

# **Welfare Reform Reauthorization: State Impact of Proposed Changes in Work Requirements April 2002 Survey Results**

The National Governors Association (NGA) and the American Public Human Services Association (APHSA) recently conducted a joint survey of Governors and state TANF administrators to assess the impact proposed changes to the work requirements would have on current state welfare reform initiatives. This document represents the compilation and summation of the survey results and in no way represents NGA/APHSA policy or position on any legislative proposal. The suggested modifications included in this document represent the views of individual states and have not been developed in collaboration with NGA/APHSA staff.

The goal of the survey is to help inform the welfare reform reauthorization debate, especially around work-related and overall funding issues. NGA and APHSA plan to use the information gathered in the surveys to complement the current work participation data which is reported by HHS, and to provide both quantitative and qualitative data to key policymakers on Capitol Hill and in the Administration about current state policies related to work, and about how state programs would be affected if proposed changes were enacted.

This survey did not address other provisions of the Administration's welfare reform reauthorization plan, many of which are consistent with NGA and APHSA policy positions on welfare reform. NGA and APHSA chose to focus the survey primarily on the impact of work-related provisions proposed by the Administration since this was the one area of the proposal that marked a significant change from the current TANF law. A total of 48 states responded to the survey, representing a broad range of states from all regions of the country. A list of the states who responded is attached. Not all states that submitted a completed survey responded to all 20 questions included in the survey. The results are summarized in this report.

## **NGA/APHSA Policy Related to Work**

The current NGA policy on welfare reform (HR-36) makes the following statement on work:

“Governors believe that the emphasis on work should continue to be paramount in welfare reform. While states may now know more about what helps prepare individuals for work and succeed in the workplace, the importance of work has not shifted and should continue in reauthorization. Governors support the notion that TANF clients should be engaged in work preparation or employment activity but believe that states should have greater flexibility to define what counts as a work activity. As states work with families on a more individualized basis, many states are finding that a combination of activities on a limited basis, such as work, job training, education, and substance abuse treatment, leads to the greatest success for some individuals. Governors believe the federal government should recognize the success of these tailored approaches to addressing an individual's needs by providing states greater discretion in defining appropriate work activities.”

The current APHSA policy on TANF, as written in the APHSA document *Crossroads*, includes the following statement in regard to work requirements:

“Recognizing that each state is unique and at different phases of welfare reform, at state option, measures of job placement, job retention and earnings progression could replace the current work participation rates.”

## Overall TANF Funding

### Proposal

Under the Administration’s proposal, the TANF block grant would be funded at \$16.6 billion per year over 5 years. States would receive a block grant allotment equivalent to the amount received in FY 1997. TANF supplemental grants would be funded at \$319 million during federal fiscal year 2003.

### Current law

Current law provides states with TANF block grant allotments equivalent to the federal payments received under the former AFDC program in FY 1992-94, 1994 or 1995, whichever higher. Baseline funding for the block grant is \$16.5 billion annually. Seventeen states received annual supplemental grant allotments during federal fiscal year 1997 through 2001 due to high population growth and high poverty. Each state received a 2.5% increase in their annual TANF block grant allotment each year. The authorization for the supplemental grants expired in FY 2002.

### Survey results

According to the survey, the majority of states are spending at levels above their annual block grant allotment. States reported programming prior year funds in the current year while others also noted expending high performance and other bonus funds. Based on the 40 states that responded to the question concerning TANF spending levels in the current fiscal year, **29 reported spending at levels in excess of their grant allotment, 8 reported spending their full allotment, and 3 reported spending below their grant allotment.**

States expressed concerns over the impact of level funding of the TANF block grant; citing inflation having reduced the purchasing power of the block grant, making it unlikely that the block grant will keep pace with the rising costs of services, such as case management, employment and training, transportation and child care.

