

**Action Item**

***Student Impact Committee***

Consideration of issues involved in the proposal to fund Cal Grants using TANF funds, including the impact on Cal Grant recipients and institutions

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The Governor's 2013-14 Proposed Budget for the Cal Grant Program includes \$942.9 million in Temporary Assistance for Needy Families (TANF) funding through an interagency agreement with the California Department of Social Services (CDSS). This amount represents an increase of \$132 million over the \$803 million appropriated in 2012-13.

CDSS describes the TANF program in the interagency agreement as follows:

TANF is a block grant program to help move recipients into work and turn welfare into a program of temporary assistance. Under the welfare reform legislation of 1996, TANF replaced the old welfare programs known as the Aid to Families with Dependent Children (AFDC) program, the Job Opportunities and Basic Skills Training (JOBS) program, and the Emergency Assistance (EA) program. The law ended Federal entitlement to assistance and instead created TANF as a block grant that provides States, Territories, and Tribes Federal funds each year. These funds cover benefits and services targeted to needy families. The Office of Family Assistance administers the Temporary Assistance for Needy Families (TANF) program. TANF provides assistance and work opportunities to needy families by granting States the Federal funds and wide flexibility to develop and implement their own welfare programs.

The purposes of TANF include assisting needy families so that children can be cared for in their own homes; reducing the dependency of needy parents by promoting job preparation, work and marriage; preventing out-of-wedlock pregnancies; and encouraging the formation and maintenance of two-parent families. The TANF funds provided under the interagency agreement are for the purpose of preventing out of wedlock pregnancies. TANF can fund Cal Grant A and B tuition and fee awards for recipients who are unmarried, are 25 or younger and have parent or student incomes of \$50,000 or less.

To meet the requirements of the interagency agreement, we had to:

- develop and test programming changes in the Grant Delivery System to identify eligible Cal Grant recipients,
- identify eligible payments and monitor total amount allocated to the TANF funds, and

- create reports detailing the number of eligible recipients and payment amount to support the invoices to CDSS for TANF funds.

We began working on the agreement with CDSS in July 2012. However, given that this was the first year for this agreement, CDSS was not able to complete the agreement until December 6, 2012. Because of this delay, TANF funds were not available to pay Cal Grants and we had to expend most of the General Fund appropriation for Cal Grants for fall payments. During the process for establishing the interagency agreement with CDSS, CDSS told us that they could provide up to 25 percent of the TANF funds each quarter of the fiscal year due to federal requirements. These two situations required changes in the schedule of providing funds to institutions.

We have historically provided advances to institutions for the Cal Grant Payments prior to the start of each school term. Last year, we provided 50 percent of the prior year's term payment as the advance. For example, if an institution reconciled \$200,000 in 2011-12 Fall term payments, they would be advanced \$100,000 for the 2012-13 Fall term payments. As institutions report payments to the Commission, the Grant Delivery System reconciles the amount against the advance and does not issue additional funds to the institution until the advance is fully reconciled. Payments are reconciled on a weekly basis.

We did not receive TANF funds from CDSS until late December 2012, too late to process the 2012-13 Cal Grant winter quarter advance payments (as originally scheduled in early December 2012). Institutions were able to report winter term payments and began receiving funds in early January 2013.

While we did receive some additional TANF funds in early January 2013, it was not enough to provide the planned 50% spring semester advance. Consequently, the 2012-13 spring semester advance payments were reduced from 50 percent to 25 percent.

Institutions were able to receive supplemental disbursements within a week of the winter quarter and spring semester advances by immediately reconciling eligible payments. The remaining 2013-14 TANF funds will not be provided until April 2013. We are carefully monitoring our appropriation authority to determine the amount of the spring quarter in March.

The delay in institutions receiving the winter quarter and spring semester advances appears to not have had any adverse effect on students. Institutions were notified in advance of these decisions and we did not receive any calls from students.

If the 2013-14 Budget Act contains an appropriation from TANF for Cal Grants, we expect that we can execute a new interagency agreement much sooner in the fiscal year. However, given that we are limited to how much and when we can receive TANF funds, we will continue to closely monitor the total funding available for the Cal Grant program in making decisions about advances to institutions.

**Responsible Person(s):** Janet McDuffie, Chief  
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