DRAFT

TANF Spending and Welfare-to-Work: The Facts
February 26, 1999

- **According to the most recent preliminary data, states have obligated (that is, have contracts or other binding plans for) between 80 and 85 percent of their FY 1998 TANF funds. The amount they have left, from their FY 1997 and 1998 grants, is between $3 and $3.5 billion, according to our latest preliminary figures.**

  Technical note: Unobligated balances are the best measure of unspent or surplus TANF dollars. Obligated dollars represent, for example, contracts that the state has entered into for TANF-related services or sub-grants made to county or local levels of government to run the TANF program. These dollars will be expended, generally within 12 months from when they were obligated. For example, by the end of the third quarter of FY 98 the states had obligated all but $500 million of their FY 97 Federal TANF funds and had expended 88% of the obligated dollars. The $7 billion figure represents cash balances (that is, TANF dollars on account at the Federal Treasury but not yet drawn down by the states), which can be misleading because many of these dollars have already been committed.

- **According to the same preliminary data, nineteen states have obligated all of their FY 98 TANF funds.**

- **HHS expects future data to show a substantial increase in state spending commitments**, for two reasons. First, states will have had the opportunity to appropriate these additional funds, which they did not initially plan for because they did not expect such large caseload declines. Second, state policy decisions made in early 1998 are now being implemented, resulting in additional expenditures. HHS expects states to leave some TANF funds unspent, leaving them in the Federal treasury for a "rainy day" when additional funds may be needed due to population increases or a recession.

  Background information: Legislators generally appropriated FY 98 TANF funds in the first half of calendar year 1998. Since then caseloads have dropped sharply, more than many states expected. The average monthly TANF caseload declined from 3.947 million in FY 1997 to 3.186 million in FY 1998, a drop of 19 percent.

  States anticipating a higher caseload may have budgeted relatively more for cash assistance and less for intensive work activities, transportation, post-employment supportive services and other uses of the flexible TANF dollars. Many of the state-level TANF agencies may not reprogram large amounts from one spending category to another without approval of their state legislatures. Large caseload declines would leave such states with significant unobligated balances of TANF funds.

- **States need to invest both the TANF and the Welfare-to-Work (WtW) resources in order to ensure that all welfare recipients, including those with the greatest barriers to employment, are able to move to self-sufficiency within the time limits.** States are finding that many of those families remaining on the rolls face barriers to employment such as low levels of education and skills, substance abuse problems, disability or the need to care for a family member with a disability. These barriers can require major investment to overcome – investment greater than the average TANF funding per recipient. WtW is the only program with funds dedicated to the hardest-to-serve welfare recipients.

  The WtW program can also provide wage subsidies and other direct job creation for those who have reached the TANF time limit but despite their best efforts have not found employment.

- **WtW resources can help those who are employed keep those jobs and find better ones.**

- **Welfare-to-Work funds can also be used to improve the employment rates and earnings of non-custodial parents of children on welfare.** Often under state law the noncustodial parents of children on welfare are ineligible for TANF, which usually focuses on the custodial parent. Many states would need to redefine, probably in statute, their definition of an eligible TANF family in order to serve noncustodial parents with TANF funds.

Temporary Assistance to Needy Families (TANF) Program														
FEDERAL AWARDS, TRANSFERS AND EXPENDITURES THROUGH 4TH QT. FY-1998														
Data reported by States														
in Column A on Form						4		Col. 11		Col. 12		Col. 13	SIGNIFICANT	
ACF-196 Line Items: 1/	1	2	TRANSFER AMT	3	TRANSFER AMT	AVAILABLE FOR	11	TOTAL EXP.	12	UNLIQUIDATED	13	UNOBLIGATED	UNOBLIGATED	
	TOTAL	TRANSFERRED	AS % OF Col. 1	TRANSFERRED	AS % OF Col. 1	TANF	TOTAL	AS % OF Col. 1	UNLIQUIDATED	AS % OF Col. 1	UNOBLIGATED	AS % OF Col. 1	BALANCES	
	AWARDED 1/	TO CCDF	TOTAL AWARD	TO SSBG	TOTAL AWARD	AFTER TRANSFERS	EXPENDITURES	TOTAL AWARD	OBLIGATIONS	TOTAL AWARD	BALANCE	TOTAL AWARD	IN 12 STATES	
Alabama	95,986,661			1,467,366	2%	94,519,295	57,141,861	60%		0%	37,377,861	39%		
Alaska	65,267,778	1,600,000	2%	3,216,300	5%	60,451,478	48,630,865	75%	11,820,613	18%		0%		
Arizona	226,398,173			22,639,800	10%	203,758,373	138,763,545	61%	30,835,219	14%	34,159,609	15%		
Arkansas	58,230,354					58,230,354	28,961,060	50%	29,269,294	50%		0%		
California	3,732,671,378	100,000,000	3%	183,000,000	5%	3,449,671,378	2,666,924,584	71%	782,746,794	21%		0%		
Colorado	139,324,514			2,152,087	2%	137,172,427	65,968,196	40%		0%	61,206,230	58%	61,206,230	CO
Connecticut	266,788,107			23,795,031	9%	242,993,076	242,993,076	91%		0%		0%		
Delaware	32,290,981			3,229,098	10%	29,061,883	28,078,933	87%	982,950	3%		0%		
District of Columbia	92,609,815					92,609,815	58,875,759	66%	6,328,026	7%	24,406,030	26%		
Florida	576,886,883	29,403,466	5%	57,688,688	10%	489,794,709	185,324,071	32%	51,548,488	9%	252,922,151	44%	252,922,151	FL
Georgia	339,720,207	19,152,486	6%	30,897,051	9%	289,670,671	222,742,599	66%	15,232,400	4%	51,695,673	15%		
Hawaii	98,904,768	7,400,000	7%			91,504,768	84,974,594	86%	429,294	0%	6,130,900	6%		
Idaho	32,780,444			3,278,000	10%	29,502,444	-	0%		0%	29,502,444	90%	29,502,444	ID
Illinois	585,056,960			58,500,000	10%	526,556,960	545,592,236	93%		0%		0%		
Indiana	206,799,109			6,000,000	3%	200,799,109	25,479,258	12%	175,319,851	85%		0%		
Iowa	131,524,959	1,214,089	1%	7,401,592	6%	122,909,278	87,649,764	67%	6,385,774	5%	28,873,740	22%		
Kansas	101,931,061	7,376,929	7%	10,193,106	10%	84,361,026	62,744,419	62%		0%	21,616,607	21%		
Kentucky	181,287,669	18,000,000	10%	9,200,000	5%	154,087,669	110,202,652	61%		0%	43,885,017	24%		
Louisiana	168,072,394					168,072,394	44,555,492	27%		0%	123,516,902	73%	123,516,902	LA
Maine	78,120,889	4,984,810	6%	2,500,000	3%	70,636,079	70,636,079	90%		0%		0%		
Maryland	229,098,032			22,909,803	10%	206,188,229	126,331,442	55%		0%	75,856,787	35%		
Massachusetts	459,371,116	79,253,383	17%	42,397,290	9%	337,720,443	309,370,824	67%	28,349,619	6%		0%		
Michigan	775,352,858	149,464,937	19%	72,787,007	9%	553,105,914	463,845,037	60%	14,122,039	2%	89,260,877	12%	89,260,877	MI
Minnesota	267,984,886	10,200,000	4%	100,000	0.04%	257,684,886	120,757,360	45%		0%	136,927,525	51%	136,927,526	MN
Mississippi	88,943,530					88,943,530	70,263,503	79%	16,504,075	19%		2%		
Missouri	217,051,740			21,705,174	10%	195,346,566	132,104,236	61%	63,242,330	29%		0%		
Montana	46,666,707					46,666,707	27,411,535	59%	19,255,172	41%		0%		
Nebraska	58,028,579					58,028,579	33,404,183	58%		0%	24,624,396	42%		
Nevada	44,875,852					44,875,852	38,832,249	82%	6,043,603	18%		0%		
New Hampshire	38,521,260					38,521,260	32,568,048	85%		0%	5,953,212	15%		
New Jersey	404,034,823	16,349,984	4%	40,403,482	10%	347,281,357	177,022,971	[illegible]		0%	170,258,386	42%	170,258,386	NJ
New Mexico	129,339,257	13,304,750	10%			116,034,507	80,223,092	62%	4,912,000	4%	30,899,415	24%		
New York	2,442,930,602	55,000,000	2%	221,000,000	9%	2,166,930,802	1,561,049,329	64%		0%	605,881,273	25%	505,881,273	NY
North Carolina	310,935,520	11,689,518	4%	970,581	0.3%	298,265,421	205,116,440	66%		0%	93,148,981	30%		
North Dakota	26,399,809					26,399,809	20,636,225	78%	5,763,584	22%		0%		
Ohio	727,968,260			72,796,826	10.0%	655,171,434	185,226,909	25%	469,944,525	65%		0%		
Oklahoma	147,842,004	5,606,134	4%	11,100,000	7.5%	131,135,870	20,897,391	14%		0%	110,238,480	75%	110,238,480	OK
Oregon	166,798,629					166,798,629	115,141,411	69%	51,657,218	31%		0%		
Pennsylvania	719,499,305			53,003,526	7%	666,495,779	383,571,355	53%	37,838,160	5%	245,036,264	34%	245,036,264	PA
Rhode Island	95,021,587					95,021,587	88,454,994	93%		0%	6,526,593	7%		
South Carolina	99,967,824			9,996,782	10%	89,971,042	66,160,116	66%		0%	23,810,926	24%		
South Dakota	21,313,413			2,131,341	10%	19,182,072	11,200,436	53%		0%	7,981,636	37%		
Tennessee	196,717,059	14,704,274	7%	909,900	0%	181,102,895	119,914,990	61%	12,921,983	7%	48,265,922	25%		
Texas	498,949,726	12,183,631	2%	23,105,516	5%	463,660,579	258,395,066	52%	205,265,513	41%		0%		
Utah	78,925,393			3,116,423	4%	75,808,970	62,758,539	79%		0%	13,050,431	17%		
Vermont	47,353,151	6,480,552	14%	4,735,318	10%	36,137,311	30,565,738	65%		0%	5,571,572	12%		
Virginia	158,285,172	23,742,776	15%	11,871,388	8%	122,671,008	90,325,355	57%	32,345,653	20%		0%		
Washington	404,331,754	28,973,849	7%			375,357,905	232,955,795	58%	949,341	0%	141,452,770	35%	141,452,770	WA
West Virginia	110,176,310	10,000,000	9%	7,400,000	7%	92,776,310	12,058,878	11%		0%	80,717,433	73%	80,717,433	WV
Wisconsin	317,505,180	26,021,418	8%	31,750,000	10%	259,733,762	63,655,599	20%	147,058,622	46%	49,019,541	15%		
Wyoming	21,538,089					21,538,089	161,402	1%	21,376,667	99%		0%		
Total	16,562,380,591	$652,117,005	4%	$1,079,343,476	7%	$14,830,920,110	$9,905,157,491	60%	$2,250,468,827	14%	$2,704,275,585	15%	$2,066,920,736	76%
Percentages 2/		4%		7%		90%	67%		15%		18%			

