



**County Welfare Directors Association of California**  
**925 L Street, Suite 1405**  
Sacramento, CA 95814  
(916) 443-1749



**California State Association of Counties**  
**1100 K Street, Suite 101**  
Sacramento, CA 95814  
(916) 327-7500

## **California Counties** **TANF Reauthorization Comments**

The California State Association of Counties (CSAC) and the County Welfare Directors Association of California (CWDA) support the reauthorization of Temporary Assistance to Needy Families (TANF). We urge Congress and the Administration to maintain state and county flexibility to adapt programs to meet local needs and to preserve or increase existing state and federal funding levels. CSAC and CWDA support changes that are designed to improve overall administration, enhance the ability of families to move toward self-reliance, and better align TANF with related programs.

### **Background**

The 1996 Personal Responsibility and Work Opportunity Act (PRWORA) dramatically changed the national welfare system. Millions of people have found employment, and more have left welfare and are retaining their jobs than ever before. Welfare reform is working, and counties have been an integral part of its success by using the new flexibility that PRWORA afforded them to find creative ways to assist families.

The work that began in 1996 is not over, however. Initial caseload declines and increases in work participation, though dramatic, should only be seen as initial steps to combating the fundamental issues that keep many working families at or near the poverty level and on the cusp of welfare. Our organizations strongly believe that the next step in welfare reform is to help families get out of poverty and remain above the poverty line. The TANF block grant can and should be used as a vehicle to achieve this goal.

At the same time, CSAC and CWDA recognize that there are many families that have not been able to either secure employment or leave the welfare rolls for a variety of reasons. These families must not be left behind. States and counties need continued and enhanced flexibility to serve these families. In addition, a number of other federal programs should be better coordinated with TANF to ensure that families receive the support they need to move toward self-reliance.

CSAC and CWDA have the following specific recommendations.

## **Topic I – Funding and Flexibility**

The success of TANF depends on state and county flexibility to target local needs and support their participants' work activities. Without that flexibility – and the funding to implement it – the working families who are struggling toward self-reliance will not receive the supportive services they need, and many will fall back on cash assistance. Welfare reform is an ongoing process of supporting working families to achieve self-reliance, not a one-time exodus of families from the welfare rolls.

At the same time that counties are helping working-poor families move up the employment ladder, the softening U.S. economy indicates that they should be prepared to deal with an increasing number of families needing assistance. A recent RAND study found that rising unemployment rates have historically preceded increases in welfare caseloads. Indeed, several California counties report noticeable increases in the number of families applying for assistance in recent months. Many of these applicants are new to TANF, and they often report job loss as the main reason they need help.

### **Issue A: Federal and State Funding Levels**

Analysis: California counties are spending more of their funding on supportive services for working families than ever before. Studies have shown that some TANF participants who find work continue to need assistance with job retention, transportation, counseling and other supports. As the job market tightens, unemployed participants will need additional assistance finding jobs and cash assistance caseloads may rise, leading to increased expenditures on grants. The maintenance of a stable funding source during these times is critical to continued program success.

#### Recommendations:

1. Maintain at least the current federal funding level, as a block grant that is a state entitlement, and maintain the states' maintenance-of-effort requirements, at least at current levels. These actions will ensure participants have access to the services and supports they need to find and retain employment and get out of poverty. The current federal contribution of \$16.8 billion per year should be increased annually for inflation.
2. Restore the Social Services Block Grant (SSBG) to at least the level authorized in the 1996 law (\$2.8 billion per year starting in FY 2003 and each succeeding fiscal year).
3. Maintain the Supplemental Grant for states with high population growth.
4. Continue current bonuses for high performance and for reducing out-of-wedlock births.

### **Issue B: Set Asides/Carve-Outs**

Analysis: Some have suggested the possibility of setting aside or carving out a portion of the existing TANF block grant for specified programs, such as domestic violence services, child care, or family formation programs. TANF set asides and carve-outs are counterproductive because they reduce the pool of flexible dollars available to create a continuum of locally targeted programs. Setting aside funds for specific purposes also creates a top-down approach that requires spending on activities that may not be the highest priority in a given area, preventing the expenditure of these funds on local priorities.

Recommendation: Preserve the flexible use of TANF funds based on local needs and priorities; oppose carve-outs and set-asides.

