Contingency Fund

Temporary Assistance for Needy Families
(TANF)

Report on Status of the Contingency Fund

April 1998

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Why?

Executive Summary

This report summarizes the status of the Temporary Assistance for Needy Families contingency fund; provides an analysis of the operation of the fund; and outlines some possibilities for changing the operation of the fund. The purpose of the fund is to assist States experiencing economic conditions that threaten their ability to operate TANF. This assistance is provided through additional Federal funding available to qualifying needy States that request the funds.

According to current national economic projections, the contingency fund is adequately funded. However, States have concerns that the Federal cost sharing is too limited when a State has expenditures in excess of the contingency fund maintenance of effort (MOE) level. Since the changes to the operation of the fund discussed in this report have PAYGO implications, i.e., they would increase Federal spending, the Department of Health and Human Services does not recommend any specific changes in the contingency fund. Instead, this report examines the following five key components of the contingency fund in order to describe ways they could be altered:

Maintenance of effort requirements;
- Triggers;
- Total funding available for the contingency fund;
- Provision of the Adoption and Safe Families Act of 1997; and,
- Reconciliation formula.

I. Introduction

A. Background

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) repealed the open-ended entitlement welfare program, Aid to Families with Dependent Children (AFDC), and replaced it with a fixed block grant for Temporary Assistance for Needy Families (TANF) which was funded at a fixed level based on previous program costs.. Sections 403(b) and 409(a)(10) of the law also established the contingency fund to address a broad-based concern that changing economic conditions could threaten States' ability to operate TANF. The fund was designed to: provide additional Federal funding to the States with the greatest need; require States to share in the burden of funding that increased need; and, be administratively tolerable to the States.

Up to $2 billion in contingency funds are appropriated for fiscal years 1997 through 2001 for the 50 States and the District of Columbia that qualify as needy according to the statutory definition. However, the Adoption and Safe Families Act of 1997 requires States receiving contingency funds for fewer than twelve months to remit an increased amount, totaling $40 million over four years.

B. Purpose of this Report

Add context/goal

1. Statutory Requirements

Section 403(b)(8) of the Social Security Act as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 contained a provision that the Secretary of Health and Human Services should annually report to the Congress on the status of the contingency fund. In addition, the Adoption and Safe Families Act of 1997 required the Secretary to make recommendations to Congress for improving the operation of the contingency fund.

2. Scope of this Report

In response to the Congressional directives mentioned above, this report summarizes the status of the contingency fund; provides an analysis of the operation of the contingency fund; and outlines some possibilities for changing the operation of the fund, including the potential cost for such changes.

The operation of the contingency fund under current statutory requirements is complex; and, in the view of some States and interest groups, the State share of the funding is burdensome to States. Therefore, we focused our analysis on ways to simplify operation of the fund and on possible ways to change the proportions between Federal and State funding. Most of the alternatives evaluated in this report have a range of costs associated with them, so Congress will need to assess the advantages of such changes weighed against the potential costs. The goal of this report was to provide sufficient

again why

compared to what not AFDC

analysis for the Congress to make such an assessment.

we hv no opinion

3. Process for Gathering Information and Developing the Report

Staff from DHHS / Administration for Children and Families (ACF) conferred with State TANF agency representatives at numerous meetings and conferences regarding welfare reform during calendar year 1997. The contingency fund was one of many topics discussed with the States at these meetings. Also, State staff from several of the eight States identified as "needy States" in 1997 contacted ACF regional and central offices to inquire about the amount of contingency funds their State was eligible to receive and about the operation of the fund. Through these communications, ACF gained an understanding of some of the concerns States have about the operation of the contingency fund. In preparing this report ACF also considered viewpoints expressed by the National Governor's Association, the Center on Budget and Policy Priorities and other interest groups, the Congressional Budget Office, the General Accounting Office and the Office of Management and Budget.

II. REQUIREMENTS FOR A STATE TO HAVE ACCESS TO CONTINGENCY FUNDS

The following paragraphs explain the specific statutory requirements and calculations for providing contingency funds to a State. The discussion is arranged in the order in which the steps take place, from determining that a State qualifies as a "needy State" to final calculation of the amount of contingency funds available to a State in a given fiscal year.

To receive contingency funds a State must first qualify as a needy State according to statutory definition, for one or more months in a fiscal year. A State may request contingency funds for any month for which they qualify. Based on its request for contingency funds, the Secretary of Health and Human Services will provide a provisional payment of contingency funds for each qualifying month. This payment is provisional because at the end of the fiscal year DHHS must conduct an annual reconciliation process in order to determine the final amount of contingency funds a State may be permitted to retain for the fiscal year. Contingency funds are only available to match at the Federal Medical Assistance Percentage (FMAP) rate expenditures that exceed a State's contingency fund MOE level (100 percent of 1994 historic expenditures, excluding child care). So, while States receive funds on a monthly basis, DHHS conducts an annual reconciliation to determine if the States must remit part or all of those funds.

A "needy State" is a State which has met either the Unemployment Trigger or Food Stamp Trigger.

> Unemployment Trigger - the State's average unemployment rate for the most recent 3-month period is at least 6.5 percent <u>and</u> at least equal to 110 percent of the State rate for the corresponding 3-month period in either of the two preceding calendar years.
>
> Food Stamp Trigger - the State's monthly average of individuals participating in the Food Stamp program (as of the last day of the month) for the most recent 3-month period exceeds by at least 10 percent its monthly average of individuals in the corresponding 3-month period in the Food Stamp caseload for FY 1994 or FY 1995, whichever is less, had the immigrant provisions of Title IV and the food stamp provisions under Title VIII of PRWORA been in effect in those years.

Once a State qualifies as needy for any given month and elects to receive contingency funds, the State will receive payment for a 2-month period. Payments are made for 2-month periods because the statute defines an eligible month as "a month in the 2-month period that begins with any month for which the State is a needy State." See Section 403(b)(5). Therefore, a determination that a State is a "needy State" for a month will make that State eligible to receive contingency funds for two consecutive months.

To retain the Federal contingency funds, needy States must expend their own State funds under maintenance of effort (MOE) and matching requirements by the end of the fiscal year. Since these State expenditures are a requirement, the statute does not automatically provide contingency funds to the needy States. Instead, States must request these funds. & qualify

Upon the State's request and in accordance with Section 403(b)(3), DHHS will make provisional contingency fund payments to a needy State on a monthly basis. The amount of such monthly payments is limited by statute to 1/12 of 20 percent of the State's family assistance grant. In a program instruction issued in October 1997, DHHS established a procedure for notifying States of their eligibility for the contingency fund and a procedure for States to follow to request the funds.

In the annual reconciliation process which takes place after the close of the fiscal year, DHHS checks to be sure the following requirements are met in order for needy States to retain contingency funds:

1. States must expend State funds at a level that meets the contingency fund Maintenance-of-Effort (MOE) requirement.

2. State expenditures in excess of the MOE may be matched by Federal funds at the current Federal Medical Assistance Percentage (FMAP) rate applicable for the year in which funds are awarded.

In the reconciliation process, DHHS must calculate the amount of contingency funds a State may retain or must remit. Annual reconciliation is done according to the following formula:

(Total FY State expenditures minus contingency fund MOE expenditures) x (FMAP rate) x 1/12 x (# of months the State received contingency funds in the FY)

See **Appendix A** for a reconciliation example.

The Adoption and Safe Families Act of 1997 added a requirement effective in FY 1998. The law increases the repayment amount for all States receiving contingency fund payments. The remittance amounts of all States drawing from the contingency fund are increased by proportional shares totaling $2 million in FY 1998, $9 million in FY 1999 $16 million in FY 2000, and $13 million in FY 2001. States that receive funds for the full year will not have to remit any of the funds, and are therefore, not subject to the increase in repayment amounts. States receiving contingency funds for fewer than 12 months have received overpayments, and will have to remit all or part of the funds.

III. ELIGIBILITY STATUS OF STATES IN FY 1997

for at least 1 mo.

In FY 1997, eight States qualified by meeting either the Unemployment or Food Stamp Triggers. The eligible States are:

- Alaska
- California
- District of Columbia
- Hawaii
- New Mexico
- New York
- North Carolina
- Washington

Appendix B contains tables showing which months these States met the unemployment and/or Food Stamp Triggers.

In October 1997, the DHHS issued a Program Instruction (PI), TANF-ACF-PI-97-8, to provide guidance to States on eligibility requirements and application procedures for contingency fund. **Appendix C** contains a copy of the PI. (The PI also describes the TANF grant add-on funds which are similar to contingency funds and which were available only for periods in FY 1997 prior to a State's implementation of the TANF program. See pages C-9 and C-10 of Appendix C.)

The PI advised States that they would be informed by letter about any months in which they qualified as a needy State for contingency funds on the basis of meeting either the Unemployment or Food Stamps trigger. The first such letters to the Governors were mailed in early March 1998. States had 15 days from receipt of those letters to request contingency funds. To date, _?_ States have formally requested contingency funds.

[*** If any States request funds before this report is released to the Congress, ACF will add a paragraph to the report here to identify those States and the next steps in determining the amount of contingency funds they will receive.]

IV. ANALYSIS OF THE OPERATION OF THE CONTINGENCY FUND

This section of the report examines five key components in the operation of the fund, namely, MOE and matching requirements, triggers, total funding available, the Adoption Act provision, and the reconciliation formula. The following sections of this report will discuss each of these components in more detail

A wide range of organizations and States have raised concerns about the operation of the contingency fund. Based on discussions with State agency representatives and interest groups, the concerns seem to fall into these three key categories: 1.) the proportion of Federal contingency funds provided compared to required State expenditures may not adequately serve the purpose of assisting those State in need, 2.) States would like more flexibility regarding the definition of expenditures that count as qualifying expenditures for MOE, and 3.) the operation of the fund be improved to make it less complex.

CEA good

This report focuses on analyzing these components, describing ways in which the operation of the contingency fund could be changed to address the concerns raised or to simplify the operation of the fund. Since most of the changes would increase the projected outlays of contingency funds under the current economic assumptions, we also describe the budgetary impact. Most of the changes could be adjusted to control the scale of the budgetary impact. For example, Congress could modify the contingency fund MOE requirement by changing the required percentage amount of an historic spending level. If that were the case, reducing the MOE percentage to 95 percent would have less of an impact on the budget than changing it to 85 percent.

The concern expressed most frequently by State TANF agency representatives is that the proportion of Federal funds available to needy States is too low compared to the required State MOE and matching expenditures. States understand that the TANF contingency fund if different from the Aid to Families with Dependent Children (AFDC) program where the basic match rate was 50/50. However, they were concerned that the very economic conditions which compelled the State to draw down contingency funds would make it difficult to fund the increased costs in the TANF program. After factoring in the additional expenditures of ~~State funds for MOE,~~ State match and reconciliation remittances, States have to spend an additional $5 in State funds to receive $1 in Federal contingency funds.

need expl.

Stand w/ Adeq Triggers

A. *Maintenance-Of-Effort (MOE) and Matching Requirements*

The contingency fund MOE requirement differs from the TANF MOE requirement in the following ways. The contingency fund MOE level is defined as 100 percent of historic State expenditures for FY 1994, whereas the TANF MOE is at 80%. It excludes the State's child care expenditures under Title IV-A from the historic base level, while the TANF MOE includes the State's historic child care expenditures. In addition, there is a statutory provision that State expenditures in separate State programs cannot count toward the contingency fund MOE, while such expenditures do count towards the TANF MOE.

1. Qualifying Expenditures

Some States have suggested that changing the definition about which expenditures count

Why start with this?

towards the contingency fund would improve their flexibility to define and operate separate State TANF programs. These States would like to see the definition of qualifying expenditures for the contingency fund MOE changed to be more consistent with the TANF MOE definition.

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There are three alternatives to consider. One approach would be to allow States to count expenditures for both child care and separate State programs toward the MOE. Another alternative would be to allow them to count only the expenditures on separate State programs, while the third choice is to count only the child care expenditures.

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If the MOE's would be defined similarly, it would decrease the operational complexity. However, our analysis shows that if the MOE provision was changed to allow States to count both child care and separate State program expenditures towards the 100% MOE level, the change would create a higher MOE level for the States. Since expenditures under the AFDC child care programs were excluded from the base as well as from the contingency fund MOE level, we assume that an adjustment is required in the contingency fund MOE base level to reflect State child care expenditures made under the AFDC child care programs in 1994. This adjustment produces a higher historical spending level and consequently a higher MOE requirement, as shown in the table in **Appendix E.**

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Considering the alternative of allowing the States to count child care expenditures, but not Separate State program expenditures, we found that, in general, States with current child care expenditures at a higher level than the level expended in FY 1994 for child care would have an easier time meeting the higher MOE. However, for those States which are expending at a lower level than the level expended in FY 1994 for child care it could make meeting the higher MOE difficult, especially if those States are not expending sufficient funds in their separate State programs to meet the MOE level. In short, while instituting this change would not benefit all States in an equitable manner, it would benefit those States who spend relatively large amounts of their TANF funds on child care.

So what? No

Looking at the third alternative of expanding the qualifying MOE expenditures definition to include separate State program expenditures, but not child care expenditures, it quickly becomes obvious that this alternative is not equitable to all States either. The reason it is not equitable is that only 16 States are currently expending TANF funds in separate State programs. It is too early in the implementation of the TANF program to know if this number will increase. This third alternative would benefit States with a relatively large expenditures of State funds in a separate State program.

What about ~~S...~~

Goal on MOE - was for SSP state effort - History of law

2. MOE Percentage Level

Since some States expressed concern about the MOE requirement, we considered alternative approaches to reducing the MOE requirement in an equitable manner for all States. The simplest approach, and one that is fair to all States, is to reduce the MOE percentage requirement. For example in place of the 100% MOE level, Congress could substitute a 90% level. The effect of such a change would be to decrease the amount of State funds that must be spent before federal matching funds become available. By setting a new percentage requirement at any level between 80% and 100%, Congress could alter the balance between the level of State and Federal funding for needy States at whatever level is determined to be appropriate.

eval - not clear not if needed

my staff?

B. Triggers

The Contingency Fund was established to assist States during economic downturns. To identify which States are experiencing rises in welfare needs as a result of economic conditions, the trigger levels were set in statute as described in Part II of this report.

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There are two concerns about the trigger levels that we address in this section. One consideration is that perhaps a State meeting either trigger for only one month may not necessarily be a State in an economic downturn. On the other hand, a State which meets either trigger for a significant number of consecutive months may indeed be experiencing an economic downturn. Another consideration is how to improve the administrative complexities caused by the time it takes the Federal government to compile and publish trigger data.

Here are some possible choices for dealing with the concern about when a State is experiencing an economic downturn. One alternative is to change the qualifying requirements, e.g., a State must meet either trigger for three consecutive months to be eligible to receive Contingency Funds or if a State has met the trigger(s) for six consecutive months they are eligible to receive Contingency Funds for the entire fiscal year.

Another alternative is to change the definition of eligible month to equal one payment. Currently, the statute defines an eligible month as "a month in the 2-month period that begins with any month for which a State is a needy State. Therefore, a needy State may receive Contingency Fund payments for two consecutive months. Changing the definition of month to "the month a State meets either triggers would constitute 1 payment for one month.

Now, lets look at the issue of the timing of the publication of trigger data, but first some background information may be helpful. Once States have qualified as a needy State, they are then required to expend the Contingency Funds in the fiscal year in which they are received and expend an additional amount of State funds above their TANF MOE to meet the Contingency Fund MOE level. For planning purposes, States need to know prior to the end of the fiscal year whether or not they are eligible to be receive contingency funds. Due to the nature of the process the Department of Agriculture must use to collect the monthly Food Stamp trigger data, the data is not available until 90-120 days after the end of the month. Therefore, for the months of June through September, the Federal Government is unable to notify States of meeting the Food Stamp Trigger prior to the middle of September or the first of October.

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Certainly, the delay of notification to States creates an administrative problem for them. For example, States which elect to receive Contingency Funds for those months, would in effect be substituting or reimbursing State expenditures. The substitution of State expenditures may reduce a State's maintenance of effort level.

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One approach to resolving this problem would be to implement a deadline or cutoff date of May 31 for the expenditure of Contingency Funds in a Federal fiscal year. This would delay the required expenditure of contingency funds that the State was eligible for in June, July, August, and September until the next Federal Fiscal Year. For example, a State would meet the Food Stamp Trigger in June 1998, but would be eligible for contingency funds in October 1998, which is the beginning of FY 1999. Reconciliation of these funds would be at the end of FY 1999, September 30. The 12-month period used for the reconciliation process would be June through May.

