

2012/2013
BUDGET BRIEFING
HOUSE APPROPRIATIONS COMMITTEE (D)
HOUSE APPROPRIATIONS COMMITTEE (D)



JOE MARKOSEK, DEMOCRATIC CHAIRMAN

August 9, 2012

Budget Affects Economic Stabilization Supports for Pennsylvanians

The Department of Public Welfare (DPW) operates a variety of programs designed to provide temporary support to families in transition from government dependency to economic self-sufficiency. Support may include education, job training and placement assistance, transportation, other support services and cash assistance. Combined, these programs touch the lives of hundreds of thousands of Pennsylvanians. This budget briefing explains the types of economic stabilization supports and recent policy changes at DPW affecting Pennsylvanians.

Additional budget briefings will be posted throughout the summer online at: www.hacd.net.

Administrative Supports

Through the **County Administration**, **County Assistance Offices** and **Child Support Enforcement** appropriations, the Department of Public Welfare (DPW) provides administrative support to run these assistance programs.

The **County Administration** appropriation funds centralized headquarters and field staff in DPW's Offices of Income Maintenance, Medical Assistance, and Administration. The enacted 2012/13 budget includes nearly \$32.8 million for County Administration, the same as in 2011/12. However, funding for this appropriation was cut nearly \$5.5 million, or 14.3 percent, since 2010/11.

The **County Assistance Offices** appropriation funds the commonwealth's county assistance offices, which determine eligibility and manage benefits for the cash grants, nutrition assistance, medical assistance and energy assistance programs. The enacted 2012/13 budget includes nearly \$260 million for County Assistance Offices, a cut of \$2.5 million, or 1 percent, compared with 2011/12. Funding for this appropriation was cut nearly \$8.9 million, or 3.3 percent, since 2010/11.

The **Child Support Enforcement** appropriation funds administrative costs associated with the Child Support program, which establishes and enforces child support obligations on behalf of custodial parents and their children. Federal and state law requires that court-ordered child support payments be collected by and assigned to DPW for custodial

parents and their children receiving cash assistance benefits. The enacted 2012/13 budget includes nearly \$13.8 million for Child Support Enforcement, the same as in 2011/12. However, funding for this appropriation was cut nearly \$628,000, or 4.4 percent, since 2010/11.

Programs Supporting Self-Sufficiency

Temporary Assistance for Needy Families (TANF) Block Grant

The **Temporary Assistance for Needy Families (TANF)** program is a joint venture between the federal government and the states. While federal statute and regulations provide general guidelines for TANF, states are provided extensive flexibility when crafting their program.

Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)

The **Personal Responsibility and Work Opportunity Reconciliation Act of 1996** (PRWORA) created the Temporary Assistance to Needy Families (TANF) federal block grant. This replaced the open-ended federal entitlement Aid to Families with Dependent Children (AFDC) program. Under AFDC, the federal government reimbursed states for actual expenditures incurred while serving the state's welfare caseload. In contrast, the TANF block grant provides states with an annual fixed amount of funds to serve low-income families, whether or not

the welfare caseload increases or decreases. Programs funded by the block grant include monthly cash assistance, workforce training, child care and other social supports to help low-income individuals achieve self-sufficiency.

Pennsylvania implemented TANF in March 1997, making funds available to provide temporary cash assistance and other benefits to help needy families make the transition from government dependence to self-sufficiency. Since 1997/98, the federal TANF block grant provided a fixed annual amount of \$719 million to Pennsylvania.

States are required to spend a minimum level of state funds, called maintenance of effort (MOE), to qualify for their full TANF grant. These MOE requirements are based on state welfare spending in the year that the TANF block grant was calculated.

PRWORA also set work participation rate requirements for the state's caseload, in addition to activity requirements for individuals receiving cash assistance. To retain TANF eligibility, at least one adult in a family that received assistance for two years, must participate in work activities for an average of at least 20 hours per week. Exemptions do exist in some circumstances, such as households with a child under 1-year-old.

Statutory work participation rate requirements are 50 percent for all families and 90 percent for two-parent families. This means at least 50 percent of a state's assistance caseload must be engaged in eligible work activities for at least 30 hours per week, with a heightened requirement of 90 percent of two-parent families to engage in work-related activities for at least 35 hours per week (or 55 hours per week if they receive childcare subsidies). Fluctuations to these calculations may exist based on current law.

The TANF block grant allows states to fund a variety of programs and services, as long as those programs serve any of the following four broad TANF purposes:

- Provide assistance to needy families so that children may be cared for in their own home or in the home of a relative.

