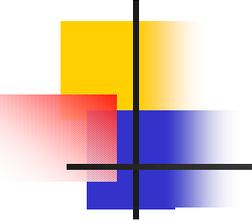


# **Federal Reauthorization of Welfare Reform**

Prepared by the Legislative Budget Board Staff  
for the  
Senate Health and Human Services Committee  
April 16, 2002



# TANF Federal Funds

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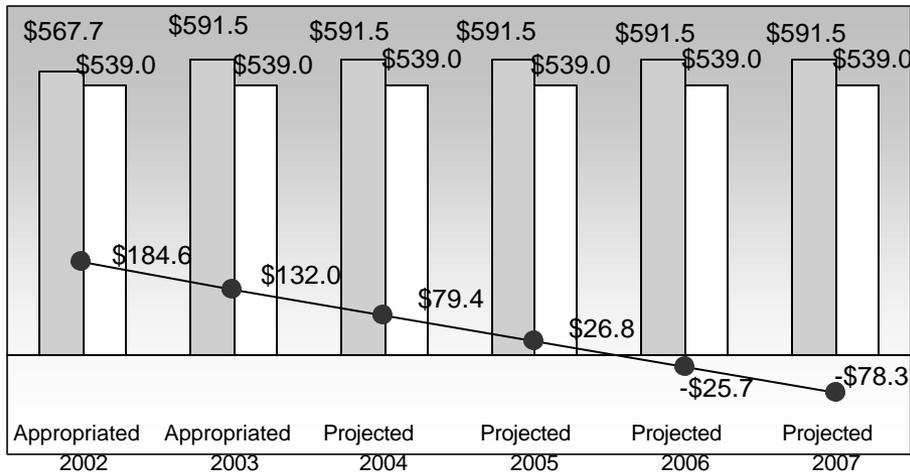


- Texas' annual TANF block grant from 1997 through 2002 is \$486.3 million, based on the state's historical expenditures for the former Aid to Families with Dependent Children program.
- None of the reviewed TANF reauthorization proposals recommends decreasing national funding.
- S 2052 authorizes a \$2.5 billion increase nationally based on the number of poor children per state.
- HR 3625 authorizes an adjustment to each state's annual block grant based on the Consumer Price Index.

# Potential TANF Federal Funding Scenarios

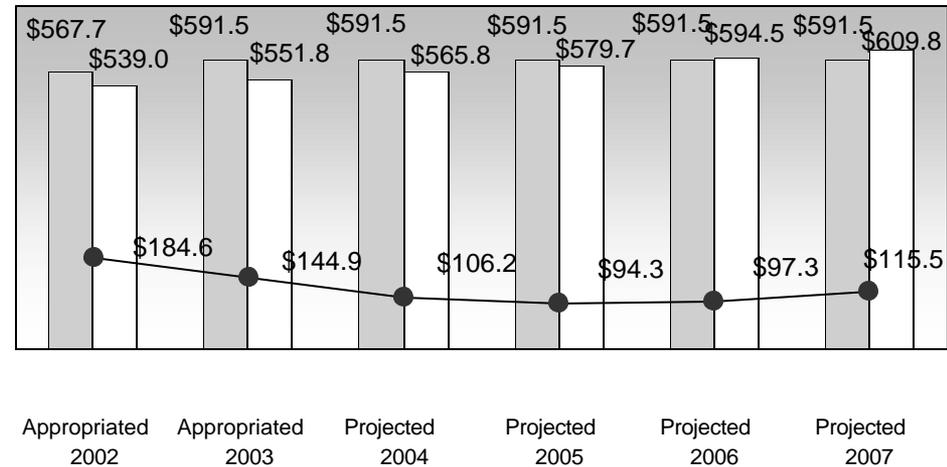


**Texas' TANF Allocations without Inflation  
(in millions)**



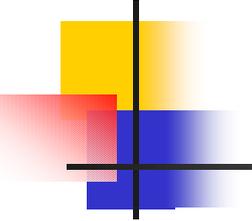
Expended TANF Allocation Balance

**Texas' TANF Allocations with Inflation  
(in millions)**



Expended TANF Allocation Balance

Notes: Assumes 2003 spending level in 2004 through 2007. Assumes Supplemental Funds at 2001 level, no penalties, bonuses, or contingency funds. TANF spending for 2002-03 may change due to caseload adjustments, method of finance changes, or other factors.



