

TESTIMONY
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Chairman Davis and Subcommittee Members, thank you for the opportunity to speak today. My name is Gary Alexander and I am the Secretary of Public Welfare for the Commonwealth of Pennsylvania. Prior to my appointment, I served as the Secretary of Health and Human Services in Rhode Island. I am here today to offer testimony on the reauthorization of the Temporary Assistance for Needy Families (“TANF”) program, and how states can better engage recipients in real work activities that move them towards self-sufficiency and independence.

The Genius of the TANF Concept

The concept behind the 1996 TANF legislation was a stroke of policy genius. This legislation, known as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, took a completely novel approach to an intractable problem with its origins in the Great Society of President Lyndon B. Johnson. That problem was an increasing dependency on government for income and most of life’s other needs, from housing to food to medical assistance.

This committee is well familiar with the fundamental changes in the social contract between the taxpayers and the recipients of income and services with PRWORA. For the first time, the stated objective of the program explicitly emphasized self-reliance, but equally importantly enforceable expectations were imposed in exchange for temporary assistance. With this central element in place the legislation at once *brought into alignment* the interests of all parties—recipients, taxpayers and government bodies. Recipients were motivated to move into jobs at the earliest opportunity because of time limits and TANF work obligations; taxpayers could see that those they were temporarily supporting were making real efforts to earn their own income; and government agencies were no longer “bought out” from the consequences of rising caseloads but instead had every reason to encourage family self-sufficiency so that block grant funds could be saved or re-programmed. This alignment of incentives - - and not just the work program changes alone—was responsible for the 60% reduction in the national caseloads experienced soon thereafter.

When TANF was reauthorized in 2006, certain adjustments and updates were made, but the essential social bargain set for in the original legislation remained intact. I would encourage the Committee in its current deliberations to acknowledge the genius of its earlier handiwork and whatever legislative changes are adopted, make sure the underlying alignment of incentive among the three parties—recipients, taxpayers and government bodies—remains vibrant.

There is no reason that other benefit programs should not encourage self-reliance, incorporating a version of a work requirement. Although not all benefit programs are under the jurisdiction of this Committee, it is important for the Congress as a whole to consider the nature of the social welfare system as recipients experience it and to consider the adaptations of the TANF success to other related programs. Large assistance programs, such as Food Stamps, Medicaid, housing assistance and unemployment insurance, should incorporate a universal work or work preparation obligation from able bodied adult recipients. To give an example, there are more non-working families with children receiving Food Stamps-only than there are comparable families receiving both TANF and Food Stamps together. Yet despite their similar situations, such Food Stamp-only households are subject to virtually no effective work obligations.

The Pennsylvania TANF System

To be eligible for Pennsylvania's TANF program as it is now configured, families must include a child (or pregnant woman) and be residents of Pennsylvania Adults in families receiving cash assistance must work or participate in work-related activities. A single parent with children age six and over must participate for at least 30 hours per week while a single parent with a child or children under age six must participate at least 20 hours per week. Special exemptions are allowed from these work requirements, such as disability and pregnancy. Cash grants vary based upon the size of the family and their location. For example, a family of three in Philadelphia receives a monthly cash grant of \$403; a family in Butler County, PA receives a monthly cash grant of \$393.

Beyond the receipt of monthly cash grants, individuals in TANF can receive support and assistance related to finding and maintaining employment. Some of these programs and services include job assessments, job placements, paid work experience, vocational training classes, in-school programs for teen parents, fatherhood initiatives, transportation grants, and literacy programs. Families on TANF are also eligible to receive child care subsidies for child care through the Child Care Works program.

Generally, lifetime TANF benefits are limited to 60 months per individual. The person may, however, continue to be eligible for cash assistance benefits after the 60-month limit has ended through "Extended TANF." Eligibility for Extended TANF occurs if:

- The person is working or in an approved training program.
- The person or a family member is a victim of domestic violence.
- The person has a physical or mental condition that prevents them from working.
- The person has a family crisis.
- The person is caring for an individual who is disabled.
- The person has a child under the age of twelve months.
- The person is able to work, but can't find a job.

Much Room For Improvement

Despite the strengths with the TANF program, there is still much room for improvement. Perhaps the largest area for improvement is the placement and retention of people in the workforce. Further, federal rules and benchmarks need to be simplified to reflect real work and retention rather than a myriad of ancillary activities that usually do not add up to self-sufficiency. As in all federal programs, the rules are complicated and burdensome and the work participation rate – while important for federal reports – apparently fails to accurately measure actual, real-life work.

