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An update on state and federal action from

The Center for Public Policy Priorities

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House and Senate Budget Committees Consider TANF Surplus

As we have discussed in previous *Policy Pages*, the new federal welfare law created a block grant – Temporary Assistance for Needy Families (TANF) – replacing AFDC, Title IV-A Emergency Assistance and JOBS, the job training program for welfare recipients. Texas' allocation of federal funds through this block grant is based on spending in FY 1994. Because the caseload declined significantly since 1994 (see Table 1), Texas will receive more funds under TANF than needed to continue programs at their current levels (see Table 2). For FY 1997 the TANF allocation is \$486.3 million. Texas' budgeted expenditures of TANF funds in FY 97, plus potential emergency appropriations for TWC, TDHS, and TDPRS, leave a surplus of \$62 million. The TANF grant increases slightly to \$499 million in FY 98 and \$512 million in FY 99. When the LBB released its budget recommendations for FY 98 and FY 99 they held programs at current levels and therefore left a surplus of \$296.5 million for the coming biennium. Adding this to the FY 97 surplus, there is an estimated \$358.2 million in excess TANF funds in the coming biennium. There is also the potential of excess state general revenue as well. Because the state is required to maintain only 80% of its historical state spending to receive TANF, the LBB Budget leaves \$77.6 million in "freed-up" GR (see Table 3).

A Primary Reason for the TANF Surplus: Lower Estimate of Cash Benefit Recipients	
Year	Avg. Number of Cash Benefit Recipients per Month
1994	786,313
1998	535,986*
1999	508,052*

* Caseload estimate included in the LBB Budget Recommendations

Texas' TANF Surplus under the LBB Budget (Dollars in Millions) (Totals may not add due to rounding)			
	FY 1997	FY 1998	FY 1999
TANF Block Grant	\$486.3	\$486.3	\$486.3
Supplemental Grant	\$0.0	\$12.7	\$25.7
Total Allocation	\$486.3	\$499.0	\$512.0
LBB Recommended Allocations			
Total Budgeted and/or Allocated	\$424.4 ¹	\$363.2	\$351.5
TANF Unspent in LBB Budget	\$62.0	\$135.7	\$160.5
Total TANF Surplus			\$358.2

How to Use the TANF Windfall

Clearly the TANF surplus presents the Senate and House budget committees with important decisions about how these surplus funds will be spent. The funds should be spent directly on the types of services that will help recipients make a transition to employment, particularly now that there are time limits on benefits. Unfortunately, the TANF funds can also be moved around in such a way as to free up state general revenue (GR) for other uses. There is a very real danger that TANF funds will be utilized as a *method-of-finance* gambit to pull funds away from the types of services needed to make welfare reform succeed. The state is at a critical juncture. As the House and Senate budget committees deliberate on the use of TANF funds, they must be encouraged to use the funds wisely. Various agencies have been working on proposals for using additional TANF funds. However, until last week no one had presented an overall plan for the use of the TANF surplus. On January 29th, the Center for Public Policy Priorities presented a comprehensive plan for using the TANF block grant to the Senate Finance committee. The proposal is guided by two principles. 1) The TANF block grant must be used to invest in services that will make welfare reform work. 2) TANF funds should not be used as a *method-of-finance* tool to move state general revenue from services to needy families to other parts of the budget.

Texas' Maintenance of Effort Requirements State General Revenue (Dollars in Millions)		
	FY 98	FY 99
Required 80% M-o-E	\$251.4	\$251.4
Required 100% M-o-E	\$314.3	\$314.3
LBB Budget Recommendations		
Total	\$293.6	\$287.0
General Revenue Exceeding 80% M-o-E Requirements	\$42.1	\$35.5

¹Includes \$389.1 million budgeted and allocated for FY 97 plus \$35.2 million in potential emergency appropriations at TWC, TDHS, and TDPRS.

Making Reform Work: The CPPP Proposal for Using the TANF Block Grant

1. Provide Temporary Assistance and Encourage Child Support

A. Support Needy Families

- Continue to provide basic income assistance (formally known as AFDC) at current benefit and eligibility levels.

B. Encourage Child Support

- Continue to “pass through” \$50 of collected child support payments to families receiving cash assistance and to disregard the \$50 in calculating benefit levels. This had been the operative policy until the recent federal welfare law.

C. Reward Cooperation

- To increase the rate of paternity establishments and child support orders, provide a one-time incentive payment of \$100 for timely cooperation.

2. Build a Welfare-to Work System that Works

A. Create a Ramp to Self-Sufficiency

- Allow those who begin to earn income to retain a small portion of their benefits.
- Provide Earned Income Tax Credit (EITC) assistance at TWC offices.

B. Expand Opportunities for the Job Ready

- Provide intensive orientation for recipients on TANF time limits and work requirement at eligibility offices.
- Give automatic appointments to employment assistance for all clients who are not exempt from work participation.
- Increase case-management activities for more one-on-one assessment and assistance to clients seeking work.
- Combine job placement services (such as “work first”) with other education and training opportunities both during job-search and when clients work part time.

C. Maximize Federal Child Care Funding

- Use General Revenue allocated in LBB budget that exceeds the state’s TANF Maintenance of Effort requirements to draw down all available federal child care funding.

