TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

- ❖ Enacted as part of federal Personal Responsibility Work Opportunities Reconciliation Act of 1996
- ❖ Eliminated family welfare as a federal entitlement (AFDC) and replaced it with a block grant
- ❖ Gives states considerable latitude for spending block grant—must meet the purposes of the law:

1. provide assistance to needy families so that children may be cared for in their own homes or in relatives' homes;
2. end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. prevent and reduce incidence of out-of-wedlock pregnancies and establish numerical goals for doing so;
4. encourage the formation and maintenance of two-parent families.

Key Features of TANF

- 60-month lifetime limit on cash assistance
- 50% of states' non-exempt caseload must be engaged in 30 hours of work activities per week, 20 of which are related directly to employment; failing states subject to 5% reduction in block grant
- States can exempt up to 20% of caseload from time limits and work requirements
- States must maintain state spending for needy families at close to the same level that they were spending before TANF passed (maintenance of effort (MOE))

CONNECTICUT'S MAJOR USE OF TANF $----JOBS FIRST PROGRAM

Two Components—Temporary Family Assistance (TFA) and Jobs First Employment Services (JFES)—DSS and DOL

TFA—CGS §17b-112 (DSS)

- cash assistance to families--$576 per month to families of three living in most parts of Connecticut
- 21-month time limit, with generally two good-cause, 6-month extensions possible for "employable" recipients (60 month benefit maximum for non-exempt families)

- Allowable income under 100% of federal poverty level ($1,467 per month for 3-person household) and full benefit paid; once income at that level, benefits end
- Assets limited to $3,000 (and motor vehicle with $9,500 equity)
- Mandatory cap for children born to family that is receiving TFA (TFA benefit increases by only $50 for the additional child)
- Certain families exempt from time limits and work requirements (e.g., children under 18 who are still in school, individuals age 60 and over, incapacitated individuals, person caring for a child under the age of one)
- Custodial parents expected to cooperate with state's child support enforcement efforts
- Exit interviews for families leaving assistance, including referrals to ongoing support (e.g., child care)
- Initial assessment of employability

JFES--CGS § 17b-688b, et. seq. (DOL)

Assessed clients referred to *CT Works* where DOL case manager assesses further to help develop individualized employment plan

- Non-exempt adults must be connected to the workforce for at least 30 hours per week
- First 20 hours need to be in core activities (e.g., employment, job search)
- Sanctions (reduction in TFA benefit) for non-cooperation with employment plan

Demographics of JFES Caseload (December 08)

- Nearly half (45.4%) of caseload completed less than 12th grade
- Most clients (42.9%) between ages 22 and 29
- Over 85% female
- Average wage=$9 per hour
- 32% of clients engaged in unsubsidized employment
- Over 66% of clients had two or more work barriers at registration
- Transportation, child care, lack of high school diploma, limited work history, and language most common barriers

Additional DSS Supports

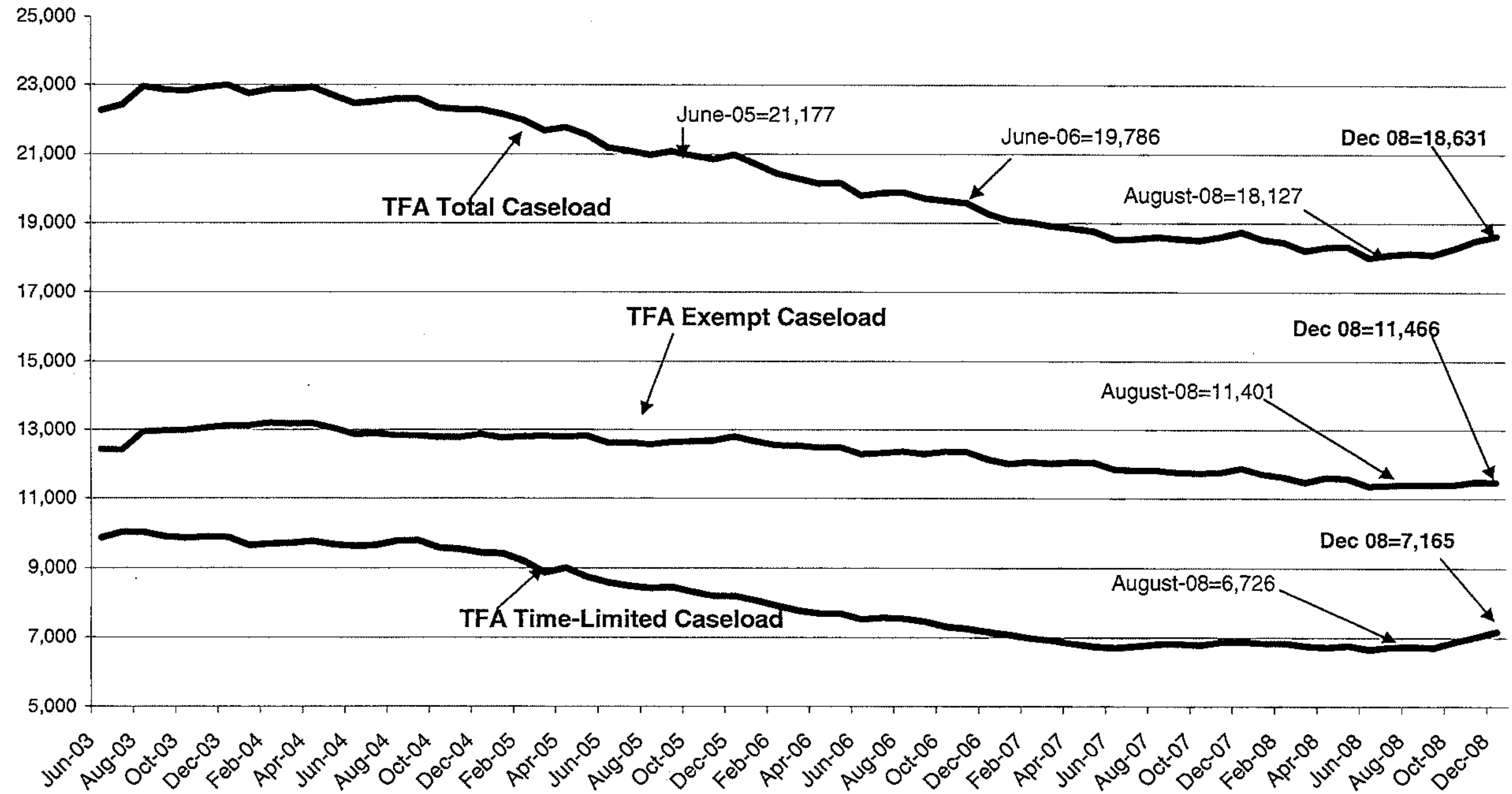
✓ Child care
✓ Medical assistance—HUSKY A
✓ Child support

- ✓ Rental assistance
- ✓ Food stamps
- ✓ Safety Net

ISSUES

- Caseloads increasing in current economic downturn—3.6% increase in total TFA caseload from August 2008 to December 2008; 6.5% increase in non-exempt caseload, suggesting that economy having direct impact
- Federal Deficit Reduction Act rules making it harder to meet work participation rates (e.g., changing base year of caseload reduction credit)

TFA Caseload Data, Jun. '03 thru Dec. '08 by Time-Limited, Exempt and Total Caseload



Connecticut Department of Social Services, Bureau of Assistance Programs

OLR RESEARCH REPORT

September 12, 2008 2008-R-0503

WELFARE REFORM AFTER TEN YEARS

By: Nicole Dube, Legislative Analyst II

You asked for a summary of the Heartland Institute's June 2008 report, "Welfare Reform after Ten Years: A State by State Analysis." Specifically, you asked us to summarize the report's methodology and findings and discuss Connecticut's ranking.

SUMMARY

The Heartland Institute is a nonprofit, public policy think-tank that addresses healthcare, environment, taxation, information technology, and education issues. It is a nonpartisan organization often described as libertarian. In June 2008, the institute issued a report, "Welfare Reform after Ten Years: A State by State Analysis, in which it surveyed the welfare reform programs in all 50 states and the District of Columbia. (A copy of the report is enclosed.)

The report ranks and grades state welfare reform programs by the success of the anti-poverty efforts and welfare reform policies they adopted during the 10 years after enactment of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). It measured five anti-poverty variables and seven welfare reform policies states could adopt to encourage economic self-sufficiency. (States were graded on only five of the seven policies.) The two overall scores for anti-poverty success and welfare reform policies were averaged to produce a single overall ranking for each state.

According to the report, the five states with the most successful welfare programs overall are Maryland, Idaho, Illinois, Florida, and Virginia while the five least successful states are Rhode Island, New Hampshire, Kansas, Vermont and Missouri. Connecticut received an overall ranking of 7th and an overall grade of A-. It was ranked 11th for its anti-poverty success, receiving a grade of B+ and 14th for its welfare reform policies, receiving a grade of B.

According to the report, Connecticut's strengths include its reduction in the number of Temporary Assistance for Needy Families (TANF) recipients. Between 1996 and 2006, the state reduced its welfare rolls by 78%, well above the national average of 67%. It also received high rankings for its success in reducing its poverty (15th), teen birth (15th), and unemployment (16th) rates. But, the state received its lowest ranking (32nd) for its 2006 TANF work participation rate of 30.8%, which fell below the national average of 32.5%.

Connecticut's welfare policies also scored well. TANF work requirement, time limit, and cash diversion policies all received high marks. In addition, the state's integration of TANF and social services was considered "good." (States were not graded on this measure.) On the negative side, the state received low grades for its sanctions and family cap provisions. While not graded on this measure, Connecticut was also among the states with the highest percentage of unclaimed federal EITC funds in 2004 (79%).

FEDERAL WELFARE REFORM

In 1996, Congress passed welfare reform legislation, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193, "PRWORA"). The program was reauthorized through 2010 as part of the 2005 Deficit Reduction Act (P.L. 109-171). PRWORA eliminated the federal entitlement program, Aid to Families with Dependent Children (AFDC) and replaced it with a non-entitlement, federal block grant program, Temporary Assistance for Needy Families (TANF).

Some of TANF's major provisions include (1) a five-year lifetime limit on "assistance," with a 20% maximum number of recipients states can exempt from the limit; (2) a requirement that parents or caretaker relatives receiving TANF work once the state determines they are ready but no later than 24 months after receiving assistance; and (3) work participation rates (currently 50%) for all families, with higher rates for two-parent families, and financial penalties for failure to meet these rates. It also allows states to provide other benefits and services to low-income families with children that support TANF's goals of reducing out-of-wedlock pregnancies and promoting two-parent families. OLR Report 2006-R-0041 provides a history of welfare reform in Connecticut in response to PRWORA.

HEARTLAND INSTITUTE REPORT

The Heartland Institute is a nonprofit, nonpartisan, public policy think-tank based in Chicago that addresses healthcare, environment, taxation, information technology, and education issues. Often described as libertarian, its mission is to "discover, develop, and promote free-market solutions to social and economic problems."

In June 2008, the institute issued a report, "Welfare Reform after Ten Years: A State by State Analysis, in which it surveyed the welfare reform programs in all 50 states and the District of Columbia. The report ranks and grades states by the success of their anti-poverty efforts and welfare reform policies adopted during the 10 years after PRWORA's enactment. It measured five anti-poverty variables and seven welfare reform policies states could adopt. (States were graded on only five of the seven policies.) The two overall scores for anti-poverty success and welfare reform policies were averaged to produce a single overall ranking for each state.

ANTI-POVERTY SUCCESS

The report measured five poverty-related variables: the percentage decline in the number of TANF recipients, change in poverty rate, TANF work participant rate, change in unemployment rate, and change in teen birth rate. States were ranked on a scale of 1 to 51 on each variable. The five rankings were then averaged to produce an overall score for each state. Louisiana, Florida, and Maryland had the highest anti-poverty score; Iowa, Michigan, and New Hampshire had the lowest. Connecticut scored relatively high with a ranking of 11th.

Decline in the Number of TANF Recipients

To measure this variable, the report used data from the U.S. Department of Health and Human Services' (HHS) Administration for Children and Families. The number of TANF recipients declined 67% nationally from 1996 to 2006. The three highest scoring states, Wyoming, Louisiana, and Idaho, reduced the number of TANF recipients by more than 87%. The three lowest scoring states, Kansas, Tennessee, and Indiana experienced reductions under 36%. Connecticut ranked 12th with a 78% reduction.

Change in Poverty Rate

The report used the U.S. Census Bureau's Small Area Income and Poverty Estimates (SAIPE) data to rank states on this variable. SAIPE data is derived from models that incorporate data from various sources. The three highest scoring states, California, West Virginia, and Hawaii, reported poverty rate reductions of more than two percentage points. Connecticut ranked 15th with a reduction of just under one percentage point (0.7). The three lowest scoring states, Nebraska, Wisconsin, and Indiana, reported poverty rate increases of over two percentage points.

