant**

Under PRWORA, **states are allowed to transfer up to a total of 30 percent of their TANF funds to the Child Care Development Fund (CCDF) and the Social Services Block Grant (SSBG).** No more than 4.25 percent may be transferred to the SSBG. The transferred funds must be spent on children or their families whose income is at or below 200 percent of the federal poverty level. Since 1998/99, Pennsylvania has transferred a total of approximately \$579 million from TANF, consisting of \$380 million to the CCDF and \$199 million to the SSBG. Once TANF funds are transferred, those funds must stay in CCDF or SSBG and may not be returned to TANF to use for other purposes.

**TANF Transfers to CCDF and SSBG**



Due to an increased focus on child care and congressional action that decreased SSBG funding, **Pennsylvania has substantially increased its TANF transfers to the CCDF and SSBG over the past three years.** Pennsylvania transferred no TANF

funds to CCDF or SSBG in 1996/97 or 1997/98. However, when Congress acted in 1998 to reduce SSBG funding by over 15 percent beginning in 1999, Pennsylvania transferred \$53 million in 1998/99 to maintain the state’s SSBG at its previous amount. With the exception of 1999/2000, Pennsylvania continued to transfer TANF funds to SSBG through 2003/04. Pennsylvania began transferring TANF funds to CCDF in 1999/2000 to help meet the increased demand for child care services and has made transfers in each of the subsequent years.

In 2003/04, approximately \$170 million in TANF funds was transferred to the CCDF (\$139 million) and SSBG (\$32 million) block grants. For 2004/05, \$162 million in TANF block grant funds will be transferred to CCDF, including \$14 million to enhance day care services and expand the child care program. The 2004/05 budget does not rely on transferring TANF funds to SSBG in 2004/05 but a transfer of at least \$30 million may be necessary in 2005/06.

**QUESTIONS AND COMMENTS**

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