

# Demographics and Trends of the Texas Welfare Population: Report 2005

*A State of the Workforce Report*

Texas Workforce Investment Council  
March 2006



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***Mission***

*Assisting the Governor and the Legislature with strategic planning for and evaluation of the Texas workforce development system to promote the development of a well-educated, highly-skilled workforce for Texas*

# Demographics and Trends of the Texas Welfare Population: Report 2005

*A State of the Workforce Report*



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## **Introduction**

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For the past five years the *Welfare to Work Initiatives in Texas* report has been published in a single volume by the Texas Workforce Investment Council (Council) as per legislative mandate. Texas Government Code 2308.101(14) requires the Council to provide annual reports to the Governor and Legislature, “including an annual report analyzing work development programs that focus on welfare to work initiatives.” In previous publications, these annual reports have included information on the demographics of the welfare population, programs, initiatives, pilots, and best practices in the state. In legislative years, the report also included a section containing issue briefs and recommendations for possible legislative actions.

This year, in an effort to present the information in a more timely manner and address the needs of different audiences, the report has been reorganized into two separate reports. This report, *Demographics and Trends of the Texas Welfare Population: Report 2005*, is published as a State of the Workforce report. A second report, *Welfare to Work Initiatives in Texas: Report 2005*, addresses the Council’s requirement to provide an annual report on welfare to work initiatives.

This year, both reports will be published in December 2005. In subsequent years, *Demographics and Trends of the Texas Welfare Population* will be published in September. This report will serve as the introductory and companion piece to the report on welfare to work initiatives, and will present and analyze the current status of the welfare population in Texas. The rationale for presenting this information in September is to ensure that, in even-numbered calendar years prior to the start of a Legislative Session, legislators and legislative committees will have adequate time to study the report and any critical issues noted before the Session begins.

At the publishing of this report, Texas has absorbed many evacuees from Louisiana and other states following Hurricane Katrina. In addition, Hurricane Rita has left many Texas families without homes, businesses with damaged buildings, and an infrastructure in disarray. A massive relief effort led by Governor Perry involving state agencies, local workforce development boards, local governments, and non-profits, has been launched to serve both the evacuees and displaced Texas citizens and businesses. At this time, it is not yet clear what impact this might have on support programs such as TANF, Medicaid, Food Stamps, and public housing. As an example, the Texas unemployment rate increased to 5.3% in September. Particular attention is warranted next fiscal year, when many of these individuals might be eligible for TANF again. The Texas Workforce Commission, the Health and Human Services Commission, and other state agencies are assisting local areas to manage the increased workload. Next year’s report will detail the consequences of these two disasters.

### **Scope of *Demographics and Trends in the Welfare Population: Report 2005***

*Demographics and Trends of the Texas Welfare Population: Report 2005* is organized in two sections. The first section, *Demographics and Trends of the Texas Welfare Population*, analyzes population trends of Temporary Assistance for Needy Families (TANF) and the State Program (SP), the cash grant program for two-parent families, and presents caseload data and demographic information. It examines the state economy and the Choices program, the training and employment program serving this population. The second section includes a discussion of the TANF reauthorization efforts in the 109<sup>th</sup> Congress and presents a side-by-side comparison of the House and Senate bills in their current form.

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## **Executive Summary**

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This report analyzes population trends of Temporary Assistance for Needy Families (TANF) and the State Program (SP), the cash grant program for two-parent families, and presents caseload and demographic data. The report examines the state economy along with Choices, the training and employment program serving this population. Also included are a discussion of the TANF reauthorization efforts in the 109<sup>th</sup> Congress and a side-by-side comparison of the House and Senate bills in their current form.

Following is an abbreviated review of the key information contained in this report:

### **The Texas Economy**

Welfare to work programs operate within the context of Texas' economy. After three years of Texas' unemployment rate being higher than the U.S. unemployment rate, by July 2005, both U.S. and Texas unemployment rates were at 5.0%. Texas' economy had a second year of significant job growth. Texas' employers created approximately 147,700 non-agricultural jobs in 2005. Texas' per-capita income rose above \$30,000 for the first time, capping a 43.6% growth over the last 10 years. State and local economic development efforts were very successful, with Texas being awarded the Governor's Cup by *Site Selection* magazine for the most new and expanded facilities in 2004. This is the second national award for Texas. Last year, *Site Selection* magazine named Texas the state with the "best business climate in the nation." Washington Mutual, Freescale, and a joint venture between Bell Helicopter and Lockheed-Martin were among companies locating or expanding operations in Texas in 2005.

### **Texas Families on TANF and the State Program**

Temporary Assistance for Needy Families (TANF) and the State Program (SP), the cash grant program for two-parent families, exist to assist families by fostering self-sufficiency through work. This is accomplished in Texas through Choices, the training and employment program serving TANF and SP families. The ultimate goal of the Choices program is to assist TANF and SP adults to prepare for employment, become employed, and support the families after employment so that they can work toward self-sufficiency.

The Texas TANF and SP caseloads continued to decline in FY2005, the result of a successful Choices program assisting more adults to find employment. Since the inception of Texas' welfare reform in 1995, Texas' caseload had declined by 70%. As of July 2005, the TANF and SP caseload stood at 83,037 families, a 25-year low. This is the first year that "caretaker" cases, cases with an eligible adult or adults, numbered fewer than "payee" cases, with no eligible adult.

The combination of several factors have resulted in these declines. The Choices program serving a larger proportion of the population and helping adults prepare for and find work; Texas' employers creating 147,700 new jobs; and the "pay for performance" model encouraging more TANF and SP adults to take advantage of the training and employment services of Choices, and significantly lowering the sanction rate.

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### **The Choices Program**

The Choices program served 73,015 TANF and State Program adults from August 2004 through July 2005, with 48,240 entering employment during the same period. This represents a 66% entered employment rate for Choices participants, the highest ever. The Choices program's principal goal is to facilitate self-sufficiency by preparing adults for employment and helping them advance in employment. This "Work First" initiative has been very successful. In July 2005, there were 18,109 adults engaged in Choices services and 11,227 of these, nearly 62%, were employed or entered employment that month. Activities are clearly focused on preparing adults for work.

House Bill (HB) 2292, 78<sup>th</sup> Legislative Session, contained a TANF and SP "pay for performance" provision that has had a strong, positive effect with a 62% increase in the percent of TANF recipients participating in Choices and a corresponding reduction in the number of families under sanction.

### **Characteristics of the TANF and State Program Population**

The education level of TANF and State Program adults was higher than in past years. Almost 54% of both groups had at least a high school diploma, GED, some postsecondary education, or a college degree. Work history is another significant characteristic of TANF and State Program adults. Of those adults entering employment in July 2005, 43% had no work experience. A lack of prior work history did not seem to have a negative impact on finding employment.

In July 2005, 46% of all TANF and SP families had been on welfare more than once. This means that for every two families that find work and leave TANF or the SP, one may return. Adults returning to welfare tend to have lower educational attainment than the entire population, and they also tend to have lower Tier assignments, which reflect lower levels of both education and prior work experience. The challenge for Texas is to continue working with these families to provide the appropriate mix of services and support to facilitate self-sufficiency and ultimately reduce recidivism rates.

### **TANF Reauthorization**

The 109<sup>th</sup> Congress has produced both House and Senate TANF reauthorization bills. However, it appears unlikely that TANF reauthorization will occur in the 109<sup>th</sup> Congress. This delay is due in part to other pressing legislative needs such as hurricane relief efforts. This section examines reauthorization legislation and presents a side-by-side comparison of the two bills.