TANF Workforce Participation Rate

To measure this variable, the report used 2006 data from HHS's Office of Family Assistance. The study found a wide variation in workforce participation rates among states and cited the law's several exceptions to the federal work participation requirements as the likely cause. Montana, Kansas, and Wyoming had the highest workforce participation rates (over 77%) for TANF recipients. The three lowest scoring states, the District of Columbia, Oregon, and Massachusetts, had participation rates below 18%. Connecticut ranked 32nd with a participation rate of 30.8%.

Change in Unemployment Rate

The report used state unemployment rate data between 1997 and 2006 provided by HHS's Office of Family Assistance. The authors believed this was a necessary anti-poverty measure that reflected how state tax policies and employer regulation affected job availability. The national unemployment rate declined by just under one percentage point (0.9%) between 1997 and 2006. Unemployment rates in the three highest scoring states, Hawaii, New Mexico, and the District of Columbia dropped by over two percentage points. The three lowest scoring states, Indiana, South Carolina, and Michigan, experienced unemployment rate increases between 1.7 and 2.6 percentage points. Connecticut ranked 16th with a reduction of just under one percentage point (0.5).

Change in Teen Birth Rate

Data for this measure was provided by the Guttmacher Institute and the Centers for Disease Control. The teen birth rate declined 12.5 percentage points nationally between 1996 and 2005. California, Nevada, and Louisiana experienced the highest decrease (over 17.9 percentage points). South Dakota, North Dakota, and Wyoming experienced the lowest decrease (less than 2.5 percentage points). Connecticut ranked 15th with a decrease of 13.7 percentage points.

WELFARE-REFORM POLICIES

In addition to measuring states' success in reducing poverty, the report also examined how welfare reform policies encouraged economic self-sufficiency. The authors identified seven policies as the most important contributors to the success or failure of state welfare reform efforts:

1. service integration,
2. increased filing for the federal Earned Income Tax Credit (EITC),
3. work requirements,
4. cash diversion programs,
5. family cap provisions,
6. lifetime limits on aid, and
7. sanctions

Because some of these policies are not easily quantified, states were assigned letter grades ranging from A (excellent) to F (failing) on five of the policies. (The study did not grade states on service integration and EITC utilization.) The five letter grades were averaged to yield a single overall grade. The report found Idaho, Maryland, and Illinois to have the most successful welfare reform policies. Welfare reform policies in Missouri, Rhode Island, and Vermont were determined to be the least successful. Connecticut was ranked 14th indicating moderately successful welfare reform policies.

Service Integration

The report examined the extent to which states coordinated welfare and social services, allowing TANF recipients to easily access comprehensive services. The authors measured this variable through direct inquiries to state public aid directors, their own knowledge from consulting with several state governments and agencies, and a literature review of social services research. When evaluating states, the authors determined the most important indicator of service integration to be the integration of basic TANF services with state substance abuse rehabilitation programs.

Twelve states, including Connecticut, were labeled as "good," 21 states as "average," and 18 states as "poor."

Federal Earned Income Tax Credit (EITC)

The report examined, but did not grade, the amount of federal EITC funds unclaimed by residents in each state. According to Internal Revenue Service data, approximately $90 billion in federal EITC funds went unclaimed in 2004. The report notes that the states with the lowest amount of unclaimed EITC in 2004, Mississippi, Louisiana, and Alabama, still had over 50% in unclaimed funds. Wisconsin, Massachusetts, and New Hampshire, had the highest percentage (between 79% and 81%) of unclaimed EITC funds. Connecticut was near the bottom of the list with 79% unclaimed funds.

According to the report, the IRS no longer provides state-by-state estimates of unclaimed EITC funds. Consequently, states were not graded on this measure because their progress could not be assessed over time. OLR Report 2008 R-0102 provides detailed information on the EITC in Connecticut.

Work Requirements

The report examined state work requirements for TANF recipients. States were grouped into three categories and graded based on their work requirements as follows:

Table 1: TANF Work Requirements

Category	Number of Months Before Required to Work	Grade	Total Number of States
1	3 months and over	F	10 states
2	1 to 2 months	C	4 states
3	0 months	A	36 states (including Connecticut) and DC

Source: Heartland Institute Report, "Welfare Reform after Ten Years: A State by State Analysis, June, 2008.

Cash Diversion

Cash diversion programs provide short-term payments to TANF-eligible families with emergency needs who do not require ongoing cash assistance. Payments can be used for items and services such as car repair, clothing, and unpaid child care expenses. Individuals who accept cash diversion payments typically become ineligible for TANF assistance for a period equivalent to the amount of the cash benefit. The report grouped states into three categories and assigned grades based on their cash diversion programs as follows:

Table 2: Cash Diversion

Category	*Description*	*Grade*	*Total Number of States*
1	No cash diversion programs	F	22 states
2	Cash diversion programs without referral to job search programs	A-	15 states including Connecticut
3	Cash diversion programs with referral to job search programs	A	13 states and DC

Source: Heartland Institute Report, "Welfare Reform after Ten Years: A State by State Analysis, June, 2008.

Family Cap Provisions

Family cap provisions reduce or eliminate benefits received for each additional child born while the mother remains on TANF. States were grouped into four categories and assigned grades as follows:

Table 3: Family Cap Provisions

Category	*Description*	*Grade*	*Total Number of States*
1	No family cap provisions or diminishing benefits for additional children	F	27 states and DC
2	No family cap provision but do have diminishing benefits for additional children	D	3 states including Connecticut
3	Family cap provisions with several exceptions	B	14 states
4	Strict family cap provisions combined with referrals to family planning programs	A	6 states

Source: Heartland Institute Report, "Welfare Reform after Ten Years: A State by State Analysis, June, 2008.

Lifetime Eligibility Limits

PRWORA established a five-year lifetime limit on benefits, but allowed states to exempt up to 20% of from the limit. States can impose shorter lifetime limits. Any assistance provided beyond the five-year limit must be entirely state-funded. States were grouped into five categories and assigned grades as follows:

Table 4: Lifetime Eligibility Limits

Category	*Description*	*Grade*	*Total Number of States*
1	No lifetime limit	F	4 states
2	Five-year lifetime limit	D	37 states and DC
3	Between 30- and 60-month lifetime limit	C	5 states
4	Less than 30-month lifetime limit for beneficiaries	B	1 state
5	Less than 30-month lifetime limit for beneficiaries and their children	A	3 states, including Connecticut

Source: Heartland Institute Report, "Welfare Reform after Ten Years: A State by State Analysis, June, 2008.

Sanctions

States were grouped into four categories and graded according to their penalties for first-time violations of state work requirements as follows:

Table 5: Sanctions

Category	Description	Grade	Total Number of States
1	Partial economic sanctions (only the adult portion of the TANF check is withheld even after multiple infractions) and minimum sanctions for a short time period	F	24 states and DC
2	Partial economic sanctions and longer minimum sanctions	D	8 states including Connecticut
3	Full economic sanction (entire TANF check is withheld) for a short time period	C	16 states
4	Full economic sanction for a long time period	A	2 states

Source: Heartland Institute Report, "Welfare Reform after Ten Years: A State by State Analysis, June, 2008.

REPORT FINDINGS

According to the report, the five states with the most successful welfare programs are Maryland, Idaho, Illinois, Florida, and Virginia while the five states with the least success are Rhode Island, New Hampshire, Kansas, Vermont and Missouri. Table 6 summarizes the report's overall findings.

Table 6: Overall Findings

Measure	*Five Highest Ranked States*	*Five Lowest Ranked States*
Overall Ranking	Maryland, Idaho, Illinois, Florida, and Virginia	Rhode Island, New Hampshire, Kansas, Vermont, and Missouri.
Anti-Poverty Success	Louisiana, Florida, Maryland, Virginia, and New York	Iowa, Michigan, New Hampshire, Indiana, and Nebraska
Welfare Reform Policies	Idaho, Maryland, Illinois, Delaware, and Oklahoma	New York, Louisiana, Missouri, Rhode Island, and Vermont

Source: Heartland Institute Report, "Welfare Reform after Ten Years: A State by State Analysis, June, 2008.

The report identified a relatively strong correlation between a state's overall ranking and its welfare reform policies ranking. Six of the 10 states ranked lowest overall also received the lowest scores for welfare reform policies.

The report found a weak correlation between anti-poverty success and welfare reform policies. Only three of the 10 highest ranked states in terms of policies (Maryland, Illinois, and Virginia) also ranked among the 10 states with the best anti-poverty results. Conversely, only New Hampshire and Missouri are among the 10 states with both the worst policies and the worst results. The authors suggest three contributing factors: (1) many states have changed their policies since PRWORA's enactment and current policies are not responsible for states' results over the past 10 years; (2) many policies the report identifies as most effective only work in conjunction with other policies; and (3) policies are only effective if implemented.

CONNECTICUT'S RANKING

Connecticut's welfare program was ranked the 7th highest in the country, receiving an overall grade of A-. The state was ranked 11th for its anti-poverty success, receiving a grade of B+, and 14th for its welfare reform policies, receiving a grade of B. According to the report, one of Connecticut's strengths is its success in reducing the number of TANF recipients. Between 1996 and 2006, the state reduced its welfare rolls by 78%, which was above the national average of 67%. It also received high rankings for reducing poverty (15th), teen birth (15th), and unemployment (16th) rates. In terms of weaknesses, Connecticut's 2006 TANF work participation rate of 30.8% fell below the national average of 32.5%, earning the state its lowest ranking of 32nd.

Connecticut's welfare policies also received high marks. TANF work requirement and time limit policies both received a grade of A. The state's cash diversion program earned a high grade of A-. In addition, the state's integration of TANF and social services was considered "good" (although states were not graded on this measure). On the negative side, the state received a grade of D for its sanctions and family cap policies, which were determined to be too lenient. The report advocates full economic sanctions in which the entire TANF check is withheld; Connecticut withholds only the adult portion of the check. The report also endorses family cap policies with diminishing benefits for additional children. Connecticut does not have a cap, but does reduce benefits for each additional child. While not graded on this measure, Connecticut was also among the states with the highest percentage of unclaimed federal EITC funds in 2004 (79%).

REPORT LIMITATIONS

The Heartland Institute acknowledged methodological limitations in its report. The authors note that the report does not provide a statistical analysis of which welfare programs work; a strong correlation between results and policies was not found.

It is also important to note that the authors' bias may have influenced the collection and analysis of the data. States are ranked and graded based on variables the authors determined were the most important; relevant stakeholders may not agree on their importance. The report's use of unemployment and poverty rate variables in determining welfare reform success drew some criticism in an August 17, 2008 article appearing in Schnectedy, New York's *Daily Gazette* online newspaper. The article stated that the goal of welfare reform was to reduce dependence on cash assistance and not reduce the poverty rate, which is dependent on the economy and the availability of assistance for the poor.

In addition, the category and grade assignments used to evaluate welfare reform policies were not standardized. Because certain policies, such as work requirements and cash diversion had fewer categories, they appear to be weighted. And, grades were assigned to categories using different scales. For example, cash diversion and work requirements both had three categories. Cash diversion policies were graded on a scale of A, A-, and F but work requirements were graded on a scale of A, C, and F. Also, evaluating poverty, teen birth, and unemployment rates based on percentage change may not accurately reflect a state's success. For example, a state that already has a low teen birth rate may not experience a significant reduction in its rate during the evaluation period, as one that had, and continues to have, a much higher rate even after a significant reduction.

Finally, the report's general analysis of state anti-poverty and welfare reform policy measures may have overlooked significant contextual factors including geographic, cultural, and demographic differences. For example, Montana received a failing grade for its sanction policy. But, it has a high percentage of Native American beneficiaries, many of whom are exempt from TANF time limits and live in areas with limited job opportunities. ("Welfare Study: Mixed Marks for Montana," July, 20, 2008) What is deemed as a "successful" outcome in a poor, rural state may be different from that in a wealthy, urban state.

ADDITIONAL RESOURCES

The Heartland Institute, "Welfare Reform After Ten Years: A State by State Analysis," June 2008.
http://www.heartland.org/custom/semod_policybot/pdf/23500.pdf

OLR Report 2006-R-0041, Welfare Reform IN CT – History,
http://www.cga.ct.gov/2006/rpt/2006-R-0041.htm

"State's Scores Contradict in Welfare Study," the Schnectedy, *New York Daily Gazette* online, August, 17, 2008,
http://www.dailygazette.com/news/2008/aug/17/0817_welfarereport/

"Welfare Study: Mixed Marks for Montana," the *Northwest Montana Daily Interlake* online newspaper, July, 20, 2008,
http://www.dailyinterlake.com/articles/2008/07/21/news/news03.txt

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OLR RESEARCH REPORT

July 18, 2006 2006-R-0426

TANF PROVISIONS IN DEFICIT REDUCTION ACT AND IMPLICATIONS FOR CONNECTICUT

By: Robin K. Cohen, Principal Analyst

You asked for a summary of the Temporary Assistance for Needy Families (TANF) provisions in the federal Deficit Reduction Act of 2005 (DRA) and their expected impact on Connecticut's Jobs First program.

We intend to revise this report as we receive additional information about the provisions' implementation.

