

# The TANF Reconciliation Bill Provisions

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# This presentation

- Bill status
- The major TANF-related changes
- The resulting structure
- Key concerns and implications

# Status

- House passed its reconciliation bill December 19, Senate passed its bill December 21.
- Bills are nearly identical, but since they are not identical, House must vote on bill that passed the Senate.
- House expected to vote shortly after Jan. 31 return.
- House could:
  - Vote to accept Senate bill, and it would become law;
  - Vote down bill;
  - Approve bill with changes, in which case it'd go back to Senate for another vote.

# Bill differs from earlier bills

- Bill retains Administration's focus on raising rates, providing marriage money, minimizing child care expenditures, but:
  - Many provisions of prior bills not included:
    - No change in hours or listed activities;
    - No universal engagement provision;
    - No full-family sanction mandate or drug-testing requirement;
    - Provisions for more detailed state plans and data reporting dropped.
    - Provisions that would have simplified use of prior year TANF funds, simplified use of TANF for child care/transportation, improved access to contingency fund dropped.
  - Bill generally limited to provisions with fiscal impacts:
    - Participation rate rules were revised to ensure that Congressional Budget Office would "score" them as resulting in penalties, since provisions in a reconciliation bill are subject to objection unless they have a cost that is not "merely incidental."

# Funding

- Block grants reauthorized through 2010.
- Supplemental grants reauthorized through 2008.
- High performance and out of wedlock bonuses eliminated as of end of 2005.
- HHS to administer \$150 million a year for healthy marriage promotion and responsible fatherhood grants; not more than \$50 million of the funds for responsible fatherhood, starting in 2006.
- New child care funding of \$200 million a year, subject to state match, starting in 2006.
- Expenditures to prevent and reduce out of wedlock pregnancies, encourage formation and maintenance of two-parent families can count toward maintenance of effort even when not for “needy families.”

# Caseload reduction credit revised

- Caseload reduction credit will be based on caseload decline after 2005.
  - This means that in 2007, all states face:
    - a 50 percent all-families participation rate, adjusted downward by the number of percentage points by which the caseload falls from 2005 to 2006 for reasons other than changes in eligibility rules.
    - A 90 percent two-parent participation rate, adjusted downward by the number of percentage points by which the overall caseload or two-parent caseload falls from 2005 to 2006 for reasons other than changes in eligibility rules.
  - In each subsequent year, credit will still be based on decline since 2005.

# Rates apply to separate state programs

- Participation rates will be calculated based on the combination of families receiving TANF assistance and families receiving assistance in “separate state programs” funded with maintenance of effort funds.
  - States can still place families in separate state program, may want to do so if, e.g., they are ineligible for federally funded assistance, or state does not want federal time limits to apply, but families will be part of work participation calculation.

# New HHS regulations

- HHS directed to issue regulations by June 30, 2006, addressing:
  - When an activity can count as one of the federally listed work activities;
  - Uniform methods for reporting participation hours;
  - Documentation needed to verify reported hours; and
  - Circumstances under which a parent who resides with a child receiving assistance should be included in the work participation rates.
- Regulations may be issued as interim final regulations, effective immediately.

# New State Penalty

- States must establish procedures and internal controls for complying with Secretary's new requirements re which activities count toward participation, reporting and verifying hours, and who counts in participation rate calculation.
- Secretary directed to review state procedures to ensure that they are consistent with regulations.
- HHS authorized to impose penalties of up to 5 percent of state's block grant for failure to establish or comply with procedures and internal controls.

# Overall structure

- Starting October 1, 2006:
  - States face 50 percent all-families rate, 90 percent two-parent rate, subject to caseload reduction credit based on caseload declines since 2005.
  - Current law hours requirements apply:
    - For all-families rate, 20 hours a week for single parents of children under 6; 30 hours for all other families.
    - For two-parent rate, 35 hours, or 55 if family receives federally-funded child care.

# Overall structure

- Current law activities count as participation.
  - But, HHS will be able to define those activities in regulations.
    - For example, “job search and job readiness assistance” must count as an activity, but HHS can define what counts as the activity.
  - In general, paid and unpaid work always count.
  - Vocational educational training can count for up to 12 months
    - Not more than 30 percent of those counting toward rates can do so through vocational educational training or being parents under 20 meeting requirements through educational activities.

# Countable activities for all-families rate

- **Counting toward any hours**
- Unsubsidized employment
- Subsidized private sector employment
- Subsidized public sector employment
- Work experience
- On-the-job training
- Job search and job readiness assistance (generally, up to 6 weeks a year)
- Community service programs
- Vocational educational training for up to 12 months (subject to 30 percent cap)
- Providing child care services to an individual who is participating in a community service program.
- **Counting toward hours after 20**
- Job skills training directly related to employment;
- Education directly related to employment.
- Satisfactory attendance at secondary school or in a course of study leading to a GED.
- Note: Married parents and single household heads under age 20 can fully meet rates by satisfactory secondary school attendance or participating in education directly related to employment for 20 hours a week.