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## Demographics and Trends of the Texas Welfare Population

This section of the report examines the demographic characteristics and trends of the population in the Temporary Assistance for Needy Families (TANF) program and the State Program (SP) that are receiving cash grant assistance. It considers the Texas economy in which welfare programs operate. The welfare population is described by caseload and recipients, and also segmented by one-parent families, two-parent families, and child-only cases, which have no eligible adult. The outcomes of HB 2292, 78<sup>th</sup> Legislature, and its “pay for performance” provisions are examined for the two years it has been in effect. Recidivism, families returning to welfare after exiting TANF or the State Program, is separately examined to determine if the characteristics of these families might reveal reasons for returning to welfare assistance.

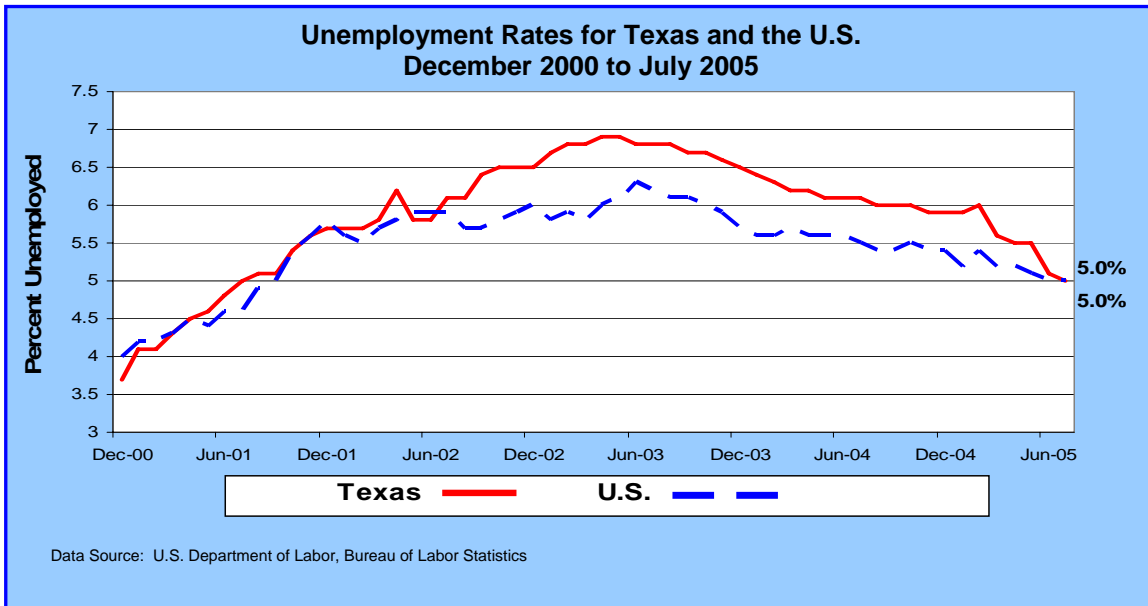
The Choices program, Texas’ training and employment program for TANF and State Program adults, is studied and FY2005 results are noted. Other characteristics of the general TANF and SP population such as education levels and work experience are also highlighted in this section.

In order to determine effective service delivery, achievement in program outcomes, and the best use of taxpayers’ dollars, trend analysis of the population is used to determine influencing factors and outcomes over time. This analysis assists policy makers, system partners, and stakeholders to determine if the programs and services are having a positive effective on the population they are designed to serve. The programs themselves are examined in greater detail in a separate report titled *Welfare to Work Initiatives in Texas: Report 2005*.



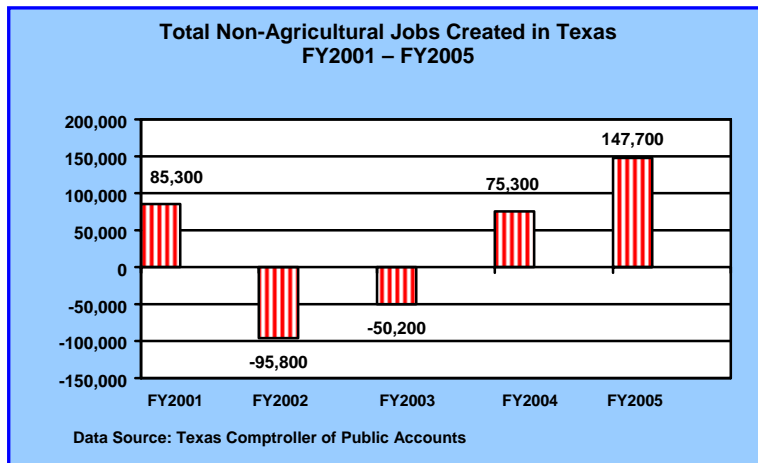
## The Texas Economy

Welfare to work programs, with an overall goal of placing adults into employment, operate within the context of the state's economy. In FY2005, Texas' employers created jobs and hired more workers, and many unemployed Texans went back to work. After two and a half years of unemployment rates higher than the U.S. as a whole, in July 2005 the Texas unemployment rate dropped to 5.0%, the same as the federal rate.



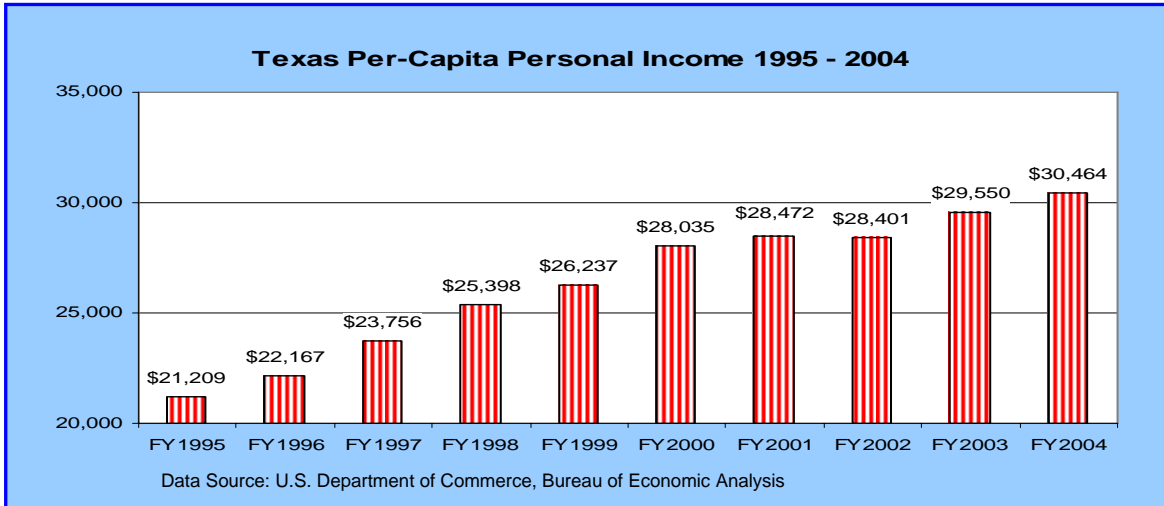
Job creation within the state has been a major factor in strengthening the Texas economy. Economic development efforts at both the state and local levels have been successful in bringing many employers to Texas, resulting in over 22,000 jobs announced. In November 2004, *Site Selection* magazine named Texas as having the best business climate in the nation. In March 2005, the state once again topped a *Site Selection* list when Texas was awarded the Governor's Cup for the most new and expanded facilities for 2004. Washington Mutual, Freescale, and a joint venture between Bell Helicopter and Lockheed-Martin were among businesses locating, or expanding operations in Texas in 2005.