*“Although caseloads for cash aid have gone down dramatically since the 1996 law, the cost of providing employment and other services to those remaining on aid has increased...Without sustained support for these services, dependence on cash aid could increase.”(CA)*

*“Over the five year period that the TANF block grant has been in place, inflation has reduced purchasing power by 2-3 percent each year...and because we are spending in excess of our annual allotment, we will have to cut spending.” (MI)*

*“Any shifts in caseload size, ever increasing child care rates and additional services to populations who are harder to service will compete for existing funds already committed on a regular basis. The state would have to redesign program eligibility and services or face potential waiting lists if the block grant was level funded or the state would have to commit additional state dollars to maintain existing programs and services at current levels.”(ME)*

*“Level funding does not cover administrative expenses for contractors, staff or child care providers. Our funding priorities would have to shift and could include a cut in financial assistance benefits, child care or support services.” (VT)*

*“We have built in program sunsets that will bring our future spending within our current block grant level. Getting to that level will be painful. It will require paring back benefit levels and eligibility leaving unfunded a major intervention program for the hardest to employ and not renewing benefits to families that are outside of our core TANF program.” (MN)*

## **Implications of Proposed Work Requirements on Current Welfare Reform Strategies**

### Proposal

The Administration’s proposal would increase work participation rates for state TANF programs each year by 5 percent until states achieved a 70 percent work participation rate by FY 2007. The proposal also increases the required number of hours of work to 40-hours per week and requires clients to work 24 hours in unsubsidized employment, subsidized public sector employment, subsidized private sector employment, on the job training, community work experience or community service. States would have the flexibility to use the remaining 16 hours to engage families in activities that do not qualify as work but serve to “achieve a TANF purpose”. Welfare waiver demonstration programs would be discontinued, the caseload reduction credit would be eliminated and replaced with a provision allowing states to count for 3 months the number of clients who left the cash caseload for earnings when calculating the work participation rate.

### Current law

States are required to meet a 50% work participation rate; 30 hours is required for single head of households; for families with children under age six, 20 hours satisfies the requirement. States may engage clients in any of twelve different activities defined in law, including vocational education and job search on a limited basis. In addition, states are permitted to operate their work programs under the terms of their approved welfare waiver demonstration program. States also may use a caseload reduction credit to reduce their required work participation penalty. States have the flexibility to design programs with higher participation standards, different work definitions and additional hours.

### Survey results

States were asked if the proposal would require them to shift their current approach to working with TANF families and to elaborate on any redirection of resources or major policy changes that would occur. **Of the 47 states that responded to this question, 41 states indicated that the proposal would cause them to make fundamental changes to their state welfare reform strategies and/or redirect resources; 2 states stated that no change would be necessary and 4 states described some changes that would be required.**

Several states noted that evaluations of their programs have given them evidence that they are pursuing successful strategies that would require fundamental change if the Administration's proposal became law.

*"The independent evaluation of the pilot version of Minnesota's approach found it to be perhaps the most successful welfare reform effort in the nation, resulting in increased work effort, lower dependence on welfare, reduced poverty, more stable marriages and better outcomes for children. This approach will be jeopardized by more stringent work participation requirements...This would require us to shift away from our investments that are aimed at reducing poverty and helping hard-to-employ families. Instead we would have to invest in public work programs and focus on keeping families involved in many hours of activity, regardless of individual need...This would represent a dramatic shift in the course for welfare reform in Minnesota, a course we have spent more than a decade developing, and would needlessly jeopardize an approach that is considered a national model." (MN)*

A number of states noted that their welfare to work approach has been tailored to meet the individual needs of the TANF clients served by the program and that the proposed changes in work requirements would require them to redesign their strategies.

*"Yes, a major redirection of resources and policy would occur. Utah would likely have to abandon the universal participation approach based on individualized employment planning. Employment counselors would become worksite developers and monitors instead of negotiating individualized employment plans tailored to meet the customer's needs to be employed." (UT)*

States that have devolved administration of the TANF program to local or county-based administrators expressed concern that the proposed changes in work requirements would limit state and local flexibility. As a result, local agents and community partners would need to redirect resources to meet new program requirements.

