

# Reauthorization of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA – or TANF)

Position from the City of Philadelphia  
Honorable John F. Street, Mayor

Given the disproportionate share of Philadelphia residents on state TANF rolls and the fact that total TANF funding brings more than \$450 million into the city's economy annually, the City has a substantial stake in the outcome of TANF reauthorization. The following are some of the more significant components of reauthorization:

- **Funding:** Funding must be continued at least at its current level, with an additional increase in child care funding of \$5.5 billion over five years.
- **Work Requirements:** Work requirements for TANF recipients should remain at 30 hours per week, with the most inclusive definition of “work,” including skill training, degree/certification attainment, job search, and vocational education defined as primary activities. States should also be permitted to continue to count caseload reductions toward meeting their work requirements.
- **Flexibility:** The flexibility that allows both states and localities to be creative in their approaches to moving families from welfare to work must be maintained. States and localities must have the ability to shape programs to meet the particular needs of their residents and to suit regional economic realities.
- **Waivers:** The current “superwaiver” proposal would grant far too much authority to executive branches to circumvent legislative processes. If a waiver provision is passed, at a minimum, it must include a requirement for local sign-off for any state's waiver request.

## **Background**

In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), replacing the Aid to Families with Dependent Children entitlement program (AFDC) with the Temporary Assistance to Needy Families (TANF) block grant. The TANF block grant was capped at \$16.5 billion per year for five years (1997-2002), with a requirement that states provide a maintenance of effort (MOE) match of 75-80 percent of their 1994 AFDC spending.<sup>1</sup> The legislation expired at the end of federal fiscal year 2002 but has been extended through the end of March 2003.

According to the authorizing legislation, TANF funds—both federal block grant and state MOE—must be used for one of the following purposes:

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<sup>1</sup> The 80 percent MOE is required of states that do not meet the work participation targets established by PRWORA. States that do meet the annual work participation targets only need to provide a 75 percent MOE. Pennsylvania has always met the work targets and has, therefore, only been required to provide 75 percent MOE.

- Provide assistance to needy families;
- End the dependence of needy parents by promoting job preparation, work and marriage;
- Prevent and reduce out-of-wedlock pregnancies; and
- Encourage the formation and maintenance of two-parent families.

In addition, federal funds may also be used to continue providing services and benefits that were provided under its former Title IV-A or IV-F State plans (which included AFDC, JOBS, Emergency Assistance and Supportive Services).

The current reauthorization debate has included discussion of a "superwaiver" provision, which would grant the President of the United States the authority to negate many of the federal laws regarding use of federal funding, including many programs for low-income individuals and families. Under the scenario passed by the House of Representatives in the spring of 2002, governors would have the ability to request waivers—without any consultation or approval from local entities or legislative bodies—and the Executive Branch would have the unilateral ability to approve such requests. Significant budget pressures in most states, coupled with this potentially unfettered override ability, could dramatically affect how funds are spent on low-income populations at the state and local levels.

It is expected that Congress will address TANF reauthorization immediately in January 2003, and its decision will be of great significance to the City because:

- Philadelphia is home to almost one-half of the Commonwealth's total TANF caseload, and
- Approximately 70 percent of the "long-term" (more than 48 months) TANF recipients in the Commonwealth reside in Philadelphia.

Since there has been a dramatic drop in caseloads nationally, Congress could theoretically reduce the total amount of the block grant; however, given early proposals from Congress and the Bush Administration, a more likely scenario is that reauthorization will limit the flexibility of the funds and increase work requirements. These possible changes, coupled with the current economic slowdown, will almost certainly force states to reassess their TANF spending priorities, which consequently will affect Philadelphia and other urban areas.

### **Implementation and Impacts of Welfare Reform**

Assisted by an unprecedented period of continuous economic growth during the 90s, TANF rolls have fallen by more than one-half both nationally and in the Commonwealth between 1996 and 2001. According to the *2001 TANF Annual Report to Congress*, the median state reduction in TANF rolls during this time period was 53.2 percent, and Pennsylvania experienced a greater than 60 percent reduction in the number of its recipients.

Average Monthly AFDC/TANF Recipients (*2001 TANF Annual Report to Congress*)

	<b>AFDC Rolls FY96</b>	<b>TANF rolls FY2001</b>	<b>% Reduction</b>
National	12,644,915	5,471,863	-56.7
Pennsylvania	543,502	215,175	-60.4

TANF funds have been used not only for cash assistance and child care for eligible recipients, but those funds have also been put to use to provide important work supports (child care, transportation, training, etc.) for other low-income workers. Some non-traditional TANF uses include support for after-school and stay-in-school programs; teen pregnancy prevention programs; home visiting for expectant mothers and newborns; and services to address domestic violence and substance abuse problems.

Indeed, due to the dramatic reductions in TANF rolls, states are now spending more on non-cash assistance programs than cash assistance. According to the Brookings Institution, in 1996, more than three-fourths of TANF funds were spent on cash assistance; in 2001, that figure had dropped to 38 percent.

### **Philadelphia's Interest in Reauthorization**

Although the numbers are declining, TANF rolls are dropping at a *slower rate* in urban areas than in the rest of the country, resulting in an increase since 1996 in the proportion of the total caseload that is concentrated in cities. Between 1994 and 1999 the aggregated caseload decline in urban areas was 41 percent, while the national rate was 52 percent. According to research from the Brookings Institution, just ten urban counties—including Philadelphia—now contain almost one-third of all welfare recipients in the country. Furthermore, urban areas, particularly older, more segregated cities, have a disproportionate share of the long-term TANF caseload (defined as a minimum of 48 months). This deserves particular attention since most experts agree that these long-term recipients face multiple barriers to work and will, therefore, require a higher level of resources to move successfully to the workforce.

