



Minnesota's TANF Program: A Snapshot of Fiscal Year 2001 Appropriations

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This publication describes the Temporary Assistance for Needy Families (TANF) policy and spending decisions of recent Legislatures, including the 2001 appropriations of federal TANF block grant monies and how the State meets its maintenance of effort requirement, as well as areas where spending is made on TANF-eligible populations but excluded from overall program totals. While this paper is not intended to be a comprehensive analysis of each activity, it will provide basic information about all TANF-funded programs.

Fiscal Analysis Department
Minnesota House of Representative

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Introduction

In August 1996, Congress replaced the Aid to Families with Dependent Children program, commonly referred to as welfare, with the Temporary Assistance for Needy Families (TANF) program.¹ Under TANF, each state crafted its own program consistent with federal requirements. In the spring of 1999, the federal government released the final regulations governing the TANF program. As a result of the final regulations, Minnesota lawmakers set about adapting the State's TANF program, known as the Minnesota Family Investment Program or MFIP, to the new policy environment. When the dust settled at the conclusion of the 2000 Legislature, the State had allocated an additional \$222.0 million in federal TANF block grant monies, including funds from the federal TANF reserve, for a variety of activities. In addition, the State significantly reshuffled the composition of its maintenance of effort.

Background

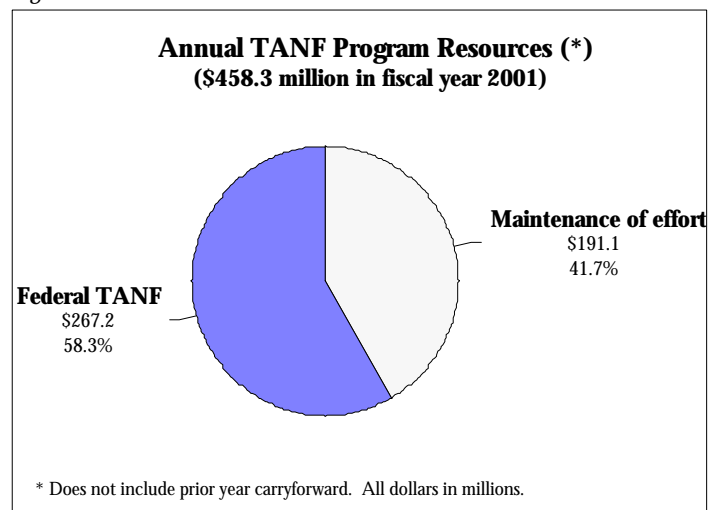
Minnesota's TANF program is funded with a combination of federal TANF block grant monies and maintenance of effort dollars. In total, \$458.3 million were available for allotment to be spent on TANF-eligible programs in fiscal year (FY) 2001.² As illustrated by Figure 1 below, federal law requires that the State must spend at least \$191.1 million of its own resources for TANF-eligible purposes in order to draw down its full federal block grant allocation of \$267.2 million each year. The state's funding obligation is often referred to as the maintenance of effort (MOE) requirement.

The concept of MOE can be confusing. In Minnesota, MOE is a measure of the combined state and county efforts spent on federally-defined activities. MOE is not a direct appropriation, but rather a calculation that includes direct state appropriations as well as existing expenditures of county resources. For example, county administrative expenditures for TANF-related activities count toward MOE.

Federal law informs what states can include as part of their MOE requirement. That guidance was clarified with the issuance of the final TANF regulations in April 1999. Accordingly, Minnesota's MOE calculation also changed.

The federal government broadened categories of support that qualify as TANF expenditures. For instance, refundable tax credits, like Minnesota's Working Family Tax Credit, were interpreted to be MOE-eligible spending according to the final regulations. In other words, existing state programs that were funded with general fund dollars could be counted as part of the state's maintenance of effort requirement - within the state's TANF program - where before those program expenditures had been excluded.

Figure 1



¹ The term TANF is often used to describe the program it replaced, Aid to Families with Dependent Children, as well as the funding source for the program, the federal TANF block grant. In this paper, TANF refers to the program and not the funding source unless otherwise noted.

² With the release of the February 2000 forecast, approximately \$209.1 million was available for appropriation in FY 2001 from unspent TANF block grant funds from prior years.

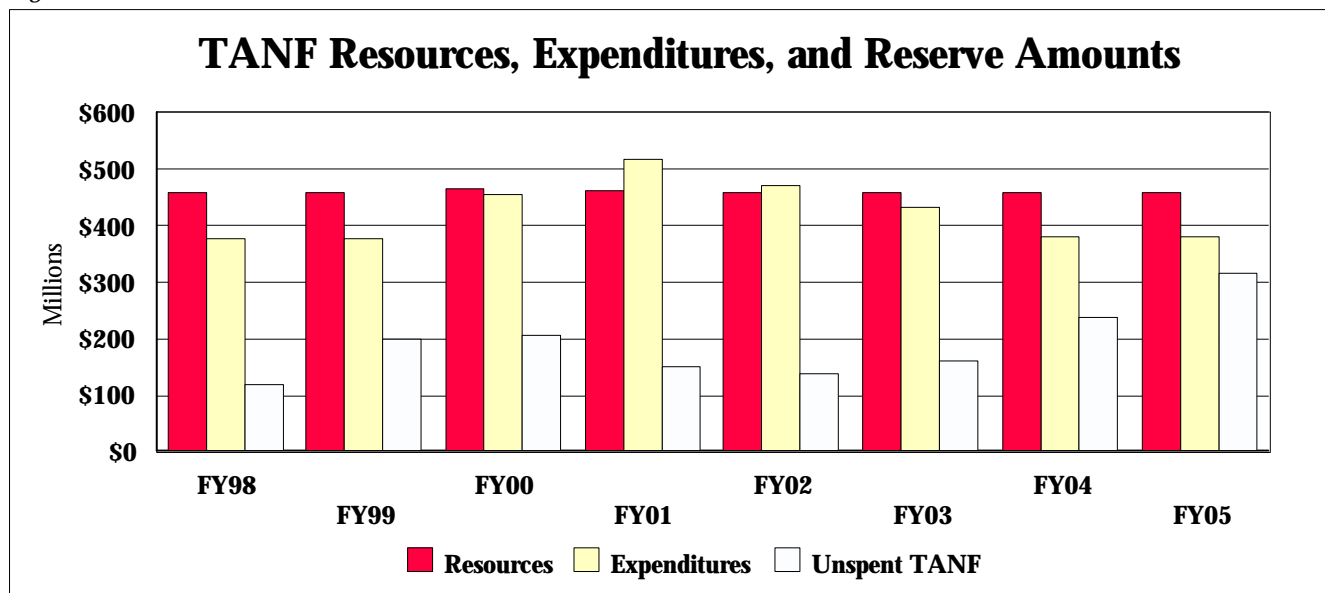
Because Minnesota has historically budgeted its MOE at the minimum level required (\$191.1 million) to receive its maximum federal grant, the expanded definition of MOE-eligible activities resulted in a greater commitment of state resources than was needed to meet federal MOE requirements. By reshuffling its current TANF program funding, the State was able to reduce appropriations from the general fund while continuing to meet the minimum MOE requirement to receive its entire federal TANF allocation.