In FY2004 there was an estimated increase of 75,300 non-agricultural jobs, while FY2005 showed an even stronger gain of 147,700 jobs. This is a sign of improvement since the beginning of the decade when Texas, along with most other states, lost jobs during the economic slowdown. Strong job growth returned in both FY2004 and FY2005.



## Texas Per-Capita Earnings

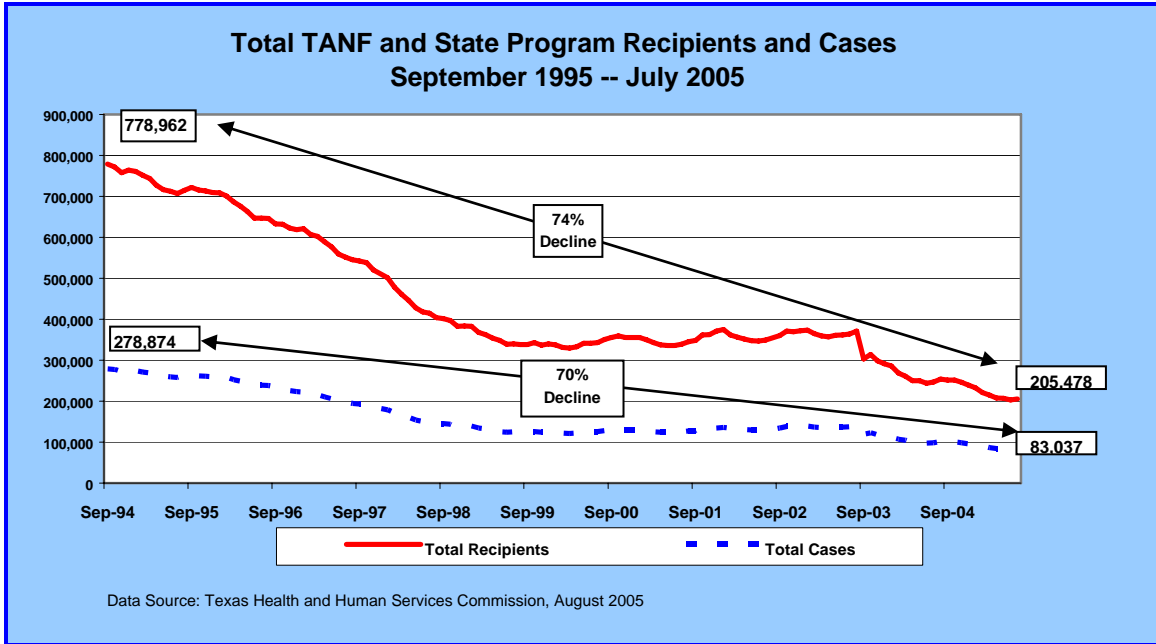
Texas' per-capita personal income has been on the rise over the past ten years. The steady increase of per-capita income was temporarily interrupted between FY2001 and FY2002, when it was essentially flat during the economic downturn. However, the remainder of the ten year period has seen steady growth. In FY 2004, the latest year data is available, Texas' per-capita income has increased to \$30,464, an all-time high. This represents a gain of 43.6% over the last ten years.



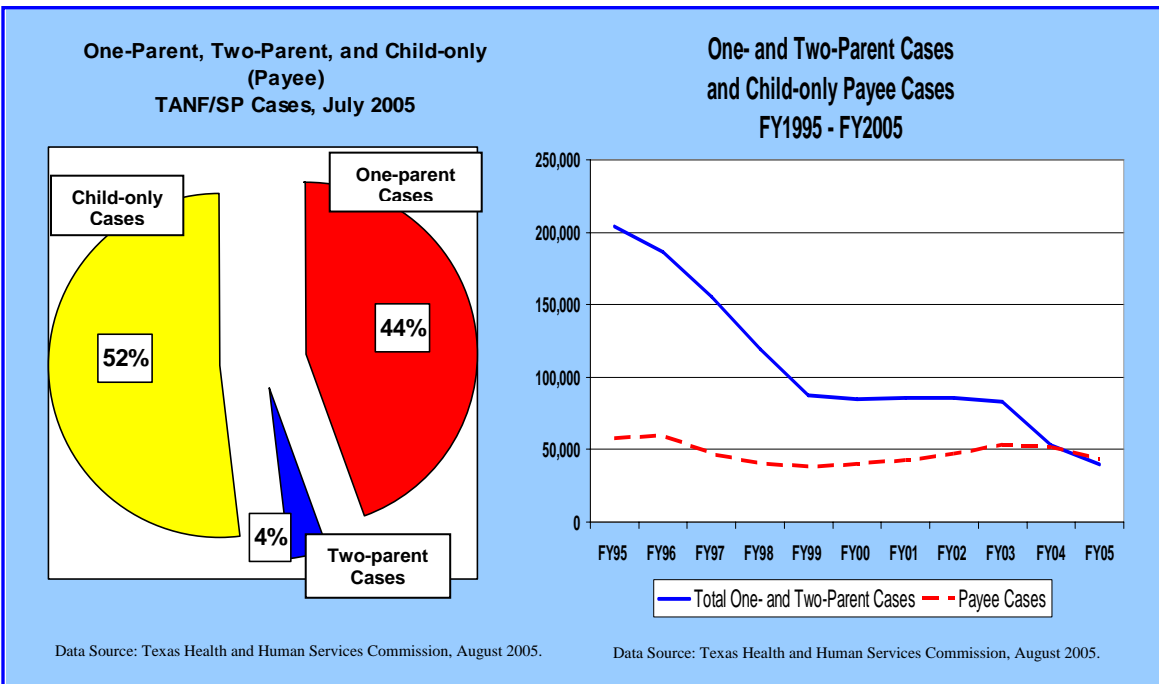
## Texas Families on TANF and the State Program

Temporary Assistance for Needy Families (TANF) is the federal cash-assistance program created by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. In Texas, TANF serves one-parent families and children with no eligible adult on the grant, termed "Payee" cases. Two-parent families are served under the "State Program" (SP), a state-operated program similar to TANF, established by the Texas Legislature in October 2001 to address the specific barriers of two-parent families. TANF was created by Congress with the intent of fostering self-sufficiency through work. Since its enactment, more welfare adults have entered employment, earnings have increased, and child poverty rates have decreased dramatically. Nationally, TANF families have decreased in numbers from five million in 1995 to 2.2 million in 2003. In Texas, caseload decline has been even more dramatic, at 70% from September 1995 to July 2005, as more and more Texas families move toward self-sufficiency through employment.

Texas' welfare reform legislation, HB 1863, 74<sup>th</sup> Legislature, predated TANF by one year and went into effect in September 1995. The TANF caseload at that time was 278,874 families. By July 2005, the number of Texas families on TANF and the State Program had dropped to 83,037 families, a 70% reduction. After subtracting the 43,123 child-only (Payee) cases, there were only 39,914 cases with an eligible adult recipient, known as caretaker cases. In the last 12-month period, the caseload has dropped from 99,739 families in August 2004 to 83,037 families in July 2005, a 12% reduction for the year.



Of all families receiving TANF or State Program cash grants in July 2005, the chart below left illustrates that 44% (36,899) are one-parent families, 4% (3,015) are two-parent families, and 52% (43,123) are Payee cases with no eligible adult recipient. This is the first year that child-only, or Payee cases, have exceeded the sum of one-parent and two-parent families. Payee cases have been growing as a proportion of the total TANF and SP population only because caretaker cases, cases with eligible adults, have been declining in number. Payee cases themselves have not grown significantly in numbers, and have remained in the upper-forty to lower-fifty thousand range since 1995, as illustrated in the graph below right. Only one-parent and two-parent families, and not Payee cases, are subject to work requirements and are required to participate in Choices.



