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Testimony of
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Before the

Senate Finance and Assembly Ways and Means Committees
Joint Public Hearing on
Human Services

February 16, 2011

My name is Carolyn Boldiston and I am a Senior Fiscal Policy Analyst with the Fiscal Policy Institute. The Fiscal Policy Institute (FPI) is a nonpartisan research and education organization that focuses on the broad range of tax, budget, economic and related public policy issues that affect the quality of life and the economic well-being of New York State residents. Founded in 1991, FPI's work is intended to further the development and implementation of public policies that create a strong economy in which prosperity is broadly shared by all New Yorkers. Thank you for the opportunity to submit this testimony in writing today.

This testimony consists of four parts:

- I. Review of New York State's recent public assistance caseload history: Do trends in caseloads respond to trends in need?
- II. A review of New York's historical utilization of the federal Temporary Assistance for Needy Families (TANF) block grant. This looks at: 1) 'Base' and 'Surplus,' including discussion of the proposed grant increase delay and full-family sanctions; 2) Initiatives; 3) Flexible Fund for Family Services; 4) child care; and 5) the state's Earned Income Tax Credit. Also in this section, a description of how these items are approached in the current fiscal year and the upcoming fiscal year.
- III. A review of the impact of the American Recovery and Reinvestment Act (ARRA) of February 2009 on TANF funding and spending in New York State.
- IV. Recommendations for the 2011-2012 state fiscal year.

Over the last fifteen years, the interaction of two major developments—(1) dramatic reductions in the number of needy families receiving governmental cash assistance and (2) major changes in the way that the federal government shares in the costs incurred by the states in providing such assistance and related services—have given the states an unprecedented level of resources that can be used with an unprecedented degree of flexibility in meeting the needs of low-income families.¹ Inflation has reduced the real value of the fixed federal Temporary Assistance for Needy Families (TANF) block grants to the states by 26 percent from federal fiscal year (FFY) 1997 to FFY 2010.² Over this same period, significant decreases in welfare caseloads have left states with substantial resources for supportive services after fulfilling their commitments to provide basic assistance.

The federal TANF block grant program, due for reauthorization by September 30, 2010, was extended until December 3, 2010 through the government-wide Continuing Resolution signed by President Obama on September 30, 2010. It was extended again at the same level of resources for the states, until September 30, 2011 through the Claims Resolution Act of 2010 signed by the President on December 8, 2010. Therefore, New York State will receive its current annual block grant allocation of \$2.442 billion from the federal government through the end of the current federal fiscal year 2011 (which covers the remainder of the current 2010-2011 state fiscal year and the first half of the 2011-2012 state fiscal year). By September 30, 2011, Congress must take action to either reauthorize or extend the Temporary Assistance for Needy Families block grant.

I. Review of New York State's recent public assistance caseload history: Do trends in caseloads respond to trends in need?

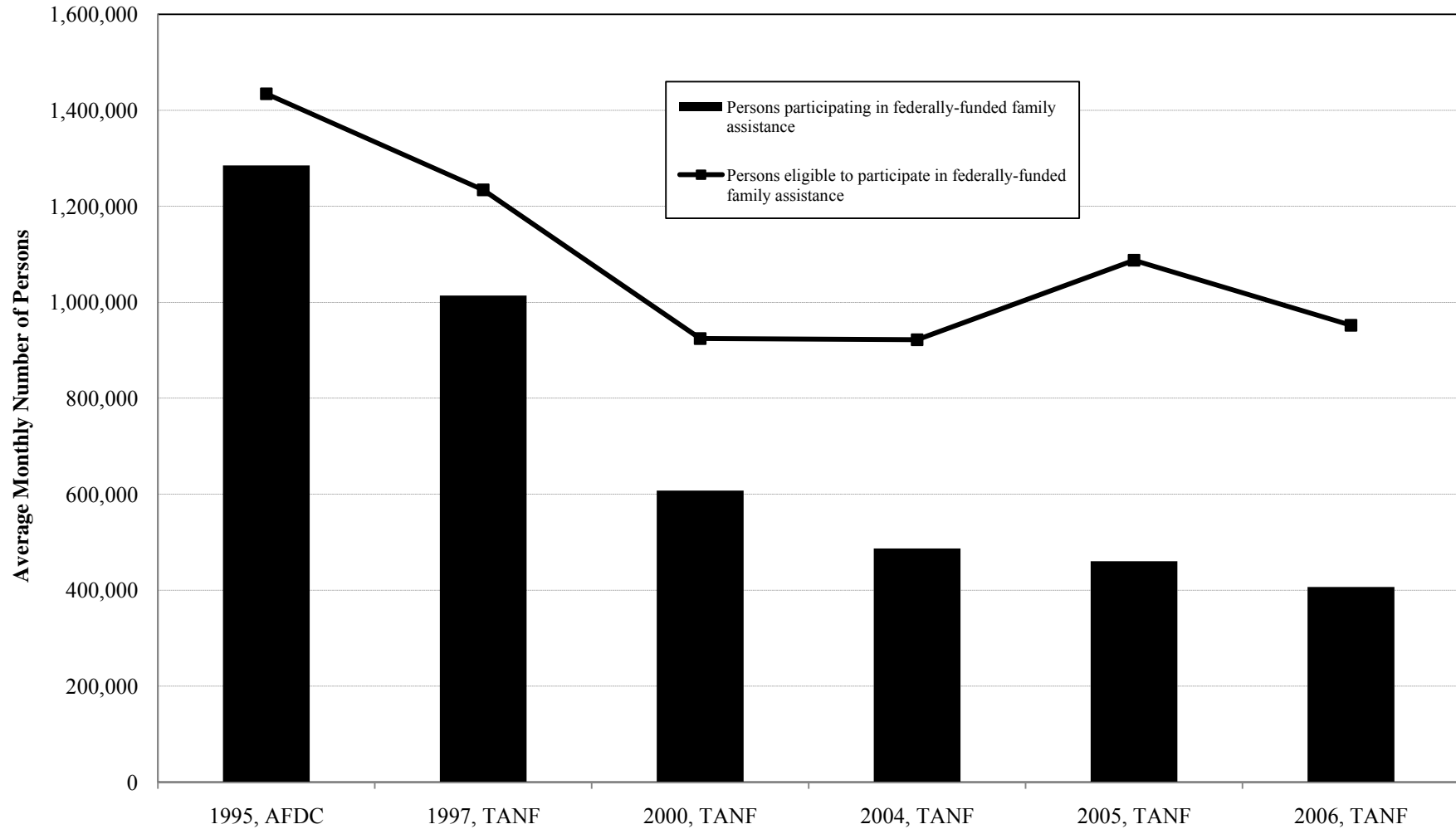
In New York State, the total number of people receiving public assistance has declined by more than 1 million, from 1,643,832 in January 1995 to 559,746 in December 2010 (state administrative data), a decrease of 66 percent. And the number of people receiving federally-funded assistance, or, assistance through the TANF program, has declined from 980,022 in December 1997 to 272,399 in September 2010 (federal administrative data), a decrease of 72 percent.

One way to give perspective to these numbers is to view them as a portion of the number of people eligible for such assistance. The following figure shows the steep decline in participation in federally-funded family assistance in New York State from 1995 through 2006. Of those New Yorkers eligible for federally-funded family assistance, the number of persons actually participating decreased from 90 percent before welfare reform to 43 percent in 2006.

¹ The Temporary Assistance for Needy Families (TANF) program that replaced the federal Aid to Families with Dependent Children (AFDC) program in 1996 (and became effective in 1997) was reauthorized in February 2006 as part of the Deficit Reduction Act of 2005.

² Falk, Gene, Congressional Research Service (through Penny Hill Press), *Economic Legislation: The Temporary Assistance for Needy Families Block Grant: Responses to Frequently Asked Questions* (blog), Sunday, December 12, 2010 at <http://economic-legislation.blogspot.com/2010/12/temporary-assistance-for-needy-families.html>.

Figure 1: Of those New Yorkers eligible for federally-funded family assistance, the number of persons actually participating decreased from 90% before welfare reform to 43% in 2006.



Before 1997, model makes no inference about undocumented aliens. In 1997 and later, models impute immigration status.

Source: Center on Budget and Policy Priorities use of HHS/Urban Institute TRIM policy microsimulation model, baseline summary tables.

This trend is updated with state administrative data through March 2010 which shows continued marked decreases in TANF participation alongside increases in the state and locally-funded Safety Net Assistance (SNA) program that provides assistance to single people, childless couples and families that have exhausted their 60-month limit for participating in TANF. While there was some increase in TANF-funded family assistance during the recent Great Recession—rising by 5.7 percent from March 2008 to March 2010—participation in this program declined by over 57 percent from 2001 to 2010. Participation in Safety Net Assistance, however, increased by 143 percent over this same time period. More information is needed on the composition of the SNA growth (for example, is it primarily increased numbers of families exhausting their time limit on TANF?) to determine its implications.

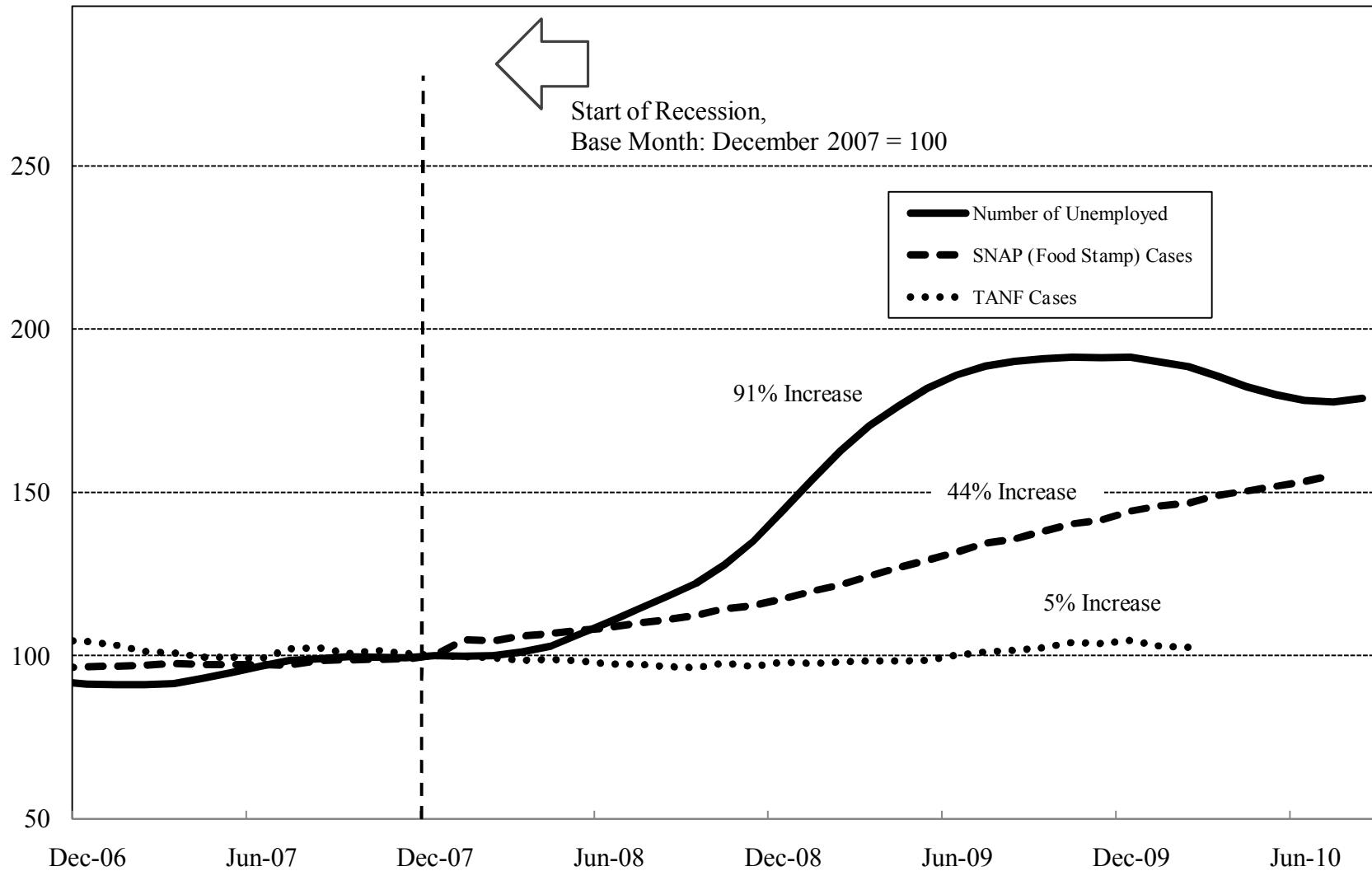
There has been proportionally a greater increase in both programs outside of New York City in the last two years: in Family Assistance, there was 13.8 percent growth in the rest of the state compared to less than one percent in New York City. In Safety Net Assistance, this increase was 21 percent in the rest of the state compared to 3 percent in New York City. The vast majority of all recipients though continue to reside in New York City: 60 percent of Family Assistance recipients and 67 percent of Safety Net Assistance recipients in March 2010. See the table below.

