THE ALLOCATION OF TANF AND CHILD CARE FUNDING IN OHIO

John Corlett, The Center for Community Solutions

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ABOUT THE AUTHORS

John R. Corlett is a senior fellow and the director of public policy and advocacy for the Center for Community Solutions located in Cleveland, Ohio. Community Solutions seeks to improve targeted health and social conditions through research, analysis, communication, and organization of community resources for action. He is the author of numerous papers and briefs related to TANF and state budget and fiscal policy. He also has served as a health policy fellow in the offices of U.S. Representative Sherrod Brown.

Comments on this paper can be directed to jcorlett@communitysolutions.com

EXECUTIVE SUMMARY

This paper examines Ohio's spending and policy choices on Temporary Assistance for Needy Families (TANF) and child care since the state instituted its welfare-to-work program, Ohio Works First. The analysis of the data and discussions with interested parties reveal that:

- Spending on cash assistance declined by 38.5 percent between 1998 and 2004. During the same period, spending on child care increased by 230 percent.

- Policymakers prized local flexibility from the beginning of welfare reform, as apparent in the design of many program components, including the Prevention, Retention, and Contingency (PRC) program and the consolidated fund allocation. Local county human service departments continue to have substantial discretion in how they use TANF funds.

- Since the inception of Ohio Works First, the state has often had one of the largest obligated and unobligated TANF balances among all states. As of June 30, 2004, the Ohio Department of Job and Family Services reported a combined balance of $1.14 billion. This balance occurred despite supplanting millions of dollars in state spending with federal TANF funds.

- The Ohio Works First combined adult caseload has declined 49 percent statewide since 1998. Most urban counties have seen much smaller caseload declines, with the exception of Cuyahoga County, which saw a 72 percent decline.

- Counties established very different policies for individual exemptions from the cash assistance time limits. Hamilton County (Cincinnati) exempted 69 percent of those facing time limits, while Cuyahoga County (Cleveland) exempted only 8 percent.

- Independent oversight of the program has declined substantially with the elimination of the state Welfare Oversight Committee and the dormancy of most local human service planning committees that are required by state law. Many organizations spend more time seeking TANF funding for specific projects, than they do encouraging TANF spending that more directly provides aid to low-income working families and increases their economic independence.

- Although the entitlement to cash assistance has long since disappeared, state policymakers remain suspicious of anything resembling an entitlement, whether in the form of Medicaid or child care subsidies. This has made it difficult to maintain a social contract that ensures that those who work also receive necessary supports, such as child care and transportation. The state recently adopted a budget that will eliminate Medicaid coverage for 25,000 low-wage working parents, many of them former welfare recipients.

TABLE OF CONTENTS

THE ALLOCATION OF TANF AND CHILD CARE FUNDING IN OHIO

I. INTRODUCTION

On July 2, 1997, former Ohio Governor George Voinovich signed Ohio House Bill 408, and the law became effective on October 1, 1997. This legislation implemented the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). It abolished the Aid to Families with Dependent Children (AFDC) program and the Job Opportunities and Basic Skills Training (JOBS) program and replaced it with Ohio Works First (OWF) and the Prevention, Retention, and Contingency (PRC) program. The bipartisan legislation marked the beginning of a new era for Ohio's low-income working families and for counties administering the programs.

It has been more than eight years since the law went into effect. In that time, Ohio has had two governors (George Voinovich and Bob Taft) and five different heads of the state agency that administers Temporary Assistance for Needy Families (TANF) and related programs. In addition, because of legislative term limits, nearly all of the legislators who helped craft Ohio's welfare reform law have left the legislature.

During the same period, hundreds of thousands of Ohio families left the welfare rolls. Since 1996, the OWF caseload has declined by 65 percent.[1] Although much of this decline is due to the strong economy in the late 1990s, a significant portion of the decline is likely attributable to welfare reform.

An important element of the 1997 law that established OWF was a set of county flexibility and governance reforms. These reforms have been somewhat diminished by a funding system that failed to work as OWF caseloads dropped and Food Stamp and Medicaid caseloads increased by 53 and 56 percent, respectively.[2] Partnership agreements between the state and counties that were once viewed as negotiable became less so. Cuyahoga County used its original partnership agreement as the partial basis for a lawsuit that challenged the state's use of TANF funds to balance the state's budget.

This paper is not intended to track outcomes of the state and federal welfare law for individual recipients, although many of the policy decisions dramatically affected families served by the program. Rather, it is intended as a review of some of the major state administrative decisions and policies that have occurred in the program since 1997. Some of the issues addressed include:

- The basic parameters of OWF and the PRC programs in Ohio
- How decisions are made in allocating TANF and Child Care Development Block Grant (CCDBG) funds in Ohio, and how often the allocations are revisited, as well as any major outcomes of these allocation decisions

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[1] Ohio Department of Job and Family Services, Investing in Ohio's Families, December 2004
[2] Ibid.

- The major policy and programmatic developments since the program was implemented
- How the funds were spent, geographically, programmatically, and by type of agency
- Any significant state policy decisions regarding child care funding, given their centrality as a work support under welfare reform and given the considerable state flexibility in using TANF funds for child care

II. An Overview of Welfare Reform in Ohio

A. Welfare Reform in Ohio Before TANF

The roots of the welfare reform era in Ohio really began in 1995 with the passage of Ohio House Bill 167, a welfare reform package that Governor Voinovich called "Ohio First." *Time Magazine* called Governor Voinovich's welfare reforms "among the most intelligent in the country."[3] The legislation was sponsored by State Representative Joan Lawrence (R-Galena), who two years later would sponsor the legislation that implemented TANF in Ohio. The legislation required the state agency responsible for AFDC—the Ohio Department of Human Services (ODHS) (since renamed the Ohio Department of Job and Family Services [ODJFS])—to seek a waiver from the U.S. Department of Health and Human Services (DHHS) to implement the reforms. DHHS approved the waiver on March 13, 1996.

Ohio First emphasized employment and included both carrots and sticks. The biggest carrot was a change in earned income disregard, which required the state to ignore the first $250 of recipients' monthly earnings and one-half of monthly earnings over $250 in determining cash assistance levels for twelve months. The sticks in HB 167 were time limits, work requirements, and a more aggressive sanction policy.

Increasing the earned income disregard was a reform that antipoverty groups in the state had advocated for many years. Have A Heart Ohio, a statewide coalition of health and human services organizations, had called for an increase in the disregard since the late 1980s. The Ohio Human Service Directors Association was equally supportive and had developed a proposal called Work and Gain Earnings (WAGE), which included enhanced income disregards, ongoing Medicaid coverage, and work supports.

These efforts finally attracted the support of Rep. Lawrence and others, who saw it as a way to reward those on welfare who obtained jobs. According to Jack Frech, the Director of the Athens County Department of Job and Family Services, the percentage of recipients statewide with earnings increased from 7 percent to 20 percent between 1996 and 1998. He believes the increase might have been greater had certain federal TANF changes not interfered, such as time limits imposed on assistance. After Ohio's time limit went into effect, families that might have remained on assistance, even with a small grant amount, were often counseled to leave assistance as a way to conserve the number of months of assistance they had remaining.

The state legislation under a federal waiver was less stringent in its work requirements than what would eventually be allowed under PRWORA. For example, a recipient could be exempted from a work requirement because he or she lacked transportation or child care. The ODHS director Arnold Tompkins criticized the work requirement exemptions in the state legislation for creating "yawning loopholes," and argued that Ohio was "hurting children now by [their parents] not getting

[3] Michael Kramer, "Fixing Welfare Right," *Time Magazine*, August 14, 1995.

jobs and concentrating on becoming self-sufficient."[4] This attitude was likely one reason that the state chose not to seek a continuation of the wavier once the federal law was passed.

Finally, H.B. 167 allowed the first $50 of child support received by the state on behalf of an AFDC family to be "passed through" to the family. The $50 disregard would be eliminated in H.B. 408 in return for a 6 percent increase in TANF monthly grants. Advocates generally supported the change because the $50 disregard benefited 18 percent of the caseload while an increase in the monthly TANF grant would benefit 100 percent of the caseload. Advocates also saw it as the best strategy for securing an increase in the grant. State officials supported it because the $50 disregard would often alter food stamp eligibility, which resulted in payment errors and federal fines.

B. The Establishment of Ohio Works First

Legislation to create OWF was introduced in April 1997 by State Representative Joan Lawrence as Ohio House Bill 408. It had both Republican and Democratic cosponsors and passed the Ohio house and senate unanimously.[5] The mindset in Ohio was clearly focused on moving families from welfare to work. At a kickoff event for OWF, Governor Voinovich stated it simply, "Ohio Works First is about jobs."[6] There was less focus on whether the job would pay enough to lift a family out of poverty, or whether promoting education and training might lead to a better job. The philosophy was that work itself was the answer, and that a job and the experience of work would ultimately lead the person to a better job, a higher wage, and self-sufficiency. State officials further pointed out that even some of the lowest-wage jobs resulted in higher incomes than could be expected if a person depended solely on cash assistance. Tompkins spoke repeatedly of a "pipeline" that people moved through on their way to a better job.