### **Issue C: Obligated Funds**

Analysis: As originally constructed, a state is entitled to its entire annual TANF block grant allocation once it meets its MOE requirement. However, the Office of Management and Budget

has drawn artificial distinctions between unspent funds that are “obligated” for future use and funds that are unspent and not yet obligated.

Recommendations: Clarify the original TANF block grant approach, as follows:

1. Once a state spends its MOE for a given fiscal year, it should be able to draw down its full allocation of federal TANF dollars for that year at any time.
2. Unspent funds should not be applied against future allocations.
3. Obligated funds, including funds passed through to counties for future use, should be treated and reported as having been spent by the state.

#### **Issue D: Definition of “Assistance”**

Analysis: The federal regulations governing the use of federal TANF funds distinguish between “assistance” and “non-assistance” expenditures. Currently, “assistance” is defined as any benefits that are targeted toward basic needs, such as food, clothing, shelter, utilities, household goods, personal care items, and general expenses, as well as child care, transportation, and other supports for families without a working adult.

Recommendation: Remove child care, housing, and transportation from the federal definition of assistance for all participants, including both working and non-working families, and maintain state and local flexibility to manage program resources to address possible increased demand for these services.

#### **Issue E: Use of Carryover Funds**

Analysis: The U.S. Department of Health and Human Services has interpreted the federal law to say that states carrying forward unobligated federal TANF dollars can only spend those funds on “assistance” in future years. Restricting the use of federal TANF funds after the fiscal year in which they are earned prevents states from building program capacity incrementally and building contingency reserves.

Recommendation: States and counties should be permitted to spend carryover funds on any allowable use of TANF, including both assistance and non-assistance as well as transferring funds to the Child Care Development Block Grant and the Social Services Block Grant.

#### **Issue F: Transfer Authority**

Analysis: Each year, Congress has considered whether to reduce the caps on transferring TANF funds to other block grants, especially the Social Services Block Grant (Title XX). Some states have taken advantage of the transfer authority to consolidate a number of funding streams into one allocation for local services, especially in light of declining Title XX funding. Maintaining the ability to transfer funds from TANF into other programs is essential if counties are to continue meeting local needs.

Recommendation: Retain authority to transfer 10 percent of the TANF block grant to the Social Services Block Grant and 30 percent to the Child Care and Development Fund annually.

#### **Issue G: Contingency Fund**

Analysis: It is generally believed that the contingency fund established under PRWORA is too difficult for states to access. Under the current structure, a state must spend 100 percent of its maintenance-of-effort requirement before it can access the reserve, vs. 80 percent expenditures to access its federal TANF block grant. In addition, the expenditures that may be counted toward the 100 percent contingency requirement differ from the expenditures that may be counted toward the regular maintenance-of-effort requirement. To qualify for contingency funds, states must also

meet one of two “needy state” standards that are tied to (1) increases in the state’s unemployment rate or (2) increases in the state’s Food Stamp caseload of at least 10 percent over the 1994-1995 levels. The Food Stamp provision is especially strict, given the significant declines in Food Stamp caseloads since the mid-1990s.

These provisions were not a problem in the first five years of implementation, as the strong economy contributed to a steep decline in TANF caseloads and no state needed to access the contingency fund. However, in a time of economic decline, some states may wish to take advantage of the fund, but be unable to do so due to the strict requirements. In addition, the current level of funding is insufficient to permit more than a few states to draw from the reserve at the same time. Additionally, TANF funding must be able to react quickly to economic downturns and other emergency issues.

Recommendations:

1. Align the expenditure requirements to the TANF maintenance-of-effort requirements, with an 80 percent expenditure requirement and the same eligible expenditures.
2. Revise the unemployment rate and Food Stamp caseload triggers to reflect the steep decline in unemployment and benefits caseloads experienced during the past five years.
3. To the extent that access to the contingency fund is eased, allocate new federal dollars to the fund to enable all states in need to take advantage of it.

**Topic II – Families in Poverty**

Higher employment rates and increased earnings are not necessarily translating into the higher disposable incomes that are needed to move families out of poverty. Living independent of welfare – a primary focus of the 1996 TANF legislation – often does not mean living above the poverty level. Many families, including both single-parent and two-parent households, are employed and earning more than they were five years ago but still are unable to meet their monthly needs without help.

