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WELFARE REFORM REDUX: ARRA's Potential to Help Arkansas Families in Financial Crisis

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Introduction

In 1996, President Bill Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act, ending welfare as we had then known it for several decades. The Act replaced the Aid to Families with Dependent Children (AFDC) program with an employment-oriented program with time limits for eligibility, known as the Transition Assistance for Needy Families (TANF) program. Arkansas created the Transitional Employment Assistance (TEA) program as a vehicle for providing federal TANF funds to families in need.ⁱ

From 1997 through 2008, the TEA caseload dropped 56 percent in Arkansas, even though the number of children and families in poverty rose during this same period.ⁱⁱ The latest financial crisis is likely to drive even more working families into poverty in Arkansas. Will TEA be able to provide help to those who lose their jobs? Can TEA provide support, such as child care, to help those who did find jobs to stay in the workplace? Thanks to the American Recovery and Reinvestment Act (ARRA)—as well as a \$64 million balance in the state's TANF funding—the answer should be yes.

ARRA: A Lifeboat for Families in Crisis?

The American Recovery and Reinvestment Act of 2009 (ARRA) provides an opportunity for Arkansas to strengthen its TANF program and meet the needs of poor working families and those who have lost their jobs.ⁱⁱⁱ First, ARRA created a new Emergency Contingency Fund that states can tap in 2009 and 2010 for the following uses:

- **Basic Assistance.** These cash grants sustain families as they are preparing for or seeking employment. In order to qualify for federal emergency funds in this category, a state's average monthly caseload in a quarter must exceed the caseload in the corresponding quarter of either the 2007 or 2008 federal fiscal year (FFY) (the base year is 2008 for Arkansas). States must meet that threshold each quarter in order to claim emergency funds for expenditures that exceed the level in the comparable quarter in the base year.
- **Non-Recurrent Short-Term Assistance.** These payments may be authorized to deal with a specific crisis situation or "episode of need," such as homelessness. The category does not include expenditures for supportive services, such as child care, or work activities. The state may claim emergency funds for expenditures that exceed the level in the designated base quarter.
- **Subsidized Employment Categories.** These payments are made to employers or third parties to help cover the cost of employee wages, benefits, supervision, or training. The state may claim emergency funds for expenditures that exceed the corresponding quarter of the designated base year.

States' base year can be either federal fiscal year 2007 or 2008, whichever had the lower caseload for the basic assistance program. For Arkansas, the base year is FFY 2008, when the monthly average caseload per quarter was 7,845, 7,514, 7,229, and 7,173 families, respectively. The base year for short-term assistance and subsidized employment will be the same.

For the first two quarters of FFY 2009, Arkansas's average monthly caseload was 7,480 and 7,374, respectively, which was below 2008 levels for the same period; therefore the state did not qualify for access to the Emergency Contingency Fund for the first half of this fiscal year. However, the monthly caseload for the current quarter seems to be stabilizing at around 7,300, and if the caseload rises above 7,229 and 7,173 in the third and fourth quarters, the state may qualify for the emergency fund in the second half of this year.

Arkansas could be eligible for more than \$22 million in stimulus money for TANF in 2009 and 2010

ARRA contains some important limits on the amount of Emergency Contingency Funds that the state can claim:

- The maximum amount that may be claimed is 80 percent of the increased spending above the comparable base year quarter in any of the three programs.

- The amount that can be claimed over the two years is capped at 50 percent of the State Family Assistance Grant for the base year. According to an Arkansas Department of Human Services (DHS) advisory issued on April 3, 2009, that cap will probably be \$28.3 million.
- The cap will include any funds that the state has claimed from the regular contingency fund, which is limited to 20 percent of the block grant each year. Arkansas has claimed \$6.2 million in FFY09 and similar amounts in the previous fiscal years. **Thus, the state could be eligible for more than \$22 million from ARRA in 2009 and 2010.**

Recession Leaves Many More Families in Need

The Department of Workforce Services (DWS), which now is in charge of administrating the state's TEA program, is apparently expecting a significant increase in TEA clients during this recession: although the average amount of basic assistance provided to families has not been increased, the FFY09 total estimate for cash grants to TEA clients is \$33 million, a 33 percent increase over FFY08. Table 1 shows DWS's expenditures by program for FFY06, FFY07, and FFY08, along with the budget for FFY09.

Table 1: Arkansas's TANF Budget, Fiscal Years 2006-2009

Programs	FFY06 Actual	FFY07 Actual	FFY08 Actual	FFY09 Estimate
Transitional Employment Assistance (cash grants)	\$25,674,019	\$27,701,735	\$24,196,619	\$33,008,625
Arkansas Work Pays	\$761,722	\$5,373,421	\$6,110,416	\$7,415,350
Mental Health & Substance Abuse	\$772,309	\$1,064,296	\$1,425,657	\$1,610,544
Community Investment Initiative	\$1,624,899	\$2,334,224	\$1,309,884	\$2,560,000
Child Welfare	\$8,376,669	\$8,167,722	\$11,032,668	\$11,373,159
Child Care	\$7,574,410	\$7,514,820	\$12,624,560	\$7,500,000
Programs for Low-Income Working Adults	\$5,520,979	\$10,086,103	\$11,906,400	\$13,073,131
General	\$6,418,243	\$7,222,825	\$7,150,968	\$9,848,479
TOTALS	\$56,723,250	\$69,465,146	\$75,757,172	\$86,389,288
Federal TANF Grant	\$62,691,165	\$62,921,165	\$62,921,233	\$62,921,233
Unobligated Balance Carried Forward into FFY (Surplus)	\$99,929,629	\$90,679,182	\$88,651,498	\$64,903,567

Source: June 2, 2009, report from the Assistant Director, Transitional Assistance for Needy Families, Arkansas Department of Workforce Services

Time to Tap the TEA Piggybank

As Table 1 illustrates, the state's TANF program has run huge balances for the past several years—money that could be going in the pockets of families most in need. The unobligated balance in the TANF account (the carry-over funds) totaled just over \$88 million as of June 30, 2008. The estimated carryover into FFY10 is \$64.9 million. Carry-over funds can be used for any permissible TANF expenditure, including supportive services, child care, and Work Pays bonuses. The budget for FFY10 plans to use about \$23.5 million of the carry-over funds for the basic program, but that still leaves over \$40 million not obligated. (That figure may be higher, as the caseload has not expanded to the level that the FFY09 budget anticipated.)

