

# MEMORANDUM

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**TO:** Members of the Joint Budget Committee  
**FROM:** Amanda Bickel, JBC Staff  
**SUBJECT:** Department-requested Bill - TANF MOE  
**DATE:** January 24, 2012

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In a letter dated January 19, 2012 (which the Committee saw during the staff Human Services supplemental presentation on January 20), the Department of Human Services requested that the Committee sponsor a bill to modify portions of statute that, in most years, results in an appropriation of \$5,524,726 federal Temporary Assistance for Needy Families (TANF) block grant funds to counties. This memo provides additional background on this statute, as well as a staff recommendation on the proposal. In sum, staff recommends:

- That the Committee proceed with having the requested legislation drafted;
- That the Committee consider delaying final approval and introduction of the legislation until the Department submits a budget amendment or a letter describing how it proposes to address the TANF shortfall for FY 2012-13, *i.e.*, staff believes the Department should explain to what extent it hopes to use the flexibility requested before the JBC agrees to sponsor a bill.

## **Background on the Proposed Statutory Modification - TANF MOE Reimbursement**

Pursuant to statute, the State reimburses counties when the state is notified that its federally required TANF MOE has been reduced based on the state meeting specified work participation rates. As reflected in the letter, Section 26-2-714 (10), C.R.S., specifies that "if the state meets federal work participation rates and qualifies for a percent reduction in the state's maintenance of effort as specified in federal law for any year, the actual spending level for the works program of all counties collectively shall be reduced by the same amount as the amount of the reduction in the federal maintenance of effort requirement".

*In practice, this is operationalized via an additional TANF appropriation to counties. This additional TANF appropriation reimburses them for county maintenance of effort (MOE) funds spent in prior years. Each year, the Long Bill included a federal TANF funds appropriation for this purpose, entitled "Reimbursement to Counties for Prior Year Expenditures Due to Reduction in Federal Maintenance of Effort Requirements".* The Works Allocation Committee determines the distribution of these funds, typically based on the TANF allocation formula in effect in the year the work participation requirement was met.

The "Reimbursement to Counties for Prior Year Expenditures Due to Reduction in Federal Maintenance of Effort Requirements" line item is typically in the amount of \$5,524,726. However, because the federal government takes considerable time to determine whether or not a State has met its work-participation requirements, notification is typically received 1-2 years after-the-fact. Thus,

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in June 2011 Colorado received notification that it had met the FFY 2008-09 work participation requirement and, on this basis, distributed the \$5.5 million FY 2010-11 "Reimbursement for MOE" appropriation to counties. While thus far Colorado has consistently complied with the federal requirement and has thus had its MOE lowered, the timing of the notification has varied, and actual expenditures from the "Reimbursement for MOE" line item have been \$0 in some years and doubled in others.

### **Department Bill Request and How it Proposes to Use Requested Flexibility**

As reflected in the Department's letter, it requests that statute be modified so that it not longer requires that counties "shall" have their MOE reduced but instead says that they "may" have their MOE reduced. This would allow the Department to withhold this \$5.5 million TANF funds appropriated in the "Reimbursement for MOE" line item as part of a plan for balancing the State's projected TANF shortfall. *In response to staff questions, the Department has indicated that it would like this bill to be effective in FY 2011-12.* Thus, if the State receives notification from federal authorities in the current year that it has complied with the FFY 2010 work participation requirement before the end of this state fiscal year (something that has not yet occurred), it would like to withhold the \$5.5 million payment to counties. While the FY 2011-12 reductions outlined in the Department's January 19, 2012 letter would seem to be sufficient to balance and maintain a reserve even without an additional \$5.5 million reduction, taking such a further reduction in FY 2011-12 would help to limit the cut required in FY 2012-13 and thus smooth the overall decline in TANF funding over more years.

The Department has not to-date submitted a comprehensive TANF balancing plan for FY 2012-13. However, staff has incorporated the information on FY 2011-12 included in the Department's letter, and an assumed elimination of the MOE payment in both FY 2011-12 and FY 2012-13 in the attached table.