The other key element of the legislation was to provide extensive flexibility to local counties in operating the OWF program. This was consistent with Ohio's long history of operating a state-supervised, county-administered human service system.

Generally, to be eligible for OWF, a household must consist of either a mother and a minor child, or a woman who is at least six months pregnant. Family income cannot exceed a set percentage of the federal poverty level. There is no asset or resource test. Single parents who receive OWF are required to participate in work activities for at least 30 hours a week.[7] Counties can exempt up to 20 percent of their caseload from the work requirement. Those excused from the work requirement are required to take part in alternative work activities, including training, education, and counseling.

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[4] Mary Beth Lane, "Ohio Leaders Praise Welfare Reform," *The Plain Dealer*, August 2, 1996.
[5] Both chambers of the Ohio General Assembly as well as all statewide offices have been held by Republicans since the beginning of the welfare reform process.
[6] Ohio Department of Job and Family Services, *ODHS County News Report* (October 2, 1997).
[7] Mandatory work requirements could include unsubsidized employment; subsidized private- and public-sector employment; work experience program; on-the-job training, including child care provider, job search, job-readiness, and job skills training; community service activities; and vocational education training (not to exceed 12 months).

The legislation established a three-level sanction system. After any three sanctions, the adult recipient lost her entire cash grant for six months, as well as food stamps and Medicaid eligibility for a work-activity related sanction. The issue of sanctions was a sensitive one in Ohio. Each of Ohio's 88 counties was charged with establishing sanction policies, and some counties went so far as to sanction recipients for missing a single work assignment. The state ordered 15 counties to change such policies, when it surfaced in the press that a Dayton woman was sanctioned for missing work as a result of being taken by medical helicopter to a hospital, where she gave birth to premature twins.[8] Research has found that 15 percent of those who left welfare nationwide did so because they were sanctioned.[9]

Time limits in Ohio are more strict than the federal limit of five years. In Ohio, a recipient is limited to 36 months of cash assistance. Once they reach the time limit, recipients are required to leave OWF for two years unless exempted by their local county agency for reasons of hardship. After the two-year waiting period, individual county policies dictate the circumstances under which recipients can receive cash assistance.

The three-years-on, two-years-off scheme was not part of the governor's original proposal. It emerged as a compromise with conservative legislators who wanted a three-year time limit. Such a three-year limit was considered a "poison pill" by members of the Legislative Black Caucus."[10] Tompkins believed that time limits were less effective than sanction policies for noncompliant recipients. Although Lawrence believed that she could have passed the bill with the three-year limit, "it would have been unpleasant."[11] Advocates worked with State Representative Gary Cates (R-West Chester) to develop the three-on, two-off compromise, and it was included in the house version of the bill. Crystal Allen, Assistant Director of the Public Children Services Association of Ohio, described it as "a really good compromise."[12] The legislation also capped exemptions at no more than 20 percent of the statewide OWF caseload.

The legislature rejected efforts to include a "family cap" provision, which would have denied any increase in cash assistance to mothers who had additional children while receiving assistance. It also decided against adopting the federal TANF law's family violence option, which provides time limit and work participation exceptions for certain victims of domestic violence. Some legislators believed that recipients might use the option to avoid work. Also rejected were efforts to define work in a more expansive way to include more opportunities for education and training.

Many advocates remained skeptical of the final plan. Have A Heart Ohio organized a welfare reform summit in Columbus just a month before the plan was approved by the legislature. A *Columbus Dispatch* article described the mood as hostile, reporting that the crowd booed

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[8] Mei-Ling Hopwood and Lynn Hulsley, "Off Welfare, But Still in Poverty," *Dayton Daily News*, June 12, 2002.
[9] The Joyce Foundation, *Welfare to Work: What We Have Learned* (March 2002).
[10] Darrel Rowland, "GOP Lawmakers Ease 3-Year Limit on Welfare Aid," *Columbus Dispatch*, May 29, 1997.
[11] Ibid
[12] Ibid

Representative Lawrence and Director Tompkins.[13] (Appendix A provides a timeline of major events under Ohio Works First.)

C. Welfare Reform Oversight by the Legislature

The Ohio Woks First legislation created a Welfare Oversight Committee, with eight voting members on the council, four each from the house and senate, appointed in equal numbers by the majority and minority party, and two nonvoting members appointed by the governor.

Its first chair was State Representative Bob Netzley (R-Laura), one of the most conservative members of the Ohio General Assembly, who several times sponsored unsuccessful legislation offering financial incentives to welfare recipients who chose to be sterilized. Despite his conservative leanings, Netzley was committed to ensuring that the new program was properly implemented, and he seemed genuinely interested in helping those who were to be served by the program.

The committee started out strong and held public hearings throughout the state that generated much local attention. The two nonvoting members appointed by Governor Taft were Judith Bird, with Ohio United Way, and Robin Harris, with Children's Defense Fund Ohio. Although Bird and Harris lacked a vote, they became active members of the committee and were tapped by Netzley to write a report outlining what had been learned by the committee. Although the report was distributed to members of the committee, it was never released publicly. Harris says now that the committee's promise was never met.

The Welfare Oversight Committee was regarded warily by ODJFS and some local ODJFS departments. Over time, it met less frequently. After Netzley and Barbara Boyd (D-Cleveland Heights) left the legislature, the committee gradually lost steam and its charge was eventually repealed by the legislature in 2003.

[13] Darrel Rowland, "Group Boos Welfare Reform Advocates," *Columbus Dispatch*, May 20, 1997.

III. Features of Ohio's Unique State-County Welfare Reform Relationship

Policymakers in Ohio have given local flexibility priority from the beginning of welfare reform. This emphasis is apparent in the design of many program components:

- **The Prevention, Retention, and Contingency Program and PRC-Development Reserve:** The PRC provides flexible funding that counties use to offer a range of assistance, benefits, and services to families, including emergency cash assistance. The PRC-DR program provided $300 million to counties during a two-year period.

- **Partnership Agreements**: The state required each board of county commissioners to enter into a partnership agreement with ODJFS to design and implement OWF and the PRC fund (described below) in their individual counties.[14]

- **County Outcomes and Incentive Dollars**: The state allowed ODJFS to create performance standards for local administration of and outcomes associated with social service duties. The state created a social services incentive fund, the proceeds of which could be awarded to counties. TANF incentive funding was to be provided to counties with partnership agreements on the basis of the following four criteria: 1) a county reduction in caseload net assistance expenditures, 2) a county reduction in administrative costs, 3) a county exceeding the state all-family participation rate, and 4) a county exceeding the state two-parent family participation rate.

- **Consolidated Fund Allocation**: The legislation created a consolidated fund allocation to provide counties with flexibility in spending administrative and service dollars. It was first offered to counties in 1998 and was fully operational in 2000. The primary components of the consolidated allocation were TANF, income maintenance, Title XX, adult protective services, refugee resettlement service dollars, and administrative funding of Food Stamps, Food Stamp Employment and Training (FSET), child care, and Medicaid. The hope was that while one county might have to exceed its Title XX spending limit, another county might not need its full Title XX allocation but might instead need more TANF funding.

A. The Prevention, Retention, and Contingency Program

The state created the PRC program to provide temporary aid to families who needed help in overcoming barriers to achieving and maintaining self-sufficiency. The program was developed jointly by the Ohio Human Service Directors' Association (OHSDA), ODHS, and Rep. Lawrence. Examples of PRC assistance included car repairs that might allow someone to continue to commute

[14] When H.B. 408 was passed, the program was administered by the Ohio Department of Human Services, now the Ohio Department of Job and Family Services. For purposes of clarity, we will refer to the department by its current name.

to work, emergency rental assistance, and employment retention services. Receipt of PRC-funded services and benefits has no effect on an individual's 36-month TANF time limit.

Designers chose the first word in the name of the program—prevention—deliberately. The authors of the legislation believed that PRC services and benefits could potentially prevent individuals from applying for cash assistance. Similarly, ODJFS described the program as providing "one-time-only cash payments so that they [recipients] do not need OWF cash assistance."[15]

At the same time, many human service providers saw the program as a potential new funding stream. In April 2001, ODJFS reported that counties had received $695.2 million in PRC funds through their combined TANF allocation, their performance incentives, and their PRC-DR funds (PRC-DR is discussed in the next section).[16] To date, there has been no comprehensive outcome evaluation of the PRC program.

The state established the following broad priorities for PRC:

- Assist OWF families at risk of reaching their time limit
- Design services for dependent families who will reach the time limits
- Provide services that meet the needs of low-income, employed families
- Prevent economic dependency for those seeking employment
- Provide services to noncustodial parents to help them meet their obligations
- Prevent out-of-wedlock births
- Provide services to vulnerable children and their families
- Promote the formation of two-parent families

The program itself was categorized into ten general areas:

1. Employment and training
2. Domestic violence services
3. Diversion, work support, and retention
4. Emergency, contingency, and disaster services
5. Child welfare and protection
6. Youth educational support services
7. Noncustodial parent services
8. Community and economic development
9. Pregnancy prevention
10. Early Start

Table 1 compares how PRC funds were spent in 2001 and 2004, July through September.