*"One of the major focuses of Maryland's Family Investment Program is to provide flexibility to its local department of social services to design and implement programs that meet the unique needs of our customers...since no additional funds are included in the proposal, local departments would be forced to dismantle effective programs that reduce non-marital births, improve job retention, encourage completion of secondary education by teenagers and young adults and reduce substance abuse. In essence we would replace a program geared toward helping people leave welfare for work (or avoid welfare altogether) for one geared toward making those on welfare participate in "work-like" activities." (MD)*

*"By expanding work requirements, and simultaneously restricting California's ability to meet those requirements, the President's proposal would significantly limit state flexibility to design programs that move families from welfare to work. One example is the proposal to narrow the allowable work activities, which will limit current flexibility to design programs according to each counties' need." (CA)*

*"This would cause a major shift in how we run our programs. We currently have contracts with many state and community partners to provide work readiness activities for our TANF client. These contracts would have to be ended or severely modified. Additionally, we would have to seriously look at the probability of including a community service component to our program which we currently do not have." (OK)*

States indicated that under the proposed changes in work requirements, the ability to continue to offer education related programs to TANF clients would be diminished.

*"...our case managers are encouraged to assign clients to a combination of work and educational activities that best meet the client's needs and will lead to the most productive outcomes for that client...we will no longer be able to offer this...since 40 hour per week jobs are not widely available, it would be to the state's advantage to place clients in subsidized employment or preparation for employment activities rather than unsubsidized work which would seem to defeat the whole purpose." (AL)*

*"Our concern has been and will continue to be one what is best for the family. However, with the increased participation rate and the likelihood of a penalty for failure to meet the new rate, we may no longer be able to support this philosophy as fully or support education-related activities that in the long run may help families actually move out of poverty." (NC)*

*"A 70% participation rate with a 40 hour a week requirement will probably require two things. First, creation of a number of make work activities or greater use of current ones, whether or not warranted, just to fill the requirement. Second, a near total abandonment of allowing any client that is able to work at all to participate in such things as GED programs or post-secondary education. Near 30% of the caseload could soon be cases with multiple barriers to any kind of useful activity, meaning all the rest will have to be in work activities." (IL)*

A number of states noted that due to the significant caseload reduction that has occurred over the past five years, the clients remaining on the cash assistance rolls have multiple barriers to employment and that the proposed requirements would limit states' ability to work with these families as they have done in the past.

*"Under the President's proposal, states would have less flexibility to help clients access needed domestic violence counseling, vocational rehabilitation services and family stabilization resources that are sometimes necessary in successfully finding employment. We believe that our approach is likely to be more successful in helping clients retain the jobs that they get (and we believe that the recent NEWWS study that reviewed Oregon's program confirms this) because our staff and partners take the time to help clients remove barriers to employment." (OR)*

In order to meet the proposed rates and hours, many states noted that they would need to create work experience and community service slots to meet required rates in part because the recent downturn in the economy means fewer unsubsidized jobs are available to meet the increased requirements.

*"To meet these increased rates, New York would have to significantly increase the number of recipients in other allowable activities such as work experience and community service. TANF resources directed to support working recipients and other low-income individuals will need to be redirected to help meet the increased rates to perform the additional referral and tracking functions associated with increased hours and numbers of participants." (NY)*

Rural states described structural challenges in meeting the proposed work rates, such as availability of jobs, transportation, availability of community work positions and tribal populations.

*"It is extremely unlikely that we could do so (meet the work requirements). Challenges include lack of work sites in out many rural areas (8.5% of the adult included caseload live in Native Villages exempt from the time limit; 43% live in small communities with populations under 10,000.) We already 'compete' with the Dept. of Corrections for the limited number of work experience slots in rural Alaska. " (AK)*

States with waivers noted that there would be significant changes necessary with the discontinuation of waivers as proposed.

*"With the flexibility provided to the state under the federal waiver process, New Hampshire has been able to customize the program to meet the needs of our disadvantaged families. It is these waived activities that were created to meet the specific needs of each family that has made this program so successful to date." (NH)*

A few states also noted that the proposed changes in the work requirements were consistent with current programs.

