WR – State spending

Cynthia A. Rice 12/01/97 05:30:24 PM

Record Type: Record

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Subject: State FY '97 welfare and child care spending

HHS has sent me tables showing how much each state has spent of its federal TANF and child care block grants. HHS intends to make these data public this week (by providing copies to GAO and APWA which have requested them). I will send you all copies. I don't see anything reason for us to orchestrate the release -- do you? Here's a quick summary:

FY '97 TANF Spending: Most states have spent shockingly little of their FY 1997 federal TANF block grants, perhaps because caseloads have fallen so much. On average, states spent 72% of their FY 1997 block grant in FY '97:

- 1 state (NM) spent 100% of its FY 1997 block grant in FY '97.
- 3 states (CT, IL, and NC) spent between 90% and 100%.
- 9 states (AZ, HI, IA, KY, MA, NH, OR, SC, VT) spent between 80% and 90%.
- 11 states (CA, DE, FL, GA, ME, MO, MS, NJ, TX, UT, WA) spent bet. 70% and 80%.
- 19 states spent between 40% and 70%
- 7 states plus D.C. (AR, CO, ID, IN, ND, WV, WY) spent less than 40%, including Idaho at 18%, Wyoming at 14% and Colorado & D.C. at 0% (I'm checking this out).

The data show how much of the federal funds states spent, not how much of their own state funds they spent as MOE. Because states may reserve federal funds for future years, they have an incentive to use only what they need. Thus, this could mean that states are saving for a rainy day; or it could mean that they are not investing in welfare to work.

An unrelated survey by the National Conference of State Legislatures asked states about planned state MOE spending in FY '98 found that most states planned to spend enough state dollars to qualify for their entire federal block grant (which could be saved for later years). Of the 44 states that responded, 35 planned to spend at least 80% of historic state spending, guaranteeing them their entire federal block grant, and 9 states plan to spend between 75 and 80 percent (which, if they meet the work rates, will be enough to get their entire block grant).

FY '97 Child Care Spending: There are two ways to look at the child care data. One is that states obligated (spent or legally committed to spend) 99.8% of the FY '97 mandatory and matching funds -- these are funds which must be spent in FY '97 or they will be distributed to other states (only ID, MS, and NH fell below the mark). However, when mandatory, matching, and discretionary funds are combined, states spent only 72% of FY '97 funds. States have up to an additional year to spend discretionary funds. I assume folks at HHS are thinking about the best way to describe this in the context of our new child care proposal.

ADMINISTRATION FOR CHILDREN AND FAMILIES
EXPLANATION OF OBLIGATION AND OUTLAY TABLES

Obligation/Outlay Status of FY97 TANF Funds:

This table shows the status of FY 1997 TANF funds by State as of September 30, 1997. The column entitled "Federal Obligations" represents the total grant awards issued by the Administration for Children and Families to States for FY 1997. The third column entitled "Outlays" represents the cash drawdown of grant awards by States (also referred to as "disbursements") as reported by the HHS Payment Management System (PMS). The fourth column entitled "% Outlaid" represents the percentage of the total grant award that a State has drawn down. Outlays differ from actual expenditures made by States, which will be reported separately on the ACF-196 financial report. As specified by statute, TANF funds granted to States for a fiscal year are available until expended and thus may be reserved for future fiscal years.

Obligation/Outlay Status of FY97 Child Care & Development Funds:

This table shows the status of FY 1997 CCDF funds by State. The left section of the table shows Federal Obligations and Outlays (as defined above) as of September 30, 1997 for all three components of the CCDF: the Mandatory and Matching Funds, as well as the $19 million in Discretionary Funds appropriated for FY 1997. Discretionary Funds are included in the Federal Obligation and Outlay columns because States did not differentiate between the three funding sources when reporting outlays to PMS. Since outlays for the Mandatory and Matching funds alone could not be identified, all three funding sources are included for comparability purposes. For all three parts of the CCDF, States have at least one year beyond the first year of the grant award to expend (liquidate) funds.

