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Thoughtful Analysis...Responsible Policy

New Proposed State Fund Cuts Could Cost Georgia Millions in Federal Funds

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Summary

Proposed state fund cuts for the Department of Human Services current budget and FY 2012 budget could prevent Georgia from meeting its state maintenance of effort (MOE) requirements for Temporary Assistance for Needy Families (TANF) and the Older Americans Act (OAA) and cost the state millions in federal funds. Table I shows estimates of TANF MOE deficits at proposed DHS Budget cut levels.

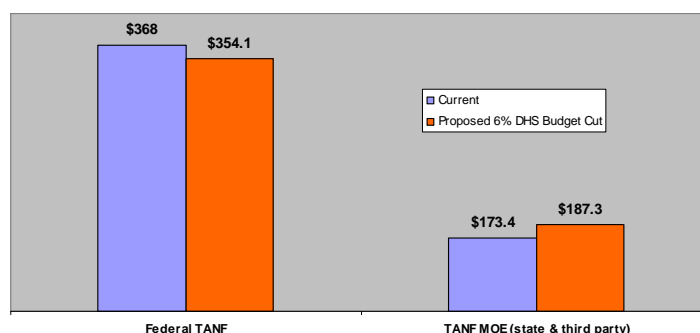
Table I **TANF MOE at Risk**

Proposed Cut	Estimated TANF MOE Deficit
4 percent	\$11.1 million
6 percent	\$13.9 million
8 percent	\$15 million

Source: DHS Board Meeting, August 18, 2010

As early as federal fiscal year 2012, Georgia's TANF federal funds could be reduced and the state could be required to raise more MOE. A 6 percent budget cut that produces an estimated \$13.9 million TANF MOE deficit could decrease federal TANF funds to \$354.1 million and increase TANF MOE to \$187.3 million. Georgia's total state and federal TANF funds would remain \$541.4 million. Nearly one-third of Georgia's TANF MOE comes from third party funds, and DHS is trying to increase that percentage as state fund investment in TANF decreases.¹

Figure 1 **Consequences of Unmet FY 2012 TANF MOE**



Source: DHS Board Meeting, August 18, 2010

Any new cuts in the amended FY2011 budget or the FY 2012 budget to state or local funds, beyond the 4 percent cut in FY 2011, could risk noncompliance with the Older Americans Act. The consequence could be an estimated \$6 dollar loss in federal funds for every \$1 of unmet MOE.

Policymakers should seek revenue solutions that provide state funds to meet MOE to maintain federal funds that help families build economic security and promote senior independence in their communities.

THOUGHTFUL ANALYSIS...RESPONSIBLE POLICY

Maintenance of Effort

Federal funds provided to the states can include an annual cost-sharing requirement, referred to as maintenance of effort (MOE). Each state must spend a certain minimum amount of state funds (or third party funds) each year in order to receive the federal funds and to avoid financial penalties. The Georgia Department of Human Services (DHS) has stated that proposed budget cuts for FY 2012 at the 4 percent to 10 percent level will “place MOE at risk.”² This brief explores DHS MOE requirements at risk and consequences of falling short.

Temporary Assistance for Needy Families

The federal Temporary Assistance for Needy Families (TANF) block grant includes a MOE requirement. Each state must spend an amount equal to at least 80 percent (75 percent if the state meets work participation requirements) of what the state spent on Aid to Families with Dependent Children and related programs in 1994.

Georgia’s federal TANF block grant is \$368 million with a minimum TANF MOE of \$173.4 million annually (at the 75 percent level). This grant is administered by DHS.

In general, a state must spend TANF MOE on activities that serve eligible low-income families with children and satisfy one of the four broad purposes of TANF.³ A state may also include administrative costs for allowable purposes (not to exceed 15 percent).⁴ For FY 2011, which began on July 1, 2010, Georgia is spending TANF MOE in a variety of programs, such as Child Welfare Services, Child Care Services, and After School Care.

A state may **not** count toward TANF MOE: federal funds, state funds spent within Medicaid, state funds spent to receive federal funds under a different program, or expenditures from a prior fiscal year.⁵

Penalties for Noncompliance – A double whammy

A state that fails to meet its MOE requirement will face a double penalty:

1. Reduced TANF federal grant in the subsequent year on a dollar-for-dollar basis equal to the amount of the unmet TANF MOE.⁶
2. Increased TANF MOE requirement for the subsequent year on a dollar-for-dollar basis equal to the amount of the unmet TANF MOE.⁷

“Our cut proposals ...place MOE at risk, affect service delivery and may impact front line employee staffing.”