Due to the nature of the process the Department of Agriculture must use to collect the monthly Food Stamp trigger data, the data is not available until 90-120 days after the end of the month. Therefore, the Federal Government is unable to notify States that they met the June Food Stamp trigger until approximately the middle of September or the first of October. Since the contingency fund is a matching program, States need to know whether or not they will be receiving contingency funds prior to the end of the fiscal year for planning purposes. States must meet the contingency fund MOE prior to the end of the fiscal year.

C. *Total Funding Available for the Contingency Fund*

As explained in the conference report for PRWORA, Congress established the contingency fund to help States with increased welfare needs which occur when there is an increase in unemployment rates or Food Stamps caseloads. During the recession in 1990 to 1992 there was a $6 billion increase over the 1989 level of Federal funding of the AFDC program. The additional amount expended in those years is triple the amount appropriated for the contingency fund over five years. Using a worst-case scenario where all States qualified as "eligible States" for all twelve months of a year, the maximum amount which would be calculated to be paid out in a year is $3.3 billion, or 20 percent of the State Family Assistance Grant (SFAG) yearly appropriation. This perspective gives a sense of the scale of funding provided by the $2 billion actually appropriated for FY 1997 through FY 2001. The tables in **Appendix E** provide the range of minimum and maximum amounts payable to the States under the contingency fund. Table ~~D~~E1 displays information about all the States, while table ~~D~~E2 focuses on the eight States with the largest welfare caseloads.

1/4 of fund!

On the other hand, the current level of need for the contingency fund payments is low. In FY 1997, if all eight States qualifying as needy States requested contingency funds, they could receive a maximum amount of $431,337,934. However, it is unlikely that the FY 1997 Federal contingency fund outlays will be anywhere near that maximum. Most of the FY 1997 needy States have informed ACF that they do not plan to request contingency funds.

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Using current economic assumptions the Congressional Budget Office (CBO) and the Administration have estimated that the appropriated level of funding will be more than adequate. The CBO budget baseline projects contingency fund outlays at $435 million for FY 1998-2003, while the Administration projects outlays at $210 million for the same period. Under either projection, Congress has already appropriated more than enough funds. However, it should be noted that these outlay estimates were prepared assuming that the current favorable economic climate would continue. If an unexpected economic downturn should occur, these budget estimates would likely change dramatically.

true?

One possible improvement to funding the contingency fund would be to eliminate the appropriations cap. Representative Levin offered an amendment last year that would have had the affect of eliminating the cap. This alternative would eliminate the possibility of eligible States exhausting the fund during an unexpected economic downturn. It would also likely have no budget impact, since both the CBO and the Administration do not forecast that happening.

Any potential change to the contingency fund appropriation should address the current level of funding available to States under TANF. The contingency fund was designed to provide a reserve of funding to States when their basic TANF funding was insufficient to meet increasing needs. Due to the economic climate and declining caseloads, most States already have some reserves in the form of unobligated TANF funds. These reserves should be taken into account when considering the current funding level of the contingency fund.

Here is one final observation on funding. While overall the level of funding is adequate, the statutory procedure for recovering $40 million from the contingency fund, as prescribed in the Adoption and Safe Families Act of 1997, could thwart the purpose of the contingency fund in certain circumstances. Sub-section D below regarding reconciliation, outlines the circumstances where the Adoption Act provision could make funding unavailable or greatly reduce it for certain needy States.

D. *Adoption Act Provision*

The Adoption and Safe Families Act of 1997 increases the reconciliation remittance amount for those States who receive contingency fund payments. The remittance amounts of all States drawing from the contingency fund increases in proportional shares totaling $2 million in FY 1998, $9 million in FY 1999, $16 million in FY 2000, and $13 million in FY 2001. In effect, States receiving contingency funds under provisional payments may have received overpayments, and will have to remit all or part of the funds.

The Adoption Act statutory procedure for recovering $40 million from the contingency fund, could impede the purpose of the contingency fund in certain circumstances by denying contingency fund payments to certain States who qualify as needy. In fact, it is possible that the Adoption Act provision could either make contingency funds unavailable to certain qualifying States or greatly reduce the funding levels as described in this section. The Adoption Act provision is especially problematic because it burdens States that are already experiencing severe economic hardships. Moreover, the fewer the number of States receiving funds for less than 11 months, the higher their proportionate share of the offset, and the more they will have to remit. If only a few States qualify for the funds, those few States most in need of welfare funds will be responsible for paying the $40 million reduction. In other words, the fewer the number of State that receive the contingency funds, the harder hit each State will be.

One way to resolve this problem would be to change the remittance formula in a way that spreads out the recovery of funds. For example, the additional remittance amount could be capped at some percentage, say 25% or 30%, of the contingency funds to which they would be otherwise entitled.

E. *Reconciliation Formula*

Section 403(b)(6) provides that State expenditures above the contingency fund MOE level are to be matched, at the applicable FMAP rate, by Federal contingency funds. In the reconciliation procedures, the amount of matching funds a State may retain decreases for those States receiving contingency funds for less than 12 months in a fiscal year. The last step in the reconciliation formula reduces the Federal funds payable to the

State by 1/12 times the number of months the State received contingency funds in the fiscal year (see page 3). In effect, States receiving contingency funds for only a portion of the year receive Federal funds at a substantially reduced match rate. The last step of the formula essentially reduces the State/Federal ratio. For example, in the reconciliation Example 1 in Appendix A, the State expenditures in excess of the MOE amount entitled the State to receive $4 million at the FMAP rate. However, since the State was eligible for only 6 months in the year, the last step in the reconciliation reduced the $4 million by 6/12ths or $2 million.

It has been suggested that the final step in the reconciliation process should be eliminated. This could convert the contingency fund to a straight matching program for any State expenditures in excess of the contingency fund MOE. In the reconciliation example in Appendix A, if the reconciliation procedures was revised to eliminate the number months adjustment the budgetary impact would be that States could utilize more Contingency Funds.

For example: Assume that prior to the number of months adjustment, all States were retaining $2,000,000. However, State A received Contingency Funds for 3 months; State B for 6 months; and State C for 12 months.

	No. of Months	Paid out Eliminating Adjustment	Paid out with Adjustment	Percentage Reduction
State A	3	$2,000,000	$ 500,000	75%
State B	6	$2,000,000	$1,000,000	50%
State C	12	$2,000,000	$2,000,000	0
Total		$6,000,000	$3,500,000	

Appendices

A - Reconciliation Examples

B - Needy States Exceeding the Food Stamps or Unemployment Trigger Levels in FY 97

C - Contingency Fund Program Instruction (PI-97-8)

D - Comparison of TANF and Contingency Fund MOE Levels

E - Minimum and Maximum Payment Amounts

RECONCILIATION EXAMPLES:

Example 1 for FY 1997

Assume: State A receives $2.5 million in provisional Federal contingency fund payments for six months of eligibility in the year.

Total State expenditures = $103 million (including $2.5 million in Federal CF)
minus $95 million (100% CF MOE level)
= $8 million
x 50% FMAP rate
= $4 million
x 1/12 x 6 months
= $2 million in federal contingency funds that the State may retain.

Since the State originally received $2.5 million, the State must remit $500,000.

Example 2 for FY 1998

Here is an example using the same dollar amount assumptions as in the example above for State A. Beginning in FY 1998 there are additional remittances required by the Adoption and Safe Families Act of 1997. After the reconciliation procedures as shown in Example 1 above are completed, any amount remitted by a State for a fiscal year shall be increased by the lesser of,

EITHER:

1) **The total adjustment in the Federal appropriation amount for the fiscal year multiplied by the adjustment percentage for the State for the fiscal year.**

1998 Example: Assuming that only 1 State received contingency funds in the fiscal year.

Total adjustment: $2,000,000 x adjustment percentage of 100%
Equal to: $2,000,000

Adjustment Percentage is equal to the unadjusted net payment to State divided by the sum of the unadjusted net payments to all States.

$2,000,000 divided by $2,000,000 (one State only) equals an adjustment percentage of 100%

We should also note that the adjustment percentage for each State decreases as the number of eligible States increase. For example if two States were eligible and the unadjusted net payment to all States were $4.5 million:

$2,000,000 divided by $4,500,000 (unadjusted net payments to two States) equals an adjustment percentage of 44%

OR:

2) The unadjusted net payment to the State for the fiscal year.

Unadjusted net payment is equal to the total amount paid to the State minus the original remittance amount as per the annual reconciliation

Example: State A: $2,500,000 - $500,000 = $2,000,000

ANALYSIS OF EXAMPLE 2

In this example of the FY 1998 reconciliation procedure, State A was the only State receiving contingency fund payments for the fiscal year. If State A had to remit $500,000, that amount would be increased by the lesser of (1) FY 1998 offset share of $2 million, or (2) the unadjusted net payment amount, or the contingency fund award less the original remittance amount. In this case, both amounts are equal to $2 million. Therefore, the original remittance amount of $500,000 would be increased by an additional $2 million, which totals $2.5 million. In this example the State only received $2.5 million in contingency funds. Therefore, the impact of the additional remittance required by the Adoption Assistance amendment is to make State A ineligible for any Federal contingency funds. The Adoption Act provision is especially problematic because it burdens States that are already experiencing severe economic hardships. Moreover, if only a few States qualify for the funds, those few States most in need of welfare funds will be responsible for paying the $40 million reduction. In other words, the fewer the number of State that receive the contingency funds, the harder hit each State will be.

Appendix E

STATES ELIGIBLE FOR ADDITIONAL FUNDING UNDER P.L. 104-193 (CONTINGENCY FUND)
FOOD STAMP TRIGGER

	October 1996	Novemb 1996	Decemb 1996	January 1997	Februar 1997	March 1997	April 1997	May 1997	June 1997	July 1997	August 1997	Septem 1997
ALABAMA												
ALASKA						XX	**					
ARIZONA												
ARKANSAS												
CALIFORNIA	XX	**	XX	**								
COLORADO												
CONNECTICUT												
DELAWARE												
DISTRICT OF COLUMBIA		XX	XX	XX	XX	XX	**					
FLORIDA												
GEORGIA												
HAWAII	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
IDAHO												
ILLINOIS												
INDIANA												
IOWA												
KANSAS												
KENTUCKY												
LOUISIANA												
MAINE												
MARYLAND												
MASSACHUSETTS												
MICHIGAN												
MINNESOTA												
MISSISSIPPI												
MISSOURI												
MONTANA												
NEBRASKA												
NEVADA												
NEW HAMPSHIRE												
NEW JERSEY												
NEW MEXICO												
NEW YORK			XX	**								
NORTH	XX	XX	**									
NORTH DAKOTA												
OHIO												
OKLAHOMA												
OREGON												
PENNSYLVANIA												
RHODE ISLAND												
SOUTH CAROLINA												
SOUTH DAKOTA												
TENNESSEE												
TEXAS												
UTAH												
VERMONT												
VIRGINIA												
WASHINGTON			XX	XX	XX	XX	**					
WEST VIRGINIA												
WISCONSIN												
WYOMING												
Total	3	4	6	5	3	4	4	1	1	1	1	1

** The State qualified for the previous month but did not qualify for the current month. As defined in 403 (b) (5) an "eligible month" is a month in a two month period that begins with any month for which the State is determined to be a needy State.

3/6/98

Table B-1

STATES ELIGIBLE FOR ADDITIONAL FUNDING UNDER P.L. 104-193 (CONTINGENCY FUND)
UNEMPLOYMENT TRIGGER

	October 1996	November 1996	December 1996	January 1997	February 1997	March 1997	April 1997	May 1997	June 1997	July 1997	August 1997	Septembe 1997
ALABAMA												
ALASKA												
ARIZONA												
ARKANSAS												
CALIFORNIA												
COLORADO												
CONNECTICUT												
DELAWARE												
DISTRICT OF COLUMBIA												
FLORIDA												
GEORGIA												
HAWAII												
IDAHO												
ILLINOIS												
INDIANA												
IOWA												
KANSAS												
KENTUCKY												
LOUISIANA												
MAINE												
MARYLAND												
MASSACHUSETTS												
MICHIGAN												
MINNESOTA												
MISSISSIPPI												
MISSOURI												
MONTANA												
NEBRASKA												
NEVADA												
NEW HAMPSHIRE												
NEW JERSEY												
NEW MEXICO	XX	XX	XX	XX	XX	XX	XX	XX	XX	**		
NEW YORK												
NORTH CAROLINA												
NORTH DAKOTA												
OHIO												
OKLAHOMA												
OREGON												
PENNSYLVANIA												
RHODE ISLAND												
SOUTH CAROLINA												
SOUTH DAKOTA												
TENNESSEE												
TEXAS												
UTAH												
VERMONT												
VIRGINIA												
WASHINGTON												
WEST VIRGINIA												
WISCONSIN												
WYOMING												
Total	1	1	1	1	1	1	1	1	1	1		

** The State qualified for the previous month but did not qualify for the current month. As defined in 403 (b) (5) an "eligible month" is a month in a two month period that begins with any month for which the State is determined to be a needy State.

3/6/9

Appendix E

Table B-2

Appendix D

purpose

FISCAL YEAR 1998 TANF and Contingency Fund MOE LEVELS			
State	TANF MOE AT 100%	Contingency Fund MOE at 100%	DIFFERENCE
Alabama	52,285,491	45,794,014	6,491,477
Alaska	65,256,536	62,517,375	2,739,161
Arizona	126,703,568	118,576,673	8,126,895
Arkansas	27,785,269	26,458,762	1,326,507
California	3,635,855,463	3,550,262,246	85,593,217
Colorado	110,494,527	102,241,173	8,253,354
Connecticut	244,561,409	229,355,622	15,205,787
Delaware	29,028,092	24,826,042	4,202,050
District of Columbia	93,931,934	90,201,740	3,730,194
Florida	494,558,734	464,904,063	29,654,671
Georgia	231,158,036	210,250,870	20,907,166
Hawaii	97,308,640	94,099,836	3,208,804
Idaho	18,238,307	17,062,488	1,175,819
Illinois	573,450,924	537,998,095	35,452,829
Indiana	151,367,364	139,732,426	11,634,938
Iowa	82,617,695	78,803,237	3,814,458
Kansas	82,332,787	75,659,762	6,673,025
Kentucky	89,891,250	83,039,582	6,851,668
Louisiana	73,886,837	70,041,372	3,845,465
Maine	50,031,924	48,441,897	1,590,027
Maryland	235,953,925	212,907,283	23,046,642
Massachusetts	478,596,697	440,518,485	38,078,212
Michigan	624,691,167	606,470,040	18,221,127
Minnesota	239,660,347	221,459,274	18,201,073
Mississippi	28,965,744	27,873,233	1,092,511
Missouri	160,161,033	146,584,409	13,576,624
Montana	20,954,588	19,743,737	1,210,851
Nebraska	38,172,585	31,673,586	6,498,999
Nevada	33,985,152	31,654,914	2,330,238
New Hampshire	42,820,004	38,506,356	4,313,648
New Jersey	400,213,342	381,329,402	18,883,940
New Mexico	49,794,841	46,899,580	2,895,261
New York	2,291,437,926	2,227,698,956	63,738,970
North Carolina	205,567,684	173,192,185	32,375,499
North Dakota	12,092,381	11,075,345	1,017,036
Ohio	521,108,327	487,533,531	33,574,796
Oklahoma	81,667,075	72,626,048	9,041,027
Oregon	123,006,454	111,855,595	11,150,859
Pennsylvania	542,834,133	505,165,268	37,668,865
Rhode Island	80,489,394	75,588,312	4,901,082
South Carolina	47,902,320	45,544,970	2,357,350
South Dakota	11,699,056	10,967,433	731,623
Tennessee	110,413,171	94,555,158	15,858,013
Texas	314,301,005	283,767,521	30,533,484
Utah	33,720,732	29,376,770	4,343,962
Vermont	34,066,533	31,400,210	2,666,323
Virginia	170,897,560	153,923,221	16,974,339
Washington	362,747,765	331,988,726	30,759,039
West Virginia	43,058,053	40,766,563	2,291,490
Wisconsin	225,638,309	213,889,808	11,748,501
Wyoming	14,220,435	12,746,217	1,474,218

