

**USE OF FEDERAL TEMPORARY
ASSISTANCE FOR NEEDY FAMILIES
FUNDS IN NEBRASKA**

Prepared for LR 167 Interim Study

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TANF Report

Temporary Assistance for Needy Families (TANF) is a federal block grant program to states for time-limited and work-conditioned income maintenance assistance and other support services for low-income families with children. In Nebraska, TANF block grants are used for cash assistance, employment-related services, child care, child welfare, and administrative costs. Nebraska receives approximately \$56.6 million each year in TANF Block Grants. States are allowed to carryover unspent funding for subsequent years. The carryover funds may be used for any allowable TANF purpose. The carryover balances are referred to as Rainy Day funds.

Legislation is often introduced with the intent to use the “Rainy Day” funds. This report is to assist senators in understanding the federal requirements and the flexibility allowed for the use of the TANF funds to better assess uses of the fund when proposed.

Background

In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). The federal Aid to Families with Dependent Children Program changed from a federal/state match program to a block grant. The change to a block grant gave states greater flexibility in designing programs and providing services, but also came with new requirements and a major focus on work requirements and incentives for those receiving assistance.

Federal Requirements

All uses of TANF funds must meet one of four purposes:

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

Although four purposes are broad in nature and allow states great flexibility in designing programs and delivering services, there are also specific requirements that states must meet to continue to receive their full block grant allotment.

In order to maintain the block grant funding, the state must meet certain other financial and programmatic requirements.

State may be penalized for the following:

- Use of the funds in violation of the purposes
- Failure to meet the Maintenance of Effort (MOE)
- Failure to satisfy minimum work participation rates
- Failure to participate in the Income and Eligibility Verification System
- Failure to enforce penalties requested by the child support agency
- Failure to comply with the five-year time limit on assistance

Maintenance of Effort

Nebraska receives approximately \$56.6 million a year. The state is required to meet maintenance of effort (MOE) which is based on 1995 spending levels for cash assistance and work programs. To meet the MOE obligation, a state must report spending an amount equal to at least 80% of its historical spending level; this minimum share falls to 75% for any year in which a state meets its TANF work participation rate requirement. In Nebraska the MOE is approximately \$28.4 million. The state must meet all federal requirements or may be subjected to penalties of a reduction of \$1 for every \$1 below the required MOE.

The chart below shows the expenditures used for the MOE from FFY20 to FFY222:

MOE Programs	FFY2020	FFY2021	FFY2022
Basic Assistance	10,069,466	6,063,139	4,843,588
Work Activities	5,914	7,455	5,949
Child Care	4,002,989	6,498,998	6,498,998
Earned Income Tax Credit	29,018,861	26,771,871	31,265,223
Child Care Tax Credit	3,453,140	2,350,584	5,407,917
Emergency Assistance	31,015	293	-
Services for Children and Youth	365,093	363,629	278,869
Total	46,946,478	42,055,969	48,300,544
HHS Programs	14,474,477	12,933,514	11,627,404
Tax Credits	32,472,001	29,122,455	36,673,140