The right section of the table shows Federal and State Obligations for the Mandatory and Matching Funds only. The column entitled "State Obligations" represent amounts obligated by States from their Mandatory and Matching Funds, as reported on the ACF 696 financial report. State obligations reflect the amount of binding contracts and agreements which will require the State to make an expenditure and outlay at some later time. The fourth column entitled "% Obligated" represents the percentage of the total grant award that a State has obligated. For those States receiving Matching Funds, both Mandatory and Matching Funds must be obligated by the end of the first year of the grant award. Matching Funds not obligated by States by the end of the first year of the grant award are realloted to other States.

OBLIGATION/OUTLAY STATUS OF FY97 TANF FUNDS
As of September 30, 1997

STATE	FEDERAL OBLIGATIONS (GRANT AWARDS)	OUTLAYS	% OUTLAID
AK	18,759,063	12,785,918	68.2%
AL	81,313,004	56,401,923	69.4%
AR	19,936,461	7,515,108	37.7%
AZ	222,419,988	191,340,118	86.0%
CA	3,147,715,829	2,502,923,453	79.5%
CO	45,627,939	0	0.0%
CT	266,788,107	242,672,414	91.0%
DC	61,048,692	0	0.0%
DE	14,564,516	11,045,570	75.8%
FL	562,340,120	419,762,373	74.6%
GA	254,339,628	202,690,272	79.7%
HI	28,631,202	23,845,694	83.3%
IA	105,169,272	89,644,313	85.2%
ID	10,600,557	1,878,530	17.7%
IL	134,004,829	129,004,829	96.3%
IN	206,799,109	72,773,531	35.2%
KS	101,931,061	57,480,098	56.4%
KY	170,006,205	148,525,190	87.4%
LA	139,757,495	68,679,724	49.1%
MA	459,371,116	397,322,279	86.5%
MD	183,017,827	114,880,839	62.8%
ME	72,476,874	56,741,860	78.3%
MI	775,352,858	536,270,207	69.2%
MN	111,835,618	44,842,180	40.1%
MO	187,838,524	134,287,863	71.5%
MS	86,767,578	66,144,357	76.2%
MT	31,784,030	18,923,497	59.5%
NC	225,973,410	206,625,422	91.4%
ND	11,066,221	3,106,922	28.1%
NE	49,340,853	25,182,511	51.0%
NH	38,521,261	33,670,378	87.4%
NJ	293,107,925	207,264,333	70.7%
NM	31,991,934	31,991,934	100.0%
NV	34,008,078	22,572,013	66.4%
NY	1,982,294,198	1,353,033,317	68.3%
OH	727,968,260	486,665,134	66.9%
OK	148,013,558	90,669,957	61.3%
OR	167,808,448	145,772,362	86.9%
PA	418,343,381	249,915,633	59.7%
RI	46,025,651	26,180,318	56.9%
SC	93,872,849	77,233,494	82.3%
SD	18,759,543	11,537,251	61.5%
TN	191,523,797	120,396,945	62.9%
TX	431,610,974	322,606,743	74.7%
UT	76,829,219	58,090,502	75.6%
VA	114,733,567	73,777,187	64.3%
VT	47,353,181	41,717,782	88.1%
WA	289,298,269	220,549,307	76.2%
WI	318,159,462	179,618,467	56.5%
WV	82,155,212	31,128,527	37.9%
WY	19,215,379	2,603,712	13.6%
TERR	44,519,238	9,607,075	21.6%
TOTAL	13,402,691,570	9,639,899,368	71.9%

NOTE: Outlays represent cash drawdowns of grant awards as reported by the Payment Management System (PMS). Totals do not include Tribal funds.