Appendix D

State Total	**13,911,582,525**	**13,189,549,411**	**722,033,114**

Table D

Appendix E

Table E-1	SFAG From Allocation Table	Contingency Fund Eligible One Month	Contingency Fund Eligible 12 Months
STATE			
ALABAMA	93,315,207	1,555,253	18,663,041
ALASKA	63,609,072	1,060,151	12,721,814
ARIZONA	222,419,988	3,707,000	44,483,998
ARKANSAS	56,732,858	945,548	11,346,572
CALIFORNIA	3,733,817,784	62,230,296	746,763,557
COLORADO	136,056,690	2,267,612	27,211,338
CONNECTICUT	266,788,107	4,446,468	53,357,621
DELAWARE	32,290,981	538,183	6,458,196
DISTRICT of COL.	92,609,815	1,543,497	18,521,963
FLORIDA	562,340,120	9,372,335	112,468,024
GEORGIA	330,741,739	5,512,362	66,148,348
HAWAII	98,904,788	1,648,413	19,780,958
IDAHO	31,938,052	532,301	6,387,610
ILLINOIS	585,056,960	9,750,949	117,011,392
INDIANA	206,799,109	3,446,652	41,359,822
IOWA	131,524,959	2,192,083	26,304,992
KANSAS	101,931,061	1,698,851	20,386,212
KENTUCKY	181,287,669	3,021,461	36,257,534
LOUISIANA	163,971,985	2,732,866	32,794,397
MAINE	78,120,889	1,302,015	15,624,178
MARYLAND	229,098,032	3,818,301	45,819,606
MASSACHUSETT	459,371,116	7,656,185	91,874,223
MICHIGAN	775,352,858	12,922,548	155,070,572
MINNESOTA	267,984,886	4,466,415	53,596,977
MISSISSIPPI	86,767,578	1,446,126	17,353,516
MISSOURI	217,051,740	3,617,529	43,410,348
MONTANA	45,534,006	758,900	9,106,801
NEBRASKA	58,028,579	967,143	11,605,716
NEVADA	43,976,750	732,946	8,795,350
NEW HAMPSHIRE	38,521,261	642,021	7,704,252
NEW JERSEY	404,034,823	6,733,914	80,806,965
NEW MEXICO	126,103,156	2,101,719	25,220,631
NEW YORK	2,442,930,602	40,715,510	488,586,120
N. CAROLINA	302,239,599	5,037,327	60,447,920
NORTH DAKOTA	26,399,809	439,997	5,279,962
OHIO	727,968,260	12,132,804	145,593,652
OKLAHOMA	148,013,558	2,466,893	29,602,712
OREGON	167,924,513	2,798,742	33,584,903
PENNSYLVANIA	719,499,305	11,991,655	143,899,861
RHODE ISLAND	95,021,587	1,583,693	19,004,317
S. CAROLINA	99,967,824	1,666,130	19,993,565
SOUTH DAKOTA	21,893,519	364,892	4,378,704
TENNESSEE	191,523,797	3,192,063	38,304,759
TEXAS	486,256,752	8,104,279	97,251,350
UTAH	76,829,219	1,280,487	15,365,844
VERMONT	47,353,181	789,220	9,470,636
VIRGINIA	158,285,172	2,638,086	31,657,034
WASHINGTON	404,331,754	6,738,863	80,866,351
WEST VIRGINIA	110,176,310	1,836,272	22,035,262
WISCONSIN	318,188,410	5,303,140	63,637,682
WYOMING	21,781,446	363,024	4,356,289
Total	16,488,667,235	274,811,121	3,297,733,447

Table E-1

STATE	SFAG From Allocation Table	Contingency Fund Eligible One Month	Contingency Fund Eligible 12 Months
CALIFORNIA	3,733,817,784	62,230,296	746,763,557
FLORIDA	562,340,120	9,372,335	112,468,024
ILLINOIS	585,056,960	9,750,949	117,011,392
MICHIGAN	775,352,858	12,922,548	155,070,572
NEW YORK	2,442,930,602	40,715,510	488,586,120
OHIO	727,968,260	12,132,804	145,593,652
PENNSYLVANIA	719,499,305	11,991,655	143,899,861
TEXAS	486,256,752	8,104,279	97,251,350
Total	10,033,222,641	167,220,377	2,006,644,528

Table E-2

C & A

There are several questions that should be addressed in evaluating the performance of the contingency fund, including:

- Does the contingency fund provide adequate financial protection against an economic down-turn? One metric for the adequacy of contingency fund payments to states might be the extent to which federal payments to states would have increased under the AFDC system.???

- Does the contingency fund effectively target states that are most in need of assistance? The contingency fund should be designed to encourage participation by states who are truly in need of assistance due to an economic down-turn, while minimizing utilization by states with very temporary increases in TANF expenditures. In addition, it should minimize the use of contingency funds to offset other state expenditures.

- To what extent should the contingency fund promote additional state expenditures on cash assistance rather than other social services (i.e., child care) during economic downturns?

FAX COVER

Income Maintenance Branch

Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

To: Diana Fortuna

Organization:

Fax Number: 6-7431

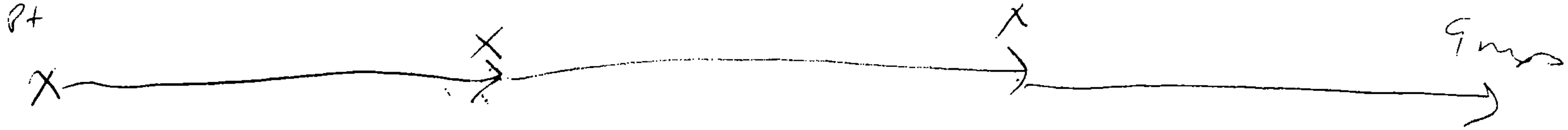
From: Anil

Date/Time:

Number of Pages: Cover + 3

Notes:
Contingency Fund language from Shalala letter

Income Maintenance Fax Number: (202) 395-0851
Voice Confirmation: (202) 395-4686


p+

Contingency Fund

(C) Contingency Grant Fund and Allocation Formula

The Administration strongly believes that real reform means providing resources that allow states to cope with changes in economic and demographic conditions -- not merely shifting increased costs to states and taxpayers. States should be rewarded for moving people from welfare to work and protected in the event of high population growth, economic downswings, or other unpredictable emergencies.

The Administration prefers the Senate's contingency fund provisions (the new section 403(I) of the SSA), which allow eligible states to draw down additional federal funds based on their Federal Medical Assistance Percentage, once they have exceeded one hundred percent of their FY 1994 state expenditures for AFDC-related programs. The House provision would allow eligible states to receive only federal loans, which must be repaid with interest within three years.

The Senate provision is preferable because the contingency grant fund would provide direct aid to states, without the repayment stipulation. Since states would require aid during downswings in their economies, there is no assurance that states would be able to repay a federal loan within three years as required by the House bill. The possibility of defaulting on the obligation would force states to choose between taking a loan in order to serve those in need or cutting benefits and restricting eligibility to conserve available funding. This is an unfair choice to impose on states, particularly when they experience dramatic increases in need.

In order for any state to qualify for additional funding provided via the contingency fund, the dynamic growth formula or the loan fund, the Administration recommends that the state be required maintain its fiscal year 1994 level of state spending on the welfare programs contained in the block grant. This will ensure that no state would receive additional funding unless they first fulfill their obligation to the poor children and families in their state.

To further improve the Senate's contingency fund, the Administration recommends four specific changes:

(1) *The base funding level should be increased.* The $1 billion included in the Senate's contingency fund would not provide an adequate cushion to states that experience population increases, economic downturns, or other emergencies. To illustrate this problem, between 1990 and 1992, a period which encompassed the most recent national economic downturn, federal AFDC spending grew by about $6 billion -- much more than the $1 billion provided by the Senate over 7 years. As one way to address this disparity, the funds already set aside in the bill to cover additional Emergency Assistance (EA) expenditures by states should be dedicated to expanding the contingency fund. EA is a small component of welfare spending, and many states have claimed EA funds for activities that are not directly related to supporting needy families with children. A better use for these resources is to move them into the contingency fund to help ensure that states are capable of providing assistance to deprived children when need increases. Since the $800 million in the EA funds have already been scored by CBO, shifting them to the contingency fund would create no new costs while substantially improving their effectiveness.

(2) *A trigger based on the number of children receiving Food Stamps should be added to the contingency fund.* The contingency fund in the Senate bill includes only a trigger based on state unemployment. Unemployment rates, however, lag substantially behind periods of economic difficulty for the poor. Those with low skills and low-wage jobs are at the bottom of the economic ladder and tend to be the first ones to experience hardship when the economy slows. Their need for assistance increases significantly before there is a large change in overall unemployment rates. As a result, AFDC and Food Stamps caseloads are better indicators of economic need among the poor. For this reason, the Administration supports an additional contingency fund trigger which more directly measures child well-being and child poverty.

The trigger would employ the number of children on Food Stamps as a proxy for child poverty, and would be indexed to the number of children receiving Food Stamps in FY 1994. For each year of the block grant, a state would be eligible to draw down contingency fund monies if the number of children receiving Food Stamps within the state was at least a specified percentage higher than the number of children receiving Food Stamps in FY 1994. The threshold percentage should be set in such a way -- with regard to current economic conditions and caseload forecasts -- that the cost will not exceed $1.8 billion (the combined amount of the current contingency fund and funds now set-aside for EA expenditures). In any one year, states qualifying via either the unemployment or the child Food Stamps trigger could draw down federal funds which equal up to 150 percent of the increase in children receiving food stamps. For example, if an eligible state experiences a five percent increase in the number of children receiving Food Stamps, relative to FY 1994, then they could draw down up to an additional 7.5 percent of their current fiscal year block grant. The maximum funding that any state could receive from the contingency fund would be 20 percent of their current fiscal year block grant, regardless of the increase in child Food Stamp recipiency. Some states can receive monies under the dynamic growth allocation and can use this money to meet increased need. These additional grants should be subtracted prior to determining the amount of money available from the contingency fund. Tying eligibility for contingency funds to the number of children on Food Stamps would make assistance to states more directly responsive to increases in poverty associated with economic downturns, population growth, or natural disasters and is strongly urged by the Administration.

(3) *If the national economy were severely troubled and the contingency fund were depleted, additional funds should be made available to states in need.* Under the current Senate contingency fund, states can only draw down resources from the fund if the fund has not been fully obligated. States that experience economic slowdowns later than other states could be precluded from contingency fund resources if other states have already claimed the full amount of the fund -- even if the conditions in the state are the consequences of a national downturn or recession. For this reason, the Administration recommends a provision that would allow additional funds to flow to eligible states when the national unemployment rate equals or exceeds 6.5 percent. With this provision, any state that qualified under the individual state unemployment or Food Stamps triggers would be able to draw down up to 20 percent of their block grant allocation, regardless of the number of states that qualify and seek assistance and regardless of the amount remaining in the contingency fund. Because the national unemployment rate is not projected to rise above 6 percent in the next seven years, this provision would create no new scorable costs to the bill.

Such a provision would ensure that states have access to contingency funds when child poverty increases during national recessions and would to some extent remove the penalty against states that experience downturns later rather that sooner. In addition, to alleviate the burden on states likely to be strapped for revenues during national recessions, the Administration recommends that state loans, or portions of state loans, from the rainy-day loan fund be forgiven and repaid by the Secretary of the Treasury when national unemployment exceeds 6.5 percent. Together, these provisions would ensure that states have an adequate pool of federal resources from which to draw when economic slowdowns occur. (As another option, the base amount of the contingency fund could be replenished by a certain amount for each tenth of a percentage point the unemployment rate exceeds 6.5 percent.)

(4) *Additional funding should be made available to states that experience extremely severe conditions even if national unemployment does not exceed 6.5 percent.* Under circumstances in which the base level of the contingency fund is fully obligated by states and contingency funds are no longer available, states that experience extremely severe conditions and hit a higher set of triggers should also be able to draw down up to 20 percent of their block grant allocation even if the national unemployment rate remained below 6.5 percent. This modification would take into account states that suffer extreme regional downturns when the national economy has not experienced major difficulty. To qualify; (1) state unemployment would have to exceed an average of nine percent over a three-month period and 120 percent of the unemployment rate for the same period in either of the preceding two years; or (2) the average monthly number of children on Food Stamps over a 12-month period would have to exceed 110 percent of the comparable average for the immediately preceding 12-month period. The exact percentages are illustrative, but we believe change should be made in a way that provides important crisis "insurance" without increasing estimated costs.

These changes would create a new contingency fund that is much more likely to be able to respond to growth in child poverty rates and to provide additional assistance to states when it is needed most.

(D) Reducing Cost Shift to States

The Administration believes that strong work requirements -- moving welfare recipients off the rolls and into jobs -- must be a central focus of welfare reform. However, the Administration also recognizes that it will take substantial resources for states to meet the participation rates when they reach higher levels -- particularly given that under both bills individuals must participate 30 hours per week in FY 2000 (and more in later years) in order to be counted toward the rate.

Given the demanding efforts and high costs of meeting the work participation rates, the Administration prefers the method for calculating the participation rate contained in the Senate bill (modifications to section 404(b) of the SSA). The Senate provisions that allow other activities such as leaving welfare for work or being sanctioned to count toward the rate reduce the probability that the cost of the work program would be shifted to the states. The Senate provisions give states "credit" for achieving desired results -- beyond the requirement that individuals participate in work activities. Including those who leave welfare for work in the numerator of the rate will give states an incentive to move recipients into work as quickly as possible.

ADMINISTRATION FOR CHILDREN AND FAMILIES

Madeline Mocko, Director
Office Of Legislative Affairs and Budget (OLAB)
7th Floor Aerospace Building
901 D Street, SW
Washington, DC 20447
(202) 401-9223 FAX (202) 401-4562

TO: Anil Kakani
Fax - 395-4875
re: Contingency Fund Report

DATE: 3/5/98

__ **URGENT** __ **AS REQUESTED** __ **COMMENT** __ **CLEARANCE** __ **FYI** __ **REPLY ASAP**

Attached is the Contingency Fund Report Timeline reflecting our conversation last week.

Also, fyi, the contingency fund letters were mailed to the States yesterday. They have 15 ~~days~~ to respond from date of receipt of the letter.

Please call if you have any questions.

CONTINGENCY FUND REPORT PROPOSED TIMELINE		
TARGETED DATE	**ACTION**	**CLEARANCE**
March 9	Rough draft to OLAB	Circulate w/in ACF and OS (OPA, OPRE, OFA, ACYF, ASMB, OGC, OS/ES, ASPE, ASPA, IGA)
March 10	WRSG	Discuss issues
March 11	Revise draft	ACF and OS comments due by noon today
March 12	Revised draft to OMB	Share revised draft w/ACF and OS
March 17	Comments from OMB	Meet w/OMB, DPC, NEC and CEA to discuss comments
March 23	Final Report to OLAB	ACF clearance/comments due COB 3/23
March 24	Report to Olivia	Review and sign-off
March 25	Report to Department	Expedited OS clearance/At same time share w/OMB
March 31	OMB clears report	To Secretary for sign-off
No later than April 15	To Hill	(Targeting for April 1)

Contingency Fund

Total Pages: ____

LRM ID: MDH166

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Tuesday, April 14, 1998

URGENT

LEGISLATIVE REFERRAL MEMORANDUM

TO:	Legislative Liaison Officer - See Distribution below
FROM:	Janet R. Forsgren (for) Assistant Director for Legislative Reference
OMB CONTACT:	Melinda D. Haskins PHONE: (202)395-3923 FAX: (202)395-6148
SUBJECT:	**REVISED HHS Report on Report on the Status of the Contigency Fund**
DEADLINE:	**5 PM Thursday, April 16, 1998**

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. **Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

COMMENTS: Attached is the REVISED HHS report on the status of the Contigency Fund.

Section 403(b)(8) of the welfare reform law (P.L. 104-193) directed HHS to report annually to the Congress on the status of the Contingency Fund. In addition, section 404 of the Adoption and Safe Families Act of 1997 (P.L. 105-089) directed HHS to report to the Congress by March 1, 1998, on recommendations for improvements to the Contingency Fund. Pursuant to these requirements, HHS proposes to transmit the attached report.

THIS DEADLINE IS FIRM. IF WE DO NOT HEAR FROM YOU BY THE DEADLINE, WE WILL ASSUME THAT YOU HAVE NO OBJECTION.

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LRM ID: MDH166 **SUBJECT:** REVISED HHS Report on Report on the Status of the Contigency Fund

**RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM**

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or

(2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

TO: Melinda D. Haskins Phone: 395-3923 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ________________ (Date)

________________ (Name)

________________ (Agency)

________________ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _________

_____ Other: ________________

_____ FAX RETURN of ____ pages, attached to this response sheet

Revised

Temporary Assistance for Needy Families (TANF)

Report on Status of the Contingency Fund

April 1998

TABLE OF CONTENTS

Executive Summary

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193) reformed the goals and structure of the nation's welfare system. In addition to establishing block grants for the States, PRWORA established a Contingency Fund for State Welfare Programs to assist States in meeting the need for welfare assistance during periods of economic downturn. The Contingency Fund would make additional Federal funds available on a matching basis to qualifying needy states that requested such funds.

