

Opportunities for Improving Oregon's TANF Program: A checklist comparing HB 2469 and HB 2180 on nine key policy options

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The federal Deficit Reduction Act (DRA), signed into law by President Bush last year, changed the federal requirements related to Oregon's Temporary Assistance to Needy Families (TANF) program. Most importantly, Oregon must increase the share of TANF recipients who are employed or participating in job readiness activities as outlined in new federal rules.

Most current TANF recipients in Oregon are already seeking employment or participating in job readiness activities. However, the new federal rules restrict the use of federal funds for some of the activities, effectively forcing Oregon to engage TANF recipients differently to meet the new rules.

If Oregon fails to engage half of TANF recipients in the new set of allowable work-related activities, the State faces stiff financial penalties. Oregon could be required to increase state "maintenance of effort" spending and lose up to five percent of its federal TANF funding.¹ According to the Oregon Department of Human Services, this could total up to \$14 million annually.²

To meet the new federal requirements, Oregon will need to overhaul its existing TANF program. This will be the first major overhaul of the program since welfare reform over a decade ago. While meeting the federal government's new rules will be a challenge for Oregon, overhauling the program creates an opportunity to improve it. Oregon can draw on lessons learned across the country since welfare reform to implement the nation's best practices, in designing a program that will meet the new federal requirements.

The Legislative Assembly is currently considering two bills – HB 2180 and HB 2469 - that would restructure the state TANF program. This issue brief describes nine key policy options available to Oregon to improve the TANF program, and indicates which of the nine policy options would be implemented by either HB 2180 or HB 2469, or both.

Policy option #1 - Careful up-front screening and assessment

The screening and assessment of TANF adults is critical in effectively identifying barriers to employment. If barriers go unidentified, it is much less likely that TANF recipients can successfully participate in required work activities or transition into employment. Recipients with unidentified barriers may wind up wasting time in work activities in which they are poorly suited. When this happens, states have a harder time meeting the federal work participation requirements.

The Oregon Department of Human Services' (DHS) own analysis concludes that the Department has been doing a poor job of screening recipients up-front to identify barriers. A report by DHS concluded that current up-front screenings are driven by a requirement that families must be offered a screening before being sanctioned, rather than by an effort to provide quality services to clients.³ The motivation for screening makes a difference in the quality of the screening. The Department's report notes that a substantial share of clients with identifiable barriers is not getting treatment. For instance, the Department found that 44 percent of TANF adults in their study had identifiable mental health issues, but only 14 percent were receiving mental health treatment or had been diagnosed as needing treatment. "All

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too often,” the Department’s report concluded, “reviewers found that [alcohol and drug, mental health,] or family well being and safety risks issues were not addressed as a part of the client’s plan.” The report recommended that all adult TANF applicants be screened up-front for mental health issues, and for alcohol and drug problems.

Oregon lacks standardized screening tools for mental health and alcohol and drug problems.⁴ The screening tools in use vary widely across the state. Some contractors hired by the Oregon Department of Human Services use nationally recognized screening tools; others do not.

The Oregon Department of Human Services’ current staff of TANF eligibility workers should not be solely responsible for identifying barriers facing families. Current staff should be trained to identify clients that might need professional screening and evaluation, and local TANF agencies should partner with trained medical and social work professionals to perform more in-depth evaluation and needs assessments.⁵

Provides for screening and assessment?	<input checked="" type="checkbox"/> HB 2180	<input checked="" type="checkbox"/> HB 2469
<i>Note: HB 2469 may produce higher quality assessments because, unlike HB 2180, it specifies that assessments shall be conducted “in cooperation with appropriate partner agencies or professionals.” HB 2469 also ensures access to higher quality support services for clients during the assessment period.</i>		

Policy option #2 – A careful approach to sanctions

While up-front assessments are especially valuable for families and for states seeking to improve their work participation rates, assessment of recipients’ barriers should be an ongoing process. New problems may emerge for families after the initial assessment process is complete. Also, even relatively thorough up-front assessments may miss or downplay certain barriers that later assessments could accurately identify.⁶

Recipients who are not complying with their work plans are prime candidates for assessment. Such assessments are particularly important since federal law requires states to reduce or terminate benefits for families who refuse to participate in work-related activities without good cause (i.e. “sanction” them).

Unfortunately, states often sanction families whose barriers to compliance are not adequately addressed by their work plan.⁷ Sanctioned families, in comparison to other TANF recipients, tend to have more mental and physical health problems, less work experience, more limited education, and a higher rate of domestic violence. They are also more likely to lack transportation and child care.⁸

States should be careful about imposing sanctions. Used inappropriately, they may destabilize families facing employment barriers, making it more difficult for these families to overcome their barriers in the future. Families leaving TANF due to sanctions fare worse than other TANF recipients; they have lower incomes, lower employment levels, and more financial hardship.⁹ Assessing why a family is not complying before imposing sanctions may improve the TANF program’s success at helping families achieve self-sufficiency.

