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TANF and Child Care Spending in New York: An Update

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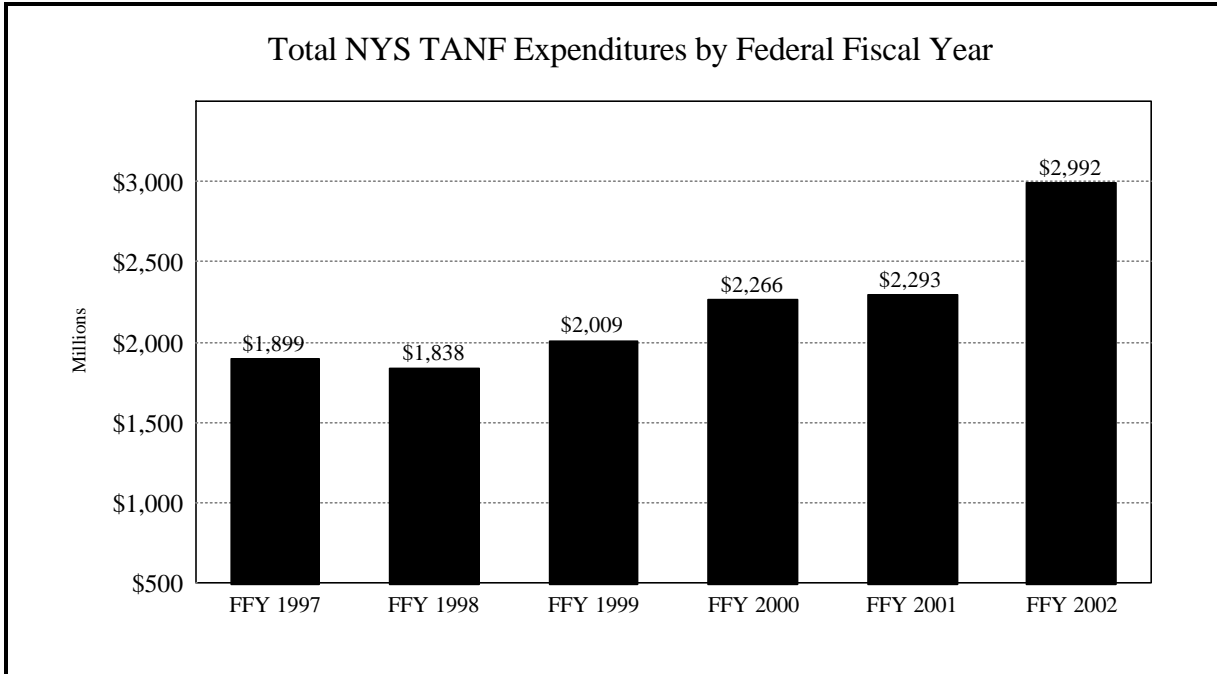
April 28, 2003

On February 13, 2003, the House of Representatives approved Temporary Assistance to Needy Families (TANF) reauthorization legislation (H.R. 4) which had been introduced by Rep. Deborah Pryce (R-OH). The bill was nearly identical to the bill passed by the House on an essentially party-line vote last year also is largely similar to the Bush Administration's TANF reauthorization proposal originally unveiled in February 2002, which earlier this year the President called on Congress to enact. This bill imposes expensive new mandates, reduces state flexibility, and fails to provide needed additional resources. This is particularly striking in light of the almost unprecedented fiscal crisis now facing states, the cuts states already have made and are now considering in TANF and child care programs, and the serious concerns states raised about the House bill's approach during the debate on this legislation last year.

As Congress enters the last phase of the debate over the reauthorization of the TANF program, it is instructive to review how individual states have utilized the TANF resources. As a result of federal welfare reform in 1996, New York and other states now receive federal aid for providing welfare support to eligible families through the TANF Block Grant, which replaced the Aid to Families with Dependent Children (AFDC) program and related services. The original legislation authorized states to receive fixed amounts for federal fiscal years 1997 through 2002; New York's annual award is \$2.44 billion. The 1996 federal welfare law restricted the use of the federal block grant funds to specific activities and established "maintenance of effort" (MOE) requirements that a state must spend at least a specified amount of state funds for benefits and services for members of needy families each year – about \$1.7 billion for New York. Since the expiration of the authorization last fall, states have continued to receive a fixed block grant through a continuing resolution.