[15] Jacqui Romer Sensky, "OWF/PRC Guidance Letter No. 1 (Columbus: ODJFS, April 15, 1999).
[16] Ohio Department of Job and Family Services, *Reinvesting in Ohio's Communities: A Summary of Prevention, Retention and Contingency (PRC) Programs: Executive Summary II* (April 2001).

Table 1. PRC Expenditures: A Comparison Between July–September 2001 and July–September 2004

Service Category	Expenditures July-Sept. 2001	% of State Fiscal Qtr. Expenditures [a]	Expenditures July-Sept. 2004	% of State Fiscal Qtr. Expenditures
Training, employment, and work support	$14,850,086	33%	$9,745,459	32%
Short-term basic needs	12,420,463	28	7,818,242	21
Child welfare and family support	6,475,956	15	3,705,280	12
Help Me Grow	4,631,450	11	7,818,242	26
Youth education and support	3,714,630	9	1,601,834	5
Out of wedlock pregnancy prevention	855,137	2	536,022	2
Domestic violence Prevention	253,072	1	147,613	< 1
Community and economic development	242,440	1	112,641	< 1
Disaster assistance	4,948	0	248,620	< 1
Statewide quarterly total	**$43,448,813**	**100%**	**$30,273,381**	**100%**

[a] Totals may not sum to 100 owing to rounding.
Source: TANF PRC Services Report, Ohio Department of Job and Family Services, July-September, 2001 and 2004

The biggest change between 2001 and 2004 is the large increase in PRC funds directed to the Help Me Grow program. Help Me Grow is supervised at the state level by the Ohio Department of Health and administered locally by county Family and Children First Councils.[17] The program promotes the well-being of young children through home-based specialized services and public awareness, with a special emphasis on early intervention and prevention. In the 2001 period, program expenditures accounted for 11 percent of the state's fiscal quarter budget. Three years later, it accounted for 26 percent. At the same time, funding for every other category other than disaster assistance had declined from 2001 levels. The largest decline was in funding for meeting "short-term basic needs," which declined from 28 percent to 21 percent of total expenditures in a fiscal quarter.

State budget cuts took their toll on county governments. The Pickaway County Job and Family Services office eliminated 10 percent of its staff in 2002. Judith Chavis, Director of OHSDA, called the cuts "bloodletting."[18] Reports were that some counties had suspended their PRC programs. ODJFS Director Tom Hayes issued a guidance letter in April 2003 reminding counties of their "statutory responsibility" to maintain a PRC program regardless of "budgetary constraints."

[17] Help Me Grow is another example of a program that was originally funded with state general revenue funds but is now funded with TANF dollars.
[18] Associated Press, "State Budget Cuts Leading to Layoffs in Counties," September 28, 2002.

Counties continue to have tremendous latitude in creating their PRC plans. For example, Brown County sets the maximum yearly PRC contingency benefit at $200 per client, while Henry County sets it at $1,000. Harrison County limits eligibility for PRC benefits to those with incomes at or below 100 percent of the federal poverty level, whereas Huron County sets that bar as high as 300 percent of the poverty line. Butler County promises to act on a PRC application within one day, while Columbiana County promises to act within 30 days. Of Ohio's 88 counties, 78 serve noncustodial parents through their PRC programs, while the remainder do not. Twelve counties include individual development accounts in the PRC plans.[19]

B. The Prevention, Retention, and Contingency Development Reserve

The ODJFS announced the PRC-DR program at its PRC symposium for county human service offices in September 1999. One month later, ODJFS issued a guidance letter noting that $100 million would be available in state fiscal year (FY) 2000 and $200 million in state FY 2001. If one word could be used to describe the PRC-DR program, it was "flexible." The program was developed just before the final TANF rules, issued by the federal DHHS, were to take effect.

Shortly after the program was announced, ODJFS had $150 million in unobligated TANF funds and another $583.9 million in nonliquidated obligations. Six months later, the unobligated balance had more than doubled, to $337 million. At the same time, program advocates, legislators, and others were becoming increasingly aware of the growing balance of unspent TANF funds. A report by the Center on Budget and Policy Priorities showed that Ohio had the third largest amount of unspent welfare funds in the country.[20] Ohio was also one year away from the date when the first group of Ohio Works First recipients would reach their time limit and be forced to leave the program.

The department turned to its traditional partner—county departments of job and family services—to help it spend down the balance and to allow counties to choose where they wanted to invest the funds. Joel Potts, Assistant to the Director of ODJFS, was quoted in the *Columbus Dispatch* as saying that counties should decide where the surplus TANF funds should be spent.[21] Legislative leaders were unhappy that ODJFS had not adequately consulted them on plans to spend such a significant amount of money. The department acknowledged that it could have done a better job consulting with the legislature and that it needed approval from the state Controlling Board to increase the size of the state's TANF appropriation to enable the department to legally draw down the additional federal money.[22]

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[19] Ohio Department of Job and Family Services, "County PRC Matrix" (December 13, 2004).
[20] Jodi Nirode and Cathy Candisky, "Ohio Piles Up Unspent Welfare Dollars," *Columbus Dispatch*, February 7, 2001.
[21] Ibid
[22] The Controlling Board is composed of six legislative leaders (three from each chamber, with two from the majority party) and the director of the governor's Office of Budget and Management or his or her designee who acts as president of the board. The board has far-reaching powers, including transferring funds between fiscal years and between appropriated line items, and authorizing contracts without competitive bidding. Richard Sheridan, former director of the Ohio Legislative Budget Office, has described it as a "super-legislature."

To release the funds, the County Commissioners Association of Ohio and the ODJFS Directors Association sent letters to Senate President Richard Finan and House Speaker JoAnn Davidson on March 20, 2000, asking for a one-time funding request. ODJFS was on record as well in a document to legislators, stating that, “county commissioners, county departments of Job and Family Services and community partners are all aware that PRC-DR funds are for one-time programs and will not be funded beyond the current biennium.”[23] This was meant to reassure legislators who were nervous about making commitments for ongoing funding. The Controlling Board then approved the increased TANF appropriation on the same day that legislative leaders received letters from county officials. The promise that PRC-DR would only be a one-time program was made five months after it had begun, and would become an issue in the next state budget when several counties sought to have PRC-DR’s funding continued.

The intent of the state and their county partners was to release the PRC-DR funds to counties quickly. The quick timeline meant that many counties had no time to submit the detailed information that the state requested in order to review PRC-DR proposals. One consequence of this, noted by a research analyst at the Institute for Local Government Administration and Rural Development, was that “the extent that counties identified outcomes, by which the project would be assessed, varied greatly… and even in the best of circumstances, was insufficient for tracking performance.”[24] Development reserve funding originated outside a county’s usual consolidated allocation. Therefore, counties that were already spending up to their consolidated allocation limit could now exceed that spending level with the PRC-DR funds. It was not, however, an unlimited source of funds. ODJFS capped how much counties could receive using a percentage of their population living below 200 percent of the applicable federal poverty guideline. A cap was necessary because some counties, both urban and rural, were much more aggressive than others in seeking the PRC-DR funds. For example, Athens County received $195 per capita in PRC-DR funds, while Cuyahoga County received $127. At the same time, Adams County, which had the highest unemployment rate in the state in August 2000, only received $24 per capita.[25] The largest share of total dollars went to Ohio’s six largest urban counties.

According to the guidance letter, “the goal of PRC-DR is to provide equal access to all counties seeking additional resources.” It goes on to say that, “ODHS [the predecessor to ODJFS] will move away from a first come, first serve approach to funding special projects.” The state no longer had to approve counties’ PRC-DR programs. Instead, counties had to demonstrate to their account manager that “all current TANF resources have been obligated.”[26] Once the state signed the PRC-DR project request, counties received “a simple one or two sentence proposed partnership

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[23] Ohio Job and Family Services, *Ohio Works First is Working* (2000, p.2).
[24] Personal correspondence from Professor Mary Elizabeth Courtney, ILGARD, Ohio University, to Professor David Ellis, the Center for Community Solutions, September 7, 2004.
[25] Data for the calculations are from Institute for Local Government Administration, *Reinvesting in Ohio’s Communities* (December 2000).
[26] Account managers were charged with among other things helping to formulate and implement partnership agreements between ODJFS and boards of county commissioners.

agreement amendment" with an addendum denoting PRC-DR reserve funding levels and a letter from the ODJFS Office of Fiscal Services authorizing approval of PRCDR funding.

The Institute for Local Government Administration and Rural Development at Ohio University prepared a report on the PRC-DR program for ODJFS in August 2000, noting that "the wide-ranging diversity among PRC-DR projects…illustrates the ingenuity with which county agencies approached implementing the PRC-DR program."[27] Counties funded 1,207 PRC-DR project proposals. Table 2 shows the amount spent, the number of projects by category, and the percentage of total spending they represented.

