The Florida Senate

Interim Project Report 2000-07 *August 1999*

Committee on Budget Senator Locke Burt, Chairman

SURVEY OF WELFARE TO WORK AND WELFARE PREVENTION PROGRAMS

SUMMARY

The Personal Responsibility and Work Opportunity Reconciliation Act passed by Congress in 1996 mandates a funding arrangement that has placed states in the unusual position of having to find new ways to spend their federal block grant allocations. The impressive decline in the welfare caseloads throughout the nation since the law went into effect has caused the total cost of the program to drop to a level increasingly closer to the minimum state financial participation defined by the law as the "Maintenance of Effort" (MOE) requirement. Welfare activities which are eligible for Temporary Assistance for Needy Families (TANF) funding are being charged to state MOE instead. As a result, the unused balance of the block grant has continued to grow while states search for ways to invest in TANF eligible programs in order to make maximum use of the federal funds to which they are entitled. To meet the challenge to fully utilize Florida's share of the TANF block grant, the 1999 Legislature reduced the appropriation of TANF reserve from $250 million down to $100 million and approved a special authorization of $175 million from TANF funds to undertake a long list of worthy initiatives.

Despite the aggressive funding plan, Florida's welfare caseload continues to drop while the unspent TANF balance is projected to become $283.9 million by June 30, 2000. The purpose of this study is to explore alternative funding strategies that have been implemented successfully by other states to maximize TANF resources. The goal of the study is to develop a list of options from which the Florida Legislature can choose a plan for adoption during the 2000 Legislative Session.

As a way to obtain information, twenty states were targeted for a telephone survey: Maryland, New Jersey, New Mexico, California, Indiana, North Carolina, Illinois, New York, Georgia, Kansas, Michigan, Nevada, Oklahoma, Pennsylvania, Washington, Ohio, Texas, Minnesota, Wisconsin and Iowa. The findings of the report are:

! North Carolina and Indiana use TANF block grant to pay for the cost of **prevention and early intervention services for infants and toddlers** not otherwise covered by other federal sources.

! Illinois and New York transfer 30% of the TANF block grant to the Child Care Development Fund to use for **child care for working low-income families**. That is the upper limit authorized for transferring.

! California funds cash assistance from the TANF block grant and **child care for low-income working families** from general revenue that is reported as MOE.

! California, Georgia, Kansas, Maryland, Michigan, Nevada, Oklahoma, Pennsylvania and Washington have expanded their **child care resource and referral** capability to ensure that TANF participants who need child care are fully informed of all the options to which they are entitled when they apply for assistance.

- ! Kansas, Oklahoma and Ohio use TANF block grant to **supplement Early Head Start grants**.

- ! Texas, Indiana, Michigan and Ohio use TANF to fund the states' **Healthy Families programs**.

- ! California, Wisconsin, North Carolina, Ohio and Iowa have implemented **fatherhood initiatives** that include services for low-income fathers.

- ! Maryland, New Jersey, New Mexico and California have received grants to develop new approaches to provide **welfare-to-work programs for persons with disabilities**.

The study concludes that Florida should consider the alternative funding strategies presented in this report prior to adopting a legislative budget for Fiscal Year 2000-2001.

BACKGROUND

The Personal Responsibility and Work Opportunity Reconciliation Act passed by Congress in 1996 mandates that states maintain a minimum level of spending from their state generated revenues as a condition of receiving their respective shares of the Temporary Assistance to Needy Families (TANF) block grant. The Maintenance of Effort (MOE) is defined in the law as 80% of the states' share of the total expenditures for the Maintenance Assistance Program for Federal Fiscal Year 1993-1994. The 80% rate is reduced to 75% for any state that complies with the work participation requirements set forth by the TANF regulations. Because welfare caseloads throughout the nation have dropped remarkably since the implementation of welfare reform, the total cost of the program in most states has declined to a level increasingly closer to the required MOE. As a result, welfare activities which are eligible for funding from the block grant are having to be charged to state MOE instead. Not surprisingly, the unused balance of the TANF block grant continues to grow while states look for ways to invest in new programs in order to make maximum use of the federal funds to which they are entitled.

While the welfare caseload nationwide has declined by 44%, Florida's welfare participation has dropped by 66%. To meet the growing challenge to fully utilize Florida's share of the TANF block grant, the 1999 Legislature reduced the appropriation of TANF reserve from $250 million down to $100 million. At the same time, the lawmakers also approved a special authorization of $175 million from TANF funds to undertake a long list of worthy initiatives designed to gain added benefit from the TANF block grant.