Overview of TANF Spending

States may use TANF resources to (1) provide cash assistance to needy families and children (2) invest in programs and services that assist needy families in becoming and remaining self sufficient (3) subject to some restrictions imposed by federal guidelines, fund other programs of assistance to needy families (including tax credits and child welfare programs) which were previously funded out the state's general fund and/or (4) build up reserve (or "rainy day") funds for use during economic downturns when caseloads and therefore, cash assistance expenditures are likely to increase.



New York has increased the amount of its block grant it has spent in each of the federal fiscal years since 1998. Last year, for the first time since the inception of the program, New York spent considerably more than the annual block grant. This was possible because in the earlier years of the TANF program New York had built up considerable reserves.

	Millions					
	FFY 1997	FFY 1998	FFY 1999	FFY 2000	FFY 2001	FFY 2002
Transfers						
Child Care Development Block Grant	-	\$55	\$270	\$437	\$375	\$394
Title XX Block Grant	\$168	\$221	\$244	\$244	\$244	\$244
Expenditures						
Cash and Work Based Assistance	\$1,327	\$1,063	\$954	\$886	\$722	\$1,440
Work Activities	\$58	\$103	\$108	\$148	\$155	\$305
Transportation	-	-	-	\$1	\$2	\$10
EITC	-	-	-	-	\$348	(\$348)
Nonrecurrent short term payments	-	-	-	-	-	\$24
Prevention of Out of Wedlock Pregnancies	-	-	-	-	\$7	\$98
Two parent family formation	-	-	-	-	-	\$0
Administration	\$230	\$228	\$221	\$201	\$155	\$303
Systems	\$5	\$7	\$11	\$13	\$25	\$18
Non-Assistance Authorized Under Prior Law	-	-	-	\$80	\$71	\$106
Other	\$110	\$161	\$202	\$256	\$187	\$396
Total Expenditures	\$1,730	\$1,562	\$1,495	\$1,585	\$1,674	\$2,353
Total Expenditures and Transfers	\$1,899	\$1,838	\$2,009	\$2,266	\$2,293	\$2,992

The increasing expenditures from the TANF block grant are not due to an increase in the number of people receiving public assistance. In fact, over this same period the number of people receiving cash assistance through the federal program has declined from 1,090,434 AFDC recipients in December 1996 to 327,673 family assistance recipients in December 2002. The increase in expenditures, despite the plummeting caseloads, is because in New York, like other states, the TANF block grant has been used to fund a wide variety of services and supports for

low-income families, particularly the working poor.

As cash assistance caseloads and expenditures on cash assistance have declined, New York has divided its TANF expenditures among each of the other three categories of allowable expenditures.

1. Some TANF funds have been used to support a broad array of programs and services to assist needy families in becoming and remaining self sufficient, including child care, transportation, wage subsidy programs and literacy and English as a Second Language programs. A descriptive list of the numerous programs and services that have been funded over the past few fiscal years is available on our web site — www.fiscalpolicy.org.
2. TANF funds have also been used to support programs previously funded out of the general fund, particularly the expansion of the State's Earned Income Tax Credit and Refundable Child and Dependent Care Credit. Low-income New York families now receive a refundable New York State EITC which is set at 30% of the federal EITC.
3. Finally, for the first five years of the block grant, a significant portion of the TANF block grant was allocated to reserve or contingency funds or otherwise left unspent. Last year, the state spent almost all those reserve or contingency funds that had been accumulated in the first five years.

TANF Spending in SFY 2002-2003

TANF spending in the state fiscal year which ended March 31, 2003 exceeded the annual TANF block grant by more than a billion dollars and exhausted all previously unobligated and unliquidated federal balances.¹ Last year, TANF resources were used to fund tax credits, child welfare programs and educational assistance to an unprecedented degree. The state used TANF funds in these programs in large measure to fill budget holes created by the significant decline in state revenues as a result of the recession and the fiscal strain borne by New York as a result of the September 11th terrorist attacks.

After providing resources for these programs, the funds left to support new and innovative approaches to helping low-income families move from welfare to work were extremely limited. New York spent only \$176 million for TANF-funded employment and transitional services initiatives, \$24 million less than spending in the prior year.

