

## TEMPORARY ASSISTANCE FOR NEEDY FAMILIES - BACKGROUND MEMORANDUM

Section 3 of Senate Bill No. 2186, approved by the 2007 Legislative Assembly and attached as an [appendix](#), provides for a Legislative Council study of the temporary assistance for needy families (TANF) program administered by the Department of Human Services. The study may include a review of the sustainability of current programs and services being funded by TANF funds, a review of the potential programs and services that could be funded by use of TANF funds, and a review of the need for increased assistance to recipients of TANF who are attending a higher education institution.

### PREVIOUS STUDIES

The **2003-04 interim Budget Committee on Human Services** received information on the status of the TANF program reauthorization by Congress, changes made by the Department of Human Services to the TANF educational provisions, status of TANF program expenditures, and TANF program pilot projects. The committee learned that the Department of Human Services changed its TANF education policy in 2003 in anticipation of federal changes to the program. All three versions of TANF reauthorization under consideration by Congress at that time limited educational opportunities. The proposed change allowed only 4 months of education to qualify as work participation rather than 12 months. The department had been approving educational activities for a full year; however, because the department anticipated TANF would be reauthorized in 2003, the department did not approve TANF recipients for a full year of education with the expectation that it would have to rescind the approval because of new TANF provisions. Instead, the department adopted a policy on educational limitations which was common to all three versions of reauthorization. However, the reauthorization that occurred in 2006 continued to allow 12 months of education to qualify as work participation; therefore, the department again approves educational activities for a full year.

The committee also received information on the Cass County and Williams County TANF pilot projects. Each of these projects provided additional services for TANF clients and as a result had better outcomes.

The **2001-02 interim Budget Committee on Human Services**, pursuant to Section 1 of Senate Bill No. 2354, studied the feasibility and desirability of establishing an alternatives-to-abortion services program. As part of the study, the committee received information on the potential use of TANF program funds for an alternatives-to-abortion services program. The committee reviewed a letter from representatives of the federal Department of Health and Human Services indicating that it may be appropriate for the

state to use federal TANF funds for an alternatives-to-abortion services program.

The committee also was assigned the responsibility of approving any revisions to the administration of the TANF program by the Department of Human Services pursuant to North Dakota Century Code Section 50-09-29. The committee was not asked by the Department of Human Services to approve any changes to the TANF program during the interim.

The **1999-2000 interim Budget Committee on Human Services**, pursuant to Section 4 of 1999 Senate Bill No. 2114, studied implementation of the TANF program.

The committee recommended House Bill No. 1037 to implement the family violence option under the TANF program to provide parents who are victims of domestic violence to be included in the 20 percent of the TANF caseload exempt from the 60-month benefit limit and to be excluded from the TANF program work activity requirements. The bill was not approved. The committee also recommended Senate Bill No. 2030 providing a general fund appropriation of \$150,000 to the State Department of Health for the 2001-03 biennium for additional state support of the sexual abstinence education grant program; however, this bill was not approved.

The **1997-98 Welfare Reform Committee** studied implementation of the TANF program. The committee reviewed provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Pub. L. 104-193). The Act became law in August 1996. The Act provided for substantial welfare reform, including a TANF block grant. The TANF block grant replaced the aid to families with dependent children (AFDC) program, allowed the state to develop its own assistance program, and provided North Dakota approximately \$26.4 million per year. The block grant:

- Included a 15 percent cap on state administrative costs;
- Required that the state Legislative Assembly appropriate the state's block grant funds;
- Required an 80 percent maintenance of effort based on state spending for fiscal year 1994 (approximately \$9.7 million per year);
- Allowed transfers of block grant money of up to 30 percent to the social services block grant and up to 10 percent to the child care block grant;
- Required client work participation;
- Provided for sanctions and penalties against states for failing to meet work participation rates;
- Required states to implement child support enforcement requirements; and

- Limited an individual's receipt of welfare benefits to a five-year time period.

The training, education, employment, and management (TEEM) benefit is the North Dakota welfare reform project funded by the TANF block grant program. The TEEM project combines benefits for assistance to families with dependent children, food stamps, and fuel assistance. In addition, TEEM is to emphasize employment as a means of attaining self-sufficiency, to strengthen the family structure, and to emphasize the responsibility of both parents by improving child support collections. The TEEM project was approved as a waiver project by federal agencies on September 28, 1995. In May 1997 the department submitted the state's TANF plan to the United States Department of Health and Human Services and received federal approval on June 26, 1997. The program was implemented on July 1, 1997.

