

IMPLEMENTING THE NEW TANF PROVISIONS IN MISSOURI: HOW SHOULD MISSOURI RESPOND TO TANF REAUTHORIZATION?

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Background

The Deficit Reduction Act (“DRA”) signed in February 2006 reauthorized the TANF program until 2010 and made significant changes to the program. Among those changes, the new work participation requirements present the greatest challenge to both the State and the low-income families that receive TANF benefits.

Under current TANF work participation rate requirements (which were not changed by the DRA), Missouri must meet a 50% work participation rate.¹ *The work participation rate is a fraction in which the numerator is the number of families receiving TANF benefits, and who are involved in an approved “work activity,” and the denominator is the total number of families on Missouri’s TANF caseload.*

Prior to the DRA, most states enjoyed a substantial “caseload reduction” credit that was based on a comparison of the current caseload with the caseload in 1995. The required work participation rate was adjusted downward by 1 percentage point for each 1 percent reduction in cases. Because most states have dramatically reduced their caseloads since 1995, they received a generous caseload reduction credit that significantly *lowered* the participation rates that they were required to meet. This formula enabled most states, including Missouri, to easily meet the work participation requirements. Now, under the DRA, caseload reduction credits will be based on a comparison with the 2005 caseload. Because Missouri’s caseload was already very low in 2005, Missouri will not be able to depend on a generous caseload reduction credit to reduce its work participation rate. It will have to find other ways to meet the heightened work participation rates.

Missouri’s work participation rate is now about 25%, so to meet the new requirements, almost twice as many families who receive TANF benefits will need to participate in work activities. Moreover, the federal guidelines issued on June 28, 2006 compound the State’s challenge of meeting the 50% work participation rate by tightening the definition of “work activities” and by requiring that individuals in “separate state programs” be counted in determining the state’s work participation rates.²

¹ The work participation rate for 2-parent families is 90%.

² Individuals in separate state-funded programs would be counted in the work rates even if they are unable to perform the federally-defined TANF work activities or work enough hours to meet the participation requirements.

What does this mean for Missouri?

The DRA and the new federal guidelines give Missouri a stark choice: the State will either have to (1) substantially improve services and case management to increase work participation and improve outcomes for low-income families, or (2) focus solely on meeting the 50% work participation rate, even if it means hurting families by pushing them off the TANF program.³

Missouri should make choices that will help families

Missouri should respond to the DRA and the new federal regulations by moving forward in a positive direction to help low-income Missouri families achieve self-sufficiency and escape poverty. While the State must make changes to meet the new work requirements, *it could do so in a way that helps families, rather than pushes them deeper into poverty.* Below are *some* of the approaches that Missouri should explore and/or implement in order to help low-income Missouri families.

- **Create More Generous Earnings Supplements:** Working families that have some sort of income supplement count towards the participation rates and, therefore, help the state satisfy the tough new federal requirements. Earnings supplements are the single most effective welfare reform strategy for helping welfare recipients move from cash assistance to self-sufficiency and to improve their outcomes. Study after study shows that earnings disregards or other income supplements can help make a huge difference in moving people from cash welfare to self-sufficiency. The state can supplement earnings by providing expanded earnings disregards to people who receive TANF cash assistance or by providing income supplements to people who leave TANF (as Arkansas has begun to do with its new Work Pays program). Expanding earnings supplement approaches in Missouri are even more important in light of stringent new federal TANF regulations that otherwise reduce the State's flexibility. Adopting earnings supplements also greatly enhances the State's ability to meet work participation rates while helping to stabilize and support low-income working families.
- **Implement Lump Sum/Bonus Payment Programs:** Another way that the State can supplement the income of low-income working families is to provide upfront lump sum payments to those families in which a parent has recently lost a job and is likely to find employment quickly. Such a program "can help a family 'get back on its feet' and obviate the need for the family to become TANF recipients at all."⁴ Lump sum payments can also help families without negatively affecting the State's work rates during the beginning months in which new TANF participants are not yet fully engaged in work activities. In addition, the State can provide bonus payments to those families that leave the TANF program and *stay*

³ See Sharon Parrott, et al., *Implementing the TANF Changes in the Deficit Reduction Act: "Win-Win" Solutions for Families and States*, Center on Budget and Policy Priorities and Center for Law and Social Policy, May 9 2006, at 1.

