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GOING, GOING, ALMOST GONE: JOB-CREATING TANF EMERGENCY FUND SET TO EXPIRE

Fund Will Help Place 240,000 Unemployed Individuals in Jobs by End of September

By LaDonna Pavetti, Ph.D.

The subsidized jobs programs that states have created through the TANF Emergency Fund are a bright spot in an economy that is producing new jobs at a very slow pace, but some of these programs have already stopped taking applications in anticipation of the fund's September 30 expiration, and most programs will shut down or significantly scale back their operations on that date (see Figure 1). Unless Congress extends the fund, tens of thousands of people across the country will lose jobs — potentially raising the unemployment rate in places with particularly large programs, such as Illinois and Los Angeles. Such job losses are both troubling and unnecessary: the House has twice passed extensions that were fully offset to avoid increasing the deficit, but the Senate has thus far failed to act.

States can draw on the Emergency Fund, created by the 2009 Recovery Act, to create subsidized jobs in the private and public sectors for low-income individuals who otherwise would be unemployed. Officials in the 37 states (including the District of Columbia) operating these jobs programs estimate that by September, they will have placed more than 240,000 unemployed parents and their teenage children in subsidized jobs funded in whole or in part by the fund (see Figure 2 and Appendix A). That number would grow substantially if states had another year to operate their programs.

Examples of the TANF Emergency Fund at work include:

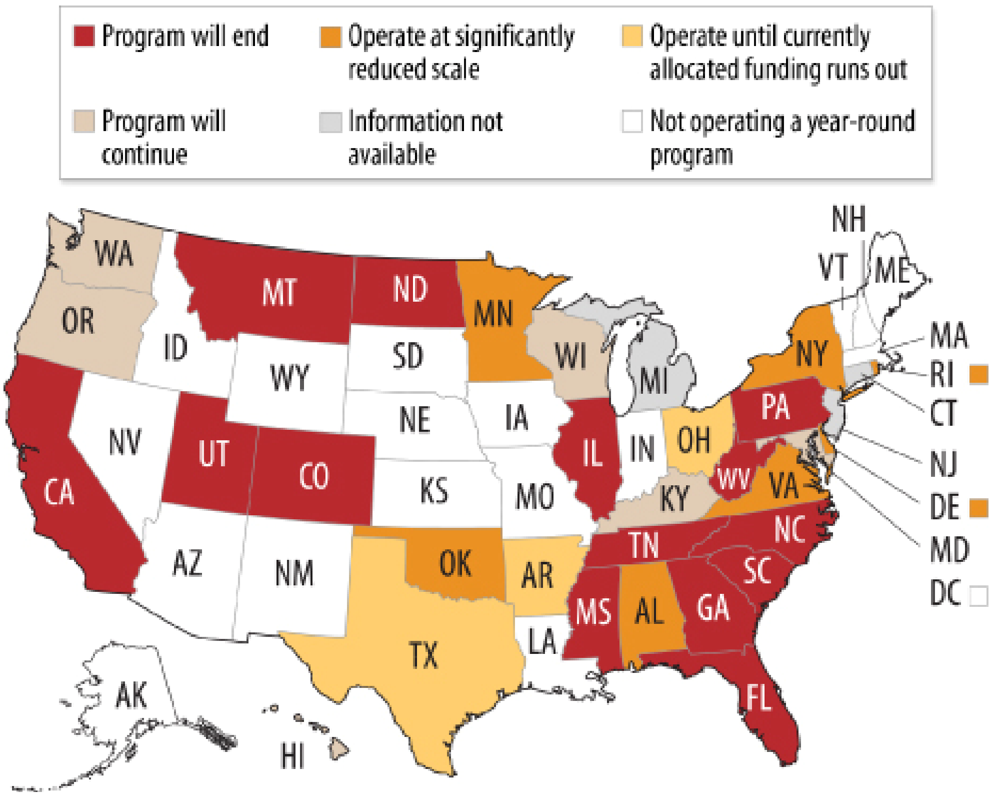
- South Carolina is using the program to provide jobs to parents who would otherwise be receiving cash assistance through the state's regular TANF (Temporary Assistance for Needy Families) program.