Section 403(b)(6) of PRWORA directed the Secretary of the Department of Health and Human Services (HHS) to report annually to Congress on the status of the Contingency Fund. The Adoption and Safe Families Act of 1997 (section 404, P.L. 105-89) included an amendment to the Contingency Fund, and also directed the Secretary of HHS to report to Congress on recommendations for improvements. Pursuant to these requirements, this report examines the status and operation of the fund to date and considers whether changes or improvements are needed at this time.

Under current national economic projections, the Contingency Fund is fully adequate to meet the needs of qualifying States. Any evaluation of the Contingency Fund must be viewed as preliminary at this time, however, since the economy in most areas of the country is very strong, and States are in the early stages of implementing the new Temporary Assistance for Needy Families (TANF) program. The Contingency Fund has not yet been tested during the periods of economic downturn for which it was designed.

Therefore, it would be premature to assess the long-term effectiveness of the Contingency Fund. As States make further progress in implementing their TANF programs, and we gain more experience in implementation of the Contingency Fund, we will be in a better position to provide a more analytical assessment of the adequacy of the Contingency Fund and the need for changes in our future annual reports to Congress. Our goal for these future reports will be to provide sufficient information for Congress in its preparation for the reauthorization of the Contingency Fund for FY 2002 and beyond.

For our first annual report we were able to provide basic information on the operation of the Contingency Fund, examine possible changes in several of its provisions, and attempt to assess the costs associated with such changes. In particular the report analyzes five key components of the Contingency Fund:

- Total funding available for the Contingency Fund;
- How the eligibility triggers target needy States;
- What State expenditures count towards the Contingency Fund maintenance of effort requirements;
- Calculations under the reconciliation formula; and,
- Offsetting funds adjustments required by the Adoption and Safe Families Act of 1997.

This report was prepared after extensive consultations about welfare reform, including the Contingency Fund, with State TANF agency representatives. In addition, the Administration on Children and Families (ACF) considered information and suggestions about the Fund offered by the National Governors' Association, the Congressional Budget Office, Congressional Research Service, and other interested groups and individuals.

We look forward to working with Congress, the States and other interested parties to more fully review the operation and adequacy of the Contingency Fund in the years ahead.

I. INTRODUCTION

A. Background

The PRWORA repealed the Federal Aid to Families with Dependent Children (AFDC) entitlement program. The new legislation replaced AFDC with the Temporary Assistance for Needy Families (TANF) program -- a block grant which provides each State with a fixed amount of Federal funds through the fiscal year 2002. To address concerns that a fixed block grant could threaten States' ability to meet increased needs for TANF during periods of economic downturn, a Contingency Fund for State Welfare Programs was also included in PRWORA (sections 403(b) and 409(a)(10)).[1]

The Fund was designed to provide additional Federal support on a matching basis for States experiencing increased economic need. Specific statutory provisions were included to ensure that:

- Contingency Funds are targeted to "needy" States;
- States receiving such funds maintain their full level of historic State expenditures for welfare programs; and.
- Federal funds are appropriated for this purpose.

Under PRWORA, $2 billion was appropriated for the Contingency Fund for fiscal years 1997 through 2001 for any of the 50 States and the District of Columbia that qualify. In order to offset $40 million in expenditures for adoption and related activities, the Adoption and Safe Families Act of 1997 amended the Contingency Fund and changed the amount of funds that each qualifying State may retain.

In October 1997, ACF issued a Program Instruction (PI) establishing procedures for notifying States about eligibility and requests for Contingency Funds. See **Appendix A.** To date, two States (North Carolina and New Mexico) have formally requested Contingency Funds.

B. Statutory Requirements

Section 403(b)(8) of the Social Security Act as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 contained a provision that the Secretary of Health and Human Services should annually report to the Congress on the status of the Contingency Fund. In addition, the Adoption and Safe Families Act of 1997 required the Secretary to make recommendations to Congress for improving the operation of the Contingency Fund.

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[1] Section 403 (b) was amended by P.L. 104-327 and P.L. 105-33. P.L. 104-327 permits the add on of funds to the State Family Assistance Grant (SFAG) for certain States for FY 1997 based on those States' ability to meet certain Contingency Fund requirements. P.L. 105-33 makes technical changes to the Contingency Fund MOE, the Federal Medical Assistance Percentage (FMAP) rate and the penalty provisions. These changes are discussed in more detail in Appendix A.

C. Scope of Report

This first Annual Report to Congress on the Contingency Fund examines what is known about the status and operation of the Contingency Fund and considers some possibilities for changing its operation. Under current economic projections, the Contingency Fund is fully adequate to meet the needs of qualifying States. However, any evaluation of the Contingency Fund must be viewed as preliminary at this time, since the economy in most areas of the country is very strong, and States are in the early stages of implementing the new Temporary Assistance for Needy Families (TANF) program. The Contingency Fund has not yet been tested during the periods of economic downturn for which it was designed.

Therefore, it would be premature to assess the long-term effectiveness of the Contingency Fund. As States make further progress in implementing their TANF programs, and we gain more experience in implementation of the Contingency Fund, we will be in a better position to provide a more analytical assessment of the adequacy of the Contingency Fund and the need for changes in our future annual reports to Congress. Our goal for these future reports will be to provide sufficient information for Congress in its preparation for the reauthorization of the Contingency Fund for FY 2002 and beyond.

D. Definition of Terms

Following are definitions of special terms related to the Contingency Fund as used in this report with relevant statutory references:

eligible month - - A month in the 2-month period that begins with any month for which the State is a needy State. Section 403(b)(5)

child care expenditures - - When referencing historic State expenditures, the term *child care expenditures* means the State and Federal share of child care expenditures in FY 1994 under Title IV-A of the Social Security Act, which includes AFDC/JOBS child care, Transitional child care and At-Risk child care.

contingency fund maintenance of effort (MOE) requirement -- In addition to qualifying as a needy State, a State's expenditures for the fiscal year must exceed 100% of a State's historic spending level in 1994. TANF MOE expenditures may be used to meet the Contingency Fund MOE requirement unless they are child care expenditures or expenditures made under "separate State programs." Section 403(b)(4)

historic State expenditures - - The State's share of AFDC benefit payments, AFDC administrative costs, Family Assistance Maintenance Information Systems (FAMIS), Emergency Assistance and JOBS expenditures during certain time periods. Section 409(a)(7)(B)

needy State - - A State is a needy State for a month if it meets either the Unemployment or Food Stamp trigger levels. Section 403(b)(6)

provisional payment - - A preliminary Federal Contingency Fund payment made to a State for an eligible month. Provisional payments are made when a State is notified of its eligibility for a month and then requests a payment. Section 403(b)(3)

reconciliation - - An annual calculation made at the end of the fiscal year to determine how much of the provisional payments a State must remit to the Federal government. Section 403(b)(4)

remittance - - The amount of Federal Contingency Funds paid to the State that must be returned to the Federal government, as calculated in the annual reconciliation. Section 403(b)(4)

State - - Each of the 50 States of the United States and the District of Columbia. Section 403(b)(7)

trigger - - A statutorially defined level for either the average rate of total unemployment in the State or the average Food Stamp caseload in the State. See Section II of this report for a more detailed definition of the triggers. Section 403(b)(6)

II. ACCESS TO CONTINGENCY FUNDS

The following explains the specific statutory requirements of the Contingency Fund and the calculation for providing Contingency Funds to a State. The discussion is arranged in the order in which the steps take place, from determining that a State qualifies as a "needy State" to final calculation of the amount of Contingency Funds to be retained by a State for a given fiscal year.

TRIGGERS

To receive Contingency Funds a State must first qualify as a needy State according to statutory definition, for one or more months in a fiscal year. A "needy State" is a State that has met either the Unemployment Trigger or Food Stamp Trigger.

> Unemployment Trigger - - the State's average unemployment rate for the most recent 3-month period is at least 6.5 percent and at least equal to 110 percent of the State rate for the corresponding 3-month period in either of the two preceding calendar years.
>
> Food Stamp Trigger - - the State's monthly average of individuals participating in the Food Stamp program (as of the last day of the month) for the most recent 3-month period is at least equal to 110 percent of its monthly average of individuals in the corresponding 3-month period in the Food Stamp caseload for FY 1994 or FY 1995, whichever is less, had the immigrant provisions of Title IV and the food stamp provisions under Title VIII of PRWORA been in effect in those years.

PROVISIONAL PAYMENTS

A State may request Contingency Funds for any month for which it qualifies as a needy State. Based on a request for Contingency Funds, the Secretary of Health and Human Services will provide a provisional payment of Federal Contingency Funds for each qualifying month, limited by statute to 1/12 of 20 percent of the State's family assistance grant (SFAG). This payment is provisional because at the end of the fiscal year an annual reconciliation must be conducted to determine the final amount of Contingency Funds a State may retain.

ELIGIBLE MONTHS

Once a State qualifies as needy and elects to receive Contingency Funds, the State will receive payment for a minimum period of two consecutive months. Payments are made for a 2-month period because the statute defines an eligible month as "a month in the 2-month period that begins with any month for which the State is a needy State" (Section 403(b)(5)). Note: While qualifying for a minimum 2-month period under the statute, a State has the option to request a payment for only one month.

RECONCILIATION PROCESS

After the close of the fiscal year, a reconciliation process must be conducted to determine whether a needy State may retain its provisional Contingency Fund payment or whether it must remit some, or all, of the provisional payment back to the Federal Treasury. In order to maintain any of the provisional payment, HHS initially must determine that the State has expended a sufficient amount of State funds in a manner that meets the Contingency Fund maintenance of effort requirement set forth in section 403(b)(4). Additional guidance concerning maintenance of effort requirements was issued by ACF in January 1997 (Policy Announcement No. TANF-ACF-PA-97-1).

If a State meets the Contingency Fund maintenance of effort requirement, then the amount of Contingency Funds it may retain is the lesser of two amounts. The first amount is the Contingency Funds paid to the State for the fiscal year. The second amount is the State expenditures above its MOE level, multiplied by: (1) the State's Federal Medical Assistance Percentage (FMAP) rate applicable for the year in which funds are awarded and (2) 1/12 times the number of months during the fiscal year that the State received Contingency Funds.

For example, a State's expenditures for FY 97 are $103 million. This amount includes $2.5 million in Contingency Funds that have been paid to the State for 6 months. The State's Contingency Fund MOE level is $95 million. The State's FMAP for FY 97 is 50%. In determining how much a State may retain of its Contingency Funds, first subtract from the expenditures made by the State, the Contingency MOE level of expenditures; i.e., $103 minus $95 million. This difference of $8 million must then be multiplied by the State's FY 97 FMAP rate of 50%. That amount is $4 million. Next, multiply the $4 million by 1/12 times 6 months. The result is $2 million. This is the amount of Contingency Funds that may be retained by the State. Because the State had been paid $2.5 million for the fiscal year, the State must remit $500,000.

The Adoption and Safe Families Act of 1997 amended the annual reconciliation process by increasing the amount States receiving Contingency Funds must remit (repay) to the Federal government in FY's 1998-2001. In effect, this change decreases the amount of funds each State may retain after the reconciliation process. The amount of each State's increased remittance is based on its proportion of total Contingency Fund payments for the fiscal year. The increased remittance total is $40 million over four years ($2 million in FY 1998, $9 million in FY 1999, $16 million in FY 2000, and $13 million in FY 2001).

See **Appendix B** for additional reconciliation examples.

III. ELIGIBILITY STATUS OF STATES IN FY 1997

In FY 1997, eight States met either the Unemployment or Food Stamp triggers for at least one month in the year. The eligible States are:

Alaska
California
District of Columbia
Hawaii
New Mexico
New York
North Carolina
Washington

Appendix C contains tables showing in which months these States met the Unemployment and/or Food Stamp Triggers. It is notable that in 1997 seven of the eight States met the Food Stamp trigger while only New Mexico met the unemployment trigger. In order to retain Contingency Funds, these States must also meet the Contingency Fund MOE requirement.

In October 1997, HHS issued a Program Instruction (PI), TANF-ACF-PI-97-8, to provide guidance to States on eligibility requirements and application procedures for Contingency Fund. **Appendix A** contains a copy of the PI. (The PI also describes the TANF grant add-on funds which are similar to Contingency Funds and which were available only for periods in FY 1997 before a State's implementation of the TANF program. See pages 9 and 10 of Appendix A.)

The PI advised States that they would be informed by letter about any months in which they qualified as a needy State for Contingency Funds. HHS will notify any State qualifying as needy on the basis of meeting either the Unemployment or Food Stamps trigger. The first such letters to the Governors were mailed in early March 1998. States had 15 days from receipt of those letters to request Contingency Funds. Two States, North Carolina and New Mexico, have formally requested Contingency Funds. North Carolina will receive State Family Assistance Grant add-on funds for three months totaling $15.1 million. New Mexico will receive $18.9 million of State Family Assistance Grant add-on funds for 9 months of eligibility prior to their TANF program implementation date and $2.1 million of Contingency Funds for one month after their TANF program began. (See pages 7 and 8 of **Appendix A** for an explanation of how States can be eligible for add-on funds prior to their TANF implementation date.)

IV. ANALYSIS OF THE OPERATION OF THE CONTINGENCY FUND

In order to examine the status and operation of the Contingency Fund to date and consider whether changes or improvements are needed at this time, this report analyzes five key components of the Contingency Fund:

- Total funding available for the Contingency Fund;
- How the eligibility triggers target needy States;
- What State expenditures count towards the Contingency Fund maintenance of effort requirements;
- Calculations under the reconciliation formula; and,
- Offsetting funds adjustments required by the Adoption and Safe Families Act of 1997.

It should be noted that any evaluation of the Contingency Fund at this time must be viewed as preliminary since the economy in most areas of the country is very strong and States are in the early stages of implementing the new TANF program. The Contingency Fund has not yet been tested during the period of economic downturn for which it was designed. Therefore, it would be premature to assess the long-term effectiveness of the fund.

A. *Total Funding Available for the Contingency Fund*

Current Funding Needs

The PRWORA appropriated $2 billion for the operation of the Contingency Fund for FY 1997 through FY 2001. The Adoption and Safe Families Act of 1997 reduced the $2 billion appropriation for the Contigency Fund by $40 million for a total of $1.96 billion. Under current economic assumptions, all estimates indicate that the appropriated funds are more than adequate to meet the needs during this period.

To date, two States have requested $17.2 million of provisional Contingency Fund payments--payments that must be reconciled under the process described later in this report. The tables in **Appendix D** provide a range of possible amounts payable to the States under the Contingency Fund, including the maximum amount of Contingency Funds that each State could claim if they met the trigger and MOE requirements for a full 12 months in a fiscal year.

The Administration projects Contingency Fund outlays at $210 million for the period FY 1998-2003, while the Congressional Budget Office (CB) budget baseline projects outlays at $435 million for the same period. Under either projection, the appropriation is sufficient to meet projected outlays. It should be noted that these outlay estimates were prepared assuming that the current favorable economic climate would continue. Moreover, neither CBO nor OMB forecast economic assumptions on a regional basis. Therefore, if an unexpected economic downturn should occur, or if the economic conditions in specific States should deteriorate, then these budget estimates could change dramatically.

In addition, the statutory procedure for recovering $40 million from the Contingency Fund, as prescribed in the Adoption and Safe Families Act of 1997 will have a direct impact on the amount of funds available to needy States. Subsection D below, which focuses on the reconciliation process, outlines the circumstances under which the

Adoption and Safe Families Act provision could make funding unavailable or greatly reduced for needy States.

Finally, it is important to note that States may use TANF funds to create their own rainy day or contingency funds. Under PRWORA, States may reserve any unspent TANF funds indefinitely as a financial cushion for future periods of increased need. During the current period of declining caseloads, most States have some unobligated TANF funds that may be saved for future contingencies. In addition, PRWORA established a Welfare Reform Loan Fund with an appropriation of $1.7 billion for five years in order to assist States during economic downturn. This Loan Fund can be accessed by a State in amounts not to exceed 10% of a State's Family Assistance Grant. We will need time to assess the choices States will make about how to use these funds, in addition to the Contingency Funds, during a recession.

Future Funding Needs

It has been proposed that the Contingency Fund be adjusted to better accomodate national or regional recessions and increased welfare needs. Proposals have included the elimination of the current $2 billion cap, i.e., an open-ended fund, and an automatic increase in the Contingency Fund level triggered by changes in specified economic indicators.

