



THE POLICY PAGE

An update on state and federal action from

The Center for Public Policy Priorities

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House and Senate TANF Spending Plans Fall Short in Meeting Needs of TANF Recipients

The House and Senate are discussing proposals for spending the \$393 millionⁱ Temporary Assistance for Needy Families (TANF) surplus. Although both are good starting points, neither represents the final product. We anticipate further work on these plans, particularly in the Senate since the Finance Committee has not yet debated allocating TANF.

What the House and Senate TANF Plans Do

The House proposal allocates only \$220 million of the TANF surplus; the Senate \$275 million. Therefore, both leave funding to be allocated later or held in contingency. Both plans allocate a small portion of the surplus for services designed to move welfare recipients to work. The Senate allocates only 16%^{iv} and the House 14%^v. (The House plan does not fund any new job training.) Both plans use roughly a third of the TANF surplus to replace general revenue (GR) and Title XX funds so that revenue can be used elsewhere in the budget. On a positive note, a portion of these funds are used to provide matching funds for child care. Additionally, other very necessary programs are funded with these dollars, such as community care.

Summary of House and Senate TANF Allocation Plans				
	House	%	Senate	%
TANF Surplus	\$393	100%	\$393	100%
TANF Allocated	\$220	56%	\$275	70%
TANF needed for FY 97 Emergency Appropriations	\$33	8.4%	\$33	8.4%
TANF Remaining	\$140	36%	\$85	21%
How Allocated TANF was Used				
To Replace GR & Title XX	\$119	31%	\$144	37%
To Expand Welfare-to-Work Activities	\$55	14%	\$64	16%
To Expand Other Services ⁱⁱ	\$22	6%	\$41	11%
To Maintain Current Policies ⁱⁱⁱ	\$22	6%	\$26	6%
(Dollars in Millions; Biennial Totals above LBB Budget)				

Concerns about the House and Senate TANF Plans

Several of the initiatives funded in the House and Senate TANF plans are laudable, such as the funding for child care in both proposals, the House's investment in adult basic education and literacy, and the Senate's investment in job training. However, two issues raise concern.

1. Neither plan sufficiently invests in welfare-to-work activities. Both plans fund the JOBS program for welfare recipients to help Texas meet the federal work requirements. However, this will primarily support job placement, not job training. Even though both houses add other funding for welfare-to-work activities, neither invests enough to meet the state's responsibility to welfare families facing five year lifetime limits.

2. Both plans use TANF funds as a refinancing tool. Both use TANF to replace state GR and Title XX and then use those funds in other places in the budget. With approximately \$1.5 billion in state GR still available in the House budget and \$1 billion in the Senate budget, there are other revenue sources to fill gaps in the budget. We believe federal TANF funds should be used primarily to meet the challenges of the new federal welfare law.

CPPP's Priorities for TANF Spending above the LBB Budget

1. Welfare to Work Transition

Invest at least 25% of the TANF surplus in welfare-to-work activities. Will help Texas meet the work requirements and help welfare families to become self-sufficient as their welfare time limits approach.

2. Respond to Legal Immigrants' Loss of Services

Invest \$44 million to respond to the loss of \$500 million in benefits to legal immigrants in FY 98-99. Will minimize the human toll on elderly and disabled immigrants, and the massive cost-shift to cities, counties, churches and charities.

3. Lessen the Impact of Reform on Children

Federal welfare reform's impact on children likely to be great: time-limited welfare benefits, reductions in SSI, food stamps, child nutrition programs, and cuts to CPS funding sources. TANF investment will help mitigate the impact of reductions.

4. Fund Increase in Child Protective Services Needs

Need for CPS services is likely to increase as families experience benefit reductions. Invest TANF to help support increased need in child protection.

CPPP Priorities resulted from our analysis of the Congressional intent for TANF spending as defined in the new federal welfare law and our work to determine principles we believed should be followed in spending TANF.

What Congress Intended for TANF

When Congress created the new TANF block grant, they wanted to give states the flexibility to take a new approach to welfare. However, Congress clearly expected states to use this flexibility to find innovative ways to help welfare recipients make the transition from welfare to work. This is evidenced by the fact that Congress put in place stringent new work requirements for TANF recipients and work participation rates for states. Congress also put a five-year lifetime limit on receipt of assistance. Clearly, Congress anticipated that states would take their new responsibility seriously and make great efforts to ensure that families no longer needed to rely upon government assistance in five years.