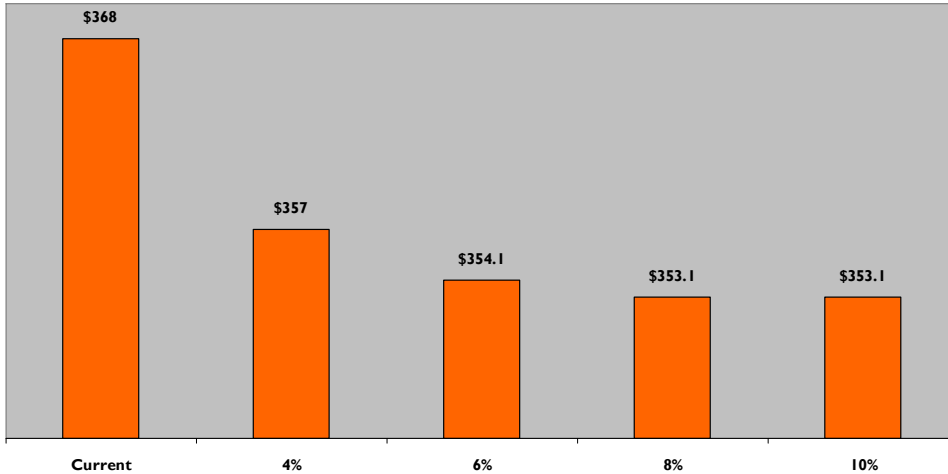
DHS Board Meeting, August 18, 2010

A state cannot avoid a penalty by demonstrating reasonable cause and there is no corrective compliance opportunity for a state that does not meet its required TANF MOE.⁸

For Georgia, proposed DHS budget cuts ranging from 4 percent to 10 percent in state FY 2011 (July 1, 2010 – June 30, 2011) and FY 2012 would reduce funding available for Georgia to meet its TANF MOE requirement. This could reduce Georgia’s annual federal TANF grant as early

as federal fiscal year 2012 (October 1, 2012 – September 30, 2013)⁹ from its current level of \$368 million to a low of \$353.1 million (a nearly \$15 million reduction). See Figure 2 for the reduced annual grant at each proposed budget cut percentage.

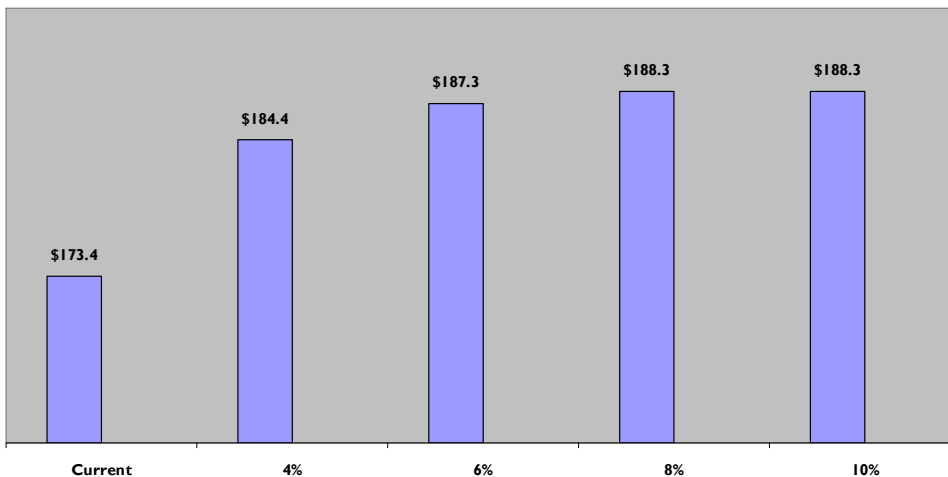
Figure 2 Proposed Budget Cuts will Reduce Federal TANF Block Grant



Source: DHS Board Meeting, August 18, 2010

A TANF MOE deficit for Georgia would also increase the TANF MOE requirement in the subsequent year from the current requirement of \$173.4 million to a high of \$188.3 million. See Figure 3 for the increased TANF MOE requirement at each proposed budget cut percentage.

