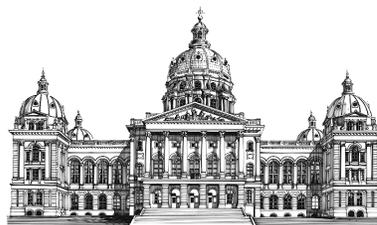

Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
October 25, 1999

Social Services Block Grant Update

ISSUE

Federal allocations for the Social Services Block Grant have declined in recent years and restrictions have reduced the amount of money that can be transferred from other funding sources. The Department of Human Services anticipates the restrictions will reduce funding for specified social services by \$1.3 million in FY 2002 and \$6.8 million in FY 2003.

AFFECTED AGENCIES

Department of Human Services

CODE AUTHORITY

Title 45, Part 96, Code of Federal Regulations
Chapter 17A, Code of Iowa
Chapter 217, Code of Iowa
Chapter 234, Code of Iowa
441 Iowa Administrative Code 130
441 Iowa Administrative Code 153

BACKGROUND

Congress established the Social Services Block Grant (SSBG) under the Omnibus Budget Reconciliation Act of 1981 to provide federal funding for social services programs outlined in Title XX of the Social Security Act. The stated objective is to enable each state to furnish social services best suited to the needs of the individuals residing in the state. To further this objective, Congress granted each state the flexibility to determine what services are provided, who is eligible to receive services, and how funds are distributed among various services. Services must be directed toward the achievement of one or more of the following goals specified in the federal legislation:

- To prevent, reduce, or eliminate dependency.
- To achieve or maintain self-sufficiency.
- To prevent neglect, abuse, or exploitation of children and adults.
- To prevent or reduce inappropriate institutional care.

- To secure admission or referral for institutional care when other forms of care are not appropriate.

States may provide these services directly or purchase them from qualified agencies and individuals. Administrative costs in support of achieving these goals are also allowable.

CURRENT SITUATION

Iowa's Service Population: Iowa uses SSBG funds to provide direct and purchased services to adult persons with disabilities and to fund programs which serve children and families. Iowa allocates approximately one-half of its SSBG funds to counties under Local Purchase of Service arrangements through which Iowa contracts with local providers for service delivery. Local providers receive SSBG reimbursement for services provided to adults with mental illness, mental retardation, or developmental disabilities as well as reimbursement for administrative expenses associated with these services. Locally purchased services include adult day care, adult residential treatment, supported community living, supported employment and work training, sheltered workshops, and transportation.

Iowa directs the remainder of its SSBG funds to various programs within the Department of Human Services (DHS). These programs include adoptions, family planning, foster care, home based services for children, and associated administrative expenses. **Attachment 1** details Iowa's estimated FY 2000 budget for SSBG funds.

To be eligible for an SSBG funded service in Iowa, a person must be determined to be in need of service and a resident of the State. Services provided to children are administered without regard to income. Services provided to adults through local providers are subject to financial eligibility criteria specified in approved county management plans. Financial eligibility requirements also may be satisfied if a person qualifies for an income maintenance program such as the Family Investment Program or Supplemental Security Income.

Iowa's Federal Allocation: Congress initially established a \$2.400 billion annual entitlement ceiling for the SSBG Program in FFY 1982. By federal fiscal year (FFY) 1991, the annual entitlement ceiling had been raised to \$2.800 billion, and the ceiling remained at this level throughout FFY 1996. In recent years, however, Congress has reduced the entitlement ceiling and appropriated an amount significantly less than the authorized funding level. For example, the SSBG Program is authorized at \$2.380 billion for FFY 1999, but Congress appropriated only \$1.908 billion. The Transportation Equity Act for the 21st Century (TEA-21) which took effect October 1, 1998, further reduced the entitlement ceiling from \$2.380 billion in FFY 2000 to \$1.700 billion in FFY 2001.