FACSIMILE TRANSMISSION

ADMINISTRATION FOR CHILDREN AND FAMILIES
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FROM: **Emil Parker**
DEPUTY ASSISTANT SECRETARY FOR POLICY & EXTERNAL AFFAIRS

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MESSAGE:

Attached are the TANF surplus talking points we've been using in the wtw reauthorization context plus the summary table showing the 4th quarter of (i.e., FY 97?) TANF spending numbers. We will probably release these numbers next week.

The key columns in the table are 13 and 14. The furthest column to the right shows that a few, mostly large, states account for the vast majority of TANF unobligated balances.

TANF and Welfare-to-Work Q&As
February 8, 1999

Q: Is The New York Times correct that there's $3 billion in unspent TANF money and, if so, why aren't states spending this money?

A: The most recent figures released by the Department of Health and Human Services show that by the 3rd quarter of FY 1998, states had obligated about three-quarters of TANF funds available to them in the October 1997-June 1998 period, leaving about $3 billion unobligated. Some of these unspent funds are to be expected and in fact welcomed, since they will provide "rainy day" funds in case of state population increases or recession. Moreover, HHS expects future data to show a substantial increase in state spending commitments because (1) state legislatures are now appropriating the additional, unexpected funds they received as a result of large caseload declines; and (2) states are now implementing policy decisions made in early 1998, which will result in additional expenditures. In fact, preliminary 4th quarter 1998 data show that nearly half the states have obligated all their 1998 TANF funds.

Q: Why is the Administration proposing more Welfare-to-Work (WtW) money if there's $3 billion in unspent TANF funds?

A: First, not all states have unspent TANF funds -- nearly half the states have spent all their FY 1998 TANF dollars, according to preliminary 4th quarter data reported to HHS from the states. And in every state, as was pointed out in the New York Times article, an even more intensive commitment of resources will be necessary in the coming years as the work requirements increase and those left on the rolls face the most serious barriers to employment. The WtW funds will not only help these individuals get their first job, but will help them keep that job or advance into a better job. The funds will also ensure that both parents contribute to their children's support, by focusing a minimum of $150 million on increasing the employment of low-income fathers so they can pay more child support.

There is a great need for these funds in high-poverty areas. In FY 1998, 44 states plus D.C., Guam, Puerto Rico, and the Virgin Islands claimed these federal funds and identified one dollar in state and local resources for every two dollars in federal resources. In addition, in FY 1998, the Department of Labor received approximately 1,400 applications totaling approximately $5 billion for WtW competitive grants funds, but only had sufficient funds to award $468 million to 126 grantees.

Q: Can't leftover TANF funds, rather than Welfare-to-Work funds, be used on welfare recipients with the greatest challenges?

A: First and most important, we do expect states to make full use of their TANF funds (or to make considered decisions to save these funds for a rainy day) as they put their welfare reform programs in full gear and appropriate unexpectedly large TANF payments. In addition, the Welfare-to-Work program has a number of characteristics that make it particularly well-suited to assisting the hardest-to-serve welfare population. For example, most WtW funds flow automatically through the states to communities with the greatest needs (those with highest poverty levels, most long-term welfare recipients, and highest unemployment). Similarly, WtW funds can be used to employ non-custodial parents of children on welfare, whereas many states could not use TANF monies for this purpose without extensive changes to a state's TANF plan. In addition, the WtW funds, because they are administered by local workforce boards, ensure the involvement of local communities and local businesses.

