



TEXAS PUBLIC POLICY FOUNDATION
LEGISLATORS' GUIDE TO THE ISSUES

Temporary Assistance for Needy Families (TANF)

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THE ISSUE

In 1996, Congress passed sweeping legislation to reform the nation's complex and often counterproductive welfare system through the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).

PRWORA ended welfare as an entitlement, instead creating a system of reciprocal obligation, requiring welfare recipients to be engaged in work activities and time-limiting the receipt of benefits. In addition, welfare reform changed the name for the welfare program. Aid to Families with Dependent Children (AFDC) became Temporary Assistance for Needy Families (TANF), funded through a federal block grant to the states.

Texas has been a leader in welfare reform, passing its own version in 1995 and receiving a waiver to grandfather the state's system until 2002, when the state was forced to fully comply with PRWORA. The 78th Legislature established stricter sanctions for non-compliance with work requirements and the states' Personal Responsibility Agreement. The full-family sanction—termination of the entire family's TANF cash grant—is utilized when the adult recipient is not in compliance with the agreement, and it is not restored until the adult recipient becomes compliant. Similarly, the state terminates the Medicaid benefit for TANF adults who do not comply with work requirements.

The results of the stricter sanctions have been dramatic. The percentage of adults under sanctions every month has dropped dramatically, while the percentage of adults participating in work activities has climbed. The stronger sanctions have created an incentive for more responsible behavior, driving greater compliance with work requirements to ensure clients earn the full benefit for their families.

Consequently, Texas has been a leader among the states in moving people off welfare and into the workplace. A July 2006 *USA Today* article shows the number of families receiving welfare in Texas declined by 68 percent between August 1996 and December 2005.

Through the Deficit Reduction Act of 2005 (DRA), Congress has continued to drive welfare reform, tightening definitions of work activities and recalibrating the way states demonstrate their success in reducing their welfare caseload. States are required to have 50 percent of all TANF families participating in work activities and recalibrating the way states demonstrate their success in reducing their caseload.

States are required to have 50 percent of all TANF families participating in work activities and 90 percent of two-parent families participating in work activities. However, in the past, states have received credit for reducing their caseload since 1995, which lowers the work participation percentage states must meet. The DRA changed the benchmark year for giving states credit for reducing their caseload from 1995 to 2005, thereby forcing states to meet more closely the 50 percent and 90 percent participation rates for all families and two-parent families, respectively.

To meet the participation rates under the recalibrated system, Texas will need to engage more TANF recipients in work activities. However, due to exemptions in state law and in Health and Human Services Commission (HHSC) rules, Texas may have difficulty engaging enough people in work activities to meet the participation rate, particularly for two-parent families. Failure to meet the work participation rate will result in a loss of part of the state's TANF block grant.

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THE FACTS

- ★ The Personal Responsibility and Work Opportunity Reconciliation Act, passed by Congress in 1996, fundamentally changed welfare across the country.
- ★ Texas has been a leader in welfare reform, receiving almost \$80 million in high performance bonuses from the U.S. Department of Health and Human Services through December 2005.
- ★ Between October 2004 and September 2009, Texas reduced the number of families on welfare by 44.6 percent.
- ★ Stricter state sanctions established by the 78th Legislature have improved compliance.
- ★ The number of TANF adults participating in work activities increased by 62 percent from 2003 to 2007.
- ★ The number of individuals sanctioned for non-cooperation with work requirements declined by 92 percent from August 2003 to April 2006.
- ★ The number of families sanctioned for non-cooperation with the state's Personal Responsibility Agreement dropped by 89 percent between September 2003 (11,478) and July 2007 (1,256).
- ★ TANF recipients are exempt from work requirements under state law if they are caretakers for an ill or disabled child, or a single parent/caretaker with a child under age one (applies only to the first child).
- ★ TANF recipients are exempt from work under HHSC rules if they are age 18 or younger; over 18 but unable to work due to mental or physical disability lasting for more than 180 days; age 60 or older; adult caregivers for a disabled adult; pregnant and unable to work; or single grandparents age 50 or older, caring for a child under age three.

RECOMMENDATIONS

- ★ Maintain the full-family sanction for non-compliance with work requirements and the Personal Responsibility Agreement.
- ★ Maintain the adult Medicaid sanction for non-compliance with work requirements.
- ★ Review exemptions in state law and in agency rule that exempt TANF clients from work, though their benefits remain time-limited.
- ★ Remove exemptions that impede the state's ability to engage recipients in work and prepare them for self sufficiency.

RESOURCES

Continuing Welfare Reform in Texas by Mary Katherine Stout, Texas Public Policy Foundation (July 2006) <http://texaspolicy.com/pdf/2006-07-PP-welfarereform-mks.pdf>.

Caseload Reduction Report for Texas: Fiscal Year 2010, Texas Health and Human Services Commission (2010) http://www.hhsc.state.tx.us/research/TANF/MethodologyCaseloadReductionReport_2010.pdf.

Fiscal Size-Up: 2010-2011 Biennium, Legislative Budget Board (Dec. 2009) http://www.lbb.state.tx.us/Fiscal_Size-up/Fiscal%20Size-up%202010-11.pdf.

"How Welfare Reform Changed America" *USA Today* (18 July 2006) 1A.

The Impact of Welfare Reform, testimony of Robert Rector to the Committee on Ways and Means, U.S. House of Representatives, The Heritage Foundation (19 July 2006) <http://heritage.org/Research/Welfare/tst071906a.cfm>. ★

