

IMPLEMENTING THE TANF CHANGES IN THE DEFICIT REDUCTION ACT:

“WIN-WIN” SOLUTIONS FOR FAMILIES AND STATES

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DEDICATION

We dedicate this report to our beloved colleague Eileen Sweeney, who died shortly after the first edition of this report was issued. A brilliant and meticulous analyst, Eileen was also a tireless advocate for low-income families. She pioneered efforts to ensure that TANF recipients with disabilities have access to the income assistance and employment services they need. We hope this volume will provide states with practical ways to improve opportunities for poor families, the goal to which Eileen dedicated her work.

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EXECUTIVE SUMMARY

In the coming months, states will face key choices as they decide the next direction for their Temporary Assistance for Needy Families (TANF) programs. After a lengthy and contentious reauthorization process, Congress enacted changes to TANF in the Deficit Reduction Act of 2005 (DRA) that substantially increase the proportion of assistance recipients who must participate in work activities for a specified number of hours each week. In June 2006, the Department of Health and Human Services (HHS) issued new regulations that implement these changes and significantly limit states' flexibility in assigning recipients to work activities. The new requirements will be challenging for most states to meet and likely will require increased investments in welfare-to-work programs and work supports.

Under the DRA, 50 percent of all adults in a state that are receiving TANF assistance — and 90 percent of two-parent households receiving assistance — must participate in a set of work activities defined in the law. These percentages are lower for states that reduce their TANF caseloads below 2005 levels, but since caseloads are already at historic lows, few states are likely to reach this target quickly unless they choose to restrict poor families' access to assistance. TANF already assists fewer than half of the families with children who qualify, in part because of policies in many states that made it difficult for some very poor families to get both income assistance and the help finding a job that should go with it.

Thus, the DRA, coupled with the new regulations, gives states a stark choice: focus solely on meeting the work rates, even if that means making their programs less accessible or less effective at helping needy families and helping families move to work, or increase work participation rates in ways that improve families' employment outcomes, even if that path is the more expensive one to take. States choosing the latter option will need to explore strategies that improve the quality of their welfare-to-work programs, increase engagement in those programs, and extend supports to low-income working families. States also should consider whether some families would be better served in solely state-funded programs outside the TANF structure — that is, in programs that receive neither federal TANF nor state maintenance-of-effort (MOE) funds.

Research and states' experience over the last decade have exposed the strengths and weaknesses of current TANF programs and the changes needed to improve families' outcomes. Specifically:

- **Over the past decade, many TANF recipients found employment and left the program.** Indeed, employment rates of single mothers increased significantly during the mid- and late 1990s. However, employment rates for this group fell during the recession of the early 2000s and the prolonged period of labor market weakness that followed.
- **Most parents who left TANF for work had low earnings and were unable to increase their wages or earnings significantly over time.** This fact points to the need for new ways to help parents find better jobs and advancement opportunities, as well as the need for new strategies to provide supports to low-income working families.
- **Many families that have been unable to secure stable employment face serious barriers.** These range from mental and physical health problems and low cognitive functioning to domestic violence, substance abuse, and unstable housing. If these families are to engage consistently in welfare-to-work activities and ultimately move toward employment, more creative and intensive approaches tailored to meet their challenges will be needed.

This guidebook, intended for state policymakers, human service agency staff, policy analysts, and others, discusses strategies that can help states as they consider their policy options for this next phase of welfare reform. The best policy choices in any particular state will depend on a number of factors, including the state's goals, the labor market, the characteristics of poor families in the state, the state's fiscal situation (both generally and within the state's TANF-related programs), and the capacity of service providers in the state. Thus, the guidebook includes a broad range of strategies to consider.

Its five chapters are summarized briefly below:

CHAPTER I: Changes to TANF Requirements under the Deficit Reduction Act and Interim Final Regulations

This chapter details the new work requirements under the DRA, including how the work participation rates are calculated and what activities count toward them, the hourly participation requirements, how the revised caseload reduction credit is calculated, the penalties states face if they fail to meet the work rates, and HHS's new regulations concerning the work requirements. The chapter also reviews the rules that determine when time limit, child support, and immigrant-eligibility requirements apply to assistance and other benefits provided in TANF programs and programs supported with MOE funds.

CHAPTER II: Improving Welfare-to-Work Programs and Increasing Engagement

This chapter reviews the research on welfare-to-work activities and engagement strategies and discusses program design options in light of the DRA and the new TANF regulations.

To increase work participation rates significantly (without restricting access to assistance), states will have to engage more recipients in welfare-to-work activities. For this increased engagement to lead to improved employment outcomes, however, the activities must be tailored to meet individual recipients' interests, skills, and barriers and respond to the needs of employers. Thus, states must consider how to improve their welfare-to-work activities *and* individuals' participation in those activities.

- **Research has shown that the most successful welfare-to-work programs adopt a “mixed strategy” rather than a narrow “work-first” approach.** A mixed strategy focuses on work but also offers opportunities for skill-building, recognizing that some recipients need to address barriers to employment before they can succeed in the labor market. Under the DRA and regulations, many skill-building activities are countable toward federal work rates, though important restrictions apply and states' ability to count barrier removal activities toward the work rates is severely limited.

As states consider how to expand their welfare-to-work programs, it makes sense to make wider use of components that have been shown to help families secure jobs that are better than the low-paying, unstable jobs many recipients could obtain (but not retain) on their own. This, in turn, can improve families' well-being and reduce their reliance on public benefits, including the likelihood that they will return to welfare. Thus, states should consider improvements to their job search and job readiness programs to make them better able to connect recipients to jobs that match their skills, provide adequate wages and benefits, and offer opportunities for advancement. Also proven effective at helping recipients find better jobs are transitional jobs programs and targeted education and training programs that help recipients attain needed skills and credentials for jobs available in the local labor market.

- **States need to improve their screening and assessment procedures to better identify families with barriers to employment.** Serious barriers to employment often go undetected by TANF and welfare-to-work caseworkers. Families facing these problems often fail to participate consistently in program activities or fail to make progress toward employment; many ultimately face program sanctions. States need to do more to uncover these problems and help families address them. For example, states can conduct up-front screenings, use poor program participation as a clue that further assessments may be warranted, draw on the expertise of agencies with experience in assessing disabilities, provide intensive case management to recipients who are struggling, and encourage caseworkers to devise flexible employment plans tailored to families' unique circumstances.

CHAPTER III: Income Supplements for Working Families

Since the early 1990s, many states have adopted policies in their TANF programs that provide more help to low-income working families. Most notably, nearly all states have changed their benefit rules so that families' TANF benefits are reduced more slowly as their earnings rise. Despite these changes, families still typically must have earnings well below the poverty line to qualify for assistance through TANF- and MOE-funded programs.

Research has shown that providing income supplements to low-income working families increases employment rates and earnings, and that the combination of increased earnings and assistance reduces poverty. Expanding income supplements for working families also can help states meet the higher work participation rates under the DRA, since low-income working families that receive TANF- or MOE-funded assistance count toward a state's work rates. That makes expanding income supplements a "win-win" for families and states.

States can provide income supplements in a number of ways:

- **Expanding assistance within the state's basic TANF program for families that are working.** States can change the benefit rules in their basic TANF program so that working recipients remain eligible for assistance until their earnings reach higher levels.
- **Assisting low-income working families in a stand-alone program using TANF or MOE funds.** Such a program, separate from the state's basic TANF cash assistance program, can be tailored to the needs of working families. It could feature simpler rules and fewer paperwork requirements than are typical in basic TANF assistance programs so that it is more accessible to families juggling work and family responsibilities.
- **Providing short-term, up-front "non-assistance" benefits to families in which a parent is likely to find employment quickly.** Such policies can help families who would have been eligible for TANF to weather a temporary period of joblessness and enable some families to avoid ongoing aid entirely. When well-designed, these policies can also serve as a bridge to programs designed to help low-income working families.
- **Providing bonuses to parents who leave TANF for work and remain employed, or supporting working families with a state earned income tax credit.**

To complement these strategies, states can take advantage of new child support distribution options to direct more child support collections to families.

This chapter discusses these policy options and related program design issues.

CHAPTER IV: Making TANF Work for Individuals with Disabilities

This chapter discusses the laws related to the treatment of individuals with disabilities within TANF-related programs. It then outlines ways to improve the effectiveness of employment-related services for families that include individuals with disabilities.

Research consistently shows that a significant share of TANF recipients has disabilities. If states are to reach their welfare-to-work goals, they will need to do a better job of serving these individuals.

Under the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, state TANF programs must be appropriate for individuals with disabilities and must give them the same level of help that other individuals receive. States can provide more effective services for individuals with disabilities while increasing their work participation rates by, among other things:

- **Improving screening and assessments of persons with disabilities.**
- **Developing work activities tailored to the needs of individuals with certain types of disabilities.** For some individuals, such as those with chronic health problems, untreated (or unsuccessfully treated) mental health problems, learning disabilities, or substance abuse problems, activities that help recipients address these issues may be necessary before they can participate in standard work activities. Vocational rehabilitation training and supportive work placements may be needed for some recipients, such as those with developmental disabilities.
- **Partnering with state and county agencies that specialize in helping individuals with disabilities.** While developing effective employment programs for individuals with disabilities has not been a primary focus of many state TANF programs, other government agencies and non-profits have been working on this issue for many years. These organizations can provide employment services for TANF recipients with disabilities or advise TANF agencies about how best to do so.
- **Serving some individuals with disabilities *outside* TANF if the services they need do not count toward the federal work rates.** The new federal regulations adopted narrow definitions of the activities that can count toward the work rates. In general, activities such as mental health treatment and substance abuse treatment can count only under the category of “job search and job readiness” activities, which have severe durational limitations. Thus, to serve some recipients with disabilities and other barriers to employment appropriately, states may need to assist them through a non-MOE state funded program (sometimes referred to as a “solely state-funded” program).

States also should consider similar specialized programs and activities for individuals with other severe barriers to employment that do not meet the definition of a disability, such as problems related to domestic violence or unstable housing.

CHAPTER V: Examining TANF Spending Priorities

This chapter provides an overview of how TANF and MOE funds are used nationally and discusses issues states need to consider as they consider the DRA’s fiscal implications.

Strengthening welfare-to-work programs and extending supports to low-income working families will require additional resources. Since most states no longer have significant unspent TANF funds from prior years, they will need to reexamine both their level of TANF and MOE spending and their current spending priorities. More precisely, they will need to:

- Look for state funds that can be used to assist some families outside the TANF structure.
- Look for ways to provide the increased child care funding that will be needed to meet the work requirements *without* reducing child care funding for low-income working families (which would contradict states' welfare reform goals).
- Consider how they will meet the higher level of state spending that is required if they fail to meet the work participation rates, and how penalties for failing to meet the work rates may affect their TANF budget.
- Examine the potential impact on their TANF program of the DRA's cuts in funding for child support enforcement.

CHAPTER I: Changes to TANF Requirements Under the Deficit Reduction Act and Interim Final Regulations

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 established the TANF block grant and a set of rules related to receipt of TANF-related benefits, including work participation requirements, time limits, child support-related requirements, and immigrant-eligibility rules.

The 1996 law and subsequent federal regulations also established rules about the types of benefits and services that triggered key TANF-related requirements. For example, certain requirements applied if the TANF-funded benefit received by a family was considered “assistance” — which meant the benefit was designed to meet ongoing basic needs or provide supports (such as child care and transportation) to families in which the parents were not employed. Similarly, certain requirements applied depending upon whether the benefit was funded with federal TANF funds or state MOE funds and how the funding was structured. As states developed their TANF programs, they had to weigh when to structure benefits as “assistance” or “non-assistance” as well as how to structure funding use of federal funds versus state funds.

The DRA significantly changed the structure of federal TANF work requirements. Moreover, the interim final regulations issued by HHS in June 2006 adopted narrow definitions of the work activities that can count toward the work rates and instituted significant *new* requirements related to state monitoring of recipients’ participation in work activities. How these changes affect states will depend in part on when states choose to structure benefits as “assistance” and when states choose to provide assistance with state funds that do not count toward the MOE requirement. This chapter reviews the changes imposed by the DRA and the interim final regulations and examines when various TANF-related rules apply to benefits provided through TANF- and MOE-funded programs.

While HHS accepted public comments on the interim final regulations — receiving comments from roughly 500 individuals, organizations, states, and other entities — and may make changes to them before finalizing them, the rules are effective as published until they are superseded. (The preamble to the regulations is significantly more restrictive than the regulations themselves in many cases, but it does not have the same legal force as the regulations themselves.)

As part of the interim final regulations, states were required to submit Interim Work Verification Plans to HHS by September 30, 2006. These plans describe the set of activities the state will include in its welfare-to-work program, how the state will monitor participation in work activities, how the state will comply with the time limits on certain types of activities (such as job search and vocational educational training), and how the state will determine who is “work eligible” — a new term in the interim final regulations that defines which adults are included in the work rate.¹

HHS has now asked all states to resubmit Work Verification Plans by February 28, 2007 to conform with additional guidance it provided in late December 2006.² Then HHS will review these revised plans and may again ask states to make further changes in their plans. Final plans, which must be approved by HHS, are supposed to be in place before the end of federal fiscal year 2007 (September 30, 2007), and states are required to be fully compliant with their plans starting in FY 2008. Precisely how HHS will implement the DRA, its new regulations, and the preamble language will not be clear until the work verification plan back-and-forth process has been completed. While the guidance HHS has issued does not have the force of rules, HHS can refuse to approve any work verification plan that is inconsistent with the guidance.

TANF Work Participation Requirements

Under the 1996 law, a specified proportion of the families in each state who were receiving assistance in a TANF-funded program had to participate in a set of federally defined work activities for a specified minimum number of hours each month. Each state had two such work requirements: one for all families with an adult receiving assistance (the so-called “all-families” rate) and another rate just for two-parent families receiving assistance. A state that failed to meet one or both rates could be penalized.

Starting in 2002, the work requirements were 50 percent for all families and 90 percent for two-parent families. However, these rates were adjusted downward by a “caseload reduction credit”: each state’s target was reduced one percentage point for each percentage-point decline in the state’s TANF caseload since 1995 that occurred for reasons other than eligibility changes.

The DRA makes four key changes to the work rate structure:

- It modifies the caseload reduction credit so that as of October 1, 2006, adjustments to the work participation rates are based on caseload declines after 2005 rather than 1995.³
- It specifies that as of October 1, 2006, a state’s work participation rate will be based on the combined number of families receiving assistance in TANF programs and state-funded

¹ To be precise, an adult who is defined as “work-eligible” is included in the work participation rate calculation unless she has a child under the age of 12 months (and has not exceeded the 12-month lifetime limitation on this exception) or she is subject to a sanction and has not been sanctioned for more than three of the past 12 months.

² “Further Guidance on Work Verification Plans,” U.S. Department of Health and Human Services, Administration for Children and Families, December 20, 2006. Referred to as “Further Guidance” hereafter.

³ DRA Sec. 7102(a).

programs that count toward the state's MOE requirement.⁴ (Programs funded solely with state MOE dollars did not count toward work rates under the 1996 law.)

- It directs HHS to adopt regulations no later than June 30, 2006, specifying uniform methods for reporting hours of work, the type of documentation needed to verify reported hours of work, whether an activity can be treated as one of the federally listed work activities for purposes of the work rates, and the circumstances under which a parent who resides with a child receiving assistance should be included in the work rates.⁶ (These regulations were published on June 29, 2006, at 71 Federal Register 37454-37483.)
- It establishes a new penalty of up to 5 percent of a state's block grant if a state fails to implement procedures and internal controls consistent with the Secretary's regulations.⁷

The resulting structure is described below.

What Work Participation Rates Must States Meet Under the DRA?

Effective October 1, 2006, the all-families work participation requirement is 50 percent and the two-parent requirement is 90 percent; both rates are then reduced by the number of percentage points by which the state's caseload falls below 2005 levels for reasons other than eligibility rule changes.⁸

In subsequent years, 2005 will remain the base year for calculating the caseload reduction credit. For example:

- If the combined caseloads of a state's TANF and MOE programs fall by 5 percent between 2005 and 2006, the state will be required to meet a 45 percent all-families rate in 2007.
- If a state's combined caseload falls by 5 percent in 2006 but then returns in 2007 to its 2005 level, the state will face a 50 percent all-families rate in 2008.

The following rules related to the caseload reduction credit, established by the 1996 law and existing federal TANF regulations, will remain unchanged under the DRA:

- A state may *not* count caseload declines resulting from a tightening of income and resource limits or enactment of time limits, full-family sanctions, or other new requirements that deny assistance when a family fails to meet program requirements.⁹

⁴ DRA Sec. 7102(b).

⁶ DRA Sec. 7102(c).

⁷ DRA Sec. 7102(c)(2).

⁸ 42 U.S.C. §§607(a), 607(b)(3).

⁹ 45 C.F.R. §261.42(a)(1). The interim final regulations did not include a sentence from the existing regulations that lists the examples of the types of eligibility changes that may affect the caseload reduction credit. HHS has given no indication, however, that this omission was intended to reflect a change in policy, nor did HHS have the authority to make this change here.

How Is the “TANF Caseload” Defined?

Policymakers and the media often talk about the “TANF caseload” and some requirements states must meet depend, in part, on the size of its caseload and whether the caseload has fallen. However, the term “TANF caseload” often is reported in different ways. The following provides a guide to how the “TANF caseload” is sometimes defined.

The “caseload” typically refers only to families receiving assistance in a TANF program. While less than 40 percent of TANF and state MOE funds are spent on benefits that are considered “assistance” — that is, ongoing benefits (typically cash) that help a family meet their basic needs — most federal requirements apply only to families receiving “assistance” and most federal and state TANF caseload statistics refer only to families receiving assistance.

The “caseload” often refers to families receiving assistance in a TANF-funded program but can include families receiving assistance in a “separate state program.” States can provide assistance to families in several ways — they can provide them with TANF-funded assistance, assistance that is partially funded with TANF or MOE funds, assistance that is MOE-funded but provided within a TANF-funded program, or MOE-funded assistance in a program that receives no federal TANF funds (called a “separate state program.”) Historically, HHS has considered everyone receiving assistance (TANF or MOE-funded) in a TANF-funded program part of the TANF caseload and has provided additional data on families receiving assistance in a separate state program. Because TANF work requirements now apply to all of these groups of families, HHS may change its standard caseload reporting.

The TANF requirements that apply to states and families depend on how the assistance is financed. As discussed on page 21, work, time limit, and child support requirements all apply to somewhat different groups of assistance recipients. Under the DRA, work requirements apply to families (with some exceptions) receiving TANF or MOE-funded assistance. Months in which a family that includes an adult receives TANF-funded assistance count against the family’s 60-month federal time limit. And states must send a share of child support collected on behalf of a family receiving assistance (TANF or MOE-funded) in a TANF-funded program to the federal government.

In the calculation of a state’s caseload reduction credit, families served through separate state programs are part of the “caseload.” With some additional exclusions, the caseload reduction credit is based on decreases in caseloads receiving assistance in both a state’s TANF program and separate state programs that address basic needs and are used to meet the MOE requirement. 45 CFR § 261.42 (b).

A state may exclude some assistance recipients from its own statistics on its “welfare caseload.” As states consider whether to expand TANF or MOE “assistance” to additional groups of working families, some are considering distinguishing between the total number of families receiving any form of TANF or MOE assistance and the number of families they consider to be a part of its basic assistance caseload. For example, Arkansas’s basic TANF assistance program is called the Transitional Employment Assistance (TEA) Program. Arkansas has a *separate* program called Work Pays which provides \$204 per month to working poor families that have *left* the state’s basic TANF program. While both sets of families receive TANF-funded assistance and will be considered part of the TANF caseload in federal data reports, Arkansas makes a distinction between its TEA caseload and its Work Pays caseload in state-generated data.

- A state *may* count caseload declines resulting from new or more vigorously utilized enforcement mechanisms or procedural requirements adopted to enforce existing eligibility criteria, e.g., verification techniques designed to identify ineligible families.¹⁰

Some issues relating to the caseload reduction credit remain unresolved:

- **Can states reduce their measured caseload if they are spending in excess of their MOE requirement?** The original TANF regulations state that if a state spends in excess of its MOE requirement, the state “need only include the pro rata share of caseloads receiving assistance that are required to meet basic MOE requirements.”¹¹ In past years, only Delaware has taken advantage of this provision.¹² However, a number of states have taken this option for the 2006 Caseload Reduction Credit Report which will govern the state’s credit for the work participation rate in 2007. HHS has suggested that it considers this provision to be a “loophole” and would like to revise it. However, the process for HHS to properly amend the rule to remove this option will take some time; therefore, it remains in place for 2006 Caseload Reduction Reports governing the credit for 2007.
- **Can states get a caseload reduction credit for caseload declines that are attributable to the establishment of a non-MOE state-funded program that provides assistance to some families that would have previously been served in the TANF or MOE-funded program?** Some states are considering establishing state-funded programs that provide assistance to some families and are not claimed toward the MOE requirement (see box on page 22). Such programs may be appropriate for families for whom the federal TANF requirements are unrealistic, such as two-parent families, families in which an adult has a disability, and recipients the state wants to allow to attend postsecondary education programs. HHS staff has said verbally that moving families into such programs will be treated as an eligibility change for the purpose of the caseload reduction credit — i.e., that these families will be added back into the caseload when HHS determines the size of the credit. However, it is unclear whether HHS has the authority to do this if the families remain eligible for the TANF program and, thus, no eligibility change has been made in the program.¹³

¹⁰ 45 C.F.R. §261.42(a)(2).

¹¹ 45 C.F.R. §261.43(a)(2).

¹² Delaware used an approach that deducted from its caseload the number derived by dividing its excess MOE spending by the average annual per case. The state computed its “average cost per case” by dividing *total* TANF and MOE spending by the number of families receiving assistance in its TANF program. This actually resulted in a larger per-case cost than the average cost of providing assistance to the families in the state’s TANF assistance program, because the state uses some of its TANF and MOE funds to finance benefits and services — such as child care — for families that are not receiving TANF assistance. Some states have submitted caseload reduction credit methodologies to HHS that computed an average cost per case based on the average cost of providing assistance to a family in the state’s basic TANF assistance program.

¹³ If HHS holds that serving families in a non-MOE state-funded program constitutes an “eligibility change,” then states can use the resulting caseload decline from placing families in a non-MOE program to offset caseload increases that result from other policy changes, such as expanding assistance to more working families. For example, if a state reduced its caseload by 2,500 families by serving them in a non-MOE state-funded program, the state would have to “add back” these families for the caseload reduction credit calculation if this were considered an eligibility change. If, however, the state also expanded its earnings disregard or expanded assistance to working families and those policy changes *increased* the state’s caseload by 2,000 families, then instead of “adding back” for purposes of the caseload reduction credit the 2,500 families no longer receiving ongoing TANF assistance in an average month due to the SSF,

Who Is Considered in the Calculation of a State's Work Rates?

The DRA made two significant changes to who is considered in the calculation of a state's work participation rates. First, as noted above, the participation rates now apply to the combined assistance caseloads of programs funded with federal TANF and/or state MOE funds.¹⁴ Second, the DRA required HHS to establish regulations regarding the circumstances under which a parent who does not receive assistance but lives with a child who does receive assistance should be included in the work rates. (Under prior rules, only cases in which an adult — or minor head of household — received assistance were included in the work rates.)

The new rules at 45 CFR §261.2(n) create a new term, “work-eligible individual,” which is used to define those individuals who now will be included in the work participation rates. A “work-eligible individual” is:

- **An adult (or minor head-of-household) who receives assistance.** (This recipient adult could be a parent or relative. These cases have always been included in the work participation rates.) The exceptions, under which an adult receiving assistance is *not* included in the work participation rates, are as follows:
 - an individual receiving MOE-funded assistance under an approved Tribal TANF plan (unless the state chooses to include such families in the work participation rates); and
 - a parent caring for a family member with a disability who is living in the home and does not attend school full-time.¹⁵
- **A non-recipient parent living with a child receiving assistance.** The exceptions to this rule are discussed below. It should be noted that child-only cases in which the children live with a non-recipient relative *other* than a parent are *not* considered “work-eligible” and thus are not included in the work rates; also, federal TANF time limits do not run on child-only cases.

The general rule under the “work-eligible individual” concept is that when a parent who is not receiving assistance resides with a child who is receiving assistance, the parent is included in the work participation rates unless specified exceptions are met. The three exceptions are:

the state would only need to “add back” 500 cases — the difference between the caseload decline and the caseload increase that resulted from eligibility changes.

¹⁴ DRA Sec. 7102(b).

¹⁵ For the purposes of this exclusion from the definition of “work-eligible,” states must define the following terms in their work verification plans: “disabled,” “family member,” and “attending school full-time.” States have taken a variety of approaches: some have adopted narrow definitions of these terms (thereby reducing the number of adults who would be excluded from the work rates), while others have adopting broad definitions. A degree of confusion surrounds the definition of “attend school full-time.” Some states have equated full-time school *enrollment* with full-time school *attendance*, which seems problematic because some children with disabilities may be enrolled full-time but miss class frequently due to their health condition.

Counting the Work Participation of Non-Custodial Parents

Programs that help non-custodial parents prepare for and find jobs can help states meet their work requirements. If a non-custodial parent with a child receiving TANF assistance participates in countable work activities, that parent can count toward the state's work rates.

The preamble to the 1999 TANF regulations notes that a state may choose to include the non-custodial parent (living apart from the child) as a member of the child's eligible family. (If non-custodial parents are included in the state's definition of "family," the family would *not* be considered a "two-parent family" for purposes of the two-parent work rate.) To count the work participation of a non-custodial parent, a state must provide some benefit to that parent that meets the definition of "assistance." If it does so, the state may not retain the non-custodial parent's child support payments as reimbursement for this assistance. (See preamble to 1999 TANF rules at 64 Fed. Reg. 17761.) These provisions were not affected by the interim final regulations.

- **An alien parent who is ineligible to receive assistance due to his or her immigration status.** This includes immigrants who are ineligible because they are not "qualified" under the 1996 law, as well as qualified immigrants who are ineligible due to the five-year bar on federal TANF assistance. (If a state is providing assistance to parents subject to the five-year bar through an MOE-funded state replacement program, the case now will be included in the work rates because all families with an adult receiving assistance in MOE-funded programs are now part of the work rates. Some state replacement programs have provided MOE-funded assistance within their TANF-funded program and have always included these families in their work participation rates.)
- **A parent receiving Supplemental Security Income (SSI).** Although disabled, some SSI recipients may be employed or participating in work-related activities. States have the option of including in their work participation rates, on a case-by-case basis, parents who are receiving SSI but are participating for sufficient hours in a countable work activity. Doing so does not obligate states to include *all* cases in which a parent receives SSI.
- **A minor parent who is not the head (or the spouse of a head) of household.** While the drafting is a bit unclear, HHS apparently intended to exclude all minor parents — including those who are recipients on another adult's case — who are not the head of household or the spouse of the head of household. HHS notes that it does not include these individuals in the work rates because it wants to encourage them to stay in school.

In addition, two categories of families containing a work-eligible individual may be excluded from the work participation rates for limited periods at state option:

- single-parent families that include a child under age 1 (such families can be excluded for up to 12 months);¹⁶

¹⁶ 42 U.S.C. §607(b)(5).

- families under penalty for failure to meet work requirements (such families can be excluded for up to three months in each 12-month period).¹⁷

Finally, it is important to note that under the DRA and the interim final regulations, two-parent families in which one parent has a disability (as defined by the state) continue to be treated as single-parent families for purposes of the work participation rates calculations. The two-parent participation rate is calculated by dividing the number of adults in two-parent families participating in countable activities for the specified number of hours each month by the total number of two-parent families in a TANF- or MOE-funded program where both families are work-eligible individuals.¹⁸

Implications of the New “Work-Eligible” Regulations

Because of the new rule, several kinds of non-recipient parents of children receiving assistance will be included in the work participation rates for the first time, including:

- **Partial sanction cases.** Several states reduce the TANF grant provided to a family by removing the parents’ “needs” from the grant calculation when the parent does not comply with program requirements. These cases have always been considered “child-only” in the past because only the children were receiving assistance and such cases were previously excluded from the work participation rate calculations. States will now have to include these families in their work rates, though states can exclude sanctioned families from the calculation for up to three months in any 12-month period.
- **Time-limited cases.** A handful of states continue assistance to children when their parents reach the TANF time limit. Often these child-only benefits are provided with MOE funds. These parents must now be included in the work rates if they otherwise meet the work-eligible individual definition.
- **Disqualified parents.** A number of other disqualifications can result in a parent — but not her child(ren) — being declared ineligible for assistance in a TANF-funded program. These include disqualifications for fleeing felons, drug-related felons (although states can opt out), and past fraud. Under the new regulations, these individuals must be included in the work rates. However, statements by HHS staff suggest that HHS may not have intended this result and may revisit the provision.

Some states are providing benefits to children in significant numbers of families that fall into one of the above categories. These states will be seriously affected by this rule change and are likely to have difficulty meeting the work rates.

Finally, the preamble to the interim final regulations notes that for some two-parent families consisting of one eligible and one ineligible parent, the new definition of work-eligible individual could add the ineligible parent to the state’s work rates, which in turn means the case would be considered a two-parent family for work rate purposes.

¹⁷ 42 U.S.C. §607(b)(1)(B)(ii)(II).

¹⁸ DRA Sec. 7102(b).

More generally, it is important to note that while the federal government defines the set of adults who are included in the *federal* work participation rate calculation, states are free to exempt families that do not fall into one of the above categories from their own work requirements.

How Many Hours Must a Family Participate in Order to Count?

To count toward the all-families work rate in a given month, a single-parent family with a child under age 6 must participate for an average of 20 hours a week; all other single-parent families must participate for an average of 30 hours a week.¹⁹ To count toward the two-parent family work participation rate, a family not receiving federally funded child care must participate for 35 hours a week; a family receiving federally funded child care must participate for 55 hours a week.²⁰

The new regulations impose significant new requirements on states regarding their monitoring and documentation of work participation. For example:

- **Unpaid work activities must be “supervised daily.”** The interim final regulations state that unpaid work activities, such as job search and readiness activities, vocational educational training, work experience, and community service, must be supervised daily. The largest concern this raises is in the area of job search programs, as many states in the past claimed credit for some job searching that is self-directed. States’ work verification plans outline varying approaches to meeting this requirement, including permitting phone contact rather than in-person contact and allowing for the availability of daily assistance but less-than-daily required interaction.
- **All hours of participation in unpaid work activities must be documented.** States can use a variety of types of documentation, but someone is supposed to verify to the state agency that each hour of participation was, in fact, completed. States are particularly concerned that this rule could prove stigmatizing for recipients engaged in mainstream education and training programs that serve both TANF and non-TANF recipients and burdensome for participants and providers alike.
- **The preamble to the regulations states that homework time must be monitored in order to count, though the actual regulations (which carry the force of law) do not include this language.** This has garnered significant opposition among states and others, since most vocational educational programs require significant out-of-classroom work but do not offer supervised study halls. Nor is there any evidence that supervised study halls for adults are a good use of resources or useful to parents who must juggle school and family obligations and, sometimes, work.
- **Hours in *paid* work can be tracked using a different mechanism.** Under the regulations, states can project forward a recipient’s hours of participation in paid employment (unsubsidized or subsidized, including paid on-the-job training programs) for up to six months using current information about hours of employment. For example, if a recipient gets a job and is working 32 hours per week, the state can verify her current hours of employment and assume that she

¹⁹ 42 U.S.C. §607(c)(1)(A); 42 U.S.C. §607(c)(2)(B).

²⁰ 42 U.S.C. §607(c)(1)(B).

will continue to work 32 hours per week over the next six months. If the recipient reports that she has lost her job or her hours have been reduced — which would happen if, for example, she sought to have her benefits adjusted to reflect her reduced earnings — the state must change the hours of employment at that point. This rule lines up nicely with the rules in place in most states for reporting changes in income for the Food Stamp Program and allows states a simple mechanism with minimal paperwork burdens on families to track hours of employment for working families.

- **When the number of hours a recipient can participate in a work experience program or community service is limited by the minimum wage requirements of the Fair Labor Standards Act (FLSA), the state can deem the hours she is permitted to participate under the FLSA as meeting her full core hourly requirement.** The FLSA applies to work experience programs or community service programs when an employer-employee relationship is established.²¹ Under the FLSA, a recipient must receive benefits that at least equal the minimum wage multiplied by her hours of participation. The interim final regulations state that if recipients participate for the maximum number of hours allowed under the FLSA, the state may deem them as meeting the core hour requirement (20 hours for the all-families rate, 30 hours for the two-parent rate) *if* the state includes the value of their food stamp benefits in the FLSA calculation. In order to count food stamps toward this calculation, the state must adopt a mini-Simplified Food Stamp Program, which many states now have done.
- **Certain holidays and excused absences can count as participation in unpaid activities.** Under the interim final regulations, a state can establish holiday policies; if a recipient misses scheduled hours of unpaid work activities due to the holiday, those hours can count as participation in the work rate calculation. HHS has indicated that states must include a detailed listing of holidays in their Work Verification Plans. In addition, up to two days per month — and 10 days per year — of “excused absences” can count as hours of participation. This rule only applies to participation in unpaid activities.²²

What Activities Count as Participation?

The 1996 law sets forth 12 categories of work activities that can count toward the work participation rates. Neither the law nor subsequent regulations, however, defined what could be considered in each of these 12 categories; there were no federal rules defining “community service” or “work experience,” for example. The interim final regulations contain definitions for each of these categories.

²¹ It is likely that an “employer-employee” relationship is established in many mandatory programs that require community service. If a recipient is required to participate in community service for a set number of hours each week and risks loss of benefits if she does not meet this requirement, the program becomes very similar to a work experience program and likely creates an employer-employee relationship, which in turn triggers the FLSA requirements.

²² Recipients in paid employment can be counted as working for any hours for which they are paid. In addition, once a state has determined the number of hours which an employed recipient is working, it can use the number to project hours of work for the next six months. Thus, hours of work the recipient misses over the next six months — paid or unpaid — do not have to be tracked by the state as long as the recipient does not report losing her job or having a significant reduction in hours of employment.

