

## **Health and Human Services Finance Subcommittee Testimony**

**The Honorable David Burke, Chairman**

**April 8, 2011**

Mr. Chairman and members of the Committee, thank you for the opportunity to speak with you today regarding the impact of the Executive Budget on the county job and family service agencies, especially as they pertain to the Temporary Assistance to Needy Families Program (TANF) and concerns with certain child care reimbursement rates for Type B (home) providers.

My Name is Joel Potts and I am the Executive Director of the Ohio Job and Family Service Directors' Association.

Before I begin my testimony I would like to clearly state to the Committee that I am a staunch supporter of child care and believe it is among the most critical services we can provide to help families transition from welfare to work. I also believe that our child care providers, whether in centers or in the home, are providing a tremendous service and doing an exceptional job in the delivery of services. There are problems, which I will discuss, but in no way should my comments be interpreted to be an indictment of the system or meant to accuse anyone of legal wrongdoing.

For the third consecutive budget, in the worst economic climate since the Great Depression, the state budget proposes to dramatically cut funding for Ohio's most vulnerable families and strip dollars away from our previously successful welfare reform program.

Ohio's welfare reform program was at one time considered a national model, leading the country in assisting families leave welfare to work by investing heavily in prevention and retention strategies aimed at helping families achieve work and maintain employment. Significant resources were also invested in emergency services to provide assistance to families in crisis.

Four years ago, significant TANF dollars began to be diverted to child care. At that time Ohio's TANF block grant surplus was the largest in the country with nearly \$500 million available to invest in families.

When I first reviewed the SFY 08 and 09 Executive Budget it was abundantly clear that the TANF budget strategy was unsustainable and would put Ohio's welfare to work strategy in jeopardy. In addition to spending the surplus, that budget called for an increase in child care eligibility to 200 percent of the federal poverty level. At the time I advised the state that the eligibility for children would need to be dramatically cut back and other resources would need to be found to maintain the existing state welfare reform program.

The warnings went unheeded and by the time of the introduction of the Executive Budget for SFYs 10 and 11, counties were slated for an unprecedented cut in TANF of \$128 million annually and child care eligibility was reduced to 150 percent of poverty. Again, I advised the state and spoke with the General Assembly regarding my belief, based on extensive experience, that not only was the budget devastating to the welfare to work program in the state, but it too was unsustainable and would result in the need for further cuts to child care eligibility.

Those warnings too were disregarded and I stand here before you for the third consecutive budget cycle facing another 27 percent cut in welfare to work funding and the third consecutive cut to child care eligibility. And as before, the plan is unsustainable and if we do not address this continued TANF funding crisis we will be discussing cuts to care and the elimination of significantly important programs to families by the time of the next biennial budget.

The funding crisis created by these budgets has nothing to do with the fiscal crisis facing the state or with an increase in caseloads. In fact, child care is the only program in the entire health and human service system that is not experiencing a growth in demand. We are serving record caseloads in nearly every other program we administer, including increases of 58 percent in food assistance, 34 percent in cash assistance and 30 percent in health care since the beginning of the recession. The child care program is serving approximately the same number of children over this period (102,000 kids in 2007, 103,000 in 2010).

Funding for food assistance, healthcare and welfare reform programs have been reduced by hundreds of millions of dollars during this economic crisis, while funding for child care has been increased by hundreds of millions of dollars during this time.

In 2007 Ohio's welfare to work program was well poised to meet the pending economic crisis. The diversion of TANF funding came at the time of greatest need and has led to a substantial reduction in services and I believe a contributing factor to the growing caseloads.

As the costs of the child care program have grown, so has the frustration of the counties who have the responsibility for the administration of child care. Of particular concern is an unintended yet perverse incentive in the state's child care reimbursement system which provides higher levels of reimbursement for providing minimal amounts of care.

The reimbursement system changed in 2005 away from an hourly rate (providing an hour's reimbursement for an hour of service) to a full-time/part-time rate structure. Providers are now reimbursed a "part-time" rate for watching children 7 to 24 hours and a separate, higher "full-time" rate for watching children 25 to 50 hours a week.

Counties have been reporting for several years to ODJFS that we are seeing an increasing number of Type B home providers that are maximizing their reimbursement rate for watching multiple children for the minimum number of hours (7 or 25) and thus receiving the maximum reimbursement for the least amount of care. In addition, there is a pattern of providers "sharing children", where more than one provider will watch the same child resulting in the state paying two to three times the amount necessary

if the child were cared for in a single location. (For instance, a parent who needs 20 hours of care and utilized one provider would result in the state reimbursing one part-time rate. However, if two providers watched the child for 10 hours each, the state system would reimburse twice for the same care.)

Attachment B is a set of multiple county examples of this practice.

