
Issue Brief



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August 25, 2005

Waiting for Reauthorization: State Experiences in Welfare Reform Since 2001

Summary

Since the creation of the Temporary Assistance for Needy Families (TANF) program in 1996, state welfare programs have evolved in response to changing caseload dynamics, local economic conditions and a greater understanding of the assistance that low-income families need in order to become self-sufficient. States have been challenged, particularly since 2001, when an economic recession and state budget deficits combined with no progress in reauthorizing TANF, required operating under fiscal constraints and uncertainty about the future. This *Issue Brief* builds on an earlier report published in 2001 by the National Governors Association Center for Best Practices, *The Evolving Nature of Welfare Reform: Where We Stand on the Eve of Reauthorization*. It presents updated information based on interviews with 12 states: **California, Florida, Indiana, Maryland, Michigan, New York, North Carolina, South Carolina, Tennessee, Utah, Washington, and Wisconsin**, describing implementation experiences since 2001.¹

Between 1996 and 2001, states witnessed large declines in the number of families receiving cash assistance and were able to make significant investments in a wide range of support services to help families achieve self-sufficiency. Since 2001, states have continued to provide many of the services needed by families making the transition from public assistance into the workforce by investing heavily in child care, providing work supports, and often working across systems and programs. However, because of the recession, rising caseloads in some states, and an effort to sustain critical services, states began to draw down reserve funds that they had accumulated in prior years. These reserve funds also supported new initiatives such as post-employment supports and services to low-income working families. Beginning in 2001, states were spending more than their annual block grant allocation each year, rapidly depleting these surplus funds. With fewer reserve dollars available to supplement their annual allocation, states have had to curtail some services and postpone implementing new initiatives. Notably, several states have had to cut childcare assistance for low-income working families, a cornerstone of their welfare reform efforts.

State welfare reform efforts have also been complicated by the lack of new reauthorizing legislation for TANF. Since the expiration of TANF authorization in October 2002, states have been operating their welfare programs under a series of “continuing resolutions” enacted by Congress that have extended current law, maintaining both current funding levels as well as requirements related to work participation, state maintenance-of-effort, and other program components. Uncertainty about when new legislation will be adopted and concerns that the legislation will require higher levels of work participation without additional resources has also discouraged states from launching major new initiatives.

Despite the challenges that TANF programs face due to limited resources and a lack of reauthorization, states have made changes to existing programs and implemented pilot programs since 2001 to better serve clients. Some of these efforts have been in anticipation of Congress adopting new requirements for clients when TANF is finally reauthorized. States have placed an emphasis on improving work participation rates, initiating universal engagement requirements, developing services to support job advancement and retention, and expanding services to help individuals with multiple barriers to self-sufficiency. Since 2001, many states also have begun to develop and initiate programs that support family strengthening through marriage education programs, conferences, and fatherhood initiatives. These services and others will continue to develop as states look towards new and innovative approaches to assisting those in need.

Introduction

This *Issue Brief* is a companion to a report published in 2001 by the National Governors Association Center for Best Practices titled *The Evolving Nature of Welfare Reform: Where We Stand on the Eve of Reauthorization*. At that time, state spending and program development reflected a focus on comprehensive services to families. From 1996 to 2001, states witnessed an unprecedented decline in the number of families receiving cash assistance and were able to make significant investments in a wide range of support services to help families achieve economic self-sufficiency. Many of these investments, which continue today, involve partnerships and collaborative efforts across various programs such as adult and postsecondary education, workforce development, child welfare, mental health and others.

Since 2001, states have continued to provide many of the services needed as families make the transition from public assistance into the workforce. States are investing heavily in providing childcare services, refocusing efforts to move recipients into work, helping low-income workers maintain employment, and addressing the needs of individuals with multiple barriers to economic self-sufficiency. As the size and composition of states’ cash assistance caseloads continue to change, state TANF programs will continue to evolve to meet the needs of clients.

The information in this *Issue Brief* is based on interviews with administrators from social service offices in 12 states: **California, Florida, Indiana, Maryland, Michigan, New York, North**

Carolina, South Carolina, Tennessee, Utah, Washington, and Wisconsin. The intent of the research was to develop an understanding of how TANF programs and partnerships have evolved since 2001, particularly in light of the lack of federal reauthorization and the recent recession. Much of the information provided by the individual states reflects national trends within TANF programs and demonstrates how states have continued to improve services provided to low-income and TANF families.