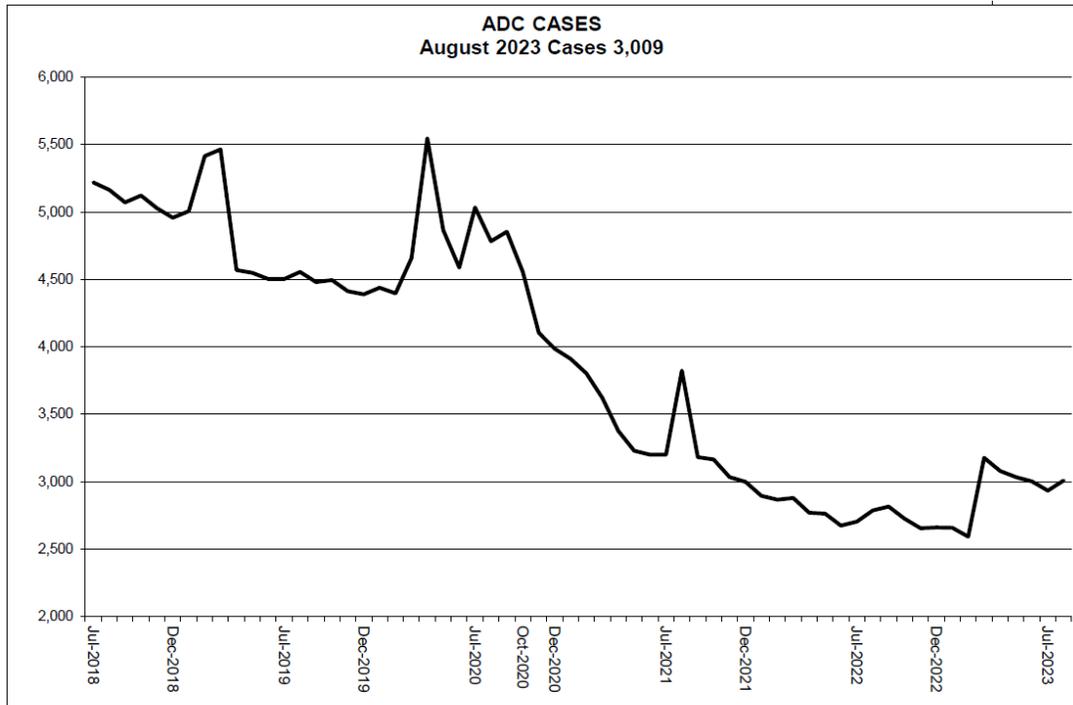
During the three federal fiscal years, the Earned Income Tax Credit (EITC) and the child care tax credit were 69%, 69%, and 76% of the MOE. State expenditures in Department of Health and Human Services (DHHS) programs alone do not meet the MOE.

Aid to Dependent Children

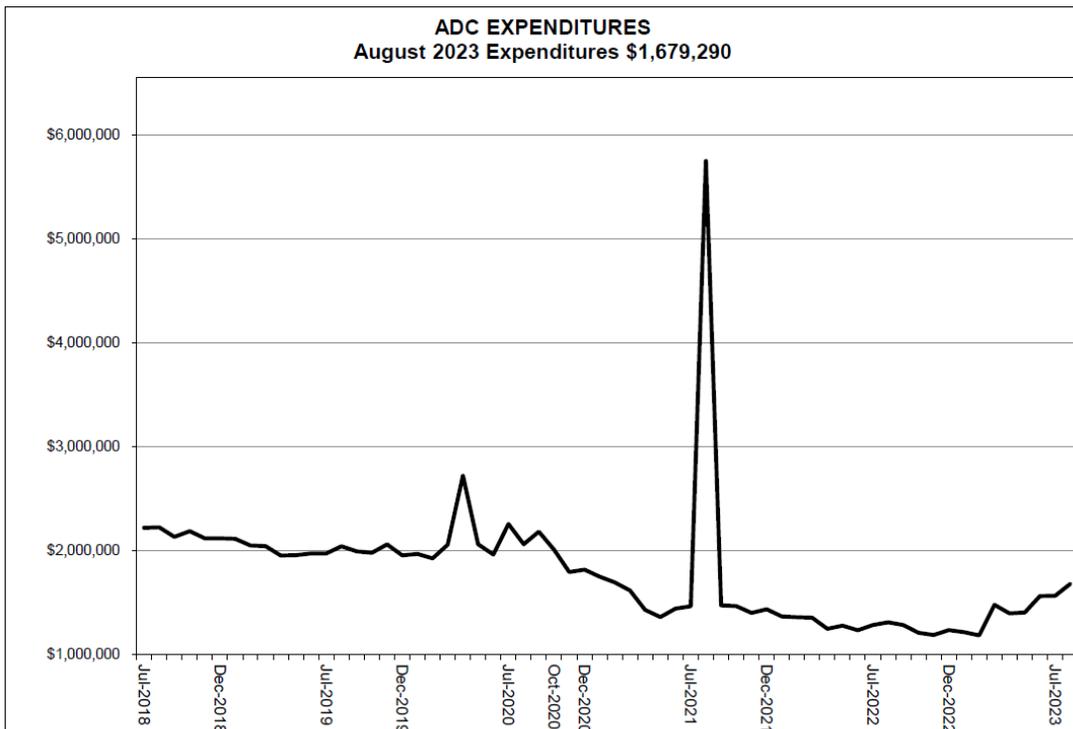
Aid to Dependent Children (ADC) is a TANF funded program that provides temporary direct cash assistance to low-income families with children 18 or younger. ADC families where the parent(s) are capable of attaining independence are limited to receiving 60 months of cash assistance in a lifetime. All ADC adults who are able must participate in the Employment First program. ADC income is used to pay for family living expenses like rent, utilities, food, clothing, and other necessities.