Federal TANF Reauthorization

The passage of the **Deficit Reduction Act of 2005 (DRA)** in February 2006 reauthorized TANF through federal fiscal year 2010. Under DRA, federal funding for TANF remained steady; meaning Pennsylvania's annual block grant remained at \$719 million.

The reauthorization under DRA changed many TANF provisions; including changes to state caseload reduction credits and state maintenance-of-effort (MOE) provisions. Specifically, reauthorization contained provisions to (1) change the base year for the caseload reduction credit from 1995 to 2005; (2) include families with an adult receiving assistance in a separate state program funded with qualified state MOE money in the state work participation rates and (3) redefine the activities and hours of participation that count toward the rates. These changes made it much more difficult for states to attain required workforce participation rates and avoid financial penalties. Further, the DRA required states to establish and maintain procedures to verify reported work performance data or face a funding penalty.

In February 2012, the president signed the "Middle Class Tax Relief and Job Creation Act of 2012." Included in this law was an extension of the TANF block grant, with policy changes and a new penalty for states. The TANF block grant was extended through Sept. 30, 2012.

- End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.
- Prevent and reduce the incidence of single mother pregnancies and establish numerical goals for preventing and reducing these pregnancies.
- Encourage the formation and maintenance of two-parent families.

While the TANF block grant does provide states with a flexible source of funding to meet these broad goals, restrictions on TANF spending do exist. In particular, TANF funds may not be used for general K-12 education or to substitute Medicaid (i.e., Medical Assistance) funds.

States are allowed to transfer up to a total of 30 percent of their TANF funds to the Child Care Development Fund (CCDF) and the Social Services Block Grant (SSBG). No more than 4.25 percent may be transferred to the SSBG. The transferred funds must be spent on children or their families whose

income is at or below 200 percent of the federal poverty level (approximately \$46,100 for a family of four in 2012). Once TANF funds are transferred, those funds must stay in CCDF or SSBG and may not be returned to TANF to use for other purposes.

Programs in Pennsylvania

Core TANF programs (cash assistance, job training, and child care) serving welfare and former welfare recipients receive priority over available funds, as intended by PRWORA. However, various other programs have received TANF block grant funding since its inception.

- Dependent children and their parents who live with them.
- Dependent children and other relatives who live with them and care for them.

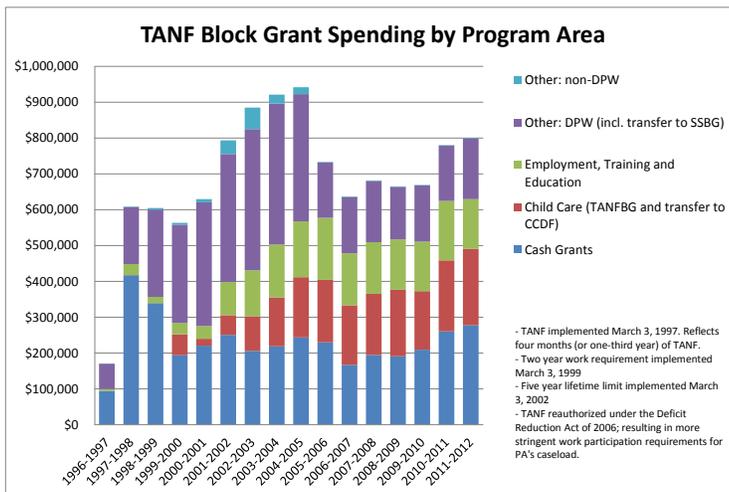
SBP provides blind pension benefits for adults who meet the following requirements of eligibility:

- Visual acuity in the client's better eye with best correcting lens does not exceed 3/60 or 10/200.
- The combined value of real and personal property may not exceed \$7,500.
- Annual net income, including the Blind Pension payment, may not exceed \$4,260.

- Must be at least 21 years old and a Pennsylvania resident.

GA (before Aug. 1, 2012) provided entirely state-funded benefits to individuals who did not qualify for the federally funded TANF benefit. Categories included:

- Childless adults, who have a temporary or permanent disability.
- Children under 18 years of age under the care of an unrelated adult.
- Individuals age 18-20 in a secondary school.
- Individuals in a drug/alcohol program.
- Victims of domestic violence.



The commonwealth can mold its programs within federal guidelines to meet the needs of its citizens. In addition, the commonwealth chose in the past to create and fund other safety net programs with state General Fund dollars.