Despite the aggressive funding plan, Florida's welfare caseload continues to drop while the unspent TANF balance is projected to have grown to $283.9 million by June 30, 2000. The purpose of this study is to explore alternative strategies that other states have implemented to maximize TANF resources. The goal of the study is to develop a list from which the Florida Legislature can choose a funding plan for adoption during the 2000 Legislative Session.

METHODOLOGY

The methodology for producing this project included the following components:

Research Design
Discussions with OPPAGA and the Office of Economic and Demographic Research led to a decision to use telephone contact as the way to obtain information from the states that were targeted for surveying.

Project Scope
Soliciting information from all fifty states was not feasible due to time constraints. In order to narrow down the list of states targeted for phone calls, the National Conference of State Legislatures (NCSL) and the National Governors' Association (NGA) each provided a recommended list that facilitated the selection process. It wasdetermined that no fewer than ten states would be included in the survey, but twenty states were eventually contacted: Maryland,

New Jersey, New Mexico, California, Indiana, North Carolina, Illinois, New York, Georgia, Kansas, Michigan, Nevada, Oklahoma, Pennsylvania, Washington, Ohio, Texas, Minnesota, Wisconsin and Iowa.

Meeting of the National Governor's Association (NGA) Center for Best Practices. Staff attended a conference sponsored by the NGA Center for Best Practices in Columbus, Ohio to discuss using TANF funds for children. The meeting provided a focus for information exchange from twenty-five participating states, including Florida.

Telephone Contacts and Data Collection
Using telephone directories provided by NCSL and NGA, states on the preselected survey list were contacted by telephone and asked to explain their strategy for using TANF block grant funds for program innovations. Most states on the list required numerous calls since TANF funding crosses over agency jurisdictional lines. The information provided by the states was then recorded and summarized. Documents providing further details were often submitted by FAX or e-mail following the initial telephone contact.

Analysis
Determining which funding strategies had merit and to what extent they could be implemented in Florida required considerable research and analysis.

FINDINGS

Florida has been a national leader in its efforts to create a welfare reform program that ensures its long-term success while also preserving its financial soundness in the event of an economic downturn. Many of the programs which are being implemented nationally have also been tried in Florida. Nevertheless, the text that follows explores a number of strategies for maximizing the use of TANF funding which have been implemented by other states and warrant consideration by the Florida Legislature.

Qualifying the Early Intervention for Infants and Toddlers Program for TANF Funding

Framework
Part C, Individuals with Disabilities Education Act (IDEA) sets forth a federal program of prevention and early intervention for young children who are at risk of developmental dysfunction or delay. The program is defined by federal guidelines as an "entitlement." That is, services must be offered to all who qualify as eligible, but the funding for the program is not open ended as the entitlement would indicate. Instead, grants to states are generated based on a formula that calculates "capped" allocations, a method that often results in funding deficiencies. TANF block grant could be used to offset part of the cost of this program. There are, however, negative consequences to exercising this option: Intake staff would have to collect income information on Part C applicants in order to ensure compliance with TANF regulations. This is not common practice in the typical administration of the Early Intervention for Infants and Toddlers Program since eligibility for Part C is based on need without regard to income.

Initiatives in Other States
The states of Indiana and North Carolina use TANF block grant to pay for the cost of early intervention services not otherwise covered by their respective federal allocations from Part C. Indiana now collects income information on applicants, and it has implemented a central data file that matches Part C eligibility data with TANF enrollment data to identify Part C children who are also TANF participants. North Carolina has always collected income information from Part C applicants so their process for enrollment needed virtually no change.

Potential for Florida
Florida's Early Intervention Program has the potential for growing beyond the level of $15.5 million available from Part C. The 1999 Legislature appropriated $1 million from Tobacco Settlement funds to cover anticipated program growth, but, based on estimates by the Developmental Disabilities Council, the program need exceeds the appropriation

by approximately $14 million. It is estimated that TANF eligible children participating in Florida's Early Intervention Program could earn $1.7 million from the TANF block grant.