The new definitions are quite narrow — much narrower than the definitions states had developed and used to determine their work participation rate previously.²³ For example, activities designed to address barriers to employment (such as mental health treatment) can count toward the work participation rates only under the category of “job readiness activities,” which are limited to six weeks per year for many states. The new regulations also prohibit states from counting recipients in bachelor’s degree programs toward the participation rates under the category of “vocational educational training.”

By statute, in the all-families participation rate calculation, nine activities — often referred to as “core” activities — can count toward any hours of participation. Three other “non-core” activities count only when the individual also has completed at least 20 per week of core activities.²⁴ (For the two-parent rate, families must complete 30 hours of core activities, or 50 hours if the family receives subsidized child care.²⁵) The nine core activities and their new definitions, provided by the interim final regulations, are:

- **unsubsidized employment** — “full- or part-time employment in the public or private sector that is not subsidized by TANF or any other public program” (§261.2(b));
- **subsidized private-sector employment** — “employment in the private sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing a recipient” (§261.2(c));
- **subsidized public-sector employment** — “employment in the public sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing a recipient” (§261.2(d));
- **work experience** — “a work activity, performed in return for welfare, that provides an individual with an opportunity to acquire the general skills, training, knowledge, and work habits necessary to obtain employment. The purpose of work experience is to improve the employability of those who cannot find unsubsidized employment. This activity must be supervised by an employer, work site sponsor, or other responsible party on an ongoing basis no less frequently than daily” (§261.2(e));
- **on-the-job training** — “training in the public or private sector that is given to a paid employee while he or she is engaged in productive work and that provides knowledge and skills essential to full and adequate performance of the job. On-the-job training must be supervised by an employer, work site sponsor, or other responsible party on an ongoing basis no less frequently than daily” (§261.2(f));

²³ Wade Horn, Assistant Secretary for Children and Families at HHS, has suggested that the definitions merely reflect the plain language of the 1996 statute. Others have noted that HHS had authority prior to the DRA’s enactment to determine states’ compliance with the TANF work requirements and, thus, had the authority (indeed, the obligation) to disallow credit for participation in activities that fell outside the statutory list of activities. That is, if HHS believed that the statute prohibited credit for certain types of activities, it could and should have disallowed that credit prior to the DRA. HHS’s failure to do so suggests that HHS — under both this and the former administration — believed that the statutory terms could be interpreted more broadly than HHS has chosen to interpret them under these regulations.

²⁴ 42 U.S.C. §607(c)(1)(A); 42 U.S.C. §607(d); 45 C.F.R. §261.31.

²⁵ 42 U.S.C. §607(c)(1)(B); 45 C.F.R. §261.32.

- **job search and job readiness assistance, for up to six weeks a year (12 weeks in “needy states”)** — “the act of seeking or obtaining employment, preparation to seek or obtain employment, including life skills training, and substance abuse treatment, mental health treatment, or rehabilitation activities for those who are otherwise employable. Such treatment or therapy must be determined to be necessary and certified by a qualified medical or mental health professional. Job search and job readiness assistance activities must be supervised by the TANF agency or other responsible party on an ongoing basis no less frequently than daily” (§261.2(g));
- **community service programs** — “structured programs and embedded activities in which TANF recipients perform work for the direct benefit of the community under the auspices of public or nonprofit organizations. Community service programs must be limited to projects that serve a useful community purpose in fields such as health, social service, environmental protection, education, urban and rural redevelopment, welfare, recreation, public facilities, public safety, and child care. Community service programs are designed to improve the employability of recipients not otherwise able to obtain employment, and must be supervised on an ongoing basis no less frequently than daily. A State agency shall take into account, to the extent possible, the prior training, experience, and skills of a recipient in making appropriate community service assignments” (§261.2(h));
- **vocational educational training, for up to 12 months per recipient** — “organized educational programs that are directly related to the preparation of individuals for employment in current or emerging occupations requiring training other than a baccalaureate or advanced degree. Vocational educational training must be supervised on an ongoing basis no less frequently than daily” (§261.2(i)); and
- **providing child care services to an individual who is participating in a community service program** — “providing child care to enable another TANF recipient to participate in a community service program. This activity must be supervised on an ongoing basis no less frequently than daily” (§261.2(m)).

The three non-core activities are:

- **job skills training directly related to employment** — “training or education for job skills required by an employer to provide an individual with the ability to obtain employment or to advance or adapt to the changing demands of the workplace. Job skills training directly related to employment must be supervised on an ongoing basis no less frequently than daily” (§261.2(j));
- **education directly related to employment, for recipients without a high school diploma or equivalent** — “education related to a specific occupation, job, or job offer. Education directly related to employment must be supervised on an ongoing basis no less frequently than daily” (§261.2(k)); and
- **satisfactory attendance at secondary school or in a course of study leading to a GED, for recipients without a high school diploma or equivalent** — “regular attendance, in accordance with the requirements of the secondary school or course of study, at a secondary school or in a course of study leading to a certificate of general equivalence, in the case of a

recipient who has not completed secondary school or received such a certificate. This activity must be supervised on an ongoing basis no less frequently than daily” (§261.2(l)).

In addition, for married or single-parent recipients under age 20, participating in education directly related to employment for at least 20 hours a week or maintaining satisfactory attendance at secondary school (or its equivalent) can count toward any hours of participation.²⁶

Under the 1996 law, no more than 30 percent of the families that count toward a state’s work rates may do so through vocational educational training or by being parents under age 20 who are attending school or education directly related to employment.²⁷ (A more detailed discussion of the circumstances under which education and training can count toward the participation rate can be found on page 33, in Chapter II.)

Of course, a state may choose to allow a family to participate in activities that do not count toward federal work rates. In some cases, such activities may be an important part of an effective individualized self-sufficiency plan. However, a state’s decisions about whether to do so are likely to be affected by the state’s strategy for meeting the federal work rates.

What Happens If a State Fails to Meet Its Required Work Rates?

If a state fails to meet one or both participation requirements, it will be penalized unless HHS determines that the state had “reasonable cause” or the state prepares a plan for corrective compliance that is then approved by HHS and implemented by the state. HHS has significant flexibility to define “reasonable cause,” though the statute requires HHS to grant reasonable cause if the state failed to meet the work participation rates because it was providing federally recognized good cause domestic violence waivers to victims of domestic violence.²⁸ HHS has generally chosen to limit the circumstances under which a state may claim reasonable cause for failure to comply, preferring to encourage states to submit corrective compliance plans.²⁹ HHS also can *reduce* a state’s penalty based on the extent of non-compliance.

The maximum penalty for failure to meet the all-families work rate is 5 percent of the state’s adjusted State Family Assistance Grant (SFAG) for the first year of failure. (The adjusted SFAG is equal to the basic TANF block grant minus amounts transferred to the child care or social services block grants and amounts spent through tribal TANF programs.) The maximum penalty then grows by 2 percentage points for each subsequent year of noncompliance, though the total cannot exceed 21 percent of the state’s adjusted SFAG.³⁰

If the state fails to meet the two-parent participation rate, the maximum penalty equals the maximum penalty for the all-families rate multiplied by the share of the state’s caseload that consists

²⁶ 42 U.S.C §607(c)(2)(C).

²⁷ 42 U.S.C. §607(c)(2)(D); 45 C.F.R. §261.33

²⁸ 45 C.F.R §261.52(b)(1); 45 C.F.R. §260.58.

²⁹ 45 CFR §262.5; 45 CFR §262.6.

³⁰ 42 U.S.C. §609(a)(3)(B); 45 C.F.R §261.50.

of two-parent families.³¹ For example, if 8 percent of the state's cases are two-parent families, the maximum penalty in the first year of noncompliance is 8 percent of 5 percent, or 0.4 percent of the adjusted SFAG. If the state fails both rates, the maximum penalty is 5 percent.

States that are penalized must spend additional state funds to make up the amount of the federal penalty. (These expenditures are not counted as MOE.) Any state that fails to do so is subject to an additional penalty of up to 2 percent of its basic TANF grant.³² Moreover, if a state fails to meet one or both work participation rates for any reason — even if it is granted “reasonable cause” or qualifies for a reduced penalty³³ — its MOE requirement for that year is 80 percent of its 1994 state spending on TANF-related programs, rather than the 75-percent requirement for states that meet both participation rates.³⁴ States that fail to meet only the two-parent rate must still meet the higher MOE spending level.

The Timeline for Work Participation Rate Penalties

It is useful to understand the timing of penalties, particularly for the initial years of implementation as states are adjusting to the new requirements and working to develop new policies and programs to meet the federal requirements. The likely timeline for a state that fails to meet the work rates in FY 2007 is as follows:

- **Data on work participation for FY 2007 is due to HHS by December 31, 2007.** These data can be revised by the state until March 31, 2008.
- **HHS computes the work participation rates for states.** In some years, this process has been delayed quite significantly — as of January 2007, for example, the work rates for FY 2005 were not yet available from HHS. HHS has said that it will try to compute the rates in a more timely fashion in the future and that the FY 2007 rates likely will be completed in the summer of 2008.
- **If a state fails to meet the FY 2007 rate, it has 60 days to make a claim of reasonable cause or submit a corrective compliance plan.** A state whose reasonable cause claim is denied has an additional 60 days from the denial date to submit a corrective compliance plan.
- **Most states' corrective compliance plans will likely run through FY 2009.** The plan must end at the end of the fiscal year that ends at least six months after the plan is approved. Thus, for most states, the plan period is likely to end September 30, 2009.
- **If the compliance period ends on September 30, 2009, the state will be judged to have met the terms of its corrective compliance if it meets the work participation rates in FY 2009.** Those data must be submitted to HHS by December 31, 2009 and can be revised until March 31, 2010.

³¹ 45 C.F.R. §261.51(a)(1).

³² 42 U.S.C. §609(a)(12); 45 C.F.R. §262.1(a)(12).

³³ 64 Fed. Reg. 17816 (April 12, 1999).

³⁴ 42 U.S.C. §609(a)(7)(B)(ii).

- **HHS likely will determine states' FY 2009 work participation rates in FY 2010.**
- **If the state did not achieve its required work participation rate in FY 2009 (and therefore did not meet the terms of the corrective compliance plan it submitted after failing to meet its work rate in FY 2007), HHS will impose a penalty in the first fiscal year following the fiscal year in which the penalty determination was made — in this case, FY 2011.**

Thus, penalties for failing to meet the work rates in FY 2007 are unlikely to be assessed until FY 2011.

When Do TANF-Related Requirements Apply?

As noted previously, the issue of which TANF-related requirements apply in specific cases depends on several variables: whether the benefits being provided are considered “assistance,” whether they are paid for with federal TANF funds, and whether they are provided in a program that is funded in whole or part with federal TANF funds. States must keep these variables in mind when they consider how to help a family.

“Assistance” includes benefits (cash or non-cash) that are designed to meet ongoing basic needs, as well as supportive services such as child care and transportation assistance that are provided to families that are not employed.³⁵ “Non-assistance” benefits are those that do not fall within the definition of assistance. They include: services that do not function as income support (such as education or counseling), non-recurring short-term benefits that provide less than four months of support, and certain supportive services provided to families in which an adult is employed (such as cash assistance used to offset work expenses and child care and transportation assistance). Wage subsidies — i.e., subsidies to employers that are used to help pay someone’s wages — are not considered assistance.³⁶

Federal work requirements apply to certain families receiving assistance in TANF- or MOE-funded programs, while federal time limits and child support requirements apply to families receiving assistance in TANF-funded programs:

- **Work requirements.** The DRA changed the rules in this area. Under the DRA, all families with an adult or minor head of household receiving “assistance” in a TANF- or MOE-funded program are counted when determining the state’s work participation rates. Previously, families receiving assistance in programs funded entirely with state MOE funds outside of the TANF program were not subject to federal work requirements.
- **Federal time limit.** Months in which a family that includes an adult receives “assistance” funded in whole or part with federal TANF funds count against the family’s 60-month federal time limit on assistance. While states are free to impose their own time limits on non-assistance or on assistance provided with MOE funds, the federal rules apply only to federally funded assistance.

³⁵ 45 C.F.R. §260.31.

³⁶ Ibid.

Would Some Families Be Better Served in a Program Outside the TANF/MOE Structure?

Federal requirements — both those in statute and those put in place by the new regulations — may make it difficult for states to serve some groups within of poor families in the most appropriate and effective manner within a TANF or MOE-funded program. Because the federal work rates are difficult to meet, states will feel pressure to engage most recipients of TANF- or MOE-funded assistance in the kinds of activities — and for the number of hours — that will enable the state to count these individuals toward the work rate.

Some families may be more appropriately served in a program outside the TANF and MOE structure, that is, through state-funded, non-MOE programs, often referred to as “solely state funded” programs or SSF programs. For example, parents with serious barriers to employment may need to engage in activities that do not count toward the participation rate such as mental health counseling, substance abuse treatment, activities to stabilize the family’s housing or to manage a domestic violence situation. Participation in a narrow set of activities that count toward the federal participation rate may be a poor match for these families. Similarly, some states have had significant success engaging some recipients in postsecondary education through programs that last more than 12 months or programs that result in a bachelor’s degree. Because some post-secondary education activities also are not countable toward the participation rate, these recipients also may be better served in a program outside the TANF and MOE structure. Finally, some states may want to serve two-parent families in an SSF to avoid penalties for failing to meet the high two parent participation rate which is widely viewed as unrealistically high.

To establish an SSF, a state need not spend additional state resources, though states are likely to need to increase their overall investment in welfare reform programs in order to improve outcomes for families. Instead, a state can swap funding. That is, it can use the federal TANF and state MOE funds freed up by reducing the number of families receiving TANF/MOE assistance (because those families are now being served in a solely state-funded program) to fund state programs that meet the TANF purposes, and then use the freed-up state funds to finance the SSF.

While states may want to model some aspects of their SSF on their TANF program for ease of administration, they should be aware that some federal requirements will differ. States are free to place time limits on their SSF, for example, but the federal time limit will not apply to families receiving SSF-funded assistance. Similarly, states must distribute child support collected on behalf of families receiving SSF-funded assistance to the families, though states can count as much or as little of that child support income as they wish when determining the SSF benefit level. (Currently, most states withhold the child support collected on behalf of TANF families, and states are required to send a share of those collections back to the federal government.^a)

In considering whether to establish an SSF program, states should consider questions such as: Which families should it serve? What benefits and should it include? How should it be financed? Should recipients have a choice between the SSF program and the regular TANF program? And, since some have questioned whether SSF programs could undermine the federal government’s long-term support for TANF funding, states should consider how to ensure that their SSF program is defensible to federal policymakers and the public. Still, SSF programs may be the best way to ensure that some families receive the most appropriate and effective forms of help.

^a There has been significant confusion about these child support rules. For a discussion of these and other issues related to SSF programs see, “Designing Solely State-Funded Programs: Implementation Guide for One “Win-Win” Solution for Families and States,” by Liz Schott and Sharon Parrott, Center on Budget and Policy Priorities, December 7, 2006.

- **Child support requirements.** Families that receive “assistance” in a program that receives federal TANF funding are required to assign their rights to child support to the state and cooperate with child support enforcement efforts. The state has the option to pass through some or all of the collected child support to the families, but regardless of its policy in this area it must send the federal government a portion (based on the state’s Medicaid matching rate) of the child support it collects on behalf of families receiving assistance in a TANF-funded program. Starting in October 2008, the federal government will waive its share, up to a monthly limit of \$100 per child and \$200 per family, of the collected child support that states that pass through to the families.

The federal child support statute requires states to distribute current child support collections (and, in most cases, arrears) to families once they are no longer receiving assistance in a TANF-funded program — including those families that receive assistance in a state-funded program. (This includes both MOE and non-MOE programs.)

In addition, federal law restricts states’ ability to use TANF funds (and, to a lesser extent, MOE funds) to provide assistance *or* non-assistance benefits to many immigrants. Most benefits and services provided with federal TANF funds can be provided only to: 1) citizens, or 2) non-citizens who are considered “qualified immigrants” *and* either have been in the United States for more than five years or meet certain narrow exceptions to this five-year bar. (“Qualified” immigrants include: legal permanent residents; refugees, asylees, and other specified groups who were allowed to enter the United States for humanitarian reasons; and several other smaller categories of immigrants.) States can, however, use MOE funds to provide benefits and services to these qualified immigrants in their first five years in the United States and to immigrants who are not qualified but are in the country legally (or with certain types of government permission). A state also can use MOE funds for those non-qualified immigrants who are not legally present if it has passed a law affirmatively providing for such benefits.

CHAPTER II: Improving Welfare-To-Work Programs and Increasing Engagement

Introduction

This chapter discusses how states can strengthen their welfare-to-work programs by increasing engagement and participation among recipients and improving the effectiveness of the employment services provided. The goals of the options discussed here are to improve employment outcomes for participants and increase states' work participation rates, although not every recommendation meets *both* of these goals simultaneously.

More specifically, this chapter discusses the following:

- **Designing effective work activities.** Despite federal restrictions, states continue to have some flexibility in the design of their welfare-to-work programs. States can use this flexibility to develop more comprehensive welfare-to-work strategies that help parents prepare for and find employment. Possible strategies include: making broader use of vocational educational training and on-the-job training; developing creative ways to combine education and training with other countable work activities; using effective subsidized employment strategies; and improving work experience and job search programs so they do more to connect recipients to higher quality unsubsidized jobs. To be effective, all work activities should include critical supports for families, including child care and transportation assistance. These strategies can help recipients prepare for employment and can link recipients directly to employers who have jobs available that match recipients' skills and interests.
- **Increasing engagement in work activities.** Many states have struggled to engage a large share of recipients in work activities. In some states, a significant number of recipients referred to welfare-to-work programs do not participate successfully; some perform the required activities but do not make progress, while others do not attend consistently.

Research has shown that many recipients have barriers to employment that impede their ability to participate fully or effectively in work activities. Some states and localities have achieved

high rates of engagement in program activities by improving screening and assessment procedures to identify barriers to employment, providing more-intensive case management services to families, referring clients to appropriate providers, seeking to match recipients to activities that will help them prepare for jobs in which they have an interest and the capability to succeed, and developing effective training and subsidized employment programs to help those with significant barriers transition to unsubsidized work.

- **Addressing the unique policy issues related to two-parent families.** Under the Deficit Reduction Act of 2005 (DRA), states are required to meet a 90-percent work participation rate for two-parent families. Most researchers and state agencies view this rate as unreachable unless states deny assistance to two-parent families who are unable to participate for the required number of hours, thereby pushing them deeper into poverty. The Administration’s welfare reauthorization proposal and the major House and Senate bills all would have eliminated the separate participation rate for two-parent families; however, this rate was continued under the DRA. States should consider how best to serve married families with multiple barriers to employment— whether inside or outside the TANF structure but should not eliminate aid to these families because of the new work requirements.

Policies that provide income supplements and other work supports to low-income working families are an important complement to the welfare-to-work program approaches discussed in this chapter. Chapter III discusses how income-supplement programs — through TANF, MOE, and child support policies — can help “make work pay” and increase a state’s work participation rate. (While a detailed discussion of other work supports, such as child care assistance, earned income tax credits, food stamps, housing assistance, and health care is beyond the scope of this report, such supports are critical to the success of the programs described here. Appendix I has a resource list for information on these programs.)

Creating Effective and Countable Work Activities

During the 1990s, many states emphasized a “work-first” approach that focused on immediate job search. While many states later adopted more varied programs, most welfare-to-work programs still feature a narrow set of activities associated with a “work-first” approach. In 2004, two-thirds of TANF recipients who counted toward meeting federal work participation rates were participating in job search and job readiness activities or unsubsidized employment, just two of the 12 categories of allowable work activities.³⁷ This “work-first” strategy, coupled with a strong economy and strengthened work supports for low-income working families (such as child care, EITC and Medicaid), helped lead many parents to leave welfare for work.

Research has shown, however, that under existing “work-first” welfare-to-work programs, many of those who leave welfare for work remain poor and some parents are unable to find stable employment. According to a compilation of studies, 71 percent of former TANF recipients worked at some point in the year after leaving TANF, but only 37 percent worked in all four quarters of the year.³⁸ Similarly, a recent study of families that left the Wisconsin TANF program found that most

³⁷ Office of Family Assistance, U.S. Department of Health and Human Services, 2004 Work Participation Rates, Table 4b, <http://www.acf.hhs.gov/programs/ofa/particip/2004/table04b.htm>.

³⁸ Acs, Loprest, Roberts, Final Synthesis Report of Findings from ASPE’s Leavers Grants, 2001.

families remained poor six years after they left TANF. In the sixth year after leaving TANF, only 16 percent of families had earnings above the federal poverty line, and 60 percent were extremely poor, with earnings below 25 percent of the poverty line.³⁹

States can improve employment outcomes for TANF recipients by making more effective use of a broader range of work activities, including vocational educational training and subsidized jobs, and improving activities that already are in use, such as job search and job readiness activities.

Research on welfare-to-work programs has consistently shown that the most effective programs are those that adopt a “mixed strategy” — that is, programs that focus on employment but include significant use of education and training and other activities. Research on low-wage workers and on job training programs suggests that programs will be more effective if: they target industries and occupations with relatively high earnings, employment growth, and opportunities for advancement; they are closely connected to employers to help TANF recipients gain access to better jobs than they could have gotten on their own; and caseworkers strive to match work activities and employment goals to individual recipients’ strengths, barriers, and interests. In short, these programs succeed in part because they do not take a one-size-fits-all approach to assigning recipients to activities.

This section discusses what is known about the effectiveness of various work activities that count toward the TANF participation rates and recommends ways to use these components to create a mixed-strategy welfare-to-work program.

While states will need to increase the number of recipients in countable work activities to move toward meeting the new participation rates, they should not exclude other useful approaches that can improve the prospects of families, but are not countable toward the federal participation rates. For example, some parents may benefit from full-time participation in postsecondary education beyond 12 months, in programs leading to a bachelor’s degree, or in activities tailored to the needs of individuals with disabilities or other barriers to employment.

Job Search and Job Readiness Assistance

Job search and job readiness activities are part of every state’s TANF program. Under the federal TANF law, recipients engaged in job search or job readiness activities may count toward work participation rates for a total of six weeks in a year — or 12 weeks for states that meet certain criteria — but no more than four weeks consecutively.⁴⁰ (As of June 2006, more than half of the states met the criteria that will permit them to count up to 12 weeks of participation in these activities, but the four week consecutive limitation still applies.)⁴¹ The new regulations define job search and job readiness assistance as “the act of seeking or obtaining employment, preparation to seek or obtain

³⁹ Chi-Fan Wu, Maria Cancian and Daniel Meyer, “Standing Still or Moving Up? Evidence from Wisconsin on the Long-Term Employment and Earnings of TANF Participants,” October 2005, DRAFT.

⁴⁰ In states in which the state has been determined to meet the “needy state” criteria as defined in the contingency fund section of the TANF statute, 12 weeks of job search and job readiness activities may count toward the rates, but the limitation of four consecutive weeks of these activities remains in place. §261.34

⁴¹ ACF Program Instruction, TANF-ACF-PI-2006-04, September 25, 2006. <http://www.acf.hhs.gov/programs/ofa/pi-ofa/pi200604.htm> For more discussion of this provision, see: Elizabeth Lower-Basch, “Two-Thirds of States Qualify for Extended Counting of TANF Job Search and Job Readiness Assistance,” CLASP, October 5, 2006, http://www.clasp.org/publications/two_thirds_qualify.pdf.

employment, including life skills training, and substance abuse treatment, mental health treatment, or rehabilitation activities for those who are otherwise employable. Such treatment or therapy must be determined to be necessary and certified by a qualified medical or mental health professional.”⁴² Under the language in the preamble, these services may not be counted under any of the other unpaid work activities. In the December 2006 guidance on Work Verification Plans, HHS has indicated that such services could be counted as part of a subsidized employment program if the client is paid for the hours of participation in the activities. However, HHS also stated that supportive services can not count under OJT, even if the client is being paid to attend them.⁴³

In this guidance, HHS further stated that activities including “time spent in or arranging for transportation or child care” “do not have a direct connection to finding or preparing for employment.”⁴⁴ This restriction appears to contradict the plain language of the regulatory text, which states that job search and job readiness assistance may include “preparation to seek or obtain employment.” States may wish to continue to discuss this issue with HHS as part of the approval process until their work verification plan is finalized. In any case, states should allow participants to engage in such activities when needed, whether or not they are countable toward the participation rate calculation since recipients who do not have stable child care arrangements are unlikely to participate consistently.

Some state “work-first” approaches always assign job search as an individual’s first activity and use his or her success in the labor market search as a preliminary assessment of the person’s employability. This approach was particularly popular in the late 1990s. It does not allow for the early identification of barriers, however, and given the prevalence of barriers among TANF recipients, some states that initially took this “labor market as assessment” approach have backed away from it. For example, Washington State recently changed its policy of assigning nearly all recipients to job search as the first activity and instead conducts screenings and assessments prior to assigning recipients to job search or other program components.

Because federal law limits the extent to which participation in job search and job readiness activities counts toward TANF work participation rates, states should avoid using up TANF recipients’ countable participation time in unstructured job search programs in which recipients are required to make a certain number of job contacts but which do not help recipients prepare for their job search, connect directly with employers who have jobs that are a good match for their skills and interests, and identify barriers to labor market success. In addition, because the new regulations only allow barrier removal activities to count toward the work participation rates under the job search and job readiness category, states will need to be deliberate about assessing TANF recipients thoroughly before beginning an activity, and ensuring that those that need barrier removal services get them as soon as possible.

⁴² 45 C.F.R. §261.2(g). It is unclear in the regulations what “otherwise employable” was intended to mean and states have taken different approaches to this language in their work verification plans. As a practical matter, many recipients may need a combination of activities to become “employable.”

⁴³ Further Guidance.

⁴⁴ Ibid.

Because the new regulations require that job search and job readiness activities be supervised and participation reported no less frequently than daily, states that have had less structured job search programs may need to redesign their current programs substantially. However, in the December 2006 guidance, HHS indicated that it would accept a plan that called for participants to keep a daily log of contacts and the time spent searching for work and to submit that log to their caseworkers bi-weekly. HHS also included sample language that states that “daily supervision” does not require daily in-person contact, so long as participants have “access to a case manager or other employment services provider worker for the participant to report on progress or seek additional guidance as needed before the next regularly scheduled contact.”⁴⁵ States should ensure that the additional contact with program staff results in job seekers getting more help finding employment. Simply requiring recipients to attend more meetings with caseworkers to document that they have been looking for work everyday is unlikely to improve employment outcomes and may simply lead to more sanctioning of recipients who fail to attend meetings.

Depending on the characteristics of the local TANF population and job market, a comprehensive job search and job readiness strategy may well take longer to help parents secure jobs than the limited period that is countable under the federal participation requirements. States and counties should consider continuing effective job search and job readiness programs beyond the federal limits on counting them if some recipients find employment in the several weeks immediately following the countable period. However, a lengthy and unproductive job search program, during which recipients face repeated rejection from employers, will frustrate recipients and reduce the state’s work participation rate. Moreover, as discussed later in this chapter and in Chapter IV, many recipients with barriers to employment may require job readiness activities for longer periods of time than allowed under the job search/readiness limits. These recipients should be provided with appropriate services regardless of those limitations, either within a TANF/MOE program or in a solely state-funded program.

How Can States Design More Effective Job Search and Job Readiness Programs?

States can take several steps to improve the effectiveness of their job search and job readiness programs:

- **Job search and job readiness programs should seek to identify recipients’ skills and barriers to employment and serve as a gateway to additional services and supports for those who need more help to succeed in the labor market.** Job search and job readiness programs should seek to assess participants’ skills, abilities, and interests as well as barriers to employment. As is discussed in more detail below, assessment should start early and continue throughout recipients’ engagement in the program. Since job search and job readiness programs are often the first activities in which recipients participate, they provide an important opportunity to begin determining whether recipients have barriers that require additional services. These programs, therefore, should be able to refer recipients who are not succeeding in this activity for more in-depth assessments and for more intensive services, including education, training, and mental health or substance abuse treatment.⁴⁶

⁴⁵ Further Guidance.

⁴⁶ Anu Rangarajan, Peter Schochet and Dexter Chu, “Employment Experiences of Welfare Recipients; Who Finds jobs: Is Targeting Possible?” 1998, pp. 98-99.

- **Job search programs should include job readiness components.** Research suggests that job search programs are most effective when they include job readiness components — including “soft skills” training in which recipients are taught workplace norms, communication skills, and time management skills that can help them manage the demands of work and family responsibilities.⁴⁷ To introduce participants to a “culture of employment” and boost their soft skills, some successful job placement programs have made their program environments mimic the workplace. Some programs also offer regularly scheduled workshops or other activities before recipients are connected to employers so that staff can assess participants’ soft skills and address any issues before they arise at the workplace.⁴⁸ Some job readiness programs have made effective use of job shadowing (allowing recipients to watch someone doing the same or similar job for which the recipient may apply) and other career exploration activities to help recipients identify jobs that match their skills and interests.
- **Job search programs should encourage recipients to look for jobs that offer adequate wages and benefits and opportunities for advancement, rather than focusing their job search on the most easily attainable low-wage jobs.** An evaluation of a welfare-to-work program in Portland, Oregon in operation in the mid-1990s and other studies of welfare-to-work programs suggest that when job search programs do more to help recipients connect to jobs that offer higher wages in growing industries that offer advancement opportunities, recipients are more likely to find stable employment and escape poverty.⁴⁹ This points to the importance of building stronger connections with employers and analyzing local labor markets to identify higher-quality employment opportunities that will help families become economically self-sufficient. In Portland, full-time job developers worked closely with local employers to identify jobs that paid above the minimum wage and offered the best chance for stable employment and the state Employment Department linked participants with such jobs.

More generally, studies have found that women, including those with a history of welfare receipt, work longer and more consistently when they find jobs that pay higher starting wages.⁵⁰ And research has shown that for both low-wage workers and public assistance recipients alike,

⁴⁷ Rangarajan, p. 99.

⁴⁸ Julie Strawn and Karin Martinson, “Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce,” MDRC, 2000, p. 33. Jodie Sue Kelly, “Seven Ways to Boost Job Retention,” Enterprise Foundation, 1999, <http://www.enterprisefoundation.org/resources/WSS/section5/njiac.asp>; Anu Rangarajan, p. 99. New York’s Vocational Foundation, Inc, created a five month program to mimic the workplace for participants to, among other things, help them “develop good work habits before they being paid employment, when the consequence of failing to follow the rules can be the loss of the job.” See, Tony Proscio and Mark Elliot, “Getting In, Staying On, Moving Up: A Practitioners Approach to Employment Retention,” Working Ventures, 1999.

⁴⁹ The evaluation of the Portland program was part of the National Evaluation of Welfare-to-Work Strategies which evaluated several programs across the country.

⁵⁰ See, for example, Anu Rangarajan, Peter Schochet, and Dexter Chu, “Employment Experiences of Welfare Recipients; Who Finds Jobs: Is Targeting Possible?” 1998, http://www.acf.hhs.gov/programs/opre/welfare_employ/post_employ/reports/employ_experiences/emp_experience_s.pdf; and Heather Boushey, “Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth,” Washington, DC: Economic Policy Institute, June 2002, http://www.epi.org/content.cfm/briefingpapers_bp128.

those employed in certain industries — such as business services, health services and special trade contractors (including plumbers and electricians)— are more likely to escape low-wage status as they gain more experience in the industry.⁵¹

- **Job search programs should develop strong relationships with employers.** Job search and job readiness programs that develop ties to employers — and work to understand the kinds of skills individual employers need — can link recipients directly to employers who have jobs that match recipients’ skills and interests.⁵² Programs that become adept at providing employers with job applicants who become successful employees provide a valuable service, which, in turn, will encourage employers to notify the program when future openings emerge. To improve recipients’ chances of succeeding in the workplace, job search programs can also help employers develop orientation sessions for new employees⁵³ and strategies to resolve problems that may arise, such as difficulties with child care.
- **Job search programs should connect participants to necessary work supports such as child care and transportation.** In the past, many states did not provide child care subsidies for those recipients participating in individual job search. This limited the effectiveness of recipients’ job searches. Recipients who have stable child care and reliable transportation during job search and job readiness programs will be better able to participate in these programs consistently. Recipients also need these supports to be in place when they receive a job offer so they can start working immediately. Parents are more likely to adjust to a new job successfully if they are not also trying to help their children adjust to a new child care routine, or trying to figure out how they are going to get to work, at the same time. One employer of low-wage workers commented, “In my opinion, most welfare reform programs are...sending people out to work before they are ready, while they still have child care and transportation problems that will cause them to fail at work. This winds up irritating employers like me, who become reluctant to hire from this source.”⁵⁴

Furthermore, if recipients are going to be required to be at a job search program for specific, scheduled hours, they will need child care in order to comply. Moreover, the child care protection in the TANF statute which prohibits states from sanctioning recipients that fail to comply with work requirements because of a lack of child care would apply to such structured programs.

Strategically Claiming Hours of Participation as Job Search and Job Readiness

The preamble to the interim final rules says that recipients exhaust a week of job search and job readiness that is countable if the state counts the recipient as participating for even a single hour of

⁵¹ Fredrik Andersson, et al, "Successful Transitions out of Low-Wage Work for Temporary Assistance for Needy Families (TANF) Recipients: The Role of Employers, Coworkers, and Location," April 2004, http://www.urban.org/UploadedPDF/410997_FinalReport_HHS.pdf.

⁵² Carol Clymer and Laura Wyckoff, “Employment Retention Essentials: Building a Retention-Focused Organization,” Public Private Ventures, 2003; and Frederica Kramer, “Job Retention and Career Advancement for Welfare Recipients,” Welfare Information Network, 1998, <http://www.financeproject.org/Publications/issueretention.htm>.

⁵³ Jodie Sue Kelly, "Retention and Career Advancement," Cygnet Associates, 2001.