SUMMARY

In February 2006, Congress passed the Deficit Reduction Act (DRA) of 2005. This omnibus bill included a number of changes to the TANF program, most of which take effect on October 1, 2006. Although they are not as sweeping as earlier Congressional proposals to reform TANF, particularly in the area of work requirements, they are expected to put greater pressure on states to place more families who are receiving TANF-funded assistance (e.g., cash welfare) in jobs.

The act's two main provisions that will create this pressure are (1) changing the base year of the caseload reduction credit (states that reduce their caseloads see a corollary reduction in the percentage of families who must be engaged in work activities) and (2) requiring states to include more families in their TANF work participation rate "denominator" than previously required. When combined, these two provisions are expected to have a fairly significant impact in Connecticut

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because they will require more families, many of whom have work barriers, to participate in the Jobs First Employment Services (JFES) program.

The DRA also puts more pressure on states to verify information on work participation. It establishes penalties when states fail to do so in a way that meets federal requirements. And it more clearly defines for states the allowable work activities, giving states less flexibility than they enjoyed when these activities were outlined in the original 1996 TANF law.

TANF PROVISIONS IN DRA

Caseload Reduction Credit

The 1996 TANF law (Personal Responsibility Work Opportunity Reconciliation Act, PL 104-193) required states gradually to increase the percentage of public assistance recipients who had to be engaged in work activities. By 2002, 50% of all families and 90% of two-parent families receiving assistance had to be engaged. (The rate has been calculated by dividing the number of families receiving TANF-funded assistance who are engaged in work activities (numerator) by the total number of families receiving TANF assistance (denominator).

The law allowed these percentages to be reduced if states could show that their welfare caseloads were dropping. This "caseload reduction credit" allowed states to reduce their work participation rate by the same percentage that their caseload had dropped since 1995. In 1995, welfare caseloads were at an all-time high. Once states began their TANF programs, caseloads quickly dropped and many states, including Connecticut, enjoyed fairly significant credits. Indeed, Connecticut's credit is currently 26.5%, which has reduced its participation rate to 23.5%. This phenomenon has occurred nationally—according to a June 2006 report by the National Governor's Association (NGA), the caseload reduction credit resulted in a 32% national average of actual work rates for all families in FY 04.

The DRA changes the base year for calculating the credit from 1995 to 2005, beginning October 1, 2006. This means that the credit is reduced to close to zero in Connecticut, where caseloads have stayed fairly constant over the last few years. By having a smaller credit, the state will move closer to a 50% work participation rate, double its current rate.

Separate State Programs—Two-Parent and Other Families

Another DRA provision would likely result in the need to place more families in work activities. It concerns how the state currently treats two-parent and certain other families who previously were exempt from the work participation rates.

Fairly early into implementing TANF, the state realized it would be difficult to achieve the 90% work participation rate for two-parent families. Consequently, it decided to provide assistance to these families (1,300 as of May 2006) with state funds. Doing this made it a "separate state program" or SSP rather than a TANF- funded one, which permitted the state to bypass the participation rate requirement as well as other TANF rules. More recently, the state moved "exempt" families (those receiving cash assistance in which the household had a member who was incapacitated, caring for incapacitated household member, over 60, or unemployable) into SSP status. (Child-only cases, in which only the child receives assistance for a variety of reasons (e.g., adult in household is non-parent caretaker) are not included in the participation rate.)

Although these individuals are not considered to be receiving TANF assistance, the state has been able to count its expenditures for them towards meeting the TANF law's "maintenance of effort" (MOE) requirement. (The MOE provisions require states to maintain their spending on assistance for poor families at the same level as they were before TANF passed.)

Under the DRA, states must include SSPs in the work participation rates starting October 1, 2006. This means that these families are added to the participation rate denominator. When combined with the loss of the caseload reduction credit, the state could have to double the number of families who will have to participate in work-related activities for it to avoid a financial penalty. (The state has not determined whether these families will remain as SSP or be combined with the regular TANF population, for whom the TANF rules (e.g., time limit) apply.)

Some of these families can still be excluded from the participation rate calculation. For example, most child-only cases can continue to be excluded. Likewise, states can exclude "work-eligible" parents caring for a disabled family member. (The Department of Social Services (DSS) originally had been concerned that these families would have to be included in the new rate calculation.) Conversely, the rule permits the state to include in their work participation rates parents of children receiving cash assistance who themselves are receiving Supplemental Security Income (SSI). If the state could identify these parents, and the parents could meet the 30-hour participation requirement, this could help the state achieve a higher participation rate.

Implications for Jobs First Employment Services Program

A higher work participation rate will force the Jobs First Employment Services (JFES) program to engage more families. (In general, to meet the work participation requirement, an adult in the household must be engaged in a work related activity for at least 30 hours per week.) At the May 2006 TANF Advisory Council meeting, DSS estimated that adults in more than 3,000 additional families would have to be engaged in work activities in order to meet the new federal requirement, double the number engaged in work activities at that time. Both DSS' and the Department of Labor's FY 07 budgets include funding to support this mandate, including money for additional child care.

Financial Implications. Federal law imposes a penalty of up to 5% of the state's TANF block grant when a state fails to meet the work participation rate requirement. This increases by 2% for each year of noncompliance, up to 21%. DSS noted at the advisory council meeting that it was unlikely that the federal Department of Health and Human Services (HHS) would impose a full sanction on the state if it could show that it was making a good faith effort to achieve the rate and enter into a "corrective compliance" plan.

While the state might be able to avoid a financial sanction if it fails to meet the higher participation rate requirement, it could still bear an additional financial burden. This is due to a pre-DRA provision in the TANF law that requires states to meet a higher MOE requirement (80% instead of 75%) when it fails to meet the work participation rate.

DSS' Kevin Loveland stated recently he does not anticipate penalties immediately since states can submit corrective compliance plans the first year they do not meet the rate. He added that the state would probably not know its official rate until late 2008. Loveland also noted that the state has comfortably exceeded the MOE requirement, so even if the 80% requirement were imposed, it would not necessitate any significant new state spending.

Countable Work Activities

The original TANF legislation established 12 work-related categories into which states could place adults in TANF families and have them count towards the work participation rate. But neither the law nor implementing HHS' regulations ever defined specific activities that would be acceptable within these categories. The DRA required HHS to define these activities in regulation by June 30, 2006.

We have reviewed the interim final rule on this provision and are still trying to determine the extent to which these new definitions will affect the JFES program. For example, the rule requires that all work activities have a work focus. So if a JFES participant is engaged in basic education or English as Second Language (ESL), this will have to be directly related to a specific job in order for it to count in the participation calculation.

Verifying Work

Another DRA provision required HHS to provide rules to states for verifying hours of work participation on a monthly basis. (In general, adult family members must be engaged in 30 hours of weekly work-related activities and only certain activities (e.g., job search) can count towards the first 20 hours). DSS asserts that this will likely increase DSS' administrative burden and information system costs. It could also place a burden on potential employers and training providers, the NGA report suggests.

The interim final rule's requirements include daily supervision and documentation of job search and job readiness activities. It prohibits states from using "exception" reporting (state assumes clients are participating in scheduled hours unless the service provider reports otherwise and requires them to report actual, instead of scheduled, work activity hours. (We are still attempting to determine the extent to which these particular requirements will differ from how the state currently verifies and documents participation and whether the state will need additional resources in order to meet them.)

Although the state must submit a plan for this system by October 1, 2006, it has an additional year to make it fully operational.

RC:dw

OLR RESEARCH REPORT

January 19, 2006 2006-R-0041

WELFARE REFORM IN CT—HISTORY

By: Robin K. Cohen, Principal Analyst

You asked for a legislative history of welfare reform in Connecticut since 1992.

This report focuses on the main elements of the reforms we believe to be most important. We have omitted state legislation regarding the federal Workforce Investment Act. That act provides significant funding to states for job training opportunities for low income individuals, including welfare recipients.

Finally, we do not include the Temporary Assistance for Needy Families (TANF) High Performance Bonus funds. The federal TANF law, which includes the federal block grant that pays for a significant share of the state's welfare to work programs, has provided bonuses to states since 1996 for performing well in a number of areas, including successful job entries and retention. Connecticut has used the bonuses it received to enhance services to the TANF-eligible population.

SUMMARY

The legislature has made numerous changes to the state's welfare-to-work program since 1992. That year, the legislature created a task force to study the possibility of restructuring the state's public assistance system. The task force made a series of recommendations designed to make welfare work better for those needing it by offering more work incentives and fostering self sufficiency and personal responsibility.

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The 1993 legislature passed many of these recommendations. PA 93-418 included a number of reforms, such as removing disincentives to marriage and increasing the amount of assets and income participants could retain without losing eligibility. Since many of the proposals were contrary to federal law, the act directed the then-Department of Income Maintenance (DIM) to seek a federal waiver of the then-Aid to Families with Dependent Children (AFDC) program (now TANF). DIM received the waiver and began implementing the reforms in 1994. (Many states were doing similar experiments with their welfare to work programs at this time.)

In 1995, Governor Rowland initiated his own set of reforms, including a generous earnings disregard, but also measures that some considered more punitive. PA 95-194 included: (1) for the first time, a time limit (21 months) for cash assistance, with exemptions for certain individuals; (2) increasing the amount of earnings recipients could receive before losing cash assistance eligibility; (3) reducing cash assistance for people receiving housing assistance; (4) providing financial incentives to employers to hire welfare recipients; and (5) capping a family's benefit when its size grew while receiving assistance. These provisions also required federal approval through an amendment to the existing waiver.

In the summer of 1996, Congress passed its own version of welfare reform, the TANF provisions of the Personal Responsibility and Work Opportunities Reconciliation Act. Connecticut, like many other states, had already begun its own reforms; the federal law acknowledged these reforms and allowed them to continue.

The TANF law included a five-year lifetime limit for assistance and stringent work requirements. In response, the 1997 legislature re-named the welfare to work program the Jobs First program and designated its cash assistance part as Temporary Family Assistance (TFA). As required by the federal law, Connecticut submitted a TANF plan to the federal government; this is updated periodically. (The federal law was due to expire in 2002 but Congress has been working on re-authorization since then and continuing its funding.)

The legislature has amended the Jobs First law several times since 1997. Notably, it limited the number of time limit extensions participants could receive, while acknowledging that that those who remain on the TFA caseload have multiple barriers to finding and keeping jobs that will make them self-sufficient and need additional time to do so. Most recently, the legislature reduced the amount of time someone transitioning off the TFA program can receive Medicaid.

EARLY WELFARE REFORM IN CONNECTICUT, 1992-1995

The Response to Perceived Shortcomings—1992 Task Force

PA 92-16, May Special Session, established a 15-member task force to study methods of "restructuring" the state's public assistance programs to further self sufficiency. It was believed that (1) the welfare-to-work system, as it was then-structured, did little to foster economic self sufficiency and (2) noncustodial parents' ability to support their children caused these children to need state assistance. Thus, the legislation required the study to include, among other things, methods of providing job training for noncustodial parents of children receiving AFDC and extending the time for which recipients could continue to receive assistance once they began working.

The task force met during the summer and fall of 1992 and issued a final report, which included dozens of recommendations, in January 1993. The task force adopted essential guiding principles for a successful welfare-to work program and final recommendations were organized by these principles.

1. All parents should support their children.
2. Government programs should support the preservation of families.
3. People who work should be better off financially than if they do not.
4. Government programs should not replace or lessen the responsibility of individuals.
5. Government programs should be efficient and accessible.
6. Access to quality child care, quality educational opportunities, adequate health care, and decent housing are essential to supporting self-sufficiency.

Some of the recommendations included:

1. exploring a time-limited cash assistance program,
2. guaranteed child support for families receiving assistance and strengthened enforcement of support orders,

3. counting less of a stepparent's income in eligibility determinations,

4. increasing the AFDC asset and motor vehicle limits, and

5. using fill-the-gap budgeting for working recipients as a financial incentive to work.

Legislative Response

As part of a larger, budget implementation bill, the 1993 legislature passed a welfare reform law (PA 93-418) that incorporated many of the task force's recommendations. Because federal law governed state welfare-to-work programs, and its often inflexible rules were contributing to the program's failure to help families, the act directed DIM to get a federal waiver to remove some of those impediments. The waiver was to include:

1. removing disincentives for single parents to marry;

2. providing greater flexibility in determining which family members received assistance;

3. increasing, to $3,000 from $1,000, the cash assets a family could keep to pay for emergencies and work-related expenses;

4. increasing the permitted $1,500 automobile equity value to provide recipients with reliable transportation to seek and get to jobs;

5. disregarding the earnings of dependent children who were students;

6. doubling the amount of child support a recipient could keep (child support "disregard") from $50 to $100 per month without affecting the benefit;

7. rewarding excellence in school attendance and performance through private donations;

8. simplifying the complex eligibility rules and better coordinating the AFDC and Food Stamp programs to enable DIM staff to devote more time to self-sufficiency plans; and

9. requiring DIM to establish a client advisory board, which would meet and report to the DIM commissioner twice a year.

The legislation also required DIM to use a special type of budgeting to insure that working recipients were allowed to keep a greater portion of their benefit. Previously, the law essentially reduced the benefit by one dollar for every dollar earned.