Table 2. Spending on PRC-DR Projects SFY 2000-2001

Category	Amount Spent (millions)	Number of Projects	Percent of Total Funds
Employment and training	$88.4	222	29.6%
Youth educational support services	61.3	262	20.5
Diversion, work support, and retention	44.4	238	14.8
Child welfare and protection	43.9	171	14.7
Community and economic development	18.9	84	6.3
Emergency, contingency, and disaster services	15.3	54	5.1
Noncustodial parents	8.6	34	2.9
Pregnancy prevention	7.2	48	2.4
Domestic violence	5.6	52	1.9
Early Start	5.5	42	1.8
TOTAL	**$299.1**	**1,207**	**100.0%**

Source: *Reinvesting in Ohio's Communities*, Institute for Local Government Administration, Ohio University, December 2000

Counties sought to extend the PRC-DR program beyond its scheduled expiration date. They were concerned that some counties had been unable to spend the dollars owing to the consolidated allocation method (discussed later in this report). Initially the legislature appeared willing to pass this request, but that agreement soon fell apart. In the end, the legislature refused to extend the program, citing the previous agreement that the funds would be provided on a one-time only basis. The legislature seemed unwilling to continue the program because of concerns about committing themselves to ongoing programs and the availability of TANF funds. They also had other ideas on how to spend the money. As a result, many programs that had been operating for only a short time were shut down. The decision not to extend the program was one of the factors that resulted in the Board of Cuyahoga County Commissioners filing a lawsuit against the State of Ohio.

[27] Prevention, Retention and Contingency Development Reserve (PRCDR) Projects for the State of Ohio, Executive Summary, August 31, 2000, Page 1

C. Partnership Agreements

A hallmark of Ohio's welfare reform was the partnership agreements between the state and individual counties, which were intended to govern the relationship between the county and state on human service program operations. The human service programs included TANF, income maintenance, Title XX, adult protective services, refugee resettlement service dollars, and administrative funding of food stamps, Food Stamp Employment and Training, child care, and Medicaid.

It was the responsibility of the Boards of County Commissioners to negotiate and finalize a partnership agreement with ODJFS, and both parties were required to sign off on the agreement for it to take effect. The agreements were to run concurrently with the state's biennial budget period but could be amended at any point.[28] Boards of commissioners were instructed to hold public hearings and to consult with the county human service planning committee prior to entering into a partnership agreement with the state or substantially amending the agreement. Boards were asked to use the hearings and other consultations to "obtain comments and recommendations" on the partnership agreement of any amendments. The degree to which this consultation with human service planning committees and other parties occurred is unclear. Partnership details between ODJFS and all 88 county commissions were reached in three phases from January 1998 to December 1999.

Initially, the partnership agreements were more individualized documents with some degree of diversity, but as the program continued, the state gradually adopted an identical template agreement for everyone. In a November 2002 deposition taken for the Cuyahoga County lawsuit against the state, ODJFS official Wayne Sholes described the agreements as "pretty much boilerplate with little or no specifics to the county."

By 2003, the state's interest in maintaining the partnership agreement in its original format had clearly faded. The Taft administration's budget (Ohio H.B. 95) contained language eliminating the agreements as they had existed and proposed to replace them with a series of fiscal agreements that placed much more of the responsibility and risk on counties for ensuring that funds were used in accordance with state and federal laws. The proposal to eliminate the partnership agreements was likely the result of Cuyahoga County's lawsuit, which used its partnership agreement with the state as a basis for a portion of its lawsuit. The County Commissioners Association of Ohio, likely fearing both the loss of flexibility and the increased risk, lobbied against the provision, and it was ultimately struck from the legislation.

[28] Jacqueline Romer Sensky, "OWF/PRC Guidance Letter No. 3" (Columbus: Ohio Department of Human Services, June 15, 1999).

D. Consolidated Funding

The state's welfare reform law granted ODJFS the authority to make a "consolidated" funding option available to the counties that would combine 10 different funding streams into a single allocation that could be used for any of the purposes authorized by the 10 funding sources. Counties could spend as much on services as needed without regard to the origin of the funds so long as spending stayed within their total allocation.

The Ohio Legislative Budget Office (now a part of the Legislative Services Commission) completed a major review of the consolidated funding arrangement early in 2000. The report observed that "the new system is experiencing growing pains that are testing the management capacity of both ODHS and county departments of human services." However, it also noted that, "consolidating allocations to county departments of human services makes it much easier to deliver services as needed."[29] At the end of the report was a statement that would eventually cause the funding scheme to unravel. The report stated that although TANF funds were underspent in state FY 1999, several other categories (Food Stamps, Medicaid, and the Social Services Block Grant) were overspent. It would be the continued overspending in Food Stamps and Medicaid that would eventually land the department in trouble with federal authorities.

ODJFS was required to reconcile county spending each year on a statewide basis. In 2003 testimony before the Human Services Subcommittee of the Ohio House Finance and Appropriations Committee, Quentin Potter, chief financial officer for ODJFS, suggested that this reconciliation was occurring. He also referenced "underspending in certain areas like TANF and overspending in other areas like Medicaid or Food Stamps," and then added that, "the department is responsible for making sure that cash amounts issued during the state fiscal year are reconciled to the various state and federal programs based on actual expenditures reported by each state and federal fiscal year."[30] In fact, county departments of ODJFS were reconciling their spending every year.

Yet early in 2004, ODJFS reported that it had not been performing a thorough reconciliation of the separate funding streams, and had only reconciled the consolidated payment system as a whole to balance expenditures between counties that had exceeded their allocations, and counties that had not.

The failure to develop a system that would reconcile the different funding streams resulted in an estimated $283 million in TANF funds being spent illegally from state FY 2000 through the first months of state FY 2005 for Medicaid and Food Stamp administration, as well as some disallowed Social Services Block Grant expenditures.[31] As a result, the state was forced to negotiate

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[29] Steve Mansfield, "Human Services Consolidated Funding to Counties," *Budget Footnotes, Ohio* Legislative Services Commission, March, 2000, Page 214).
[30] Quentin Potter, "Human Services Subcommittee of the Ohio House Finance and Appropriations Committee Testimony" (Columbus: Ohio Department of Job and Family Services, March 12, 2003, p. 3).
[31] Maria Seaman, Ivy Chen, and Erin Pettigrew, *Legislative Services Commission Redbook for the Ohio Department of Job and Family Services* (State of Ohio: April 28, 2005, p. 23).

agreements with the federal government to repay the misspent funds. The legislature also adopted language in the most recent budget proposal that eliminates the consolidated funding allocation and leaves counties more responsible for incurring costs resulting from federal disciplinary actions.

E. County Mandated Share

Counties must cover a portion of the cost of several human service programs, including a portion of the state's TANF maintenance of effort (MOE) requirement. The county-participation requirement dates back to 1965 when the state ended its previous system of earmarking a portion of state utility taxes to support welfare programs.[32] Every year on May 16, the ODJFS certifies to each board of county commissioners the amount required in the next state fiscal year to meet the county's share of several welfare-related expenditures. The method for determining the amount varies with each program, but the MOE required the state to maintain 77 percent of program and administrative expenditures in federal FY 1994 in the three programs replaced by TANF.[33]

Richard Sheridan, the former director of the Ohio Legislative Budget Office and fiscal policy consultant for the Center for Community Solutions, previously analyzed the impact of Ohio's county-mandated share requirement and found a "wide disparity in the actual costs paid by individual counties and a wide difference between the metropolitan and nonmetropolitan counties." He suggests that "unlike the state's revenue-sharing programs, here the county is redistributing county money, not state money."[34] Some counties, such as Cuyahoga and Hamilton counties (home to the cities of Cleveland and Cincinnati), have levied property taxes that specifically support welfare-related programs. Most counties, however, do not have such levies.

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[32] Richard G. Sheridan, David A. Ellis, and Richard Marountas, *Taxing Issues: State and Local Government Finance Linkages* (Cleveland: Center for Community Solutions, April 2002, Page 13).
[33] Mansfield, "Human Services Consolidated Funding to Counties."
[34] Sheridan and others, *Taxing Issues, April 2002, Page 13*

IV. ALLOCATING TANF FUNDS IN OHIO: WHO DECIDES?

The ODJFS is the driving force in determining how, whether, and when TANF dollars are available in Ohio. During each two-year budget debate, the department has projected TANF spending deficits.[35] For example, in 2003 testimony before the Human Services Subcommittee of the Ohio House Finance and Appropriations Committee, CFO Potter testified that “by the end of this fiscal year the (TANF) balance will be largely spent. There is no longer sufficient funding to allow TANF spending to substantially exceed annual resources.”[36] At the end of federal FY 2003, just a few months after Potter’s testimony, the state reported an unobligated balance of $367.4 million (meaning that the state had neither spent the funds nor obligated them to be spent).

