

SEPTEMBER 2005

Indiana's TANF Budget Priorities *Past, Present, and Future*

Executive Summary

*I*n Indiana, the overall mission of the Temporary Assistance to Needy Families (TANF) has not been articulated nor have specific goals been laid out. There has been a drift away from spending on core welfare-to-work activities even as poverty and joblessness in the state have increased. The state's poverty rate in 2004 was 11.6 percent, up from 6.7 percent in 1999. Yet the TANF program has not responded in accordance. These facts indicate that TANF is no longer functioning as an effective transitional support program for low-income families with children as they move from dependency to self-sufficiency.

About the Author

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This brief defines three main areas of TANF spending: 1) core welfare activities, such as child care, cash assistance, job placement, and training; 2) administration; and 3) other. It analyzes TANF expenditures from fiscal year (FY) 1998 through 2005 by specifically highlighting total dollars expended and the breakdown of federal versus state dollars. It also examines key funding trends within the TANF program.

Some important trends to point out: from FY 1998 to 2004, TANF expenditures on core welfare activities decreased by 14 percentage points while spending on other activities increased by 20 percentage points. Child care investments went from \$168 million in FY 2000 to just \$19 million in FY 2004. These reduced investments in essential welfare-to-work activities, such as child care, dramatically impact a low-income family's chances at long-term self-sufficiency.



Indiana Coalition on Housing and Homeless Issues

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Where Is TANF Reauthorization Now?

TANF reauthorization has been stalled for nearly three years for a number of political reasons. It has been operating under a series of continuing resolutions (CR), the most recent of which is set to expire September 30, 2005. The House Ways and Means Subcommittee on Human Resources passed its version of TANF reauthorization – HB 240 – and the bill is awaiting full Committee action. HB 204 closely mirrors that of the Administration’s proposal and includes \$1 billion in new mandatory child care funding. The Senate’s TANF bill – S667 – passed out of the Finance Committee on March 9th, 2005 and included among other things, an amendment to add \$6 billion in mandatory child care funding over five years. Obviously, the final bill could have a large impact on the future of Indiana’s TANF program and may determine how the state sets its funding priorities in the future. For a thorough side-by-side comparison of current law and the House and Senate versions of the bill see the Congressional Research Report on the Coalition for Human Needs website <http://www.chn.org/dia/organizations/chn/pdf/rl32834.pdf>.

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Executive Summary (cont.)

The report recommends three ways the state can set more effective priorities for TANF spending:

1. ***Indiana should invest more in child care assistance for low-income working families.*** Child care is the backbone of getting TANF recipients into the workforce and assisting them in retaining employment. Its importance should be recognized through increased investments.
2. ***Indiana should allow recipients to pursue advanced training and education for 24 months and target resources to support this initiative.*** If Indiana wants to increase the personal income of its residents, it should allow TANF recipients to pursue education and training opportunities by making the necessary investments.
3. ***Indiana should expand the state Earned Income Tax Credit (EITC) to a higher percentage of the federal EITC.*** The EITC is the most important anti-poverty program in the country. It encourages work, lifts millions of children out of poverty each year, and has strong bipartisan support. The state’s EITC has been extended to 2011, now it’s time to strengthen the EITC’s economic impact on working families by increasing it to a higher percentage of the federal EITC.

The state has an important role in addressing the needs of all its citizens, including low-income families and children. It is time for Indiana to get back to the basics, articulate a vision for its TANF program, and modify its spending to reflect that vision. Doing so will strengthen the integrity of the program, enhance the self-sufficiency of families, and create a stronger Indiana.

Introduction

Welfare reform in Indiana is now in its second decade. With the worst part of the economic crisis over, the state is presented with an opportunity to take a fresh look at how its welfare program is accomplishing the overall mission of moving families from dependency to economic self-sufficiency. On a federal level, the four statutory purposes guiding TANF are:

- Assist needy families so that children may live in their homes or those of relatives;
- End dependence of needy parents on government benefits;
- Reduce out-of-wedlock pregnancies; and
- Encourage the formation and maintenance of two-parent families.

On the state level, the overall mission of TANF has not been articulated nor have specific goals been laid out. Therefore, it is difficult to determine what the priorities of the state have been in relation to the TANF program. One way to identify unstated priorities is analyzing how TANF dollars – both the federal block grant and the state’s required match – are spent. What are the historic trends? How has the TANF budget reflected the priority of moving families into the workforce and toward self-sufficiency? How much of the budget is being spent on core activities that support these goals and how much on other activities? In what areas could increased resources boost a family’s chances of achieving long-term self-sufficiency?

This brief addresses these questions by analyzing TANF expenditures from fiscal year (FY) 1998 through 2005.¹ It highlights total dollars expended, the breakdown of federal versus state dollars, as well as analyzes key funding trends.

It also describes funding trends within selected areas that the state has invested TANF dollars. The brief concludes by detailing three specific areas that TANF dollars have been successful in advancing or have the potential to advance the economic stability of low-income families in Indiana:

- Child care assistance;
- Training and post-secondary education for TANF recipients; and
- Indiana’s state Earned Income Tax Credit.

Core Versus Other Activities

The following brief assumes that there are three principal sets of activities that TANF dollars can be spent: 1) core welfare activities; 2) administration and systems; and 3) other. *Core welfare activities* are defined as those which directly assist TANF families by enhancing their ability to prepare, enter and remain in the workforce and support their families. *Administration and systems* are the costs to carry out the TANF program. *Other* includes a variety of activities that may or may not be related to moving families off of welfare and/or enhancing their ability to become economically self-sufficient.