Additionally, Congress outlined four purposes states are to meet in expending their TANF funds. These purposes further demonstrate Congress' expectation that states would use this block grant to provide job training and to reduce reliance on government benefits.

Congress also allowed TANF to be: 1) spent on programs previously authorized to use the funds (e.g. AFDC, JOBS, and Child Protective Services funded by Emergency Assistance); 2) transferred to the child care block grant or Title XX (a.k.a Social Services Block Grant); 3) spent on heating and cooling assistance for low-income households; or 4) held in a contingency fund for future use.

The Purposes of the TANF Block Grant:

- to provide assistance to needy families so that children may be cared for in their homes;
- to end the dependency of needy parents on government benefits by promoting job preparation, work and marriage;
- to prevent and reduce the incidence of out-of-wedlock pregnancies; and
- to encourage the formation and maintenance of two-parent families.

CPPP Principles for Spending the TANF Surplus

With enough money to fund innovative approaches to training welfare recipients, the flexibility Texas was given to operate under its own welfare waiver, and the responsibility Texas has to ensure welfare recipients are self-sufficient when their reach their five year limit, we believe Texas must wisely use this TANF surplus to address the needs of welfare families and others affected by the welfare legislation. We have established three principles for spending TANF.

1. Enhance the Welfare-to-Work Transition. Texas must invest in job training to ensure it meets the new work participation rates. But, more importantly, Texas must assist welfare recipients in becoming self-sufficient, because every welfare recipient in Texas faces a five-year lifetime limit on their benefits.^{vi}

2. Help those Affected by the Welfare Legislation. The welfare law will affect many individuals, beyond those receiving cash assistance, specifically legal immigrants; disabled children; childless, adult food stamp recipients; and abused/neglected children. TANF funds should be used to minimize the losses to those who will be most adversely affected by the enactment of the welfare law.

3. Don't Simply Fill Gaps in the State Budget. The budget proposals before the House and the Senate currently underfund many, very necessary programs, such as Medicaid and community care. However, we believe that TANF shouldn't be used as a re-financing tool to fill these gaps, particularly since both the House and Senate budgets still have at least \$1 billion in GR available. Rather, we believe that TANF funds should be used to deal with the challenges presented by the welfare law and particularly to assist welfare families in becoming self-sufficient. Many only have five years before they lose their benefits entirely. Now is the time to invest in them.

Comparison of Current House and Senate TANF Proposals to CPPP Priorities

(Biennial Totals above LBB Budget; Dollars in Millions)		CPPP	House	Senate
1.	Welfare-to-Work Activities	\$106	\$55	\$64
	Targeted Job Training and Job Retention Services	\$52	\$0	\$20
	Self-Sufficiency Fund	\$30	\$0	portion of \$20
	Similar to the Skills Development Fund, this fund would be used to train TANF clients. Employers and training providers (such as community colleges or community-based organizations) would work together to train clients for specific jobs. The House Proposal does not include funding for this initiative. The Senate Proposal includes \$20 million for long-term job training, some of which could fund the Self-Sufficiency Fund.			