**Staff Recommendation.** *Staff recommend the request contingent upon the Department providing a TANF balancing plan for FY 2012-13.*

- Given the loss of the \$13.6 million federal TANF supplemental grant, cuts must be made somewhere. If cuts are not taken in the "Reimbursement for MOE" line item, staff assumes the Department will simply impose larger restrictions on the larger Colorado Works County Block Grant line item.
- Because the "Reimbursement for MOE" funding has not arrived on a consistent schedule (and might not arrive at all in some years), many counties do not count on this funding to the same extent they count on the Colorado Works County Block Grant line item funding (although this is not uniformly the case).
- Staff believes that the Department owes the Committee a TANF balancing plan for FY 2012-13 and that related TANF reductions should be built into the FY 2012-13 appropriation. Thus, the Committee may wish to wait on introducing this legislation until a plan has been received.

Summary of TANF Reserve Projection including FY 2011-12 Restrictions (1/19/12 letter)		
and Assuming No TANF MOE Reimbursement FY 2011-12 and FY 2012-13		
(No Other FY 2012-13 Adjustments Assumed; changes since Nov. 1 are shaded)		
	SFY12 (Current)	SFY13 (Request)
Uncommitted prior year funds*	26,666,797	5,509,169
Regular Annual TANF Grant	136,056,690	136,056,690
Supplemental TANF Grant	0	0
TANF Contingency Fund	9,070,444	0
ARRA Emergency Fund	0	0
Revenue Subtotal	171,793,931	141,565,859
Allocations to Counties	128,198,357	124,544,368
Info. Technology & Indirect Costs	6,318,057	6,318,057
CO Works State Administration	2,212,205	2,192,997
Works Statewide Strategic Use Fund	0	0
Works Program Maintenance Fund	0	100,000
Refugee Assistance	2,705,334	2,755,334
Low Income Energy Assistance	0	1,500,000
Domestic Abuse Program	629,677	659,677
Child Welfare Programs	23,500,000	11,000,000
ARRA-related initiatives**	0	0
Expenditure subtotal	163,563,630	149,070,433
2% reserve	\$2,721,132	2,721,132
Balance Remaining/Additional Cut Req	5,509,169	-10,225,706

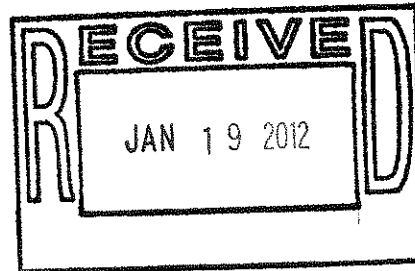
# STATE OF COLORADO

## OFFICE OF THE GOVERNOR

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John W. Hickenlooper  
Governor



January 19, 2012

The Honorable Cheri Gerou  
Chair, Joint Budget Committee  
Colorado General Assembly  
200 E. 14th Avenue, Third Floor  
Legislative Services Building  
Denver, CO 80203

Dear Representative Gerou:

On behalf of Governor John Hickenlooper, I am writing to notify the committee of the current state of the federal Temporary Assistance to Needy Families (TANF) program funding. To date, the state has received \$8.9 million less than anticipated in federal funding in the current fiscal year. This funding was accounted for in the state budget for FY 2011-12 and FY 2012-13 but has not yet been received. Specifically, the state has not yet received \$13.5 million in federal Temporary Assistance to Needy Families Supplemental Awards as expected, but has received \$4.4 million in Temporary Assistance to Needy Families Contingency Funds, which offsets the supplemental funding.

Given the federal uncertainty of the TANF Supplemental and Contingency awards and the insufficient amount of TANF funds available to support appropriations, the Executive Branch is taking action to ensure that expenditures are limited in two ways. First, the Governor has directed the State Controller's Office to restrict several lines in the Department of Human Services that are funded with federal Temporary Assistance to Needy Families funds. Second, the Executive is requesting that the Joint Budget Committee sponsor legislation to allow the State of Colorado to retain a federal Maintenance of Effort (MOE) credit for the Temporary Assistance to Needy Families program totaling \$5.5 million.