\$40 million in surplus TEA money could go to help families hurt by the recession.

The budget for 2010 shows DWS taking over the functions now performed by DHS on July 1, 2009, but that date is likely to slip into 2010, because DWS is still attempting to get its system up and running to take over the eligibility determinations and the basic grant payments. According to DWS officials, the planned budget for FFY10 will be very similar to the FFY09 budget, and no major changes to the program are planned. The TANF Grant will remain the same. As in FFY09, some of the unobligated carry-over balance (approximately \$23.5 million) will be used to balance the budget.

The Bottom Line

Over the past several years, the state's independent evaluations of the TEA program have documented the difficulty that the state has had in achieving the modest goals set for the program—even in a period of good economic conditions. Earnings enabled few who left TEA to become self-sufficient. In fact, inflation eliminated the growth in income for many who remained employed. Even then, almost 25 percent of those who left for employment returned to TEA within 18 months. Over 12 years after welfare reform, many lingering problems with the state's TEA program still need to be addressed.^{iv}

In the meantime, the state should still take maximum advantage of the money provided by the federal stimulus package to help as many Arkansas families as possible during the economic crisis. Although the state has not yet qualified for ARRA's Emergency Contingency Fund, it soon could qualify for as much as \$22 million, which can only be used for three programs: basic assistance, non-recurrent short-term assistance, and subsidized employment. ARRA also provides an opportunity for the state to use the carryover TANF funds from prior years for any permissible TANF spending, not just the three programs noted above.

Even without ARRA, the state could still use the unbudgeted carry-over funds of more than \$40 million to provide significant help to poor families over the next two years. Some examples:

- Increase the basic assistance grants to help counter the impact of gasoline prices and other inflationary factors. Even with the help of Medicaid and Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps), families on TEA basic assistance are well below the federal poverty level (\$22,050 for a family of four in 2009) and are struggling to survive.
- Examine the new families applying for the Supplemental Nutrition Assistance Program and determine if they might be eligible for TANF, thus making sure that no family is slipping through the cracks.
- Expand the subsidized employment program and provide employment and work experience to parents unable to find private-sector jobs during the recession.
- Transfer additional funds to the Child Care Development Block Grant (CCDBG). Although the CCDBG currently receives \$7.5 million from the TEA program, there are still more than 7,000 children on the waiting list for subsidized child care in Arkansas. In order for single parents to enter and remain in the workplace, having access to quality child care is especially important.
- Increase the bonus amounts under Work Pays. As the state's TEA evaluators found, the bonus amounts were not sufficient to lift the vast majority of the newly- employed families above the federal poverty level.
- Use the non-recurrent short-term benefits to help families avert eviction, pay a security deposit for an apartment, and pay past-due utility bills to prevent service termination. Stable housing is essential to steady employment.

RESOURCES

Kids Count Data Center:

For state- and county-level data on the number of children and adults in Arkansas receiving TEA/TANF since 1993, as well as other economic and social indicators, see AACF's online Kids Count Data Center: <http://datacenter.kidscount.org/ar>

AACF Publications:

“TEA: A Lifeline for Arkansas Children and Families in Poverty” (2009):

“Healthcare Experiences: Receiving and Leaving Welfare” (2003):

“The State of Working Arkansas” (2008):

http://www.aradvocates.org/_images/pdfs/SWAR%209-2-08%20FINAL.pdf

To learn more about how the economic stimulus package (ARRA) could affect children and families in Arkansas, see AACF's recent publications:

“American Recovery and Reinvestment Act: What’s in it for Arkansas Children and Families?” (Updated June 2009)

http://www.aradvocates.org/_images/pdfs/45--ARRA%20distribution%20in%20Ark.pdf

“Unemployment Insurance and ARRA: An Overdue Win for Arkansas Families” (June 2009)

http://www.aradvocates.org/_images/pdfs/UI%20and%20ARRA.pdf

“ARRA Funding for Education in Arkansas: A Jump Start for Moving From Adequacy to Excellence” (May 2009)

http://www.aradvocates.org/_images/pdfs/ARRA%20Funding%20for%20Education%20TM%206-2-09%20FINAL.pdf

“ARRA and Arkansas: Recommendations for Improving the Health of Children and Families” (May 2009)

http://www.aradvocates.org/_images/pdfs/ARRA%20and%20Health%20TM%206-2-09.pdf

ⁱ See Arkansas Advocates for Children and Families’ (AACF) *TEA: A Lifeline for Arkansas Children and Families in Poverty* (2009), for more background on TANF in Arkansas.

ⁱⁱ See AACF’s *The State of Working Arkansas* (2008).

ⁱⁱⁱ See AACF’s *The Economic Stimulus and the Arkansas Unemployment Insurance Program: An Early Win and Success Story for Arkansas Families?* (2009).

^{iv} *TEA: A Lifeline for Arkansas Children and Families in Poverty* (2009).