



Center for Public Policy Priorities

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By email to kim.dutchover@hhsc.state.tx.us

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Dear Ms. Dutchover:

Thank you for the opportunity to comment on the TANF State Plan. I am submitting the following comments on behalf of the Center for Public Policy Priorities. The center is a non-profit, non-partisan research organization committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans.

I'd like to preface my comments by acknowledging that what happens to families on and leaving TANF in Texas is not solely the result of actions taken (or not taken) by HHSC. TWC plays a large role as well, given its responsibility for administering the Choices program. We recognize that HHSC has limited control over the policy choices made by TWC and the implementation of those policies. Ultimately, however, as the lead agency for TANF, HHSC has the opportunity to shape policies and their implementation in a manner designed to produce the best outcomes for TANF recipients. With that in mind, our comments identify areas for improvement in both agencies' administration of the program, but we make every effort to restrict our recommendations to those policies that HHSC has the power to change.

General Comments

The primary goal of TANF should be to reduce poverty through work, which requires giving recipients the skills they need to get jobs that bring their families above the poverty level. By the same token, the measure of success in Texas' TANF program should be its achievement in putting families on the path to self-sufficiency. Any policy decision must be evaluated for its ability to help the state achieve this goal.

Unfortunately, many of the policies instituted in Texas over the last five years have been fueled by the singular goal of reducing caseloads. For example, the full-family sanction policy implemented in 2003 has forced families off the program in droves, reducing the number of adults provided employment opportunities through the TANF work program and leaving the parents of tens of thousands of poor children without the very help they need to care for their kids.

In focusing solely on reducing caseloads, we have missed important opportunities to invest in services to help families advance in the workforce and escape poverty. For many recipients, our "job-first" first approach has come at the expense of meaningful skills development and career-based training. Though this approach has succeeded in getting the most employable TANF adults into low-wage jobs, it has also limited the recipients' opportunities to attain the skills and credentials they need to become self-sufficient. In 2006, only 9% of Texas TANF recipients were involved in education or training activities related to employment. As a result, the vast majority of adults who leave TANF for work in Texas have below poverty earnings; many have trouble staying employed and return to welfare within six months of leaving TANF. In 2005, the average wage of employed TANF "leavers" was \$7.08 per hour—well below poverty for a family of three.

Though caseloads have declined – falling 75% in the decade following welfare reform – TANF now helps a smaller share of poor families than ten years ago. While child poverty declined in the mid-1990s, it has

increased since 2000, as has the number and share of Texas children living in extreme poverty (below 50% of the poverty level). As a result, cash assistance reached 33% of Texas' 1.5 million impoverished children in 1996. By 2006 only 2% of poor children in Texas received TANF. This provides strong evidence to suggest that Texas' TANF policies overall have been harmful to poor children.

Recent changes to the federal Temporary Assistance for Needy Families (TANF) block grant place new pressures on Texas to reduce its welfare caseloads and increase the number of families participating in work activities or face financial penalties. At the same time, the new rules make it harder for states to design effective welfare-to-work programs, particularly for those recipients who face the greatest barriers to employment. These changes are making it harder for Texas to achieve its work participation targets, exposing the state to the risk of financial penalties to its block grant.

Texas is at a fork in the road. The state could stay on the low road, continuing to pursue policies that restrict access to cash assistance by any means, or travel the high road, focusing on giving parents the skills they need to enter, advance, and succeed in the workplace. If the state took the high road, TANF could play an important role in shielding children from poverty. We offer the following recommendations with this goal in mind.

Increase eligibility limits and the grant amount

(Appendix B: Eligibility/Need: Standard or Standard of Assistance: D. Grant Levels/Standard and Maximum Need Amounts).

Families must be below 14% of poverty to qualify for TANF—less than \$3,000 *annually* for a family of three in 2007. Families who are poor enough to qualify for TANF in Texas receive one of the nation's lowest benefits. Texas' maximum monthly TANF payment is \$243 for a family of three. As of 2003, only five other states (Alabama, Arkansas, Mississippi, South Carolina, and Tennessee) provided less. The median benefit nationwide was \$396 per month, almost twice as much as Texas' median grant in 2003. Increasing the eligibility limit and grant levels would serve two purposes. First, it would ensure that while on TANF recipients would have adequate resources to work and care for their families. This would make it easier for them to comply with program rules and achieve self-sufficiency. Second, it would increase compliance rates, making it easier for Texas to achieve work participation targets. It would also likely reduce recidivism, thereby decreasing long-term state assistance costs. In its staff report to the 80th Legislature, the Legislative Budget Board (LBB) suggested that this change would improve outcomes for welfare recipients and help Texas meet federal requirements.

Expand the Earned Income Disregard from 4 to 6 months

(Appendix B: Eligibility/Need: Standard or Standard of Assistance: G. Disregards).

Texas currently disregards 90% of the earnings of TANF recipients for up to 4 months to enable them to continue to receive TANF assistance while they adjust to being in the workforce. The Earned Income Disregard (EID) policy helps welfare recipients move from welfare to work by supporting the harder and more important transition from work to self-sufficiency. Recent research offers compelling evidence that providing ongoing assistance to former welfare recipients in low-wage jobs improves employment outcomes. In addition, increasing the number of months a family qualifies for the EID would increase the Texas' work participation rate by keeping participating families in the Choices program for a longer period of time. In its staff report to the 80th Legislature, the Legislative Budget Board (LBB) discusses increasing the EID from 4 to 6 months as a means to "increase the participation rate...while providing more time for families to achieve economic independence."