# TANF Supplemental Funds

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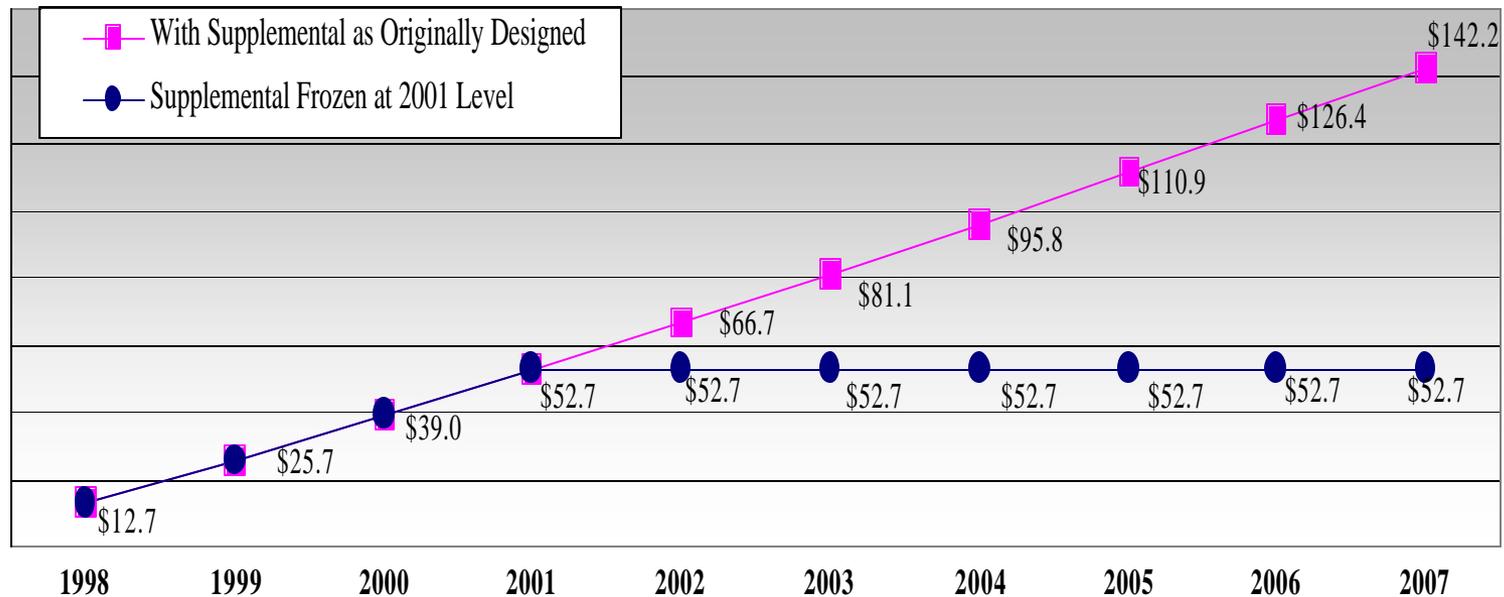


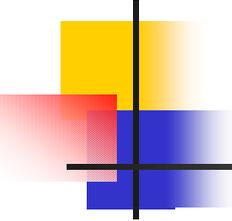
- TANF Supplemental Funds were established to address the disparities in TANF funding among states. An annual 2.5% increase to block grants was authorized for states with high population growth and low benefit levels. Texas meets the criteria for receiving Supplemental Funds.
- All reviewed proposals either maintain Supplemental Funds at the 2001 level or increase funding. There are also proposals to expand the criteria for state eligibility.
- Although no bills introduced to date continue Supplemental Funds growth as originally intended, the following chart shows the impact if it were reinstated as designed in the 1996 law, compared to maintaining funds at the 2001 level.

# TANF Supplemental Funds (cont.)



Texas' Allocation of TANF Supplemental for High Growth/Low Benefit States  
(in millions)