Proponents of these changes have pointed to the recession in the early 1990's and the inadequacy of the current Contingency Fund to address needs of such magnitude. For example, if all States meeting the unemployment trigger during the previous 5-year recession period (1990 through 1994) requested Contingency Funds the provisional payments to States would be approximately $9.7 billion -- an amount far exceeding the $2 billion now available for this purpose. While this $9.7 billion figure represents the maximum amount of "provisional payments" that would be made to States under this scenario, it does convey the potential magnitude of the impact of a major recession.

HHS believes that these and other proposals to ensure that the Contingency Fund is sufficient to accomodate periods of poor economic conditions and increased needs should be thoroughly considered by the Administration and Congress when the Contingency Fund is reauthorized for FY 2002 and beyond. At that point, a complete analysis of the most up-to-date economic projections, state welfare needs, and the degree to which States have used TANF funds to establish contingency or rainy day funds should be conducted in order to determine the necessary level of funding for the Contingency Fund.

B. Triggers

Targeting Needy States

Are the statutory trigger levels properly targeted to needy States given that the Contingency Fund was designed to help States that impacted by a recession or economic downturn? As discussed in Section II of this Report, in order to receive Contingency Funds a State must first qualify as a needy State for one or more months in a fiscal year. A "needy State" is a State that has met either the Unemployment Trigger or the Food Stamp Trigger. Therefore the triggers need to be evaluated to see if they effectively identify needy States.

This section of the report examines four topics related to operation of the triggers: level of the triggers, the duration of a State's eligibility, the "look back" trigger requirement and the lag in availability of the trigger data.

Level of the Triggers

One consideration in evaluating the effectiveness of the triggers is whether the level of the trigger is set at an appropriate point to identify or mirror changes in the economic cycle. Are the trigger levels good measures of an economic downturn? It is too soon to judge whether the State unemployment rate trigger and the Food Stamp trigger are serving this function adequately. More analysis is needed on the sensitivity of TANF caseloads to each of these triggers.

Duration of a State's Eligibility

States are eligible for Contingency Funds if they meet the Unemployment Rate or Food Stamp trigger for only one month (although the trigger is based on a comparison of 3-month averages of unemployment rates or Food Stamp caseloads). Since the State unemployment rate is an estimate based in part on a sample survey, some fluctuations in any monthly employment rates will occur simply because of survey sampling error. One issue is whether a 3-month average is sufficient to smooth such error so that fluctuations represent genuine changes in the state's economic situation.

In other words, does meeting either the unemployment or Food Stamp trigger for only one month mean that a State has increasing welfare needs? Does meeting the 6.5% unemployment rate for a month or two reflect an economic trend or only some fluctuations in the unemployment estimates? Conversely, if a State meets either trigger for a significant number of consecutive months, would that be a better measure of a State experiencing an economic downturn?

In considering whether short term eligibility for Contingency Funds is desirable, one could examine the effect of a change in the qualifying requirements. For example, one option considered might require States to meet either trigger for three consecutive months to be eligible to receive Contingency Funds. Another option might allow a State that has met the trigger(s) for six consecutive months to become eligible to receive Contingency Funds for the entire fiscal year.

Another way to address the duration of need concern is to provide only one month's payment for each eligible month. Currently, the statute defines an eligible month as "a month in the 2-month period that begins with any month for which a State is a needy State." Therefore, a State that is needy in one month is deemed needy in the next month and may receive Contingency Fund payments for two consecutive months. This provision was designed to smooth the transition to recovery for States. An alternative, as noted, is to provide one monthly payment for one month of eligibility for Contingency Funds, thereby reducing the amount of Contingency Funds which a State meeting the trigger for one month will receive (but also reducing the amount the state would need to return to the Federal government in the reconciliation process).

The "Look Back" Trigger Requirement

Another triggering question relates to what might be called the "look back" provision in the unemployment rate trigger: the requirement that the State unemployment rate for a month be at least 110% of the level it was in a corresponding three month period in either of the preceding two years. In other words, a State's unemployment rate must not only be at a high level, but it must also be increasing over past levels. The Food Stamp trigger was designed, in part, to address this issue.

This definition excludes certain States with high welfare needs, namely, those States with consistently high, but level unemployment rates. For example, under the current trigger requirement a State with a 6.0% unemployment rate in one year and an increased rate of 6.6% in the second year would be eligible, while a State with a steady rate of 10% in three consecutive years might not be eligible. Eliminating this provision may allow some States to be eligible that have chronic unemployment problems even during a favorable economic climate.

Lag in Availability of Trigger Data

There also is a question concerning implementation of the provision given the time lag in compiling and publishing trigger data. Once a State has qualified as a needy State and requested funds, it must expend the Contingency Funds within the fiscal year, as well as expend State funds to meet the Contingency Fund MOE level. For planning purposes, States need to be informed of their eligibility status prior to the end of the fiscal year. Due to the process the Department of Agriculture uses to collect monthly Food Stamp data, the data are not available until 90 to 120 days after the end of the month. For States meeting the triggers late in the fiscal year, there is little, if any, time to expend the Contingency Funds within that year or make expenditure decisions to satisfy Contingency Fund MOE requirements.

For example of a State meets the Food Stamp trigger in August of FY 97, it would not be notified until the start of the next fiscal year. At that point the State would need to offset its previous year's State expenditures with the Contingency Funds for FY 97. A reduction in the State's expenditures for FY 97 would have an impact on the State's ability to meet the Contingency Fund MOE requirements.

One approach to resolving this problem would be to implement a deadline or cutoff date of May 31 for the expenditure of Contingency Funds in a Federal fiscal year. This would delay the required expenditure of Contingency Funds that the State was eligible for in June, July, August, and September until the next Federal Fiscal Year. For example, a State would meet the Food Stamp Trigger in June 1998, but would be eligible for Contingency Funds in October 1998, which is the beginning of FY 1999. Reconciliation of these funds would be at the end of FY 1999, September 30.

This section will likely be deleted.

Restoring Food Stamps to Immigrants May Affect Trigger

In his FY 99 budget, President Clinton proposed to restore Food Stamps to legal immigrants who were cut off from Federal benefit rolls under PRWORA. This provision is currently being considered by the Congress. Such a provision, if enacted, would require a technical change in the Food Stamp trigger section of the statute, so as not to distort the Food Stamp trigger. The statute calls for comparing the current Food Stamp caseload with the Food Stamp caseload in FY 94 or FY 95, adjusted to remove legal immigrants. If legal immigrants are now returned to the caseload, the caseload will be larger than that of the look-back years. However, this would not reflect a downturn in a State's economic situation, but a change in eligibility. HHS would be prepared to work with the Congress in developing a technical change to PRWORA to address this issue.

C. *Maintenance-Of-Effort (MOE) and Matching Requirements*

The Contingency Fund MOE requirement differs from the TANF MOE requirement in the following ways:

(1) States must expend 100% of historic State expenditures for FY 1994 to meet the Contingency Fund MOE requirement, whereas States must expend 75% or 80% to mee the TANF MOE requirement.

(2) As authorized by the PRWORA statute, States may expend their own funds in separate State programs to serve TANF eligible individuals. State expenditures in separate State programs do not count toward the Contingency Fund MOE, while such expenditures do count towards the TANF MOE.

(3) The Contingency Fund MOE excludes the State's child care expenditures under Title IV-A from the historic base level, while the TANF MOE includes the State's historic child care expenditures.

PRWORA included both the TANF and Contingency Fund MOE requirements in order to ensure that States continued their essential partnership role in support of welfare programs. A higher and more stringent MOE was required for the Contingency Fund so that States would meet key goals of the TANF program, while sharing the burden of increased needs during periods of recession or economic difficulties

There have been a range of concerns raised about the Contingency Fund MOE requirements – both from the perspective that TANF MOE and Contingency Fund MOE should be more consistent from the desire for greater Federal support to States during economic downturns by. Greater consistency in the MOE requirements could ease administrative burdens on the States and potentially make it easier for States to retain Contingency Funds by allowing States to count a broader range of State expenditures toward the Contingency Fund MOE.

Several alternatives could be considered to address these concerns. One approach would be to allow States to count expenditures for both child care and separate State programs toward the Contingency Fund MOE, thereby making the treatment of such expenditures consistent with the TANF MOE requirement. A second alternative would be to allow States to count only the expenditures on separate State programs toward the Contingency Fund MOE. A third possible alternative would be to count only child care expenditures towards the Contingency Fund MOE.

There are advantages and disadvantages to each of these alternatives. Making TANF and Contingency Fund MOE requirements similar, would provide administrative simplicity. However, since expenditures under the AFDC child care programs were excluded from the base as well as from the Contingency Fund MOE level, we assume that an adjustment would be required in the Contingency Fund MOE base level to reflect State child care expenditures made under the AFDC child care programs in 1994. This adjustment would produce a higher historical spending level and consequently a higher MOE requirement, as shown in the table in **Appendix E.**

Expanding the qualifying expenditures definition for the Contingency Fund MOE to include separate State program expenditures, but not child care expenditures, would not be equitable to all States. Currently, only 16 States are expending TANF funds in separate State programs. It is too early in the implementation of the TANF program to know if this number will increase or decrease. While offering the opportunity for a greater number of States to retain Contingency Funds, this alternative does not simplify the Contingency Fund calculation because it does not treat TANF and Contingency Fund MOE requirements in the same manner. Further, it could provide unintended incentives to States to shift more resources from their TANF program to separate State programs. Similar arguments could be made for changing the definition to include child care, but not separate State program expenditures. While this alternative would benefit those States who spend relatively large amounts of their TANF funds on child care, it does not simplify the Contingency Fund calculation since there continue to be differences between the TANF and Contingency Fund MOE requirements.

Any changes to the definition of the Contingency Fund MOE requirements could result in significant increases in Federal costs.

D. *Reconciliation Formula*

Section 403(b)(6) of PRWORA provides that State expenditures above the Contingency Fund MOE level are to be matched, at the applicable FMAP rate, by Federal Contingency Funds. In the reconciliation procedure, the amount of matching funds a State may retain decreases for those States receiving Contingency Funds for less than 12 months in a fiscal year. The last step in the reconciliation formula reduces the Federal funds payable to the State to 1/12 times the number of months the State received Contingency Funds in the fiscal year (see page 7). Therefore, a State receiving Contingency Funds for only a portion of the year receives a smaller proportion of Federal funds than a State eligible for all twelve months.

For example, State expenditures in excess of the Contingency Fund MOE amount entitled the State to receive $2 million at the FMAP rate. However, since the State was eligible for only 6 months in the year, the last step in the reconciliation formula reduced the $2 million by 6/12ths or $1 million, thereby cutting in half the amount of Federal funds received by the State.

The table below gives additional examples of the application of the reconciliation formula. In this table, the assumption is made that prior to the last step in the process in which the number of months adjustment is made, all States were retaining $2 million. However, State A received Contingency Funds for 3 months; State B for 6 months; and State C for 12 months. Column three of the table illustrates the effect on funding to States under the current formula. In this example, assuming a State's FMAP rate is 50%, State A's final Federal matching rate is 12.5%, State B's is 25% and State C's remains at 50%.

	No. of Months	Paid Out If Adjustment Is Eliminated	Paid Out Under Current Adjustment Process	Percentage Reduction
State A	3	$2,000,000	$500,000	75%
State B	6	$2,000,000	$1,000,000	50%
State C	12	$2,000,000	$2,000,000	0%
Total		$6,000,000	$3,500,000	

Questions have been raised about whether the proportion of Federal funds finally retained by needy States, as determined by this reconciliation formula, is too low compared to the required State Contingency Fund MOE and matching expenditures. An alternative to consider would be the elimination of this final step in the reconciliation process. For States that met the trigger level requirements, this change would convert the Contingency Fund to a matching program for State expenditures in excess of the Contingency Fund MOE. Column two in the table demonstrates the impact on State funds if the reconciliation procedures were revised to eliminate the number of months adjustment. Under this alternative, each State in the example would retain a 50% Federal matching rate regardless of the number of months for which they received Contingency Funds. This alternative raises additional questions about whether the intention of the Contingency Fund is to treat all States 'equally' regardless of whether they met the triggers for 2 months or the entire year.

Any changes to the reconciliation formula could result in significant increases in Federal costs.

E. *Adoption and Safe Families Act of 1997 Provision*

States receiving Contingency Funds under provisional payments may have received overpayments, and may have to remit all or part of the funds. The Adoption and Safe Families Act of 1997 amendments to the Contingency Fund increased the State remittance amount in order to provide sufficient funding for this key adoption initiative. The provision increases the remittance amounts of all States drawing from the Contingency Fund. This increase, to be shared proportionally by all States drawing funds in a year, total $2 million in FY 1998, $9 million in FY 1999, $16 million in FY 2000, and $13 million in FY 2001. One result of this calculation is that the fewer the number of States receiving funds, the higher their proportionate share of the offset, and the more they will have to remit.

One way to address this issue would be to change the remittance formula in a way that spreads out the recovery of funds. For example, the additional remittance amount could be capped at some percentage, say 25% or 30%, of the Contingency Funds to which they would be otherwise entitled. Another alternative would be to look for other sources for this $40 million offset in order to avoid such consequences for States meeting the triggers.

Appendices

A - Contingency Fund Program Instruction (PI-97-8)

B - Reconciliation Examples

C - Needy States Exceeding the Food Stamp or Unemployment Trigger Levels in FY 97

D - Minimum and Maximum Payment Amounts

E - Comparison of TANF and Contingency Fund MOE Levels

Appendix A

Temporary Assistance for Needy Families Program Instruction

U.S. Department of Health and Human Services
Administration for Children and Families
Office of Family Assistance
Washington, DC 20447

No. TANF-ACF-PI-97-8 Date October 27, 1997

TO: State Agencies Administering the Temporary Assistance for Needy Families Program, Under Title IV of the Social Security Act, As Amended, and Other Interested Parties

SUBJECT: Contingency Fund Eligibility Requirements and Application Procedures

LEGAL AND RELATED REFERENCE: Title IV-A, Section 403(b) of the Social Security Act, as amended

PURPOSE: This Program Instruction provides guidance to States on the requirements for receiving Contingency Funds and instructions for applying for these funds. It also includes guidance and instructions to States for applying for funds which represent an add on to the State Family Assistance Grant (SFAG) for FY 1997 only, as provided in Public Law 104-327.

INQUIRIES: Comments and questions should be directed to: Joseph Lonergan, Federal Contingency Fund Manager, Administration for Children and Families, Office of Program Support, Office of Management Services, Division of Formula, Entitlement and Block Grant, 370 L'Enfant Promenade, SW, Washington, DC 20447, (202) 401-6603, INTERNET[jlonergan@acf.dhhs.gov].

Norman L. Thompson
Director
Office of Program Support

Lavinia Limon
Director
Office of Family Assistance

I. Background/Summary

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), Public Law 104-193, enacted August 22, 1996, replaces the open ended entitlement program Aid to Families with Dependent Children (AFDC), including Emergency Assistance (EA), under Title IV-A of the Social Security Act; and the Job Opportunities and Basic Skills (JOBS) program under Title IV-F with the Temporary Assistance for Needy Families (TANF) Program.

The former child care programs established under Title IV-A; i.e., AFDC/JOBS, Transitional, and At-Risk Child Care programs were replaced with a new capped funding stream under Title VI of PRWORA.

TANF is a capped block grant program; the amount of funds States may receive generally is fixed. However, PRWORA contains provisions that, under certain circumstances, increase the amount a State can receive. In addition to the State Family Assistance Grant (SFAG) issued under TANF, funds are available from the Bonus to Reward Decreased Illegitimacy, the Supplemental Grant for Population Increases, the Bonus to Reward High Performance States, the Federal Loans for State Welfare Programs, and the Contingency Fund for State Welfare Programs (i.e., the Contingency Fund).

A total of $2 billion is available for the Contingency Fund for Fiscal Years (FY) 1997 through FY 2001 for States faced with economic conditions that threaten their ability to operate the TANF program. These funds are available to the 50 States and the District of Columbia. A State is not eligible to receive Contingency Funds until it has implemented TANF. After implementation of TANF, States, at their request, may receive funds from the Contingency Fund if they meet the eligibility requirements contained in Section 403(b) of the Social Security Act. Contingency Funds are available to match State expenditures that exceed a State's Maintenance of effort (MOE) level **only** in the fiscal year in which the funds are awarded. Unlike TANF funds under Section 403(a), Contingency Funds are not available until expended.