⁵⁴ Talor J. Combes and J. Rubin, "Engaging Employers to Benefit Low-Income Job Seekers," Jobs for the Future, 2005.

these activities during any seven day period.⁵⁵ In the December 2006 guidance, HHS explicitly rejected state proposals to convert the durational limits to days, or to ignore them if the number of hours of participation that are counted do not exceed a minimum threshold.⁵⁶

States should therefore think carefully about *when* they claim hours of participation in this category. If a recipient is not going to meet the federal work participation rate standards in a particular month, then the state may not want to report the hours the individual does participate in job search/readiness activities under those categories for that month. (If the hours are not reported, then the time does not count against the four, six, and 12 week durational limits.) HHS has recommended this approach, but it carries a significant risk from a public relations perspective. For a number of years, HHS officials have claimed that a very large proportion of TANF recipients are engaged in “no hours” or work participation, based on the data states submitted to HHS. States have contended that this is misleading, because some states did not report hours of participation in activities that did not meet the federal definitions or that fell below the minimum hourly requirements. If states now routinely do not report hours of participation that do not count toward the federal participation rate calculation, they will leave themselves open to this same criticism. Thus, states should consider reporting those partial hours of job search/readiness activities as “other state activities” if it does not want to report them as participation in job search/readiness.

Similarly, if a recipient meets the work participation standards and would meet them if their job search/readiness activities were excluded — as could happen for recipients who participate in these activities for only a few hours over the course of the month — states should consider *not* reporting those hours under the job search/readiness category, but reporting them as “other state activities” instead.

*Front-End Programs Can Provide Some Additional Time for
Assessment, Employment Services Planning, and Job Seeking Activities*

Some states are considering instituting “front-end” programs that would provide non-assistance benefits to some families that would have been eligible for TANF prior to the family receiving ongoing TANF benefits.⁵⁷ These front-end programs can: (1) provide non-recurring lump sum benefits (not to exceed a family’s needs over a four month period) to help families meet their basic needs, (2) assess families’ circumstances, (3) develop an employment plan, (3) provide time for the family to secure child care or address other short-term issues such as unstable housing, (4) provide time for the family to look for work if appropriate, and (5) serve as a bridge to programs designed to help low-income working families for those participants who find jobs and have earnings that make them ineligible for ongoing TANF assistance.⁵⁸ There are many ways to structure such front-end programs — some states are considering sending all TANF applicants to such a program while others would limit participation to those most job ready.

⁵⁵ 71 Fed. Reg. 37459-37460.

⁵⁶ Further Guidance.

⁵⁷ A front-end program also could provide ongoing benefits, but if funded with TANF or MOE funds, those benefits would be considered “assistance” and participants would be included in the work participation rate calculation.

⁵⁸ For a detailed discussion of the design issues related to front-end programs and programs currently in place in Pennsylvania and Minnesota, see Liz Schott, “Up-Front Programs for TANF Applicants,” Center on Budget and Policy Priorities, January 2007, <http://www.cbpp.org/1-16-07tanf.htm>.

If families in the front-end program are receiving benefits that do not constitute “assistance,” they are not included in the state’s work participation rate calculation and the time participants spend in job search or job readiness activities do not count against the durational limits on these activities. Since many families are unable to meet the TANF work participation standards in the first couple of months of TANF receipt, a front-end program may increase a state’s participation rate by removing such families from the denominator of the work participation rate calculation during a time when they may be unlikely to participate for enough hours to meet the participation rate standards. (Note that some states achieve high participation rates in the early months of TANF receipt, so states should examine their data and determine how a front-end program might impact their participation rates.)

While a state can adopt any policy it wishes with respect to its state time limit, participation in a front-end program in which only non-assistance benefits are provided does not count against a family’s federal 60-month time limit and the families are not considered “TANF recipients” for purposes of child support-related rules.

A front-end program, if properly designed, can provide additional time for the state to assess the needs and circumstances of the family and develop an appropriate employment plan for them, effectively expanding the length of time a state has before the work participation rates apply and the “clock” on job search and readiness activities starts to tick. Families that find employment during the front end program may avoid TANF receipt altogether, or, depending on the states’ income disregard policies, may qualify for supplemental assistance due to their low wages. Families that do not find employment may be ready to engage in required activities when they shift from the front-end program to a TANF or MOE-funded assistance program.

While front-end programs can help address family needs and increase participation rates, poorly designed front-end programs can create significant barriers to ongoing assistance for those families that need longer-term aid. When designing a front end program, it is important to create a seamless transition from this program to appropriate assistance programs (which may include TANF or MOE-funded assistance programs or assistance programs funded with non-MOE state funds) for those families that need ongoing assistance at the completion of the front-end program. If this system is not seamless, some vulnerable families could lose access to needed assistance altogether.

As discussed in Chapter III (see page 76), a front-end program can serve as a bridge to programs that provide assistance to working families by ensuring that families that find jobs during the front-end program are eligible for the often-higher “recipient” earnings disregards in the state’s TANF program and for any programs designed to provide aid to former TANF recipients who are working, including those that provide income assistance or transitional benefits such as child care.

Education and Training⁵⁹

Education and training can promote better employment outcomes and help states meet federal work rates at the same time. Higher levels of education are closely associated with increased earnings and lower rates of unemployment. Between 1973 and 2005, the real wages of workers with

⁵⁹ For more detail, see Evelyn Ganzglass, “Strategies for Increasing Participation in TANF Education and Training Activities,” Center for Law and Social Policy, April 2006, http://www.clasp.org/publications/tanf_ed_training.pdf.

less than a high school diploma declined by 16 percent, while the wages of those with a college education increased by 17 percent.⁶⁰ About 42 percent of all adult TANF recipients have less than 12 years of education⁶¹ and thus lack the qualifications that are increasingly necessary to obtain good jobs. As discussed below, research has consistently shown that welfare-to-work programs that include a strong skill-building component are more successful than those that follow a narrow “work-first” approach.

Despite the clear connection between education and success in the labor market, the TANF system has invested relatively little in what should be an important component of a welfare-to-work strategy. In FY 2005, less than 2 percent of state and federal TANF funds were spent on such services. In addition, preliminary estimates by the Congressional Research Service indicate that in FY 2004, just over 5 percent of families in TANF and separate state programs who would count toward the participation rates under the DRA either participated in vocational educational training or were teens that maintained satisfactory attendance in secondary school or participated in a course of study leading to a GED. *Almost all states have room to increase substantially the number of people in vocational educational training*; as noted earlier, up to 30 percent of recipients counting toward a state’s participation rate can be in vocational education training or can be teens who are participating in high school.

How Effective Are Education and Training Programs for TANF Recipients?

Research on welfare-to-work programs over the last ten years has shown that the most successful strategies for helping parents work more consistently and increase their earnings emphasize employment *and* provide a range of services that include a strong education and training component. The Portland program (described briefly on page 30), which was more successful in achieving these goals than any other program evaluated as part of the National Evaluation of Welfare-to-Work Strategies (NEWWS), offered a substantial number of instructional hours in education and training per week, linked training to job search, closely monitored participation, and emphasized obtaining jobs that paid above the minimum wage and offered a good chance of stable employment.

In particular, welfare-to-work programs that have helped parents obtain higher-paying jobs have typically made substantial use of longer-term training. In Portland, over half of those with a high school diploma attended a community, two-year, or four-year college at some point in the five years after entering the program — a 66 percent increase compared to a control group. Among those entering the program without a high school diploma, four times as many received occupational certificates compared to the control group. In addition, the three NEWWS sites that most increased hourly pay for non-graduates after two years of follow-up — Portland, as well as Columbus, Ohio, and Detroit — also boosted participation in longer-term training for this group. In three other NEWWS sites, non-experimental analysis found that those who participated in basic education and

⁶⁰ L. Mishel, J. Bernstein, and S. Allegretto, *The State of Working America 2006/2007*, Economic Policy Institute.

⁶¹ U.S. Department of Health and Human Services, *FY 2004 Characteristics and Financial Circumstances of TANF Recipients*, Table 25, <http://www.acf.hhs.gov/programs/ofa/character/FY2004/indexfy04.htm>.

How Do the Federal Work Rates Count Participation in Education and Training?

The 1996 federal TANF law identifies 12 specific areas of work activity that may count toward states' work participation rates.^a Five of these primarily involve education and training:

- vocational educational training;
- job skills training directly related to employment;
- education directly related to employment, in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency;
- satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalency, in the case of a recipient who has not completed secondary school or received such a certificate;
- on-the-job training.

The law sets several limits on when states can count participation in these activities toward the work rates:

- There is a 12-month lifetime limit on the period for which a recipient who is participating in vocational education training can be counted toward the state's work rates.
- Up to 30 percent of participants who are counted toward a state's work rates may do so through vocational educational training or by being a teen head of household who either maintains satisfactory attendance in secondary school or participates in education that is directly related to employment (if they have not received a high school diploma or a certificate of high school equivalency).
- For all recipients other than teens, job skills training, education directly related to employment, and secondary school/GED classes can count toward the work rates only when combined with at least 20 hours per week (30 hours per week for two-parent families) of participation in "core" countable activities. (For a list of "core" and "non-core" activities, see page 17 in Chapter I).

In considering the effects of these limits, it is important to note that some education and training activities fit into more than one of the five categories listed above. For example, participation in an occupational certificate program could be classified as vocational education training for a TANF recipient who had not exhausted his or her 12-month limit and as job skills training for a recipient who was working 20 hours a week — and thus could be countable toward the work rates in both cases.

The limits on counting various education and training activities toward the work rates will influence states' program design decisions. Sometimes, states may want to engage a recipient in education and training even when it will not count toward the work rate because, in the state's view, it will help the family move from welfare to work or secure a better job. In such cases, states may want to provide assistance outside the TANF structure (i.e., with state funds that do not count toward the MOE requirement) so these families are not included in the base population from which the work rate is calculated. This option is discussed further below.

^a For a more detailed discussion of how the participation rates are calculated, see Chapter I.

California students who left with an Associate degree (which required 60 or more course units) earned, on average, five times more in their second year out of school than they had when they entered college.

then went on to participate in postsecondary education or training had 47 percent higher earnings in the third year of follow-up compared to those who participated only in basic education.⁶²

In addition, several non-experimental studies suggest substantial economic benefits for TANF recipients of *postsecondary* education. A study of TANF recipients who exited California community colleges in 1999 and 2000 found that TANF students were twice as likely to work year-round after college as they had been prior to entering the program. The study found that, in general, vocational certificate programs needed to be at least 30 units in length to yield earnings levels of more than \$15,000 by the second year out of school. Students who left with an Associate degree (which required 60 or more course units) earned, on average, five times more in their second year out of school than they had when they entered college; average earnings in this group jumped from \$3,916 to \$19,690. Nursing and dental associate degrees had a particularly high payoff with graduates in those programs earning \$37,000 by the second year out of college.⁶³

Participation in such vocational certificate and Associate degree programs, as well as in non-credit vocational education, can count toward the first 20 hours of required TANF work hours as “vocational educational training,” as long as the programs prepare individuals for employment in current or emerging occupations. However, the regulatory definition of vocational educational training explicitly rules out postsecondary education that directly results in a baccalaureate or advanced degree.⁶⁴ (HHS has stated that such activities can be counted as job skills training, if directly related to employment.⁶⁵ However, to be counted as such, hours in postsecondary education must be combined with 20 hours per week of a core work activity.)

While research suggests that combining work and skill upgrading can be effective for low-income parents, three important caveats must be considered:

- **Programs that offer education and training to current or former recipients who are also working generally suffer from very low participation.** This reflects the difficulty many single parents face in juggling work, family, and school responsibilities.⁶⁶ It is important for states to be realistic about how much parents can

⁶² Gayle Hamilton, "Moving People From Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies," U.S. Department of Health and Human Services, July 2002, <http://aspe.hhs.gov/hsp/newws/synthesis02/>.

Johannes M. Bos, et al "Improving Basic Skills: The Effects of Adult Education in Welfare-to-Work Programs," MDRC, 2002, <http://www.mdrc.org/publications/179/full.pdf>.

⁶³ A. Mathur with J. Reichle, J. Strawn, and C. Wisely, "From Jobs to Careers- How California Community College Credentials Pay Off for Welfare Participants," Center for Law and Social Policy, May 2004.

⁶⁴ 45 CFR §261.2(i) and preamble discussion.

⁶⁵ Further Guidance.

⁶⁶ David Fein and E. Becroft, "College as a Job Advancement Strategy: Final Report on the New Visions Self-Sufficiency and Lifelong Learning Project," Abt Associates, Inc., January 2006. Also, H. Hill, G. Kirby, and T. Fraker, "Delivering Employment Retention and Advancement Services: A Process Study of Iowa's Post-Employment Pilot," Mathematica Policy Research, 2001; and D. Paulsell and A. Stieglitz, "Implementing Employment Retention Services in Pennsylvania: Lessons from Community Solutions," Mathematica Policy Research, 2001.

really work and still succeed in school, and to take full advantage of the 12 months allowed for parents to engage in vocational educational training alone.

- **Too many hours of work can harm an adult’s chances of completing his or her skill-upgrading course of study.** A recent study of the New Visions Self-Sufficiency and Lifelong Learning Project found that participants who work more than 120 hours per month were substantially less likely to participate in that program or other employment and training activities.⁶⁷ Similarly, research by the U.S. Department of Education found that students who work 15 hours or more per week were much more likely to report that work interfered with their schooling by limiting their class choices and schedules, the number of classes they could take, and their academic performance.⁶⁸
- **Participants are likely to increase their earnings far more if they obtain postsecondary occupational credentials than if they only increase basic skills, even if they receive a GED.** Research suggests that the effectiveness of education-focused welfare-to-work programs has often been limited by a weak connection to employment and by participants receiving too few hours of instruction to substantially improve literacy and math skills or obtain a GED. Further, while this research found that the largest economic benefits went to adult education participants who went on to postsecondary occupational programs, few made that transition.⁶⁹ In the New Visions program, for example, only about one-fourth of participants completed the core program (work conflicts were the most commonly cited reason for dropping out); moreover, the core program was focused primarily on increasing academic skills such as math, English, and reading rather than preparing participants for specific occupations.⁷⁰

How Can States Design Effective Education and Training Programs?

Research on effective welfare-to-work programs, the difficulty of combining training and work, and the low skill levels of TANF recipients all suggest that states should consider the following recommendations when designing their education and training programs:

1. Engage participants in vocational educational activities for all required hours during the initial 12 months that such participation can count as a “core activity” (that is, for the first 20 hours of participation or the first 30 hours for most two-parent families). This will allow participants to make as much progress as possible toward a credential before they tackle the more difficult task of combining training with 20 hours a week of other activities.
2. Develop education and training programs that are accessible to recipients who lack the basic skills that often are prerequisites for training programs that can prepare recipients for high-demand, better-paying jobs.

⁶⁷ Fein and Beecroft, 2006.

⁶⁸ Ali Berker and Laura Horn. 2003. "Work First, Study Second: Adult Undergraduates Who Combine Employment and Postsecondary Enrollment," NCES 2003–167, Washington, DC: National Center for Education Statistics, U.S. Department of Education, Institute of Education Sciences.

⁶⁹ Bos, 2002.

⁷⁰ Fein and Beecroft, 2006.

3. Develop flexible training opportunities and provide appropriate supports, such as work-study jobs, child care, and intensive career and academic counseling, to increase the likelihood that a parent will successfully combine training with other core work activities and parenting.
4. Allow recipients to participate in non-countable educational activities by providing them with financial assistance through solely state-funded programs. Such programs could cover students in need of extended basic skills training, those who have exhausted their 12 months of vocational educational training, or those enrolled in programs leading to a bachelors or advanced degree. Several states are considering such programs.

These recommendations are explored in greater detail below.

1. Utilize vocational educational training as a stand-alone activity. Vocational educational training can count toward all hours of the participation-rate calculation for up to 12 months per person. After that period, training programs must be combined with at least 20 hours of participation in other core activities. Given this structure, states should maximize the effectiveness of the first 12 months of education and training programs to build pathways to postsecondary education and credentials that have a significant payoff in the labor market. In designing vocational educational training programs, states should:

- offer intensive programs that result in a certificate and fit within the 12-month limit (or longer if states are willing to provide access to these programs as a non-countable activity or outside the TANF structure); and
- connect recipients who have exhausted their 12 months of full-time participation in vocational education training with further education and training that can be pursued in conjunction with other activities and that lead to postsecondary occupational credentials with demonstrated value in the local labor market.

2. Make training accessible to recipients with low basic skills. Given the low skill levels of many TANF recipients, states should develop skill-upgrading opportunities that are accessible and appropriate for individuals without high school diplomas, with limited English proficiency, and with other significant skill deficits.

- **Basic skills and ESL instruction can be a part of vocational educational training programs.** The primary way for basic skills instruction and English as a Second Language (ESL) to count toward the core hours of the participation rate is if these classes meet the regulatory definition of vocational educational training. The regulations themselves say only that vocational educational training must prepare individuals for current or emerging occupations requiring training other than a bachelors or advanced degree. The preamble of the new regulations — which is not binding in the same way that the rules themselves are but does suggest how HHS will interpret the rules — says that basic skills training may be counted as vocational educational training “as long as it is of limited duration and is a necessary or regular part of the vocational educational training.”

Programs which contextualize basic skills or English language instruction for an occupation or integrate it with occupational training would be allowed under the preamble language. The preamble also appears to leave room for states to count as part of vocational educational training a limited period of other basic skills and English language instruction as necessary — for example, through a bridge program — for someone to successfully enter and complete a vocational educational training program.

The December 2006 guidance states that basic and remedial education and ESL can only count as part of vocational educational training if they are “embedded activities” and if the work verification plan describes why they are considered to be an integral part of the activity.

- **Basic skills and ESL instruction also can count as non-core activities.** These programs can count under the following “non-core” categories: education related to employment, job skills training and high school completion (including GED). To enable parents to combine these activities with work, states should consider developing educational programs that are offered at times and places that are convenient for working adults and providing child care assistance for participants.
- **States may wish to explore whether basic skills and ESL instruction can count as part of on-the-job training (OJT) for employed recipients.** The regulations define OJT as “training in the public or private sector that is given to a paid employee while he or she is engaged in productive work and that provides knowledge and skills essential to the full and adequate performance of the job.” However, in the December 2006 guidance, HHS stated that “various educational activities can not count under OJT” even if paid. It is unclear how HHS is distinguishing between educational activities and training, and states may wish to pursue this issue as part of their work verification plan approval process.

Simply improving basic skills for parents with low skills is unlikely to lead to jobs that can support a family, and a GED alone has been shown to have a fairly limited pay-off in the labor market. Instead, the goal should be to help such recipients upgrade their basic skills to a point where they can then participate in programs that lead to a credential with demonstrated value in the local labor market, typically an occupational credential. States can create clear paths to such credentials, even for those who initially have lower level skills and/or limited English proficiency, in the following ways:

- **Support “bridge” programs for students with very low skills to master specific educational and occupational skills that are needed for immediate employment and to meet requirements for entry into postsecondary occupational training programs.** Arkansas, for example, is developing such occupation-specific bridge programs as part of a statewide career pathways initiative for TANF recipients.⁷¹ This program prepares students for employment in manufacturing, welding, emergency medical services, nursing and technician-level allied health professions,⁷² business, and education. In this case, the basic skills

⁷¹ For more information about the Arkansas initiative, see: Southern Good Faith Fund, “Career Pathways Overview” http://www.goodfaithfund.org/pdf/pub_ipe/pathway_overview.pdf.

component should be countable as vocational educational training because it is an integrated part of the occupation-specific training.

- **Integrate basic skills and English-language instruction with vocational training to make it more relevant to students' needs and increase the likelihood that students will complete workforce training and earn college credits.** Washington State's Integrated Basic Education and Skills Training (I-BEST) model is a good example of this approach, with demonstrated results.⁷³ (Again, when done this way, the basic skills and ESL instruction would count as vocational educational training.)

3. *Help recipients combine education and work.* Some recipients will combine education and training with other core activities, such as an unsubsidized or subsidized job. States can take the following actions to create education and training activities that are suited to the needs of parents trying to juggle education and training with parenting and other activities:

- **When a paid employee participates in training “that provides knowledge and skills essential to the full and adequate performance of the job,” such training can be counted as OJT for all hours of participation.** As discussed below on page 43, the TANF definition of OJT is significantly broader than the one used by workforce agencies, and can include formal on- or off-worksites training as well as informal training provided by a supervisor or coworkers, as long as the participant is paid for the time spent in training. (The December 2006 guidance appears to draw a distinction between “training” and “educational activities” which may not be counted as OJT even if paid.). Since OJT counts as core hours of participation, this approach may allow recipients to combine fewer than 20 hours of employment with training activities.
- **Create education and training options that meet at times and locations that are more convenient for working parents.** For example, states can work with education and training providers to offer more classes on evenings and weekends, or to develop programs that make use of distance learning technologies. States also can support the development of intensive modularized courses that break longer occupational programs into shorter (two- or three-week), concentrated modules that parents can complete as their schedules allow — and for which employers may be more willing to provide release time for training.⁷⁴
- **Create public-private partnerships with employers to hold training at or near the work site and during work hours, and to have workers paid for at least some of their time in class, if possible.**⁷⁵ Such partnerships can be funded and/or managed through on-the-job

⁷² For information on the term "allied health" occupations, see: http://careerplanning.about.com/od/occupations/a/allied_health.htm. The web site states that the term is “is used to identify a cluster of health professions and covers as many as 100 occupational titles, exclusive of physicians, nurses, and a handful of others. Allied Healthcare jobs include cardiovascular technologists and technicians, dental hygienists, diagnostic medical sonographers, opticians, and radiologic technologists and technicians.”

⁷³ See outcome data for I-BEST at <http://www.sbctc.ctc.edu/Data/rsrchrpts/Resh05-2-I-BEST.pdf>.

⁷⁴ J. Strawn and K. Martinson, "Steady Work and Better Jobs: How to Help Low-income Parents Sustain Employment and Advance in the Workforce," MDRC, June 2000.

⁷⁵ For detailed descriptions of this approach, see Amy-Ellen Duke, Karin Martinson, and Julie Strawn, “Wising Up: How Government Can Partner with Business to Advance Low-Wage Workers,” Center for Law and Social Policy, April 2006.

training contracts (see below), industry-based training programs that are part of state economic development programs, and state or local career pathway programs that prepare low-skilled individuals for high-demand industries and occupations. Typically, businesses contribute resources to these partnerships; often, specific wage increases are linked to completion of training.

- **Revise their financial aid and work-study programs.** The Federal Work-Study Program, which provides paid employment to students showing financial need, can be an important support for students in postsecondary education programs that can not be counted as vocational education. Work-study jobs often are easier for students to manage than regular employment because employers schedule work hours around the student’s class schedule and understand that the student’s main priority is his or her studies.⁷⁶

States also can use TANF, MOE, or other state funds to fill in the gaps when a student’s Federal Work-Study allotment is exhausted or to provide employment over the summer or during school breaks, when some students can work more hours.⁷⁷ For example, TANF, MOE, or other state funds can be used to cover an extra 5-10 hours of wages above the 10-15 hours that Federal Work-Study jobs typically provide to ensure that a student has at least 20 hours of work per week during the school year. (The December guidance suggests that work study jobs should be reported as subsidized employment, regardless of the source of the work-study funds.) In addition, states can change their financial aid policies to allow students who are attending school less than half time to qualify for state financial aid for the cost of tuition and books.

- **Ensure that adequate supportive services (such as child care, transportation, and personalized career and academic counseling) are available to parents in education and training programs.** In particular, states should support flexible child care arrangements that can accommodate parents’ work schedules and provide sufficient hours to cover class and study time as well as travel time from one activity to the next.

4. Consider using a solely state-funded program to provide assistance to students in non-countable activities. If a state provides assistance to students with state-only dollars that are not counted toward the MOE requirement, such recipients are not included in the work participation rate, and the state therefore does not need to worry about what activities are and are not countable under the federal rules. Such programs could cover students in need of extended basic skills training, those who have exhausted

⁷⁶ Low-income students who are eligible for federal financial aid, such as Pell grants, through Title IV of the Higher Education Act are eligible for the Federal Work-Study Program. This includes most postsecondary students who are also receiving TANF. Federal work study jobs pay at least minimum wage and can be either on or off-campus. Off-campus jobs are largely limited to private non-profit organization or a public agency, though private, for-profit employers may be considered if the job relates directly to the student’s area of study. Under the Federal Work-Study Program, the hours of employment are based on the amount of financial aid the student is awarded and the hours of attendance. Therefore, the lowest income students qualify for more hours.

⁷⁷ To be counted in a state’s participation rate, an individual must be receiving “assistance” as defined by TANF regulations. The current definition of “assistance” excludes wage subsidies to employers (45 C.F.R. §260.31). As a result, if an individual (or family) is only receiving TANF-funded wages through a wage subsidy to the employer, the individual is technically receiving “non-assistance,” and therefore cannot be counted in the state’s participation rate calculation. If, however, an individual receives both earnings from a subsidized job and a residual assistance grant (in a TANF or MOE-funded program), then she will be counted in the state’s participation rate calculation.

their 12 months of vocational educational training, or those enrolled in programs leading to a bachelor's or higher degree.

- **Prior to the DRA, several states provided such benefits through “separate state programs” — programs funded with state MOE funds and no TANF funds.** Due to the DRA changes, such programs would now need to be funded with dollars that are not claimed toward the MOE requirement. The considerations related to setting up a solely state-funded program are described in detail in a recent analysis by the Center on Budget and Policy Priorities.⁷⁸ Several states, including New Mexico and Nebraska, are considering establishing solely state-funded programs to provide assistance to recipients in postsecondary education programs.
- **Even if a state is not willing to make a long-term commitment to a solely state-funded program, it should allow participants who enrolled under the prior rules to complete their programs.** It would be both unfair and short-sighted to require students who enrolled in good faith to drop out or to undertake an overwhelming burden of work, school, and parenting.

Homework Time and the Interim Final Rules

In the preamble language related to the definitions of vocational educational training, education directly related to employment, and satisfactory attendance at secondary school, HHS states that study time only can be counted toward the participation requirements if it is monitored and the state can document the hours of participation. When a similar provision was in place under the AFDC JOBS program, which operated between 1989 and 1996, both schools and participants found the requirement burdensome, especially when participants, who were already juggling multiple responsibilities, had to travel to off-site study locations.⁷⁹

In comments on the interim final rule, a large number of states, analysts, and advocates commented to HHS that this requirement was unreasonable. As this restriction is only included in the preamble language, some states have submitted work verification plans that allow for the counting of limited hours of unsupervised study time for students making appropriate progress in their classes. HHS re-emphasized the requirement that study time be monitored and documented in its December 2006 work verification guidance.

If the supervised study time provision remains in effect, states should work with education and training providers and other organizations to create opportunities for supervised study. Like class time, these study halls should be at times and locations that are convenient for students with families, including *working students*. States may also want to explore options for electronically monitoring participation through distance learning technology.

⁷⁸ For a detailed analysis of the design issues related to solely state-funded program, see, Liz Schott and Sharon Parrott, “Designing Solely State-Funded Programs: Implementation Guide for One “Win-Win” Solution for Families and States,” Center on Budget and Policy Priorities, December 2006, <http://www.cbpp.org/12-7-06tanf.htm>.

⁷⁹ Jan L.Hagan and Irene Lurie. *Implementing JOBS: Progress and Promise*. Albany: The Nelson A. Rockefeller Institution of Government, State University of New York, 1994.

On-the-Job Training

Under TANF rules, OJT is defined as “training in the public or private sector that is given to a paid employee while he or she is engaged in productive work that provides knowledge and skills necessary for the full and adequate performance on the job.”⁸⁰ While OJT is a form of education and training, it is discussed separately here because of the unique opportunities it provides for combining training and work under the HHS regulations.

Given the restrictions on other educational activities, OJT has some potential as a way to provide job-related basic skills, ESL and occupational skills training for newly hired TANF recipients or recipients in subsidized jobs to help them upgrade their skills and progress in the labor market. Unlike the other work activities that include education and training, states can count participation in OJT toward all hours of the work participation requirement, without limits on the duration of participation or the share of participants that may be counted. There is no limit on the extent to which the TANF program pays for the training programs or whether the training subsidy must be provided to an employer rather than a third party training provider.

The December 2006 guidance on work verification plans, however, sets some limits on the use of OJT for education and training activities that were not included in the interim final regulations or the preamble to those regulations. Under the guidance:

- *unpaid* training activities may not count as OJT and
- “supportive services such as substance abuse treatment, mental health treatment, rehabilitation activities and *various educational activities* can not count under OJT, even if the client is being paid by an employer.”

It is not clear what is intended by the distinction between “training” and “educational activities.” States should therefore be prepared to explain why the proposed training activities are an appropriate part of OJT in their work verification plans. States may wish to include under OJT workplace orientations that provide knowledge about the employer or the job tasks, and classroom instruction in areas related to job performance including specific skills such as computer training or improved basic skills, or English language that are used on the job.

This definition of OJT is broader than the definition traditionally used in the workforce investment system. Under that model, the employer is required to hire the participant and the employer is reimbursed for up to 50 percent of the wage rate of the participant — usually for up to six months — for the extraordinary costs of providing the training and additional supervision related to the training. In addition, there is the expectation that the employer will retain the employee after the subsidy ends. Given these rules, OJT has been used within the workforce system for job seekers who are on the whole more job-ready than many TANF recipients. The definition in the TANF regulations is less restrictive, though the subsequent guidance from HHS enunciates some new restrictions.

⁸⁰ 45 C.F.R. §261.2(f).

How Effective Are Traditional On-the-Job Training Programs for TANF Recipients?

Because traditional OJT has not been used widely in TANF and former AFDC programs, there are limited data on its effectiveness with this population. In the past, TANF agencies have made minimal use of OJT. Only 0.1 percent of TANF recipients subject to participation rates in FY 2004 were engaged in OJT and 21 states reported they had no TANF recipients enrolled in OJT.⁸¹ The relevant research suggests that traditional OJT can improve participants' employment outcomes:

- An evaluation of Maine's Training Opportunities in the Private Sector (TOPS) program, which provided unemployed women receiving AFDC with services such as pre-vocational training, unpaid work experience, and subsidized on-the-job training, found much larger impacts. Participants' average earnings were 31 percent above those of the control group, and these gains were sustained throughout the follow-up period.⁸²
- An evaluation during the mid-1980s of an OJT program in New Jersey found small but statistically significant earnings gains of 11 percent for program participants in comparison to the control group.⁸³
- The national evaluation of JTPA in the late 1980s and early 1990s found that women who received AFDC for more than two years and were enrolled in OJT had small earnings gains two and three years after completing OJT, but that these gains dissipated over the course of the seven-year follow-up period.⁸⁴

How Can States Design Effective On-the-Job Training Programs Under the New TANF Definition of this Activity?

States can adapt the traditional OJT model implemented in the workforce system to the needs and circumstances of TANF recipients. Ideally, states should use OJT as a way to connect TANF recipients to jobs they would not be able to find through a job search alone and to provide them with enhanced training opportunities after they are employed. Programs should try to link recipients with businesses and industries that offer opportunities for career progression and wage growth. Programs also can provide participants with additional training in skills needed to qualify for more-advanced jobs, such as moving from certified nursing assistant to licensed practical nurse. For their part, employers can contribute additional resources to promote worker training and advancement and provide specific wage increases linked to completion of training. In addition, states may want to explore ways of linking TANF funds with resources available through state incumbent worker training programs to support such training.

⁸¹ CLASP calculations based on Table 4A, "TANF - Average Monthly Percent Of Adults Participating In Work Activities For A Sufficient Number Of Hours For The Family To Count As Meeting The All Families Work Requirements," Fiscal Year 2004, <http://www.acf.hhs.gov/programs/ofa/particip/indexparticip.htm#2004>.

⁸² D. Greenberg and M. Shroeder, *The Digest of Social Experiments* (2nd ed.), The Urban Institute Press, 1997 cited in Lewin Group, 1999.

⁸³ L. Plimpton and D. Nightingale, "Welfare Employment Programs: Impacts and Cost-Effectiveness of Employment and Training Activities." Unpublished, cited in Lewin Group report for the U.S. Department of Health and Human Services, "Job Retention and Advancement Strategies Among Welfare Recipients: Challenges and Opportunities," 1999.

⁸⁴ JTPA National Evaluation Seven Year Follow-Up, U.S. Department of Labor unpublished table. Westat: 1998.

States implementing traditional OJT programs for TANF recipients should consider developing mechanisms to ensure that participating employers:

- Commit to retaining participants who complete the training successfully and (for employers seeking renewals of OJT contracts) demonstrate a record of retaining OJT participants after the government subsidy ends. Such stipulations help ensure job stability and retention for participants and reduce the potential for employer abuse of the training subsidy.
- Develop structured training plans for program participants that clearly identify target skills and competencies and how they will be achieved.
- Pay wages and benefits to OJT participants that are consistent with the wages and benefits provided to other employees in the organization. States should target OJT contracts to jobs and employers that provide benefits and pay wages that can support a family.
- Demonstrate that they will provide program participants with opportunities for advancement.

Subsidized Employment

Under the federal TANF regulations, subsidized employment is time-limited, wage-paying employment in which wages are subsidized by government funds. States can count participation in subsidized employment in either the private or public sector towards all hours of a TANF recipient's required hours of participation.⁸⁵ In the December 2006 work verification guidance, HHS clarified that barrier removal or educational activities may be counted as part of subsidized employment, as long as the individual is *paid* for the hours of participation. While this has not generally been the practice in subsidized employment programs in the past, this option is worth pursuing, as it is the only place where barrier removal activities can be counted on an ongoing basis, beyond the limits on job search and job readiness activities. As discussed below, Transitional Jobs are an effective model for subsidized employment that combines time-limited paid employment with a comprehensive set of services designed to develop participants' skills and prepare them for success in the workplace.

In the past, subsidized employment has been a little-used work activity — only 0.1 percent of all TANF recipients who were subject to the participation rates (that is, those in the denominator of the participation rate calculation) in FY 2004 were engaged in subsidized private sector employment, and only 0.3 percent were enrolled in subsidized public sector employment.⁸⁶ States can use subsidized employment to help participants enter the labor market through the acquisition of work experience and enhanced connections to employers. Wage subsidies provide an incentive for employers to hire TANF recipients who may have low skills and little previous work experience.

TANF participants in subsidized employment programs can receive valuable work experience and training while on the job, in addition to earning wages. Moreover, they pay into the Social Security

⁸⁵ To be counted in a state's participation rate, an individual must be receiving "assistance" as defined by TANF regulations. The current definition of "assistance" excludes wage subsidies to employers (45 C.F.R. §260.31). See footnote 78 on page 41 for more details.

