



Extending the TANF Emergency Contingency Fund (ECF) Would Bring More Dollars and Jobs to New York

May 19, 2010

The TANF Emergency Contingency Fund (ECF) has brought \$935 million in new federal dollars to New York over the last year. With the nation continuing to experience high unemployment rates, an extension of the ECF past its current September 30, 2010, expiration date is essential.

How New York has benefited to date

To help needy families during the current recession, the American Recovery and Reinvestment Act (ARRA), which was signed into law by President Obama on February 17, 2009, created a \$5 billion Emergency Contingency Fund (ECF) within the Temporary Assistance for Needy Families (TANF) federal block grant program.

The ARRA allows each state to access additional aid up to one half of its annual TANF block grant over the course of the 2009 and 2010 federal fiscal years, from a combination of the ECF and a pre-existing TANF Contingency Fund (CF).¹ For New York, this meant that the state government could qualify for up to \$1.221 billion by September 30, 2010. As of May 17, 2010, New York had received \$9347.7 million or more than three fourths of this total maximum award. New York qualified for these awards on the basis of:

- a) Increases in New York's food stamp enrollment and its unemployment rate (the criteria by which New York accessed Contingency Funds), and
- b) Spending increases in the areas in which ECF funding is available for 80 percent of additional state expenditures:
 - 1) basic assistance,²
 - 2) subsidized employment, and
 - 3) non-recurrent short-term benefits.

The major outcomes from New York's access to these two funds are:³

- Approximately 1,600 jobs created to date through ECF investments in: Transitional Jobs, Green Jobs, and Health Care Jobs programs and the existing Wage Subsidy programs.⁴
- Additional child care subsidies set aside for three years.

¹ The CF (the pre-existing TANF Contingency Fund) was exhausted in December 2009. For additional information on these two funds, see the issue briefs at http://www.fiscalpolicy.org/tanf_contingencyfunds.html.

² The combined number of families (cases) that receive assistance funded with federal TANF dollars or receive assistance in New York's Safety Net Assistance program for which the state claims maintenance-of-effort (MOE) expenditures must increase over a base year quarter for increases in spending to be eligible for ECF awards.

³ TANF ECF awards based on reimbursement of actual spending increases in the above three areas, and all CF awards, are fungible in that they can be used for any allowable TANF purpose except for transfers to the federal Child Care and Development Block Grant and the Social Services Block Grant. Therefore, as the state uses contingency fund money for allowable, already-budgeted purposes, it frees up regular TANF block grant money for other purposes such as child care subsidies.

⁴ New York State Office of Temporary and Disability Assistance, *Performance and Accountability Matrix*. <http://www.otda.state.ny.us/main/pma/>.

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- Acceleration by six months of an increase in the monthly cash assistance grant and payment of the local share of this increase.
- Restorations and expansions to TANF-funded services such as Emergency Assistance and support services in child care, transportation, family support and vocational training.
- Back-to-School payments of \$200 for each child in families receiving food stamps and public assistance.

New York State is on track to receive the remaining \$286.7 million of its maximum potential award by September 30, 2010, due to increases in basic assistance costs and non-recurrent short-term benefits such as tax credits for TANF-eligible families. This money is integral to the state's proposed 2010-2011 TANF budget.⁵ Even though most of the awarded and anticipated ECF money for the 2010-2011 state budget is allocated to increased assistance costs, it is also the source for a proposed \$92 million in support services—albeit reduced from the previous year by a net \$132 million and limited to disability advocacy, case management, subsidized employment and two new initiatives.

