

SUBJECT: Creating a state program for financial assistance for needy persons

COMMITTEE: Human Services — committee substitute recommended

VOTE: 8 ayes — Naishtat, Chavez, J. Davis, Ehrhardt, Noriega, Raymond,
Villarreal, Wohlgemuth

0 nays

1 absent — Telford

WITNESSES: For — *Registered but did not testify*: Jennifer Corrigan, Texas Council on Family Violence; Pat Cole, National Training Center on Domestic Violence and Sexual Violence; Leslie Hernandez, National Association of Social Workers, Texas; Karen Johnson, United Way of Texas

Against — None

On — Judy Denton, Texas Department of Human Services

BACKGROUND: In 1995, Texas enacted welfare-reform measures that capped benefits by amount and time, instituted responsibility agreements, and required work or job training, as well as other requirements. The federal welfare-reform law in 1996 created Temporary Assistance to Needy Families (TANF) to replace the Aid to Families with Dependent Children, Job Opportunities and Basic Skills, and Emergency Assistance programs. While the federal reforms were similar to Texas' welfare-reform initiatives, the state received a temporary waiver from the federal regulations. The state's waiver is scheduled to expire in January 2002, at which time Texas will have to comply with the federal regulations or develop new regulations of its own.

Texas must spend a minimum of \$235 million of general revenue in required maintenance of effort (MOE) in order to receive federal TANF funds. Once funding is in place, TANF programs may be paid for entirely with federal TANF funds, with a combination of federal TANF funds and state MOE funds, or with state MOE alone. Unless the state meets certain work participation rates, its MOE will go up to about \$250 million. Work

participation rates describe the percentage of different TANF populations who are working in approved work activities.

The work participation requirement for the whole TANF population is 50 percent, meaning that half of the individuals who receive TANF and are not exempt from work requirements must be involved in an approved work activity. The work requirement is higher for two-parent families at 90 percent, and in these families, both parents must work 35 hours each. Currently, Texas receives a caseload reduction credit of about 50 percent in the form of work requirement exemptions. When the state's TANF waiver expires, exemptions that reduce the denominator of the state's work participation rate also will expire, and the state will be required to raise the numerator — the number of working individuals — to meet the same work participation rate.

A “minimum-service county” is a Texas Workforce Commission (TWC) designation for a county where fewer workforce development services are available to residents compared to other counties.

DIGEST:

CSHB 1005 would add ch. 34 to the Human Resources Code to establish a state temporary assistance program for two-parent families or individuals residing in minimum-service counties. The program would deliver financial assistance and related support services defined through federal regulation. This bill would fund the program through “a method of finance swap” which would simply shift payment for some TANF services from federal TANF funds to state MOE funds.

Eligibility, work requirements, exemptions, time limits, and the scope of related support services would be determined through rules by an interagency workforce composed of representatives from the Health and Human Services Commission (HHSC), the Texas Department of Human Services (DHS), and TWC. Individuals in this program would be eligible for Medicaid in the same manner as TANF recipients.

HHSC, DHS, and TWC would determine the date on which a minimum service county would be reclassified to reflect broader services and would establish affected people on TANF's rolls to avoid a disruption of benefits.

This program would be monitored by HHSC, DHS, and TWC, which would jointly report to the governor, the Legislature, and LBB by December 1 of each year.

CSHB 1005 would direct state agencies to seek any necessary federal waivers or authorizations needed to implement the provisions of this bill. The agency could delay implementation until the federal waivers or authorization were granted.

The bill would take effect September 1, 2001.

**SUPPORTERS
SAY:**

CSHB 1005 would create a flexible program to address the needs of Texas' most challenging populations. Most two-parent families on TANF face significant barriers to full compliance with TANF work requirements, including concentration in areas of high unemployment, migrant and seasonal work opportunities, and more stringent policies about the number of hours worked. Though these families are a small percentage of the overall TANF rolls, local workforce boards must spend a disproportionate amount of time and resources on them to help them approach compliance with work requirements. The work participation rate for two-parent families is 90 percent, which the state is unlikely to meet when the workforce exemptions expire. The separate state program that this bill would create would remove two-parent families from federal work participation requirements and would allow the state to set its own.