Q: How is the $3 billion reported by The New York Times different from the $7 billion surplus cited recently by several Republicans?

A: The $3 billion represents unobligated balances, after accounting for both state expenditures and state obligations, such as contracts with providers and funds passed to local governments. Obligated funds are generally expended within 12 months from the date of obligation. The $7 billion figure represents cash balances -- that is, TANF dollars on account at the Federal Treasury but not yet drawn down by the states. We believe this is not an appropriate measure to look at because many of these dollars have already been committed.

Q: Does the fact that six states turned down the WtW funds last year mean there is little interest in these resources?

A: No, we think the fact that 44 states plus D.C., Guam, Puerto Rico, and the Virgin Islands claimed these federal funds and identified one dollar in state and local resources for every two dollars in federal resources indicates substantial interest. In addition, in FY 1998, the Department of Labor received approximately 1,400 applications totaling approximately $5 billion for WtW competitive grants funds, but was only able to award $468 million to 126 grantees.

FAX COVER SHEET

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WASHINGTON, D.C. 20201

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HUMAN SERVICES
PHONE: (202) 690-6311 FAX: (202) 690-8425

DATE: 3-9-99

TO: Nicole Rabner

FAX: 456-2878

FROM: Amy Lockhart

PAGES (including cover): 5

Info on TANF expenditures

TANF Spending

March 5, 1999

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) provides states with broad flexibility to use TANF funds to provide assistance to needy families; promote job preparation, work and marriage in order to end dependence; reduce the incidence of out-of-wedlock births; and encourage the formation of two-parent families. States are beginning to transform their former AFDC programs and to use the new TANF funds to support innovative and creative efforts to meet these important new goals.

With the repeal of the AFDC entitlement to the states, PRWORA also allows states great flexibility in the timing of their TANF expenditures. Recognizing that caseloads -- and state expenditures -- may rise in times of economic downturn, states are allowed to defer some of their TANF block grants for a "rainy day." Similarly, they may carefully plan future investments for needy families and children.

For FY 1998, 84 percent of TANF funds have been obligated by the states. Nineteen states have obligated 100 percent their FY 98 TANF funds. These include large states such as California, Illinois and Texas, as well as Connecticut, Delaware, Oregon and Virginia. Obligated funds represent the best measure of TANF spending, since they include funds for which states have contracts or other binding plans, such as sub-grants to counties to run the TANF program. States are using TANF funds for a wide range of services to help an historic number of recipients move from welfare to work and they are beginning to address other difficult issues of dependency.

Some states have not obligated all of their TANF funds, leaving $2.7 billion in unobligated TANF funds for FY 1998. Fully allowed and anticipated by PRWORA, there are a variety of reasons for this. Some states have specifically set aside some of these funds for a "rainy day". (Any funds set aside for a rainy day remain in the federal treasury as unobligated funds.) Some states have experienced large caseload declines but require further state legislative action to reprogram funds from cash assistance to other investments to promote work and end dependency. Other states are just beginning innovative new efforts and plan to utilize these funds for these purposes.

Unobligated funds are not "surplus" funds and must remain available to address the goals of PRWORA. These funds are essential to the overall success of welfare reform. Many of the families remaining on welfare face substantial barriers to employment, such as low levels of education and skills, substance abuse and mental health problems, domestic violence issues, disability or the need to care for a family member with a disability. States anticipate that much greater investments will be required to successfully help such families gain work and self-sufficiency. The unobligated TANF funds - together with Welfare to Work funds - are crucial to such efforts.

States also face enormous demands for work supports for low income families - both families making the transition from welfare to work and families who have never been on welfare. As more and more families with infants and young children move into the workforce, the need -- and competition for -- help for all types of quality child care, especially infant care and care at non-traditional hours, continues to expand. Without assistance, a family earning $14,400 a year typically must spend 25% of its income for the care of a child under five. Yet in some states, child care assistance under TANF and the Child Care and Development Block Grant is limited to families making the transition from welfare to work. Low-income working families who have never been on welfare and are struggling to stay off welfare are too often denied desperately needed child care assistance.

Temporary Assistance to Needy Families (TANF) Program — Table A with % — DATA AS OF FEB. 5, 1999

