April 11, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
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From: David E. Janssen
Chief Administrative Officer

FEDERAL LEGISLATIVE UPDATE

This memorandum is to advise your Board of positions that the County's Washington advocates will be pursuing on legislation to reauthorize the Temporary Assistance for Needy Families (TANF) Program. The current authorization for TANF (CalWORKs in California), which was established under the 1996 welfare reform law, expires at the end of Federal Fiscal Year (FFY) 2002. California annually receives a TANF block grant allotment of $3.734 billion.

On February 26, 2002, the Bush Administration unveiled its proposals to reauthorize TANF through FFY 2007, and, in March, Congressional hearings were held on TANF, child care, and related welfare reform issues. On April 9, 2002, Representative Wally Herger (R-CA), who chairs the House Ways and Means Human Resources Subcommittee, introduced H.R. 4090, a TANF reauthorization bill which includes many of the President's proposals. Attachment I is the Ways and Means Subcommittee's summary of the bill. The Subcommittee may mark up a TANF reauthorization bill later this month while Senate action on TANF reauthorization is not expected to begin until after the House takes action.

Pursuit of County Positions on Legislation

Based on TANF reauthorization and welfare reform policies included in the Federal Agenda adopted by your Board on February 6, 2002, the County will be advocating the following positions on TANF reauthorization:

Funding: Support increased TANF funding, the equitable allocation of funds to California, and the preservation of state maintenance-of-effort (MOE) requirements to ensure that

sufficient resources are available to the County to lift children and their families out of poverty and meet all program responsibilities.

Increased resources are needed to help families make the successful transition from welfare to work and economic self-sufficiency. Increased TANF funding is especially important for California and the County, which currently face CalWORKs funding shortfalls. Under the 1996 welfare reform law, annual Federal TANF block grant funding to states was frozen at pre-welfare reform funding levels for the Aid to Families with Dependent Children (AFDC) Program. The Bush Administration is proposing to continue to freeze annual TANF funding through FFY 2007.

The County will support cost-of living adjustments for TANF block grant allotments to states to ensure that the value of the grants does not continue to erode due to inflation, and also will seek increased funding for child care to enable more low income parents to work. Our Washington advocates will advise the State's Congressional delegation that California would be better off if increased Federal child care funds were provided through TANF rather than the Child Care Development Block Grant (CCDBG). California receives about 22.6 percent of all TANF block grant funds, but only about 11.6 percent of all CCDBG funds. TANF also provides states with greater flexibility than CCDBG over the use of funds. States may use TANF funds for a wide range of services, including child care, and may transfer up to 30 percent of their TANF allotments to CCDBG.

Flexibility: Support preservation of current provisions which give states broad flexibility over the use of TANF funds, including the ability to use funds for juvenile probation services and to transfer funds to the Social Services Block Grant and CCDBG programs. Support proposals that provide states with increased flexibility while opposing proposals which reduce flexibility.

One of the strengths of TANF has been the broad flexibility it provides to states and counties in designing programs which are best suited for meeting local needs and priorities. However, in order for welfare reform to ultimately succeed in lifting children and families out of poverty, even greater flexibility is required.

Welfare recipients have diverse employment-related needs with some recipients being more job ready than others. The greatest challenge is to increase the self-sufficiency of recipients with multiple barriers to employment, such as the lack of basic education, job skills, or English language proficiency, and mental health, substance abuse, or domestic violence problems. Current Federal law, however, narrowly limits which activities in a recipient's employability plan may count towards work participation rate requirements that states must meet to avoid Federal fiscal sanctions. The County will support amendments to allow services for mental health, substance abuse, domestic violence, and education and

training which are in a recipient's employability plan to count towards work requirements. The County also will support elimination of the current separate higher work participation rate for two-parent families, many of whom in California are former refugees.

The County will oppose amendments which would reduce state and local flexibility by mandating increased work requirements without providing additional funding to meet the requirements. This would include opposition to Administration proposals which would require states to greatly increase the percentage of TANF recipients participating in work activities and the required hours of work participation for each recipient while, at the same time, limiting the activities that count toward work requirements.

The County's Department of Public Social Services (DPSS) estimates that the added annual cost of meeting the increased work requirements in Los Angeles County would total $257.0 million without taking into account future increased costs due to inflation. The added annual child care cost associated with meeting the increased work requirements alone is estimated at $176.6 million. Attachment II is a chart with the estimated annual programmatic and cost impacts of the Administration's proposed TANF work requirements on the County's CalWORKs program, which was prepared by DPSS.

Increased costs of this magnitude would greatly worsen the State's and County's CalWORKs funding shortfalls. In fact, the added costs of meeting the increased work participation rate requirement would be so high that it may be less costly for California and its counties to absorb the Federal fiscal penalties for not meeting the requirement, which start at five percent ($187 million) of the State's annual TANF allotment in the first year that the requirement is not met with the penalty growing by two percentage points for each subsequent year in which the requirement is not met. The ultimate victims of the fiscal penalties would be children and families because there would be less TANF funds with which to serve them.

The County also will support amending current law to increase the flexibility of states to draw down their annual TANF allotments. Under Federal cash management rules, states cannot draw down TANF funds from the Federal Treasury unless there is an immediate need to reimburse allowable costs. As a result, the State of California and its counties were required to repay, with interest, TANF funds drawn down and allotted to counties as performance incentive payments before the funds were used to reimburse costs. Enabling states to immediately draw down TANF funds and earn interest on the funds would help mitigate the impact of inflation which, otherwise, erodes the value of TANF funds.

Reduction of Child Poverty: The County will support amendments to current law, which would strengthen TANF's role in reducing child poverty, including making the reduction of child poverty an explicit program goal. The County's child poverty rate is significantly higher than the national average. The ultimate goal of welfare to work, which has been the focus of the 1996 welfare reform law, should be to move children and their families out of poverty.

We will continue to keep you advised of any new developments.

DEJ:GK
RT:TJ:MT:md

Attachments

c: Executive Officer, Board of Supervisors
County Counsel
All Department Heads
Legislative Strategist