The act directed the DIM commissioner to establish a "standard of need" (the amount of money a family needed to subsist for a one month period) for both the AFDC and the former General Assistance program. At that time, the federal law required states to have an AFDC standard of need and a payment standard (the actual AFDC payment). In Connecticut, the two numbers were the same. We believe the intent was to come up with a more realistic, current standard that reflected actual living costs. Although the act increased the need standard, it froze the payment standard, which has remained frozen since 1992.

The state secured federal approval of the waiver and the new "A Fair Chance" program went into effect in fall 1994.

Oversight Council. In 1994, the legislature created a 12-member council to monitor the Department of Social Services' (DSS, DIM's successor) implementation of the waiver. The DSS commissioner was directed to update the council monthly. The council was charged with making recommendations to DSS regarding numerous aspects of the program, including the availability of child care, effectiveness of child support enforcement, and the waiver's evaluation. (The waiver included a control group, who were subject to the old AFDC rules and whose outcomes were to be compared to those in the new waiver group, when it was evaluated.)

Rowland Changes

Governor Rowland made further welfare changes a hallmark of his first administration. In early 1995, just a few months after the 1993 reforms actually began, he proposed sweeping reforms, including the strictest time limits in the nation. After months of negotiations, the legislature approved most of his plan. (The plan included a provision allowing people to get a lump sum payment in lieu of ongoing cash assistance to "divert" them from the welfare rolls. Few families took advantage of this option.) It also included a provision providing "opportunity certificates" (tax credits) which AFDC recipients could use to negotiate jobs. The state needed another waiver to implement many of its provisions, which went into effect in January 1996, except a reduction in the cash benefits, which occurred on July 1, 1995. The following table compares some of the more significant features of welfare reform before and after the 1995 changes.

Table 1: Comparison of Welfare Programs

Provision	*"A Fair Chance" (1993 Legislation)*	*"Reach for Jobs First" (1995 Legislation)*
Time limit on benefits	None	21 months
Asset limit	Increased from $1,000 to $3,000	No change
Transitional Medicaid and child care	2 years for Medicaid; day care continues until family income exceeds 75% of state median; income test not applied during first 12 months	Allows 2-year Medicaid extension for people who become ineligible for cash assistance due to increased earnings or child support; no change in child care
"Two-tiered" benefits (lower benefit for new residents)	None	90% of benefit paid for first year of residence (not approved in state's waiver but allowed under federal legislation)
Child support assurance	Available under small pilot	None
Limit on payments for additional children while receiving assistance ("family cap")	None	One-half of the former payment for additional children (approx. $50 per month)
Biometrics—Digital identification of recipients	None	Required; individual failing to comply is disqualified
Work incentives	Disregard earned income up to need standard ($745 per month for family of three)	Families can earn up to 100% of federal poverty level
Child care for job search	Continues policy which makes child care available to extent search is mandatory	Limits child care to $55 per month
Maximum Benefit	$581 for family of three	$543 for same family; $500 for family receiving RAP or Section 8
Minor parents must live with supervising adult	No change	Eliminates some of the exemptions

Time Limit Exemptions. The following people were exempted from the 21-month time limit and work participation requirements. Those:

1. with a "needy" caretaker relative (typically a parent) who were incapacitated or above an age the DSS commissioner defined;

2. with a "needy" caretaker relative who was needed at home because of another household member's incapacity;

3. with a caretaker relative who was not legally responsible for the dependent children in the household and whose needs were not considered in calculating the benefit;

4. with a caretaker relative caring for a child under age one, provided the child was born no more than 10 months after the family enrolled in AFDC;

5. with a pregnant or postpartum caretaker relative, if a doctor indicated that she was unable to work; and

6. with a caretaker relative who the DSS commissioner determined was unemployable. Minor parents attending school regularly and satisfactorily completing high school or its equivalent were also exempt, regardless of whether a nonexempt caretaker relative lived in the household.

Limiting Allowable Work Related Activities. Until 1995, the state provided support services to AFDC recipients enrolled in community colleges and working towards an associate's degree. PA 95-194 limited this practice only to those individuals attending such colleges on July 1, 1995. The act required this restriction until a task force evaluated the effectiveness of such programs, issued a report, and the legislature acted on it.

CONNECTICUT'S RESPONSE TO FEDERAL WELFARE REFORM

Federal Welfare Reform—TANF

The same year that Connecticut began its latest series of reforms, 1996, Congress passed federal welfare reform. TANF eliminated the AFDC program and replaced it with a non-entitlement, federal block grant. It essentially turned over control of welfare programs to the states, with an expectation that they contain certain features as a condition of ongoing funding. For example, legal immigrants who came into the country after the federal law passed would be ineligible for TANF for their first five years here. States that were running welfare reform waiver programs, such as Connecticut, were allowed to continue them and when the TANF law conflicted, state laws prevailed.

Some of TANF's major provisions include (1) a five-year lifetime limit on "assistance," with a 20% maximum number of recipients states can exempt from the limit; (2) a requirement that parents or caretaker relatives receiving TANF work once the state determines they are ready but no later than 24 months after receiving assistance; and (3) work participation rates (25% in FFY 1997, rising to 50% in FFY 2002) for all families, with higher rates for two parent families and financial penalties for failure to meet these rates.

Because TANF shifted welfare to a "work first" program, it required cash assistance recipients to be connected to the work force quickly (currently 30 hours per week within the first two years of receiving TANF-funded assistance). At the same time it limited the types of work-related activities in which people receiving assistance could be engaged and still satisfy the federal work participation requirements. In general, 12 categories of work and work-related activities count towards meeting the requirements, but education and training do not typically fall into these categories. (The Department of Labor's (DOL) Jobs First Employment Services manual explicitly prohibits enrollment in two- or four-year college degree programs as allowable activities, hence not eligible for work supports, such as child care, unless (1) the participant has enrolled on her own and is within six months of getting a degree and (2) her case manager ensures that her employment plan does not interfere with getting the degree.)

PA 97-2, June 18 Special Session. The 1997 General Assembly passed legislation in response to TANF. PA 97-2, June 18 Special Session, officially renamed the cash assistance portion of welfare-to-work Temporary Family Assistance (TFA) and re-codified those provisions (e.g., income disregard) that were previously tied to a federal waiver. (The umbrella name for welfare to work became Jobs First, with TFA representing the cash portion of the program and Employment Services the work portion.)

The legislature opted to provide coverage for certain convicted drug felons provided they had completed a drug sentence, served a probation period, or participated in a mandatory substance abuse treatment or drug testing program. (The federal law permitted states to bar these individuals from receiving TANF assistance.)

To respond to TANF's five year wait for new immigrants, the legislation created a state-funded, TFA-type cash assistance (and Medicaid) program for otherwise eligible immigrant families.

The act permitted families to petition the DSS commissioner for a six-month extension to the 21-month time limit. It required her to grant extensions indefinitely if a family could show that it had made a good faith effort to comply with the TFA requirements, but could not earn more than $90 above the the TFA benefit or had encountered circumstances that prevented them from working, such as domestic violence.

The act also created a safety net program for those families who lost, or were at risk of losing, cash assistance. Assistance was to be made available even if a family was ineligible for a six month time limit extension because it received two sanctions during the 21-month period for failing to make a good faith effort to find and keep a job. (Compliant families who used up their 21 months could not get safety net services but would likely qualify for extensions.) The program consists of services, including food, shelter, clothing, and employment assistance, provided through the state's existing community services delivery network. Families at risk of losing assistance due to Employment Services sanctions must complete individual performance contracts in order to qualify for an extension. Those successfully completing these contracts are considered to have made a good faith effort and qualify for extensions.

The act more clearly defined the roles of DSS and DOL in moving clients from welfare to work. It required the agencies to establish a memorandum of understanding to enhance service delivery to clients, including studying the feasibility of providing services using a one-stop process, in which the agency offices would be co-located throughout the state.

The act continued to require an oversight council and directed DSS and DOL to update the council monthly on TFA and Employment Services.

PA 97-295. This act repealed the 1995 opportunity certificate pilot program and replaced it with a permanent tax credit. The law provides a credit against the state's corporation business tax to employers who hire TFA recipients who work at least 30 hours per week and have been receiving TFA for more than nine months. The credit is equal to $125 for each full month the employee works for the business. (Businesses can also receive federal tax credits for hiring welfare recipients.)

Subsequent Changes

1999. The legislature has modified the Jobs First laws several times since 1997. In 1999, it permitted TFA households that became temporarily ineligible for assistance because a family member was receiving worker's compensation to disregard earnings up to the federal poverty level if the injured person returned to work as soon as she stopped collecting the compensation. Prior law allowed only the first $90 to be disregarded if the amount of worker's compensation received had made her ineligible for TFA for more than four consecutive months (PA 99-279).

This same act codified DSS's Transitionary Rental Assistance Program (T-RAP). The program provided 12 months of rental assistance for private housing to families leaving TFA due to the time limit, provided they had income exceeding the monthly TFA benefit. The act required DSS to run the program within available appropriations.

2000. In 2000, the legislature directed the DOL, in cooperation with DSS and within available appropriations, to provide state-funded work-study slots to TFA recipients and other needy individuals in (1) training programs certified under the Workforce Investment Act and (2) training and education programs at public higher education institutions The programs were to be designed so that (1) individuals would not need TFA by the end of the TFA time limit and (2) participants' ability to become economically self sufficient increased (PA 00-204).

2001. In 2001, the legislature made some fairly significant changes in the welfare-to-work system. Most importantly, PA 01-2, June Special Session, limited to three the number of six-month extensions allowed to the TFA time limit. Previously, extensions were indefinite. But the act allowed the DSS commissioner to grant a fourth or additional extension in certain circumstances, such as the adult in the household having two or more substantiated barriers to work. It also established an absolute maximum five-year limit on assistance and specified that assistance provided by another state counted toward that limit. It also extended the requirement for an exit interview to families with extensions.

The act made several changes in the Employment Services portion of Jobs First. It required DSS to terminate the benefits for non-exempt families if a family member failed, without good cause, to attend any scheduled assessment appointment or interview related to developing an employment services plan. But benefits were to be reinstated if the individual attended a re-scheduled appointment or interview within 30 days of being notified of the termination. DSS also had to terminate benefits when a mandatory Employment Services participant in a six-month extension failed to comply with program requirements.

The act (and a related clarifying act) prohibited an unmarried minor parent who did not have a high school diploma or its equivalent and who had a child who was at least 12 weeks old from receiving TFA unless she participated in educational activities directed at earning the diploma or its equivalent. Previously, these women were exempt from the Employment Services requirement if they were attending school.

It increased from 20% to 25% the penalty (reduction of TFA benefit) for the first incident of noncompliance with an Employment Services requirement. (DSS deducts 35% for a second incident and eliminates benefits altogether for subsequent incidents.) This change was made to conform to federal law.

The act also reduced the amount of child support disregarded from income from $100 to $50. This provision allows TFA recipients to receive child support and not have the full amount of that support deducted from their TFA benefit.

Acknowledging that the lack of affordable transportation represented the principal barrier preventing TFA recipients from going to work, and that many jobs in eastern Connecticut were going unfilled, the act established an Eastern Connecticut Transportation Access Project to get recipients from other parts of the state to these jobs.

2003-Present. In early 2003, the legislature made numerous DSS budget cuts, including those affecting TFA and related child care and Medicaid expenditures. It (1) reduced from three to two the number of TFA extensions, effective July 1, 2003, but continued the exemptions; (2) reduced income eligibility for transitional child care benefits from 75% to 55% of statewide median income, effective March 1, 2003; and (3) reduced the income limit for adult Medicaid (HUSKY A) (PA 03-2).

PA 04-258 (amended by PA 04-2, MSS) prohibits DSS from granting TFA to applicants before they have attended the initial scheduled employment services assessment interview and worked on their employment plan. But DSS may not delay benefits when it schedules the appointment more than 10 business days after the person applies, nor may it delay assistance when the DOL fails to complete the employment plan within 10 days of the applicant's interview.

The 2004 legislature also expanded the circumstances under which welfare leavers could access the T-RAP program, including allowing people to get rental assistance when they leave the TFA program but have not exhausted the 21 months (PA 04-73).

In 2005, the legislature reduced from two years to one the period of transitional Medicaid for people leaving the TFA program (PA 05-280). But the act restored eligibility for adult caretaker relatives, although it directed DSS to institute cost sharing for these adults.

RC:ts

OLR RESEARCH REPORT

December 19, 2003 2003-R-0827

WELFARE AND POST SECONDARY EDUCATION

By: Robin K. Cohen, Principal Analyst

You asked which states allow welfare recipients to engage in post-secondary education (PSE) (e.g., community colleges) as an activity that counts towards the federal Temporary Assistance for Needy Families (TANF) work participation rules and what strategies they have used. You also wanted to know if any of these states offer financial aid on top of the welfare benefit to women who participate in these activities. Finally, you asked whether such policies have led to reduced caseloads.