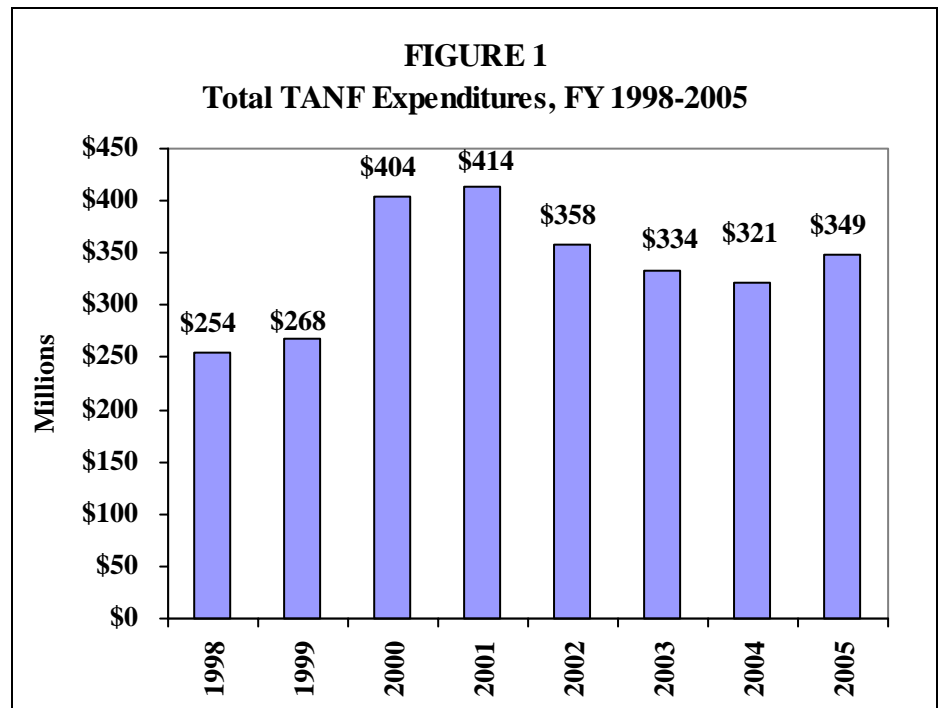
TANF Budget in Indiana

In December 1994, Indiana began experimenting with changes to its cash assistance program by obtaining waivers from the federal government. The waivers changed the emphasis of welfare away from long-term cash assistance to a program focused on work first and personal responsibility. The waivers also limited

¹ FY 2005 figures are proposed budgeted amounts, since the federal fiscal year will not end until September 30, 2005.

receipt of cash benefits to 24 months. The goal was to move families off of cash assistance and into the workforce. In 1996, further changes came to Indiana's welfare program through the passage of federal legislation. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) created, among other things, the Temporary Assistance to Needy Families (TANF) program which replaced Aid to Families with Dependent Children (AFDC).

One major change under PRWORA was that TANF was no longer an entitlement program that responded to rising demand for services with increased federal funding. Instead, states were awarded a static block grant amount based on their past welfare spending. States were also mandated to spend state dollars on TANF-related activities to draw down their full federal grant amount. Specifically, states had to spend at least 80 percent (or 75 percent if TANF work participation rates were met) of what they were spending on AFDC-related programs in 1994. This is called a Maintenance of Effort (MOE) requirement. States were allowed to carry over unspent federal funds into the next fiscal year but were required to expend their entire MOE each year.



Source: Indiana Family and Social Services Administration

Funding Amounts & Trends in Total Expenditures

Since 1997, Indiana has received \$207 million each year in federal funds and has expended MOE dollars at amounts between \$113 and \$124 million each year. **Figure 1** details total expenditures for FY 1998 through FY 2004. Amounts for FY 2005 are proposed budgeted amounts, since the FY does not end until September 30, 2005.

Total expenditures during the first few years after TANF was enacted were relatively low – \$254,243,197 in FY 1998 and \$267,690,821 in FY 1999. In 2000, states, including Indiana, began to get a handle on how to most effectively spend their funds to assist low-income recipients in finding and retaining employment. Because states were also granted increased flexibility in determining how TANF funds could be spent under the new law, many of these carry over dollars (i.e., reserves) were spent in a variety of ways. These include: child care funding; innovative one-time emergency grants (to pay for a car repair, for example); and policy changes that supported recipients once they began working (such as allowing TANF beneficiaries to retain a portion of their benefits as an income supplement if they are

working in a low-wage job).²

A substantial amount of funding was also allocated toward programs that were not related to the central purpose of TANF. These spending categories, and others described in more detail below, resulted in an increase in total expenditures to \$404,192,428 in FY 2000 and \$413,910,063 in FY 2001.

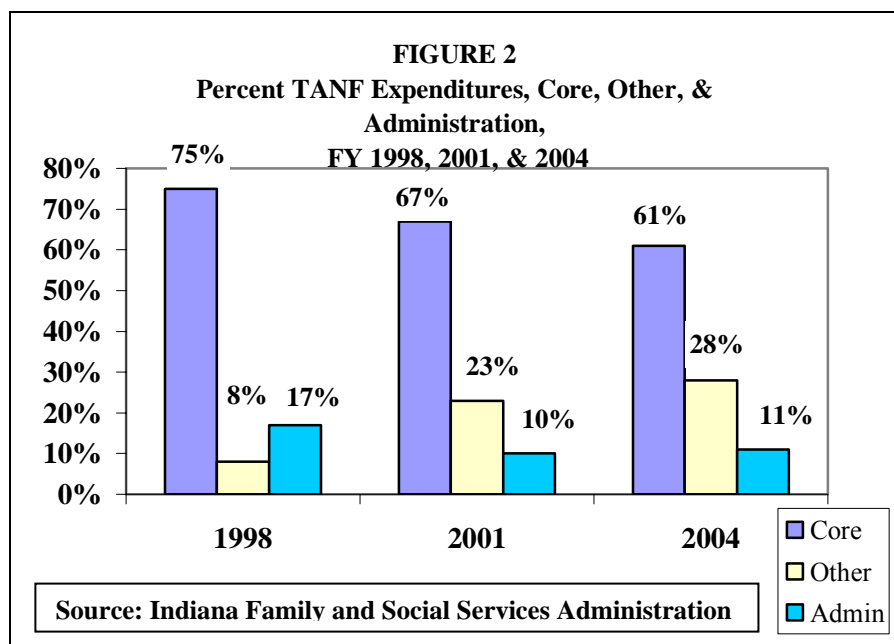
In 2001, Indiana experienced a burgeoning fiscal crisis and state MOE spending dropped from \$121 million to \$113 million. This reduction in the MOE was possible because the state was able to meet its work participation rates. From FY 2001 to 2002, child care expenditures steeply declined by \$81 million. However, the overall TANF expenditures declined by only \$56 million. This

² Like most other states, Indiana did this by increasing the allowance for earned income — known as the earned income disregard — in its TANF program. Increasing this allowance removes an economic “cliff” that beneficiaries would face if they lost their benefits completely once they found work. In essence, working TANF beneficiaries are able to keep more of their cash assistance as they are transitioning off of welfare and into the workforce. Currently, the state disregards 75 percent of a recipient’s earnings when calculating cash benefit amounts until the combination of earnings and assistance reach 100 percent of Federal Poverty Guidelines.

demonstrates the low priority the state has given to the importance of child care assistance to low-income working families.

