WFI FINANCE COMMITTEE

Action Item 2

PROPOSED MODIFICATIONS TO TANF DEOBLIGATION POLICY

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DISTRIBUTION MECHANISMS: TANF funds are provided to the state by federal block grants with some special supplements provided to Florida and other states. There are no federally established formulas for sub-state distribution of TANF funds, noting that TANF administration in most states is state or county-based, with no decentralized governance/delivery structures similar to Florida's RWBs. The Florida Legislature defines and approves the yearly appropriation of TANF funds to address the state and regional needs, which is further administered and directed by the Board. Allocations to the twenty-four regions has been calculated and approved by the Board with 50% based upon the relative poverty factors (i.e., percentage of food-stamp households with children) and the remaining one-half based upon on relative caseload factors.

Over the last several fiscal years, the Legislature has continually appropriated less TANF funds to the workforce system, where today, workforce initiatives receive appropriately **61%** of what it received during fiscal year 1999/2000. Because of these ever-declining resources, it is essential, almost critical, that each workforce partner utilize these limited resources with utmost diligence, accountability, and respect.

Since TANF funds are appropriated by the Legislature on an annual basis and generally were sufficient to meet the annual needs of the regions, the Board never considered it necessary to establish a de-obligation/re-obligation policy covering these funds similar to the policy applied against WIA funds. However, given the continued reductions of TANF funds faced by the workforce system, combined with the dire needs being faced by certain regions and the lack of other funds at the state or regional levels to meet these needs, it is incumbent upon the Board to ensure appropriate and timely use of these funds. During the last fiscal year, the Board was advised that there was a possibility that TANF funds amounting in the millions were subject to being reverted. This came about at the same time the Board was soliciting the voluntarily de-obligation of any TANF funds from regions that could be re-allocated to other regions for purposes of addressing unmet needs. Fortunately the reversion did not happen and the funds in question were successfully obligated prior to June 30 and subsequently included as part of the Board's certified forward request, but these events did raise concerns regarding regional accountability.

During the last legislative session, modifications were made to the state's certified forward processes as defined in **Chapter 216.301**, F.S., which will substantially restrict what agencies and this Board can certify beginning next fiscal year, or July 1, 2006. Under the new provisions, only accounts payable items may be included as a part of the certified forward process; as used in the authorizing legislation, accounts payable are defined as obligations where goods or services have been received by June 30, and a vendor invoice has been provided for payment, however, the check has not been issued prior to the close of the fiscal year. However, expressly prohibited from the certification process are other obligations such as last minute purchase orders for materials and supplies or services, and contracts or modifications thereof. Because of this, a large portion of TANF funding may be in jeopardy of reverting back to the state as of June 30, 2006, without utmost diligence in ensuring that all purchases and contracts are effectively paid out by that date. Another major change in the certified forward process is the reduction in the period of availability of such budget and funding from six months to three; all payments will have to be finalized by September 30, rather than December 31 under the present provisions.

In an effort to prevent the reversion of the limited TANF funding within the workforce system and to force due diligence by recipients of such funds, staff is proposing that the Board adopt a voluntary de-obligation policy to become effective beginning with fiscal year 2005-06. This policy would place the burden of fund accountability on each of the workforce regions, and would require strict adherence to expending such funds in a manner to preclude any potential reversion of such funds. Further, this policy would mandate compliance with the state's revised certified forward processes and would define associated penalties in the event regions fail to appropriately de-obligate excess funds in a timely fashion to allow other regions to put these funds to use. These funding impacts and penalties would have to be applied against subsequent year's allocations to the specific region since prior year TANF funds would have already reverted to the state.

Proposed TANF De-Obligation Policy:

> ***TANF funds allocated to the workforce regions by the State Board are available to each region for a period of one fiscal year. In order to access such funds, regions must provide assurance to the Board and to the Agency for Workforce Innovation that such funds will be expended only on legitimate TANF purposes. Regions must also agree that they will appropriately monitor the use of such funds during the course of the fiscal year to ensure that any and all funds that cannot be expended by them during the course of that fiscal year will be identified and voluntarily de-obligated in time for the State Board to reallocate these funds to other regions so that they may be expended prior to June 30.***
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> ***Regions that allow TANF funds to revert back to the state without appropriately de-obligating these funds in a timely fashion will face a dollar-for-dollar reduction in current year TANF allocations. Further, regions identified through the financial monitoring process to have circumvented the state's certified forward process by drawing down all TANF cash prematurely, thereby having excess cash on hand to pay pending invoices, will have a dollar-for-dollar reduction assessed against their current year TANF allocation plus an additional 10% penalty.***
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> ***Regions that face a potential reduction in current year TANF allocations for the reasons noted will be provided an opportunity to appeal such actions to the Board's Finance Committee. Once the Finance Committee reviews the circumstances, a recommendation will***

be presented to the Board of Directors to sustain the proposed reduction and penalty or to waive the proposed action.

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NEEDED ACTION

Approval of the proposed voluntary TANF de-obligation policy to become effective upon approval by the Finance Committee and Board for fiscal year 2005-06.