



# County of Santa Cruz

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## HUMAN RESOURCES AGENCY

1000 EMELINE ST., SANTA CRUZ, CA 95060  
(831) 454-4130 OR 454-4045 FAX: (831) 454-4642

CECILIA ESPINOLA, ADMINISTRATOR

May 22, 2002

AGENDA: June 4, 2002

BOARD OF SUPERVISORS  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA 95060

### REPORT ON TANF REAUTHORIZATION

Dear Members of the Board:

As your Board is aware, in 1996 the federal government enacted a new welfare reform law, Temporary Assistance for Need Families (TANF), which made sweeping changes to the former welfare system. The passage of TANF resulted in California's own version of welfare reform, the CalWORKs program, implemented in Santa Cruz County in January 1998. Since the law enacting TANF expires this September, Congress is considering legislation which will reauthorize Temporary Assistance for Needy Families. The purpose of this letter is to report to your Board on the status of the proposed federal legislation to reauthorize TANF, and advise you regarding the key issues now being debated in Washington that might have a profound effect on the future of welfare reform on the local and statewide level.

#### Welfare Reform Implementation

The 1996 federal welfare reform legislation substantially changed the decades-old American welfare system. The TANF block grant program replaced the Aid to Families with Dependent Children (AFDC) entitlement program with a form of assistance that is time-limited, and contingent upon the participation of non-exempt parents in work related activities. Under TANF states were given significant flexibility in fashioning their own eligibility rules and requirements, and were allowed to spend the block grant for purposes other than cash assistance, such as education and training. In 1997 California enacted its version of welfare reform, CalWORKs, a welfare-to-work program that requires able-bodied adult recipients to work or engage in some type of work related education or training activity in exchange for cash assistance. To assist families in moving from welfare to self-sufficiency, CalWORKs also provides supportive services such as child care and transportation. Each county administers CalWORKs, and within broad parameters, the state legislation allows each county to fashion its own program based on the needs of the community and the local economy and job market.

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By all accounts, California's welfare reform effort has been an enormous success. In 1995, almost one million families received aid, and by January 2001 the number of families receiving assistance in California was to 490,000, a decline of nearly 50%. The Santa Cruz County CalWORKs program has also experienced similar success in helping families move from welfare to employment. From January 1998, when CalWORKs was implemented, through January 2002, the caseload dropped from 2,401 to 1571, a 35% decline. The reduction in cases with employable adults is even greater. This portion of the CalWORKs caseload declined from 1672 to 966, or 42%, over the three-year period ending January 2002.

While the new employment oriented welfare system has yielded great success, the barriers to employment experienced by those who remain on aid demonstrate the ongoing challenge and unfinished business of welfare reform. A recent publication of the California Welfare Directors Association (CWDA) and the California State Association of Counties (CSAC), "Addressing the Unfinished Agenda of Welfare Reform" (Attachment A) cites studies and anecdotal evidence that suggest that many of those who remain on the caseloads confront significant obstacles in the transition to employment. These issues, which include domestic abuse, substance abuse, mental health needs, learning disabilities, lack of education and language barriers, suggest counties will need to maintain flexibility to address local needs in providing intensive services for CalWORKs participants with one or more significant barriers to employment.

However recent studies that have followed welfare-to-work participants after leaving assistance provide a sobering asterisk to claims of welfare reform success. Research has shown that those who leave assistance for employment often have average incomes well below the federal poverty line, even after the Earned Income Tax Credit is factored in. Additionally, participants entering the job market, especially those with limited education and work history, often enter at low starting wages, in part-time employment, without benefits and with limited opportunities for advancement. This trend points toward an ongoing need for education, skills training and supportive services, such as child care and affordable healthcare, for TANF recipients who have found jobs but who need additional assistance to advance to self-sufficiency.

Ultimately, the TANF Reauthorization which will be enacted by Congress this fall will determine whether welfare reform simply stops when a family reaches the status of the working poor, or if the goal of welfare reform is to effectively assist families in moving to self-sufficiency.

