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## **Tightening the Belt on Georgia's TANF Program: Doing More with Less in FY 2008 and Beyond**

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## **Background**

Under federal law, three of the four primary purposes of Temporary Assistance for Needy Families (TANF) emphasize ending dependence of needy parents on government benefits, reducing out-of-wedlock pregnancies, and encouraging the formation and maintenance of two parent families. TANF funds must be invested in programs that directly lead to or are expected to lead to the accomplishment of those purposes. In the context of limited and shrinking TANF resources, programs that work towards directly increasing family self-sufficiency, such as work assistance and child care assistance, compete against programs that may only indirectly lead to the accomplishment of those purposes, such as child welfare services.

The amended FY 2008 and FY 2009 TANF budgets reflect the increasing pressure and reliance Georgia has exerted on the TANF grant to adequately fund an array of services. As TANF caseloads have dropped, higher funding priority has been directed toward programs that place less emphasis on leading more families to economic self-sufficiency and less government dependence. As the strain and pressure on the federal TANF grant continues in the coming years, policymakers and department officials will either have to reduce services or increase state investments into critical social programs.

### **FY 2008 Amended TANF Budget**

The FY 2008 Amended TANF Budget reports \$521.2 million in available funds, of which \$153.2 million is carried over from previous years as the federal unobligated balance.<sup>1</sup> Unobligated balance funds can only be expended on direct cash assistance, also known as basic assistance. The amended TANF budget appropriates \$65.6 million for the Basic Assistance Program, which is a \$12 million reduction due to decreases in TANF caseloads. The remaining \$87.6 million in unobligated balance funds are carried forward to FY 2009, as shown in Table 1 on the following page.

In addition to unobligated balance funds, the Department of Human Resources has traditionally used annual TANF funds for the Basic Assistance Program. However, the FY 2008 Amended Budget switches the Basic Assistance Program's fund sources from a mixture of annual TANF funds and unobligated funds to exclusively unobligated balance funds. This decision has put Georgia on a collision course to gradually zero out its federal unobligated balance. DHR has expressed the desire to do so, since the unobligated funds are designated as a program within the state budget yet offer no direct services and contain no measurable outcomes. The agency is also under intense pressure to free up the annual TANF grant in order to increase funding to programs with budget deficits.

Two such programs that are experiencing a budget deficit are Out of Home Care and Child Welfare Services. The amended budget transfers \$39 million to the Out of Home Care Program (foster care), increasing its budget by 68 percent from \$54.1 million in the original FY 2008 Budget to \$90.8 million in the Amended FY 2008 Budget. While the budget document appears to make the \$39 million transfer to Out of Home Care from the unobligated balance, such a direct transfer is contrary to federal regulations, as mentioned previously. DHR insists it charged at least \$39 million of basic assistance to the federal unobligated balance in order to free up \$39 million of annual TANF funds for use in the Out of Home Care Program, making the transfer acceptable.<sup>2</sup> DHR also increased TANF funding for its Child Welfare Services program by 43 percent from \$72.2 million to \$103.2 million in the amended budget.<sup>3</sup>