Why New York needs an extension of the Emergency Contingency Fund

- Even though an economic recovery is underway, many states, including New York, are still coping with record deficits; this gives them less opportunity and flexibility to respond to the needs of low-income families that have yet to find work and economic security.
 - States that have not passed their 2010-2011 budgets, and even those that have, face a lack of financial resources and certainty regarding federal funding. In New York, for example, the Governor has proposed cuts in the previously planned levels of cash assistance and services to TANF-funded populations. This includes proposals to delay the final phase-in of the increase in the basic allowance portion of the monthly assistance grant by two years and to reduce funding for support services including transportation, child care, family support and training and education.
- It is unlikely that all planned subsidized job placements undertaken with CF and ECF money will take place by September 30, 2010. Even though 1,600 placements were reported as of mid-May 2010, the total number planned through the end of September 2010 was 5,000.
 - State and local governments had little time to learn how they may become eligible for the ECF—including initial confusion on what spending could represent the initial 20 percent match to draw down the ECF⁶—and to follow this up with the development or expansion of programs and services to request or use such funding. It is just over one year since the federal government issued rules on how to request ECF awards and less than one year since the forms for requesting ECF money were made available. At the close FFY 2009—halfway through the period for drawing down ECF money—

⁵ For the impacts of the ECF and the CF on the state budget, see Fiscal Policy Institute, *Testimony at the Joint Legislative Public Hearing on the 2010-2011 Executive Budget Proposal - Human Services*, February 24, 2010 (revised April 2, 2010). http://www.fiscalspolicy.org/FPI_StateBudgetTestimony_HumanServices_2010.pdf.

⁶ Lower-Basch, Elizabeth, CLASP, *Job Creation: Extending the TANF Emergency Fund Creates Jobs Now*, updated April 9, 2010. <http://www.clasp.org/admin/site/publications/files/Emergency-Fund-Extension.pdf>.

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New York State was only making approvals of plans submitted by local social services districts for the Transitional Jobs and Health Care Jobs programs and was just ready to make awards for the competitive Green Jobs program—all new subsidized employment projects funded with CF and ECF money.

- More so, when a funding stream is available for a short period, some state and local governments will not consider developing and organizing eligible programs when there is limited time for actual implementation and no certainty of ongoing funding.
- Small businesses have begun to use ECF money to create jobs. Employers' costs for wages, administration and training are eligible for ECF dollars, and these stimulus funds either help businesses to maintain levels of activity and/or to expand when many employers would normally scale back their operations. The upcoming deadline will forestall this process since: 1) some local districts did not either make a) the anticipated number of placements during FFY 2010, and/or b) did not make them early enough for their planned duration by September 30, 2010; and, 2) local districts need sufficient time prior to September 30, 2010, to process reimbursements for employers.
 - Specifically, local districts in New York will stop making job placements by the end of June or shortly thereafter, and job placements are for shorter periods of time than in program requirements⁷ to allow districts time to receive and respond to vouchers or claims submitted by employers for wages and other costs.
- If subsidized employment programs are curtailed and New York is not be able to expend all the funds awarded for these programs as required by September 30, 2010, the state will either: 1) give back to the federal government a portion of the money for which it already qualified; or, 2) use the money in alternative ways that meet ECF requirements such as directing it to non-recurrent short-term benefits. While such “one-shots” for eviction prevention or back-to-school expenses, for example, are useful to low-income families, the money would not be used for its original purpose. This is problematic during a recession when many parents' primary need is to secure and/or maintain employment for longer-term economic security.

What the new ECF would look like and what that means for New York

Congress is about to consider legislation that would include an additional year of funding for the TANF Emergency Contingency Fund. This legislation is likely to provide new TANF ECF funding of \$2.5 billion for the federal fiscal year that begins on October 1, 2010. Each state would be eligible for additional aid of up to 30 percent of its annual TANF block grant. This would mean as much as \$732.9 million in new federal dollars for New York State. This funding will allow New York and the other states to continue to efficiently create subsidized jobs for TANF recipients and other low-income unemployed individuals at a low cost per job and to bolster overall consumer demand by meeting the growing need for basic assistance among very poor families with children.

⁷ Schott, Liz and LaDonna Pavetti, CBPP, *Extending the TANF Emergency Fund Would Create and Preserve Jobs Quickly and Efficiently*, Updated April 6, 2010 at <http://www.cbpp.org/files/1-27-10tanf.pdf>.