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	Job Retention and Reemployment Assistance	\$12	\$0	portion of \$20
	Job retention and reemployment services can help ensure recipients stay employed and move on to more stable work, thus reducing the chance they will return to public assistance. Funding would support post-employment services to TANF recipients (ranging from classroom training to intensive work with employers and clients to address workplace problems) and reemployment services for those losing a job. The House Proposal does not include funding for this initiative. The Senate Proposal includes \$20 million for long-term job training, some of which could fund retention and reemployment assistance.			
	Local Innovation Grants	\$8	\$1	portion of \$20
	As local workforce boards take on the responsibility to place more welfare recipients in work activities, there will be unique local job training needs, particularly in rural areas. This fund would provide grants to communities to support innovative welfare-to-work proposals, including training for non-traditional jobs; microenterprise development and self-employment assistance; or strategies to address barriers to work such as transportation. The House Proposal includes \$1 million for Microenterprise development, a potential local grants program. The Senate Proposal includes \$20 million for long-term job training, some of which could fund these local grants.			
	Supporting the Transition to Work	\$2	\$0	\$0
	Many states have experimented with easing the transition to work by allowing recipients to retain a portion of their cash assistance as they begin to earn income. This funding would allow TDHS to expand an existing pilot project or use other "earnings disregards." Neither the House Proposal nor the Senate Proposal includes funding for this initiative.			
	Expand the Current JOBS program	\$43.8	\$43.8	\$43.8
	This is the base level funding needed for TWC to begin to meet federal work participation targets. It funds more job placement activities ("work first"), additional case management, and new work experience initiatives. It also funds child care in FY 99. However, it provides no real job training for TANF recipients. Both the House Proposal and the Senate Proposal include funding for this initiative.			
	Provide Additional Literacy and Basic Education to TANF Recipients.	\$9.6	\$9.6	\$0.0
	This funding would increase basic education and literacy services to the least job-ready TANF clients. It would be allocated to both TEA and TWC to follow previous contracting arrangements for serving JOBS clients but would also allow TWC to contract directly with community-based organizations. The House Proposal includes funding for this initiative, but the Senate Proposal does not.			
	EITC Assistance	\$1	\$1	\$0
	As recipients begin to work they will become eligible for the federal Earned Income Tax Credit. TWC would actively assist TANF recipients who go to work with filing for the tax credit, by conducting outreach and working with the IRS to provide free tax assistance at career centers. The House Proposal includes funding for this initiative, but the Senate Proposal does not.			
2.	Respond to the loss of Services to Immigrants	\$44	\$0*	\$0*
	Citizenship Campaign	\$4	\$0*	\$0*
	Texas will lose over \$500 million in SSI and Food Stamp benefits for legal immigrants in the 98-99 biennium due to the federal welfare law. Elderly and disabled immigrants who achieve citizenship will continue to be eligible for these federal assistance programs. This CPPP Priority would use "freed up" GR to provide special targeted citizenship campaigns for elderly or disabled immigrants, much like those proposed in every state with large numbers of immigrants. This will reduce the cost-shift to local governments for their care.			
	Temporary Impact Aid Grants	\$20	\$0*	\$0*
	Many elderly or disabled immigrants will be unable to naturalize before their benefits are cut off, and some will			

Comparison of Current House and Senate TANF Proposals to CPPP Priorities				
	(Biennial Totals above LBB Budget; Dollars in Millions)	CPPP	House	Senate
	have no family to turn to for help, leaving only local governments and charities to turn to. Texas has no state programs to provide food or shelter to the elderly and disabled, because Food Stamps and SSI have filled that role. This CPPP Priority would use “freed up” GR to fund an emergency shelter and nutrition grants to help communities prevent hunger and homelessness among these most vulnerable immigrants. * Neither the House Proposal nor the Senate Proposal included funding for these initiatives as of 3/14/97. SB 1067 by Sen. Zaffirini would create citizenship campaign and emergency fund, which may be included when the Senate Proposal is amended.			
Enhanced Transition Funding — Hunger Prevention		\$20	\$0	\$0
	The \$20 million proposed above must be targeted to help the most vulnerable elderly and disabled, since the loss of SSI benefits alone will total \$260 million for the biennium. This CPPP Priority would use “freed up” GR to provide additional funding to make this fund available for emergency grants to a broader group of legal immigrant households, such as those losing all of their Food Stamp benefits. Neither the House Proposal nor the Senate Proposal included funding for this initiative.			
3.	Lessen the Impact of Reform on Children	\$11.4	\$0	\$0
Support Families facing Economic Distress		\$5	\$0	\$0
	Many experts fear that increases in child abuse and neglect will result as families face the economic pressures presented by the welfare law. This funding targets those families, providing emergency aid to families risking dissolution primarily due to economic distress. Using DPRS’ current Concrete Services and Crisis Nursery programs as models, this funding would allow CPS to provide assistance to families so that they can keep their child or have their child returned to them. Neither the House Proposal nor the Senate Proposal includes funding for this initiative			
Provide Adult-Supervised Settings to Teen Moms		\$5	\$0	\$0
	The new welfare law prevents teen welfare moms from receiving benefits if they are not living with their parent, another adult relative or in an adult-supervised setting. This funding would allow the state the option of providing an appropriate setting for teen parents at risk of losing their benefits. More importantly, it would provide school-to-work transition services, parenting and independent living skills so that teen parents can achieve self-sufficiency. Neither the House Proposal nor the Senate Proposal includes funding for this initiative			
Protect the Summer Food Service Program		\$1.4	\$0	\$0
	Congress reduced funding for the Summer Food Service Program at the very time that the need for it is likely to increase given the federal cuts to the Food Stamp program. This funding would restore the SFSP cut to continue this vital food assistance in low-income neighborhoods. Neither the House Proposal nor the Senate Proposal includes funding for this initiative			
4.	Fund Increases in Child Protective Services Needs	\$57	\$21	\$39
	The original Legislative Budget Board budget proposal falls short of meeting the increased demand for services at DPRS in FY 98-99. This CPPP Priority would provide \$57 million (\$46 million TANF, remaining from “freed up” funding and new federal funding) to serve needy children by allowing DPRS to meet the increased demand for CPS services, the Services to Runaway and At-Risk Youth (STAR) program, and administration. Compared to CPPP’s Priorities, the House adds \$21.8 million (\$5 million TANF, remaining from “freed up” GR, new federal funding) and the Senate \$39 million in (\$27 million TANF, remaining from “freed up” funding, and new federal funding). Both houses add funds for DPRS programs not included in the CPPP Priority (e.g. both fund expansion of the STAR program). However, neither fully meets the CPPP Priority of funding the increased demand for CPS. (The House restores FY 97 services, but does not provide enough funding to serve the increased number of children projected to need services in FY 98 and 99. The Senate proposal restores FY 97 services and almost fully funds the increased demand, except it falls \$7 million short in investigations.)			