**Issue A: Child Poverty**

Analysis: As it was during the original welfare reform debate, the question of including child poverty reduction as a goal of welfare reform is likely to again be discussed. The reduction of poverty is a paramount goal for CWDA; thus the idea of adding child poverty reduction as a TANF purpose has some attraction. However, TANF alone cannot make a significant dent in child poverty. Other programs, such as the Earned Income Tax Credit, Food Stamps, and Medicaid, as well as the need for strong work and education programs aimed at youth in poverty, must be taken into account. Societal factors such as the local and national economy and educational quality also play a role.

Recommendation: Given the limitations on the ability of the TANF program to eliminate child poverty reduction, it is more appropriate to consider adding child poverty as a TANF purpose, rather than an outcome measure. If child poverty reduction is added as an explicit TANF purpose, a commensurate increase in block grant funds should be provided to recognize the increase in workload and programmatic needs related to the expanded program purposes.

**Issue B: Time Limit Flexibility**

Analysis: Research on time limits shows that most recipients leave the rolls before their federal or state time limits hit, even in cases in which the state time limit is shorter than 60 months. Even with this research, it is clear that a number of families will reach the 60-month federal time limit, starting in the current year and continuing into the foreseeable future. States currently have the

flexibility to continue providing federally funded assistance to up to 20 percent of its caseload, and they can use state funds for the remaining time-limited families. In some states, families will continue to receive a full or partial grant beyond the 60-month federal time limit, funded with state maintenance-of-effort dollars.

Recommendation: Preserve or increase state flexibility in administering the federal time limits, perhaps through the use of provisions to discount months in which the recipient participates in work and/or specified work activities.

### **Issue C: Transitional Medicaid**

Analysis: As they leave welfare, many families lose their health coverage even though they may still be eligible for benefits through Medicaid or the State Children's Health Insurance Program. Because entry-level jobs often do not provide health benefits, these families can be stuck without a safety net in case of illness. In some cases these families are not aware that they can retain publicly funded health benefits even if they are no longer receiving cash assistance.

#### Recommendations:

1. Continue transitional Medicaid for at least 12 months.
2. Give states additional flexibility to cover those families who lose their Medicaid eligibility.
3. Provide technical assistance to states and counties to ensure that there is no disruption in Medicaid coverage when families leave the TANF rolls.
4. Provide a state option for a buy-in program for those who have left assistance and are not otherwise eligible for Medicaid coverage.

### **Issue D: Food Stamps**

Analysis: As they leave welfare, families may lose Food Stamp benefits even if they are still eligible for benefits. They may be confused or intimidated by the complex program rules. In addition, existing income and resource limits make many working-poor families ineligible for benefits, though they still need assistance with food supplies. This September, CWDA adopted the following comprehensive Food Stamp reauthorization policy, which is supported by CSAC:

#### Recommendations:

1. Reinstate federal eligibility for all legal non-citizens who lost eligibility due to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA).
2. Review Able-Bodied Adults Without Dependents work requirements and tracking requirements in order to simplify the program and increase participation.
3. Change the age restriction for persons who live with parents when determining separate household status, from 22 years of age to 18 years of age.
4. Restore eligibility for persons convicted of felony drug use or possession if there have been no subsequent convictions for a minimum of five years.
5. Enact rules that reward recipients who work, rather than penalizing them, consistent with the "work pays" premise of welfare reform.
6. Ensure Food Stamp transitional benefits for families moving off of welfare.
7. Allow states to eliminate the 20-percent, standard, and shelter deductions and replace with deductions that are consistent with their Temporary Assistance for Needy Families programs.
8. Make the new standard deduction proposed in Title IV of the Farm Bill (H.R. 2646) an option for states. Over time, households with three or fewer participants could be disadvantaged by the new rule. States should be able to determine how to structure their income deductions in order to benefit the greatest number of recipients.
9. Increase the minimum allotment to \$25.00 for all household sizes.

10. Exempt one vehicle for each working household member and/or any household member who is searching for employment.
11. Deduct unreimbursed child care and court-ordered child support before the gross income test is applied.
12. Remove cost-neutrality and benefit-reduction requirements for Simplified Food Stamp Programs and Demonstration Projects, to make such projects more feasible and affordable for states to implement.
13. Provide categorical eligibility for Food Stamps if any member of the household is receiving Medicaid benefits.
14. Provide fiscal incentives for states that reduce error rates and offer technical assistance to those with the highest rates, instead of further reducing their administrative capabilities through sanctions and penalties.
15. Eliminate mandatory face-to-face interview requirements.