When Ohio legislators passed H.B. 408 in 1997 and Ohio’s biennial budget for state FY 1998 and 1999, they left many of the detailed TANF spending decisions to ODJFS. Regulations for the program were not yet finalized, and few legislators understood how the program was funded or realized that TANF funds could be used for a wide variety of local and state programs. One thing legislators did understand was that caseloads were already dropping, freeing up money for the income tax reduction fund.[37] In state FY 1998, the first full year of welfare reform in Ohio, the state underspent $375.5 million in nonfederal state funds for Medicaid and TANF.[38] That represents roughly half of the amount that Ohio taxpayers would receive in the form of tax cuts through the income tax reduction fund the following year.[39]

In these early years, few outside ODJFS understood the process by which the department was able to convert TANF Title XX dollars into general revenue funds. The department spent much of the money in the early years on federal fines for failing to meet child support enforcement goals and for failing to set up a child support computer system ($28.7 million), as well as on other computer projects. In fact, the state controlling board appropriated these and other funds in a capital bill.

Ohio House Bill 640, the state capital appropriations bill for 2001–2002, appropriated $17.4 million for computer projects. The state’s two-year budget bill, Amended Substitute House Bill 283, appropriated $40 million over two years for ODJFS computer projects, and $4 million for costs related to merging the former Ohio Bureau of Employment Services and the Ohio Department of Human Services into the ODJFS. The legislation also tapped the funds to pay the state share of costs for adding parents with incomes below 100 percent of the poverty line to the Medicaid program and for funding Ohio’s Association of Second Harvest Foodbanks.

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[35] John Corlett, “Ohio’s TANF Reserve and ODJFS Spending Projections” (Cleveland: Center for Community Solutions, May, 2005).
[36] Potter, Human Services Subcommittee Testimony, March 12, 2003, Page 1
[37] Darrel Rowland, “State Welfare Reform Includes Some Raises,” *Columbus Dispatch*, March 18, 1997
[38] Legislative Services Commission, *Budget Footnotes* (June/August 1998).
[39] Legislative Services Commission, *Summary of Law Changes 1996-2003, Estimates of Tax Cuts and Tax Credits* (February 24, 2005).

In 1998, Ohio turned down $88 million in "welfare to work" funds from the U.S. Department of Labor, citing increased federal requirements and the required state matching funds. Several other states also turned down the funds. The significant TANF surplus was an additional factor. Governor Voinovich said that accepting the funding "almost seemed like gaming the system" since the state had $400 million "sitting in a pot waiting to be used to get folks off welfare."[40]

In 1999, when legislators began work on the state FY 2000-2001 budget, they had a better understanding of how the funds could be used. At the same time, the state's cumulative unobligated TANF balance began to increase and attract attention. Representatives of the ODJFS Directors' Association, the Public Children Services Association of Ohio, and the County Commissioners' Association of Ohio all played key roles in these discussions. State advocates had also increased their understanding of how the program was funded and how the funds might be used to address unmet needs.

Each of these state-based entities had somewhat different priorities for how the funds should be used. County commissioners and the human services directors association generally opposed earmarks for specific spending projects and wanted funds distributed to counties in the most flexible manner. Their priority was continued funding for some version of the PRC-DR program. This request was an uphill battle because of previous assurances that the funding would be one-time. Nevertheless, they proposed an amendment that counties be given additional PRC-DR funds, and they proposed that counties would be unable to access the funds unless their commissioners passed a resolution stating that the "funds were one-time funds and will not be available after September 30, 2002." At the same time, the associations expressed concern that earmarks for housing and education in particular would make it difficult for counties to integrate those services into their ongoing TANF programs.[41]

The Public Children Services Association of Ohio had to walk a tightrope when talking about TANF funds. They typically supported earmarks not only for child welfare but also for housing and other related supports. The association has often taken a broader view of how TANF funds should be allocated. For example, they supported diverting TANF funding to a TANF housing program that was outside the control of local county officials. This support in part reflects their mission, but it also reflects the structure of the child welfare agency, which in several counties operates as an independent board rather than as an agency under the control of the county commissioners. Ohio uses a smaller percentage of its TANF funds (6 percent in 2002) for child welfare than other states. Nationwide, TANF accounts for 20 percent of the federal funds that states invest in child welfare.[42]

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[40] Judith Haverman, "Ohio Joins Others in Turning Down Federal Welfare to Work Grants," *Washington Post*, April 19, 1998.
[41] Jerry Collamore, "Talking Points on Sub H.B. 94" (Columbus: Ohio Job and Family Service Directors Association, May 2001).
[42] Cynthia Andrews Scarcella and others, *The Cost of Protecting Vulnerable Children IV* (Washington: Urban Institute, 2004).

Almost as soon as the 2000-2001 budget had been passed, the state began to feel the effects of a recession and revenues failed to meet state projections. By state FY 2002-2003 budget, budget writers were fully reallocating TANF funds in efforts to balance the budget without raising taxes. The legislature passed a budget that supplanted $175 million in state Head Start funds with TANF funds. They also moved $60 million from the TANF Title XX account into the general revenue fund for the "purpose of balancing the general revenue fund." At the same time, they earmarked millions of dollars in TANF funding for a variety of programs and services, many of which were previously funded with state dollars.

Some of the earmarks were between ODJFS and other state agencies, and were the product of prior negotiations, reflecting ODJFS priorities. For example, the Ohio Department of Alcohol and Drug Addiction Services received an earmark of $10 million over the two-year budget for alcohol and drug treatment and mentoring programs. Some earmarks also reflected a desire by some in the legislature to find ways to remove state general revenue funds from programs and replace them with TANF funds.

The majority of the earmarks, however, were the result of effective lobbying by nonprofit organizations and contract lobbyists working on behalf of individual client organizations. For example, abstinence-only groups lobbied the legislative leaders for a $500,000 annual appropriation for abstinence-only programs. Perhaps because of the influence of Speaker of the House Larry Householder, who was from Appalachia, Appalachian counties received additional funds for workforce development and special projects. In some cases, legislative leaders used these earmarks to secure votes for final passage of the legislation.

As the legislature took up the 2002-2003 budget, the Taft administration sent a message that it would veto legislative TANF earmarks. The final bill included a legislative provision that eliminated the $14 million in annual state funding for the Wellness Block Grant from TANF funds. As a result, the program focused more on reducing out-of-wedlock pregnancies, one of the four key tenets of TANF, and less on the prevention of child abuse and neglect.

Although Taft acquiesced on a number of earmarks, he also vetoed several in the second year of the budget. Rather than override the governor's vetoes, the legislature passed a budget corrections bill less than a month after the original two-year budget had passed. The governor ultimately signed the bill that restored the very earmarks he had vetoed, including earmarks for a TANF housing program, the Ohio Association of Second Harvest Foodbanks, the Ohio Association of Boys and Girls Clubs, funding for child welfare activities, and abstinence-only programs.

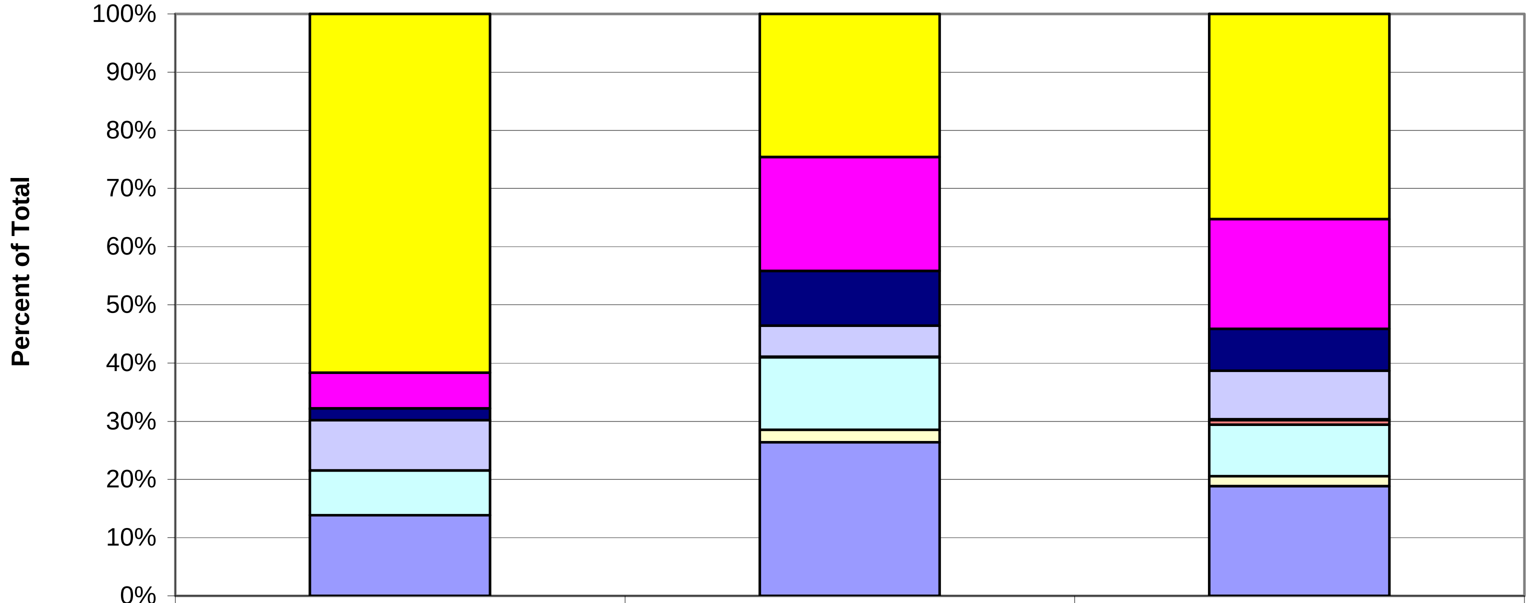
Despite the history of legislative earmarks of TANF funds, ODJFS largely retains control over how and when TANF dollars are spent. Since the passage of H.B. 408, the legislature has rarely adopted budget language that changes the core of the program. (Appendix B details the formula used to allocate TANF and related funds to counties.)

