



Colorado Legislative Council Staff Fiscal Note
**STATE and LOCAL
 FISCAL IMPACT**

Drafting Number: LLS 11-0623
Prime Sponsor(s): Sen. Hodge
 Rep. Gerou

Date: February 9, 2011
Bill Status: Senate Finance
Fiscal Analyst: Bill Zepernick (303-866-4777)

TITLE: CONCERNING THE TRANSFER OF UNSPENT COUNTY TANF RESERVES TO A COUNTY.

| Fiscal Impact Summary | FY 2011-2012 | FY 2012-2013 |
|--|---------------------------------|---------------------|
| State Revenue | | |
| State Expenditure | See State Expenditures section. | |
| FTE Position Change | | |
| Effective Date: Upon signature of the Governor, or upon becoming law without his signature. | | |
| Appropriation Summary for FY 2011-2012: None required. | | |
| Local Government Impact: See Local Government Impact section. | | |

Summary of Legislation

The bill makes the several changes regarding county Temporary Assistance for Needy Families (TANF) reserves. Beginning in FY 2010-11, the bill raises the cap on TANF reserves that may be retained by counties to 70 percent of the county block grant for the concluding fiscal year, except for counties with block grants of less than \$142,857 per year, which may maintain a reserve of up to \$100,000. Under current law, the cap for all counties is 55 percent for FY 2010-11, 40 percent for FY 2011-12, and 30 percent for FY 2012-13.

In addition, the bill makes the following changes to the process for allocating unspent county TANF reserves:

- gives the Works Allocation Committee (WAC) the authority to transfer unspent county reserves in excess of the reserve cap to other counties based on the criteria determined by the WAC;
- requires the WAC to give first priority for transfers to counties with zero TANF reserves;
- specifies that any unspent county TANF reserves not allocated by the WAC are transferred to the Colorado Long-term Works Reserve;
- specifies that counties must receive maintenance of effort credit for any unspent reserves transferred to other counties;

- allows the unspent TANF reserves from FY 2009-10 to be reallocated by the WAC to other counties, rather than be transferred to Colorado Long-term Works Reserve; and
- removes the requirement that the Department of Human Services (DHS), with input from counties and program participant advocates, submit legislative recommendations prior to the 2012 legislative session on how to allocate unspent TANF reserves;

Background

TANF is a federal program that provides funding to states to create financial assistance programs that promote self-sufficiency. In Colorado, among other things, TANF funds are used to operate the Colorado Works program and provide funding for children in foster care. These programs are operated by the counties. Using data on past caseload and other information, the WAC and the DHS allocate TANF money to each county in the form of a block grant. Counties operate their Colorado Works and child welfare programs according to state and federal law.

State law specifies the amount of TANF reserves that a county may hold at the end of the fiscal year. Any federal TANF funds in excess of the statutory reserve are transferred to the Long-term Works Reserve. Moneys in the Long-term Works Reserve consist entirely of federal TANF funds and may be used to provide funding to counties or used for other statewide purposes that meet the federal TANF requirements.

State Expenditures

The bill does not directly affect state expenditures. However, to the extent that counties are allowed to maintain greater TANF reserves and TANF moneys are reallocated more easily between counties, less money will be available in the Long-term Works Reserve that could be used for statewide purposes. Regardless of whether TANF Funds are held by counties or placed in the Long-term Works Reserve, the total amount of federal funds for TANF in the state will not change.

Local Government Impact

By changing the county TANF reserve cap to 70 percent, counties will be able to retain more federal TANF funding and fewer funds will be transferred to the Long-term Works Reserve. Beginning in FY 2010-11, the amount of TANF funds retained by counties is estimated to be approximately \$2.5 million per year. This funding would have gone to the Long-term Works Reserve under current law.

The bill allows excess county TANF reserves from FY 2009-10 to be reallocated to counties by the WAC, rather than be transferred to the Long-term Works Reserve. This will result in \$685,772 in TANF funds going back to counties.

The bill specifies that first priority should be given to counties with zero reserves when reallocating TANF reserves. At the end of FY 2010-11, six counties - Jefferson, Kiowa, Phillips, Pitkin, Summit, and Weld counties - had zero TANF reserves. This bill would allow excess reserves from other counties to go to these and other counties dealing with increased TANF caseloads at the discretion of the WAC.

Departments Contacted

Human Services