### **Issue E: Housing Assistance**

Analysis: Housing and child care are by far the greatest expenses for working families with children. Both single-parent families and two-parent families can spend as much as half of their income on housing and child care. In many areas of the country, the rising costs of housing require even greater expenditures, and access to existing housing assistance programs, such as Section 8, is extremely limited. Providing a new stream of funding for housing subsidies would help working families meet their basic needs and progress toward self-sufficiency.

In addition, the current federal definition of “assistance” includes housing assistance. This discourages states from using existing TANF funding streams for housing assistance programs, because it can count against the lifetime limits on aid for working-poor families who are not otherwise receiving aid.

#### Recommendations:

1. Remove housing support from the federal definition of assistance.
2. Ensure that the Department of Housing and Urban Development budget contains continued, permanent funding for Welfare-to-Work housing.

### **Issue F: Transportation Assistance**

#### Analysis:

Transportation is a severe problem for many parents trying to make the transition from welfare to work. Both rural counties and inner cities are often isolated from the wide job growth generated by suburbanized metropolitan economies. While public transit can help respond to this problem to some extent, many public transportation systems do not adequately address more recent patterns of job growth. Private automobiles are an important component of any strategy that seeks to link low-income parents to available employment.

#### Recommendations:

1. Remove transportation support from the federal definition of assistance in cases where families are not working.
2. Enhance existing grant programs and establish new programs to enable local public transit agencies to enhance service and provide more reliable employment transportation.

### **Issue G: Eligibility for Legal Immigrants**

Analysis: PRWORA established significant restrictions on legal immigrants’ eligibility for a wide range of public benefits, including TANF, Food Stamps, SSI, and Medicaid. Partial eligibility was later restored for Food Stamps and SSI, but significant restrictions remain in effect. In

California, benefits have been continued under state-only programs, at a significant annual cost to the state.

Recommendations:

1. Repeal the non-citizen prohibitions contained in PRWORA and enable states to enroll legal immigrant families in federal benefits programs, regardless of their date of entry into the United States.
2. To the extent that legal immigrant eligibility to federally funded benefit programs is not fully restored, maintain flexibility for states to operate state-only programs for these populations and count their spending toward the TANF maintenance-of-effort requirement.
3. Restore Medicaid eligibility for legal immigrants during their first five years in the United States.

**Topic III – Child Care**

Children are the top priority in human services, and the early years are critical in the development and formation of each child. Post-welfare reform, the mothers of young children have flooded into the workforce. In 1950, only one in 10 mothers of children from birth to age 5 worked outside of the home. Today, more than six in 10 mothers work, and that number is projected to be seven out of ten by 2005. Single-parent households make up one-third of all homes in the country.

**Issue A: Funding and Flexibility**

Analysis: Millions of working families cannot afford adequate child care. If child care cannot be found, parents must decide whether to leave their children alone during work hours or leave their jobs to ensure that their children are cared for, putting them at risk of returning to aid. Because child care programs are severely underfunded and demand continues to increase, counties and states are using an increasingly larger portion of their TANF grant on child care.

In addition, because the federal definition of “assistance” includes child care, families that have left the welfare rolls and receive transitional child care from the state TANF program put themselves at risk of exhausting their 60-month federal time limits.

Recommendations:

1. Increase funding for the Child Care and Development Fund (CCDF) to meet the needs of eligible families, while maintaining the funding and flexibility in the TANF block grant.
2. Allow states to obligate child care funds and spend them over time.
3. Remove child care support from the federal definition of assistance in cases where families are not working.

**Issue B: Quality**

Analysis: From birth to age 5, children experience an incredible rate of intellectual and emotional growth, learning from their world and forming important bonds for their entire life. Infants and toddlers who are exposed to high-quality early learning are more likely to graduate from high school and attend college. Research has also shown that high-quality child care programs reduce the risk that children will become involved in the juvenile justice system during adolescence.

Recommendation: Promote federal policies that: (1) encourage the public and private sectors to build and sustain an educated child care workforce that is well-trained, well-respected and adequately compensated; (2) support programs that address quality indicators at the state and

local level; and (3) give states flexibility to use TANF funds to improve child care quality; and (4) Improve coordination with the Head Start program.

### **Issue C: Families Who Leave TANF**

Analysis: Child care costs are high and it can be difficult to find quality care, especially for infants and children with special needs, or during non-traditional work hours. Working families are at risk of returning to the assistance rolls if they are unable to find affordable child care.