County agencies and ODJFS are working to address this problem but have considerable different opinions as to the magnitude of this problem and recommendations to fix the system. ODJFS is implementing major rule revisions this May to begin addressing this problem but the county agencies are not convinced the changes will satisfactorily address the issue and still provide a system which will allow us to pay twice for the same service. The Ohio Job and Family Service Directors' Association recently voted unanimously to bring this situation to the General Assembly to seek resolution to the problem which brings me here today.

If the state is only overpaying for care in Type B homes by 10 percent, a workable solutions would produce a savings to the TANF system of \$12.5 million. If it is a 20 percent problem, a solution would save \$25 million annually.

The state's TANF plan as proposed in the Executive Budget would result in a cut of \$80 million annually to Ohio's welfare to work program. This is in addition to the current budget cut of \$128 million annually. If implemented as proposed, Ohio will be spending less money in our welfare to work program than at any time in the last 20 years. This budget means that for the first time since the inception of TANF, and the promises of welfare reform to support work, that we will be investing less money than we did under the old Aid to Families with Dependent Children (AFDC) program.

There appears to be considerable misunderstanding and inaccurate information regarding the local uses of the TANF allocation. Many are under the mistaken impression that the allocation is strictly for administrative functions. While this fund does provide administrative services it is actually a much more significant allocation which provides the core of Ohio's welfare reform program.

When Ohio's welfare reform strategy was implemented, with tremendous bipartisan support, it was the clear consensus that the best strategy to reduce dependency was to support work. Ohio created the Prevention, Retention and Contingency (PRC) program aimed at the goals to prevent welfare dependency if possible, help address barriers and move individuals into work while providing support services and provide emergency/contingency services to families in crisis. At the inception, this was the only program of its kind in the nation. It was also believed that the funding should be provided through the local communities where those closest to the problem could make the best investments and team with local organizations to enhance available services to families.

This highly successful strategy showed incredible promise as caseloads plummeted, more individuals left welfare for work than at any time in history and we experienced major drops in poverty, especially among single mothers. Since the diversion of TANF funds began in 2007 away from Ohio's welfare to work program we have seen caseloads grow, poverty increase and work opportunities decrease.

Since the beginning of TANF we have operated under the belief and strategy that we would make work pay. We supported work. Without the funds to move this strategy forward we will now have a program that supports dependency. I sincerely believe that no one wants this to happen but we see firsthand the need of the clients coming through our doors and understand most what these cuts have meant, and will mean, to our poorest families.

Programs supported through the local TANF allocation which have already been eliminated, been reduced or will be reduced when these cuts are implemented include:

- Work and Training Programs
- Summer Youth Programs
- Transportation
- Housing
- Utilities
- English as a Second Language
- GED Services
- Workforce Development
- Child Care Administration
- Child Support
- Child Welfare
- Family Support Services
- Fatherhood Programs
- School Clothing
- Back to School Programs
- Before and After School Programs
- Boys and Girls Clubs
- United Ways
- Goodwill
- Urban League
- Social Workers in the Schools
- Head Lice Eradication
- Food Banks and Food Pantries

TANF stands for the Temporary Assistance to Needy Families **Program**. It is a program and **not** a funding stream. Each year we treat it as a funding stream without a clear goal of outcomes we endanger the entire system. Efforts to continue funding child care, welfare to work and cash assistance from this limited block grant source will fail. And, ironically, failures in welfare programs lead to increased dependency and caseload growth. As our caseloads grow, there will continue to be less money to fund our other priorities.

We understand the difficult budget situation and understand that cuts are inevitable. We have aggressively been working on strategies that maximize program and funding flexibilities which will enhance services, ensure we have a safe, viable, effective, efficient system while maintaining program integrity while operating as good shepherds of the public trust. Paying for non-care of children is bad public policy, erodes public confidence in government and diverts critically needed funding for families.

What is the message we send to clients of public assistance, who are required to work 30 hours a week to receive \$400 a month in assistance, when we pay for non-care?

What is the message to child care providers that are working hard and providing the maximum care , who are now facing their second budget cut in two years because we simply don't have the resources to pay them and support the current system?

What is the message to caseworkers who have seen their workload double, seen their coworkers become clients, had their pay and benefits frozen or reduced and are now facing lay-offs because the funds necessary to keep them working is being diverted for the non-care that they see occurring every day?

And what is our message to the tax payer?

It is the strong belief of the counties and the Association that the time to address the future of the TANF program is now. We have identified one significant area where we believe funds could be found without disrupting the quality of the child care services and preserve some funds for welfare to work strategies. We welcome the opportunity to work with the legislature, the Governor, ODJFS and child care providers to find solutions that best serve the children of the state, provide assistance to our most needy families through this economic crisis and ensure program integrity.

Thank you for the opportunity to speak and I welcome the opportunity to answer any questions.