

Implementing the New TANF Legislation

A Guide to Strategic Decision-making: What Governors Need to Know

The TANF reauthorization has significant program and fiscal implications stemming from new work requirements and impending work regulations. The questions below can guide the strategic decisionmaking of governors, policymakers, and staff as they assess the implications of the DRA.

Understand the cash-assistance caseload trends and dynamics.

Caseload trends and dynamics will help determine how many individuals your state needs to engage in work and help you make spending estimates for cash payments, work activities, and work supports (e.g., child care).

- **What is your current and projected cash assistance caseload?**
 - Given the caseload projection, what, if any, benefit does your state anticipate from the caseload-reduction credit using FY 2005 as the base year?
 - What is the current and projected caseload for families receiving cash assistance through separate state programs? Families in separate state-funded programs now will be included in the work participation requirement.
- **What is the size and composition of your child-only caseload?**
 - What would be the effect of including adult caregivers in child-only cases in the denominator of the work participation rate calculation?
- **How much of your caseload is comprised of long-term recipients?**
 - What are their characteristics? The state may want to target these families for more intensive services.

Analyze the activities of recipients and the effectiveness of work activities.

Understanding what is happening with the state's current cash-assistance caseload and the effectiveness of various activities in moving individuals to work can help you identify, prioritize, and target strategies for engaging recipients in appropriate work-related activities.

- **On average, how early do new recipients/applicants become engaged in a work activity?**
 - What is the work participation rate for individuals for their first month on the caseload? Faster engagement can improve the state's work participation rate.
- **When are recipients screened or assessed for work readiness?**
 - Screening earlier in the process may lead to more appropriate work activity placements.
- **In what types of activities are individuals engaged (e.g., unsubsidized work, education, community service)?**
 - How many hours are recipients typically engaged in each activity?
 - How quickly do they become engaged in an activity once assigned to it?
 - How effective has each activity been in moving individuals into work?

A Guide to Strategic Decision-making: What Governors Need to Know *(continued)*

- **What types of work activities does the state allow? What proportion of recipients is engaged in activities that do not count toward the federal work requirement?**
 - This will be especially important to assess after the interim regulations are published. States may feel pressure to modify activities or set time limits for those activities that do not count toward the federal work-rate calculation. However, if the activities have been effective at preparing people for work, the state may want to continue to allow them.
- **How effective is the state in capturing work participation rate data?**
 - States often have difficulty tracking participation in the month that a case is closed.

Understand the state's TANF policies and procedures.

State policies pertaining to work exemptions, sanctions, and earnings disregards can have a considerable effect on a state's work participation rate.

- **What proportion of the caseload is exempt from participating in a work-related activity? Why?**
 - Most states grant exemptions from work participation for reasons such as disability, the presence of children under a certain age, and domestic violence. You may want to examine whether some categories of exempt individuals may benefit from participating in certain activities or may be able to participate fully when given additional supports.
- **What is the state's policy related to sanctioning families for noncompliance?**
 - How many families are in sanction status for more than three months and therefore not counted in the state's work rate?
 - What is state policy or practice for working with these families to identify reasons for noncompliance and strategies for moving families out of sanction status?
- **What is your state's earnings disregard policy?**
 - What proportion of the caseload is engaged in paid work?
 - What percentage of the caseload leaves due to increased earnings? States can increase their work participation by increasing the proportion of the caseload that combines work with welfare.

Assess how close the state is to meeting the new work participation requirements.

This will enable you to determine the magnitude of the challenge ahead and the investments that may be needed.

- **How many more individuals will the state need to engage in work activities to meet the work rate?**
 - Current participation rates will indicate how close the state is to meeting the federal requirements and how many more people will need to be engaged in work activities.

A Guide to Strategic Decision-making: What Governors Need to Know *(continued)*

1. The state also needs to consider the projected caseloads and any anticipated effect of the caseload adjustment credit; the size of separate state programs and child-only caseload; the proportion of the caseload that is exempt from work and in sanction status for more than three months; the effect of proposed regulations defining work activities; and information on individuals who are engaged in work activities but for insufficient hours.
- **What is the potential fiscal penalty if the state fails to meet the work participation rate for all families and two-parent families?**
 - States can lose up to 5 percent of their TANF grant for the first year they fail to meet the rate, increasing by 2 percent each year thereafter.
 - For the two-parent rate, the penalty is proportional to the size of the two-parent caseload relative to the total caseload.
 - The state also would have to fill in the reduction in the TANF grant with its own funds and meet a maintenance-of-effort (MOE) of 80 percent.

Understand how funding is allocated and the effect on future spending.

You should evaluate the state's TANF/MOE spending and assess whether it is consistent with your priorities and whether the state will need to increase spending on child care and work-related activities in order to meet the work rates.

- **How much of the block grant and MOE is spent on cash assistance, child care, and other work-related activities?**
 - What are other major expenditures?
 - How much flexibility does the agency have to redirect spending?
 - What proportion of the TANF grant is appropriated by the state's legislature to specific activities?
- **What are the implications for future spending?**
 - How much more will the state need to spend on child care to meet the increase in demand as more parents go to work? What is the state's match requirement to draw down the new child care dollars?
 - Will the state be requesting an increase in spending on work-related activities?
 - How much reserve is available to the state to help meet the new demands?
- **Would it be more cost effective to create a two-parent program funded through state dollars that do not count towards MOE?**
 - States may find that creating a separate program that does not count toward MOE (and therefore is not included in work participation rates) may be a better fiscal alternative than incurring penalties and a higher MOE for not meeting two-parent work requirements.