Section 403(b) was amended by Public Law 104-327 and Public Law 105-33. Public Law 104-327 permits the add on of funds to the SFAG for certain States for FY 1997 based on those States' ability to meet certain Contingency Fund requirements. (See amendments to Section 116(1)(b)(ii)(II) in Attachment A.) Public Law 105-33 makes technical changes to the Contingency Fund MOE, the Federal Medical Assistance Percentage (FMAP) rate and the penalty provisions. These changes have been incorporated in this Program Instruction (PI).

II. Eligibility

States may receive Contingency Funds if:

(1) the State's average unemployment rate for the most recent 3-month period is at least 6.5 percent **and** at least equal to 110 percent of the State's rate for the corresponding 3-month period in either of the two preceding calendar years; **and/or**

(2) the State's monthly average of individuals participating in the Food Stamp program (as of the last day of the month) for the most recent 3-month period exceeds by at least 10 percent its monthly average of individuals in the corresponding 3-month period in the Food Stamp caseload for FY 1994 or FY 1995, whichever is less, had the immigrant provisions of Title IV and the food stamp provisions under Title VIII of PRWORA been in effect in those years.

The first qualifying criterion is called the Unemployment Trigger; the second qualifying criterion is called the Food Stamp Trigger. A State must first qualify monthly as a "needy State" by satisfying **either** the Unemployment Trigger or the Food Stamp Trigger.

The Unemployment Trigger Data is obtained from Weekly Trigger Notices (WTNs) released by the U.S. Department of Labor (DOL) for this purpose. The WTNs are also available on the INTERNET at <www.itsc.state.md.us>.

Attachment B is a copy of WTN No. 97-2, with an effective date of January 26, 1997, and an explanation.

A State meets the unemployment trigger for each month in which any WTN that is effective for any day in that month indicates both requirements in (1) above are met.

In the attached WTN, New Mexico met the trigger for January because its unemployment rate was 7.0 percent (as noted in the column entitled "3 mo SA TUR") and this rate represented an increase of 16 percent for the corresponding period for 1995. The increase of 16 percent is indicated in the column "2nd Year" which states "116."

Even though other States had unemployment rates that exceeded 6.5 percent (e.g., Alaska, California, and the District of Columbia), these States' increases for the corresponding period for the prior two calendar years did not exceed 110 percent. Thus, New Mexico was the only State to have met the "Unemployment Trigger" for January.

Questions relating to the WTN for the Unemployment Trigger should be addressed to the Bureau of Labor Statistics, DOL, on (202) 606-6418.

The Food Stamp Trigger data is provided to ACF monthly by the U.S. Department of Agriculture (USDA). (PRWORA requires that USDA determine if a State has met the Food Stamp Trigger for a month.)

Attachment C is a Food Stamp Trigger Notice (FSTN) for the month of April ("Contingency Fund States for April 1997"), and an accompanying explanation.

Questions relating to the FSTN should be addressed to the Office of Analysis and Evaluation, Food and Consumer Service, USDA, on (703) 305-2019.

Attachment D1 is a list of those States that have met the Food Stamp Trigger in FY 1997 as of the issuance date of this PI. Attachment D2 is a listing of States which have met the Unemployment Trigger in FY 1997.

As defined in Section 403(b)(5), an "eligible month" is a month in the 2-month period that begins with any month for which the State is determined to be a "needy State;" i.e., meets either the Unemployment or Food Stamp Trigger. A State that elects to receive Contingency Funds for an eligible month can continue to receive payments for one month after it no longer meets the eligibility criteria. Therefore, a determination of a "needy State" for a month will make that State eligible to receive Contingency Funds for two consecutive months, at the State's option.

III. Application Process

Option 1-Monthly Request--Each State that has met either the Unemployment Trigger or the Food Stamp Trigger for any month will be notified via certified mail. The State will have 15 calendar days after receipt of the notification to submit a request for Contingency Funds. Information on States meeting either trigger will also be available on the ACF Home Page.

The State's request must be in the form of a letter signed by the Governor or his/her designee. The letter should reference our notification, the month or months for which payment is requested, and the trigger satisfied. The State must certify that matching funds are available, that it will satisfy the required MOE, and that it will expend these funds in accordance with the requirements of the TANF Program and Section 403(b).

For convenience, we are providing an optional request letter that may be used to request Contingency Fund payments. (See Attachment E.) The State's request may be faxed to us at (202) 205-4270; the original request must be mailed to us at the address below.

Option 2-Advance Request--Instead of requesting Contingency Funds upon each notification, a State may make one advance request for payment in each fiscal year. Upon receipt of this advance request, we will make payments to the State for each month for which it qualifies for a payment in the fiscal year. As with individual requests, the State's advance request must include the applicable criteria listed above under Option 1. Attachment E can be used for both options.

The request should be sent to:

Joseph Lonergan
Federal Contingency Fund Manager
Division of Formula, Entitlement & Block Grants (DFEBG)
Office of Management Services
Office of Program Support
Administration for Children and Families
370 L'Enfant Promenade, SW, Room 702
Washington, DC 20447

ACF will issue eligibility notifications to States that have already met the triggers in FY 1997 via certified mail on the issuance date of this program instruction.

For further information/questions please contact Oscar Tanner at (202) 401-5704 or INTERNET[otanner@acf.dhhs.gov.].

IV. Award Process

For each month of the fiscal year that a State meets the eligibility based on either the Unemployment Trigger or the Food Stamp Trigger, a State may receive up to 1/12th of 20 percent of its SFAG annual allocation. Contingency Fund grant awards will be made, via the SFAG Notice of Grant Award (NGA), in the order in which the requests for payments are received by ACF. The Contingency Fund award is a separate line item on the NGA.

For each eligible month, a State can generally receive a 2-month grant award (Contingency Fund payment) in the amount of 1/6 of 20 percent of the SFAG. For example, if a State qualifies for Contingency Funds for the month of October and requests Contingency Funds, we will issue a 2-month grant award, i.e., for October and November (1/12 for each month). However, a State has the option to request payment for only one month.

The exception is when a State qualifies for Contingency Funds for the month of September. One grant award will be issued for September using the current fiscal year's funds; and a separate grant award will be issued for October using the next fiscal year's funds. Each award will be 1/12 of 20 percent of the SFAG for the respective fiscal year.

Since Contingency Funds must be expended in the year in which they are received and we are unable to notify States of their eligibility for the month of September until 60 to 90 days after the end of the fiscal year because of the lag in the availability of trigger data, States should note that electing to receive Contingency Funds for the month of September would, in effect, be substituting or reimbursing State expenditures. States should also note that those same expenditures cannot be used to meet the Annual Reconciliation MOE requirement, which is discussed later in this PI.

If a State applies for and receives Contingency Funds and subsequently determines it does not wish to participate in this part of the TANF program, it must notify ACF by letter signed by the Governor or his/her designee. The letter notifying ACF of the State's decision must be received not later than November 14 for Contingency Funds received in the prior fiscal year. For Contingency Funds received after the end of the fiscal year, notification must be received by ACF not later than 45 days after receipt (via certified mail) of Contingency Funds. ACF will then recoup the Contingency Funds awarded to the State.

V. Allowable Use of Funds

Contingency Funds are subject to the same rules and limitations that govern the use of other Federal TANF funds, except that Contingency Funds cannot be:

1) transferred to the Social Service Block Grant or the Child Care and Development Block Grant[1] (also known as the Discretionary Fund); or

2) carried over for use in a subsequent fiscal year; i.e., funds provided for a fiscal year must be expended in the fiscal year received.[2]

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[1]Section 404(d) provides the authority to transfer funds awarded under section 403(a); Contingency Funds are awarded under section 403(b).

[2]Section 403(b)(4) requires States receiving Contingency Funds to perform an annual reconciliation, which has the effect of placing a time limit on availability of funds.

VI. Maintenance-of-Effort (MOE) Level

States must meet the Annual Reconciliation MOE requirement which is separate from the TANF MOE requirement. The Annual Reconciliation MOE level is 100 percent of historic State expenditures for FY 1994. Historic State expenditures include the State share of AFDC benefit payments, administration, Family Assistance Maintenance Information Systems (FAMIS), EA, and JOBS expenditures. Child care expenditures, i.e., AFDC/JOBS, Transitional and At-Risk child care expenditures are excluded from the Annual Reconciliation MOE requirement. Attachment F provides the Annual Reconciliation MOE levels for each State. In determining the State's Annual Reconciliation MOE level, we used the same data sources, except for child care, used for determining the TANF MOE which were provided to States in TANF-ACF-PI-96-2, dated December 6, 1996.

TANF MOE expenditures may be used to meet the Annual Reconciliation MOE requirement unless they are child care expenditures or expenditures made under "separate State programs." Unlike the TANF MOE, the Annual Reconciliation MOE will not be prorated in FY 1997. That is, if a State elects to receive Contingency Funds for even just 1-month in FY 1997, it is still required to meet the full Annual Reconciliation MOE level for FY 1997. However, for FY 1997 only, States may count as the Annual Reconciliation MOE expenditures amounts expended by the State in FY 1997 to fulfill a State's matching requirement for AFDC, EA and JOBS programs.

States should note that we will reduce the Annual Reconciliation MOE level if a Tribe within the State receives a Tribal Family Assistance Grant under Section 412. This reduction is provided for in Section 409(a)(7)(B)(iii). We will reduce the Contingency Fund MOE level by the same percentage as a State's SFAG annual allocation is reduced for Tribal Family Assistance Grants in the State for the fiscal year.

VII. Annual Reconciliation

Section 403(b)(6) requires an annual reconciliation be completed in order to determine if a State may retain the Contingency Funds received for a fiscal year or if it must remit all or a portion of those funds to ACF. Section 403(b)(6) provides that Federal Contingency Funds are to be used to match, at the applicable FMAP rate, State funds for expenditures above a specified MOE level. Therefore, Contingency Funds are available only to match expenditures that exceed a State's MOE level.

Annual reconciliation involves computing the amount, if any, by which countable State expenditures (State and Contingency Fund expenditures) in a fiscal year exceed the State's MOE level. If the countable expenditures exceed 100 percent of that level, then the State is entitled to keep all or a portion of the Contingency Funds paid to it.

If the State has met its Contingency Fund MOE requirement, the amount of Contingency Funds it may retain is the lesser of two amounts. The first amount is the amount of Contingency Funds paid to it for the fiscal year. The second amount is its expenditures above its MOE level, multiplied by: (1) the State's FMAP applicable for the fiscal year for which funds were awarded; and (2) 1/12 times the number of months during the fiscal year that the State received contingency funds.

For example, a State's expenditures for the fiscal year 1997 are $103 million. This amount includes $2.5 million in Contingency Funds that have been paid to the State for 6 months. The State's MOE level is $95 million. The State's FMAP for FY 1997 is 50 percent. In determining how much a State may retain of its Contingency Funds, we must first subtract from the expenditures made by the State, the Contingency MOE level of expenditures; i.e., $103 minus $95 million. This difference of $8 million must then be multiplied by the State's FY 1997 FMAP rate of 50 percent. That amount is $4 million. Next, we must multiply the $4 million by 1/12 times 6 months. The result is $2 million.

This is the amount of Contingency Funds the State may retain. Because the State had been paid $2.5 million for the fiscal year, it must remit to ACF $500,000.

If a State fails to meet the Annual Reconciliation MOE level, it must remit all of the Contingency Funds received for that fiscal year. Section 403(b)(6), as amended by Public Law 105-33, does not require a State to remit Contingency Funds until one year after it has failed to meet either the Food Stamp Trigger or the Unemployment Trigger for 3 consecutive months. For example, if the State received Contingency Funds in FY 1997 but must remit some or all of the funds received, and fails to meet either trigger for the months of October, November, and December 1997, the State has until December 31, 1998, to remit the funds.

By the time the Annual Reconciliation is conducted, it is possible that a State will have expended the Contingency Funds received for the fiscal year. This is evident in the example above where the State had to remit $500,000 of the $2.5 million received even though it had made expenditures above the MOE level. Therefore, we will not consider expenditure of Contingency Funds which later must be remitted under the Annual Reconciliation as an improper use. Contingency Funds are to be expended in the fiscal year in which they are awarded. Therefore, States may not use these funds for expenditures made in either the subsequent fiscal year or a prior fiscal year.

Section 409(a)(10) provides a penalty for failure to remit funds. The penalty is a reduction of the State's next fiscal year SFAG by the amount of funds not remitted. Section 409(a)(10), as amended by Public Law 105-33, eliminated the Secretary's ability to waive this penalty for reasonable cause or corrective compliance. The State may appeal our decision to reduce the State's SFAG.

VIII. Submittal of Annual Reconciliation

We have developed a quarterly TANF Financial Report, Form ACF-196, which States will use to report TANF and Contingency Fund expenditures. Instructions accompanying the report will explain to States how to report TANF and Contingency Fund expenditures. The Fourth Quarter's submission of the ACF-196, due 45 days after the end of the fiscal year, i.e., November 14, will be used to complete the annual reconciliation. When Contingency Funds are received after the end of a fiscal year, the State must submit a revised 4th quarter ACF-196 not later than 45 days after receipt (via certified mail) of Contingency Funds.

IX. Additional Funds to Add On to States' SFAGs for FY 1997 (Public Law 104-327)

Public Law 104-327 made technical changes to Section 403(b) of the Social Security Act and Section 116 of PRWORA. It included a special provision amending Section 116 which permits ACF to increase a State's SFAG **for FY 1997 only.** Section 116, as amended by Public Law 104-327, defines this add on to the SFAG grant as:

> "...the amount, if any, that the State would have been eligible to be paid under the Contingency Fund for State Welfare programs established under section 403(b) of the Social Security Act..., during the period beginning October 1, 1996 and ending on the date the Secretary of Health and Human Services first receives from the State a plan described in section 402(a) of the Social Security Act...." "Plan," as used in section 402(a) means a State plan for implementing the TANF program.

Thus, funds may be added on to a State's SFAG for FY 1997, if prior to its implementation of the TANF program, the State would otherwise "be eligible for" Contingency Funds under Section 403(b). "Eligibility under Section 403(b)" means that the amount of funding available; i.e., 1/12 of 20 percent per month, and all other requirements under Section 403(b) apply. Thus, the add on to a State's SFAG for FY 1997 is available only if the State qualifies as a "needy State" by satisfying either the Unemployment Trigger or the Food Stamp Trigger and requests the funds in writing.

Funding for the SFAG add on is provided through the SFAG appropriation in Section 403(a)(1), not the Contingency Fund appropriation in Section 403(b) of PRWORA. The add on to the SFAG is not available to States that began operation of the TANF program in October 1996 or before.

For States implementing TANF after October 1996, and choosing to participate in the add on to the SFAG and/or the Contingency Fund in FY 1997, we believe that the legislation contemplated a single process. Thus, the requirements and procedures applicable to States participating in the Contingency Fund and the SFAG add on will, except where noted, be the same as outlined above.

States receiving these add on funds may continue to receive payments for the month after they no longer meet the eligibility trigger criteria. However, if the second month is the month in which TANF is implemented, funding associated with the second month will not be considered an add on to the SFAG but funding under the Contingency Fund.

States may use the optional request letter (Attachment E) to apply for participation in either the Contingency Fund or the SFAG add on. For FY 1997, States need not indicate whether the request is for the Contingency Fund or the SFAG add on. If a State requests funds for months prior to the month of TANF implementation, we will pay the State from the SFAG appropriation. If a State requests funds for the month on or after TANF implementation, we will pay the State from the Contingency Fund appropriation.

Attachment F shows each State's TANF implementation date to facilitate the determination from which appropriation a State will receive funds.

Some States may choose to participate in the add on to the SFAG, but not the Contingency Fund. This is permissible for those months prior to TANF implementation; however, the State must still meet its MOE requirement, and the determination of the actual amount of the add on to be retained will be made following completion of the Annual Reconciliation process described in section 403(b).

After the Annual Reconciliation process, the amount related to the months under TANF implementation will be payable from the Contingency Fund. For example, if after the Annual Reconciliation for FY 1997, the amount a State may retain is determined to be $1,000,000. The State implemented TANF in June and requested funding for the months of April through September. The amount of the SFAG add-on will be $1,000,000 divided by 6 months and multiplied by 2 months, i.e, $333,333. The remainder, $666,667, will be paid under the Contingency Fund.

ATTACHMENT A

SECTION 116 OF PRWORA

PUBLIC LAW 104-327

Public Law 104-327 amended section 116 of PRWORA. The language added by P.L. 104-327 is indicated in "bold," and the language deleted is "struck out."