OBLIGATION/OUTLAY STATUS OF FY97 CHILD CARE & DEVELOPMENT FUNDS

As of September 30, 1997

TOTAL CCDF 1/			
STATE	FEDERAL OBLIGATIONS (GRANT AWARDS)	OUTLAYS	% OUTLAID
AL	27,926,853	18,329,649	65.6%
AK	5,610,115	4,720,799	84.1%
AZ	33,009,317	31,453,685	95.3%
AR	12,156,237	5,743,278	47.2%
CA	191,419,162	83,686,052	43.7%
CO	20,670,842	9,904,849	47.9%
CT	27,436,190	23,353,949	85.1%
DC	6,045,074	0	0.0%
DE	7,120,013	6,261,946	87.9%
FL	79,950,897	55,649,835	69.6%
GA	57,341,357	45,336,879	79.1%
HI	8,614,735	8,356,481	97.0%
ID	6,458,213	3,397,338	52.6%
IL	93,357,853	72,796,280	78.0%
IN	41,822,487	32,535,258	77.8%
IA	16,353,392	10,866,603	66.4%
KS	17,133,537	15,581,573	90.9%
KY	26,909,331	22,171,508	82.4%
LA	27,090,865	14,605,828	53.9%
ME	6,327,589	4,186,601	66.2%
MD	37,221,533	28,576,145	76.8%
MA	60,625,908	44,930,622	74.1%
MI	58,858,804	58,858,804	100.0%
MN	36,489,141	24,192,624	66.3%
MS	14,382,687	6,818,062	47.4%
MO	39,275,586	27,634,777	70.4%
MT	5,623,488	3,381,476	60.1%
NE	15,983,845	11,937,142	74.7%
NV	6,957,737	2,276,531	32.7%
NH	8,203,100	7,607,314	92.7%
NJ	52,995,377	45,128,630	85.2%
NM	14,097,126	14,097,126	100.0%
NY	154,382,535	63,626,914	41.2%
NC	89,130,000	86,195,818	96.7%
ND	4,271,224	1,504,161	35.2%
OH	100,676,759	96,242,949	95.6%
OK	34,196,929	33,005,422	96.5%
OR	27,789,219	25,078,034	90.2%
PA	86,275,355	54,490,569	63.2%
RI	9,211,348	8,454,520	91.8%
SC	20,020,772	16,610,181	83.0%
SD	3,866,368	3,090,306	79.9%
TN	51,658,408	51,658,408	100.0%
TX	118,659,031	87,026,360	73.3%
UT	19,608,284	19,140,224	97.6%
VT	5,699,454	4,977,134	87.3%
VA	38,749,634	25,884,423	66.8%
WA	57,071,362	44,734,934	78.4%
WV	13,120,981	6,049,528	46.1%
WI	38,656,278	29,383,686	76.0%
WY	4,193,464	1,759,249	42.0%
TERR	573,904	13,365	2.3%
TOTAL	$1,941,480,100	$1,403,304,049	72.3%

MANDATORY & MATCHING FUNDS 2/			
STATE	FEDERAL OBLIGATIONS (GRANT AWARDS)	STATE OBLIGATIONS	% OBLIGATED
AL	27,538,930	27,538,930	100.0%
AK			
AZ	32,654,444	32,654,444	100.0%
AR	11,928,191	11,928,191	100.0%
CA	189,109,829	189,109,829	100.0%
CO	20,458,829	20,458,829	100.0%
CT	27,297,693	27,297,693	100.0%
DC			
DE	7,079,533	7,079,533	100.0%
FL	78,991,515	78,991,515	100.0%
GA	56,723,095	56,725,095	100.0%
HI	8,544,528	8,544,528	100.0%
ID	6,360,048	3,809,377	59.9%
IL	92,635,041	92,635,041	100.0%
IN			
IA	16,176,667	16,176,667	100.0%
KS			
KY	26,565,371	26,565,371	100.0%
LA	26,579,410	26,579,410	100.0%
ME			
MD	36,968,426	36,968,426	100.0%
MA	60,349,955	60,349,955	100.0%
MI			
MN	36,230,665	36,230,665	100.0%
MS	14,049,912	13,624,205	97.0%
MO	38,926,173	38,926,173	100.0%
MT	5,561,904	5,561,904	100.0%
NE			
NV			
NH	8,153,892	7,338,226	90.0%
NJ	52,638,058	52,638,058	100.0%
NM	13,916,036	13,916,036	100.0%
NY	153,480,403	153,480,403	100.0%
NC	88,590,381	88,590,381	100.0%
ND	4,226,635	4,226,635	100.0%
OH	100,003,527	100,003,527	100.0%
OK	33,904,916	33,904,916	100.0%
OR	27,598,040	27,598,040	100.0%
PA	85,648,280	85,648,280	100.0%
RI	9,159,194	9,159,194	100.0%
SC	19,673,401	19,673,401	100.0%
SD	3,805,883	3,805,883	100.0%
TN			
TX	116,877,750	116,877,750	100.0%
UT			
VT			
VA	38,380,459	38,380,459	100.0%
WA	56,766,466	56,766,456	100.0%
WV	12,973,006	12,973,006	100.0%
WI	38,370,188	38,370,188	100.0%
WY	4,162,276	4,162,276	100.0%
TOTAL	$1,689,060,952	$1,685,268,808	99.8%