In July 2002, Indiana announced a \$60 million shortfall within the FY 2003 TANF budget.³ Over \$35 million of the final reductions as outlined in the state’s plan came out of core activities including child care, cash assistance, and cuts to employment services for recipients. Total expenditures dipped to \$357,658,216 in FY 2002 and continued to decline in FY 2003 and 2004. Expenditures in FY 2003 totaled \$333,686,702 and FY 2004 spending totaled \$321,488,113.

Figure 2 shows the percentage breakdown of core activities, administration and systems, and other activities for FY 1998, 2001, and 2004. It demonstrates a steady decrease in the percentage of expenditures that were spent on core activities and an increase of dollars spent on other activities. Expenditures on core activities — those activities that are most integral to the purpose of assisting families in moving toward self-sufficiency — have decreased by 14 percentage points from 1998 to 2004. At the same time, spending on other activities has increased by 20 percentage points. **Appendix A** includes a detailed breakdown of funds for major areas from FY 1998 to 2005. **Appendix B** includes percentage breakdowns of selected funding categories for FY 1998, 2001, and 2004.



³ For a thorough discussion of these reductions see, Nielsen, Jill. “When the Other Shoe Drops: Preserving Self-Sufficiency for Families During Tough Fiscal Times.” Indianapolis: Indiana Institute for Working Families, ICHHI. May 2003. http://www.ichhi.org/downloads/reportspublications/cbpp_tanf_report_final_may_2003.pdf.

Funding Amounts & Trends in Specific Areas

Cash Assistance to Families

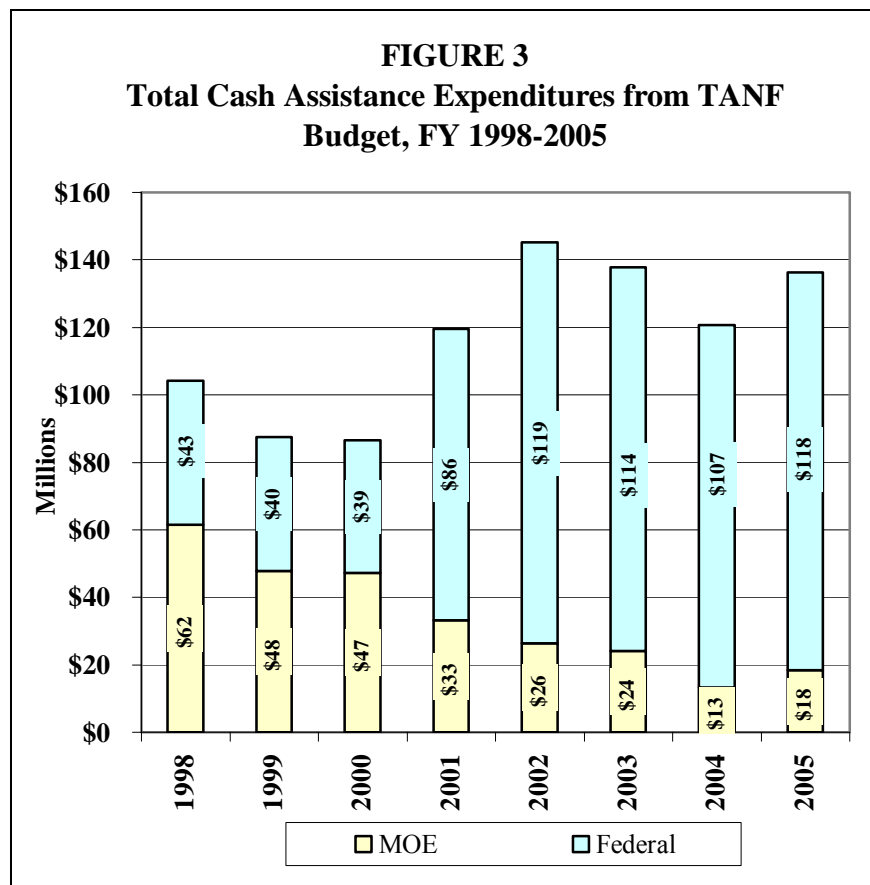
In the late 1990s, cash assistance expenditures continued to decline, the likely result of a strong economy married with the trend of recipients moving off the TANF caseload. An up-tick in cash assistance expenditures during 2001 and 2002 was tied to the economic downturn – more people were losing jobs, falling on hard financial times, and returning to the caseload.

One factor that is not associated with increases in cash assistance expenditures is the monthly cash assistance benefit amount. Indiana has not increased the monthly benefit for low-income families since 1982. A family of three can receive a maximum monthly benefit of just \$288 a month. Contrast this figure with the cost of housing expenses alone – the Fair Market Rate for a two-bedroom apartment in Indiana was \$612 a month in 2004 (Pitcoff, Pelletiere, et. al.).

Expenditures in cash assistance declined in FY 2003 and 2004. As referenced above, cash assistance cuts – through the implementation of the full-family sanction and modification of the earned income disregard – partially contributed to these expenditure declines.⁴ On

⁴ Full-family sanctions cause the entire family, including children, to lose cash assistance and other benefits if the parent is found to be out of compliance with

average each month, 317 TANF cases are closed and 609 are denied access to the program due to full-family sanctions. Another probable factor is that recipients are reaching the time limit for receiving TANF benefits – which is 24 months in Indiana. As of May 2005, 31,045 individuals had reached the time limit and were ineligible for TANF services (Indiana Family and Social Services Administration, A).



