

<p>2</p>	<p align="center"><b>Health and Human Services Appropriations Subcommittee Goals and Objectives to Address TANF and the Federal Deficit Reduction Act</b></p>	<p align="center"><b>February 3, 2007 From LFD Staff</b></p>
<p>The focus of the Deficit Reduction Act is to reduce the federal deficit, in this case through penalties to States. The DRA does not expect States to be able to meet the federally mandated work participation rates, especially the 2-parent rate.</p>	<p>45 CFR 262.1(a)(4) states that a penalty of up to 21% of the adjusted block grant will be assessed for failure to satisfy the minimum participation rates. 45 CFR 261.50 states that if a State does not meet the participation rate that a penalty of 5% of the adjusted block grant will be imposed the first year with that penalty increasing by an additional 2% for each successive year the rate is not met up to a total of 21% of the block grant. 45 CFR 262.1(a)(14) states that if the State fails to impose penalties on those participants who do not engage in required work activities, a penalty of not less than 1% and not more than 5% of the adjusted block grant will be assessed. 45 CFR 262.1 (e) (1 states that in the immediately succeeding fiscal year, a State must expend additional State funds to replace any reduction in the adjusted block grant resulting from penalties.</p> <p>The division has presented a Significant Changes sheet that is attached. It addresses actions the division is taking, but does not address the future of the TANF block grant or future plans to avoid a penalty. For Montana, a penalty could exceed \$5 million. (Analysis book - Page B-26 Work Participation Penalties.)</p> <p>The legislature may want to want to establish a timeline in which it could receive and updated Significant Changes sheet.</p>	<p>Policy changes are being made to meet the DRA's stringent definitions of allowable work activities and verification requirements.</p> <p>Currently, anecdotal information indicates that it is unlikely that Montana will meet the 2-parent work rate at 90%, and it will be difficult to meet the all-family work rate of 50%.</p> <p>(Page B-26 Work Participation Penalties.) For Montana, a penalty could exceed \$5 million.</p> <p>Typically, however, the State will not learn the results of the work participation rates for a fiscal year until the third or fourth quarter of the following year. So for FFY2007, (Oct. 2006 – Sept. 2007) data would not be available until late-2008, at which time the State would be given options to enter into corrective action and claim a reasonable cause exemption to correct the deficiency. The work participation rates (WPR) are in place now. The legislature might want to know:</p> <ol style="list-style-type: none"> <li>1) Policy changes that could impact the TANF population benefits before final rules</li> <li>2) The number of families that would lose TANF benefits through sanctions as a result of the rule change</li> <li>3) The number of families that could see benefits reduced by removal of a family member from the caseload</li> </ol>
<p>Did not change the requirement for all families to meet a 50% work participation requirement, and 2-parent families to meet a 90% work requirement, however, DRA did narrow the allowable work activities and increase the work verification and reporting requirements.</p>	<p>States that achieve the federal work participation rates qualify for State participation at the 75% maintenance of effort (MOE) level for the Temporary Assistance for Needy Families (TANF) block grant. Failure to meet the federal work participation rate requires State participation at 80% maintenance of effort level. The difference between 75% and 80% is</p>	<p>See status above. We will not know for some time whether or not the actual work participation rates are met. The federal agency manipulates the reports to remove certain types of cases from the participation calculation, and they do this behind the scenes after our report is submitted. They also determine any caseload reduction credit to be applied. Using our raw data as projections is not reliable.</p> <p>While the division's raw data may not be exact, with an impact on general fund and TANF policy at stake, the legislature might want to receive an estimate on the likelihood of being penalized</p>