<u>March</u>	<u>Family Assistance Recipients</u>			<u>Safety Net Assistance Recipients</u>		
	<u>NYS</u>	<u>NYC</u>	<u>ROS</u>	<u>NYS</u>	<u>NYC</u>	<u>ROS</u>
2001	598,494	430,623	167,871	120,824	87,641	33,183
2002	374,266	242,472	131,794	263,987	203,794	60,193
2003	322,840	202,533	120,307	285,657	218,133	67,524
2004	325,862	203,087	122,775	306,911	233,751	73,160
2005	306,428	188,835	117,593	306,398	230,090	76,308
2006	295,318	184,115	111,203	291,630	216,912	74,718
2007	254,424	159,904	94,520	288,082	207,771	80,311
2008	242,136	151,471	90,665	271,252	191,818	79,434
2009	244,003	149,861	94,142	276,139	191,791	84,348
2010	255,822	152,628	103,194	293,522	197,529	95,993
	<u>Percent Change</u>			<u>Percent Change</u>		
2001 to 2010	-57.3%	-64.6%	-38.5%	142.9%	125.4%	189.3%
2008 to 2010	5.7%	0.8%	13.8%	8.2%	3.0%	20.8%

Another way of evaluating whether the TANF block grant program is responding to poor families’ needs for assistance is to compare the change in TANF participation to changes in employment and poverty and the coinciding response of other safety net programs. As the following figure and table for New York indicates, *TANF caseloads increased by only 5 percent from December 2007 to December 2009 compared to a 91 percent increase in the number of unemployed people during this same time.* New York ranked 38th in the rate at which its TANF caseload increased during the recession.³ And given that “the labor market recession affecting

³ Center on Budget and Policy Priorities, *New York: TANF Fact Sheet*, January 25, 2011 at <http://www.cbpp.org/files/1-25-11tanf-NY.pdf>.

Figure 2: Among all states, New York ranked 38th in the rate at which its TANF caseload increased in response to the recession.



Source: Center on Budget and Policy Priorities, *New York: TANF Caseload Fact Sheet* at <http://www.cbpp.org/files/1-25-11tanf-NY.pdf>, January 25, 2011.

the lives of many New Yorkers is likely to persist for at least the next three years,”⁴ poor families will continue to find it difficult to achieve economic security if work and assistance are not available.

	December 2007	December 2009	Percent Change
Number of Unemployed	448,100	857,600	91%
SNAP Cases	980,000	1,414,200	44%
TANF Cases	153,900	161,200	5%

Source: Center on Budget and Policy Priorities, *New York: TANF Fact Sheet*, January 25, 2011 at <http://www.cbpp.org/files/1-25-11tanf-NY.pdf>. SNAP refers to Supplemental Nutrition Assistance Program (formerly Food Stamps).

From 2008 to 2009, New York State’s poverty rate increased from 14.2 to 15.8 percent. This is the greatest single-year increase in the past 30 years except for 1991. The number of New Yorkers in poverty rose from 2.7 million to over 3 million in that one year.

In addition, the table below shows that a much smaller share of needy families receives TANF now (33 percent) compared to 15 years ago (81 percent). These statistics raise serious questions about the ability of the TANF program, as currently structured, to respond to poor families needs during severe economic downturns.

Families with Children	1994-1995	2008-2009
...on AFDC/TANF	455,400	152,900
...in poverty	564,100	463,500
TANF to poverty ratio	81	33

Source: Center on Budget and Policy Priorities, *New York: TANF Fact Sheet*, January 25, 2011 at <http://www.cbpp.org/files/1-25-11tanf-NY.pdf>.

II. New York’s historical utilization of the federal Temporary Assistance for Needy Families (TANF) block grant

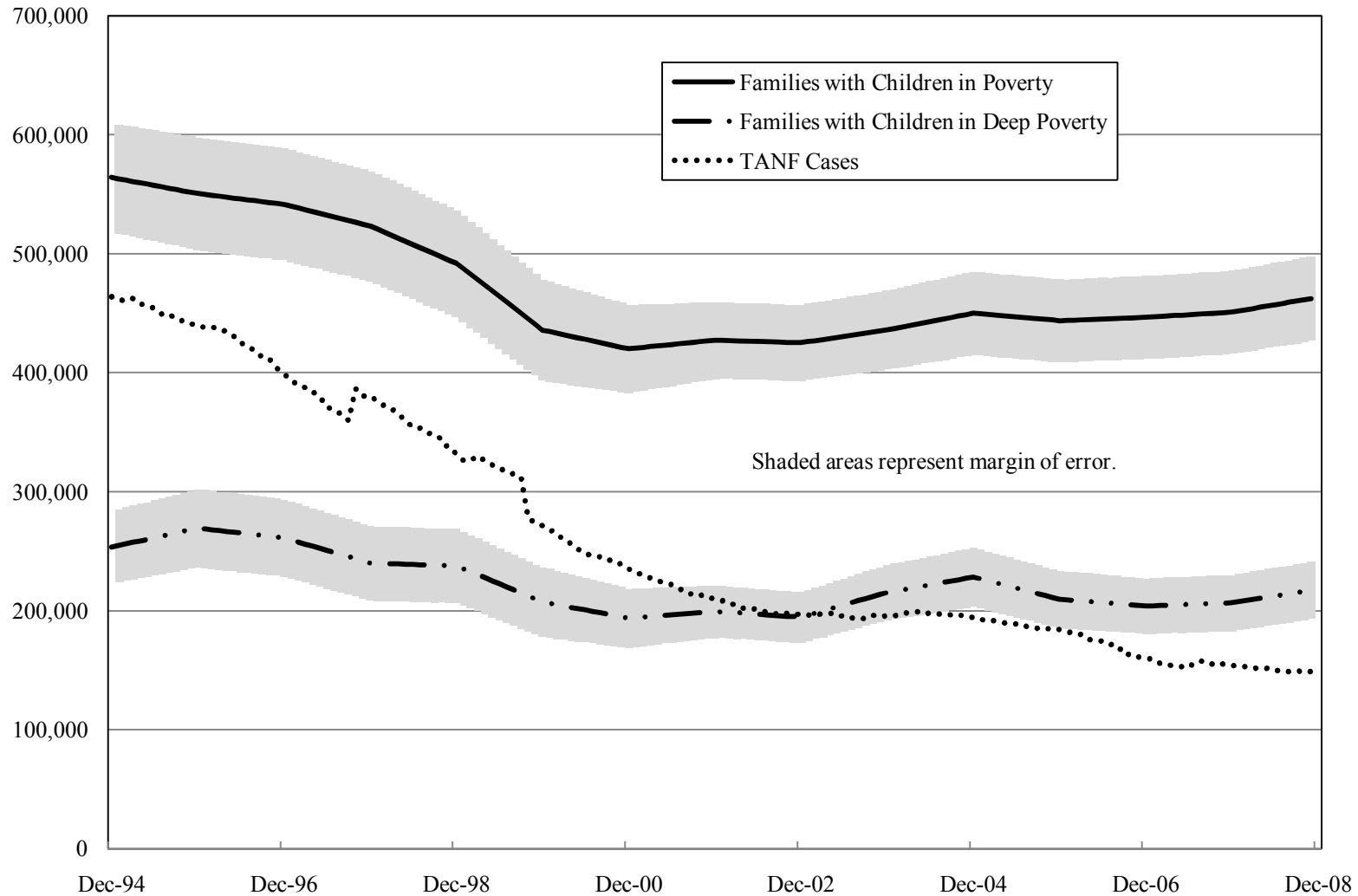
1) ‘Base’ and ‘Surplus’

The combination of fixed TANF block grant funding and falling caseloads has resulted in the so-called TANF ‘Surplus.’ In its simplest formulation, this surplus is the difference between a) the total \$2.442 billion TANF block grant that New York receives from the federal government each year and b) the federal share of the cost of basic assistance for TANF recipients. New York not only uses TANF block grant resources to provide cash assistance for recurring and emergency needs, but also for a range of support services so that families can begin to become financially independent.

Total available TANF funding during a state fiscal year may equal more than \$2.442 billion. This occurs for two reasons. One, the state is allowed to carry over unused block grant funds from previous years. Second, from January 2009 through December 2010, besides the TANF

⁴ Parrott, James, Fiscal Policy Institute, *FPI Responds: Can New York Depend on a “Millionaire’s Tax” to Solve the Budget Crisis?* updated February 14, 2011 at http://www.fiscalspolicy.org/FPI_NewYorkShouldContinueTheIncomeTax_20110214.pdf.

Figure 3: In 2008-09, for every 100 New York families in poverty, 33 participated in TANF



Note: Two years of Current Population Survey data were merged to improve reliability; therefore, December 2008 poverty data represents merged data for calendar years 2008 and 2009. Deep poverty is composed of families below half of the federal poverty level.

Source: Center on Budget and Policy Priorities, *New York: TANF Caseload Fact Sheet* at <http://www.cbpp.org/files/1-25-11tanf-NY.pdf>, January 25, 2011.

block grant, additional TANF funding has been available to New York State through the TANF Contingency Fund and the TANF Emergency Contingency Fund. These two funds have provided \$1.343 billion more to the state through awards that have impacted TANF funding and spending during state fiscal years 2009-2010, 2010-2011 and 2011-2012. The size of the TANF ‘Surplus’ in these years has depended, therefore, on the extent to which these contingency funds have been used for basic assistance and the remaining funds which could be directed to other allowable TANF purposes. (Please see the last section of this paper for more explanation on this topic.)