⁴ *Id.* at 54. Such a strategy is not considered "TANF assistance" and would result in these families not being counted in the calculation of the State's participation rate, thereby raising the State's participation rate. *Id.* at 55.

employed. Bonus programs can benefit families by providing an incentive to remain employed.⁵ Bonus programs can benefit the State when it is included as “assistance” and the families could count positively towards the work participation rate or when it is designed as “non-assistance” and the families are not counted towards the participation rate, thereby excluding families from the denominator.⁶ Either way, the State’s participation rate would rise. Bonus payments also increase the likelihood that former TANF participants remain employed and reduce the likelihood of a return to TANF, which also helps the State’s work participation rates.

- **Maintain the State’s Commitment to Vocational Education and Training:** The State should *maintain and, where possible, expand its commitment to education and training* (including post-secondary education, PSE, as an available work activity, in light of the effectiveness of such an approach in improving employment opportunities for low-income families.⁷ Research has shown that education and training (including PSE) is most effective when paired with supportive services. While the new regulations will make it somewhat more difficult for the state to count PSE as a stand alone activity (though some PSE can still be counted), Missouri must continue to provide a full range of educational and training activities in order to improve outcomes and expand opportunities for employment for low-income Missouri families.
- **Ensure that appropriate activities are provided to People with Disabilities and/or Severe Employment Barriers:** Missouri provides “state-defined work activities” for people who are engaged in meaningful activities such as caring for a disabled family member, domestic violence counseling, mental health counseling or substance abuse treatment. Where possible, these activities should be “counted” when they can meet the federal requirements (e.g., under job readiness). However, the state must find ways to maintain these appropriate activities, even when they do not count toward the federal work participation rates, because they are critical activities for low-income Missouri families.

The State should take full advantage of the opportunity to remove parents caring for a disabled family member from the work rates, as allowed under the new regulations, to ensure that this important activity is carried out. Otherwise, the State must provide needed activities, either outside of the TANF/MOE structure or as part of that structure, even if the state will not be able to count the family’s activity toward meeting the work rates.

⁵ *Id.* at 61.

⁶ *Id.* at 61.

⁷ See, e.g., Gayle Hamilton, “Moving People from Welfare to Work: Lessons from the National Evaluations of Welfare-to-Work Strategies,” U. S. Department of Health and Human Services, July 2003, available at <http://aspe.hhs.gov/hsp/newws/synthesis02/>.

We also support other measures to help people with disabilities and/or severe employment barriers. The State should re-examine how it screens and assesses people with disabilities and/or severe employment barriers.

Finally, the State should partner with state and local agencies that specialize in assisting people with disabilities as a means of providing support to these recipients.

- **Establish a Transitional Jobs Program:** The State should also explore and establish a transitional jobs program for individuals with severe employment barriers because they are a proven and effective alternative to workfare.⁸ In addition, transitional jobs programs provide recipients with paid, temporary work experience at a real job *in a supportive environment*. Transitional jobs can help expand opportunities for sustainable employment for low-income families by helping them get a “foot in the door.”
- **Pass Through More Child Support to Families:** The State also should take advantage of opportunities under the Deficit Reduction Act (DRA) to ensure that more child support is actually received by low-income families, rather than retained by the State and/or sent back to Washington. For example, Missouri could pass through and disregard child support in determining cash assistance eligibility. Or it could pay families before reimbursing the government when past child support is obtained through federal tax intercepts.
- **Continue to serve Two-Parent Families:** The State must continue to serve two-parent families in a meaningful way. It should either by serve them outside of the TANF structure or within the TANF structure and absorb the very small financial penalties associated with failing to meet the “two-parent” family work participation rates (which are nearly impossible to meet). Federal and State policy share the goal of encouraging marriage. It doesn’t make sense to penalize two-parent families. Continuing to serve two-parent families is important because it ensures that these families get supportive services and ensures that these families have a greater chance at successfully finding *and keeping* employment.
- **Improve and Expand Access to Child Care:** Missouri must draw down the full amount of new federal dollars available to the State under the new TANF law and must expand its child care eligibility limits, which consistently rank at or near the bottom of the nation. With new and more stringent requirements, it will be essential for Missouri to make child care more accessible for Missouri’s low-income families who are trying to transition from welfare to work.

