

TANF and Family Economic Success

Current Program

During the early 1990s, welfare caseloads were soaring and families were trapped in a pattern of dependency that few believed could be reversed. Despite poor family outcomes, for decades rigid federal program rules prevented state administrators from implementing innovative approaches to help families in need. In an attempt to break free from federal program restrictions, by the mid-1990s 48 states were operating their Aid to Families with Dependent Children (AFDC) programs under federal demonstration waivers. Work was the hallmark of early state welfare reform experiments, and by 1996 it became clear that states were in a better position than the federal government to achieve success in this area.

Under AFDC, states could give families little more than a check to help them provide for their children. Families faced a financial cliff if they moved from welfare to work due to federal eligibility rules that restricted the amount of assets and income a family could accumulate and still receive benefits. In effect, the federal rules discouraged work.

In 1996, the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), also known as the welfare reform law, marked the end of the federal entitlement to cash and child care assistance and ushered in a new era of work and personal and parental responsibility. The law repealed the former AFDC entitlement and replaced it with the Temporary Assistance for Needy Families (TANF) block grant to states to provide time-limited assistance, employ strict work requirements, and address a range of family formation goals. Under the law, states were guaranteed a fixed grant amount of funding from the federal government for six years, and in return were required to maintain state spending or face penalties. States were afforded flexibility to design TANF programs that met their individual goals.

States have achieved unprecedented success implementing welfare reform, providing compelling evidence that the devolution of authority to states and the focus on work was the correct course of action. The Administration for Children and Families (ACF) documented these achievements in its *TANF Sixth Annual Report to Congress*, issued in November 2004. The percentage of working welfare clients in paid employment was 78 percent in fiscal year 2002. The average monthly earnings for recipients increased 45 percent.

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Child support collections have increased dramatically, and state-operated child support enforcement programs were cited by the Office of Management and Budget as the highest-rated human service programs among all reviewed government programs. Over the short eight-year history of the TANF program, states have shown success both under the robust economy of the mid-1990s and during the economic downturn of the early 21st century.

Under the TANF block grant, the flexibility afforded to states enabled them to design programs and services to support families not only with cash but with a host of other services as well. TANF cash assistance caseloads have declined by 54 percent since FY 1996, a reduction of 2.3 million families. Many of those heads of households exited welfare for work and continue to receive support services, such as child care and Medicaid, to support them in the workforce. In many states, low-income families with incomes slightly above the poverty level are eligible to receive a range of services, such as

employment and training, child care, transportation, education, and family and parental training. The majority of states also offer diversion programs that provide families with short-term assistance to avoid reliance on longer-term cash benefits. More than 40 states have also expanded their earnings “disregard” policies; these let families keep more TANF benefits even if they have more earned income, removing one of the many disincentives to work in the former AFDC program.

While the caseload decline has resulted in a significant population left on TANF who have multiple barriers to employment, the majority of states have increased work participation. Moreover, the most recent ACF report indicates that nearly 78 percent of clients that are working 30 hours a week are in paid employment or searching for it. Of that population, nearly 58 percent of TANF clients today are in private-sector employment. It is important to note that federal work participation rates capture only TANF clients who are engaged in a work activity for at least 30 hours per week; it is estimated that the participation rates would increase significantly if part-time employment was counted in these measures.

However, the work participation rates only measure the number of families receiving cash assistance who are engaged in at least 30 hours of work activities. In a time-limited welfare system, the families represented in the work rates are an ever-shrinking number. The work participation rates do not include the thousands of families who receive TANF-funded child care or transportation that allows them to keep their private-sector jobs. The current rates do not include the TANF mother who works 29 hours or fewer in a private-sector job. Mothers who hold private jobs and received short-term TANF assistance, such as car repair or assistance in paying their rent or utilities, are not included in the work rates. Nor are the hundreds of thousands of mothers who no longer receive cash assistance because they are earning a paycheck in the private sector.

Just as TANF spawned new partnerships in the way states assist low-income families with employment, the Workforce Investment Act (WIA) of 1998 represented a critical shift in the delivery of employment and training services to job seekers. WIA attempted to simplify the workforce system by creating universal eligibility for youths, adults, and dislocated workers. It also created partnerships with other human service programs that allowed multiple programs to be delivered in a One-Stop center. A key component of welfare reform was to promote work and help lift families out of poverty. WIA and the One-Stop system have been an important part of state efforts in this area.

A critical support program for working families is the federal Earned Income Tax Credit (EITC). The EITC not only provides a strong incentive to work but also serves as a powerful tool in reducing childhood poverty. A refundable federal income tax credit for low-income working individuals, EITC was enacted in 1975 and expanded, through bipartisan legislation, in the 1990s. The credit reduces the amount of federal tax a family is required to pay and provides additional benefits through a refundable credit reflecting the amount by which the eligible family's EITC exceeds its tax liability. The amount of EITC benefits is determined by the size of the family and the amount of income the individual has earned during the year. This program has been enhanced further in 17 states through state-designed EITC programs that offer eligible taxpayers additional payments to their federal credits.