For the upcoming 2011-2012 state fiscal year, available TANF funding consists of the \$2.442 billion regular block grant, the \$122.1 million TANF Contingency Fund award earned by the state in December 2010, and \$124 million set aside by New York State from its 2009 Contingency Fund award for grant increase costs and child care subsidies in 2011-2012. This totals approximately \$2.7 billion.

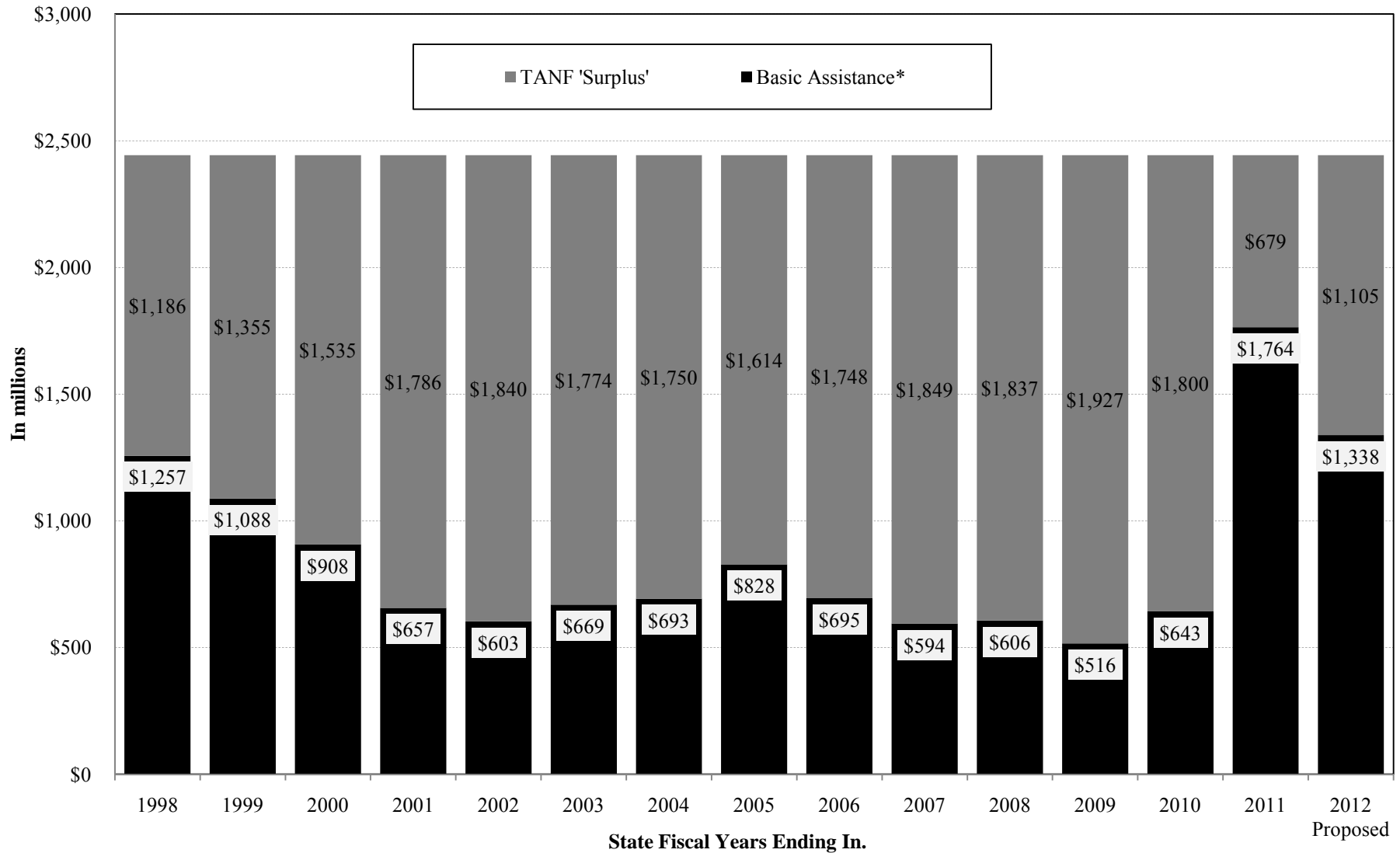
Spending from the TANF block grant for basic assistance is categorized as ‘Base’ expenditures in the Executive Budget. Until 2005-2006 when the Flexible Fund for Family Services was created, the ‘Base’ included not just expenditures related to basic assistance but also employment services and local administration of TANF assistance services. Therefore, in evaluating portions of the TANF block grant that represent ‘Base’ and the remaining ‘Surplus,’ the following two figures present basic assistance as comprised of 1) monthly cash assistance (or, federally-funded Family Assistance or Public Assistance), 2) emergency assistance (the Emergency Assistance to Families, or EAF, program), and 3) related state operations expenditures. (Other items for administration remain in the Executive Budget’s TANF ‘Base’ but it is not clear to what extent they support basic assistance and/or support services).

These three ‘Base’ items are shown together in Figure 4 as a portion of New York’s annual fixed block grant (this figure does not include additional TANF funds). In the state fiscal year ending in 2009, the enacted amounts for cash assistance, emergency assistance and state operations totaled approximately \$500 million, the lowest amount since the enactment of welfare reform—or less than half of the total \$1.26 billion for such items in the state fiscal year ending in 1998. For the current state fiscal year and proposed budget for 2011-2012, however, these amounts are more similar to that for 1998 at \$1.76 billion and \$1.34 billion respectively.

Figure 5 presents basic assistance expenditures. While the fall in basic assistance spending prior to 2010-2011 is primarily due to lower spending on monthly cash assistance because of declining caseloads, its dramatic increase after that point occurs for two reasons. One, the number of TANF recipients used to forecast cash assistance costs for the executive budget was projected to increase by 1.8 percent in 2010-2011 over 2009-2010. Second, the TANF block grant usually pays for half of family or cash assistance costs—the federal share—with state and local governments each paying 25 percent. However, in 2010-2011, because of available TANF contingency fund money, TANF was used to offset the state’s 25 percent share; the breakdown of \$1.63 billion enacted for ‘Public Assistance Benefits’ was:

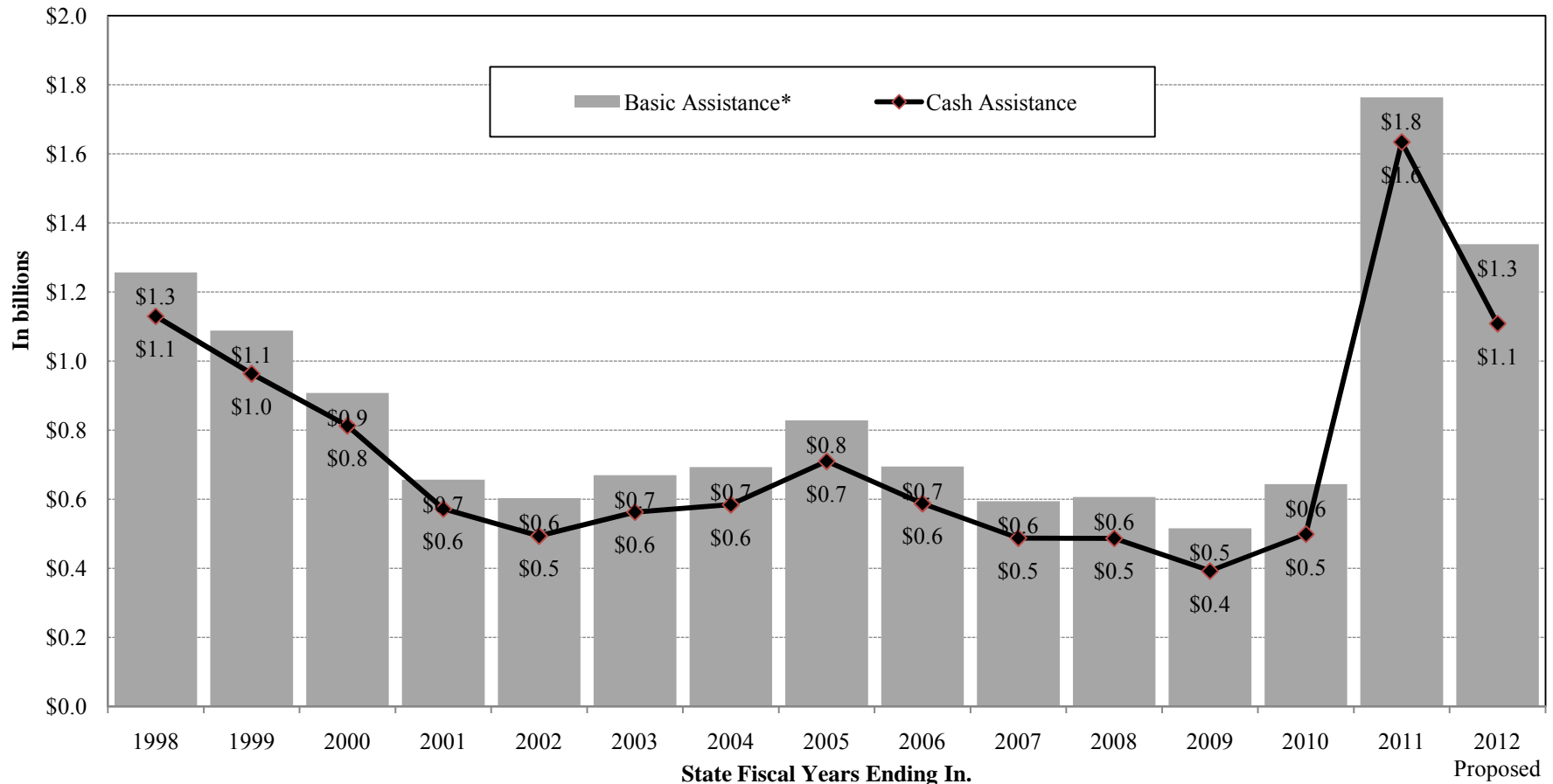
- \$590 million for the federal share of family assistance costs;
- \$75 million for costs of the second year of the monthly grant increase;

Figure 4: The TANF 'Surplus' is the portion of New York's \$2.442 billion annual TANF block grant that is not used for basic assistance.



* Basic Assistance includes cash assistance, emergency assistance and state operations. Uses enacted figures from the New York State Division of the Budget.

Figure 5: Until 2010, New York's spending on basic assistance for families from the federal block grant fell by more than half, primarily due to lower spending on cash assistance. In the year ending 2011, TANF block grant and contingency funds will pay for the federal share of such assistance, and offset all state family assistance costs. In the upcoming budget, TANF funds will be used to pay all such costs; there will be no local and state shares.*



* Basic Assistance includes cash assistance, emergency assistance and state operations. Cost shares for state and locally-funded Safety Net Assistance will be adjusted in 2011-12 to 30% state and 70% local funding from the current 50% shares each. Uses enacted figures from the New York State Division of the Budget.

- \$165 million for the remaining federal share of 2009-2010 public assistance costs due to under-estimation;
- \$120 million for the remaining state share of 2009-2010 public assistance costs due to under-estimation;
- \$420 million to the General Fund as an offset to the state share of assistance; and
- \$261 million for fiscal relief to the state (General Fund relief; this relief amounts to an actual \$215 million through December 30, 2010 for a projected total relief of \$261 million through March 30, 2011).