The calculation of ADC payments by DHHS is restricted based on Nebraska Revised Statutes § 43-512 and 43-513. These statutes define the Standard of Need for ADC recipients and restrict the monthly payment amount to 55% of such standard. The Standard of Need is adjusted based on the rate of growth of the Consumer Price Index for the previous calendar years. As of July 1, 2023 the Standard of Need is \$843 for a two-person family and \$160 for each additional person in the family unit. In order to qualify for ADC payments, the family unit's income must be below the Standard of Need for their unit size. Based on the current restriction of payments to 55% of the Standard of Need, the current maximum monthly payment is \$464 for a family of two. For a family of four, the Standard of Need is \$1,163 and the maximum monthly payment is \$640. If a family unit's income increases above the Standard of Need but below 185% of the federal poverty level for their unit size, the family remains eligible for five months of transitional ADC grants.

As wages rise due to economic factors including increases to the minimum wage in the state and low unemployment, the number of families that qualify for ADC and total direct cash assistance expenditures will decrease without a corresponding increase in eligibility. Though the Standard of Need increases every other year based on inflation, additional factors in Nebraska's economy have led fewer families qualifying for direct cash assistance. The following charts created by DHHS Financial and Program Analysis unit show this trend:



*Large increase in ADC for April 2020 due to COVID-19



*Large increase in ADC for April 2020 due to COVID-19

Separate State Programs and Solely State Programs

There are two categories of programs not allowed to be paid from TANF funds, the Separate State Program and the Solely State Program. The Separate State Program counts toward meeting the state's MOE but participants are not counted in the state's work requirements. Solely State Program expenditures do not count toward the state's MOE and the participants are not counted toward the work requirements. The programs are paid from General Funds.

Separate State Programs

Nebraska has two Separate State Programs for ADC recipients. The first exempts single- and minor parents from work requirements if they meet the following criteria: 1) pregnant women beginning the first of the month before the month of the mother's due date are exempt. 2) parents or needy caretaker relatives, guardians, or conservators of children under 12 weeks old. The second program allows parents to pursue post-secondary education in lieu of work. Post-secondary education is not allowed to count towards meeting the federal work requirements.

Solely State Programs

In Nebraska those exempt from the work requirements and federal time limits under the Solely State Program are those where the adult or minor parent is incapacitated with a medically determinable physical, mental or emotional impairment or those who have significant barriers to participation in approved work activities. Those barriers include a parent who is needed to provide continuous care for a family member with a disability; victims of domestic violence, single parents who are unable to obtain child care, and parents over age 65.

Work Requirements

The states' work participation rates are 50% overall and 90% for two-parent families. States can reduce the targets through caseload reduction credits. For every percentage point the state reduces its caseload below the FY 2005 level, the credit reduces the States target participation rate by one percentage point. Excess MOE spending serves as a caseload credit reduction. Nebraska has claimed child welfare funds, tribal TANF, respite care expenditures, the Earned Income Tax Credit and early childhood grants in the excess MOE calculation.

Failure to meet the work participation rates would result in penalties. The first year a penalty is assessed, the block grant is reduced by 5% (approximately \$2.9 million in Nebraska) and by an additional 2% (approximately \$1.2 million in Nebraska) for each subsequent year of non-compliance. The state's MOE would increase by the percentage decline in the block grant.

In FFY 2006, the state barely met the work participation rate, placing the block grant funding at risk. Excess MOE has helped to eliminate the likelihood of a penalty being assessed against the state, especially the Earned Income Tax Credit which provides the majority of the offset to the work participation rates.

Allowable Transfers

Federal law allows transfers of the TANF Block Grant of up to 30% to the Child Care and Development Block Grant (\$16,988,170) and up to 10% to the Title XX Social Services Block Grant (\$5,662,726). The combined amount cannot exceed 30% of the grant (\$16,988,170).