Figure 3 Proposed Budget Cuts will Increase TANF MOE Requirement



Source: DHS Board Meeting, August 18, 2010

State Investment in TANF Decreasing

Nearly one-third of Georgia's TANF MOE is coming from third party funds, and DHS is trying to increase that percentage as state fund investment in TANF decreases.¹⁰

Table 2 **TANF MOE Estimates from Third Party Funds**

	FY2012 TANF MOE Estimates
After School Service Providers	\$28 million
Atlanta Community Food Bank	\$24.1 million
Child Support "gap payments"	\$3.2 million
SUBTOTAL	\$55.3 million

Source: DHS Board Meeting, August 18, 2010

After school providers receive \$14 million federal TANF funding and in exchange demonstrate a \$28 million match in private funds that is counted as TANF MOE. Similarly, the Atlanta Community Food Bank receives \$6 million in federal TANF funds and in exchange demonstrates a \$24.1 million match that is counted as TANF MOE. The Atlanta Community Food Bank uses the funding to purchase and distribute nutritious foods for current TANF clients, to TANF clients who are in the 12-month transitional stage of TANF and to Georgia families who are at risk of becoming TANF eligible.¹¹

Child support gap payments received by TANF clients are counted toward TANF MOE. For example, if the Division of Child Support Services collects \$300 from a non-custodial parent, and if those payments relate to a custodial parent receiving TANF cash assistance in the amount of \$280, the gap payment is \$20. The custodial parent receives the gap payment but it is counted as TANF MOE.¹²

DHS is in the process of identifying additional private funds that are already being spent on TANF-eligible Georgians from after school service providers, foster care services (e.g. group homes) and community-based organizations to count as TANF MOE.¹³ If successful, this strategy would increase the third party fund component of TANF MOE from 32 percent to 40 percent.

Federal Funds for Georgia Seniors at Risk with Any Further Cuts

TANF funds are not the only federal funds at risk if Georgia does not meet its MOE requirements. Federal funding for senior nutrition and support services could be at risk with any further budget cuts.

For FY 2011, Georgia will meet the Older Americans Act MOE with the minimum required state and local funds. Georgia fell to this minimum level after Governor Perdue requested an additional 4 percent cut in state funds in August, 2010, which cut Alzheimer respite services (\$225,000), Center for the Visually Impaired (\$177,859), and non-Medicaid Home and Community Based respite services (\$1.4 million).¹⁴ Note, MOE for Long-Term Care Ombudsmen is currently met with Civil Monetary Penalties and therefore excluded from this analysis.

For FY 2012, assuming state and local funding remain level, Georgia would be at the minimum OAA MOE requirement. **Any new cuts in FY 2012 to state or local funds, beyond the 4 percent cut in FY 2011, could risk noncompliance with the Older Americans Act.**

Table 3 **OAA at Minimum Levels**

	FY2011	Projected FY2012
OAA State & Local Fund Budget	\$ 19,927,099 ¹⁵	\$ 19,927,099 ¹⁶
OAA Required MOE	\$ 19,933,040	\$ 19,922,534 ¹⁷
Projected OAA MOE Deficit	-\$5,941	\$4,565

Source: DHS Department of Aging Services, November, 2010 and Author Calculation for FY 2012 Estimates

The purpose of the Older Americans Act (OAA) is to help seniors maintain maximum independence in their homes and communities by providing appropriate support services and promoting a continuum of care. In general, Title III OAA federal funding is provided to the states according to a population-based formula.¹⁸ States can use these federal funds for access to services (e.g., transportation), nutrition (i.e., congregate and home-delivered meals), home and community based care (e.g., family caregiver supports), and elder rights (e.g., legal assistance).¹⁹ In turn, states must meet an MOE requirement that is equal to the average of state and local funds spent in the past three fiscal years on services and administration described in the State plan.²⁰

Since OAA was enacted in 1965, no state has ever been penalized for not meeting their MOE requirement. Will Georgia be the first? The penalty for noncompliance could be:

- A reduction in Georgia’s OAA federal funds for supportive and nutrition services by the equal percentage Georgia failed to expend. For example, one percent MOE deficit would result in one percent of federal funds being withheld in the subsequent federal fiscal year. Match requirements on OAA funds are generally 85 percent federal to 15 percent state and local government. For each \$1 MOE deficit, \$6 federal funds would be withheld.
- Georgia could also face a stiffer penalty for which the state would lose all federal funds for the supportive and nutrition services OAA programs.