Funding Child Care for Low-Income Families Up to the Maximum Authorized in the Child Care Development Fund

Framework

Recognizing that child care is an essential component of welfare-to-work activities, TANF regulations allow states to use the block grant to purchase child care not only for TANF participants but also for TANF "transitional" cases. That is, those who no longer meet the income criteria for TANF eligibility because of their newly found employment. TANF guidelines also allow states to transfer up to 30% of the block grant to the Child Care Development Fund (CCDF) to purchase child care for low-income families: Those who do not qualify for TANF assistance but who qualify for subsidized child care. Adding to the flexibility for blending federal funding streams, states are also now authorized to transfer up to 10% of the 30% cited above to the Social Services Block Grant (SSBG) to pay for general social services which are not otherwise funded through Title XX, Social Security Act. As a note of caution for future planning, Public Law 105-33 lowered the threshold for this transfer authority from 10% to 4.5% effective October 1, 2000.

Initiatives in Other States

Most states have made a serious commitment to child care as a result of welfare reform. The state of Illinois has fully exercised the transfer authority allowed by TANF up to the maximum 30%, or $163.4 million for Fiscal Year 1998-99, and the New York State Legislature is considering expanding the total budget for child care by $350 million in addition to transferring $60 million to the CCDF, the maximum allowed to that state. Both Illinois and New York also draw from the TANF block grant to fund not only the cost of child care for TANF participants but also the cost of child care for transitional families.

Potential for Florida

The Florida Legislature has pursued an aggressive funding strategy to increase child care services for TANF participants and low-income families. Since the passage of the Work and Gain Economic Self Sufficiency Act (WAGES) in 1996, Florida's child care appropriation for TANF participants has increased by $89 million, and for low-income persons by $116.5 million. Despite the effort, an estimated 100,000 children who are eligible for subsidized child care remain unserved. While the projected annual cost to fund this unmet need could be as high as $289 million, part of that amount could be covered by following the examples by Illinois and New York. Funding the cost of transitional child with TANF block grant would free up $15 million from CCDF which could be used to purchase a corresponding amount of child care for low-income families.

Using Required State MOE for Child Care for Low-Income Families

Framework

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and the Balanced Budget Act of 1997 mandate that states spend a minimum level of state generated revenues for welfare reform activities as a condition of receiving their respective shares of the TANF block grant. The Maintenance of Effort (MOE) is defined in law as 80% of the states' share of the total expenditures for the Maintenance Assistance Program for Federal Fiscal Year 1993-1994. The 80% rate is reduced to 75% for any state that complies with the work participation requirements set forth by the TANF regulations. Because welfare caseloads throughout the nation have dropped remarkably since the implementation of welfare reform, the total cost of the program in most states has declined to a level increasingly closer to the required MOE. As a result, eligible programs which should be funded from the block grant are having to be charged to state MOE instead. Not surprisingly, the unused balance of the TANF block grant continues to grow while states look for ways to make maximum use of the federal funds to which they are entitled.

Initiatives in Other States

Since state expenditures for child care for low-income families can be certified as MOE, California funds all child care services to TANF participants and low-income working families with state dollars that can be counted toward the MOE requirement. What allows that state to use this funding tactic is that, unlike Florida, California charges the total appropriation for cash assistance to the TANF block grant instead of MOE.

Potential for Florida

Federal guidelines mandating that MOE actually be "spent" not just "budgeted" has caused Florida to take a conservative approach to budgeting TANF block grant vs. state MOE. In fact, to ensure the full expenditure of the $371.9 million MOE required for Fiscal Year 1999-2000, Florida's total cash assistance budget of $256 million will be charged to MOE rather than TANF. While this strategy ensures compliance with the MOE requirement, it fails to fully utilize available TANF funds. In fact, if the present funding scheme is continued to the end of the fiscal year, the unspent TANF balance will have grown to $283.9 million by June 30, 2000. Reversing that decision and, instead, funding the appropriation for cash assistance from the TANF block grant might release up to $256 million from state MOE which could in turn be used for child care for low-income families.

Funding a Program of Outreach to TANF Participants for Child Care Services

Framework

Child care is an essential component of welfare reform, yet there is evidence that TANF intake workers do not always inform program applicants of their choices regarding licenced child care.

Initiatives in Other States

The states of California, Georgia, Kansas, Maryland, Michigan, Nevada, Oklahoma, Pennsylvania and Washington have expanded their child care resource and referral capability to ensure that TANF participants who need child care are fully informed of all the options to which they are entitled when they apply for assistance. California, for instance, has out posted resource and referral staff in every TANF office.

