



## WHAT'S HAPPENING WITH TANF CASELOADS: STRICT RULES FORCE THOUSANDS OF KIDS OFF THE ROLLS

*In 2003 the legislature enacted several changes to the TANF cash assistance program that have made it much harder for very poor families to remain in this important program designed to get them into the workforce and out of poverty. Since implementing these changes, TANF enrollment has fallen 26 percent. The vast majority of the decline is a result of a "full-family sanction policy," resulting in children losing their benefits when a parent breaks a program rule. Since the policy was implemented in September 2003, over 14,000 children, on average, have lost their benefits each month. Although supporters of the full-family sanction policy argue that stiff penalties have resulted in higher compliance with the TANF work requirement, only one-third of sanctioned families actually return to the program within six months of being sanctioned. This suggests that the families who have the most difficulty complying with the program's rules—many of whom face the greatest barriers to employment—never return to TANF once sanctioned. This Policy Page analyzes the TANF caseload decline and the impact of strict sanction policies on program recipients and recommends a more reasonable sanction policy that helps rather than hurts poor children.*

### SUMMARY

- TANF enrollment fell 26 percent between fiscal 2003 and fiscal 2004. Children made up 65 percent of the overall caseload decline.
- The number of children receiving TANF dropped 22 percent.
- Full-family sanctions were responsible for 59 percent of the total caseload decline.
- Since the full-family sanction policy was implemented in September 2003, about 6,000 adults and 14,500 children have lost their TANF benefits each month. Over 5,000 adults have also lost their Medicaid each month when sanctioned for a TANF violation.
- Only one-third of sanctioned families return to the TANF program within six months of being sanctioned.
- Non-compliance with the "Choices" requirement—the TANF work program—has declined from 40 percent in July 2003 to 15 percent in December 2004. In large part, this is due to families being forced off the program rather than to parents complying with strict program rules. The number of adults required to participate in Choices has dropped 57 percent since July 2003, and the number of families with a mandatory Choices participant as a percentage of total families on TANF has dropped 38 percent (as of August 2004).
- A \$35 million balance in TANF federal funds in the state budget proposed for 2006-2007 would allow lawmakers to reverse or amend the full-family sanction policy.

### BACKGROUND

The Texas TANF program provides monthly cash assistance to extremely poor families with children. The average TANF benefit is about \$193 per month for a family of three, with a maximum benefit of about \$223 per month. For a family of three to receive benefits, the family's income must be less than about \$2,300 per year—14 percent of the federal poverty level (FPL) in 2004.

Approximately 80 percent of TANF recipients are children. Adult TANF recipients are required to work and to comply with parenting and conduct rules included in a "personal responsibility agreement" (PRA) that they sign when they enroll their family in the program.

#### TANF Personal Responsibility Agreement

- Participate in approved work activities,
- Not quit a job voluntarily,
- Cooperate with child-support collection efforts,
- Keep children in school,
- Ensure children are current with their immunizations,
- Ensure children receive required health and dental check-ups,
- Not abuse alcohol or drugs, and
- Attend parenting classes.

Before September 2003, Texas sanctioned *only the adult caretakers in a TANF household* for failure to comply with PRA requirements. When an adult failed to comply with

work or child support cooperation requirements, the *adult's portion* of the family's cash assistance was terminated. For non-compliance with any of the other program requirements, the client was sanctioned a fixed dollar amount for each infraction. For example, a parent was sanctioned \$25 a month for each child not meeting school attendance requirements.

Under the full-family sanction policy adopted in September 2003, the family loses all of its TANF assistance when a parent violates any requirement of the PRA. Caretaker adults now also lose their Medicaid benefits if they violate the work requirement of the PRA (adults have always been subject to losing their Medicaid if they failed to cooperate with child support enforcement).<sup>1</sup> Adults are required to show one month of compliance before their family's benefits are reinstated.

### TANF DECLINE, 2003-04

TANF enrollment fell 26 percent between fiscal 2003 and fiscal 2004—from 367,897 to 273,434 recipients. The number of children receiving TANF dropped 22 percent; children made up 65 percent of the overall caseload decline.