Other areas within DHS, such as Child Support Services, also face negative consequences if the state does not meet the minimum requirement for state fund participation in their budgets.

- DHS Budget Office

Policy Implications

According to the Georgia State University Fiscal Research Center, Georgia is facing a FY 2012 structural deficit of between \$1.8 billion and \$2.0 billion.²¹ State policy makers should take an approach to solving the fiscal crisis over the next two years that includes revenue increases in addition to targeted budget cuts.

Solving the crisis with cuts alone could cause Georgia to have MOE deficits for Temporary Assistance for Needy Families and the Older Americans Act, which would put millions of federal funds at risk that help families build economic security and promote senior independence in their communities.

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Endnotes

¹ Ibid.

² Unless otherwise noted, Georgia TANF data for the brief is from the Department of Human Services Board Meeting, August 18, 2010. The presentation includes the DHS budget proposal for FY 2011 Amended and FY 2012. Available at http://dhr.georgia.gov/DHR/DHR_CommonFiles/DHS%20Board%20Presentation%20August%202010%20081910_Final.pdf

³ The four purposes of TANF outlined in The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 include, (1) Provide assistance to needy families so that children can be cared for in their own homes or homes of relatives. (2) End TANF dependency by promoting job preparation, work, and marriage. (3) Prevent out-of-wedlock pregnancies. (4) Encourage the formation and maintenance of two-parent families.

MOE funds may be spent in a state's TANF program or in separate state programs. MOE funds that are spent in separate state programs (that receive no federal TANF funds), are not subject to federal work participation rates, time limit restrictions, or child support reporting requirements, though states can impose their own requirements on participants in separate state programs.

⁴ 42 U.S.C. §609(a)(7)(B)(i); 45 C.F.R. §263.2. (64 Fed. Reg. 17720, April 12, 1999).

⁵ The Child Care Development Block Grant is an exception to counting federal funds toward TANF MOE. For instance, a state may count toward TANF MOE its expenditures for child care that also satisfy the MOE or matching requirements of CCDBG, but only up to the CCDBG MOE level. 42 U.S.C. §609(a)(7)(B)(iv); 45 C.F.R. §263.6.

⁶ 42 U.S.C. §609(a)(7)(A); 45 C.F.R. §263.8(a).

⁷ 42 U.S.C. §609(a)(12); 45 C.F.R. §264.50.

⁸ See 42 U.S.C. §609(b),(c); 45 CFR §263.9.

⁹ E-mail from DHS Budget Office on November 18, 2010.

¹⁰ Ibid.

¹¹ E-mail from Atlanta Community Food Bank on November 22, 2010.

¹² E-mail from DHS Budget Office on November 18, 2010.

¹³ Ibid and DHS TANF MOE presentation at the December 15, 2010 DHS Board Meeting.

¹⁴ Based on MOE Projected Compliance for FY 2011, prepared by DAS July 21, 2010.

¹⁵ Takes into account 4 percent withheld starting August 1, 2010.

¹⁶ Author assumes state and local government OAA funding will remain level in FY 2012 (at the FY 2011 level include 4 percent hold back).

¹⁷ Author calculation assumes three-year average calculated with FY 2009 (\$20,278,482), FY 2010 (\$19,556,070), and estimate FY 2011 (19,933,040, the required MOE for FY 2011).

¹⁸ Except for family caregiver support services, each state receives Title III allotments for services proportionate to its population age 60 and over, compared with the total U.S. population age 60 and over. Family caregiver support program funds are allotted based on states' proportionate population age 70 and over. States allocate Older Americans Act funds to area agencies on aging based on a state-determined formula, which is generally a combination of population factors such as age, income, and racial or ethnic status of the older population throughout the planning and service areas of the state.

http://www.aoa.gov/AoARoot/Press_Room/News/2008/Policy_Report_on_the_Aging_Network_2008.pdf

¹⁹ Phone conversation with Georgia Division of Aging Services, November 29, 2010.

²⁰ http://www.aoa.gov/AoARoot/AoA_Programs/OAA/resources/doc/title_III_regs_for_sessions_1321.pdf

²¹ Bourdeaux, Carolyn and Sjoquist, David, "Estimating Georgia's Structural Deficit," Georgia State University Andrew Young School of Policy Studies Fiscal Research Center, Report Number 209, July, 2010.