1/ Includes grant awards and outlays from Mandatory & Matching Funds, as well as the $19 million in Discretionary Funds for FY97. Outlays represent cash drawdown of grant awards as reported by the Payment Management System (PMS). When reporting to PMS, States did not differentiate between outlays from the three funding sources of the CCDF. For all three parts of the CCDF, States have at least one year beyond the year of the grant award to liquidate funds.

2/ Based on State financial reports received to date (40). State obligations represents amounts obligated by States from their Mandatory & Matching Funds. Matching Funds not obligated by States during the year of the grant award are reallotted to other States.

POLITICS & POLICY

U.S. Funds From Overhaul of Welfare Fatten States

By Dana Milbank

Staff Reporter of The Wall Street Journal

Federal welfare overhaul is producing big benefits for one not-so-needy group: the nation's states.

With welfare rolls down, many states are taking advantage of federal welfare aid to cut their own spending and use the funds to help pay for tax cuts and other popular projects. The falling rolls have given the states a windfall of $3 billion to $4 billion, says Jack Tweedie, welfare analyst for the National Conference of State Legislatures. And they are free to spend about $2 billion of that in areas unrelated to poverty if they wish.

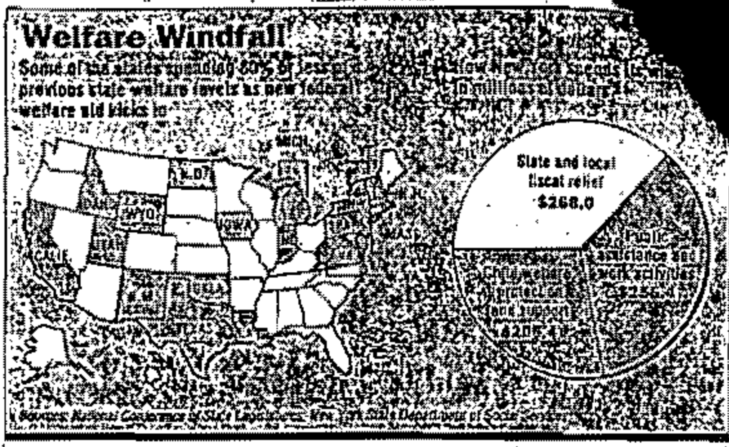
As states send the first accounting of their compliance with new welfare requirements in Washington today, it appears many have dropped their own welfare spending to a level at or near the minimum allowed by law. Only a handful are still spending as much of their own money as they had before the federal-law changes, which were designed to get people off welfare and into jobs.

The new federal welfare grants to states, known as Temporary Assistance for Needy Families, or TANF, total $16.5 billion a year and are based on peak caseloads. But because welfare rolls are off 25% from those peak levels, states are getting a windfall. Some of the money is being used to expand child care, job programs and a variety of initiatives. But the windfall is also being used to displace states' own welfare outlays. "Welfare reform has become, in part, fiscal relief for the states," says Ed Lazere, an analyst with the Center on Budget and Policy Priorities in Washington.