*"President Bush's welfare proposal furthers and strengthens a central feature, which explains the success of Connecticut's welfare reform program, Jobs First. It's the notion that welfare recipients must be engaged in the direction of self-sufficiency. Increasing work requirements has been successful when it's part of an overall approach to reform that includes incentives to transition from welfare to work by providing families with services and benefits including, strong employment services, child care assistance, food stamps, income supplements, transportation assistance, and other non-cash work support services. The President's welfare reform proposal provides states with the flexibility to use innovative solutions to help welfare recipients achieve self-reliance and independence." (CT)*

## **Specific Factors Contributing to States' Ability to Meet Proposed Requirements**

States were asked to describe any circumstances that could complicate the state's ability to comply with the proposed work requirements. States were not limited to the number of factors they could list. Of the 47 states responding to this question, two states did not identify any circumstances that could complicate their ability to meet proposed requirements. Responses varied widely, but could be generally categorized into four areas: rural issues, employment/economic factors, state/federal policies, and client characteristics.

- **The majority of states (33) responding cited concerns about meeting the proposed work requirements in rural areas where the economy is often lagging and employment opportunities are limited.** Four states specifically mentioned the lack of employers and/or appropriate infrastructure in rural areas that are able to accommodate expanded work experience or community service initiatives. Fourteen states reported that concerns about employment in rural areas are complicated by a lack of adequate transportation and/or child care providers. Six states mentioned concerns about the ability of large tribal populations on TANF to comply with the proposed work requirements, especially those living on reservations.

- **Many states (27) cited limitations in current state or federal policies that would greatly complicate a state’s ability to meet proposed work requirements.** Thirteen states raised concerns about low benefit levels that would cause clients to lose eligibility for TANF before reaching full-time employment and that would prevent significant placement in subsidized work experience, and one mentioned a similar concern because of a state minimum wage set higher than the federal rate. Seven states specifically mentioned the application of the Fair Labor Standards Act (FLSA) as a limitation to placing recipients in full-time work. Nine states responded that the loss of a waiver would cause them to shift their approach of working with families to overcome multiple barriers in order to comply with the proposed work requirements. Three states cited state laws that require that individuals with certain characteristics, such as pending SSI or caring for a disabled family member, be exempted or deferred from work requirements. One state reported that state law would have to be amended in order to allow subsidized employment which is currently prohibited under state law. One of the state-supervised, county-administered states raised a concern about having to require each county to revisit their local plans for working with families.
- **Many states (21) responded by listing factors related to the condition of the local economy, the employment market, and the willingness of employers to engage welfare recipients in work.** Eleven states cited high unemployment and significant private sector lay-offs that have led to intense competition for job openings as factors that could complicate their ability to meet work requirements. Five states described the mismatch between the nature of the employment market and the skill level of clients—the jobs that are available require specific skills that often welfare recipients have not acquired, and employers are passing up welfare recipients for workers with higher skills. Eight states responded that because most entry-level jobs in industries most likely to hire welfare recipients are part time, or “shift work” (on evenings and weekends), the proposed requirements could require multiple jobs and child care placements. One state raised the concern that employers would not hire recipients who had not had prior vocational training, and two states mentioned that employers often hire less than full-time to avoid providing benefits such as health care.
- **Some states (10) reported that their current caseload has a higher proportion of recipients with multiple and significant barriers to employment which could pose an additional challenge for states.** Barriers mentioned include domestic violence, substance abuse, mental health, low literacy rate, lack of English proficiency, lack of high school credentials, and pending SSI.

## **Current Hours of Work**

States were asked to provide the percentage of their caseload that is engaged in any activity for any number of hours, including those that do not count toward the current work participation rate. **Of the 37 states that responded to this question, an average of 61% of the TANF cases with an adult in the caseload are engaged in some work-related activity—as defined by either the state or the federal government.** According to the most recent HHS data, an average of 34% of TANF cases is engaged in work activities for at least 30 hours a week.

