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| LOCAL COMMISSIONERS MEMORANDUM |
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Transmittal No: 99 LCM-14

Date: July 14, 1999

Division: Budget, Finance and
Data Management

TO: Local District Commissioners

SUBJECT: Temporary Assistance to Needy Families Maintenance of Effort

ATTACHMENTS: List of MOE Countable Expenditures (Available On-Line)
Helping Families Achieve Self-Sufficiency (Not Available
On-line)

The purpose of this Local Commissioner's Memorandum is to notify local social services districts that there is a potential that New York State may be in jeopardy of not meeting the Federally mandated Maintenance of Effort for the Temporary Assistance to Needy Families (TANF) Block Grant for the 1999 Federal Fiscal Year (October 1998 - September 1999) if reimbursement at 50% Federal share for most expenditures continues to be paid. New York State must achieve MOE compliance by September 30, 1999. As a result local districts will see a reduction in Federal Financial Participation in order to ensure sufficient State/local spending to guarantee New York State meets its Federal MOE requirement.

Background:

Under the TANF legislation, States are required to spend 75% of a State's historic expenditures if work participation rates are met, or 80% of historic expenditures if work participation rates are not met. Based on recent trends and participation data, we assume the State will meet its participation rate, and therefore we budget to meet the 75% MOE goal. Historic expenditures were based on FFY 1994. The federally mandated MOE was calculated using the State/local share of Statewide expenditures for ADC, EAF, ADC related child care, transitional child care, At Risk Child Care and JOBS, including any adjustments as a result of audit initiatives. With the continuing decline in the Family Assistance caseload, the first two quarters of expenditures for FFY 99 may put the State in jeopardy of not

meeting its MOE. Based on these data, the impact of the Department of Health and Human Services requiring a benefiting cost allocation approach for administrative costs, and other factors, current projections are that the initial MOE shortfall could be \$150 million Statewide.

Should the State not meet its MOE, the State will lose TANF funding, dollar for dollar, for the amount of MOE deficiency, and will be required to use State and local funds to replace the lost federal funding. In addition, our TANF grant will be reduced by the amount of our entire \$90 million Welfare-to-Work block grant, and we are also required to use State-local funds to replace that lost federal funding. If we do not meet both the FFY 1999 and 2000 MOE levels, an additional 2% penalty (\$49 million) is assessed against the entire TANF block grant in FFY 2000.

Action

To ensure New York State meets its federally mandated MOE, Federal TANF advances will be reduced by \$50 million each month for the July-September 1999 time period. The corresponding State share advance will be increased by 50% of the federal advance reduction, since the MOE deficit under the State's Welfare Reform legislation is shared 50% State/50% local. The State will continue to monitor the MOE levels each quarter as we submit the quarterly TANF financial report, and as supplemental claims are received, adjust FFP if/when MOE compliance is achieved. In order to meet the federal MOE, a reduction of FFP below 50% for Family Assistance related care and assistance costs may also be necessary when RF Claim settlements are completed.

In order to maximize claiming of expenditures against the MOE, local districts should ensure that claims for expenditures are submitted timely.

Expenditures for eligible families that qualify toward MOE include: cash assistance, child care assistance with certain restrictions, education activities designed to increase self-sufficiency, job training and work, and administrative costs subject to a 15% cap. A sample listing of such expenditures is attached, as well as a recent document produced by DHHS on TANF Funding. Local districts are urged to review all potential local expenditures that could qualify for MOE and to contact the individuals listed below to discuss any locally identified initiatives. In addition, as a reminder, please remember that local funds used to match other Federal Program Funds will probably not qualify for MOE.

Additional Information

New York State has joined litigation with other States to dispute the change in cost allocation methodology to a benefiting approach and not allowing those dollars allocated to Food Stamps to count toward federal MOE. The State will continue to review current State and local spending, and to the maximum extent possible, will use it to reduce the amount of the MOE shortfall.

Date: July 14, 1999

Trans. No. 99 INF-14

Page No. 3

A State/Local Workgroup is being formed to review MOE issues and develop alternatives for meeting MOE requirements. The Workgroup will be chaired by OTDA and include representatives from the Governor's Office, the Division of the Budget, other State agencies, and local districts. Further information on the workgroup will be forthcoming in the near future.

Any questions concerning this LCM should be directed to: (Regions I-IV) Roland Levie 1-800-343-8859 extension 4-7549 and (Region V) Marvin Gold (212) 383-1733.

Philip Maher
Assistant Commissioner
Office of Budget, Finance
and Data Management

EXPENDITURES THAT COUNT TOWARD MOE

States may contribute MOE funds to programs and activities that are either:

- Part of the TANF program; or
- Outside the TANF program.

Those outside of TANF are "Separate State programs."

TANF Programs

- Family Assistance (including child support pass-through)
- EAF (except no MOE for juvenile justice and effective 10/99 no MOE for foster care)
- Child Care (up to the amount spent in the base year)
- Administration (up to 15%)
- Safety Net FFP

Potential Separate State Programs

- Safety Net for former Family Assistance Recipients who exceed the 5 Year Time Limit
- Safety Net for Aliens who lost Eligibility Solely Due to PRWORA (reporting may be a problem)