A related TANF spending issue is the lawsuit filed by the Board of Cuyahoga County Commissioners in September 2001 accusing the state of illegally diverting $60 million TANF funds to balance the budget. Cuyahoga County is the home of Cleveland and was the county with the largest number of TANF recipients in Ohio. This was not a case, however, of urban versus rural counties. Several counties passed resolutions of support for the case, and the County Commissioners Association of Ohio wrote a “friend of the court” brief that represented all 88 counties.

Nearly three years later, Cuyahoga County Common Pleas Judge David Matia ruled in the county’s favor and ordered the state to return the funds to the Title XX fund. The ruling has since been upheld by the 8th Ohio District Court of Appeals. Writing for the majority, appellate Judge Kenneth Rocco described the case by paraphrasing *The Godfather* author Mario Puzo: "A single bureaucrat with a briefcase," Rocco wrote, "can dispossess this state's needy citizens more effectively than a hundred men with masks and guns."[43] The Ohio Supreme Court is currently reviewing the decision. If the ruling stands, the state will be required to transfer $60 million in general revenue funds into the Title XX fund

[43] Court of Appeals of Ohio, Eighth District, No. 84350, *Cuyahoga County Board of Commissioners, vs. The State of Ohio*, June 9, 2005.

Figure 1: TANF Spending and Transfers in Ohio 1998-2004



	1998	2001	2004
Cash Assistance	521,898,072	336,126,148	320,454,314
Child Care	51,850,611	267,879,495	171,817,304
Work-Related Activities	17,172,546	128,618,635	65,619,077
Transfer to SSBG	72,796,826	72,796,826	75,608,192
Pregn. Prevention	0	1,804,949	1,312,750
Two-Parent Formation	0	330,550	7,013,611
Tax Credits	0	0	0
Systems and Administration	65,545,057	169,494,021	80,862,988
Transportation and Other Support Services	0	29,665,503	15,207,293
Authorized under Prior Law	0	0	0
Other Nonassistance	117,119,190	361,046,506	171,668,005

V. OHIO'S TANF RESERVE

Almost since the beginning of the TANF program, Ohio has consistently had one of the largest TANF reserves in the country. This is due, in part, to the size of Ohio's annual block grant, which is the fourth largest in the country. However, in relation to the number of low-income children in the state, Ohio's TANF grant is not as large as in other states. Seventeen states and the District of Columbia receive more per low-income child than Ohio.[44]

Another reason for Ohio's large reserves was the rapid reduction in the OWF caseload, which had declined 65 percent since 1996. Public assistance monthly reports for calendar years 1998 and 2004 reveal three different stories: a statewide story, an urban story, and a Cuyahoga County story. As Table 3 shows, between 1998 and 2004, the adult caseload statewide declined 49 percent. The decline in Cuyahoga County was 72 percent, and in the other urban counties (Franklin, Hamilton, Lucas, Mahoning, Montgomery, and Summit), the decline was 35 percent. April 2005 marked the first time that Cuyahoga County did not have the largest OWF adult caseload in the state; Franklin County (home to Columbus) has now assumed that position.

Table 3. Ohio Works First Combined Adult Caseload Statewide and in Urban Counties, 1998 and 2004

	1998	2004	Percentage Decline
Statewide	**99,237**	**50,737**	**-49%**
Cuyahoga	26,022	7,197	-72
Franklin	9,256	6,746	-27
Hamilton	6,771	4,991	-26
Lucas	7,566	5,050	-33
Mahoning	3,766	1,768	-53
Montgomery	4,689	3,232	-33
Summit	7,276	3,702	-49
Urban share of state caseload	**65,466**	**32,686**	**-50**

Source: Public Assistance Monthly Statistic (PAMS), Ohio Department of Job and Family Services, Calendar Years 1998 and 2004.

Caseload declines were driven in large part by Ohio's decision to limit cash assistance receipt for most persons to only three years (the federal time limit is five years) and aggressive sanction policies at the local level. Counties also differed significantly in their exemption policies. Hamilton County exempted 69 percent of those facing time limits while Cuyahoga County exempted only 8 percent.[45]

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[44] Kent R. Weaver, *The Structure of the TANF Block Grant* (Washington: Brookings Institution, April 22, 2002).
[45] Andrew Welsh Huggins, "Varying Numbers Around State Receiving Exemptions to Welfare Cutoff," *Associated Press*, December 26, 2000.

Cuyahoga County closed 60 percent of its cases for “administrative” reasons, such as failure to appear for determination of benefits, failure to provide proper paperwork, a sanction, or failure to meet the requirements of a self-sufficiency plan.[46] It is unclear whether other counties experienced a similar percentage of case closures for administrative reasons. In Cuyahoga County, 8,200 low-income families lost cash assistance because of time limits.[47] Many faced hardships as a result. As Claudia Coulton, co-director of the Center on Urban Poverty and Social Change at Case Western Reserve University, said of those who reached their time limit: “[They]…are doing worse than the people who left on their own. Their incomes are much lower, their employment less steady.”[48]

Another reason for the large TANF reserve was a decision made at the beginning of the program by Governor Voinovich and legislative leaders to create a contingency fund of at least $300 million. Although the original intent to create a “welfare rainy day fund” may have made sense, once DHHS issued rules in 1999 limiting the use of reserves from prior years to “assistance,” it made these “welfare rainy day funds” more difficult to use.[49] This was especially true for Ohio, which had been meeting its MOE requirement largely by paying for cash assistance with state general revenue funds rather than using TANF reserve funds.[50]

The manner in which the consolidated allocation operated also influenced the size of the reserve. The consolidated fund allocation was created in 1997 to provide counties with flexibility in spending administrative and service dollars. It was first offered to counties in 1998 and was operational in 2000. The primary components of the consolidated allocation are TANF, income maintenance, Title XX, adult protective services, refugee resettlement service dollars, and administrative funding of food stamps, Food Stamp Employment and Training (FSET), child care, and Medicaid. Typically counties were not allowed to spend additional TANF dollars if they had already reached the limit of their overall consolidated fund allocation. This forced TANF spending to drop as spending on eligibility determination for food stamps and Medicaid climbed.

At the end of federal FY 2004 Ohio had the largest unobligated TANF balance in the country.[51] As noted above, this attracted the renewed attention of advocates and others and led to several suggestions on how to use the funds. Athens County Job and Family Services Director Jack

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[46] Cuyahoga County Department of Employment and Family Services, *Glossary of Terms* (Columbus: April 2005).
[47] John R. Corlett, *Poverty’s Up While Ohio’s TANF Reserve Climbs: What’s Wrong With This Picture?* (Cleveland: Center for Community Solutions, August 2004).
[48] Rich Exner, “No End to Poverty,” *The Plain Dealer*, November 13, 2001.
[49] Under federal TANF regulations, "assistance" includes cash payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses), although there are significant exclusions. Thus, benefits and services that help a family meet basic needs on an ongoing basis are counted against the family's time limit and trigger work participation and related requirements.
[50] So long as Ohio meets federal welfare law work participation rates, it is required to spend only 75 percent of what the state spent on Aid to Families with Dependent Children (AFDC), JOBS, Emergency Assistance, and welfare-related child care programs in state FY 1994. This translates into an MOE spending requirement of $391.2 million a year.
[51] Ohio: Use of TANF and Maintenance of Effort (MOE) Funds in Fiscal Year 2004, Center on Law and Social Policy, September, 2005

Frech renewed his call for a $100 increase in the monthly cash assistance grant, arguing that it would lift thousands of Ohio children out of poverty. He said that families were making “ungodly decisions every day between these kinds of basic necessities in life while the State of Ohio sits on a huge pile of money that Congress specifically sent down here to help those very families.”[52] Others, such as Joe Gauntner, Cuyahoga County’s Employment and Training Director, argued for greater investment in child care and increasing the number of eligible Ohioans claiming the EITC.[53]

The debate over the size of the cash assistance grant exemplifies some fundamental changes in the advocacy community. TANF funds at the state and local level support a significant human service infrastructure that in many ways did not exist prior to TANF. This growth in the human services network sometimes shifted the attention of organizations away from advocating for such things as grant increases and toward advocating for their own particular program or service. This shift may also be the result of how TANF itself was drafted, which placed more limits on cash assistance than it did on supportive services.

As the legislature began work on the 2006-2007 state budget, ODJFS again was warning against overspending the TANF grant, claiming that by the end of state FY 2009 the state will have exhausted its TANF reserve. Both legislators and advocates were skeptical of those projections, however, and signed off on increased TANF spending not originally proposed by the governor.