States were asked to provide the percentage of their caseload that is engaged for at least 40 hours a week in an activity that counts toward the current work participation rates. **Of the 24 states that responded to this question, an average of 9% of the TANF cases with an adult in the**

**caseload are engaged in a federally-defined work activity for at least 40 hours a week.** In addition, one state reported that 60 percent of their caseload was working 40 hours a week because of their waiver which allows them greater flexibility in defining work activities. Some states responded that it would not be possible for a recipient to be working 40 hours a week at minimum wage and still on the caseload because they would no longer be eligible for TANF cash assistance. Five states responded that were not able to answer this question because their systems are not currently equipped to track 40 hours.

States were asked to provide the percentage of their caseload that is engaged for at least 24 hours a week in an activity that counts toward the current work participation rates. **Of the 30 states that responded to this question, an average of 29% of the TANF cases with an adult in the caseload are engaged in a federally-defined work activity for at least 24 hours a week.** The numbers were significantly higher in states with waivers—close to 90% in two states based on the definition of allowable activities under their waivers. States were asked a similar question about percentage of caseload engaged for 24 hours in “work activities” as defined by the Administration’s proposal (which includes a list of 6 specific activities). **On average, 20% percent of the TANF cases with an adult in the caseload are engaged in work for 24 hours as defined by the list included in the proposal.** In all but three states that answered both of these questions, the percentage of cases engaged in work decreased with the limited list of countable activities.

## Universal Participation

### Proposal

Under the Administration’s proposal, states would be required to develop a self-sufficiency plan for each family within 60 days of opening a case, and to provide a full engagement of all families in such a self-sufficiency plan. This requirement would not apply to child-only cases, but would apply to adults in a household with a partial family sanction, and to families with a child under the age of one. States would be required to ensure that all families are participating in constructive activities in accordance with their plan, to monitor participation and progress toward self-sufficiency, and to evaluate assigned activities.

### Current law

Current law provides authority to, but does not mandate, states to develop an individual responsibility plan (section 408(b)) for all recipients that would set forth employment goals and plans for moving the individual into private sector employment. States are provided significant discretion in designing these plans and in deciding who should have such a plan.

### Survey results

**According to the survey, the majority of states have opted to require TANF recipients to have some version of an employability plan.** Of the 41 states that answered this question, 35 states confirmed that they currently work with families to develop plans to move them toward self-sufficiency. The names of these plans vary by state. For example, a “personal responsibility plan”, a “family self-sufficiency plan”, or a “family development plan”. Based on the 33 states that responded to a question about the percentage of a state’s caseload with an employability plan, an average of 88% of all adults receiving cash assistance currently have some version of an employability plan, as defined by the states. Eighteen states responded that 100% of their caseload has some version of an employability plan. States are given broad flexibility to design these plans under current law.

*“The President’s universal engagement concept recognizes that moving every welfare family forward means everyone must be engaged in the direction of self-sufficiency.” (CT)*

**Many states responded that it was difficult to estimate any additional costs associated with the proposal that all families have a “self-sufficiency plan”.** State responses relative to additional costs for this proposal varied based on the degree to which their current policy applied to all families receiving TANF. A number of states responded that many families in their TANF caseload are exempt from work requirements—such as those with a child under age one, caring for a disabled child, pending SSI—and the state therefore does not necessarily require an employability plan for all families. In those states where additional costs were expected as a result of this proposal, there was general agreement that the additional and intensified case management would lead to higher administrative costs for the states.

*“As an estimate, this would require 15.3 FTEs, resulting in about \$558, 000 in salary and benefit costs.” (TN)*

**A number of states expressed concern about the extent to which they may have to change what they currently have in place in order to comply with the proposed self-sufficiency plans.** Because details of the proposal are not yet available, it was difficult for states to estimate how much of an impact the universal participation requirement would have on existing state programs.

**Policies related to providing employability plans for cases in which an adult has been sanctioned off assistance vary greatly among states.** Just as states have a broad range of policies related to how sanctions are applied to families, so too are their policies on who must continue to have an employability plan. In general, states with full-family sanctions responded that they do not keep an employability plan for an adult after they have been sanctioned and no longer receive TANF assistance. States that apply partial family sanctions for noncompliance with TANF requirements generally continue to require a family to comply with a modified employability plan.