SUMMARY

In general, TANF requires that 50% of all TANF-funded assistance recipients be engaged in some type of work activity for 30 hours per week. States failing to meet this requirement face stiff financial penalties. And for the first 20 hours, these activities are generally limited to things like job search. But the law allows clients to engage in vocational training, which could include some post-secondary education, for up to 12 months and have this count towards the first 20 hours. States have much more flexibility when they are willing to work "outside" the TANF limits.

The Center for Law and Social Policy (CLASP), a think tank that closely monitors welfare-to-work programs, reports that more than 40 states allow TANF assistance recipients to engage in post-secondary activities. And a substantial number of these allow them to count these activities beyond the federal law's 12-month limit. Although Connecticut

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is one of these states, it generally allows participants to get college degrees (two- or four-year) in only the narrowest of circumstance. Some states provide financial aid for these activities, above and beyond a cash welfare benefit, although federal aid, such as Pell grants, must be exhausted first. Other assistance includes work-study, help with fees, and child care subsidies.

Since TANF's passage in 1996, welfare caseloads have dropped dramatically and more women in welfare households are working than ever before. None of the current research has been able to isolate PSE as contributing directly to these declines. But it does seem to suggest that PSE, when combined with work, will lead to better and longer-lasting employment for welfare recipients. Most welfare experts agree that time limits, a relatively strong economy, and the general push to get participants working sooner have been the primary forces behind states' shrinking welfare caseloads.

TANF LAW –WORK REQUIREMENTS

Congress passed the TANF block grant provisions in 1996. In addition to limiting the amount of time people can receive assistance to five years (Connecticut has a 21 month time limit in its TANF-funded cash assistance program), the law requires a percentage of the caseload to be engaged in a work-related activity for a certain number of hours within 24 months of receiving assistance. Currently, 50% of a state's one-parent families that receive TANF-funded assistance must engage in at least 30 hours of work-related activities in a week. States that fail to meet this requirement are subject to financial penalties. The federal law limits what states may count as work for the first 20 hours to the following activities:

1. unsubsidized employment,
2. subsidized private sector employment,
3. subsidized public sector employment,
4. work experience,
5. on-the-job training,
6. job search and job readiness assistance,
7. community service,

8. vocational educational training, and

9. providing child care to an individual participating in community service.

The law further stipulates that vocational training is limited to 12 months for any individual and not more than 30% of the people counted in the participation rates can be those participating exclusively in vocational education activities (45 CFR § 261.33).

The remaining 10 hours can be used in the above activities, or in job skills training directly related to employment, education directly related to employment for individuals who do not have a high school diploma or equivalent, or satisfactory attendance at a secondary school or a certificate course leading to a general equivalency diploma (GED).

STATES THAT ALLOW PSE OR TRAINING

CLASP closely tracks state TANF policies around PSE and training beyond the high school level. Table 1 shows which states were allowing PSE and training and how this was structured as of June 2002. Attachment 1 provides a more detailed summary of this information.

Table 1: State Policies Around PSE and Training (June 2002)

PSE alone satisfies work requirement for more than 12 months	PSE alone may satisfy work requirement but may have to combine with other work activities	PSE alone does not satisfy work requirement; must participate in additional work activity	PSE never counts toward work requirement
Arizona			Massachusetts [2]
Georgia (preliminary)	***Can Count participation in PSE for more than 12 months***	***Can count participation in PSE for more than 12 months***	Mississippi
Iowa			Oklahoma
Kentucky	Alabama	Delaware	Wisconsin
Maine [1]	Arkansas	District of Columbia	
Minnesota	California	Hawaii	
Missouri	Illinois	Kansas	
Nebraska	North Carolina	Michigan	
New Mexico [1]		Montana	
Rhode Island		New Hampshire	
Utah		New Jersey	
Vermont [1]		South Carolina	
West Virginia [1]		South Dakota	
Wyoming		Tennessee	
		Virginia	
PSE alone satisfies work requirement for 12 months or less	***For 12 months or less***	***For 12 months or less***	***Determined by locality***
Alaska	Louisiana	Idaho	Colorado
Connecticut [3]	North Dakota	Indiana	Florida [5]
Nevada		Texas	Maryland
Oregon [4]		Washington	New York [6]
Pennsylvania			Ohio

[1] These states used separate state programs funded by TANF maintenance of effort (MOE) funds, although West Virginia allows PSE to satisfy the work requirement within the state's TANF program.

[2] Individuals who are exempt from work requirement may receive support services for education and training.

[3] Connecticut permits program participants to engage in four- to six-month-long certificate programs or other programs not leading to degrees, with a small exception.

[4] Short-term, vocationally specific training is countable and limited to nine months or less.

[5] Local workforce boards have authority to allow extended education and training, if locality continues to meet overall federal work rates.

[6] Determined locally but not to exceed 12 months as stand-alone activity. Up to two years of PSE is allowable if approved by district and combined with work.

Source: CLASP (2002)

STRATEGIES STATE CAN USE TO PROVIDE POST SECONDARY EDUCATION GIVEN TANF'S RESTRICTIONS

CLASP suggests that there are two ways that states can allow participation in PSE and stay within the TANF law's limits. But states have even more flexibility if they choose to use state-only funds to go "outside" TANF to pay for the individuals engaged in such activities.

Staying "Inside" TANF's Definition of Allowable Activities

Although PSE is not mentioned explicitly as an allowable TANF work activity, states can have them count using one of the two above-enumerated activities. Vocational educational training would include post-secondary education. But as we described earlier, the TANF law limits this to 12 months and only a limited number (30%) of a state's caseload can count this activity towards their participation rates.

The other option would be job skills training. Again, this activity does not count towards the first 20 hours of work but states can allow them for any hours after 20.

Going Outside TANF's Definition of Work—More Flexibility for PSE

Caseload Reduction Credits. Federal TANF law requires that 50% of a state's caseload be engaged in work-related activities. But it also allows states to reduce the target participation rate if they have successfully reduced their overall TANF-funded caseloads over time. And, according to the federal agency that tracks state TANF programs, every state has earned credits, effectively reducing their work participation rate to some amount below the 50% level. By having a lower rate, states have more flexibility to allow recipients to engage in "non-allowable" activities, such as PSE, and not have them count towards their participation rates. For example, Connecticut's adjusted participation rate for FY 2002 was 21%.

Using Separate State Funds. The TANF law allows states to exempt a percentage of their TANF-funded caseloads from their own time limits but prohibits families that are not exempt from receiving TANF-funded assistance for more than five years. Having such limits can present practical problems (educational programs often can last two or more years) especially in states that have shorter time limits, such as Connecticut. States can get around this by funding their programs with segregated state funds.

Although states must use state funds instead of their federal TANF block grant in these instances, these expenditures can count towards a state's "maintenance of effort (MOE)" requirement, which essentially requires states to maintain state spending for families at the pre-1996 levels.

"Assistance" vs. "Non-Assistance." The TANF law is quite clear about the time limits and work participation rates. But the regulations allow states to designate how they spend their block grant funds so that only certain expenditures count towards the time limit. In general, they state that months that families receive "assistance" (cash or noncash benefits that are designed to meet ongoing basic needs) count towards the time limits. But families receiving what the regulations call "non-assistance," or activities that are of a non-recurring nature (e.g., wage subsidies, child care for working families), are not subject to the time limits.

With respect to PSE, states could spend TANF funds on work-study, childcare, and transportation benefits for students in PSE and these payments would not count towards the time limits. Families who receive these benefits alone are not considered part of the state's TANF caseload. On the other hand, a living stipend would be considered assistance.

States with PSE Initiatives

Several states allow PSE beyond a 12-month period, ensuring that many parents can complete college degrees that potentially lead to higher paying jobs. The types of supports that these states provide range from paying a stipend, which pays living expenses, to providing help with books, fees, and child care. As we mentioned above, states will generally look first to existing financial aid (such as Pell grants) before committing state or federal TANF dollars to this type of assistance. Below we describe some of these programs.

California. The Finance Project, a welfare-to-work information clearinghouse, reports that California has allocated $65 million in MOE funds to the state's community college system. The chancellor's office then allocates the funds to the 108 campuses comprising the system. Most of the money is used for direct services for TANF recipients, including child care, work-study, and general coordination services. Students already enrolled in school when they entered CalWORKs (the state's welfare-to-work program), as well as those the county welfare department refers, count this participation towards the state's 32 hour weekly work requirement. County welfare offices sign off on the annual college plan, ensuring that services and curriculum will help lead students to high-demand occupations.

Illinois. In Illinois, which segregates funding to run its Non-TANF Education and Training Program, the state provides that months in which a family is employed at least 25 hours a week do not count against the state's time limit. Likewise, the state does not count months in which an adult is enrolled in PSE and maintains a 2.5 grade point average towards that family's time limit, up to 36 non-consecutive months. In addition, the state provides childcare assistance to these parents. Qualifying parents must work at least 10 hours a week. But this may be satisfied by 20 hours a week of unpaid work that the education program requires, such as student teaching, internship, or a combination of paid and unpaid work experience totally 20 hours, according to the Finance Project.

Kentucky. Kentucky's "Ready to Work" program offers work-study, on campus mentoring, and other support for low-income parents. This program allows parents in the state's welfare-to-work program, Kentucky Works, to attend 24 months of PSE as a stand-alone activity and continue after that if they also engage in 20 hours of paid work.

Maine. Maine's Parents as Scholars program provides MOE-funded cash assistance (same as state's TANF funded welfare benefit) for needy parents in approved two- and four-year educational programs. It also provides the same access to supportive services (e.g., child care) as is available to regular cash assistance recipients. It generally does not pay tuition or other mandatory fees. The program is limited to 2,000 participants at one time. To qualify, the parent must:

1. be otherwise eligible for TANF-funded assistance,
2. be enrolled in a two- or four-year program,
3. not have a bachelor's degree in a field where there is available work,
4. lack the skills to earn at least 85% of the state's median wage,
5. be in a program where the degree will improve her ability to support her family, and
6. have the ability to succeed in the program.

Pennsylvania. Pennsylvania runs a pilot program to help welfare recipients pay college tuition. The state's welfare and higher education agencies administer the TANF Educational Award program, which offers need-based aid of up to $12,000 per academic year to TANF recipients who are undergraduate students at approved PSE schools.

RESEARCH ON PSE

We could not find any research that suggests that PSE alone has contributed to declining welfare caseloads. This is due to the fact that (1) many variables have contributed to the decline and (2) these initiatives are relatively new and their effects may not be known for some time. But there is a good deal of research on the need for and effects of PSE. For example, the Finance Project did an overview of the research on PSE's effect on welfare recipients' employment and earnings. It noted a 1999 study that concluded that welfare recipients would need up to 200 hours of additional education and training to move up to advance-skilled jobs, since only 7% of recipients had these skills.

A separate study that reviewed nearly 30 evaluations of welfare-to-work programs found that the best approach to secure employment for welfare recipients was to provide services that include education and place a strong emphasis on work. But the study also found that while most state welfare-to-work programs reduced reliance on public assistance, they did little to make participants better off financially. Although the authors found that there was little direct evidence that PSE affected welfare recipients' earnings, it concluded that people who attended adult basic education for substantial periods benefited, perhaps because once they qualified for a GED, they could participate in vocational training.

A different 1999 study concluded that PSE resulted in increased earnings. Even those who did not complete degrees earned more for each year's worth of college credit, asserted the authors.

Researchers from the Brookings Institution suggest that the welfare-to-work programs most successful in helping parents work more and earn more over the long run are those that have focused on employment, but made substantial use of education and training. And CLASP cites the success of Portland, Oregon's use of a "mixed strategy" program, which has led to increased employment, earnings, job quality, and employment stability over the long term.

RC:ro

OLR RESEARCH REPORT

November 4, 2003 2003-R-0690

WELFARE REFORM—BUSINESS INVOLVEMENT

By: Robin K. Cohen, Principal Analyst

You asked how states encourage business involvement in welfare-to-work programs and whether such initiatives have resulted in reduced welfare caseloads.

SUMMARY

States have been encouraging business involvement in welfare-to-work programs in three ways. First, they have attempted to identify both the available jobs and the necessary training needed to fill them. Second, they have provided cash incentives to employers, such as tax breaks. And finally, they have provided supports, such as child care, medical assistance, and transportation that make welfare recipients more appealing to potential employers. Passage of federal welfare reform legislation, which emphasized putting welfare recipient to work, has made this involvement more critical than ever before.

Although welfare caseloads dropped dramatically in the first few years after welfare reform was enacted in 1996, it is difficult to say whether states that have developed strong partnerships with employers and provided incentives to them and welfare recipients can attribute their caseload reductions to these initiatives. Indeed, many believe this drop was attributable to a strong economy and the law's work requirements and time limits.

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Researchers at the Research Institute for Small and Emerging Business, Inc. (RISE) who studied small businesses' involvement in welfare reform assert that the states most successful in reducing their caseloads are those that understand local job markets and the mechanisms needed to connect recipients with jobs. Manpower Demonstration Research Council (MDRC) researchers are a bit more circumspect. They suggest that research on welfare to work programs has not isolated employer involvement as a distinct factor responsible for positive outcomes, including caseload reductions. They cite a number of variables, such as time limits, that could also be responsible for declining caseloads. Nevertheless, they too conclude that business involvement in welfare reform has had a positive impact on training programs and other areas, promoting an employer pool more willing to hire welfare clients.

