

TANF Briefing: Higher TANF Work Participation Targets for FFY 2012

ISSUE

The disallowance of charity care as a TANF MOE expenditure by the federal Administration of Children and Families (ACF) will result in significantly higher work participation targets for Washington State's Temporary Assistance for Needy Families (TANF) program. The Department estimates that the state's FFY 2012 TANF All-Family work participation target rate will be 14.6% (instead of 0.5%) and Two-Parent Family work participation target rate will be 54.6% (instead of 37.7%).

We are concerned that the state may not meet the All-Family target and we are reasonably certain that the state will not meet the Two-Parent target.

DISCUSSION

MOE Relationship to Work Participation Targets

TANF work participation targets are set each year using a process which measures the TANF caseload decline from 2005 to the year prior to the target year. This process also involves using Maintenance of Effort (MOE) expenditures in excess of the state's 80% spending level to create additional cases which can be deducted from the TANF caseload. Use of excess MOE expenditures result in significantly lower work participation target rates since the TANF caseload now exceeds the 2005 level. Washington has been using excess MOE expenditures to lower the work participation targets since 2006.

Our initial estimates for the All-Family and Two-Parent target rates were 0.0% and 38.7% respectively.

ACF Policy Interpretation

A recent program instruction issued November 29, 2011, by ACF disallowing the use of charity care as a MOE expenditure impacts those estimated participation targets. Charity care represented the state's largest source of third party MOE and its disallowance reduces the total MOE expenditure by over \$394 million (from \$1.14 billion to \$754 million) and increases the All-Family target to 14.6% and Two-Parent target to 54.6%.

The program instruction from ACF is not subject to appeal.

State Policy Impacts

There are also TANF policy changes made in FFY 2011 and FFY 2012 which impact caseload reduction credit calculations and the state's ability to meet work participation targets.

These changes include the temporary suspension of work participation requirements for parents with a child under age two or two children under age six (July 2011), means-testing of kinship or legal guardian child-only cases (November 2011), and permanent TANF disqualification for clients with three or more WorkFirst non-compliance sanction terminations (November 2011).

Current Participation Status

We have not received a formal announcement from ACF regarding our FFY 2010 or 2011 rates but we believe we met both the All-Family and the Two-Parent Family rates for 2010. We believe we met our All-Family rate for 2011 but not the Two-Parent rate based on our initial estimate.

Fortunately, the ARRA authorized a moratorium on caseload reduction calculations for FFYs 2009, 2010 and 2011 which allowed a more generous caseload decline measure so we anticipate that we will make the Two-Parent rate when ACF completes their calculations.

Based upon our FFY 2011 performance (14.0%), we believe there is a chance that the state can achieve the All-Family target rate. As of January 2012, estimated rate is 9.4% (the target is 14.6%) this number will improve due to a refresh process that captures additional hours of participation.

Penalty Risks

We do not anticipate being able to achieve the Two-Parent target rate for FFY 2012. Using FFY 2011 as an indicator, our FFY 2011 estimated rate was 13.7% with a target of 37.7%. As of January 2012, our estimated FFY 2012 rate is 9.4% and the target is 54.6%. It is likely that we will face a work participation penalty for failure to achieve the FFY 2012 Two-Parent work participation requirement. We failed the Two-Parent rate in 1997 and 1998. At that time, we entered into a corrective compliance plan and improved our performance to the required level so that no penalties were imposed.

Penalty Amounts

Failure to achieve the FFY 2012 All-Family target results in a 5% penalty of our adjusted TANF award which is estimated to be about \$13.5 million. If we fail only the Two-Parent target, that penalty is reduced to about \$1.3 million.

Two-Parent Participation Impediments

The TANF regulations assume that when there are two parents in the household, one should be able to remain at home and care for the children while the other participates in activities full time. This assumes that both parents are healthy and employable and that there are sufficient jobs available for them to find employment and exit the program. It does not take into account the possibility that one or both parents have barriers to participation or that the job market itself can be a barrier.

1. Education - Under the TANF rules, about 99% of adults in two-parent families are considered to be work eligible, meaning they are employable and therefore should be able to find employment. Each month, we are reporting to the Administration for Children and Families (ACF) that about 30% of our parents in two-parent families have not completed high school or obtained a GED, while 53.7% have. High school completion does not fulfill the full-time activity requirement under the TANF rules so we place these parents in activities such as job search.

About 24 parents are participating in high school / GED completion each month sufficient hours combined with another activity to meet the rate each month while about 130 are participating but with insufficient hours so they are failing the rate.

2. Training – About 130 parents are enrolled in job skills training sufficient hours to make the rate each month, but that activity must be combined with another core activity to count. We have over 400 per month who are not participating sufficient hours to make the rate.
3. Incapacity – We estimate that about 350 parents each month are prevented from participating due to temporary physical incapacity but they are considered work eligible under the TANF rules.
4. Labor Market – We average about 165 parents in job search who meet the rate, over 1,000 parents who don't have sufficient hours to meet the rate so they fail, and over 1,000 who are in job search but have exceeded the time limit for that activity so they don't count either. If there are no jobs, our TANF parents won't find employment through job search when they have little or no education or specialized skills.