According to a new study by the National Conference of State Legislatures, 20 of the 44 states surveyed are spending 80% or less of the amount they previously spent on welfare. The federal welfare law, enacted last year, allows states to reduce their own spending, or "maintenance of effort," to 75% or 80% of past levels, depending on caseload reductions. Only five are spending at or above prior totals.

Using a Surplus

The larger the state and the larger its caseload decline, the more extra money it has to put to nonwelfare uses. New York, which has dropped its welfare spending to 75% of previous levels, plans to use $268 million of surplus welfare funds for what it calls "state and local fiscal relief."



Texas, according to an analysis by the Austin-based Center for Public Policy Priorities, is siphoning off $152 million of federal welfare funds for other purposes; the state quarrels with that analysis but acknowledges it has dropped its own spending to 80% of previous levels. Ohio's human-services director, Arnold Tompkins, says earlier welfare savings contributed as much as $200 million toward a state income-tax cut.

Even Wisconsin, widely regarded as a state willing to spend to make welfare changes work, dropped its "maintenance of effort" to the minimum 75% of previous levels, freeing some $60 million for other uses. "We feel we're appropriately investing in the program," says Jean Rogers, who runs Wisconsin's welfare-to-work program.

States, of course, would have cut their own spending as rolls fell even if Washington had not changed the rules. Also, despite the cuts in state funding, the federal windfall is large enough that per capita spending on welfare-related services has risen virtually everywhere. As a result, states say, they have enough funds for innovative new public-assistance efforts while boosting state reserves at the same time.

More Funds for Child Care

New Jersey has enough surplus to spend $100 million more than it would have spent on an equivalent welfare population under the old law – while still putting aside another $100 million for other state uses. New Jersey has extended postwelfare child care to two years from one year, and boosted spending on teaching English to immigrants, vocational training and feeder routes to public buses. "If you're going to reform welfare, you've got to spend more on clients," says William Waldman, the human-services commissioner.

But even with the increased services, the states are using the new federal welfare law as a cash cow. A spokesman for the U.S. Health and Human Services Department, to which the states will submit their accounting, says it's "probably the case" that states aren't spending much more than the minimum needed to avoid federal penalties.

The law generally requires the federal TANF funds to be used for welfare and not such things as roads or prisons. But it also allows states to convert a small percentage of this money into federal grants classified for use on more general social services. Mr. Lazere says states sometimes use these transfers to save on what they otherwise would spend on these services.

It is difficult to track this money directly because the savings simply wind up in a state's general fund. Mr. Lazere says Connecticut transferred $24 million from its TANF block grant into its social services block grant and then withdrew an equivalent amount from its social services, spending to return to its general fund. A spokeswoman for the state's welfare agency says she doesn't know the specifics of the transfer, but concedes, "We have used the federal dollars to replace state dollars that had been funding programs for kids."

'Rainy Day Fund'

Ohio has used its federal surplus to invest $75 million in a "Human Services Rainy Day Fund," and it is one of the few states to increase cash welfare benefits – by 6%. It also has extra funds for new training programs and other welfare-related areas. But even after these increases, dropping its welfare spending to 80% of previous levels has freed up about $100 million for other state uses, most likely education, Mr. Tompkins says.

In Wisconsin, the spending per welfare family climbed to $15,900 this year from $12,000 in 1996 – even as the state's welfare spending, reflecting the falling caseload, dropped to 75% of levels earlier in the decade. Wisconsin has used its windfall to intensify its case management by assigning welfare workers fewer families.