Repeal the policy that terminates adult Medicaid when a family is sanctioned

(Sec. 402(A)(1) Outline Of Family Assistance Program: (A) General Provisions, ii)

Though permissive under federal law, Texas is among only a handful of states that terminate an adult caretaker's Medicaid when that caretaker fails to comply with TANF work rules. This sanction is *not* mandatory under state law either; it is an option. An average of 3,800 adults per month lose Medicaid for non-compliance with the TANF work requirement. This policy is counter-productive to the goals of the

TANF program. National research, as well as Texas' own research with TANF recipients, has consistently identified TANF clients with health problems as among those who have the most difficulty complying with program requirements. These studies have also found that sanctioned clients are more likely than other recipients to face barriers to employment such as physical and mental health problems. Cutting off health care to sick adults who have difficulty meeting work rules exacerbates their health problems, making it even harder for them to comply with program requirements. Parents with unattended health problems also have a harder time caring for their children and meeting the parenting requirements set forth in the TANF program. Eliminating this sanction would also increase compliance with the work requirements and improve the effectiveness of our full-family sanction.

Exercise the option to provide TANF to legal immigrants after the five-year bar
(Sec. 402(A)(1) (B) Special Provisions, ii)

National research has shown that the hardships faced by low-income immigrant families have deepened because of the restrictions on TANF, Food Stamps and Medicaid. In addition, local service providers report significant increases in demand for their services as a side-effect of the restrictions on immigrants' eligibility for TANF. Immigrant families in Texas have always utilized the state's meager cash assistance in limited numbers, but this emergency support can be crucial to the well-being of families in crisis. The availability of TANF for the relatively small subset of legal immigrants likely to qualify will help promote a return to self-sufficiency for this population when they have suffered a breakdown in their support systems. Moreover, access to TANF-funded employment services such as English as a Second Language (ESL) classes and work supports such as child care and transportation, could make the crucial difference in the success or failure of immigrants' efforts to become productive members of their new country. Texas is among only five states (Indiana, Mississippi, South Carolina, Texas, and Wyoming) that fail to provide TANF to all qualified immigrants who complete the federal five-year ban.

Expand the solely state-funded program to provide assistance to families who are exempt from working under state rules or who need services that do not satisfy the federal work requirement
(Appendix B: M. State-funded cash assistance program)

The state-funded program that currently serves two-parent families should be expanded to help Texas avoid fiscal penalties to its TANF block grant without jeopardizing assistance to hard-to-serve families. HHSC should use the state program to remove hard-to-serve families from its denominator while enabling the state to continue to provide assistance and other supports to these families to help them meet basic needs and overcome their barriers to employment. The state program should be expanded to provide assistance to two groups: 1) families who are unable to work due to an adult or child's long-term illness or disability but who are included in the state's work participation rate calculation; and 2) families who can work, but who need services that do not count toward federal participation.

Specify the exemptions from asset limits for college savings
(Appendix B: E. Income and Resources)

Saving for college (for individual or dependent) remains a key method of breaking the personal and intergenerational cycle of poverty. Parents who save for college instill a productive college-going culture that can have positive impacts on earnings, household stability, and overall well-being. Also, 529 college plans often designate a separate beneficiary apart from the account owner. Because state-administered 529 plans hold substantial penalties for non-qualified withdrawals, the TANF State Plan should seek to exempt completely all state-administered 529 plans from the resource limits, including the Texas College Savings Plan and the Texas Tomorrow Fund II. The Texas Tomorrow Fund is presently exempted in the Texas Works Handbook.

Improve the effectiveness and integrity of the full-family sanction process

Though not explicitly addressed in the state plan, we urge HHSC to reform its sanction policies to improve the process for identifying recipients who have "good cause" for not complying with program requirements, and help families who have been sanctioned comply with program rules so they can continue to receive the

work supports provided by TANF. Any sanction policy designed to improve compliance needs to be accompanied by a good one-on-one case management approach and clear outreach to clients informing them how to come into compliance.

Pre-sanction review: Both HHSC and TWC are responsible for contacting clients prior to imposing (or, in the case of TWC, requesting) a sanction to see if they had “good cause” for failure to comply. For the good-cause process to effectively protect clients from being sanctioned improperly, it is essential that clients be well informed about this option and know what constitutes good cause. Research with TANF recipients has found that parents are largely unaware of the reason they have been sanctioned and confused about why their assistance has been reduced. Moreover, anecdotal evidence from clients and the legal services providers who represent them suggest that clients are routinely sanctioned without any effort to explore good cause. HHSC should work with TWC to develop a pre-sanction review process that: 1) includes standard criteria that must be followed and documented by caseworkers before imposing a sanction; and 2) thoroughly examine the good-cause practices in local offices to make sure caseworkers are contacting clients to determine whether they have good cause for violating a program rule.

Post-sanction review: Once sanctioned, the vast majority of families simply lose their connection to TANF cash assistance and other work supports. Some of these families are sanctioned simply because they do not understand the program rules, while others may face serious barriers to employment that prevent them from complying. Though extensive research has documented the problems faced by sanctioned families, no process exists in Texas to determine why individual families are sanctioned and help these families overcome their barriers to compliance. HHSC should work with TWC to establish a post-sanction review process to identify barriers to compliance and help families comply with program rules. A post-sanction review process would enable caseworkers to identify why the family was sanctioned and determine the right course to help meet that family’s needs, including helping that family come into compliance.

These improvements would help Texas improve its work participation rates by increasing the number of families complying with the work rules, and removing from the denominator families unlikely to be able to comply.

Again, we are grateful for the opportunity to make these comments. Please do not hesitate to contact me if you have any questions about them.

Sincerely yours,



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