For this report we relied, in part, on three reports: (1) a comprehensive 1998 guide developed by MDRC entitled *Business Partnerships: How to Involve Employers in Welfare Reform*; (2) a 1998 Charles Stuart Mott Foundation report intended to help the private sector employ welfare recipients, *Welfare to Wages*; and (3) a 2000 RISE report on issues small and emerging businesses have faced since welfare reform's inception.

FEDERAL LAW—WORK REQUIREMENTS

When Congress passed the Temporary Assistance for Needy Families (TANF) block grant provisions of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, one of the driving forces was its desire to get welfare recipients working, instead of allowing them to languish in a program that did little to promote economic self-sufficiency. Policy experts described this as moving welfare from a "human resource development" model to a "labor force attachment" model. Embracing this new model demanded that states develop partnerships between state welfare and labor agencies, which historically were seen as discrete, unrelated entities serving disparate groups of people, and with the local workforce development agencies that could identify employers and available jobs.

In addition to TANF, two additional federal acts have forced states to look at new ways to connect employers with low-income workers: (1) the now-defunct Welfare-to-Work (WTW) grant program, passed in 1997 for harder to serve welfare recipients and (2) 1998's Workforce Investment Act (WIA), which provides funding to states for job training, some of which may be available to people making the transition from welfare to work. The WTW provided grants to states to serve welfare recipients with the most barriers to employment, and WIA establishes a framework for states to coordinate many job training and welfare-to-work programs. (We have attached copies of earlier OLR reports on the WTW and WIA laws for your additional information.)

We will discuss how states encourage educational activities in their welfare to work programs in a future report.

ENCOURAGING BUSINESS INVOLVEMENT IN WELFARE TO WORK

States have taken three different approaches to get businesses involved in welfare reform. The first can be characterized as providing a labor supply to meet employer demand for workers. This approach involves state agencies making more connections with the local job market to match welfare recipients with jobs in their communities, including integrating the welfare and workforce agency functions. The second approach has been to offer financial incentives, such as tax credits. And third, states have provided more supports to welfare recipients, such as childcare and health insurance, to ensure that they stay in the jobs once they are hired.

Providing a Labor Supply to Match Employer Demand for Workers

States have used four broad organizational approaches to match employers with people transitioning from welfare to work. The Urban Institute identified the following three:

1. welfare-centered, where the welfare agency runs the entire welfare-to-work program (e.g., Providence, Rhode Island);

2. shared responsibility for work-related services for TANF clients, in which state welfare, labor, and workforce boards share in the administration (e.g., Connecticut); and

3. highly integrated, where one entity combines all of the welfare to work functions in one place (e.g, Dayton, Ohio).

Any one of these approaches may be successful in encouraging employers to hire welfare recipients if it helps identify potential employers and what types of jobs they need to fill. To view the Institute's findings, go to http://aspe.hhs.gov/hsp/ccord00/execsum.htm.

Florida offers a fourth approach. Its Work and Gain Economic Self-Sufficiency (WAGES) Board and 24 local coalitions, not the state agencies, control the welfare budget and set program policies there. The board's chair must be a businessperson and most members must come from outside government.

Shared Responsibility Approaches. The Welfare Information Network (WIN) reports that 28 states made extensive use of formal linkages, such as memoranda of understanding (MOU, in Connecticut, the Department of Social Services has an MOU with the Department of Labor) and state-level agreements, between agencies administering TANF and WIA.

Many states have used the "one-stop" career center approach to bolster their welfare to work programs. WIA requires such centers and this approach fits into the second category of shared responsibility. One stop allows clients to get both their welfare benefits and their employment services in one place. WIN reports that in 2001, about half of the states co-located TANF cash assistance and other welfare programs with their one-stop centers' work programs. Since one-stops are run by the local workforce investment boards, all of which have employers on their governing boards, they provide a known quantity for a potential employer.

Highly Integrated Approach. An example of a highly integrated program can be found in a few states that have merged their welfare and workforce development programs into a single agency at the state level. In Utah, TANF and the Office of Family Support were integrated into the Utah Department of Workforce Services. And the Texas Workforce Commission (responsible for WIA and Welfare-to-Work) administers the TANF employment and training program. Having all of the administrative functions in one place can potentially make clients more job-ready than if they come from a fragmented system.

Local-Level Strategies That May Result from Partnerships

Relationships between the state and employers generally happen at the local level. Once states determine the best state-level strategy for them, they can create partnerships with the local workforce. Ten local-level strategies can and have been used that will lead to greater employer involvement. These include:

1. engaging specific industry associations in the development of sector-based pre-employment preparation or training;

2. encouraging individual employers to develop and manage their own training and employment programs with support of public welfare and training funds;

3. encouraging private staffing or temporary employment agencies to use existing placement process and networks to serve welfare recipients;

4. encouraging local business associations to support or manage local welfare-to-work activities;

5. getting private, nonprofit firms to prepare and place recipients in jobs;

6. inviting neighborhood-based nonprofits to assist community residents and businesses achieve welfare to work objectives; and

7. assisting education and training providers to better prepare recipients for employment in needed labor market occupations and skills.

Financial

States have used three financial centered incentives to encourage employers to hire welfare recipients—tax credits, unemployment insurance (UI), and wage subsidies.

Employer Tax Credits. Two types of federal tax credits directly encourage businesses to hire welfare recipients. Employers may take one or the other, but not both, for a particular employee. The Welfare to Work (WtW) credit, which can reduce employers' federal tax liability by several thousand dollars for each new welfare recipient hired, is available to businesses that hire individuals within two years after they have received cash assistance for at least 18 months. The other credit is the Work Opportunity Tax Credit (WOTC), which is available to employers who hire from a number of targeted low-income groups, including welfare recipients. It offers up to $2,400 for each hire.

Despite their availability, these federal credits appear to be underutilized. According to the U.S. Department of Labor, in 1998, just over 46,000 WtW credits were issued nationally. (The employer must certify that he has hired the individuals and file two forms.) The RISE researchers suggest a number of reasons why the credits are underutilized, including a policy making them available only after the employee has been on the job for a certain amount of time. Recent studies of former welfare recipients, which found that 75% of recipients are no longer with the original employer nine months after being hired, bear this out. The overall lack of employee retention initiatives is another reason for poor utilization.

Connecticut's Labor Department reports that the program issued 3,122 WOTC certificates and 1,340 WtW certificates to 257 Connecticut businesses for FY 2002-03, suggesting that since the national study was conducted the credits may have gained in popularity.

Wage Subsidies. Another potential inducement for employers to hire welfare recipients is the promise of a wage subsidy. More than 30 states provide such subsidies, but the RISE authors contend that they have not been used heavily. Missouri was the first state to get federal approval (pre-TANF) to convert both food stamps and cash benefits into a wage subsidy. But the state found that higher paying jobs, which were plentiful when it offered the subsidies, were with non-subsidized employers, suggesting that a subsidy might be more of an incentive during a time of labor surpluses, when employers would need more incentives to hire these individuals over other candidates.

Unemployment Insurance. Many employers fear their unemployment insurance (UI) costs may rise if they hire welfare recipients. This fear is based on their belief that these new hires will be more likely to stop working and make claims on the UI system. (In fact, many of these employees would not qualify for UI due to low wages.) To address this perceived problem, Minnesota excluded this segment of the labor force from the normal UI eligibility requirements for the first six months of employment, which apparently alleviated employers' concerns. RISE reports that some states have considered using state TANF maintenance of effort funds to create a UI-like program specifically for low-wage welfare recipient workers.

Supports for the New Workforce

In addition to the strategies that involve making it easier for employers to find workers and financially attractive to hire them, states have an important role in encouraging welfare recipients to participate in welfare-to-work initiatives. Indeed, employers will be more likely to hire a recipient who has a good work ethic and knows her child is in good hands, than one who has little incentive to work and unreliable child care.

Newly employed recipients need three basic supports, without which they cannot get to their jobs and feel secure about staying with them. These are: childcare, transportation, and medical assistance. Despite this, the research shows that childcare and transportation continue to be the leading barriers that prevent people from making the welfare to work transition.

Affordable Child Care. Many states, including Connecticut, offer child care subsidies that continue even after cash benefits end. Since formal child care is more difficult to find and fairly costly, families tend to rely on informal arrangements with family members or friends. When employees have safe and affordable child care they are more likely to stay on a job, making them attractive to employers. A recent study published in the *Southern Economic Journal* found that a 50% child care subsidy would reduce cash welfare caseloads and increase the employment rate of single working mothers to 74.7%.

Transportation. Most welfare recipients live in urban areas, while most available jobs are located in the suburbs. States have tried a number of strategies to ensure employers that their workers get to work. In many areas where mass transit is inadequate to meet this new demand, states, including Connecticut, have added routes and extended hours of operation to help welfare recipients get to work. Connecticut and a number of states offer free bus passes or other subsidies during and after cash assistance ends. Some states have also tried car ownership programs when public transportation is not a feasible option.

Medical Assistance. Many employers, especially smaller ones, are unable or unwilling to offer health insurance to their employees. To fill this gap, the federal Medicaid program provides fully subsidized health insurance to welfare families, although eligibility is not automatic as it was in the days before TANF. And states offer up to two years of transitional Medicaid to encourage job retention, even after cash benefits end. However, once the two years are up, many adults lose their access to coverage. (Children generally continue to be able to get coverage either through Medicaid or the State Children's Health Insurance Program.) Having job candidates who will not be looking for immediate health care coverage from their employer may make welfare recipients more attractive to certain employers.

Other Worker-Centered Strategies. In addition to the above-described supports, MDRC asserts that the following employee-centered supports are essential for helping states successfully involve employers in welfare reform efforts. All increase the likelihood that job candidates will be better prepared once they start working and will be more inclined to stay on their jobs:

1. pre-employment preparation, such as basic skills and work ethic;
2. short-term preparation, such as skills training;
3. addressing personal problems before workplace entry;
4. job retention services;
5. supervisor training and other workplace adjustment;
6. income enhancement, such as the federal Earned Income Tax Credit (EITC) and cash welfare earnings disregards, which allow recipients to keep some or all of their welfare benefit, on top of their wages; and
7. opportunities for advancement through continuing education.

Examples of Programs That Have Successfully Engaged Employers

Most, if not all states have tried one or more of the above described strategies as they have attempted to meet their obligations under the TANF law. Table 1 provides a brief description of those welfare to work business partnerships that MDRC and the National Conference of State Legislatures have singled out for their success in involving employers in welfare reform, the states or cities where the partnership exists, and clients served. It appears that most of these initiatives were tried as pilots and at the time they were studied had not been replicated on a statewide basis.

Table 1: Welfare to Work—Business Partnerships

Program Name/ Location	*Focus/Special Features*	*Clients Served*
Performance-Based Incentive Funding Program/Florida	Statewide initiative gives financial incentives to community colleges and vocational training programs. Budgets based on number of placements, including welfare recipients.	NA
Business Initiatives Partnership/ Arizona	Help welfare agency to get better information on industry skills needed and develop better ties with employers. Established a forum that enabled industry to develop pre-employment occupational training program.	63% placement rate.

Table 1 (continued)

Program Name/ Location	*Focus/Special Features*	*Clients Served*
JOBS Plus/ Oregon	Six-month on-the-job training positions with local businesses. Employers pay wages with state reimbursement. State also provides supports (e.g., child care).	In FY 1996-97, 3,558 participants worked for 1,840 employers.
Washington Works/Washington	Training, job placement, and post-employment assistance, including course on personal effectiveness in workplace. Also includes mentors.	NA
America Works/New York, Baltimore, Indianapolis, other cities	Job placement and post-placement support; government pays once client working for at least seven months	12,000 over 14 years
Center for Employment Training/ San Jose, CA and other sites	Short-term occupational training/integrated vocational skills training and basic education/program has strong ties to industry (advisory committees, staff outreach, and industry-based instructors	In 1995 CET sites trained 6,041 students, placing 89% in training-related jobs.
Denver Workforce Initiative/Denver, CO	Partnership between foundations and community helps employers recruit, retain, and promote entry-level workers from low-income neighborhoods; train supervisors in partner businesses, cognitive skills training, employee support hotline	Over 500 participants recruited with 160 job placements
Greater Richmond Employee Assistance Team/Richmond, VA	Counties partner with Greater Richmond Chamber of Commerce to place recipients. Chamber subcontracts job placement activities and job readiness to private agency.	700 enrolled, with 73% matched with employment
IndEx/Tulsa, OK	Chamber-established program contracts with local companies to perform light manufacturing and packaging at central site. Participants spend half day in education, half working in exchange for welfare	More than one-third of 286 enrolled in program in 1996 found work, with 76 remaining employed at beginning of 1997
Local Investment Commission/ Kansas City, MO	Local group responsible for implementing welfare reform in Kansas City. Commission comprised of 36-member citizen board, which has authority to determine welfare policies and negotiate contracts with service providers.	Since 1995, 2,200 welfare recipients placed in jobs through commission-supervised activities

Table 1 (continued)

Program Name/ Location	*Focus/Special Features*	*Clients Served*
Marriott Int'l Pathways to Independence/ Los Angeles, Philadelphia, other cities	Helps welfare recipients get Marriott jobs, with emphasis on retention. Program provides six weeks of life and skills training	Since 1991, 850 graduated from program.
Stop Shop Save/Baltimore, MD	Grocery store chain worked with referrals from social services, mayor, and Baltimore Urban League to employ and train welfare recipients.	Not available (NA)

Source: MDRC (1998); National Conference of State Legislatures, (1999)

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September 24, 2003 2003-R-0504

WELFARE TO WORK—STATE PROGRAMS

By: Robin K. Cohen, Principal Analyst

You asked for a summary of state programs that help families make the transition from welfare to work. You also wanted to know how much these programs cost.