	TANF Recipients		
	Children	Adults	Totals
<b>Fiscal 2003</b>	274,894	93,003	367,897
<b>Fiscal 2004</b>	213,541	59,893	273,434
<b>Total Decline</b>	61,353	33,110	94,463
<b>% Decline</b>	22%	36%	26%

The number of families receiving TANF each month in fiscal 2004 was, on average, 29,678 lower than in fiscal 2003.

For caseload declines by county, visit our web site at [www.cppp.org](http://www.cppp.org).

### Impact of full-family sanctions on the caseload decline:

Several policy changes enacted in 2003 contributed to the drop in TANF enrollment: full-family sanctions, a lower asset limit (the amount of liquid resources a family may have and still qualify for benefits), and stricter vehicle asset rules. Among these, full-family sanctions had the greatest impact on caseloads. The

<sup>1</sup> In 2003, TWC attempted via an emergency rule to expand the Medicaid sanction to parents who violate non-work, non-child support TANF rules, which is impermissible under federal Medicaid law. CPPP filed suit to stop the rule, which had been improperly enacted as an emergency rule. TWC then adopted the rule through regular rulemaking. Three TANF clients, the Texas Welfare Reform Organization, and the El Paso County hospital district then sued TWC to stop the rule. In April 2004, the U.S. district court ruled in favor of the plaintiffs, enjoining TWC from implementing the expanded sanction. TWC appealed, and arguments were made this week to the 5<sup>th</sup> circuit court of appeals. A decision from that court is pending.

Health and Human Services Commission (HHSC) estimates that 17,511 fewer families received TANF each month in fiscal 2004 as a result of the full-family sanction policy<sup>2</sup>—59 percent of the average monthly decline in TANF enrollment.

Since the full-family sanction policy took effect, 20,323 TANF recipients, including 14,564 children, on average, have lost their benefits each month. Only one-third of sanctioned families, on average, return to the TANF program within 6 months of the sanction.

### Impact of the new TANF-related Medicaid sanction:

As of February 2005, the total number of poor parents with dependent children receiving Medicaid was 105,799, a decline of 28 percent or 41,518 fewer parents than were covered in July 2003. Several changes made by the legislature in 2003 contributed to this decline: the elimination of medically needy coverage (estimated by HHSC to affect 8,000 to 10,000 parents per month), the new TANF sanctions and the reduced TANF asset limit, and a lack of awareness among former TANF parents that they generally remain eligible for Medicaid.<sup>3</sup> The work-related Medicaid sanction has caused 5,138 adults per month, on average, to be denied Medicaid since September 2003.

### HAS THE FULL-FAMILY SANCTION “WORKED”?

The percentage of adults not in compliance with the work requirement fell from 39.9 percent in July 2003 to 12.4 percent in August 2004. In the area of child support enforcement, the rate of non-compliance dropped from 5.2 percent to 1.6 percent. Compliance with parenting and conduct requirements fell from 9.6 percent to less than one percent.

Type of program violation	No. of cases* with sanctions	No. of cases**	Non-compliance rate***
<b>July 2003</b>			
Work (“Choices”)	23,529	59,131*	39.8%
Parenting/conduct	12,459	130,323	9.6%
Child support	6,834	130,323	5.2%
<b>August 2004</b>			
Work (“Choices”)	3,491	28,180	12.4%
Parenting/conduct	219	99,736	0.2%
Child support	1,587	99,736	1.6%

\*Case refers to the number of families, not individuals.

\*\*Some TANF adults are exempt from the work requirement; this is the number of adults required to participate in Choices.

\*\*\*Families sanctioned as a percentage of total TANF families expected to meet these program requirements.

<sup>2</sup> HHSC, “TANF Caseload Reduction Report,” December 2004

<sup>3</sup> CPPP analysis of Medicaid enrollment data from HHSC.

While full-family sanctions have increased compliance with TANF requirements, better compliance has come with a cost. Texas should evaluate the outcomes of full-family sanctions the way it judges the success of public schools at getting students into college. For example, a high school that gets 100 percent of its graduating seniors to go to college, but that achieves this result only by driving off 40 percent of the entering freshmen, is not doing its job. Likewise, a workforce system that achieves a high program compliance rate, but does so only by reducing its rolls by 30 percent, is not doing its job. The full-family sanction policy can only be judged in the broader context of caseload declines and the success of the TANF program at getting poor parents into the workforce.