Along with creating support programs and opportunities for training, the federal government created other work incentives that were intended to encourage employers to hire workers with long-term dependency and other employment barriers. The Work Opportunity Tax Credit (WOTC) and the Welfare-to-Work Tax Credit (WtWTC) provide incentives for businesses to hire job seekers moving from welfare to work and other targeted groups that experience barriers to employment. Businesses may qualify for the WOTC if they hire a person from targeted population groups, including certain disadvantaged youths and TANF recipients. These programs play a critical role in state efforts to support low-income families by encouraging businesses to employ people with work barriers. They enhance other state strategies that are designed to help individuals move from welfare to the workforce. In 2004 the Working Families Tax-Relief Act (P.L. 108-311) extended the WOTC program and the WtWTC for a two-year period.

Several other federal policy changes in the area of transportation and housing also provided supports to help low-income workers maintain or improve their place in the workforce. In 1998 Congress created the Job Access and Reverse Commute Grants (JARC) program, which provides states and localities with resources to expand transportation services to welfare recipients and other low-income workers. The low-income housing choice voucher program is the federal government's primary program for helping very low-income families, the elderly, and persons with disabilities afford stable housing. It provides a critical support to families who are working but cannot afford the high cost of housing. The U.S. Department of Housing and Urban Development (HUD) also offers other housing programs such as the Family Self-Sufficiency program, a unique approach to promoting self-sufficiency that combines stable affordable housing with case management to help families increase their earnings and build assets.

Individual Development Accounts (IDAs) allow low-income families to build assets that can be used for post-secondary education, home purchase, and business development. IDAs were first created and funded at the federal level as demonstration grants under the 1998 Assets for Independence Act and states have also used other funding sources to fund this asset development.

Challenges

The welfare reform law was slated for reauthorization in 2002, but Congress failed to act. APHSA believes the continued success of welfare reform in the states is contingent on a number of key factors: (1) maintaining the funding and flexibility of the TANF block grant; (2) focusing on outcomes related to job placement, retention, and earnings progression; (3) and strengthening families through reunification, fatherhood initiatives, teenage pregnancy prevention, marriage, and family counseling services.

Continued state flexibility is essential for the program to respond to changing needs and to craft innovative approaches to move families from welfare to work. As states moved through the TANF implementation stages, it became clear that local economies were an overriding influence in how their programs were developed. States were required to adjust according to whether the program existed in a rural or urban setting or in Indian Country; whether local transportation was easily available; and whether the local economy relied on such industries as manufacturing, agriculture, or tourism. In the context of such factors, it became evident that a “one-size-fits-all” approach would not be beneficial to the needs of local recipients.

Maintaining present funding levels for the TANF block grant is critical since states have planned for their programs based on specific levels of funding as identified in statute. The entire block grant philosophy is in jeopardy if Congress rescinds its agreement with states. Congress and the administration must acknowledge that while much success has been achieved, many challenges remain. Although

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cash assistance caseloads have declined, an increasing number of families rely on TANF funds for transitional work supports. For the early success to TANF families in the workplace to evolve into extended periods of job retention and earnings progression, continued investments are needed. In future years, a sustained commitment to ongoing TANF work supports will be required, including transportation, education and training, and child care. For those families who have not made the transition from welfare to work—those with multiple barriers to overcome—intensive services and supports will be costly.

While work is the centerpiece of welfare reform, it is important to note that TANF program responsibilities have expanded far beyond cash assistance and work. Across the country, state, programs are in place to provide support to fragile families struggling to support their children; promote family well-being; provide child care services and early childhood development; improve parenting skills to support and preserve families; extend employment and training opportunities to noncustodial parents; support two-parent families; prevent teen pregnancy; prevent the incidence of out-of-wedlock births; and prevent intergenerational dependence on government assistance. Several states have taken steps to incorporate a marriage and family formation agenda into their TANF programs, and others are eager to better understand what strategies and approaches are most effective in strengthening families and providing more stable environments so that children may thrive.

Recommendations

FUNDING AND FLEXIBILITY

PROPOSAL

Maintain the current federal funding level of the TANF block grant.

1. APHSA opposes any reduction in funding for the TANF block grant. The current federal funding level of the grant should be maintained for the period FY 2006 through FY 2010. If the TANF block grant is funded at \$16.8 billion and increased annually by the rate of inflation over the next five years, then states would maintain their current maintenance-of-effort (MOE) level plus inflation.

2. The supplemental grants to states should be renewed and enhanced to address any inequities in state block grant allotments. Federal funding for these grants should be in addition to the amount currently provided to states. The reauthorization bills introduced in the 108th Congress proposed funding supplemental grants for four additional years. APHSA supports supplemental grant funding for the length of the reauthorization period. Funding should continue to be an entitlement to states, should be mandatory, and should not be subject to annual changes in appropriations level. States should continue to be allowed to carry over funds from one fiscal year to another without limitation.
3. Funding should be maintained for the present bonuses to states for both high performance and the reduction of out-of-wedlock births.

