

Health and Human Services Committee

LR 387

October 25, 2013

**Thomas Pristow, Director
Division of Children and Family Services
Department of Health and Human Services**

Good afternoon Senator Campbell and members of the Health and Human Services Committee. My name is Thomas Pristow (T-H-O-M-A-S P-R-I-S-T-O-W). I am the Director of the Children and Family Services Division of the Department of Health and Human Services and I am here to testify on LR 387. LR 387 examines how Nebraska utilizes Temporary Assistance for Needy Families (TANF) block grant funds.

TANF began in 1997 as part of the federal Personal Responsibility and Work Opportunity Reconciliation Act (or PRWORA) that replaced the federal Aid to Families with Dependent Children program. In order to receive the federal block grants funds, states must also contribute to programs for needy families. This requirement is referred to as the Maintenance of Effort (or MOE) requirement and replaced the state match that Aid to Families with Dependent Children (or AFDC) required.

TANF funds are critical to many low-income families and provide a number of supportive programs and services that assist them. The U.S. Administration for Children and Families, or ACF, requires that TANF funds be spent on at least one of the following four purposes:

1. Assisting needy families so children can be cared for in their own homes;
2. Reducing the dependency of needy parents by promoting job preparation, work and marriage;
3. Preventing out-of-wedlock pregnancies; and
4. Encouraging the formation and maintenance of two-parent families.

To be eligible for the TANF block grant program, recipients must meet income and resource requirements and most recipients must participate in a work readiness activity such as job search, community service, and/or vocational training. Nebraska calls its work readiness program Employment First. The Department contracts with Maximus and ResCare to provide those services.

These contractors have done an excellent job with the Employment First program, which has contributed to Nebraska meeting the required 50 percent Work Participation Rate, or WPR. Nebraska has met the WPR since the program began in 1997.

I want to point out here that Nebraska is one of a few states that continues to meet the Work Participation Rate. The first year a state fails to meet the WPR results in a 5 percent reduction

in their Federal TANF Grant. Each subsequent year it is not met, the penalty is increased by 2 percent.

States are required to meet a determined state spending level and general requirements to receive TANF funding through the MOE. In order to use state funding toward their MOE, states must ensure the funds are spent on benefits or programs that assist low-income families. The Earned Income Tax Credit Program administered by the Department of Revenue is a significant source of spending and we are able to count all of it towards meeting our TANF MOE. Without these tax credits that go to low-income families, Nebraska would fall below the minimum and this would impact TANF funding received from ACF.

Nebraska has carryover funds the Department has been able to maintain from year to year. At this time, Nebraska is spending more for TANF-related activities than it is receiving through the annual federal TANF grant award, and we are able to do that by using a portion of the retained carryover funds every year just to meet current spending. The current carryover balance is \$57 million. The balance of this fund for the past few years is reflected in the handout you've been provided.

Our current federal TANF grant award is \$57,513,601. We are projected to spend \$62 million in federal TANF funds for fiscal year 2014.

The handout shows how TANF funds are currently being spent. With the pending reauthorization of the TANF program by Congress, the Department does not know for certain that the current federal funding level will remain the same.

During the past Legislative Session, four bills were introduced that would have used existing TANF funds. One bill, LB 368, passed and was signed by the Governor. If the three additional bills were enacted using the TANF carryover funds, the Department estimates the annual amount of TANF carryover funds used would increase by \$8.3 million a year. This increase in spending would result in the TANF carryover funds being depleted by 2015. Once the carry over funds are depleted, state funds would be needed to meet the difference between the annual TANF block grant and obligated TANF spending or services to clients will be reduced.

While there is a significant amount of TANF funds in the Department's carryover fund, the Department relies on this carryover to fund the TANF program and current TANF activities. If these TANF funds are directed to new programs, the current safety net for the TANF program could be jeopardized.

I hope this information has been helpful. I am happy to answer any questions.

Nebraska Department of Health and Human Services TANF Federal Fiscal Year (FFY) 2014 - 18 Estimated Expenditures

Total Available TANF grant as of Sept 30, 2013 \$ 57,082,858

FFY 14 TANF Grant Award **\$ 57,513,601**
 Estimated Expenditures **(62,000,000)**
 Rainy Day Funds \$ 57,082,858
 Total Available \$ 52,596,459

FFY14 TANF Balance - Sept 30, 2014 \$ 52,596,459

FFY 15 TANF Grant Award **\$ 57,513,601**
 Estimated Expenditures **(63,000,000)**
 Rainy Day Funds \$ 52,596,459
 Total Available \$ 47,110,060

FFY15 TANF Balance - Sept 30, 2015 \$ 47,110,060

FFY 16 TANF Grant Award **\$ 57,513,601**
 Estimated Expenditures **(63,000,000)**
 Rainy Day Funds \$ 47,110,060
 Total Available \$ 41,623,661

FFY16 TANF Balance - Sept 30, 2016 \$ 41,623,661

FFY 17 TANF Grant Award **\$ 57,513,601**
 Estimated Expenditures **(63,000,000)**
 Rainy Day Funds \$ 41,623,661
 Total Available \$ 36,137,262

FFY17 TANF Balance - Sept 30, 2017 \$ 36,137,262

FFY 18 TANF Grant Award **\$ 57,513,601**
 Estimated Expenditures **(63,000,000)**
 Rainy Day Funds \$ 36,137,262
 Total Available \$ 30,650,863

FFY18 TANF Balance - Sept 30, 2018 \$ 30,650,863

\$ 62,000,000
LB 368 (2013) \$ 1,000,000
\$ 63,000,000
(63,000,000)