¹Although in the latest federal report on TANF spending available to us, for the quarter ending September 30, 2002, the state reported a balance of \$510 million of unobligated funds and \$552 million in obligated but not yet liquidated funds, the administration was expected to obligate and liquidate almost the entire balance of these funds prior to the end of the state's fiscal year on March 31.

Proposed TANF Spending in SFY 2003-2004

For the second consecutive year, New York expects to spend more than the annual TANF block grant. The Executive Budget proposals call for approximately \$2.9 billion in total TANF spending, almost \$500 million more than the annual TANF block grant. According to the Division of the Budget, \$120 million of this is the result of funding reallocation, taking unspent money that had been obligated in prior years and reallocating it for use during this fiscal year, while the balance of the “deficit” will be funded by postponing transfers to the Child Care Block Grant until after the start of the next federal fiscal year.

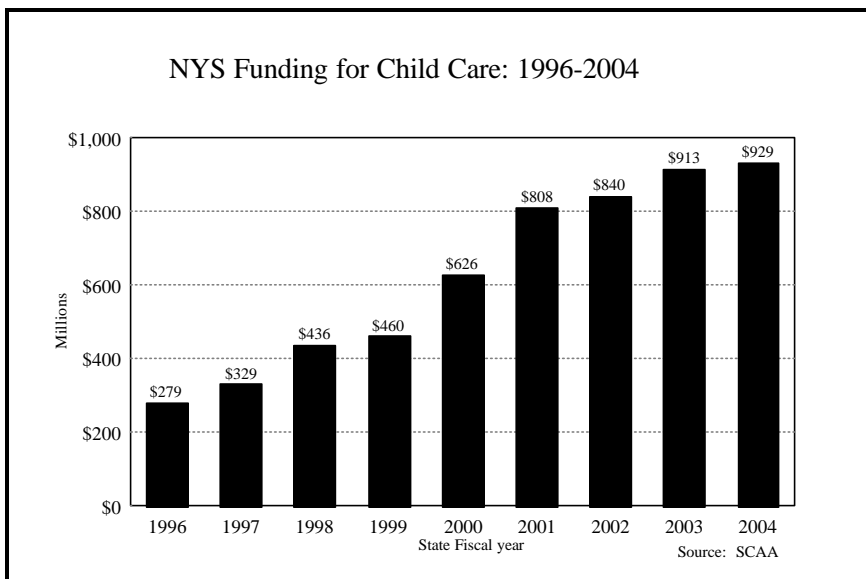
Federal TANF Block Grant	\$2.440
Unspent Funds from Prior Year Federal TANF Block Grants	\$0.120
Total Available Funding	\$2.560
USES	Proposed
Estimated 2002-2003 Spending on Assistance and Closely Related Programs (Base Expenditures)	\$1.204
Tax Credits, Child Welfare, Education Assistance	\$1.170
Child Care	\$0.408
Welfare-to-work programs	\$0.095
Total TANF Spending: SFY 2002-2003	\$2.877

A number of program areas - including child welfare programs, the EITC and Dependent Care Credit, and the Tuition Assistance Program will see their TANF funding increase. Funding for child care will also increase by \$68 million - an important increase that will ensure that the number of children receiving child care assistance will not fall as provider rates increase. At the same time, however, funding for welfare-to-work programs — programs that provide education, training, and work opportunities for welfare recipients — will receive just \$95 million *total*, some \$870 million less than in SFY 2000-2001. For example, the Governor’s proposed budget eliminates funding for the Summer Youth Employment Program, wiping out over 33,000 jobs for young adults, predominantly 14 and 15 year olds. In addition to the direct impact of ending summer jobs for teens, non-profits and municipal governments would also feel the impact of this proposal if they lose the resources to hire temporary summer staff to assist as day care aides, classroom aides, food service workers, clerical staff, park and pool maintenance staff, recreational program aides and custodial aides.

Even with this reduced allocation of funds for education, training, transportation and all other supportive services, the Governor’s proposed level of overall TANF spending --- \$2.9 billion --- is not sustainable. The proposed \$2.9 billion in TANF expenditures on ongoing programs is about \$500 million more than can be sustained in future fiscal years, without taking into account the need to rebuild New York’s contingency reserve funds. This means that if the Governor’s budget is approved, next year the state will be faced with the need to either cut TANF spending by \$500 million or use General Fund resources to fill this gap.