Status of TANF Reauthorization Proposals in Congress

Numerous bills have been introduced in the House of Representatives to reauthorize TANF. Before discussing the issues and long-range impacts of the legislation under consideration, it is important to note that all the proposals maintain the basic framework and structure of the 1996 welfare reform law. All proposals preserve the block grant to the states to operate their own welfare programs, and all proposals would maintain at least the current level of funding, although

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some would add a cost of living increase, or recognize the need for more child care funds. Additionally all the bills recognize child well-being and strengthening families as overriding goals of TANF. Beyond the common framework and goals, the proposals differ significantly in how TANF will operate in the future.

There are generally two competing TANF reauthorization proposals now being debated, the Bush Administration's, and a number of other bills mostly sponsored by Democrats. The Administration's proposal, H.R. 4090, introduced in legislation sponsored by Representative Wally Herger (R-Marysville), maintains TANF block grant funding at current levels of \$16.5 billion over a five year period. The Administration's proposal makes significant changes to the existing program, as follows:

- The number of hours a family must be involved in work-related activities would increase from 30 to 40 hours; mothers with young children would also have to meet this requirement.
- The first 24 hours of the 40 hour work requirement would not include educational and training activities, although intensive, full time rehabilitation or training services would be allowable for a three month or ninety-day period out of every two years.
- There would be "universal engagement", which would require each participant to be enrolled in a self-sufficiency plan that includes work within sixty days of entry into the program.
- States would be required to meet a 70% participation rate, instead of the current rate of 50%, for all TANF participants enrolled, and credits now allowed for numbers of participants exiting TANF before calculating the participation rate would be eliminated.
- Each state would be required to impose a full family sanction for participants who fail to participate, or who reach the sixty-month time limit on assistance. Currently, some states like California sanction only the participant.

The TANF reauthorization proposals sponsored by the Democrats are orientated more toward maintaining state flexibility in operating its TANF programs and providing funding to address increased costs. The bills that promote this approach to a greater or limited extent are H.R. 3625 (Cardin, D-MD) and H.R. 3113 (Minks, D-HI). Principal elements of these proposals are as follows:

- The block grant will be increased annually to compensate for inflation.
- Poverty reduction is established as an explicit goal of TANF.
- Existing work requirements are maintained that require participants be enrolled in work activities within 24 months of enrollment.
- The 60-month time clock is maintained, but TANF funded wage subsidies are excluded from the time clock.
- Enrollment in vocational education or high school is allowed for up to two years, instead

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- of the current one-year limitation.
- Child Care Block Grants increase from \$2.7 billion to \$11.25 billion over the next five years.

The provisions of the Administration's proposal and those of the Cardin and Mink bills are compared in a side-by-side chart prepared by the California Budget Project, and is provided for your Board's review in Attachment B. The House has moved very quickly on the Administration's TANF reauthorization proposal, and on May 16, 2002 passed H.R. 4737, which contained nearly identical provisions to the Herger bill, and referred the legislation to the Senate. The reauthorization debate then moves to the upper house of Congress, where there are two major Senate bills addressing TANF Reauthorization containing provisions similar to those discussed above, which are summarized in Attachment C. It is anticipated that the Senate will pass a welfare reform bill prior to July 4, 2002.

The Administration's proposals raise concerns that a state like California, with individual county programs designed to meet the needs of the local community, will no longer have the flexibility to tailor its TANF services to address individual participant needs. For instance with the "universal engagement" requirement, participants with extensive job skills and work history might benefit from extended time in job search activities, while others with more limited skills might be channeled into low-paying jobs with little opportunity for advancement.

Another concern is whether the limited ninety-day window for training and services provides a realistic opportunity for a TANF participant to address such issues as substance abuse, domestic violence, or mental health needs, or to acquire skills through training that will truly lead to self-sufficiency. Limited training opportunities is an issue especially in California, where cost of living is high, and where a large percentage of the CalWORKs population is employed, but not earning enough to leave assistance and escape poverty. Participants can only break this cycle of poverty by obtaining the skills and training necessary to move to higher wage jobs. It is doubtful such job skills can be developed or enhanced in ninety days.