⁸⁶ CLASP calculations based on Table 4A, TANF - Average Monthly Percent Of Adults Participating In Work Activities For A Sufficient Number Of Hours For The Family To Count As Meeting The All Families Work Requirements, Fiscal Year 2004, <http://www.acf.hhs.gov/programs/ofa/particip/indexparticip.htm#2004>.

system — thus building quarters of work needed for future eligibility — and may qualify for the Earned Income Tax Credit and Unemployment Insurance. Depending on a state’s earned income disregard policy — the policy which determines how quickly benefits are reduced as earnings rise — participants might receive TANF assistance in addition to their paycheck. (Only individuals who receive some kind of TANF or MOE assistance are counted in the state’s participation rate.)

In the preamble to the interim final rule, HHS states that “at the end of the subsidy period, the employer is expected to retain the participant as a regular employee without receiving a subsidy.”⁸⁷ Many states and advocates commented to HHS that this provision should not be considered a prohibition on models that do not have such an expectation. As discussed above in the section on transitional jobs programs, HHS staff have indicated that the goal of this language was to ensure that employers participating in the subsidized employment program were not simply using the program to lower their labor costs but were providing something of value back to participants. As this language is only in the preamble and may change, states should consider explaining in their Work Verification Plans how they will ensure that employers are not abusing this program. For example, one state has proposed that after four months of a wage subsidy, an employer must declare whether the participant will be retained as regular employee; if not, the participant must be provided with 8 hours of paid leave each week to search for an unsubsidized job. In the December 2006 guidance, HHS included this provision in its example of acceptable language.

In the preamble to the regulations, HHS specifically notes several models of subsidized employment. In one model, sometimes called “work supplementation” or “grant diversion,” TANF funds that would otherwise be paid as assistance are provided to the employer to reimburse some or all of the participant’s wages and benefits. In a second model, a third-party intermediary acts as the employer of record during the trial period, so as to minimize the administrative burden on the company or organization that serves as a work-site. In such models, the payment to the intermediary is often based on performance incentives, rather than directly linked to the cost of wages. HHS also notes that supported work for individuals with disabilities, as defined under the Rehabilitation Act of 1973, may be counted as subsidized employment.

Note that under the sections of the interim final rule that address how hours of participation must be documented, subsidized employment and OJT are treated like unsubsidized employment, in that a state may project hours of participation for up to six months based on current documented actual hours of work.⁸⁸ This provision significantly reduces the reporting burden on participating employers, particularly when compared to work experience programs, where no such projection is permissible.

Transitional Jobs⁸⁹

One model of subsidized employment that shows particular promise for TANF recipients with barriers to employment is transitional jobs (TJ). These programs provide hard-to-employ TANF

⁸⁷ 71 Fed. Reg. 37458.

⁸⁸ 45 C.F.R. §261.61(c).

⁸⁹ For a more in-depth discussion, see Allegra Baider and Abbey Frank, “Transitional Jobs: Helping TANF Recipients with Barriers to Employment Succeed in the Labor Market,” Center for Law and Social Policy, May 2006, <http://www.clasp.org/publications/transitionaljobs06.pdf>.

recipients a bridge to unsubsidized private employment by combining time-limited, wage-paying employment (subsidized by public or, in some cases, private funds) with a comprehensive set of services — including barrier removal activities and education and training — designed to develop participants’ skills and prepare them for success in the workplace. Because recipients are in paid employment, they pay payroll taxes (as does the employer) and qualify for the EITC based on their earnings. Most states then treat the earnings from the transitional job as regular earnings when determining TANF eligibility and benefits — that is, families have some of those earnings disregarded through the earned income disregard policies in the state’s TANF program.

How Can Participation in Transitional Jobs Programs Count toward the Work Participation Rate?

In the past, states have generally reported participation in all elements of a transitional jobs program as subsidized employment, including activities that were integral to the transitional jobs program but were not paid. HHS’ December 2006 guidance indicates that supportive activities and educational activities may be counted under subsidized employment, but only if the individual is paid for these hours. It appears that either just the training component of a transitional jobs program, or both the training and the worksite components, may also be reported as on-the-job training (OJT) as long as the training is paid and “provides knowledge and skills essential to the full and adequate performance of the job.”⁹⁰

Alternatively, the time spent at the worksite can be counted as subsidized employment and the time spent in education and training activities can be counted under job skills training, education directly related to employment, or vocational educational training. Because of the durational limits — and the limits on the total number of recipients who can participate in vocational educational training — states generally will want to avoid counting the training component of a transitional jobs program as vocational educational training, if the individual is participating in 20 hours of subsidized employment.

Because states can count hours spent in education, training, or barrier-removal activities as “subsidized employment” if the hours spent in these activities are paid, those designing transitional jobs programs may want to adjust how they structure program activities. Suppose, for example, a program has enough resources to pay for 25 hours of paid activities. Participants who need to address mental health problems or other barriers to employment and participants who need to improve certain skills before they can succeed at the workplace could spend a larger share of their 25 paid hours in these activities and a smaller share at the job site as compared to more job-ready participants. Indeed, some recipients might spend all of their paid hours in activities other than job site employment during an upfront period. As participants address their barriers and/or skill deficits, their assignments could change and they could spend more of their paid hours on the jobsite and fewer in other activities.

How Are Transitional Jobs Programs Designed?

Most TANF recipients who participate in transitional jobs programs have little work experience and limited education and often have received public assistance for a significant period of time. Many also have significant employment barriers, such as mental illness, learning disabilities, contact

⁹⁰ 45 C.F.R. §261.2(f).

with the criminal justice system, substance abuse issues, unstable housing, and lack of adequate transportation. Therefore, many participants need intensive support services to move into the labor market.⁹¹ Accordingly, transitional jobs programs typically offer some or all of the following:

- pre-placement assessment to match participants to work assignments that fit their interests, needs, and circumstances;
- short-term training both before and during employment in the transitional job to help address barriers to employment such as limited English proficiency and poor soft skills;
- intensive case management to help participants address personal problems that could make it more difficult to obtain and sustain employment over the long term;
- enhanced work-site supervision to help participants learn basic skills, acquire good work habits, and receive training, and help employers by ensuring that participants contribute to their employers' bottom-line;
- connection to work supports, such as child care and transportation subsidies, which can be critical to success in the labor market for participants and reduced turnover for employer; and
- unsubsidized job placement and retention services.

The cost of transitional jobs programs varies according to program design, services offered, and length of program. An evaluation of six transitional jobs program found that service costs ranged from \$856 to \$1,871 per participant per month. Wage costs ranged from \$287 and \$749 per participant, per month. Wage costs made up as little as 13 percent to as much as 59 percent of total project costs. The duration of these programs ranged from three to nine months of transitional employment, with some programs offering one to two years of job retention services. Higher cost transitional jobs programs last longer and offer more intensive pre-placement assessment and training, on-going skill-building and retention follow-up.⁹²

How Effective Are Transitional Jobs Programs?

While no experimental research has been completed to date on transitional job programs, a number of non-experimental studies have found that they appear to have significant positive effects on employment.⁹³ An extensive review of six programs found high employment rates — between 81 percent and 94 percent — for individuals who completed the programs, though it is important to note that about half of the individuals who were referred to the programs did not complete them.⁹⁴

⁹¹ National Transitional Jobs Network, "Transitional Jobs Programs Break Through Barriers to Work," <http://www.transitionaljobs.net/Resources/Downloads/TJProgramsBreakBarriers.pdf>.

⁹² Gretchen Kirby et al, *Transitional Jobs: Stepping Stones to Unsubsidized Employment*, Mathematica Policy Research, April 2002, <http://www.mathematica-mpr.com/publications/PDFs/transitionalreport.pdf>.

⁹³ MDRC is in the process of evaluating a transitional jobs program for ex-offenders in New York City, and a transitional jobs program for TANF recipients in Philadelphia, as part of the multi-site demonstration project. MDRC is expecting results from this study by 2007. More information is available at: http://www.mdrc.org/project_20_8.html.

⁹⁴ Ibid.

A review of participants in Washington State's Community Jobs program revealed strong program outcomes: 72 percent of those who completed the program entered employment, and their average income during their first two years in the workforce was 60 percent higher than their income before entering the program.⁹⁵

Qualitative research has shown that specific elements of transitional jobs programs, including earning a paycheck, working with an involved supervisor, and having a clear work plan, lead program participants to feel positive about their participation and help them gain skills that are transferable to future employment.⁹⁶ Similarly, the six-program evaluation discussed above reported that transitional work has a positive personal, professional, and financial impact on participants.⁹⁷

How Can States Design Effective Transitional Jobs Programs?

Research and program experience suggests that the following are important elements in the effective design and implementation of transitional jobs programs:⁹⁸

- **Include a skill-building component.** Transitional jobs programs will be more successful at placing recipients in higher quality unsubsidized jobs if they include training and skill-building activities related to jobs in industries that are growing, pay higher wages, and offer opportunities for career advancement. (See pages 34-37 for a discussion of the role of education and training in improving employment outcomes.) (Note that if a recipient is participating in 20 hours of paid activities, education and training activities in excess of those 20 hours can be counted as job skills training — a component that is not time limited and does not have an overall cap like vocational educational training.)
- **Ensure that staff identify recipients with barriers to employment and develop workable plans to give those individuals the help they need.** Because transitional jobs programs are designed for individuals with barriers to employment, they must be able to identify previously undisclosed barriers and have the resources and staff capacity to provide needed referrals and intensive case management. Participants with serious barriers also may require a more supportive work environment to succeed, including intensive supervision and fewer hours of work initially. Employees can gradually build up both their hours of work and their responsibilities as they become more proficient. This gradual approach may be especially appropriate for recipients with mental health problems or low cognitive functioning.

⁹⁵ Erin Burchfield, "Community Jobs Program Moves People from Welfare to a Career Track: Outcomes Assessment," Economic Opportunity Institute, April 2002.

⁹⁶ Sondra Youdelman, "Wages Work! An Examination of the New York City's Park Opportunities Program and Its Participants," Community Voices Heard, March 2004, <http://www.cvhaction.org/english/reports/WagesWork.pdf>.

⁹⁷ Gretchen Kirby et al, "Transitional Jobs: Stepping Stones to Unsubsidized Employment," Mathematica Policy Research, April 2002, <http://www.mathematica-mpr.com/publications/PDFs/transitionalreport.pdf>.

⁹⁸ Ibid.

- **Develop strong job placement and employment retention services.** Programs that include job development and job placement activities lead to stronger employment outcomes.⁹⁹ Retention activities will also help to ensure continued success after the transitional job placement ends.

In the past, TANF and Welfare-to-Work grants were the principal sources of funding for transitional jobs programs. Since Welfare-to-Work funds have been exhausted and there is growing competition for TANF funds, states may have trouble funding transitional jobs programs solely through TANF. Depending on the population served, states may be able to use other federal funding sources, such as Workforce Investment Act funds, Food Stamp Employment and Training funds, HOPE VI funds for public housing initiatives, federal IV-D child support funds, and federal funds dedicated to serving individuals with criminal records.

Work Experience

Unpaid work experience programs (sometimes referred to as “workfare”) require TANF recipients to work in public or non-profit agencies in return for public assistance. Participation in these programs counts towards all hours of a TANF recipient’s required hours of participation.

Typically in work experience programs, welfare agencies refer welfare recipients to time-limited community work placements in government or non-profit agencies. Some work experience programs target specific geographic areas, others target the hard-to-employ population, and still others require all welfare recipients to participate. The regulatory definition states that work experience must provide “an individual with the opportunity to acquire the general skills, training, knowledge and work habits necessary to obtain employment.”¹⁰⁰ In the past, some states and localities have tried to develop work sites where individuals can gain work skills, while others simply have treated the work assignment as a way to work off welfare payments.

Although the interim final rule states that the purpose of work experience is to improve the employability of those who cannot find unsubsidized employment, the preamble language says that job search, job readiness activities, and vocational educational training (including basic education and ESL) may not be counted as part of a work experience program. HHS reiterated this limitation in the December 2006 guidance.

While work experience programs do not have wage costs (since recipients work in exchange for their welfare benefit), they do have administrative costs that range from approximately \$1,000 to about \$8,000 annually per participant, depending on the design and length of the program and the extent to which the program provides work site supervision and case management.¹⁰¹ Larger programs tend to be less costly to administer, as many of the upfront and overhead costs are shared among all participants.¹⁰²

⁹⁹ Ibid.

¹⁰⁰ 45 C.F.R. §251.2(e).

¹⁰¹ Harry Holzer, "Can Work Experience Programs Work for Welfare Recipients?" The Brookings Institution, 2002.

¹⁰² Thomas Brock, et al., “Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research,” MDRC, September 1993.

How Effective Are Work Experience Programs?

Although no random assignment evaluations of the impact of work experience programs on earnings have been completed for recipients under the TANF block grant, prior studies under the AFDC program are available.¹⁰³ In 1993, MDRC did an extensive review of all of the evaluations of work experience programs they had conducted in the 1980s and early 1990s. This review found little evidence that these programs consistently improve employment or earnings.

Also, it was not clear from the limited evidence available that these programs lead to reductions in welfare payments or welfare receipt.¹⁰⁴

There are several possible reasons why work experience programs did not have more positive effects on employment.

- Work experience programs often were designed to enforce a reciprocal obligation, not to help recipients become more employable or help them find jobs.
- Work experience programs typically have not included skill-building components.¹⁰⁵ The lack of training and skill development makes it difficult for participants to gain the work readiness, basic literacy, and other occupational skills necessary to secure unsubsidized employment in the private sector.
- Many work experience programs have not included strong job development and placement programs that help recipients move from unpaid work experience to unsubsidized employment. Also, the work sites themselves often have been with employers who do not have job openings that match recipients' skills.
- Participants often did not receive individualized attention or assistance in dealing with barriers to employment.
- Workfare participants did not always get the supervision necessary to improve their skills. In a study of work experience programs in Wisconsin, researchers found that over a third of participants believed that the most important method of learning their job was instruction from their supervisor. The same study found that although 62 percent of participants received some

¹⁰³MDRC is currently evaluating a program in New York City for TANF and Safety Net recipients with significant work impairments, which includes a large community work experience component. The results of the evaluation were not available at the time this report was written.

For research on the implementation of work experience programs in New York and Wisconsin, see: Nightingale, et al. "Work and Welfare Reform in New York City During the Giuliani Administration. A Study of Program Implementation," Urban Institute, 2002; and Fred Doolittle, et al., "Community Service Jobs in Wisconsin Works: The Milwaukee County Experience," MDRC, 2003.

¹⁰⁴ Thomas Brock, et al.

¹⁰⁵ Gordon Berlin, "What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization," MDRC, June 2002, http://www.mdrc.org/Reports2002/TANF/TANFGuide_Full.pdf.

Work Experience, Community Service, and the Fair Labor Standards Act

In a work experience program, a TANF recipient typically “works off” the value of his or her TANF benefits (and in some cases, food stamp benefits) for a designated set of hours. In many community service programs, the same basic structure applies — recipients are required to participate in a workplace setting in exchange for their benefits. Since the federal Fair Labor Standards Act (FLSA) protections apply to TANF recipients just as to other workers, TANF recipients cannot “work off” their benefits at a wage rate that is lower than the minimum wage.^a (45 CFR §260.35) This means that the maximum number of hours an individual can be required to participate in a work experience program — or a community service program where an employer-employee relationship exists^b — in a given month is equal to the benefits the family receives divided by the minimum wage.

Under the TANF regulations, states are permitted, under certain circumstances, to count any family that participates in work experience or community service for the maximum hours allowed under the minimum wage requirements of the FLSA as having satisfied the required number of hours in core activities. The maximum hours permissible under the FLSA must be based on the combined value of the family's TANF benefits and any food stamp benefits the family receives. (A family's TANF benefits must be net of any child support received.) For states with a higher state minimum wage, the maximum permissible hours of work would be calculated using the state minimum wage.

For the all families rate, the number of hours allowed under the FLSA can count as meeting the 20-hour per week core requirement, even if actual participation falls short of 20 hours. (§261.31(d)) For those families with a 30 hour requirement (that is, those who are not a single parent with a child under age six), the additional 10 hours of required work activities must be satisfied in another activity that is not subject to the FLSA requirements (such as education and training) in order for the family to count toward the work rate. Similar rules apply with respect to the 30 or 50 hour core requirement for families counted toward the two-parent rate.

The Department of Labor has issued guidance permitting states to combine TANF cash grant allotments and the value of food stamp benefits in order to meet workfare FLSA requirements. And, USDA (with HHS concurrence) has told states that they must adopt a mini-Simplified Food Stamp Program (SFSP) to allow the state to count food stamps toward the FLSA calculation. USDA has provided a template to states that wish to secure approval of the necessary mini-SFSP.^c HHS and USDA have clarified that states are not required to conform their Food Stamp Employment and Training exemptions to the TANF exemptions in order to take advantage of this policy.

^a See U.S. Department of Labor, *How Workplace Laws Apply to Welfare Recipients*. May 1997.

^b FLSA applies to community service programs in which an "employer-employee" relationship applies. Such a relationship is likely to apply in community service placements in which recipients are required to participate for a specified number of hours each week, they are subject to sanction if they do not participate, and in which they are expected to perform job-like tasks.

^c For USDA Guidance, see item 25 under FY 2006 at http://www.fns.usda.gov/fsp/whats_new.htm. See also ACF Q and As at http://peerta.acf.hhs.gov/pdf/SFSP_Guidance_FINAL.pdf.

sort of mentoring or personal support from a supervisor, at some of the worksites with more than 20 participants, designated supervisors hardly knew the participants and could not answer any survey questions about their performance.¹⁰⁶

In addition, qualitative research has found that lack of wages can demoralize program participants and impede success in moving into the labor market. A study of a transitional jobs program in New York City found that earning wages was an important component in building participants' confidence and motivating them to move off welfare.¹⁰⁷

How Can States Design More Effective Work Experience Programs?

Since work experience programs can be costly to operate and do not have demonstrated success in increasing employment and earnings, states should consider alternatives before expanding or initiating them. However, if states do choose to implement work experience programs, they should draw upon the experience of transitional jobs and other welfare-to-work programs that appear more promising:

- **Provide education and training to work experience participants.** Participants in the Wisconsin work experience program who received vocational or job skills training as part of their assignment reported greater improvements in work habits and basic skills than participants who did not receive training. In addition, participants who received training reported that they were given more responsibility at the work site. They also expected that they would receive higher wages when they found unsubsidized employment.¹⁰⁸ Note that the “deeming provision” related to the FLSA minimum wage protections discussed in the box above only helps states to meet the *core* hour requirements. For families who are required to participate more than 20 hours per week, combining work experience with education and training can also enable the state to ensure that recipients meet their federal hourly work participation requirements without violating the Fair Labor Standards Act.
- **Target training and work experience to industries that offer more promising job opportunities.** Work experience positions and related skill building that help recipients prepare for industries offering higher wages and opportunities for advancement can help recipients secure a place on a career ladder.
- **Consider the needs and skill levels of program participants.** Participants with barriers to employment may need a more flexible work environment and more supportive services to succeed. States should try to identify an array of work assignments that can accommodate participants' strengths and limitations. Programs can also give participants gradually increasing work responsibilities.

¹⁰⁶ Fred Doolittle, et al.

¹⁰⁷ Sandra Youdelman, “Wages Work! An Examination of the New York City’s Park Opportunities Program and Its Participants,” Community Voices Heard, March 2004, <http://www.cvhaction.org/english/reports/WagesWork.pdf>.

¹⁰⁸ Fred Doolittle, et al.

- **Provide ongoing supervision and a supportive work environment for participants with barriers.** The regulations require that work experience be supervised no less frequently than daily. To ensure adequate supervision, programs should use smaller work sites and provide a sufficient number of supervisors so that participants can get the individualized attention and support they need.¹⁰⁹
- **Incorporate job search and job placement into the program.** Since most work experience programs are not designed to help participants move into unsubsidized employment with the work site employer, they must be combined with strong job search and job development components so that when recipients are ready for unsubsidized employment, they have the time and help they need to search for work. While the regulations require that hours of participation in job search and job readiness activities be tracked separately from hours of work experience, they may still be offered by the same providers and in the same location. Even if they are provided separately, states should make sure that clients are excused without penalty when they are absent from work experience programs due to job interviews. (For a fuller discussion of job search activities, see the discussion starting on page 27.)

Community Service Programs

States' use of community service programs in their TANF welfare-to-work programs has varied widely. Nationally, community service constituted about 10 percent of the activities that states counted toward meeting their work rates. Many states rarely used the activity while others used it extensively.

Some states used a very limited definition of community service, counting only those activities that a court orders someone to complete as part of a criminal sentence. Other states took a broader approach and included activities that contribute to the well-being of members of the community, such as caring for a disabled family member, volunteering at a sports event, or addressing one's own barriers to employment. Sometimes community service activities were formal placements much like work experience; others were self-initiated and informal, such as volunteer hours at a child's school.

The TANF regulations indicate that many of the activities that states have previously counted under community service can no longer be included under this activity. In particular, the interim final rule states that community service programs must be *structured* programs designed to provide a public service and improve employability of those not otherwise able to obtain employment. The examples provided in the preamble include work performed for a school, Head Start program, church, or government or nonprofit agency, as well as participation in volunteer organizations such as Americorps and Vista. These are only illustrative examples and other options are allowable.

The preamble language explicitly states that this work activity excludes substance abuse treatment, mental health and family violence counseling, life skills classes, parenting classes, job readiness instruction, and caring for a disabled household member. These are all activities that some states had included within their definitions of community service under the prior rules. Under the interim final regulations, these activities can only be counted toward the participation rate under job search

¹⁰⁹ In the Wisconsin workfare study, these problems arose in worksites with 20 or more participants. Fred Doolittle, et al., p. 63.

and job readiness, which are subject to severe durational limits. (Caring for a disabled household member can not be counted under the regulatory definitions of any of the work activities; however, the regulations do allow recipients caring for a disabled family member to be removed from the participation rate, if the disabled family member does not attend school on a full-time basis and the need for the care is medically documented. See page 98 for more details.) The work verification plan guidance also states that activities that meet the definition of another countable TANF work activity may not be counted as community service.

A large share of sanctioned families faces significant barriers that impede their ability to meet program requirements.

The regulations encourage states to use community service as a stepping stone toward other work activities and employment. For recipients who are ready for more employment-oriented activities, states could make community service programs more effective in leading to unsubsidized employment by building in (or linking to) other work-related services such as soft skills training, education and training, or job search assistance. The preamble of the regulations states that training can count as community service when “embedded” in a community service program. HHS’ work verification plan guidance states that if a state is allowing embedded training activities as part of community service, the Work Verification Plan should specify the duration of such activities and how they are an integral part of the community service. When not “embedded” in community service, states should classify training as another type of activity. As stated above, job search may only count as job search and job readiness.

Finally, as noted above, many structured community service programs will be covered by the FLSA and, thus, the deeming provisions discussed above will apply.

Increasing Participation in Work-Related Activities Among Recipients with Barriers to Employment

States seeking to engage a greater percentage of TANF families in work-related activities will need to step up efforts to serve recipients with barriers to employment. The prevalence of barriers to employment among TANF recipients — including mental and physical problems — has been well documented.¹¹⁰ A critical challenge during the next stage of state welfare reform is for states to identify and address these barriers in order to help families connect to work or other activities. To accomplish this, states will need a range of assessment and service strategies.

Given the severe barriers many families face and the narrow definitions of the countable work activities that HHS has adopted, some parents may be unable to participate in countable activities immediately. If states limit the activities that recipients with significant barriers engage in to those that are countable toward the federal requirements — or require all recipients regardless of their circumstances to participate for the hours required to count toward the participation rate — they are

¹¹⁰ See, for example, "More Coordinated Federal Effort Could Help States and Localities Move TANF Recipients With Impairments Toward Employment," GAO-02-37, October, 2001; LaDonna Pavetti and Jacqueline Kauff, "When Five Years Is Not Enough: Identifying and Addressing the Needs of Families Nearing the TANF Time Limit in Ramsey County, Minnesota," Mathematica Policy Research, March 2006; and Eileen P. Sweeney, "Recent Studies Indicate that Many Parents Who are Current or Former Welfare Recipients Have Disabilities or Other Medical Conditions," Center on Budget and Policy Priorities, February 2000, <http://www.cbpp.org/2-29-00wel.htm>.

likely to worsen outcomes for vulnerable families rather than improve them. Moreover, as is discussed in Chapter IV, if a state were to adopt such an approach, it likely would run afoul of the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act (Sec. 504).

If recipients are asked to engage in activities that are inappropriate for them based on their circumstances, they are likely to fail to meet program requirement and face sanctions, including full-family sanctions. Extensive research has shown that a large share of sanctioned families faces significant barriers that impede their ability to meet program requirements.¹¹¹ While assessments and a more careful tailoring of work activities to match families' specific circumstances can help parents comply with work requirements, states also can make better use of the clues about families' problems when they do not successfully participate in welfare-to-work activities to try to identify barriers earlier. Noncompliance itself may signal the existence of a barrier and present an opportunity for the state to begin providing help.

As is discussed in more detail below, states that want to provide appropriate activities and services for recipients with significant barriers to employment but who are concerned about meeting their work participation requirements some recipients with significant barriers to employment may be unable to participate in standard should consider whether such families should be provided assistance in a solely state-funded program (not funded with TANF or MOE funds) that is not subject to the federal work participation or time limit requirements.¹¹²

Regardless of whether a family is provided assistance in a TANF/MOE-funded program or in a solely state-funded program, states have an interest in finding ways to improve the prospects of these families, including finding ways to increase engagement in activities that can help them overcome their barriers and move toward employment.

Increasing Engagement

A number of states have taken "full-engagement" approaches in their TANF programs for some time. These states have few if any exemptions from participation requirements, contending that all (or nearly all) recipients must participate in one of a broad range of activities. However, states that have adopted this approach in the past typically allowed some recipients to participate in activities that do not count toward the federal participation rate or to participate for fewer than the federally mandated number of hours. States that have adopted or are considering this approach face some new challenges:

¹¹¹ See, for example, Marcia Meyers et al., "Review of Research on TANF Sanctions, University of Washington, West Coast Poverty Center," June 2006, http://www.workfirst.wa.gov/about/sanction_literature_final.pdf; Yeheskel Hasenfeld et al., "The Logic of Sanctioning Welfare Recipients: An Empirical Assessment," *The Social Services Review*, June 2004; "The Use of TANF Work-Oriented Sanctions in Illinois, New Jersey, and South Carolina," Mathematica Policy Research, 2004, <http://aspe.hhs.gov/hsp/TANF-Sanctions04>.

¹¹² For a detailed discussion of solely state-funded programs, see, Liz Schott and Sharon Parrott, "Designing Solely State-Funded Programs: Implementation Guide for One "Win-Win" Solution for Families and States," Center on Budget and Policy Priorities, December 2006, <http://www.cbpp.org/12-7-06tanf.htm>.

- **Increased prevalence of barriers to employment among TANF recipients.** As welfare caseloads have shrunk by half over the last decade, many program administrators have noted that a large share of those now on TANF have significant barriers to employment, including mental and physical health problems, substance abuse, learning disabilities, and low cognitive functioning levels. (Many persons who have left TANF also present these issues, particularly those who have lost assistance due to sanctions and time limits.) There is no hard data to confirm this trend, but some researchers and program administrators believe that some more difficult-to-measure barriers have become more common among TANF recipients.
- **Higher effective work participation rates.** The DRA changes increase the effective work participation rates states have to meet as compared to the rates they had to meet under prior law and the new regulations limit the set of activities that can count toward the participation rate. When states' work participation requirements were easier to meet because of the caseload reduction credit, states could engage recipients in activities that did not count toward the work requirements (or engage them for fewer hours) without worrying that they might fail to meet the federal target. Because the federal participation rates are now far more difficult to meet, states may be reluctant to engage recipients with significant barriers to participation by placing them in activities that may not be countable, such as mental health treatment (beyond the limits on counting it as a job readiness activity).
- **Waivers that gave states broader flexibility have expired.** When TANF was established in 1996, many states opted to continue their pre-TANF waivers and thus enjoyed flexibility to count a broader range of work activities toward federal work rates during the waiver period. Many of these waivers also exempted persons with disabilities and other barriers from work activities. All of these waivers but one have now expired.

What Lessons Can Be Drawn from State Full Engagement Efforts?

Successful full-engagement strategies typically consider an individual's strengths and the family's needs while focusing on work as the ultimate goal. A Mathematica Policy Research study for the Department of Health and Human Services gleaned important lessons from selected state full engagement policies, which are highlighted below.¹¹³ (The study also stressed the importance of early screening and specialized assessments, which are discussed in a later section.)

- *Individualized case planning.* The most successful programs gave caseworkers significant discretion to craft employability plans — including the types of activities in which a recipient would participate, the hours of participation, and the support services that would be provided — based on families' unique strengths, interests, and barriers.
- *Frequent and regular contact with recipients.* Engagement is an ongoing process. Participation in work activities does not always get easier for a recipient over time; some recipients' barriers may worsen, or new barriers may develop, while a parent is participating in work activities. In some cases, participation may exacerbate family problems as parents try to balance work with other responsibilities. To help recipients participate on a sustained basis, case managers need regular

¹¹³ Jacqueline Kauff, Michelle Derr, and LaDonna Pavetti, "A Study of Work Participation and Full Engagement Strategies," Mathematica Policy Research, September 2004.

and frequent contact (at least monthly) with recipients to reassess their circumstances, modify employment goals, address barriers to employment that may surface, and provide encouragement.

- *Flexibility in setting activities.* Having a full menu of options — for example, parenting programs or mental health or substance abuse treatment — is important. Also important is the latitude to vary the number of hours of participation required, including requiring fewer hours than may be needed in order to count the recipient toward the federal work rates.
- *Allow clients to set goals for themselves.* When TANF recipients set goals, they are more willing to participate because they have a sense of ownership in the plan.

Some Work Activities for Recipients with Barriers May Not Be Countable

States seeking fuller engagement should not focus solely on placing recipients in activities that meet the federal work rates. Some recipients — particularly those with significant barriers to employment — can make more progress toward employment and self-sufficiency if they first participate in activities that address their barriers, before moving on to other (i.e., countable) activities. This might mean assigning an individual to a non-countable activity, allowing an individual more time to complete an activity than is countable, or assigning an individual to participate for fewer than the federally required hours per week.

States that have adopted such approaches have successfully engaged a significant share of TANF recipients. Mathematica Policy Research analyzed full-engagement programs in El Paso County, Colorado and the state of Utah and found high levels of engagement in work-related activities: 90 percent and 82 percent, respectively. However, many recipients — 38 percent and 62 percent, respectively, of those assigned to any activity — were engaged at least in part in non-countable activities.¹¹⁴ These non-countable activities typically were designed to address personal and family challenges (such as mental health problems or substance abuse) or to help support work by addressing transportation or child care barriers. Fewer than half of the El Paso County recipients and only one in five of the Utah participants were assigned exclusively to countable activities. (It is important to note that what states, and the researchers, may have labeled as non-federally countable activities might include activities that other states counted toward the federal participation rates under the prior rules. Under the new rules, most of these broader activities would only be countable under the job search and job readiness categories which have severe durational limits.)

States can serve families who are engaged in non-countable activities either through their state's TANF or MOE-funded programs or through a separate program that does not receive any TANF or MOE funds. A state may prefer the latter option so that these families are not considered in the federal work rate calculation.

It is especially important for states to consider non-countable activities for TANF recipients with disabilities. States are obligated under the ADA and Sec. 504 to provide access to work activities for persons with disabilities and to make accommodations in TANF-related requirements for

¹¹⁴ Jacqueline Kauff, Michelle Derr, LaDonna Pavetti, pp. 46-50.

individuals with disabilities when needed. These obligations may include requiring recipients to participate in different activities or for fewer hours than typically required. (Issues related to TANF and individuals with disabilities are discussed in Chapter IV.)

Improving Screening and Assessment

An essential step in increasing engagement is to identify barriers to employment through screening and assessment. Without identification of these barriers, states will miss opportunities to help clients participate successfully and, ultimately, gain employment. Moreover, if states do not identify barriers, they may end up assigning TANF recipients to inappropriate activities and sanctioning families that are unable to comply. The goal of assessment is not merely to identify potential barriers, but to begin developing a course of action to address them.

The discussion below focuses on identifying unobserved barriers to employment. For TANF recipients, these are most likely to be substance abuse, physical and mental health problems, learning disabilities, low cognitive functioning, and domestic violence. (A discussion of other types of assessment, such as developing an employability plan based on education, job skills, and work history, is outside the scope of this report.)

Assessment typically occurs in stages, including preliminary screenings for most or all recipients and then follow-up referrals for more specialized and intensive assessments when warranted. (Screening and assessments also could occur in “front-end” programs that families applying for TANF participate in before becoming ongoing TANF recipients.¹¹⁵) There is no single way to conduct effective assessments, but useful lessons can be drawn from the experiences of states and localities that have worked to improve their procedures. The discussion below draws heavily from two reports prepared by the Urban Institute for the U.S. Department of Health and Human Services in 2001, which provide comprehensive analyses of assessment processes.¹¹⁶

When Should Assessments Occur?

Assessments should start early, with short screening tools used broadly to identify recipients who need more in-depth assessments, and continue as recipients engage in work-related activities.

States can include screening and assessment in client contacts that focus on establishing program eligibility and employment planning process. In Utah, for example, employment counselors use an assessment tool in the up-front employability planning process that covers not only work history and education but also issues such as substance abuse, physical and mental health, and domestic violence. In Arkansas, screening for employment barriers follows soon after TANF eligibility determinations are made.¹¹⁷

¹¹⁵ These programs are discussed briefly on page 32.

¹¹⁶ Terri Thompson, Asheley Van Ness and Carolyn T. O'Brien, "Screening and Assessment in TANF/Welfare-to-Work: Local Answers to Difficult Questions," The Urban Institute, December 2001 and Terri Thompson and Kelly S. Mikelson, "Screening and Assessment in TANF/Welfare-to-Work: Ten Important Questions TANF Agencies and Their Partners Should Consider," The Urban Institute, March 2001.