Table 1 - FY 2008 Amended and FY 2009 TANF Budget				
	FY 2008 CC HB95	FY2008A HB989	FY2009 HB990	Projected FY2010
AVAILABLE TANF FUNDS	\$ 368.0	\$ 368.0	\$ 368.0	\$ 368.0
FEDERAL UNOBLIGATED BALANCE	\$ 73.2	\$ 153.2	\$ 87.6	\$ 21.9
TRANSFER TO SSBG	-	\$ 22.0	\$ 25.8	\$ 25.8
<b>TOTAL AVAILABLE TANF FUNDS</b>	<b>\$ 441.2</b>	<b>\$ 521.2</b>	<b>\$ 455.6</b>	<b>\$ 389.9</b>
<b>PROGRAM</b>	<b>MILLIONS</b>			
Department Administration	\$ 24.8	\$ 21.5	\$ 15.0	\$ 15.0
Adolescent and Adult Health Promotion	\$ 19.1	\$ 23.7	\$ 23.2	\$ 23.2
Adoptive Services	\$ 12.0	\$ 12.0	\$ 12.0	\$ 12.0
Adult Addictive Diseases	-	\$ 21.8	\$ 21.8	\$ 21.8
Adult Developmental Disabilities Services	\$ 23.0	\$ 0.4	\$ 0.4	\$ 0.4
Adult Mental Health Services	-	\$ 1.2	\$ 1.2	\$ 1.2
After School Care	\$ 14.0	\$ 14.0	\$ 14.0	\$ 14.0
Child and Adolescent Developmental Disabilities	\$ 0.5	-	-	-
Child Support Services	-	\$ 2.0	-	-
Child Care Services	-	-	\$ 10.2	-
Child Welfare Services	\$ 72.2	\$ 81.2	\$ 77.2	\$ 77.2
Child Welfare Services- SSBG Transfer	-	\$ 22.0	\$ 25.8	\$ 25.8
Family Violence Services	\$ 5.5	\$ 5.5	\$ 5.5	\$ 5.5
Out of Home Care	\$ 54.1	\$ 90.8	\$ 90.8	\$ 90.8
Support for Needy Families - Basic Assistance	\$ 77.6	\$ 65.6	\$ 65.6	\$ 65.6
Support for Needy Families - Family Assistance	\$ 27.5	\$ 29.5	\$ 29.5	\$ 29.5
Support for Needy Families - Work Assistance	\$ 40.5	\$ 40.5	\$ 39.1	\$ 39.1
Other	\$ 1.5	\$ 1.5	\$ 1.9	\$ 1.5
Carry Forward-Federal Unobligated Balance	\$ 39.3	\$ 87.6	\$ 21.9	-
Sub Total Excluding Federal Unobligated Balance	\$ 372.3	\$ 433.2	\$ 433.2	-
<b>TOTAL EXPENSES</b>	<b>\$ 441.2</b>	<b>\$ 521.2</b>	<b>\$ 455.6</b>	<b>\$ 422.6</b>
<b>Carry Forward-Federal Unobligated Balance</b>	<b>\$ 39.3</b>	<b>\$ 87.6</b>	<b>\$ 21.9</b>	<b>-</b>
<b>Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ (32.7)</b>

In FY 2009 an additional \$10 million in TANF funds from FY 2007 will be amended into Child Care Program, totaling \$20.2 million.

Source: Committee of Conference Report on H.B. 990 and H.B. 989 and Department of Human Resources

With these transfers in the FY 2008 Amended Budget, Georgia will be investing over \$200 million out of \$433.2 million expended TANF funds into Child Welfare, Adoptive Assistance, and Out of Home Care services alone.<sup>4</sup> TANF funds will pay for one-third of all spending on child welfare related areas throughout the state budget. Georgia will spend 56 percent of its annual TANF award on child welfare related programs, whereas only 44 percent of available funds will be expended on non-child welfare related services, such as work assistance and family assistance.

While 44 percent of available funds are expended on non child-welfare services, not all funds appropriated for such non-child welfare related programs are spent exclusively on direct services for Georgia residents, as is often the perception. Only about 53 percent of total funds appropriated to non-child welfare related programs that receive TANF funds are spent on grants and benefits, whereas 47 percent are spent on salaries, contracts and administrative costs.<sup>5</sup> Moreover, much of the grants and benefits awarded under programs such as Adolescent and Adult Health Promotion and Adult Addictive Disease pay for regional and county services offered through DFCS or county public health offices.

**FY 2009 Budget**

The FY 2009 TANF Budget appropriates \$455.6 million in available funds, of which \$87.6 million is unobligated balance funds from FY 2008.<sup>6</sup> As indicated in Table 1, the FY 2009 budget remains relatively unchanged from the FY 2008 amended budget. The most significant increase was a \$20.2 million addition to the Child Care Program, \$10.2 million of which is shown in Table 1 as TANF funds. Funding levels for child welfare related programs in FY 2009 remain relatively flat at \$206 million, or 56 percent of annual block grant funds. The remaining 44 percent of available TANF funds are appropriated to non-child welfare related programs.

DHR’s TANF spending plan served as the primary blueprint for TANF funding decisions for both the FY 2008 amended and FY 2009 budgets. The Georgia General Assembly TANF appropriations deviated only slightly from DHR’s spending plan. However, it remains questionable whether DHR will actually expend these funds as planned or redirect substantial sums of money during the FY 2009 amended budget to cover other program deficits and/or emergencies, as they have done in the past. Since TANF funds are federal funds, DHR has 100 percent flex-authority to shift funds among programs.