EXPLANATION

States continue to serve families long after their exit from TANF cash assistance. It is important to recognize as well that the families who remain on cash assistance have multiple barriers to employment, such as mental health and substance abuse addiction. It will be costlier to serve these families with the intensive services they need to move off welfare and toward self-sufficiency and work.

Since the program's enactment, APHSA believes states have expended TANF funds thoughtfully and prudently in a well-reasoned, well-planned, highly successful way. After the initial period of transition from AFDC to the TANF block grant, state expenditures increased significantly. Indeed, according to projections by the Congressional Budget Office, state expenditures under TANF will exceed the program baseline through FY 2008. Even though TANF caseloads have fallen by 50 percent, it is clear that the need for TANF-supported services has not declined. Federal data reporting on the TANF caseload reflect only the number of families receiving TANF cash assistance in a given state; they do not include families that receive TANF-funded child care, employment and training, counseling, and other supportive services.

PROPOSAL

Maintain the current four purposes of the act and oppose restrictions on program eligibility, optional exemptions, and use of TANF funds.

EXPLANATION

For the most part, APHSA remains satisfied with the current four purposes of the act, believing that they have provided both a range of goals and the broad flexibility needed to address them.

The statute provides that a state may use the TANF grant “in any manner that is reasonably calculated to accomplish the purpose of this part. . .” The four purposes of the TANF program are:

- to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- to end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- to prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and,
- to encourage the formation and maintenance of two-parent families.

APHSA believes the TANF block grant structure should be maintained and that the current state flexibility in administering the program must be preserved. Also, the present High Performance Bonus structure and subsequent funding should be maintained.

Restrictions on program eligibility, including state options to serve legal immigrant and present program exemptions for mothers with children under the age of one should be rejected. In addition, we oppose any proposals that would place limitations on the use of TANF funds.

Restrictions on program eligibility, including state options to serve legal immigrant and present program exemptions for mothers with children under the age of one should be rejected. In addition, we oppose any proposals that would place limitations on the use of TANF funds. The statute's purposes allow states to continue to address the needs of low-income families that have moved into the work force and to provide key supports to families and children in need of stability and safety. Under current law, states may use TANF funds for any purpose previously authorized under their IV-A or IV-F state plans that were in effect in FY 1995 and for any benefit or service that meets the "purposes of the act," and APHSA believes that they should be permitted to continue to do so.

PROPOSAL

Reform the financial rules applied to the TANF block grant.

1. States should be allowed to draw down their funds as a block grant and not on a matching or prorated basis. In addition, once a state meets its MOE level, it should be permitted to draw down prior-year funds without expending additional state funds.
2. APHSA supports the involvement of faith-based organizations in the delivery of TANF-related services funded with federal dollars. However, we believe that federal charitable choice regulations should not apply to separate state programs and MOE-funded programs. APHSA opposes any "set-asides" of funding.
3. The definition of qualified state expenditures, as it relates to state MOE requirements, should be amended to include prior state expenditures on foster care and juvenile justice services.
4. Child support payments that are passed along to families while on TANF should be counted toward the state MOE, even if these are not disregarded in determining TANF eligibility.
5. Under the current law, states are required to meet either an 80 percent MOE or 75 percent if they meet the work participation rates. Rather than apply the MOE "credit" in the current fiscal year, APHSA proposes allowing states to apply the MOE "credit" in the subsequent year.

EXPLANATION

Some federal interpretations of the law have presented obstacles to states' implementation, such as application of the Cash Management Improvement Act (CMIA) that restricts state flexibility and makes the TANF block grant look more like a matching fund program than a block grant. Even though states have met their MOE requirement, the federal share of their funds remains in the federal treasury, giving the false impression that these unobligated funds are unnecessary or "surplus" funds.

APHSA recognizes the partnership between states and localities and faith-based organizations in the delivery of critical social services, especially within the child welfare system. However, we believe the present regulation that applies charitable choice provisions to state and local funds expended to meet MOE requirements and funds in separate state programs is flawed. We believe that state and local

funds expended in this manner are outside the purview of TANF requirements, and more specifically the charitable choice provision of PRWORA.

To receive federal block grant funds, states are required to maintain funding for qualified program expenditures at a level equivalent to at least 80 percent of the state share of AFDC expenditures in FY 1994—when welfare caseloads were at their highest levels in recent history. If the state meets the work participation rate requirement, the MOE requirement drops to 75 percent. In the first four years of operation, all states made their MOE requirement.

Due to drafting errors in the original TANF statute and subsequent federal regulations, the law's flexibility has been reduced and administrative complexity has increased. For example, states are permitted to expend federal funds on services and benefits previously approved under the former AFDC program, yet state expenditures on these same services are not considered "qualified expenditures" for the purposes of MOE. No state expenditures on foster care or juvenile justice services are countable toward MOE. Similarly, federal funds may be used to pay for child support payments passed through to families on assistance. The state share of these payments, however, is not counted toward MOE. Under federal regulations, MOE funds must be spent on TANF-eligible families, but TANF funds can be spent on some services to families without respect to income.

