CENTER ON BUDGET AND POLICY PRIORITIES

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States Have Substantial Unspent Welfare Funds, But
Low-income Families Continue to Need Key Supports

Two reports issued today by the Center on Budget and Policy Priorities focus on the levels of unspent state welfare funds and how states can enhance their welfare reform efforts by using these funds.

Welfare caseloads have fallen dramatically in almost every state since the early 1990s. Nationally, 2.4 million families received welfare cash assistance in mid 1999, a 52 percent reduction from the level of 5 million in early 1994. Cash assistance spending has also fallen. Federal and state expenditures for cash assistance benefits in fiscal year 1999 totaled $12.4 billion, or $10.6 billion less than in fiscal year 1994.

As a result of the drops in caseload and spending, many states have substantial Temporary Aid to Needy Families (TANF) surpluses of federal funds intended to assist low-income families. The report, *Welfare Balances After Three Years of TANF Block Grants: Unspent TANF Funds at the End of Federal Fiscal Year 1999,* provides data on each state's TANF spending and surplus at the end of fiscal 1999.

There is $7.3 billion in unspent federal TANF funds that remain on deposit with the federal government for future use. Of this amount, $2.5 billion is considered "unobligated." The remaining $4.7 billion are shown as "unliquidated obligations," part of which reflects state commitments, but some of which may also be available for future allocation. The information comes from documents states file with the federal government. [Because of rounding, these figures don't add exactly.]

These TANF surpluses, together with the healthy economy, provide an opportunity for states to enhance their TANF programs based on state experience about effective programs. The second report, *Windows of Opportunity: Strategies to Support Families Receiving Welfare and Other Low-Income Families in the Next Stage of Welfare Reform,* provides a series of steps states can take to meet the needs of families that continue to receive cash assistance and families that need additional supports to successfully remain working. (See attached chart for summary of strategies discussed.)

"This is a crucial time for states," said Eileen Sweeney, director of the Center's State Low-Income Initiative Project. "The TANF surpluses provide most states with the opportunity to develop the broad-based packages of supports low-income families need in order to be able to work."

As states consider new initiatives, they can look at working models that other states have already adopted in the particular areas, including:

- Many states — including New Mexico, Kansas, Nebraska, Michigan, New York, Vermont and Kentucky — are assisting low-income parents who need help with transportation to and from work in a variety of ways. (*Windows of Opportunity*, pages 11-12)

- States — including, Illinois, Washington, Missouri, Ohio, West Virginia, Arkansas, California, Florida, Idaho, Pennsylvania, Virginia and Wisconsin — and the District of Columbia are devising strategies to extend child care for children whose parents work at odd hours. (*Windows of Opportunity*, pages 13-14)

- Eleven states — Colorado, Iowa, Kansas, Maryland, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, and Wisconsin — have state earned income tax credits for low-income working families, many of which have been enacted or expanded in the last few years. Eight of the 11 states, including five of six states that recently enacted credits, now have fully-refundable EITCs, which are most valuable to working poor families. (*Windows of Opportunity*, pages 9-10)

- Texas recently established a pilot program that will provide stipends to low-income working parents who have recently left welfare to help cover some of their new work expenses. (*Windows of Opportunity*, pages 7-8)

- Five states — Wisconsin, Rhode Island, California, Missouri, and Maine — and the District of Columbia have extended Medicaid to low-income working parents to ensure that they do not lose their health care coverage shortly after they leave welfare to work. Another four states provide more limited expansions of coverage for working parents. (*Windows of Opportunity*, pages 19-20)

There are also many good state models that can be used in reducing barriers to employment, including:

- Thirteen states have increased their maximum cash assistance benefit levels since January 1998. Welfare benefits in four — Mississippi, Tennessee, Texas, and West Virginia — have been among the lowest in the nation and had not been increased significantly in at least a decade. Other states that have raised benefit levels since January 1998 are California, Idaho, Maine, Maryland, Montana, New Mexico, Ohio, Utah, and Vermont. (*Windows of Opportunity*, pages 31-32)