### TEMPORARY ASSISTANCE FOR NEEDY FAMILIES REAUTHORIZATION

Congress reauthorized the TANF block grant in February 2006 as part of the Deficit Reduction Act of 2005. Congress made two major changes to the program:

1. The federal TANF law, since federal fiscal year 2002, required that 50 percent of all TANF families be engaged in a qualified work activity for 30 hours or more per week (20 hours if the family includes a child who has not reached age 6). States get a caseload reduction credit for meeting the work participation requirement. Reauthorization changed the base year for calculating the caseload reduction credit from federal fiscal year 1995 to federal fiscal year 2005. The effect on North Dakota of this change was to greatly decrease North Dakota's caseload

reduction credits. Failure to achieve a 50 percent work participation rate can lead to severe fiscal penalties.

2. The federal TANF law originally defined the term "work activity" but allowed states to determine what activities were within the definition. Reauthorization gave federal officials authority to require nationally uniform definitions and require states to secure verification that work activity hours are accurately claimed. Federal officials have proposed strict requirements for definitions and verifications with initial work verification plans due as of September 30, 2006.

### USE OF FEDERAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES FUNDING

Federal law provides that TANF funds may be used to:

1. Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives.
2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.
3. Prevent and reduce the incidence of out-of-wedlock pregnancy and establish annual numerical goals for preventing and reducing the incidence of these pregnancies.
4. Encourage the formation and maintenance of two-parent families.

### 2007-09 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES FUNDING

The following schedule provides the anticipated sources and uses of federal TANF block grant funds for the 2007-09 biennium:

<b>Projected TANF funds available - 2007-09 biennium</b>			
Estimated balance brought forward from 2005-07 biennium		\$14,900,000	
Federal fiscal year 2007 revenue allocation - July to September 2007		6,620,107	
Federal fiscal year 2008 revenue allocation - October 2007 to September 2008		26,399,809	
Federal fiscal year 2009 revenue allocation - October 2008 to June 2009		19,799,856	
<b>Total estimated revenue available - 2007-09 biennium</b>			<b>\$67,719,772</b>
<b>Projected uses of TANF funds - 2007-09 biennium</b>			
Executive budget recommendation			
Transfer to social services block grant		\$1,246,220	
Assistance to needy families			
TEEM benefit	\$6,851,322		
Child care	1,848,000	8,699,322	
Job preparation			
Work activity	\$445,098		
Job opportunities and basic skills (JOBS)			
Transportation	3,050,000		
Client services	5,022,000		
Support service	1,344,000	9,861,098	
Formation and maintenance of families			
Wraparound case management	\$2,322,550		
Child abuse and neglect investigations	3,509,950		
Parent aide	1,083,350		

Intensive in-home services	801,342		
Foster care emergency assistance	19,649,148	27,366,340	
Other			
Systems maintenance and operations	\$1,382,436		
County emergency assistance - Case management	1,433,400		
County TANF assessments	835,088	3,650,924	
Administration			
JOBS contract administration	\$583,200		
State office administration	2,220,145		
County administration	2,734,416		
Human service center administration	769,063	6,306,824	
Total projected uses included in 2007-09 executive budget			\$57,130,728
Legislative changes			
SB 2012 - Increased county reimbursement for child abuse and neglect assessments by \$100 per assessment		\$770,800	
SB 2186 - Provided funding for child care transition assistance		1,491,210	
Provided funding to establish a statewide system of early childhood care workforce development		500,000	
SB 2312 - Provided funding for continuing the alternatives-to-abortion services program		400,000	
Total projected uses resulting from legislative changes			\$3,162,010
Total projected uses - 2007-09 biennium			\$60,292,738
Estimated balance to carry forward to 2009-11 biennium			\$7,427,034

### STUDY PLAN

The committee may wish to proceed with this study as follows:

1. Receive information on the anticipated level of federal TANF block grant funds to be received by the state annually.
2. Receive information on the uses of federal TANF block grant funds each year, including a review of the programs and services being provided.
3. Receive information on the potential use of federal TANF block grant funds for other programs and services.
4. Review the level of benefits being provided for families receiving TEEM benefits payments
5. Receive information on TANF caseloads and benefits payments compared to estimates made for the 2007-09 biennium.
6. Receive testimony from interested persons regarding the TANF study.
7. Develop recommendations and prepare any legislation necessary to implement the recommendations.
8. Prepare a final report for submission to the Legislative Council.

ATTACH:1