

Report

H.523 - ACT 30- Section 17(c)

January 10, 2008

Presented To: Senate Committee on Appropriations
Senate Committee on Health and Welfare
House Committee on Appropriations
House Committee on Human Services

Submitted By: Stephen R. Dale, Commissioner



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Report to the Vermont Legislature Pursuant to 33 V.S.A. §1134(c)

Families Long-term Receipt of Financial Assistance

In 1996, the U.S. Congress passed the law creating the Temporary Assistance for Needy Families (TANF) Block Grant. TANF replaced the Aid to Families with Dependent Children Program (AFDC, ANFC in Vermont). Vermont's TANF program is Reach Up. The TANF law gives states flexibility to design their welfare programs, but requires that they meet participation requirements and abide by limitations on the use of TANF funds. One of these spending limitations prohibits states from using TANF to fund financial assistance for any family with a member who has received 60 months of TANF assistance as an adult and does not qualify for the 20 percent hardship exemption.

In 2000, when the Vermont General Assembly enacted Vermont's statute creating its TANF program it included a section prohibiting the termination of a Reach Up family's financial assistance on the basis of the 60-month TANF limitation. 33 V.S.A. § 1108. Accordingly, Vermont must use general funds to pay the Reach Up grants of those families who no longer qualify for TANF-funded assistance. To monitor the effects of this policy, section 1134(c) of Title 33 of the Vermont Statutes requires the Department for Children and Families to report annually on the number of families exceeding 60 months of TANF-funded assistance to the Vermont General Assembly's house committees on human services and appropriations and senate committees on health and welfare and appropriations. This report is divided into four parts corresponding to the subsections in 33 V.S.A. § 1134(c)(1) – (4).

Section 17(c) Part I

The number of families receiving financial assistance in federal fiscal year 2007 (FFY '07) that included an adult family member who has received TANF-funded financial assistance, as an adult, more than 60 months in his or her lifetime.

	TANF-funded Reach Up cases	Reach Up Cases With More Than 60 Months of Assistance		
		Not Sanctioned (hardship)	Sanctioned (not qualified for hardship)	Total
Oct-06	4,437	114	1	115
Nov-06	4,436	114	21	135
Dec-06	4,422	131	16	147
Jan-07	4,424	142	15	157
Feb-07	4,425	152	20	172
Mar-07	4,491	163	19	182
Apr-07	4,532	173	19	192
May-07	4,532	186	20	206
Jun-07	4,514	195	20	215
Jul-07	4,472	195	23	218
Aug-07	4,549	214	25	239
Sep-07	4,524	213	33	246
<i>Average</i>	<i>4,480</i>	<i>166</i>	<i>19</i>	<i>185</i>

The number of TANF cases exceeding the 60-month assistance limit grew during the year, from 115 in October 2006 to 246 in September 2007. An average of 26 of the Reach Up cases beyond their 60-month limit were in sanction during each month of federal fiscal year 2007.

Section 17(c) Part II

The average proportion of the monthly TANF-funded caseload that represents families receiving more than 60 months of TANF-funded assistance during federal fiscal year 2007.

	Non-Sanctioned Reach Up Cases With More Than 60 Months of Assistance (Hardship)	Hardship cases, as % of Reach Up cases with TANF-funded grants
Oct-06	114	2.6%
Nov-06	114	2.6%
Dec-06	131	3.0%
Jan-07	142	3.2%
Feb-07	152	3.4%
Mar-07	163	3.6%
Apr-07	173	3.8%
May-07	186	4.1%
Jun-07	195	4.3%
Jul-07	195	4.4%
Aug-07	214	4.7%
Sep-07	213	4.7%
<i>Average</i>	166	3.7%

The chart above shows the number of cases qualifying for the hardship exemption and the percentage of the caseload they represent that can be applied against the 20 percent hardship exemption. The 20 percent hardship exemption derives from the federal TANF law and regulations (42 U.S.C. § 608(A)(7)(C) and 45 C.F.R. §264.1(C)(1)) that permit states to exempt, on the basis of hardship, up to 20 percent of its TANF-funded caseload from the five-year limitation on receipt of TANF assistance. The state must define the "hardship" criteria. Vermont describes "hardship" in its program rules as follows:

Reach Up families may qualify for a hardship exemption if they meet these criteria:

- at least one member of the family has received 60 or more months of federal TANF assistance as an adult; and
- the family is fully complying with Reach Up requirements whether or not those requirements are deferred [i.e., the family is not in sanction].

Vermont’s hardship definition limits the hardship qualification to families who are complying with Reach Up requirements demonstrated by not being sanctioned. As shown in the chart above, the number of Reach Up families having received five years of TANF assistance is less than 20 percent of the caseload.