A number of states expressed concerns about the possible increased child care costs associated with this new universal engagement requirement, which are outlined further in the summary of the survey results on child care.

## **Capacity for Barrier Removal Activities**

Under the Administration’s proposal, certain “non-work” activities could count fully toward the 40-hour work week requirement for up to three consecutive months within any 24 month period. These activities, which are intended to be barrier removal activities aimed toward moving a family to employment, include activities such as substance abuse treatment, rehabilitative services and vocational education. States could also count these activities on a limited basis, up to 16 hours a week, beyond the three month period. States were asked about the capacity to provide these services within the proposed “three month out of 24 month period” time frame and about any challenges with this approach.

**Of the 42 states responding to this question, the majority of states (34) raised concerns that the 3-month period would not be adequate to effectively address families’ barriers to employment.** Some states reported that while they may have the capacity to provide services, the restriction on the time frame could prove to be problematic. Thirteen states specifically

mentioned that most vocational education programs run longer than 3 months, often operating for either 6 or 12 months. A number of other states reported that the 3-month allowance doesn't take into consideration relapse issues with substance abuse and doesn't recognize the typical stop-start nature of those seeking to receive substance abuse treatment.

*“These are not barriers that can be overcome with a cookie-cutter approach of a 3 month time limit... Kansas will be forced to choose between requiring recipients who may not be ready to work for 24 hours a week, knowing they will fail; or placing them in the right activities such as remedial education, learning disability accommodation training, substance abuse, mental health or domestic violence counseling, or basic job skills training, and accepting a penalty for failure to meet the participation rate requirement.” (KS)*

More generally, some states responded that the approach to addressing these barriers should be integrated and multifaceted, rather than addressed in a set three-month period.

*“Rather than trying to deal with these issues in a three month period, we believe that it is more effective to spread them out as a part of a more integrated strategy that mixes work activities and family stabilization activities.” (OR)*

## **Community Service/Work Experience**

**Of the 43 states that responded to questions about community service and work experience programs (CS/WEP), 40 reported that they currently operate one, or both, of these types of programs. The majority of states reported that they do so on a limited basis because of the high costs associated with running these programs, and because of the challenges of finding employers/supervisors and developing appropriate work sites.**

*“We do not have many community services/work experience programs as have found it more productive, and less expensive, to place people in work preparation, than unsubsidized jobs with supports”. (AK)*

*“With our low benefits, even with food stamps added in, paid community service will cost more than the benefits. It would cost a minimum of \$15 million simply for wages for a community service program for 3000 clients” (AL)*

*“We would need to expand these opportunities significantly to meet the proposed work requirements. Providing supervision at a group work site cost approximately \$40,000 to \$45,000. At 15-20 slots per site, this translates to a state expense of \$3000 per slot (filled or unfilled” (VT).*

*Kentucky purchases liability insurance for work experience participants and estimates these costs would increase by \$15,000 a year in order to meet proposed work requirements. (KY)*

Other states report they have not used these programs extensively because they have focused on preparing recipients to leave the caseload for private sector employment and have found CS/WEP to be less effective than other approaches.

*“Local jurisdictions that do not operate CS/WEP would be loath to do so in that the work first philosophy has and continues to be extremely successful and has resulted in a 66.9% caseload decline.” (MD)*

*“We have never relied on any significant volume of placements in community service or work experience, and in fact have been philosophically opposed, preferring to focus on private sector employment.” (MI)*

*“Washington currently operates both an unpaid work experience program (WEX) and a subsidized public service job program (community jobs). We are in the process of ending our contracts for WEX placements as our data show it has not been as effective as other services in helping clients find employment”. (WA)*

Two states with a significant tribal population reported that they use community service or work experience especially in remote areas or on reservations.