At the same time that compliance rates have soared, only one-third of sanctioned families return to the TANF program within 6 months of being sanctioned. Further, the number of adults required to participate in the Choices work program has dropped 57 percent since July 2003, and the number of families with a Choices participant as a percentage of total families on TANF has dropped 38 percent (as of August 2004).<sup>4</sup>

	<b>Number of Choices participants*</b>	<b>Percentage of families with a mandatory Choices participant**</b>
July 2003	59,131	46%
Present*	25,283 (Dec 04)	29% (Aug 04)
% Decline	57%	38%

\*The latest available data are for December 2004.

\*\* The latest available data are for August 2004.

These data strongly suggest that the high rate of compliance has been achieved by forcing families off the program when they have difficulty complying with program rules, *not* because the stricter sanction policy has prompted a majority of clients to comply with program requirements.

Numerous studies and the experience of other states support this conclusion. These studies indicate that sanctioned families are both more likely to face obstacles to employment, and to be saddled with many severe barriers to getting or keeping a job, including transportation barriers, child care problems, borderline disabilities, physical and mental health problems, and chemical dependency. The hardest-to-serve parents are also the families states should do their best to reach. However, excessively harsh and punitive sanction rules serve the opposite purpose: they not only deprive the neediest

<sup>4</sup> The Texas Health and Human Services Commission provided this information in response to a CPPP request for data on TANF sanctions. The data provided cover the period immediately preceding the imposition of the full-family sanctions (July 2003) to the present.

parents of critical cash assistance, but also sever their connection to employment services and other supports offered by TANF, further impeding these parents' ability to work and care for their children.

**How does the “good cause” policy affect the application of sanctions?** A TANF recipient who has received a sanction notice can request a hearing to show she had “good cause” for violating a program rule and continue to receive her benefits until the outcome of the hearing. The 2003 legislation that mandated the full-family sanction policy tightened the timeframes for requesting a hearing. A client now has only 13 days from the date the notice is *sent* (not received) to challenge the sanction and request a hearing. HHSC and the Texas Workforce Commission (TWC)—whose caseworkers enroll people in TANF and Choices—have adopted rules about what constitutes good cause and require their caseworkers to make a “reasonable attempt” to contact clients directly and determine if there is good cause for non-cooperation.

## HOW DOES TEXAS' POLICY COMPARE TO OTHER STATES?

Only 17 other states have a TANF sanction policy similar to Texas' new policy, and only 13 states impose a work-related Medicaid sanction on TANF clients. Over two-thirds of states use either a partial cash assistance sanction—similar to Texas' old policy—or a gradual full-family sanction that begins with a partial sanction and only escalates to a complete loss of assistance after non-compliance has continued for an extended period, usually 3 to 6 months.

## RECOMMENDATIONS FOR A FAIRER AND EFFECTIVE SANCTION POLICY

### Limit the use of full-family sanctions.

- Avoid full-family sanctions entirely, or employ a full-family sanction only after an extended period of non-compliance by the parent.
- Restrict the use of full-family sanctions to violations of the work requirement.
- Children whose parents fail to comply with the parenting and conduct rules should **never** be punished by depriving the family of critical cash assistance. *The parenting rules are designed to make adults better parents.* Severing a parent's ties to the employment services and other work supports she receives through TANF because she misses her child's doctor appointment makes it *harder* for this mother to care for her children.

### **Improve case management with clients about the sanction process and evaluate the effectiveness of policy and practices related to good cause.**

For any sanction policy to result in compliance, it 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 and avoid the penalty. For the good cause process to effectively protect clients from being sanctioned improperly, it is essential that clients be well informed about this option, know what constitutes good cause, and be contacted by their caseworker prior to the imposition of a sanction to make sure they have received the notice and do not have a good cause reason for non-cooperation.

In the past, Texas' research with TANF recipients found that parents are largely unaware of the reasons they have been sanctioned and confused about why their assistance has been reduced.<sup>5</sup> Texas can improve case management and the good cause process by:

- Requiring caseworkers to contact a client *before* sending a sanction notice,
- Reverting to the pre-2003 timeframe for a hearing request (13 days *after* a notice is *received*), and
- Thoroughly examining 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.