Several factors contributed to the decrease in the TANF and State Program caseload over the past two years:

- The Choices program, serving an increasingly larger proportion of the population has continued its successful track record of helping TANF adults find employment;
- Texas' employers, creating 147,700 new jobs; and
- The positive results of the "pay for performance" policy of HB 2292, 78<sup>th</sup> Legislature, in which an increasingly larger proportion of TANF and SP adults are participating in work activities.

### ***The TANF Choices Program***

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The Choices program is Texas' work preparation and employment program for TANF and State Program (SP) adults. Both TANF and State Program adults receive an orientation to the Choices program before they are eligible for TANF or SP benefits and, unless ruled "exempt," are contacted for services as soon as they begin receiving benefits. The principal reason for exemption is having a child under the age of 12 months. Upon reporting to the workforce center for Choices services, the adult recipient is assigned a case manager. The case manager arranges for services such as child care and transportation needs, which are not funded with TANF funds. The case manager also assesses the participant's functioning education level, work experience, work readiness, and barriers to employment, and works with the adult to develop a plan for employment.

The employment plan addresses work readiness and might include job preparation classes in interview skills, resume writing, and job readiness. Adult education classes, GED preparation, high school, vocational training, on-the-job training, classes in parenting or family budgeting might also be included in the plan. Barriers to employment are addressed and counseling for family violence issues, drug or alcohol abuse, or other family issues might also become a part of the plan, as appropriate.

#### **Choices Services**

##### **Job Preparation Services:**

- *Job readiness skills*
- *Resume writing*
- *Interview skills*
- *Vocational training*
- *Work skills training*
- *Job skills*
- *Work based literacy*

##### **Employment Services:**

- *Job counseling*
- *Job search*
- *On-the-job training*
- *Community service*
- *Unsubsidized employment—employment entry*

#### **Services Available to Choices Participants**

##### **Education Services:**

- *High school*
- *GED preparation*
- *Adult basic education*
- *English as a second language*
- *Other education*

##### **Support Services:**

- *Child care*
- *Transportation assistance*
- *Medicaid*
- *Food Stamps*

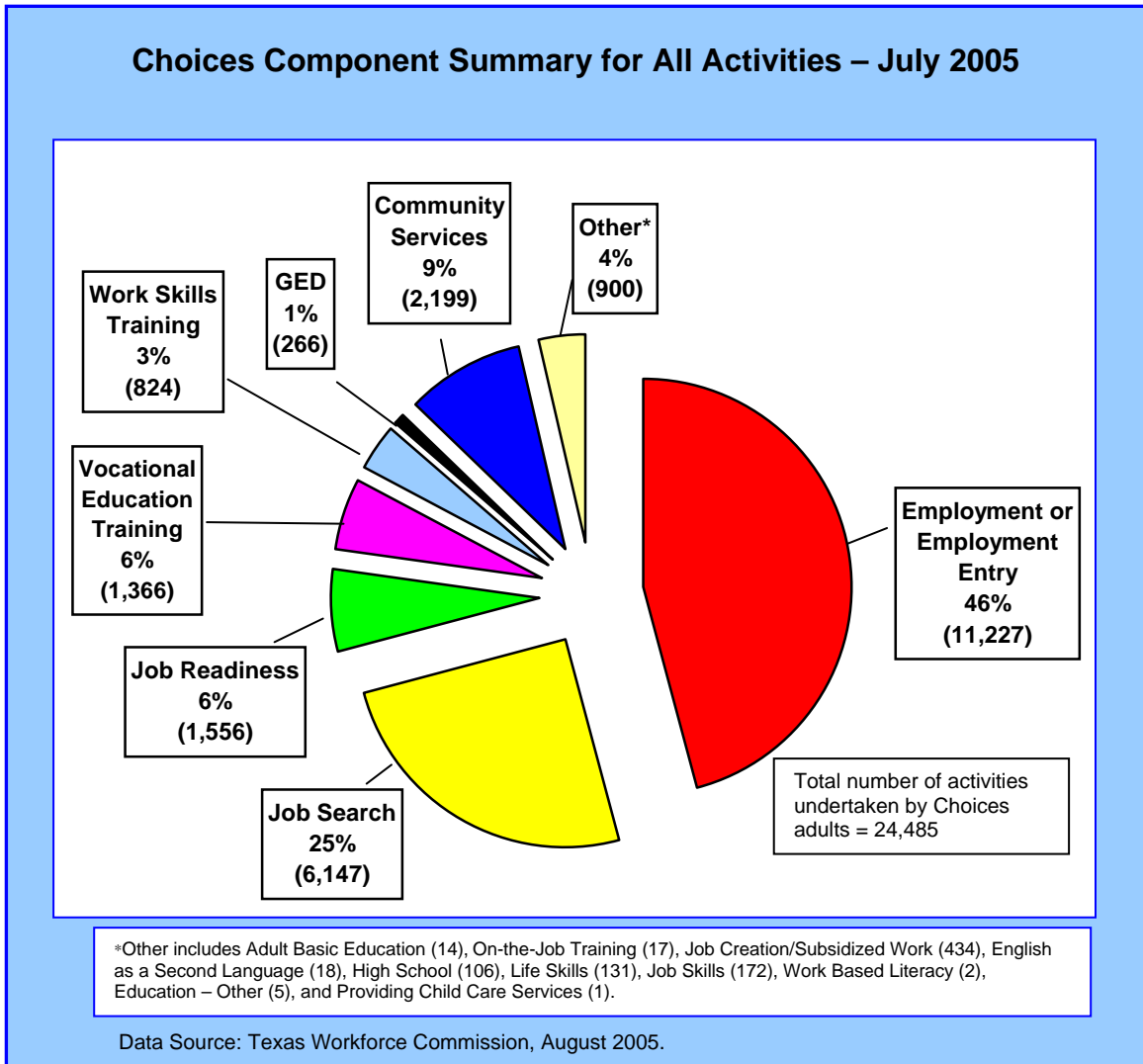
##### **Post-employment Services:**

- *Transitional Medicaid*
- *Food Stamps*
- *Transitional child care*
- *Earned Income Tax Credit enrollment assistance*

### Choices Component Activities

The Choices program’s principal goal is to facilitate self-sufficiency by preparing adults for employment and advancement in employment. To this end, Texas employs the “Work First” initiative. Work First emphasizes activities that support the goal of employment. In July 2005, 18,109 TANF adults participated in 24,485 Choices activities during the month, averaging nearly 126 hours per person per month.

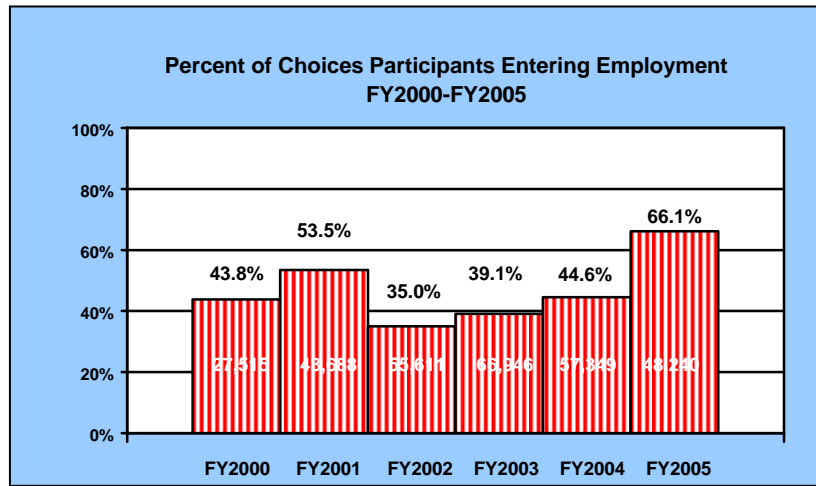
The chart below illustrates that Choices activities are focused on preparing the adult for work. The activity with the most clients participating is “Employment or Employment Entry.” There were 11,227 TANF and SP adults either working, or beginning work in July. This represents 46% of all activities in Choices in July 2005. In addition, 6,147 TANF and SP adults were involved in job search, representing a full 25% of all activities. Other categories such as Job Readiness training, Work Skills training, Vocational Education, and Community Services support the goal of employment entry, employment retention, and advancement.