- States are refining their work rules so that some parents can secure the education and training they need for jobs with higher wages that allow them to better support their families. Illinois, Maine, Kentucky and Delaware allow participation in education and training to meet the state's full work requirement. Michigan and Delaware permit parents to combine classroom, study hours and work hours to meet their work requirement. (*Windows of Opportunity*, pages 35-36)

- A growing number of states and localities — including Connecticut, New Jersey, and Minnesota and San Mateo County in California — provide housing assistance vouchers for some families that have left welfare for work or are attempting to make that transition. These vouchers assist families in paying a portion of their rent. (*Windows of Opportunity*, pages 39-40)

- Some states and localities recognize that the creation of publicly-funded, transitional jobs in private nonprofit and public agencies can enable welfare recipients and noncustodial parents to earn wages and gain valuable work experience while also alleviating job shortages in distressed communities. Five states — Washington, Vermont, Pennsylvania, California, and New York — have transitional jobs programs underway or have policies that support them. Local leaders have community-based initiatives underway in Baltimore, Detroit, Philadelphia and San Francisco. New efforts are being planned or considered in many other cities, including Chicago, Louisville, Los Angeles, Memphis, Miami, and Minneapolis/St. Paul. (*Windows of Opportunity*, pages 37-38)

Copies of both reports are available from the Center's web site (www.CenteronBudget.org) or by calling the Center at (202) 408-1080, and requesting them.

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Total Unspent TANF Funds, by State, at the End of Federal Fiscal Year 1999

Unspent TANF funds fall into two categories following traditional budgeting methods: "unliquidated obligations" and "unobligated" funds.

- "Unliquidated obligations" refer to amounts a state has committed to spend but has not yet paid. This could include, for example, funds a state has contracted to pay a private child care agency for services to be provided over the next year.

- "Unobligated" funds are amounts that have not been spent or committed.

Because unliquidated obligations reflect an intent to make expenditures, such funds may not be available for new uses. For two reasons, however, it is worth examining the amount of unliquidated obligations when considering a unspent TANF balances, as the attached table does.

Some funds reported as unliquidated obligations could be considered unobligated funds. The definition of unliquidated obligations has varied from state to state. Some states, for example, consider TANF funds set aside in a "rainy day" reserve to be obligated, while other states report rainy day funds as unobligated. In addition, some states appear to report funds as obligated when they have been appropriated by the legislature, even if the welfare agency has not established contracts or other commitments for the funds. As the table shows, some states report *all* unspent TANF funds as unliquidated obligations, while a number of other states report all unspent TANF funds as unobligated. In states with substantial amounts of unliquidated obligations and little or no unobligated funds — such as Indiana, with nearly $200 million in unliquidated obligations — it seems likely that at least a portion of unliquidated obligations reflect what are commonly considered unobligated funds.

There was a substantial upsurge in the amount of unliquidated obligations reported by states in the second half of federal fiscal year 1999. For example, unliquidated obligations in Florida rose from $93 million to $393 million in the last half of fiscal year 1999. In Florida and other states, this reflects an effort to avoid restrictions on the use of unspent TANF funds that went into effect in fiscal year 2000. In some states, the newly obligated funds represent a transfer of spending authority to local welfare agencies. In such states, it is likely that a large share of the funds remain unobligated at the local level. And in other states with large amounts of newly obligated funds, it may be difficult to expend all of the funds in the near future. As a result, policy makers may choose to re-direct some of the obligated funds for other uses.

Thus, to get a full picture of the unspent TANF funds that may be available for new or expanded initiatives in a given state, it is appropriate to measure the combined amounts of unobligated funds and unliquidated obligations, even though a portion of the obligated funds may be committed for a specific purpose. The attached table identifies the amount of unobligated TANF funds in each state and the amount of unliquidated obligations as of September 30, 1999, the end of federal fiscal year 1999. The table shows also presents the combined amount of the of unspent TANF funds as a percentage of the TANF funds made available to each state from fiscal year 1997 through fiscal year 1999.