- Illinois has placed more than 20,000 individuals in jobs, far exceeding its original goal of 12,000 placements.

- Alabama is using the program to provide jobs to TANF recipients statewide, but has found it especially helpful in rural communities where very few job opportunities exist.

FIGURE 1:

State Plans for Year-Round Subsidized Jobs Programs If TANF Emergency Fund Is Not Extended



Source: Data collected by the Center and Budget and Policy Priorities and the Center for Law and Social Policy directly from state program administrators or state documents. Programs may be funded in whole or in part with funds from the TANF Emergency Fund.

- North Dakota is providing jobs for unemployed non-custodial parents who don't have the financial resources to meet their child support obligations and for older youth in foster care who will soon be facing life without the safety net that foster care provides.

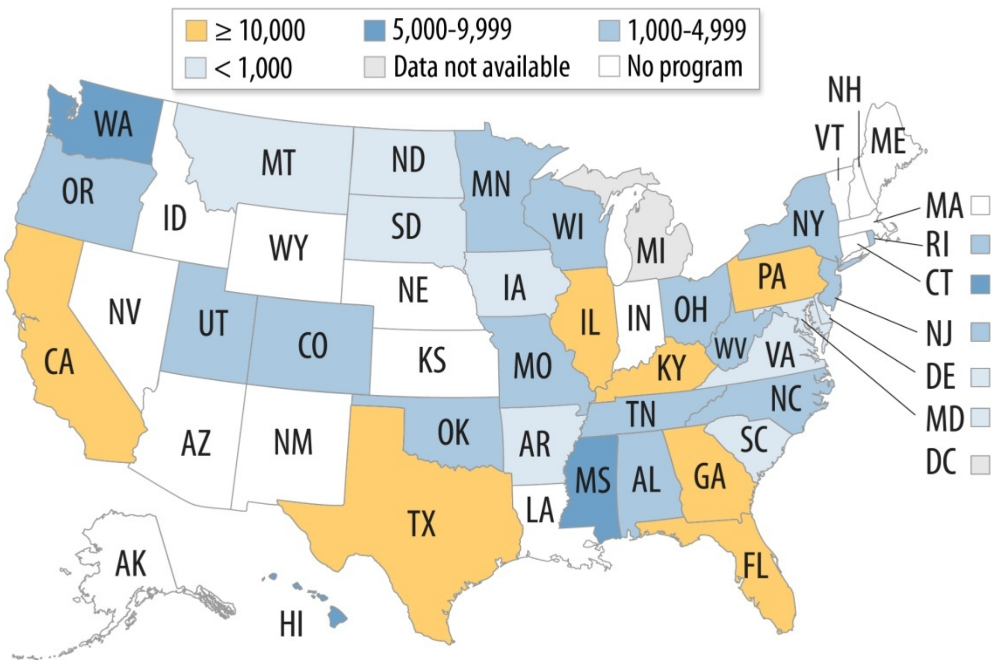
- A rural community in Tennessee created 400 new jobs and helped reduce the county's unemployment rate from 27.3 to 18.6 percent over an eight-month period.

Fund Helping Provide Jobs to Families with Limited Employment Prospects

States are using funds from the TANF Emergency Fund to provide jobs to individuals least likely to find employment on their own: TANF recipients, the long-term unemployed, and low-income youth. These also are the individuals who are most likely to spend virtually all of the money they earn, thus making this an effective mechanism to stimulate the local economy. States are required to

FIGURE 2:

Number of TANF Emergency Fund Subsidized Job Placements Planned



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target their programs to individuals who are caring for a child but otherwise have substantial flexibility to decide whom these programs can best serve. Some of the groups on which states have focused are:

- **TANF recipients or applicants.** TANF recipients must meet stringent work requirements as a condition of receiving cash assistance, and states must place a specified share of their TANF recipients in work activities or face a financial penalty. States have used TANF Emergency Funds to create new work opportunities for TANF applicants and recipients who have not been able to find unsubsidized employment on their own. For example, South Carolina offers all TANF applicants who are able to work a subsidized job instead of basic cash assistance. Washington state provides subsidized job opportunities to TANF recipients with one or more barriers to employment.