Fiscal Context of State TANF Programs

In the late 1990s, the large decrease in the number of families receiving cash assistance enabled states to redirect TANF funds previously spent on cash assistance to a wide variety of supports and services for low-income families. The expansion and availability of comprehensive services provided the support necessary for many families to remain attached to the workforce and gain economic self-sufficiency. Many states also carried over unspent TANF funds as reserves for future years.

As a result of the recession that began in 2001, many states have drawn down these reserves to sustain services and to maintain spending in critical areas, to provide supports for working families, and to invest in prevention efforts – all critical for achieving the goals of welfare reform. By fiscal year 2001, states were spending more than their annual block grant each year, steadily depleting carryover funds that they had accumulated. The total amount of surplus funds decreased from \$5.8 billion at the end of 2002 to \$3.9 billion at the end of 2003, with over a quarter of the states having spent or obligated all reserves.² Without reserve funds or new monies, states will not be able to operate at current service levels. Furthermore, in addition to a reduction in available carry-over monies, the states' TANF block grants are not adjusted to reflect inflation; although, the costs of providing services will likely continue to increase each year.

In conjunction with a reduction in carry-over funds, there also have been changes in the number of TANF families receiving cash assistance. The substantial decline in the number of TANF clients that was witnessed across the country from 1996 to 2001 (approximately 55 percent) has slowed, with the overall caseload declining by approximately 4 percent from 2001 to 2003.³ In fact, 28 states experienced an increase in TANF cases from 2001 to 2003, with the average increase of 16 percent.⁴ **South Carolina**, like many states, attributed its increasing caseload to the recession, noting that the growth was primarily due to an increase of employable women who had lost their jobs.

State fiscal challenges, declines in surplus funds, and caseload increases have forced many states to eliminate some services and programs, to downsize others, and to reduce the extent and number of collaborative efforts. For example, **Washington** had invested in two major strategies to help individuals with complicated barriers to self-sufficiency: mental health services and transitional

jobs. Since the depletion of the state surplus, **Washington** has cut mental health counseling in order to maintain investments in transitional jobs. **Indiana** decreased its income disregard for cash assistance benefits from 100 percent to 75 percent of earnings. States have also eliminated several initiatives that were highlighted in the 2001 NGA report, including **Wisconsin's** Workforce Attachment and Advancement program and **Tennessee's** participation bonuses. With the anticipated depletion of most carry-over monies, states will have to adopt additional cost-cutting measures and readjust to the level of services that their annual block grant allocation can support.

Challenges in Meeting Childcare Demand

As states face dwindling surpluses and rising costs, they now struggle to sustain expansions in childcare assistance and meet the demand for services. Recognizing that access to childcare is critical in assisting families to make the transition from welfare to work and to retain employment, states increased childcare services for both TANF families and low-income working families not receiving cash assistance. States also invested in improving the quality of childcare by funding staff training and other initiatives. After basic cash assistance, states spend more federal and state welfare dollars on childcare than any other category. Between fiscal year 1997 and 2000, state use of TANF to fund childcare services increased from \$249 million to \$4 billion.⁵ Since that time, states have continued to invest heavily in childcare, but tight state budgets and dwindling TANF reserves have made it difficult for states to keep pace with the growing demand for childcare services.

As states have faced tighter fiscal situations since 2001, many have reduced available funds for childcare services. Some states have limited the number of families that receive childcare subsidies, increased the co-payment amount for parents currently receiving services, and tightened the eligibility requirements for parents who are seeking childcare assistance.⁶ In a 2005 report, the Government Accountability Office (GAO) reported that 19 states made childcare policy changes since 2001 that tended to decrease the availability of assistance.⁷ Seventeen states increased co-payments; 11 narrowed eligibility thresholds; and three stopped accepting new families for services. Low-income working families not receiving cash assistance typically receive lower priority for services than do those receiving cash assistance. States have also reduced the amount of TANF funds transferred to the Child Care and Development Fund (CCDF), an important source for financing childcare for low-income families. Nationally from 2002 to 2003 there was a reduction of 7 percent of TANF funds that were transferred to the CCDF.⁸ Overall, spending in childcare declined from \$4 billion in 2000 to \$3.5 billion in 2001 and has remained flat since that time period.⁹

The decline in childcare expenditures does not reflect a decline in need for assistance. States have had to make policy decisions about childcare based solely on budget constraints rather than on the demand for services. **New York** noted that as more TANF cash assistance recipients are working, the need for safe and stable childcare services has increased. The state also reported that because

of limited funds, services are reaching only approximately 20 percent of the eligible population. **Washington** has managed to maintain an open-ended entitlement for childcare services, but decreased the eligibility level from 225 percent of poverty to 200 percent of poverty. The state also decreased the level of co-payments. **Michigan** reduced childcare services, both in reimbursement rates and in the number served.

