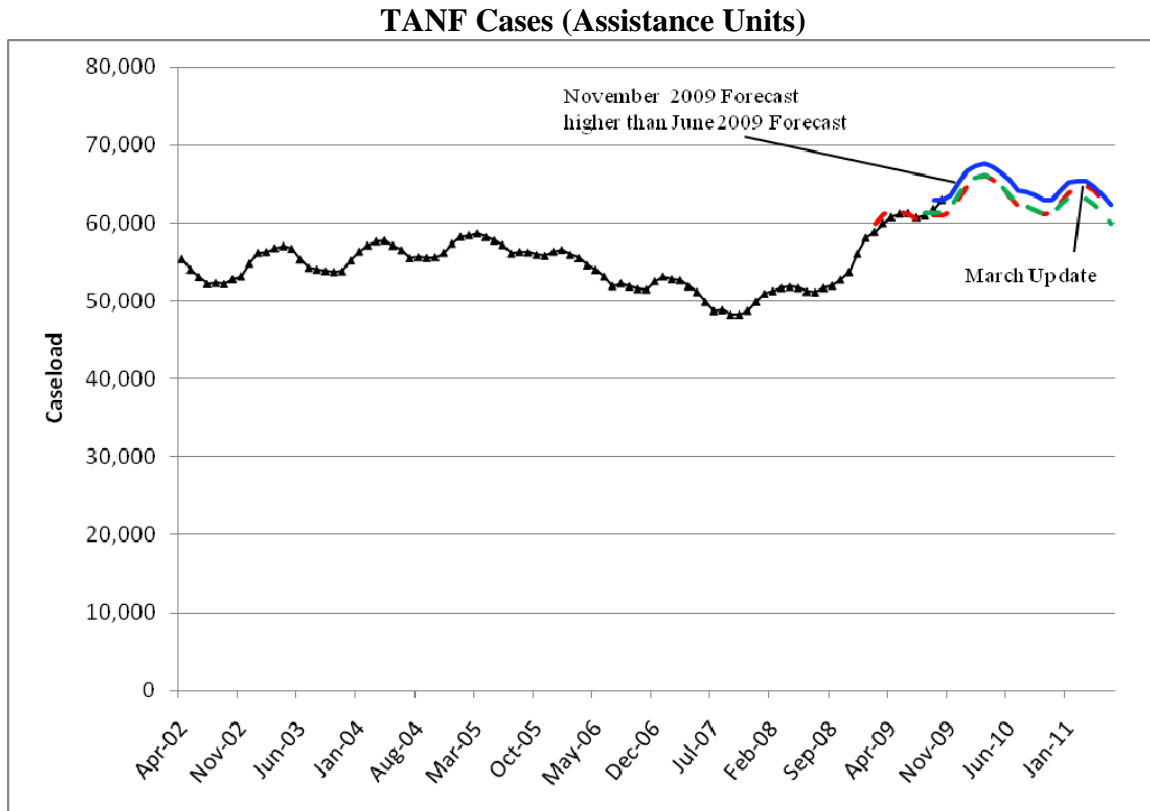


Temporary Assistance to Needy Families (TANF)

Unofficial Courtesy Forecast

Caseload Forecast Council
November 13, 2009



Temporary Assistance for Needy Families (TANF), via the WorkFirst program, provides benefits for low-income families with children. These include cash assistance and services that families need to work, look for work, or prepare for work. About 35% of TANF cases are “Child-Only” cases in which the parent or guardian does not receive part of the assistance grant. The remaining 65% are “All-Family” cases, in which parents do receive part of the assistance grant and typically are required to participate in WorkFirst training or work activities.

Forecast Comparisons (Fiscal Year Averages)

Fiscal Year	March Update	Jun-09 Forecast	Nov-09 Forecast	Mar Update-to-Nov Difference	Percent Difference	Jun-to-Nov Difference	Percent Difference
2010	63,151	63,456	64,676	1,525	2.4%	1,220	1.9%
2011	62,752	61,984	64,007	1,255	2.0%	2,023	3.0%

TANF caseloads declined between 2005 and 2007 as the economy improved from the 2002-04 recession, but began to increase during the summer and fall of 2008. This increase accelerated after January 2009 when economic conditions began to deteriorate rapidly.

Tracking the Current Forecast

	Jun-09 Forecast	Actual	Variance	Percent Variance
Aug-09	61,281	60,944	-337	-0.5%
Sep-09	61,333	61,794	461	0.8%
Oct-09	61,431	62,983	1,552	2.5%

TANF caseloads followed the June forecast closely until October 2009. Caseloads typically grow in fall and winter months. This year, growth began earlier than expected. The October 2009 results drive most of change between the June and November forecasts. The October 2009 caseload figure is lag adjusted.

Fiscal Year Caseload Change

Fiscal Year	Caseload Change	Percent Change		Caseload
2003-2004	968	1.8%	Actual	55,610
2004-2005	1,416	2.5%		57,026
2005-2006	-1,503	-2.6%		55,523
2006-2007	-3,584	-6.5%		51,939
2007-2008	-1,819	-3.5%		50,120
2008-2009	6,337	12.6%		56,457
2009-2010	8,219	14.6%	Forecast	64,676
2010-2011	-619	-1.0%		64,007

Risks to the Forecast

There are several significant risks to the November forecast, some stemming from the multivariate forecast model used to predict caseloads and some stemming from uncertainties not related to the model, such as economic conditions.

Uncertainty within the Model

The forecast model is based on the experience with the labor market between December 2003 and September 2009 when the state's unemployment rate ranged between 4.1 and 9.2 percent (not seasonally adjusted). Predictions using unemployment rates that are outside that range (a.k.a "extrapolation") can lead to wider margins of error. The model predicts caseloads using unemployment rates that peak at 11.3 percent in 2010 and again at 11.0 percent 2011.

The impact of unemployment in the model is assumed to be linear; however very high unemployment rates may lead to non-linear or disproportionate changes in TANF entry and exit rates. We saw declines in TANF caseloads when the unemployment rate fell from 7.7 to 5.2 percent between January 2003 and January 2008. The model predicts that another drop will occur as unemployment rates decline from 11.2 to 9.0 percent between January 2010 and January 2012. How far caseloads will decline at these higher levels of unemployment remains to be seen.

The interaction between economic conditions and the TANF caseload is more complex than can be explained simply by changes in the unemployment rate. In a prolonged recession, more families may turn to TANF as a last resort as their transfer income (such as UI benefits) or savings and assets are depleted. If full-time workers move to part-time work, more working poor will become eligible for TANF as their earnings fall below the TANF income ceiling. Depending on the speed and nature of economic recovery, a decline in TANF caseloads may lag behind labor market improvements.

Uncertainty about Economic Conditions

Another risk to the forecast is that the Economic and Revenue Forecast Council (ERFC) forecasts of unemployment rates used in this model may not be accurate. There have been several revisions to ERFC-predicted unemployment rates since November 2008. In November 2008, unemployment rates were not expected to exceed 8.5 percent (seasonally adjusted) at any point during the recession. It is possible that the November 2009 projections of future unemployment rates will be incorrect as well.