PROPOSAL

Revise the TANF Contingency Fund and eliminate the Rainy Day Loan Fund.

The MOE requirements to qualify for TANF contingency funds should be the same as the TANF block grant. Furthermore, the definitions of qualified state expenditures should be aligned with TANF. States should also be given a two-year period to expend these funds. The existing Rainy Day Loan Fund should be eliminated.

EXPLANATION

The success of welfare reform in the states and, until the last few years, the robust national economy contributed to a decline in TANF caseloads and obviated the need for the majority of states to gain access to the fund in any given year. However, since many states are now experiencing an increase in their caseloads and the economy has been faced with downturns, the design of the contingency fund is an area of state concern. Under current law, states must meet a 100 percent MOE to be eligible for the contingency fund, not the 80 percent needed to qualify for TANF funds, and the definition of qualified expenditures in the contingency fund differs from the TANF MOE requirement as well. To qualify for contingency funds, states must also meet one of two "needy state" standards. The statute currently requires that a state's unemployment rate reach at least 6.5 percent and that a state's unemployment rate exceed 110 percent of the level of the corresponding three-month period in either of the two preceding calendar years. States can also qualify by meeting a Food Stamp Program (FSP) trigger, which requires that state FSP caseloads increase by 10 percent in the most recent three-month period over the average for FY 1994 or FY 1995.

Over the past few years, a number of states have created TANF rainy day funds to protect against periods of economic downturn. States have funded this contingency with state revenues, but according to federal regulatory interpretation, these state funds are not counted toward MOE until they are expended. APHSA believes this interpretation is a disincentive to states that want to protect their ability to provide assistance to their TANF clients in periods of recession.

PROPOSAL**Restore Social Services Block Grant (SSBG) funding and transferability of TANF funds.**

SSBG funding should be restored to the \$2.8 billion level in FY 2005 and beyond. Also, states should be permitted to transfer up to 10 percent of their TANF block grant to SSBG.

EXPLANATION

In the welfare reform law of 1996, SSBG was funded at a level of \$2.38 billion for FYs 1997 through 2002. The law provided that SSBG would be restored to its historic funding level of \$2.8 billion in FY 2003 and beyond. In addition, the welfare reform law permitted states to transfer up to 10 percent of their TANF block grant to SSBG for services to families with incomes up to 200 percent of poverty. Over the past six years, however, Congress has reduced federal support for this important

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block grant that funds services for the elderly, disabled, and low-income children and families. In 1997, to fund highway improvements in the transportation act reauthorization, SSBG funding was reduced to \$1.7 billion, and beginning in FY 2001, TANF transfer authority was reduced to 4.25 percent. (However, since 2001, the transfer authority has been restored to 10 percent during the appropriations process.)

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shortfall in FY 2002, 48 states transferred close to \$1 billion in TANF funds to SSBG, and 22 states transferred the full 10 percent. If the transfer provision is unchanged, then states that used TANF funds to compensate for the federal reductions to SSBG will suffer a reduction in services to these vulnerable populations in future years.

PROPOSAL**Maintain the transfer option to the Child Care and Development Fund (CCDF).**

APHSA supports continuation of the option for states to transfer up to 30 percent of their TANF funds to CCDF and supports the flexibility for states to fund child care services directly out of TANF.

EXPLANATION

As more families make the transition from welfare to work, it is likely that expenditures for child care will continue to grow. Rising costs of subsidies and new quality enhancements will push costs higher in future years as well. The costs for child care are rising rapidly—so much so that in many states child care spending has exceeded that of cash assistance. In FY 1999, nearly \$4.5 billion in TANF funds were spent on child care services. Forty-one states transferred TANF funds to CCDF, and even more states spent TANF funds directly on child care. Under current law, states may transfer up to 30 percent of their TANF block grant funds to CCDF.

PROPOSAL**Clarify the definition of assistance.**

1. The definition of “assistance” in the TANF program should exclude unobligated funds, child care, and transportation expenditures. Under current federal regulations, child care and transportation expenditures are considered to be “non-assistance,” except in the instances where TANF is used to pay child care costs for clients who are not working. Therefore, if clients are not working but receiving these services, then the lifetime time limit on assistance applies. APHSA urges a change in the statute to clarify that child care and transportation should not be categorized as “assistance” in any instance.
2. In addition, under federal regulation, at the close of the federal fiscal year any unobligated TANF funds can only be used for cash assistance in subsequent fiscal years. The statute should clarify that unobligated funds should be used for any purpose under the act.
3. APHSA also calls for a correction in the interpretation of a former AFDC provision in the present law that results in application of the Income and Eligibility Verification System (IEVS) data match to all TANF-funded services rather than only to cash assistance.