Child Care Funding²

While a significant commitment has been made by the Governor and Legislature since 1995 to increase child care subsidy funding (overall funding has increased from \$279 million in 1995 to \$913 million in 2003), too many children currently eligible for subsidized child care still remain unserved and major population areas often have waiting lists for child care or must prioritize the allocation of subsidies due to insufficient funds. In New York City, over 27,000 children are on a waiting list for subsidized child care. In Monroe County, access to the program has been limited to those under 140% of poverty, even though the eligibility limit is 200% of poverty. Twenty-nine social services districts spent all of their allocations last year and were eligible for supplemental payments from the child care reserve fund. This year there is no reserve fund.



Overall, the Governor proposes to increase the Child Care Block Grant by a net of about \$17 million to \$929 million in SFY 2003-04. Most of this increase is due to the net effect of reprogramming some unspent federal funds from past years and from the state's reconciliation from year to year of the actual amount of federal CCDBG dollars received in relation to what was budgeted (the state got more than it expected in some past years).

According to the Greater Upstate Law Project (GULP), the Governor's proposed increase to \$929 million would create no new child care slots. The increase will fund the higher cost of each slot which is expected to result from the biennial adjustment to the child care market rate schedules. Advocates have urged the Governor to increase funding for child care by increasing the transfer from the TANF block grant from the proposed \$408 million to \$488 million, the federal limit on such transfers. GULP estimates that this increase in funding would create over 3,000 additional subsidized slots statewide.

² This analysis of the Governor's child care funding proposals is based on materials developed for the Child Care that Works Campaign by the Schuyler Center for Analysis and Advocacy and the Greater Upstate Law Project.

Impact of Reauthorization on TANF and Child Care Spending Requirements

The House-passed TANF Reauthorization bill does not provide for any increase in the TANF block grant nor the maintenance of effort (MOE) requirement to reflect increases in the cost of living since the passage of the original TANF program. While the cost of providing services and supports for low-income families has increased each year, the federal block grant and the state's maintenance of effort requirements have been fixed. If the TANF block grant level and MOE requirements are not adjusted for inflation in the current reauthorization, the real value of New York's grant and MOE requirement will fall by 21% by 2007.³

In addition, work requirement and participation rate provisions of the House TANF Reauthorization legislation will put even greater demands on the limited TANF resources. Last year, the Congressional Budget Office estimated that if states were required to enforce the 40-hour work requirement and meet the increased participation rate targets in the bill, the costs to states of meeting the new work requirements would be up \$11 billion over five years --- \$5 billion in increased child care costs for work program participants and \$6 billion to administer the work requirements.

The House bill provides only \$1 billion in additional mandatory child care over the next five years. New York's share of the additional \$1 billion would be a scant \$64 million. These additional funds will not even enable New York to keep pace with increases in the cost of child care, let alone expand the number of slots available to accommodate the new work requirements. No additional money is provided in the House bill to fund the administration of the expanded work requirements.

The Senate Finance Committee will soon consider TANF reauthorization legislation with final action by the Senate expected later this Spring or Summer. While it appears likely that the Senate will also alter the work participation requirements states must meet, neither the details about the work provisions nor the extent to which the legislation will include increased resources for states to use to meet the requirements have been settled yet.

If final TANF reauthorization continues to freeze the TANF block grant at 1996 levels and does not include substantial increases in child care funding, New York will be forced to cut back on critical programs and services for low-income working families in New York, even if no new work-related mandates are imposed. If costly new mandates are included in the final TANF reauthorization legislation without adequate additional federal resources to meet these new requirements, these program and service cuts will be even more severe.

³ This estimate is based on the Congressional Budget Office August 2001 projections for changes in the CPI-U through 2007.