But spending more than it already does on welfare, says Ms. Rogers, would be wasteful. "The key in being fiscally responsible," she says, "is to spend enough

THE WALL STREET JOURNAL
FRIDAY, NOVEMBER 14, 1997

State MOE Spending for the TANF Block Grant FY98

States at or over 100% MOE

Nebraska
Arkansas
Mississippi
Kentucky
South Dakota

States between 90 and 99% MOE

Kansas
Hawaii
Tennessee
Florida
Georgia
Minnesota
Arizona

States between 81% and 89% MOE

Delaware
Illinois
Connecticut
Nevada
Washington
Maryland
Rhode Island
Maine
Montana
Alaska
Alabama
Colorado

States between 76% and 80% MOE

Texas
California
Louisiana
North Dakota
Iowa
Idaho
Wyoming
New York
Vermont
Massachusetts
Pennsylvania

State MOE Spending for the TANF Block Grant FY98

States at 75% MOE

West Virginia
Michigan
Virginia
Oklahoma
Indiana
New Hampshire
New Jersey
New Mexico
Utah

States that have not yet responded to survey

District of Columbia
Missouri
North Carolina
Ohio
Oregon
South Carolina
Wisconsin
Puerto Rico

Information from a survey by the National Conference of State Legislatures

THE WHITE HOUSE

WASHINGTON

January 8, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJ: SECRETARY SHALALA'S REPORT ON STATE WELFARE SPENDING

The attached memo from Secretary Shalala highlights that states are spending only about three-quarters of available TANF funds. There are concerns that these large unspent balances -- about $3 billion as of June -- may make TANF vulnerable to budget cuts. We will be working with HHS and the states to devise a strategy to prevent this (one reason we've managed to avoid cuts so far is that budget scorekeepers expect low spending rates and thus cuts in spending authority aren't scored as having many outlay savings). One advantage of such TANF surpluses is that, because they can be carried over from year to year, they provide an additional rainy day fund in case of an economic downturn. Moreover, data show that even with these surpluses states are actually spending more per person than before reform due to caseload declines. In addition, the data illustrate the importance of the state Maintenance of Effort provisions you fought so hard for: states are spending their own funds first to ensure they meet the MOE requirements (which is one reason so little of the federal TANF funding is being spent).

To identify the reasons for these trends, HHS surveyed the 12 states with the lowest obligation rates, which together account for 80% of the total unobligated funds (CA, FL, KA, LA, MN, NJ, NY, OK, PA, WA, WV, WI). Key factors identified by the states include:

1) Unexpectedly large caseload reductions provided states with unforeseen funds which they have not yet spent. For example, Minnesota, anticipating caseload increases due to expanded eligibility rules, had actually cut back on some support services. In light of unanticipated caseload reductions, the state plans to increase these services.

2) Early stages of TANF implementation. Many fiscal and policy decisions made by Governors and state legislators had not taken effect as of last June. For example, California's new law did not take effect until January 1998, which means counties didn't start bringing large numbers of people into the program and spending new funds until mid- to late-1998.

3) Saving for possible economic downturns. States are saving money in rainy day funds to ensure they have adequate resources to meet future spending requirements. For example, Florida's legislature required a $250 million rainy day fund (which represents 43 percent of their FY 1998 block grant). In addition, states are spending state funds before federal funds in order to meet the maintenance of effort requirement. This requirement, which is a fixed percentage of each state's historic spending levels, must be met each year regardless of total spending level while federal money may be carried over to future years.

4) Some states have concrete plans in place for investing TANF resources, while others do not. The Secretary recommends that we continue to send a strong message about the importance of maintaining investments in low-income working families.

The Secretary's report shows that more states are beginning to use their flexibility to transfer funds from TANF to the Social Services Block Grant and the Child Care Block Grant. By the third quarter of FY 1998, twenty-seven states -- or double the number from the prior quarter -- transferred some funds, although the amount transferred is well below the maximum allowed. There are indications from states that these transfers will increase, which should increase overall TANF spending.

While not specifically referenced in Secretary Shalala's report, it is important to remember that caseloads have fallen by more than one-third from the base years used to calculate the TANF block grant, so even if states spend only 75 percent of their block grant funds this year, they are actually investing more per person. GAO estimates that, nationwide, states had nearly 40 percent more federal funds per recipient available under TANF in 1997 than they had under AFDC.