¹¹⁷ Terri Thompson and Kelly S. Mikelson, pp. 61-62.

“Non-compliance may also serve as a clue or red flag that an unobserved barrier is prohibiting compliance. When considered in this way, non-compliance offers another opportunity at which TANF and partner agency staff can screen or assess for a potential barrier to employment.”

- 2001 Urban Institute report

Screening and assessment procedures also should be built into job search and job readiness programs. (For a discussion of how to improve these programs, see page 29.) In addition, states and program providers should consider developing ways to better use information about noncompliance with work requirements — or failure to make progress in a work activity — to determine whether more in-depth assessments are warranted. For example, an individual’s repeated inability to understand and complete simple tasks in the work program may trigger an assessment for cognitive functioning.

Similarly, a parent’s failure to comply with work requirements may reflect barriers to participation that may not have been identified through assessments. As one study noted, “Non-compliance may also serve as a clue or red flag that an unobserved barrier is prohibiting compliance. When considered in this way, non-compliance offers another opportunity at which TANF and partner agency staff can screen or assess for a potential barrier to employment.”¹¹⁸

Administrative data such as length of time on assistance could identify recipients for further assessment. In Ramsey County, Minnesota, officials focused on families approaching the TANF time limit — many of whom had not succeeded in prior work activities — and provided in-depth psychological, vocational, and functional needs assessments (described below). However, states should not wait until a family is nearing its time limit to investigate why the family is not progressing toward employment.

Who Should Conduct Screenings and Assessments?

Typically, TANF eligibility workers or case managers play a key role in identifying potential unobserved barriers to employment, but more in-depth assessments are conducted by specialized workers either within the agency or from a partner agency or contractor.

Eligibility workers and case managers have the most frequent and extended contact with clients and are the first line of observation in identifying possible barriers and situations requiring further evaluation. They are most likely to use informal methods of observation.

Relying on eligibility workers and case managers has both advantages and disadvantages. On the one hand, clients are more likely to disclose unobserved barriers to someone they trust, and some staff report that providing supportive services (such as transportation assistance) to clients can help build a trusting relationship. On the other hand, agency staff note that clients may be more comfortable disclosing barriers to individuals who do not control their benefits. Also, the large caseloads many TANF workers carry may prevent them from providing anything more than limited screening.

¹¹⁸ Ibid, p. 60.

Specialized workers or employees of partner agencies such as community-based organizations are the best equipped to conduct in-depth assessments of barriers. These persons often have more specialized training — for example, in developmental disabilities, mental health, substance abuse, or domestic violence — and can administer more in-depth assessments in these areas. Also, since they do not control the families' benefits, staff of partner agencies may be trusted more by recipients. Often these partner agencies are co-located with the TANF agency so that referrals (or even quick screenings) can happen promptly and conveniently. In the above-mentioned Ramsey County program, which uncovered significant mental health problems and high rates of low cognitive functioning among long-term recipients, the county partnered with the county's disability agency to conduct vocational and in-home functional assessments.

How Should Assessments Be Conducted?

While many states use formal screening and assessment tools, informal methods play an important role as well. Most staff interviewed in the Urban Institute's detailed study of six sites reported that informal approaches were more effective than screening or assessment tools in uncovering barriers.¹¹⁹

There is no single best way to uncover barriers. Many states use tools to bring greater uniformity and structure to the process and to allow workers with less training to provide the first line of identification. Sometimes, as in the case of Rhode Island and Montana, they use a single tool to identify multiple issues. States also use issue-specific tools — for example, Washington State and Kansas use a tool specifically aimed at identifying learning disabilities, while other states use a tool aimed at identifying domestic violence. Maryland researchers compared client-reported barriers with administrative data and based on that analysis recommend that tools that make use of validated scales for measuring mental health, alcohol abuse and domestic violence may be particularly beneficial rather than solely relying on self-reporting of these barriers.¹²⁰

Psychological and occupational assessments can provide important insights about a client's barriers. Ramsey County conducted comprehensive psychological vocational assessments of TANF recipients approaching time limits through psychologists who administered standard psychometric tests of cognitive ability. The results from the vocational psychological testing provided county staff with information that enabled them to develop more individualized service plans and to account for factors they had not previously considered in assessing their clients.¹²¹

Ramsey County then looked even more deeply at the group of recipients whose assessment indicated very low cognitive ability (i.e., an IQ below 70) by assigning an occupational therapist to conduct additional in-home functional assessments. In contrast to a typical TANF assessment, which is designed simply to uncover barriers, the functional needs assessments were intended to identify *how* such barriers affect a recipient's ability to perform daily tasks and engage in work-related

¹¹⁹ Terri Thompson, Asheley Van Ness, and Carolyn T. O'Brien.

¹²⁰ Catherine Born, et al., "Barriers to Independence Among TANF Recipients: Comparing Caseworker Records and Client Surveys," University of Maryland School of Social Work, June 2005. Validated scales are ones that have been tested and approved for use by researchers.

¹²¹ LaDonna Pavetti and Jacqueline Kauff, p. 7.

activities. The assessment included observing the home and asking the parent to perform a specific household task, such as preparing a packaged meal that the therapist provided.

These assessments revealed significant limitations in cognitive functioning. For example, most participants were unable to read and follow the directions to prepare a simple pre-packaged meal. Some could not determine how much change they should get from a dollar if they spent 69 cents, and some were unable to count from 1 to 10. As the Mathematica study of the Ramsey County program noted, “In addition to identifying previously unidentified barriers to employment, the assessments provided concrete suggestions for surmounting the barriers, including finding paid employment if that was a realistic goal. For case managers, the information has been invaluable, making the task of working with long-term recipients a targeted effort as opposed to a shot in the dark.”¹²²

While a state or county will not want to administer these types of intensive assessments to a broad population, it can use broad screening to tools to identify individuals with potential barriers and target the more intensive assessments towards such recipients. States may also wish to target recipients who are at risk of sanctioning or approaching time limits for more intensive assessments.

A Compliance-Oriented Approach to Sanctions

There is significant evidence that a large share of families that are sanctioned for failing to comply with program requirements has significant barriers to employment, including limited work history, low educational attainment, and physical and mental health problems. Moreover, families that are sanctioned tend to do worse after leaving TANF than other recipients: they have lower employment rates, lower incomes when employed, and higher rates of hardship.¹²³ In a recent California study of four counties, case managers agreed that most non-compliant recipients have significant barriers and thus cannot comply with welfare-to-work requirements.¹²⁴

Some states looking to increase their work participation rate may consider increased use of full-family sanctions, either by adopting a full-family sanction policy or by increasing the frequency with which full-family sanctions are imposed. This would be unfortunate. Despite the extensive use of such sanctions over the last decade, there is no evidence that full-family sanctions are more effective than partial-family sanctions at encouraging recipients to participate or at improving employment outcomes.¹²⁵

If the goal of a state’s sanction policy is to increase compliance and participation — as opposed to imposing penalties and reducing the number of families receiving assistance — there are constructive steps that states can take:

¹²² Ibid, p. 17.

¹²³ See Marcia Meyers et al., "Review of Research on TANF Sanctions, University of Washington, West Coast Poverty Center," June 2006, http://www.workfirst.wa.gov/about/sanction_literature_final.pdf.

¹²⁴ Sofya Bagdasaryan, et al., "CalWORKS Sanction Policies in Four Counties: Practices, Attitudes, Knowledge," California Policy Research Center, May 2005, <http://wprp.ucop.edu/PMBUCLAMAY2005.pdf>.

¹²⁵ See discussion in Dan Bloom and Don Winstead, "Sanctions and Welfare," Brookings Institution Policy Brief, January 2002, <http://www.mdrc.org/publications/191/policybrief.html>.

- **Communicate expectations to clients both before and after noncompliance.** Considerable research has indicated that many clients do not understand the requirements they must meet or how to come into compliance.^{126, 127}
- **Use information about noncompliance as a signal that more-intensive efforts to understand the family's circumstances may be warranted.** For example, Arizona uses a report of non-compliance as an opportunity to identify barriers to participation. Prior to imposing sanctions, the caseworker is directed to revise the employability plan to address the barriers or to make a pre-sanction referral, often to a community resource.
- **Restore full benefits upon compliance.** Imposing mandatory periods of disqualification can deepen family hardship and may reduce a family's incentive to come into compliance.
- **Continue reaching out to families even after they are sanctioned.** In some states, the agency or a community-based organization works closely with a family after a partial or full sanction has been imposed in order to achieve compliance. For example, in Tioga County, New York, the county significantly reduced the number of cases in sanction through home visits to sanctioned families. These visits increased the county's knowledge of the circumstances and barriers faced by the sanctioned families. In some instances, agency workers found that the sanction was not appropriate; in others, they identified barriers and created a pathway toward compliance.

In addition, states can learn a great deal from their administrative data on sanctions. Some counties or offices may be much more successful than others at achieving high work participation rates or curing partial sanctions. Analyzing how sanctions are used across the state may enable the state to identify best practices

TANF Work Requirements and Two-Parent Families

The DRA requires states to meet a very high work participation rate for two-parent families: 90 percent, if the state's two-parent TANF caseload is not below its 2005 level. Most program administrators and researchers believe a 90-percent participation rate is infeasible unless states deny aid to poor two-parent families who are unable to meet the work requirements for *any* reason.¹²⁸ This is because there are many legitimate reasons why families are unable to meet these requirements: illness or the need to care for an ill relative, family emergencies (including unstable housing situations and issues related to the child welfare system), or simply a lack of open slots in a work program. In fact, both the Administration's welfare reauthorization proposal, and the major House and Senate reauthorization bills would have eliminated the separate participation rate calculation for two-parent families and Assistant Secretary for Children and Families Wade Horn has said repeatedly that he thinks the two-parent rate is highly problematic. While the DRA did not

¹²⁶ Ibid.

¹²⁷ For example, see, Sofya Bagdasaryan; HHS Office of Inspector General, "Education Clients About Sanctions," October 1999, <http://oig.hhs.gov/oei/reports/oei-09-98-00291.pdf>; HHS Office of Inspector General, "Improving Sanction Notices," October 1999, <http://oig.hhs.gov/oei/reports/oei-09-98-00292.pdf>.

¹²⁸ See, for example, Gordon L. Berlin, p. 13, http://www.mdrc.org/Reports2002/TANF/TANFGuide_Full.pdf.

eliminate the separate two-parent participation rate (and the omission may have been due largely to technical issues related to the type of legislative vehicle that was used), there remains widespread concern that the high two-parent participation rate requirement may act as a disincentive for states to provide aid to such families.

As states consider how to serve two-parent families, it is important to recognize that married-couple families that receive assistance through TANF or separate state programs are very poor. The typical (or median) such family has income of just *63 percent of the poverty line*, even when its income assistance and food stamps are counted.¹²⁹ Without food stamps and cash assistance, most of these families would be destitute. Moreover, nearly three-quarters of the two-parent families assisted by a TANF or separate state program have *no* cash savings to draw upon should they lose this assistance.

Poor two-parent families may need assistance for a variety of reasons. Some need temporary help during a period of joblessness. Others face problems such as poor health, mental impairments, low literacy levels, or the need to care for a severely disabled child. While married-couple families have lower poverty rates than single-parent families, those two-parent families that do find themselves in need of aid often face very difficult circumstances, and the denial of aid to these families could push many of them into deep poverty.

States that want to avoid imposing penalties on marriage for poor parents in the wake of the DRA have two main options:

- continue assisting poor two-parent families in their TANF programs and accept the very modest penalties associated with failing to meet the two-parent participation rate; or
- assist two-parent families through a solely state-funded (SSF) program that does not count toward the state's MOE requirement, thereby avoiding federal penalties.

These two options are explored below.

Serving Two-Parent Families Inside the TANF Structure

As noted in Chapter I, states face a maximum federal penalty of 5 percent of their adjusted TANF block grant for failure to meet the federal work requirements. But, if a state meets its all-family work participation rate and only fails to meet its two-parent rate, the penalty imposed is small, because the penalty is multiplied by the percentage of the TANF caseload consisting of two-parent families. For example, if a state is subject to the full 5 percent penalty and two-parent families make up 8 percent of the state's caseload, the penalty is 0.4 percent of the state's block grant (5 percent x .08). A state that fails only the two-parent participation rate must still increase its MOE spending to 80 percent of historical levels (versus 75 percent in a state that meets both participation rate requirements). (Because the MOE requirement applies to the year in which the state fails the rate, states should plan on spending at the 80 percent level unless they are entirely certain that they will meet both participation rates.)

¹²⁹ CBPP tabulations of FY 2002 TANF and SSP quality control files from the U.S. Department of Health and Human Services.

If a state fails to meet both the two-parent and all-families participation rates, current regulations suggest (though the language is not entirely clear) that the penalty is the same as the penalty for failing to meet the all-families rate. This part of the regulations was not affected by the interim final rules published in June 2006.

Serving Two-Parent Families Outside the TANF Structure

States may not want to accept the penalty for failure to meet the two-parent participation rate (and the corresponding increase in the MOE requirement). Such states can assist two-parent families through a state-funded program that does not count toward the state's MOE requirement.¹³⁰ States can allow or require two-parent families who participate in the SSF program to participate in a TANF-funded program that provides employment services. Employment services are not considered assistance and as long as the family is not receiving assistance in a TANF-funded program, the family is not considered in the work participation rate calculation. Note that such families cannot receive TANF or MOE funded child care or transportation assistance, as these benefits are considered "assistance" if provided to families that are not employed.

A state taking this approach can limit the amount of non-MOE state funds it spends by including *only* those two-parent families that are *not* meeting the federal work rate requirements in the SSF program. This would allow the state to get credit in its TANF and MOE-funded programs (toward the all-family and two-parent rates) for those families who are participating and, at the same time, avoid the penalty for failing to meet the two-parent participation rate. It is important to note, however, that the child support rules are different in state-funded programs and TANF-funded programs and that some two-parent families do receive child support; so states adopting this approach will need to ensure that federal child support rules are followed.

Rhode Island used a similar (though not identical) approach in the past. Under prior law, families receiving assistance in an MOE-funded program were not considered when determining a state's work participation rate. Based on that structure, Rhode Island assigned its two-parent families that were meeting the federal participation standards to its TANF program and assigned those two-parent families that did not meet the participation rate standards to an MOE-funded program. States can adapt the Rhode Island approach to minimize the number of two-parent families it serves outside of the TANF and MOE structure, though the administrative issues with doing so may not be worth the savings in the SSF program for many states.

¹³⁰ As discussed in chapter I (page 11), if two-parent families remain potentially eligible for TANF (that is, they would be eligible if their income met the TANF eligibility limits, but those receiving SSF benefits would not meet those income-eligibility limits) and are given a choice to participate in the TANF-funded program or the solely state-funded program, it is possible that the resulting caseload decline would be eligible for caseload reduction credit because there would be no eligibility change in the TANF funded program. Ensuring that two-parent families remain potentially eligible for assistance in the TANF program also help protect those families in the case of a state budget crisis leading to reduced funding for the solely state funded program. If the families remain eligible for TANF, those families would have access to TANF assistance even if funding for the SSF program was reduced.

CHAPTER III: Income Supplements for Working Families

Introduction

Over the past two decades, there has been growing recognition among researchers and policymakers that more needs to be done to “make work pay” and to provide supports to poor families so they are able to work. This recognition has led to expansions of the Earned Income Tax Credit (EITC) and to the extension of health insurance through Medicaid and the State Children’s Health Insurance Program (SCHIP) to children in low-income working families. (Previously, publicly funded health coverage was provided only to recipients of cash assistance.) Similarly, federal funding for child care has increased significantly since the early 1990s, though it remains insufficient to serve more than a fraction of the families that need help paying for child care.

Since the early 1990s, many states also have adopted policies in their TANF programs that provide more help to low-income working families. Most notably, nearly all states have changed their benefit rules — chiefly through the use of expanded “earned income disregards” — so that families’ benefits are reduced more slowly as their earnings rise. Despite these changes, however, TANF programs still provide only very modest help to low-income working families.

States should consider further expansions of income supplements to low-income working families, for two important reasons:

- **Research has shown that income supplements are an effective work incentive and that the combination of increased earnings and increased assistance reduces poverty.** Commenting on two decades of research on income supplement programs in the United States and Canada, MDRC president Gordon Berlin concluded that “earnings supplement policies increase the range of options that policymakers have to encourage work and combat poverty.

Indeed, they are the only policies to consistently have had positive effects on both work and income.”¹³¹

“In short, earnings supplement policies increase the range of options that policymakers have to encourage work and combat poverty. Indeed, they are the only policies to consistently have had positive effects on both work and income.”

- Gordon Berlin,
President, MDRC

- **Increasing assistance to working families can help a state meet the DRA’s tougher work participation rates.** This is because working families that receive TANF- or MOE-funded assistance count toward the work participation rate calculation. As more parents find jobs as a result of the work incentive and as assistance is extended to a broader group of working families, the state’s work rate will rise.

This chapter discusses several ways states can design income supplements, including:

- **Providing ongoing monthly income assistance to low-income working families.** States can provide these supplements through their standard TANF program or in a separate program that serves only working families.
- **Providing up-front benefits that are not "assistance" to TANF applicants.** These could include one-time lump sum payments provided instead of ongoing cash assistance; these payments are generally equal to three or four months of cash assistance and are provided to families in which the parent has recently lost her job but is likely to become employed again quickly. Up-front programs also can provide an initial period of "non-assistance" support to a broader group of families applying for TANF to allow time for assessment, work preparation activities and employment planning before the family is approved for ongoing TANF or MOE assistance receipt. (Up-front programs are also discussed in Chapter II, see page 32.)
- **Providing bonuses to parents who leave welfare for work and remain employed.** Some states now provide bonuses to families that are working to provide an incentive for them to remain employed.
- **Providing TANF- or MOE-funded refundable EITCs to low-income working families.** State EITCs can provide important income supplements to a broad range of low-income working families, including those transitioning from welfare to work and those that have not recently received TANF.
- **Directing child support to TANF recipients rather than reimbursing the state and federal governments for the cost of these families’ assistance.** States can adopt several options that allow current and former TANF recipients to keep more of the child support that is collected on their children’s behalf. Such options also can help states meet their work participation targets and other welfare reform goals.

¹³¹ Charles Michalopoulos, “Does Making Work Pay Still Pay,” MDRC, August 2005, p. x, <http://www.mdrc.org/publications/414/execsum.html> and full report at <http://www.mdrc.org/publications/414/full.pdf>.

Though not discussed in this chapter in detail, *non-cash* work supports — including child care subsidies, health insurance through Medicaid or SCHIP, child support services, food stamps, housing subsidies, and transportation assistance — and the federal EITC are also essential tools for promoting employment and helping families make ends meet. For more information on non-cash work supports, see the resource list in the Appendix.

Ongoing Monthly Income Supplements for Low-Income Working Families

A 2005 evaluation by MDRC of four income supplement programs in the United States and Canada found that all four increased employment rates and earnings and reduced the extent and depth of poverty. Earnings supplements were particularly effective at improving employment outcomes for the most disadvantaged participants: longer-term welfare recipients with neither recent work experience nor a high school diploma.¹³²

States can provide monthly income supplements through their regular TANF cash assistance program (by improving the earned income and child support disregards)¹³³ or in a separate program designed solely for working families.

Providing Assistance Through Stand-Alone “Worker Supplement” Programs

States may want to provide income supplements to working families in a program that is separate from the state’s basic TANF cash assistance program. (Such a stand-alone program will be referred to below as a “worker supplement” program.) For example, Arkansas’ Work Pays program provides income assistance to families that leave TANF and are working at least 24 hours each week. Work Pays has simpler benefit rules than TANF — all families receive a flat \$204 monthly grant — and serves only working families.

How Does an Earned Income Disregard Work?

In most states, a family’s TANF benefit is calculated by subtracting the family’s “countable” income from the maximum benefit for a family of a particular family size. A family’s countable income generally includes all of its unearned income (such as Social Security benefits or unemployment insurance) and a *portion* of its earnings. An earned income disregard policy determines how much of a family’s earnings are considered when determining its level of TANF benefits. If a state adopts a more generous earned income disregard, benefits are reduced more slowly as a family’s earnings rise.

For example, suppose that a state disregards the first \$100 of earnings and one-third of all remaining earnings when determining TANF benefits. If a family earns \$400 in a month, its countable earnings equal:

$$\$400 - [\$100 + 1/3 (\$400 - \$100)] = \$200$$

If the family has no other income and the maximum benefit for a family of this size is \$500, it would be eligible for TANF benefits equal to \$300, the difference between the maximum grant and the family’s countable earnings.

¹³² Ibid.

¹³³ Some states use a budgeting methodology rather than an earnings disregard policy to allow TANF recipients to keep more of their income. States that employ this approach — called “fill the gap” budgeting — also could take steps to allow families to fill a larger gap with earnings or child support.

Arkansas adopted this model, in part, to distinguish between the goals of its basic TANF program (helping families meet their basic needs and prepare for and find employment) and the goal of supplementing the incomes of low-income working families struggling to make ends meet.

States can support a worker supplement program using TANF and/or MOE funds. Regardless of which of these funding sources is used, recipients would count toward the state's work rates. There are significant advantages in using MOE funds for such a program, however: recipients would not accrue months toward their federal time limit on welfare receipt, and the state would not send a share of the child support collected on behalf of recipients to the federal government.

Design Issues

States interested in establishing such a program should consider the following design issues:

- **Whom will it serve?** States can create a limited program just for former TANF recipients, or they can assist a larger group of low-income working families. The former approach is less costly but limits the number of working families the state can count toward its work rates and creates inequities between working families with identical incomes on the basis of their prior TANF receipt.
- **What level of assistance will be provided?** Larger benefits cost more but give families more help and provide a stronger work incentive.
- **Will the supplement be a flat amount or vary according to family characteristics?** States may want to adopt a simpler benefit structure in their worker supplement program than in their standard TANF program. States could provide a flat amount of benefits, which is easy to administer and to explain to families, or a benefit that does not fluctuate based on earnings but does vary by family size (which does not fluctuate from month to month).

Alternately, states could tie the benefit level to the family's income, targeting higher levels of assistance to families that have lower incomes and thus greater need; benefits could phase down slowly as incomes rise (rather than ending abruptly as they would if the benefit were a flat amount). This approach, however, can be more complicated to explain to families and more difficult for states to administer. States that adopt this approach should consider drawing from the food stamp rules and effectively freeze benefit levels for families in the program for six months at a time.¹³⁴ This six-month period would coincide with the period over which states can project, for work rate purposes, the number of hours the recipient will work per week based on current employment information.

- **In what form will the assistance be provided?** The assistance could take the form of cash or non-cash benefits designed to meet basic needs. Cash is the most versatile form of aid, but some states are considering providing assistance in the form of state nutrition assistance, using the Food Stamp Program's electronic benefit transfer system. Under federal food stamp rules, state-funded nutrition assistance provided in a form that can be used only to purchase food does not count as income when determining eligibility for federal food stamp benefits and thus

¹³⁴ Under the Food Stamp Program's simplified reporting option, families do not have to report changes in their income except at set six-month intervals, unless their income goes above the program's limit (130 percent of the poverty line).

Arkansas' "Work Pays" Program

In 2005, the Arkansas legislature enacted the "Work Pays" program to provide income assistance to families that leave the state's basic TANF program (called Temporary Employment Assistance, or TEA) and are working at least 24 hours each week. Work Pays is limited to former TEA recipients with incomes below the federal poverty level, and families cannot participate in the program for more than 24 months. All Work Pays recipients receive a flat grant of \$204 per month, which corresponds to the maximum TEA grant for a family of three. The program is limited to 3,000 families.

Work Pays represents a major expansion of assistance to Arkansas' working poor families. A family of three becomes ineligible for TEA when its earnings reach just \$696 per month, or slightly more than half of the federal poverty level.

To ensure that eligible families are enrolled in Work Pays, TEA caseworkers will transfer families from TEA to Work Pays automatically when they meet the program's eligibility criteria.

Virginia has recently implemented a transitional cash benefit to employed families leaving TANF who are working 30 hours a week. A number of other states are also considering providing assistance to working families through a separate program.

does not reduce a family's food stamp benefit. Moreover, since working families generally receive far less in food stamp benefits than they spend on food, they can put the additional state-funded nutrition assistance to good use.

- **Will the program be funded with federal TANF funds, state MOE funds, or both?** If a state wants participants to count toward the federal work rates but does not want federal time limit and child support requirements to apply to them, it should fund the program with state MOE funds and no federal TANF funds. As discussed above, time limit requirements can undermine the goals of an income assistance program for working families by reducing the number of working families that receive assistance (and that count toward the state's work rate) and by leaving some working families without months of eligibility later when they need it because a parent has lost a job. Moreover, if a state does not use TANF funds for its worker supplement program, federal law does not require that families assign their child support rights to the state and the state does not remit a portion of child support collected to the federal government.
- **How can families be shifted seamlessly into the new program?** One challenge of a stand-alone worker supplement program is ensuring that eligible families that want to participate are actually enrolled. New Jersey's worker supplement program, which has provided \$100 per month to TANF recipients for a number of years,¹³⁵ has suffered from low participation,

¹³⁵ New Jersey structured its supplement as "non-assistance" (by defining the \$100 benefit as an offset to work expenses) so that TANF time limits and child support requirements would not apply. Under the DRA's new work requirements, however, many states likely will want to consider such benefits to working families as "assistance" so the families count toward the state's work rate.

apparently due in part to the absence of a simple and seamless enrollment system.¹³⁶ This problem can be minimized if TANF recipients who become eligible for a worker supplement program are transferred into that program automatically, without a separate application process. However, automatic enrollment cannot be used if families can choose between the TANF program and the worker supplement program and there are disadvantages (such as lower benefits) for participants in the worker supplement program.

- **How will child support collections be treated?** Under federal law, child support payments collected on behalf of families that are not receiving assistance in a TANF-funded program must be distributed to the family; the state may not retain these payments and does not owe the federal government a share of them. (States do owe the federal government a share of the child support collected on behalf of families receiving assistance in a TANF-funded program.) States are free to count all, some, or none of the child support a family receives as income when determining eligibility and benefits for a worker supplement program. A state can make more families eligible for the program — and add more working families to the state’s work rate — by disregarding most or all of this child support. Such a policy also would provide an incentive to non-custodial parents to work and pay child support, because that support would benefit their children.¹³⁷

Providing Assistance Within TANF Through Expanded Earned Income Disregards

Nearly all states have increased their TANF earnings disregards from the very limited disregards that were in place in the former AFDC program. Nevertheless, families in many states become ineligible for TANF income assistance when their earnings are still well below the poverty line.¹³⁸ (Earnings disregards and benefit levels vary widely from state to state, as does the level of earnings at which individuals become ineligible for TANF-related assistance.)

By increasing their earned income disregards, states can provide low-income working families with greater assistance — and a more powerful work incentive. A higher disregard also will enable families that get jobs to remain eligible for supplemental TANF assistance (and thus “countable” in the state’s work rate) for a longer period of time.

Similarly, states can adopt or increase a child support disregard so families that are working and receiving child support will continue to qualify for ongoing income assistance and count toward the state’s work rates. (For a more detailed discussion of child support options, see page 84.)

¹³⁶ Another likely reason for the low take-up rate is that families receiving the worker allowance are ineligible for certain housing assistance benefits that are provided to TANF participants. Some families that would receive a higher cash grant through the worker allowance program choose to remain in TANF in order to secure needed housing aid.

¹³⁷ There has been considerable confusion about the child support distribution requirements applicable to families participating in state-funded programs. The plain language of the federal child support statute is clear that child support collected on behalf of families that are not receiving assistance in a TANF-funded program must be distributed to the family. HHS held initial discussions with state administrators about whether states could withhold child support collected from families receiving state-funded benefits, but HHS has not issued any formal guidance to that effect, and most analysts believe that doing so would be a clear violation of federal law.

¹³⁸ For information on state earned income disregard policies and cash assistance benefit levels, see Meridith Walters, Gene Falk, and Vee Burke, “TANF Cash Benefits as of January 1, 2004,” Congressional Research Service, September 2005.

There are several important issues to consider when designing expanded earned income disregards:

- **How long should the expanded disregard be available to a family?** Research has found that income supplements work best when they are available to families as long as they have low earnings.¹³⁹ If cost or other constraints require a shorter time period, that period should be as long as possible to give families time to settle into their jobs, meet up-front work expenses (such as purchasing a uniform), and pay any past-due bills that may have accrued when they were not working. Moreover, because most families do not benefit from the EITC until they file their yearly tax returns, earned income disregards should stay in place for at least 6-12 months so families do not lose TANF assistance until they have received (or will soon receive) help from the EITC.

From the state's perspective, not imposing a time limit on an expanded earned income disregard will maximize the benefit to the state's work participation rates. If the disregard shrinks after several months, many working families will lose TANF eligibility and the state will no longer be able to count them toward its work participation rates.

Currently, at least nine states provide a generous earnings disregard for the first several months in which a recipient is working, but after this short period the disregard is substantially reduced and families lose TANF assistance at low levels of earnings. For example, South Carolina disregards 50 percent of earnings during the first four months a recipient is employed, but after the fourth month, the disregard falls to a flat \$100 per month.¹⁴⁰ Some states have already made changes to their disregard policies since the DRA's enactment; for example, Alabama now disregards 100 percent of earned income for six months, instead of three.

- **Should a smaller disregard be applied to TANF applicants than to families already receiving TANF assistance?** Most states apply a much less generous earnings disregard to families applying for TANF assistance than to families already receiving assistance. This keeps state TANF caseloads smaller (which some policymakers view as a goal in and of itself) and reduces costs, but it also creates significant inequities among working families. Under this structure, a family in which a parent never received TANF and is working in a low-wage job may be ineligible for assistance, while another family in which the parent has the same earnings is eligible for aid because the family was receiving TANF when the parent found the job.

The new work participation rates imposed by the DRA provide another reason to apply the same disregards to TANF applicants and recipients. Extending a more generous disregard to applicants than they currently receive would enable more working families to receive assistance and thus count toward the state's work rates.

¹³⁹ Michalopoulos.

¹⁴⁰ Walters, Falk, and Burke.

- **Should a larger disregard (or bonus) be provided to families in which a parent works the federally required number of hours?** Such a policy would give parents a stronger incentive to secure the federally required number of hours of employment. Research in the United States and Canada suggests that tying benefits to a minimum number of hours worked makes an income supplement a more effective work incentive. This approach, though, would mean that families that cannot secure enough hours of employment would receive lower benefits than if benefits were not based in part on the number of hours worked.

Moreover, states should be careful not to create overly complicated policies that families cannot understand or that impose large paperwork burdens on them. Instead, states could provide a bonus or higher disregard based on a family's *expected* hours of work and then review the number of hours actually worked on a periodic basis. States could conduct this review every six months — to line up with the period over which the state can project a recipient's weekly number of hours of work for work participation rate purposes — without creating a complicated and burdensome process.¹⁴¹

- **Should months in which a low-income working family receives an income supplement count against the family's TANF time limit?** Many states do count these months, but such a policy can undermine the goals of the expanded disregard policy, just as it can undermine the goals of a worker supplement program. Families that receive (usually modest) assistance while working can use up their TANF eligibility and thus be ineligible for any assistance at a later point if the parent loses her job. Also, placing a time limit on benefits received while working could make it harder for the state to meet its federal work rate, since some working families would likely leave TANF even if they remain eligible for aid in order to preserve their TANF eligibility for the future, while other working families would be terminated from TANF when they hit the time limit.

If a state does not want months of benefits received while working to count against a family's federal time limit, it should finance these benefits with MOE funds instead of TANF funds.¹⁴² Several states take this approach. For example, in Illinois, families in which a parent works at least 30 hours per week receive MOE-funded assistance that does not count against the state's time limit. Delaware, Maryland, Pennsylvania, and Rhode Island have similar policies.¹⁴³

Comparing the Worker Supplement and Earned Income Disregard Approaches

Of the two options discussed here by which states can extend ongoing assistance to working families, an expanded earned income disregard may be easier for some states to implement quickly, because it is only a modification of an existing TANF benefit rule and thus requires less computer

¹⁴¹ Under the interim final regulations, states can project the number of hours an employed recipient is working for up to six months based on current information about hours worked. For more details, see pages 15-16.

¹⁴² For a discussion of when time limit and child support rules apply to TANF- and MOE-funded assistance, see pages 21-23.

¹⁴³ John M. Bouman, Margaret Stapleton, and Deb McKee, "Time Limits, Employment, and State Flexibility in TANF Programming: How States Can Use Time Limits and Earnings Disregards to Support Employment Goals, Preserve Flexibility, and Meet Stricter Federal Participation Requirements," *Clearinghouse Review*, National Center on Poverty Law, September 2003.

re-programming and staff training. On the other hand, it may be more difficult to explain to families, and confusion about the rules may reduce its effectiveness as a work incentive.

The stand-alone worker supplement program, in contrast, may take longer for a state to establish and may require more extensive computer programming and staff training. Moreover, care will have to be taken to ensure that families can seamlessly shift from TANF to the worker supplement program. Despite these challenges, this model has several advantages: it does not cause a large increase in the number of families in the state's basic TANF program (a fact that may be important to some policymakers), states may have less trouble adopting simple rules for working families in a worker supplement program than in their basic TANF program, and — if the worker supplement program is funded with MOE and not TANF funds — the state will not have to send a portion of collected child support to the federal government. The combination of earnings, child support income, and the worker supplement benefit will enable many working families to sustain employment.

Under either the worker supplement program or earnings disregard approach, states should consider funding the benefits with MOE funds so that time limit rules do not apply.

Note that under either approach, the number of families receiving TANF- and MOE- funded assistance will increase. This may make these strategies less attractive to states that are expecting to achieve significant caseload reduction credits. However, federal TANF regulations allow states to offset the effect of policy changes that increase the TANF caseload with policy changes that *decrease* the caseload when calculating the caseload reduction credit.¹⁴⁴ If HHS decides to consider the creation of a solely state-funded program a “policy change” that reduces the caseload, a state can use this program to offset the caseload increases that result from expanding assistance to working families. Thus, a state that is eager to secure a caseload reduction credit but wants to expand assistance to working families may want to consider creating a separate, solely state-funded program for families that could be served more appropriately outside the federal TANF rules.