⁸ In addition, the National Governor’s Association has declared that “[m]any of the most successful experience-building programs incorporate characteristics of a model commonly called ‘transitional jobs.’” NGA Center for Best Practices, “The Wait is Over, the Work Begins: Implementing the New TANF Legislation,” June 14, 2006, at 12. For a discussion of these types of programs, see, e.g., Allegra Baider and Abbey Frank, “Transitional Jobs, Helping TANF Recipients with Barriers to Employment Succeed in the Labor Market,” Center for Law and Social Policy, May 2006, http://www.clasp.org/publications/transitional_jobs_06.pdf.

- **Expand Access to other Work Supports:** Of course, the State should expand access to other needed work supports if welfare reform is to be successful. Ensuring **access to health care** for low-income working families has historically been a critical component of Missouri's welfare reform efforts. Regardless of prior decisions to reduce coverage to these families, it makes little sense to implement policies that provide health coverage at decreasing levels of poverty each year to low-income families (by tying Medicaid coverage to 1996 AFDC benefits -- \$292 per month for a family of three), rather than more realistic income levels that are tied to the federal poverty level. TANF reauthorization makes it important to re-examine prior decisions on restricting access to Medicaid, in order to help facilitate the transition from welfare to work for families, meet the new participation rates, improve health outcomes, and alleviate poverty.
- **Avoid Punitive Approaches:** Since welfare reform was initiated in 1996, Missouri has not chosen to implement some of the punitive measures that some states have enacted. However, the State is now considering a number of punitive approaches, e.g. full-family sanctions and shorter time limits.

The Family Support Division, the arm of the Department of Social Services charged with implementing Missouri's welfare reform, lists this as its mission: *To maintain or improve the quality of life for the people of Missouri by providing the best possible services to the public, with respect, responsiveness and accountability, which will enable individuals and families to better fulfill their potential.* While it may be tempting for the State to take the "easy way" out by using punitive policies to decrease the number of families in its caseload, these approaches are contradictory to this mission and to the goals of federal welfare reform. Punitive policies will only plunge families with significant barriers into deeper poverty.⁹ Therefore, Missouri should not adopt full-family sanctions and/or shorter time limits.

Missouri should take a careful look at these strategies to ensure that the State moves forward in a positive direction in the next stage of welfare reform. These approaches will ensure that Missouri strives not only to meet the new federal requirements but also to help the most vulnerable children and families achieve self-sufficiency and escape poverty.

⁹ Recent research shows that families reaching time limits generally have very severe barriers, and a wide body of research shows that the same is true for sanctioned families. See e.g., La Donna A. Pavetti and Jacqueline Kauff, "When Five Years is Not Enough: Identifying and Addressing the Needs of Families Nearing the Time Limit in Ramsey County, Minnesota," Mathematica Policy Research, March 2006, http://www.mathematica-mpr.com/publications/redirect_pubsdb.asp?strsite+timelimitramsey.pdf. There is also no significant evidence that more punitive approaches improve compliance, let alone employment outcomes and family well-being. There is no evidence that full-family sanctions are more effective than partial sanctions at encouraging recipients to participate or at improving employment outcomes. See discussion in Dan Bloom and Don Winstead, "Sanctions and Welfare," Brookings Institution Policy Brief, January 2002, <http://www.mdrc.org/publications/191/policybrief.html>.