Source: Indiana Family and Social Services Administration

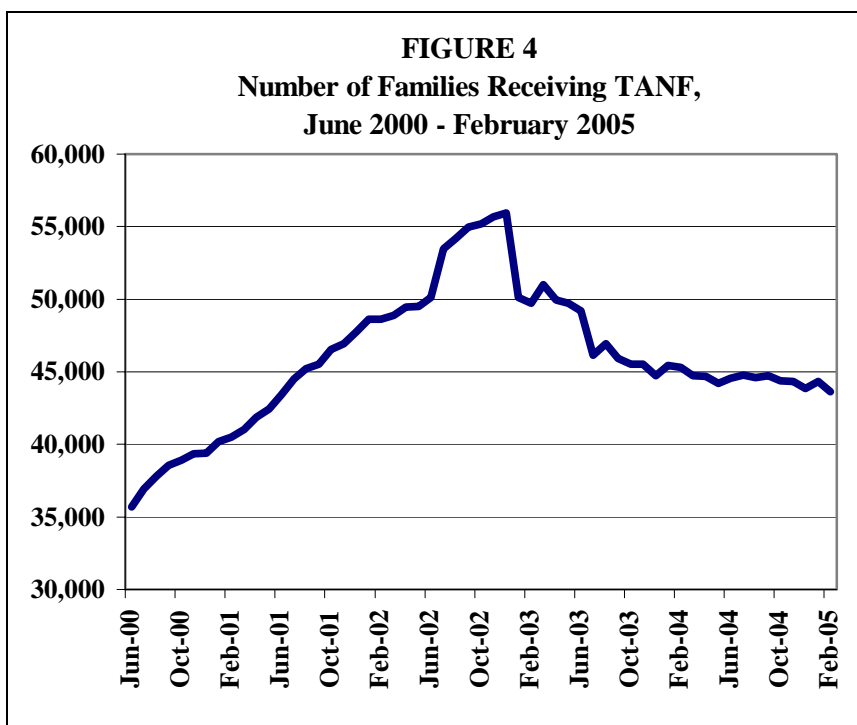
certain TANF requirements. Research has demonstrated that full-family sanctions put young children at risk for a host of health problems. Research also shows that those most likely to be sanctioned have fundamental barriers to work such as low levels of education, physical and mental health disabilities, and those experiencing domestic violence.

For more information see:

“The Impact of Welfare Sanctions on the Health of Infants and Toddlers.” Boston: Children’s Sentinel Nutrition Assessment Program. July 2002. <http://dcc2.bumc.bu.edu/csnappublic/C-SNAP%20Report.pdf>.

Goldberg, Heidi. “Summary: A Compliance-Oriented Approach to Sanctions in State and County TANF Programs.” Washington D.C.: Center on Budget and Policy Priorities. 28 March 2001. <http://www.cbpp.org/3-28-01tanf.htm>.

It is disconcerting to note that while the TANF caseload has decreased, the state has experienced continued increases in its poverty rate as well as its food stamp caseload over the past few years. In 1999, Indiana's poverty rate was 6.7 percent. By 2004, Indiana's poverty rate was 11.6 percent (U.S. Census Bureau). From 2000 to 2004, the food stamp caseload in Indiana increased by 84 percent. These data indicate that TANF's capacity to serve as a safety net for low-income families with children has eroded significantly over time through budget and policy decisions – such as the 24-month time limit and full-family sanctions. **Figure 4** shows the caseload trend of TANF families from June 2000 to February 2005.



Source: Indiana Family and Social Services Administration

Indiana Manpower and Comprehensive Training (IMPACT)

IMPACT is the job placement component of Indiana's TANF program. It also serves some food stamp recipients. Overall, IMPACT operates under the philosophy of "work-first" and offers a variety of "job-ready" services to assist clients in obtaining and retaining employment. These also include services to clients with barriers to work, such as those with disabilities, substance abuse issues or lack of work experience. IMPACT funds are provided to each of the 92 counties who in turn contract with local organizations and agencies to provide services to recipients.

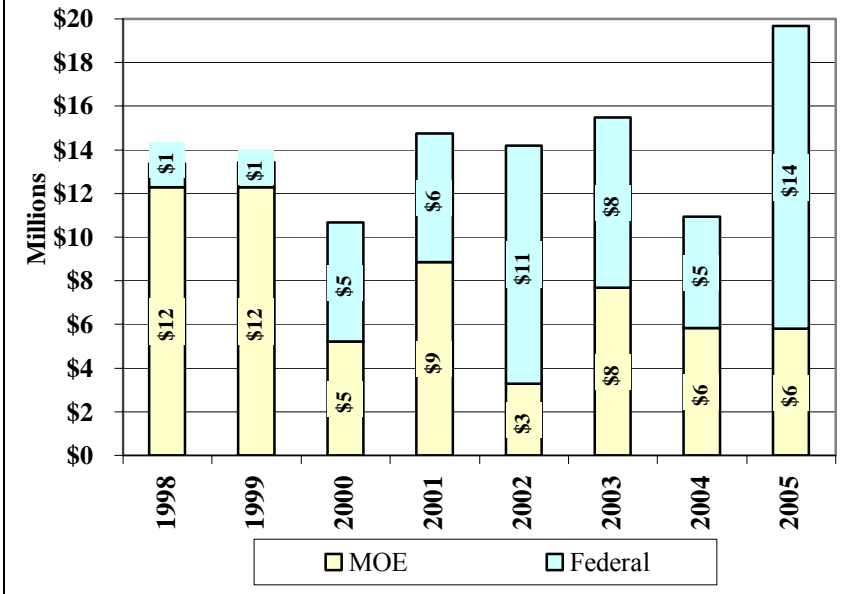
Total expenditure amounts on IMPACT have been sporadic.