Alongside the dramatic declines in caseloads statewide, overall spending also fell. Ohio Works First combined spending in Cuyahoga County declined 60 percent between 1998 and 2004 (see Table 4), from $125.9 million to $50.1 million (in non-inflation-adjusted terms). Overall, urban counties’ share of spending declined 38 percent, only slightly greater than the statewide decline of 35 percent. Table 4 shows the decline in Ohio Works First combined expenditures for the state as a whole as well as for the seven urban counties.

Table 4. Ohio Works First Expenditures, 1998 and 2004

	1998	2004	Percentage Decline
Statewide	**$ 484,523,048**	**$ 316,019,666**	**-35%**
Cuyahoga	125.945,598	50,164,872	-60
Franklin	49,543,742	42,239,452	-15
Hamilton	38,074,303	32,275,701	-15
Lucas	35,822,931	26,821,480	-25
Mahoning	17,811,270	11,188,305	-37
Montgomery	25,743,137	20,470,754	-20
Summit	32,833,504	20,013,090	-39

Source: Public Assistance Monthly Statistic (PAMS), Ohio Department of Job and Family Services, Calendar Years 1998 and 2004. These figures are not adjusted for inflation.

[52] Ted Wendling, “Money For Poor Not Spent: Sparks Fly,” *The Plain Dealer*, September 29, 2004, p. A1.
[53] Ted Wendling, “Ohio Sits on $331 Million Designated to Help Poor,” *The Plain Dealer*, February 7, 2005.

VI. CHILD CARE FUNDING IN OHIO: AN ELIGIBILITY ROLLER COASTER

Child care is viewed by most Ohio policymakers as a crucial element in the state's welfare-to-work strategy. Governor Voinovich, in his first State of the State address in 1991 and in his final address in 1998, pointed out the advantages of state investments in child care and early care and education. Under his leadership, Ohio became a national leader in Head Start enrollment, and he raised eligibility for child care subsidies to 185 percent of the federal poverty level. However, the story of child care funding in Ohio is one of stops and starts, moving forward, then backward, only to move forward again. Between 1997 and 2003 participation in Ohio's child care subsidy program increased by 66 percent and spending increased by 91 percent in real terms.[54]

Prior to the 1996 welfare reform law, the state offered four Title IV-A child care programs: JOBS/AFDC, Transitional Child Care, At-Risk Child Care, and the Child Care Development Block Grant (CCDBG). The JOBS/AFDC and Transitional programs were open-ended entitlements. At-Risk Child Care was a capped entitlement, and the CCDBG was a block grant. The 1996 law combined the four IV-A programs into one block grant and required states to maintain 100 percent of their FY 1994 or FY 1995 (whichever was greater) expenditures in the four child care programs.

During the 1996 and 1997 state budget period, Ohio returned responsibility for establishing child care subsidy eligibility to county departments of human services within certain parameters. ODJFS would continue guaranteeing child care to those families receiving TANF and those families in the first year of their transition from welfare to work. Beyond that, counties could use funds to support families with incomes up to 185 percent of the federal poverty level, but only if funds were available.[55]

A 1997 report from the Children's Defense Fund of Ohio found that by December 1996, almost one-third of the state's counties had closed enrollment for working poor families. In these counties, working poor families not receiving TANF or transitioning from TANF received no help, and only a few counties offered waiting lists.[56] Hamilton County faced a $5 million funding shortfall in 1996 and as result lowered eligibility for those not receiving TANF and raised private funding in an effort to maintain the subsidies for some families.[57] Franklin County followed a similar path of lowering eligibility and providing $325,000 in general fund money to keep care in place for 275 families.[58]

Governor Voinovich, responding to protests over inadequate child care funding by Republican Hamilton County Commissioner Bob Bedinghaus, expressed concern about what he

[54] John Honeck and Vicky Lovell, *Staying Employed: Trends in Medicaid, Child Care and Head Start in Ohio* (Washington: Institute for Women's Policy Research, and Policy Matters Ohio (Cleveland), November 2004).
[55] Margy Waller, *Child Care: A State Guarantee and the 1998/1999 Ohio Biennial Budget* (Cincinnati: United Way and Community Chest, December 18, 1996).
[56] Chris Stonebrunner, *Children Learning, Families Earning* (Columbus: Children's Defense Fund of Ohio, 1997).
[57] Laurie Petrie, "Without Child Care, Reform Shaky," *Cincinnati Post*, October 8, 1997.
[58] Kevin Mayhood, "County Cutting Back Child-Care Program," *Columbus Dispatch*, August 9. 1996.

described as an entitlement to child care, stating that "at some point we have to ask ourselves, as elected officials, 'where do we draw the line?' Should every Ohioan making less than $10 an hour be entitled to government help for child care—or is the appropriate income level higher or lower. What are the implications for the state's policy of personal responsibility and self-sufficiency when a state child care subsidy becomes an integral and ongoing feature of the family budget?" [59]

Representative Lawrence, who had authored the state's welfare reform legislation, shared these concerns. "What would be the point of getting rid of the entitlement to welfare," she said, "and then replace it with another entitlement that would grow and grow for child care? I don't think the public wants that. I certainly don't want it. What we're doing is teaching people, trying to help them become self-reliant, and use their own sense of responsibility to manage their family affairs."[60]

A few months later, however, the legislature reached agreement on child care, allowing the number of children receiving subsidized child care to increase from 58,000 per month to 80,000 per month by the end of the 1998-1999 budget period.

The next budget adopted in 1999 marked the first term of Governor Bob Taft, a year when Ohio was flush with cash. Tax revenues were up 8 percent,and Ohio had a significant balance of unspent TANF dollars heading into the budget period.[61] The legislature passed a budget with several child care improvements, including: 1) an eligibility increase to 200 percent of poverty to take effect July 1, 2000 (this increase was never implemented); 2) a co-payment cap at 10 percent of family income, and 3) a provision that families who were determined eligible would remain eligible for one year.[62]

Two years later the picture was not nearly as bright. The recession was in full force in Ohio and state revenues were dropping. Governor Taft ordered a series of overall budget cuts to balance the budget. The budget adopted in June of 2001 rolled back the one-year eligibility period for child care to six months.

In 2003 a budget corrections bill (House Bill 40) included several measures to reduce spending on child care. ODJFS argued that without the changes, spending would exceed the TANF budget by $70 million. ODJFS also stated that the changes would reduce expenditures in state FY 2004-2005 by $268 million. Among the changes made in H.B. 40 were the following:

- Reducing eligibility for publicly funded child care and Head Start from 185 percent of the federal poverty level to 150 percent, a decision that affected an estimated 18,500 children

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[59] Governor George Voinovich, "Letter to Hamilton County Commissioner Bob Bedingaus" (December 2, 1996, Page 2).
[60] *On Line News Hour*, "Welfare Day Care Dilemma" (Washington: PBS, February 6, 1997).
[61] Ohio Legislative Services Commission, *GRF, LPEF, and LGF Revenue History, FY 1975-2004,* (Columbus: August 2004).
[62] Legislative Services Commission, *Final Analysis Am. Sub. H.B. 283*, July 1999

- Giving ODJFS more control over the amount, duration, and scope of benefits available as publicly funded child care. This included an increase in family co-payments (from an estimated $59 a month to an average of $91 a month), freezing center-based provider rates, and giving providers less flexibility and fewer resources for children who were ill

- Eliminating the work requirement exemption for parents whose children were enrolled in protective or special-needs day care. Special-needs day care is for developmentally handicapped, mentally retarded, or mentally ill children

- Eliminating the ability of county Departments of Job and Family Services to request waivers of child care reimbursement ceilings owing to special circumstances of the families or day-care market conditions

Advocates questioned the department's spending and caseload projections, and pointed out that these actions would undercut the ability of families to continue working. "Why are they taking away from those of us who are working the hardest to make a go of it," asked Patty Parola, a Canton mother whose child care costs were set to increase from $102 to $540 a month, or nearly one-third of her annual income.[63] Although the legislature ultimately accepted the state's plan, they added language to the bill that said "It is the General Assembly's intent that ... the Department of Job and Family Services take appropriate steps to provide publicly funded child daycare services to as many children as possible consistent with the goals of the program and the constraints of the state's fiscal situation.[64]"

A few months later during budget deliberations for FY 2004-2005, child care advocates were able to gain back some of the lost ground. The biggest change prohibited ODJFS from removing, between state FY 2004 and 2005, publicly funded child care participants with incomes at or below 165 percent of poverty. To be safeguarded, families must have been enrolled in the program before June 9, 2003, and have incomes at or below 150 percent of poverty. ODJFS estimated that the change would cost an additional $40 million in TANF funds over the two-year period, along with $4 million in General Revenue funds in the second year of the budget. An estimated 6,000 children would benefit from the change.

A major element of any child care budget discussion is enrollment projections. The Legislative Services Commission offers no child care projections; therefore, the only figures available to the legislature are from ODJFS. The lack of independent projections impedes the ability of the legislature to make informed judgments about child care eligibility levels and spending.