This shift in the funding of family assistance was related to the state's decision not to use regular TANF block grant money to fund the state Earned Income Tax Credit (EITC) as an offset to the state share of public assistance—as it has done previously—and instead to use tax credit payments to TANF-eligible filers to draw down TANF Emergency Contingency Fund (ECF) money which was then used to offset the state share of public assistance. The result of these two actions seems to have allowed the state to meet the anticipated growth in public assistance costs with ECF money and to provide fiscal relief to the state.

In the proposed 2011-2012 budget, the number of family assistance recipients is forecast to decrease 1.3 percent from the current year and \$1.109 billion of the TANF block grant is allocated for cash or family assistance costs. This amount is the result of gap-closing actions for human services explained in the *2011-12 Executive Budget Five-Year Financial Plan* (p. 18) as:

In the area of public assistance, maximizing Federal TANF funds to pay the full benefit costs for TANF-eligible households on public assistance; delaying by one year the final 10 percent increase to the public assistance grant that is scheduled to start in July 1, 2011; eliminating State participation for New York City's shelter supplement program; withholding the public assistance grant for those households not in compliance with Federal work requirements; and reducing reimbursement to New York City for adult homeless shelter costs.

Instead of TANF paying for only 50 percent of TANF family assistance costs, the executive budget proposes that it pay for 100 percent of these costs. A corresponding change in shares for the state and locally-funded portions of the Safety Net Assistance program has been proposed from the former 50 percent shares each to 70 percent funded by localities and 30 percent funded by the state. Before the gap-closing plan, the forecasted total of TANF public assistance costs for 2011-2012 along with the cost of the scheduled grant increase was \$1.141 billion. The executive budget gap-closing plan reduces this figure by: 1) \$5.5 million, due to benefit sanctions on families that do not meet TANF work requirements, and, 2) \$26.6 million, due to the one-year delay of the third phase of the grant increase. The final proposed amount for family assistance costs to be paid for with TANF is \$1.109 billion.

Until this executive budget, Emergency Assistance to Families (EAF), a source of non-recurring assistance for TANF families, has been paid for with the same cost-sharing structure as for TANF family assistance: 50 percent federal funds (TANF), 25 percent state funds, and 25 percent local funding. The current year's enacted amounts were \$60 million from TANF, \$30 million from the state's General Fund and \$30 million from local governments. The total figure

has remained the same but actual payments for EAF from TANF in 2010-2011 will be \$80 million and actual state costs for the same will be \$40 million.

As with TANF family assistance costs this year, the executive budget proposes to use the TANF block grant to pay for all Emergency Assistance to Families costs in 2011-2012. The total amount has increased by 33 percent to \$160 million; this proposed EAF amount, and the \$1.109 billion for TANF family assistance, represent the \$1.269 billion appropriation in the Aid to Localities Appropriation Bill. It is 52 percent of New York’s annual TANF block grant.

Delay of the Third Phase of the Cash Assistance Grant Increase

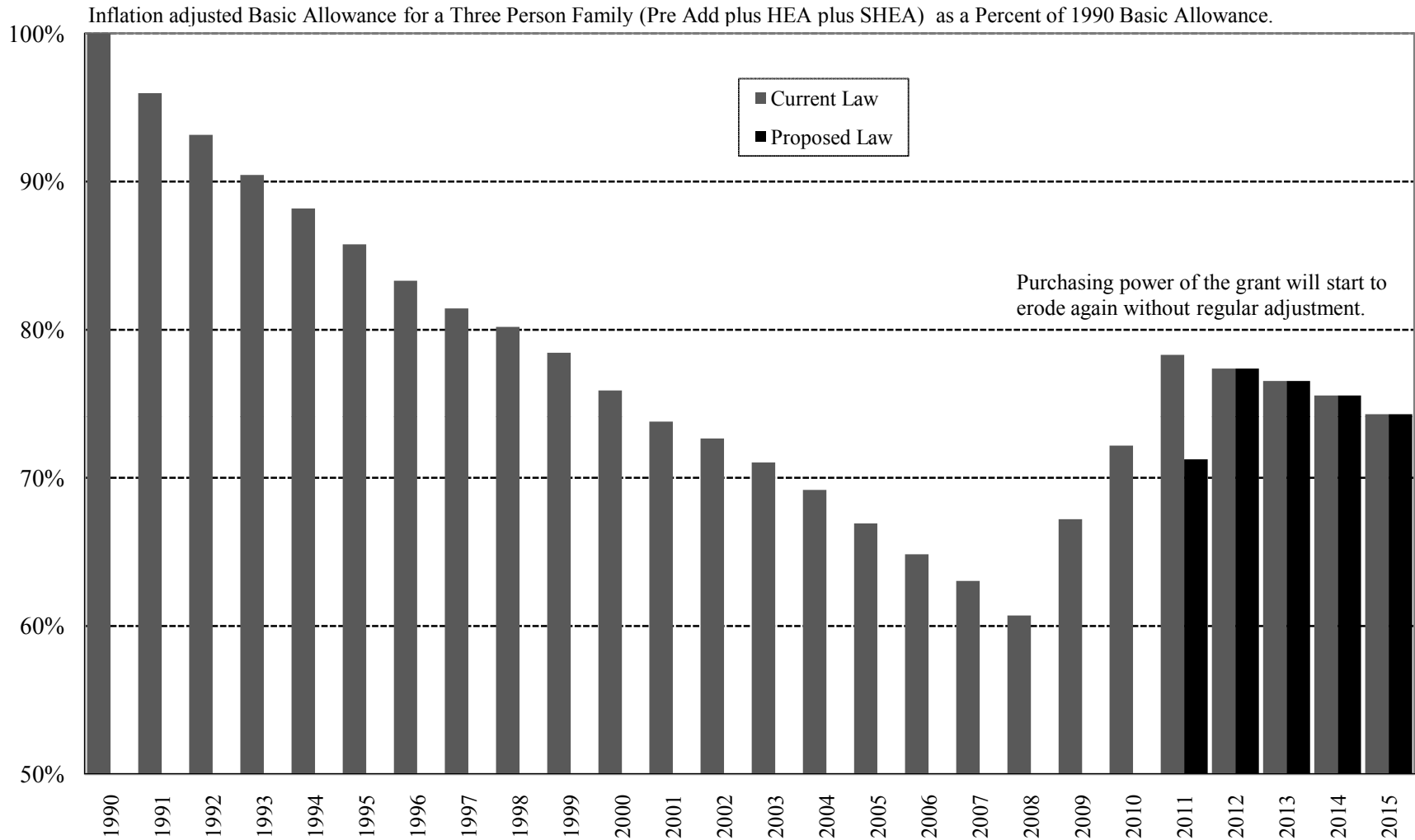
The 2011-2012 executive budget proposes to delay the scheduled third phase of the public assistance grant increase begun on July 1, 2009 with a 10 percent increase to the non-shelter portion of the grant and followed up with a second 10 percent increase on July 1, 2010. As seen in the table below, the delay by one year of the third and final phase of the grant increase—scheduled to increase the monthly grant by another 10 percent on July 1, 2011—would reduce benefit costs by a total \$55.9 million: \$26.6 million from the TANF block grant and \$29.3 million from the state’s General Fund.

Grant Increase Costs: Current Law and Proposed Law (in thousands)

		SFY 2009-10		SFY 2010-11		SFY 2011-12
		Enacted	Actual	Enacted	Revised/Actual	Forecast/Executive
Current Law	TANF	\$14,745	\$5,500	\$75,000	\$31,900	\$66,060
	General Fund	\$24,200	\$11,800	\$63,500	\$35,100	\$72,800
	Total	\$38,945	\$17,300	\$138,500	\$67,000	\$138,860
Proposed Law	TANF					\$39,500
	General Fund					\$43,500
	Total					\$83,000
Difference	TANF					\$26,560
	General Fund					\$29,300
	Total					\$55,860

The proposed delay of the grant increase would keep the monthly basic allowance portion of the public assistance grant at \$300 for a family of three instead of increasing it to \$335, resulting in a total monthly grant of \$353 instead of \$388 (a family of three’s total monthly grant includes \$53 for home energy and supplemental home energy payments). Therefore, this delay would remove more than 10 percent from the basic allowance portion of the cash assistance grant, a significant decrease in potential income for needy families. Until July 2009, the grant had not been raised since 1990; if the third phase of the grant increase occurs as scheduled, the grant itself will still represent only 78 percent of its purchasing power in 1990. This delay however will keep the grant closer to 70 percent of that purchasing power. Also, this delay will forestall any increased

Figure 6: After the first two increases to the basic cash grant in 2009 and 2010, the delay of the third increase will leave the grant at close to 70% of its 1990 purchasing power.



Based on 2009 dollars. Uses actual CPI-U through 2010 and projected CPI-U for 2011-2013 are from the Congressional Budget Office at <http://www.cbo.gov/ftpdocs/108xx/doc10871/AppendixE.shtml#1045449>.

spending that low-income families would readily undertake in their communities thereby adding to economic revitalization in New York State.

The executive budget savings from this measure represents a small proportion, 3.1 percent, of the total \$1.8 billion in total public assistance benefit costs projected for Family Assistance and Safety Net Assistance.⁵ The revised actual costs for the grant increase in 2009-2010 and the current state fiscal year have been much less than what was estimated, at approximately half of the enacted amounts for each year.⁶ The state set aside \$176 million from its 2009 TANF Contingency award of \$407 million to pay for the first three years of the state and local shares of the grant increase for both Family Assistance and Safety Net Assistance recipients. (TANF cannot be used for Safety Net Assistance costs, therefore, the General Fund pays for the SNA grant increase costs and these are offset by the TANF offset to the state share of public assistance. There will be no local share of the grant increase until April 1, 2012.) Given that TANF Contingency Fund money has been set aside for this purpose, the basis for this gap-closing measure is not clear even before consideration of its impact on public assistance recipients.

Full-Family Sanctions

The executive budget for 2011-2012 proposes to withhold from October 1, 2011 through September 30, 2013 the public assistance grant for all the members of a family, including the children in that family, if any member of that family fails to comply with federal TANF employment requirements (includes paid work along with other work activities such as training, school, and community service, for example). Currently, sanctions for failing to meet such requirements only apply to the member of the family who fails to comply. This approach insures that the stopping of benefit payments to an adult who fails to comply with a required activity does not stop the provision of a basic subsistence allowance to the children in the family.

The projected impact of the Governor's proposal is to save \$5.5 million in benefit costs paid from the TANF block grant and \$7 million in benefit costs paid from the state's General Fund (there are greater estimated General Fund cost savings because there are more Safety Net Assistance recipients than Family Assistance recipients). These savings would represent \$12.5 million out of a total \$1,074.6 million in benefit costs (this figure does not include grant increase costs which are figured separately on top of base costs) forecast for 2011-2012, or less than 1.2 percent of total benefit costs.

Research on the impact of sanctions suggests that "penalties above a certain level do not increase participation in required activities, indicating that full-family sanctions may not be more effective than partial sanctions in this regard."⁷ This proposal represents a very small cost

⁵ See pages 89-90 of the *2011-12 Executive Budget Five-Year Financial Plan*. This amount is made up of \$1.363 billion from TANF for family and emergency assistance costs and related administration (about \$95 million), state costs of \$384 million for Safety Net Assistance, and \$73 million in grant increase costs.

⁶ Estimations of grant increase costs use caseload projections as a base and then assume that recipients will receive their maximum benefit; in actuality all recipients do not receive this level of benefit due to earnings that may reduce their benefits and other circumstances such as partial sanctions.