# TANF MAINTENANCE OF EFFORT (MOE)

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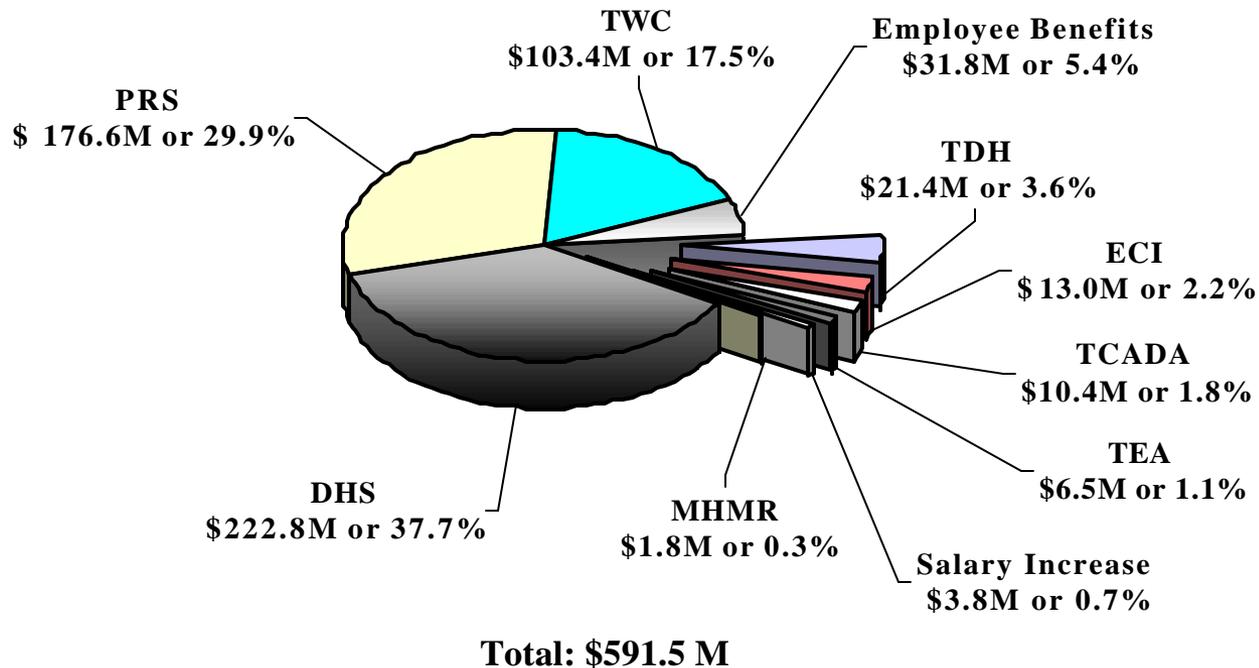


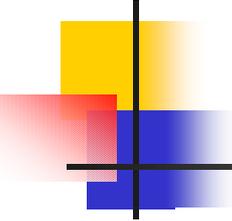
- **Currently, states must maintain 80% of 1994 state expenditures, or 75% if the state meets work participation standards. At 80%, Texas' maintenance of effort is \$251.4 million.**
- **HR 3625 would require states to increase MOE by inflation. For Texas, MOE at 80% would increase to approximately \$284.5 million by 2007.**
- **HR 3625 would prohibit states from using TANF federal funds to replace state funding that does not count towards this MOE requirement. A 5% penalty (\$24.3 million) would be imposed on states that supplant.**

# TANF Distribution in Texas



## TANF Federal Funds for FY 2003: General Appropriations Act



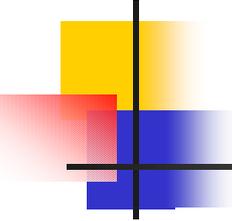


# HIGH PERFORMANCE BONUS: WELFARE REFORM

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- Federal welfare reform authorized \$200 million per year (1999-2003) for annual bonuses to states with the best records in assisting TANF recipients with employment.
- 1999 and 2000 bonuses went to the top 10 states in 4 categories (performance and improvement in job entry and success in the workforce).
- Texas earned \$16.3 million in 1999 and \$24.3 million in 2000.
- For 2001 bonuses, new categories were added to address family formation and enrollment in Medicaid, Children's Health Insurance Program, and Food Stamps. Awards for 2001 have not been announced.
- Proposals range from eliminating the bonuses, maintaining the bonuses at the same funding level, and increasing the funding level.

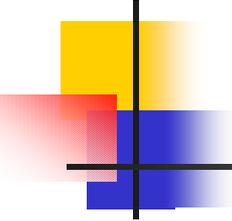


# OUT-OF-WEDLOCK BIRTHS PERFORMANCE BONUS

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- Federal welfare reform authorized \$100 million per year (1999-2002) for annual bonuses to 5 states with the largest reductions in the proportion of out-of-wedlock births.
- Eligible states must also demonstrate a decrease in their abortion rates.
- Texas has not been eligible for any bonuses to date.
- Several bills eliminate this bonus and designate the funding for other purposes.