They range from \$10 million in FY 2000 to a budgeted amount of \$20 million for FY 2005. MOE amounts have trended downward, on average, since 1998 while the federal share has, on average, increased. As the central job placement and retention component of TANF, it is encouraging that the state has dedicated more to IMPACT in FY 2005. Another recent development is that Governor Daniels signed an Executive Order in January 2005 to transfer IMPACT out of the Family and Social Services Administration to the Department of Workforce Development. This will likely affect the way in which TANF recipients access and receive job placement and training services, with the best possible scenario being increased access to employment and training services that can lead to higher paying jobs. It could also result in better integration between the network of WorkOne centers – which serve many unemployed workers – and local offices of Family and Children, which can connect low-income families with an array of transitional work supports such as Food Stamps, child care assistance, and health insurance.⁵

⁵ For more information on WorkOne Centers see, Nielsen, Jill. "An Employment and Training Compendium for Indiana." Indianapolis: Indiana Institute for Working Families, ICHHI. February 2005.

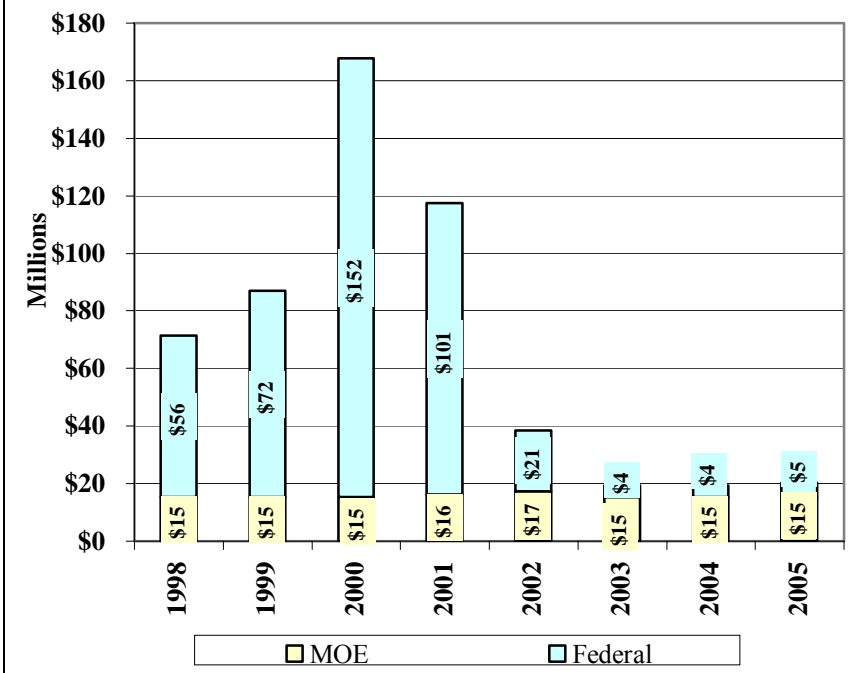
http://www.ichhi.org/downloads/media/final_compendium.pdf.

FIGURE 5
Total IMPACT Expenditures from TANF Budget,
FY 1998 - 2005



Source: Indiana Family and Social Service Administration

FIGURE 6
Total Child Care Expenditures from TANF Budget,
FY 1998-2005



Source: Indiana Family and Social Service Administration

Child Care Assistance

The primary source of funding for child care assistance is the Child Care Development Fund (CCDF) administered by the U.S. Department of Health and Human Services. In recent years, Indiana has expended almost \$170 million annually through the CCDF for child care vouchers and subsidies, of which about \$35 million each year come from state funds to meet the federal matching requirement.⁶

During the late 1990s and through 2001, Indiana recognized the critical role that child care subsidies play in assisting low-income workers with getting and keeping jobs and spent millions of TANF dollars on child care assistance. In terms of dollars spent on child care out of the TANF budget, Indiana expended an average of \$95 million from FY 1998 to 2001, with the total amount reaching a peak of \$168 million in FY 2000. The decision by the state to invest millions of dollars from its TANF budget into child

⁶ TANF is only one source of child care funding available to states. States receive a combination of federal allocations for their Child Care Development Fund (CCDF), which funds child care subsidies for low-income children. States must invest their own dollars in order to receive the entire allocation of the federal CCDF. In FYs 2002, 2003, and 2004 Indiana invested approximately \$35 million in state dollars each year and received an average federal allocation of \$134 million each year for its CCDF.

care enabled tens of thousands more low-income parents to participate in the workforce, gaining valuable work experience and paying taxes, as well as more children being in quality child care settings.

As discussed above, from FY 2001 to 2002, child care spending out of the TANF budget drastically declined by \$81 million while the overall TANF expenditures declined by only \$56 million. This occurred for a combination of reasons, in part because of the exhaustion of TANF reserves and increases in cash assistance expenditures. It is also because the state chose not to scale back expenditures on other activities.

TANF dollars spent on child care continued to decline in FY 2003 and have remained essentially static since that time. These reductions in TANF dollars spent on child care are apparent in the substantial declines in children served and increased waitlist numbers. The number of Indiana children receiving child care subsidies from 2000 to 2004 declined by 24,139 — a decline of 40 percent. The average monthly waitlist has increased by 150 percent during that time.

TABLE 1: Child Care Development Fund, 2004

	Children Served (Monthly Average)		Children on Waitlist (Monthly Average)	
	2000	2004	2000	2004
Indiana	59,908	35,769	3,407	8,524

Source: Indiana Family and Social Services Administration, Bureau of Child Development

The Healthy Families Program

Healthy Families is a voluntary home visitation program designed to “promote healthy families and healthy children thorough a variety of services including child development, access to health care and parent education,” (Indiana Family and Social Services Administration, B). It serves families expecting a baby and those with children from birth to age five. The latest annual report on the Indiana program states, that in FY 2003, 8,555 families were provided home visits by 868 Family Support Workers for a total of 180,851 visits.

In FY 2004, Indiana’s Healthy Families program had an operating budget of \$40.3 million, with \$37.4 million coming from the TANF budget (Indiana Family and Social Services Administration, C). In contrast to most other states, Indiana’s

Healthy Families’ program budget comes almost entirely from TANF dollars.

Specifically, the average breakdown of funding sources among other state governments for FY 2004 was:

- 54 percent federal dollars,
- 38 percent state dollars, and
- 8 percent local dollars (Healthy Families America).

In Indiana, 93 percent of the 2004 funding for its Healthy Families program came from federal TANF dollars.

