



## *New Federal Dollars for New York*

### *The TANF Emergency Contingency Fund in the American Recovery and Reinvestment Act of 2009*

June 2009

## **Part II: New York's Experience to Date Using the Regular Contingency Fund**

### Executive Summary

- The American Recovery and Reinvestment Act of 2009 (ARRA) established the Emergency Contingency Fund within the federal Temporary Assistance to Needy Families (TANF) program for states to provide more support to needy families.
- For this purpose, New York has access to \$1.22 billion in additional aid for federal fiscal years (FFYs) 2009 and 2010.
- New York has qualified already for a portion of this amount—\$407 million—from the regular TANF Contingency Fund due to the state's actual and estimated food stamp enrollment this year.
- With this amount, New York will finance the state and local share of monthly cash assistance grant increases and provide more childcare subsidies over the next three years, initiate new employment programs and restore other TANF services. (See the 2009-2010 New York State budget enacted earlier this year.)
- Now the state may apply for approximately \$814 million more through the regular Contingency Fund and/or the new Emergency Contingency Fund (ECF).
  - The regular Contingency Fund is capped and will likely run out in FFYs 2009 or 2010. New York may receive more from this fund in FFY 2010 before it runs out but this is uncertain.
  - Therefore, the state may apply for \$654-\$814 million from the new ECF.
- New York must resubmit TANF expenditure data for FFYs 2007 and 2008 to determine whether quarterly spending increased in FFYs 2009 and 2010 for basic assistance, non-recurrent short-term benefits and subsidized employment. Any increases qualify for 80 percent federal funding and/or reimbursement from the ECF.
- Even so, New York's public assistance caseload numbers are not high enough yet to apply for federal reimbursement on any increased basic assistance costs through the ECF.
- Once expenditure data is updated, New York may have access to ECF money for non-recurrent short-term benefits and subsidized employment in FFY 2010 and even FFY 2009 since recent and planned spending in these areas is greater than in earlier base years.

With the passage of the American Recovery and Reinvestment Act (ARRA) in February 2009, an Emergency Contingency Fund was established in the federal Temporary Assistance to Needy Families (TANF) program to help states provide assistance to low-income families during the current recession. This fund provides 80 percent federal funding for increased spending by New York and other states in federal fiscal years (FFYs) 2009 and 2010 in three areas: basic assistance, non-recurrent short-term benefits and subsidized employment. This money is available either as reimbursement for actual expenditures or as upfront funding for estimated new or expanded program costs. In all, New York may draw an additional \$1.22 billion—half its annual TANF block grant of \$2.44 billion—over two years.<sup>1</sup>

When the TANF program first was established in 1996, it included a Contingency Reserve Fund (hereafter, the regular Contingency Fund) to help states respond to consequences of economic downturns. Until this fund runs out in FFY 2009 or 2010, New York has access up to an additional \$488 million each year, or 20 percent of its annual TANF block grant amount. With the establishment of the new ECF however, states now have access through FFY 2010 to a combined total of one half their annual TANF block grant from the two contingency funds. Since this new fund is capped at almost twice what the Congressional Budget Office estimates states would likely use over the next two years—\$5 billion—New York should have access to the entire \$1.22 billion in new aid.<sup>2</sup>

### **Use of the “Regular” Contingency Fund**

On February 26, 2009, Governor Paterson announced New York would receive its first contingency fund payment of \$162.4 million due to increased enrollment in the food stamp program as of December 2008. Since then, New York has applied for additional contingency funds on this basis and will receive a total \$407 million for qualifying on ten months out of a potential twelve month maximum amount of \$488 million, in FFY 2009.

In its recently passed April 1 budget, New York used this \$407 million to finance increases in benefits, provide more child care subsidies, initiate several employment programs and restore other TANF-related services. (See Table 1.) Specifically, New York increased the state's basic cash assistance grant for recurring monthly needs from its present household level of \$291 to \$320 in July 2009, \$352 in July 2010 and finally, to \$387 in July 2011. The state used \$179.7 million to pay for this grant increase including the local district share that the state will absorb until March 2012. New York estimates this portion to be \$123 million over three years.<sup>3</sup>

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<sup>1</sup>The exact amount is \$1,221,465,301. It becomes available retroactively as of October 1, 2008, the start of federal fiscal year 2009. <http://www.acf.hhs.gov/programs/ofa/policy/pa-ofa/2009/pa200901a.htm>.