Suppose, for example, that a state has a TANF caseload of 18,000 families, its caseload is 2,000 families smaller than its 2005 caseload, and the state is considering establishing a worker support program that would help 2,000 families per month. If the state makes no other policy changes, its “caseload” for caseload reduction purposes will equal 20,000 (the 18,000 families in the basic TANF caseload plus the 2,000 families in the new worker support program) and the state will not get any caseload reduction credit, despite reducing the number of families in its basic TANF program by 2,000 families. If, however, the state also creates a solely state-funded program that assists 1,500 families formerly assisted through TANF, the 1,500-family drop in the TANF caseload will offset most of the 2,000 families assisted through the worker support program. The resulting caseload used in the caseload reduction credit calculation will be 18,500, and the state will receive a caseload reduction credit.

¹⁴⁴ 45 C.F.R. §261.41.

Front-End Programs Can Help Families Find Employment and Get Linked to Work Supports

As discussed in Chapter 2 (see page 32) some states are considering “front-end” programs that provide non-assistance benefits — including lump sum cash benefits¹⁴⁵ — to applicant families for a short period of time *before* they become ongoing TANF recipients. Families with recent work experience may benefit more from a one-time, sizable lump sum payment than from smaller, ongoing benefit payments. A lump sum payment can help a family make ends meet during a temporary period of unemployment and pay for immediate significant expenses such as back rent, car repairs, and expenses related to a new job. In other words, it can help a family get “back on its feet” and, in some cases, obviate the need for the family to become TANF recipients at all. For families without recent work experience, the front-end program gives both the family and the state time to conduct screenings and assessments, secure child care arrangements, and develop an employment plan without the pressure of immediately meeting the federally mandated work requirements.

Many families, even if they find jobs quickly, do not meet the hourly work participation requirements in their first couple of months of TANF receipt. Families often are coping with other short-term crises or attending mandatory orientation sessions, screenings, and assessments as caseworkers and recipients develop an employment plan. Since many families are unlikely to meet the hourly requirements in these early months of benefit receipt, removing them from the state’s TANF caseload — and thus from the work participation rate calculation — will increase the state’s work rates.

Some states have made limited use of lump sum benefit options over the last 10 years. These programs — sometimes known as lump sum diversion programs¹⁴⁶ — typically provided one-time lump sum cash payments in lieu of ongoing TANF cash assistance to families with job-ready adults who were likely to find jobs quickly. The payment was typically equivalent to several months of TANF benefits, though some states tied the size of the payment to particular short-term bills faced by the family, such as car repairs. Families that received this payment typically were ineligible for ongoing TANF assistance for a period of time. (In some cases, families that became eligible for ongoing TANF assistance during the period of ineligibility are permitted to receive assistance if they repaid the lump-sum benefit.)

Prior to the DRA’s enactment, more than half of the states included some type of lump sum aid program as part of their TANF initiatives. An HHS-funded study of lump sum programs created after 1996 noted that “[w]elfare agencies that have made use of this type of targeted financial assistance are generally finding it a low-cost and effective way to provide minimal support yet reap a

¹⁴⁵ Because short-term (less than four months) benefits are not considered “assistance” under federal TANF regulations, TANF time limit and child support requirements do not apply to lump-sum payments, and recipients of these payments are not counted toward the state’s work rates.

¹⁴⁶ A lump-sum diversion program is quite different from other, often informal, diversion efforts through which states discourage or divert applicants from pursuing applications by means other than providing a meaningful one-time benefit. Some states impose requirements on applicants — such as a set number of job search contacts or participation in other welfare-to-work activities — that must be completed before the state will approve the family’s application. Other states push caseworkers to discourage applicants from pursuing TANF and to instead pursue other benefits, such as food stamps. These forms of diversion can restrict TANF access for families that have serious barriers to employment or are in a short-term crisis.

sizeable benefit through reduced caseloads.”¹⁴⁷ However, relatively few TANF applicants received these payments in lieu of ongoing TANF assistance. One study notes that in some states with lump sum policies (Maryland, Wisconsin, and Virginia), the number of families receiving a lump sum benefit was less than 5 percent of the size of the state’s TANF caseload.¹⁴⁸

These prior programs differed in key respects from the front-end programs many states are now considering. The prior programs were limited to families that were very likely to find employment quickly; moreover, families that accepted lump sum benefits were ineligible for ongoing TANF benefits for a specified period of time. By contrast, some states are now considering programs that would include a far broader group of families.

If designed well, a front end program can provide an opportunity for thoughtful employment planning and identification of barriers to employment. But if designed poorly, such a program can create obstructions between application and receipt of aid for needy families by imposing one-size-fits-all requirements and more limited work activities. Important design considerations include:

- **Which TANF applicants should participate?** A state might place all TANF applicants in the program, treating it as an opportunity to identify the appropriate activities or programs for each family. Alternately, a state might limit participation to work-ready applicants who may find jobs quickly through an up-front job search program, or to families that are unlikely to be ready to participate in federally countable work activities in their first several months of aid receipt.
- **What services and activities should the program provide?** If the program accepts only work-ready applicants, it might focus on helping parents reconnect to the job market quickly and secure needed work supports. If the program serves applicants who are not work-ready, it might focus on identifying and addressing barriers to employment.
- **How should the program be financed?** A state that wants to remove families from the state’s work rate calculation can either finance the front-end program with state funds that do not count toward the MOE requirement or provide short-term, non-recurrent benefits that are not considered assistance to participants using TANF or MOE funds.

Front-End Programs Can Serve as a Bridge to Programs That Assist Working Families

An important design consideration for front-end programs is what happens at the end of the program. As noted, under the old lump sum diversion programs, families were typically ineligible for TANF assistance for specified periods. But under the newer version of front-end programs, families still in need at the end of the front-end period would generally shift to ongoing TANF cash assistance or to a stand-alone worker supplement program, if applicable.

States should consider combining a front-end program approach with policies that extend ongoing assistance to working families. Under such a combination approach, the state would provide lump sum benefits to families that are likely to become employed quickly, and then provide

¹⁴⁷ Amy Johnson and Alicia Meckstroth, “Ancillary Services to Support Welfare to Work,” Mathematica Policy Research, June 22, 1998, <http://aspe.hhs.gov/hsp/isp/ancillary/front.htm>.

¹⁴⁸ Ibid.

income supplements (through the state's basic TANF program or a worker supplement program) to families that find jobs but continue to have low earnings. Under this approach, a family would not be considered in the state's work rate during the initial months when it is looking for work. Later, if the parent found a job but had low earnings, the family could receive ongoing monthly assistance — and the state would get to count that family's work participation toward its work rate. This approach would help states meet the work requirement in two ways: by reducing the number of non-working families that count toward the work participation rates while increasing the number of working families that count toward the work participation rates.

It is important that the transition from a front-end program to TANF or a worker supplement program should be seamless so the front-end program does not become a barrier to accessing needed assistance.¹⁴⁹ States also should ensure that families that find a job during the front-end program are eligible for TANF assistance, worker supplements, child care, and other supports on the same basis as families that find employment while receiving TANF assistance. (That is, they should be eligible for higher recipient earnings disregards, if applicable, or preferences for child care provided to former TANF recipients.)¹⁵⁰

Bonus or Incentive Payments to Encourage Families to Remain Employed

Some states provide lump-sum or periodic incentive/bonus payments to help families that have left TANF for work to remain employed. (States also can provide bonuses to employed TANF recipients for the same purpose.) This approach is similar in some ways to the lump-sum programs discussed above.

Under this “back-end” bonus approach, when a family finds a job and leaves TANF,¹⁵¹ it receives a bonus that helps the family make ends meet and provides an incentive for the family to continue working. Since parents are most likely to lose their jobs in the first few months after leaving TANF, providing incentives to encourage recent TANF leavers to remain employed is important.

Bonus payments can be designed as either “assistance” or “non-assistance.” If provided as “non-assistance,” TANF time limits and child support requirements are not triggered, and families are not included in the calculation of a state's TANF work rate. For states that *want* to include these families in their work rate calculation, the payments can be designed as “assistance” by combining them with ongoing income supplements. For example, instead of simply providing job retention bonuses after

¹⁴⁹ Up-front lump-sum payments will not ordinarily affect applicants' eligibility for food stamps. Food stamp regulations exclude from income calculations any funds received in the form of non-recurring lump-sum payments. (7 C.F.R. §273.9(c)(8)) Non-recurring lump-sum payments can count as *resources*, but persons receiving diversion payments from a TANF-funded program are exempt from food stamp resource limits. (7 C.F.R. §273.8(e)(17)) Up-front lump-sum payments also need not affect eligibility for Medicaid, since all states have options to disregard this benefit as income and a resource. For further discussion, see Liz Schott and Cindy Mann, “Assuring That Eligible Families Receive Medicaid When TANF Assistance Is Denied or Terminated,” Center on Budget and Policy Priorities, November 1998, <http://www.cbpp.org/11-5-98mcaid.htm>.

¹⁵⁰ For further discussion of considerations in designing up-front programs, see Liz Schott “Up-Front Programs for TANF Applicants,” Center on Budget and Policy Priorities, January 16, 2007, <http://www.cbpp.org/1-16-07tanf.pdf>.

¹⁵¹ A state also could provide back-end bonus payments to families that receive up-front lump-sum benefits and subsequently find employment.

a family's third and sixth months of employment, the state could provide more modest assistance to the family on a monthly basis and then provide larger payments in the third and sixth months as a bonus for retaining employment.

Several states have adopted bonus payment programs. For example:

- Ohio's Employment Retention Incentive (ERI) program provides up to \$1,000 in four payments over a period of nine months: \$200 at the outset and again at the third and sixth months, and another \$400 at the ninth month. The program is open to persons who had earnings in their last month on TANF, have left TANF (even if their TANF case was closed for a reason unrelated to their earnings), and are working at least 25 hours a week or making at least \$128.75 per week. An individual can receive these four ERI payments once in a 36-month period. While the program is very recent (it began in July 2006), there is some concern that its take-up rates may be low, in part because families must apply for the bonus payments after leaving TANF.
- Mississippi provides four periodic payments that total \$1,000 over the course of the year after a family leaves TANF, if the exit was due to earnings and the individual remains employed. The first payment of \$100 is made if the individual is still employed 90 days after leaving TANF; the final payment of \$400 is made if the individual remains employed for one year after leaving TANF.

The differences between the Ohio and Mississippi payment schedules illustrate some of the design choices states face. Ohio has chosen to provide greater benefits up front in order to stabilize the family and keep it from returning to welfare, while Mississippi has chosen to provide greater benefits later in the year in order to encourage the family to remain employed.

State EITCs Can Supplement the Income of Working Families

Over the past decade, a number of states have adopted state EITCs.¹⁵² Currently, 16 states (including the District of Columbia) have a refundable state EITC; an additional four states have non-refundable credits. These credits are typically based on the federal EITC and provide families that are eligible for the federal EITC with a state credit equal to some percentage of their federal credit.

A state EITC can provide an important income supplement and work incentive both for low-income working families and for TANF recipients moving from welfare to work. There is strong evidence that the federal EITC has played a major role in increasing employment rates among low-skilled workers — particularly single mothers and individuals receiving cash assistance.¹⁵³ One

¹⁵² Ifie Okwuje and Nicholas Johnson, "A Rising Number of State Earned Income Tax Credits are Helping Working Families Escape Poverty," Center on Budget and Policy Priorities, October 2006, <http://www.cbpp.org/10-12-06sfp.htm>.

¹⁵³ R. Blank, D. Card, and P. Robins, "Financial Incentives for Increasing Work and Income Among Low-Income Families," NBER Working Paper #6998, National Bureau of Economic Research, 1999; and N. Eissa and J. Liebman, "Labor Supply Response to the Earned Income Tax Credit," NBER Working Paper #5158, National Bureau of Economic Research, 1995.

analysis found that the federal EITC accounted for 63 percent of the annual increase in the employment rate among single mothers from 1984 to 1996, and 34 percent of the increase from 1992 to 1996.¹⁵⁴ Other research found that the EITC accounted for about 13 percent of the rise in employment among single-mother welfare leavers in California between 1987 and 2000.¹⁵⁵ (Because state EITCs are smaller than the federal EITC, presumably they would have a correspondingly smaller impact.)

Moreover, since EITCs are administered through the tax system, recipients do not have to go to a human services office to apply. While there remain families that are eligible for the federal EITC who do not claim it, the participation rate in the federal EITC is higher than low-income working families' participation rates in many other means-tested programs.

At the same time, it is important to note that most families receive both federal and state EITC benefits once a year when they file their tax returns. (There is an advance payment option, but very few workers use it.) Thus, the credit does not provide an immediate wage subsidy to families transitioning from welfare to work.

Some states, including New York,¹⁵⁶ have used TANF or MOE funds to finance a portion of their EITC.¹⁵⁷ Most states have not, however; state EITCs tend to be expensive relative to a state's TANF block grant because they serve a broad group of families. A state EITC is not considered "assistance" under the TANF rules, so families that receive a TANF- or MOE-funded state EITC are not considered assistance recipients and are not considered in the state's work rate.

New Child Support Options Can Help States Meet their Welfare Reform Goals

Background

Child support is a critical component of single-parent families' budgets. Families that can combine earnings and child support from non-custodial parents are better able to make ends meet, sustain their employment, and remain off of TANF assistance than single-parent families that do not receive child support.

While child support can provide an important income source for current and former TANF recipients, many low-income families do not receive the child support that is collected on their behalf.

¹⁵⁴ B. Meyer and D. Rosenbaum, "Welfare, the Earned Income Tax Credit and the Labor Supply of Single Mothers," NBER Working Paper #7363. National Bureau of Economic Research, 2001. For the impact of EITC expansions on employment, see J. Grogger, "The Effects of Time Limits and Other Policy Changes on Welfare Use, Work and Income Among Female-Headed Families," *The Review of Economics and Statistics*, Volume 85, No. 2: 394-408 (2003).

¹⁵⁵ J. Hotz, C. Mullin, and J. Scholz, "The Earned Income Tax Credit and Labor Market Participation of Families on Welfare," JCPR Working Paper #214, Joint Center for Poverty Research, Northwestern University/University of Chicago, 2005.

¹⁵⁶ New York State FY 2005 TANF/MOE Report, <http://www.acf.hhs.gov/programs/ofa/MOE-05/newyork.htm>.

¹⁵⁷ HHS has stated in a TANF Program Instruction (TANF-ACF-PI-01-01, January 17, 2001) that TANF and MOE funds can be used for the refundable portion of a state EITC. See <http://www.acf.hhs.gov/programs/ofa/taxcrdt.htm>. See also 45 CFR 260.30 and 260.33.

In 2004, states retained \$2 billion in support payments collected for current and former TANF recipients, sending more than half of the money to the federal treasury.¹⁵⁸

Currently, when a state collects child support on behalf of a family receiving TANF cash assistance, the state generally retains most or all of the child support to offset the cost of the family's assistance. (The federal government gets a share — 50-76 percent — of this retained child support, based on the state's federal Medicaid match rate, called "FMAP.") In addition, many *former* TANF recipients do not receive all of the child support payments collected on their behalf. Payments collected on behalf of former TANF recipients through the "tax intercept" mechanism — a procedure that withholds the federal income tax refunds of non-custodial parents who owe child support — are retained by the state and federal governments to offset the cost of prior TANF assistance.

In 2004, states retained \$2 billion in support payments collected for current and former TANF recipients, sending more than half of the money to the federal treasury.

Over the past few years, there has been a growing consensus that when non-custodial parents pay child support, this support should go to their children to improve the children's well-being. This consensus, based in part on research showing that non-custodial parents are more likely to pay child support if the money goes to their children, led to the inclusion in the DRA of new state options and incentives to direct more child support to current and former TANF recipients.¹⁵⁹ Under the new rules, states can:

- direct (or "pass through") child support collected on behalf of children receiving assistance in a TANF-funded program to the families owed that support;
- disregard some or all of the child support passed through to families so that when a family receives child support, the family's TANF assistance benefits (or benefits in an MOE-funded program) are not reduced or are reduced more slowly;¹⁶⁰ and

¹⁵⁸ In 2005, the federal government's share of the retained collections was \$1.13 billion, while the states' share was \$911 million, before the deduction of amounts passed through to TANF families. (Support passed through to families is paid from the state share and is not included in the data reported to HHS.) HHS Office of Child Support Enforcement, Preliminary Report FY 2005, Table 1, http://www.acf.hhs.gov/programs/cse/pubs/2006/reports/preliminary_report/.

¹⁵⁹ For more details on the changes made by the DRA to the child support rules at 42 USC 657, see Paul Legler and Vicki Turetsky, "More Child Support Dollars to Kids: Using New State Flexibility in Child Support Pass-Through and Distribution Rules to Benefit Government and Families," Policy Studies, Inc. and Center for Law and Social Policy, July 2006, http://www.clasp.org/publications/more_cs_dollars_policy_brief_v10.pdf; and Vicki Turetsky, "Child Support Assignment and Distribution Provisions in the Deficit Reduction Act," CLASP, August 2006, <http://www.clasp.org/publications/dradistributionslides080206.pdf>.

¹⁶⁰ The DRA does not change the child support options available to states with respect to families receiving assistance in an MOE-funded or solely state-funded program. States are required to pay collected support to families participating in a state-funded program but may adopt any disregard rule they wish with respect to the child support income those families receive. However, as discussed in the text, states currently must withhold some of the past-due child support for those families that previously received TANF assistance, but the DRA gives states the option of directing this portion of past-due support to the families.

- direct child support collected on behalf of former TANF recipients through the federal tax intercept mechanism to families, rather than retaining that support to offset the cost of previous TANF-related assistance.

States can best simplify their child support rules and ensure that child support is available as an income and work support by adopting a “full family distribution” policy, under which *all* collected child support is distributed to current and former TANF recipients. Such a policy also allows states to harmonize their child support distribution rules across all families and programs.

Like other income supplement strategies discussed above, the child support changes in the DRA give states new options that can help them meet their welfare reform goals, including increasing their work participation rates.

Child Support Is an Important Work Support and Source of Income

Many poor families rely on child support. Roughly 35 percent of the families with incomes below the poverty line receive child support; for those poor families that receive it, child support represents a third of the family’s income. Also, half of the families with incomes between 100 percent and 200 percent of the federal poverty line receive child support.¹⁶¹

Child support can be a relatively stable source of income for families leaving TANF. An analysis of several welfare-to-work studies conducted by MDRC and others found that most current and former welfare recipients who receive child support receive fairly steady payments.¹⁶² Also, a number of studies have demonstrated the benefits of dependable child support payments, even if those payments are modest. A Washington State study found that former TANF recipients who receive regular child support find work faster, stay employed longer, and work more hours than similar families without child support. They also are much less likely to enter TANF or to return to it once they have left.¹⁶³

The likelihood that child support is collected on behalf of children receiving TANF assistance depends in part on a state’s child support and TANF policies. A Wisconsin program that passed through all child support to TANF families and fully disregarded that child support when determining families’ TANF benefit amounts achieved impressive results: not only did the fathers establish paternity faster, pay more child support, and work less in the underground economy, but TANF receipt declined among the custodial parents and their children. Moreover, the program did *not* increase state costs, as the cost of passing through the child support was fully offset by increased child support payments and reduced TANF receipt.¹⁶⁴

¹⁶¹ Elaine Sorensen, “Child Support Gains Some Ground,” Urban Institute, 2003.

¹⁶² Cynthia Miller, Mary Farrell, Maria Cancian, and Daniel Meyer, “The Interaction of Child Support and TANF: Evidence from Samples of Current and Former Welfare Recipients,” MDRC, 2005, <http://www.mdrc.org/publications/397/full.pdf>.

¹⁶³ Carl Formoso, “Beneficial Impacts of Child Support Services on Custodial Family Self-Sufficiency,” Washington Department of Social and Health Services, 2004.

¹⁶⁴ Daniel Meyer and Maria Cancian, “W-2 Child Support Demonstration Evaluation, Phase 1: Final Report” (2001) and “Phase 2: Final Report” (2003), Institute for Research on Poverty, University of Wisconsin.

When Can States Retain Child Support Payments?

The federal child support distribution statute limits the circumstances under which states may retain child support:

- Child support may be retained only to repay the cost of cash assistance provided in a TANF-funded program (or foster care maintenance payments funded under Title IV-E of the Social Security Act). States may not retain child support to repay assistance provided in other federally funded or state programs, including state-funded programs, whether those programs receive MOE funds or not.
- State may not retain child support to repay the cost of “non-assistance” such as short-term TANF benefits and child care for working families.
- States may retain child support to reimburse TANF assistance only if the assistance is “paid to the family” in the form of cash, checks, or other money payments. States may not retain child support to reimburse assistance provided through vouchers or third-party payments.^a

^aHHS Action Transmittal OCSE-AT-99-10, issued September 15, 1999, <http://www.acf.hhs.gov/programs/cse/pol/AT/at-9910.htm>.

Researchers associated the positive effects of the Wisconsin program with its disregard component rather than its pass-through component, finding in a separate 50-state analysis that the disregard policy improved paternity establishment and collection rates.¹⁶⁵ In fact, researchers failed to find similar positive effects for a Minnesota policy that passed through child support but did *not* disregard it when determining TANF benefits.¹⁶⁶

The DRA's Child Support Provisions

Under the pre-DRA law, which will be in effect until FY 2009, families that apply for assistance in a TANF-funded program are required to sign over to the state their rights to child support that becomes due during the assistance period, as well as their rights to any past-due child support owed to them at the time they apply for TANF assistance. The state retains the support it collects as reimbursement for the cost of providing cash assistance to families in a TANF-funded program, sharing the proceeds with the federal government.

Even after families stop receiving assistance, states keep the child support that is collected through the federal income tax intercept mechanism to repay the costs of past assistance provided in a TANF-funded program. (Such families would receive child support collected through other means, except in the infrequent cases in which the custodial parent is not owed any past-due support.)

¹⁶⁵ Judith Cassetty, Daniel Meyer, and Maria Cancian, “Child Support Disregard Policies and Program Outcomes: An Analysis of Data from the OCSE,” in *W-2 Child Support Demonstration Evaluation Report on NonExperimental Analyses, Volume III: Quantitative Nonexperimental Analyses*, Background Reports, 2002. Wisconsin Child Support Demonstration Evaluation research reports can be accessed at <http://www.irp.wisc.edu/research/childsup/csde/csdepubs.htm>.

¹⁶⁶ Jane Venohr, David Price, Laurie Davis Van Wert, and Christa Anders, “Child Support Pass-through in Minnesota: A Process and Outcomes Evaluation,” Policy Studies, Inc, 2002.

More than half (56 percent) of the child support retained by states is collected on behalf of families who no longer receive TANF assistance, and nearly all of this is collected through the federal tax intercept mechanism.¹⁶⁷

The DRA makes several changes intended to increase the amount of child support paid to current and former TANF recipients:

- **Limiting child support assignment.** States no longer will be permitted to require families to sign over their rights to past-due child support payments that accrued before they applied for TANF assistance. States must implement this change by October 1, 2009, but may implement it a year earlier.
- **Waiving the federal share of child support collected on behalf of TANF recipients.** While under the pre-DRA rules, states could pass through the child support they collected to families receiving assistance in a TANF-funded program and disregard that assistance when determining a family's TANF benefits, states that did so were still required to send the federal government its share of the collections.¹⁶⁸ Under the DRA, in contrast, the federal government will waive its share of the collections if a state passes through and disregards some or all child support payments, up to \$100 per month passed through for one child and \$200 per month for two or more children. This provision is effective October 1, 2008.
- **A new option to distribute more child support to former TANF families.** Under the pre-DRA rules, states were required to retain child support collected on behalf of former TANF recipients through the federal tax intercept mechanism. Under the DRA, states are permitted to direct all child support collected through this mechanism to those families; if a state elects this option, the federal government will waive its share of those collections, with no limits. This option could significantly increase the amount of child support provided to former TANF recipients, since about one-quarter of all arrears collected on behalf of former TANF recipients are retained because of the federal tax intercept requirement. The option is effective October 1, 2008.

Pass-Through and Disregard Policies in TANF-Funded Programs

By expanding the child support pass-through and disregard policies in their TANF programs, states can enable more families to combine work, child support, and assistance receipt — and help the state meet its federal work rates at the same time. Disregarding child support enables a family that also receives child support to increase its earnings without becoming ineligible for assistance. Thus, an expanded child support disregard functions in much the same way as an earnings disregard.

Adopting a generous pass-through and disregard policy also could increase the amount of federal child support performance incentive payments a state receives. These incentive payments are based on performance measures such as a state's paternity establishment and child support collection rates. If, as research has found, these rates improve as a result of expanded pass-through and disregard policies, the state could see its incentive funding increase.

¹⁶⁷ HHS Office of Child Support Enforcement, Preliminary Report FY 2005, Table 1, http://www.acf.hhs.gov/programs/cse/pubs/2006/reports/preliminary_report/.

¹⁶⁸ 42 U.S.C. 657(a)(1)(A).

The Mechanics of Pass-Through and Disregard Policies

The following illustrates how pass-through and disregard policies affect TANF benefit calculations:

Example

Suppose a state passes through all support collected on behalf of TANF recipients and disregards up to \$100 per child when determining the recipients' TANF benefit level. If \$250 in child support is collected on behalf of Ms. Smith's two children, she will receive a \$250 child support check from the state child support agency, and the state TANF agency will reduce her TANF benefits by \$50 (her \$250 in child support minus \$100 for each of her children).

Under federal law, child support that is *not* passed through and disregarded must be split between the federal and state governments according to the state's FMAP rate.¹⁶⁹ Thus, states that expand their pass-through and disregard policies can reduce the amount of child support collections they send to the federal government, ensuring that those funds are used to help families instead. For example, a state with a 65-percent FMAP rate sends nearly two-thirds of the child support it collects to the federal government. The cost of passing through and disregarding child support is lowest for states with high FAMP rates.

Example

Suppose Ms. Smith lives in a state with a 65-percent FMAP rate. If the state does not pass through and disregard her \$250 in child support, it must send \$162.50 (65 percent of \$250) to the federal government; the state keeps the remaining \$87.50. If the state passes through and disregards \$200 of the collected support, however, it sends only \$32.50 (65 percent of \$50) to the federal government.¹⁷⁰

Finally, states can claim MOE credit for their share of the child support they pass through and disregard to recipients in TANF-funded programs. There is no dollar limit on the amount of child support for which a state can claim MOE credit..

Example

If the state in the example above passes through and disregards \$200 in child support collections for Ms. Smith, it can claim \$70 (35 percent of \$200) toward its MOE requirement.¹⁷¹

¹⁶⁹ In addition, the state must pay the federal government its share of any support passed through to families that exceeds the \$100 and \$200 limits on the amount of support qualifying for a waiver of the federal share.

¹⁷⁰ Even if the state passed through and disregarded all child support — rather than capping the amount at \$100 per child — it would still have to send the federal government its share of the amount over \$200 (\$32.50).

¹⁷¹ If the state passed through and disregard *all* child support collections, it could claim \$120 toward its MOE requirement — \$70 (the state share of the first \$200) plus the full \$50 in support in excess of the \$200 federal limitation.

Policy Design Issues

States considering expanding the child support pass-through and disregard policies in their TANF-funded programs will need to consider several design issues:

- **How much child support should be passed through and disregarded?** Under federal law, states can decide how much child support to pass through to families and how much to disregard when determining assistance levels. Larger pass-throughs and disregards give non-custodial parents a greater incentive to establish paternity and pay child support. They also enable more working families to remain eligible for assistance, which in turn helps the state's work rate.

Example

Suppose a family earns \$750 per month and the non-custodial parent pays \$200 per month in child support, the maximum TANF grant for the family is \$400, and the state disregards 50 percent of all earnings when determining TANF eligibility. If the state passes through and disregards all \$200 in child support, the family will be eligible for a small amount of TANF assistance (\$25) and will count toward the state's work rate. If the state passes through \$200 in child support but disregards only \$100 of it, the family will be ineligible for TANF assistance and will not count toward the state's work rate.

States that elect to pass through and disregard some, but not all, child support collections must decide whether to set the disregard amount as a fixed dollar value (for example, \$100), as a percentage of the child support, or vary it based on the number of children covered by the support. States must also decide whether to adopt different rules for families owed child support by more than one non-custodial parent.

The most important principle in designing a partial pass-through and disregard policy is to avoid overly complex policies, which can confuse custodial parents, non-custodial parents, and agency staff alike. Research shows that both parents and caseworkers must understand these policy changes in order for them to influence parental behavior.

Another option for states is to pass through *all* child support but disregard only a portion of it. States might want to take that approach if they want to make sure families understand the extent to which their needs are being met by child support rather than by TANF-related assistance and if they want to simplify their child support distribution rules.

A "full family distribution" policy that directs *all* child support to families (even if not all of it is disregarded) can give non-custodial parents an incentive to pay support and smooth the family's transition off of TANF. A study by the HHS Office of the Inspector General found that many families experienced delays in getting child support in the critical months after leaving TANF because states were not able to shift seamlessly from retaining the child support (when the family was on TANF) to directing the support to the family (after it had left TANF).¹⁷² The

¹⁷² HHS Office of Inspector General, "Distributing Collected Child Support to Families Exiting TANF," OEI-05-01-00220, October 2001.

research suggests that transitions off of TANF would be smoother if families began to receive child support payments directly from the child support agency while still receiving TANF assistance, even if the support is not fully disregarded.

A full family distribution policy also can greatly simplify the state's child support distribution rules. Under the existing system, state rules for the distribution of child support vary depending on whether the family receives TANF-funded or MOE-funded assistance and on whether the family had a previous connection to TANF. A full family distribution approach makes it easier for states to harmonize their rules across assistance programs. Policy Studies, Inc. estimated that states could save 6-8 percent of their total expenditures on child support — roughly the amount they receive in federal child support performance incentive payments — if they simply distributed all child support to families.¹⁷³

- **How can states minimize the impact of fluctuating child support payments?** States that choose not to disregard *all* child support will need to consider how to manage fluctuating child support payments, which (under standard benefit rules) likely would require modifying a family's benefit amount. One approach would be retrospective budgeting, whereby a state bases the benefits it provides to the family on the child support collected in a recent prior month. (Ideally, the state would have electronic access to information on the child support collected in the prior month.¹⁷⁴)

States also could minimize frequent modifications of the grant amount through policies similar to those used in the Food Stamp Program that effectively freeze benefits for a six-month period. Under the food stamp “simplified reporting” option, food stamp households are not required to report changes in their income and other circumstances that occur during the six-month period between recertifications. Households are permitted, however, to report changes that would qualify them for larger benefits, so families that face deteriorating circumstances can receive the extra help they need. States can adopt a similar structure in TANF, effectively freezing benefits for six-month periods regardless of fluctuations in child support or earnings while also ensuring that families have access to increased aid if their income declines during the six-month period.

Whatever approach a state takes, the agency providing TANF (and other income assistance benefits) should be given electronic access to information about child support collections so that families are not required to make frequent reports on their child support amounts.

Disregarding Child Support for Families Receiving State-Funded Assistance

States that assist families in MOE-funded programs (such as worker supplement programs) or programs outside the TANF structure (such as solely state-funded programs) are required to distribute collected child support to the families.¹⁷⁵ States can, however, set their own child support *disregard* policies in these programs.

¹⁷³ Legler and Turetsky, 2006.

¹⁷⁴ Venohr *et al.*

¹⁷⁵ Families participating in separate state programs are considered “former” or “never” TANF families (depending on their history of TANF receipt) under the IV-D distribution statute (42 USC 657). If the family is a former TANF

Disregarding child support — particularly in worker supplement programs — can help states increase their work participation rates in the same way that expanding a child support disregard in a TANF program can. With respect to designing the disregard, the same considerations apply to these state-funded programs as to TANF programs.

States should try to harmonize their child support policies across a range of assistance programs, including TANF-funded programs, MOE-funded programs, and programs outside the TANF structure. As noted above, states can achieve the greatest harmonization by adopting a full distribution policy (meaning that all collected support is paid to both current and former TANF recipients) in their TANF program and then harmonizing their disregard policies across all of their assistance programs. Such harmonization will make it easier for states to seamlessly shift families among the various assistance programs.

Adopting the Tax Intercept Option So Former TANF Recipients Receive All of the Support Collected on Their Behalf

Under the pre-DRA rules, states must retain all past-due child support collected on behalf of former TANF families through the federal tax intercept mechanism and send a share to the federal government. Under the DRA, states may elect to distribute past-due child support to families when it is collected through a federal tax intercept, in which case the state is not required to send the federal government its share of those collections. States can therefore treat tax intercept collections like all other collections for former TANF recipients, removing a complicated feature of the current rules.

This option allows states to increase the child support income of former TANF recipients, supplementing their income and helping them avoid further TANF receipt. It also allows states to reduce inequities between working families that have a history of TANF assistance and those that do not. (The latter group has always received all child support collected through the federal tax intercept mechanism.) Adopting the option builds on other TANF-related strategies that help families avoid the need to enter the TANF caseload.¹⁷⁶

Considerations for Determining How to Assist Low-Income Working Families

As is clear from the discussion above, there are many ways that states can provide income supplements to low-income working families and help families that are temporarily out of a job. Ongoing monthly income supplements through TANF or a worker supplement program can

recipient, under the pre-DRA law, child support collected through the federal tax intercept mechanism must be retained to offset prior assistance costs. The DRA gives states the option to direct these payments to families.

¹⁷⁶ States may be able to claim the cost of adopting the child support tax intercept option toward the TANF MOE requirement. The DRA does not specifically authorize states to claim MOE credit for these costs. However, a DRA provision allows MOE funds to be used to meet the third and fourth purposes of the TANF statute — reducing out-of-wedlock births and encouraging the maintenance of two-parent families — and since research shows that child support enforcement efforts help accomplish both of these purposes, these funds may be countable toward the MOE requirement. In addition, states may want to consider tracking and claiming MOE credit for state spending on expanded distribution to families meeting the state’s definition of a “needy family” (for example, families eligible for child care or other need-based benefits).

provide families with help in meeting monthly expenses. New child support policies can ensure that current and former TANF recipients have access to child support. Up-front programs could provide non-recurring lump sum benefits to families that are likely to find jobs quickly or could serve families in the initial months of aid as they prepare for participation in work activities before they are included in the TANF/MOE assistance caseload, and work participation rate calculation. Back-end bonuses can provide an incentive for parents to stay employed and help make ends meet. Each of these approaches can be structured in ways to help the state increase its work participation rate.

