



Committee On Finance

Max Baucus, Chairman

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FACT SHEET ON WELFARE REAUTHORIZATION SENATE COMMITTEE ON FINANCE JUNE 25, 2002

The Temporary Assistance for Needy Families (TANF) program was created by the 1996 welfare reform law to replace the Aid to Families with Dependent Children (AFDC) program. Unlike AFDC, TANF is a block grant, under which states receive a fixed amount of funding per year to use in providing time-limited cash assistance to low-income families with children. States have great flexibility in how they design their TANF programs. TANF funds can be used to prevent the need for cash assistance by the provision of supports, such as child care, to low-income working families to enable them to continue working. The funds can also be used to reduce out-of-wedlock childbearing with programs discouraging teen pregnancies. In general, TANF funds cannot be used to assist families longer than five years. TANF is a \$16.5 billion per year program. The program's initial authorization under the 1996 welfare reform law expires on September 30, 2002, and the Finance Committee is reauthorizing it for another five years, through September 30, 2007.

In addition, the Finance Committee has jurisdiction over part of the Child Care and Development Block Grant (CCDBG), in particular the amount of mandatory funding provided each year. The current CCDBG authorization also expires on September 30, 2002. Given the integral link between child care and welfare-to-work programs, the Committee is including its portion of CCDBG reauthorization in the TANF reauthorization legislation.

TANF represents a historic change in welfare programs for the country. Under TANF, the number of families receiving cash aid has declined more than 50%. The share of adults receiving cash aid who work in paid jobs has more than doubled. And less than half of TANF funds now go for the traditional monthly welfare check, significantly less than under AFDC. In fact, the General Accounting Office recently estimated that more than 800,000 families received substantial non-cash aid help from TANF last year without going on cash assistance.

TANF reauthorization will set the nation's welfare policies for the next five years.

SUMMARY OF:

The Work, Opportunity, and Responsibility for Kids (WORK) Act of 2002 Chairman's Mark

Title I - FUNDING

Section 101 - TANF

The mark extends the current TANF funding level of \$16.5 billion annually through FY2007. It also extends and expands the TANF supplemental grants to qualify a total of 24 states at a total cost of \$441 million per year.

Section 102 - Contingency fund

The mark reauthorizes the contingency fund with several improvements.

Section 103 - Child Care

The mark increases mandatory child care funding by \$5.5 billion over five years, determined by providing an increase of \$2.5 billion above the amount required to support increased work requirements (\$3.0 billion).

Section 104 - Legal immigrant option in TANF

The mark permits, but does not require, states to use TANF funds to assist legal immigrant families who have arrived since enactment of the 1996 welfare reform law on August 22, 1996. It requires states taking the option to deem immigrants' income to include income of sponsors for 3 years after entry for purposes of determining eligibility.

Section 105 - Use of Funds

The mark permits carryover of TANF funds for nonassistance without fiscal year spending limit. It also permits transfer of TANF funds to Job Access/Reverse Commute projects.

Section 106 - Definition of assistance

The mark defines child care funded directly by TANF, transportation subsidies, and supplemental housing benefits as "nonassistance."

Section 107 - Maintenance of effort

The mark allows a state to count as a qualifying MOE expenditure amounts of child support arrearages passed through to former TANF families.

Section 108 - Territories

The mark increases the total annual cap on federal funding for public assistance programs for the territories from \$116.5 million to \$119.6 million. It also provides Puerto Rico with \$10 million annually in mandatory child care funding.

Section 109 - Repeal of loan fund

Section 110 - Technical corrections

Title II - WORK

Section 201 - Universal engagement

The mark requires states to screen and assess the skills, prior work experience, work readiness, and barriers to employment of each parent or caretaker receiving assistance who has reached age 18 or has not completed high school or obtained a certificate of high school equivalency, and is not attending secondary school. It also requires states to develop an individual responsibility plan (IRP) for every parent and caretaker described above and requires recipient parents or caretakers to participate with the state in these assessments. The IRP must detail required work activities and needed work supports, address the issue of child well-being and, if appropriate, adolescent well-being. IRPs also must include a section making available to the family information concerning work supports for which they are eligible. Recipient parents or caretakers are required to participate in activities in accordance with the IRP.

Beginning in FY2004, the mark requires states to develop an IRP within 60 days of enrollment for new parent or caretaker receiving assistance. IRPs for current recipients must be completed by the end of FY2004.

Section 202 - Work participation rates

Work Participation Rates

The mark eliminates the separate two-parent participation rate. It increases the work participation rate by 5 percentage points yearly until FY2007, as follows: 55% in FY2004, 60% in FY2005, 65% in FY2006, and 70% in FY2007. The current penalties are maintained.

Employment Credit

The mark eliminates the caseload reduction credit and substitutes an employment credit. (For FY2003, states will have the option to choose to continue under the current caseload reduction credit or the employment credit.)

The new credit is based upon recipients who leave the rolls and become employed, based upon two quarters of "leavers" from the previous year. The mark also gives states extra credit (1.5 families) for those who leave and take higher-paying jobs, defined as 33% of the average wage in the state. It allows partial credit for recipients who participate at least 15 hours per week and gives states the option to receive credit for those whom it "diverts" from joining TANF rolls and who subsequently are employed. It allows credit for states that use TANF funds directly for child care and transportation subsidies to working families if they provide relevant data.