EXPLANATION

Federal regulations governing the use of federal TANF funds draw a distinction between “assistance” and “non-assistance” expenditures. “Assistance” is defined in the final TANF regulations as “benefits directed at basic needs” (e.g., food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses) and “child care, transportation, and supports for families that are not employed.” When a family receives “assistance,” the lifetime time limit, work requirements, and child support assignment rules apply. These rules do not apply to all other types of expenditures, which are termed “non-assistance.” Federal regulations also state that unobligated federal TANF block grant funds after the close of the fiscal year may be expended in future fiscal years on “assistance.”

Prior to passage of the welfare reform law in 1996, Section 1137 of the Social Security Act required states to verify the income and eligibility of AFDC, FSP, and Medicaid participants by routinely matching information supplied by participants against several other data sources, including wage reports, Internal Revenue Service (IRS) unearned income records, and Social Security Administration (SSA) data. Under AFDC, the requirement to use IEVS applied only to cash assistance. HHS interpreted the IEVS requirement in TANF to apply broadly to all TANF-funded benefits, including non-assistance. Implementing this expanded IEVS requirement has placed considerable burden on states.

WORK PARTICIPATION

APHSA supports the engagement of every client on the caseload in activities that lead to self-sufficiency. In the next phase of welfare reform, there should be a renewed focus on attaching TANF recipients to employment. States should be rewarded for their success in moving clients into employment. Many states have voiced their interest in moving away from process measures of work rates and hours to an optional system of outcome measures.

PROPOSAL**Replace the present Individual Responsibility Plan (IRP) in the TANF program with a Universal Work Engagement Requirement.**

EXPLANATION

APHSA supports replacing IRP with a universal engagement requirement where all states would develop a plan for heads of households currently receiving TANF benefits. However, in order to recognize the unique situations of each recipient, we believe that the state should have the discretion as to the appropriate assessments needed for a plan and the subsequent monitoring. No federal penalty should be attached to this new mandate and nothing in the plan should be construed to establish a private right of action or cause of action to a state. Finally, child-only cases should not be included in the universal engagement requirement.

PROPOSAL**Continue and expand the work flexibility necessary to address the needs of all TANF recipients.**

1. Maintain the 30-hour work requirement structure, including deeming a single parent with a child under age six as meeting the work requirement at 20 hours. If Congress chooses to increase work hour requirements, additional child care funding must be provided.
2. Adjust the hourly threshold to value all work efforts, including part-time employment.
3. Support a proposal to include “two-parent” families into the “all-family” work rate requirement.
4. Reject efforts to restrict current work activities such as proposals to limit job search.
5. Retain present state options to exempt mothers with children under age one from work requirements.
6. Oppose efforts to limit state flexibility in determining family sanction policy and in particular, mandating immediate, full-family sanctions.
7. Continue or expand present state waiver authority.

EXPLANATION

States have committed TANF resources in support of their state priorities and in compliance with federal goals, objectives, and work participation requirements. Proposals to increase hours of work and reduce countable work activities could require states to abandon their goals and redirect their limited TANF resources. Also, TANF mothers who have multiple barriers to overcome, such as mental health, substance abuse, or learning disabilities, may need additional—not less—time to enter the workforce. States should be afforded additional flexibility in defining work activities so that they can place these clients in meaningful activities that increase the likelihood of long-term success in the workforce. In this respect, APHSA also supports continuing state welfare waivers. Increased work hours are also problematic in some states where TANF eligibility is such that after 24 hours of minimum wage employment, families are ineligible for TANF and therefore are removed from the caseload before they can be counted. For example, if TANF clients lose eligibility when they works 28 hours at the minimum wage, the state would have to adjust eligibility rules to keep them on cash long enough to be counted. In a time-limited TANF program, this would be unfair to clients and contrary to our mission of moving families off of assistance. Also, under current law, a client working up to 29 hours per week is not captured as working for purposes of state work participation rates, while a person working one more hour a week would be counted. Therefore, future TANF policy should value work at all levels, including part-time employment.

Within the present work rates, there is also an inequity whereby two-parent families are held to a higher work rate than single-parent families. This policy also requires additional data reporting requirements, and applying the same standard to all families would rectify the problem. Finally, it is

important to recognize that every state has developed its own family sanction policy, many times in collaboration with key state advocates. Although many states have opted for a full family sanction, most implement it as part of a reconciliation process where benefits are initially decreased. To require all states to abandon their present process for a “one-size-fits-all” approach is contradictory to the purpose of the block grant.

PROPOSAL

Provide states with the option to replace the current TANF work participation rate structure with new measures that capture job placement, job retention, and earnings progression.

Under this proposal, states could opt to have their work efforts measured by the number of TANF clients with earnings; those who have retained employment after a period of time; and those who have increased earnings. States could include clients in diversion, as well as those who have left TANF for employment. This option would replace process measures such as participation rates and prescriptive hours and work activities. Measuring job placement, job retention, and earnings progression reflects standards established under the high-performance bonus and also simplifies state coordination efforts between their TANF and WIA programs, which incorporate similar measures.