State Budget Crises Affect State Capacity

Beginning in 2001, states entered the worst budget crisis since World War II. While state TANF spending grew, many states experienced revenue shortfalls and concomitant budget cuts that affected the capacity of agencies to administer and monitor programs for low-income families. In response to significant state budget gaps, low revenues, and growing Medicaid costs, the majority of states initiated cost-cutting measures, including hiring freezes, layoffs and across-the-board cuts to state agencies responsible for administering welfare reform programs. In an effort to sustain critical services, states cut administrative, research, and policy staff; left vacant positions unfilled; and offered early retirement packages that decreased the size of the trained workforce. This has led to concerns that states may face difficulties in delivering services as well as monitoring and evaluating the effectiveness of new welfare reform strategies.

Waiting for Reauthorization--the Impact on States

The TANF block grant initially was scheduled for reauthorization by the end of fiscal year 2002. As of this writing, legislation authorizing the block grant has been extended 10 times through continuing resolutions and has yet to be reauthorized. The lack of federal reauthorization of the TANF program has led to both action and inaction on the part of states. Some states have used this interim period to make incremental changes in order to improve participant outcomes and program processes. Some states have begun to adapt policies and programs in anticipation of the new work and universal engagement requirements. However, uncertainty about the new program requirements and funding level has made it difficult for states to conduct long-term budget and program planning.

States are particularly concerned that the delay in reauthorization may put funding for TANF and childcare in jeopardy. States initially had anticipated that current funding levels for TANF would be extended and that a sizable increase in childcare would be incorporated into the TANF reauthorization bill. However, the delay in congressional action now threatens this premise. Unless Congress adopts a full five-year reauthorization package (and time constraints make this unlikely) TANF reauthorization is now expected to be contained in the FY 2006 budget reconciliation bill that will also specify the spending increases or reductions necessary to meet budget targets. Given the target for health and human services spending, it is probable that childcare funding would only receive a modest increase at best and that TANF may even face a

reduction. Based on the TANF proposals currently being considered in Congress, states are anticipating an increase in work participation rates and a new universal engagement requirement, provisions that will require additional spending, especially on childcare for participants complying with the work requirement. Thus, funding concerns loom large for states.

Efforts to Improve Work Participation Rates

Many state officials noted that increasing both the number of cash assistance recipients who are required to find employment as well as the number of hours that a person must work would be significant challenges. A few states are moving ahead in anticipation of stricter federal work participation requirements. For example:

- **Florida**, which allowed a more open definition of work for TANF recipients in the past, is now encouraging participation in work activities that are likely to be countable under the proposed federal legislation;
- **Michigan** now allows caseworkers to require TANF recipients to engage in work activities for more than 30 hours per week (up to 40 hours) in order to encourage clients to work full-time and achieve higher income levels. Currently, approximately three-fourths of the clients are participating in work activities at or above 40 hours per week; and
- **Maryland** now emphasizes employment-related programs such as job placement services, community work experience, subsidized employment opportunities, and incumbent training. The state also is providing job skills and post-employment skills training through the creation of the Job Skills Enhancement Program, which provides short-term training to TANF recipients or applicants to help clients increase their self-sufficiency levels.
- **California**, which allowed full-time participation in education and training activities for a specified period of time, now requires TANF recipients to engage in direct work activities for a minimum of 20 hours per week. Similar to TANF reauthorization proposals, recipients can participate in other behavioral health and education activities for the balance of their participation requirements. Participation in these other activities is based on their ability to work full-time and an evaluation of their educational background and need for services to remove barriers to employment. California is also launching an initiative, known as Pay for Performance, to encourage increased recipient employment rates by giving a financial reward to local welfare agencies that meet specified employment focused outcomes.