The right approach in any particular state depends on the available resources, the state's goals, and its current policies. For example, a state that wants to increase supports for working families quickly may want to expand its earnings disregard, while a state that does not want to expand its TANF caseload may opt for a worker supplement program. A state that has a large number of TANF applicants who cannot meet the hourly participation requirements for several months may want to explore an up-front program approach, while a state that wants to address low job retention rates may want to focus on back-end bonuses. States should keep these factors in mind when designing new policies.

CHAPTER IV: Making TANF Work for Individuals with Disabilities

Introduction

As states seek to increase engagement in welfare-to-work activities, it is important to consider the special circumstances of families that include individuals with disabilities. In some cases, recipients with disabilities (or recipients who care for family members with disabilities) can participate in the same welfare-to-work activities as other recipients, though some may need additional supportive services. In other cases, they may need different activities or may need to participate in activities for a different length of time than other recipients. Also, some TANF recipients may have disabilities that are so severe that they would be more appropriately served in the SSI (Supplemental Security Income) program.

The DRA and the interim final regulations present new challenges to states as they seek to help recipients with disabilities move toward employment. Previously, the TANF work participation rates were not difficult for states to meet, so states could engage recipients in activities that did not count toward the work rates (or allow recipients to participate for fewer hours than needed to meet the federal standards) without putting themselves at great risk of fiscal penalty. Similarly, because states had flexibility to define the various work activities, some states adopted broad definitions — to which HHS never formally objected — that allowed them to claim credit toward the work rates when individuals participated in activities designed to address issues such as disabilities and other barriers to work.

Under the DRA and associated regulations, in contrast, the work rates are difficult to meet and states can no longer define work activities broadly to include some activities tailored to the needs of individuals with disabilities and other barriers. When a state modifies the type of activity a recipient with a disability engages in, or its duration, the state generally will not get credit for the participation in its work rates. And because the work rates themselves are difficult to meet, there are potentially greater consequences for states when recipients' participation cannot be counted toward the rate calculation.

While the DRA and accompanying regulations are problematic in this respect, HHS reminds states in the preamble to the regulations that states' assistance programs must comply with the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973. That is, states must ensure that individuals with disabilities have access to assistance and appropriate employment-related services, and that individuals who need accommodations with respect to the work participation requirements must be given those accommodations.

In response to the interim final regulations, hundreds of organizations, state officials, analysts, and advocates submitted comments to HHS. Many of these comments discussed the need for changes to ensure that states are not penalized with respect to the work rates for meeting their ADA/Section504 obligations and engaging individuals with disabilities in appropriate activities. Unless new regulations are issued, however, the interim final regulations remain in effect. Thus, this chapter is designed to:

- explain states' ADA/Section504 obligations with respect to TANF programs;
- examine the potential benefits to states and families of using non-MOE state funds to finance assistance to some families in which the adult has a disability;
- discuss concrete ways that states can engage recipients with disabilities in activities that can help them progress toward employment;
- describe how states have improved employment services for individuals with disabilities; and
- examine how states can ensure that recipients who would be better served in SSI have access to that assistance.

In addition, the chapter will discuss one area where the interim final regulations *increase* state flexibility by allowing states to exempt from the work rates certain families in which an adult cares for a family member with a disability.

Legal Background on TANF and Federal Disability Protections

The 1996 law that created TANF specifically provides that federal civil rights laws, including Section 504 of the Rehabilitation Act of 1973 and the ADA of 1990, apply to TANF programs.¹⁷⁷ The HHS Office for Civil Rights (OCR) has issued guidance to help states and counties understand their obligations under Section 504 and the ADA in their TANF programs.¹⁷⁸ States must ensure

¹⁷⁷ 42 U.S.C. §§608(c)(2) and (3). Section 504 of the Rehabilitation Act of 1973 appears at 29 U.S.C. §794, and the Americans with Disabilities Act of 1990 appears at 42 U.S.C. §12101 *et seq.* Title VI of the Civil Rights Act of 1964, 42 U.S.C. §2000d *et seq.*, and the Age Discrimination Act of 1975, 42 U.S.C. §6101 *et seq.*, also apply to TANF programs. 42 U.S.C. §§608(c)(1) and (4).

¹⁷⁸ HHS Office for Civil Rights, "Prohibition Against Discrimination on the Basis of Disability in the Administration of TANF (Temporary Assistance for Needy Families)," 2001, <http://www.hhs.gov/ocr/prohibition.html>, hereinafter cited as "OCR guidance." In 2005, OCR posted a training video about the guidance on its website, <http://www.hhs.gov/ocr/tanf/ocrguidance.html>. OCR also issued less detailed guidance on civil rights and TANF in 1999: "Civil Rights Laws and Welfare Reform — An Overview and Technical Assistance for Caseworkers on Civil Rights Laws and Welfare Reform," <http://www.hhs.gov/ocr/tanfintro.htm>.

that individuals with disabilities have meaningful access to all services and benefits provided under TANF programs — including welfare-to-work programs and income assistance — and that reasonable accommodations are made to work-related requirements when needed because of an individual’s disability. This legal structure provides important protections for families, while giving states flexibility to determine how best to serve recipients with disabilities in their TANF and related programs.

Which Entities Are Covered?¹⁷⁹

Section 504 prohibits discrimination on the basis of disability and covers all entities that receive federal financial assistance from HHS, either directly or indirectly, through a grant, contract, or subcontract. The ADA prohibits discrimination on the basis of disability by both public and private entities, whether or not they receive federal financial assistance.

These laws cover all states, counties, and other local governments administering all or part of a TANF program and related programs.¹⁸⁰ Programs are covered regardless of whether they receive TANF funds, other federal funds, or state or county funds, and regardless of whether funds are used to meet the state’s MOE requirement.

Which Individuals Are Covered?

The ADA and Section 504 define an individual with a disability as a person who has a physical or mental impairment that substantially limits one or more of his or her major life activities, a person who has a record of such an impairment, or a person who is regarded as having such an impairment.¹⁸¹ The laws apply to both adults and children, so TANF programs need to ensure that their programs are accessible and accommodating to families in which either an adult or a child has a disability. The ADA and Section 504 have much broader definitions of disability than the one used for disability-related cash benefits provided through SSI or the Social Security Disability Insurance (SSDI) program.

“The inclusion of these civil rights protections [ADA and Section 504] ensures equal opportunity for persons with disabilities to benefit from all aspects of welfare reform, including access to the proper support services to enable such individuals to work and to keep their families healthy, safe and intact.”

- 2001 HHS Guidance on TANF and ADA/504

¹⁷⁹ For more detailed discussions of the OCR guidance, see Eileen P. Sweeney, “HHS Guidance Explains How Federal Laws Barring Discrimination Against People with Disabilities Apply in State and County TANF Programs,” Center on Budget and Policy Priorities, February 2001, <http://www.cbpp.org/2-26-01wel.htm>. For more information about the ADA and Section 504 as applied to TANF, see Cary LaCheen, *Using the Americans with Disabilities Act to Protect the Rights of Individuals with Disabilities in TANF Programs: A Manual for Non-Litigation Advocacy*, Welfare Law Center, September 2004, http://www.welfarelaw.org/contents/ADA2004_manual.html.

¹⁸⁰ OCR Guidance, Part A.1.

¹⁸¹ OCR Guidance, Part C.2.

What Do the ADA and Section 504 Require?

Two key principles underlie OCR's analysis of the legal requirements of Section 504 and the ADA in TANF: *individualized treatment* and *effective and meaningful opportunity*.

- **Individualized treatment.** According to the guidance, this “requires that individuals with disabilities be treated on a case-by-case basis consistent with facts and objective evidence. Individuals with disabilities may not be treated on the basis of generalizations and stereotypes.” For example, it is not legal to deny TANF recipients with disabilities access to part of the TANF program “based on the stereotypical view, unsupported by any individual assessment, that people with disabilities are unable to participate in anything but the most rudimentary work activities.”¹⁸²
- **Effective and meaningful opportunity.** The guidance states that “individuals with disabilities must be afforded the opportunity to benefit from TANF programs that is as effective as the opportunity the TANF agency affords to individuals who do not have disabilities, and must also be afforded ‘meaningful access’ to TANF programs.”¹⁸³

These principles have implications for all of the TANF agency's (and its contractors' and vendors') policies and practices. OCR identifies three legal requirements that flow from these two principles. TANF agencies must:

- ensure equal access through the provision of appropriate services to people with disabilities;
- modify policies, practices, and procedures to provide such equal access unless doing so would fundamentally alter the program; and
- adopt non-discriminatory methods of administering the program.

The OCR guidance makes clear that states or counties can meet these obligations in a number of ways. While providing examples of best practices, the guidance does not imply that all states must adopt a particular policy or procedure.

What Do These Legal Requirements Mean for States?

Requirement #1: Ensure equal access through the provision of appropriate services. The guidance states that “TANF agencies must afford qualified individuals with disabilities an opportunity to participate in or benefit from TANF programs that is equal to the opportunity the agency offers to individual without disabilities.” To comply with this requirement, “TANF agencies must provide TANF beneficiaries with disabilities with services that are appropriate, and that give these beneficiaries an equal opportunity to benefit from the agency's job placement, education, skills training, employment and other TANF activities.”¹⁸⁴

¹⁸² OCR Guidance, Part B; internal footnotes omitted.

¹⁸³ OCR Guidance, Part B; internal footnotes omitted.

¹⁸⁴ OCR Guidance, Part D.1.

The guidance also states that, “The programs must be provided in the most integrated setting appropriate to the needs of the individuals with disabilities.” In other words, states must ensure that individuals with disabilities “can participate in all programs and services for TANF beneficiaries, not just those programs and services that are designed solely for individuals with disabilities.”¹⁸⁵ While the guidance stresses the importance of trying to integrate recipients into the work activities that are available to recipients *without* disabilities (by providing extra supports and services as needed), it also suggests that some recipients may need more specialized activities, at least for some period of time.

In addition, the guidance explains the procedures states need to have in place to determine a TANF applicant’s or recipient’s needs: “It is critical that TANF beneficiaries with disabilities receive an assessment that allows them equal opportunity to benefit from the TANF programs and the assessment process.” Also, before reaching the assessment step, TANF agencies must provide screenings by trained personnel using reliable screening tools. The guidance notes that “at a minimum,” intake workers should be able to recognize potential disabilities and to conduct an initial screening to identify possible disabilities.¹⁸⁶

The TANF agency also has the “obligation to ensure that service providers have the requisite knowledge, experience, and expertise to serve beneficiaries with disabilities.” This applies both to agency staff and to contractors that provide services to TANF recipients, such as welfare-to-work providers.¹⁸⁷

Requirement #2: Modify policies, practices, and procedures to provide equal access. As the guidance makes clear, states need to ensure that the full range of state TANF policies, practices, and procedures — including the application and eligibility review procedures, employment services provided, requirements imposed on families (such as work requirements), work-program exemption rules, and sanction policies¹⁸⁸ — promote rather than deny equal access for individuals with disabilities.¹⁸⁹ The guidance recommends that state and county agencies try to determine the extent to which various groups of people with disabilities participate in their programs and then use that information to analyze “each step of the TANF program to determine what changes are necessary to ensure people with disabilities have an equal opportunity to access and benefit from TANF programs and related activities.”¹⁹⁰

¹⁸⁵ Ibid.

¹⁸⁶ Ibid., 42 U.S.C. §608(b)(1).

¹⁸⁷ Ibid. For a discussion about ways to structure contracts and ensure that contractors are meeting their federal civil rights obligations, see Eileen Sweeney *et al.*, “Language Matters: Designing State and County Contracts for Services Under Temporary Assistance for Needy Families,” 35 *Clearinghouse Review* 508, Jan.-Feb.2002, <http://www.welfarelaw.org/contents/privatization/LanguageMatters.pdf>.

¹⁸⁸ OCR Guidance, Parts D.2 and D.3.

¹⁸⁹ OCR Guidance, Part D.2.

¹⁹⁰ Ibid. The guidance explains that states are not obligated to make “fundamental alterations” in their TANF programs to ensure equal access for individuals with disabilities, but a separate OCR letter of findings on an investigation in Massachusetts makes clear that OCR takes a narrow view of what constitutes a “fundamental alteration.” For example, regarding the Massachusetts TANF agency’s failure to properly identify and serve adult recipients with learning disabilities, OCR rejected the state’s claim that meeting the needs of these recipients would fundamentally alter the TANF program. OCR noted that a main purpose of TANF is to “end dependence of needy parents on government benefits by promoting job preparation, work and marriage”; thus, modifying a state’s welfare-to-work program to ensure that it promotes job preparation and work for those with learning disabilities would not constitute a fundamental

Requirement #3: Adopt non-discriminatory methods of administration. In explaining the requirement that TANF agencies adopt non-discriminatory methods of administration, OCR has stated that the phrase “methods of administration” applies both to “official written policies” of the TANF agency and the “actual practices” of the agency.¹⁹¹ In other words, having good policies on paper is only part of the agency’s responsibility. Training staff to implement the policies and providing the resources to ensure that implementation occurs are essential as well.

OCR identifies a number of steps a TANF agency should take to ensure that its policies and practices are not discriminatory:

- train staff to provide equal access to TANF programs for individuals with disabilities and ensure that trainings occur for staff of service providers that have contractual or vendor relationships with the TANF agency;
- establish clear written policy that incorporates modifications to policies, practices, and programs to ensure equal access;
- conduct regular oversight of TANF and related assistance programs and services to ensure equal access; and
- take any additional steps to otherwise ensure that the agency’s policies and practices (or those of its contractors or vendors) do not subject individuals with disabilities to discrimination.¹⁹²

TANF Work Requirements and People with Disabilities

As noted, the DRA imposes significantly higher effective work participation requirements on states. In addition, the interim final regulations restrict states’ flexibility not only to count toward their work rates a broad range of activities that can help some individuals with disabilities move toward employment, but also to count recipients who participate in activities for fewer than the federally required number of hours due to their disabilities.

Given this, states will need to make two sets of policy and programmatic decisions. First, how will the state provide those services and supports — will it provide them to all families within TANF- and MOE-funded programs, or will it help some families through solely state-funded programs that are outside the federal TANF work rules? Second, what assessment procedures, services, and supports are needed to help recipients with disabilities move forward toward employment when possible?

alteration of the program. In addition, OCR noted that a number of other states have crafted programs that provide equal access to those with learning disabilities.

¹⁹¹ 28 C.F.R. Part 35, Appendix A, §35.130 at 467 (1996) (commentary to Title II ADA regulations).

¹⁹² OCR Guidance, Part B.c.

These two issues are discussed below.

*Solely State-Funded Programs and Individuals with Disabilities*¹⁹³

As discussed in Chapter 1 (see page 22), some states are considering establishing solely state-funded programs for some families for whom the federal TANF work requirements are inappropriate, including families in which the adult recipient has a disability. Since families served by a solely state-funded program are not considered in the federal work rates, states have the flexibility to engage these families in a broader range of activities and/or for fewer hours than TANF recipients, or exempt them from participation altogether. States can use solely state-funded programs to meet their ADA/Section 504 obligations with respect to their income assistance programs for poor families — that is, to ensure that individuals with disabilities have access to assistance and are provided with accommodations with respect to work requirements when needed.

States can finance employment programs and other non-assistance services for families in a solely state-funded program with TANF or MOE funds.¹⁹⁴ A state can, for example, permit or require SSF recipients to participate in a TANF- or MOE-funded employment services program that includes the kinds of activities and accommodations that individuals with disabilities need. (SSF families that participate in a TANF or MOE-funded employment program would not be included in the TANF work participation rate calculations because such families are not receiving *assistance* in a program that is funded with TANF or MOE.) In fact, to ensure that such families are served in the “most integrated environment” possible and have access to all of the employment-related services available to TANF recipients, states may want to have such families participate in the same TANF- or MOE-funded employment program as TANF recipients.

Regardless of whether states finance employment-related services for SSF recipients with TANF or MOE funds, states need to ensure that individuals in SSF programs have access to the same employment-related services and supports available to those receiving assistance in TANF- and MOE-funded programs. In fact, states could run afoul of the ADA/504 requirements if they establish a solely state-funded program that restricts recipients’ access to some types of benefits or services (such as education or training) that are provided to families receiving assistance in the TANF- or MOE-funded program.

Improving Outcomes for Recipients with Disabilities

However a state chooses to finance assistance and services for individuals with disabilities, it should also improve how programs work with such families to improve outcomes. The following is a brief discussion of how states can do so:

¹⁹³ For a more detailed discussion of solely state-funded programs, see Liz Schott and Sharon Parrott, “Designing Solely State-Funded Programs: Implementation Guide for One “Win-Win” Solution for Families and States,” Center on Budget and Policy Priorities, December 2006, <http://www.cbpp.org/12-7-06tanf.htm>.

¹⁹⁴ States should not use TANF or MOE funds to finance child care or transportation assistance for solely state-funded recipients who are *not* employed. When these forms of aid are provided to non-employed recipients, they are considered “assistance” and recipients are included in the TANF work rate.

Serving TANF Parents Who Can Be Excluded from the Work Rates Because They Are Caring for Family Members with Disabilities

Under the interim final regulations, a state can exclude parents from the work participation rates if they are caring for a family member with a disability, provided that the family member with the disability resides in the home with the adult recipient and does not attend school full-time.^a This is one area where the new regulations provide new flexibility for states to modify the hours or activities for these parents without being penalized with respect to their work participation rates.

The HHS work verification plan guidance asked states to define three terms for purposes of determining who would be excluded from the definition of “work-eligible individual” and thus from the work participation rates: “disabled,” “family member,” and “attending school full-time.” States adopted a variety of approaches in the first set of work verification plan submissions, with some states adopting very narrow definitions of these terms.

The following are some issues to consider with respect to defining these terms:

- **“Disabled.”** States should consider adopting a broad definition (such as that used in the ADA) that does not unduly limit their ability to exclude individuals caring for family members who need that care for a substantial number of hours during the workday, whether on a temporary or permanent basis.
- **“Family member.”** States need not limit the definition of family member to something as specific as a degree of relationship. They could include in their plan not only individuals related by blood, marriage, adoption, or guardianship arrangement, but also individuals who may not have these formal relationships but function as if those relationships were in place.
- **“Attending school full-time.”** Some states defined all children who are enrolled in school full-time as “attending school full-time,” thereby limiting the extent to which parents caring for children with disabilities could be excluded from the work rates when the child is *enrolled* full-time but is unable to *attend* full-time on a regular basis. Other states, by contrast, proposed to include only those children who attended school on a full-time basis, without frequent absences. (If an individual has a disability as defined by the ADA and is attending school full time, the state must make appropriate accommodations — for example in required hours of participation — if a family member is needed to care for the individual before, after, or during school hours.)

Ensuring that Parents Caring for Family Members with Disabilities Have Access to Employment Services

Some parents who care for family members with disabilities will want to participate in education, training, or other activities designed to help them move toward employment. While these parents may be unavailable for the level of participation required to count toward the work participation rates, they may be available for part-time participation and may want to try to increase their skills so they can secure a job in the future or to work part-time to augment the family’s income. For example, a parent may be able to attend education or training classes in the evening, when other family members can care for the individual with a disability.

States should ensure that these parents have access to these education, training, and employment opportunities, which can help the family make ends meet and/or increase their future employability. States should note that it could be a violation of the ADA to deny a parent access to training opportunities that fit into her caregiving schedule if those (or similar) opportunities are available to other recipients who are not caring for a family member with a disability.

^a 45 C.F.R. §261.2(n)(2)(i).

- **Improving screening and assessments.** As previously noted, states must provide assessments in any case in which there is any suspicion that the person has a disability. (For a detailed discussion of screening and assessment, see pages 59-62 in Chapter II.)
- **Developing supportive services to help individuals with disabilities succeed in welfare-to-work activities.** Individuals with disabilities may be able to succeed in a broad array of welfare-to-work programs (vocational training, work experience, job search, etc.) if they receive additional supports. These supports may include intensive case management, assessments to determine whether a learning disability or other condition is impeding the person’s ability to understand and follow instructions, interventions designed to help the individual overcome the impediments posed by the learning disability, and help in solving transportation difficulties.
- **Developing work activities tailored to the needs of individuals with certain types of disabilities.** For some individuals, such as those with untreated (or inadequately treated) mental health problems or serious substance abuse problems, tailored interventions may be necessary before they can participate in standard work activities. For other individuals, established employment services targeted to individuals with disabilities may be effective. The key is for states to have as broad a set of activities in their “tool box” as possible and then use screenings and assessments to match recipients to appropriate activities. Also, the agency may want to develop new work activities aimed at individuals with disabilities, such as supported work programs that provide meaningful workplace experience and training coupled with intensive case management and other supports that can help individuals move toward employment.¹⁹⁵ HHS explicitly states in the regulatory preamble that supported work programs may be counted toward the work participation rate as subsidized employment.
- **Partnering with state and county agencies that specialize in assisting individuals with disabilities.** While developing effective employment programs for individuals with disabilities has not been a primary focus of many state TANF programs, other government agencies and non-profits have been working on this issue for many years. These organizations can provide employment services for TANF recipients with disabilities or advise TANF agencies about how best to do so. They may be able to develop effective programs on a shorter timeframe than other providers of employment-related services.

For example, in a special project to identify TANF recipients with serious barriers to employment and provide employment-related services to them, the Ramsey County, Minnesota, TANF agency partnered with psychologists and service providers from other government and nonprofit agencies with expertise working with individuals with disabilities (see page 106 for more information). A Mathematica report found that these partnerships proved valuable both in helping diagnose individuals’ disabilities and in developing workable employment plans for them. The TANF agency

¹⁹⁵ For a discussion of lessons from the work in the disability community over the past couple of decades in helping people with disabilities to secure and retain employment, see “Employing Welfare Recipients with Significant Barriers to Work: Lessons from the Disability Field,” The Lewin Group for the Annie E. Casey Foundation, October 2000, <http://www.aecf.org/publications/welfareanddisabilities.pdf>.

“[B]y hiring staff that had worked in employment-related programs for seriously mentally ill individuals, Ramsey County [MN] was able to link its TANF program with a broad range of programs to address the broad range of personal and family challenges recipients faced.”

- Mathematica Policy Research, Inc., March 2006

noted that its partners in this project had a different perspective on the barriers and strengths of TANF recipients and knew about other available resources in the community to assist clients.¹⁹⁶

What Have States Done to Help Recipients with Disabilities Move Toward Employment?

States have taken a variety of approaches to make their TANF programs accessible and effective for families that include members with disabilities. Some brief examples are given below.¹⁹⁷

Comprehensive Policy and Procedure Review

Virginia conducted a comprehensive review of its policies and procedures to determine whether there were areas that either did not comply with the ADA and Section 504 or could be made more accessible to applicants and recipients with disabilities. On the basis of this review, the Department of Social Services made numerous changes throughout its TANF and welfare-to-work program rules. For example, a revised manual for state employees spells out accommodations that must be made in the application process, stating that people with disabilities are entitled to help in completing the application and collecting the needed documents.¹⁹⁸ If a disability prevents an applicant from attending an intake interview at the welfare agency, the agency must provide a home visit or telephone interview or must interview the applicant’s authorized representative.¹⁹⁹ Also, to the extent possible, employability assessments must be scheduled at a time that does not conflict with the applicant’s medical, mental health, or other appointments for treatment.²⁰⁰

¹⁹⁶ LaDonna A. Pavetti and Jacqueline Kauff, “When Five Years is Not Enough: Identifying and Addressing the Needs of Families Nearing the Time Limit in Ramsey County, Minnesota,” Mathematica Policy Research, March 2006, http://www.mathematica-mpr.com/publications/redirect_pubsdb.asp?strSite=pdfs/timelimitramsey.pdf.

¹⁹⁷ The OCR guidance itself includes a discussion of many “best practices” in areas ranging from quality of notices to sanction and time limit policies. A number of other publications also provide helpful examples of steps that states and counties can take (and have taken). See, for example, Gretchen Kirby and Jacquelyn Anderson, “Addressing Substance Abuse Problems Among TANF Recipients: A Guide for Program Administrators,” Mathematica Policy Research, July 2000, <http://www.mathematica-mpr.com/publications/PDFs/addresssubstance.pdf>; Michelle K. Derr, Heather Hill, and LaDonna Pavetti, “Addressing Mental Health Problems Among TANF Recipients: A Guide for Program Administrators,” Mathematica Policy Research, July 2000, <http://www.mathematica-mpr.com/publications/PDFs/addressmental.pdf>; Amy Brown, “Beyond Work First: How to Help Hard-to-Employ Individuals Get Jobs and Succeed in the Workforce,” MDRC, 2001, <http://www.mdrc.org/publications/15/full.pdf>.

¹⁹⁸ The manual provisions appear at <http://www.dss.virginia.gov/benefit/tanf/manual.cgi>. The notice of manual changes related to the ADA and Section 504 (and Virginia’s Human Rights law) appears in Transmittal #27, issued November 18, 2004, see <http://www.dss.virginia.gov/files/division/bp/tanf/policy/transmittals/27.pdf>. The portions cited in text appear at sections 305.10.1.C, 401.1.D, 401.2.A.10, and 401.2.B.1.

¹⁹⁹ Ibid., Section 401.2.A.

²⁰⁰ Ibid., Chapter 1000.4.A.4.

The Virginia policy manual also explains the types of changes to the state's standard work requirements that should be made for an individual when needed because of a disability. These changes include:

- a waiver of the requirement that the person engage in a second work activity if needed to bring the total number of work hours up to the federal standard;
- a reduction in the number of required job contacts during job search;
- an allowance to remain in work activities for longer than typically permitted;
- exemption from activities in environments that could prove harmful given the person's disability (for example, someone with asthma would not be assigned to a worksite that is very dusty);
- assignments to work activities that are consistent with the person's limitations; and
- additional notice of program appointments and additional explanations of program rules.²⁰¹

Recognizing that disabilities are often the reason for non-compliance with TANF program rules, the manual states that individuals should not be sanctioned or disqualified from other aspects of the TANF program if their failure to comply is the result of a disability.²⁰²

The manual made clear to staff what the rules are, how they are to be implemented, and who is responsible for various tasks, such as deciding on the accommodations needed by a particular recipient.

Helping Recipients with Disabilities Succeed in Work Programs

Some states have designed programs or policies that give people with disabilities the extra help they need to succeed in welfare-to-work programs. For example, Tennessee created the Family Services Counseling (FSC) program to identify and assist families with barriers to employment, including mental health or substance abuse problems, domestic violence, learning disabilities, or children's health/behavioral health problems.²⁰³

²⁰¹ Ibid., Chapters 901.1.2.C, 1000.7.C and pages 43, 45; Chapter 1000.7.A.3; Chapters 1000.4.B.3.0 and 1000.5.A.7.

²⁰² Ibid., Section 901.6.B; Chapter 1000.12.A.2.

²⁰³ "The services offered in this work component [Family Services Counseling] include comprehensive screening and assessment, short-term counseling services, intensive case management, referral, and advocacy for eligible Families First [TANF] participants and their families who have been identified as having barriers which appear to be interfering with their ability to become self-sufficient. Masters level mental health professionals have been contracted to provide these services to Families First participants throughout the state. Services are community based in locations convenient to Families First clients, such as county DHS offices, other service provider locations, and in contract agencies. Family Services Counseling is not intended to duplicate services funded by TennCare (the state's Medicaid waiver program) or replace existing resources in the community." *Families First Contractor Manual, Fiscal Year 2005-2006*, Tennessee Department of Human Services, <http://tennessee.gov/humanserv/contractor-manual.pdf>. For a detailed discussion of FSC, see pages 42 through 59 of this document. See also Shawn Caster and Russ Overby, "Reaching TANF Recipients with the Greatest Barriers to Work: Tennessee's Family Services Counseling Program," Tennessee Justice Center, September 2006, http://www.tnjustice.org/pdfs/Reaching_TANF_%20recipients_September_2006.pdf.

In FSC, families that appear to be facing difficulties are referred to a social worker at a private nonprofit agency that is under contract with the state's TANF agency. These social workers help identify barriers faced by the families and provide case management and other supports (such as mental health counseling or substance abuse treatment) to help families address those barriers so they can participate successfully in work programs. While just 14 percent of families are working when they begin FSC, 49 percent are working by the time they successfully leave the program. (Families leave the program when the case manager determines that the barrier has been resolved or the family no longer needs FSC services.)

It is important to understand that such families' path to success is not necessarily linear. One-fifth of families that successfully leave FSC have a subsequent referral to the program and need additional help.²⁰⁴ Further, among those who are successful, the state and its staff worked with the families for significant periods of time, averaging 110 days but ranging from two days up to 330 days.²⁰⁵

Another example of a successful state program to serve families with barriers is Iowa's Family Development and Self-Sufficiency (FaDSS) program.²⁰⁶ The Department of Human Services contracts with the Division of Community Action Agencies within the Department of Human Rights to administer FaDSS; that agency then subcontracts with 18 organizations across the state to provide FaDSS services.²⁰⁷ As FaDSS explains:

The foundation of FaDSS is regular home visits with families, using a strength-based approach. Core services include support, goal setting, and assessment. Support is given in many ways such as referrals, group activities, linking families to communities and advocacy. Assessment aids the family to identify strengths that they possess that may be used to eliminate barriers to self-sufficiency. Goal setting helps families break down goals that seem out of reach into small steps that will lead to success.²⁰⁸

²⁰⁴ Deborah Godwin Perkins and Karen Homer, "2002 Family Services Counseling Evaluation Report," University of Tennessee College of Social Work, Office of Research and Public Service, June 2003, Appendix E.

²⁰⁵ Ibid. The median time was 101 days. Some 6 percent were served in less than 30 days, 38 percent in 30 to 90 days, 40 percent in 91 to 180 days, 15 percent in 181 to 270 days, and 1 percent in over 270 days.

²⁰⁶ According to the Iowa state plan, FaDSS "provides intensive family development services to families receiving FIP (Family Investment Program, the state's TANF program) and identified as having multiple or severe barriers to self-sufficiency. FaDSS participants leaving FIP for reasons other than a sanction can continue to receive services for a limited period after leaving the program. Former cash recipients receiving FaDSS services continue to receive monthly home visits during the limited period to help enable them to progress toward permanent self-sufficiency. Former cash recipients receiving FaDSS services are not required to complete any type of application form or to meet any income or resource eligibility criteria. The program is available statewide and services are provided by contracted agencies." See "State of Iowa State Plan for Temporary Assistance for Needy Families (TANF), Effective October 2004," http://www.dhs.state.ia.us/dhs2005/dhs_homepage/docs/TANF_STATE_PLAN_AMENDMENT_10-01_FINAL.doc.

²⁰⁷ See the FaDSS website, <http://iowafadss.org>. For an excellent description of the program, see the "big book" on the website. Section 2.1 (http://www.iowafadss.org/big_book/bigbook_docs/2.1-2.3_conceptpaper.doc) describes the FaDSS concept in greater detail. See also the FaDSS annual report, <http://www.iowafadss.org/outcomes/FY03-r-annual%20report.pdf>.

²⁰⁸ Ibid.

Many FaDSS participants have mental health problems, and the program has helped a large share of those with identified mental health issues to secure treatment.²⁰⁹

In addition, FaDSS provides a 90-day transition component for those leaving welfare. During this period the program keeps in touch with these individuals, helping them address any obstacles that may arise and otherwise supporting their move into employment. More than 73 percent of families who received transition services were still off welfare a year later.²¹⁰

Partnering with the State Vocational Rehabilitation Agency

Some states, like Vermont, have partnered with the vocational rehabilitation (VR) agency to provide services to people with disabilities on TANF, often using TANF funds to expand the VR agency's capacity to provide vocational services to TANF recipients with disabilities.²¹¹ In Vermont, counselors from the Division of Vocational Rehabilitation who are specifically identified to work with TANF recipients collaborated with TANF case managers to develop a mechanism for identifying recipients with disabilities and other barriers to work and creating employment plans for them.²¹²

Since its inception in 2001, the Vermont program has helped more than 250 welfare recipients with disabilities become successfully employed. Over that same period, a similar number of recipients have become successfully employed through the state's regular VR program, which provides less-intensive services than those provided by the VR-TANF program. On average, though, participants in the VR-TANF program needed significantly less time (15 months, on average) to become successfully employed.²¹³

Helping TANF Recipients with Disabilities Apply for SSI

The vast majority of people in TANF with barriers to employment do not have disabilities severe enough to qualify for SSI. However, some people now receiving TANF have disabilities that do meet the rigorous SSI standard of disability.

Helping individuals with disabilities this severe to transfer from TANF to SSI can benefit both the state and the individual. For the state, an adult who receives SSI is no longer included in the state's work participation rates unless they are participating in countable activities for the required number of hours to count, and TANF funds are no longer spent for the parent (although they generally continue at a lower level for the children in the family). For the individual, monthly SSI benefits

²⁰⁹ Ibid.

²¹⁰ Outcomes, fiscal year 2004, <http://www.iowafadss.org/outcomes/FaDSSSummaryFY04.doc>.

²¹¹ For a discussion of TANF and VR agreements and work arrangements, see Jean Radtke and Sue Scholfield, "Report from the Study Group on TANF and Vocational Rehabilitation: Partnering for Employment Success," 28th Institute on Rehabilitation Issues, Washington, DC, May 2003, available at http://www.rlr.uwstout.edu/pdf/iri/28th_IRI_Final.pdf.

²¹² Johnette T. Hartnett, "Vermont's Response to Welfare Reform for People with Disabilities: An Evaluation of Vermont's Vocational Rehabilitation (VR) and PATH Partnership," University of Vermont, Fall 2002.

²¹³ Email correspondence with Michael Collins, Vermont Department of Vocational Rehabilitation, DAIL, March and April 2006.

generally are substantially more than the individual's portion of the TANF grant. (In 2006, the federal SSI benefit was \$603 per month for an individual.) And, to the extent that the person may be able to attempt to work in the future, SSI provides significant work incentives and supports.