This report highlights both the major state programs and the federal tax credits that are designed to help these families. It is not meant to serve as an exhaustive inventory of all services to which families might avail themselves.

SUMMARY

Jobs First is the state's main program that helps families make the transition from welfare to work. It is run jointly by the departments of social services (DSS) and labor (DOL) and funded largely by the Temporary Assistance for Needy Families (TANF) block grant. The program consists of two primary parts: cash assistance and employment services.

The cash assistance portion of the program, Temporary Family Assistance (TFA), provides ongoing financial support for up to 21 months (or longer for people who qualify for extensions) to most families. It offers a strong work incentive by paying full cash benefits to people whose income from work is below the federal poverty level (FPL).

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DSS refers time-limited TFA recipients to the program's employment component run by DOL. The Jobs First Employment Services program, which is designed to get people into jobs quickly, emphasizes job searches and related activities over longer-term activities, such as education and training, to ensure that people can be employed before they reach the TFA time limits.

In addition to cash and employment services, all families receiving TFA can receive Medicaid benefits and most also qualify for federal Food Stamps. Working families and those in which an adult is engaged in an allowable work activity can receive child care assistance, as well as help defraying some of their transportation costs. A limited number of families whose lack of housing prevents employment can get subsidies under a new, temporary subsidy program, but broader-based housing assistance is generally unavailable due to the closure of the state's premiere rental assistance program. Finally, the state helps families with their heating costs through a federally-funded energy assistance program.

Once eligibility for TFA has ended, families can continue to receive both child care and Medicaid, and some families who have lost their TFA eligibility but are working may qualify for time-limited rental assistance. The DOL also continues to provide some limited support to people who have left the TFA rolls. And low-income families who lose their eligibility due to the time limits and are not eligible for an extension because they have not complied with the Employment Services requirements may qualify for intensive case management services through a safety net program.

It is difficult to say with certainty how much the state spends on these programs. DSS reports that for the first two quarters of FFY 2002-03, the state spent about $113 million on programs beneficial to these families. In addition, it spent just over $62 million during this period on Medicaid benefits for families receiving TFA. More than half of the first figure paid for TFA benefits alone.

Although they are not state programs, federal tax credits are also available to help low-income families and the businesses that hire them. The federal Earned Income Tax Credit (EITC) provides extra cash to working families, including those making the transition from welfare to work. Businesses that hire welfare recipients can also get tax breaks. The state agencies that help these families provide information about these programs as well. We do not know what the federal revenue loss has been as a result of these credits.

MAKING THE TRANSITION FROM WELFARE TO WORK

DSS Assistance

When a family finds itself in need of assistance it can go to the nearest DSS office to apply for TFA, Food Stamps, and any other assistance for which it may qualify. Families who may not know about DSS can also call 211 (Infoline) or visit the nearest community action agency, both of which are there to help them determine whether they can benefit from the Jobs First program or any other assistance for which they might be eligible. These entities can also help families prepare documentation they may need when applying for state assistance.

Cash Assistance. When a family applies for TFA it is informed that (1) benefits are time limited (generally 21 months) and (2) the able-bodied adults in the family must participate in the Employment Services program, unless they meet one of the law's exceptions (e.g., a disabled adult or a child under age one resides in the household). The amount of assistance is based on the family's size, where they live, and any other income they may have. Families can have up to $3,000 in liquid assets and own a motor vehicle, provided its equity value is no more than $9,500.

Perhaps the most important feature of the program is its earned income disregard. This essentially allows families to earn up to the FPL and still receive the full monthly TFA benefit. (Once income exceeds 100% of the FPL, the family loses TFA eligibility.) Many believe this disregard provides a fairly significant work incentive to participants.

DSS also offers Diversion Assistance, an up-front lump sum payment equivalent to up to three months of TFA, to families with short-term needs.

Child Care. When an adult TFA recipient works or engages in an ongoing work-related activity, DSS provides a childcare subsidy for children who live with the recipient and are under the age of 13 (or under age 19 if the child has special needs). These Care 4 Kids subsidies can be as much as $325 per month and can be used to pay either informal caregivers or for more formal settings, such as licensed centers. The subsidy rates differ based on the number of children receiving care, the type of care provided, the range of hours for which assistance is provided, the existence of special needs, and the region of the state where the care is provided. When a family leaves the TFA rolls, it can continue to receive assistance, provided its income does not exceed 55% of the state's median income. (PA 03-2 reduced this limit from 75% of the median.)

Transportation. TFA recipients who are working or are engaged in an approved, ongoing work-related activity can also receive bus fare (up to $10 daily), mileage reimbursement, or money to pay for private transportation in an automobile.

People for whom public transportation is not feasible can take advantage of a vehicle donation program. The state has used a portion of the TANF block grant to help subsidize the Good News Garage Program. In this program, TFA recipients who have to commute more than one hour to a job or a legitimate job offer may receive donated used cars. These individuals must have or expect to have sufficient income to pay for ongoing maintenance, repairs, insurance, and taxes on the vehicle. Car donors can receive tax breaks.

The state has also made funds available to expand bus services to ensure that TFA recipients can get to and from work.

Medical Assistance. TFA recipients are eligible for Medicaid through the Medicaid Managed Care program. State managed care organizations (MCO) contract with DSS to manage the family's care. Up until now families have had no coinsurance requirements. But starting November 1, families will be required to pay $1.50 for prescription drugs and $2 for medical services. In addition, if the federal government allows it, MCOs will begin charging families with incomes between 50% and 100% of the FPL a monthly fee of $10 per person (capped at $25 per family per month) (PA 03-3, June 30 Special Session).

Families transitioning off TFA are also eligible for Medicaid for up to two years provided an adult is working or becomes employed within six months of leaving the TFA rolls. These families could also be required to pay the co-payments and monthly cost-sharing. If family income goes higher than 100% of the FPL, the monthly cost-sharing amount could be $20 ($50 maximum per family per month), again pending federal approval.

After the two years of transitional assistance, children in families with incomes up to 185% of the FPL can continue receiving Medicaid under the HUSKY A program, or they may qualify for HUSKY B benefits if family income goes above this level. But parents and caretaker relatives can get these benefits only if their income is no more than 100% of the FPL.

Housing Assistance. There is little state housing assistance available to people who are currently receiving TFA because the state's Rental Assistance Program is closed to new applicants. (Federal Section 8 housing may be available to families.) However, the state has used some of federal High Performance Bonus funds to start a new Temporary Rental Subsidy program. In FY 2003-04, this program will provide subsidies to 140 families for whom homelessness or housing instability constitutes a significant barrier to employment.

Families transitioning off TFA may also be able to get help from the Transitionary Rental Assistance Program (T-RAP), which provides time-limited rental assistance to people who (1) have lost their eligibility for TFA due to the time limits, (2) have income greater than the TFA payment standard, and (3) live in privately owned rental housing. Families must apply within six months of leaving TFA and may not be receiving any other rental subsidy. The benefit is paid directly to the landlord.

Food Stamps. The federal Food Stamp program provides nutritional assistance to the state's low income families, including those receiving or transitioning off welfare. As a family's income rises, his Food Stamp benefit generally drops, although some earnings are disregarded. And although household assets are generally capped at $2,000, TFA families can qualify, even if their assets reach $3,000.

Child Support. As a way to prevent the need for ongoing state assistance DSS can help families obtain child support. In addition, DSS disregards the first $50 per month of current child support income for purposes of ongoing TFA eligibility.

All custodial parents, including TFA heads of household, can apply to DSS to enforce a child support order. DSS can also help determine the paternity of children in TFA families so support orders can be issued by judges or family support magistrates. And it can locate absent parents, among other things.

Energy Assistance. Families that are receiving TFA benefits are automatically income-eligible for heating benefits from the Connecticut Energy Assistance Program (CEAP). This federally-funded program, which DSS and local community action agencies administer, provides benefits to families who must pay their heating costs directly, as well as those households (renters) that do not make direct payments for their heat.

DOL Assistance—Jobs First Employment Services

The DOL's Employment Services program is designed to help TFA families become employed during the 21-month period that they are receiving cash assistance.

DSS does an initial assessment of time-limited TFA families and then refers them to one of the several *CT Works* locations where a DOL case manager assesses them and together they develop an individualized employment plan. The case managers also help clients access the services they may need to successfully complete these plans as well as monitor their progress in finding and keeping jobs.

DOL use a "balanced work first" approach when helping families go from welfare to work. This means that people who can work are expected to do so and can generally engage in education or training activities only after working a certain number of hours per week, while those people with barriers that may prevent immediate employment are offered supports (e.g., adult basic education, domestic violence counseling) that can help them overcome these barriers.

DOL partners with the state's eight regional Workforce Investment Boards (WIB) to procure case management, employment, education, and training services for program participants. Funding for the WIBs is apportioned based on the number of clients within each workforce investment area. According to the DOL's annual report for FY 2000-01, over 25% of the funds WIBs received were used to procure skill training for occupations in demand in those regions.

As described above, Employment Services participants engaged in an ongoing work-related activity can receive child care and transportation assistance. Alternatively, DOL pays up to $10 per day to families who have a very short-term need (e.g., orientation) for which they may need a babysitter or help with transportation. These "special benefits" are capped at $50 per month and are limited to five consecutive days.

For those time-limited TFA families that appear to have multiple, up-front barriers to employment or some other characteristic (e.g. poor work history) that could prevent them from gaining self-sufficiency within 21 months, the new, Employment Success Program will provide early intervention and case management, including home visits, to as many as 1000 participants during FY 2003-04. Some of the High Performance Bonus funds are being used to pay a contractor to run this initiative.

Individuals who are engaged in an Employment Services activity when their TFA eligibility ends can generally continue the activity up to one year.

Other Assistance—Federal Tax Credits

Business Credits. Critical to the state's success in moving welfare recipients into jobs is employer participation. In addition to the initiatives the WIBs have undertaken, the federal government offers two separate tax credits to businesses that hire welfare recipients. DOL provides information, including the applications, on these credits to interested employers.

The first is the Welfare to Work (WTW) credit. This offers businesses up to $8,500 over a two year period for each long-term family assistance recipient they hire to work at least 400 hours or 180 days in a 12-month period. The credit is 35% of the employee's qualified wages for the first year and 50% for the second.

The other credit is the Work Opportunity Tax Credit. This program provides up to a $2,400 federal tax credit for each long-term family assistance recipient a business hires. Like the WTW credit, the employer must hire the employee to work for at least 400 hours during the first 12 months in order to receive the credit, which can represent up to 40% of the employee's wages. Employers hiring individuals for more than 120 hours, but fewer than 400, can receive a credit of up to 25% of the paid wages.

Earned Income Tax Credit. Working low-income families and individuals may qualify for the federal EITC, even if they owe nothing in federal income taxes. For calendar year 2003, workers with two or more children can get a maximum credit of $4,204 if they have less than $33,692 in adjusted gross income. (The income limit rises or falls with the number of children in the family.) The credit can be paid as either a lump sum payment or as an ongoing, advance payment, depending on the worker's needs. TFA counts these credits as assets when they are paid as a lump sum or income.

STATE SPENDING ON WELFARE TO WORK ACTIVITIES

Table 1 provides a cumulative summary of expenditures reported by DSS to the federal government for July 1, 2002 through March 30, 2003 for those programs from which we believe families making the transition from welfare to work would benefit. Additionally, the state spent $62,053,342 during this period on Medicaid for these families. The table does not include state spending for child support enforcement.

While these figures represent the total amount the state spent, a significant portion of the expenditures were offset by federal funds. For example, nearly half of the TFA expenditures were paid for with the state's TANF block grant, and the Medicaid expenditures were eligible for a 50% federal match. Likewise, a significant portion of the child care expenditures were paid for with the state's federal Child Care Development Fund money and some Employment Services expenditures were paid from federal Welfare to Work funds.

Table 1: Cumulative 2nd Quarter Spending on Welfare to Work Population (FFY 2002-03)

Program/Acct	*State Expenditures*
TFA	$62,685,345
Child Care—Employment Services	9,290,931
Safety Net	2,093,084
Transitionary RAP	1,929,759
DOL Direct Services	7,802,700
Office of Workforce Competitiveness—Job Funnel (1)	140,822
Transitional Child Care	14,693,531
Good News Garage	385,716
Transportation	1,148,208
TFA Diversion	11,544
Admin. -DSS and DOL	13,021,568
DOL Case Mgmt/IT	556,318
Total (does not include Medicaid)	***$113,759,526***

Source: Department of Social Services, *TANF Expenditure Report*, March 2003 (cumulative); Office of Fiscal Analysis.

