



Legislators Hear Center's TANF Proposals

TANF Investment Plan Presented to House Appropriations HHS Subcommittee Full Report Available Soon on CPPP Web site

In public testimony before the House Appropriations' Health and Human Services Subcommittee on February 11, CPPP staff submitted a report entitled "Beyond Welfare: Using the TANF Surplus to Invest in Families and Work." The 25-page report has three goals:

- to provide legislators and other policymakers with a basic understanding of TANF and allowable spending options;
- to summarize the use of TANF currently and in the budget proposals by the LBB and the Governor for fiscal 2000-01; and,
- to offer an array of initiatives to invest TANF funds in ways designed to use the full potential of this funding opportunity.

Last session the Center offered a similar set of proposals for TANF, many of which were included in the final budget. During the interim we have monitored the implementation of those initiatives and surveyed the types of TANF spending being initiated in other states. Every one of the spending options presented by the Center has been, or is being, implemented in other states. The amounts designated for each proposal are targets based on initial estimates of costs related to implementing the various initiatives. These amounts will be refined as more program detail is developed and the budget committees sort priorities for TANF expenditures.

For more information on the TANF proposals contact Patrick Bresette or Eva DeLuna Castro at the Center, (512) 320-0222. The full report will be posted by Feb. 17th on our website at www.cppp.org/products/reports/beyondwelfare.html.

The 76th Legislature has a unique and fleeting opportunity to make a long-term impact on decades of high poverty in Texas. **More than \$580 million in federal TANF dollars are available to invest in meaningful strategies to help poor children, support the transition from welfare to work, and give working poor families tools to escape poverty.** While much of the discussion about this session's driving issues has focused on the state general revenue surplus, little attention has been paid to the more than half a billion dollar surplus in federal welfare block grant funds. The Temporary Assistance to Needy Families (TANF) block grant was linked to Texas' level of welfare spending in fiscal 1994, and because caseloads have declined so significantly (Exhibit 1), Texas has had a surplus of block grant funds in the last several years. This continuing trend now provides state budget writers with a windfall of funds that must be spent on needy families.

Last session the Legislature allocated nearly \$400 million in surplus block grant. Caseloads are projected to continue to decline, and the Legislative Budget Board (LBB) proposed budget (HB 1/SB 2) projects **more than \$580 million** in surplus TANF funds by the end of the coming biennium (Exhibit 2).

Texas is not alone in experiencing a dramatic decline in the number of welfare recipients and the resulting availability of federal funds. However, two things stand out. First, Texas has a larger TANF surplus than most states, according to the Center on Budget and Policy Priorities. Second, our previous investments in basic assistance, employment services, child care, and other welfare-to-work supports have historically lagged far behind all but a handful of states. These two factors make the opportunity to use these funds wisely all the more important. Many other states are using surplus funds to reinvest in

Exhibit 1. Texas TANF Caseloads, Fiscal 1997 to 2001

| | 1997 | 1998 | 1999 | 2000 | 2001 | % Drop |
|--|---------|---------|---------|---------|---------|---------------|
| TANF-Basic Recipients per month | 560,061 | 435,558 | 356,206 | 311,246 | 298,797 | 46.6 % |
| TANF-UP Recipients per month | 40,115 | 39,197 | 29,736 | 25,236 | 24,227 | 39.6 % |

SOURCE: Legislative Budget Estimates to the 76th Legislature. Caseloads for 2000 and 2001 are LBB recommended levels.

supporting needy families and strengthening their own welfare reform initiatives. From dramatic increases in child care assistance, education, and training to housing assistance, children’s services, and even increased benefit levels, states are experimenting with creative ways to use this unique funding opportunity.

The TANF surplus provides an incredible opportunity for Texas. It is time to seize it. If we use these dollars to invest in low-income families and their efforts to become self-supporting the benefits will be reaped over and over again in coming years. The Center has proposed a comprehensive set of spending proposals using surplus TANF funds in the coming biennium (Exhibit 3). With caseloads declining and a good economy, the time is now to focus on giving poor families the temporary supports they need to move not just off of public assistance but out of poverty.

Invest in Families

Investing in services to at-risk children has been proven over and over again to prevent future education, health, and criminal justice costs. Children in families receiving TANF are the poorest of the poor in Texas and therefore subject to enormous economic and social risks. TANF funds can be used to help offset these risks as their families struggle to become more economically stable. We suggest using TANF funds to expand existing services to at-risk children, improve child support efforts, expand access to quality child care, and to utilize transferability to move TANF

funds into Title XX for an array of services for low-income families.

Invest in Work

Investing in Texans moving from welfare to work and those struggling to move out of low-wage work will benefit the economy as a whole and will protect against the worst impacts of a future economic downturn. Welfare recipients in Texas want to work. Historically, 60 percent of recipients had worked in the year previous to seeking assistance. Unfortunately, they often found themselves in short-term, low-wage jobs and in a continuing pattern of cycling in and out of low-wage work. Even today, with many more clients leaving welfare, they typically find themselves in part-time jobs paying about \$6 an hour—leaving them still thousands of dollars below the federal poverty level and still struggling to meet basic human needs. Those left on welfare have more barriers to work and will need additional supports to make the transition.

TANF funds are uniquely designed to help states address these problems. The Center suggests significant investments in education and training to increase wage outcomes and expansions in transitional supports for families as they begin to work. We support the Governor’s plan to fund a “Barriers” project at the Texas Department of Human Services to identify and address the needs of the most at-risk clients, and we propose a modest increase in the level of benefits we currently provide to families.

We look forward to working with the Legislature to use the TANF surplus to move beyond welfare in the coming biennium.

Exhibit 2. Calculating the TANF Surplus

(In millions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| TANF block grant | 486.3 | 486.3 | 486.3 | 486.3 | 486.3 | 486.3 |
| Supplemental grant | - | 12.7 | 25.7 | 39.0 | 39.3 | - |
| Total TANF grant for Texas | 486.3 | 499.0 | 512.0 | 525.3 | 525.6 | 486.3 |
| Minus: Total spent/budgeted | 385.6 | 432.5 | 399.9 | 373.3 | 364.9 | |
| TANF unspent | 100.7 | 66.5 | 112.1 | 152.0 | 160.7 | |
| Total surplus (cumulative) | \$100.7 | \$167.2 | \$279.3 | \$431.3 | \$592.0 | |

SOURCE: Legislative Budget Board. Revenue is for federal fiscal year (October to September); spending is for state fiscal year (September to August).

Exhibit 3. Summary of CPPP Proposals for Using the TANF Surplus

| | Funding Increase, 2000-01 Biennium |
|---|---------------------------------------|
| INVEST IN FAMILIES | |
| Improve services for at-risk children and youth. | \$20 million |
| Improve paternity and child support collections. | \$10 million |
| Take advantage of TANF funding flexibility to offset federal cuts and improve services. | \$100 million |
| INVEST IN WORK | |
| Encourage and support the transition to work with an earnings disregard. | \$50 million |
| Significantly expand the education and training opportunities available for welfare-to-work clients and to other working poor families. | \$50 million |
| Provide housing assistance and housing-linked employment services | \$35 million |
| Provide transportation assistance. | \$5 million |
| Identify and remove barriers to work. | \$10 million |
| Increase the level of assistance. | \$50 million |
| Make child care more available for working parents. | \$200 million |
| | |
| TOTAL | \$530 million |
| Left as Contingency* | \$51 million |

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