With scant evidence to support the change,¹⁰ HB 2180 proposes to increase the use of full-family sanctions by accelerating the point at which a “non-compliant” family’s entire TANF grant would be closed and extending the amount of time the grant is required to remain closed. Evidence on increasing the use of sanctions suggests that doing so produces no increase in participation rates.¹¹

Provides for evaluation prior to sanctions?	<input type="checkbox"/> HB 2180	<input checked="" type="checkbox"/> HB 2469
Avoids accelerating full-family sanctions?	<input type="checkbox"/> HB 2180	<input checked="" type="checkbox"/> HB 2469

Policy option #3 – A time limit policy that exempts adults with barriers and holds children harmless

Federal law allows Oregon to construct its own time limit policy. TANF parents can only receive *federally funded* TANF benefits for 60 months during their lifetime (unless they receive an exemption or extension), but the restriction does not apply to TANF benefits paid for with state “maintenance of effort” funds or other state funds. States are free to impose time limits on receipt of state-funded benefits if they wish, but there is no federal requirement to do so.

Federal law allows states to offer time limit extensions to 20 percent of their TANF caseload. Nearly all states (47) take advantage of this provision, offering time limit extensions to at least some TANF recipients.¹²

In addition, a majority of states (34) “stop the clock” from ticking on time limits for certain TANF recipients, such as those who are disabled or who are caring for a disabled family member.¹³

Currently, Oregon “stops the clock” from ticking on time limits for all recipients who are participating in work-related activities. Recipients exempted from participating in work activities are also exempt from time limits. There is no evidence this time limit policy has been detrimental to Oregon.

Oregon should develop a time limit policy it thinks will best serve clients, then structure the funding to implement this “best practice” policy.¹⁴

It is in Oregon’s interest to maintain contact with parents who have hit the 60-month limit of federal TANF receipt but continue to face barriers to employment such as mental health problems or drug addiction. By continuing to work with these parents Oregon can keep them engaged in overcoming their employment barriers. Cutting them off from TANF support may be counterproductive, leaving these families more likely to require other public resources including subsidized medical care and child protective services.

Federal law allows Oregon’s time limit policy to hold children harmless from any time limit restrictions. Oregon could continue the child share of a TANF recipient’s grant after the parent in the household has reached the time limit on federal TANF receipt, even if the adult portion of the grant is rescinded.

Exempts adults with barriers from time limits?	✓ HB 2180	✓ HB 2469
Allows children to receive benefits beyond the limit?	✓ HB 2180	✓ HB 2469

Policy option #4 - A state-funded program for SSI applicants

The federal Supplemental Security Income (SSI) program provides cash assistance to low-income Americans who are so disabled they are unable to work for 12 or more months.

Both HB 2180 and HB 2469 create a state-funded program for SSI applicants where persons Oregon deems likely to be eligible for SSI will be assisted in applying for the federal benefits. While in this program, the SSI applicant is not counted as part of the TANF work participation rate calculation.

Both Oregon and recipients benefit from switching SSI-eligible TANF recipients from TANF to SSI. Oregon will benefit because switching these recipients out of TANF improves the Oregon’s work participation rate.¹⁵ Though few TANF recipients are severely disabled enough to be eligible for SSI, those few are unlikely to help Oregon meet the work participation requirements. To be eligible for SSI, disabled adults must prove through a rigorous process that they are unable to perform any “substantial gainful activity” and that their disability will last for at least a year.¹⁶ Oregon will also save money once these families have left the TANF roles because the adult’s cash assistance is paid by SSI.

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It often takes many months – if not years – for SSI applicants to be approved, and SSI recipients receive benefits retroactively to the date of application. States that provide cash assistance to SSI applicants while they are awaiting approval can be reimbursed out of the applicant's back SSI benefits.

Creates a state-funded SSI program?	✓ HB 2180	✓ HB 2469
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Policy option #5 – An exemption for parents with an infant under one year old

Federal TANF law allows states to exempt parents with children under one year of age from TANF work participation activities.¹⁷ Oregon currently exempts new parents for just the first 90 days after giving birth.¹⁸

Single parents of infants face special challenges in finding and maintaining employment. Infants require more intensive care than older children, and child care for infants can be particularly difficult to find.¹⁹

Oregon should take advantage of the flexibility allowed under federal law and allow (but not require) parents to stay home with their infants for their first year of life.²⁰ Exempting parents of newborns for one year would help the State meet the federal work requirements by exempting a group of recipients whose situation makes finding and keeping a job more difficult. In addition, it would help parents of infants focus more time on raising their child.