The Process

The **House Proposal** was included in the House Appropriations Committee (HAC) Appropriations Bill which will be voted on by the full House the week of March 17th. This proposal left \$140 million in TANF funds on the table. Although the House will keep some of this \$140 million in a contingency fund, further recommendations for spending some of this funding will likely be made before the budget conference committee meets.

What we have been referring to as the **Senate Proposal** is really a proposal set forth by Senate Finance Committee Chairman Bill Ratliff. Members of the Senate Finance Committee were asked to submit amendments to his plan by March 20th, for discussion during the week of March 24th. After this committee finishes their deliberations, the full Senate will vote on their Appropriations bill, including the TANF proposal.

The final decision on how TANF will be spent will not be made until the House and Senate members convene in a Budget Conference Committee to iron out the differences between their two bills. This Committee has traditionally met in late April or early May. Since there will be differences between the House and Senate TANF plans, further debate on TANF will occur at that time.

What Can Be Done

TANF is still very much under discussion. House and Senate members are likely to debate this topic until the Appropriations Bill is passed.

Action: Interested advocates are urged to contact members of the House Appropriations and Senate Finance committees (any one of whom could be named to the Conference Committee) and particularly Appropriations **Chairman Rob Junnell** and Finance **Chairman Bill Ratliff**. (please call for phone and/or fax numbers).

Your Message: Texas must seize the opportunity offered by the new TANF block grant and invest TANF in job training for TANF recipients today, so that they are self-sufficient by the time they are removed from benefits.

1. Texas should use its TANF funds to:
 - invest in job training for welfare recipients;
 - respond to the losses in services for legal immigrants, particularly those who are elderly and disabled;
 - mitigate the impact on welfare reform on children; and
 - fund the increased need for Child Protective Services.
2. TANF should not used primarily as a refinancing tool to fill holes in the budget.

Why Texas has a TANF Surplus

Texas will be allocated \$393 million^{vii} in TANF funds more than the state needs to spend in FY 98-99 to maintain welfare and related programs at their current level. Texas has this "surplus" of TANF funds primarily because the TANF block grant is based on the federal allocation for these programs in FY 94, a year in which the state had significantly higher Aid to Families with Dependent Children (AFDC) caseload than is projected in FY 98 and 99.

The Legislative Budget Board's original FY 98-99 proposal—the starting point for budget deliberations—did not spend this surplus because it allocated TANF funds based on how the money was historically spent. Thus, TANF funds were primarily allocated to: 1) cash assistance (formerly AFDC) payments; 2) the JOBS training program for cash assistance recipients; and 3) Emergency Assistance, which funds the handling and investigation of abuse reports and foster care at CPS. Because the state's historical investment in welfare-to-work programs was quite limited, this approach left \$393 million in TANF funds unspent.

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ⁱThis includes 1) \$296 million in TANF funds which were not allocated in the FY 98-99 LBB budget and 2) \$97.2 million in FY 97 TANF surplus. \$33 million of the FY 97 funding is expected to be appropriated in an emergency FY 97 appropriation bill.

ⁱⁱThese expenditures expand non welfare-to-work services. For example, the House proposal expands services to teens, Healthy Families, and the STAR program. The Senate expands family planning, STAR and CPS to meet the increases projected in reports and investigations.

ⁱⁱⁱThese expenditure maintains current policies, such as the \$50 child support disregard for AFDC recipients.

^{iv}This percentage does not include the new state general revenue expenditures for child care.

^vSee #4 above.

^{vi}Texas can exempt 20% of their welfare recipients from the lifetime limit.

^{vii}See #1 above.