FEDERAL AWARDS, TRANSFERS AND EXPENDITURES THROUGH 4TH QT. FY-1998

Data reported by States in Column A on Form ACF-196 Line Items: 1/	1 TOTAL AWARDED 1/	STATE'S GRANT AS % OF TOTAL GRANTS	2 TRANSFERRED TO CCDF	TRANSFER AMT AS % OF Col. 1 TOTAL AWARD	3 TRANSFERRED TO SSBG	TRANSFER AMT AS % OF Col. 1 TOTAL AWARD	11 TOTAL EXPENDITURES	Col. 11 TOTAL EXP. AS % OF Col. 1 TOTAL AWARD	12 UNLIQUIDATED OBLIGATIONS	Col. 12 UNLIQUIDATED AS % OF Col. 1 TOTAL AWARD	13 UNOBLIGATED BALANCE	Col. 13 UNOBLIGATED AS % OF Col. 1 TOTAL AWARD
Alabama	95,988,661	0.6%			1,467,368	2%	57,141,881	60%		0%	37,377,861	39%
Alaska	65,287,778	0.4%	1,600,000	2%	3,216,300	5%	48,630,865	75%	11,820,613	18%		0%
Arizona	226,396,173	1.4%			22,639,800	10%	138,763,545	61%	30,805,219	14%	34,189,609	15%
Arkansas	58,230,354	0.4%					28,981,060	50%	28,269,264	50%		0%
California	3,732,671,378	22.5%	100,000,000	3%	183,000,000	5%	2,668,924,584	71%	782,746,794	21%		0%
Colorado	139,324,514	0.8%			2,152,087	2%	55,968,198	40%		0%	81,206,230	58%
Connecticut	266,788,107	1.6%			23,795,031	9%	242,993,076	91%		0%		0%
Delaware	32,290,981	0.2%			3,729,098	10%	28,078,933	87%	982,950	3%		0%
District of Columbia	92,609,815	0.6%					59,875,759	65%	6,328,026	7%	24,406,030	26%
Florida	578,888,883	3.5%	29,403,488	5%	57,888,888	10%	185,324,071	32%	51,546,488	9%	252,922,151	44%
Georgia	339,720,207	2.1%	19,152,485	6%	30,897,051	9%	222,742,599	66%	15,232,400	4%	51,695,673	15%
Hawaii	98,904,788	0.6%	7,400,000	7%			84,974,594	86%	429,284	0%	6,100,900	6%
Idaho	32,780,444	0.2%			3,278,000	10%	-	0%		0%	29,502,444	90%
Illinois	585,056,860	3.5%			58,500,000	10%	545,592,236	93%		0%		0%
Indiana	206,799,109	1.2%			6,000,000	3%	25,479,258	12%	175,318,851	85%		0%
Iowa	131,524,959	0.8%	1,214,089	1%	7,401,592	6%	87,649,764	67%	8,385,774	5%	28,873,740	22%
Kansas	101,931,061	0.6%	7,378,922	7%	10,183,108	10%	62,744,419	62%		0%	21,616,607	21%
Kentucky	181,287,689	1.1%	18,000,000	10%	9,200,000	5%	110,202,652	61%		0%	43,885,017	24%
Louisiana	168,072,394	1.0%					44,555,492	27%		0%	123,516,902	73%
Maine	78,120,889	0.5%	4,984,810	6%	2,500,000	3%	70,636,079	90%		0%		0%
Maryland	229,098,032	1.4%			22,909,803	10%	126,331,442	55%		0%	79,856,787	35%
Massachusetts	459,371,118	2.6%	79,253,383	17%	42,397,290	9%	309,370,824	67%	28,349,619	6%		0%
Michigan	775,352,656	4.7%	149,464,937	19%	72,782,007	9%	463,845,037	60%	14,122,039	2%	89,260,877	12%
Minnesota	267,984,686	1.6%	10,200,000	4%	100,000	0.04%	120,757,360	45%		0%	136,927,526	51%
Mississippi	88,943,530	0.5%					70,263,503	79%	16,504,075	19%		0%
Missouri	217,061,740	1.3%			21,705,174	10%	132,104,236	61%	63,242,330	29%		0%
Montana	46,666,707	0.3%					27,411,535	59%	19,255,172	41%		0%
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Nevada	44,875,852	0.3%					36,832,249	82%	8,043,603	18%		0%
New Hampshire	38,521,260	0.2%					32,568,048	85%		0%	5,953,212	15%
New Jersey	404,034,823	2.4%	16,349,984	4%	40,403,482	10%	177,022,971	44%		0%	170,258,386	42%
New Mexico	129,339,257	0.8%	13,304,750	10%			80,223,092	62%	4,912,000	4%	30,899,415	24%
New York	2,442,930,602	14.7%	55,000,000	2%	221,000,000	9%	1,561,049,329	64%		0%	606,881,273	25%
North Carolina	310,936,520	1.9%	11,899,518	4%	970,581	0.3%	205,116,440	66%		0%	93,148,981	30%
North Dakota	26,399,809	0.2%					20,636,225	78%	5,763,584	22%		0%
Ohio	727,968,260	4.4%			72,796,826	10.0%	185,226,909	25%	469,944,525	65%		0%
Oklahoma	147,842,004	0.9%	5,606,134	4%	11,100,000	7.5%	20,897,391	14%		0%	110,238,480	75%
Oregon	166,798,629	1.0%					115,141,411	69%	51,657,218	31%		0%
Pennsylvania	719,499,305	4.3%			53,003,526	7%	383,571,356	53%	37,888,160	5%	245,036,264	34%
Rhode Island	95,021,587	0.6%					88,494,994	93%		0%	6,526,593	7%
South Carolina	99,967,624	0.6%			9,996,782	10%	66,160,116	66%		0%	23,810,926	24%
South Dakota	21,313,413	0.1%			2,131,341	10%	11,200,436	53%		0%	7,981,636	37%
Tennessee	196,717,069	1.2%	14,704,274	7%	909,900	0%	119,814,990	61%	12,921,963	7%	48,265,922	25%
Texas	498,949,726	3.0%	12,183,631	2%	23,105,516	5%	258,395,066	52%	205,265,513	41%		0%
Utah	78,925,393	0.5%			3,116,423	4%	62,258,539	79%		0%	13,550,431	17%
Vermont	47,363,181	0.3%	6,480,562	14%	4,735,318	10%	30,585,738	85%		0%	5,571,572	12%
Virginia	158,285,172	1.0%	23,742,776	15%	11,871,388	8%	90,325,355	57%	32,345,653	20%		0%
Washington	404,331,754	2.4%	28,973,849	7%			232,955,795	58%	949,341	0%	141,452,770	35%
West Virginia	110,176,310	0.7%	10,000,000	9%	7,400,000	7%	12,058,878	11%		0%	80,717,433	73%
Wisconsin	317,505,180	1.9%	26,021,418	8%	31,750,000	10%	63,656,599	20%	147,068,622	46%	49,019,541	15%
Wyoming	21,538,089	0.1%					161,402	1%	21,376,687	99%		0%
Total	$16,562,380,591	100%	$652,117,005	4%	$1,079,343,476	7%	$9,905,157,491	60%	$2,250,468,827	14%	$2,704,275,585	16%

GENERAL NOTES:

This table shows information exactly as reported by States in column A on the quarterly TANF report (Form no. ACF-196). States were required to submit this TANF financial data by 11/14/98.

Table A shows how States used Federal funds. Tables B and C show how States used their own funds in the TANF program.

FOOTNOTES:

1/ The amounts reported under this column are the grant awards the States received through the 4th quarter of FY-98

FY 1998 STATE SPENDING UNDER THE NEW WELFARE PROGRAM

__Overview:__ Fiscal Year 1998 was the first full year that all states implemented the new welfare program now called Temporary Assistance for Needy Families (TANF). States demonstrated remarkable progress in welfare reform during the year -- over 1.5 million families who were on welfare in 1997 were working in 1998, caseloads continued to decline at an unprecedented rate with 20 percent fewer recipients than in FY 1997, and all states subject to the overall work participation rate in FY 1997 met it. States also continued to make large investments in their work first welfare programs, spending or committing to spend 84 percent of their federal funds. Nineteen states spent 100 percent of their block grant. Although states can reserve funds from year to year without limitation (for example, states can save dollars for "rainy day funds"), when FY 1997 and 1998 funds are combined, states left only 10 percent of the federal block grant unspent.

In an effort to meet the critical need of quality, affordable child care for parents moving from welfare to work, states increased the transfer of TANF funds to the child care block grant. Even with the significant spending of both federal and state funds, however, states are facing the new challenges of reaching families with greater barriers to work and supporting families to remain in work.

FY 1998 Highlights

Maintenance of Effort. The new welfare reform law requires states to continue to spend state funds at a level equal to at least 80 percent of their FY 1994 levels. If states meet the minimum work participation rates, the law also allows them to reduce their minimum-spending requirement to 75 percent. In FY 1998, all states expended enough to meet the 75 percent maintenance of effort amount. Thirteen states reported state spending above 80 percent, with one state -- West Virginia -- exceeding 100 percent. Since states are not required to report any expenditures in excess of the maintenance of effort requirement, states may actually be spending more than reported.

Child Care. Child care continues to be a critical support for families moving from welfare to work. States made significant investments in child care in FY 1998, transferring a total of $652 million in TANF funds to the child care block grant, an over three-fold increase from FY 1997. States report they are committing over 99 percent of their child care block grant funds. In addition, states spent over $1 billion of their own funds on child care.

Work Activities, Cash Assistance, and Other Supports. States furthered the goal of the welfare law by making work first the priority for their programs. In FY 1998 states spent $1.2 billion in combined federal and state funds on work activities. States spent $6.8 billion, or 69 percent, of their FY 98 federal TANF funds on cash assistance and work-based assistance. (The work-based assistance in this category may include paychecks earned by TANF recipients in return for community service jobs or subsidized employment.) Additionally, states reported spending $1.1 billion in federal TANF funds and $1.3 billion in state maintenance of effort funds on other expenditures, which included fraud control programs, emergency assistance (e.g., one-time benefits to divert families from having to rely on welfare), staff training, domestic violence services, and child welfare programs.