Provides exemption for parents with infant under one year?	✓ HB 2180	✓ HB 2469
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Policy option #6 - Restoring a policy of allowing families to keep at least some child support

Before they are eligible for TANF, poor families must assign their child support rights to the State. Oregon must share with the federal government a portion of child support collected on behalf of TANF families, but has considerable flexibility when it comes to the remainder of child support collections. The State may keep it all, “pass through” all of it to the families, or just “pass through” some of it.

Oregon takes the most restrictive approach; the State does not pass through any child support income to families. Oregon ceased providing a \$50 “pass-through” in 1997.

Prior to welfare reform in 1996, federal rules required states to allow families to keep the first \$50 a month in child support. It was recognized that allowing families to keep some of their child support encouraged non-custodial parents to pay child support to the State if they knew that some of the funds would go to their children, and encouraged custodial parents to keep the State abreast of the whereabouts of the absent parent. Since then, research has confirmed that non-custodial parents are more likely to pay child support if more of the payments reach their children.²¹

To encourage states to allow families to keep at least some child support, Congress included in the DRA provisions that give states a new incentive to direct more child support to TANF recipients. Under the new rules, the federal government will waive its share of child support collections - if the State lets families keep at least some child support and disregards the income when calculating benefit levels - up to \$100 per month for one child and \$200 per month for two or more children.²² This provision will take effect October 1, 2008.

Moreover, the money the State collects does not help finance the TANF program. Oregon uses the income from TANF child support collections to help finance the activities of the State's child support collection unit in the Oregon Department of Justice.

Allows families to retain at least some child-support?	<u> </u> HB 2180	<input checked="" type="checkbox"/> HB 2469
<i>Note: Unlike HB 2180, HB 2469 requires that any child support families are allowed to keep must be disregarded when calculating benefit levels. As currently drafted, however, HB 2469 fails to <u>require</u> Oregon to allow families to keep some or all child support.</i>		

Policy option #7 - A post-TANF employment retention program

Since the early 1990s, most states have changed their eligibility rules so that recipients could continue receiving cash assistance and other services after they find employment.²³ Research has shown that providing earnings supplements to welfare recipients increases the chances they will be employed.²⁴ About a quarter of TANF recipients nationally were employed in 2001.²⁵

In Oregon, just one percent of the TANF caseload has any earnings from work. Oregon's current TANF eligibility is set so low that once a TANF recipient with two children works just 19 hours a week at minimum wage, they earn too much to qualify for TANF. Once a family's income rises above 43 percent of the federal poverty level they are ineligible for TANF cash assistance.

A program to provide some supplemental income to families as they leave welfare for work would help provide some additional financial stability to families. It would also help Oregon increase the share of its TANF caseload that meets the new federal work requirements imposed by the Deficit Reduction Act.

Provides for a post-TANF employment retention program?	<input checked="" type="checkbox"/> HB 2180	<input checked="" type="checkbox"/> HB 2469
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Policy option #8 – Increase the income eligibility limit to make the “earnings disregard” work and help more poor children

To be eligible for TANF services, families in Oregon must have incomes under the “countable income limit” – the maximum allowable income before certain deductions and exemptions. The “countable income limit” varies by family size.

Oregon's countable income limits for TANF have not changed since July 1991. As a result, families today have to be much deeper in poverty than in the past to receive TANF. Eligibility has shrunk to 43 percent of the federal poverty level for a three-person family. Only two states have lower income limits than Oregon.²⁶

Even at minimum wage levels, the countable income limit is too low to allow most working families to receive TANF benefits. For example, in 2007 a mother of two children who works more than 19 hours a week in a minimum wage job is ineligible for TANF because she earns too much money. In the early 1990s, the same mother could work nearly 30 hours a week at minimum wage and still be eligible for TANF aid. In December 2006, only one percent of TANF families had any earnings from work, because the income limit is set so low. If Oregon increases the countable income limit and cash assistance level, more working families will be eligible for assistance. By offering assistance to more working families, Oregon would directly improve its work participation rates.

Increasing the income limit would also make Oregon's TANF policy more internally consistent. To encourage recipients to work, Oregon's longstanding practice is to ignore, or “disregard,” half of any earnings from work when calculating benefits. Unfortunately, few recipients benefit from the "earnings disregard" because Oregon's low countable income limit means that once recipients are working, few remain eligible for the program.

