



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCY
LANSING



NANNETTE M. BOWLER
DIRECTOR

The Honorable Bill Hardiman, Chair
Senate Appropriations Subcommittee on FIA
Michigan State Senate
State Capitol
Lansing, Michigan 48933

The Honorable Jerry Kooiman, Chair
House Appropriations Subcommittee on FIA
Michigan House of Representatives
State Capitol
Lansing, MI 48933

Dear Senator Hardiman and Representative Kooiman:

Section 218(1) of 2002 Public Act No. 529 requires the Family Independence Agency to report twice a year on the status of Temporary Assistance for Needy Families (TANF) federal block grant. Our first report for Fiscal Year 2003 is attached.

The attached report shows Michigan's projected TANF utilization and state spending countable against the TANF maintenance of effort (MOE). While FIA is the single state agency responsible for this federal block grant, TANF revenues are budgeted in other state agencies as well. For Fiscal Year 2003, TANF revenues are appropriated to the Department of Career Development, the Department of Community Health and the Supreme Court. TANF revenues are also drawn down to support other state agencies through operation of the Statewide Cost Allocation Plan.

The amounts shown in this report are based on the assumption that all State agencies with TANF revenues in their budget will spend exactly the gross amounts appropriated for Fiscal Year 2003. The final values, *based on actual Fiscal Year 2003 expenditures and cost allocation*, will most likely be different.

In FY 2002, Michigan earned a \$19.8 million bonus for reducing the number of out-of wedlock births. The bonus was in addition to the FY 2002 block grant award. It appears in this report as a component of the projected \$70.4 million Fiscal Year 2002 estimated balance carried forward. TANF regulations published in 1999 specify that carryforward balances must be spent on assistance. We have also included an adjustment to reduce the balance carried forward by \$9.0 million related to HB 5705, the Fiscal Year 2002 supplemental appropriations bill, which includes additional funding for the Homestead Property Tax Credit.

We assume we will be subject to a state maintenance of effort (MOE) requirement at the 75% level. The State's budget for Fiscal Year 2003 assumes a substantial portion of the required MOE spending will occur within the Department of Education and the School Aid budgets. Much of the remaining MOE spending will occur within the FIA budget. Consistent with the Executive Budget recommendation for FY 2003, we have assumed the State will over-satisfy the MOE requirement (\$468.5 million) by \$10.6 million, for total MOE spending of \$479.1 million.

We are currently projecting FIA direct spending of TANF to total \$655.11 million, which includes \$10.9 million in prior year work project spending. The maximum allowable transfer from the TANF Block Grant to the Child Care Development Fund (CCDF) and Social Services Block Grant remains 30% of the available TANF Block Grant in Fiscal Year 2003. The maximum TANF to Title XX transfer was reduced in FY 2002 from 10% (\$77.5 million) of the available TANF block grant to 4.25%, or \$32,952,500. However, this analysis assumes transferability will be restored by Congress to 10% in 2003 with TANF Block Grant reauthorization. We have assumed a TANF to Title XX transfer of \$70.2 million; over \$28 million of this transfer is related specifically to the \$50 million appropriated within the FIA budget for the Homestead Property Tax Credit. We recently received confirmation that the Title XX claim (or TANF transfer to Title XX) would be disallowed at the federal level. Subsequent versions of the TANF Utilization table will not reflect either claim for this purpose. We do not anticipate utilizing any of the TANF to Child Care Development Fund (CCDF) transfer authority in FY 2003.

We have projected year-end adjustments totaling (\$3.0) million which offsets TANF spending. These are accounting adjustments performed as regulated by Generally Accepted Accounting Principals (GAAP).

We have also reflected a charge of \$17.3 million, which represents the potential cost of the DHHS audit of FIA Title IV-A recoupment processing. We will update our projections as more accurate information is received. We have reflected a projected TANF surplus of \$50.86 million at the end of Fiscal Year 2003.

If you have any questions regarding this information, please contact John Sorbet, Director of the FIA Budget Division, at (517) 373-7904.