#### Recommendations:

1. Maintain state flexibility to offer transitional child care benefits for families that leave TANF.
2. Provide sufficient child care funds to ensure that quality services are available to families that leave TANF and to families with incomes of up to 225 percent of the federal poverty level.

## **Topic IV – Work and Training**

### **Issue A: Allowable Work Activities**

Analysis: It is widely recognized that many individuals on the TANF caseload have multiple barriers to employment, such as mental health issues, substance abuse, domestic violence, and a lack of education and training. The law requires states to assess these participants' needs and develop employability plans for them. However, certain activities that may be included in an individual's employability plan cannot be counted toward the work participation requirement. The activities that cannot be counted include substance abuse treatment, mental health treatment, domestic violence services, vocational training programs lasting longer than 12 months, and basic skills training in excess of 10 hours per week (five hours per adult in two-parent families).

#### Recommendations:

1. Employability plan requirements such as mental health treatment, substance abuse treatment, and domestic violence services should be an allowable work activity. States and counties should be allowed to include individuals who are participating in such an activity as part of their participation rate.
2. Allow states and counties to count vocational education lasting longer than 12 months for a higher percentage of the caseload than currently allowed. This change will help families obtain needed job skills, enhancing their ability to increase their earnings over time.
3. Give states and counties the ability to count more than 10 hours per week of basic skills and education training toward the 30-hour work participation requirement for single parents, and more than 5 hours per week of these activities toward the 35-hour requirement for two-parent families. Two-parent and single-parent families should be allowed the same number of countable hours.
4. Remove the stipulation that participants may only count "education directly leading to employment" toward their work participation requirement if they do not have a high-school diploma. For most high-school graduates, such educational activities represent the most viable path toward long-term employment and self-sufficiency.

### **Issue B: Improving Coordination with Other Work Programs**

Analysis: As welfare reform has been implemented, the link between TANF-funded programs and other work programs, especially those funded through the Workforce Investment Act (WIA), has become increasingly important. States and counties implementing the two programs have sometimes encountered barriers to full integration of training and other supports available through TANF and WIA. In addition, recent funding recessions to WIA place increasing pressure on TANF and other employment programs to fund the One-Stop centers mandated by WIA.

Recommendations:

1. Provide sufficient funding for the WIA programs to serve all eligible individuals and ensure full implementation of the One-Stop system.
2. Remove federal barriers to encourage an integrated workforce development system by giving counties greater flexibility to coordinate programs and blend funds.

**Topic V – Family Formation**

The third and fourth purposes of TANF – reducing out-of-wedlock births and maintaining two-parent families – came in response to concerns that high rates of illegitimacy and single parenthood contributed to child poverty and reliance on welfare. PRWORA also established a bonus for states that show exceptional progress in reducing the number of out-of-wedlock births. Despite these features of TANF, there has been considerable discussion of whether the promotion of marriage ought to be a TANF purpose, and what other policy changes might contribute to the formation of married families.

**Issue A: Family Formation and Promotion of Marriage**

Analysis: Children raised in healthy marriages can benefit greatly from the presence of two parents, and single-parent households often face employment barriers that two-parent families do not. However, very little data exist on the nature of unmarried parents' relationships and why those parents do or do not marry. According to a recent study by the Public Policy Institute of California, domestic violence, drugs, immigration issues, and the weak economic prospects of many single men may contribute to their decision not to marry.

Blanket policy changes aimed at “promoting marriage” could result in unintended consequences, including increased family violence and less stability. However, a recent study by the Manpower Demonstration Research Corporation (MDRC) suggests that certain key features of state TANF programs may promote marital stability. In its analysis of the Minnesota Family Investment Program, which is similar in many respects to California’s TANF program, MDRC found that providing aid to two-parent families, in combination with relatively generous earned income disregards and supportive work services, contributes to “a dramatic increase in the proportion of parents in two-parent families who stayed married.” In single-parent families, the program also had “strikingly consistent positive effects across a range of adult, child, and family outcomes” – such as an increase in marriage rates, a decline in domestic abuse, and better school performance for children in these families.

More recently, MDRC found that young children do not seem to be harmed when their parents return to the workforce, but noted that adolescents – who face some unique challenges – may experience worse outcomes. The researchers indicated that more exploration is needed into how to structure programs to ensure positive outcomes for adolescents, as well as younger children.