Although the number of TANF recipients in Philadelphia has dropped by approximately 36 percent between 1994 and 1999, since the rolls in the rest of the Commonwealth dropped more precipitously, the proportion of TANF recipients as well as the proportion of long-term TANF cases in Philadelphia has grown. In 1994, 38.9 percent of the state's caseload was in Philadelphia, and in December 2001 that figure had grown to 48.7 percent. Data from 2001 reveal that more than 70 percent of all long-term TANF recipients in Pennsylvania reside in Philadelphia.

The Commonwealth's total annual TANF allocation (federal plus state MOE) is more than \$1.1 billion annually (federal TANF block grant = \$719 million plus 75 percent state MOE = \$407 million). Since almost half of the total caseload is in Philadelphia, a conservative estimate (developed with assistance from the Department of Public Welfare Budget Office) is that at least 45 percent of TANF funding – or almost \$470 million – flows into the Philadelphia economy.

TANF funds flow to Philadelphia residents and into the Philadelphia economy through a variety of programs:

Summary of TANF Funds to Philadelphia 2001-02 (Estimated)

<b>Amount</b>	<b>Description of Use</b>
\$216.6 (a)	Cash assistance and child care for TANF recipients. Also includes child care for former TANF recipients
TBD	Child care for low-income, working parents (TANF funds shifted to the Child Care Development Block Grant)
108.5 (b)	Child welfare (Note that approximately 85 percent, or more than \$47 million, of the Mayor's Children's Investment Strategy funding is comprised of TANF funds)
82.8 (a)	Workforce development activities
61.6 (a)	Estimated share @ 40% of all other TANF funds (transportation, Emergency Assistance, PCCD grants, Community and Economic Development, Health, Higher Education Assistance Agency and Labor and Industry)
469.5 (a)	Total estimated TANF funds to Philadelphia in 2001-02

Preceding estimates developed with assistance from Department of Public Welfare Budget Office

- (a) Funds are both federal block grant and state MOE.
- (b) Funds are federal block grant only

**Principles for Reauthorization**

Recognizing economic realities and local demands, the following principles are recommended as Philadelphia's platform in the upcoming debate, with each point discussed in more detail below.

- **Funding:** Level funding, with an increase in funding for child care of \$5.5 billion over five years (current provision in Senate Finance Bill).
- **Work Requirements:** Work requirements for TANF recipients should remain at 30 hours per week, with the most inclusive definition of "work," including skill training, degree/certification attainment, job search, and vocational education defined as primary activities. States should also be permitted to continue to count caseload reductions toward meeting their work requirements.
- **Flexibility:** The flexibility that allows both states and localities to be creative in their approaches to moving families from welfare to work must be maintained. States and localities must have the ability to shape programs to meet the particular needs of their residents and to suit regional economic realities.
- **Waivers:** The current "superwaiver" proposal would grant far too much authority to executive branches to circumvent legislative processes. If a waiver provision is passed, at a minimum, it must include a requirement for local sign-off for any state's waiver request.

**Funding:**Recommendation:

Level funding (\$16.5 billion annually), with an additional increase in funding for child care of \$5.5 billion over five years.

Rationale:

The funding need is clear: In 2001, by using carryover funds, states spent approximately \$2 billion MORE than they received in their 2001 TANF block grants. The Pennsylvania Department of Public Welfare expects that it will need to spend an additional \$80 million in 04-05 in order to support current program levels. The struggling economy is another argument for keeping the block grant at least at its current level since another recession or continued slow job creation rates could increase the demand for cash assistance. Finally, since the block grant is not adjusted for inflation, it is estimated that it will lose more than 20 percent of its purchasing power between 1997 and 2007. Child care services continue to be significantly underfunded nationally: Only 15 percent of children who are eligible for federal child care assistance receive subsidized services.

**Work Requirements:**Recommendation:

30 hours with the most inclusive definition of "work," including skill training, degree/certification attainment, job search, and vocational education as primary activities. States should be permitted to continue to count caseload reduction figures toward meeting state-level work requirements.

Rationale:

The work requirement is fundamental to the TANF reauthorization debate because it is extremely unlikely that there are enough low-skilled jobs in the region to accommodate the additional estimated 15,000 current TANF recipients who will need to enter the workforce. As a result, non-cash assistance TANF resources will, by necessity, need to be shifted away from other investments and into workfare and other programs to meet the work requirement.

Recommendation:

States should be permitted to continue to count caseload reduction figures toward meeting state-level work participation requirements.

Rationale:

The Bush Administration has stated its interest in seeing state work participation levels increased to 70 percent (from current level of 50 percent), and there have been proposals to remove state's abilities to count the numbers of individuals who have left the rolls since 1994 toward meeting that participation level. Given that many of those still on the rolls face multiple, complex barriers to work, it will be very difficult for states to meet such participation requirements without acknowledging the millions who have already left for work.

**Flexibility:**Recommendation:

Maintain the flexibility that allows both states and localities to be creative in their approaches to moving families from welfare to work and keeping families working toward jobs and careers that are *in demand* and *pay a living wage*.

Rationale:

The particular challenges of welfare in urban and rural areas are well-documented. Quite simply, states and local areas must have the flexibility to develop solutions in line with local economies, business demands, and opportunities.

**Waivers:**Recommendation:

Any waiver provision must include a requirement for local sign-off of any state's request.

Rationale:

Some versions of waiver proposals would grant the federal Executive Branch practically unlimited authority to override federal regulations governing programs for low-income individuals and families, including Food Stamps, child care, job training and homelessness programs. By changing eligibility criteria or other requirements, waivers could be used to shift funds currently used for low-income populations to other budget areas. While Philadelphia could be perceived as "safe" since a former mayor will be serving as governor, statewide budgetary pressures may make it impossible to ignore this opportunity.