<sup>2</sup> For a more detailed look at the basic rules for and amounts of funds that New York can access, please see the first of FPI's ongoing series of issue briefs on this topic, *New Federal Dollars for New York*.

<sup>3</sup> OTDA Briefing and Materials, April 3, 2009 and FPI's Table 1. (See Basic assistance and “Allocations.”)

New York's expansion of TANF subsidized employment in the current budget includes increasing the Wage Subsidy Program by \$10 million to \$14 million. Newly funded initiatives are represented by the Green Jobs Corp Program (\$5 million), the Health Care Jobs Program (\$5 million), and, finally, the Transitional Jobs Program (\$5 million). These last three programs have not been implemented and the state has appropriated \$2 million in state money each for non-TANF participants in the Green Jobs and Health Care Jobs Programs.

### **Will New York Qualify for the New Emergency Contingency Fund?**

New York's recent public assistance caseload experience and its federal and matching state spending in eligible TANF program areas affect whether the state can request Emergency Contingency Fund money. To verify its eligibility, New York will need to submit to the federal Department of Health and Human Services (HHS) estimated and actual caseload and expenditure data for each quarter of FFYs 2009 and 2010 along with similar data for both of the potential base years—2007 and 2008.

Currently, HHS asks all states to report TANF block grant spending quarterly in these and other areas on the federal form ACF-196. This form 1) does not represent actual spending for each quarter and 2) does not require states to report all expenditures for each of these categories together. Quarterly updates of this form include any reclassification of expenditures and the use of funds from prior years. Therefore, HHS is developing a new form for states to use when they request ECF money. Data from the ACF-196 forms is used below as a guide only to give a rough estimate of annual and quarterly spending by New York in these three areas.<sup>4</sup>

#### *Basic Assistance: Caseloads*

In basic assistance, New York first will need to evaluate for each quarter in FFY 2009 and FFY 2010, whether its average monthly TANF and SSP-MOE assistance caseload is higher than for the same quarter in its base year. For this purpose, New York's caseload is the number of families that receive assistance funded with TANF dollars and in its separate state programs for which the state claims maintenance-of-effort expenditures. As shown in Table 2, New York's TANF/MOE caseload was lower in each quarter of FFY 2008 than in FFY 2007, with the lowest average of 150,150 families receiving assistance each month for the quarter ending September 2008. Since caseload data takes precedence over expenditure data in determining base year, 2008 would serve as New York's base year.

The next step is to compare average monthly caseload numbers from relevant quarters in 2009 and 2010 with those from 2008. The federal HHS website has not posted state caseload figures more current than through September 2008. However, data submitted to HHS by the state Office of Temporary and Disability Assistance (OTDA) indicates that

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<sup>4</sup> The federal government posts only annual ACF-196 data on its website through 2007; the state Division of Budget has provided the actual quarterly reports through March 2009.

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New York's average monthly caseload in the first quarter of FFY 2009—149,794—is the lowest since at least the beginning of FFY 2007. (See Table 2.) And while caseloads may have risen since the beginning of 2009, according to OTDA, they have not yet reached even 2008 levels.<sup>5</sup> Therefore, New York does not meet this first step in qualifying for ECF money in basic assistance.

*Basic Assistance: Expenditures*

As caseloads increase, the state must demonstrate that actual expenditures for basic assistance have increased during these quarters in 2009 and 2010 compared to the same quarters in 2008. Currently, basic assistance for a family consists of 1) a cash grant for recurring monthly needs, 2) home energy allowances to cover domestic utilities, and, 3) a shelter allowance for rent.

Even though New York's caseloads were lower in 2008 than in 2007, as shown in Table 3, its total expenditures for basic assistance were higher that year (\$1.32 billion) than in 2007 (\$1.24 billion). More important, reported spending for the first quarter of FFY 2009 was lower than in the first quarter of FFY 2008: \$321.0 million compared to \$339.3 million. Such spending for the second quarter was much lower, too: \$215 million compared to \$318 million for the same quarter in 2008. Resubmission of data for actual expenditures may change these results. However, given that caseloads remain lower in these quarters than in 2008, New York is not eligible to request ECF money.