- **Unemployment insurance (UI) recipients and exhaustees.** Recognizing that the need for jobs extends far beyond their TANF populations (which include a very small share of the unemployed families with children), many states have targeted their jobs programs to a larger pool of low-income parents, including those who are receiving or have already exhausted their UI benefits. Texas, for example, has targeted its program to UI claimants and exhaustees who earned less than $15 per hour in previous employment. Wisconsin has targeted its program to individuals with incomes under 150 percent of poverty who are not eligible for TANF, primarily non-custodial parents. Colorado has targeted individuals who are receiving UI or have exhausted their UI benefits.

- **Youth.** People between ages 16 and 19 have extremely high unemployment rates; in June 2010 their unemployment rate was 25.7 percent, almost three times the overall rate of 9.5 percent. Last summer, states received extra federal funds to create summer jobs for youth. This year, when Congress failed to act, 23 states came up with plans to use a portion of their TANF Emergency Funds to provide jobs to almost 120,000 low-income youth this summer. Texas is planning the largest program, which it estimates will provide jobs for 25,000 youth. Los Angeles and Georgia are planning to provide jobs for 15,000 youth each.

Fund's Flexibility Allows States to Implement Cost-Effective Programs

The great flexibility that the TANF Emergency Fund affords states has allowed them to keep program costs low. States decide how to structure their programs, including the maximum wages and other payroll costs they will cover and for how long. Some examples of cost-effective approaches include:

- **Full reimbursement at a fixed, entry-level wage.** Los Angeles places all program participants on the payroll of an intermediary who is responsible for overall management of the program. All participants are paid $10 per hour for up to 40 hours of work per week. Participants can work in a subsidized job for up to a year, although most placements will last for less than a year (and all placements are currently scheduled to end on September 30, 2009).

- **Wage subsidies that decline over time.** Oklahoma reimburses employers for participants' wages for four months: the reimbursement covers 100 percent of wage costs in the first month and 50 percent of wage costs in the next three months. If a participant remains on the employer's payroll for ten months, the employer receives an incentive payment equal to the other 50 percent of the wages for months 2, 3, and 4. Oklahoma will reimburse an employer up to $12 per hour for up to 40 hours per week; employers are required to pay the usual wage they would have paid for the position a program participant is fulfilling.

- **Partial reimbursement for the costs of hiring.** South Carolina reimburses employers $7.25 (the minimum wage) for 20 hours per week for a maximum of six months. It also covers the associated payroll taxes. Employers are required to pay employees the usual wage for the job for which they are hired but are not reimbursed for the portion of the wage that exceeds the minimum wage. If employers hire individuals for more than 20 hours, they must pay the full costs for those additional hours.

Fund Has Helped Small Businesses Weather Recession

While a range of private businesses and public-sector agencies have hired workers through the TANF Emergency Fund, program administrators report that small businesses have been the most eager to participate and have benefited the most. The fund helps small businesses in three ways:

- **Promoting business expansion.** The recession has forced many small businesses to put expansion plans on hold. By reducing a portion of the costs (and therefore the risk) associated with expanding, the fund has allowed some small businesses to proceed with planned expansions. For example, Tennessee's subsidized employment program enabled a pastry business to increase production, which in turn allowed the firm to expand its distribution area and purchase a packaging machine to increase its efficiency. This expansion proved successful; the firm found new customers, making it possible for it to hire the workers it obtained through the subsidized jobs program as regular employees.

- **Rehiring laid-off employees.** Small businesses hit hard by the recession often lack sufficient reserves to keep valued employees during periods of weak demand for their products or services. The TANF Emergency Fund has allowed some small businesses to rehire laid-off employees sooner than they had planned. For example, with the help of a three-month subsidy, a small rental company in rural Ohio rehired an employee who had been laid off for an extended period and would otherwise have remained laid off until business increased.

- **Supporting new business start-ups.** Starting a new business can be difficult during a period of weak demand because the risk of failure is much greater. This is unfortunate because new businesses are essential to the long-term economic viability of communities that have faced significant job losses before and during the recession. Some of these communities have been able to use the TANF Emergency Fund to attract new firms and to help recently opened businesses to increase their chances of success. Building on its success in helping small businesses to rehire laid-off employees and to expand, Mississippi expanded its program to create a spinoff — Mississippi STEPS New Start — which will use funds from the TANF Emergency Fund to provide a $5,000 subsidy for qualified applicants who commit to starting a new business.