<p>Creates a new penalty for States that fail to establish and maintain procedures to verify reported work participation data</p>	<p>A Work Verification Plan must be established by 10-1-06. States must be in full compliance with the plan by 10-1-07. Penalty action will occur at the beginning of FFY2008 and the State's block grant will be reduced 1%-5% if the State is not in compliance with the Work Verification Plan.</p>	<p>A Work Verification Plan was submitted by the deadline, however required changes are being made, and are due to the federal agency by the end of February. System and reporting changes have begun and will be in place by the 10-1-07 deadline. We do not anticipate a penalty in this area.</p>
<p>Re-sets the base year for the Caseload Reduction Credit from 1995 to 2005 caseload.</p>	<p>Effective October 1, 2006. Caseloads were very low in 2005, so this virtually eliminates the caseload reduction credit for States, making it more difficult to meet the federally mandated work participation rates, especially the 90% 2-parent work rate. Credit is given only when there is a reduction in the caseload for "positive" reasons, such as employment or marriage. Reductions due to stricter policies or sanctions do not count toward the credit.</p>	<p>Policy changes were made to tighten up the oversight on work participation, immediate sanctions for failure to comply, requirement for immediate engagement in work activities. Montana participates in the National Directory of New Hires and the Public Assistance Reporting Information System to capture unreported employment to apply toward the work participation report. It is too early to tell the effect of these efforts.</p>
<p>Re-defines "work eligible individuals" to include some non-recipient adults in the household, and individuals serving a sanction or disqualification period</p>	<p>Requires some households receiving a "child only" grant to participate fully in work activities in order for the grant to continue and counts these individuals toward the work rate. If the recipient does not cooperate, it has a negative impact on the work rate. If case closure occurs due to sanction, it does not count toward the caseload reduction credit.</p>	<p>Affected sanctioned and disqualified adults are now required to complete a Family Investment Agreement and enroll in the WORC Program. Participation of these individuals has been low; some case closures have occurred. It is too early to tell how this DRA provision will affect the overall work participation rate.</p>
<p>The following is LFD staff input.  TANF staff nation-wide are working with their legislatures to consider broad approaches to respond to the changes including:  <ul style="list-style-type: none"> <li>- Engaging parents in work activities more aggressively</li> <li>- Providing more families with state funds outside the TANF program so that these families are not included in the work participation rate</li> <li>- Providing assistance to families after parents start work to improve their chance of keeping their jobs, as well as to count them in work participation rates</li> </ul> </p>	<p>The following is LFD staff input.  Some state have already increased their work participation rates using their general fund to avoid the penalty.  Arkansas created a program to pay a subsidy to parents leaving welfare for work to help them keep their jobs and move above the poverty level. Families in the program count toward the federal rate.  California moved its assistance for disabled parents and other work-exempt families out of the TANF program, removing these families from the federal WPR.  Hawaii increased the amount of pay a family can earn and still receive full TANF benefits so that working families stay in the work participation rate calculation.</p>	<p>The division is working to avoid penalties and use of the general fund.  However, future, substantial use of general fund is likely either due to a penalty or a program to avoid the penalty. The goals and objectives do not provide plans addressing the future or work participation rates or the deficit position of the TANF block grant.  This legislature may wish to request a plan with a timeline reflecting the division's vision for the next three years, how they intend to involve stakeholders. The legislature may wish to set guidelines for TANF reports to legislative committees.</p>
		<p>2</p>

**Deficit Reduction Act of 2005—Significant Changes**

Actions	Affect	DRA Change
<p>Policy changes were made to tighten up the oversight on work participation verifications, immediate sanctions for failure to comply, requirement for immediate engagement in work activities</p>	<p>Virtually eliminates the caseload reduction credit for States, making it more difficult to meet the federally mandated work participation rates, especially the 90% 2-parent work rate</p>	<p>Re-set the base year for the Caseload Reduction Credit from 1995 to 2005</p>
<p>Affected sanctioned and disqualified were required to complete a Family Investment Agreement and enroll in the WORC Program</p>	<p>Requires some households receiving a "child only" grant to participate fully in work activities in order for the grant to continue.</p>	<p>Re-defined "work eligible individuals" to include some non-recipient adults in the household, and individuals serving a sanction or disqualification period</p>
<p>Policy changes were made requiring immediate engagement in work activities, and more frequent verification and client reporting</p>	<p>Work activities are very narrowly defined, and have greater oversight requirements.</p>	<p>More narrowly defined allowable work activities</p>
<p>WORC operators are working with clients to try to arrange for treatment or counseling on the "off hours" from those that are required for work participation</p>	<p>Persons who need longer than 4 weeks of treatment or counseling are unlikely to meet the work participation requirements</p>	<p>Restricts treatment and counseling to overcome employment barriers to 12 weeks in a federal fiscal year, no more than 4 weeks consecutive</p>
<p>Policy was developed, within the parameters of the DRA, to allow persons residing in drug treatment homes to fulfill their work requirement through community service</p>	<p>Persons in drug treatment settings were in jeopardy of losing their benefits because they could not go out into the community and participate the required number of hours</p>	<p>Restricts treatment and counseling to overcome employment barriers to 12 weeks in a federal fiscal year, no more than 4 weeks consecutive</p>
<p>Montana has established good cause for these individuals, and though they will not meet the work requirement, no sanction will be imposed</p>	<p>Clients with medical conditions requiring total bed rest or hospitalization will simply not meet the work requirement</p>	<p>No allowance for total temporary incapacity</p>
<p>Established a "new parent" policy allowing a non-participating period similar to FMLA or maternity leave</p>	<p>Parenting and other family strengthening activities that new parents were offered no longer count toward work activities</p>	<p>No allowance for total temporary incapacity</p>
<p>Policy to require developing accommodations within the defined activities and allow for good cause if the client does not meet full participation</p>	<p>Narrow work activity definitions preclude tailoring activities to the needs of the client, while ADA requires the client to be served</p>	<p>No allowance for disabling conditions (mental or physical)</p>
<p>Policy changes are being made to shorten the amount of time between application and benefit issuance to 30 days instead of 45 days; benefits will be pro-rated based upon the date the client engages in work activities instead of the application date; a job quit policy is being developed</p>	<p>DRA does not expect States to be able to meet the work participation rates, especially the 2-parent rate</p>	<p>The focus of the Deficit Reduction Act is to reduce the federal deficit, in this case through penalties to States</p>
<p>System changes have begun; an initial Work Verification Plan was submitted; clients and WORC operators are required to verify participation more frequently</p>	<p>States must develop a detailed work verification plan outlining staff and contractor training, participant tracking and verification procedures, system changes, etc.</p>	<p>Creates a new penalty for States that fail to establish and maintain procedures to verify reported work participation data</p>