In a survey of 45 states by Healthy Families America, 33 states responded and 27 of those responding states provided budget data for their Healthy Families programs. The following highlights expenditure trends by states on the Healthy Families program.

- Healthy Families program expenditures by these 27 states totaled \$184.6 million, thus the average program expenditure among these states was approximately \$6.8 million in FY 2004 (Healthy Families America).

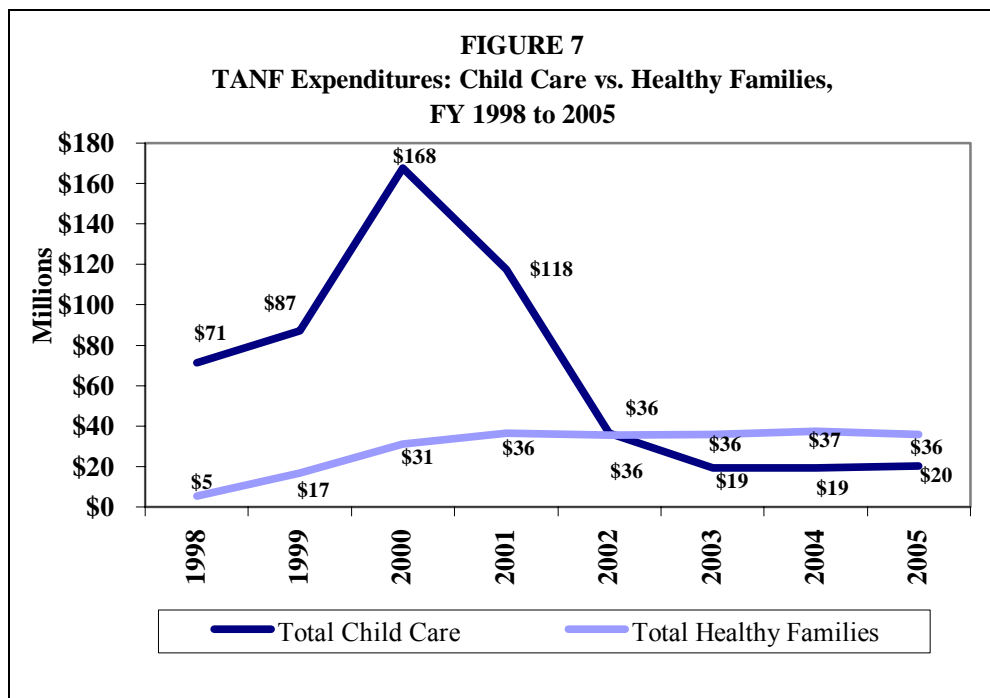
In FY 2004, 18 of the 27 states had total operating budgets for their Healthy Families programs at or below \$5,000,000 annually.

Specifically,

- 3 states had operating budgets under \$500,000,
- 5 states were between \$500,000 - \$1,000,000,
- 10 states were between \$1,000,001 and \$5,000,000,
- 5 states were between \$5,000,001 and \$15,000,000, and
- 4 states budgeted over \$15,000,001 (Healthy Families America).

Indiana funded its Healthy Families program at approximately 600 percent above the average amount spent by other states. Without arguing the specific merits of Healthy Families, the question does arise whether the TANF budget should be funding a non-core activity at such very high amounts at the expense of funding a core activity such as child care assistance.

Figure 7 highlights an example of Indiana's decision to scale back investments in a "core" activity versus an "other" activity by contrasting TANF expenditures on child care with the Healthy Families program. It raises the question whether a low-income family struggling economically would benefit more from a home visit, a child care voucher, job training, or an increase in the monthly cash assistance benefit?



Source: Indiana Family and Social Services Administration

Recommendations for TANF Budget Priorities & Investments

Indiana has the opportunity to set new priorities for its TANF budget to better reflect the core mission of the program and more effectively move low-income families ahead to self-sufficiency. Below are three ways the state could utilize its TANF budget to fulfill that mission.

1. ***Indiana should invest more in child care assistance for low-income working families.*** Child care assistance is the backbone of TANF's success in getting recipients into jobs and their children into quality day care. It is in the state's best interest to invest accordingly, not only to increase the numbers of workers in the workforce but also to increase the numbers of low-income children in quality day care environments.

Research conducted on recipients leaving welfare for jobs demonstrates that the average wage is around \$7 per hour or an income of approximately \$1,200 a month. According to the 2002 Self-Sufficiency Standard, child care for a preschooler in Marion County was \$500 or nearly 50 percent of the average welfare leaver's take home pay (Pearce and Brooks). Indiana's CCDF offers child care subsidies to families with children at or below 127 percent of the Federal Poverty Guidelines. This is a monthly income of \$1,700 for a family of three. Unfortunately, Indiana has a lengthy waitlist with thousands of children waiting for a voucher. So, even if the typical welfare-leaver qualifies, their children are not guaranteed child care assistance. Without a subsidy, affording quality day care becomes impossible for thousands of low-income working parents, putting them in the

position of not working or placing their child in an inadequate or, at worst, an unsafe child care situation. Clearly, lack of subsidized child care not only creates economic hardship on low-income families but also has the potential of placing additional burdens on the child welfare system.

There are two ways the state could fund increased investments in child care assistance. One is by utilizing the \$10.3 million TANF high performance bonus it received in FY 2003 but has not expended. This could serve roughly 7,000 additional children and nearly eliminate the waitlist. The second is by amending its TANF budget so that more dollars are freed up to be invested into CCDF.

2. ***Indiana should allow recipients to pursue advanced training and education for 24 months and target resources to support this initiative.*** Post-secondary education is an extremely important welfare-to-work strategy, which not only falls in line with the statutory purposes of TANF, but also Indiana's stated purpose of helping families achieve self-sufficiency. It increases wages, provides access to jobs with enhanced benefit packages, reduces the likelihood of unemployment, and responds to employers' needs for higher skilled workers. It is also associated with increasing the aspirations of children who witness their parents pursuing a college degree. All of these outcomes benefit Indiana and increase its economic stability and prosperity.

