HOUSE BILL REPORT
HB 1741

As Reported by House Committee On:
Early Learning & Human Services
Ways & Means

Title: An act relating to temporary assistance for needy families benefits.

Brief Description: Regarding temporary assistance for needy families benefits.

Sponsors: Representatives Kagi and Walsh; by request of Department of Social and Health Services.

Brief History:

Committee Activity:

Early Learning & Human Services: 2/8/11, 2/17/11 [DPS];
Ways & Means: 2/24/11, 3/31/11 [DP2S(w/o sub ELHS)].

Brief Summary of Second Substitute Bill

- Authorizes the Department of Social and Health Services (DSHS) to permanently disqualify parents who have been terminated due to WorkFirst non-compliance sanction three or more times, to reduce the earned income disregard for Temporary Assistance for Needy Families (TANF) recipients, and to establish rules regarding TANF eligibility for non-foster children residing with caretakers other than parents.
- Authorizes parents/recipients with a child under 2 years old to claim a good cause exemption from WorkFirst participation requirements for a maximum of 24 months over the parent's lifetime and allows recipients with children under the 6 years old to limit their participation in work activities to 20 hours per week. (Expires June 30, 2013.)
- Requires the DSHS to develop an implementation plan to redesign the WorkFirst program, to conduct an initial comprehensive assessment at program entry, and to implement a predictive modeling tool to identify risk factors relating to participation in TANF and employability.
- Requires that the moneys contained in the TANF block grant and state funds for TANF programs, including the WorkFirst program, must be used in accordance with legislative policy set forth in statute and appropriations acts.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

- Requires that the full amount of the Child Care Development Fund, in addition to certain state funds, be appropriated to the Department of Early Learning (DEL) for the operation of the Working Connections Child Care Program and other child care functions within the DEL.
- Requires both the DSHS and the DEL to determine quarterly whether their expenditure levels for TANF and child care programs will exceed available funding at the end of the fiscal year and to report their findings to the Legislature; any actions taken by the DSHS and the DEL must be consistent with legislative policy and requirements set forth in the appropriations acts.

HOUSE COMMITTEE ON EARLY LEARNING & HUMAN SERVICES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Kagi, Chair; Roberts, Vice Chair; Dickerson, Goodman and Orwall.

Minority Report: Do not pass. Signed by 4 members: Representatives Walsh, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Johnson and Overstreet.

Staff: Megan Palchak (786-7120).

Background:

Temporary Assistance for Needy Families.

Temporary Assistance for Needy Families (TANF) is a federal block grant established under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The TANF program replaced the Aid to Families with Dependent Children program, which had provided grants to poor families with children since the 1930s.

States use TANF block grants to operate their own programs. State programs differ, but operate in accordance with the following purposes set forth in federal law:

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

According to the Center on Budget and Policy Priorities, the basic TANF block grant has been set at $16.6 billion since it was established in 1996, and its real value has fallen by approximately 27 percent. States are required to spend their own funds on programs for needy families or face financial penalties; this is referred to as the *maintenance of effort* (or MOE) requirement.

WorkFirst.

Washington's TANF program is called WorkFirst, and is administered by the Department of Social and Health Services (DSHS). Temporary Assistance to Needy Family funds are provided to two distinct populations in Washington: child-only cases and WorkFirst cases. A brief description of the features related to each case type follows:

- *Child-Only Cases*: TANF grants are used for children and not adults in the home. Washington is one of two states which provide Child-Only TANF grants to qualified non-related caregivers. Child-only cases have few eligibility requirements or follow-up checks, unless the child was placed in a home on a dependency order by the Children's Administration.
- *WorkFirst Cases:* eligible adults receive various forms of assistance while they participate in activities that will help them connect to the workforce.

If a participant is actively working, the DSHS disregards up to half of the participant's income when determining the participant's ongoing eligibility for a TANF grant. If a family's gross income exceeds the maximum earned income level as set by the DSHS, that family is no longer eligible to receive TANF assistance. Income earned by minor children who are full-time students is also disregarded.