Transferring TANF Funds. The new welfare law gives states the authority to transfer portions of their TANF grant to either the Child Care and Development Block Grant or the Social Services Block Grant. Thirty-nine states reported transferring funds in amounts ranging from 2 to 29 percent of their TANF grant. In total, $652 million or 4 percent of TANF funds were transferred to the child care block grant and $1.1 billion or 7 percent was transferred to the Social Services Block Grant.

Administrative Costs. States continue to invest in transforming their welfare offices into employment centers, and to expect more from their workforce as eligibility workers are trained as job counselors. In FY 1998, state administrative expenditures amounted to $913 million, or 9 percent of total federal TANF expenditures -- well below the TANF administrative cost limit of 15 percent.

Separate State Programs. In FY 1998, a fewer number of states -- 15 -- chose to fund programs with separate state funds than in FY 1997. Expenditures on separate programs represented less than four percent of total state spending. States with separate programs spent most of their separate state program funds -- 55 percent -- on cash and work-based assistance by providing support to primarily two-parent families, pregnant women, migrant seasonal workers, and qualified legal immigrants. Most of the remaining funds were spent on child care (35 percent) and non-direct services categorized as other expenditures.

Unobligated Balances. States can carry forward unobligated TANF funds for use in future years, for example to meet unanticipated needs or reserve dollars for "rainy day" funds. In FY 1998, states obligated $13.9 billion or 84 percent of the total federal funds. The remaining $2.7 billion in unobligated funds remain in the federal treasury, with no time limit, until states draw down the dollars.

XXX

TANF Spending

March 10, 1999

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) provides states with broad flexibility to use TANF funds to provide assistance to needy families; promote job preparation, work and marriage in order to end dependence; reduce the incidence of out-of-wedlock births; and encourage the formation of two-parent families. States are beginning to transform their former AFDC programs and to use the new TANF funds to support innovative and creative efforts to meet these important new goals.

With the repeal of the AFDC entitlement to the states, PRWORA also allows states great flexibility in the timing of their TANF expenditures. Recognizing that caseloads -- and state expenditures -- may rise in times of economic downturn, states are allowed to defer some of their TANF block grants for a "rainy day." Similarly, they may carefully plan future investments for needy families and children.

For FY 1997 and FY 1998 combined, 90 percent of TANF funds have been obligated by the states. Nineteen states have obligated 100 percent of their FY 98 TANF funds. These include large states such as California, Illinois and Texas, as well as Connecticut, Delaware, Oregon and Virginia. Obligated funds represent the best measure of TANF spending, since they include funds for which states have contracts or other binding plans, such as sub-grants to counties to run the TANF program. States are using TANF funds for a wide range of services to help an historic number of recipients move from welfare to work and they are beginning to address other difficult issues of dependency.

Some states have not obligated all of their TANF funds, leaving $2.7 billion in unobligated TANF funds for FY 1998. Fully allowed and anticipated by PRWORA, there are a variety of reasons for this. Some states have specifically set aside some of these funds for a "rainy day". (Any funds set aside for a rainy day remain in the federal treasury as unobligated funds.) Some states have experienced large caseload declines but require further state legislative action to reprogram funds from cash assistance to other investments to promote work and end dependency. Other states are just beginning innovative new efforts and plan to utilize these funds for these purposes.

Unobligated funds are not "surplus" funds and must remain available to address the goals of PRWORA. These funds are essential to the overall success of welfare reform. Many of the families remaining on welfare face substantial barriers to employment, such as low levels of education and skills, substance abuse and mental health problems, domestic violence issues, disability or the need to care for a family member with a disability. States anticipate that much greater investments will be required to successfully help such families gain work and self-sufficiency. The unobligated TANF funds - together with Welfare to Work funds - are crucial to such efforts.

States also face enormous demands for work supports for low income families - both families making the transition from welfare to work and families who have never been on welfare. As more and more families with infants and young children move into the workforce, the need -- and competition for -- help for all types of quality child care, especially infant care and care at non-traditional hours, continues to expand. Without assistance, a family earning $14,400 a year typically must spend 25% of its income for the care of a child under five. Yet in some states, child care assistance under TANF and the Child Care and Development Block Grant is limited to families making the transition from welfare to work. Low-income working families who have never been on welfare and are struggling to stay off welfare are too often denied desperately needed child care assistance.

Health Care Q&A's
March 22, 1999

Q: **HHS released guidance today clarifying that states must furnish Medicaid applications immediately upon request and process the applications without delay, even if they use joint applications for TANF and Medicaid. Why is this guidance necessary?**

A: This guidance is designed to ensure that statutory requirements are followed to ensure that former AFDC recipients and their children do not lose their Medicaid eligibility as they are moving from welfare to work. In passing welfare reform, the President insisted on maintaining the Medicaid entitlement; indeed, he vetoed two welfare bills that did not guarantee Medicaid coverage to all adults and children who were then eligible. The guidance that HHS is releasing today is just the latest of our efforts to ensure that, consistent with this longstanding policy, working families moving off cash assistance programs still get Medicaid benefits.

Q: **Wasn't the Administration investigating New York City for violating Federal rules about immediate processing of Medicaid applications? Is this guidance targeted at New York?**

HHS has been working with New York City for several months to ensure that its Medicaid program is serving all qualified applicants, as required by law. In late January, a New York district court issued a temporary restraining order against the city for failing to follow federal Medicaid enrollment requirements; this order requires the city to develop a plan for coming into compliance with current statute. HHS did not release this guidance, however, to respond specifically to the situation in New York. The Administration has long done everything it can to ensure that people moving from welfare to work retain their Medicaid benefits, and this guidance is another step in that effort.

Q: **Do you have reason to believe that welfare reform is in practice causing individuals to lose Medicaid benefits, even though the welfare law does not formally change the Medicaid entitlement?**

A: It is too early to tell whether welfare reform may have such indirect effects, but we are doing everything possible to ensure it does not. Again, the welfare reform law itself in no way changes the rules for Medicaid eligibility. And HHS is taking aggressive steps -- of which this guidance is just the latest -- to ensure that states and communities do not undermine the Medicaid entitlement in making implementation decisions on welfare. A remaining question is whether people who move from welfare to work simply fail to avail themselves of other, continuing benefits like Medicaid and food stamps. We are keeping a close eye on this question, and working with the states on a wide variety of outreach methods focused on this population.

Date: 03/17/99 Time: 01:53
WWith PM-Extra Welfare Cash

The amount of money, in millions of dollars, that each state has yet to spend of federal welfare money it received for fiscal years 1997 and 1998, combined.

The second column is how much each state would lose, in millions, under a Senate plan that calls for using $350 million in unspent welfare money to pay for an emergency spending bill.