The impact on Iowa of this reduced federal funding is compounded by the federal distribution formula. The formula allocates federal funds according to a state's percentage of the national population and percentage of families living in poverty. Iowa's demographics do not compare favorably to other states' for the purposes of SSBG federal allocations. Thus, Iowa has received a proportionately lower percentage of federal funds in recent years. Iowa's SSBG allocations from FFY 1995 through FFY 1999 are shown below:

<u>Federal Fiscal Year (FFY)</u>	<u>Iowa's Allocation</u>	<u>Variance (%) Compared to Previous FFY</u>	<u>Variance (\$) Compared to Previous FFY</u>
----------------------------------	--------------------------	--	---

1995	\$30,694,426	- 0.5%	\$ - 165,887
1996	25,833,582	- 15.8	- 4,860,844
1997	27,014,462	4.6	1,180,880
1998	24,727,374	- 8.5	- 2,287,088
1999	20,408,465	- 17.5	- 4,318,909

In addition to a funding decline, the preceding table illustrates the wide fluctuation in Iowa's yearly SSBG allocation. These funding variances hinder the ability of the DHS to accurately budget for SSBG funded programs. Budgeting is further obscured by the following factors:

1. Federal SSBG allocations are finalized after State budget development: Actual federal funding may vary significantly from the federal funding the DHS anticipated at the time the DHS prepared its SSBG budget.
2. Federal and State fiscal years do not coincide: Federal allocations impact two state fiscal years, resulting in inconsistent federal funding throughout the State fiscal year.

Thus, significant disparity often occurs between budgeted federal funding and actual federal funding. To manage these funding variances, the DHS has historically relied upon transfers and supplemental appropriations. Transfers have been made from DHS programs experiencing surpluses and from the federal Temporary Assistance for Needy Families (TANF) Block Grant. Transfer activity for estimated FY 2000 and the previous six fiscal years is outlined as follows:

State Fiscal Year	Amount Transferred to SSBG Services	Source of Transferred Funds
1996	\$ 1,600,000	Supplemental appropriation
1996	3,405,000	DHS appropriations surpluses
1997	2,381,052	Supplemental appropriation
1997	2,870,000	DHS appropriations surpluses
1998	5,228,224	TANF transfer
1999	9,203,593	TANF transfer
Est. 2000	10,201,116	TANF transfer

It is evident that Iowa has increasingly relied upon TANF transfers to maintain funding for SSBG services despite federal SSBG reductions. In fact, the DHS anticipates that approximately 32.5% of the FY 2000 federal funding for SSBG services will come from TANF transfers rather than direct SSBG allocations.

Iowa's increasing reliance on TANF transfers to cover SSBG funding shortfalls is likely to become problematic in the near future. The Transportation Equity Act of the 21st Century (TEA-21), which reduced the FFY 2001 entitlement ceiling, also increased restrictions on the percentage of TANF dollars that states may transfer to the SSBG. Beginning October 1, 2000, transfers of TANF dollars for replacement of lost SSBG funding is reduced from 10.0% of a state's annual TANF Block Grant

allotment to 4.25% of a state's annual TANF Block Grant allotment. The significance of this restriction is apparent in the fact that Iowa's TANF transfers regularly exceed the 4.25% transfer limitation. In FY 1998, FY 1999, and estimated FY 2000, respectively, Iowa transferred 5.1%, 10.0%, and 9.3% of its TANF appropriation to SSBG services. If the 4.25% transfer restriction were applied to the FY 2000 State budget, TANF transfers would be reduced from \$12.2 million to \$5.6 million, resulting in a decrease of \$6.6 million for SSBG funded services.

ALTERNATIVES

As federal funding for SSBG services declines, Iowa will have to choose between several funding options:

1. Fund the SSBG shortfall through surpluses in DHS or other State agency programs.
2. Fund the SSBG shortfall through an increased State appropriation.
3. Reduce SSBG allocations to counties and DHS programs, effectively reducing service delivery.

BUDGET IMPACT

The DHS anticipates continuing to fully supplant reduced SSBG funds with TANF funds through FY 2001. Beginning in FY 2002, however, available funding for SSBG services will fall below current service dollars. The DHS estimates the impact of TANF transfer restrictions will be a decrease of \$1.3 million in funding for SSBG services in FY 2002 and a decrease of \$6.8 million in funding for SSBG services in FY 2003 and each year thereafter.

STAFF CONTACT: Deb Anderson (Ext. 16764) Sue Lerdal (Ext. 17794)