



MONTANA LEGISLATIVE BRANCH

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TO: Legislative Finance Committee

FROM: Pat Gervais, Associate Fiscal Analyst

RE: 2003 Biennium TANF Reporting

The Temporary Assistance for Needy Families (TANF) block grant was established in 1996 by federal welfare reform legislation. Federal TANF funds replaced the former Aid to Families with Dependent Children (AFDC) program and support services and cash payment to families in need of public assistance.

The 2001 legislature considered several issues related to public assistance and the TANF block grant. Among the issues considered by the Legislature was action that might be taken by Congress when reauthorization of TANF funding occurs in 2002. Based upon the information available during the 2001 legislative session¹, the legislature determined that it wished to expend all current and prior year TANF grants prior to Congressional reauthorization of the grant. The 2001 Legislature adopted this policy so that unexpended TANF funds and the risk of loss of those funds would be minimized. Unlike the 1999 Legislature, the 2001 Legislature did not require a "rainy day" reserve of TANF funds be maintained. This policy decision led to the approval of a spending plan, commonly known as Families Achieving Independence in Montana (FAIM) Phase II-R, for an estimated \$31.8 million federal TANF funds.

In determining the priorities for expenditure of these funds the legislature emphasized: 1) the \$31.8 million was available for one-time-only expenditures; and 2) programs supported with this money would not be sustainable in future biennia. The legislature approved a spending plan that focused on the following four priorities:

1. Education and training programs targeted at jobs which provide higher wages than the traditional service industry jobs (that typically employ many FAIM participants);
2. Contracted services to address the need for assessment and intensive services for some families;
3. Transportation; and
4. Housing.

The 2001 Legislature appropriated this \$31.8 million in a manner that left the executive a great deal of flexibility. The appropriations for FAIM Phase II-R are biennial appropriations and only two of the FAIM Phase II-R line items are restricted appropriations. The legislature also

¹ Large surpluses of unexpended TANF funds remain in many states. Additionally, the precedence set by reallocated of unexpended federal CHIP funds may be an indication that unexpended federal TANF funds will not remain available to states.

provided flexibility to the executive by including language in HB 2 that allows for the proportional reduction of items included in the expenditure plan if certain conditions are met. These conditions include:

1. The balance of TANF funds remaining unexpended on June 30, 2001 is less than \$30 million;
2. Actual or projected expenditures for cash assistance exceed \$24,067,328 in fiscal 2002 or \$23,763,854 in fiscal 2003;
3. The TANF grant funds awarded to Montana by Congress is reduced below the level anticipated by the legislature; or
4. The department certifies to the Office of Budget and Program Planning that the reduction is necessary in order to maintain public assistance programs that were supported by federal TANF and state maintenance of effort (MOE) funds in fiscal 2001.

The legislature also included in HB 2 language requiring that the department report to every meeting of the Legislative Finance Committee (LFC):

1. The actual amount of federal TANF funds expended in the current biennium;
2. The actual amount of TANF block grant maintenance of effort funds expended in the current biennium;
3. The balance of previous fiscal years' TANF block grant funds that remain unexpended; and
4. The balance of the current fiscal year federal TANF block grant funds that remain unexpended.

As required by HB 2, the department will be presenting a brief report on TANF spending at each meeting of the LFC. This will provide the committee the opportunity to monitor TANF expenditures, the purposes for which funds are expended, and impact of programs funded with TANF funds

On September 11, 2001 legislative staff met with DPHHS staff to discuss the TANF reporting requirements included in HB2, suggested format for the report to the LFC, and reporting of some performance statistics related to TANF spending. Modifications were made to the reporting format and DPHHS staff agreed to review available performance measurement statistics and include them in the TANF report to the LFC. DPHHS staff indicated that the department would most likely also provide DPHHS's projection of TANF spending for the biennium, information on how funds have been obligated or contracted, and cash assistance caseload information to the LFC.