**Many of the states that responded indicated they would be inclined to expand these programs in order to meet the proposed work requirements, including those who do not currently operate CS/WEP.** Some states, including those with low benefit levels and/or high state minimum wages, contend they would be willing to expand community service/work experience but that they would be somewhat limited by the number of hours a recipient can work at minimum wage before losing eligibility for TANF. Eight states specifically mentioned that the application of the Fair Labor Standards Act could complicate their ability to expand CS/WEP because of the need to meet minimum wage requirements.

*“Indiana is a low benefit state that to date has emphasized placements in unsubsidized employment opportunities. Under existing TANF work requirements, in the event of an economic downturn, like the current one, community work experience activities cannot be used to fully replace unsubsidized employment for many adult recipients without violating the Fair Labor Standards Act”. (IN)*

One state reported that minimal changes would be required to expand these programs since they are already included in their welfare reform strategy. Others reported the need to develop or expand infrastructure to accommodate such expansions.

*“The costs and challenges associated with developing a brand new program would be significant. New policies, procedures, and forms, as well as computer system changes would be necessary.” (OK)*

*“Resources would have to be diverted from current services such as pregnancy prevention, training programs, marriage initiatives, fatherhood programs, and other child well being initiatives in order to meet the cost of providing worksites to meet the work requirements”. (UT)*

## **Suggested Modifications to Proposed Work Requirements**

States were asked to suggest one or two specific modifications to the proposed work requirements that would better accommodate their existing state programs. Most states made a number of suggestions. **Of the 47 states that responded to this question, 35 suggested broadening the list of activities that are countable toward work and/or allowing the states greater flexibility to define what is considered a countable activities. Six states specifically mentioned greater**

**flexibility around the inclusion of job search and/or job readiness activities, and three states specifically mentioned education (e.g. vocational education, high school proficiency/GED).**

29 of the 45 states that responded to this question suggested decreasing the proposed required number of hours a recipient must work in order to be counted toward a state's work participation rate, and many of these states suggested maintaining the current TANF requirements on both hours and types of activities that could be counted.

*“California recommends that policymakers resist the urge to fix what isn't broken, especially around the work provisions—which have proven successful nationwide. Specifically, given the success that states have shown in the implementation of welfare reform, we would maintain current law work requirements, including required hours of work, work participation rate, allowable work activities, etc.” (CA)*

*“While there are numerous provisions in the new proposal that build on this success, CO would like to see a continued respect for state flexibility to promote the best practices to ensure a ‘work first’ approach..” (CO)*

Six states suggested making states more accountable for outcomes by providing states the flexibility to design programs to meet state-defined self-sufficiency goals.

*“Our recommendation is to make states accountable for true outcomes (successful diversion, placement into real jobs, retention, and advancement) rather than the proposed process measures.” (AK)*

Ten states mentioned the importance of developing a workable employment credit. Four states suggested allowing states to retain existing waivers. Other suggestions included: maintaining the 50 percent work requirement, allowing exemptions for certain tribal populations, allowing partial credit for partial hours, lifting the 3-month cap on “non-work activities”, and a slower phase-out of the caseload reduction credit.

## **Child Care**

### Proposal

Under the Administration's proposal, mandatory funding for child care would be set at \$2.7 billion in FY 2003 and discretionary funding for the Child Care and Development Block Grant (CCDBG) would be set at \$2.1 billion in FY 2003. States would continue to have the ability to transfer up to 30 percent of their TANF block grant allotment to the CCDBG.

### Current law

The proposed funding levels reflect the funding level approved for FFY2002. States are permitted to transfer up to 30 percent of their TANF block grant allotment to the CCDBG.