### Choices Program Helping TANF and SP Adults Enter Employment

FY2005 was an outstanding year for Choices program performance. The Choices program served 73,015 TANF and SP adults from August 2004 through July 2005. Of these, 48,240, about two-thirds of all participants, entered employment during the same period. Overall, 67,854 TANF and SP participants entered employment during the twelve months, saving approximately \$21.5 million in TANF cash assistance payments. These 67,854 employed TANF and SP recipients earned and contributed to local economies approximately \$88.3 million. The state average beginning hourly wage of TANF adults increased this year to \$7.05 from \$6.93 an hour in FY2004, an important gain. The higher the income, the more likely that self-sufficiency will be reached, and the less likely the family will return to TANF.

In FY2005, the Choices program helped the largest percentage of its participants enter employment in the past six years. The graph to the right shows the percent of Choices participants entering employment. The FY2005 total percent of 66.1% means that about two-thirds of Choices participants entered employment for the year, an outstanding record of achievement.



Data Source: Texas Workforce Commission, September 2005.

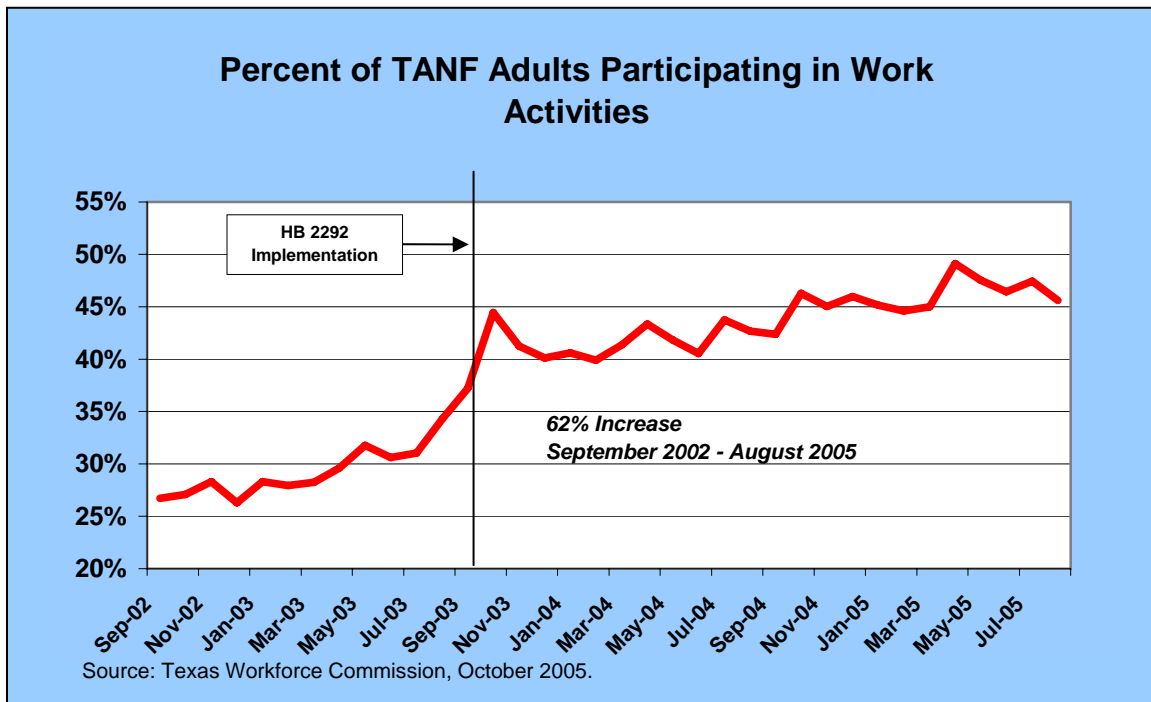
### The Pay for Performance Model

Because of the “Pay for Performance” model, Texas has achieved a 62% increase in the percentage of TANF and SP adults engaged in work activities. House Bill (HB) 2292, 78<sup>th</sup> Legislative Session, contained a TANF and SP “pay for performance” provision that has had a strong, positive effect on the TANF and SP population and on the number of families under sanction. Prior to passage of the bill, TANF or SP adults who refused to cooperate with work requirements were placed under sanction and lost approximately \$78 a month, the adult portion of the grant. However, the family continued receiving the children’s portion of the grant, Food Stamps, and Medicaid coverage. HB 2292 stipulated that, because TANF is a temporary welfare program and provides the family with assistance so that the adult can prepare for and move into employment, if the adult refuses that help, the family will be dropped from the TANF rolls, losing the entire TANF cash grant, the adult’s portion of Medicaid, and child care.

Pay for performance allows families to receive their first month of benefits up front. Families are only entitled to receive subsequent benefits if they cooperate with all provisions of the Personal Responsibility Agreement (PRA). The following activities are required under PRAs: child support enforcement, children’s health checkups, children’s immunizations, children’s school attendance, no drug or alcohol abuse, retaining employment, Choices participation, and parenting skills training, if appropriate.

The pay for performance model further introduced a full-benefit denial. Non-cooperation with any provision of the PRA results in the loss of all TANF cash assistance provided to the family for at least one month. Non-cooperation with work or child support requirements also results in the suspension of the adults' Medicaid benefits, unless the adults are under age 19 or pregnant. Benefits are not restored until the adult(s) demonstrates one month of cooperation. In addition, two consecutive months of non-cooperation result in denial of the TANF case. Former recipients must reapply for TANF and demonstrate cooperation with all provisions of the PRA in order to reinstate benefits.

The result of this far-reaching legislation, as illustrated by the chart below, is a 62% increase in the percent of TANF recipients participating in Choices, and a 61% decrease in the adult TANF caseload. These results, combined with the dramatic decrease in the number of TANF recipients sanctioned for noncompliance, indicate that the pay for performance model is achieving the goal of improving recipients' personal responsibility.