Any unspent federal TANF dollars from one fiscal year can be carried forward to the next year, although recently the federal government restricted the use of these funds to “assistance.” Assistance is defined in the federal regulations to include cash grants, food assistance, and housing subsidies that last more than four months. Unspent funds from previous federal block grant awards to Minnesota have accumulated in the U.S. Treasury until the State commits the funds for a TANF purpose. This reserve account is often referred to as the federal TANF reserve.³ Prior to final appropriations being made by the 2000 Legislature, Minnesota’s reserve account was estimated to reach \$318.5 million by June 30, 2003, the end of state FY 2003. After legislators allocated \$222.0 million from the federal TANF reserve, the estimated remaining balance at the end of FY 2003 was \$96.5 million.

As a result of enrollment and expenditure changes contained within the November 2000 forecast, it is anticipated that \$161.2 million will remain in the reserve as of FY 2003 and \$317.2 million in FY 2005. Both of these estimates are predicated on the assumption that Congress a) does not reduce the state’s annual TANF block grant when the grant is reauthorized in 2002 and b) allows states to spend TANF funds carried forward from previous years.

Figure 2 below depicts annual TANF resources (including Federal TANF block grant monies (\$267.2 million) and maintenance of effort (\$191.1 million)), TANF expenditures, and cumulative TANF reserve balances. When TANF resources exceed spending, which is the case from FY 1998 to FY 2000 and

Figure 2



³ For a more detailed discussion of the federal TANF reserve and other reserve funds within the purview of health and human services, see “Health and Human Services-related Reserve Fund Accounts,” House Fiscal Analysis Department, December 27, 1999.

FY 2003 to FY 2005, the TANF reserve grows. Conversely, as projected TANF spending exceeds available resources, the TANF reserve is “spent down” or used up.

Projected expenditures rise from \$377.8 million in FY 1998 to \$508.6 million in FY 2001 and then fall to \$380.5 million in FY 2004 and FY 2005. In the brief history of TANF in Minnesota, projected spending in the current biennium is higher than in future biennia (“the tails”). Legislators have tended to spend down resources from the TANF reserve in the current biennium as available resources have accumulated. But they have been cautious about funding future liabilities outside the core TANF program of cash and food assistance, child care, and employment services. This practice is reflected in Figure 2, when projected spending exceeds available resources by \$58.5 million in FY 2001. On the other hand, in FY 2004 and FY 2005, available resources are greater than projected TANF spending.

TANF Program Spending

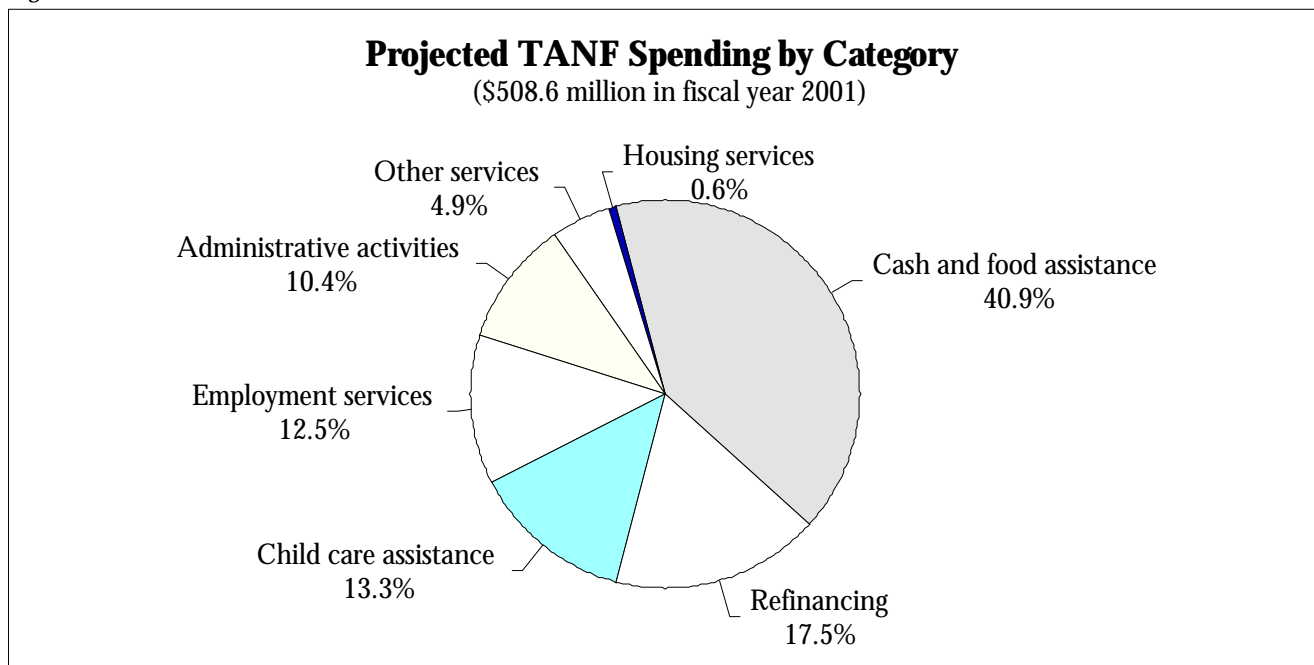
Projected TANF program spending in FY 2001 totals \$508.6 million (see Table 1 below). What is meant by TANF program spending is federal TANF block grant monies and maintenance of effort dollars. Even though additional resources are spent on TANF-eligible populations, because they do not involve TANF dollars per se (e.g., federal TANF block grant or maintenance of effort), they are not included in the totals below.

Table 1. FY 2001 Projected TANF Program Spending (numbers in thousands)				
	Federal TANF	MOE	TOTAL	Percent of Total
Cash and food assistance	\$94,648	\$113,386	\$208,034	40.91%
Child care assistance	\$19,415	\$48,005	\$67,420	13.26%
Employment services	\$57,688	\$5,933	\$63,621	12.51%
Administrative activities	\$29,416	\$23,263	\$52,679	10.36%
Housing services	\$2,900	\$0	\$2,900	0.57%
Other services	\$24,545	\$551	\$25,096	4.93%
Refinancing	\$88,813	\$0	\$88,813	17.46%
TOTAL	\$317,425	\$191,138	\$508,563	100.00%

Three service categories - cash and food assistance, child care assistance, and employment services - make up 66.7 percent of the total appropriations for Minnesota’s TANF program in FY 2001. As shown in Table 1, the largest appropriation of MOE dollars and federal TANF block grant monies is for cash and food assistance. In FY 2001, \$208.0 million will be spent on cash and food assistance, 40.9 percent of TANF program spending. Child care represents the next largest category of TANF appropriations in FY 2001,

accounting for \$67.4 million (13.3 percent) of projected spending.⁴ Employment services is expected to make up \$63.6 million (12.5 percent) of TANF spending in FY 2001.