State		
Ala.	37.4	4.3
Alaska	0	0
Ariz.	47.9	5.5
Ark.	0	0
Calif.	0	0
Colo.	81.2	9.3
Conn.	0	0
Del.	0	0
D.C.	35.1	4.0
Fla.	252.9	29.1
Ga.	51.7	5.9
Hawaii	6.9	0.8
Idaho	31.1	3.6
Ill.	0	0
Ind.	0	0
Iowa	28.9	3.3
Kan.	21.6	2.5
Ky.	44.9	5.2
La.	129.8	14.9
Maine	0	0
Md.	146.9	16.9
Mass.	0	0
Mich.	89.3	10.3
Minn.	136.9	15.8
Miss.	0	0
Mo.	0	0
Mont.	0	0
Neb.	36.7	4.2
Nev.	6.8	0.8
N.H.	6	0.7
N.J.	223.1	25.6
N.M.	55.2	6.4
N.Y.	689.1	79.3
N.C.	93.1	10.7
N.D.	2.3	0.3
Ohio	0	0
Okla.	110.2	12.7
Ore.	0	0
Pa.	245	28.2
R.I.	15.7	1.8
S.C.	34.7	4.0
S.D.	8	0.9
Tenn.	77	8.9
Texas	0	0
Utah	13.6	1.6
Vt.	11.1	1.3
Va.	0	0
Wash.	141.5	16.3

W.Va.	80.7	9.3
Wis.	49	5.6
Wyo.	0	0
U.S.	3,041.3	350.0

Source: Department of Health and Human Services

APNP-03-17-99 0212EST

Medicaid/TANF Q and As
Final--3/19/99

Q: What is the purpose of this guidebook?

A: As the cover letter says, our goal is to do everything possible to maximize both the number of people with health insurance and the number of people moving from welfare to work. The decoupling of Medicaid and TANF in the 1996 welfare reform law means that states need to pay careful attention to their eligibility and enrollment processes. It also provides a special opportunity for states to promote both Medicaid and CHIP as an independent support for low-income working families.

The guidebook released today is just the latest of our efforts to work with states to ensure that people moving off cash assistance programs, and working families who may not realize they are eligible for assistance, still get Medicaid benefits. The guidebook makes clear that states with a joint TANF-Medicaid application must furnish a Medicaid application upon request and may not impose a waiting period. States must also process Medicaid applications without delay.

HHS has repeatedly urged states in many different ways to pay attention to their eligibility and enrollment processes to ensure that those eligible for Medicaid - particularly children - are enrolled. In fact, all state Medicaid and TANF administrators received a letter in June of last year explaining actions states should take to ensure that all those eligible for Medicaid receive it - including making Medicaid and CHIP applications available at sites where TANF eligibility is evaluated, and where "diversionary" assistance is provided.

We will continue to work with states to identify model outreach strategies, program operations, coverage expansions and Medicaid policies designed to increase the number of people eligible for Medicaid who actually receive it.

Q: What are the current figures available for the number of Medicaid recipients nationwide? Are they declining?

A: The latest Medicaid enrollment figures, for 1997, show that there are 40.3 million Americans enrolled in Medicaid, down from 41.2 million enrolled in 1996. It is too early to say with confidence what has caused this decline, however. There are a number of factors, such as fewer people in poverty, lower rates of unemployment, and the rise in number of businesses offering health insurance to their employees that contribute to any change in enrollment numbers. It's also important to note that while Medicaid enrollment has declined since 1996, the number of people under the poverty level who are uninsured has not increased in that period.

[BACKGROUND: The overall enrollment figures are 41.4 million in 1995, 41.2 million in 1996, and 40.3 million in 1997. The number of children enrolled went from 20.4 million in 1995 to 20.5 million in 1996 to 19.6 million in 1997. In addition to adults and children receiving cash assistance, Medicaid also covers disabled individuals who receive SSI, low-income elderly Americans, low income parents who would have qualified for cash assistance under the rules in effect prior to the enactment of welfare reform; their children; other children of working parents who meet certain income guidelines; and some working adults in states that have received waivers to continue Medicaid eligibility to low-income working families.]

[BACKGROUND: The numbers shown in HCFA's Congressional Justification are in person years (or, average enrollment). The latest Medicaid enrollment figures in person years indicate that, on average in 1997, about 33 million Americans were enrolled in Medicaid, down from 33.2 million the year before. In FY 1997, there were 16.4 million children enrolled in Medicaid, down from about 16.9 million in 1996.]

Q: Wasn't the Administration investigating New York city for violating federal rules about immediate processing of Medicaid applications? What is the status of that investigation?

A: Beginning in July, HCFA began collecting information from city and state officials about Medicaid application procedures to ensure that New York City's Medicaid program was serving all qualified applicants, as required by law. In late January, a New York court issued a temporary restraining order against the city for failing to follow Medicaid enrollment requirements under law and regulation. The court required the city to submit a corrective action plan that includes procedure to address issues raised with the city's Medicaid enrollment process. That plan has now been submitted, and it is being reviewed by the court.

[BACKGROUND: The state of New York has asserted that they cannot provide any information to HCFA due to the court proceedings. HCFA is continuing to gather information from other sources. The plaintiff in the court case is the Legal Aid Society of New York.]

Q: What do you think of New York City's corrective action plan?

A: The court has not provided us with a copy of the plan and has not asked us for comment.

Q: Have there been similar violations in other states? Are you issuing the guidebook because you think this is a national problem?

A: We are certainly aware, as we say in the guidebook, that the de-linking of Medicaid and cash assistance creates both opportunities and challenges in the states. As we receive specific complaints, we will of course investigate them.

However, that is not the reason we released the guidebook. There is no evidence that this is a widespread problem. Our goal is to do everything possible to maximize both the number of people with health insurance and the number of people moving from welfare to work. State officials share those goals, and want to do the best job they can in administering TANF, Medicaid and CHIP.

In fact, significant resources exist for states to conduct Medicaid and CHIP outreach, including a $500 million Medicaid fund, enacted in the 1996 welfare law and aimed at outreach for children losing welfare; a provision in the CHIP law, allowing states to spend up to 10 percent of their CHIP allotment on administrative costs which can include outreach; and a provision in the welfare bill that allows states to use federal TANF funds and their state maintenance of effort funds for outreach and training activities for Medicaid and CHIP.

[BACKGROUND: Federal TANF funds can NOT be used for medical services or as Medicaid matching funds, however.]

Q: Why are the Medicaid rolls decreasing?

A: This is a complex question with no easy answer. A possible answer is that the improving economy has made it possible for many low income people enrolled in the Medicaid program to find jobs that offer health insurance benefits. Another answer is that individuals may not realize they are still eligible for the Medicaid program even if their income increases slightly.

Irrespective of these complicated questions, the Administration maintains its long-standing belief that the best approach is for states to move families from welfare to work, while preserving Medicaid eligibility and improving outreach strategies. The guidebook released on Monday is just the latest of our efforts to work with states to ensure that people moving off cash assistance programs, and working families who may not realize they are eligible for assistance, still get Medicaid benefits. The guidebook also makes clear that states' TANF-Medicaid application must furnish a Medicaid application upon request and may not impose a waiting period. States must also process Medicaid applications without delay.

Q: Isn't welfare reform responsible for the drop in Medicaid enrollment?

A: This Administration has demonstrated an unprecedented commitment to reducing the numbers of the uninsured and would not take any action that would reduce access to health insurance for low-income people. National welfare reform legislation was enacted in August 1996 and phased in by the states during 1997, so the numbers currently available say little about the effect of welfare reform on Medicaid coverage.

Beginning in 1993, President Clinton led the effort to reform welfare by granting waivers to 43 states allowing them to move families from welfare to work. In each waiver, the Administration insisted that states ensure continued Medicaid coverage for all eligible people at the same time they were promoting work. This reflected our commitment to expanding health coverage and our belief that health insurance is a crucial work support.