Oregon should increase the countable income limit to the federal poverty level, so that all Oregon families with children living in poverty have access to TANF assistance. Coupled with the existing earnings

disregard policy and with a maximum grant set at not less than half of the federal poverty level, Oregon could boost its work participation rate while simultaneously providing cash assistance at less than the full grant amount to working TANF recipients.²⁷

At a minimum and as an alternative, Oregon should increase the limit to a minimum of 66 percent of the federal poverty income guidelines. At this level, the income limit would equal twice the current maximum grant for a family of three, making the "earnings disregard" fully operational.

Increases income eligibility limits?	__HB 2180	__HB 2469
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Policy option #9 – Increase the maximum grant amount

From July 1991 to April 2006, the maximum monthly TANF assistance grant that families may receive was frozen at \$460 for a family of three. During this long freeze, the value of the maximum grant amount lost nearly a third (32 percent) of its value.

In April 2006, the maximum grant increased slightly, to \$471 for a family of three. The slight increase, however, has already been eroded by inflation. As of the first quarter of 2007, the maximum grant is still 32 percent less than its value since July 1991.

The 32 percent drop in the value of the grant is significant. Compared to the 1991 grant level, the \$471 grant today is really worth only about \$314. Each month, moreover, this value is declining as the cost of living continues to rise. By the end of the upcoming 2007-09 budget cycle, the grant will be worth just \$301, or 35 percent less than its value in July 1991.

To restore the grant to July 1991 levels, Oregon would need to increase it to \$690 for a family of three. At that level, the grant would still equal less than half (48 percent) of the poverty line.

Increases the maximum grant amount?	__HB 2180	__HB 2469
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Endnotes:

¹ When Congress enacted the 1996 welfare reform law and converted a matching federal funding scheme into a block grant, Congress was concerned that once federal spending was fixed in a block grant and divorced from state spending levels, states might fail to maintain a commitment to needy families and begin a "race to the bottom." To address this concern, one of the most important provisions in the federal TANF statute is the maintenance-of-effort (MOE) requirement requiring states to spend at least a certain amount to support the TANF program based on what the state spent in non-federal funds in 1994.

² Legislative Fiscal Office, Analysis of the 2007-09 Governor’s Budget, Human Services, p. 76.

³ Oregon Department of Human Services, *Final Report, "TANF/A&D/MH/ME Project*, emailed to co-author by Dave Lyda, Oregon Department of Human Services, February 27, 2007. The report has "draft" written on the top of each page although, in his email, Mr. Lyda indicated that "Our research folks tell me that this report was the final draft version, but the draft label was never officially removed."

⁴ Ibid.

⁵ For more information on effective up-front assessments, see Terri Thompson and Kelly S. Mikelson, "Screening and Assessment in TANF/Welfare to Work: Ten Important Questions TANF Agencies and Their Partners Should Consider," The Urban Institute, March 2001, p. 65. http://www.urban.org/UploadedPDF/410049_screening_and_assessment_TANF-WtW.pdf. See also LaDonna A. Pavetti and Jacqueline Kauff. "When Five Years Is Not Enough: Identifying and Addressing the Needs of Families Nearing the TANF Time Limit in Ramsey County, Minnesota. Lessons from the Field." Mathematica Policy Research, Inc., March 2006.

⁶ See Terri Thompson and Kelly S. Mikelson, "Screening and Assessment in TANF/Welfare to Work: Ten Important Questions TANF Agencies and Their Partners Should Consider," The Urban Institute, March 2001, pp. 55-63. http://www.urban.org/UploadedPDF/410049_screening_and_assessment_TANF-WtW.pdf

⁷ Heidi Goldberg and Liz Schott. A Compliance-Oriented Approach to Sanctions in State and County TANF Programs. Center on Budget and Policy Priorities. October 2000. Available at <http://www.cbpp.org/10-1-00sliip.htm>

⁸ Ibid, pp. 7-10. See also Cherlin, A.J., Burton, L.M., Francis, J., Henrici, J., Lein I., Quane J., and Bogenk. "Sanctions and case-closings for non-compliance: Who is affected and why." February 2001. Policy Brief 01-1. Johns Hopkins University. See also Elizabeth Lower-Basch and LaDonna Pavetti, "Review of Sanction Policies and Research Studies: Final Literature Review,"

Mathematica Policy Research, Inc. for the U.S. Department of Health and Human Services, MPR Reference No. 8902-202, March 2003, pp. 11-15.