### Restrictions on Temporary Assistance to Needy Families Appropriations:

On January 18, 2012, the Governor directed the State Controller's Office to restrict appropriations in the following program areas for FY 2011-12:

<b>TANF Appropriation</b>	<b>Federal Funds</b>
Colorado Works County Block Grants	\$514,778
Low Income Energy Assistance Program	\$1,500,000
Colorado Works County Block Grant Support Fund	\$1,000,000
Colorado Works Administrations – Personal Services	\$100,000
Refugee Services	\$100,000
Colorado Works Program Maintenance Fund	\$100,000
Colorado Works Administration – Training	\$55,000
Domestic Abuse Program	\$30,000
<b>Total</b>	<b>\$3,399,778</b>

Each restriction was carefully considered with feedback from counties and local governments to limit to the extent possible adverse impacts on clients. In addition, should the Supplemental Award be reinstated or Contingency funds are further awarded in the current fiscal year, the Executive will lift the restrictions based on the amount of funding available and with the input of county human and social service departments. If federal funding is not reinstated or further awarded on an ongoing basis, a budget request will be submitted to the Joint Budget Committee to true up the appropriation.

**Joint Budget Committee Legislative Request**

The Executive Branch is also requesting that the Joint Budget Committee sponsor legislation to allow the state of Colorado to retain a federal Maintenance of Effort (MOE) credit for the Temporary Assistance to Needy Families program. This credit is typically passed on to counties and totals \$5,524,726 million annually. Allowing the state to keep these funds will help the state fund its TANF appropriations without requiring further reductions to specific programs.

When the state meets TANF federal work participation rates, meaning that an adequate number of TANF recipients are engaged in work activities, the federal government will provide a monetary credit to the state to apply towards its annual Maintenance of Effort Requirements. Colorado counties, as a condition to receiving federal TANF funds, are required to spend an amount equal to roughly 14.7% of the total amount allocated, consisting of local funds to meet the federal Maintenance of Effort Requirement. Because of this local contribution, Colorado has historically passed this credit on to counties. This proposed legislative change will allow the state to keep this credit rather than passing it on to counties.

The proposed legislative change is as follows:

26-2-714 (10) (a) If the state meets federal work participation rates and qualifies for a percent reduction in the state's maintenance of effort as specified in federal law for any year, the actual spending level for the works program of all counties collectively shall MAY be reduced by the same amount as the amount of the reduction in the federal maintenance of effort requirement,

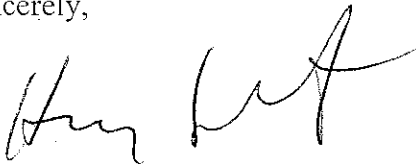
(b) For the purposes of this subsection (10), "percent reduction" means the percent of reduction of historical expenditures as that term is defined in section

409 (7) (b) of the federal social security act, as amended.

(c) For any year in which a percent reduction in the state's maintenance of effort requirement occurs, AND ACTUAL SPENDING LEVELS FOR THE WORKS PROGRAM ARE REDUCED IN ACCORDANCE WITH SUBSECTION (a) OF THIS SUBSECTION (10), the works allocation committee created pursuant to subparagraph (IV) of paragraph (c) of subsection (6) of this section shall determine each county's share of the reduction in actual spending levels. Prior to making such determination, the works allocation committee shall ensure that all counties have been notified of the recommended reduction for each county and given an opportunity to provide comment on the recommendation. In the event that the works allocation committee does not reach an agreement on each individual county's reduction in actual spending levels, the committee shall submit alternatives to the joint budget committee of the general assembly from which such joint budget committee shall identify each individual county's reduction in actual spending levels. The state department is authorized to adjust each county's share of the reduction in actual spending levels. The state department is authorized to adjust each county's actual spending level for any percentage reduction earned in accordance with the determination of the works allocation committee concerning each county's share of the reduction.

We respectfully request that the Committee sponsor these legislative changes to ensure that the Temporary Assistance to Needy Families expenditures are aligned with available funding. Thank you for your consideration on this issue and if you have any questions, please feel free to call me at (303)866-3317.

Sincerely,



Henry Sobanet, Director  
Governor's Office  
Office of State Planning and Budgeting

Cc: Mr. Reggie Bicha, Colorado Department of Human Services, Director  
Mr. Jay Morein, Colorado Department of Human Services  
Mr. Will Kugel, Colorado Department of Human Services  
Mr. Erick Scheminske, Office of State Planning and Budgeting, Deputy Director  
Ms. Ann Renaud, Office of State Planning and Budgeting  
Mr. John Ziegler, Joint Budget Committee, Staff Director  
Ms. Amanda Bickel, Joint Budget Committee