The second challenging population comprises individuals living in minimum service areas. These areas often are rural with few workforce support services and employment opportunities. TWC continues to build up services in these areas, but they are insufficient to meet the needs of TANF recipients before their time limit for benefits runs out. A local workforce board may establish services in an area, but the services may come too late to benefit TANF recipients who have been on the rolls for some time before their lifetime limit on TANF runs out. Because these individuals would receive assistance through the separate state program, the "clock" on TANF benefits would stop until the local workforce development board had sufficient services available to meet their needs.

This bill would not prescribe the specifics of this program, but would allow local boards to work with the state to develop the program to fit the needs of their service population. The problem with the federal regulations is that they are a one-size-fits-all solution to assistance and getting people to work. Instead of repeating that unsuccessful approach across Texas' diverse counties and regions, this program would provide the state with flexibility in meeting the needs of individuals and families on cash assistance.

CSHB 1005 is pro-family because it would create a system that encourages two-parent families to be fully self-sufficient. Current regulations require that both parents work 35 hours each, which necessitates the use of child care. The separate state program would allow the state to create rules that could avoid dependence on child care by requiring that one parent work or that both work part-time. In an environment of scarce childcare resources, this pro-family option is a good solution.

CSHB 1005 would not single out Texas as a state that does not follow the federal guidelines. Twenty-six other states have created separate state programs for specific populations, 15 of which were for two-parent families. The option to create a separate state program is provided by the federal government to ensure that workforce development programs can be tailored to the different challenges and assets of each state.

This program would not require additional funding. There is a small start-up cost, but the cash and support benefits for the separate state program would be funded with the state's TANF MOE, requiring no additional appropriation.

**OPPONENTS
SAY:**

CSHB 1005 would give up on Texas' most challenging populations. Two-parent families and individuals residing in minimum services areas are difficult populations to serve, but the state should not lower its expectations because of that. Texas should work harder to develop an environment that encourages individuals to work and become self-sufficient, rather than making them indefinitely dependent on cash assistance.

This bill would remove all incentives for the state to invest in minimum service areas. The state has had five years since federal welfare reform to build up services across the state, but has not done so in all areas. There is

no reason to believe that the state would build up services if that population were indefinitely frozen in a separate state program and did not count against the state's workforce participation requirements.

Because this bill would make families indefinitely dependent on cash assistance, this bill is not pro-family. Families need parents who work, not parents who receive public assistance. Local boards should do whatever it takes to help these families find work and stay employed, not decide that they use too much time and too many resources to help. The state should have every incentive to make families self-sufficient.

This bill could cost the state a significant amount of general revenue in the form of additional benefits. Participants in the separate state program would be eligible for Medicaid so long as they participated in the program. Because the program has less stringent time limits, it would prolong eligibility for Medicaid. In an environment of rising costs and utilization, the state should not expand Medicaid eligibility.

OTHER
OPPONENTS
SAY:

This bill should prescribe the specifics of this program. Leaving important regulation of the program up to an interagency workgroup would not provide sufficient definition for this program. The work participation requirements for individuals in the separate state program should be legislated because that would ensure that the bill's intent met the reality of the program.

Because it is very difficult to dismantle a program once it is in place, this bill should include an expiration date. The separate state public assistance program is a novel program for Texas and should be reviewed closely as it progressed.

NOTES:

The committee substitute removed a provision that would have listed appropriate differences between TANF and the separate state program. The committee substitute directed the interagency workgroup to create rules, without specifically listing appropriate differences.

The fiscal note estimates the bill would cost \$1.65 million in fiscal 2002. This is an estimated technology cost that DHS would incur in implementing the program.

The House included a rider in Article 11 of SB 1 by Ellis, the fiscal 2002-03 general appropriations bill, that would allow the method of finance swap within Strategy B.1.1, TANF Grants, of the DHS budget.