Figure 3



Refinancing, a mechanism used to leverage general fund monies, accounts for \$88.8 million or 17.5 percent of TANF appropriations in FY 2001. By refinancing existing programs with federal TANF monies, general fund dollars are freed up for other purposes. For example, \$30.0 million of the amounts refinanced in FY 2001 will be used to construct or rehabilitate affordable housing units or provide subsidized housing for MFIP recipients or low-income individuals, while \$4.1 million will be used to replace lost maintenance of effort monies.⁵ The remaining balance that was refinanced (\$54.7 million) results in savings to the general fund.

Administrative activities (\$52.7 million/10.4 percent), other services (\$25.1 million/4.9 percent), and housing services (\$2.9 million/0.6 percent) make up the remaining appropriations of TANF program dollars in FY 2001. Administrative activities is a TANF spending category that reflects the cost of managing the MFIP program and related activities. This category includes administrative activities funded with direct TANF appropriations as well as county expenditures that qualify as MOE spending. The remaining TANF appropriations pay for housing and other services.

⁴ This amount excludes \$28.4 million in transfers made to the Child Care Development Fund that were used to refinance the Basic Sliding Fee child care program. Because refinancing did not result in an expansion of program services, the appropriation amounts are included in the category entitled "Refinancing."

⁵ Because TANF dollars could not be used for the Ventura Administration's affordable housing proposals during the 2000 Legislature, refinancing was necessary to leverage general fund dollars for these initiatives.

Other spending on TANF-eligible populations

FY 2001 spending on TANF recipients is actually higher than \$508.6 million. Other sources of revenues, such as state, county, and federal dollars, as well as foundation grants, pay or have paid for services that are not ordinarily considered as part of Minnesota's TANF program. For example, an estimated \$244.3 million will be spent on TANF-eligible populations from state and federal sources in FY 2001 (see Table 2). No state agency compiles expenditure data that are deemed to be "outside" traditional TANF spending. This is an attempt, albeit incomplete, to do so.

Table 2. FY 2001 Additional Spending on TANF-Eligible Populations
(numbers in thousands)

	Federal	State	TOTAL
Food stamps	\$109,899	\$0	\$109,899
Child care assistance	\$63,442	\$26,600	\$90,042
Working family tax credit program	\$0	\$27,848	\$27,848
Welfare to work	\$11,100	\$3,000	\$14,100
Transportation	\$0	\$2,400	\$2,400
TOTAL	\$184,441	\$59,848	\$244,289

Most food stamps that are provided as part of an MFIP recipient's grant are paid for by the federal food stamp program. These funds are not included as part of TANF program spending, because they involve neither federal TANF dollars nor maintenance of effort monies. In FY 2001, \$109.9 million will be used to provide food stamps as part of the MFIP grant to eligible recipients.⁶

Projected child care spending on TANF-eligible populations totals \$185.8 million in FY 2001. But only \$67.4 million is considered TANF program spending. When accounting for child care spending that is already included as part of TANF spending (\$67.4 million) and refinanced (\$28.4 million), it is evident that child care spending is actually \$90.0 million higher than reported as TANF program spending. Federal child care development funds and general fund dollars that are used to match these federal funds are not ordinarily included as part of TANF child care spending, even though these funds are used to provide child care assistance for low-income Minnesotans and MFIP families.

The Working Family Tax Credit program was brought into the world of TANF financing during the 2000 legislative session. The program provides a wage supplement to low-income individuals. After it became clear from the final federal TANF regulations that spending on the program was TANF-eligible, a portion of the tax credit program was refinanced with federal TANF block grant monies. TANF-eligible spending involves the refundable portion of the Working Family Tax Credit that is provided to families with children

⁶ Some individuals, primarily non-citizens, are not eligible for federally-funded food stamps. In this instance, state general fund monies are used to provide the food stamp portion of the family's grant.

who are residents of Minnesota. The refundable portion of the tax credit is the amount of the credit that exceeds the taxpayer's tax liability.⁷

According to the most recent estimates, total spending on the Working Family Tax Credit program amounts to \$98.8 million. Only \$68.5 million, however, is TANF-eligible if refinanced with the federal TANF block grant in FY 2001. Of the TANF-eligible spending amount, \$40.6 million was refinanced using TANF dollars in FY 2001. The refinanced amount is included in the section of this paper entitled TANF refinancing. The amount of spending that was not refinanced (\$27.9 million) continues to be supported by general fund dollars that are not included as part of TANF program spending.

As noted earlier, \$63.6 million will be spent on employment services using TANF program monies. In addition, \$14.1 million will be spent on employment services for MFIP clients from the federal Welfare to Work program. Specifically, federal Welfare to Work block grant monies (\$11.1 million) and related state match (\$3.0 million) are targeted at MFIP's hard-to-serve population in FY 2001. Moreover, \$2.4 million in FY 2001 will be used by counties to provide transportation assistance to TANF-eligible recipients who are not working. This general fund spending, however, is not counted as part of the state's MOE amount.

Cash and Food Assistance - \$208.0 million

Cash and food assistance is the largest category of TANF program services, accounting for 40.9 percent of projected TANF spending (see Figure 3 on page 4). Subcategories of cash and food assistance include MFIP cash assistance, MFIP food assistance (e.g., non-federal food stamps), MFIP state-only cash assistance, emergency assistance, working family tax credits, reimbursements for the child support pass-through, and diversionary assistance.⁸ Table 3 on the next page provides a summary of TANF cash and food assistance allocations for FY 2001.

MFIP cash assistance, state-funded cash assistance, and state-funded food assistance (\$179.4 million).

The category of cash and food assistance is dominated by MFIP cash assistance. Funded with either MOE dollars or a combination of MOE and federal TANF block grant monies, MFIP cash assistance pays for grants to families that vary by family size and income. Total spending on MFIP cash assistance is projected to be \$176.6 million in FY 2001. This amount provides monthly assistance of \$636 to an estimated 38,500 cases consisting of 114,000 individuals. On average, the grant consists of cash (\$398) and food (\$238). The food portion of the payment (technically not part of TANF program spending because it involves neither federal TANF monies nor MOE dollars) is exclusively paid for with federal food stamp money, except where non-citizen individuals are ineligible for federal food benefits.