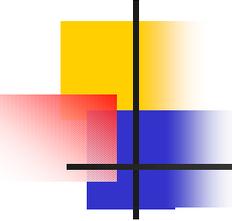


# PROPOSED NEW BONUSES

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- **HR 4090 authorizes \$900 million over 5 years for a Bonus to Reward Employment Achievement to states for meeting employment goals of TANF.**
  
- **Several bills authorize a Child Poverty Reduction Bonus to states that reduce the number of children in poverty and the depth of poverty.**
  - **HR 3625 and HR 3113 would fund the program at \$750 million over 5 years.**
  - **S 2052 would fund the program at \$300 million over 5 years.**

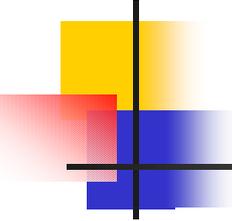


# PROPOSED NEW FUNDING

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- HR 3625 authorizes several new programs:
  - \$500 million over 5 years for states with large populations of children below the poverty level relative to their TANF allocation level.
  - \$750 million over 5 years for states to research and implement demonstrations to increase earnings and job advancement, as well as enhance opportunities for persons with disabilities, substance abuse problems, or limited English proficiency.
  - \$500 million over 5 years for competitive grants to improve access to benefit programs for low income families with children (20% match required).
  
- S 2052 provides \$150 million over 5 years for competitive grants to improve coordination and access to benefit programs for low income families.

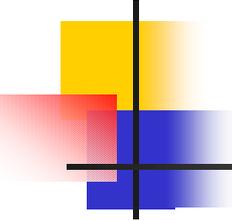


## PROPOSED NEW FUNDING (cont.)

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- S 2052 provides \$200 million over 5 years for new business link grants to create public/private partnerships to encourage employers to design innovative ways to help individuals move from welfare to work.
- Several bills provide \$500 million over 5 years for research, demonstration, and technical assistance on fostering family formation and healthy marriages.
- HR 4090 also authorizes \$500 million over 5 years for a competitive matching grant program develop innovative approaches to promoting healthy marriages and reducing out-of-wedlock births.

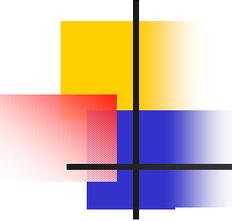


# FEDERAL TANF CONTINGENCY FUND

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- The 1996 legislation established a \$2 billion contingency fund available to states with high unemployment or significant increases in their food stamp caseload.
- To access the funds, states had to increase their own spending to 100% of MOE (using a more restrictive criteria) and provide matching funds (at the Federal Medical Assistance Percentage, or FMAP).
- There are proposals to improve access to the fund by revising the criteria for state eligibility, changing the match rate, and expanding the activities that can be counted towards the MOE requirement.

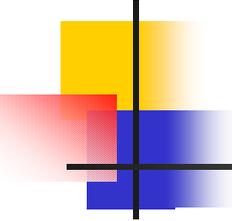


# TANF FISCAL POLICIES

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- **Transferability**
  - **Currently, states may transfer up to 30% of TANF funds to the Child Care and Development Fund, less transfers to the Social Services Block Grant (Title XX).**
  - **HR 4090 increases the transfer limit for child care to 50%.**
  - **The 2002 appropriations bill restored the restriction on Title XX from a scheduled 4.25% limit to 10%.**
  - **There are proposals to reinstate (or phase in) the 10% Title XX transfer limit for future years.**
  
- **Currently, TANF federal funds carried forward to the next year must be spent on cash assistance. Several proposals remove this restriction.**

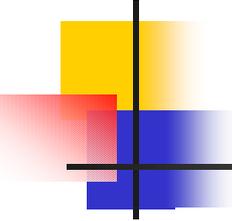


# WORK PARTICIPATION RATES

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- **Under current law, there are separate participation rates for all families and two-parent families.**
  - 50% of all families must be participating in work activities
  - 90% of two-parent families must be participating in work activities.
- **Several bills eliminate the separate work participation rate for two-parent families; some bills even prohibit states from imposing stricter rules for two-parent families.**
- **HR 4090 increases the required all family rate in 5% increments to 70% by 2007. Under current law, the actual work participation rate for Texas in 2003 was projected to be 26% in the *2002-03 General Appropriations Act*. HR 4090 would also change the criteria for calculating work participation.**
- **There are proposals to require self-sufficiency plans for all families; and to modify the exemptions from work participation, the hours required to work, the activities that can count towards the requirement, and sanction policies.**

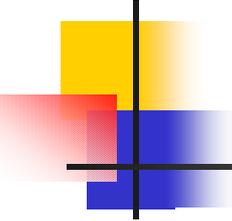


# CASELOAD REDUCTION CREDIT

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- **Currently, states may discount their required work participation rate by the percent reduction in caseloads since 1995.**
- **HR 4090 would change the time frame from reductions in caseload since 1995, to reductions over the previous 3 years.**
- **Several bills replace the caseload reduction credit with employment credits based on the number of employed welfare leavers, including additional credit for families earning higher wages.**