When participants fail to meet WorkFirst participation requirements, they face sanctions or reduced grants. Participants who are out of compliance with requirements for four months are terminated, but may reapply.

WorkFirst Redesign.

The WorkFirst Subcabinet (Subcabinet) chartered a re-examination of the WorkFirst program between July and November of 2010, and released its report to the Legislature on February 3, 2011. The Subcabinet found that WorkFirst, as currently designed, is not financially sustainable within available funding. The report includes a comprehensive set of time-series recommendations to redesign the program so it can be sustained for needy families in the future. Some recommendations include:

- continue to provide a full TANF grant for families with income up to 200 percent of the federal poverty level, and a reduced grant for those with higher incomes;
- revise rules regarding the amount of earned income that can be disregarded when determining participants' eligibility to receive TANF assistance;
- implement reasonable eligibility requirements and follow up checks for child-only cases, for cases in which the child was not placed by the Children's Administration on a dependency order; and
- enhance participant accountability.

Child Care Development Fund.

The Child Care Development Fund was authorized by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The funds are distributed to the states to operate child care subsidy programs and to improve the quality and availability of child care. States are required to spend state funds in order to receive federal matching funds.

Creation of the Department of Early Learning.

Prior to 2006, Early Learning was a division within the DSHS. In 2006 the Legislature enacted Second Substitute House Bill 2964 and established the Department of Early Learning (DEL) as an executive branch agency whose director was appointed by the Governor. Child care licensing and the operation of the Working Connections Child Care Program (Working Connections) were among the functions that were transferred from the DSHS to the DEL. Income eligibility determination and provider payment functions for Working Connections remained within the DSHS.

In 2010 the Legislature enacted Engrossed Second Substitute House Bill 3141, which required the DEL to implement policies for the expenditure of funds in Working Connections. These policies were required to be consistent with outcome measures for the WorkFirst program and standards intended to promote the continuity of child care for children from low-income households.

Summary of Substitute Bill:

The DSHS may disregard up to 40 percent of families' earnings in addition to their monthly TANF payment, as set by the DSHS. This 10 percent reduction to the maximum amount that families are allowed to earn and keep becomes effective on April 1, 2011. On November 1, 2011, the DSHS is authorized to adopt rules to establish eligibility for TANF benefits for non-foster children who live with a caregiver other than his or her parents. These rules may include, but are not limited to, establishing income eligibility standards for the child's caregiver up to 300 percent of the federal poverty level (FPL), based on the family's size. The DSHS is authorized to establish a sliding scale benefit standard for caregivers with incomes over 200 percent of the FPL.

Substitute Bill Compared to Original Bill:

The substitute bill removes the DSHS' authorization to permanently disqualify parents who have been terminated due to WorkFirst non-compliance sanction three or more times. The child-only TANF means test is changed from 200 percent of the FPL to 300 percent. The DSHS is authorized to establish a sliding scale benefit standard for caregivers with incomes over 200 percent of the FPL.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 17, 2011.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on April 1, 2011, except for section 2, relating to authorizing the DSHS to establish rules regarding income eligibility standards, which takes effect on November 1, 2011.

Staff Summary of Public Testimony:

(In support) The DSHS Economic Services Administration has to make difficult changes to deal with the budget this fiscal year. This request legislation helps address the budget issues.

(Opposed) The means test provision will have negative impact on relative caregivers and children. Many children in kinship care are not involved in the child welfare system. Kinship caregivers tend to be older, low-income women. Children have high medical and dental costs. Housing and utility costs are a burden. The TANF grant helps pay for things like the electric bill and housing. There has been an increase in evictions. It is well known that relative caregivers will do everything that they can to keep children in their care and that will have some impact. Removing or reducing TANF could force relative caregivers to place children in foster care. Providing TANF funds to relatives allows children to stay with family, where they fare better, and it saves the state thousands of dollars in foster care. It is known that the costs associated with TANF are lower than the costs of foster care.