⁷ Carroll, David, California Budget Project, and Trudi Renwick, Fiscal Policy Institute, *Partial Sanctions Have Not Led to Smaller Caseload Declines*, July 2002 at <http://www.fiscalpolicy.org/familysanctionspdf2.pdf>.

savings for the state while impairing New York’s ability to help children in need. This proposal seems particularly ill-timed given the extremely high child poverty rates in the state’s largest cities. Neither the projected savings to the state (\$7 million in 2011-2012) nor the mixed results of full-family sanctions in other jurisdictions justify the impact on poor children and the potential costs to the state treasury and to the state’s economy over the long term.

Percent of Children Under 18 Years Below Poverty Level in the Past 12 Months

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Albany	43.7%	42.3%	35.8%	31.6%	24.6%
Buffalo	37.5%	42.9%	41.7%	41.6%	45.7%
New York City	27.7%	28.2%	27.3%	26.5%	27.1%
Rochester	41.8%	41.1%	43.7%	40.1%	46.5%
Syracuse	45.0%	40.8%	48.1%	39.9%	45.3%
Yonkers	18.9%	18.3%	14.9%	26.6%	24.3%

Source: U.S. Census Bureau, American Community Survey, single-year estimates.

2) TANF Initiatives

After setting aside funds for basic assistance, New York is allowed to use the “additional” resources or ‘Surplus’ from its \$2.442 billion TANF Block Grant to (1) invest in programs and services that assist needy families in becoming and remaining self sufficient and/or, (2) subject to some restrictions imposed by federal guidelines, fund certain existing programs of assistance to needy families, thus providing fiscal relief to the state by allowing it to reduce the amount of General Fund resources necessary to continue those programs and/or (3) to build up reserve (or “rainy day”) funds for use during economic downturns when caseloads (and therefore, cash assistance expenditures) are likely to increase.

The various kinds of support services as noted in (1) above are categorized by the Executive Budget as Initiatives. Families that participate in these programs do not need to be receiving cash assistance although that may be part of the range of services they receive.

Since state fiscal year 2005-2006 when the Flexible Fund for Family Services (FFFS)—a grant to local social services districts that encompasses transfers to the Title XX Social Services Block Grant—was created, almost all of the remaining TANF ‘Surplus,’ has been appropriated for 1) the FFFS, 2) transfers to the federal Child Care and Development Fund for the New York State Child Care Block Grant; and 3) the Earned Income Tax Credit offset to the state share of assistance. These three areas comprised 88 or 90 percent of TANF Initiatives spending in 2005-2006 through 2007-2008 and then increased to 94 percent in 2008-2009. (See Figure 7.) Even with the addition of TANF Emergency Contingency Fund (ECF) and TANF Contingency Fund (CF) money, spending on the first two items represented 95 percent of Initiatives in the enacted 2010-2011 TANF budget and all the TANF Initiatives spending in the executive budget for the upcoming state fiscal year.

Because the state has continued its commitments to the FFFS and child care subsidies, there have been few TANF dollars left for other initiatives especially after the recent expansion of TANF ‘Base’ spending. It is only because of the state’s Contingency Fund and Emergency Contingency

Figure 7: TANF Initiatives Spending (in thousands)

	Enacted 2003-04	Enacted 2004-05	Enacted 2005-06	Recast 2006-07	Enacted 2007-08	Enacted 2008-09	Enacted 2009-10	Enacted 2010-11	Proposed 2011-12
Earned Income Tax Credit	\$382,000	\$471,083	\$652,000	\$678,598	\$603,052	\$702,800	\$457,651		
Child and Dependent Care Credit	\$115,000	\$89,992	\$34,165						
Child Care Total	\$408,000	\$375,000	\$378,900	\$365,350	\$372,454	\$373,310	\$409,021	\$399,875	\$392,967
Child Care Subsidies [1]	\$390,600	\$365,100	\$371,000	\$351,900	\$356,300	\$356,300	\$392,967	\$392,967	\$392,967
Child Care for Migrant Workers	\$1,000	\$1,000	\$1,000	\$1,750	\$1,754	\$1,754	\$1,754		
Child Care Demonstrations	\$11,000	\$3,500	\$3,500	\$8,300	\$11,000	\$11,856	\$10,900	\$5,265	
Child Care SUNY/CUNY	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400	\$1,643	
Satellite Child Care	\$2,000	\$2,000	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS	
Transportation Programs [2]	\$5,000	\$5,000	\$8,400	\$8,400	\$8,300	\$8,325	\$11,325	\$812	
Non-Residential Domestic Violence Screening	\$6,000	\$6,000	\$3,000		\$3,000	\$3,000	\$3,000	\$1,449	
Summer Youth Employment	\$25,000	\$15,000	\$25,000		\$35,000	\$35,000	\$35,000	\$15,500	
Advantage After Schools	\$10,000	\$20,200	\$20,200	\$27,500	\$28,200		\$11,391	\$11,213	
Home Visiting	\$16,000	\$14,129	\$17,600	\$21,400	\$21,600		\$5,822		
Food Pantries	\$12,000	\$12,000	\$12,350	\$12,350	\$12,500				
Pregnancy Prevention	\$10,000	\$10,000	\$2,100	\$12,100	\$12,100				
Adolescent Pregnancy Prevention Services (APPS)	\$7,700	\$5,870	\$5,870	\$7,320	\$7,320				
Women and Infant Children (WIC)	\$5,000	\$4,900	\$5,000	\$5,000	\$5,000				
Alternatives to Detention / Alternatives to Residential Placement	\$4,000	\$38,000	\$4,000	\$4,000	\$4,000		\$10,752	\$6,000	
Refugee Resettlement Program [3]	\$1,500	\$1,425	\$1,425	\$1,425	\$1,425	\$1,425	\$1,425	\$500	
BRIDGE	\$9,553	\$9,553	\$9,553	\$9,553	\$6,503	\$8,503	\$8,503	\$1,000	
Displaced Homemakers	\$1,600		\$2,300	\$2,300		\$2,129	\$5,600	\$1,605	
Caretaker Relative	\$150		\$1,150	\$1,150	\$1,150		\$1,998	\$250	
Wage Subsidy Program	\$5,000		\$4,000	\$4,000	\$4,000	\$4,000	\$14,000		
Preventive Services Initiative	\$18,000		\$15,000	\$20,500	\$20,500		\$18,793	\$6,000	
Advanced Technology Training and Information Networking (ATTAIN)	\$7,000		\$8,500	\$7,000	\$7,000	\$7,000	\$7,000		
Educational Resources							\$3,000	\$125	
Language Immersion/English Training/ ESL	\$1,250		\$2,000	\$2,000	\$2,000	\$1,000			
Adult and Family Literacy	\$1,000		\$1,000	\$1,000	\$1,000	\$500			
Basic Education	\$3,000		\$2,000	\$1,000	\$1,000	\$500			
Local Interagency VESID Employment Services (LIVES)	\$3,000		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500		
Disability Advocacy Program (DAP)	\$1,000		\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$483	
Supplemental Housing Intervention Program	\$4,000		\$4,000	\$4,000	\$4,000	\$4,000	\$5,000	\$1,006	
Emergency Homeless	\$500		\$1,000	\$1,000	\$1,000	\$1,000	\$2,000	\$125	
Supportive Housing for Families	\$2,000		\$2,500	\$5,000	\$5,000	\$5,000	\$5,000	\$2,500	
Community Reinvestment							\$5,000		
Settlement House							\$6,000	\$1,000	
ACCESS - Welfare to Careers	\$1,000		\$1,000	\$1,000		\$250	\$500	\$250	
Jack Kennedy Build NY			\$1,000	\$1,000	\$1,000	\$750			
NYS AFL-CIO Workforce Development Institute			\$600	\$400	\$400	\$400			
Strengthening Families through Stronger Fathers							\$2,764		
Career Pathways						\$2,500	\$10,000	\$5,000	
Green Jobs Corp Program							\$5,000	\$2,000	
Health Care Jobs Program							\$5,000	\$2,000	
Transitional Jobs Program							\$5,000	\$5,000	
Nurse Family Partnership							\$5,000	\$2,000	
Intensive Case Services				\$15,000	\$14,000	\$3,000	\$3,000		
Employment Block Grant	\$38,625	\$50,000	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS
Drug Screening/Treatment	\$2,500	\$2,500	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS
EDGE	\$12,500	\$12,500	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS
Employment Demonstration Projects		\$8,500	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS
YEETP	\$4,300		FFFS	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS
Green Teams	\$1,010		FFFS	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS
School Based Health Centers	\$3,500	\$3,325	\$3,500	\$3,325	General Fund				
Child Welfare including Title XX	\$549,000	\$425,800	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS	FFFS
Flexible Fund for Family Services [1]	NA	NA	\$600,000	\$684,900	\$654,000	\$654,000	\$964,600	\$960,000	\$960,000
TANF Initiatives Spending	\$1,676,688	\$1,580,777	\$1,831,613	\$1,910,071	\$1,839,004	\$1,820,892	\$2,030,645	\$1,425,693	\$1,352,967
EITC, Child Care Subsidies and the FFFS			\$1,623,000	\$1,715,398	\$1,613,352	\$1,713,100	\$1,815,218	\$1,352,967	\$1,352,967
Portion of Initiatives represented by EITC, Child Care Subsidies and the FFFS			88.6%	89.8%	87.7%	94.1%	89.4%	94.9%	100.0%
TANF Initiatives Spending minus EITC, Child Care Subsidies and the FFFS			\$208,613	\$546,573	\$225,652	\$107,792	\$215,427	\$72,726	\$0
Portion of Initiatives for above items			11.4%	10.2%	12.3%	5.9%	10.6%	5.1%	0.0%

[1] In 2006-07, child care funding was included in the FFFS, which totaled \$1,036.8 million for that state fiscal year. However, to show the uses of funding in this table, child care is broken out as in other years. [2] In 2008-09 and 2009-10, Transportation programs included Community Solutions to Transportation, Centro of Oneida, Rochester-Genesee Regional Transportation Authority and Wheels for Work; in 2010-11, only the latter two programs were funded. [3] The Refugee Resettlement program was previously classified as a TANF 'Base' program.

Fund awards over the last two years that many support services have continued to be funded. The state's 2009 Contingency Fund award of \$407 million was used for \$141.6 million of \$161 million in restored, expanded or newly-developed programs in the enacted 2009-2010 budget. This does not include award amounts also used to expand child care subsidies and state and local shares of the grant increase for 2009-2010 and the following two fiscal years. (See Figure 8.)

In the enacted 2010-2011 budget, the ECF provided the only TANF funding, \$73 million, for a range of support services, for example in education and training, and housing and transportation. This includes the new Transitional Jobs, Green Jobs and Health Care Jobs programs developed in 2009-2010 with New York's first Contingency Fund award and which has allowed 35 counties to operate subsidized employment programs for the first time creating over 4,000 jobs statewide.

In the proposed 2011-2012 budget, which appropriates no TANF money for Initiatives apart from the FFFS and child care subsidies, the \$122.1 million TANF Contingency Fund award earned in December 2010 along with remaining TANF block grant funding is being used to maintain these items as in 2010-2011, \$960 million and almost \$393 million respectively. Given that additional federal funding in the form of TANF contingency funds or otherwise is not likely over the next year (see last section in testimony), essential services for building economic security such as Summer Youth Employment, Career Pathways and the new transitional jobs programs, and other significant means of support, will not be available to needy families if the proposed budget is enacted in its present form.