EXPLANATION

For over a decade, Congress has shown its interest in incorporating outcome measures into work programs through provisions in the Family Opportunity Act of 1988, PRWORA, and WIA. In these acts, Congress recognized the importance of eventually moving away from process measures toward more meaningful outcomes and requested studies on the topic as well as recommendations. The TANF high-performance bonus also provides states with enhanced funding based on a set of outcome measures for employment and attachment to other support services. The outcome measures outlined under WIA collect actual employment data and provide an incentive for states to focus on employment, earning and retention. At the very least, reauthorization should place as much emphasis on the placement of TANF clients in unsubsidized employment as it places on the work activities of those receiving cash assistance.

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PROPOSAL

Make the transition from the TANF Caseload Reduction Credit to an Employment Credit.

EXPLANATION

If Congress revises the caseload reduction credit, we urge a transition period and the establishment of an employment credit. Under the credit, states would be permitted to count individuals who have been diverted from the TANF caseload into employment and those who received TANF non-assistance, such as child care and transportation assistance, and are employed.

PROPOSAL

States should be afforded the full statutory time to come into corrective compliance with the program goals before any financial penalty is placed on their program. In addition, states should be exempt from financial penalty if they have demonstrated an increase in their work participation rate.

EXPLANATION

States face a strict double penalty for failure to meet the MOE requirement. Not only are states penalized for falling short of the requirement, but they must also expend an equivalent amount of state funds to make up for their shortfall. If states have demonstrated an improvement in work participation then states should not be penalized with a loss of 5 percent of their federal TANF funding, a 5 percent increase in their state MOE requirement, and a 5 percent increase in state funding. At the very least, states should be penalized in proportion to the degree of non-compliance, as under the current federal regulations applied to the two-parent work rate.

STRENGTHENING FAMILIES

PROPOSAL

1. If Congress designates federal funding for a marriage and family formation initiative, the funds should be directed to states and localities for family strengthening programs such as marriage support programs, family reunification, parent education and support, fatherhood programs, and prisoner re-entry programs that are designed to support healthy marriages and families.
2. APHSA supports the creation of new programs that promote the responsibility of non-custodial mothers and fathers in the life of their children. Any newly created programs should be coordinated with related state and federal programs such as child support, the TANF block grant, WIA, and state child welfare programs.
3. APHSA encourages the administration to work with the association to remove marriage penalties in determining eligibility for federal programs (such as in EITC, SSI, Medicaid, and other programs).
4. To reduce intergenerational dependency on government assistance, APHSA recommends strengthening the TANF Bonus to Reduce Out-of-Wedlock Births by adding a new performance measure aimed at reducing adolescent birth rates. Success in this area will have long-term benefits that will reduce future dependence on TANF.

EXPLANATION

Welfare reauthorization legislation proposed in the 108th Congress contained provisions to eliminate the Out-of-Wedlock Reduction Bonus and portions of the TANF High Performance Bonus and replace it with a five-year, \$1 billion marriage and family formation program initiative. If Congress chooses to follow the same proposal, it is important that these funds continue to pass through to the state. For a state to have a coordinated strategy that meets the needs of its citizens, the federal government should not bypass state control through direct grants to local organizations. However, if the Out-of-Wedlock bonus is maintained, a greater emphasis should be placed on the reduction of births to unmarried teens in an effort to address intergenerational dependency on government assistance. State TANF implementation has included efforts to promote marriage and to encourage the

formation and maintenance of two-parent families and often involve programs such as health, child welfare, and education. Some states have chosen to adopt statewide approaches to advance certain initiatives while others have made low-income families or young adults the focus of their efforts.

There is an extensive and diverse array of services and approaches that can be undertaken to support present and future families. Some of these services focus on supporting couples facing difficulties in their marriage, while others provide the skills, counseling, and support to prepare younger persons for the decisions about family formation they make as they approach adulthood. We encourage new funding streams to provide flexibility to states to choose the approach that best meets their needs. Also, initiatives focused on fatherhood should be broadly designed to encourage parents without custody of their children to assume greater financial responsibility and parental presence in the lives of their children, and to provide work supports and services so they can better provide for their children. Such measures are consistent with the objectives of welfare and child support reforms since they encourage self-sufficiency and responsibility and provide important resources for children and families.

WIA REAUTHORIZATION

While WIA was intended to simplify the workforce system for workers and employers, its current structure has limited its effectiveness. All states were required to implement their WIA programs by 2000, and in the last four years states have implemented a variety of programs. Some states have fully integrated their workforce programs with other human services, while others have decided to run a separate workforce unit. The lack of broad-based coordination among workforce development, human services, and educational systems limits access to effective workforce development and slows the progression of families moving to self-sufficiency. Recognizing this reality, Congress attempted to reform WIA during the 108th Congress. Legislation was introduced and passed by both the House and Senate, but no compromise language was reached. The major focus of the debate was on the consolidation of funding streams, simplification of performance measurements, and improved access to training.