Core Programs

Cash Assistance

The **Cash Grants** appropriation funds monthly cash payments and supportive services allowances (transportation, clothing, etc.) to TANF and State Blind Pension (SBP) recipients. Prior to Aug. 1, 2012, assistance also was provided to General Assistance (GA) recipients. In addition, this appropriation funds certain employment and training programs for TANF recipients. Beginning with the 2007/08 budget, child care supports for TANF and former TANF recipients are funded under the Child Care Assistance appropriation.

The TANF program provides cash assistance to help:

- Pregnant women.

Through the Cash Grants appropriation, TANF clients receive average monthly cash payments of roughly \$145 per month, per recipient as well as allowances for support services and child care and SBP clients receive average monthly cash payments of \$98.38. Likewise, GA clients received average monthly cash payments of roughly \$209, prior to program elimination effective Aug. 1, 2012.

During May 2012, 212,544 individuals received TANF benefits and 69,015 received GA benefits. DPW estimates 222 individuals will receive SBP benefits in 2012/13.

In the late 1990s, TANF caseloads rapidly declined. Beginning in 2002, caseloads began to rise, reflecting the economy's downturn. This growth peaked in 2004/05 and again began to decline in 2005/06. Increased work participation requirements in the Deficit Reduction Act contributed to a significant decline seen in 2006/07 and 2007/08. Caseloads grew starting in 2009/10 through 2010/11 as the economy still recovers from recession. However, since the beginning of the 2011/12 fiscal year, the department reported a

decline in TANF Caseloads, despite a slow economic recovery. From July 2011 to May 2012, TANF caseloads decreased by 7,385 individuals, or 3.4 percent.

The 2012/13 enacted budget provides nearly \$60.7 million in state funds, and \$322.7 million in federal TANF funds, for the Cash Grants appropriation. This amount reflects the elimination of the General Assistance program effective Aug. 1, 2012, an estimated cut of \$150 million. The appropriation amount also includes more than \$5.7 million in reductions due to employment and training special allowance cost projections and transportation cost projections run by DPW. Please see the section on *Program Policy Changes* for more information.

New Directions

The **New Directions** appropriation funds the employment program activities of County Assistance Offices as well as job training and educational services funded through the Joint Jobs Initiative and other contracts. The purpose of these activities is to obtain full-time permanent employment for Temporary Assistance for Needy Families (TANF) recipients, thereby reducing their need for public assistance. Prior to program elimination on Aug. 1, 2012, General Assistance

Federally Funded Programs

The following two DPW-administered programs are not included in this briefing because they are fully federally funded to help individuals and families maintain economic stability:

The **Supplemental Nutrition Assistance Program (SNAP)** strives to improve the diets of low income individuals by ensuring access to nutritious food using monthly benefits payments which can be redeemed at local grocery stores and farmers' markets.

The **Low-Income Home Energy Assistance Program (LIHEAP)** is a federal grant that provides funds to help eligible households meet the costs of home energy both through supplementing bill payments and one-time grants to alleviate crisis situations. Weatherization services also are provided for eligible clients under this federal grant. These services are administered through the Department of Community and Economic Development (DCED).

(GA) recipients also received services under this appropriation.

As noted previously, the federal Deficit Reduction Act of 2005 increased work participation requirements for TANF recipients. Starting in October 2006, states must have 50 percent of their TANF caseload meeting federal work requirements to receive the full, annual TANF block grant amount. These requirements are as follows:

- Single-parent families with a child under age 6 must participate in 20 hours of work activities
- Single-parent families with no children under age 6 must participate in 30 hours of work activities
- Two-parent families not receiving child care supports must participate in 35 hours of work activities
- Two-parent families receiving child care supports must participate in 55 hours of work activities

During the first two years of welfare reform (1996/97 and 1997/98), the Ridge Administration strategy for employment and training focused on funding "rapid attachment" services with an emphasis on job preparation, job readiness and job placement services for relatively job-ready clients. The focus was not on job training, education or skills development. The Corbett Administration has again adopted this approach, which it calls "work first." Amendments to the Public Welfare Code in June 2012 changed the job search and employment requirements for clients under the **Road to Economic Self-Sufficiency through Employment and Training (RESET)** program. (See section on *Program Policy Changes* for more information)

The 2012/13 enacted budget provides nearly \$17.2 million in state funds, and \$124.6 million in federal TANF funds, for the New Directions appropriation. While these amounts are nearly level funded with 2011/12, this represents a cut of nearly \$15.3 million in state funds (47.1 percent) and \$26.1 million in federal TANF funds (17.3 percent) when compared with 2010/11.