Consistent with this conviction, the President insisted that the welfare reform law guarantee Medicaid coverage to all adults and children who would have been eligible prior to the law's passage (except for those adults who refuse to meet their work obligations). Recently, the Department revised its regulations to help families work their way off welfare by permitting states to extend Medicaid to low income two-parent families even if the principal wage earner worked more than 100 hours per month.

The guidebook released Monday is just the latest of our efforts to work with states to ensure that people moving off cash assistance programs, and working families who may not realize they are eligible for assistance, still get Medicaid benefits. The guidebook also makes clear that states that use a joint TANF-Medicaid application must furnish a Medicaid application upon request and may not impose a waiting period before providing it. States must also process Medicaid applications without delay.

Again, the precise reason for declining Medicaid rolls is a complex question with no easy answer. A possible answer is that the improving economy has made it possible for many low income people enrolled in the Medicaid program to find jobs that offer health insurance benefits. Another answer is that individuals may not realize they are still eligible for the Medicaid program even if their income increases slightly.

Q: How is welfare reform going?

A: First, welfare reform has been successful in moving many families from welfare to work. Recent national data shows that the percentage of former welfare recipients who are working has tripled since 1992. An estimated 1.5 million people who were on welfare in 1997 were working in 1998, and all states met the first overall work participation rates required under the welfare reform law.

Second, we have learned a fair amount about the effects of welfare reform on employment and earnings, and the early news is very encouraging. Caseloads are down dramatically. The number of welfare recipients has dropped by more than 30 percent since August 1996, and the percentage of the U.S. population receiving assistance is the lowest since 1969.

Third, there has been NO race to the bottom in state welfare spending—states are spending more per recipient now than they did in 1994. In 1998, all states met the minimum spending requirements and 13 states exceeded them.

Fourth, a majority of states are increasing their earnings disregards. That means they're raising the amount of earnings that are not counted when determining a recipient's benefits. This will not only help pull families out of poverty, it will send the message to low wage earners that going to work is a better deal than staying home.

This is clearly not the end of welfare reform, it is only the beginning. That's why the President has spoken forcefully about the need for the business community to hire people coming off welfare. The 10,000 companies that have joined the Welfare to Work Partnership have hired 410,000 welfare recipients. The federal government has done its fair share too, hiring 10,000 welfare recipients. And that's why this Administration has challenged all Americans to help make this historic law work even better.

[BACKGROUND: In 1998, 225,000 legal immigrant children, elderly and disabled persons who were in the country as of enactment of the welfare reform law had their Food Stamp eligibility restored. In raw numbers, citizen households receiving welfare declined by 857,000 from 1994-1997, and immigrant households declined by only 249,000 according to CPS estimates.]

Q: What other steps are being taken to get Medicaid eligibles enrolled?

A: Many steps are being taken. The Administration is committed to improving awareness of both Medicaid and CHIP. For example, we recently announced the Insure Kids Now campaign, a toll-free number and media campaign to help families get access to both Medicaid and CHIP. Last year, we revised our regulations to permit states to extend Medicaid to low income two-parent working families even if the principal wage earner worked more than 100 hours per month. We've issued a guidebook on Monday to help state welfare, Medicaid, and CHIP directors find and use effective options to enroll more eligible people. And we are also working with states to identify model outreach strategies, program operations, coverage expansions and Medicaid policies. Louisiana, for example, is replacing its 14 page Medicaid application with a 2 page application for both Medicaid and its CHIP program.

The President's Fiscal Year 2000 budget outlines some additional initiatives that would improve Medicaid awareness and potentially enroll thousands more children in Medicaid as well as CHIP:

- HHS is proposing to broaden states' ability to use a special $500 million Medicaid fund, enacted in the 1996 welfare reform law and aimed at outreach for children losing welfare, to fund outreach to other children eligible for CHIP. [This is expected to increase Medicaid spending by $345 million over the next five years, including both administrative expenses and benefits.]

- The President's budget proposes allowing states to extend Medicaid to low-income children up to age 21 who were in foster care but who 'age out' of that system at age 18. This would help assure health care for this vulnerable population as they continue to prepare for adulthood, just as older children living in their own families can be covered under a parent's insurance policy. Each year, about 16,000 youths age out of foster care and 9,000 more leave the foster care system and run away.

- In addition, we are proposing to remove outreach costs from the 10 percent cap states have on administrative costs for the CHIP program. Instead, states could spend up to 3 percent of their total allotment on outreach. This initiative, which is scored at $875 million, would give states more flexibility in designing outreach campaigns to reach families.

Q: **In light of the Administration's commitment to maximizing health insurance coverage for low-income working families, why does your budget not include a proposal to remove the sunset on the transitional Medicaid benefit, which will expire at the end of FY 2001 under current law?**

A: The Administration has always supported health care coverage for families moving from welfare to work. That is why the budget includes two proposals to simplify and improve transitional Medicaid--it removes certain burdensome reporting requirements, and it encourages States to serve more low-income working families. Since transitional Medicaid is authorized throughout both the coming fiscal year and the fiscal year after that, the program does not need to be reauthorized at this point and is therefore not included in budget projections through FY2002-2004. We will continue our efforts to ensure that people making the transition from welfare to work have the necessary health care supports to keep them successfully on the job and off of welfare.

[BACKGROUND: The Administration has always supported health care coverage for families moving from welfare to work. The President's FY2000 budget baseline for Medicaid reflects the fact that the requirement for TMA expires on September 30, 2001 under current law. As a general matter, the budget projections 2001-2004 regarding Medicaid do not reflect potential legislative proposals. The FY2000 budget does include a proposal to remove burdensome reporting requirements that have posed an obstacle to families' participation in transitional Medicaid. The budget also includes a provision that states that extend Medicaid to individuals up to 185% of poverty have the option not to do TMA.]

Q: **Why aren't HCFA and ACF issuing guidance to states specifically about diversion programs in general or lump sum payment programs in particular?**

A: HHS has repeatedly urged states in many different ways to pay attention to their eligibility and enrollment processes to ensure that those eligible for Medicaid - particularly children - are enrolled. In fact, all state Medicaid and TANF administrators received a letter in June of last year explaining actions states should take to ensure that all those eligible for Medicaid receive it - including making Medicaid and CHIP applications available at sites where TANF eligibility is evaluated, and particularly where "diversionary" assistance is provided. The guidebook released Monday is just the latest of our efforts to work with states to ensure that people moving off cash assistance programs, and working families who may not realize they are eligible for assistance, still get Medicaid benefits. The guidebook also makes clear that states TANF-Medicaid application must furnish a Medicaid application upon request and may not impose a waiting period. States must also process Medicaid applications without delay.

Q: You've bragged about welfare caseload declines since 1994, but recent reports say the declines are disproportionately in the immigrant community. Isn't that a terrible consequence of your policies?

A: Not at all. Findings in the recent Urban Institute study are based on data that was collected prior to the implementation of welfare reform eligibility changes. The President has always been clear that welfare reform is about moving people who can work to work -- not punishing children and the elderly who are here legally. With the President's leadership, a significant number of legal immigrants who lost their benefits under the welfare reform act have already had their eligibility restored. As the report itself states, immigrants represented only 9 percent of households receiving welfare in 1994 -- most of the decline was not in the immigrant community. In his 2000 budget, the President has proposed to restore Medicaid and the Children's Health Insurance Program (CHIP) to legal immigrant children who have entered the country after the welfare law's enactment, and to restore Medicaid to pregnant women who enter the country after enactment.