Sincerely,

S/S: 2/10/03

Nannette M. Bowler

Enclosure

cc: Senate Appropriations Subcommittee on FIA
House Appropriations Subcommittee on FIA
Senate and House Fiscal Agencies
State Budget Office

(J/budget/shared/word/fy03/rpt2leg2b)

FISCAL YEAR 2003
SUMMARY OF PROJECTED T.A.N.F. UTILIZATION AND
STATE SPENDING COUNTABLE AGAINST THE M.O.E. REQUIREMENT /1/

| | Projected TANF Utilization | | | Projected State Spending Countable Toward TANF MOE |
|---|----------------------------|------------------------------|----------------------------------|--|
| | Direct TANF Draws | TANF Transfer to CCDF /2/ | TANF Transfer to Title XX /3/ | |
| PROJECTED TANF UTILIZATION: | | | | |
| FAMILY INDEPENDENCE AGENCY: /4/ | | | | |
| Executive Operations | \$7,217,915 | \$0 | \$1,063,026 | \$787,365 /6/ |
| Family Independence Services Administration | \$27,976,550 | \$0 | \$838,632 | \$8,838,092 /6/ |
| Child and Family Services | \$115,969,784 | \$0 | \$4,814,522 | \$534,416 /6/ |
| Juvenile Justice Services | \$20,000,000 | \$0 | \$194,883 | \$0 |
| Local Office Staff & Operations | \$95,454,558 | \$0 | \$22,842,061 | \$19,087,249 /6/ |
| Central Support Accounts | \$50,169,103 | \$0 | \$11,432,407 | \$14,256,316 /6/ |
| Public Assistance | \$308,843,114 | \$0 | \$28,114,765 | \$340,410,890 /7/ |
| Information Technology | \$18,542,159 | \$0 | \$853,883 | \$0 |
| Budgetary Savings | \$0 | \$0 | \$0 | \$0 |
| Work Projects /5/ | \$10,933,296 | \$0 | \$0 | \$0 |
| SUBTOTALS, FAMILY INDEPENDENCE AGENCY | \$655,106,478 | \$0 | \$70,154,179 | \$383,914,327 |
| DEPARTMENT OF CAREER DEVELOPMENT /8/ | \$37,041,500 | \$0 | \$0 | \$0 |
| DEPARTMENT OF COMMUNITY HEALTH /9/ | \$14,737,100 | \$0 | \$0 | \$0 |
| DEPARTMENT OF COMMUNITY HEALTH | \$0 | \$0 | \$0 | \$2,354,300 /10/ |
| SUPREME COURT | \$50,000 | \$0 | \$0 | \$0 |
| STATEWIDE COST ALLOCATION PLAN | \$3,500,000 | \$0 | \$0 | \$0 |
| DEPARTMENT OF EDUCATION | \$0 | \$0 | \$0 | \$72,000,000 /11/ |
| DEPARTMENT OF EDUCATION | \$0 | \$0 | \$0 | \$4,882,273 /12/ |
| DEPARTMENT OF CONSUMER & INDUSTRY SERVICES | \$0 | \$0 | \$0 | \$15,000,000 |
| DEPARTMENT OF TRANSPORTATION | \$0 | \$0 | \$0 | \$0 |
| LOCAL SPENDING FOR IN-HOME SERVICES THROUGH THE CHILD CARE FUND | \$0 | \$0 | \$0 | \$967,500 /13/ |
| COLUMN TOTALS | \$710,435,078 | \$0 | \$70,154,179 | \$479,118,400 |
| PROJECTED TOTAL TANF TRANSFER TO CCDF | | \$0 | | |
| PROJECTED TOTAL TANF TRANSFER TO TITLE XX /14/ | | \$70,154,179 | | |
| COST ALLOCATION AND OTHER MISCELLANEOUS ADJUSTMENTS /15/ | | -\$3,000,000 | | |
| PROJECTED TOTAL TANF UTILIZATION | | \$777,589,257 | | |

COMPARISON OF PROJECTED TANF UTILIZATION TO TOTAL BLOCK GRANT AMOUNT

| | |
|---|----------------------|
| TOTAL TANF BLOCK GRANT AMOUNT FY 2002 | \$775,353,000 |
| PLUS FY 2002 TANF CARRYFORWARD and BONUS /16/ | \$70,395,072 |
| HHS AUDIT IMPACT | -\$17,300,000 |
| BLOCK GRANT AVAILABLE IN FY 2002 | \$828,448,072 |
| LESS PROJECTED TOTAL TANF UTILIZATION | \$777,589,257 |
| EQUALS BALANCE OF BLOCK GRANT AVAILABLE /5/ | \$50,858,815 |