PROPOSAL

Streamline current WIA policy that requires individuals to follow a sequence of activities prior to training.

1. The system should be simplified so that clients can be quickly and properly provided with necessary services, including training.
2. The system should be reshaped to provide continued learning and training opportunities through community colleges and other institutions that can refocus training to meet industry standards of potential employers.
3. The system should provide adequate flexibility so that low-income individuals are able to use the system for career development and advancements.

EXPLANATION

The current rigid structure of WIA requires individuals to first use core services, then intensive services, and finally, training, if they are unable to find employment. This process limits opportunities for training in some of the most fast-paced environments. The WIA system must be flexible enough to respond to local demands so high-growth environments, such as high technology industries and health care, can be provided with an equipped labor pool. Continued lifelong training and attachment to the workforce should be a program objective.

PROPOSAL

Support the current WIA cost-allocation structure that allows states and local areas to develop agreements based on local need, and to ensure that partner programs are appropriately contributing for services received in the One-Stop system.

1. WIA reauthorization should allow partner programs to continue developing local agreements through negotiated memoranda of understanding. This will allow states that have developed a functioning cost-allocation structure to continue without unnecessary interruptions in program functioning.
2. If Congress chooses to address the current operating expenses of the One-Stop system, it should provide a separate line of funding to pay for infrastructure costs.

EXPLANATION

Under current law, WIA partners may agree to share infrastructure costs under terms of negotiated memoranda of understanding. Proposals during the 108th Congress would require that mandatory partner programs contribute a portion of their federal funds to pay for the infrastructure cost of the One-Stop center. These proposals are prescriptive and could limit the creative approaches currently being implemented by states.

PROPOSAL

Improve flexibility in federal workforce programs to allow easier transfer of funds across WIA funding streams.

1. The WIA should be amended to allow states and localities the authority to transfer adequate funds among different WIA programs.
2. The WIA should be amended to allow greater flexibility for states to meet the diverse needs of localities and labor markets.

EXPLANATION

Currently, WIA funds go to states in three separate funding streams: youths, adults, and dislocated workers. Each of these funding streams has its own rigid spending requirements. Creating more flexibility in funding streams will reduce many of the challenges created under the silos in the current WIA structure. To meet the diverse needs of the current work environment, states should have broad flexibility to administer the program so that workforce services can respond to the unique and critical needs within local areas. The system should be flexible enough to give states and localities the authority to transfer adequate funds among different WIA programs. The current structure limits the ease with which states can respond to the changing needs among adults, youths, and dislocated workers populations.

PROPOSAL

Incorporate a comprehensive youth development strategy in WIA reauthorization.

1. Youth performance measures should be reformed to simplify reporting and accurately track youth services.
2. WIA must adequately fund programs that serve in-school as well as out-of-school youths.

3. The Department of Labor should work with states to develop more targeted approaches to expand services to youths aging out of the foster care system, and identify strategies to create more opportunities for youths involved with the juvenile justice system.

EXPLANATION

WIA currently has different performance measures for youths ages 14 to 18 and 19 to 21. This creates unnecessary reporting requirements and additional silos. A comprehensive youth strategy must include simplified performance standards that track youth progression into educational opportunities and the workforce. Helping juvenile offenders gain better access to the workforce is a critical component of this strategy. Further, resources available under WIA should be better coordinated to provide services to all eligible youths. This will allow all youths ages 14 to 21 to be served by all WIA youth programs. While serving out-of-school youths should be a priority, WIA should continue funding and serving in-school youths, many of whom are at risk of dropping out of school. Each year thousands of youths age out of foster care and in many cases are left on their own with limited community supports and inadequate skills to find employment. Those youths who are able to find employment frequently find low-paying jobs that lack resources for adequate transportation, safe housing, or access to training. Too many of these young people become involved with the juvenile justice system. WIA-funded youth programs must create an environment where all youths can be connected to appropriate educational and training opportunities.

PROPOSAL

Improve WIA performance measures to accurately track effectiveness.

1. The measures should focus on several key areas: job placement, job retention, earnings progression, training or education attainment, and effectiveness in providing services to one-stop users.
2. WIA performance measures should capture all individuals using the system, including individuals who participate in self-service or informational activities.

EXPLANATION

The performance measurements in the current system track only a part of the services that are provided and do not accurately reflect the effectiveness or the type of services that are being provided to individuals who use the system. The WIA performance measures should capture all individuals using the system, including individuals who participate in self-service or informational activities. The current system tracks 17 different performance measures for adults, youths, and dislocated workers. This complex system creates additional burdens for states and clients without truly capturing the effectiveness of the program. The WIA performance measures should focus on several key areas: job placement, job retention, earnings progression, training or education attainment, and effectiveness in providing services to all one-stop users. In 2002, a Government Accountability Office report (GAO-02-275) found that the current system tracks only the primary WIA-funded programs, and fails to examine the performance of the WIA system as a whole. Many of the services that are typically offered at a one-stop center are not captured in the performance measurement because the system focuses heavily on unemployed individuals who move into employment. It does not place the same emphasis on individuals who experience increase in wages as a result of one-stop service. The unintended consequence of this is that one-stop centers are more inclined to serve those clients who are most suited to find quick employment.