Recent Program Policy Changes

Under Act 22 of 2011, in Section 405.1A, DPW was required to further reduce annual and lifetime limits for special allowances in the RESET program, including moving and transportation expenses, by up to 25 percent, or eliminate any special allowances from the program, as provided under 55

Pa. Code Ch. 165 (relating the RESET program). These actions were authorized to proceed under the provisions of Section 403.1 which gave the DPW secretary unprecedented authority to promulgate regulations outside of the regulatory review process. As a result of this act, on April 14, 2012, the department published [regulations in the PA Bulletin](#) eliminating several types of special allowances, combining public and private transportation related special allowances into one category and reducing the maximum combined annual limit for transportation from \$3,000 to \$1,000. The regulation also eliminated the motor vehicle insurance special allowance. In addition, the

lifetime limit for other work, education and training-related special allowances was reduced from \$2,000 to \$1,000.

The RESET program was targeted further in the Public Welfare Code Gov. Corbett signed June 30 ([Act 80 of 2012](#)), as part of the 2012/13 budget package. This act included changes relating to the timeframe of the initial job search for cash assistance applicants and increased penalties for non-compliance. Changes are detailed in the chart below. Note that the department did not factor in any savings related to these amendments in the 2012/13 budget. The changes were a policy decision only.

Act 80 of 2012: Changes to the RESET Program	
<i>This program is geared towards helping recipients of cash assistance to secure permanent full-time unsubsidized jobs, entry level jobs or part-time jobs to transition from government dependence to self-sufficiency.</i>	
<u>Prior Law</u>	<u>Act 80 of 2012</u>
A nonexempt applicant's initial work-related activity shall be to conduct an independent job search for a period not to exceed eight weeks. The applicant or recipient must document such efforts and present the documentation to the appropriate county assistance office upon request.	As a condition of eligibility, an applicant shall apply for at least three positions of unsubsidized employment each week unless the applicant establishes good cause for failure to comply. An applicant shall continue to apply for unsubsidized employment until paid employment of at least 20 hours per week is secured. The applicant shall verify compliance with these requirements in the manner and form prescribed by the department.
For failure to comply with work-related requirements of RESET, benefits suspended a minimum of 30 days for the first violation and continuing thereafter until such time as he or she is willing to comply with the requirements. If the reason for the disqualification occurs during the first 24 months that cash assistance is received, whether those months are consecutive or interrupted, only the individual is disqualified. If the reason for the disqualification occurs after the individual has received assistance for more than 24 months, whether those months are consecutive or interrupted, the disqualification is imposed on the entire assistance group.	For failure to comply with work-related requirements of RESET, benefits suspended for the first violation, a minimum of 30 days and continuing thereafter until such time as the recipient has demonstrated and maintained compliance for at least a one-week period with the requirements. After the recipient has been disqualified for ninety days, the entire assistance group shall be disqualified until the recipient has demonstrated and maintained compliance for at least a one-week period with the requirements.
For failure to comply with work-related requirements of RESET, benefits suspended a minimum of 60 days for the second violation and continuing thereafter until such time as he or she is willing to comply. If the reason for the disqualification occurs during the first 24 months that cash assistance is received, whether those months are consecutive or interrupted, only the individual is disqualified. If the reason for the disqualification occurs after the individual has received assistance for more than 24 months, whether those months are consecutive or interrupted, the disqualification is imposed on the entire assistance group.	For failure to comply with work-related requirements of RESET, benefits suspended for the second violation, a minimum of 60 days and continuing thereafter until such time as the recipient has demonstrated and maintained compliance for at least a one-week period with the requirements. After the recipient has been disqualified for sixty days, the entire assistance group shall be disqualified until the recipient has demonstrated and maintained compliance for at least a one-week period with the requirements.
For failure to comply with work-related requirements of RESET, benefits suspended permanently for a third violation. If the reason for the disqualification occurs during the first 24 months that cash assistance is received, whether those months are consecutive or interrupted, only the individual is disqualified. If the reason for the disqualification occurs after the individual has received assistance for more than 24 months, whether those months are consecutive or interrupted, the disqualification is imposed on the entire assistance group.	For failure to comply with work-related requirements of RESET, benefits suspended for the third violation, the entire assistance group shall be permanently disqualified.

House Appropriations Committee (D)

Miriam A. Fox, Executive Director

Lisa Fleming, Senior Budget Analyst

Barry Ciccocioppo, Communications Director