Caseload reduction credits (which reduce a state's federal work participation requirement if the state has a lower number of TANF cases compared to 1995 levels) have greatly assisted states in meeting federal work participation rates. **Utah** indicated that an increase in the federal work participation rate will be a challenge, as caseloads have increased because of the recession and because families currently on the system are generally harder to serve than those who left the TANF program after shorter stays. States such as **North Carolina** and **Indiana** indicated that an increased federal work participation rate might be difficult to meet for counties that have severely

felt the impact of the recent recession. These states have lost many well-paying manufacturing jobs, which were replaced only partially by low wage, low benefit service jobs. Furthermore, these jobs typically do not pay enough for employees to attain self-sufficiency without any public support services such as childcare or food stamps.

Anticipating Universal Engagement

TANF reauthorization bills in both the U.S. House and Senate include a universal engagement provision requiring states to develop self-sufficiency plans for every family within 60 days of opening a case and to ensure that all recipients are participating in constructive activities according to their plan. Several states, including **Utah, Maryland, Wisconsin** and **California**, have already enacted universal engagement policies as part of their workforce strategies within TANF programs. In these states and others, all TANF cash assistance recipients are generally required to engage in a work-related activity as a condition of receipt of payment. Other states are evaluating universal engagement policies and determining the most effective method to implement such requirements if included in the federal reauthorization of TANF. In anticipation of this change, **South Carolina** has initiated a training policy for all new caseworkers within the Department of Social Services so that they can better assist clients in establishing and following through on self-sufficiency plans.

States Continue to Effectively Serve TANF and Low-Income Families

As welfare systems continue to evolve, most states have made incremental policy and program changes to TANF programs to more effectively serve low-income families. Described below are examples of state strategies implemented since 2001, including new services to directly assist families receiving TANF cash assistance, evolving partnerships between TANF programs and other agencies, and new programs to help low-income families gain higher levels of self-sufficiency. With uncertainty created by the lack of federal reauthorization of TANF and the states' fiscal crises, many states report that development of new services and programs to assist TANF families has been limited since 2001, particularly compared to the sweeping innovations and changes that occurred in the late 1990s. Regardless, some states are finding unique ways to expand or change program objectives and activities within specific service areas to better serve clients.

Developing Services to Support Job Retention, Advancement, and Placement

Some states are providing additional and comprehensive support services to help individuals find work and remain employed. Programs can often provide the additional and critical services individuals need to gain the work experience that will allow them to advance within the labor market and earn higher wages. **Florida** has initiated two post-employment demonstration programs to support job retention and advancement. Components of these demonstrations are likely to be implemented statewide in the future. The Passport to Economic Progress program provides incentive bonuses to TANF clients upon meeting specific benchmarks in becoming self-

sufficient. The benchmarks are developed in consultation with the client and emphasize individual responsibility. The program also extends benefits from two to four years for former cash assistance recipients. Some of the transitional benefits include childcare, transportation, and education assistance. The Career Advancement and Retention Challenge program is designed to connect employers, TANF clients, workforce one-stop career centers, and training providers in local areas throughout Florida. Local workforce investment boards have created specific training programs to help both TANF clients and those eligible for TANF to receive training that will help meet the needs of local employers.

In October 2000, two **California** counties (Los Angeles and Riverside) were selected to participate in a five-year national demonstration project called the Employment Retention and Advancement (ERA) study. Sponsored and funded by the U.S. Department of Health and Human Services, the ERA project will evaluate effective models to promote stable employment and career progression for TANF recipients and other low-income workers.

The California ERA project will evaluate the employment outcomes for California Work and Responsibility to Kids (CalWORKs) recipients who are provided traditional services compared to CalWORKs recipients who are provided ERA enhanced employment and retention services. Traditional CalWORKs assistance includes job clubs and work-focused services. The ERA services include job clubs, plus more aggressive contact with employers, more interaction between the welfare worker and the recipient, group mentoring, and more flexibility to combine work and education/training in order to achieve stability and advancement in the workforce. Additionally, the ERA study is testing the impact of group job search activities that are explicitly designed to target employment opportunities that pay a living wage, so that welfare recipients are prepared for the workforce and have better retention and advancement outcomes.

Michigan is making an effort to improve communications between clients, employers, and TANF caseworkers to increase employment retention rates. One county has initiated a pilot program in which caseworkers work closely with a local business to assist clients and help reduce job turnover rates. Newly employed TANF clients receive an orientation to working and a full-time Family Independence Specialist is located on site to provide support services and referrals. Currently, almost all of the participating TANF clients have received full company benefits and have exhibited very high employment retention rates. Due to the success of the program, the Michigan legislature appropriated funds in 2005 for four additional counties to start similar projects.