Potential for Florida

While in Florida the demand for child care for low-income working families continues to grow, fewer TANF participating families are utilizing child care assistance than originally projected. Since not every one-stop center is staffed with a child care resource and referral counselor, it is likely that many TANF applicants are not routinely being referred to child care services, raising the possibility that their children are being placed in unsafe arrangements. The Florida Children's Forum suggests that employing resource and referral staff in every one-stop center would require 50 counselors at a cost of $1.5 million from the TANF block grant.

Using TANF to Expand Early Head Start

Framework

Recognizing that the period from birth to age three is critical to children's healthy growth and development and, later, to their success in school, the 1994 Head Start Reauthorization Act established a new program for low-income pregnant women and families with infants and toddlers. Early Head Start grants are awarded directly to city and county governments and non-profit agencies through a competitive application process. Although the grants have increased significantly since 1994, funds are still insufficient to meet the program's growing need.

Initiatives in Other States

The states of Kansas, Oklahoma and Ohio have designed TANF/state funded early childhood programs that supplement those funded from Early Head Start. Kansas transferred $5 million from the TANF block grant and appropriated $2.5 million from general revenue to launch a state funded Early Head Start initiative. Oklahoma also transferred $5 million from TANF to establish a "First Start" program for children from birth to age three. The program must meet national Head Start performance standards. Lastly, Ohio transferred TANF block grant and state funds designated as MOE to implement a statewide $28 million Early Start Program.

Potential for Florida

Based on data collected by the Florida Children's Forum, the State Coordinating Council for Early Childhood Services reports that early education and care options for infants and toddlers in Florida are difficult to access. The data indicates that only 33% of children from birth to age three who need services are able to receive them. Accordingly, the TANF block grant could be used to leverage the Early Head Start funds and expand the current program. It is estimated that this program could be expanded by $5 million from the TANF block grant.

Supplementing Healthy Families Florida with TANF Dollars

Framework

Thirty nine states have implemented programs modeled after Healthy Families America (HFA), a project of the National Committee for the Prevention of Child Abuse. Since its inception in 1992, HFA has been shown to have a positive impact on participating families. Results have included fewer reports of child abuse and neglect, improved birth outcomes, higher immunization rates and greater self-sufficiency compared to families not receiving HFA services.

Initiatives in Other States

Texas, Indiana, Michigan and Ohio have began using TANF to partially fund the states' Healthy Families initiatives. South Carolina and New York are both in the process of obtaining authority to spend TANF from their respective state legislatures to expand their Healthy Families projects. Some states have had to make changes to their eligibility and intake procedures in order to qualify for TANF. In Indiana, the Healthy Families participant's name, social security number and date of birth are matched with TANF records to verify the participant's eligibility for TANF. Texas made no changes to their method of data collection because 95% of their Healthy Families participants are also enrolled in TANF and the information required is already on file. With the exception of New York, all states have implemented statewide TANF funding for Healthy Families. New York intends to implement it only in New York City.

Potential for Florida

The Florida Legislature passed legislation in 1998 to enact Healthy Families Florida. Since implemented, the program has been established in areas designated as "high-risk" throughout 43 counties at an annual cost to the state of $22 million from the Tobacco Settlement Trust Fund. To expand the services to high risk areas not presently covered by the program, including those in the 24 remaining counties in the state, would require an estimated $14.25 million for a total annual cost of $36.25 million. A preliminary assessment by the Ounce of Prevention Fund of Florida of the program's potential for TANF eligibility indicates that approximately $11 million of the total program cost could be charged to the TANF block grant.

TANF Funding for Teen Pregnancy Prevention

Framework

The 1996 federal law that created the TANF block grant set forth, among its four purposes, one which would "... prevent and reduce out-of-wedlock pregnancies." Predictably, all states report a significant financial commitment to programs that satisfy this criteria.

Initiatives in Other States

The states of Minnesota, California, Wisconsin, North Carolina, Oklahoma, Iowa and Georgia are among those that have actually made Teen Pregnancy Prevention a funding priority. Georgia has a particularly unique program that targets abstinent, sexually active as well as pregnant or parenting teens. Georgia's program crosses over agency lines to ensure coordination among the public schools, the county health departments and all agencies involved in the delivery of social services. The program promotes its message in less than conventional ways by making wide use of the media, keeping their offices open in the evenings, and operating a number of their centers in shopping malls instead of health clinics. Most importantly, Georgia imposes strict outcome performance standards against which all projects are periodically evaluated.