Programs Supported by TANF

Administration: Funds are used for staff and overhead expenses for administering assistance programs including iServe, formerly ACCESSNebraska, and related admin expenses based on a cost allocation plan. Administrative costs are capped at 15% of the block grant.

Child Care: Assistance is available at no cost to families receiving ADC cash assistance or those whose gross income and unearned income is at or below 100% of the Federal Poverty Level (FPL). Families whose incomes are above the current income standard for the full child care subsidy may be eligible for a partial subsidy if their gross earned and unearned income is at or below 185% of FPL. On October 1, 2025, the income limit reverts to 130% of FPL. The time-limited increase in income was contained in LB 485 (2021 Session) to utilize the increase in the federal child care funding in the American Rescue Plan Act (ARPA). Eligible families cannot be required to pay more than 20% of their gross income towards the cost of child care. Families must show a need for child care for job search, employment, education, training purposes, incapacitation of the parent, or in order to obtain medical care.

Information Systems: Funds support information systems used for eligibility, client activities, and payment processing. Information systems costs are not included in the 15% admin cap.

Aid to Dependent Children (ADC): provides cash assistance as part of the TANF program to low-income families with children 18 or younger. ADC income is used to pay for family living expenses like rent, utilities, food, clothing, and other necessities.

Child Welfare: TANF funds help provide an array of safety and in-home services to families whose children have been determined to be unsafe in their family homes or to the community. Eligibility is based on a family's eligibility for ADC, SNAP, or Medicaid. The target population is: children ages 0 through 18 involved in a proceeding in the juvenile court system and placed in the custody of DHHS for reasons of abuse, neglect, status offense or delinquency; as well as families who are not involved in court proceedings, but who agree to participate in safety services. The following services are provided: in-home safety services, intensive family preservation services, family support services, family peer support and respite services.

Employment First (EF): TANF supports EF which provides supportive programming for people to help transition from temporary Aid to Dependent Children cash assistance into the workforce. There are 23 EF offices serving all 93 Nebraska Counties.

Home Visitations: This program supports pregnant and parenting families of children ages 0 through 5 who may struggle with significant life stressors such as poverty, exposure to violence or substance abuse, parenting teens or military families. Families must be at or below 250% of federal poverty limit to qualify for home visitation services.

Family Focused Case Management: Intensive case management coordinating economic assistance and child welfare services to identify barriers and help clients reach self-sufficiency.

Child Care Fingerprinting: The cost of fingerprinting for all child care providers, staff, and required household members was covered through September 30, 2023.

Supplemental Nutrition Assistance Program (SNAP) Training and Employment: A partnership with Department of Labor, SNAP recipients in certain areas of the state who are

not receiving ADC or Employment First benefits are eligible for work preparation training such as job search, on-the-job training, and services like transportation and clothing for interviews.

Emergency Assistance: One-time financial assistance to low-income families for emergency situations that threaten the well-being of and eligible child or family. The assistance must be used to help return a family to a stable environment which they will be able to maintain.

Alternative Response: This is an approach to working with families with allegations of abuse or neglect in order to safely care for children in their own homes and communities. DHHS connects families with services and informal supports to keep children safe and in their homes.

Fatherhood Initiative: This project serves Nebraska fathers who want to better connected to or re-engaged with their children and learn how to be better parents. The Fatherhood Initiative staff of case managers, supervisors, trainers and employment specialist assist fathers in their efforts to overcome struggles and improve their lives for the overall betterment of the family.

Jobs for America's Graduates (JAG) Program: Affiliated with the national organization, JAG collaborates with United Way and participating school districts. JAG Nebraska helps students overcome challenges to achieve personal and career success after high school. Certified career specialists teach a minimum of 37 skills during regular classroom hours to students interested in participating. The JAG curriculum prepares students for future job success.

Programs the Legislature designated TANF funding be used on beginning in SFY24/FFY24:

Child Advocacy Centers (CACs): CACs provide a comprehensive and multi-disciplinary approach to serving child victims of abuse and are obligated to provide services based on Neb. Rev. Stat. § 28-728. Based on precedent set by other states, CACs in Nebraska are to receive \$8 million in TANF funds annually beginning in FY24. Of the \$8 million total, \$7.5 million is for activities of CACs including forensic interviewing, medical evaluations, advocacy and support, therapeutic intervention, case review and tracking. The remaining \$500,000 is for admin. of the funding including development of a distribution formula and fulfilling reporting requirements.