3) Flexible Fund for Family Services (FFFS)

Six years ago New York radically restructured the way in which the TANF funds are allocated. In addition to funding a variety of individual programs (through the Office of Children and Family Services (OCFS), Office of Temporary and Disability Assistance (OTDA) and the Department of Labor), the 58 local social services districts were given \$600 million in Flexible Fund for Family Services (FFFS) block grants to be used for transfers to the Title XX social services block grant, child welfare, support services and local TANF administration. The Legislature amended the Governor's original proposal in 2005-2006 for a \$1 billion FFFS by excluding child care and funding it separately, but social service districts were allowed to increase their child care allocations with funds from the FFFS.

Total FFFS Allocations

SFY2005-06	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2010-11
\$599.8	\$1,036.8	\$654.3	\$656.4	\$966.1	\$960.0

In 2006-2007, despite the objections of the legislative conference committee, child care funding was included in the Flexible Fund for Family Services for a proposed total block grant amount of \$1,036.8 million. Since the legislature never passed a 2006-2007 TANF budget, the Division of the Budget used reappropriation authority to release these funds through the FFFS. In addition, funding for a number of state-level programs and contracts was finally released during the summer of 2006. (Enacted or recast budget amounts for the FFFS may differ slightly from total FFFS allocations made to local social services districts since districts are allowed to transfer in Summer Youth Employment funds along with any unspent funds from the prior year.)

Figure 8: Differences Between Proposed and Enacted 2009-10 State Budget due to \$407 Million TANF Contingency Fund Award

(This shows only the TANF programs whose appropriations changed as a result of New York receiving the Contingency Fund Award.)

Category	<u>2009-10 Proposed Budget</u>	<u>2009-10 Enacted Budget</u>	<u>Difference due to Regular Contingency Fund</u>	
<u>Expansions:*</u>				
Basic and Emergency Assistance (includes EITC-related offset) and Administration**	\$995,500,000	\$1,031,225,000	\$16,000,000	Local Share of Grant Increase
			\$15,000,000	State Share of Grant Increase
Child Care Subsidies***	\$356,300,000	\$392,967,000	\$36,667,000	
BRIDGE	\$6,503,000	\$8,503,000	\$2,000,000	
Wheels for Work	\$4,000,000	\$7,000,000	\$3,000,000	
Wage Subsidy	\$4,000,000	\$14,000,000	\$10,000,000	
Supplemental Homeless Intervention Program	\$4,000,000	\$5,000,000	\$1,000,000	
Emergency Homeless Program	\$1,000,000	\$2,000,000	\$1,000,000	
<u>Restorations (not in the 2009-10 proposed budget but in the enacted 2008-09 budget)</u>				
Child Care Demonstration Projects		\$10,900,000	\$10,900,000	
Displaced Homemakers		\$5,600,000	\$5,600,000	
Technology Training (ATTAIN)		\$7,000,000	\$7,000,000	
Rochester-Genesee Regional Transportation Authority		\$2,000,000	\$2,000,000	
Centro of Oneida		\$125,000	\$125,000	
Career Pathways		\$10,000,000	\$10,000,000	
VESID/LIVES		\$1,500,000	\$1,500,000	
Refugee Resettlement Program		\$1,425,000	\$1,425,000	
ACCESS - Welfare to Careers		\$500,000	\$500,000	
Strengthening Families through Stronger Fathers****		\$2,764,000	\$2,764,000	
<u>Programs not in the 2009-10 proposed budget or the 2008-09 enacted budget for TANF Initiatives</u>				
Preventive Services		\$18,793,000	\$18,793,000	
Advantage After Schools		\$11,391,000	\$11,391,000	
Home Visiting		\$5,822,000	\$5,822,000	
Alternatives to Detention		\$10,752,000	\$10,752,000	
Community Reinvestment		\$5,000,000	\$5,000,000	
Settlement House		\$6,000,000	\$6,000,000	
Caretaker Relative		\$1,998,000	\$1,998,000	
Educational Resources*****		\$3,000,000	\$3,000,000	
<u>New Programs</u>				
Green Jobs Corp		\$5,000,000	\$5,000,000	
Health Care Jobs		\$5,000,000	\$5,000,000	
Transitional Jobs		\$5,000,000	\$5,000,000	
Nurse-Family Partnership		\$5,000,000	\$5,000,000	
Subtotal without Assistance and Child Care		\$161,073,000	\$141,570,000	
<u>Allocations for Future Spending (Approximate)</u>				
Local Share of Assistance Grant Increase in 2010-11			\$40,000,000	
Local Share of Assistance Grant Increase in 2011-12			\$67,500,000	
State Share of Assistance Grant Increase in 2010-11			\$17,500,000	
State Share of Assistance Grant Increase in 2011-12			\$20,000,000	
Child Care Subsidies in 2010-11			\$36,700,000	
Child Care Subsidies in 2011-12			\$36,700,000	
Total Approximate Difference			\$569,207,000	

* Some of these expansions are considered restorations to earlier levels of funding.

** According to the Division of the Budget, there is an error in the Proposed Budget amount, it should have been \$1,000,000,000.

*** In the governor's proposed budget, these child care subsidies were part of the Flexible Fund for Family Services.

The state may not transfer regular Contingency Fund money to the Child Care Development Block Grant. However, as the state uses contingency fund money for allowable, already-budgeted purposes, it frees up TANF block grant money for other purposes such as child care subsidies.

**** This program was funded through the General Fund in the 2008-09 fiscal year.

***** This is a collapsed representation of Adult and Family Literacy; Basic Education; and Language Immersion/ESL programs.

Source: Executive and enacted budget bills available at <http://www.budget.state.ny.us> and email communications with the state Division of the Budget.

For purposes other than child care, total resources provided to local social services districts from the FFFS increased to more than \$650 million in 2007-2008 and 2008-2009. And in SFY 2009-2010, the enacted budget moved the Local Administration Fund (LAF) to the FFFS, thereby expanding it by \$310.6 million from an enacted \$654 million in 2008-2009 to \$964.6 million in 2009-2010. The enacted amount for the FFFS in 2010-2011 decreased slightly from 2009-2010 to \$960 million and remains at this level in the 2011-2012 executive budget.

Even though districts are required to submit expenditure reports to OTDA, only very general information is readily available: the level of total allocation spent by the end of the quarter. Therefore, it is not possible to determine actual expenditures in the various categories from the local districts' plans that result from their allocations. Also, administrative costs are combined with program costs for some areas so it is difficult to understand how funds are used.

The local districts' plans do, however, provide indication of how they intend to use their FFFS funds. The largest use is for child welfare; half of this total grant to localities is used for this purpose either through direct transfers to the Title XX Social Services Block Grant (SSBG) or for funding child welfare programs apart from this block grant. Almost 55 percent, or \$359 million of the total 2008-2009 FFFS was used in this way; this compares to 48.2 percent of the 2009-2010 FFFS going to child welfare investments. Given that the overall size of the FFFS had increased to almost \$1 billion, however, this portion represents \$465 million in planned child welfare investments.

Planned child care transfers comprise the smallest portion of spending in the FFFS; they were at their lowest level—\$2.6 million—in 2008-2009, and then quadrupled in 2009-2010 to \$10.5 million after the addition of the Local Administration Fund to the FFFS. Major increases in planned spending occurred in TANF administration, Title XX transfers and in the various employment, drug, alcohol and domestic violence services to which districts direct these funds. They each grew by 25 to 35 percent approximately. However, the general proportions in which local social services districts use their FFFS remained the same from the previous year when the LAF was not present in the fund. Because recent plans submitted by some local districts do not break out anticipated expenditures for some items into administration and programs, the amount of funds directed to these different types of expenditures cannot be seen.

The 2009-2010 Executive Budget proposed again to include child care funding as part of the Flexible Fund for Family Services. The enacted budget, however, removed this item from the block grant to social services districts as did the enacted 2010-2011 budget. When child care was included in the FFFS in 2006-2007, social services districts used the flexibility granted to them with the expanded FFFS to reduce support for child care. Total funding for this item from the TANF block grant fell by approximately \$20 million relative to 2005-2006 funding levels.⁸ In order to guarantee adequate investments in child care funding, this funding must remain out of the FFFS. As noted earlier, social services districts are free to allocate part of their FFFS for child care whether or not child care is included in the FFFS, even so, transfers from the FFFS to child care fell until 2009-2010 with the addition of the LAF.

⁸ According to the NYS Division of the Budget, some social service districts had significant amounts of child care "carry over" resources that were used instead of FFFS funds so overall spending on child care did not decrease.

4) Child Care

Introduced above, another major item in TANF ‘Surplus’ or Initiatives spending is child care. Since 2004-2005, total spending for child care from the TANF block grant has hovered around \$375 million. Most of this spending—94 to 97 percent—is represented by state and local transfers to the federal Child Care and Development Fund or Block Grant (CCDBG). Local transfers from the FFFS have represented less than half to 2.5 percent of total transfers to the CCDBG; most funds for this purpose are transferred directly by the governor and localities must meet requirements for their use. A statewide total of 30 percent of the state’s total TANF block grant may be transferred to the federal CCDBG and/or to the Title XX Social Services Block Grant, with a maximum 10 percent statewide for Title XX transfers.⁹

With New York State’s 2009 TANF Contingency Fund award, total child care spending rose to \$420 million resulting from increased transfers to the CCDBG of \$393 million and the increased transfers from the FFFS of \$10.5 million. (The state may not transfer regular Contingency Fund or ECF money to the CCDBG. However, as the state has used contingency fund money for allowable and already-budgeted purposes, it has freed up TANF block grant money for other purposes such as child care subsidies.) The Contingency Fund award allowed the state to set aside \$37 million more for child care subsidies not only in 2009-2010, but also for 2010-2011 and 2011-2012, for a total \$110 million.

Given the increased needs of the working poor (who may be ineligible for assistance), this funding is likely to be inadequate as recipients try to maintain work commitments or fulfill TANF work participation requirements. Since TANF recipients are automatically eligible for child care subsidies, shortages of child care funding will reduce the availability of subsidies for the working poor. These families may be forced back into the TANF program if they can no longer afford quality child care for their children.