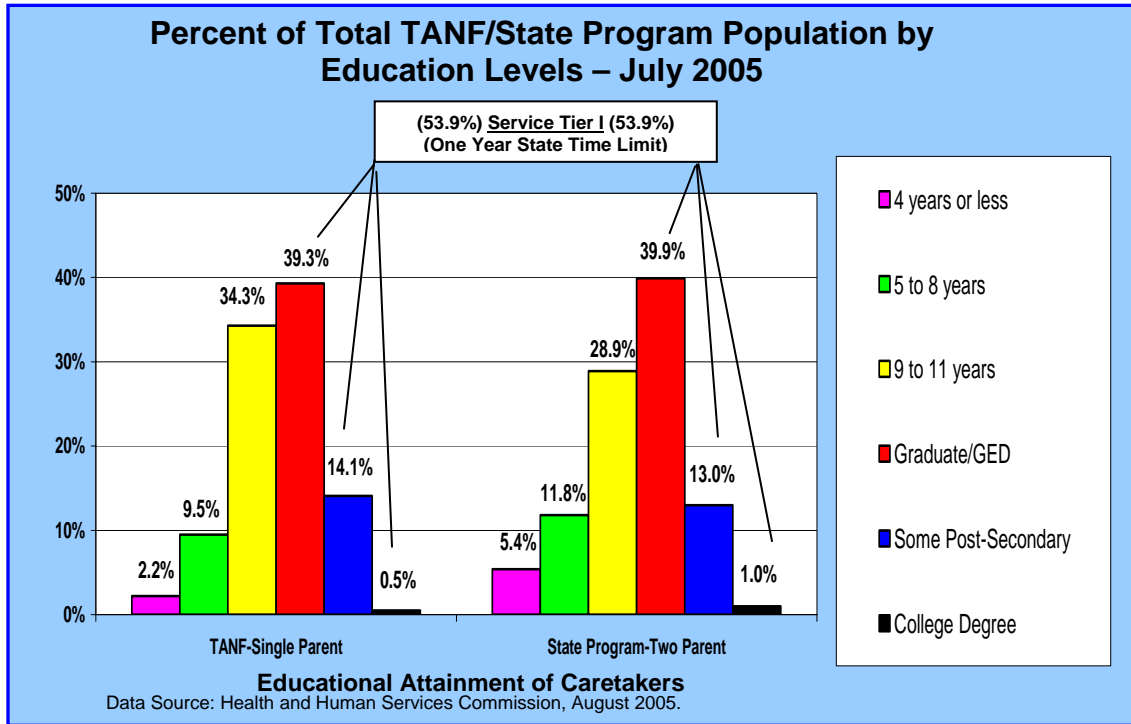


### Characteristics of the TANF and State Program Population

It is valuable for policymakers to understand the population demographics of Texas' TANF and State Program families. By knowing the skills that TANF adults possess, the barriers they face, and the characteristics of their families, it becomes easier to identify gaps in services of welfare programs, and policymakers can more effectively assess and modify existing programs to serve this population.

### Education Levels of the TANF and SP General Population

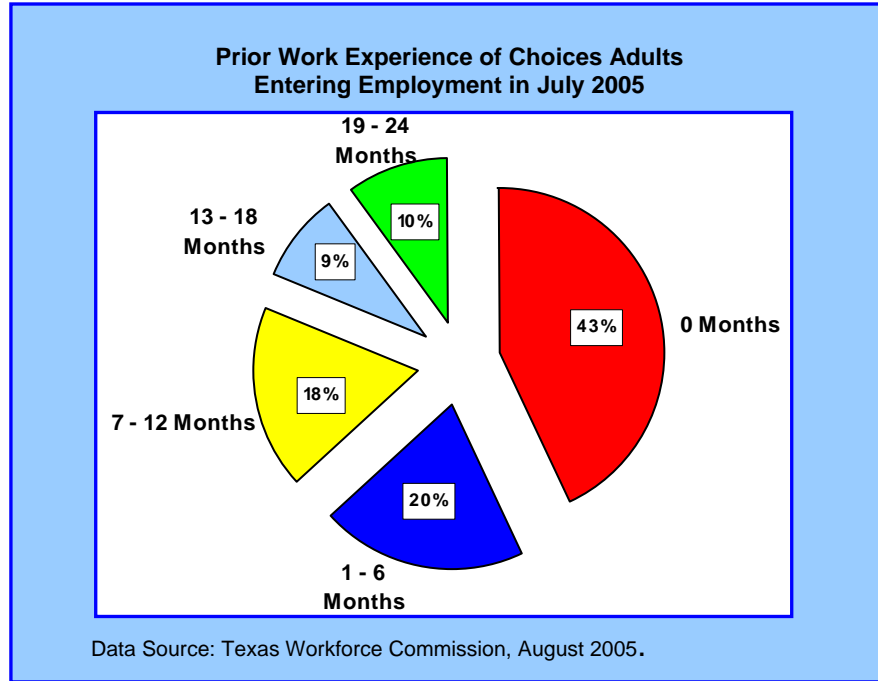
In the TANF and SP population, education levels are similar between the two groups as evidenced by the chart below. In both population sets, 53.9% of adults have at least a high school diploma or GED or some postsecondary credits. This is the highest percentage over the last six years. Education is an important factor in job eligibility and pay levels. Those with a high school diploma or GED have a wider choice of possible employment and often receive higher wages than those who have not completed high school or earned a GED.



### Work History in the TANF and SP Population

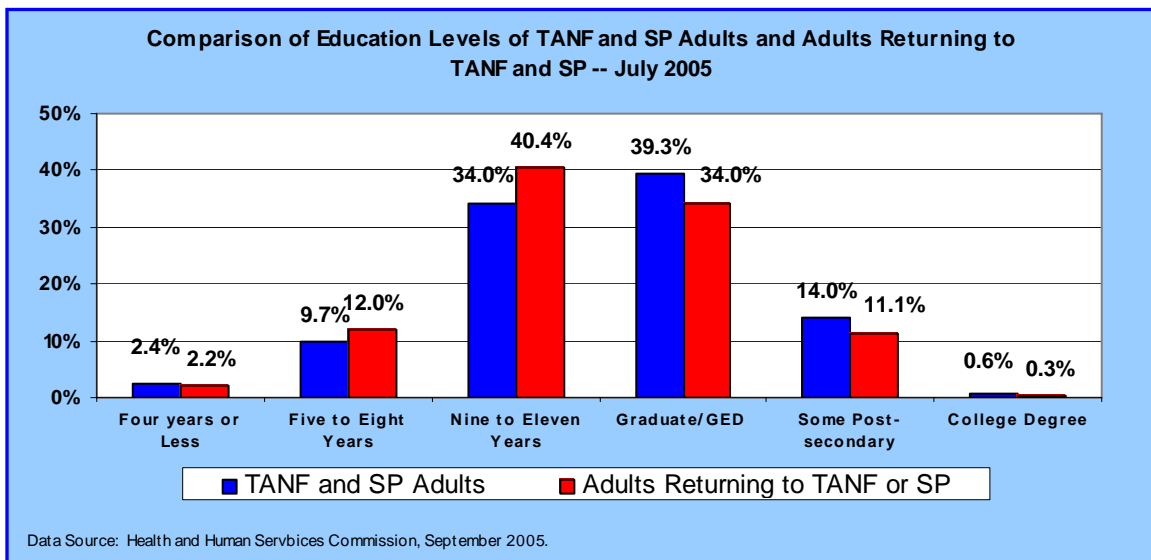
Along with education, prior work history is an important factor when looking for employment. Many employers look for a good work record in past jobs when making hiring decisions. The TANF and SP populations have a varied history of previous employment. The chart on the following page illustrates the previous work experience of those TANF and SP adults entering employment in July 2005. The largest group of 43% had no work experience at all. This demonstrates the willingness of Texas' employers to hire and train inexperienced workers, and the success of case managers and local workforce centers in matching applicants with appropriate job openings and in building relationships with local employers. Those adults with one to six months of work experience accounted for 20% of the population, 18% had from seven to twelve months, 9% had from 13 to 18 months, and only 10% had from 19 to 24 months of previous work history.