Total Unspent TANF Funds at the End of Federal Fiscal Year 1999

(All figures in millions)	Unobligated Funds As of 9-30-99	Unliquidated Obligations As of 9-30-99	Total Unspent Funds	Unspent Funds As a Percent of TANF Funds Available Since FY 1997
Alabama	$31.4	4.8	$36.2	12%
Alaska	7.0	0	7.0	5
Arizona	0	91.3	91.3	13
Arkansas	0	39.5	39.5	29
California	0	1,620.6	1,620.6	15
Colorado	0	77.1	77.1	24
Connecticut	40.7	0	40.7	5
Delaware	0	2.9	2.9	3
District of Columbia	37.3	32.8	70.1	26
Florida	0	392.6	392.6	23
Georgia	119.7	16.1	135.8	14
Hawaii	4.0	1.4	5.4	2
Idaho	19.2	17.8	37.0	47
Illinois	0	0	0	0
Indiana	0	199.5	199.5	32
Iowa	21.0	5.7	26.7	7
Kansas	0	0	0	0
Kentucky	0	0	0	0
Louisiana	112.2	0	112.2	24
Maine	0	0	0	0
Maryland	47.2	52.1	99.3	15
Massachusetts	68.2	0	68.2	5
Michigan	146.1	0	146.1	6
Minnesota	66.7	67.3	134.0	21
Mississippi	73.2	20.5	93.7	35
Missouri	11.4	15.3	26.8	4
Montana	27.7	0	27.7	22
Nebraska	9.2	0	9.2	6
Nevada	0	16.8	16.8	13
New Hampshire	6.0	4.6	10.6	9
New Jersey	0	253.1	253.1	23
New Mexico	56.9	0	56.9	18
New York	752.1	370.8	1,122.9	16
North Carolina	3.4	98.3	101.7	12
North Dakota	8.3	0	8.3	16
Ohio	150.0	583.9	733.9	34
Oklahoma	61.4	0	61.4	14
Oregon	0	23.8	23.8	5
Pennsylvania	174.6	125.3	299.9	16
Rhode Island	0	0	0	0
South Carolina	0.0	32.2	32.2	11
South Dakota	11.9	2.2	14.0	23
Tennessee	103.6	19.6	123.2	21
Texas	0	175.6	175.6	12
Utah	17.8	0	17.8	8

Table III Contd.

(All figures in millions)	**Unobligated Funds As of 9-30-99**	**Unliquidated Obligations As of 9-30-99**	**Total Unspent Funds**	**Unspent Funds As a Percent of TANF Funds Available Since FY 1997**
Vermont	$3.0	$0	$3.0	2%
Virginia	1.7	14.2	15.9	4
Washington	130.2	68.1	198.3	18
West Virginia	153.5	0	153.5	51
Wisconsin	30.7	290.4	321.2	34
Wyoming	35.2	0	35.2	58

Center on Budget and Policy Priorities

APPENDIX E
LIST OF PROPOSALS CITED IN THIS REPORT

PROVIDING WORK SUPPORTS

Proposal	**Selected state/local examples cited in this report**	**Suggested funding sources**	**Page**
Worker stipends	Texas (pilot)	TANF/MOE	7
State earned income tax credits	Colorado, Iowa, Kansas, Maryland, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, Wisconsin	General state funds and TANF/MOE	9
Transportation assistance			
• Income-based transportation subsidies	New Mexico	TANF/MOE	11
• Providing funds to support car purchase	Kansas, Nebraska, Michigan, Pennsylvania		
• Support car donation programs	New York, Vermont, Texas, Florida, Virginia		
• Coordinating paratransit alternatives	Kentucky		
Child care			
• Affordable co-payments	Kentucky, Oklahoma, Illinois	TANF/MOE, CCDF, SSBG	13
• Access to care during non-standard hours	District of Columbia, Illinois, Washington, Missouri, Ohio, West Virginia, Arkansas, California, Florida, Idaho, Pennsylvania, Virginia, Wisconsin		