**Abolish the 2003 policy that denies an adult TANF recipient's Medicaid for violation of the work requirement.** There is no evidence that terminating a parent's Medicaid in addition to all cash assistance to the family increases compliance. Further, 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 also found that sanctioned clients are more likely than other recipients to face employment barriers such as physical and mental health problems. Punishing these clients by cutting off their Medicaid only exacerbates these health problems, making it even harder for them to comply with program requirements. Termination of Medicaid benefits to TANF adults also shifts the cost of their health care to emergency rooms and other local health care providers who will not be compensated for the care provided.

Only 13 states have chosen to terminate Medicaid benefits for adults not in compliance with work requirements, and no state imposes a sanction for anything other than a child support or work violation. None of the other five most populous states impose this Medicaid sanction, and of the

five states with the largest TANF caseloads—California, New York, Pennsylvania, Texas, and Michigan—only Michigan had a Medicaid sanction before Texas' decision to impose one.<sup>6</sup>

### **IS THE 79<sup>TH</sup> LEGISLATURE CONSIDERING CHANGES TO THE TANF POLICIES ADOPTED IN 2003?**

Yes. Representative Elliott Naishtat has filed legislation to revert to pre-2003 sanction policies (HB 1061) and abolish the adult Medicaid sanction related to work violations (HB 711). In a separate bill, Rep. Naishtat has proposed raising the TANF asset limit to pre-2003 levels and changing the vehicle asset rules to conform to the Food Stamp vehicle limit (HB 709).

### **THE TANF BLOCK GRANT AND THE STATE BUDGET PROPOSED FOR 2006-2007**

The state budget as introduced (SB 1/HB 1) is based on agencies' request for TANF and other funds. This draft bill serves as the starting point for the 79<sup>th</sup> legislature's debate and ultimate decisions about the state budget for fiscal 2006-2007.

For 2006 and 2007, the LBB proposes spending \$1.150 billion in total federal TANF, about \$9 million more than budgeted for 2004-05. TANF Maintenance of Effort (state funds required to draw down the federal block grant) remains unchanged, at \$503 million for the biennium.

In the budget draft, a proposed biennial increase of \$40 million in federal TANF spending at the Department of Family and Protective Services (DFPS) would make this agency the single largest recipient of TANF, surpassing the Health and Human Services Commission. Most of the increased federal TANF at DFPS would pay for foster care and child protective services. HHSC would receive \$20 million less in TANF federal funds, mainly because of reduced spending for cash assistance grants (the result of the TANF caseload decline), TIERS (the state's fledgling computer system for eligibility determination), and the proposed use of call centers to determine eligibility for TANF, Medicaid, CHIP, and Food Stamps. The Department of State Health Services would lose \$8.5 million in TANF federal funds due to the elimination of the transfer of TANF to Title XX that supports family planning programs. The Texas Workforce Commission would also get less TANF federal support, mainly due to cuts in federal TANF for the Self-Sufficiency Fund—a customized training program for TANF recipients—and

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<sup>6</sup> U.S. Department of Health and Human Services, Administration for Children and Families, and Mathematica Policy Research, Inc., "Review of Sanction Policies and Research Studies," March 10, 2003

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<sup>5</sup> Texas Families in Transition, Texas Department of Human Services, January 2002.

Project RIO for ex-offenders. The rising cost of state employee benefits at health and human services agencies is addressed in part with \$8.6 million in new TANF federal support.

A full report on the TANF block grant in the 2006-2007 budget will be posted on our web site soon.

**Does the state have enough TANF funds to change the full-family sanction policy?**

Yes. By the end of fiscal 2007, about \$35 million in TANF federal funds would remain unspent. This balance is down considerably from the \$170 million federal TANF balance that existed at the end of fiscal 2003. However, it does give House and Senate budget writers the fiscal ability to change the full-family sanction policy adopted in 2003. Although an official estimate of the cost of changing these policies has not been released yet by the Legislative Budget Board (LBB), CPPP's initial calculations indicate that the balance in federal TANF funds is sufficient to abolish the full-family sanction and return to the pre-2003 policy.

It is likely that both of the proposed changes—abolishing the full-family sanction and the work-related Medicaid sanction—would require some additional Medicaid funds. But, given program overlap and design, higher TANF enrollment as a result of less punitive sanction policies should not lead to much higher Medicaid costs.