(1) The Office of Workforce Development, through the Job Funnel, funds the Hartford Construction Jobs Initiative to provide Hartford residents wishing to pursue construction-related careers with recruitment, assessment, training, job placements, and support services.

RC:ts

OLR RESEARCH REPORT

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MARRIAGE INCENTIVES IN STATE WELFARE LAW

By: Robin Cohen, Principal Analyst

You asked (1) what policy changes have been made in the state's family public assistance program, Jobs First, to encourage marriage and discourage single parenthood and (2) whether more could be done.

SUMMARY

The state has made numerous changes in the cash component of the Jobs First program, currently called Temporary Family Assistance (TFA), to promote family unity since the federal government began allowing states to institute reforms in the early 1990s. Before this, federal law largely drove state policy because the federal government reimbursed states for at least half of their welfare expenditures.

These reforms can be separated into two groups: those that would bear a direct relationship to the goal of fostering marriage and discouraging out-of-wedlock births and those that could indirectly have this effect. Some of the reforms in the former group include changing how the state treats two parent families that receive cash assistance and imposing financial penalties on recipient families that have more children. Indirect reforms include allowing families to earn more money without reducing their benefits. The idea behind these reforms is that they could have the effect of making marriage and delayed childbearing more attractive options, mostly through financial incentives and disincentives.

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Just how well any of these policies has worked is unknown. Cash assistance caseloads are down, which might indicate that fewer women are having children out-of-wedlock. But unemployment is also down, thus offering single mothers more job options without having to turn to public assistance. Another indicator, the teen pregnancy rate, at least through 1998, remained relatively unchanged. This statistic could lead some to believe that the policies have done little to reduce these numbers.

The state could offer more incentives to two-parent households. For example, some states have created their own earned income tax credit programs that are believed to encourage parents to stay together, especially when they are low wage earners. However, the effect of these, like the other incentives designed to keep families together, is likewise unknown.

BACKGROUND—EARLY WELFARE PROGRAM AND FEDERAL REFORMS

From its inception in 1935 until the mid-1980s, every state's family welfare policy was driven almost exclusively by federal law. As originally conceived, Aid to Dependent Children was meant to provide temporary support to orphans to prevent sustained poverty and long-term dependence. In 1950 adults were also allowed to receive this assistance. (At this juncture the program's name was changed to Aid to Families with Dependent Children (AFDC)).

Not long thereafter, criticism that the program encouraged one parent, typically the father, to leave the family began to mount, since in two-parent families where the father was able-bodied, the family was ineligible for benefits. To address this concern, Congress in 1961 allowed children in two-parent families to receive aid if at least one parent is unemployed. And a year later, the second parent could also get the aid if he or his spouse was incapacitated. Thus, even in the early years of welfare, Congress was mindful of the potentially disruptive effect program eligibility rules might have on families.

By the mid-1980s, states were more vocally expressing their concerns about the welfare system's shortcomings. At this juncture, the federal government, beginning with the Bush Administration and continuing until passage of the Personal Responsibility Work Opportunity Reconciliation Act and its Temporary Assistance for Needy Families (TANF) provisions, began allowing states to experiment with their own reforms through the waiver process.

TANF—Pro-Marriage Emphasis

In 1996 Congress passed landmark welfare reform legislation that gave most of the control of the AFDC program to the states through the TANF block grant system. Like Connecticut, many states were already operating their AFDC programs under federal waivers. These waivers were permitted to continue and elements in the waiver that were contrary to the new federal law prevailed. In Connecticut, the 1993 and subsequent family unity changes, which were clearly in concert with the goals of the new law (see below), continued under TANF.

A key theme running through the TANF provisions was that illegitimacy, primarily caused by welfare, was the single most important social problem of our time.

TANF addresses marriage and single parenthood in a very frank and urgent manner. The text of the act begins with a "findings" section in which Congress characterizes the increasing numbers of teen pregnancies and out-of-wedlock births as a "crisis." The findings include a statement that marriage is the "foundation of a successful society" and an "essential institution of a successful society which promotes the interests of children." The findings end with a resolution that federal welfare law must address the problem of teen pregnancies and out-of-wedlock births. (The legislation acknowledges that some families cannot and should not stay together with its inclusion of domestic violence exceptions.)

Three of TANF's four enumerated purposes include language directly related to strengthening families. These include (1) ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (2) preventing and reducing the incidence of out-of-wedlock pregnancies and establishing numerical goals for achieving such; and (3) encouraging the formation and maintenance of two-parent families.

The legislation contains numerous provisions aimed directly at the enumerated purposes. For example, it requires a state's plan for implementing the block grant (state plan) to establish the above stated goals of teen pregnancy prevention and illegitimacy reduction for the period 1996 through 2005. Moreover, it offers cash incentives to states that successfully reduce their illegitimacy rates by providing $20 million annually to each of the five states with the greatest success in reducing out-of-wedlock births without increasing the number of abortions. The grant amount rises to $25 million if there are fewer than five eligible states.

The act permits states to deny assistance to unmarried teen parents with children. (Connecticut has not exercised this latter option.)

Some might argue that the act's work requirements, which tie the receipt of assistance to participation in work activities and penalize both the recipients and the states when they fail to meet these requirements, induce women to think twice about having children or to look more favorably upon the institution of marriage. Or, they might have the opposite effect, especially since education and training are discouraged in favor of immediate work in any available job.

CONNECTICUT'S PROGRAMMATIC CHANGES DIRECTLY LINKED TO ENCOURAGING MARRIAGE AND DISCOURAGING OUT-OF-WEDLOCK BIRTHS

Throughout the 1970s and '80s Connecticut periodically made changes in the AFDC program, to the extent it could within the confines of federal law. But it was not until the early 1990s that the legislature took a hard look at the public assistance system itself to see if it contained elements that would discourage single parenthood and foster marriage.

AFDC Eligibility Rules and Benefits—First Set of Reforms

Even prior to TANF, the state began looking at ways to improve the public assistance system. In 1992, the legislature created a task force to look at "restructuring" that system.

One of the task force's first goals was to come up with a set of principles that would guide a good public assistance system. One such principle was that government programs should support the preservation of families. Most people agreed that children living in stable, two-parent families had the best chance of escaping poverty. This position was supported by numerous research-based publications (e.g., American Public Welfare Association, *One Child in Four,* 1987). Yet evidence showed that certain AFDC rules were preventing families from staying together.

The task force recommended that the state welfare department seek a waiver to the federal welfare rules in order to implement changes to the AFDC program that would remove family preservation barriers. The first was to expand the AFDC unemployed parent program by counting participation in educational activities toward qualifying quarters. This would allow younger families and teenage parents to qualify for assistance even if both parents were in the home but neither worked (see below). Under the program in existence at that time, these families would either split up or go onto the state's town assistance program, General Assistance.

A related recommendation was to eliminate the "deprivation" requirement that limited AFDC eligibility to families where one parent was absent, unemployed, incapacitated, or dead.

A third recommendation was to count less of a stepparent's income when determining eligibility. Under the rules in effect at the time, if a parent receiving AFDC were to remarry almost all of the stepparent's income would be counted, often making the family ineligible for assistance.

The group also recommended changing the AFDC filing unit rules to allow parents to request assistance for some children and not others. This would allow a child for whom someone was paying support (e.g., child support) to be supported by his parent while his siblings received AFDC.

During the following legislative session, the General Assembly enacted PA 93-418 that incorporated the task force's recommendations on family preservation.

In doing so, the legislature gave its approval to the Department of Income Maintenance (DIM) to seek a waiver of federal AFDC rules to create its "Fair Chance" program. A major element of this program was its elimination of the marriage disincentives in AFDC through changes to the AFDC-Unemployed Parent program (a federal designation for two-parent families receiving benefits). Specifically, Fair Chance eliminated the program's (1) 30-day employment requirement; (2) six-quarters work history, including the unemployment compensation eligibility, requirement; (3) 100-hour rule (which essentially rendered ineligible for AFDC two-parent families when the primary wage earner worked more than 99 hours per month, regardless of earnings; and (4) determination of the principal earner.

The waiver also allowed AFDC applicants and recipients to exclude, for any reason, a child from the assistance unit unless that child was the parent of a child eligible for AFDC. And it excluded income from stepparents, ineligible parents and spouses, and parents of pregnant minors and minor parents that did not exceed 100% of the federal poverty level.

AFDC Benefits—Second Set of Reforms

In 1995, the state instituted a "family cap" as part of comprehensive welfare reforms. The cap limited the amount of additional assistance a family could receive if a child was born nine or more months after the family first began receiving benefits. Where previously Connecticut families received about $100 for each additional child, family cap cut this amount in half. One motivating factor for the legislation was a desire to stem the number of out-of-wedlock births since over 95% of the caseload was made up of female-headed households.

CONNECTICUT'S INDIRECT REFORMS

The state has adopted a number of policies that could arguably encourage more people who are poor to marry or refrain from having children out-of-wedlock. These include allowing AFDC families to earn more income without seeing a corollary reduction in their benefits.

Work Incentives—Earnings Disregards

The 1992 task force concluded that the AFDC program's lack of work incentives was a real barrier to families trying to become self-sufficient. The rules at that time essentially called for a dollar reduction in the AFDC benefit for each dollar earned. Thus, one of the provisions in the 1993 Fair Chance legislation permitted the state to implement a "fill-the-gap" budgeting strategy, which allowed families to see less of a reduction in benefits when they went to work.

A couple of years later, PA 95-194 and a companion act, PA 95-351, allowed families to earn up to the federal poverty level while still receiving the full cash benefit.

These policy changes could possibly encourage people to marry who ordinarily would not have because of a fear of losing benefits. Likewise, it could encourage families that would have split up to to stay together in order to maximize their income.

Child Support and Fatherhood Initiatives

Included in 1993's Fair Chance legislation was a provision that allowed AFDC families to retain $100 per month (up from $50) in child support payments without affecting their AFDC benefits. This change could make it easier for a single parent in an AFDC household to marry because any potential mate would that that he would not have to bear the entire burden of supporting a child he did not parent.

As an alternative to the numerous "sticks" that state child support enforcement systems typically present to absent parents, such as automatic wage withholdings and tax refund intercepts, states began embarking on so-called fatherhood initiatives in the late 1990s. The hope was that by helping fathers become better parents, more of them would be encouraged to make support payments and be otherwise involved in their children's lives. Connecticut began its fatherhood initiative in 1999. One of the goals of the legislation (PA 99-193) was to increase the involvement of fathers in their children's lives, which could ultimately lead to more support payments and possible family reunification, particularly for children currently or formerly eligible for welfare.

HAS THE STATE ACHIEVED ITS GOALS?

It is difficult to measure with any degree of certainty the extent to which the state, through changes in the public assistance system, has been successful in reducing out-of-wedlock births and encouraging marriage. For example, one can look at the TFA caseloads over time to see that the number of families receiving benefits has dropped by about 50% since the institution of many of the reforms. However, a strong economy has made it possible for more unskilled poor people to find gainful employment. Thus, it is not clear if a cause and effect relationship can be established.

With respect to unemployed parents, we know that the number of TFA two-parent families has also dropped at a similar rate. But we cannot say whether the state's reforms with respect to these families have either increased the number of such families, whether these families are becoming self-sufficient as a result, or whether they are staying together despite improvements in the rules. (We could review the literature to see if any of these phenomena has occurred.)

Another gauge of success may be the number of births to teens. Despite the incentives in the TANF legislation, the state has not lowered its teen pregnancy rates. The latest figures we have indicate that that number has remained relatively constant over time, hovering at a little over 8% between 1993 and 1998. (See attached copy of Department of Public Health recent publication on prevention efforts.)

CAN IT DO MORE?

A number of states have used some of their TANF funds to support innovative programs designed to strengthen families. Connecticut, for example, in addition to funding the Jobs First program and its family unity provisions, spent about $1 million on teen pregnancy prevention programs in FFY 1999-00, which represented 0.5% of the year's total TANF spending.

A recent article in the *W-Memo*, the monthly publication of the American Public Human Services Association (which represents state human services agencies) explores a number of approaches states have taken to promote marriage and two-parent families, many of which could be funded with the TANF block grant or state "maintenance of effort funds." These include some of the initiatives begun in Connecticut, such as removing marriage disincentives in the cash welfare programs, as well as some that the state has not tried, such as covenant marriage laws, which require premarital counseling and counseling at times of difficulty in the marriage, and impose stringent requirements that must be met to obtain a legal separation.

State earned income credits (EIC), which are supplements to the federal EIC, are also mentioned as initiatives that may help unify low-income families as they reduce the tax burden on working families. The federal EIC offers a refundable tax credit to such families. Connecticut does not have an EIC but at least two separate bills from the last legislative session would have required one.

We have attached a copy of the *W-Memo* article for your information.

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