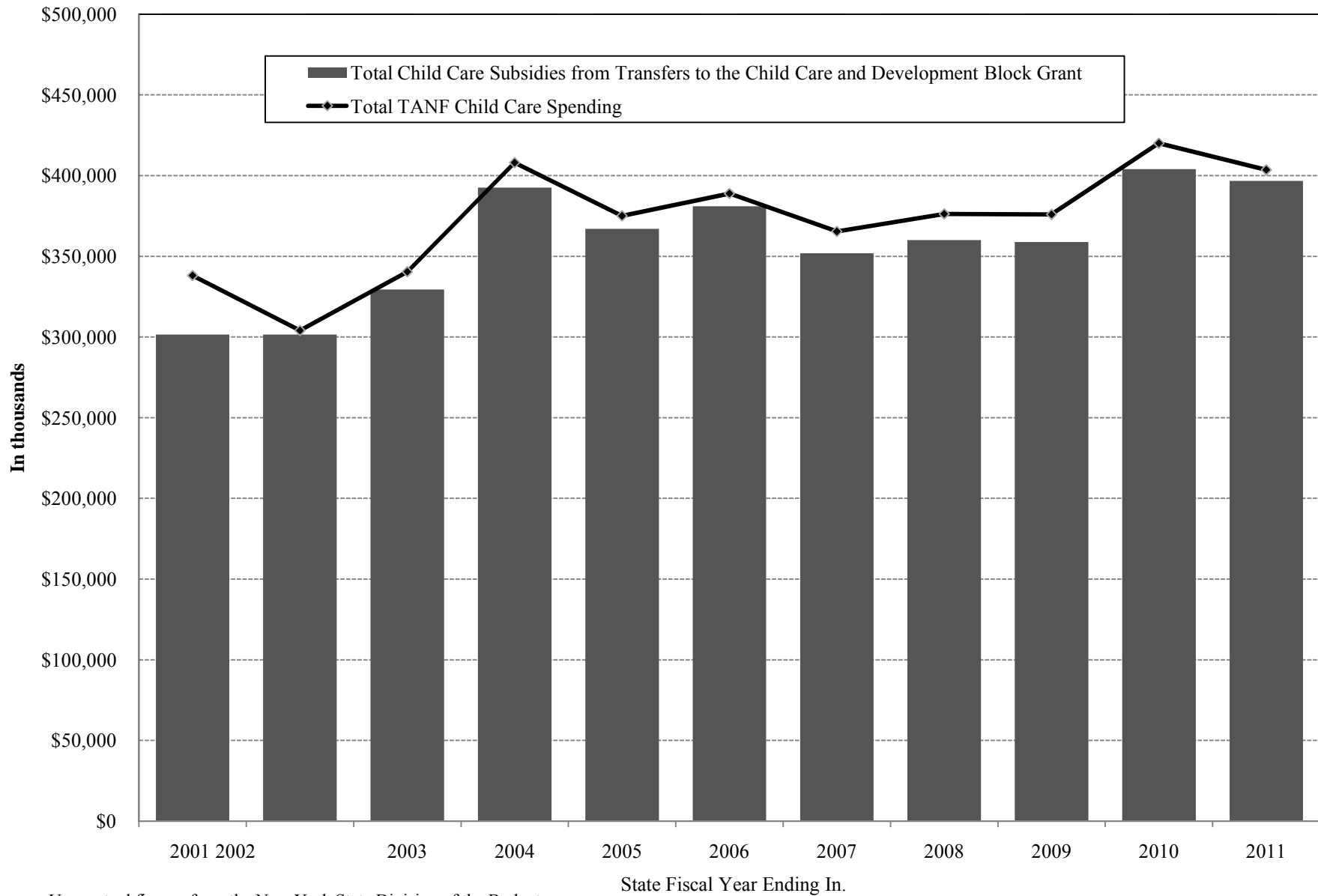
The proposed 2010-2011 budget eliminated funding for child care initiatives such as child care demonstrations, and child care support for migrant workers and SUNY and CUNY students. However, with the exception of child care for migrant workers, the enacted budget restored these items using federal ECF money but at a much lower level than in 2009-2010. These items totaled \$16 million in 2009-2010 and only \$7 million in 2010-2011. The proposed 2011-2012 budget provides no funding for any of these programs. This proposed defunding would decrease the overall TANF funds directed to child care to \$393 million, down from \$420 million in 2009-2010 and \$404 million in 2010-2011.

5) Earned Income Tax Credit

When New York’s EITC was first established by Governor Mario Cuomo in 1994, it was paid for, like any other tax credit, as a reduction in revenues without a designated funding source. Recognizing the EITC as an effective means of assisting low-income families struggling to make ends meet, New York State expanded the credit in fiscal year 1999-2000 and began funding the

⁹ http://www.ocfs.state.ny.us/main/policies/external/OCFS_2007/LCMs/07-OCFS-LCM-07%20New%20York%20State%20Child%20Care%20Block%20Grant%20%28NYSCCBG%29%20Subsidy%20Program%20All%20Locations%20State%20Fiscal%20Year%202007-2008.pdf.

Figure 9: Child Care Spending from the TANF Block Grant



Uses actual figures from the New York State Division of the Budget.

credit with TANF block grant dollars which were in excess of the amounts needed for the ‘Base’ at that time.

Given the fixed nature of the federal TANF block grant and the anticipated continued growth in the EITC—it is estimated there will be almost \$825 million in total EITC claims for calendar year 2010¹⁰—continued funding of the EITC with this limited resource pool would have been an unsustainable policy approach without the availability of federal ECF money for the 2009-2010 budget. Financing the EITC with the TANF block grant has absorbed one quarter to one third of the TANF ‘Surplus’ since 2002-2003.

Regular TANF block grant funds were not used to finance any portion of the EITC in the current state fiscal year. Instead, incremental growth in the Earned Income Tax Credit, Empire State Child Tax Credit and the Child and Dependent Care Credit for the TANF-eligible population was used to draw down at least \$207 million in ECF money for the 2010-2011 state fiscal year. This \$207 million may be part of (or may be otherwise related to) the \$261 million in non-recurring gap-closing that the 2010-2011 budget attributed to the ECF as follows: “Non-Recurring Resources: The Executive Budget relies on \$565 million in non-recurring resources in 2010-2011. The largest item in this category is the use of the TANF Emergency Contingency Fund to pay for expenses that would otherwise be incurred by the General Fund in 2010-2011. The Emergency Contingency Fund is a one-time ARRA authorization. Accordingly, it is not expected to be available in future years.” (See Executive Budget documents.)

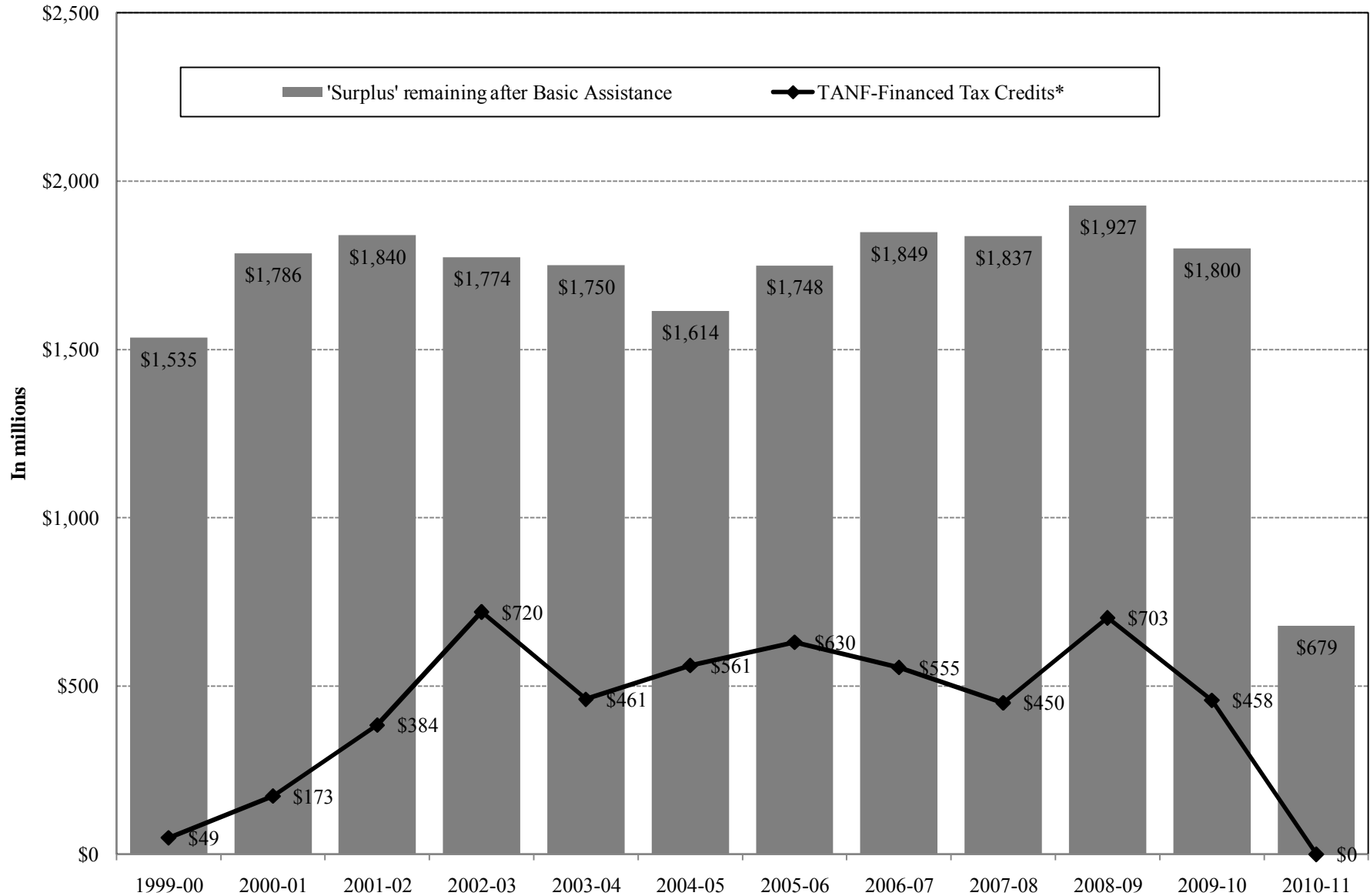
This is the second year that the executive budget does not allocate TANF to pay for a portion of the Earned Income Tax Credit. This may be related to the state’s decision to use the TANF block grant to pay for all family assistance costs in the upcoming state fiscal year. First, since TANF is a fixed \$2.442 billion grant, use of \$1.268 billion for assistance and \$1.353 billion for the FFFS and child care in SFY 2011-2012 means that nothing remains for other uses (TANF contingency funds make up the difference between the total of the latter two amounts above and the regular block grant amount).

Second, the state is required to spend a maintenance-of-effort that corresponds to 75 to 80 percent of its annual TANF block grant. Removing the state’s share of spending for assistance means that the state will rely more on its remaining eligible spending categories for making its maintenance-of-effort. Payments of the EITC and other tax credits to the TANF-eligible population comprise a large part of this remaining maintenance-of-effort. For federal fiscal year 2009, they amounted to \$1.22 billion in New York State’s total maintenance-of-effort.