Background on SSI

SSI provides needs-based assistance to people with disabilities and those who are elderly (aged 65 and older). Since its creation in 1974, it has become a key source of support for people with disabilities.²¹⁴ About 5.1 million people with disabilities receive SSI, some 2.8 million of whom have severe mental impairments such as schizophrenia, severe depression, or mental retardation. SSI also provides benefits to children with severe disabilities living in low-income families.

Individuals with disabilities who are poor enough to qualify for TANF almost always meet SSI's income and asset eligibility criteria, which are often more generous than state TANF eligibility rules.

The SSI eligibility criteria for disability are stringent. SSI's definition of "disability" is the same as the one used in SSDI: a person must have a physical or mental impairment that will last at least 12 months or is expected to end in death and must prove that he or she is not able to engage in "any substantial gainful activity" as a result of the impairment (or combination of impairments). The definition of disability for children is somewhat different but equally stringent; children must show that they have "marked and severe functional limitations."²¹⁵

States Can Be Reimbursed for Assisting Individuals Awaiting SSI Eligibility Determination

Because SSI approval generally takes many months and is retroactive to application, a successful applicant can receive retroactive benefits. This money often can provide a family with a small reserve fund or cushion to meet its needs.

Under HHS rules, a state can provide MOE-funded "interim assistance" to a family in which an individual is awaiting an SSI determination and then, if the individual is found eligible for SSI, be reimbursed out of that individual's back SSI benefits. (Applicants would first have to sign an interim assistance agreement with the state.) The funds reimbursed to the state become income to the state's TANF program and can be spent in a TANF program or in a separate MOE-funded program, though they cannot be claimed toward the state's MOE requirement.²¹⁶ Thus, states can help TANF recipients with serious disabilities gain access to SSI and use the reimbursement for interim

²¹⁴ For a more extensive discussion of the accomplishments of the SSI program, see Eileen P. Sweeney and Shawn Fremstad, "Supplemental Security Income: Supporting People with Disabilities and the Elderly Poor," Center on Budget and Policy Priorities, August 17, 2005, <http://www.cbpp.org/7-19-05imm.pdf>.

²¹⁵ Section 1614(a)(3)(A) of the Social Security Act, 42 U.S.C. §1382c(a)(3)(A) (adults); section 1614(a)(3)(C) of the Social Security Act, 42 U.S.C. §1382c(a)(3)(C) (children).

²¹⁶ Section 1631(g) of the Social Security Act, 42 U.S.C. §1383(g). Interim assistance "means assistance financed from State or local funds and furnished for meeting basic needs" during the period that begins with the month after the SSI application is filed to the month in which SSI benefits are provided. It also can cover a period during which an appeal for resumption of terminated SSI benefits is pending. Reimbursement is available "upon written authorization of the individual." The state must have an interim assistance agreement in effect with SSA. Sections 1631(g)(1), (3) and (4), 42 U.S.C. §§1383(g)(1),(3), and (4). Information on how reimbursement can be sought for benefits funded with MOE funds was received via email communication with HHS.

assistance to partially finance TANF benefits and assistance for individuals applying for SSI (discussed below) provided during the SSI application period.

Helping Individuals Navigate the SSI Application Process

Over the past few decades, some states have undertaken initiatives to help recipients of state assistance who have severe disabilities to apply for SSI, either by contracting with legal services organizations or private attorneys to represent individuals when they apply for SSI or by assigning in-house state human service agency staff to help them apply for SSI. Originally, states set up these arrangements to help general assistance recipients with serious health conditions. Over time, some states expanded their programs to include children with severe disabilities in the foster care system and, most recently, some TANF parents and children with severe disabilities.

It is important to recognize that because SSI's definition of disability is restrictive, few TANF recipients will be eligible for SSI. Nevertheless, it is clear that there are parents and children on TANF with serious health conditions that would make them eligible for SSI. Helping such individuals to gather the necessary medical evidence to support an SSI application can make a significant difference in whether their application is approved. It also can help individuals provide the necessary information earlier in the application process, reducing processing delays and the likelihood that an application will be denied only to be approved on appeal.

Some states are now considering providing income assistance to individuals who are applying for SSI in a solely state-funded program instead of a TANF (or MOE) program. By definition, adults who are applying for SSI benefits are stating that they are unable to engage in "any substantial gainful activity." These individuals are thus highly unlikely to participate enough to be counted toward the participation rate. By serving such families with non-MOE state funds, states may remove them from the participation rate calculation. States that take this approach should consider providing SSI application assistance help as part of the solely state-funded program.

The following are examples of state-funded SSI application assistance efforts undertaken prior to the DRA's enactment:

- **Wisconsin.** The Wisconsin Department of Workforce Development recently entered into a three-year contract with three organizations in Milwaukee County (United Migrant Opportunity Services, La Causa, Inc., and Legal Action of Wisconsin, Inc.) to provide SSI application assistance to TANF recipients in the county who appear eligible for SSI.²¹⁷
- **Maryland.** The Disability Entitlement Advocacy Program (DEAP), run by the Maryland Department of Human Resources, helps people file for SSI and SSDI benefits. To be eligible for DEAP, individuals must be receiving some form of state-administered cash assistance (TANF or Adult Public Assistance), and their treating physician must certify that their disability will last at least 12 months.

²¹⁷ "DWD Selects W-2 Agencies for 2006-09 Contract Period," Wisconsin Department of Workforce Development News Release, September 9, 2005, http://dwd.wisconsin.gov/dwd/newsreleases/2005/070905_w2_contract_selection.htm.

Local social services departments refer such individuals to the DEAP office. People whose condition has lasted at least 12 months are required to participate in DEAP; those whose conditions are expected to last 12 months but have not yet reached that benchmark can volunteer for the program. DEAP staff help individuals complete the application for SSI (and SSDI) and assist with appeals at the Social Security Administration (SSA), including providing legal representation.²¹⁸

Families that are required to apply for SSI and are eligible for TANF assistance (as opposed to other state aid programs) are placed in a separate state MOE-funded program. This ensures that the state can be reimbursed for the interim assistance it provides the individual before SSI benefits are paid.²¹⁹ Following the DRA's enactment, Maryland began considering whether to provide assistance to these families in a solely state-funded program.

- **Minnesota.** As part of an initiative to get a better sense of the barriers facing families about to hit the TANF time limit, Ramsey County, Minnesota, contracted with Southern Minnesota Regional Legal Services and a private attorney to help TANF recipients who had serious health problems apply for SSI. Individuals received help filing applications and obtaining medical and psychological evidence, transportation to appointments, legal counsel at meetings related to the application, and links to community resources while they awaited the SSI decision.²²⁰ The project also included health and in-depth psychological assessments and home visits by professional clinical staff who served as project consultants. The information gleaned from these exams and visits not only helped the county agency design strategies to assist particular families, but also provided important reports that were submitted to SSA. Unfortunately, many of the services provided under the program were cut back due to budget constraints, but the county continued the part of the program that helps individuals through the SSI application process.
- **Vermont.** As part of its larger contract with the Vermont TANF agency (described above), the Vermont Division of Vocational Rehabilitation helps TANF recipients with severe disabilities apply for SSI. The VR agency reports that some long-time TANF recipients have serious disabilities that were never properly diagnosed and that these individuals should have been referred to SSA to apply for SSI many years earlier.²²¹

²¹⁸ <http://63.236.98.116/how/srvadult/deap.htm> and <http://63.236.98.116/fia/deap.htm>.

²¹⁹ "Temporary Assistance to Needy Families State Plan, October 2005 Revision," State of Maryland, <http://www.dhr.state.md.us/fia/doc/newtanfplan.pdf>.

²²⁰ Pavetti and Kauff.

²²¹ Email correspondence with Michael Collins, Vermont Division of Vocational Rehabilitation, April 2006.

CHAPTER V: Examining TANF Spending Priorities

Introduction

If states try to meet the higher work participation rates imposed by the DRA by engaging more families in work activities, rather than by simply restricting poor families' access to TANF, they will need to devote additional resources to welfare-to-work programs, child care for participants in those programs, and other aid to low-income working families. However, most states no longer have significant unspent TANF funds from prior years to use to augment their annual federal TANF block grant. Thus, most states will need either to redirect existing TANF and MOE funds away from other activities or to increase state funding for welfare-to-work and related programs. If a state chooses the former option, it likely will either need to increase state funding in those other areas to compensate or cut the affected services significantly.

The DRA also imposes significant cuts in federal funding for child support enforcement efforts. These cuts create potential challenges for state TANF programs. If the effectiveness of state child support efforts lags, as is likely, states could face federal penalties — in the form of a reduced TANF block grant — for failing to meet child support performance standards. Moreover, if fewer families receive the child support they are owed, more families may need TANF-related assistance.

TANF Spending Basics

Federal TANF Funding Under the DRA

Basic block grant: \$16.4 billion/year.

Supplemental grants: \$319 million/year. (These are additional TANF funds provided to 17 states; the DRA extended the supplemental grants through 2008.)

Out-of-wedlock bonus: eliminated.

High-performance bonus: eliminated.

Marriage/fatherhood grants: \$150 million/year. (These grants are awarded by HHS on a competitive basis and are available not only to states but to localities and nonprofit and for-profit entities.)

State “Maintenance-of-Effort” Requirement

Each state's annual spending on TANF-related programs must equal at least 80 percent of its spending on AFDC-related programs in 1994. States that meet the work participation rates (both the all-family rate and the two-parent family rate) need only spend 75 percent of what they spent in 1994.

This chapter discusses:

- how states use TANF and MOE funds;
- the impact of inflation on TANF funding;
- the impact on TANF funding of cuts in federal funding for child support;
- issues for states as they reexamine their TANF and MOE spending priorities; and
- the small additional child care funding included in the DRA.

Background: National Trends in State TANF Spending

The federal TANF statute permits states to use federal TANF and state MOE funds for a wide variety of programs and activities. Over the past decade, the share of these funds used for traditional cash assistance and welfare-to-work programs has declined. In 2005, only slightly more than one-third (38 percent) of TANF and MOE funds were used for basic assistance, and just under 8 percent were used for on “work-related activities” such as employment and training and work subsidies (see Figure 1).

At the same time, a growing share of TANF funds are now used for work supports, particularly child care. In 2005, 18 percent of TANF and MOE funds were spent on child care assistance or transferred to the child care block grant.

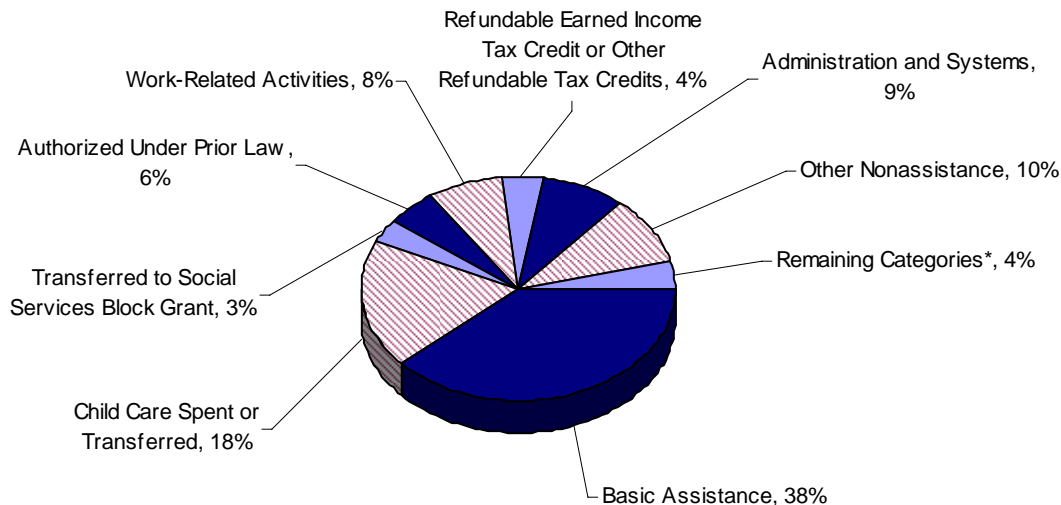
TANF and MOE funds also increasingly have been used to fund an array of other services. In particular, some states now spend a significant share of their TANF and MOE funds on services provided through state child welfare agencies. In some cases, TANF-related funds have been used to augment the services provided by these or other agencies; in other cases, they have been used to fill budget holes. As a result, welfare-to-work programs receive only a small share of TANF and MOE funds.

Spending priorities vary widely among states. For example, 12 states spent 50 percent or less of their total TANF and MOE funding on basic assistance, child care, and welfare-to-work activities in 2005, while another 14 states spent at least 75 percent of their TANF and MOE funding in these areas. Unfortunately, because of the paucity of information that states are required to submit to HHS on how they spend TANF funds, it is impossible to get a full accounting at the national level of the set of services that are being funded with TANF and MOE resources. For federal reporting purposes, states are required only to divide their TANF and MOE spending into a set of broad programmatic categories, such as “basic assistance,” “child care,” and “employment and training.”²²² (Three of the programmatic categories — “other non-assistance,” “transfers to the Social Services Block Grant,” and activities that were “previously authorized” under the former AFDC or

²²² State-by-state tables on TANF and MOE spending in 2005 are available at http://www.clasp.org/publications/state_moe_fy05.htm.

FIGURE 1

STATES SPEND TANF AND MOE FUNDS FOR A BROAD RANGE OF ACTIVITIES



* Remaining Categories: Nationally, less than 3 percent of total funds were used in each of the following categories: Funds transferred to the Social Services Block Grant, Individual Development Accounts, Nonrecurrent Short-Term Benefits, Two-Parent Formation, and Transportation and Supportive Services.

Source: Center for Law and Social Policy based on FY 2005 data from the U.S. Department of Health and Human Services.

Emergency Assistance program — are particularly vague.²²³) Some states appear to be reporting all flexible funds they provide to counties in the “other” category, even though much of this spending could be counted under a more specific category.

One category of services that is often reported under these headings is child welfare-related services — including prevention and family support services, investigations, case management, counseling, parenting classes, substance abuse treatment, and mental health services — for families identified as at risk of abuse or neglect or for whom abuse or neglect has been substantiated. It is difficult under current reporting requirements to know the extent to which the child welfare-related services funded with TANF and MOE funds not only help parents meet their parenting responsibilities, but also improve their prospects for employment. For example, mental health services, substance abuse treatment, and counseling may help address issues — such as time management, the ability to interact appropriately with others, and basic mental health — which help meet both sets of important goals.

²²³ Additional details about the particular programs or activities funded under these broad categories in a given state are often available from state human service agencies or state budget offices.

TANF and MOE Funds Are Not Keeping Pace with Inflation

The basic TANF block grant and each state's MOE requirement have been frozen since TANF's creation in 1996. While inflation during the past decade has been relatively low by historical standards, the purchasing power of these funding sources has declined quite substantially over this period.

- **In 2007, the basic TANF block grant is worth 23 percent less than in 1997, the first year states received the block grant.** By 2011, the block grant will be worth just 71 percent of its 1997 value if it remains frozen.
- **States now spend significantly less on TANF-related programs than they did in 1994.** A state that meets the MOE requirement in 2007 of spending 80 percent of what it spent on AFDC-related programs in 1994 is actually spending *43 percent less* in this area than it did in 1994, once inflation is taken into account. By 2011, a state spending at the 80-percent MOE level will be spending just 52 percent of what it spent in 1994, after adjusting for inflation. Even when one takes into account the additional funds that states now spend on child care in order to receive matching federal funds, state spending in this area remains more than one-third below what states spent in 1994.

The Impact on TANF of Cuts in Federal Child Support Enforcement Funding

The DRA significantly cut funding for child support enforcement programs.²²⁴ The Congressional Budget Office estimates that even if states replace half of the lost federal funds with state funds, the reduction in federal funding will result in \$8.4 billion in child support going *uncollected* over the next ten years that would have been collected in the absence of these cuts. This loss of child support collections creates three potential problems for state TANF-related programs:

- **If states collect less child support, they will retain less of that child support and thus will have less funding available to meet their MOE requirement.** As discussed in Chapter III, the federal and state governments typically retain the child support collected on behalf of a family receiving TANF assistance in order to offset the cost of providing assistance to the family. (The federal government retains 50-76 percent of the child support collected; the state retains the remainder.) In addition, the federal and state governments retain some child support collected on behalf of former TANF recipients to offset the cost of aid provided in the past. Many states use the child support they retain to fund TANF-related programs.²²⁵ The retained child support funds spent in this way can count toward the state's MOE requirement.

²²⁴ See Vicki Turetsky, "Families Will Lose At Least \$8.4 Billion in Uncollected Child Support If Congress Cuts Funds — and Could Lose Billions More," CLASP, 2006, http://www.clasp.org/publications/incentivepayments_jan18.pdf.

²²⁵ Michael Fishman, Kristin Dybdal, and John Tapogna, "State Financing of Child Support Enforcement Programs, 1999," <http://www.acf.hhs.gov/programs/cse/rpt/financing.htm>.

- **If states are unable to meet their child support performance standards, they could face a fiscal penalty, which is imposed through a reduction in their TANF block grant.** Under federal law, states are required to meet certain child support performance benchmarks. States failing to meet those standards can face up to a 5-percent reduction in their TANF block grant. Unlike with other TANF penalties, states cannot enter into a corrective compliance plan that would allow them to correct the violation without penalty.
- **If less child support is collected, more families may need assistance from TANF-related programs.** The cut in federal child support enforcement funding will likely force states to scale back their child support enforcement efforts, which means they will collect less child support — an important source of income for many single-parent families. That, in turn, means that more poor families will have trouble making ends meet and may need assistance from TANF programs.

States can avoid these negative consequences by increasing *state* funding for child support enforcement, which would entitle them to more federal child support enforcement matching funds. But to fully offset the cut in federal funding, each state would need to increase state funding by an amount that is equivalent to two-thirds of the amount of the state's performance incentive payment from the federal government. (Incentive payments are made on the basis of child support performance measures, including the child support collection rate).

Reexamining Spending Priorities and Funding Levels

In response to the new TANF work requirements in the DRA, states are likely to need to invest more resources in welfare-to-work programs, aid for working families, supports such as child care, and child support enforcement. Below are some factors states should consider:

- **States should aim to satisfy the 80-percent MOE requirement imposed on states that fail to meet the new federal work rates.** Under TANF's MOE requirement, a state that meets the federal work rates must spend an amount on low-income programs that is at least 75 percent of what it spent (in nominal terms) on AFDC-related programs in 1994. A state that fails to meet the federal work rates in a particular year is required to meet a higher level of MOE spending — 80 percent of its 1994 AFDC-related spending — *in that same year* that the state failed to meet the work rates. For example, if a state fails to meet the work rates in FY 2007, it must meet the 80-percent MOE requirement in FY 2007.

States will not know whether they met the work rates in FY 2007 until sometime in FY 2009, but if they failed to meet the rates, they will have to be able to show that they met the 80-percent MOE requirement in FY 2007. Since most states are at risk of failing to meet the new work participation rates (at least initially), it is prudent for all states to plan to meet the higher MOE level; states that fail to meet the MOE requirements are subject to significant fiscal penalties.²²⁶

²²⁶ In the past, once they have been informed that they have met the work rates (and thus do not have to satisfy the 80-percent MOE requirement), some states have retroactively recategorized certain MOE spending as TANF spending. This has the effect of reducing the state's unobligated balances within TANF and freeing up unrestricted state funds. HHS has not indicated its intention to change this policy.

States can meet the 80-percent MOE requirement in two ways. The most straightforward way is to spend more state funds on TANF-related programs and use these added funds to provide more services. Alternatively, states can identify existing areas of state spending that are not currently being counted toward the MOE requirement and count those expenditures toward the MOE requirement. States may also count cash or in-kind expenditures by nonprofit organizations and local governments toward the MOE requirement, if the spending meets the TANF purposes and other MOE-related requirements and if there is a written agreement between the state and the nonprofit or local government entity to do so.²²⁷ But as discussed below, if states rely largely on this second strategy, the level of assistance and services provided to poor families through TANF-related programs will erode as inflation reduces the purchasing power of the TANF block grant and MOE funds and states will not have the resources they need to meet the new work participation rates by means other than restricting needy families' access to poor families.

- **States should consider identifying some state funding that can be used to assist families *outside* the TANF structure.** As discussed in earlier chapters, the activities that are countable toward the work participation rates may not be the most appropriate activities for some recipients. Thus, states may want to provide assistance to some families in programs that are funded with non-MOE state funds. States can establish their own rules in such programs, including the work activities in which program recipients must participate. Families assisted by state-funded programs outside the TANF structure are not considered when determining the federal work participation rates.

States that want to provide state-funded assistance in this manner to some families have two options for securing the needed resources. First, as in the MOE discussion above, they can increase the overall level of state funding for TANF, MOE, and state-funded assistance programs. Alternatively, they can identify existing state services or benefits (that do not meet the definition of “assistance”) that are financed with state or local resources, and *could* be financed with TANF or MOE funds, and “swap” funding streams. In other words, the state could use state funds (that do not count toward the MOE requirement) to assist families that once participated in TANF- or MOE-funded programs, and use the TANF or MOE funds formerly spent on those families to pay for programs that once were funded with state funds unrelated to TANF. States must be careful to ensure that any programs that are newly identified as counting toward the MOE requirement pass the “new spending test” and do not supplant state resources that were spent in these programs in 1995.²²⁸

- **States may need to redirect TANF and MOE resources so they can fund welfare-to-work, child care, and other supports for low-income working families adequately.** States should think very carefully about the effects of such a move, however. Some of the services that states are funding in agencies outside the TANF agency may be helping families move from welfare to work, supporting working families, or helping families avoid TANF receipt altogether; withdrawing TANF or MOE funds from these programs could weaken state efforts

²²⁷ This policy, formerly explained in TANF Policy Announcement TANF-ACF-PA-2004-01, was added to the regulations at 45 C.F.R. §263.2(e) by the interim final regulations.

²²⁸ Under the TANF statute, expenditures in programs that were not authorized under the prior AFDC statute can only count toward the MOE requirement to the extent that they are above state expenditures in that program in 1995.

in these areas. Similarly, TANF and MOE funds may be funding services that, while unrelated to the TANF goals of providing needy families with income assistance and helping them secure employment, are still critically important. Thus, if states redirect TANF and MOE funds to welfare-to-work programs and support for working families, additional resources likely will need to be secured for those areas that are losing these resources.

- **States should consider replacing lost federal child support enforcement funding with increased state resources.** As discussed above, federal cuts in child support enforcement funding could harm states' TANF- and MOE-funded programs — as well as families that rely on child support income. States can reduce or eliminate this harm by increasing their own funding for child support enforcement.

Ultimately, to ensure that benefits and services for poor families do not erode, states will need to increase overall resources for TANF-related programs — and state-funded assistance programs outside the TANF/MOE structure. As described above, there are ways that states can meet a higher MOE requirement or identify resources for assistance programs outside the TANF structure without investing net additional state funds. Such strategies are legal and may be necessary in the short term. Over the longer term, however, the set of programs that provide cash assistance, welfare-to-work activities, and work supports to low-income families will need additional funding if they are going to be effective at helping vulnerable families make ends meet and find and sustain employment.

Child Care Assistance

On average, annual child care costs for just one child are higher than families' clothing and health care costs combined,²²⁹ and low-income families may spend as much as a quarter of their income on child care costs.²³⁰ To offset these costs, child care assistance is critical both to helping families move from welfare to work and to helping working families remain employed.

The increased TANF work requirements in the DRA will require states to reexamine their approach to funding child care assistance for low-income families, including those receiving TANF, those leaving TANF, and those that have no connection to TANF but need child care assistance in order to work. Unfortunately, the lack of significant new federal resources for child care, coupled with the large increase in the number of TANF families that will need child care while they work or participate in welfare-to-work activities, may create difficult choices for states that want to continue serving both TANF families and other low-income working families.

The increase in the number of TANF families likely to need child care will vary significantly across states.²³¹ Some states may have to move thousands of families into work programs or

²²⁹ National Association of Child Care Resource and Referral Agencies. *Breaking the Piggy Bank: Parents and the High Price of Child Care*, 2006.

²³⁰ U.S. Census Bureau, *Who's Minding the Kids? Child Care Arrangements*: Winter 2002. 2005.

²³¹ For state-by-state estimates, see Mark Greenberg, "Conference TANF Agreement Requires States to Increase Work Participation by 69 Percent, but New Funding Meets Only a Fraction of New Costs," Center for Law and Social Policy, 2006, http://www.clasp.org/publications/tanfagreement_update_jan12.pdf.

employment in order to meet the federal work rates (and thus avoid fiscal penalties), while other states may already be relatively close to meeting the work rates. Thus, states will need to estimate how many additional TANF families are likely to need child care assistance as a result of increased participation in work activities and employment and project the cost of providing that assistance. States then will need to see which federal and state funds are available to meet these increased child care costs.

States, policy analysts, and others widely acknowledge that cutting child care assistance for working families is contrary to the goals of welfare reform, since child care assistance helps families keep their jobs and stay off TANF. Thus, states likely will need to increase their overall investments in child care assistance and consider policy changes to ensure that low-income working families have access to child care.

How States Can Obtain the Additional Child Care Funding Provided by the DRA

The DRA includes \$200 million per year in additional federal child care funding through the Child Care and Development Block Grant (CCDBG).²³² This money must be matched by state funds, so most states will need to increase their child care spending to obtain their share of these additional federal funds. In total, states will have to spend about \$150 million in additional state funds to draw down the \$200 million in additional federal funds.

Several types of state and private expenditures can be used as the state match for these federal funds. In addition to state spending on a basic child care subsidy program, they include:

- **Public expenditures on pre-kindergarten.** States are permitted to count funds spent on public pre-kindergarten programs for up to 20 percent of either CCDBG's state match requirement or its MOE requirement.²³³ To count public pre-kindergarten funds toward the state match requirement, a state must describe in its annual plan how the pre-kindergarten program meets the needs of working parents. To count public pre-kindergarten funds toward the MOE requirement, a state must ensure that it will not reduce expenditures on full-day and full-year child care services.
- **Privately donated funds.** States may meet their state match and MOE requirements in part by using funds that private non-governmental agencies have donated to the state or to an entity designated by the state to receive these funds. There is no limit on the amount of private funds states may use towards the MOE and match requirements. (Donated funds can count toward these requirements only if they are donated without limitations that would require the funds to be used for a particular individual, organization, or facility.)

²³² CCDBG includes multiple funding streams, including discretionary (sometimes referred to as "appropriated") child care funding, whose level is set each year through the appropriations process, and mandatory (also called "entitlement") funding, whose level is set in the Social Security Act. The DRA increases *mandatory* child care funding from \$2.717 billion per year to \$2.917 billion.

²³³ A portion of federal CCDBG funding requires states to meet a state maintenance-of-effort requirement while a portion requires a state match.

Accessing New State Funds

It appears unlikely that enough new federal child care resources will be available over the next couple of years to erase — or, perhaps, even significantly reduce — the unmet need for child care assistance. Yet that unmet need is considerable,²³⁴ and progress to reduce it will require states to make a major new financial commitment to child care funding. As revenues in many states recover from the declines that occurred in the early part of this decade, states should consider making new investments in child care and other early education initiatives.

Several states and local communities have successfully identified new sources of revenue through targeted tax approaches that either raise new funds to support a particular initiative or make child care more affordable for individual families.²³⁵ These approaches include special property taxes that generate funds for child care subsidies and improvements in the quality of child care, sales taxes that support child care subsidies, tobacco and other “sin” taxes for child care, and the use of refundable dependent care tax credits to offset families’ child care expenses. The pros and cons of each of these approaches should be weighed within the context of each community or state.²³⁶

Many states also have been encouraging private business and philanthropic entities to become more involved in child care issues. Using data on the economic impact of the child care sector,²³⁷ the economic benefits to businesses from child care assistance programs²³⁸ and other data, several

²³⁴ The U.S. Department of Health and Human Services estimated that in 2003, twenty-eight percent of children eligible under state eligibility rules received subsidies. There is no current information available on the percentage of children eligible under federal law that received child care assistance after 2000, but HHS reported that in 1999 that only 12 percent of federally-eligible children were served. In 2000, CLASP estimated that 14 percent of federally-eligible children were receiving help. See ASPE Office of Human Services Policy, “Child Care Eligibility and Enrollment Estimates for Fiscal Year 2003,” April 2005; US Department of Health and Human Services News, “New Statistics Show Only Small Percentage of Families Receive Child Care Help,” December 6, 2000; and Jennifer Mezey, Mark Greenberg, and Rachel Schumacher, “The Vast Majority of Federally-Eligible Children Did Not Receive Child Care Assistance in FY 2000” Center for Law and Social Policy, 2002.

²³⁵ For more information on each of these types of investments and other financing strategies, see Louise Stoney and Karen Edwards, “Child Care Financing Matrix,” <http://nccic.org/pubs/ccfinancingmatrix.pdf>; Anne Mitchell, “Innovative Strategies for Financing Quality Child Care,” 2002. <http://www.earlychildhoodfinance.org/handouts/InnovativeStrategiesForFinancingQualChildCare.ppt>.

²³⁶ See for example, Deborah Chalfie and Nancy Duff Campbell, “Power to the People: The Effectiveness of Ballot Measures in Advancing Early Care and Education,” National Women’s Law Center, September 2005, <http://www.nwlc.org/pdf/PowertothePeopleFinal2005.pdf>.

²³⁷ See, for example, resources of the National Economic Development and Law Center at www.nedlc.org/Programs/divisions_cyf_childcare_impact.htm.

²³⁸ See, for example: Tansneem Chipty & Ann Dryden Witte, “Employment Patterns of Workers Receiving Subsidized Child Care: A Study of Eight Counties in Alabama,” Tri-State Child Care Research Partnership, 1998 (available from Margie Curry, Executive Director, Childcare Resources, 1904 First Ave. North, Birmingham, AL 35203-4006); Tansneem Chipty & Ann Dryden Witte, “Parents Receiving Subsidized Child Care: A study of Alabama’s Labor Force” (working paper), Tri-State Child Care Research Partnership, 1997; Harriet Griesinger, Tansneem Chipty, & Ann Dryden Witte, “Employment of Parents Receiving Subsidized Child Care in Dade County, Florida” (working paper), Wellesley College, 1997; Christine Lee, Stephanie Ohlandt, & Ann Dryden Witte, “Parents Receiving Subsidized Child Care: Where do they work?” Florida Children’s Forum, 1996, http://eric.ed.gov/ERICDocs/data/ericdocs2/content_storage_01/0000000b/80/10/f5/ab.pdf. (This article was featured in the National Child Care Information Center, Child Care Bulletin, Issue 11, October/November, 1996, and the study on which it is based has been replicated in Alabama, California, Oregon, and Washington, DC).

states and communities have created public-private partnerships in which the private sector makes new funds available for child care subsidies and other initiatives.

APPENDIX: Additional Resources on Work Support Programs

There are several programs that provide key supports to low-income working families. These programs “make work pay,” helping parents make ends meet and providing them the help they need to retain employment.

Below is a brief resource list for information about the following work support programs: child care, child support enforcement, federal and state Earned Income Tax Credits, the Food Stamp Program, housing assistance programs, and the Medicaid and SCHIP programs.

Child Care

Child Care Assistance Helps Families Work: A Review of the Effects of Subsidy Receipt on Employment, Center for Law and Social Policy,
http://www.clasp.org/publications/ccassistance_employment.pdf

Using TANF for Child Care: A Technical Guide, Center for Law and Social Policy,
http://www.clasp.org/publications/using_tanf_for_child_care.pdf

The Child Care and Development Fund: An Overview, Center for Law and Social Policy,
http://www.clasp.org/publications/the_child_care_and_development_fund.pdf

Child Care Assistance in 2004: States Have Fewer Funds for Child Care, Center for Law and Social Policy, <http://www.clasp.org/publications/childcareassistance2004.pdf>

Child Support Enforcement

More Child Support Dollars for Kids, Policy Studies, Inc., and Center for Law and Social Policy,
http://www.clasp.org/publications/more_cs_dollars_policy_brief_v10.pdf

Families Will Lose at Least \$8.4 Billion in Uncollected Child Support If Congress Cuts Funds — and Could Lose Billions More, Center for Law and Social Policy,
http://www.clasp.org/publications/incentivepayments_jan18.pdf

In Everybody's Best Interests: Why Reforming Child Support Distribution Makes Sense for Government and Families, Center for Law and Social Policy,
http://www.clasp.org/publications/cs_cooperation_requirements.pdf

Child Support Cooperation Requirements and Public Benefits Programs: An Overview of Issues and Recommendations for Change, Center for Law and Social Policy,
http://www.clasp.org/publications/cs_brief_1_final.pdf

Recent State Efforts in Medical Child Support, Center for Law and Social Policy,
http://www.clasp.org/publications/medical_supp_updated081205.pdf

Federal and State Earned Income Tax Credits

A Rising Number of State Earned Income Tax Credits Are Helping Working Families Escape Poverty, Center on Budget and Policy Priorities, <http://www.cbpp.org/10-12-06sfp.htm>.

A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2006, Center on Budget and Policy Priorities, <http://www.cbpp.org/3-8-06sfp.htm>

The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor, Center on Budget and Policy Priorities, <http://www.cbpp.org/7-19-05eic.htm>

Make Tax Time Pay: An EITC Outreach Kit, Center on Budget and Policy Priorities,
<http://www.cbpp.org/eic2007/>

Food Stamp Program

The Food Stamp Program: Working Smarter for Working Families, Center on Budget and Policy Priorities, <http://www.cbpp.org/3-15-05fa.htm>

Food and Nutrition Programs: Reducing Hunger, Bolstering Nutrition, Center on Budget and Policy Priorities, <http://www.cbpp.org/7-19-05fa.htm>

Transitional Food Stamps: Background and Implementation Issues, Center on Budget and Policy Priorities, <http://www.cbpp.org/11-10-03fa.htm>

Aligning Policies and Procedures in Benefit Programs: An Overview of the Opportunities and Challenges Under Current Federal Laws and Regulations, Center on Budget and Policy Priorities,
<http://www.cbpp.org/1-6-04wel.htm>

Housing Assistance

Introduction to the Housing Voucher Program, Center on Budget and Policy Priorities, <http://www.centeronbudget.org/5-15-03hous.htm>

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