Utah provides many different employment-related services to clients to assist with job placement and retention efforts. The state recently developed a system of common performance measurements across various employment and training programs that allows caseworkers to improve their ability to track the employment outcomes and progress of individual clients. The state also can review client outcomes from the various approaches in order to compare program

effectiveness. In addition, the Utah Department of Workforce Services is targeting training for TANF clients in specific industries such as the medical, business, finance, and construction fields that normally offer better opportunities for career advancement and wage growth.

Under its W-2 program, **Wisconsin** is strengthening its focus on building community service jobs at the local level as a strategy for the hardest to serve. The state provided increased funding to local agencies to better prepare TANF clients for employment and to help them better connect to work. Local agencies submitted modifications to their work plans and provided details about how services will help clients improve their attachment to the labor market. In addition to these efforts, local Wisconsin W-2 agencies now have quarterly, observable caseload goals. These goals measure such activities as how many recipients have been served by the agency, how many TANF clients are employed, and other measurable targets. The caseload goals provide local agencies with better planning tools to ensure that state and federal requirements are met. In addition, the new process helps ensure that staffing and funding levels are adequate to meet caseload goals.

Expanding Services to Assist Persons with Disabilities or Multiple Barriers

Research indicates that many TANF recipients face barriers to employment including developmental disabilities, substance abuse issues, mental illness, learning disabilities, and mental retardation. Too often, these issues are undiagnosed and remain untreated among low-income families, substantially limiting their ability to achieve economic self-sufficiency.

As part of the collaborative efforts initiated through welfare reform, states have developed programs to assist individuals with multiple barriers or disabilities. More than half of the states interviewed instituted new services or pilot programs that screen clients for multiple barriers or disabilities, and provide targeted, effective employment and training assistance. For example, the **Michigan** Department of Human Services initiated a pilot program in July 2005 to determine more effective methods of screening clients for barriers to employment and better assist disabled individuals in the areas of job assistance and referrals to vocational rehabilitation services. Two additional counties will join this pilot program in the next six months, with additional sites to be added over the next fiscal year. Similarly, **Utah** is emphasizing up-front assessments of clients for multiple barriers by licensed clinical therapists employed within the Department of Workforce Service and contracted community resources. Caseworkers also are being re-trained to assist clients with disabilities in developing employment plan goals to sustain self-sufficiency.

The **Wisconsin** Works program (W-2) also requires screening through the use of the “Barriers Screening Tool” to assess whether individuals need additional services. The tool screens for the ability of a person to perform daily living activities necessary for self-sufficiency and to receive domestic violence services. All clients who are placed in an employment position are offered the screening tool after 30 days of entering the program and are referred for more formal assessments

if needed. Wisconsin currently is evaluating the W-2 screening process and implementation policies.

Despite advances in providing mental health and substance abuse treatment services to TANF clients, some states noted a conflict in how best to assist this population. While caseworkers may have a greater awareness of mental health and substance abuse issues among TANF clients, in many instances their priorities are shaped by a continued emphasis on immediate employment for clients and by a lack of available services in local areas. As a result, some states are concerned that eligible clients still are not being adequately referred for mental health and substance abuse services. **South Carolina** is addressing this concern directly by providing training seminars to caseworkers on referring clients for substance abuse treatment. Additionally, the state uses a portion of its MOE funds to support three residential family substance abuse facilities so that families can remain intact while a person receives treatment.

California worked with an interagency workgroup to establish comprehensive protocols for identifying and serving recipients who have learning disabilities. Every recipient is screened for a potential learning disability, and those who are identified as having a potential disability are provided accommodations in his or her welfare-to-work plan. Similar to South Carolina, California also uses a portion of its MOE funds to support recipients who need substance abuse or mental health services.

Emphasizing Services that Promote Family Strengthening

States continue to invest in strategies to increase the economic and emotional contribution of non-custodial parents, support two-parent families, and foster strong youth development. Since 2001, states also have begun to develop and implement programs aimed at supporting healthy marriages. Previously, states reported being wary of using TANF funds for efforts that directly promoted marriage, citing a lack of consensus about the appropriate role of government in encouraging marriage and a lack of research to guide program and policy development. However, new research supporting the link between healthy marriages and child welfare, as well as the availability of federal funds and technical assistance opportunities, have prompted states to develop and implement programs that support healthy marriages.