*Non-recurrent Short-term Benefits*

These benefits usually represent one-time assistance for 'a specific crisis situation or episode of need' and do not usually last beyond four months.<sup>6</sup> Such emergencies include imminent utility shut downs, eviction and domestic violence. Assistance is provided through several emergency assistance programs—such as Emergency Assistance to Families (EAF)—and is used for utility payments, heating fuel costs, shelter and hotel/motel housing costs.<sup>7</sup> Additionally, these short-term benefits represent diversion payments that help former assistance recipients meet non-recurrent needs without enrolling them in ongoing assistance.

According to the ACF-196 form, New York's total expenditures in this area for 2007 were \$115.7 million and in 2008 were \$173.0 million. (See Table 3.) Therefore, 2007 may become New York's base year for non-recurrent short-term benefits. The state has reported certain EAF expenditures in other areas on the ACF-196 form however<sup>8</sup>; these figures, therefore, may under-represent New York's spending for non-recurrent short-term benefits. Acknowledging all the limitations of using ACF-196 data, New York's

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<sup>5</sup> OTDA Briefing, April 3, 2009 and data submitted to the Fiscal Policy Institute in May 2009.

<sup>6</sup> Office of Family Assistance, Temporary Assistance for Needy Families Policy Announcement, No. TANF-ACF-PA-2009-01: *The Emergency Fund for TANF Programs, Attachment B*, April 3, 2009. <http://www.acf.hhs.gov/programs/ofa/policy/pa-ofa/2009/pa200901b.htm>.

<sup>7</sup> New York State, Office of Temporary and Disability Assistance. <http://www.otda.state.ny.us/main/ta/default.asp>.

<sup>8</sup> Conversation with New York State Division of Budget staff, June 9, 2009.

spending for the first half of FFY 2009 still appears greater than in the first half of 2007, \$53.2 million and \$49.9 million were reported versus \$16.9 million and \$24.9 million for the same period in 2007. Until New York resubmits actual spending data, it is not definite that the state could request 80 percent ECF reimbursement for the increase in spending here.

### *Subsidized Employment*

Examples of existing subsidized employment programs in the state that receive TANF funding are Summer Youth Employment and the Wage Subsidy program. Again, New York need only demonstrate that total TANF/MOE expenditures during a given quarter in 2009 and 2010 have increased over the same base year quarter. Reported spending for the ACF-196 "Work Subsidies" category was lower in 2007 compared to 2008—\$1.3 million versus \$1.5 million; 2007 may become the base year then to estimate increases in spending for 2009 and 2010. (See Table 3.)

It is unclear, however, which of New York's recent TANF subsidized employment costs are captured in Work Subsidies and which are reported in the related category "Other Work Activities/Expenses. And given the unevenness in reported quarterly expenditures for this category, it is problematic to use ACF-196 data even as an indicator of whether New York would qualify for ECF reimbursement. For example, the state's quarterly expenditures in FFY 2007 range from almost \$2.0 million to a debit of \$846,163. Because "all expenditures related to operating a subsidized employment program" may qualify for an ECF award, New York will need to resubmit this data for 2007, 2008 and the current federal fiscal year, so that all subsidized employment program costs are counted together.<sup>9</sup>

New York's reported spending in FFY 2009 for Work Subsidies to date looks modest—less than \$1million each quarter. However, New York enacted approximately \$25 million in new spending on April 1 for subsidized employment. If the state submits estimates of these costs to HHS as soon as possible, it could receive ECF money in the current fiscal year for program implementation. Alternatively, federal reimbursement for 80 percent of actual expenditures would be available to the state later in the year or next year. Significantly, any third party spending or commitment here also contributes to the total anticipated or actual expenditures that are eligible for ECF funding.

*The Fiscal Policy Institute ([www.fiscalpolicy.org](http://www.fiscalpolicy.org)) is a nonpartisan research and education organization that focuses on tax, budget, and economic issues that affect the quality of life and the economic well being of New York State residents.*

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<sup>9</sup> Office of Family Assistance, Temporary Assistance for Needy Families Policy Announcement, No. TANF-ACF-PA-2009-01: *The Emergency Fund for TANF Programs, Attachment B*, April 3, 2009. <http://www.acf.hhs.gov/programs/ofa/policy/pa-ofa/2009/pa200901b.htm>