



Legislators' Guide to the Issues

WELFARE REFORM 58

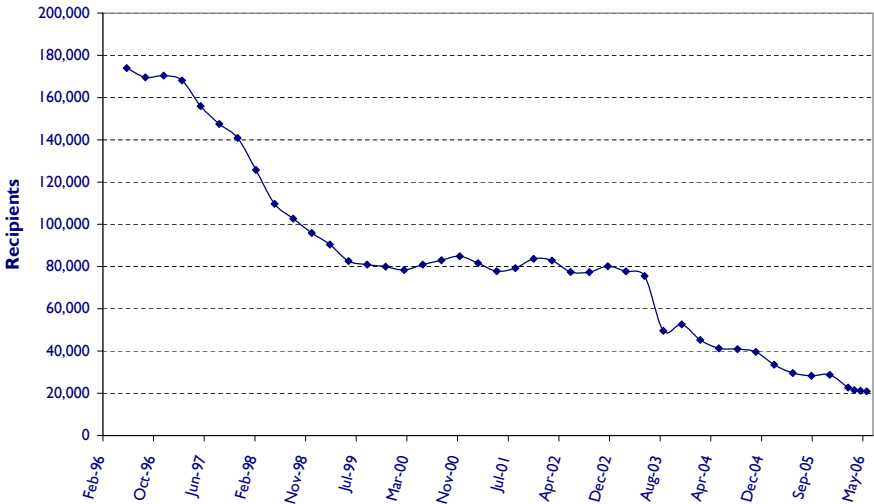
THE ISSUE

In 1996, the United States Congress passed sweeping legislation to reform the nation's welfare system through the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). PRWORA ended welfare as an entitlement, instead creating a system of reciprocal obligation, requiring welfare recipients to be engaged in work activities, and time-limiting the receipt of benefits. In addition, welfare reform changed the name of the welfare program from Aid to Families with Dependent Children to Temporary Assistance for Needy Families (TANF), and funded TANF through a federal block grant to the states.

Texas has been a leader in welfare reform, passing its own version in 1995 and receiving a waiver to grandfather the state's system until 2002 when the state was forced to fully comply with PRWORA. In addition, the 78th Legislature continued the work of welfare reform, establishing stricter sanctions for non-compliance with work requirements and the state's Personal Responsibility Agreement. The full-family sanction terminates the entire family's TANF grant and is not restored until the adult recipient becomes compliant. Similarly, the state terminates the Medicaid benefit for TANF adults who do not comply with work requirements.

The results of the stricter sanctions have been dramatic. The percentage of adults under sanction every month has dropped dramatically, while the percentage of adults participating in work activities has climbed. The stronger sanctions have created an incentive for more responsible behavior, driving greater compliance with work requirements to ensure clients earn the full benefit for their family.

Adult TANF Recipients By Selected Months





As a result of welfare reform and the emphasis on work, Texas has been a leader among the states for moving people off of welfare and into the workplace. A July 2006 USA Today article shows the number of families receiving welfare in Texas declined by 68 percent between August 1996 and December 2005.

Through the Deficit Reduction Act of 2005 (DRA), Congress has continued to drive welfare reform further, tightening definitions of work activities and recalibrating the way states demonstrate their success in reducing their welfare caseload. States are required to have 50 percent of all TANF families participating in work activities, and 90 percent of two-parent families participating in work activities. However, in the past, states have received credit for reducing their caseload since 1995 which lowers the work participation percentage states must meet. The DRA will change the benchmark year for giving states credit for reducing their caseload from 1995 to 2005, thereby forcing states to more closely meet the 50 percent and 90 percent participation rates for all families and two-parent families, respectively.

To meet the participation rates under the recalibrated system, Texas will need to engage more TANF recipients in work activities. However, due to exemptions in state law and in Health and Human Services Commission (HHSC) rules, Texas may have difficulty engaging enough people in work activities to meet the participation rate, particularly for two-parent families. Failure to meet the work participation rate will result in a loss of part of the state's TANF block grant.

THE FACTS

- ★ The Personal Responsibility and Work Opportunity Reconciliation Act passed by Congress in 1996, fundamentally changed welfare across the country.
- ★ Texas has been a leader in welfare reform, receiving almost \$80 million in high performance bonuses from the U.S. Department of Health and Human Services through December 2005.
- ★ Between August 1996 and December 2005, Texas reduced the number of families on welfare by 68 percent.
- ★ Stricter state sanctions established by the 78th Legislature have improved compliance.
- ★ The number of individuals sanctioned for non-cooperation with work requirements declined by 92 percent from August 2003-April 2006.
- ★ The number of families sanctioned for non-cooperation with the state's Personal Responsibility Agreement dropped by 84 percent between September 2003 and June 2004.

- ★ The number of adults participating in work activities climbed 55 percent from State Fiscal Year 2003 to April 2006.
- ★ TANF recipients are exempt from work requirements under state law if they are the caretaker for an ill or disabled child, or a single parent/caretaker with a child under age one (applies only to the first child).
- ★ TANF recipients are exempt from work under HHSC rules if they are age 18 or younger, an adult unable to work due to a mental or physical disability lasting for more than 180 days, age 60 or older, an adult caring for a disabled adult, a pregnant woman not able to work, or a single grandparent age 50 or older and caring for a child under age three.

RECOMMENDATIONS

- ★ Maintain the full-family sanction for non-compliance with work requirements and the Personal Responsibility Agreement.
- ★ Maintain the adult Medicaid sanction for non-compliance with work requirements.
- ★ Review exemptions in state law and in agency rule that exempt TANF clients from work, though their benefits remain time-limited.
- ★ Remove exemptions that impede the state's ability to engage recipients in work and prepare them for self sufficiency.

RESOURCES

- *Continuing Welfare Reform in Texas* by Mary Katherine Stout, Texas Public Policy Foundation (July 2006) <http://texaspolicy.com/pdf/2006-07-PP-welfare-reform-mks.pdf>.
- "How welfare reform changed America" *USA Today* (18 July 2006) 1A.
- *The Impact of Welfare Reform*, testimony of Robert Rector to the Committee on Ways and Means, United States House of Representatives, The Heritage Foundation (19 July 2006) <http://www.heritage.org/Research/Welfare/tst071906a.cfm>.