Eligibility for TANF is also a requirement for children's programs such as Head Start, free and reduced school lunch, afterschool enrichment, and specific college scholarships. A means test will harm an unknown number of relative caregivers and children, but if one must be implemented, a sliding scale is desirable.

The permanent disqualification provision is unreasonable. It takes time for individuals to resolve barriers to participation. Families should be allowed to reapply as needed.

The earned income reduction is harmful to needy families, but not as harmful as other provisions.

Persons Testifying: (In support) Troy Hutson, Department of Social and Health Services.

(Opposed) Lynne Urvina, Family Education and Support Services; Joyce Mallinger, Family Education and Support Services; Laurie Lippold, Children's Home Society of Washington; Robin Zukoski, Columbia Legal Services; and Helen Sawyer, Senior Services of King County.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Early Learning & Human Services. Signed by 17 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Carlyle, Cody, Dickerson, Haigh, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Seaquist, Springer and Sullivan.

Minority Report: Do not pass. Signed by 10 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Parker, Ross, Schmick and Wilcox.

Staff: Melissa Palmer (786-7388).

Summary of Recommendation of Committee On Ways & Means Compared to Recommendation of Committee On Early Learning & Human Services:

The Ways and Means Committee recommended the addition of provisions authorizing the Department of Social and Health Services (DSHS) to: (1) permanently disqualify parents who have been terminated due to a noncompliance sanction three or more times, (2) allow recipients with a child under 24 months old to claim good cause exemption from WorkFirst Participation for a maximum of 24 months over the receipts lifetime, and (3) allow parents with children 6 years old and under to limit participation to 20 hours per week. Additionally, the DSHS is required to develop an implementation plan for the WorkFirst program, conduct an initial comprehensive assessment at program entry, and develop a plan to implement a predictive modeling tool. The Office of Financial Management is required to provide the Caseload Forecast Council and the Legislature with a courtesy forecast for the Temporary Aid for Needy Families (TANF) program. The funding appropriated for the TANF and WorkFirst program must be used in accordance with legislative policy set in statute and the appropriations act. Qualifying state expenditures must be appropriated to the Department of Early Learning (DEL). The DEL must transfer to the DSHS funding to carry out authorizations, eligibility, determination, and child care provider payments.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on April 2, 2011.

Effective Date of Second Substitute Bill: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 2, relating to requiring the DSHS to develop a plan to implement a predictive modeling tool, which takes effect on July 1, 2012; section 5, relating to the Department's authority to implement a permanent disqualification for TANF families that have been terminated due to WorkFirst noncompliance sanctions three or more times; section 6, relating to the Department's authority to implement an earned income disregard of up to 40 percent; section 7, allowing for a WorkFirst exemption for a TANF recipient with a child under the age of two; and section 8, allowing a TANF recipient to participate in a work activity for twenty hours per week, which contain an emergency clause and take effect on May 1, 2011; and section 9, relating to authorizing the DSHS to establish rules regarding income eligibility standards, which takes effect on November 1, 2011.

Staff Summary of Public Testimony:

(In support) As this committee has been advised, the funding available for the TANF program is short of the demand. The TANF program has a $118 million deficit in this fiscal year. This is the Governor's request legislation that would make changes so that fewer families would be eligible for TANF to address part of the deficit. In the Early Learning and Human Services Committee, a sliding scale was added for kinship caregivers who have incomes from 200 percent federal poverty level to 300 percent federal poverty level. The children who receive a child-only TANF grant are then eligible for other services, such as free and reduced price lunch or after school programs. Cutting eligibility for kinship caregivers at

200 percent of federal poverty would create an undue hardship. On behalf of welfare clients and the welfare advocates group, we recognize that cuts must be taken. These are the kinds of reductions we would oppose in a different year; however, in light of the current fiscal situation, we support Substitute House Bill 1741.

(Opposed) None.

Persons Testifying: Representative Kagi, prime sponsor; and Robin Zukowski, Columbia Legal Services.

Persons Signed In To Testify But Not Testifying: None.