Recommendations:

1. Fund and disseminate further research on family formation and marriage promotion, including information on outcomes for children and adolescents as a result of these programs.
2. Maintain the existing flexibility within TANF for states and counties to design programs that promote marriage and stable families, without mandating the promotion of marriage as a new TANF purpose or creating new carve-outs for “marriage promotion” programs.
3. Favor incentives, rather than penalties, for states that achieve marriage promotion outcomes.
4. Fund incentives with new federal dollars rather than set-asides from the existing block grant.

### **Issue B: Equity for Two-Parent Families**

Analysis: The work rates in TANF require that 90 percent of two-parent families must be working at least 35 hours per week. If a state fails to meet the two-parent work rate, it is subject to penalties. This requirement places two-parent families at a disadvantage, as the unique circumstances of families receiving welfare benefits may make it difficult for these requirements to be met. Having more stringent requirements for two-parent families may discourage the formation and maintenance of two-parent households and could also discourage states from providing services to two-parent families.

Recommendation: Eliminate the two-parent work requirement, and instead apply the all-family work requirement to both single-parent and two-parent families.

### **Issue C: Kinship Care**

Analysis: The most recent census data show a trend toward increasing numbers of relative caregivers, especially grandparents, aunts, uncles, and siblings. Many states have recognized the strong ties that family members forge and have made kinship care a priority in their child welfare services systems. For extended family members who are willing to take on the task of raising their kin, TANF enables the child to continue receiving cash assistance if their parental homes were eligible for benefits. For the children in kinship care to mature into healthy, productive adults, it is crucial that their caregivers be able to access supports other than just cash assistance, including health care, respite care, child care, legal information, information and referral to existing community services, support groups, and short-term counseling.

#### Recommendations:

1. Maintain ability to provide non-time-limited “child only” cash assistance to relative caregivers, legal guardians or custodians, based on the birth family’s income and without regard to the caregiver’s income.
2. Clarify law to permit the use of TANF funds to provide support services, including child care, to kinship caregivers of TANF-eligible children, without regard to income, as a preventive measure.
3. Maintain and expand states’ ability to provide child care and Medicaid benefits to relative caregivers who are at or below 200 percent of poverty.

### **Issue D: Non-Custodial Parents**

Analysis: PRWORA addressed non-custodial parents primarily through child support provisions that required paternity tests and the enforcement of child support arrearages. Another provision of the law provides small grants to states that establish programs supporting and facilitating non-custodial parents’ visitation with their children. Finally, the Welfare-to-Work Program established in 1997 includes employment and training support for targeted groups of non-custodial parents.

#### Recommendations:

1. Maintain states’ ability to use TANF support services for non-custodial parents to enhance their ability to increase earnings overtime.
2. Allow states to extend the State Child Health Insurance Program and Medicaid to non-custodial parents who are paying child support.

### **Issue E: Child Support Collections**

Analysis: Increasing child support collections enables more families to become financially stable, which is crucial as they begin to reach state and federal time limits on TANF assistance. Ideally, child support collections would take the place of welfare assistance for single-parent families.

States and counties need sufficient resources to fully implement the enforcement tools established by PRWORA, including funds for staffing and automation, as well as a stable regulatory environment.

PRWORA made many changes to states' child support automation systems, but the federal funding for these changes expired on October 1, 2001. Extending the deadline would allow states to take full advantage of federal financial participation to quickly complete the enhancements required by the federal law.

In addition, many members of Congress on both sides of the aisle believe that a greater portion of child support collections should go to the family. Under current law, the state and federal governments can retain all payments made by the non-custodial parent while the custodial parent and children are receiving public assistance, as well as about half of the payments made on overdue child support after the family has left the welfare rolls.

Recommendations:

1. Provide sustained funding for all aspects of the child support program that is sufficient to at least enable states and counties to meet their current mandates.
2. Ensure the continuation of 90 percent federal financial participation for genetic testing.
3. Extend the use of federal funding for automation enhancements required by PRWORA until October, 2005, including implementation of the medical support notice as required by federal regulations issued in March, 2001.
4. Provide enhanced federal financial participation when states are required to implement new mandates or substantially revise their existing programs, including recommendations made by the Medical Child Support Working Group.
5. Provide incentives to states to pass-through a higher percentage of child support collections to families on welfare by reimbursing the state child support enforcement program dollar-for-dollar. Any pass-through program must be optional and not carved out of existing funding.