⁷ For a more detailed discussion of the program, see "The Earned Income Tax Credit and the Minnesota Working Family Credit," Nina Manzi and Joel Michael, House Research Department, January 2000.

⁸ While this paper focuses on FY 2001 TANF appropriations, some caseload information and average costs may be for FY 2000 due to limitations on the reporting of data.

Table 3. FY 2001 TANF Cash and Food Assistance
(numbers in thousands)

Cash and food assistance activity	Federal TANF	MOE	TOTAL
MFIP cash assistance, state-funded cash assistance and state-funded food assistance	\$71,977	\$107,444	\$179,421
Emergency assistance program	\$8,000	\$5,692	\$13,692
Working family tax credit program	\$9,800	\$0	\$9,800
Federal child support pass-through	\$4,271	\$0	\$4,271
Diversionsary assistance program	\$600	\$250	\$850
TOTAL	\$94,648	\$113,386	\$208,034

As adult MFIP recipients gain employment and increase their earnings, the family's cash and food assistance is reduced. The cash portion of each grant is reduced first followed by reductions to the food portion. Ultimately, as family income approaches 120 percent of the 2000 federal poverty guidelines, the family's grant will gradually decline to zero. Currently, an MFIP family of three becomes ineligible for assistance when their annual income reaches \$16,980, which is equivalent to a full-time job that pays \$8.16 an hour.

A family with rising income will eventually receive MFIP food assistance but not cash. The distinction is significant. Under current law, a TANF recipient may only receive sixty months (or five years) of "assistance" in their lifetime. The sixty-month time limit on assistance applies only to the cash portion of the MFIP grant which is paid for with federal TANF dollars or maintenance of effort monies. In Minnesota, time limits do not apply to the food portion, since the food portion of MFIP is paid for by the federal food stamp program. Therefore, a family that increases earnings to the point where it is no longer eligible for the cash portion of MFIP retains future eligibility for cash assistance even if they are still receiving the food portion of MFIP. In FY 2000, there were an estimated 2,900 families receiving "food-only" MFIP, representing 7 percent of the MFIP caseload.

State-funded food assistance, cash assistance, or both may be available to MFIP families who are ineligible for benefits under federal law. State-funded food assistance is provided to non-citizens on the MFIP program for whom federally-funded food stamps are not allowed. In FY 2001, an estimated 7,500 people will be provided state-funded food assistance at a cost of \$1.9 million. State-funded food assistance to MFIP non-citizens expires on June 30, 2001.

State-only dollars are used to provide cash assistance to families on MFIP who are ineligible for assistance from the federal TANF block grant. In FY 2001, it is anticipated that 1,115 individuals will receive state-only cash assistance totaling \$1.1 million. Typically, these individuals are barred from the TANF program for up to five years after their arrival or until they earn enough credit to qualify for social security. These families, primarily recent immigrants, are likely to also receive state-funded food assistance. The provision of state-funded cash assistance to MFIP non-citizens expires on June 30, 2001.

Emergency assistance (\$13.7 million). This program pays for cash assistance to families who are without resources and in need of shelter. The average monthly caseload is projected to be 1,419 families in FY 2001 with an average monthly payment of \$805. Eligible families include needy pregnant women or needy families with a child under the age of 21 who is or was living with an eligible caregiver relative six months prior to applying for assistance. With the exception of ongoing special dietary needs, Emergency Assistance is only available to an eligible family for 30 days out of each twelve-month period.

Working family tax credit program (\$9.8 million). With the flexibility contained in the final TANF regulations, the Working Family Tax Credit program was incorporated into the state's TANF program during the 2000 legislative session. In FY 2001, the program was expanded by \$9.8 million using federal TANF block grant monies. This expansion will increase the maximum amount that a family of two more children can receive by \$117 (or a family with one or more child by \$72). On average, TANF-eligible families will receive a \$52 per year increase.

Federal child support pass-through (\$4.3 million). This allocation recognizes the cost to the State of passing through child support payments directly to families receiving TANF instead of using the collections to reduce state costs. Federal TANF dollars will be used to repay the federal government for their share of the child support collection. This change was made by the 2000 Legislature.

Diversionary assistance (\$850,000). As the name implies, the program is designed to "divert" applicants from MFIP, by providing applicants with up-front cash for their immediate needs and, thus, avoiding dependency on MFIP. Diversionary assistance provides applicants with a cash grant equivalent to what the family would be eligible for, if it actually enrolled in MFIP. In FY 2000, 35 cases received an average monthly grant of \$1,650 at a cost of \$700,000. As a consequence of receiving assistance from the program, the client agrees to forego eligibility for the MFIP program, the emergency assistance program, and the emergency general assistance program for a period of time, depending on the amount of diversionary assistance received. Diversionary assistance is currently available once a year. Prior to July 1, 2000, families were eligible to receive diversionary assistance only once every three years.

Other spending on TANF populations

In addition to TANF program spending, in FY 2001, \$109.9 million from the U.S. Department of Agriculture will be used to provide food stamps to eligible MFIP recipients. While food stamps are an integral part of the state's TANF program, these funds are not included as part of TANF program spending because they involve neither federal TANF dollars nor general fund monies. As noted earlier, an estimated \$26.8 million in state-funded wage supplements for the Working Family Tax Credit program are also not included as part of TANF spending even though they are provided to TANF-eligible populations.

Child Care Assistance – \$67.4 million

Child care assistance makes up the second-largest category of TANF services, accounting for 13.3 percent of total TANF spending or \$67.4 million in FY 2001 (see Figure 3 on page 4).⁹ TANF child care spending is achieved through direct TANF appropriations, transfers of TANF to the Child Care Development Fund, or as general fund spending. The child care activities highlighted in Table 4 include transfers to the Child Care Development Fund of \$19.4 million and spending that counts toward MOE of \$48.0 million.

Table 4. FY 2001 TANF Child Care Spending
(numbers in thousands)

Child care activity	Federal TANF	MOE	TOTAL
MOE-eligible BSF, transition year, and MFIP child care	\$0	\$48,005	\$48,005
Basic sliding fee expansion	\$12,151	\$0	\$12,151
Child care for social service activities	\$3,233	\$0	\$3,233
MFIP child care caseload expansions	\$2,327	\$0	\$2,327
Uninterrupted BSF for former MFIP recipients	\$1,080	\$0	\$1,080
Child care development grants	\$449	\$0	\$449
Program integrity and fraud prevention	\$175	\$0	\$175
TOTAL	\$19,415	\$48,005	\$67,420

With the TANF program's emphasis on work, child care has evolved into one of the critical components of the state's MFIP program. Child care assistance is designed to ensure that recipients can accept employment and participate in work activities or approved social service activities without worrying about child care expenses. Child care expenditures that count toward the state's MOE requirement are for MFIP participants or low-income individuals who are working or engaging in work activities. Programs meeting this definition are Basic Sliding Fee child care, transition year child care, and MFIP child care.

