

SUBJECT: Extending income disregards for some TANF recipients who work

COMMITTEE: Human Services — committee substitute recommended

VOTE: 6 ayes — Naishtat, Chavez, Ehrhardt, Noriega, Raymond, Villarreal

1 nay — Wohlgemuth

2 absent — J. Davis, Telford

WITNESSES: None

BACKGROUND: Temporary Assistance to Needy Families (TANF) is the state-federal cash assistance and workforce development program administered by the Texas Department of Human Services (DHS) and the Texas Workforce Commission (TWC).

In 1997, the 75th Legislature enacted HB 1909 by Maxey to implement supported income through income disregards, or “fill-the-gap budgeting.” Fill-the-gap budgeting is designed to help participants move from welfare to work by gradually decreasing benefits as earned income increases.

Human Resources Code, sec. 31.043 authorizes DHS to disregard a TANF recipient’s income to extend the period of time that some TANF families are eligible for supported employment. DHS can limit the percentage of income to be disregarded and gradually may lower benefits over time. By rule, DHS limits the period of supported employment through income disregard to four months.

Funding for income disregard can come from savings that DHS realizes through personal responsibility agreements and work requirement sanctions, savings from greater than projected caseload reductions, or federal TANF funds.

DIGEST: CSHB 43 would repeal the disregard income provision and replace it with a new program that would extend the time period for supported employment.

This bill would direct DHS to disregard 90 percent of income for any TANF recipient within the first six months of employment. The disregard would apply to calculations of the family's income and resources for determining financial assistance for the household or the amount of financial assistance to support dependent children. Eligibility for the income disregard could apply only to individuals with an income below a certain maximum set by DHS. Work requirements would not be affected by income disregards.

DHS would be prohibited from disregarding the income of a TANF recipient who quit working without good cause or from disregarding income for a recipient more than once in a one-year period.

This bill would direct DHS 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 and would apply to individuals receiving TANF after that date, regardless of when eligibility was determined.

**SUPPORTERS
SAY:**

CSHB 43 would promote self-sufficiency by increasing the likelihood that an individual would keep working. With an extended earned income disregard of six months, individuals could transition off of public assistance and into self-sufficiency. This transition should be gradual to ensure that recipients can save some money to shore up their financial situation, so that the first time an emergency or an illness happened, they would have the resources to avoid returning to the welfare rolls.

At income levels that are near minimum wage, four months is not enough time to save enough money to weather emergencies. The program works, but the state does not give people enough time to save. What the state spends now for an additional two months of income disregard would be saved in the future when families did not return to the rolls.

Six months is an appropriate amount of time for supported employment. Individuals who remain at a job for six months are more likely to succeed at that job in the long run than individuals at a job for four months. Because six

months of employment is a better indicator of success, the state should extend the income disregard.

OPPONENTS
SAY:

CSHB 43 would extend the supported employment program beyond its useful life. Four months is plenty of time to save a couple hundred dollars for emergencies. The transition from public assistance to work may not be easy, but it can be done after four months.

This bill does not ensure that recipients are taking advantage of all the employment support services that the Texas Workforce Commission (TWC) offers. Individuals are required to participate in Choices, TWC's the employment and training program for recipients of TANF cash assistance, but many do not. The state should not support employment if recipients do not fulfill their responsibilities.

OTHER
OPPONENTS
SAY:

CSHB 43 would keep people dependent on public assistance. Extending the supported employment is not really helping recipients to be more self-sufficient. The only way for people really to be self-sufficient is for them to work without state support. The state should focus on the problems that bring people back to TANF, such as lack of health insurance or insufficient job skills or child care, rather than artificially supported wages.

NOTES:

The fiscal note attached to this bill estimates a negative impact of \$15 million for fiscal 2002-03, based on two additional months of income disregard and related services including child care.

The House version of SB 1 by Ellis, the fiscal 2002-03 general appropriations bill, includes a rider for \$10.5 million in TANF funds for fiscal 2002-03 in Article 11 to extend the TANF earned-income disregard. The rider would direct DHS to exclude \$120 and 90 percent of the remaining earnings for 12 months following employment, and \$120 after the first six months. If the conference committee were to change the language in the rider to align with the six-month extension this bill would create, these funds would apply to this program.

The committee substitute would set the income disregard at 90 percent, rather than \$120.