**TANF Transfers to Child Care Development Fund (CCDF)**

From 2003 through 2007 Georgia transferred millions of TANF dollars from the TANF program to the Child Care Development Fund (CCDF), as a funding source for the Child Care and Parent Services Program (CAPS).<sup>7</sup> Prior to FY 2007, DHR rarely spent these transferred TANF dollars because the agency had not spent down regular CCDF funds in CAPS, which must be spent first. Rather than risk the transferred TANF funds expiring, they were often transferred back to the TANF program. However, in FY 2007, \$29.7 million in TANF funds were transferred to CCDF and will be spent over a three year period (SFY 2007 – SFY 2009) to attrition the CAPS program down to DHR’s vision of a “sustainable CAPS budget” of approximately \$204 million. Of this amount, \$184 million is available for direct benefits with the remainder designated to cover social service eligibility and program support cost.

**Table 2 – CAPS Budget FY2009 – FY2010**

	FY 2008	FY 2009	FY 2010 “Sustainable” CAPS Budget	FY 2010 New “Sustainable” CAPS Budget plus \$10.2 million from Redirect and Saving
Direct Service Funds (millions)	\$194.4	\$204.2	\$184.0	\$194.2
Children Served Annually	53,627	56,331	50,800	53,572

Source: Department of Human Resources

For FY 2009, the total CAPS budget is \$226.6 million.<sup>8</sup> TANF funds make up \$20.2 million of this amount, of which \$10.2 million was generated by eliminating the Good Works contract between DHR and the Department of Labor and by redirecting administration funds to CAPS. The other \$10 million is the remaining estimated balance from the original FY 2007 \$29.7 million TANF transfer to CCDF. The FY 2009 CAPS budget of \$226.6 million is comprised of \$204.2 million for direct services and \$22.4 million to cover social service eligibility and program support cost. The FY 2009 CAPS budget can serve approximately 56,331 children, assuming an annual cost of \$3,625 per child.

In FY 2010, DHR's "sustainable CAPS budget" will only have \$184 million available for direct services to serve approximately 50,800 children, or 5,531 less children than in FY 2009.<sup>9</sup> If DHR is able to maintain the additional \$10.2 million in TANF funds (from Good Works elimination and redirected administration funds), then the "sustainable CAPS budget" available for direct services should increase to \$194.2 million annually and serve approximately 53,572 children, or 2,772 more children than originally planned for FY 2010.

This concept of a "sustainable CAPS budget" is an agency choice, as the amount of funding and children served could be increased through additional state investment.

### **Changes to TANF Education, Training, and Work Assistance Regulations**

While TANF funding continues to be shifted towards child welfare related programs, new federal regulations and a new state program focus on education, training, and work assistance for TANF recipients. The federal government implemented new regulations taking effect October 1, 2008 that make it easier to count education as a work activity and thus encourage increased TANF investments toward non-child welfare related programs.<sup>10</sup> These new regulations give states more flexibility to offer post-secondary and vocational training to adult TANF recipients who must participate in approved work related activities. Most notably, the new regulations allow education leading to a baccalaureate or advanced degree to count as vocational educational training. They also count job skills training directly related to employment, as long as it directly relates to a particular occupation. Lastly, they allow states to count up to one hour of unsupervised homework time for each hour of class time and any additional supervised study time.

This shift in policy represents an acknowledgement on the part of the federal government that the economy is experiencing major changes—reengineering the U.S. workplace and workforce so that a larger proportion of job growth is occurring in the higher-level occupations that require postsecondary education.<sup>11</sup> As the wage gap widens between the most and least skilled workers, access to higher education, training and vocational schools has increasingly become a prerequisite for economic self-sufficiency.

On the state level, DHR expanded its Work Assistance Program in July 2007 to include work support payments to assist individuals leaving the TANF cash assistance program. The program assists those leaving TANF by giving them additional cash assistance supplements for 12 months through a two-tiered process—\$200 per month for the first six months and \$100 for the second six months. These payments are designed to be used for, but not limited to, work related expenses such as child care expenses—including assessed fees, transportation costs from the school to the aftercare programs, additional related transportation, and incidental expenses above allowable limits.<sup>12</sup>

In addition to work support payments, eligible families may also receive transitional support services for the first six months. Transitional support services can pay for or reimburse the cost of childcare, transportation and incidental expenses.

Both the federal regulations and the additional child care benefits offer opportunity for TANF adults to progress towards self-sufficiency. Georgia should strive to take advantage of the new federal regulations by encouraging and facilitating education and training opportunities among low-income working families and making such essential work supports as child care available to those who participate in such education and training.