As mentioned above, the IMPACT program operates under a work-first philosophy. Recipients are expected to find and retain a job with their current set of skills. If they are unable to find a job, then additional – but very limited – education and training may be provided. Indiana does allow up to 12 months of post-secondary education to count as a TANF work requirement as long as the recipient is working part-time. Pursuit of a four-year degree does not count as meeting the work requirement. Ironically, Indiana meets its TANF MOE requirement, in part, by claiming credit for dollars invested in a part-time student financial aid grant through the State Student Assistance Commission of Indiana for students who are pursuing two and four-year degrees.

There are several other states with model post-secondary education programs for welfare recipients. The most notable is Maine's Parents as Scholars (PaS) program, which is funded through federal dollars the first 12 months and then structured as a separate state-funded program for the duration of the recipient's pursuit of a two or four-year degree. For the first two years, education-related activities alone satisfy the participation requirements. After two years, other activities are required. According to a longitudinal study of participants, the wages of PaS graduates increased by nearly 50 percent over their pre-college wages and were 56 percent higher than welfare leavers without a degree (Smith, Deprez, et. al.). This fact alone should give Indiana reason to investigate this option: the Governor has stated numerous times that one of his top priorities is raising the personal income of Hoosiers.

3. *Indiana should expand the state Earned Income Tax Credit (EITC) to a higher percentage of the federal EITC.* One of the most tangible ways that Indiana has supported low-income working families is through its state EITC. The EITC is a refundable tax credit for working individuals and families who earn less than approximately 200 percent of the Federal Poverty Guidelines. The EITC is one of the most successful anti-poverty programs in the country. The federal EITC, for example, lifts more children out of poverty than any other government program. Approximately 4.8 million people, including 2.6 million children, are removed from poverty as a result of the federal EITC. It has also been credited for encouraging single mothers to work and closes the gap on poverty for welfare leavers who are earning low-wages (Llobrera and Zahradnik).

In April, the state passed a budget that extended Indiana's EITC through 2011. Indiana's state EITC is set at six percent of the federal EITC but could be increased to 10 percent or more of the federal EITC. **Table 2** models the impact that the federal and current state EITC has on low-income working families. It also demonstrates the increased impact the state's EITC could have if it was set at 15 percent of the federal EITC. Among the 17 states that have a state EITC, Indiana's state EITC (5th lowest) is set at a much lower percentage of the federal EITC.

TABLE 2: Impact of the Federal and Indiana's State EITC by Family Income Levels, 2004

Family Composition	Gross Earnings	Federal EITC	Current Indiana EITC	Indiana EITC if set at 15% of the Federal EITC
Family of Four with Two Children				
Half-time minimum wage	\$5,350	\$2,140	\$128	\$321
Full-time minimum wage	\$10,700	\$4,280	\$257	\$642
Wages equal to the Federal Poverty Guidelines	\$19,350	\$3,380	\$203	\$507
Wages equal to 150 percent of the Federal Poverty Guidelines	\$29,025	\$1,350	\$81	\$203
Family of Three with One Child				
Half-time minimum wage	\$5,350	\$1,819	\$109	\$273
Full-time minimum wage	\$10,700	\$2,604	\$156	\$391
Wages equal to the Federal Poverty Guidelines	\$16,090	\$2,430	\$146	\$365
Wages equal to 150 percent of the Federal Poverty Guidelines	\$24,135	\$1,150	\$69	\$173
Source: Llobrera and Zahradnik and Internal Revenue Service				

Indiana receives TANF MOE credit for its EITC. From FY 2000 to 2003, over \$15 million in TANF expenditures went to low-income working families claiming the state's EITC. In FY 2004, over \$34 million was expended. Expanding the state EITC to 15 percent would put additional money into the pockets of low-income working families who are struggling to make ends meet and help Indiana meet its MOE requirement. Research has shown that many families use their EITC refunds to not only pay for their basic needs but also invest in areas that contribute to longer-term economic security – such as paying off debt, education, and obtaining housing (Llobrera and Zahradnik). These outcomes directly support the purposes of TANF – they reduce dependency and increase self-sufficiency.

Conclusion

Indiana must outline the priorities of TANF and align budget decisions accordingly. As this brief argues, the view of TANF as a tool to move families from dependency to self-sufficiency has become blurred over time. Because of the priorities of the past state leadership, millions of dollars have been diverted from core activities that lead to family economic self-sufficiency. It is time for the new administration to re-think these decisions. TANF can be a resource that serves as a temporary solution for families in economic distress and also has the potential to enhance low-income families' ability to become self-sufficient. It is through this lens that the TANF program must be viewed in order to meet its fullest potential as a welfare-to-work program.

Acknowledgements

The Institute staff would like to extend our sincere thanks to:

