

# **TANF Reauthorization**

## **What does it mean for families and states?**

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(adapted from presentation done jointly by  
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# Brief Background:

## Essential “story” of the last decade

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- States made their own decisions on program design
- TANF caseloads declined significantly even when child poverty rising
- Federal and state TANF funds used for a broad range of services beyond cash aid
- States able to meet work rates under federal TANF law relatively easily

# Brief Background:

## How Story in Rhode Island Is Different

- Nationally: Substantial decline in cash assistance caseloads, even as poverty rose
  - 2000-2003: child poverty rose and TANF caseloads still declined
- Rhode Island: Substantial caseload decline which has recently outpaced the national rate
  - 2000-2003: TANF caseloads declined at a greater rate (3X) than national average
  - FFY 2004: 11.2% RI compared to 1.5% national
  - FFY 2005: 10.1% RI compared to 4.6% national

# TANF Provisions of the Budget Reconciliation Bill

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- Significant changes to the work requirements
- Continued flat funding for the TANF block grant
  - Block grant worth 22% less next year than in 1997
  - By 2011, will be worth only 70% of value in 1997
- \$200 million/year in additional child care funding
- \$150 million/year in marriage & fatherhood funding

# Work Requirements – 1996 Law

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- States were required to meet a 50% overall work participation rate and a 90% participation rate for 2-parent families.
- States got “credit” toward this participation rate based on the extent of caseload decline since 1995. *Result: Work participation rates states had to meet were low.*
- Federal work requirements did not apply to state-funded programs (separate state programs).

# 1996 Law, cont.

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- Because states were not in jeopardy of failing to meet the requirements, had flexibility
  - Could engage individuals in a broader set of work activities, including activities to address barriers to employment and postsecondary education
- Most states served 2-parent families in a state-funded program to avoid penalties
  - Some (like RI) also served other families in these programs

# TANF Changes in Budget Bill

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- Work participation rates remain at 50% for “all families” and 90% for two-parent families.
- But, rates are reduced based on caseload decline since **2005** not **1995**.
- **Federal** requirements apply to **state-funded** programs, if state funds count toward “maintenance-of-effort” requirement.
- U.S. Department of Health and Human Services directed to issue new regulations that could have significant impact on state policy choices.

# Implications of New TANF Provisions

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- Unless states have significant caseload decline, states will have to meet the 50% and 90% participation rates.
  - Rates may be harder to achieve under new rules
- States will no longer be able to use state-funded program (with MOE \$) to shield them from an unrealistic 90% work rate for 2-parent families.
- State-funded MOE programs also cannot be used for those unable to meet work rates or to provide specialized work activities outside federal rules.

# HHS to Issue New Regulations

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- 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
  - Circumstances under which a parent who resides with a child receiving assistance should be included in the work participation rates (for example, how to treat child-only case after 60-month time limit reached).
- Regulations likely to be issued as interim final regulations, effective immediately.

# New TANF Regulations

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- Regulations may or may not
  - Impose significant new administrative burdens on states
  - Restrict states' flexibility in how they design their work activities
- Implementation timeframe
  - HHS to issue interim final regulations by the end of June 2006
  - New work requirements are in place Oct.1, 2006 – likely that states must comply with new regulations in FY 2007 (beginning 10/06)

# Advice to States

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- Don't Panic
  - Nearly all states are in the same boat
  - States that make progress have a good case to make to HHS that they should not be penalized at all or should receive only modest penalties
- Identify your goals for the next phase of welfare reform
  - Federal requirements are important, but first step is to think through what you want to achieve

# Advice: 2-parent families

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- Don't worry about the 90% two-parent work participation rate.
  - Consider policy goals – do you want to penalize 2-parent families and marriage?
  - 90% rate is effectively not achievable by any state and may get fixed in future years
  - \$ level of the penalty is small
  - Alternate approach is to consider providing aid with state funds (that do not count toward MOE)

# Advice: Meeting Work Participation Rates

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- Consider how to increase participation to meet work rates?
- Focus on improving performance rather than massive program revision
- However, keep in mind effect of policy proposals on work participation rate

# Advice: Consider Funding

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- Evaluate how TANF and state MOE funds are now being used
- Additional resources may be needed
  - This is not the time to withdraw money from the program
  - States will need to meet the 80% of historic spending (MOE) test
  - Consider using state funds to continue successful strategies even if do not count toward MOE

# Advice: Better Outcomes for Families

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- Consider strategies for better employment and earnings outcomes for families
  - For example, expanding access to vocational training
- Consider supplements for working families
  - For example, increased earnings disregards
  - Can help state meet work rates as working families not cut off as quickly

# Advice: Avoid Harm

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- Avoid harmful policies that are intended to reduce caseloads
  - Federal law provides incentives for caseload reduction
  - TANF already serves a minority of families poor enough to qualify
  - Caseload decline achieved by improved work programs/better supports for working families outside of welfare can be pro-family, anti-poverty policies
  - Caseload declines achieved by policies that restrict aid to needy families will drive up poverty, particularly deep poverty