⁹ Ibid, pp. 10-12. See also Cherlin, A.J., Burton, L.M., Francis, J., Henrici, J., Lein I., Quane J., and Bogenk. "Sanctions and case-closings for non-compliance: Who is affected and why." February 2001. Policy Brief 01-1. Johns Hopkins University. See also Elizabeth Lower-Basch and LaDonna Pavetti, "Review of Sanction Policies and Research Studies: Final Literature Review," Mathematica Policy Research, Inc. for the U.S. Department of Health and Human Services, MPR Reference No. 8902-202, March 2003, pp. 15-19.

¹⁰ First of all, there is little evidence on whether or not full-family sanctions are more effective than partial-family sanctions. Evidence on increasing the use of sanctions suggests that doing so produces no increase in participation rates. See endnote 11.

¹¹ Hamilton, Gayle, Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies, Manpower Demonstration Research Corporation. Submitted to U.S. Department of Health and Human Services, July 2002, Chapter 6, Table 6. Available at <http://aspe.hhs.gov/hsp/NEWWS/synthesis02/chapt6.htm#Mandate>.

¹² Schott, Liz. "Recent Federal TANF Changes: What They Mean for Families and for States." Presentation for Oregon Center for Public Policy TANF training, Salem, Oregon, February 8, 2007.

¹³ Ibid, additional slide available at <http://www.ocpp.org/cgi-bin/display.cgi?page=fact070207tanf1>.

¹⁴ For ideas on best practices, see Liz Schott, "Ways that States Can Serve Families That Reach Welfare Time Limits," Center on Budget and Policy Priorities, June 21, 2000.

¹⁵ Obviously, once recipients are receiving SSI and are no longer on the TANF rolls, they do not count toward the TANF work participation rate. During the SSI application process, they may or may not count toward the work participation rates depending on the source of their cash assistance funding. If recipients are receiving cash assistance funded by either federal TANF or state "maintenance of effort" TANF funds, they must be counted toward the work participation rates. For this reason, Oregon may wish to create a state-funded cash assistance program for SSI-eligible TANF families that is paid for with state funds not counted as part of the state's "maintenance of effort."

¹⁶ 42 U.S.C. § 1382c (a)(3)(A).

¹⁷ 42 U.S.C. § 607 (b)(5). A lifetime limit applies to this exemption; for a total of 12 months in their lifetime, a recipient can be exempted from the work participation rates when caring for an infant up to 12 months old. States may use non-TANF funds to

¹⁸ ORS 418.040(2)(b).

¹⁹ Kirby, Gretchen, Christine Ross, and Loren Puffer, *Welfare-to-Work Transitions for Parents of Infants: In-Depth Study of Eight Communities*, Mathematica Policy Research, Inc. for U.S. Department of Health and Human Services, July 2001, p. vii.

²⁰ While federal law imposes a lifetime limit on this exemption (i.e. for a total of 12 months in their lifetime, a recipient can be exempted from the work participation rates when caring for an infant up to 12 months old), nothing in federal law restricts Oregon from exempting *all* parents with infants under 12 months old, even those who have already hit the federal lifetime limit for this exemption.

²¹ The research also suggests that fathers paying child support pay *more* when they know all of the support is reaching their children. Meyer, Daniel R. and Maria Cancian, *W-2 Child Support Demonstration Evaluation, Phase 1: Final Report*, Institute for Research on Poverty, April 2001, p. 95.

²² Deficit Reduction Act of 2005, Sec. 7301(b)(7)(A) and (B).

²³ Center on Budget and Policy Priorities and Center on Law and Social Policy, *Implementing the TANF Changes in the Deficit Reduction Act: Win-Win Solutions for Families and States*, Second Edition, February 2007.

²⁴ Charles Michalopoulos, "Does making Work Pay Still Pay," MDRC, August 2005.

²⁵ House Ways and Means Committee, United States House of Representatives, *2004 Green Book*, Section 7: Temporary Assistance for Needy Families, p. 7-84 and 7-85.

²⁶ Walters, Merideth, Gene Falk, and Vee Burke, *TANF Cash Benefits as of January 1, 2004, updated September 12, 2005*. Congressional Research Service, CRS Report for Congress, Order Code 32598. According to this Congressional Research Service report, Oregon's income eligibility limit of \$616 for a family of three in the initial months of employment after leaving TANF was the fourth lowest in the country, in front of Wyoming, Mississippi, and Arizona. Since the CRS report was published, Mississippi expanded a policy disregarding earnings in these initial months. After six months of employment, a handful of other states reduce their income limit, making Oregon's income limit higher than Wyoming, Arizona, and five other states, all of which are southern states – Georgia, Louisiana, Mississippi, Alabama, and Texas.

²⁷ Setting the maximum grant at half the federal poverty level would increase the three-person household grant from \$471 to \$716 in 2007.

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