The total amount of credit a state can receive for the employed leavers, higher-paying jobs, and child care and transportation assistance provisions (taken together) is as follows: FY2004 - 35%, FY2005 - 30%, FY2006 - 25%, and FY2007 - 20%. States which have met two of the triggers for access to the TANF contingency fund will not be subject to this cap. States which have met one of the contingency fund triggers will be still subject to the cap but will only face the loss of federal funds penalty should they fail to achieve the work participation rates.

Work Hours

The mark maintains the general requirement for 30 hours of weekly work participation by most adults while increasing from 20 hours to 24 hours the share of time that must be spent in priority activities. It retains the provision deeming parents of children under 6 to meet the work requirement by engaging 20 hours weekly in any work activity.

Definition of Work Participation, Job Search, Education and Training, Rehabilitative Services

The mark expands the list of approved work activities by:

- Including time-limited “rehabilitative” services such as substance abuse treatment, mental health treatment, vocational rehabilitation services, adult basic education, and limited English proficiency. (As full-time activities these are limited to 3 months out of 24 months, with an additional 3 months allowed when combined with work or job-readiness activities and included in a recipient’s IRP.)
- Increasing from 6 to 8 weeks the period for which full-time job search counts towards the 24 hours of priority activities.
- Increasing from 12 to 24 months the period for which vocational education may count, including community college programs which result in a credential related to employment or a job skill. (The current cap of 30% on the proportion of recipients who may participate in these activities and count is maintained; however, teen parents required to attend secondary school are no longer counted towards that cap.)

Title III - FAMILY PROMOTION AND SUPPORT

Section 301 - Healthy marriage promotion grants

The mark repeals “illegitimacy” reduction bonus funding. It is replaced by a new Healthy Marriage Promotion grant program to support demonstration projects to promote stronger families, with a focus on the promotion of healthy marriages. The mark provides \$200 million per year for FY2003-07 for the following activities:

- Public advertising campaigns on the value of marriage and the skills needed to increase marital stability and health;
- Voluntary marriage education and marriage skills programs for non-married pregnant women and non-married expectant fathers;
- Voluntary pre-marital education and marriage skills training for engaged couples and for couples interested in marriage;
- Voluntary marriage enhancement and marriage skills training programs for married couples;
- Marriage mentoring programs that use married couples as role models and mentors in at-risk communities;
- Teen pregnancy prevention programs;
- Broad-based income support strategies that provide increased assistance to low-income working parents, such as housing, transportation, transitional benefits, etc. independent of family structure;
- Development and dissemination of best practices for addressing domestic and sexual violence as a barrier to economic security, including caseworker training, technical assistance, and voluntary services for victims.

Section 302 - Teen pregnancy prevention

The mark reauthorizes the abstinence education program exactly as under current law; including the \$50 million per year funding level. In addition, \$5 million each year is provided to support a national teen pregnancy prevention resource center, which would offer technical assistance and work with the media to discourage teen pregnancies.

Section 303 - Responsible fatherhood

The mark creates a grant program to support expansion or replication of court-supervised employment programs for low-income non-custodial parents to assist them in meeting child support obligations. It also creates a grant program to conduct policy reviews and demonstration projects to coordinate services for low-income non-custodial parents within the child support system. These grants are authorized at \$25 million each year for FY2004-07.

Section 304 - Second chance homes

The mark authorizes grants to create or expand maternity group homes – or “second chance homes” – for unwed teen parents. These grants are authorized at \$33 million each year for FY2004-07.

Title IV - HEALTH COVERAGE

Section 401 - Transitional Medicaid

The mark extends transitional Medicaid for 5 years. It permits states to provide continuous Medicaid eligibility for 12 months and, for families with average gross monthly earnings below 185% of poverty, it extends benefits for another year (a total of 24 months).

Title V - CHILD SUPPORT AND CHILD WELFARE

Section 501 - Distribution

Assignment Rule

The mark limits the child support assignment to the period in which the family receives TANF benefits.

Families Receiving TANF

The mark maintains current law on assignment rules for TANF families. For families receiving TANF benefits (for not more than 5 years after enactment of this bill), the mark requires the federal government to share in the cost of child support collections passed through to TANF families by the state and disregarded by the state in determining the family’s TANF benefit, up to \$400 per month in the case of a family with less than two children, and up to \$600 per month in the case of a family with two or more children.

Families Who Formerly Received TANF

The mark simplifies child support distribution rules to give states the option of providing families that have left TANF the full amount of the child support collected on their behalf (i.e., both current child support and child support arrearages).

Financing Options

To the extent that the arrearage amount payable to a former TANF family in any given month exceeds the amount that would have been payable to the family under current law, the mark allows states to elect to use TANF funds to provide the amount to the family or the state can elect to have the amount paid to the family considered an expenditure for MOE purposes.