Two-Parent Participation Options

The state has examined several options in the past to find ways to address serving two-parent families. They include:

1. Intensive Case Management – under this option, more staff would be devoted to working with two-parent families thereby reducing the caseload-to-staff ratio and improving the effectiveness of self-sufficiency activities. Given the number of families participating less than full-time, this may be the most viable option.
2. Penalty Acceptance – under this option, the state would continue existing policies in the hope that participation improves and accept any future penalties.
3. Increase MOE Expenditures – under this option, the state would continue efforts to identify MOE programs that could be claimed in an effort to lower the work participation targets.
4. State Fund Two-Parent Families – under this option, the state would use general funds to provide assistance to two-parent families and the expenditures would not be reported as MOE. TANF restrictions would no longer apply such as time limits or work participation.

The department will convene a workgroup to discuss more options to improve work participation for two-parent families. Ideas to consider include:

1. Volunteer Service at School – volunteer service at the school where a parent's child attends is considered community service under Washington law. Consider increasing the focus of this important activity.
2. Intensive SSI Facilitation – consider aggressively pursuing SSI applications for families in which one or both of the parents are disabled and appear potentially eligible for SSI.
3. Intensive Job Search Assistance – consider devoting resources to assign trained private sector job placement specialists to help parents find work. Given the large number of parents who are looking for work but have been unsuccessful, this may be a viable option.
4. Expansion of Community Services – consider allowing local planning areas to identify community service activities within their communities with an emphasis on helping two-parent families develop skills through these activities.

TANF Two-Parent Family Data

For FFY 2012 (Oct 2011 – Jan 2012) there are an average of 5,181 families that are subject to work participation requirements each month. Of those 485 (9.4%) are participating full time at the required TANF level; 2,475 (47.8%) are participating below the required TANF level; and 2,222 (42.8%) have no verified hours of participation or are engaged in state approved activities that lead to self-sufficiency but have no federal category to report in.

The majority of families that are participating sufficient hours to meet the rate are involved in unsubsidized (103) or subsidized (257) employment, job search (165), vocational educational activities (99), or job skills training (136).

Of those families that are participating in countable activities but without sufficient hours to meet the rate, most were in job search (1,096), unsubsidized (810) or subsidized (361) employment, or job skills training (417).

We estimate that if we took the families participating at less than full-time (under 35 hours per week) and increased their hours to full-time (35 or more hours per week), we would have sufficient numbers participating to meet the targets. The following table reflects the estimated effect of moving all participating two-parent families from part-time to full-time.

FFY	Target Rate	Achieved Rate	Estimated Rate
2011	37.7%	13.9%	61.8%
2012	54.6%	9.4%	57.2%

Here are some key facts about adults taken from TANF data reports for FFY 2012. The numbers represent monthly averages of parents in the two-parent caseload.

- Family Size: 3 members – 2,334 (40.9%); 4 members – 1,686 (29.6%); and 5 members – 916 (16.1%)
- Parental Age: 20-29 (5,342 or 46.8%); 30-39 (3,367 or 29.5%); and 40-49 (1,605 or 14.1%)
- Race/Ethnicity: white (6,482 or 56.8%); black (1,073 or 9.4%); and Hispanic (699 or 6.1%)
- Marital Status: married (6,111 or 53.5%), single (4,692 or 41.1%); and divorced (308 or 2.7%)
- Education: HS/GED (6,133 or 53.7%); no HS/GED (3,419 or 30%); other credentials (745 or 6.5%)
- Citizenship: U.S. Citizen (9,065 or 79.4%); and non-citizen (1,475 or 12.9%)
- Employment Status: Not in labor force (8,654 or 75.8%); employed (1,707 or 15%); and unemployed and looking for work (1,051 or 9.2%)¹
- Time on TANF: Most have 6 months or less (3,307 or 29%); 7-12 months (2,362 or 20.7%); 13-18 months (1,624 or 14.2%); and 19-24 months (1,164 or 10.2%)
- Age of Children: 1-5 years (3,714 or 30.6%); 6-12 years (3,474 or 28.7%); 4-12 months (2,542 or 21%); and 13-17 years (1,620 or 13.4%)

Penalty Process

We have until December 31, 2012 to report our FFY 2012 work participation data with final adjustments to correct transmission errors by March 31, 2013.

- Notification of a penalty would be issued some time in 2013, probably April or later.
- The state can request a reduction of the penalty due to reasonable cause. If that is denied, then the state can request a corrective compliance plan.
- A corrective compliance plan identifies the specific reasons the state failed the rate, the steps the state will take to correct the failure, and the time table for correcting the violation. ACF is not obligated to approve a corrective compliance plan, but if it does, the state will have until the close of the federal fiscal year that closes six months after the state receives a determination from ACF. For example, if a corrective compliance plan is approved by ACF in July 2013, then the state would have until the close of FFY 2014 to improve performance. (Until 09/30/2014).
- Should ACF deny the corrective compliance plan request, the state can then appeal the decision. The appeal process is lengthy and can take many months.
- No penalty deduction will be made until ACF has rendered its final determination.

ACTION:

It will be necessary to involve the Governor’s Office, Legislature, OFM, and the WorkFirst Partnership in discussions on this issue.

¹ The TANF reporting definition of “Not in labor force” means no hours of unsubsidized or subsidized employment, on-the-job training, or job search and job readiness activities.

DRAFT

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1. Continue to monitor our monthly performance.
2. Prepare a communication for the Governor, Legislature, partnership and Legislative Executive Task Force explaining the situation.
3. Work collaboratively with the partnership to prepare recommendations on necessary steps to increase participation rates.