Section 116(b)(1)(B)(II)

This section addresses the total amount of funding under section 403 (a) (1) under TANF for FY 1997. It provides that funding under section 403 (a) (1):

> (II) for fiscal year 1997, shall be an amount equal to the lesser of--
>
> (aa) the amount (if any) by which ~~the State Family assistance grant~~ **the sum of the State family grant and the amount, if any, that the State would have been eligible to be paid under the Contingency Fund for State Welfare Programs established under section 403 (b) of the Social Security Act as amended by section 103 (a) (1) of this Act), during the period beginning October 1, 1996, and ending on the date the Secretary of Health and Human Services first receives from the State a plan described in section 402 (a) of the Social Security Act (as so amended) if, with respect to such State, the effective date of this Act under section (a) (1) were August 22, 1996**, exceeds the total obligations of the Federal Government to the State under part A of title IV of the Social Security Act (as in effect on September 30, 1995) with respect to expenditures in fiscal year 1997; or
>
> (bb) **the sum of** the State family assistance grant, multiplied by 1/365 of the number of days during the period that begins on October 1, 1996, or the date the Secretary of Health and Human Services first receives from the State a plan described in section 402 (a) of the Social Security Act (as added by the amendment made by section 103 (a) (1) of this Act), whichever is later, and ends on September 30, 1997 **and the amount, if any, that the State would have been eligible to be paid under the Contingency Fund for State Welfare Programs established under section 403 (b) of the Social Security Act (as amended by section 103 (a) (1) of this Act), during the period beginning October 1, 1996, and ending on the date the Secretary of Health and Human Services first receives from the State a plan described in section 402 (a) of the Social Security Act (as so amended) if, with respect to such State, the effective date of this Act under subsection (a) (1) were August 22, 1996.**

ATTACHMENT B EXPLANATION

The number of the WTN identifies the period covered, i.e., 97-2 is the 2nd week of calendar year 1997.

The percentage under column "3 mo SA TUR" on the WTN identifies the State's average rate of total unemployment (seasonally adjusted) for the most recent 3-month period. **This amount must exceed 6.5 percent.**

The columns "Year" and "2nd Year" indicate the percentage increase of the average rate of unemployment for the corresponding period in the two preceding calendar years. **One of these amounts must exceed 110 percent.**

ATTACHMENT B

Weekly Trigger Notice

TRIGGER NOTICE NO. 97 - 2
STATE EXTENDED BENEFIT (EB) INDICATORS UNDER P.L. 102-318
Effective January 26, 1997

	INDICATORS 13 Week IUR	Pct of Prior 2 Yrs	3 mo SA TUR	Pct of Prior Year	Pct of Prior 2nd Year	Avail. WKS	STATUS Periods Begin Date(B) End Date(E)
& Alabama	1.97	99	4.9	76	84		E 06-04-83
Alaska	5.66	93	7.3	98	98		E 07-06-96
& Arizona	1.00	74	5.4	112	85		E 10-23-82
& Arkansas	3.05	106	5.3	108	106		E 03-26-83
& California	3.42	90	7.0	88	86		E 07-09-83
& Colorado	1.12	91	3.9	90	97		E 01-24-81
Connecticut	2.41	83	5.0	89	90		E 01-24-81
* & Delaware	2.23	121	5.3	112	120		E 07-17-82
& District of Col	1.81	85	8.1	90	101		E 01-24-81
* & Florida	1.34	75	5.2	94	93		E 01-24-81
* & Georgia	1.32	103	4.4	89	88		E 01-24-81
& Hawaii	2.73	97	5.6	94	90		E 01-24-81
& Idaho	3.00	90	4.9	89	87		E 06-13-87
& Illinois	2.15	96	5.1	98	94		E 06-25-83
& Indiana	1.22	103	3.9	84	81		E 04-30-83
* & Iowa	1.57	107	3.3	94	91		E 06-04-83
Kansas	1.33	89	4.0	93	78		E 11-06-82
* & Kentucky	1.85	94	4.8	87	92		03-19-83
& Louisiana	1.46	90	6.8	103	86		E 03-14-87
& Maine	2.57	89	4.8	85	69		E 06-25-94
& Maryland	1.78	82	4.6	88	93		E 07-31-82
* & Massachusetts	2.19	82	4.1	77	70		E 06-29-91
& Michigan	2.35	103	4.7	90	85		E 06-15-91
& Minnesota	1.53	96	3.7	100	97		E 06-18-83
& Mississippi	2.21	104	5.5	87	84		E 07-16-83
& Missouri	1.74	96	4.1	93	89		E 06-19-82
& Montana	2.96	93	5.0	81	98		E 06-04-83
& Nebraska	1.00	107	2.6	96	92		E 01-24-81
& Nevada	2.02	90	5.2	100	86		E 03-19-83
* & New Hampshire	0.96	89	4.2	110	100		E 01-24-81
& New Jersey	2.88	97	6.2	95	93		E 06-19-82
& New Mexico	1.69	96	7.0	109	116		E 11-27-82
& New York	2.55	87	5.9	93	92		E 01-24-81
& North Carolina	1.60	102	4.2	95	93		E 05-14-83
* & North Dakota	1.41	98	2.7	84	75		E 06-11-83
& Ohio	1.59	93	4.8	96	96		E 05-14-83
& Oklahoma	1.11	89	4.2	93	76		E 01-24-81
Oregon	3.21	91	5.2	104	101		E 02-26-94
& Pennsylvania	2.97	90	4.9	83	83		E 08-06-83
& Puerto Rico	5.07	83	12.8	92	90		E 08-03-96
Rhode Island	3.89	92	4.8	69	69		E 07-08-95
& South Carolina	1.94	94	6.0	115	105		E 03-19-83
* & South Dakota	0.83	110	2.9	100	90		E 01-24-81

	& Tennessee	2.01	107	4.8	87	104	E 09-25-82
	& Texas	1.47	88	5.4	88	88	E 01-24-81
*	& Utah	0.95	93	3.1	88	91	E 06-25-83
	Vermont	2.58	92	4.5	104	100	E 07-13-91
	& Virgin Islands 1/	1.55	80	4.4	69	69	E 08-06-83
	& Virginia	0.88	81	4.1	91	87	E 01-24-81
*	Washington	3.59	82	5.9	92	95	E 08-27-94
	& West Virginia	2.78	95	7.2	90	88	E 07-13-91
	& Wisconsin	2.27	104	3.2	86	72	E 06-18-83
*	& Wyoming	1.95	100	4.7	100	92	E 06-13-87
Total Number "ON":		0	0			0	

* - State does not have 6 % IUR option in law
& - State does not have TUR option in law

USDOL/ETA/UIS/DAS
January 24, 1997

IUR reflects 13-week period ending January 11, 1997
TUR reflects avg. seasonally adjusted TUR for 3-month period ending November 96
1/ Trigger Indicator as of January 04, 1997

ATTACHMENT C EXPLANATION

The first three columns provide the monthly food stamp caseloads for the most recent 3-month period in FY 1997. The fourth column provides the average of the 3 months ("3-month average"). The fifth column, "April Threshold," represents the lesser of the comparable 3-month average for FYs 1994 or 1995 increased by 10 percent. Thus, States with caseloads exceeding the "April Threshold" met the Food Stamp Trigger for the month of April 1997. The attachment identifies such States with a "1" in the column "Over Threshold?"

Although the territories have been included in the chart, they are not eligible for Contingency Funds pursuant to section 403(b)(7) of the Act.

Contigency Fund States for April 1997

STATE	February 1997	March 1997	April 1997	3-Month Average	April Threshold	Over Threshold?
ALABAMA	481,663	470,249	459,533	470,478	554,794	0
ALASKA	50,572	51,300	51,402	51,091	53,248	0
ARIZONA	368,333	362,401	352,497	361,077	480,247	0
ARKANSAS	270,812	269,049	264,393	268,085	290,840	0
CALIFORNIA	2,917,507	2,887,327	2,852,747	2,885,860	3,087,978	0
COLORADO	225,643	225,946	215,552	222,380	265,121	0
CONNECTICUT	212,913	208,023	205,898	208,944	227,357	0
DELAWARE	56,228	54,631	52,509	54,456	60,677	0
DISTRICT OF COL	90,294	89,106	88,748	89,383	92,493	0
FLORIDA	1,220,646	1,193,306	1,138,264	1,184,072	1,358,978	0
GEORGIA	716,771	696,003	676,725	696,500	850,817	0
GUAM	18,008	18,066	17,333	17,802	15,536	1
HAWAII	128,990	128,062	127,377	128,140	113,512	1
IDAHO	74,218	74,810	72,018	73,682	87,962	0
ILLINOIS	1,030,320	1,031,144	1,006,701	1,022,722	1,170,960	0
INDIANA	355,054	354,907	349,719	353,227	500,585	0
IOWA	188,377	184,330	183,660	185,456	196,743	0
KANSAS	158,420	154,485	151,979	154,961	194,038	0
KENTUCKY	455,201	458,779	445,256	452,412	550,866	0
LOUISIANA	577,606	571,386	563,128	570,707	748,638	0
MAINE	129,169	127,975	125,641	127,595	140,031	0
MARYLAND	360,165	360,028	354,956	358,383	408,921	0
MASSACHUSETTS	349,793	349,171	341,542	346,835	420,410	0
MICHIGAN	863,981	844,908	840,682	849,857	966,130	0
MINNESOTA	268,583	263,334	262,433	264,787	322,940	0
MISSISSIPPI	410,645	401,328	398,744	403,572	512,539	0
MISSOURI	486,887	485,886	488,388	483,708	603,490	0
MONTANA	69,368	68,432	68,017	68,606	77,011	0
NEBRASKA	98,594	98,594	97,048	98,078	112,769	0
NEVADA	85,592	82,479	80,212	82,761	97,702	0
NEW HAMPSHIRE	47,470	47,444	46,657	47,190	63,499	0
NEW JERSEY	498,360	494,540	489,442	494,114	558,961	0
NEW MEXICO	213,732	212,904	204,305	210,314	243,137	0
NEW YORK	1,940,767	1,940,767	1,916,083	1,932,206	2,068,786	0
NORTH CAROLINA	601,049	588,753	577,294	589,032	647,699	0
NORTH DAKOTA	38,897	38,430	43,826	40,384	44,816	0
OHIO	929,339	893,127	868,782	893,749	1,203,911	0
OKLAHOMA	320,718	319,467	308,937	316,707	392,986	0
OREGON	271,468	267,214	261,435	266,706	299,404	0
PENNSYLVANIA	1,035,843	1,014,609	1,018,063	1,022,806	1,200,517	0
RHODE ISLAND	85,023	88,056	80,004	84,361	95,931	0
SOUTH CAROLINA	352,489	349,308	343,709	348,502	387,093	0
SOUTH DAKOTA	48,945	47,348	48,041	48,111	54,608	0
TENNESSEE	596,438	590,795	578,398	588,543	692,664	0
TEXAS	2,098,571	2,078,429	2,021,327	2,066,109	2,498,300	0
UTAH	100,138	100,100	97,331	99,190	126,815	0
VERMONT	54,478	54,000	53,800	54,093	61,282	0
VIRGINIA	498,379	483,478	468,765	483,541	572,757	0
VIRGIN ISLANDS	20,723	20,380	19,866	20,318	18,867	1
WASHINGTON	478,579	478,579	443,028	466,729	488,450	0
WEST VIRGINIA	291,579	291,139	288,631	290,516	320,201	0
WISCONSIN	243,205	236,497	232,841	237,181	337,235	0
WYOMING	32,970	28,850	28,293	30,038	36,166	0
Totals	23,474,608	23,200,288	22,727,120	23,133,972		3

STATES ELIGIBLE FOR ADDITIONAL FUNDING UNDER P.L. 104-193 (CONTINGENCY FUND)

FOOD STAMP TRIGGER

	October 1996	November 1996	December 1996	January 1997	February 1997	March 1997	April 1997	May 1997	June 1997	July 1997	August 1997	September 1997
ALABAMA												
ALASKA						XX	••					
ARIZONA												
ARKANSAS												
CALIFORNIA	XX	••	XX	••								
COLORADO												
CONNECTICUT												
DELAWARE												
DISTRICT OF COLUMBIA		XX	XX	XX	XX	XX	••					
FLORIDA												
GEORGIA												
HAWAII	XX	XX	XX	XX	XX	XX	XX	XX	XX	•••		
IDAHO												
ILLINOIS												
INDIANA												
IOWA												
KANSAS												
KENTUCKY												
LOUISIANA												
MAINE												
MARYLAND												
MASSACHUSETTS												
MICHIGAN												
MINNESOTA												
MISSISSIPPI												
MISSOURI												
MONTANA												
NEBRASKA												
NEVADA												
NEW HAMPSHIRE												
NEW JERSEY												
NEW MEXICO												
NEW YORK			XX	••								
NORTH CAROLINA	XX	XX	••									
NORTH DAKOTA												
OHIO												
OKLAHOMA												
OREGON												
PENNSYLVANIA												
RHODE ISLAND												
SOUTH CAROLINA												
SOUTH DAKOTA												
TENNESSEE												
TEXAS												
UTAH												
VERMONT												
VIRGINIA												
WASHINGTON			XX	XX	XX	XX	••					
WEST VIRGINIA												
WISCONSIN												
WYOMING												
Total	3	4	6	5	3	4	4	1	1	1		

•• The State qualified for the previous month but did not qualify for the current month. As difined in 403 (b) (5) an "eligible month" is a month in a two month peroid that begins with any month for which the State is determined to be a needy State.

••• ACF has not received the trigger notice from the Dept. of Arnculture for July.

9/12/97

STATES ELIGIBLE FOR ADDITIONAL FUNDING UNDER P.L. 104-193 (CONTINGENCY FUND)

UNEMPLOYMENT TRIGGER

	October 1996	November 1996	December 1996	January 1997	February 1997	March 1997	April 1997	May 1997	June 1997	July 1997	August 1997	September 1997
ALABAMA												
ALASKA												
ARIZONA												
ARKANSAS												
CALIFORNIA												
COLORADO												
CONNECTICUT												
DELAWARE												
DISTRICT OF COLUMBIA												
FLORIDA												
GEORGIA												
HAWAII												
IDAHO												
ILLINOIS												
INDIANA												
IOWA												
KANSAS												
KENTUCKY												
LOUISIANA												
MAINE												
MARYLAND												
MASSACHUSETTS												
MICHIGAN												
MINNESOTA												
MISSISSIPPI												
MISSOURI												
MONTANA												
NEBRASKA												
NEVADA												
NEW HAMPSHIRE												
NEW JERSEY												
NEW MEXICO	XX	XX	XX	XX	XX	XX	XX	XX	XX	**		
NEW YORK												
NORTH CAROLINA												
NORTH DAKOTA												
OHIO												
OKLAHOMA												
OREGON												
PENNSYLVANIA												
RHODE ISLAND												
SOUTH CAROLINA												
SOUTH DAKOTA												
TENNESSEE												
TEXAS												
UTAH												
VERMONT												
VIRGINIA												
WASHINGTON												
WEST VIRGINIA												
WISCONSIN												
WYOMING												
Total	1	1	1	1	1	1	1	1	1	1		

** The State qualified for the previous month but did not qualify for the current month. As difined in 403 (b) (5) an "eligible month" is a month in a two month period that begins with any month for which the State is determined to be a needy State.

9/12/97

Attachment E--Optional Request Letter

Contingency Funds Request[1]

State ____________________

Date of Eligibility Notice ______________
Month Eligible ______________

Trigger Satisfied: ☐ Unemployment ☐ Food Stamp

For FY 1997
Special Instructions for FY 1997:
Funds Requested for FY 1997 - Check the boxes below for each month the State is requesting payment.

☐ October	☐ January	☐ April	☐ July
☐ November	☐ February	☐ May	☐ August
☐ December	☐ March	☐ June	☐ September

For FY 1998
Option 1 - Monthly Request

Month or Months for which payment is requested: ______________

Option 2 - Advance Request

I hereby request Contingency Funds for all months of the fiscal year that my State meets the Unemployment or Food Stamp Trigger.

____
Signature (Governor or Designee)

---

[1] If a State meets the trigger for September and requests payment for September and October, grant awards will be issued from separate fiscal years.

CERTIFICATION:
In requesting payments I certify following:

1) State matching funds are available.

2) the Contingency Fund maintenance-of-effort requirement will be met.

3) Contingency Funds will be used for only allowable expenditures under the TANF program.

4) the State will complete the annual reconciliation in accordance with the section 403(b)(4).