An average of 3.7 percent of the Reach Up cases with TANF funded grants during federal fiscal year 2007 qualified as hardship cases--well below the 20 percent limit. Vermont’s TANF program started in July 2001. Consequently, the first families to reach the 60-month limit began to do so in June 2006. Since then, the portion of the TANF caseload

composed of cases with more than 60 months of assistance has increased slightly each month. Between July 2006 (when families began exceeding the time limit) and November 2007 (the latest month for which program data is available), the number of hardship cases grew by an average of 9 each month. Based on this growth rate and the current caseload size, the portion of the caseload composed of cases beyond their time limit is likely to remain within the 20 percent hardship exemption threshold during the next few years. As long as the hardship group remains less than 20 percent of the caseload, Vermont does not have to use general funds to support these families' grants. As discussed in the next part, general funds are needed and used to fund the grants of families who do not qualify for the hardship exemption.

Section 17(c) Part III

The adequacy of general funds to support families not qualifying for the 20 percent hardship.

Currently, the only families not qualifying for the 20 percent hardship exemption are those who have received 60 months of TANF and are in sanction. These families' grants must not be funded with TANF funds. In the past, Vermont funded these grants with TANF Maintenance of Effort (MOE), general funds claimed toward Vermont's federal financial participation requirement. Due to a change in the federal law effective October First, 2006, Vermont began funding these cases with general funds not claimed as MOE.¹ This change may affect the availability of funding for these cases.

As reflected in the chart below, during each month in FFY '07, an average of 26 of the cases with more than 60 months of assistance did not qualify for the hardship exemption because they were in sanction. Paid for with general funds, the monthly Reach Up benefits provided to all these families averaged \$8,036, totaling \$96,434 for the year. The number of sanctioned cases with more than 60 months of assistance and the amount of their Reach Up benefits varied significantly from month to month during this period. This suggests that monthly general fund expenditures for the benefits provided to this segment of the Reach Up caseload are likely to range from \$7,000 to \$15,000 in future months, unless relevant programmatic changes are made.

¹ In 2006, Congress reauthorized the TANF block grant and changed the law to require inclusion of families whose grants are funded with TANF MOE in a state's work participation rate. If Vermont had continued to fund the sanctioned families' grants with MOE these families would have been included in and lowered Vermont's work participation rate. To avoid this consequence, the Vermont General Assembly authorized the commissioner to fund these families' grants with general funds not claimed as MOE in FFY 2007 and going forward. See 33 V.S.A. §1121(c)(6)(C)(ii).

	Sanctioned Reach Up Cases With More Than 60 Months of Assistance	Reach Up Grants Paid	Share of Reach Up Grants Paid		
			Cases with a \$75 sanction	Cases with a \$150 sanction	Cases with a \$225 sanction
Oct-06	1	\$880	0%	100%	0%
Nov-06	21	\$9,259	25%	63%	12%
Dec-06	16	\$7,055	35%	56%	9%
Jan-07	15	\$6,930	44%	37%	19%
Feb-07	20	\$7,467	45%	32%	22%
Mar-07	19	\$7,186	15%	38%	47%
Apr-07	19	\$7,261	23%	30%	47%
May-07	20	\$8,358	16%	38%	46%
Jun-07	20	\$7,055	8%	45%	46%
Jul-07	23	\$9,502	18%	53%	29%
Aug-07	25	\$10,695	31%	49%	20%
Sep-07	33	\$14,786	14%	42%	44%
<i>Average</i>	<i>19</i>	<i>\$8,036</i>	<i>23%</i>	<i>49%</i>	<i>28%</i>

Families who have been in sanction for 12 months and received 60 months of assistance have their grants reduced by \$225. This is a higher sanction amount than families with fewer than 60 months may receive. On average, 23 percent of the sanctioned families with more than 60 months of assistance were in the \$75 sanction category, 49 percent were in the \$150 sanction category, and 28 percent were in the \$225 category. The fluctuating size of the group with a \$225 sanction may suggest that families may be reacting to the increased level of sanction by curing the sanction and qualifying for the hardship or by leaving the program.

While there are sufficient funds to pay the grants of these families at this time, the class of general funds used to pay these grants and services also support other state priorities such as the Postsecondary Education Program, the deferment to care for a child under 2, and as excess MOE to increase the state’s caseload reduction credit. Accordingly, the department will continue to monitor the sufficiency of these funds to support these grants and the other commitments.

Section 17(c) Part IV

When appropriated general funds are insufficient to fund financial assistance for all such families, the modifications in policy, appropriated general funds, or combination thereof that the commissioner recommends to support families receiving financial assistance under chapter 11 in their achievement of self-sufficiency and to protect children in their families.

Even though there are sufficient general funds to pay the financial assistance grants and services of families who do not qualify for the hardship exemption, the department will continue to monitor and assess the use and availability of these funds in consideration of whether there is a need for changes in policy or appropriations. Concurrently, the department will continue to implement best practices designed to increase Vermont's work participation rates and resolve family sanction issues. These measures are expected to reduce some of the competing demands for these general funds that are not claimed for MOE.

Summary

The number of families qualifying for the hardship exemption from the 60-month limit on receipt of TANF-funded assistance did not exceed the allowable 20 percent of the caseload for FYY 2007. However, a small number of cases had received 60 months of TANF-funded assistance but do not qualify for the hardship exemption because they were sanctioned. Since the number of these cases remained low and because their RU grant amounts are reduced by the sanction, general funds appropriated in the Reach Up program are sufficient to fund the grants of these families.