MFIP child care is available to all MFIP recipients who are working or pursuing activities that are part of their employment plan. The transition year component of MFIP child care is available to MFIP recipients for a year after exiting the program. The Basic Sliding Fee program is open to low-income families who are working or engaging in education up to the amount of available funds. Basic sliding fee child care is used by former MFIP recipients after their transition year expires.

⁹ As noted earlier, the TANF transfer that is used to supplant \$28.4 million of the general fund base for the Basic Sliding Fee child care program is discussed in the section of this paper entitled refinancing.

MOE-eligible Basic Sliding Fee, transition year, and MFIP child care (\$48.0 million). In FY 2001, \$48.0 million is projected to be counted as part of the state's MOE calculation from three child care programs. MOE-eligible child care spending includes subsidies for families that are engaged in work.

Basic Sliding Fee expansion (\$12.2 million). In FY 2001, \$12.2 million will be used to expand services under the Basic Sliding Fee child care program to reduce the program's waiting list and allow more families to receive child care services. Of this amount, \$2.5 million expires at the end of FY 2003. Total funding for the Basic Sliding Fee child care program is \$82.6 million in FY 2001.

Child care for social services activities (\$3.2 million). This funding will be used to provide child care for MFIP families participating in approved social services activities (e.g., mental health services, substance abuse treatment). This funding expires at the end of FY 2003.

MFIP child care caseload expansions (\$2.3 million). When the MFIP program is changed, child care caseloads change as well. The child care costs reflected here are the result of extending the sunset date for state-only cash assistance and continuing the MFIP exit level at 120 of the federal poverty guidelines in FY 2000 and FY 2001. In general, TANF transfers to the Child Care Development Fund are used to fund the needed slots.

Uninterrupted BSF child care for former MFIP recipients (\$1.1 million). Funding for this program will guarantee Basic Sliding Fee child care services for MFIP recipients exiting the transition year child care program. This funding expires at the end of FY 2003.

Child care development grants (\$449,000). These funds, used to pay for child care development activities, are required to comply with transfers to the Child Care Development Fund. This funding expires at the end of FY 2001.

Program integrity and fraud prevention (\$175,000). Established by the 1999 Legislature, this initiative is designed to ensure that overpayments of child care assistance are returned to the child care assistance program. These funds expire at the end of FY 2001.

TANF Transfers

Under current federal law, the State can transfer up to 30 percent of its annual federal TANF block grant allocation of \$267.2 million to the Social Services Block Grant (also referred to as SSBG or Title XX) or the Child Care Development Fund. This transfer amount is equivalent to \$80.1 million each year.

Federal funds that are transferred to the Social Services Block Grant or the Child Care Development Fund take the form of the block grant to which they are transferred. For example, federal TANF block grant funds must be used in accordance with the rules and regulations that govern the Child Care Development Fund when funds are transferred to the child care fund. This requirement may add or diminish how flexibly these funds may be used. Transfers to Title XX and Child Care Development Fund totaled \$81.3 million in FY 2001. For detail about all of the federal transfers to Title XX or the Child Care Development Fund in FY 2001 see Appendix I.

Other spending on TANF populations

As noted earlier, most spending on the Basic Sliding Fee, MFIP, or transition year child care programs are TANF-eligible expenditures. But not all spending on these programs is included within TANF spending totals.

For instance, general fund monies that are used to match federal Child Care Development Fund dollars are not normally counted as part of TANF spending, because they involve neither MOE monies nor TANF block grant dollars. Child Care Development Fund monies that are used to pay for child care for current or former MFIP recipients are also excluded from TANF program totals. All of these resources, however, are used to provide child care assistance for low-income Minnesotans and MFIP families – all TANF-eligible populations. To summarize, while \$157.5 million is projected to be spent on TANF-eligible child care activities in FY 2001, only \$67.4 million is considered part of overall TANF program spending (see Table 5).¹⁰

Table 5. FY 2001 Projected Child Care Spending on TANF-eligible populations
(numbers in thousands) (*)

Child care activity	General Fund	CCDF	TANF Transfers	TOTAL
MFIP child care (*)	\$50,363	\$46,627	\$2,327	\$99,317
Basic sliding fee (**)	\$22,377	\$16,815	\$12,151	\$51,343
MFIP child care (social services)	\$0	\$0	\$3,233	\$3,233
Basic sliding fee (transition year)	\$0	\$0	\$1,080	\$1,080
Child care development	\$1,865	\$0	\$449	\$2,314
Child care program integrity	\$0	\$0	\$175	\$175
TOTAL	\$74,605	\$63,442	\$19,415	\$157,462
* Italics denotes child care activities that are included as part of TANF program spending. ** Only \$48.0 million of the general fund expenditures are counted as part of the state's MOE. *** Excludes \$28.4 million that was transferred to TANF to refinance the Basic Sliding Fee program and \$2.9 million contributed by counties.				

Employment Services – \$63.6 million

Employment services is the largest category of TANF program services after cash and food assistance and child care. This activity is funded primarily with federal TANF block grant monies (see Table 6 on page 12). With employment seen as an overarching goal of TANF, the state's investment in employment services has grown substantially, paralleling the growth in child care spending. As noted in Figure 3 on

¹⁰ The total figure of \$157.5 million excludes \$28.4 million that will be used to refinance the Basic Sliding Fee child care program. Because refinancing does not involve an expansion of the child care program, it is excluded from child care spending. It is, however, included as part of the TANF refinancing totals.

page 4, employment services now represent 12.5 percent of total program funding, as appropriations have more than doubled from \$31.5 million in FY 1998 to \$63.6 million in FY 2001.

MFIP Employment services program (\$48.4 million). The MFIP employment services program is the largest projected expenditure in this category of spending. Funds are allocated to counties to provide or contract with other entities to deliver employment services. Funded activities include employment counseling, short-term education and training, transportation, car repairs, uniforms, work activity incentives and related provider administration. The allocation formula for counties or tribal providers is based on the average MFIP caseload in the county compared to the statewide total of MFIP cases.

Table 6: FY 2001 TANF Employment Services
(numbers in thousands)

Employment services activity	Federal TANF	MOE	TOTAL
MFIP employment and training allocation	\$42,908	\$5,508	\$48,416
Local intervention grants program	\$11,680	\$0	\$11,680
Intensive English as a Second Language program	\$1,100	\$0	\$1,100
Job Skills Partnership Board, Health care and human services working training program	\$750	\$0	\$750
Functional work literacy program	\$0	\$250	\$250
Non-traditional career assistance program	\$500	\$0	\$500
Southeast Asian intensive intervention program	\$500	\$0	\$500
Job Skills Partnership Board, MnSCU tuition waiver program	\$250	\$0	\$250
Refugee case management	\$0	\$175	\$175
TOTAL	\$57,688	\$5,933	\$63,621

Local intervention grants for self-sufficiency program (\$11.7 million). This program, whose funding will expire at the end of FY 2003, allows counties and tribal TANF programs to serve hard-to-employment participants.¹¹ Eighty percent of the funds will be distributed by formula to providers of employment services. These funds are targeted to the hard-to-serve MFIP population and can be used flexibly - within the rules of TANF - to help long-term clients achieve self-sufficiency. Twenty percent of these funds will be distributed as competitive grants by the Commissioner of Human Services. These funds may be used for hard-to-serve individuals or working participants in need of job retention and wage advancement services.