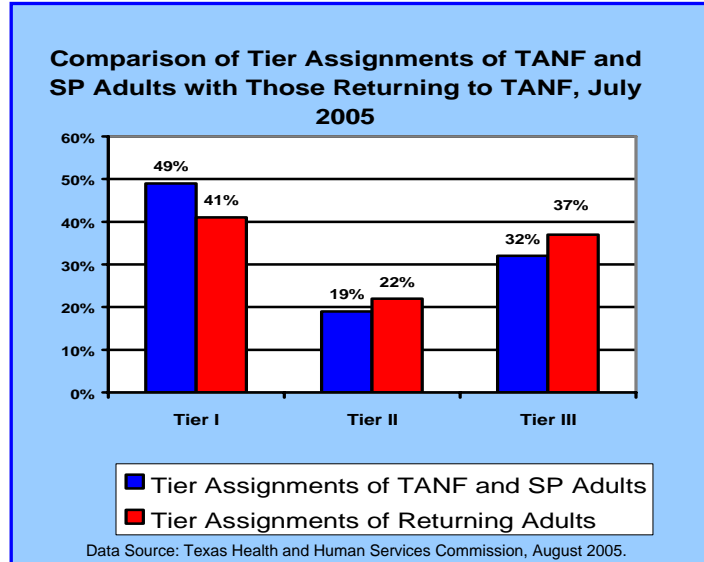
### Recidivism in Welfare

Forty-six percent of all TANF and SP families in July 2005 have been on welfare more than one time, commonly termed “recyclers.” This has been a continuing challenge for Texas as well as many other states. After several years of declining recidivism, FY2005 is the first year that the recidivism rate has increased, although by a very small amount. In August 2004, the recidivism rate was 45.3%, while in July 2005, it was 46%. This indicates that for every two families that find employment and leave welfare, one may eventually return. The challenge for Texas is to continue working with families to provide an appropriate mix of services and support to facilitate self-sufficiency and ultimately reduce recidivism rates.



Educational attainment has a clear correlation to TANF recidivism. The chart above compares the population of adults that returned to TANF or the SP with those families on TANF or the SP for the first time. It is apparent that the education level of those returning to welfare is lower than the general population. Of those on TANF or the SP more than once, 54.6% had not graduated from high school, compared to 46.1% in the general population. In the general TANF and SP population, 39.3% had graduated from high school, 14% had some postsecondary credits, and 0.6% had a college degree. Combining these, 53.9% of the TANF and SP population had a high school diploma or better. Of those returning to TANF or the SP, only 34.0% had graduated from high school, 11.1% had some postsecondary credits, and 0.3% had a college degree, a combined total of only 45.4%.

The chart at right compares Tier assignments of adults returning to TANF or the SP with adults on TANF or the SP for the first time. In Texas, TANF and SP adults are classified by Tier assignments which reflect education levels and recent work history and determine the state time limit for receiving services. Tier I adults have a high school diploma or GED and/or 18 or more months of recent work experience and have a 12-month state time limit. Tier II adults have three years of high school and/or 6 -18 months of recent work experience and a 24-month state time limit. Tier III adults have less than three years of high school and less than six months of recent work experience and have a 36-month state time limit. As one might expect, when comparing the entire population's Tier assignments with the Tier assignments of those returning to welfare, a larger proportion of those returning are assigned Tier III than in the general population, 37% to 32%, and a smaller proportion of the recyclers are assigned Tier I, 41% to 49%. These percentages are similar to previous comparisons of educational levels, indicating that Tier assignments, which reflect work experience, also have a positive correlation to TANF recidivism.



## Summary

In FY2005, the Choices program, with its focus on Work First and Pay for Performance, is achieving outstanding results. Altogether, 67,854 TANF and SP adults entered employment during the year. Of these, the Choices program assisted 48,240 TANF and SP adults gain employment, more than 66% of its participants. The TANF and SP caseload dropped to 36,899 one-parent families enrolled in TANF, 3,015 two-parent families enrolled in the State Program, and 43,123 payee cases. This is the lowest number of cases in twenty-five years. The caseload has declined to the point that the largest segment of the welfare population is Payee cases, cases with no eligible adult, or 52% of all cases. Welfare reform in Texas has been very successful in achieving its primary goal of helping adults to enter employment and begin working toward self-sufficiency for their families.

## Temporary Assistance for Needy Families (TANF) Reauthorization

TANF Reauthorization efforts in the 109<sup>th</sup> Congress have resulted in both House and Senate bills. The House introduced H.R. 240, the “Personal Responsibility, Work, and Family Promotion Act of 2005.” This bill was passed out of subcommittee to the full committee. No committee action has been scheduled at this time. The Senate Bill, S.667, the “Personal Responsibility and Individual Development for Everyone Act,” or “PRIDE Act,” was passed out of the Senate Committee on Finance and placed on the Senate Legislative Calendar on March 17, 2005. No floor action has occurred.

Texas is advocating passage of this legislation, and supports continuation, or increase, of the supplemental grant and assurance that the Temporary Assistance for Needy Families (TANF) program provide adequate funds and sufficient flexibility to provide low-income Texans with the tools to become self-sufficient. However, it appears unlikely that TANF reauthorization will occur in the 109<sup>th</sup> Congress. This delay is due in part to other pressing legislative needs such as hurricane relief efforts. The following section is a discussion of the two bills and a side-by-side comparison of the most relevant provisions of the bills.

## **Temporary Assistance for Needy Families (TANF)—Reauthorization Legislation**

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Temporary Assistance for Needy Families (TANF) was due for reauthorization in 2002, and has been funded since that time by a series of three-month extensions. The most recent of these was passed by Congress on September 15, 2005 in the *TANF Emergency Response and Recovery Act* (House Resolution 3672). Provisions of this bill allow states to more quickly assist families affected by Hurricane Katrina and it extends funding for TANF until December 31, 2005. The 109<sup>th</sup> Congress produced two bills in the House and Senate, which are not yet scheduled for reconciliation in conference committee. House Bill 240 and Senate Bill 667 are the two TANF Reauthorization bills. The following is a high-level comparison of major changes in the legislation.

Both bills add to the original purposes of TANF. For example, both the Senate and the House add the goal to “encourage responsible fatherhood.” Funding is level in both bills, and both allow state and local spending on non-eligible families, reducing out-of-wedlock births, fatherhood, and family formation to be counted toward a state’s Maintenance of Effort (MOE) requirement.

Both bills include additional funding of \$100 million for healthy marriage promotion initiatives in the form of competitive grants to states on a 50/50 matching basis. The Senate bill includes a stronger requirement on consultation with domestic violence experts to ensure that participation is voluntary. Fatherhood initiatives are added in both bills to Title IV of the Social Security Act.

Both bills replace the Individual Responsibility Agreement with a Family Self-Sufficiency Plan (FSP). Families must have a plan within 60 days of opening a new case and must ensure that all recipients are participating in activities according to their plan. The Senate specifies that the plan include education, work readiness, work barriers, employability of each adult, plus work support and other support services for which the family may be eligible.

An important difference in current law and the proposed bills is that both House and Senate bills increase the state’s participation rate from 50% to 70% by 2010. This will require Texas to enroll a higher percentage of TANF adults in Choices. A separate participation rate for two-parent cases is eliminated. Both bills allow states to count partial credit for participation, the House bill at 24 hours per week and the Senate bill at 20 hours per week. The original Caseload Reduction Credit is recalibrated in the House bill. FY2006 uses caseload reduction since 1996; FY2007, since 1998; and FY2008, since 2001. FY2009 forward will use a caseload reduction from the 4<sup>th</sup> preceding year. The Senate bill replaces the Caseload Reduction Credit with an employment credit that provides a percentage credit for each percent reduction in caseload due to employment.

Both bills expand the Direct Work Activities. The House bill states that 24 hours must be spent in direct work activities such as unsubsidized employment, subsidized private- or public-sector work, on-the-job training, supervised work experience, or supervised community service. “Qualified” work activities such as substance abuse counseling, rehabilitation treatment, work-related education or training, job search or job readiness, or any other activity that addresses a purpose of TANF can count as Direct Work Activities for three months in any 24-month period. Education and training to fill a known job in a local area can count for four consecutive months in a 24-month period. After fulfilling the 24-hour requirement per week, activities to meet the required work hours can include those “qualified” work activities listed above.