A more ominous concern is raised by the state Legislative Analyst Office (LAO), which recently estimated that if the Administration's TANF reauthorization proposal is enacted by Congress, California would incur total additional net costs in the amount of \$2.8 billion over the next five years. (See Attachment D.) The LAO's report reasons that the Administration's proposed increase in work participation to 40 hours, coupled with the increase in the statewide participation rate to 70%, would effectively mean that virtually all able-bodied adults enrolled in CalWORKs would be involved in work activity. The increased state cost would be the result of providing additional employment services and support services, especially child care, for the fully engaged CalWORKs population. Since the Administration proposal does not provide additional funding for TANF, the LAO report suggests the additional \$2.8 billion would have to be derived from an already overdrawn state budget, or through more drastic measures, such as reduced benefit levels.

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The reauthorized version of TANF may have a significant impact on Santa Cruz County families as they attempt to move from welfare to self-sufficiency. Attachment E shows that currently there are 1600 families in CalWORKs, or a total of 3975 people. The largest segment of the CalWORKs population is comprised of children – 2812 in number, with the rest of the population representing 1163 aided adults. The majority, or 70% of the CalWORKs families are single parent households, and only 10% of the families are two parent households. It is clear that the effects of the Administration's new TANF program would impact single parents and their children on a daily basis, since participants would be required to be involved in work activity 40 hours instead of the current maximum of 30, and compelled to enter the job market with no more than 90 days training or rehabilitation services. The reduced opportunity for services will greatly diminish HRA's ability to assist families in achieving self-sufficiency given Santa Cruz County's labor market and economy.

The current Santa Cruz County CalWORKs caseload also reflects extensive participant engagement in work activities and employment. More than a thousand families are enrolled in welfare-to-work services. On average, 50 to 100 participants enter employment each month, with an average placement wage of \$9.93 per hour. Although most of those who find work leave CalWORKs after four months, 31% of participants remain on assistance, because their earnings are insufficient to be no longer eligible for aid. For these families, the Administration proposal could be especially harsh. Current HRA data indicates as many as 67 families, 40 of whom are employed, will reach their 60-month clock by December 2002 and may face sanctions. Under existing law, these families may be sanctioned by eliminating the participant's portion of the assistance only, thus preserving some semblance of a safety net for the rest of the family. In contrast, under the Administration's proposal, a whole family sanction would apply, meaning the entire family would receive no assistance. Given the high cost of living in Santa Cruz County, and the skill levels required to obtain employment that pays at self-sufficiency levels, clearly a TANF model which preserves existing services, program flexibility, and a safety net for children would best serve Santa Cruz County families. Further information and a profile of the current CalWORKs population is provided for your review in Attachment F.

Conclusions and Recommendations

As indicated above, the final version of the TANF Reauthorization enacted by Congress this fall will have a profound effect on welfare reform in California for years to come. Maintaining the status quo would assure the ongoing operation of a welfare reform approach with proven success, however the Administration's proposal may result in a program that diminishes state flexibility to provide welfare-to-work services that address the needs of local communities. The Administration's proposal may also result in limited opportunities for the working poor to escape the cycle of poverty, while increasing net state costs for CalWORKs, and further exacerbating the

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state's deepening budget crisis.

H.R. 4737, which embodies the Administration's reauthorization proposal, has already passed the House, and the debate has shifted to the Senate. Since TANF reauthorization is moving swiftly through the legislative process, and it is essential that the concerns of the local communities be conveyed as soon as possible, in order to be included in the discussion. It is therefore recommended that Santa Cruz County's local Congressional Representatives be urged to support TANF reauthorization legislation which at a minimum maintains the level of local flexibility and services for the County welfare to work services, and allows the state and County to address the unfulfilled promise of welfare reform.

IT IS THEREFORE RECOMMENDED that your Board:

1. Accept and file this report on TANF reauthorization; and
2. Direct the Human Resources Agency Director to convey Santa Cruz County's position regarding TANF reauthorization to the County's elected federal representatives, as indicated in the report.

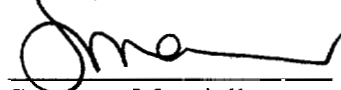
Very truly yours,



CECILIA ESPINOLA  
Director

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RECOMMENDED:



Susan A. Mauriello  
County Administrative Officer

Attachments

cc: County Administrative Officer  
Human Services Commission  
Human Care Alliance