D. Invest in Long-Term Success

- Develop job-retention services and re-employment assistance to ensure that clients stay employed.
- Target job training to high-wage jobs and offer non-traditional employment opportunities for women.
- Offer microenterprise development and self-employment assistance, particularly in rural areas where few jobs may be available.
- Utilize community colleges or technical training to prepare clients for available jobs.

- Expand the use of Individual Development Accounts (IDAs) to allow recipients to save money for housing, education or employment needs.

E. Provide a Ladder Up for the Least Job-Ready

- Expand basic education and literacy services for those who are the least job-ready.
- Provide automatic referrals for clients with the least skills who may soon face time limits.

3. Protect Children and Strengthen Families

A. Protect Children and Strengthen Families

- The CPPP proposal strengthens Child Protective Services (CPS). It would fund investigations of child abuse and neglect, foster care (for children not eligible to receive federally funded foster care), and counseling and other support services for children and families referred to CPS. It also fully funds expected increases in reports, investigations, and services.

B. Support Families Facing Economic Distress

- This CPPP proposal targets emergency aid to low-income families risking dissolution primarily due to economic distress. Caseworkers would have access to a limited amount of money to purchase discretionary items or services necessary to prevent the removal of a child or to hasten their return home. Additionally, these families would be referred to TWC for priority employment assistance.

4. Target Teen Parents to Keep Them on the Path to Independence

A. Expand Services for Teen Parents on Welfare

- Increase services designed to keep teens in school, prevent additional pregnancies, and promote a successful school-to-work transition.

B. Fund Adult-Supervised Homes for Teen Mothers

- The new federal law would deny TANF assistance to any teen parent not living with their parent, other adult relative or an approved adult-supervised setting. Few of these “second-chance” homes exist in Texas. This proposal would fund supportive, adult-supervised settings for these teens, particularly those at risk of losing TANF assistance.

Contingency Fund:

- The CPPP proposal uses no GR above the LBB budget but fully utilizes the TANF surplus for FY 98 and FY 99. However, whatever funds are carried forward from FY 97 (estimated to be \$62 million) would be placed in a contingency fund to meet possibly higher caseloads or federal penalties for not meeting all the stipulations of the new law.

Copies of the full proposal (30 pages) are available by mail for a donation of \$10. Call Lila at 320-0222.

What's Next

The House Appropriations Committee and the Senate Finance Committee will begin marking up the budget bill in the next few weeks. Allocation of the TANF block grant and the surplus will be among their top issues. It is critical that the committee members understand the importance of using the TANF block grant to make welfare reform work. There is a real danger that the temptation to use the TANF surplus to supplant other funds will cause them to focus on short term budget shuffling rather than investing the funds to support success for the neediest Texas families.

Already, the governors' budget has opened the door to the type of refinancing strategy that would quickly draw TANF funds away from their real purpose. While the governor's budget does draw down all available child care funds and somewhat increases funding for employment services, it largely utilizes the TANF block grant as a *method-of-finance* tool for freeing up state general revenue and supplanting state funds in several areas, most notably at DPRS. This refinancing may help them pay for the \$1 billion dollar tax plan but it leaves the most vulnerable Texans without of the critical assistance necessary to become self-supporting before their time-limited assistance runs out.

What Can You Do?

There is a very narrow window of opportunity for the House and Senate budget committees to make the right choices in spending the TANF block grant. They need to hear this simple message. "Spend the TANF block grant on job training and services to needy families. Welfare reform will fail if we do not use these funds for their real purpose." Additionally, you could encourage them to review the CPPP TANF block grant plan.

We have been presenting our plan to legislators on both committees, so they should be aware of our proposal. In the Senate, it will be important to let the chair – **Sen. Ratliff** – know that the use of the TANF funds deserves careful consideration. In the House, we have presented our plan to a joint meeting of the House Appropriations Subcommittees on Health and Human Services (**Bob Glaze, Chair**) and General Government (**Talmadge Heflin, Chair**), when they review the Texas Workforce Commission together on Feb. 10th. These committees are central to TANF decisions.

You are encouraged to copy and distribute

Senate Finance Committee

Members		Phone (512)	Fax (512)
Sen. Bill Ratliff, Chair	Mt. Pleasant	463-0101	475-3751
Sen. Carlos Truan, Vice Chair	Corpus Christi	463-0120	475-3741
Sen. Ken Ambrister	Victoria	463-0118	475-3736
Sen. Gonzalo Barrientos	Austin	463-0114	463-5949
Sen. Teel Bivins	Amarillo	463-0131	475-3733
Sen. J.E. Brown	Lake Jackson	463-0117	463-0639
Sen. Eduardo A. Lucio	Brownsville	463-0127	463-0061
Sen. Mike Moncrief	Fort Worth	463-0112	463-0326
Sen. Jane Nelson	Flower Mound	463-0109	463-0923
Sen. David Sibley	Waco	463-0122	475-3729
Sen. Jeff Wentworth	San Antonio	463-0125	463-7794
Sen. Royce West	Dallas	463-0123	463-0299
Sen. Judith Zaffirini	Laredo	463-0121	476-3733

House Appropriations Committee

Members	Phone (512)	Fax(512)
Robert Junell, Chair	463-0472	463-1025
Dianne White Delisi, <i>Vice Chair</i>	463-0630	463-0937
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