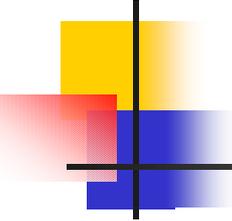


# **PENALTIES RELATED TO WORK PARTICIPATION**

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- **Currently, failure to meet work participation requirements the first time can result in a penalty of 5% of a state's block grant, or \$24.3 million in Texas.**
- **Under HR 4090, a 5% penalty could also be assessed for failure to develop self-sufficiency plans for all TANF families.**
- **States subject to a penalty would continue to have an opportunity to submit a corrective compliance plan, with no penalty assessed if progress toward the requirement is being made.**

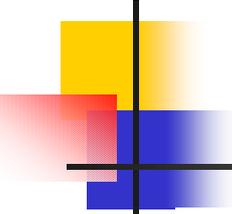


# OTHER TANF FISCAL IMPACTS

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- **Time limits.** Several bills modify what counts towards client's 5-year lifetime benefit limit (e.g., stop the clock for clients receiving wage subsidies or child care, etc.).
- **Child Support.** There are proposals that address the distribution of child support collections and user fees.
- **Immigrants.** There are bills that offer states options to provide TANF assistance to more immigrants.
- **Minimum benefit levels.** HR 3113 would require states to pay clients a minimum benefit equal to at least the poverty guideline, plus housing costs that exceed 30% of the poverty line.



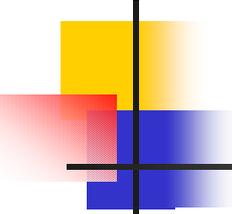
## CHILD CARE

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- Under current law Texas was allocated the following amounts for 2002 under three funding streams:

Mandatory:	\$59.8 million
Matching:	\$121.4 million
Discretionary:	\$199.7 million
<b>Total:</b>	<b>\$380.9 million</b>
- Although some proposals hold funding levels constant, others increase available matching funds by up to \$11.3 billion over 5 years (nationally). Under this scenario, Texas would be allocated about \$102.5 million in additional funds for 2003, and a total increase of \$922.2 million over 5 years.
- Some bills increase the current minimum setaside for activities to promote quality from 4% to 12%. Without a funding increase, in 2003 a \$30.5 million shift from child care to quality activities would be required in Texas.



# **SOCIAL SERVICES BLOCK GRANT - TITLE XX**

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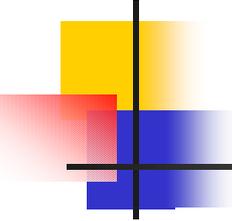


- **Title XX funding nationally has decreased from \$2.8 billion in 1996 to \$1.7 billion in 2002.**
- **Funding to Texas dropped from \$193 million in 1995 to \$125 million in 2002.**
- **In Texas, over 90% of Title XX funds are used for adult protective services and community care for the elderly and disabled.**
- **HR 3625 and S 2052 would restore Title XX funding to \$2.8 billion per year nationally, beginning in 2003.**
- **If national funding were restored to \$2.8 billion, 2003 funding to Texas would increase by \$81.5 million to \$206.8 million.**

# FOOD STAMPS – QUALITY CONTROL ENHANCED FUNDING



- The Farm Security Act of 2001, which reauthorizes the Food Stamp program, is in conference committee.
- Under current law, states that achieve certain payment accuracy rates are eligible to receive enhanced funding for administration;
- Texas received \$19.7 million for 1998, \$27.9 million for 1999, \$28.6 million for 2000, and \$29.8 million is anticipated for 2001.
- Only 11 states qualified for enhanced funding in 2000, and Texas received over half of the federal funds.
- Although the House bill builds on the existing incentive structure, the Senate bill replaces the current system to focus on outcomes, rather than process.
- The Senate bill authorizes \$30 million nationally each year (2002 to 2007), which is approximately the current award for Texas alone.



# OTHER FOOD STAMP ISSUES

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- **Both bills give states the option to provide 6 months (instead of 3) of transitional food stamps to individuals leaving TANF.**
- **Both bills have various provisions related to application simplification and eligibility determination.**
- **The Senate bill would restore food stamp benefits to certain legal immigrants.**
- **The Senate bill would extend food stamp benefits to able-bodied adults without dependent children from 3 out of 36 months to 6 out of 24 months.**
- **The Senate bill would ease restrictions on state use of food stamps employment and training funds.**