Domestic Violence Services: Based on precedent set by other states, domestic violence services are to receive \$3 million in TANF funds annually beginning in FY24.

Emergency Food Assistance: The Legislature included a one-time \$10 million obligation of TANF funds for a grant program to support Emergency Food Assistance in FY24. This program was inspired by a similar program that utilized ARPA dollars.

Funding history

The following charts shows actual TANF expenditures from FFY18 to FFY23:

TANF Grant Spending by Federal Fiscal Year	FFY18 Actuals	FFY19 Actuals	FFY20 Actuals	FFY21 Actuals	FFY22 Actuals	FFY23 Actuals
TANF Administration	\$ 3,525,246	\$ 3,294,010	\$ 3,099,547	\$ 2,123,095	\$ 2,314,392	\$ 3,650,129
TANF Child Care	\$ 11,368,264	\$ 14,044,384	\$ 2,315,760	\$ 3,739,478	\$ -	\$ 17,494,128
TANF Information Systems	\$ 214,232	\$ 242,540	\$ 244,760	\$ 217,788	\$ 199,033	\$ 273,209
TANF Cash Assistance [ADC]	\$ 19,027,589	\$ 17,820,799	\$ 18,215,229	\$ 15,564,210	\$ 11,313,076	\$ 13,332,713
TANF Pandemic COVID FY20	\$ -	\$ -	\$ -	\$ 124,888	\$ -	\$ -
TANF Child Welfare Services	\$ 4,174,113	\$ 4,901,257	\$ 6,087,158	\$ 6,338,066	\$ 3,982,966	\$ 6,882,449
TANF Work Activities [Employment First]	\$ 8,846,828	\$ 8,821,492	\$ 12,176,694	\$ 9,523,720	\$ 7,409,096	\$ 11,552,838
TANF Home Visitations	\$ -	\$ -	\$ 294,858	\$ 1,506,606	\$ 1,038,154	\$ 1,858,937
TANF Subsidized Employment [Ended]	\$ 450,249	\$ -	\$ -	\$ -	\$ -	\$ -
TANF Family Focused Case Management	\$ 126,972	\$ 56,587	\$ 57,792	\$ 61,987	\$ 55,329	\$ 70,095
TANF SSBG Mommy & Me	\$ 134,115	\$ 471,608	\$ 428,785	\$ 630,532	\$ 835,074	\$ 807,375
TANF SSBG Community Response	\$ -	\$ -	\$ -	\$ 473,920	\$ 997,338	\$ 1,704,392
TANF SSBG Child Care Fingerprinting [one-time]	\$ -	\$ -	\$ 3,674		\$ -	\$ -
TANF SNAP Employment and Training		\$ -	\$ 16,161	\$ 35,365	\$ 687	\$ -
TANF Emergency Assistance		\$ -	\$ 58,859	\$ 42,284	\$ 40,176	\$ 118,362
TANF Supportive Svs & Work Support for Child Welfare/AR		\$ -	\$ 13,029	\$ 12,863	\$ 44,109	\$ 72,809
TANF Fatherhood Initiative		\$ -	\$ -	\$ 361,289	\$ 1,490,707	\$ 1,343,853
TANF Crisis Pregnancy Program		\$ -	\$ -	\$ -	\$ 1,093,993	\$ 1,737,772
TANF Jag Program		\$ -	\$ 100,557	\$ 374,975	\$ 443,494	\$ 1,466,822
TOTAL	\$ 47,867,609	\$ 49,652,677	\$ 43,112,863	\$ 41,131,067	\$ 31,257,625	\$ 62,365,884