Date__________________

____
Signature (Governor or Designee)

CONTINGENCY FUND 100% MOE LEVEL	
	CONTINGENCY FUND MOE
ALABAMA	45,794,014
ALASKA	62,517,375
ARIZONA	118,576,673
ARKANSAS	26,458,762
CALIFORNIA	3,550,262,246
COLORADO	102,241,173
CONNECTICUT	229,355,622
DELAWARE	24,826,042
DISTRICT OF COL	90,201,740
FLORIDA	464,904,063
GEORGIA	210,250,870
HAWAII	94,099,836
IDAHO	17,062,488
ILLINOIS	537,998,095
INDIANA	139,732,426
IOWA	78,803,237
KANSAS	75,659,762
KENTUCKY	83,039,582
LOUISIANA	70,041,372
MAINE	48,441,897
MARYLAND	212,907,283
MASSACHUSETTS	440,518,485
MICHIGAN	606,470,040
MINNESOTA	221,459,274
MISSISSIPPI	27,873,233
MISSOURI	146,584,409
MONTANA	19,743,737
NEBRASKA	31,673,586
NEVADA	31,654,914
NEW HAMPSHIRE	38,506,356
NEW JERSEY	381,329,402
NEW MEXICO	46,899,580
NEW YORK	2,227,698,956
NORTH CAROLINA	173,192,185
NORTH DAKOTA	11,075,345
OHIO	487,533,531
OKLAHOMA	72,626,048
OREGON	111,855,595
PENNSYLVANIA	505,165,268
RHODE ISLAND	75,588,312
SOUTH CAROLINA	45,544,970
SOUTH DAKOTA	10,967,433
TENNESSEE	94,555,158
TEXAS	283,767,521
UTAH	29,376,770
VERMONT	31,400,210
VIRGINIA	153,923,221
WASHINGTON	331,988,726
WEST VIRGINIA	40,766,563
WISCONSIN	213,889,808
WYOMING	12,746,217
TOTAL	13,189,549,411

Attachment G

TANF IMPLEMENTATION DATES	
STATE	DATE
ALABAMA	11/15/96
ALASKA	7/1/97
ARIZONA	10/1/96
ARKANSAS	7/1/97
CALIFORNIA	11/26/96
COLORADO	7/1/97
CONNECTICUT	10/01/96
DELAWARE	3/10/97
DISTRICT OFCOL.	3/1/97
FLORIDA	10/0196
GEORGIA	01/01/97
HAWAII	7/1/97
IDAHO	7/1/97
ILLINOIS	7/1/97
INDIANA	10/01/96
IOWA	01/01/97
KANSAS	10/01/96
KENTUCKY	10/18/96
LOUISIANA	01/01/97
MAINE	11/01/96
MARYLAND	12/09/96
MASSACHUSETTS	9/30/96
MICHIGAN	09/30/96
MINNESOTA	7/1/97
MISSISSIPPI	10/01/96
MISSOURI	12/01/96
MONTANA	2/1/97
NEBRASKA	12/01/96
NEVADA	12/03/96
NEW HAMPSHIRE	10/01/96
NEW JERSEY	2/1/97
NEW MEXICO	7/1/97
NEW YORK	12/02/96
NORTH CAROLINA	01/01/97
NORTH DAKOTA	7/1/97
OHIO	10/01/96
OKLAHOMA	10/01/96
OREGON	10/01/96
PENNSYLVANIA	3/3/97
RHODE ISLAND	5/1/97
SOUTH CAROLINA	10/12/96
SOUTH DAKOTA	12/01/96
TENNESSEE	10/01/96
TEXAS	11/05/96
UTAH	10/01/96
VERMONT	09/20/96
VIRGINIA	2/1/97
WASHINGTON	01/10/97
WEST VIRGINIA	1/11/97
WISCONSIN	09/30/96
WYOMING	01/01/97

Appendix B

RECONCILIATION EXAMPLES:

Example 1 for FY 1997

Assume: State A receives $2.5 million in provisional Federal Contingency Fund payments for six months of eligibility in the year.

Total State expenditures = $103 million (including $2.5 million in Federal CF)
minus $95 million (100% CF MOE level)
= $8 million
x 50% FMAP rate
= $4 million
x 1/12 x 6 months
= $2 million in federal Contingency Funds that the State may retain.

Since the State originally received $2.5 million, the State must remit $500,000.

Example 2 for FY 1998

This example uses the same dollar amount assumptions as in the example above for State A. However, it takes into account the additional remittances beginning in FY 98 as required by the Adoption and Safe Families Act of 1997. After the reconciliation procedures shown in Example 1 above are completed, any amount remitted by State A for a fiscal year shall be increased by the lesser of:

EITHER:

1) **The total adjustment in the Federal appropriation amount for the fiscal year (as mandated in the Adoption and Safe Families Act) multiplied by the adjustment percentage of State A for the fiscal year.**

If we assume that only State A received Contingency Funds in the fiscal year, the total adjustment would be $2 million. This was derived by multiplying $2 million (the FY 98 appropriation adjustment mandated by the Adoption Act) by the adjustment percentage of 100% (since only one State received funds). The adjustment percentage for each State decreases as the number of States participating increases. If we assume that two States are eligible, and the unadjusted net payment to all States was $4.5 million, then the adjustment percentage for State A would be only 44% (State A's net payment of $2 million as shown above, divided by total net payments of $4.5 million).

OR:

2) **The unadjusted net payment to the State for the fiscal year.**

The unadjusted net payment is equal to the total provisional payments to the State, minus the original remitance amount. In example 1, the provisional payment to State A was $2.5 million and the original remitance amount was $500,000. The unadjusted net payment to State A is therefore $2 million.

In this example, both 1) and 2) equal $2 million. Therefore, State A would have to remit an additional $2 million plus the $500,000 original remittance amount derived in example 1. The State would be ineligible to retain any Contingency Funds and would have to remit the entire provisional payment.

Appendix C

STATES ELIGIBLE FOR ADDITIONAL FUNDING UNDER P.L. 104-193 (CONTINGENCY FUND)
FOOD STAMP TRIGGER

	October 1996	Nov. 1996	Dec. 1996	Jan. 1997	Feb. 1997	March 1997	April 1997	May 1997	June 1997	July 1997	August 1997	Sept. 1997
ALABAMA						XX	**					
ALASKA												
ARIZONA												
ARKANSAS												
CALIFORNIA	XX	**	XX	**								
COLORADO												
CONNECTICUT												
DELAWARE												
DISTRICT OF COLUMBIA		XX	XX	XX	XX	XX	**					
FLORIDA												
GEORGIA												
HAWAII	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
IDAHO												
ILLINOIS												
INDIANA												
IOWA												
KANSAS												
KENTUCKY												
LOUISIANA												
MAINE												
MARYLAND												
MASSACHUSETTS												
MICHIGAN												
MINNESOTA												
MISSISSIPPI												
MISSOURI												
MONTANA												
NEBRASKA												
NEVADA												
NEW HAMPSHIRE												
NEW JERSEY												
NEW MEXICO												
NEW YORK			XX	**								
NORTH CAROLINA	XX	XX	**									
NORTH DAKOTA												
OHIO												
OKLAHOMA												
OREGON												
PENNSYLVANIA												
RHODE ISLAND												
SOUTH CAROLINA												
SOUTH DAKOTA												
TENNESSEE												
TEXAS												
UTAH												
VERMONT												
VIRGINIA												
WASHINGTON			XX	XX	XX	XX	**					
WEST VIRGINIA												
WISCONSIN												
WYOMING												
Total	3	4	6	5	3	4	4	1	1	1	1	1

** The State qualified for the previous month but did not qualify for the current month. As defined in 403 (b) (5) an "eligible month" is a month in a two month period that begins with any month for which the State is determined to be a needy State.

3/6/98

Table C-1

Appendix C

STATES ELIGIBLE FOR ADDITIONAL FUNDING UNDER P.L. 104-193 (CONTINGENCY FUND)
UNEMPLOYMENT TRIGGER

	October 1996	Nov. 1996	Dec. 1996	Jan. 1997	Feb. 1997	March 1997	April 1997	May 1997	June 1997	July 1997	August 1997	Sept. 1997
ALABAMA												
ALASKA												
ARIZONA												
ARKANSAS												
CALIFORNIA												
COLORADO												
CONNECTICUT												
DELAWARE												
DISTRICT OF COLUMBIA												
FLORIDA												
GEORGIA												
HAWAII												
IDAHO												
ILLINOIS												
INDIANA												
IOWA												
KANSAS												
KENTUCKY												
LOUISIANA												
MAINE												
MARYLAND												
MASSACHUSETTS												
MICHIGAN												
MINNESOTA												
MISSISSIPPI												
MISSOURI												
MONTANA												
NEBRASKA												
NEVADA												
NEW HAMPSHIRE												
NEW JERSEY												
NEW MEXICO	XX	XX	XX	XX	XX	XX	XX	XX	XX	**		
NEW YORK												
NORTH CAROLINA												
NORTH DAKOTA												
OHIO												
OKLAHOMA												
OREGON												
PENNSYLVANIA												
RHODE ISLAND												
SOUTH CAROLINA												
SOUTH DAKOTA												
TENNESSEE												
TEXAS												
UTAH												
VERMONT												
VIRGINIA												
WASHINGTON												
WEST VIRGINIA												
WISCONSIN												
NG												
Total	1	1	1	1	1	1	1	1	1	1		

** The State qualified for the previous month but did not qualify for the current month. As defined in 403 (b) (5) an "eligible month" is a month in a two month period that begins with any month for which the State is determined to be a needy State

3/6/98

Table C-2

Appendix D

Table D-1 STATE	ANNUAL SFAG Allocation	Contingency Fund Eligible One Month	Contingency Fund Eligible 12 Months
ALABAMA	93,315,207	1,555,253	18,663,041
ALASKA	63,609,072	1,060,151	12,721,814
ARIZONA	222,419,988	3,707,000	44,483,998
ARKANSAS	56,732,858	945,548	11,346,572
CALIFORNIA	3,733,817,784	62,230,296	746,763,557
COLORADO	136,056,690	2,267,612	27,211,338
CONNECTICUT	266,788,107	4,446,468	53,357,621
DELAWARE	32,290,981	538,183	6,458,196
DISTRICT of COL.	92,609,815	1,543,497	18,521,963
FLORIDA	562,340,120	9,372,335	112,468,024
GEORGIA	330,741,739	5,512,362	66,148,348
HAWAII	98,904,788	1,648,413	19,780,958
IDAHO	31,938,052	532,301	6,387,610
ILLINOIS	585,056,960	9,750,949	117,011,392
INDIANA	206,799,109	3,446,652	41,359,822
IOWA	131,524,959	2,192,083	26,304,992
KANSAS	101,931,061	1,698,851	20,386,212
KENTUCKY	181,287,669	3,021,461	36,257,534
LOUISIANA	163,971,985	2,732,866	32,794,397
MAINE	78,120,889	1,302,015	15,624,178
MARYLAND	229,098,032	3,818,301	45,819,606
MASSACHUSETTS	459,371,116	7,656,185	91,874,223
MICHIGAN	775,352,858	12,922,548	155,070,572
MINNESOTA	267,984,886	4,466,415	53,596,977
MISSISSIPPI	86,767,578	1,446,126	17,353,516
MISSOURI	217,051,740	3,617,529	43,410,348
MONTANA	45,534,006	758,900	9,106,801
NEBRASKA	58,028,579	967,143	11,605,716
NEVADA	43,976,750	732,946	8,795,350
NEW HAMPSHIRE	38,521,261	642,021	7,704,252
NEW JERSEY	404,034,823	6,733,914	80,806,965
NEW MEXICO	126,103,156	2,101,719	25,220,631
NEW YORK	2,442,930,602	40,715,510	488,586,120
N. CAROLINA	302,239,599	5,037,327	60,447,920
NORTH DAKOTA	26,399,809	439,997	5,279,962
OHIO	727,968,260	12,132,804	145,593,652
OKLAHOMA	148,013,558	2,466,893	29,602,712
OREGON	167,924,513	2,798,742	33,584,903
PENNSYLVANIA	719,499,305	11,991,655	143,899,861
RHODE ISLAND	95,021,587	1,583,693	19,004,317
S. CAROLINA	99,967,824	1,666,130	19,993,565
SOUTH DAKOTA	21,893,519	364,892	4,378,704
TENNESSEE	191,523,797	3,192,063	38,304,759
TEXAS	486,256,752	8,104,279	97,251,350
UTAH	76,829,219	1,280,487	15,365,844
VERMONT	47,353,181	789,220	9,470,636
VIRGINIA	158,285,172	2,638,086	31,657,034
WASHINGTON	404,331,754	6,738,863	80,866,351
WEST VIRGINIA	110,176,310	1,836,272	22,035,262
WISCONSIN	318,188,410	5,303,140	63,637,682
WYOMING	21,781,446	363,024	4,356,289
Total	16,488,667,235	274,811,121	3,297,733,447

Table D-1

Appendix D

BIG EIGHT STATES' MINIMUM AND MAXIMUM CONTINGENCY FUND AMOUNTS

STATE	Annual SFAG Allocation	Contingency Fund Eligible One Month	Contingency Fund Eligible 12 Months
CALIFORNIA	3,733,817,784	62,230,296	746,763,557
FLORIDA	562,340,120	9,372,335	112,468,024
ILLINOIS	585,056,960	9,750,949	117,011,392
MICHIGAN	775,352,858	12,922,548	155,070,572
NEW YORK	2,442,930,602	40,715,510	488,586,120
OHIO	727,968,260	12,132,804	145,593,652
PENNSYLVANIA	719,499,305	11,991,655	143,899,861
TEXAS	486,256,752	8,104,279	97,251,350
Total	10,033,222,641	167,220,377	2,006,644,528

Table D-2

Appendix E

FY 98 TANF and Contingency Fund MOE LEVELS			
State	TANF MOE AT 100%(1)	Contingency Fund MOE at 100%	DIFFERENCE
Alabama	52,285,491	45,794,014	6,491,477
Alaska	55,256,536	62,517,375	2,739,161
Arizona	126,703,568	118,576,673	8,126,895
Arkansas	27,785,269	26,458,762	1,326,507
California	3,635,855,463	3,550,262,246	85,593,217
Colorado	110,494,527	102,241,173	8,253,354
Connecticut	244,561,409	229,355,622	15,205,787
Delaware	29,028,092	24,826,042	4,202,050
District of Columbia	93,931,934	90,201,740	3,730,194
Florida	494,558,734	464,904,063	29,654,671
Georgia	231,158,036	210,250,870	20,907,166
Hawaii	97,308,640	94,099,836	3,208,804
Idaho	18,238,307	17,062,488	1,175,819
Illinois	573,450,924	537,998,095	35,452,829
Indiana	151,367,364	139,732,426	11,634,938
Iowa	82,617,695	78,803,237	3,814,458
Kansas	82,332,787	75,659,762	6,673,025
Kentucky	89,891,250	83,039,582	6,851,668
Louisiana	73,886,837	70,041,372	3,845,465
Maine	50,031,924	48,441,897	1,590,027
Maryland	235,953,925	212,907,283	23,046,642
Massachusetts	478,596,697	440,518,485	38,078,212
Michigan	624,691,167	606,470,040	18,221,127
Minnesota	239,660,347	221,459,274	18,201,073
Mississippi	28,965,744	27,873,233	1,092,511
Missouri	160,161,033	146,584,409	13,576,624
Montana	20,954,586	19,743,737	1,210,851
Nebraska	38,172,585	31,673,586	6,498,999
Nevada	33,985,152	31,654,914	2,330,238
New Hampshire	42,820,004	38,506,356	4,313,648
New Jersey	400,213,342	381,329,402	18,883,940
New Mexico	49,794,841	46,899,580	2,895,261
New York	2,291,437,926	2,227,698,956	63,738,970
North Carolina	205,567,684	173,192,185	32,375,499
North Dakota	12,092,381	11,075,345	1,017,036
Ohio	521,108,327	487,533,531	33,574,796
Oklahoma	81,667,075	72,626,048	9,041,027
Oregon	123,006,454	111,855,595	11,150,859
Pennsylvania	542,834,133	505,165,268	37,668,865
Rhode Island	80,489,394	75,588,312	4,901,082
South Carolina	47,902,320	45,544,970	2,357,350
South Dakota	11,699,056	10,967,433	731,623
Tennessee	110,413,171	94,555,158	15,858,013
Texas	314,301,005	283,767,521	30,533,484
Utah	33,720,732	29,376,770	4,343,962
Vermont	34,066,533	31,400,210	2,666,323
Virginia	170,897,560	153,923,221	16,974,339
Washington	362,747,765	331,988,726	30,759,039
West Virginia	43,058,053	40,766,563	2,291,490
Wisconsin	225,638,309	213,889,808	11,748,501
Wyoming	14,220,435	12,746,217	1,474,218
State Total	13,911,582,525	13,189,549,411	722,033,114

Table E.

(1) FY 1994 Historic State Expenditures