# Penalty structure

- A state failing to meet one or both rates will be penalized unless HHS finds “reasonable cause” or accepts the state’s plan for corrective compliance.
- If state fails to meet both rates or all-families rate, maximum penalty is 5% of block grant in first year, grows by 2% a year of noncompliance, up to 21%.
- If state only fails two-parent rate, maximum penalty in first year is the percentage of 5% that is reflected by the share of two-parent cases in the state’s caseload.
- HHS may reduce penalty under certain circumstances.
- A penalized state must spend additional state funds to make up for lost federal funds.
- State failing to meet either rate must meet 80% maintenance of effort requirement (vs. 75% if state meets both rates).

# Key concerns

- Risks shifting state focus away from helping families get jobs to how to meet federal rates and avoid penalties.
- Many states are far short of meeting rates, at significant risk of penalty.
- Without adequate new funding, states will feel pressure to cut child care for other working families, other benefits and services, TANF caseloads.
- States can fully meet requirements simply by cutting off assistance to needy families.
- Strong disincentive against helping two-parent families.
- Will make it much harder to provide access to postsecondary education.

## Risks shifting program focus from promoting employment to penalty avoidance

- Participation rate is a poor measure of state success in promoting employment. Best outcome is family getting a job, no longer needing assistance. That family doesn't show up in the rates.
- States should be able to focus on and be accountable for outcomes, high rate with no credit for families leaving welfare due to jobs pushes them in the opposite direction.

# Many states are far short of a 50 percent rate

- Congressional Research Service estimates that:
  - For the nation, average participation rate in 2003 would have been 30 percent under the Conference bill rules—20 percentage points short of a 50 percent rate.
  - For the nation, total participation was 339,600, with an additional 236,000 participants needed to meet the 50 percent level, a 69 percent increase.
  - Sixteen states—Massachusetts, Maryland, Georgia, Pennsylvania, Tennessee, West Virginia, Arizona, Oregon, Mississippi, Delaware, Vermont, Rhode Island, District of Columbia, Nevada, Michigan, and Arkansas—had rates of 25 percent or less. Each of these states would need to double its participation level (or more) to meet the new requirements.

# Additional funding far short of amount needed for large participation increase

- Additional federal child care funding translates to \$68.97 per month for each required new participant.
- 8 states and DC would have less than \$40 a month per new required participant:
  - Pennsylvania (\$37.58); Maine (\$36.74); California (\$35.28); Massachusetts (\$30.44); West Virginia (\$27.33); Vermont (\$26.72); Tennessee (\$19.05); Rhode Island (\$18.88); District (\$10.61).
- Without sufficient funds, states will face strong pressures to cut child care for other low-income working families, cut other TANF-funded benefits and services, or simply cut TANF caseloads.

# Strong state incentive to cut caseloads, impose sanctions

- States will face serious penalties for failing to meet rates.
- HHS has broad discretion in reducing and waiving penalties, but may or may not do so.
- Some states may conclude that easiest, cheapest way to meet new requirements is to cut caseload, get caseload reduction credit.
- States can fully meet new requirements by simply cutting caseloads, without providing any new services or assistance.

# States assisting two-parent families at serious risk of penalties

- Administration Proposal in 2002:
  - **Eliminate Separate Two-Parent Family Participation Rates.**  
“The Administration’s proposal will end the separate participation rate for two-parent families; the same participation rate will apply to both single- and two-parent families. This policy removes a disincentive to equitable treatment of two-parent families. Under current law, two-parent families have a far more rigorous work participation rate requirement than do single-parent families (90 percent compared to 50 percent).”
- In 2003:
  - all or most two-parent families were in separate state programs in 21 states.
  - CRS estimates national average participation rate under two-parent rules would have been 33 percent in 2003.

# Serious adverse effect on access to postsecondary education

- Under current law, principal way postsecondary education counts is as vocational educational training, for up to a year, but many states have (at least in formal policies) allowed for broader access.
  - States could do so either because they were easily meeting rates, or through separate state programs.
  - Senate PRIDE bill would have broadened access.
- Under bill, it will be much harder to allow access beyond one year unless family also working for at least 20 hours a week.

# If bill becomes law, important to emphasize...

- States will want strategy to avoid penalties, but meeting participation rates should not become the central goal of the program.
  - Focus should be to help families enter sustainable employment in jobs that can support families.
- Reauthorization has been largely focused on narrow issues about calculating rates. States should have a broader vision. They should use this as a time to reexamine their overall program: their goals, strategies, resources, current and desired outcomes.

# Broaden help outside welfare

- Best ways to reduce caseload without hurting families are by broadening help outside welfare, e.g.,
  - child care;
  - transportation assistance;
  - state earned income tax credits;
  - work expense allowances;
  - supportive diversion programs;
  - child support enforcement, distribution.

# Raise participation in activities that help families get better jobs and reduce poverty

- Approaches that can raise rates and help families include:
  - Expand access to vocational educational training
  - Expand use of transitional jobs for those with most serious employment barriers
  - Make work-study options available to those in school
  - Restructure job search to connect families with better jobs
  - Broaden earnings disregards and wage supplements for low-earning workers.
  - Extend assistance to noncustodial parents, providing work activities for them.