The State should shift funding for the EITC out of the TANF block grant allocation permanently and into the General Fund. This would allow New York State to use all the federal TANF block grant for enhancements to cash assistance, child care, education, training, and other services for low-income families. It would also remove the intensifying competition between these benefits and programs and the EITC, all of which represent key components of New York’s support system for low-income families. Precedent for this shift exists. From fiscal year 2000-2001 to

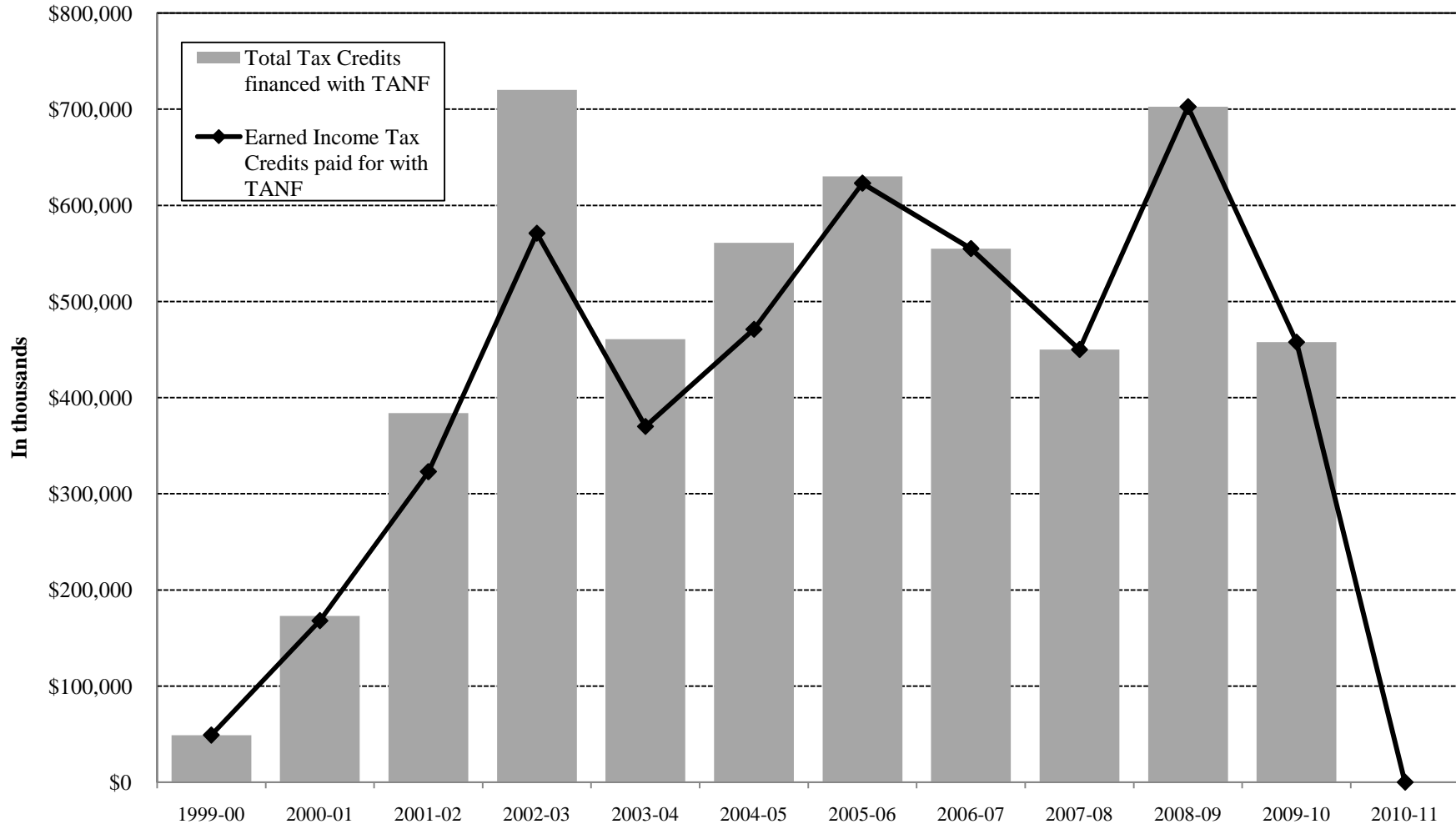
¹⁰ New York State Division of the Budget, New York State Department of Taxation and Finance, *Annual Report on New York State Tax Expenditures*, see Table 4 on page 28 at <http://www.budget.state.ny.us/pubs/archive/fy1011archive/eBudget1011/fy1011ter/TaxExpenditure10-11.pdf>.

Figure 10: Until 2009-2010, financing tax credits for low-income families since 2002-2003 has absorbed one-quarter to one-third of the TANF 'Surplus'.



Uses actual expenditures from the New York State Division of the Budget. *The total amount of the Earned Income Tax Credit and the Child and Dependent Care Credit financed with the TANF funds.

Figure 11: TANF funds have offset the state share of TANF assistance costs by paying for tax credits. In 2010-2011, tax credits for TANF-eligible filers were used to draw down TANF Emergency Contingency Funds.



Uses actual expenditures from the New York State Division of the Budget.

fiscal year 2004-2005, New York also financed the NYS Child and Dependent Care Credit from the TANF block grant. However, for the past five years, no TANF funds were used for this credit and it is now funded entirely from the General Fund.

III. Impact of the American Recovery and Reinvestment Act (ARRA) of February 2009 on TANF funding and spending in New York State

As referred to earlier in this submission, there were two TANF contingency funds that affected TANF funding and spending in the 2009-2010, 2010-2011 and 2011-2012 state fiscal years: the reserve or Contingency Fund, pre-existing from TANF reauthorization in 2006 for use during economic downturns; and, 2) the Emergency Contingency Fund set up through the American Recovery and Reinvestment Act (ARRA) on February 17, 2009. Provisions in the ARRA allowed all states, including New York, to have access to an additional maximum amount of half the state’s annual TANF block grant, or more specifically, half the State Family Assistance Grant (in New York’s case, these are the same) over the course of two federal fiscal years, 2009 and 2010, from a combination of these two funds.¹¹ New York qualified for its final ECF award on July 2, 2010 for drawing down its maximum allotment under the ARRA of \$1,221 billion—\$723million in ECF and \$498 million from the pre-existing Contingency Fund.

Contingency Fund Awards to New York State under the Temporary Assistance for Needy Families Program				
	Eligible Categories			
	Basic Assistance	Non-recurrent, Short-term Benefits	Subsidized Employment	Total Awards, in federal fiscal years 2009 and 2010 [1]
Emergency Contingency Fund	\$32,487,094	\$664,960,813	\$25,575,383	\$723,023,290
Contingency Fund				\$498,442,011
Total Awards				\$1,221,465,301

1 See http://www.fiscalpolicy.org/tanf_contingencyfunds.html for breakdowns of these awards while earned by New York State during these federal fiscal years.

The funding that New York received through these TANF contingency funds allowed the state to maintain its basic and emergency assistance programs despite the ravages of the Great Recession while also helping needy families in the following significant ways:

- A one-time Back-to-School payment of \$200 per child in families receiving food stamps and/or public assistance that benefited over 800,000 children (\$140 million);

¹¹ Please see FPI’s issue briefs on the TANF Emergency Contingency Fund at http://www.fiscalpolicy.org/tanf_contingencyfunds.html and last year’s testimony to the Human Services Budget Hearing at http://www.fiscalpolicy.org/FPI_StateBudgetTestimony_HumanServices_2010.pdf.

- Funding allocated for the state and local shares of the increase to the monthly cash assistance grant for three years (\$176 million);
- Additional child care subsidies for three years (\$110 million);
- Funding for TANF services such as support for transportation, housing, families and vocational training (\$142 million in 2009-2010 and \$73 million in 2010-2011);
- Establishment of new subsidized employment programs and expansions to existing programs resulting in over 4,000 jobs created by September 30, 2010 (\$36 million);
- Fiscal relief to the state's General Fund (\$261 million in 2010-2011).

Both federal funds are now exhausted. The Continuing Resolution passed in Congress just prior to the end of the federal fiscal year on September 30, 2010 provided for a TANF Contingency Fund set at a national level of \$506 million for FFY 2011 and \$612 million for FFY 2012. However, when President Obama signed the Claims Resolution Act of 2010 on December 8 which extended the TANF Block Grant through the end of FFY 2011, this Act rescinded the balance of the TANF Contingency Fund for the remaining federal fiscal year; the 2012 funding remains.

However, New York State received an additional \$122.1 million for meeting needy state criteria¹² in October, November and December 2010 prior to the fund's rescission. Given that the Emergency Contingency Fund provided for in the 2009 Recovery Act has not been refunded, there will be no more contingency funds available to New York State through September 30, 2011. The \$122.1 million Contingency Fund award received in December 2010 will be used to help pay for the FFFS and child care subsidies in the 2011-2012 budget.

¹² Needy state criteria consist of increases to the state's SNAP (food stamp) enrollment and/or the state's unemployment rate.

IV. Recommendations

Recommendations for the 2011-2012 state fiscal year

1. The New York State Legislature should implement the third phase of the 2009 increase to the basic assistance grant as scheduled. As the state continues to recover from the Great Recession, this is a significant way to help needy families and stimulate economic activity in the communities in which those families live.
2. The Legislature should maintain use of only partial sanctions for those households not in compliance with federal work requirements in order to provide a subsistence grant to children.
3. The Legislature should consider options for addressing the barriers that eligible families face in receiving basic assistance. To address eligibility, New York could:
 - Repeal the 185 percent of the standard of need criterion.
 - Increase the current earned income disregard.
 - Review the asset limits for eligibility.
 - Improve awareness of and access to opportunities for applying for temporary assistance.
4. The Legislature should advocate for Congress to establish a second TANF Emergency Contingency Fund (ECF). Among other things, this would provide the state with the incentive to continue operating new programs, for instance in subsidized employment, that were recently funded with ECF money.
5. The Legislature should continue to direct funds to those support services that help needy families to achieve or retain some level of economic security and self-sufficiency. Areas where New York could direct new or additional funding are:
 - a. Non-recurrent Short-term Benefits. New York could expand emergency assistance or time-limited help with:
 - Security deposits and moving expenses for housing,
 - Short-term legal services (proposed by the Empire Justice Center),
 - Expansion of transportation supports such as the Wheels for Work program,
 - Other one-shot “stimulus” payments or lump-sum diversion programs such as another round of the Back-to-School Clothing allowance that was carried out in July 2009.
 - b. Subsidized Employment. Overall, New York has underutilized the training, education and work experience options available through the TANF program. Investing more funds in subsidized employment would support the state’s effort to meet its work participation requirements under the TANF rules.
6. The Legislature should require OTDA to publish an annual tabulation of actual expenditure information on annual state fiscal year TANF block grant spending and on other TANF funds such as the Emergency Contingency Fund and the Contingency Fund. Such information should also be provided for the previous state fiscal year along with estimated actual expenditures for the current fiscal year in conjunction with the annual submission of the Executive Budget.
7. The Legislature should require the local social services districts to submit reports of actual expenditures with a greater level of detail or information on assistance and support

services for TANF eligible populations including tabulations of actual expenditures made through the Flexible Fund for Family Services. Currently, local social services districts are required to submit plans for proposed expenditure of their allocation from the Flexible Fund for Family Services and to report expenditures of their allocations but this is done only at the level of total allocation which does not indicate how funds are used within allocated amounts for localities.

Recommendations for Advocacy in Federal TANF Reauthorization

8. Renew focus on temporary assistance as an effective mechanism to respond to poverty and measure its effectiveness in alleviating poverty.
9. Increase the TANF block grant and adjust it annually for inflation. It has declined in real dollars by 26 percent since the level of the block grant was set in 1996 as part of welfare reform.
10. Make it easier for qualified families to apply for and remain enrolled in TANF programs.
11. Increase economic opportunities for recipients through broader access to education and training.
12. Provide more funding for support of new and expanded jobs programs.
13. Reform work participation requirements so that states are rewarded for positive outcomes and there are no disincentives to providing assistance to needy families:
 - Reduce or eliminate the separate 90 percent two-parent rate and place these families in the 50 percent rate category;
 - Provide states with partial credit for clients who cannot meet full work requirements
 - Reform the caseload reduction credit.
14. Increase child care funding to support families' efforts to meet work participation requirements.
15. Provide more flexibility to states in counting and fulfilling work requirements for individuals with disabilities and families with multiple barriers to work.
16. Redesign the Contingency Fund so that states 1) do not have to increase their own spending to qualify; 2) explicitly respond to families' needs; and 3) continue to qualify even when economic recovery emerges.