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Background Brief on...

# Welfare Reform

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## Background

In 1996, new welfare legislation ended the Aid to Families with Dependent Children (**AFDC**) program and combined its funding, along with other childcare and employment programs, to become the Temporary Assistance for Needy Families (**TANF**) program. Under the new law, states now receive fixed, lump-sum payments ("block grants") that allow them to devise their own welfare programs tailored to their population's needs. TANF refocuses public assistance on employment and self-sufficiency, and requires client participation in return for continuation of benefits.

## Federal Requirements for TANF

Although the federal government does not dictate how states must spend their block grants, the new legislation stipulates that states:

- Must put participants in work-related activities, starting with 25 percent in fiscal year 1997 and increasing to 50 percent in fiscal year 2002. This is the performance criterion established for states and failure to meet the standard can result in the state's block grant being reduced.
- May use federal money to pay benefits to families for more than two years only if the adult is working--in a working preparation activity--or excused from working for good cause.
- May use federal money to pay benefits to a family for more than five years only if that family receives an exemption. States can only give the exemptions to 20 percent of their caseloads.
- Must provide a certain amount of "maintenance of effort" for TANF funds. In Oregon, non-federal support must be maintained at 75 percent of the state contribution in the base year (1994-1995). State support, either General Fund or other state resources (services from other agencies, etc.) must equal at least \$183.6 million.

## Welfare Reform in Oregon

In March 1996, Oregon applied for and received a waiver of federal TANF policies to implement the “Oregon Option.” Several aspects of the waiver are still in place in Oregon:

- Case managers can determine the appropriate number of hours and type of activities that clients will do to obtain employment and self-sufficiency.
- Parents who are minors are required to participate in educational and self-sufficiency activities, live with parents or in another safe place, and can receive sanctions as necessary to encourage compliance. Oregon can “suspend the clock” for families attempting to comply and become self-sufficient; these families are not subject to arbitrary time limits for receiving benefits.
- Individuals are required to comply with assessments and, if necessary, must participate in mental health and/or substance abuse treatment to continue TANF eligibility.

Oregon’s waiver expired in June 2003, and the state must now comply with the same requirements as other states. The loss of this waiver impacts the type of programs that Oregon operates in two areas: time limits and how participation is measured.

**Time Limits** - Under the waiver, Oregon was able to “suspend the clock” for participants as long as they participated in a case plan. This means that within the state there has not been any time counted toward a limitation on the amount of time a family can receive TANF funded assistance. The rest of country has been operating a time-limited program (60 months) since 1996.

Effective July 1, 2003, Oregon has been operating a time-limited program. The time limit for families will be the national standard of 60 months. No one who has received assistance in Oregon has actually accumulated any months toward the limit prior to July 2003. Oregon families will not start timing out of assistance until 2008, unless the time limit standards are changed in reauthorization of the program.

**Participation** - The federal government defines expectations for states in the TANF program by establishing certain participation requirements. These

requirements define the type and intensity of activities and create standards that states have to meet.

Under the waiver, Oregon was unique from other states in that it was allowed to define what activities count toward participation based on the individual’s needs. Without the waiver, Oregon must use activities or services prescribed in federal regulation. These participation changes will require that Oregon make significant adjustments to the type of services that are provided to TANF participants while in the program. DHS projects that changes in participation will result in significant costs to the program.

## Oregon’s TANF Service Delivery System

Oregon’s TANF services are administered by the Department of Human Services (DHS) Children, Adults and Families (CAF). TANF funded services consist of:

**Assessment Program**- Special upfront program designed to divert families applying for ongoing financial assistance (i.e., TANF) into employment. Families applying for TANF enter into the Assessment Program for up to a maximum of 45 days. During this period the program provides cash assistance for items like rent and utilities, food stamps and Oregon Health Plan (OHP) medical coverage while attempting to place the adult head of household into employment and thereby diverting the need for establishing an ongoing grant.

**Ongoing TANF Assistance**- Program provides ongoing financial assistance to families with children under the age of 19 who meet income standards. The income standards are currently at 35 percent of the federal poverty level. Families receiving assistance under this program typically receive food stamps and OHP medical coverage with the cash assistance provided through TANF. Participation in work-related activities and services are required for adults as a condition of eligibility.

**Temporary Assistance for Domestic Violence Survivors**- Financial assistance for families who are victims of domestic violence and must re-locate for the health and safety of the victim and related children.

**JOB Preparation & Placement Services-** Full spectrum of skill development services for TANF participants seeking employment. These services include basic education, short-term vocational training, job readiness training, and various forms of work experience, job placement services and job retention services. Services available through the program include access to barrier removal services such as mental health and substance abuse services.

### TANF Re-authorization

The TANF legislation formally expired in March 2003, and Congress has been unable to complete work on its re-authorization, electing to extend it in its existing form through a series of extensions. The latest extended the program through June 2004. However, these extensions do not allow Oregon or other states to continue its waivers, and DHS anticipates that Congress will continue to extend the program in quarterly increments until they are able to reach agreement on re-authorization.

Federal House and Senate members have developed various proposals, but have been unable to come to agreement about several, critical elements:

- What type of activities will be countable toward states' participation requirements. Issues here include whether post-secondary education and barrier removal activities will be countable, and if so, for how long.
- The number of hours participants will be required to participate each week.
- How outcome measurements, such as job placements, figure into determining if states meet their participation requirements.
- What the consequences will be for states that fail to meet participation requirements.
- Funding levels for the increased cost of child care associated with the increase in participation requirements.

Depending on the outcome of federal action, there is the strong possibility that Oregon will be required to re-structure its program to meet new requirements.

### Other Welfare Programs

DHS also oversees several other welfare-related programs:

**Food Stamp Program-** A federally funded program for low-income families, single adults and childless couples to buy food. Benefits go to 130 percent of poverty level on a graduated scale and are made available through an electronic benefit transfer system. Federal funds pay for 100 percent of the benefits, and 50 percent of the administrative costs.

**Employment Related Day Care-** Child care subsidy program for the working poor that provides assistance with day care costs for working families whose income is less than 150 percent of poverty level. Client has a co-pay requirement based on income.

**Refugee Resettlement Program-** A federal program that provides cash assistance and employment-related services to refugees who are not otherwise eligible for TANF. The program is entirely federally funded, both assistance and administrative costs.

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