## The Future of TANF Budget Priorities

As TANF resources become less available, policymakers and DHR officials should have a thoughtful, data-driven discussion about which TANF budget priorities lead more Georgians to self-sufficiency. Naturally, child welfare related programs are a crucial government service that should be funded adequately. However, TANF spending alone in this area increased from \$60 million to \$206 million (243 percent) between 2002 and 2009. To complicate matters, new federal regulations virtually eliminate a states' ability to bill the Centers for Medicare and Medicaid Services (CMS) for Targeted Case Management (TCM) funding for child protective services.<sup>13</sup> Thus, state spending in this area is likely to increase as DHR has projected an anticipated federal revenue loss of \$13.5 million for FY 2009.

The combination of the above elements plus declining TANF caseloads and DHR's increased reliance on the annual TANF grant to bankroll services typically funded by state dollars has created a perfect storm that may result in a deficit in DHR's FY 2010 budget. In order to better understand this projected deficit we must remember that the unobligated balance of \$21.9 million carried over from FY 2009 to FY 2010 can only be spent on basic assistance. Simultaneously, even as the number of adults receiving cash assistance has declined by 90 percent, the child only TANF caseload remains at approximately 39,000. These cases will require sustainable funding levels for the foreseeable future.

If the Basic Assistance Program budget remains unchanged from FY 2009 to FY 2010 at \$65.6 million, only \$21.9 million in unobligated balance funds (from FY 2009) will be available for this program. With no additional unobligated balance funds to appropriate to the Basic Assistance Program, a \$43.7 million shortfall will be created and must be filled by the annual TANF grant of \$368 million. However, redirecting \$43.7 million from the annual block grant to plug the hole in the Basic Assistance Program budget will result in only \$324.3 million to fund a multiplicity of DHR programs, excluding Basic Assistance. If program budgets funded with TANF dollars remain unchanged from FY 2009 to FY 2010, expenses across DHR will total \$357 million, thus creating a potential \$32.7 million deficit in programs other than Basic Assistance.

The state will either have to increase its contribution to the DHR budget or cut program services by a potential \$32.7 million in FY 2010. There is simply not enough TANF dollars to maintain current funding levels, let alone any growth, in either assistance or non-assistance areas, which include all child welfare related programs.

In the context of these budget challenges, Georgia will be forced to tighten the TANF belt and find a way to do more with less, as there will no longer be surplus funds, or make increased state investments. As demand for child welfare related and mental health services continue to climb and outweigh available financial resources, other services that more directly lead to family self-sufficiency and less government dependence, such as work assistance, education, training, and child care, may receive less priority and a smaller piece of the TANF pie. Disinvestment in the latter programs will certainly perpetuate the cycle of poverty and government dependence—preventing the TANF program from being truly successful in meeting its boarder purposes of reducing the up tick of major poverty indicators.

## Measuring TANF's Success in Georgia

Between January 2002 and November 2007 Georgia reduced the number of adult TANF recipients by 90 percent and the number of child recipients by 62 percent.<sup>14</sup> This dramatic drop in caseload has prompted the Georgia Department of Human Resources (DHR) to all but declare victory over welfare reform. However, whether such reductions are truly indicative of success depends on the criteria used to define success. Under federal law, states must meet a specified work participation rate, which is viewed as the primary measure of success or failure. The rate is the ratio of adult TANF recipients who are working or participating in approved work-related activities to the number of families with adults receiving cash assistance.

The required rate under federal law for single parent households is 50 percent. Georgia's corresponding work participation rate during January 2008 was 57.8 percent.<sup>15</sup> However, Georgia's plummeting caseloads have made it eligible for a caseload reduction credit for FFY 2008, which lowers Georgia's required single parent work participation rate from 50 percent to 14.1 percent.<sup>16</sup> The caseload reduction credit may create a perverse policy incentive that distorts the true picture of whether or not welfare reform is really successful at meeting the primary purposes of TANF because as roles drop, so does the bar for success. DHR does not believe such a perverse policy incentive exists because its value system states that "leaving persons on welfare, leaves them existing below the federal poverty level."<sup>17</sup>

However, the most recent TANF leaver study published by DHR indicates only 13 percent of all 2002 leavers had earnings above the Poverty Guidelines in the first year after leaving TANF.<sup>18</sup> In addition, only 43 percent of all 2000 TANF leavers who worked in every quarter for three years after leaving the TANF program had earnings above the Poverty Guidelines. Lastly, the study indicates that the percentage of employed TANF leavers with yearly earnings above the Poverty Guidelines decreased with each successive cohort studied between 1997 and 2002.

