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Legislative Committee Services
State Capitol Building
Salem, Oregon 97301
(503) 986-1813

Background Brief on ...

Welfare Assistance

*Prepared by: Rick Berkobien and
Sandy Thiele-Cirka*

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 current law, states 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. Oregon receives \$166.8 million in TANF Block Funds per year and is required to expend \$91.6 million in state funds on eligible clients for allowable services that meet the goals of TANF. This is called "maintenance of effort" or MOE. The TANF Block Grant was reauthorized in February 2006.

TANF provides on-going cash assistance to 18,000 low income Oregon families with children each month. These cash benefits are provided to meet the basic needs of over 41,000 individuals, including over 30,000 children. Employment and training services are also available to these families. The new federal regulations regarding work participation requirements took effect October 1, 2006. Failure to implement significant, immediate, program modifications would result in substantial penalties and lost federal revenue. This loss of federal revenue would result in a reduction in the critical services and benefits the TANF program provides to Oregon's poorest children and their parents.

Federal Requirements for TANF

Although the federal government does not specifically dictate how states spend their block grants, the February 2006 legislation does continue and expand certain standards that states must meet.

- States must put 50 percent of all able-bodied adult participants and 90 percent of all able-bodied adults on two-parent TANF cash grants in work-related activities. This is the performance criterion established for states and failure to meet the standard can result in the state's block grant being reduced.
- One of the biggest challenges for Oregon is that the base year for calculating the Caseload Reduction Credit (CRC), a reduction in the participation requirement, will change from 1995 to 2005. Historically, Oregon has always had enough CRC for the effective All Family Rate to be 0 percent and for the Two-Parent Rate to be below 20 percent. With the CRC reset to 2005, Oregon's program will receive little if any relief from

participation rate requirements due to past program success in lowering the TANF caseload.

- Failure to meet either of the participation rate requirements also increases the base amount of MOE the state is required to expend on the program by \$6.1 million per year.
- The federal Department of Health and Human Services (HHS) now has authority to review and/or redefine what activities count toward participation, the levels of participation hours that are required and who is required to participate. Based on the Interim Final Rules published in June 2006, HHS has put in place more limited definitions for what activities count as work participation.
- Additionally, there will also be a quality assurance process and standards for work participation reporting.
- States 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.

Welfare Reform in Oregon

In March 1996, Oregon applied for and received a waiver of federal TANF policies to implement the “Oregon Option.” These waivers officially ended in July 2003.

With the new requirements included in the Deficit Reduction Act (DRA) of 2005, which was signed February 8, 2006, there are a number of possible changes to the program offered in Oregon.

- Case managers have had the ability to determine the appropriate number of hours and type of activities that clients will participate in to obtain employment and self-sufficiency. However, with the June 2006 TANF regulations, this flexibility will be more limited. 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. These participation changes require Oregon to make significant adjustments to the type of services that are provided to TANF participants while

in the program. DHS projects that further change in participation requirements as a result of the February 2006 legislation will result in additional costs to the program.

- 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. This aspect of the program will not change under the February 2006 legislation.
- Individuals are required to comply with assessments and, if necessary, must participate in mental health and/or substance abuse treatment to continue TANF eligibility.
- Under the waiver, Oregon was able to “suspend the clock” for participants as long as they participated in a case plan. Effective July 1, 2003, Oregon has been operating a time-limited program. The time limit for families is now the national standard of 60 months. No one who has received assistance in Oregon actually accumulated any months toward the limit prior to July 2003. Oregon families will not start timing out of assistance until July 2008.
- While the DRA maintained the current funding level for TANF grants to states, the High Performance Bonus was discontinued after September 2006. Transitional medical coverage was only extended through 2006. Nationally, up to \$150 million per year in additional competitive grants for Marriage Promotion and Fatherhood Initiatives was authorized. Childcare funding was increased by \$200 million per year nationally, about \$2.3 million for Oregon. It is anticipated that the additional need for child care will be considerably more than \$2.3 million a year to meet the existing participation standards with the revised caseload reduction credit.
- Since the new legislation passed in February, 2006, the Department of Human Services (DHS) has been conducting an assessment of the current TANF program. This assessment has involved reviewing the strengths and weaknesses of the current program design. DHS has been working with legislators, the Legislative Fiscal Office, Governor’s Office, DAS Budget and Management, other state

agencies, community partners and advocates to develop a program design that meets the individual needs of needy Oregon families and achieves the new federal participation requirements.

Oregon's TANF Service Delivery System

The DHS Children, Adults and Families (CAF) Division administer Oregon's TANF services. TANF funded services consist of:

- **Assessment Program-** Special upfront program designed to quickly move 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 maximum income payment standards are about 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. The total TANF and food stamp allotments together support a typical family of three at less than 70% of the federal poverty level. Participation in work-related activities and services are required for most 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-** Provides 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. Barrier removal services are also available through the program including access to activities such as mental health and substance abuse services.

- **Child and Family Well-being** – Services are available to help families address possible child well-being issues, helping the families to avoid child welfare intervention.
- **Redesign** – The TANF program is being redesigned to align with the new TANF legislation and to improve services to clients. A number of the items listed above will need to be modified or enhanced to avoid federal penalties and provide improved services to needy families. Additional program components not listed above were also recommended during the program redesign process, and would be required to meet the adjusted work participation rates.

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 supplement the food purchasing capacity of low income individuals and families. Maximum income eligibility is set at 185 percent of federal poverty level income guidelines. Benefits are based 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.
- **Oregon Health Plan-** Medical assistance was “delinked” from the TANF program as part of the original TANF legislation in 1996. Clients that are eligible for TANF cash assistance are generally also eligible for medical assistance for themselves and their children (Medical Assistance Assumed/Medical Assistance for Families). Most clients that leave TANF due to increased earnings are also eligible for TANF Extended Medical coverage for up to one year.
- **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.

Staff and Agency Contacts

Dave Lyda, Department of Human Services
Children, Adults and Families Division
503-945-6122

Rick Berkobien, Legislative Committee Services
503-986-1485

Sandy Thiele-Cirka, Committee Services
503-986-1286

*Dave Lyda, Department of Human Services,
Children, Adults and Families Division, provided
significant information and assistance in the
development of this document*