Ban on Recovery of Medicaid Costs for Certain Births

The mark prohibits states from using the Child Support Enforcement program to collect money from non-custodial parents to recoup birthing costs paid by the Medicaid program.

Section 502 - Mandatory review and adjustment

Section 503 - Passport denial

Section 504 - Tax intercept, post-18

Section 505 - Financing and administrative review

Section 507 - Tribal child support regulations

The mark requires HHS to promulgate final regulations concerning tribal child support programs within 1 year of enactment.

Section 508 - Report on undistributed collections

Section 509 - Use of new hire data

The mark authorizes State Employment Security Agencies (which are responsible for administering the Unemployment Compensation program) to request and receive information from the National Directory of New Hires (which includes information from all of the state directories as well as Federal employers) to match against unemployment compensation records to determine whether people drawing unemployment compensation benefits are actually working.

Section 510 - Reinstatement of annual HHS child support report

Section 511 - Extension of child welfare waiver authority

Section 512 - No limitation on number of waivers a state may receive

Title VI - TRIBAL ISSUES

Section 601 - Tribal TANF improvement fund; economic development

The mark creates a “tribal TANF improvement fund,” funded at \$75 million for FY2003-06. In addition, it consolidates job training programs into a new Tribal Employment Services Program, funded at \$37 million yearly; and sets aside \$25 million of the TANF contingency fund for tribes. For all the provisions in this section, the current rules concerning eligible entities in Alaska would be maintained and applied.

Section 602 - Tribal IV-E eligibility

The mark allows, beginning in FY2004, an Indian tribe or intertribal consortium to operate Title IV-E foster care and adoption assistance programs under the same provisions as those applying to states (with certain specified exceptions). The mark also permits an Indian tribe or intertribal consortium and a state to enter into a cooperative agreement for administering or paying funds under Title IV-E. The mark requires a state to make foster care payments on behalf of an eligible child whose placement and care is the responsibility of an Indian tribe or intertribal consortium if that tribe or consortium is not operating its own Title IV-E foster care program and it has a cooperative agreement with the state or has submitted a description of the arrangements to HHS Secretary.

Title VII- Innovation, Flexibility, and Accountability

Section 701 - Data collection; performance measures

Data Collection

The mark requires states to make public a summary of the financial and program data submitted to HHS when the data is transmitted, including website posting.

Performance Measures

The TANF High Performance bonus is repealed. (See Section 704.) HHS is required to annually report data for each state on welfare-to-work performance, based on measures of job entry, job retention rates, quarterly earnings, and earnings gain. In addition, a national goal of reducing teen pregnancies by one-third is established. HHS is required to issue an assessment of progress toward the goal, including state-level data on teen pregnancies and each state's progress toward achieving the goal.

Section 702 - TANF state plans

Section 703 – Research

The mark includes research funding to assess child well-being at a state level.

Section 704 - Business Link Partnership grants

The mark repeals the current high performance bonus, replacing it with a \$200 million annual competitive grant program called Business Link Partnership for Employers and Nonprofit Organizations. Grants are to be awarded jointly by the Departments of Labor and HHS to nonprofit groups, local workforce investment boards, localities, or tribes to provide for:

- (1) Creation or expansion of programs designed to partner with employers to improve wages of low-income persons, though improving job skills and providing supports for low-income workers and those with disabilities.
- (2) Creation or expansion of temporary wage-paying supported work – or “transitional jobs” – programs, which are for low-income individuals unable to secure work through job search or other employment-related services because of limited skills, experience, or other work barriers.
- (3) Capitalization approaches to non-profit social service delivery.

Section 705 - Transportation program

The mark creates a competitive grant program to create or expand programs to improve access to dependable automobiles. The mark authorizes \$15 million per year for FY2004-07 for these grants.

Section 706 - At-home infant care

The mark provides funding for demonstration grants to conduct “at-home infant care” programs. Participation is limited to those with a child under two and a recent work history. The mark provides \$30 million per year for FY2003-07 for these grants.

Section 707 - Housing with services for families with multiple barriers to work

The mark establishes competitive grants to be jointly awarded by the Secretaries of HHS and HUD to non-profit organizations for demonstration projects to test different models for providing housing and services for TANF recipients who have multiple barriers to work. The mark authorizes \$50 million in funding for FY2004.

Section 708 – Transitional compliance for teen parents

Section 709 - TANF/WIA

The mark requires TANF programs to be partners in the WIA one-stop system unless the state opts out of the requirement.

Section 710 - Advanced planning documents

Section 711 - Pre-existing welfare waivers

The mark permits states with waivers set to expire after on or after October 1, 2002 to continue them through the end of FY2007, provided that they comply with the TANF “universal engagement” requirement (as described in Section 201).

Section 712 - Anti-discrimination

The mark provides that a TANF recipient cannot displace any employee by either filling an unfilled vacancy or resulting in a reduction in hours, wages or employee benefits of an employee, or by performing work while an employee is on layoff from a job or substantially equal position.

The mark applies worker protection laws, including but not limited to, the Fair Labor Standards Act, Occupational Safety and Health Act, and Title VII of the Civil Rights Act to recipients of TANF engaged in work activities in the same manner as they apply to other workers.