As one of many activities the state engages in to strengthen families, the **Florida** Department of Children and Families in conjunction with the Office of Governor Jeb Bush held a statewide summit on marriage issues in 2004. The summit provided a forum to discuss the critical role that community-based organizations, faith-based providers, and other local organization can play in addressing family formation issues and strengthening marriages. The state is also using TANF funds for four county programs related to strengthening the role of non-custodial parents within families. These programs focus on establishing court-order child support, providing training and

assistance in obtaining employment for non-custodial parents, and offering family strengthening activities centered on parenting skills.

Similarly, **Utah** recently convened a statewide conference for community groups and other stakeholders to promote healthy marriages. In addition, the state developed and distributes to couples applying for a marriage license an information booklet on healthy relationships. Utah also developed information packets on newborn care for first-time parents and on child-support regulations for non-custodial parents emphasizing the importance of not only providing financial support to their children, but also emotional support.

Michigan used TANF funds to provide healthy marriage and fatherhood classes at five pilot programs sites that also offer teen pregnancy prevention programs. The state hopes to expand these programs if funding is available in the future. **South Carolina** has developed a new marriage initiative, which is being provided via faith-based organizations, geared towards strengthening African American families. The state also uses TANF dollars to fund the Community Adolescent Pregnancy Prevention program, which is now offered in every county throughout the state. It is hoped that individual counties eventually will be able to sustain and fund the program on their own.

Collaborations Across Systems

The flexibility of TANF as well as the challenge of moving more families to self-sufficiency prompted state welfare agencies to partner with other systems to help achieve welfare reform goals. Today, many states indicate that new collaborations and partnerships are difficult because of financial constraints and the suspense of not knowing what type of policy changes may be included in TANF reauthorization. As a result, current successful partnerships often build upon pre-existing relationships in order to serve effectively both TANF and low-income families. Some states, however, have begun new partnerships with other agencies as well as collaborations with community and faith-based organizations. The following information highlights some of the cross-system collaborations that provide comprehensive services for low-income families and those on the TANF system.

- **California** has implemented the CalWORKs/Child Welfare Partnership Project, also known as The Linkages Project, to better address the needs of children and families served in both the TANF and child welfare systems. In California, approximately 60 percent of families in the child welfare system have a history of being on welfare. Thirteen counties have successfully piloted initiatives to integrate TANF and child welfare services for up to three years by developing common case plans, coordinating individual case management, and co-locating services. Full-time coordinators also are being funded in each pilot site in order to ensure organizational changes and integration. Phase two of the project began in the spring of 2005 with an additional 26 counties beginning the implementation process with technical assistance provided by the 13 original counties.

- **Michigan** has implemented Family Resource Centers in 39 public elementary and middle schools. These centers provide access to a wide variety of social services for families as well as exemplify how TANF caseworkers, public school staff, and others can work together to comprehensively meet the needs of Michigan's low-income families.
- Approximately \$25 million of TANF funds are being used to support the 2005 Summer Youth Employment Program in **New York**. The program is operated out of the state Office of Temporary and Disability Assistance and supports youth between the ages of 14 to 20 who are in families receiving cash assistance or who have income levels below 200 percent of poverty level. Funds can be used to pay for education and training, support services, work subsidies, and transportation costs to assist low-income youth in gaining valuable work experience.
- **Utah** has developed a new case-staffing model that coordinates child welfare, substance abuse, mental health, justice, community organizations, and workforce services. Employees from these various departments work collaboratively on a case in order to determine the most effective services to assist families with special needs or barriers to employment.
- In **Wisconsin**, seven pilot sites throughout the state have been selected to test various approaches to service integration for low-income families, especially those families involved with child welfare and TANF. Additionally, new welfare contracts beginning in 2006 are being evaluated on their collaboration with child welfare, ensuring that at-risk families are being served effectively and efficiently.

In addition to working across agencies, states also are partnering with community- and faith-based organizations. Recognizing that many faith-based organizations do not have extensive knowledge of government contracting procedures, states have begun to offer training to help enhance the capacity of these organizations in applying for contracts and administering programs. **Florida** recently awarded grants to experienced community-based organizations to train faith-based providers in service delivery and grant writing. Similarly, **Utah** has held workshops with faith-based organizations to explain the opportunities and processes involved in becoming a TANF contractor. Both **Utah** and **Michigan** also have created Web sites to provide information to faith-based organizations on state procurement processes and other potential partnerships for delivering services.