States Are Successfully Linking Unemployed Workers with Employers Willing to Hire Them — and the Programs Could Expand, if Needed

Operating a subsidized jobs program is a complicated endeavor, and it has taken states some time to get their programs up and running. In order to operate successfully, programs must complete the following tasks: (1) identify eligible individuals; (2) identify employers that will hire them; (3) match eligible participants with appropriate jobs; (4) pay individuals for the hours they work; and (5) reimburse employers for the agreed-upon costs. States and counties have built on their existing job placement and workforce development infrastructure to establish new subsidized jobs programs. Should a substantially expanded program be needed in the future (e.g., for UI exhaustees without children), these existing programs should make it possible to put such a program into place quickly. (Hawaii, Oregon, and Washington used the TANF Emergency Fund to expand existing programs in response to increased demand.) Examples of how states are operating these programs follow:

- **Local workforce development systems.** Florida has successfully integrated its new subsidized employment program into its existing workforce development system. Like many states, Florida's workforce development system includes an online system that allows employers to list job openings and job seekers to apply for them. This system lists the jobs available through the subsidized program along with non-subsidized jobs, identifying the former as part of a special program and instructing job seekers to apply through their local workforce center.

  Florida identifies eligible participants through three different avenues. First, individuals coming to the workforce centers seeking employment are informed about the new program and assessed to see if they are eligible. Second, the state sends notices about the program to all UI recipients along with their unemployment check. Finally, since the workforce centers already serve TANF recipients, they add this program to the menu of programs available to these individuals. Employment counselors in the local workforce development systems are responsible for determining eligibility and linking individuals with jobs for which they are qualified.

- **Intermediary and community-based organizations.** Illinois turned to non-profit organizations across the state to operate its program. Illinois hired an intermediary organization, Heartland Alliance, which has a long history of managing and providing technical assistance for subsidized jobs programs, for this purpose. Heartland Alliance acts as the "employer of record" for all persons placed in subsidized jobs. This means that Heartland Alliance is responsible for all payroll functions as well as overall management of the program. Twenty-four subcontractors across the state work with Heartland Alliance to recruit participants and employers, determine eligibility, and link participants with jobs that match their skills and abilities. Subcontractors were selected based on experience working with local employers, because the state wanted to place people quickly. This local network of providers has placed more than 20,000 individuals in subsidized jobs in less than four months.

- **TANF employment service providers.** All state TANF programs provide employment services. When the TANF Emergency Fund became available, some states expanded their employment service programs to include subsidized employment. In some states or counties, this meant expanding the responsibility of one or more contractors (including, in some cases, the local workforce development agency). In other states, it meant expanding the responsibility of employment services counselors that work for the TANF agency.

  Montana provides an example. Contractors provide employment services to TANF recipients in counties across the state; they are responsible for ensuring that recipients meet their TANF work requirements and for trying to place them in unsubsidized jobs. Ten of the contractors serving 19 counties have added subsidized employment to the employment-related services they provide. Participants are placed on the payroll of the employment services contractor, which is responsible for all aspects of the program including determining eligibility, recruiting employers, and matching participants with appropriate jobs.

Many Programs Will Close on September 30 and Others Will Scale Back

Most of the 37 states operating subsidized employment programs created those programs to respond to the current recession. Many — including most of the largest programs — will close their doors on September 30 if Congress does not extend the TANF Emergency Fund; others plan to continue operations but at a reduced level (see Figure 1). In anticipation of having to close down or greatly scale back operations, some programs have already stopped taking applications and making new job placements, and many more plan to do so in coming weeks.

Tens of thousands of individuals participating in the programs will lose their jobs when the programs close. Because of the uncertainty businesses face in the current economic climate, most states encourage but do not require businesses to hire program participants once the subsidy ends. In states and counties with large programs, the job losses could be substantial enough to cause measurable increases in the unemployment rate.