**Issue F: Child Support Incentives**

Analysis: The current incentive system was passed as part of the Child Support Performance and Incentives Act of 1998. The incentive funding formula in the law is based on recommendations made by a workgroup of state and federal representatives, including a new set of outcome-based performance measures. However, the law also caps the total amount of available incentive funds, a provision that was not recommended by the workgroup. Under prior law, incentives were paid from an open-ended pool of funds.

Under the new capped incentive program, one state's incentive payment depends on how all other states perform, and incentives are computed after the fiscal year is already over. The new rules create an unstable and unpredictable fiscal planning environment for states. Further, states that have high performance levels could see their incentive payments shrink in the future as lower-performing states improve. The new "zero-sum" structure requires some to lose as others gain.

Recommendation: Eliminate the cap on incentive funding to enable states to better predict their annual incentive payments and ensure that high-performing states do not receive fewer incentives as lower-performing states improve.

## **Topic VI – Child Well-Being**

### **Issue A: Providing Foster Care Without Regard to Income**

Analysis: The current eligibility rules for federal Title IV-E funds ignore the fact that child abuse and neglect occur in families at every income level. Under PRWORA, children in out-of-home care must be determined eligible for federal Title IV-E funds, with eligibility based on their eligibility for the former Aid to Families with Dependent Children (AFDC) program. That is, if a child is removed from a family who would have been eligible under the 1996 AFDC regulations, then the child is eligible for Title IV-E funding. This system of determining eligibility for Title IV-E is administratively burdensome because it is based on a program that no longer exists and income limitations that have never been increased for inflation. Many more families now have a work history, earned income, and resources that make them ineligible for Title IV-E under the outdated 1996 standards, unfairly shifting the costs of child welfare services and out-of-home care to states and counties.

Recommendation: De-link Title IV-E eligibility from the 1996 AFDC income eligibility standards and enable states to claim Title IV-E expenditures for children removed from their homes for the purposes of ensuring their safety and well-being, regardless of the family's income.

### **Issue B: Family Maintenance and Reunification**

Analysis: A significant proportion of families involved in the child welfare services system are also receiving TANF. In order to achieve positive outcomes – the maintenance or reunification of these families – the parents and children need an array of services aimed at prevention, reunification, parenting skills education, and continued support. Employment services are a necessary part of the equation, as well as mental health and substance abuse treatment and domestic violence services. Unfortunately, PRWORA does not fully recognize the critical link between child welfare services and TANF. The services provided as part of a court-ordered family maintenance or family reunification plan cannot be counted toward the work participation requirement, leading to greater stress on already fragile families and hindering the effectiveness of both child welfare and welfare-to-work programs.

#### Recommendation

1. Add court-ordered family reunification and family maintenance activities to the list of activities that may be counted toward the work requirements.
2. Maintain state flexibility to provide supportive services for children and their families using TANF block grant funds and state maintenance-of-effort funds, including preventing children from becoming involved in the child welfare system and enhancing outcomes for children.

### **Issue C: Teen Pregnancy Prevention**

Analysis: Programs aimed at the TANF purposes of preventing and reducing out-of-wedlock pregnancies and encouraging the formation of two-parent families can be funded with federal TANF dollars regardless of participants' income. Many communities have used these funds to successfully incorporate teen pregnancy prevention within other community-based programs and services aimed at adolescents. These efforts may have contributed to the recent national decrease in teen birth rates. Maintaining prevention activities as a TANF purpose is essential to support community efforts for teen pregnancy prevention.

Recommendations:

1. Continue to allow flexible use of TANF funds for teen pregnancy prevention efforts, without regard to income.
2. Maintain current policies requiring teen parents to live with a parent or other approved adult in order to receive benefits.

**Topic VII – Coordination With Other Programs**

Analysis: Families that are trying to achieve self-sufficiency often face many obstacles. Some families have substance abuse or mental health problems or may have a family member with a disability. Some of these individuals may be eligible for other assistance programs but have not been assessed and enrolled. Rising energy costs and high housing costs make it more difficult for families to become self-sufficient. Many assistance programs do not recognize the high cost-of-living in different regions. Access to reliable transportation is a continuing problem, particularly in rural areas.

States and counties need to be able to administer existing programs in a way that enables low-income working families to easily access the services for which they are eligible.

Recommendations:

1. Preserve and expand the availability of affordable rental housing and homeownership opportunities for working families.
2. Consolidate and adequately fund federal energy programs.
3. Provide new funding for transportation programs that will benefit welfare-to-work participants, particularly programs aimed at rural areas.