NYS TANF Spending Allocations

	SFY 2002-03	SFY 2003-04	Change
TANF "Base" Spending	\$992,320	\$1,203,953	\$211,633
Administration/Systems	\$330,750	\$358,650	\$27,900
Family Assistance	\$283,517	\$443,150	\$159,633
Emergency Assistance	\$345,000	\$353,000	\$8,000
Other Base Expenditures	\$33,053	\$49,153	\$16,100
Child Welfare Investments	\$405,600	\$409,000	\$3,400
Title XX	\$241,000	\$241,000	\$0
Local JD/PINS	\$105,000	\$105,000	\$0
NYC Foster Care Tuition	\$41,000	\$41,000	\$0
OCFS JDs	\$12,000	\$12,000	\$0
OCFS Community Based JD Services	\$0	\$1,000	\$1,000
PINS/Preventive Services	\$4,600	\$7,000	\$2,400
Child Welfare Quality	\$2,000	\$2,000	\$0
Support for Low Income Working Families	\$438,000	\$489,700	\$51,700
EITC	\$351,000	\$382,000	\$31,000
CDCC	\$87,000	\$107,700	\$20,700
Supports to Foster Stable Families	\$430,000	\$225,000	-\$205,000
TAP	\$380,000	\$225,000	-\$155,000
Pre-K	\$50,000	\$0	-\$50,000
Other Programs Previously Funded Out of General Revenues	\$52,800	\$41,500	-\$11,300
Advantage Schools (partial)	\$10,000	\$10,000	\$0
Extended Day	\$11,300	\$0	-\$11,300
School Based Health Centers	\$3,500	\$3,500	\$0
Home Visiting	\$16,000	\$16,000	\$0
APPS	\$7,700	\$7,700	\$0
YEETP	\$4,300	\$4,300	\$0
Child Care Investments	\$340,400	\$408,000	\$67,600
Child Care	\$330,000	\$408,000	\$78,000
Child Care Demos	\$5,000	\$0	-\$5,000
Child Care SUNY/CUNY	\$3,400	\$0	-\$3,400
Satellite Child Care	\$2,000	\$0	-\$2,000

NYS TANF Spending Allocations

	SFY 2002-03	SFY 2003-04	Change
Employment, Health and Transitional Services	\$176,650	\$95,010	-\$81,640
Employment/Transitional Block Grant	\$34,500	\$50,000	\$15,500
Transportation	\$7,500	\$0	-\$7,500
Drug Screening/Treatment	\$5,000	\$0	-\$5,000
DV Screening	\$7,000	\$0	-\$7,000
Youth Enterprise Program	\$1,000	\$0	-\$1,000
Summer Youth Employment	\$25,000	\$0	-\$25,000
Displaced Homemakers	\$1,200	\$2,800	\$1,600
Green Teams	\$860	\$1,010	\$150
Food Pantries	\$13,600	\$12,000	-\$1,600
Pregnancy Prevention	\$11,600	\$10,000	-\$1,600
Title XX WIC	\$3,000	\$3,000	\$0
Blueprint	\$1,500	\$0	-\$1,500
WIC	\$2,000	\$2,000	\$0
Advantage Schools	\$10,200	\$10,200	\$0
Alternatives to Incarceration	\$4,000	\$4,000	\$0
Wage Subsidy Program	\$5,000	\$0	-\$5,000
Preventive Services Initiative	\$18,000	\$0	-\$18,000
Technology Training	\$7,000	\$0	-\$7,000
Language Immersion/ESL	\$1,050	\$0	-\$1,050
Adult and Family Literacy	\$1,000	\$0	-\$1,000
VESID/LIVES	\$1,000	\$0	-\$1,000
Homeless Assistance	\$4,000	\$0	-\$4,000
Parents Count Demo	\$1,000	\$0	-\$1,000
ACCESS - Welfare to Careers	\$1,140	\$0	-\$1,140
Emergency Homeless	\$500	\$0	-\$500
Skills Development	\$500	\$0	-\$500
DAP	\$500	\$0	-\$500
Supportive Housing for Families	\$2,000	\$0	-\$2,000
Basic Education	\$5,000	\$0	-\$5,000
Kinship/Guardians/PINS/Caretaker	\$1,000	\$0	-\$1,000
	\$2,835,770	\$2,872,163	\$36,393
One Time Adjustments	\$598,400	\$5,200	-\$593,200
Prior Year EITC	\$220,000	-\$2,100	-\$222,100
Prior Year CDCC	\$62,000	\$7,300	-\$54,700
Other one time commitments	\$316,400	\$0	-\$316,400
TOTAL TANF SPENDING	\$3,434,170	\$2,877,363	-\$556,807