PROVIDING WORK SUPPORTS (cont.)			
State-funded supplemental nutrition programs	Rhode Island, California, Connecticut, Illinois, Maryland, Massachusetts, New Jersey, New York, Wisconsin	TANF/MOE, other state funds	27
Proposal	**Selected state/local examples cited in this report**	**Suggested funding source**	**Page**
Job retention and advancement services • Help recipients get better jobs initially • Provide extended case management services to employed families	 Portland (OR), Alameda County (CA), Butte County (CA), Baltimore (MD) Rhode Island, Vocational Foundation, Inc., (NY)	 TANF/MOE, other federal funds	 15
Short-term aid • Emergency assistance programs that provide aid to prevent homelessness or utility cut-offs • Cash diversion programs that cover low-income families not eligible for welfare	 31 states Indiana	 TANF/MOE	 17
Expand health care coverage for low-income working parents • Broad-based expansion for all low-income families • Time-limited expansion or extended transitional coverage	 Wisconsin, Rhode Island, California, Missouri, District of Columbia Ohio, North Carolina, South Carolina, New Jersey	 State and federal Medicaid funds	 19
Provide a TANF or MOE- funded service to families not receiving ongoing cash assistance to ease the Food Stamp vehicle resource limits	Michigan, Washington	TANF/MOE	21

Increase incentives to pay child support • Child support pass-through and disregard • Incentives that directly subsidize the payment of child support • Child support assurance	 Nevada, Connecticut, West Virginia New York (county option), California (county demonstrations)	 TANF/MOE MOE, general state funds MOE, general state funds	 25

ADDRESSING BARRIERS TO WORK

Proposal	Selected state/local examples cited in this report	Suggested funding source	Page
Increase cash benefits	Montana, Vermont, Mississippi, Tennessee, Texas West Virginia, California, Idaho, Maine, Maryland, New Mexico, Ohio, Utah	TANF/MOE	31
Increase work participation among families that not complying with work requirements • Assess reasons for non-compliance before imposing sanctions • Give families a "fresh start" after they demonstrate compliance	 Tennessee, Mesa County (CO) Florida, Connecticut	 TANF/MOE	 33
Access to education and training • Allow participation in education and training to meet state's full work requirement • Allow parents to combine classroom, study & work hours	 Illinois, Maine, Kentucky, Delaware Michigan, Delaware	 TANF/MOE	 35

Transitional jobs for people with little or no prior work experience	Washington, Vermont, Pennsylvania, California, New York, Baltimore (MD), Detroit (MI), Philadelphia (PA), San Francisco (CA)	TANF/MOE, Welfare-to-Work funds	37
Housing assistance vouchers	Connecticut, New Jersey, Minnesota, San Mateo County (CA)	TANF/MOE, general state	39
Child care for children with disabilities or serious health conditions			
• Provide financial incentives to develop specialized child care sources in inclusive settings	Alaska, Delaware, Oregon, Missouri, Oklahoma, Kentucky, Utah, Michigan	TANF/MOE, CCDF, SSBG, other federal funds	41
• Create state programs that encourage development of inclusive child care	Florida, Louisiana, Montana, North Carolina		
• Provide training & counseling for existing child care providers	California, Connecticut, Kansas, North Carolina, Washington		

ADDRESSING THE NEEDS OF SPECIFIC POPULATIONS

Proposal	Selected state/local examples cited in this report	Suggested funding source	Page
Services for parents with disabilities			
• Assessment & intensive case management to broker needed services		TANF/MOE	45
• Flexible exemption policies that respond to individual needs			
• Time clocks do not run during time that parent is exempt	California, Massachusetts		
• Provide Medicaid coverage for parents who work	Connecticut, District of Columbia, Missouri, Rhode Island, Wisconsin	State and federal Medicaid funds	

Food & cash assistance for legal immigrants • Food assistance	California, Connecticut, Massachusetts, Maine, Minnesota, Nebraska, Rhode Island, Washington, Wisconsin	TANF/MOE, other state funds	47
• TANF-like cash assistance	Above states plus Hawaii, Maryland, Missouri, Oregon, Pennsylvania, Tennessee, Vermont, Wyoming, Georgia, New Mexico	MOE, other state funds	
Services for victims of domestic violence • Increase domestic violence awareness in TANF agency	Rhode Island, Iowa, Nevada, Utah, Vermont, Maryland, New York, Oregon	TANF/MOE	49
• Partner with domestic violence agencies	Maine, Nevada, Washington, Maryland, Pennsylvania, Massachusetts, Kansas, Texas, Rhode Island	TANF/MOE, other state and federal funds	
Services for low-income non-custodial parents	Missouri, Nevada, Wisconsin	TANF/MOE, Welfare-to-Work funds	51