MAINTENANCE OF EFFORT SUMMARY

| | |
|---|----------------------------|
| PROJECTED STATE SPENDING COUNTABLE TOWARD THE T.A.N.F. MAINTENANCE OF EFFORT | \$479,118,400 |
| LESS STATE MAINTENANCE OF EFFORT AT 75 PERCENT | <u>\$468,518,400</u> |
| EQUALS PROJECTED MOE SURPLUS/(SHORTFALL) | <u>\$10,600,000</u> |

Notes:

- /1/ Temporary Assistance for Needy Families (TANF), Maintenance of Effort (M.O.E.)
- /2/ TANF funds may be transferred to the Child Care Development Fund (CCDF) pursuant to Sec. 404(d)(1)(b), Title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. (Due to a rounding function used in the original analysis, figures may differ by +/- \$1.)
- /3/ TANF funds may be transferred to the Title XX Social Services Block Grant pursuant to Sec. 404(d)(1)(a), Title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The maximum FY 2003 TANF to Title XX transfer amount is assumed at 10% of the available TANF grant of \$77.5M.
- /4/ Figures for FIA are based on the current FY 2003 Appropriation Fund Source Analysis. (Due to a rounding function used in the original analysis, figures may differ by +/- \$1.) As the single state agency, FIA reports on TANF appropriated directly to other agencies. TANF appropriations in other agencies are assumed to be fully spent.
- /5/ We have identified gross projected spending of TANF for prior year work projects.
- /6/ All State General Fund/General Purpose.
- /7/ State General Fund/General Purpose (\$277.1M) plus the State share of projected child support collections (\$43.8M) plus the CCDF MOE in Day Care (\$19.5M) that can be counted towards TANF MOE (Summary 6).

- /8/ TANF funding in DCD currently supports various work-related activities administered by that department. The figure shown reflects the FY 2003 adjusted appropriation of \$37.04 million in TANF funding.
- /9/ TANF funds in DCH (\$14.7M) support the Family Support Subsidy Program, which provides assistance to families with impaired children.
- /10/ FIA is assuming a claim of ~\$2.4M for the Transitional Medical Assistance Program in DCH in Fiscal Year 2003. The figure shown represents the state subsidy for the cost of premiums that are shared by families and the State, countable under Purpose 2 of TANF.
- /11/ General Fund spending in the Department of Education for the School Readiness Program (\$26.0 million) and School Aid Programs (\$46.0 million) is based on the FY 2003 assumptions contained in the FY 2003 Executive Budget recommendation. Failure to spend at projected levels may result in the State not meeting its TANF MOE requirement.
- /12/ The CCDF MOE requirement is being met by counting \$19.5M in GF/GP spending in the FIA budget and \$4.8M of General Fund spending in the Department of Education for Pre-K services (the School Readiness Program). We are assuming this CCDF MOE can also be counted towards the TANF MOE requirement.
- /13/ Represents Child Care Fund Local spending for In-home programs provided to TANF-eligible children.
- /14/ The projected TANF to Title XX transfer includes \$26.9 million in funding for the Homestead Property Tax Credit. This claim is included based on the FY 2003 Executive Budget. The Department of Health and Human Services has notified the State that this claim, if made, will be disallowed. There is currently no plan to actually make this claim. Subsequent versions of the fund source analysis will reflect no Homestead Property Tax Credit expenditure or plan.
- /15/ Adjustments include cost allocation revisions, write-offs of accounts payable, fraud collections and processing, recoveries through Month 13, recoupment revenue adjustments and other adjustments made to comply with standard accounting practices and regulations.
- /16/ The FY 2002 carryforward amount includes the FY 2002 teen pregnancy reduction bonus of \$19.8 million and all obligated and non-obligated FY 2002 TANF balances. A supplemental appropriations bill is pending to increase the Homestead Property Tax Credit by \$9M for FY 2002. We have reduced the balance carried forward by \$9M.