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It is also important for the federal government to extend the deadline for spending current ECF money. Such action would significantly improve the ability of New York and the other states to use the existing funds programmed for subsidized jobs in the most effective manner.

From a New York perspective, action by Congress to extend the ECF for an additional year with adequate funding is appropriate for the following reasons.

- The additional federal dollars would allow New York State to restore TANF programs already in place. More specifically, this stimulus money would help the state to increase the monthly assistance grant according to its original timetable and provide increased funding for essential support services to low-income families as specified in the state Senate and Assembly resolutions on the 2010-2011 proposed Executive Budget.⁸
- Recipients of increased assistance would spend these additional resources on family needs, thereby contributing to and energizing consumer demand in a recovering economy.⁹
- Job placements, and their duration, in ECF-funded programs affected by the September 30, 2010, deadline would be retained and stabilized.
 - Examples include mid-size employers in the upstate area—a screen printer and bakery—that have already hired employees with subsidized wages; these positions will remain permanent when their subsidies expire.¹⁰ Such job creation would increase with a one-year ECF extension and result in enhanced economic activity for New York.
- An extension of the ECF deadline and funding would encourage better program outcomes in those of New York's local social services districts that have either not operated subsidized employment programs before or that are operating newer models that require training components—as in the Green Jobs and Transitional Jobs programs—and that seek to engage a range of employers including private sector companies.
- An ECF extension would provide New York and the other states with an opportunity for innovative responses to the situations faced by needy families during the current economic downturn such as the public-private partnership between the government and the Soros Foundation which led to the July 2009 Back-to-School payments for over 800,000 children funded by foundation and ECF funds.

At this point in time, with the economic recovery struggling to gain traction, an additional year of funding for the TANF Emergency Contingency Fund is essential. By authorizing such additional funding now, Congress would provide state and local governments and third parties with the assurances that they need to keep their subsidized employment and related programs running rather than winding them down in anticipation of the current expiration date.

⁸ See <http://www.nysenate.gov/press-release/majority-resolution-fair-and-responsible-sfy10-11-budget> and <http://assembly.state.ny.us/2010Budget/>. If additional ECF funding is made available for the period beginning on October 1, 2010, restorations of important services, in addition to those provided for in these resolutions, would be possible.

⁹ Pavetti, LaDonna and Liz Schott, *Extending TANF Emergency Fund Would Help Small Businesses Recover from Recession*, CBPP, March 23, 2010.

¹⁰ Ibid.

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Emergency Contingency Fund Awards as of May 17, 2010

Timing of Award	Basis Upon Which Award was Requested			Total
	Basic Assistance	Non-Recurrent Short-term Benefits	Subsidized Employment	
7/20/2009		\$140,000,000	\$9,200,000	\$149,200,000
12/4/2009	\$32,423,450	\$595,538	\$9,200,000	\$42,218,988
3/4/2010	\$14,152,761	\$211,541,452	\$19,175,383	\$244,869,596
<u>Total</u>	\$46,576,211	\$352,136,990	\$37,575,383	\$436,288,584

Contingency Fund Awards as of May 17, 2010

Federal Fiscal Year 2009	\$407,155,100
Federal Fiscal Year 2010	\$91,286,911
<u>Total</u>	\$498,442,011

Grand Total from both funds **\$934,730,595**

As a portion of total maximum award (\$1,221,465,301) 76.5%

Amount that remains for New York to access by Sept. 30, 2010 \$286,734,706

Source: U.S. Department of Health and Human Services, Office of Family Assistance, Approved TANF Emergency Fund Applications by Category at <http://www.acf.hhs.gov/programs/ofa/tanf/apprTANFemerfund.html>; New York State Division of the Budget.

For additional information on the TANF Emergency Contingency Fund and related issues, contact Carolyn Boldiston at boldiston@fiscalpolicy.org; or go to:

- Center on Budget and Policy Priorities (CBPP): www.cbpp.org.
- Center for Law and Social Policy (CLASP): www.clasp.org.
- Fiscal Policy Institute: http://www.fiscalpolicy.org/tanf_contingencyfunds.html.

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