As indicated in Table 3, while adult and child TANF recipient caseloads declined precipitously from 2002 to 2007, the number of unemployed persons, persons below poverty, food stamp recipients, and Low-Income Medicaid recipients rose substantially. As these major poverty indicators continue to increase, policymakers must realize that working poor families in Georgia who are most vulnerable to changes in the economy and who benefit the most from TANF funded programs, deserve the opportunity to participate in fully funded programs that increase and enhance their chances for economic mobility and self sufficiency.

**Table 3 – Poverty Indicators**

	Jan-02	Nov-07	% Change
TANF Adults	32,352	3,387	-90%
TANF Children	102,994	39,218	-62%
Unemployed Persons	183,838	239,780	30%
Persons Below Poverty	1,053,357	1,333,524	27%
Food Stamp Recipients	591,608	983,693	66%
LIM Recipients	320,175	377,142	18%

Source: DHR, U.S. Census Bureau, and U.S. Dept of Labor<sup>19</sup>

## Endnotes

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- <sup>1</sup> Georgia Senate Budget Office, available at [http://www.legis.state.ga.us/legis/2007\\_08/senate/sbo/HB989\\_Human\\_Development\\_SAC.pdf](http://www.legis.state.ga.us/legis/2007_08/senate/sbo/HB989_Human_Development_SAC.pdf)
- <sup>2</sup> Georgia Department of Human Resources. E-mail Received on April 1, 2008.
- <sup>3</sup> Senate Budget Office Report, Human Development, available at [http://www.legis.state.ga.us/legis/2007\\_08/senate/sbo/FY08A\\_Human\\_Development.pdf](http://www.legis.state.ga.us/legis/2007_08/senate/sbo/FY08A_Human_Development.pdf)
- <sup>4</sup> Ibid
- <sup>5</sup> Department of Human Resources. Legislative Toolkit: Budgeted Activities for the State Fiscal Year 2008, January 2008.
- <sup>6</sup> Georgia House Budget Office Report, available at [http://www.legis.state.ga.us/legis/2007\\_08/house/budget/reports/FY\\_2009\\_Bill\\_Final\\_Conf\\_Cmte\\_.pdf](http://www.legis.state.ga.us/legis/2007_08/house/budget/reports/FY_2009_Bill_Final_Conf_Cmte_.pdf)
- <sup>7</sup> Department of Human Resources Data Sheet Received March 28, 2008.
- <sup>8</sup> Georgia House Budget Office Report, available at [http://www.legis.state.ga.us/legis/2007\\_08/house/budget/reports/FY\\_2009\\_Bill\\_Final\\_Conf\\_Cmte\\_.pdf](http://www.legis.state.ga.us/legis/2007_08/house/budget/reports/FY_2009_Bill_Final_Conf_Cmte_.pdf)
- <sup>9</sup> Ibid
- <sup>10</sup> Federal Register, Part II, Department of Health and Human Services, Administration for Children and Families, Tuesday, February 5, 2008.
- <sup>11</sup> Jeanne Contardo and Michelle Tolbert. Prison Postsecondary Education: Bridging Learning from Incarceration to the Community. John Jay Reentry Institute, available at [http://www.jjay.cuny.edu/centersinstitutes/pri/pdfs/ContardoTolbert\\_Paper.pdf](http://www.jjay.cuny.edu/centersinstitutes/pri/pdfs/ContardoTolbert_Paper.pdf)
- <sup>12</sup> Department of Human Resources. E-mail Received on May 1, 2008.
- <sup>13</sup> Department of Human Resources Power Point Presentation March 12, 2008.
- <sup>14</sup> Georgia Department of Human Resources. E-mail Received on January 31, 2008.
- <sup>15</sup> Georgia Department of Human Resources web site, available at [http://dfcs.dhr.georgia.gov/DHR-DFCS/DHR-DFCS-publication/01\\_2008\\_OM\\_FI\\_State.pdf](http://dfcs.dhr.georgia.gov/DHR-DFCS/DHR-DFCS-publication/01_2008_OM_FI_State.pdf)
- <sup>16</sup> Department of Human Resources. Written Correspondence dated December 31, 2007.
- <sup>17</sup> Department of Human Resources. E-mail Received on May 1, 2008.
- <sup>18</sup> Nancy Bross. Employment, Earnings, and Recidivism among Georgia's TANF leavers: Findings from the TANF Follow-up System. Georgia Department of Human Resources. Division of Family and Children Services. March 2005.
- <sup>19</sup> Income, Earnings, and Poverty Data from the 2006 American Community Survey. U.S. Census Bureau; Department of Human Resources email received January 31, 2008; US Department of Labor, Bureau of Labor Statistics, available at <http://data.bls.gov/cgi-bin/dsrv>