As the name indicates, TANF was meant to be temporary assistance, but instead has become “a way-of-life” for many. In Pennsylvania for example, as of July 2011, there were almost 10,000 individuals and growing on TANF who been on for more than five years. In the past year, half of those who left TANF for a job returned to TANF within a year. Pennsylvania’s work participation rates for families receiving TANF show TANF is in need of cost-saving reforms because it has simply not performed as intended over the years. As of July 2011, Pennsylvania is only managing to put approximately four percent of its TANF population into jobs that provide at least 30 hours of work per week and only six percent of those on TANF work 24 hours a week. Indeed, from July 2010 to July 2011 there has been a thirty-one percent decrease in the percentage of TANF individuals who are working.

Among individuals who leave TANF, approximately one out of three return after six months. The data clearly shows that Pennsylvania and the nation need a focus and mandate on employment in order to offer its participants a chance of moving out of poverty. An approach that encourages work first is the only way to ensure that truly needy individuals receive temporary assistance while transitioning to self-sufficiency.

The Corbett Administration recognizes the need to begin the process of redesigning Pennsylvania’s TANF program. The public data illustrate the failure of the current system to transition individuals into meaningful employment and become independent. Current work participation rates are troubling, and strongly suggest a fundamentally flawed system. A sense of shared responsibility among those administering public assistance programs and those receiving benefits is necessary to achieve true self-sufficiency and improve program performance. Only a program that values and encourages work first will increase accountability on behalf of Pennsylvania and its participants and create a system that empowers individuals and promotes strong families. The best anti-poverty program is a JOB. Pennsylvania is considering numerous changes to its existing TANF program with reforms focused on:

1. Eliminating or reducing the harmful effects of poverty on families and children by fostering employment and opportunity as a means to economic independence;
2. Assisting participants to gain employment as rapidly as possible, giving due consideration to individual circumstances, labor market conditions, the needs of children and the ultimate goal of long-term economic independence;
3. Eliminating the stigma of welfare by promoting self-sufficiency and self-worth and strengthening family life; and

4. Implementing a program that is clear, focused, simple to administer, and that moves participants from welfare to work.
5. Incentivizing and energizing participants to gain independence and motivating contractors to perform and achieve results.

It is undeniable that parents who are able to work should work, especially if they receive public assistance. Any new reform proposal must set the expectation that able individuals receiving benefits should work. Unsubsidized work should be the top priority, and services such as child care and health care should be available to help families transition into independence. Any plan should include four goals:

- Promoting personal responsibility: Clients are expected to explore all possible resources to support their education and training before requesting taxpayer support.
- Refining sanctions: Clients who are able to work must do so. For example, Pennsylvania's County Assistance Offices are reviewing the caseload to ensure that clients who are not meeting their work requirements have sufficient documentation to support their exemption from it. We are maximizing automation at the front door every which way we can to streamline caseworkers focus on quality reviews.
- Promoting responsible parenthood: Noncustodial parental initiatives should be supported to promote financial and emotional assistance for dependent children.
- Performance-Based Contracting — Applicable state vendors should be encouraged to hire current and former TANF clients.

With reauthorization, you have the opportunity to improve the approach for states to administer TANF by providing more flexibility for states to administer their TANF programs. Pennsylvania is doing this by using simplified, clear and transparent, targeted performance measures and outcomes to manage the program.

The goal of any new “Work First” system in Pennsylvania is to remove “middleman” contracts and work directly with employment and training contractors via competitive procurements. Job placement contractors would get paid only on successful job placements. Existing employment and training centers would move to managing based on the new performance measures thereby shifting to outcomes-based management. Data and information technology (IT) are crucial to this endeavor. We are developing a case-management IT system for the employment vendors that manage enrollment, eligibility, plan development, assessment, other support services, referrals, and follow-ups for our clients. Our job placement contractors will not only enter data, but will also be able to generate real-time reports.

Performance measures will be put in place to focus on valid employment measurements for clients, employment and training entities, and for our oversight. We are developing a means to incentivize each measure to ensure we move this system to where it needs to be.

Proposed TANF Performance Measures should include:

1. WPR measurements – while standard WPR measures are required by the federal government, we want to review real work participation at every level of the organization, early and often. Our goal is to reduce the target but perform better in getting clients into meaningful employment, so the target would be lower but clients would be moved into real jobs
2. Job placement – full month in an unsubsidized job.
3. Job retention – We want our clients to stay in a job so we will be measuring job retention at 60, 90, and 180 days (we know that most people who drop out of employment do so before the 180-day mark).
4. Health insurance - available through unsubsidized employer and selected by the recipient. (Note that the Patient Protection and Affordability Act provides disincentives for employers to continue to offer health care benefits to workers after 2013 leading to higher enrollment in government subsidized health coverage.)
5. Hourly increases –we plan to measure increased number of hours worked with a goal of full-time/35 hours weekly. Right now, a recipient can get credit for working five, ten, or 20 hours a week. Unfortunately, most jobs are not going to help them become self-sufficient at that level. In order to really reach self-sufficiency, they need to be working full-time (which we would suggest defining “full-time” as 35 hours/week). So, essentially, the measurement would track the number of people who move from part-time employment to full-time employment. Incentives must be provided to focus on those working part-time to get them to full-time employment, to adopt innovative programs, and to build competition between employment and training entities.
6. Case Review - Review of cases if case closure is due to higher income or voluntary closure. Nationally, it is recognized that moving clients to unsubsidized and subsidized work is a less expensive approach than a program design focused heavily on skills training and paid work experience. A new “Work First” design would support streamlining costs, promoting personal responsibility and work. Work and job retention are the best and least-expensive outcomes. WPR activities and employment and training programs should be adjusted to promote these outcomes.