¹¹ Hard-to-employ participants are defined as adult MFIP recipients who have received TANF-funded assistance for at least 25 months, excluding cases where all caregivers are 60 or over.

Intensive English as a Second Language (ESL) program (\$1.1 million). In FY 2001, \$1.1 million from federal TANF funds is available for an Intensive ESL Grant program for TANF-eligible participants. This grant program, coordinated by the Minnesota Department of Children, Families and Learning, targets adult MFIP recipients who are making inadequate literacy progress. The goal of the program is to provide literacy instruction to help participants achieve self-sufficiency through employment. Funding for this program will expire at the end of FY 2003.

Job Skills Partnership Board, Health care and human services working training and retention program (\$750,000). This ongoing initiative, which to date has been funded with federal TANF block grant monies, is designed to train individuals with income less than 200 percent of the federal poverty guidelines to work in the field of health care and human services. The program attempts to provide a career path for workers in the human services field, while alleviating the state's current shortage of health care workers.

Non-traditional career assistance program (\$500,000). This program is designed to assist low-income women with children who are pursuing nontraditional careers in the trades and in manual and technical operations. Funding for this program will expire at the end of FY 2001.

Southeast-Asian intensive intervention program (\$500,000). This initiative, established by the 2000 Legislature, funds employment and training services for refugees and immigrants to ease their transition into unsubsidized employment. Funding for the program will expire at the end of FY 2001.

Functional Work Literacy program (\$250,000). This program provides funds for counties to pay for work literacy language services for non-English speaking MFIP recipients whose language is considered to be a barrier to employment. During the 1999 legislative session, \$775,000 of this \$1.0 million appropriation was refinanced with federal TANF dollars (this amount is included in the totals for refinancing); the remainder is funded with general fund monies. The number of individuals served in the program in FY 2000 totaled 5,516, up from 3,467 in the prior reporting year.

Job Skills Partnership Board, MnSCU tuition waiver program (\$250,000). This one-time appropriation provides tuition waivers to employees of health care and human services providers who are participating in the health care and human services worker training and retention program. Funding for this program will expire at the end of FY 2001.

Other spending on TANF populations

The Department of Economic Security provides employment-related services to "hard-to-serve" MFIP recipients with funds derived from the federal Welfare to Work block grant, a federal Department of Labor program. Welfare to Work involves neither federal TANF block grant monies nor MOE dollars. Hence, these expenditures are not included as part of TANF program spending. Since March 1998, the Department of Economic Security's allocation from the Welfare to Work block grant has totaled \$28 million. An additional appropriation of \$5.0 million in state general funds was made available for the 2000-01 biennium. In FY 2001, an estimated \$14.1 million from state and federal dollars related to the Welfare to Work block grant will be used to serve MFIP clients.

In addition to these funds, approximately \$2.4 million in FY 2001 from the general fund is spent by counties for transportation-related assistance to TANF-eligible recipients who are not working. These expenditures, however, are not counted as part of the state's maintenance of effort calculation. If the state

wanted to count these expenditures as part of MOE, individualized data on recipients -- which is not collected at present -- would need to be collected by county officials.

Administrative Activities – \$52.7 million

A program as complex as TANF could not function without an administrative component. In FY 2001, \$52.7 million or 10.4 percent of the program's total funding will be spent on administrative activities (see Figure 3 on page 4). These costs (see Table 7) are shared between federal TANF dollars (\$29.4 million) and maintenance of effort monies (\$23.3 million). Allocations for administrative functions have remained relatively stable since the program's inception.

Table 7: FY 2001 TANF Administrative Activities (numbers in thousands)			
Administrative activity	Federal TANF	MOE	TOTAL
County administration	\$21,512	\$15,780	\$37,292
MAXIS administration	\$4,253	\$2,178	\$6,431
Agency indirect administration	\$1,800	\$1,800	\$3,600
Child care administration	\$0	\$2,400	\$2,400
Electronic benefit transfer direct administration	\$665	\$360	\$1,025
Fraud prevention investigation program	\$443	\$443	\$886
Work grants administration (transfer to Department of Economic Security)	\$302	\$261	\$563
Job counselor training	\$320	\$0	\$320
Other direct administration	\$121	\$41	\$162
TOTAL	\$29,416	\$23,263	\$52,679

County administration (\$37.3 million). County administration is projected to account for \$37.3 million of TANF administrative activities in FY 2001. Projected spending from the federal TANF block grant will total \$21.5 million, while \$15.8 million will be derived from county administrative activities. The federal monies are used to reimburse counties for administrative activities they incur. This aid is changing from a formula based on historical spending to a caseload-based formula.

Eligible MOE expenditures totaling \$15.8 million in FY 2001 are costs that counties incur while administering the TANF program. In other words, an outlay is not made for this activity, simply a calculation based on existing expenditures of county dollars. Administrative costs related to TANF child care programs and employment services are calculated in a similar way.

MAXIS administration (\$6.4 million). These funds, which include federal TANF monies and general fund dollars, pay for systems costs associated with determining who is eligible for the TANF program and

how much the person is entitled to receive. These projected expenditures include direct and indirect administration.

Agency indirect administration (\$3.6 million). Equal amounts of federal TANF funds and maintenance of effort dollars are used to pay for indirect administration associated with the operations of the TANF program at the Department of Human Services. In this instance, federal TANF dollars are used to reimburse the general fund for 50 percent of the cost of administering the program.

Child care administration (\$2.4 million). County expenditures that are attributable to the administration of TANF-eligible child care programs are counted as part of the state's maintenance of effort. This amount is limited to 5 percent of the child care direct service expenditures.

Electronic benefit transfer direct administration (\$1.0 million). These funds are used to pay for the costs associated with providing cash and food benefits to TANF recipients through automated teller machines and point-of-sale equipment in grocery stores.

Fraud prevention investigation program (\$886,000). Federal TANF funds and maintenance of effort dollars are used to prevent and investigate allegations of fraud in the TANF program. It is funded with equal amounts of federal TANF monies and general fund dollars.

Work grants administration (\$563,000). State general fund monies and federal TANF block grant dollars are transferred to the Department of Economic Security for the administration of TANF-related work grants programs.