The Continuing Importance of Earned Income Tax Credits

In addition to TANF cash assistance, an important tool in helping to reduce poverty has been the federal and state earned income tax credits. In 2004, 17 states offered earned income tax credits in conjunction with the federal credit to encourage low-income families to work through tax refunds. Under federal regulations, states may fund the refundable portion of the earned income

tax credit with TANF and/or state MOE dollars. Several states have also used TANF dollars to conduct outreach campaigns in order to promote the use of the federal earned income tax credit.

Recognizing that providing progressive income support to low-income workers fosters employment, **New York** significantly expanded the state EITC program between 2001 and 2004. In Tax Year 2003, the state paid approximately \$682 million in refundable tax credits to about 1.35 million low-income working families. A further expansion to the EITC, which would have increased support for young, non-custodial parents, was proposed as part of Governor George Pataki's 2005 Budget Address, but was not enacted by the Legislature. The Governor's proposal would have increased the maximum combined EITC dollar amount to \$1,950 for non-custodial parents (age 18 to 30) who are employed, have a child support order, and are current on child support payments. Currently, approximately 90 percent of New York's EITC program is supported by state TANF maintenance-of-effort (MOE) spending--comprising the largest proportion of the state's MOE funds. **Wisconsin** and **Maryland** similarly use the largest portion of their MOE funds to support refundable state EITC programs, but both states cite underutilization. **Michigan** uses TANF funds to provide free tax preparation services to TANF and other eligible clients.

Conclusion

Since 2001, states have faced challenges within TANF programs because of a lack of federal reauthorization, a reduction in carry-over funds available to supplement annual block grants, and increased caseloads in some instances. These challenges lie in contrast to the rapidly declining cases and surplus monies witnessed at the beginning of welfare reform in the late 1990s. Because of the uncertainty surrounding the reauthorization of TANF, many states have noted that long-range budget and program planning has been difficult. One area of particular concern is the amount of funding available for childcare services, as this is a critical component in helping families successfully make the transition from welfare to work.

Despite these challenges, states are moving ahead with new programs and partnerships in order to help both low-income families and those receiving cash assistance. Based on current congressional activities, most states anticipate an increase in federal work participation rates and universal engagement requirements and are preparing for these changes as necessary. States also are placing an emphasis on not only assisting individuals in finding employment, but also on supporting job retention and advancement within the labor market. Since 2001, many states also have furthered the family formation goals of welfare reform by promoting healthy relationships through pilot projects, marriage education programs, and conferences. The continuing use of earned income tax credits, in addition to developing new partnerships across various programs, also has helped states continue in their efforts to offer comprehensive services to needy families.

Overall, the flexibility and innovation inherent in the TANF program will allow the system to continue to assist families in gaining self-sufficiency.

¹ The 12 states that participated in this research are: California, Florida, Indiana, Maryland, Michigan, New York, North Carolina, South Carolina, Tennessee, Utah, Washington, and Wisconsin. States were selected based on several factors, including size, geographical location, welfare program characteristics, and participation in the previous research described in the NGA Issue Brief, *The Evolving Nature of Welfare Reform: Where We Stand on the Eve of Reauthorization*.

² Mark Greenberg and Hedieh Rahmanou. *TANF Spending in 2003* (Washington, DC: Center for Law and Social Policy, January 18, 2005) 1.

³ Hedieh Rahmanou and Mark Greenberg. *Welfare Caseloads Increase in 27 States Between June and September 2003* (Washington, DC: Center for Law and Social Policy, February 17, 2004) 3.

⁴ Rahmanou and Greenberg, 3.

⁵ Jennifer Mezey. *Making the Case for Increasing Federal Child Care Funding: A Fact Sheet* (Washington, DC: Center for Law and Social Policy, October 16, 2003) 2.

⁶ Jennifer Mezey. *Threatened Progress: U.S. in Danger of Losing Ground on Child Care for Low-Income Working Families* (Washington, DC: Center for Law and Social Policy, June 2003) 4-5.

⁷ Government Accountability Office. *Child Care: Additional Information is Needed on Working Families Receiving Subsidies* (Washington, DC: GAO-05-667, June 2005).

⁸ Greenberg and Rahmanou, 5.

⁹ Jennifer Mezey, *Making the Case for Increasing Federal Child Care Funding: A Fact Sheet*, 2.

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Work on this *Issue Brief* was supported by the Annie E. Casey and Ford Foundation.