PROPOSAL

Renew and revise the federal Work Opportunity Tax Credit.

1. Support a five-year renewal of WOTC to allow employers and states to develop long-term strategic plans to fully utilize credits.
2. Eliminate eligibility barriers that require ex-felons to be from an economically disadvantaged family to be eligible for WOTC.

EXPLANATION

Long-term authorization would increase participation among employers, encourage more community outreach programs to identify and hire welfare recipients, and result in more effective administration by state employment agencies. Also, current eligibility guidelines require ex-felons to undergo an additional verification process to determine if they meet economically disadvantaged criteria. States are required to verify and establish the economic disadvantage of each ex-felon whose employer wishes to file for WOTC. This additional requirement is burdensome for states, discourages potential employers, and creates unnecessary employment barriers for ex-felons. The federal government must continue to provide opportunities for low-income families in transition through creative incentives to businesses, educational institutions, and community groups. These programs have demonstrated their effectiveness and should be enhanced and promoted.

PROPOSAL

Maintain funding for affordable housing and effective transportation programs.

1. Continued funding of the JARC will enhance both rural and urban efforts to help low-income families gain access to effective transportation.
2. Maintain current TANF policies that allow for partnerships with public housing programs. It is essential that such flexibility be maintained along with the appropriate funding to assure the integrity of the low-income housing vouchers and the Family Self-Sufficiency programs.

EXPLANATION

HUD offers many important housing programs, including Family Self-Sufficiency. This program provides a unique approach to promoting self-sufficiency by combining stable, affordable housing with case management to help families increase their earnings and build assets. By partnering with state or local housing agencies, state TANF programs can gain access to HUD funding for an earnings incentive that helps low-income families residing in public housing or the housing voucher program build assets over time. Housing, coupled with innovative transportation programs, can play an important role in increasing work opportunities for low-income families. In rural and urban communities alike, these two areas create significant barriers for low-income families attempting to find and maintain employment. Sufficient funding and continued flexibility within these programs are essential components of work support strategies.

PROPOSAL

Promote the Earned Income Tax Credit.

1. The IRS should work with states to expand public knowledge of EITC.

2. Future attempts to reform EITC should focus on reducing errors and complexities while maintaining program integrity and benefits.
3. States should be able to continue counting state EITC programs toward state TANF MOE requirements.
4. The IRS should develop more partnerships to promote Volunteer Income Tax Assistance centers, reduce complexities in filing returns, and reduce EITC processing time.
5. Reduce the EITC marriage penalty.

EXPLANATION

The EITC has been effective in elevating millions of families out of poverty. At the same time its complex structure has limited the number of eligible families who apply for benefits. For those families who do apply for benefits, too many of them pay high fees to commercial tax preparers.

A recent report from the Brookings Institution noted that filers in 27 localities spent an estimated \$212 million in EITC refunds on high-cost loans and tax preparation. In several locations, more than half the EITC earners claimed their refunds through high-cost loans, and nationally over \$1.74 billion was spent on similar preparation.¹

The complexities of IRS forms and the time it takes to process returns make the rapid refund loans a much more attractive approach. Additional improvements to EITC should include a reduction in the marriage penalty. These improvements can be accomplished by increasing the maximum income ceiling for EITC eligibility as well as expanding the EITC phase-out rate for married taxpayers with children.

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PROPOSAL

Promote assets building and wage protection among low-income families.

1. Use of ongoing financial education strategies, federal incentives, and pilots would help enhance state efforts to support more families.
2. Support federal and state policies that protect low-income families from predatory financial practices.
3. Maintain state authority in the TANF program to develop IDAs that would not count against client eligibility.
4. Preserve state authority to establish child support trust fund accounts.
5. Support federal efforts to establish special saving accounts and other innovative saving plans for low-income families.

EXPLANATION

Low-income workers should be able to protect and grow their incomes like all other segments of the community. Current federal policies create barriers to low-wage workers accumulating assets while making the transition from public benefits. Federal policies must provide states with enough flexibility and incentives to help low-wage workers grow their incomes and build assets. Recent research from the Brookings Institution demonstrated the effectiveness of the EITC in increasing wages and lifting

¹ Berube, A., *Rewarding Work Through the Tax Code: The Power and Potential of the Earned Income Tax Credit in 27 Cities and Rural Areas*. Brookings Institution, January 2003.

families out of poverty. The EITC is unique because its refundable nature allows families to benefit from the full value of the credit they have earned even if they owe less in income tax than the amount of the credit.