For state FY 2004-2005 budgeting purposes, ODJFS estimated an average monthly enrollment of 109,000 children in 2004 and 117,000 children in 2005. These projections turned out to be entirely inaccurate. As of April 2004, the monthly enrollment was 90,263, or 17 percent lower

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[63] Veronica Van Dress, "Families Angry, Scared About Cuts in Child Care," *Canton Repository*, February 27, 2003.
[64] Am Sub. H.B. 40, Ohio General Assembly, March 12, 2003, Page 53

than projected.[65] It also appears unlikely that the state will meet its 2005 projections. The shortfall was the result of eligibility reductions, increased co-payments, and more frequent income reporting required in Ohio H.B. 40. In particular, the department failed to grasp the effect of increased co-payments, which in most cases doubled.

A report from the National Women's Law Center identified Ohio as the fifth most expensive state for parent co-payments.[66] The same report finds that only two other states—Georgia and Louisiana—had increased their parent co-payments by a larger amount since 2001. High co-pays have led thousands of parents to remove their children from licensed, regulated care and place them instead in unlicensed or unregulated care.

Funding for child care in Ohio today is primarily from TANF and the CCDBG. When TANF first went into effect, the state's initial posture was not to transfer any TANF funds into the CCDBG. However, between federal FYs 2000 and 2002, the state would transfer $359.5 million from TANF to the CCDBG. These transfers ceased in federal FY 2003, when the state began to charge the TANF grant directly for child care. Policymakers cited three reasons for this change. First, TANF funding is more flexible in responding to changing conditions. Second, transferring funds from TANF limits the percentage of TANF funds that are available for administrative costs. Finally, the CCDBG requires that a certain percentage of dollars must be set aside for quality activities, which would reduce funds available for purchasing child care slots.

[65] Ohio Department of Job and Family Services, "Cogos Childcare Cube: Statewide Utilization Analysis by Child: Unduplicated Child Count 7/12/2004" (Columbus, July 2004).
[66] According to the report, the monthly co-payment is $127for a family of three with an income at 100 percent of poverty and one child in care. Only four other state—Louisiana, North Carolina, North Dakota, and Texas—had higher co-pays.

VII. Conclusion: What's Next for TANF in Ohio?

The politics of welfare reform and TANF in Ohio can be characterized as driven by a deep-seated suspicion of anything resembling an entitlement to cash assistance. Those who had advocated for reform of the cash assistance program hoped to end such entitlements, which they believed were destructive, miring families in dependency.

At the same time, some of these same policymakers advocating for change acknowledged that reform of the welfare system, or what they called the "culture of welfare," would not come cheap. There was willingness, even an enthusiasm, to invest in new services, retrain welfare workers, and to develop faith-based programs that some thought could help change the culture of the program and the culture of those who depended on it. Apparent in many of these arguments is a deep distrust of low-income people, although that has eased somewhat with time. This distrust plays itself out every two years when Ohio passes its biennial budget.

Most recently, legislators passed a budget that eliminated Medicaid coverage for 25,000 low-income working parents whose incomes are between 90 and 100 percent of the federal poverty level, many of them undoubtedly former welfare recipients.[67] The cost of maintaining this coverage was estimated at $37 million over two years. At the same time, the budget included a $460 million income tax cut for the top 1 percent of Ohioans, who have average annual incomes of $643,000.

Ohio needs a renewed focus on getting resources directly into the hands of low-income working families, and less of a focus on directing TANF funds to specific service initiatives. Needed resources for low-income families include TANF grant increases, rental subsidies, a refundable state EITC, a refundable state dependent care tax credit, and wider eligibility for child care. Organizations dedicated to health and social services issues should look for opportunities to introduce those who depend on TANF to those who make decisions about the program. This can help reduce the disconnect between low-income working families and policymakers.

Finally, Ohio has a long track history of supplanting state funds with federal TANF funds, and it is likely that counties also engage in this practice. With so much money on the table, it was a practice that was hard to resist. Congress should either halt the practice or, at the very least, require that states and counties provide fiscal information in enough detail to allow the federal government and others in the state to gauge the extent of the supplanting and to suggest possible alternatives. ODJFS and the legislature should consider reviving either a stakeholders group or a welfare oversight committee to continue monitoring the program and its outcomes.

[67] Amended Substitute House Bill 66, Passed by the Ohio House and the Ohio Senate on June 21, 2005.

Appendix A. Ohio Works First Timeline

1996 Personal Responsibility and Work Opportunity Act passed

1997 Substitute House Bill 408, Ohio Works First, passed and signed by Governor George Voinovich

Decision made by governor and legislative leaders to establish a $300 million contingency reserve: $75 million to be set aside annually for first four years of the program.

Ohio maintains state welfare spending at 80 percent of its 1994 state expenditures.

1998 Consolidated Allocation Fund offered to counties

Eligibility for child care subsidy increased to 150 percent of federal poverty line (FPL) on March 1, 1998

Eligibility for child care subsidy increased to 185 percent of FPL on October 1, 1998

Arnold Tompkins, director of ODJFS, resigns and Wayne Sholes is named acting director

Cash assistance benefits increase an average of $21 a month.

1999 Final federal TANF regulations issued

ODJFS required to complete progress reports on partnership agreements

PRC-DR program announced at September PRC symposium

Jacqui Romer Sensky appointed director of ODJFS

Ohio turns down $88 million in U.S. Department of Labor welfare-to-work grant funds.

2000 Deadline for counties to enter into partnership agreements with state

Counties gain access to $300 million PRC development reserve

Ohio Department of Human Services merges with the Ohio Bureau of Employment Services to become the Ohio Department of Job and Family Services.

Welfare Oversight Council, established by H.B. 408, visits 19 Ohio counties to assess the progress of welfare reform.

In October, 4,000 OWF recipients are the first to reach their 36-month time limit

Cash assistance benefits increase an average of $11 a month

2001 Ohio General Assembly passes state FY 2002-2003 budget, which supplants $175 million state General Revenue fund investment in Head Start and replaces it with

TANF funds. Budget also contains significant legislative TANF spending earmarks.

Cuyahoga County files lawsuit against State of Ohio over state use of TANF funds

Jacqui Romer Sensky resigns as ODJFS director; former Ohio House Speaker

Joanne Davidson appointed as interim director, followed by Greg Moody as interim director, and Tom Hayes as ODJFS director

State restores Medicaid benefits to 160,000 former welfare recipients who were terminated from the program in error.

Arnold Tompkins pleads guilty to misdemeanor charges of having an illegal interest in a public contract and violating the state's "revolving door" law. Tompkins gave multiple un-bid contracts, using TANF funds, to two firms, Andersen Consulting (now Accenture) and American Management Systems, and after he retired received consulting contracts from them.

2002 U.S. Congress fails to reauthorize TANF. Program is continued through a series of continuing resolutions and omnibus appropriation measures.

October marks the point in which those who were removed from welfare rolls in 2000 can reapply to the program through their local county department. Their ability to receive benefits depends on whatever local hardship policy is in place.

2003 State reduces eligibility for child care subsidies and increases co-pays for families using subsidized child care.

2004 State shuts down consolidated allocation fund after discovering that the state had been using TANF funds illegally to match and draw down federal Medicaid and Food Stamp funds

PA Fund Linkages Program created to replace the consolidated allocation fund.

Tom Hayes resigns as director of ODJFS and is replaced by Barbara Riley

APPENDIX B. ODJFS TANF/FSET/INCOME MAINTENANCE ALLOCATION FORMULA

The following methodology is used to distribute federal TANF funds, federal Food Stamp Employment and Training (FSET) funds, and state income maintenance control funds to Ohio counties:

(a) Thirty percent is based on the county's total population under 100 percent of the federal poverty level, using the most recent available U.S. Census Bureau and state administrative data.

(b) Thirty percent is based on county population less than 200 percent of the federal poverty level, using the most recent available U.S. Census Bureau and state administrative data.

(c) Thirty percent is based on the county's adjusted recipients, equal to the total of the categories of non-public assistance food stamp recipients, Disability Assistance and Disability Assistance Medical recipients, adult Medicaid recipients, Healthy Start, Children's Health Insurance Program, TANF-related Medicaid recipients, and TANF recipients

(d) Five percent is based on the county's average unemployment rate as compared to unemployment statewide, using ODJFS figures for the most recent available report month

(e) Five percent is based on the county's poverty rate. A county's poverty rate is identified as the percentage of the county's population living at and below the federal poverty level.

On completion of steps a-e, the state adjusts each county's share by 0.3 percent upwards if its per capita income is below the state average, and by 0.3 downwards if its per capita income is above the state average.

Formula increases and decreases are capped at 9 percent. No county can earn more than 9 percent or face reductions of more than 9 percent each year. Any amount above the 9 percent cap is redistributed. Excess is redistributed to all counties that are receiving a reduction in allocation compared with the previous year. No county losing funds is permitted to gain more than the previous year with the redistribution of excess.

Counties must spend 90 percent of their consolidated allocation. When a county does not spend the required 90 percent, it receives a reduction in the total consolidated and the difference is distributed to other counties.