The following chart shows estimated TANF expenditures for FFY24 to FFY29

Existing Programs	FFY2024	FFY2025	FFY2026	FFY2027	FFY2028	FFY2029
TANF Administration	\$ 4,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
TANF Child Care	\$ 12,788,170	\$ 12,788,170	\$ 12,788,170	\$ 12,788,170	\$ 12,788,170	\$ 12,788,170
TANF Information Systems	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
TANF Cash Assistance [ADC]	\$ 16,406,300	\$ 16,406,300	\$ 17,203,580	\$ 17,203,580	\$ 18,000,860	\$ 18,000,860
TANF Child Welfare Services	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000
TANF Work Activities [Employment First]	\$ 9,300,000	\$ 9,300,000	\$ 9,300,000	\$ 9,300,000	\$ 9,300,000	\$ 9,300,000
TANF Home Visiting Program	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
TANF SSBG Mommy & Me Program	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
TANF SSBG Community Response Program	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000
TANF SNAP Employment and Training	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
TANF Emergency Assistance	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
TANF Supportive Services/AR	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
TANF Fatherhood Initiative	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
TANF Crisis Pregnancy Program	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
TANF JAG Program	\$ 2,900,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Total	\$ 63,344,470	\$ 67,444,470	\$ 68,241,750	\$ 68,241,750	\$ 69,039,030	\$ 69,039,030
Pending Federal Approval	FFY2024	FFY2025	FFY2026	FFY2027	FFY2028	FFY2029
Food Programs	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -
Child Advocacy Centers	\$ 4,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
CASA	\$ 125,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Pregnant Youth - Cedars	\$ 500,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Domestic Violence	\$ 2,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Total	\$ 11,625,000	\$ 17,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000
Future New Programs	FFY2024	FFY2025	FFY2026	FFY2027	FFY2028	FFY2029
Re-Imagine Child Welfare		\$ 3,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Total	\$ -	\$ 3,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Existing & Future Expansion Programs	FFY2024	FFY2025	FFY2026	FFY2027	FFY2028	FFY2029
Total	\$ 74,969,470	\$ 87,694,470	\$ 86,491,750	\$ 86,491,750	\$ 87,289,030	\$ 87,289,030

Rainy Day Funding

States may carry over the unused TANF balance for use in future years. The carry-over funds are also referred to as Rainy Day funds. Nebraska has had a carry-over balance since the start of the TANF Block Grant. When TANF was established, Congress used the base year of 1994 to determine grant amounts, a year when public assistance caseloads nationwide were at an all-time high. Caseloads have declined over time; cash assistance covered approx. 15,000 families in 1994 and as of August 2023, 3,009 families received cash assistance.

As of September 30, 2023 the balance of carry-over funds in Nebraska is \$125.9 million. Originally, carry-over funds were restricted to use on direct assistance only. This restriction was lifted in 2010 allowing carry-over funds to be used on any allowable TANF activity. A benefit of having carry-over funding is the ability to continue TANF funded programs at their current levels in the case of modifications to the TANF grant at the Federal level or if the Federal government shuts down and funding is delayed or halted. The following chart shows annual TANF balance projections as prepared by DHHS:

NEBRASKA TANF Block Grant Balances NEBRASKA	
Good Life. Great Mission. FFY 2024 - 2030 Estimated Expenditures Good Life. Great Mission.	
DEPT. OF HEALTH AND HUMAN SERVICES	
Total Available TANF Grant as of Sept 30, 2023	\$ 125,896,578.00
FFY 24 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(74,969,470)
Unobligated Reserves	\$ 125,896,578
FFY25 TANF Balance - Sept 30, 2024	\$ 107,554,342
FFY 25 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(87,694,470)
Unobligated Reserves	\$ 107,554,342
FFY26 TANF Balance - Sept 30, 2025	\$ 76,487,106
FFY 26 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(86,491,750)
Unobligated Reserves	\$ 76,487,106
FFY27 TANF Balance - Sept 30, 2026	\$ 46,622,590
FFY 27 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(86,491,750)
Unobligated Reserves	\$ 46,622,590
FFY28 TANF Balance - Sept 30, 2027	\$ 16,758,074
FFY 28 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(87,289,030)
Unobligated Reserves	\$ 16,758,074
FFY29 TANF Balance - Sept 30, 2028	\$ (13,903,722)
FFY 29 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(87,289,030)
Unobligated Reserves	\$ (13,903,722)
FFY30 TANF Balance - Sept 30, 2029	\$ (44,565,518)
FFY 30 TANF Grant Award	\$ 56,627,234
Estimated Expenditures	(87,289,030)
Unobligated Reserves	\$ (44,565,518)
FFY31 TANF Balance - Sept 30, 2030	\$ (75,227,314)