Q: How can the Federal government ask States to do more work on Medicaid enrollment when the Administration has a proposal in place that will reduce the funds available for Medicaid?

A: With the repeal of the AFDC program and the enactment of TANF, states began to amend their public assistance cost allocation plans to charge activities to programs in the proportion to which the programs benefited from those activities, thereby increasing administrative costs for both Medicaid and Food Stamps. At the same time, these costs were already included in States' TANF block grants. The President's Budget proposes to reduce Medicaid administrative costs only to the extent that they would be increasing due to the changes in cost allocation plans - just as the Agriculture Research, Extension, and Education Reform Act reduced Food Stamps administrative costs last year. Unlike that Act, however, the Administration's proposal would allow States to use TANF funds to offset these cuts to the Medicaid program.

The Administration is committed to helping States to provide coverage to as many of the uninsured as possible. The President's Fiscal Year 2000 budget outlines some additional initiatives that would improve Medicaid awareness and potentially enroll thousands more children in Medicaid as well as CHIP. For example, HHS is proposing to broaden states' ability to use a special $500 million Medicaid fund, enacted in the 1996 welfare reform law and aimed at the costs incurred by states because of the decoupling of AFDC and Medicaid, including outreach costs. In addition, we are proposing to remove outreach costs from the 10 percent cap states have on administrative costs for the CHIP program. Instead, states could spend up to 3 percent of their total allotment on outreach. This initiative, which is scored at $875 million, would give states more flexibility in designing outreach campaigns to reach families.

Q: Does the Administration oppose efforts in Congress to reduce or redirect unused TANF funds?

A: Yes. The Administration strongly opposes these proposals because they will undermine the decisions already made by the states regarding how they plan to use their TANF funds. We encourage states to continue to invest in all families to enable them to succeed at work. This means both helping hard-to-serve recipients overcome the barriers that prevent them from working and helping working families to sustain and improve their employment so that they can support themselves and their children. Innovative investment of the unspent funds is essential to the success of welfare reform.

[BACKGROUND: The proposal in the Senate Appropriations Committee's version of the Emergency Supplemental Bill to redirect TANF funds has now been dropped. The most recent data reported by the states to the Department show that in FY 1998, states also continued to make large investments in their work first welfare programs, spending or committing to spend 84 percent of their federal funds. Nineteen states spent 100 percent of their block grant. Although states can reserve funds from year to year without limitation, when FY 1997 and 1998 funds are combined, states left only 10 percent of the federal block grant unspent. We expect future data to show a substantial increase in spending commitments because 1) states will have had the opportunity to appropriate these additional funds, which they did not initially plan for because they did not expect such large caseload declines; 2) state policy decisions made in early 1998 will now be implemented, resulting in additional expenditures. We also expect states to leave some TANF funds unspent, leaving them in the federal treasury for a "rainy day" when additional funds may be needed due to population increases or a regional recession.]

Q: What is HHS doing about the "public charge" issue and why?

A: First, HHS sent out letters to the states last year reminding them that there are only limited circumstances when personal information on benefit receipt can be released and repayment sought. The Medicaid and the previous AFDC laws are clear about this, and DHHS is committed to following the letter of the law. Additionally, the INS has informed its field offices that they may not condition a person's visa on repayment of past benefits.

Second, HHS has been working closely with the INS, State Department and other agencies to develop guidance that will clarify the meaning of public charge and the effect of enrollment in benefit programs, such as Medicaid and CHIP on immigrants. We are hopeful that guidance will be issued shortly.

We also note that the INS *has* confirmed through several letters that use of Medicaid and CHIP by the children of immigrants, both U.S. citizens and lawful permanent residents, will *not* have any effect on the child's public charge status or that of their immigrant family members. Nonetheless, we recognize that it is still critical to issue official guidance to settle the matter.

****Please note that within the next couple of weeks George Washington University will release a study on welfare diversion policies.**

Q: This study suggests that state welfare diversion policies like one-time cash assistance, mandatory job search, and encouraging alternative sources of support may have negative consequences for poor families -- and may especially be discouraging people from enrolling in Medicaid. Is this true, and how does the Administration feel about these efforts by the states?

A: Our goal is to continue to do everything possible to maximize both the number of individuals with health insurance and the number of people moving from welfare to work. Under the welfare reform bill, states have the flexibility to provide families with enough cash to solve an immediate problem and stay off welfare, or to require an up-front job search before cash assistance is provided. We believe these strategies can be effective.

As for the effect of diversion strategies on Medicaid, the report itself notes that the "de-linking"of Medicaid and cash assistance creates both opportunities and challenges in ensuring access to Medicaid. We agree. When families learn that they can receive Medicaid coverage without having to receive welfare, they may be less likely to turn to welfare in the first place, or to return to the welfare system if they have unmet health care needs. "De-linkage" also provides a special opportunity for states to promote both Medicaid and CHIP as an independent support for low-income working families.

The decoupling of Medicaid and TANF also means that states need to pay careful attention to their eligibility and enrollment processes. That's why we have worked with states to ensure that people moving off cash assistance programs, as well as low-income working families who may not realize they are eligible for assistance, get Medicaid benefits. We agree with the authors of this report that diversion problems can be averted if states adequately inform families of their ability to apply for Medicaid separately from cash assistance; put procedures in place to be sure Medicaid applications are processed promptly; and exercise new options under the law to make more working families eligible for Medicaid.

HHS has repeatedly urged states in many different ways to pay attention to their eligibility and enrollment processes to ensure that those eligible for Medicaid - particularly children -- are enrolled. In fact, all state Medicaid and TANF administrators received a letter in June of last year explaining actions states should take to ensure that all those eligible for Medicaid receive it - including making Medicaid and CHIP applications available at sites where TANF eligibility is evaluated, and where "diversionary" assistance is provided.

The guidebook released on Monday is just the latest of our efforts to work with states to ensure that people moving off cash assistance programs, and working families who may not realize they are eligible for assistance, still get Medicaid benefits. The guidebook also makes clear that states TANF-Medicaid application must furnish a Medicaid application upon request and may not impose a waiting period. States must also process Medicaid applications without delay.

We will continue to work with states to identify model outreach strategies, program operations, coverage expansions and Medicaid policies designed to increase the number of people eligible for Medicaid who actually receive it.

[BACKGROUND: Beginning in 1993, President Clinton led the effort to reform welfare by granting waivers to 43 states allowing them to move families from welfare to work. In each waiver, the Administration insisted that states ensure continued Medicaid coverage for all eligible people at the same time they were promoting work. This reflected our commitment to expanding health coverage and our belief that health insurance is a crucial work support. Consistent with this conviction, the President insisted that the welfare reform law guarantee Medicaid coverage to all adults and children who would have been eligible prior to the law's passage (except for those adults who refuse to meet their work obligations).]

Talking Points—Medicaid/TANF
Final—3/19/99 4:10 PM

- As the cover letter says, our goal is to do everything possible to maximize both the number of people with health insurance and the number of people moving from welfare to work. The decoupling of Medicaid and TANF in the 1996 welfare reform law means that states need to pay careful attention to their eligibility and enrollment processes. It also provides a special opportunity for states to promote both Medicaid and CHIP as an independent support for low-income working families.

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