Potential for Florida

Florida's WAGES state law requires local WAGES coalitions to include a specific teen pregnancy prevention component in their implementation plans. The law also authorizes the Department of Health to implement incentive grant programs for community partnerships to reduce teen pregnancy. Most recently, the 1999 Legislature amended Chapter 414 to affirm that a teen who is at risk of pregnancy or who already has a child is eligible to receive support services under the WAGES program. Accordingly, all WAGES coalitions have reported plans for Teen Pregnancy Prevention for a total budget of $11.9 million. Included in that amount is $1.5 million for a pilot project administered through a contract with the Ounce of Prevention Fund of Florida. The project will focus on reducing teen birth rates and it will also evaluate different teen pregnancy prevention strategies to determine what approach works best. The pilot will be based in five Florida counties each within a separate coalition: Duval, Osceola, Okeechobee, Broward and Hendry. To implement similar strategies in all 24 counties would require approximately $4.5 million from the TANF block grant according to the Community Partners Project.

Funding Fatherhood Initiatives with TANF Block Grant

Framework

Fatherhood programs have gained increased support throughout the country in the last several years, particularly since 1995, when President Clinton began promoting the importance of a father's role in the rearing of children.

Initiatives in Other States

The states of California, Wisconsin, North Carolina, Ohio and Iowa have implemented fatherhood initiatives that include services for low-income fathers. Ohio has earmarked $5 million for this program .

Potential for Florida

In 1996, the Florida Legislature enacted the Commission on Responsible Fatherhood. The purpose of the commission is to raise awareness of the problems created when a child grows up without the presence of a responsible father. Through a contract with the Ounce of Prevention Program of Florida, the commission operates five projects in nine counties at a cost to the state of $250,000. To implement the program statewide would require approximately $3.4 million according to the Fatherhood Commission staff.

Expanding Welfare-to-Work Programs for Persons with Disabilities by Using TANF

Framework

The National Technical Assistance Center on Welfare Reform reports that nearly 30% of cases receiving temporary cash assistance have at least one family member with a disability, and that 20% of those are severe.

Initiatives in Other States

To target the employment needs of the disabled population, the states of Maryland, New Jersey, New Mexico, California and Florida have put into effect welfare-to-work programs for persons with disabilities through special demonstration grants from the U.S. Department of Labor. The goal of the projects is to implement strategies to expand the availability of services to mothers on the TANF caseload who not only have low education and job retention skills, but also have disabilities. The projects are developing new approaches to improve the basic skills of adults with disabilities (including TANF mothers) to gain and retain employment.

Potential for Florida

The Florida demonstration project serves Orange, Seminole and Palm Beach counties and is administered through a contract with the Seminole

Community College and the Palm Beach Habilitation Center. The program provides employment assessment by matching the participant to prospective employers, intensive job coaching, on-the-job training, intervention with employers, and long term support and follow-up. The Florida grant for the first year is $1.6 million for services, administration and start-up costs. The projection for implementing a similar program statewide is estimated by the Developmental Disability Council to be approximately $8 million.

Most states surveyed openly confess it has been difficult to always maximize the use of TANF funding while making sure that MOE requirements are also met. Many states expressed concern that the TANF block grant might be reduced in the future and offered that as a reason for their conservative financial planning. But, all states are preparing for the challenges and possibilities that lie ahead.

RECOMMENDATIONS

The following recommendations ought to be considered within the context of the budget review that will precede legislative adoption of the General Appropriations Act for Fiscal Year 2000-2001:

! The Subcommittee on Health and Human Services (HHS) should hold a public hearing to discuss the funding options implemented by other states and to seek public input on the potential for using TANF to expand programs in Florida.

! Before the HHS Subcommittee formulates its recommended budget for Fiscal Year 2000-2001, staff should develop a strategy for using TANF funding based on the most recent caseload projections approved by the Social Services Estimating Conference. The plan should fund recurring activities with recurring TANF funds only in order to prevent future deficits.

COMMITTEE(S) INVOLVED IN REPORT ***(Contact first committee for more information.)***
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MEMBER OVERSIGHT
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