### Survey results

States were asked to estimate the annual increase in child care costs associated with the proposal to require 70 percent participation in activities totaling 40-hours per week. **Of the 32 states responding to the question, 30 states indicated that the costs would increase and two states indicated that there would be no additional costs associated with the proposal. The estimated annual increase in child care expenditures in 30 states totals more than \$770 million.** States also indicated that there would be increased costs associated with the proposed

universal participation requirement, infant and toddler care, sick child care, non-traditional hours care, etc.; these costs are excluded from the estimate. Some states used forecasting models, while others used administrative data to calculate their estimates. Examples are listed below:

*"Based on a forecasting model developed by RESI of Towson University, we estimate that the total additional child care costs by 2005 will be \$10,777,725. This is based on both the increase in the total TANF participants in work activities and the increased hourly requirement proposed by the Administration. This represents a 32.5% higher rate of expenditure than we currently forecast for child care subsidies." (MD)*

*"We estimate that we will have to work with an additional 9,872 families toward meeting the work requirement. The average family receiving cash assistance in North Carolina is one adult and two children. The average cost per month of childcare is \$268 per child. This amounts to approximately \$5.3 million a month more and more than \$63 million per year in additional child care dollars needed." (NC)*

*"This is not easy to estimate. This estimate is based upon current expenditures and the project FIP caseload for SFY 2003. The estimated amount needed for 70% of the projected caseload (2<sup>nd</sup> parent added in and child only cases factored out) to work or participate 40 hours a week is approximately \$48.3 million. For SFY 2002 there is budgeted \$3.6 million for non-working, but participating FIP participants plus a projected expenditure of \$11.5 million for working participants. The difference between the projected need for full time participation/ work for 70% of the FIP caseload and current anticipated expenditures, would be an increase need for child care of \$33.2 million." (IA)*

*"The proposed level of funding would be adequate to cover any additional childcare associated with the proposed changes in work participation requirements for families receiving TANF services. Even so, increases in CCDF funding may be needed in 2005-07 to maintain 'At Risk' childcare at current levels." (TX)*

Thirty-nine states responded to the question asking the percentage of the states' cash assistance caseload receiving child care benefits. The average percentage was 20 percent.

## **Caseload Reduction Credit**

### Proposal

The Administration's proposal would phase-out the TANF Caseload Reduction Credit over two years and replace the credit with a provision that allows states to count cases that left cash assistance due to earnings for a period of three-months. In FFY 2003, the full Caseload Reduction Credit would apply as under current law; in FFY 2004 the credit will be halved; beginning in FFY 2005, the credit will be eliminated. In FFY 2005 and thereafter, states will be allowed to count cases that left assistance due to earnings for a period of three months.

### Current law

States can reduce the work participation rates by the percentage their cash assistance caseload has declined since 1995.

### Survey results

States were asked to estimate whether they would face penalty status if the caseload reduction credit were replaced with the ability to count cases that left TANF due to earnings for three

months. The question was asked assuming no change in the current work definitions or hours of work, but assuming a 5 percent annual increase in work participation requirements. **Of the 35 states responding to this question, 26 states indicated they would be in penalty status at 50 percent and above. Five (5) states would face penalty at 55 percent and above. One (1) state indicated they would be in penalty status at 60 percent and above and two (2) states said they would be in penalty status at 65 percent and above. One state said they would never be in penalty status.**

For more information about the results of this survey, please contact Gretchen Odegard of the National Governors Association at 202-624-5361 or [godegard@nga.org](mailto:godegard@nga.org), or Elaine Ryan of the American Public Human Services Association at 202-682-0100 or [eryan@aphsa.org](mailto:eryan@aphsa.org).

**States responding to the NGA/APHSA survey**

Alabama  
Alaska  
Arizona  
Arkansas  
California  
Colorado  
Connecticut  
Delaware  
District of Columbia  
Georgia  
Hawaii  
Idaho  
Illinois  
Indiana  
Iowa  
Kansas  
Kentucky  
Louisiana  
Maine  
Maryland  
Massachusetts  
Michigan  
Minnesota  
Missouri  
Montana  
Nebraska  
Nevada  
New Hampshire  
New Jersey  
New Mexico  
New York  
North Carolina  
North Dakota  
Ohio  
Oklahoma  
Oregon  
Rhode Island  
South Carolina  
South Dakota  
Tennessee  
Texas  
Utah  
Vermont  
Virginia  
Virgin Islands  
Washington  
West Virginia  
Wyoming