For example, in Illinois, where nearly all 20,000 participants are likely to lose their jobs, the loss of so many jobs at one time could increase the unemployment rate from 10.4 to 10.7 percent (all other things being equal). In Los Angeles, where as many as 10,000 individuals could lose their jobs, this could raise the unemployment rate from 12.3 to 12.5 percent.

At a time when unemployment will continue to be unacceptably high, the loss of so many jobs would be very troubling. Moreover, this can be avoided. The House has twice passed an extension of the TANF Emergency Fund. And although this measure could legitimately be considered emergency spending, it has been paid for. Its future in the Senate, however, remains in doubt, despite plaudits it has won from program administrators and governors in states all across the nation.

An extension of the fund has been a noncontroversial part of larger legislation (which also includes extensions of state fiscal relief and of a number of tax cuts known as "tax extenders," the costs of which also are offset) that commands support from a majority of senators but has fallen short of the 60 votes needed to break a filibuster. As a result, instead of planning for a much-needed extension of these highly successful and cost-effective programs, states and counties are making plans to close their doors to new participants — and determining when current participants will receive their last paycheck.

Shutting down these programs will cost many jobs, remove much-needed income from local economies, adversely affect local businesses, and make it impossible for many low-income parents to cover basic expenses. This is the opposite of what the nation needs.

APPENDIX A

TANF Emergency Fund Subsidized Job Placements

(State estimates of total placements with funds available through September 30, 2010)

State	Year-Round Program (Primarily Adults)	Summer Youth	Total	Year-Round Program Will End if Fund is Not Extended
Alabama	1,180	468	1,648	Will operate a substantially smaller program
Arkansas	300	600	900	Will operate through January 2011
California	20,000	25,000	45,000	X
Colorado	1,600	0	1,600	X
Connecticut	1,842	4,264	6,106	b
Delaware	143	791	934	Will operate a substantially smaller program
District of Columbia	0	b	b	d
Florida	13,000	0	13,000	X
Georgia	5,000	15,000	20,000	X
Hawaii[a]	2,040	5,300	7,340	
Illinois	22,000	5,000	27,000	X
Iowa	0	840	840	d
Kentucky	1,000	9,700	10,700	
Maryland	100	0	100	
Michigan	b	0	b	b
Minnesota	1,370	3,500	4,870	Will continue at substantially lower pre-TANF Emergency Fund levels
Mississippi	3,300	2,000	5,300	X
Missouri	0	4,600	4,600	d
Montana	300	300	600	X
New Jersey	1,500	c	1,500	b
New York	4,217	0	4,217	Will operate a substantially smaller program
North Carolina	1,300	0	1,300	X
North Dakota	525	0	525	X
Ohio	1,000	3,000	4,000	Will continue through May 2011 with funds already allocated to counties

APPENDIX A (cont.)

TANF Emergency Fund Subsidized Job Placements

(State estimates of total placements with funds available through September 30, 2010)

State	Year-Round Program (Primarily Adults)	Summer Youth	Total	Year-Round Program Will End if Fund is Not Extended
Oklahoma	900	1,500	2,400	Will operate a smaller program only for TANF recipients
Oregon[a]	2,305	233	2,538	
Pennsylvania	12,864	7,854	20,718	X
Rhode Island	2,000	0	2,000	Newly created program will end; small program for TANF recipients will continue
South Carolina	600	0	600	X
South Dakota	0	600	600	d
Tennessee	1,725	0	1,725	X
Texas	14,409	25,371	39,780	Will continue through part of FY 2011, until state funds run out
Utah	2,500	700	3,200	X
Virginia	340	0	340	Will continue the smallest of three programs
Washington[a]	7,200	0	7,200	
West Virginia	200	1,200	1,400	X
Wisconsin	2,500	0	2,500	
Total	**129,260**	**117,821**	**247,081**	

[a] Expanded an existing program with funds from the TANF Emergency Fund. Number of placements is for entire program, not just additional placements.
[b] Information not available.
[c] No information available on whether state is operating a program.
[d] Only operating a summer youth employment program that will end before September 30, 2010.

Note: Programs may be funded in whole or in part with TANF Emergency Funds.

Source: Information was collected directly from state officials or from published documents by the Center on Budget and Policy Priorities and the Center for Law and Social Policy.

Data are current as of 07/23/2010.