Job counselor training (\$320,000). These funds were made available by the 2000 Legislature to train job counselors implementing the local intervention grants for self-sufficiency program. Funding for this initiative will expire at the end of FY 2003.

Other direct administration (\$162,000). Other direct administration includes litigation costs and other systems costs.

Housing services – \$2.9 million

In FY 2001, \$2.9 million from the federal TANF block grant were appropriated for three housing programs including the Rental Assistance for Family Stabilization program, the Family Homelessness Prevention Program, and the Transitional Housing program. All of these programs serve TANF-eligible populations and account for 0.6 percent of overall TANF funding, as illustrated in Figure 3 on page 4. Table 8 on the following page provides a summary of TANF-funded housing services.

Transitional Housing program (\$1.9 million). Operated by the Department of Children, Families, and Learning, the transitional housing program, which has a general fund base of \$2.0 million, received an increase of \$1.9 million in FY 2001 from the federal TANF block grant. Grant funding is used to provide transitional housing with support services for up to four months for participants who have income at or below 200 percent of the federal poverty guidelines. TANF funding for this program expires at the end of FY 2003.

Table 8: FY 2001 TANF Housing Services
(numbers in thousands)

Housing services activity	Federal TANF	MOE	TOTAL
Transitional housing program	\$1,900	\$0	\$1,900
Family homeless prevention and assistance program	\$875	\$0	\$875
Rental assistance for family stabilization program	\$125	\$0	\$125
TOTAL	\$2,900	\$0	\$2,900

Family Homeless Prevention and Assistance program (\$875,000). This program, which is run by the Minnesota Housing Finance Agency, is available to families and individuals who are homeless or at-risk of homelessness. The program is designed to reduce lengths of stay in emergency shelters and transition families into stable housing. The 1999 Legislature appropriated \$375,000 from the federal TANF block grant in FY 2001 to increase the base appropriation for the program. In future years, the \$375,000 increase to the base will come from general fund monies. The 2000 Legislature provided an additional appropriation of \$500,000 in FY 2001 for the program. Both of these TANF block grant appropriations expire at the end of FY 2001.

Rental Assistance for Family Stabilization program (\$125,000). Administered by the Minnesota Housing Finance Agency, this program provides rental assistance to families who at the time of initial eligibility were receiving public assistance and had a minor child in the family. The caretaker parent also must either be participating in a self-sufficiency program or have earned income. Eligibility for the program is limited to three years.

The appropriation for the program in FY 2001 amounted to \$2.125 million. Of this amount, \$125,000 was used to increase the base appropriation, while \$2.0 million simply refinanced the program. In July 2000, the program provided assistance to 770 families. The TANF block grant appropriation of \$2.0 million expires at the end of FY 2001.

In FY 2001, legislators made available \$30 million in general fund monies for two affordable housing initiatives -- **the Affordable Rental Investment Fund Program Housing and the Habitat for Humanity Revolving Loan Fund**. Because spending on “bricks and mortar” is not permissible under the federal TANF regulations, these initiatives do not meet the definition of allowable TANF expenditures. Consequently, neither federal TANF block grant monies nor maintenance of effort dollars were used to finance this proposal. General fund monies were leveraged through the refinancing of the Working Family Tax Credit program and used to fund these initiatives.

Other Services – \$25.1 million

Other services, which represent 4.9 percent of overall TANF spending (see Figure 3 on page 4), describes a number of programs or services funded almost exclusively with federal TANF dollars (see Table 9 on the following page). At first glance, many of these initiatives will seem unusual to people familiar with TANF’s predecessor, Aid to Families with Dependent Children. With the broadening of the final TANF regulations, all of these programs are TANF-eligible expenditures. Most of the programs funded under this

category of services are distinct from the traditional view of welfare programs and somewhat experimental in scope.

Table 9: FY 2001 TANF Other Services

(numbers in thousands)

Other services activity	Federal TANF	MOE	TOTAL
Replace reductions in Title XX	\$10,395	0	\$10,395
Home visiting grants	\$7,000	0	\$7,000
Concurrent permanency planning	\$4,650	0	\$4,650
Supportive housing and managed care pilot program	\$1,000	0	\$1,000
At-risk youth out of wedlock pregnancy prevention services	\$1,000	0	\$1,000
Health care services for non-citizens	\$0	\$551	\$551
Adult-supervised supportive living arrangements	\$500	0	\$500
TOTAL	\$24,545	\$551	\$25,096

Replace reductions in Title XX (\$10.4 million). In response to federal reductions to the Social Services Block Grant, the 1999 and 2000 Legislatures restored funding to counties with transfers from the federal TANF block grant. The 1999 Legislature appropriated \$6.2 million and the 2000 Legislature appropriated \$7.5 million to counties through the Community Social Services Act to mitigate reductions in social services funding as a result of the federal budget decisions. The TANF appropriation expires at the end of FY 2002. Of the \$6.2 million appropriation for FY 2001, \$3.3 million was used in calendar year 2000 to provide level funding to counties, leaving a balance in FY 2001 of \$2.9 million.

Home visiting grants (\$7.0 million). This allocation to counties will be used to provide additional home-visits to families with income that is at or below 200 percent of the federal poverty guidelines (\$28,300 for a family of three). The home visiting program will focus on promoting self-sufficiency and improving the health status of low-income working families and MFIP recipients. Funds may also be used to provide training, technical assistance, and evaluation. The federal TANF block grant appropriation expires at the end of FY 2003.

Concurrent permanency planning (\$4.7 million). The 1999 Legislature transferred funds from the federal TANF block grant to the Social Services Block Grant for grants to counties to provide services to the parents of children in out-of-home care while also preparing for the permanent placement of the child. Funding for this program expires at the end of FY 2001.

Supportive housing and managed care pilot project (\$1.0 million). This three-year pilot program, to be operated in one rural and one metropolitan county, will assess whether an integrated service delivery approach for employment services, supportive services, housing, and health care can reduce public

expenditures on homeless families, increase employment of served individuals, and provide a new way of serving these individuals. The TANF block grant appropriation expires at the end of FY 2003.

At-risk youth out of wedlock pregnancy prevention services (\$1.0 million). Created by the 2000 Legislature, this three-year, statewide grant program seeks to reduce out-of-wedlock pregnancies among homeless or runaway youths who are currently involved in or at risk of prostitution. Funding for this program expires at the end of FY 2003.

Health care services for non-citizens (\$551,000). This program provides health care services for non-citizens who are enrolled in Medical Assistance. However, since these individuals are ineligible for assistance under the federal Medicaid program because of their non-citizen status, the State pays the entire cost of their health care. These expenditures are considered MOE-eligible.

Adult-supervised supportive living arrangements (\$500,000). This ongoing initiative funds non-institutional, residential care for minor parents and children including adult supervision and supportive services (e.g., counseling, guidance, independent living skills, training or supervision).