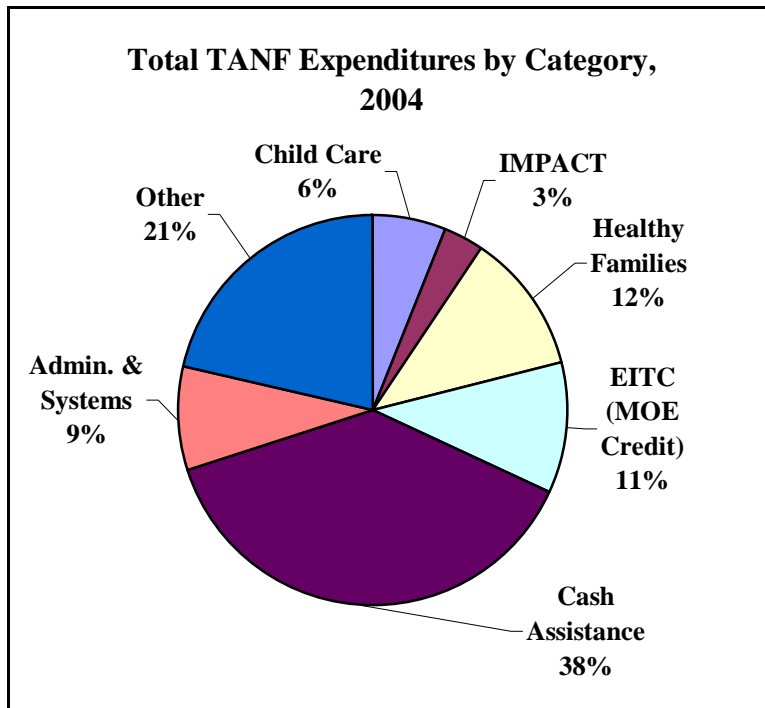
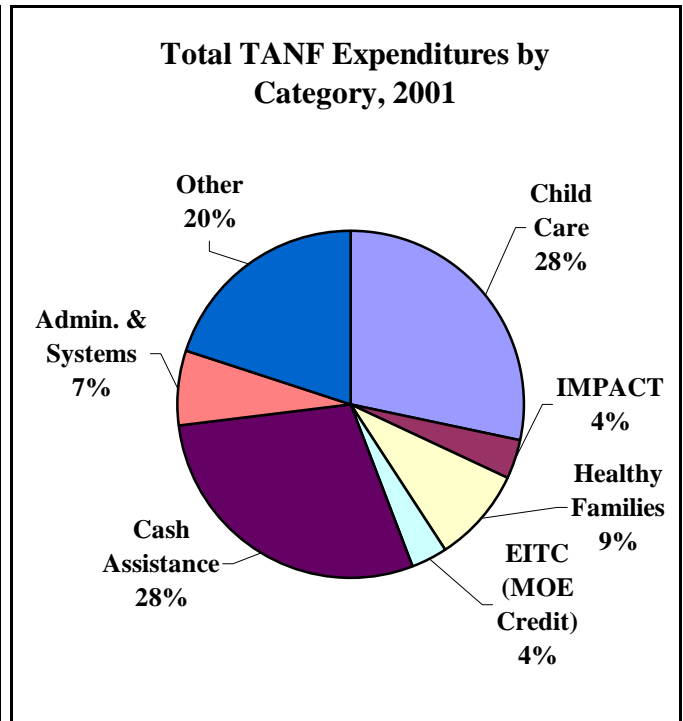
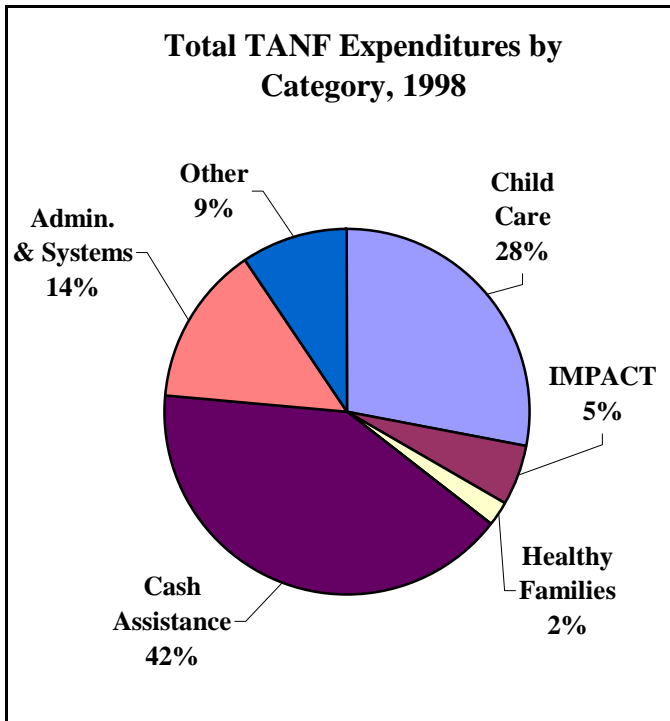
- **Center on Budget and Policy Priorities** for their generous financial support of this project and for providing technical assistance.
- **Center on Law and Social Policy** and the **Indiana Family and Social Services Administration, Division of Family Resources** for providing the data contained in this report.

APPENDIX A**TABLE A-1: TANF EXPENDITURES, FY 1998-2004**

EXPENDITURE AREA	1998	1999	2000	2001	2002	2003	2004
Child Care	\$71,395,949	\$87,074,104	\$167,721,801	\$117,584,464	\$36,409,853	\$19,409,853	\$19,409,853
IMPACT	\$13,370,895	\$13,434,978	\$10,676,045	\$14,752,812	\$14,181,366	\$15,497,739	\$10,936,686
Healthy Families	\$5,304,305	\$16,869,253	\$31,186,654	\$36,361,807	\$35,324,750	\$35,856,018	\$37,393,923
Earned Income Tax Credit (MOE Credit)	—	—	\$15,033,761	\$14,590,932	\$15,497,163	\$15,353,627	\$34,998,880
Cash Assistance	\$104,111,185	\$87,476,146	\$86,561,515	\$119,632,254	\$145,899,086	\$139,052,931	\$121,921,274
Administration & Systems	\$36,029,821	\$37,062,043	\$30,329,994	\$28,088,266	\$30,012,940	\$29,425,220	\$28,213,651
Other	\$24,031,042	\$25,774,297	\$62,682,658	\$82,899,527	\$80,033,058	\$79,091,314	\$68,613,847
<i>TOTAL TANF EXPENDITURES</i>	\$254,243,197	\$267,690,821	\$404,192,428	\$413,910,063	\$357,658,216	\$333,686,702	\$321,488,113

Source: Indiana Family and Social Services Administration

APPENDIX B



Source: Indiana Family and Social Service Administration

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INDIANA INSTITUTE FOR WORKING FAMILIES, ICHHI

The goal of the Indiana Institute for Working Families is to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is a program of the Indiana Coalition on Housing and Homeless Issues (ICHHI). ICHHI is a statewide, non-partisan, non-profit organization that believes everyone in Indiana deserves safe, decent, affordable housing; employment; income; and resources for self-sufficiency. ICHHI is committed to building stronger individuals, families, and communities through planning, research, education, and advocacy.

The Indiana Institute for Working Families was founded in 2004 with generous support from the Joyce Foundation located in Chicago, Illinois. The Institute works to create opportunities for families to advance in the workforce and advocates for career pathways for low-wage workers. The Institute conducts research and analysis of public policies, engages in advocacy and education campaigns, and works through national, statewide, and community partnerships to promote progressive policies in Indiana.

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