REAUTHORIZATION RECOMMENDATIONS:

With reauthorization, you have the opportunity to improve the approach for states to administer TANF. Understanding the time limitation, I want to quickly provide some suggestions as you consider the reauthorization of the TANF program.

Retain the block grant but do not penalize states for saving money. Currently, states must maintain a block grant amount that is reflective of the amount of money spent in 1996. If a state finds a way to run the program more effectively and efficiently that saves money, it must spend money in other areas to make up for the difference according to the Maintenance of Effort rule. If that state fails to spend that money and falls below the MOE spending level, it will receive a double penalty, which makes it financially imprudent to fall below that threshold. In Pennsylvania, we have bumped up against that threshold and are at risk at falling below it unless we find additional ways to spend money in other ways. What is the sense in that? Federal law incentivizes us to spend more state money even when we find efficiencies. If the double penalty were removed, then both the Commonwealth and Federal government would share in the savings.

Maintain spending flexibility in unobligated funds, transfer authority and administrative spending.

Simplify the Performance of the Program and Federal Rules. Use simplified performance measures and rules such as the attainment of a 30 hour a week job, job retention and basic training.

Ensure that states are measuring real job acquisition and not padding participation rates by shifting caseloads into state-only programs.

Mandate performance based contracting with vendors.

Mandate the work requirement throughout all programs.

Provide the states with a grant for all programs with flexibility and performance measures.

Participation Rates:

There are presently complex and convoluted rules to calculate WPR that do not accurately reflect full caseload participation. The WPR does not reflect the percentage of individuals working in unsubsidized employment and in fact clients can meet WPR requirements by participating in a mix of "core" and "non-core activities" without ever finding employment. Additionally, the sampling process required is so complex that states face major challenges to replicate federal calculations, which makes forecasting WPR rates a major resource drain on states.

Although documentation of participation is critical to ensure program integrity, federal requirements to document hours is burdensome to states and community partners alike. Systems end up bogged down with paperwork rather than focusing on client service.

Other Federal Requirements that should be changed to better assist states.

Federal Regulation: Title 45 CFR § 264.70 What makes a State eligible to receive a provisional payment of contingency funds?

- It is unreasonable to expect states to find additional MOE dollars to access contingency funds, which requires states to meet a MOE level of 100%. This requirement is more than regular TANF MOE requirements and is unnecessarily difficult and complicated for states to navigate, especially in a poor economic climate.

Federal Regulation: Title 45 CFR § 263.1 How much State money must a State expend annually to meet the basic MOE requirement?

- The current MOE requirements for TANF discourage states from implementing cost containment initiatives through innovation. Currently, states must maintain a block grant amount that is reflective of the amount of money spent in 1996, which forces states to search for additional MOE spending. States that perform well should be incentivized through mutual cost reductions for both the state and federal governments. At a minimum, it is recommended that the MOE requirement be standardized at 75%. Also, the Federal government should consider risk-share with the states and incentivizing the states for real job placements.

Federal Regulations: Title 45 CFR §§ 263.8 What happens if a State fails to meet the basic MOE requirement?; 45 CFR § 264.50 What happens if, in a fiscal year, a state does not expend, with its own funds, an amount equal to the reduction to the adjusted SFAG resulting from a penalty?

- Reducing or eliminating the MOE penalties and allowing reasonable cause and corrective compliance would alleviate many frustrations states have with the current system. MOE provisions that penalize states for reducing costs through innovation are counterproductive.

Federal Regulation: Title 45 CFR PART 261 – ENSURING THAT RECIPIENTS WORK – Subpart D – How will we Determine Caseload Reduction Credit for Minimum Participation Rates?

- Establish an employment credit to recognize state success helping individuals enter employment and leave assistance. Ultimately, state TANF programs should be measured on their ability to assist recipients in obtaining employment and leaving assistance permanently.

CONCLUSION

The most obvious and viable federal option is to give each state the flexibility to design and manage its TANF program, so as to allow it to improve outcomes and bring more

value to taxpayers and beneficiaries. We can focus on data-driven, consistent management and decision-making from measured quality outcomes. Pennsylvania is ready and able to bring innovative policy solutions to actively address TANF and other programs. The states can, and should, be the originators of policies and ideas that best benefit their own diverse populations and demographic realities. Thank you for allowing me to share my views on this extremely important issue, and I'd be happy to take any questions.