Refinancing – \$88.8 million

Three major state programs as well as a number of smaller programs will be refinanced with federal TANF dollars in FY 2001 as illustrated in Table 10 on the following page. In other words, the state will use federal TANF dollars to pay for services that were previously paid for with general fund monies. This mechanism is often referred to as refinancing. While this mechanism is probably not what Congress intended states to do when it passed welfare reform in the fall of 1996, Minnesota is clearly within the laws and regulations that govern the TANF program. Refinancing accounts for 17.5 percent of overall TANF program spending in FY 2001 (see Figure 3 on page 4.)

States have been admonished by some members of Congress not to refinance or “supplant” general fund dollars for other purposes using federal TANF block grant monies. A literal translation of that warning would extend to supplanting general fund monies for affordable housing for MFIP clients or reducing taxes. Whether the warning from federal officials translates to a flat or reduced block grant amount when Congress reauthorizes the TANF block grant in 2002 (state FY 2003) remains to be seen. Suffice it to say, it will be one of many policy considerations discussed by federal congressional budget committees in their deliberations during the summer of 2002.

Working Family Tax credit program (\$40.6 million). As an eligible TANF expenditure, federal TANF block grant dollars will be used to reimburse the state’s general fund for spending on the tax credit program. The revenues to the general fund have been earmarked for affordable housing (\$30.0 million), maintenance of effort (\$4.1 million), and general purposes (\$6.6 million). The affordable housing and general purpose refinancing appropriations expire at the end of FY 2001.

Table 10: FY 2001 TANF Refinancing
(numbers in thousands)

Refinancing activity	Federal TANF	MOE	TOTAL
Working family tax credit program	\$40,624	\$0	\$40,624
Basic sliding fee child care program	\$28,374	\$0	\$28,374
Community social services act	\$15,000	\$0	\$15,000
Rental assistance for family stabilization program	\$2,000	\$0	\$2,000
Job skills partnership board, Pathways program	\$1,500	\$0	\$1,500
Functional work literacy program	\$775	\$0	\$775
Parents fair share program	\$260	\$0	\$260
New chance program	\$140	\$0	\$140
Indian child welfare law center	\$140	\$0	\$140
TOTAL	\$88,813	\$0	\$88,813

Basic Sliding Fee child care program (\$28.4 million). Federal TANF dollars will temporarily refinance a portion of the program's base appropriation, leveraging general fund monies previously used to fund the program. The federal TANF block grant appropriation for this activity expires at the end of FY 2001.

Community Social Services Act (\$15.0 million). In FY 2001, \$15.0 million of the base appropriation for the Community Social Services Act allocation to counties will be refinanced using federal TANF dollars.

Rental Assistance for Family Stabilization program (\$2.0 million). As previously mentioned, \$2.0 million of the base funding for this program was refinanced with federal TANF dollars in FY 2001. The refinancing will cease at the end of FY 2001.

Job Skills Partnership Board, Pathways program (\$1.5 million). Operated by the Department of Trade and Economic Development, this program links employers with MFIP recipients to provide them with the skills to enter the workforce. The program was temporarily refinanced with federal TANF dollars in FY 2001. Funding for this TANF block grant appropriation expires at the end of FY 2001.

Functional Work Literacy program (\$775,000). As noted earlier, in the employment services section, \$775,000 of the \$1.0 million general fund base for this program was permanently refinanced with TANF block grant monies beginning in FY 2000.

Parents Fair Share program (\$260,000). Designed to improve the employability and income potential of non-custodial, unemployed parents, this program provides job search and parenting skills to eligible participants in Ramsey, Dakota, and Anoka counties. Funding for this program, which was targeted for

elimination by the Ventura Administration, was permanently refinanced with federal TANF block grant monies by the 1999 Legislature.

New Chance program (\$140,000). This program provides comprehensive, employment-related services and pregnancy prevention programming for young parents in Hennepin County who have dropped out of school and are receiving public assistance. Funding for this program, which was targeted for elimination by the Ventura Administration, was permanently refinanced with federal TANF block grant monies by the 1999 Legislature.

Indian Child Welfare Law Center (\$140,000). The Center provides legal advice and representation to low-income clients and Indian tribes, including educational training and advocacy in child custody proceedings under the Indian Child Welfare Act. Funding for this program, which was targeted for elimination by the Ventura Administration, was permanently refinanced with a transfer from the federal TANF block grant to the Social Services Block Grant by the 1999 Legislature.

Conclusion

Each year, Minnesota lawmakers must spend at least \$191.1 million in state and county resources to receive its entire federal TANF block grant allocation of \$267.2 million. With the release of the final federal TANF regulations in the spring of 1999, it became clear that TANF funds, including both maintenance of effort dollars and federal TANF block grant monies, could be spent more flexibly than in previous years.

In FY 2001, the State expects to spend \$508.6 million on the TANF program. Minnesota will spend two-thirds of its TANF funds on cash and food assistance, child care assistance, and employment services. A significant share of TANF funds will be used to refinance existing state programs with federal TANF dollars. The majority of refinancing will result in savings to the general fund, while \$30.0 million will be used to create affordable housing for low-income Minnesotans.

Also, additional resources totaling \$240.8 million, are spent for TANF-eligible purposes, but are not considered part of TANF program spending because they do not involve federal TANF block grant monies or maintenance of effort dollars. This spending includes federally-funded food stamps for MFIP recipients, child care assistance funded with federal Child Care Development Funds or state dollars used to match the Child Care Development Fund block grant, federal Welfare to Work monies spent on "hard-to-serve" MFIP clients, state dollars used to fund the refundable portion of the Working Family Tax Credit, and state dollars used to pay for transportation costs for MFIP clients.

Appendix I: FY 2001 Federal TANF Transfers <i>(numbers in thousands)</i>	
	FY 2001
Federal TANF Transfer to Social Services Block Grant	
Replace federal reductions to the Social Services Block Grant	\$13,700
Temporarily replace general fund base of Community Social Services Act	\$15,000
County grants for concurrent permanency planning efforts	\$4,650
Indian Child Welfare law center	\$140
Subtotal, Transfers to SSBG	\$33,490
Federal TANF Transfer to CCDF	
Refinance the Basic Sliding Fee Program	\$28,374
Expand the Basic Sliding Fee Program	\$12,151
Child care for social service activities	\$3,233
Caseload effect of increasing the MFIP exit level in FY 2000	\$1,676
Uninterrupted Basic Sliding Fee child care programs	\$1,080
Caseload effect of extending the sunset date for recipients of state-only cash assistance	\$651
Child care development grants	\$449
Program integrity and fraud prevention	\$175
Subtotal, Transfers to CCDF	\$47,789
GRAND TOTAL	\$81,279