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The Senate bill also requires 24 hours to be spent in nine priority activities: unsubsidized jobs, subsidized private jobs, subsidized public jobs, work experience, on-the-job training, job search for six weeks, vocational training for 12 months, community service, and child care for TANF recipients. Four non-priority activities are allowable once the 24-hour requirement is met. These are job skills training, completion of secondary school, education directly related to work, and marriage education/conflict resolution. The Senate bill includes seven qualified activities that can be counted as work for up to six months in any 24-month period. These are postsecondary education, adult literacy, drug and alcohol abuse counseling, barrier removal activities, financial literacy, and others. The Senate bill also allows states to have the option to create a program that allows recipients who are engaged in postsecondary 2- or 4-year programs to count toward work participation rate calculation.

The table beginning on the following page highlights important changes in the two bills in a side-by-side comparison.

**Temporary Assistance for Needy Families (TANF)  
Reauthorization Legislation, 109<sup>th</sup> Congress**

**Comparison of House and Senate Legislation**

<b>Provision</b>	<b>H.R. 240</b>	<b>S. 667</b>
<b>Goals</b>	Adds "Child well-being" as a purpose of TANF. Adds "to provide assistance <i>and services.</i> " Adds "to reduce poverty" as a goal. Adds "encourage responsible fatherhood."	Adds "encourage responsible fatherhood."
<b>Funding</b>	Level funding at \$16.566 million per year for five years. Repeals Federal Loan Fund.	Same as House.
<b>Supplemental and Other Grants</b>	Extends supplemental grants at FY2001 level (\$319 million) for four years.	Extends supplemental grants same as House. Provides \$1 billion new funds over five years to the Social Services Block Grant. Establishes new five-year grants of various amounts to capitalize and develop sustainable social services; for low-income car ownership programs; for domestic violence prevention; for transitional jobs. Provides \$5 million over five years for National Teen Pregnancy Prevention Resource Center.
<b>Transfers</b>	Allows states to transfer up to 50% to Child Care and Development Block Grant (CCDBG) (from 30%) and 10% to Social Services Block Grant (from 4.25%)	Restores Social Services Block Grant transfer to 10%.
<b>Maintenance of Effort (MOE) Requirements</b>	Adds that spending on non-eligible families, reducing out-of-wedlock births, fatherhood, and family formation can count toward MOE requirement.	Same as House plus MOE level for a year (whether 75% or 80%) based on work rates from previous year.
<b>Marriage and Family Formation</b>	\$100 million per year from 2005-2010 for healthy marriage promotion, competitive grants to states on a 50/50 matching basis. Can be matched with federal TANF funds. No restrictions on service population. Can be advertising campaigns, divorce reduction, marriage mentoring. \$100 million per year in research and demonstration funds on activities allowed under marriage grants.	Same as House except dates of grants are 2006-2010. Has stronger requirement on consultation with domestic violence experts to ensure program participation is voluntary. \$10 million annually for programs to address domestic violence as a barrier to healthy relationships, marriage, and economic security.

<b>Provisions</b>	<b>H.R. 240</b>	<b>S. 667</b>
<b>Fatherhood</b>	Fatherhood added as new section to Title IV of Social Security Act. \$20 million per year 2006-2010 for grants to public entities and non-profits including religious organizations to test promising approaches to promote non-resident father involvement, increase the ability of fathers to provide support to family, and support healthy marriages and married fathers.	Added to Title IV SSA. \$75 million for: grants to states for demonstration; grants to local governments, private entities, non-profits, and faith-based groups. National Clearinghouse for Fatherhood to development media campaigns and Block Grants to States to Encourage Media Campaigns, based on proportion of poor children in the state.
<b>Out-of-Wedlock Bonus</b>	Repeals bonus and replaces with Marriage and Family Formation grants.	Same as House.
<b>High Performance Bonus</b>	High Performance Bonus funded at \$100 million per year 2006-2011, changes name to "Employment Achievement Bonus" to be based on employment entry, job retention, and increases earnings.	Same as House except funded at \$50 million per year 2006-2008 and \$100 million 2009-2011. Similar measures as House.
<b>Universal Engagement/Individual Responsibility</b>	Replace Individual Responsibility Agreement (IRA) with Family Self-sufficiency Plan (FSP). Families must have plan within 60 days of opening a new case, current cases within 12 months. States must ensure that all recipients are participating in activities according to their plan. States have discretion in designing activities and developing own monitoring system.	Same as House plus: states to develop FSP for child only cases; adds education, work readiness, work barriers, employability of each adult, plus work support and other support services that the family is eligible for, well-being of the children, and activities to improve well-being to a list of activities for screening and assessment.
<b>Participation Rate</b>	Rate of 50% in FY2006, 55% FY2007, 60% in FY2008, 65% in FY2009, 70% work participation rate by FY2010. Separate two-parent rate eliminated. Gives partial credit starting at 24 hours. Increases weekly hours to 40.	Increases work requirement rate. Same as House requirement. Eliminates two-parent work rates but establishes different values for partial work hours for two-parent and single parent families. Provides partial credit for part-time work starting at 20 hours.
<b>Hours</b>	Increases work requirement to 40 hours.	24 hours-one parent with child under 6; 34 hours-one parent with child over 6; 39 hours-2-parent families without child care; 55 hours-two-parent families with child care.
<b>Exemptions</b>	State option to exempt families during first month of TANF benefits on a case-by-case basis for a family in which the youngest child is under the age of 1.	Same as House.

<b>Provisions</b>	<b>H.R. 240</b>	<b>S. 667</b>
<b>Caseload Reduction Credit</b>	Recalibrates current credit: 2006 uses caseload reduction since 1996; 2007 since 1998; 2008 since 2001; 2009 and forward from 4 <sup>th</sup> preceding year. Super credit if state achieves 60% caseload decline during the period of FY1995 to FY2001.	Replaces with an employment credit that provides a percentage credit for each percent reduction in caseload due to employment.
<b>Direct Work Activities</b>	24 hours must be spent in direct work activities: unsubsidized employment, subsidized private- or public-sector work, on-the-job training, supervised work experience, supervised community service. "Qualified" work activities can count as direct work activities for three months in any 24-month period, and education and training to fill a known job in a local area can be counted as work for four consecutive months in a 24-month period. Teens meet 40 hour requirement if they maintain successful attendance in secondary school or participate in education related to employment for at least 20 hours per week.	Identifies the following activities: nine priority activities for first 24 hours (unsubsidized jobs, subsidized private jobs, subsidized public jobs, work experience, on-the-job training, job search for six weeks, vocational training for 12 months, community service, child care for TANF recipients). Four non-priority activities after priority activity requirement is met (job skills training, completion of secondary school, education directly related to work, and marriage education/conflict resolution).
<b>Qualified Activities Beyond Direct Work</b>	After fulfilling the 24-hour requirement, activities to meet the required work hours can include substance abuse counseling, rehabilitation treatment, work-related education or training, job search or job readiness, and any other activity that addresses a purpose of TANF.	Seven qualified activities that can be counted as work for up to six months in any 24 month period: postsecondary education, adult literacy, drug and alcohol abuse counseling, barrier removal activities, financial literacy, and others.
<b>Additional Educational Activities</b>	Not applicable	State option to create program that allows recipients who are engaged in postsecondary 2- or 4-year program to count toward work participation rate calculation. State may provide support services including transportation, child care, and cost of books.