

# Voices for Vermont's Children

Promoting public policy that enhances the lives of children and youth in Vermont



## Changes to Vermont's TANF Program

### VERMONT STRUGGLES TO SAVE THE INCOME SAFETY NET FOR OUR MOST VULNERABLE CHILDREN AND THEIR FAMILIES

In 2005 the federal government imposed a set of new rules for state welfare programs designed to increase rates of work participation by recipients.<sup>1</sup> Despite the dramatic decrease in caseloads throughout the nation as a result of the welfare reform legislation of 1996,<sup>2</sup> federal policymakers passed legislation requiring state welfare programs to increase work requirements. States who failed to meet the requirements of the newest federal law risked sanctions in the form of substantial loss of federal money. Vermont lawmakers were faced with a formidable challenge during the 2007 legislative session—to comply with the requirements of the federal law without terminating needy families from the program.

**Welfare Reform in Vermont: Vermont's Aid to Needy Families with Children (ANFC) program becomes Reach Up**  
In 1994, Vermont was granted a waiver to implement its Welfare Restructuring Project—a seven-year welfare reform demonstration plan. Due to the waiver, Vermont's ANFC program was not subject to the federal TANF requirements until 2001. In response to the changes required by TANF, Vermont replaced its ANFC program with the Reach Up program. The program was as compassionate as could be created under federal law. When federal requirements could not be met Vermont decided to fund supports it found to be vital with state money.<sup>3</sup> This meant losing the federal match and increasing the financial burden on the state.

#### — Historical Perspective —

Established in 1935 as part of the New Deal, the entitlement program, Aid to Families with Dependent Children—AFDC (called Aid to Needy Families with Children—ANFC in Vermont) was created by the federal government to provide a basic, though minimal, income for poor children. The program was established as an entitlement, which meant that every eligible child had a right to receive benefits. For 60 years the program provided a safety net for our nation's poorest children, allowing poor women to care for their own children while receiving job training and other services.

#### **The Post-Entitlement Era “Welfare Reform” Enacted— AFDC Program Repealed**

In 1996, AFDC was replaced with a block grant called Temporary Aid to Needy Families (TANF). States were allowed to design their own programs within certain guidelines. Recipients of benefits, with few exceptions, were required to work and states required to meet work participation rates.

1 Deficit Reduction Act of 2005

2 Personal Responsibility and Work Opportunity Reconciliation Act of 1996

3 Act 147, An Act Relating to Assisting Families to Attain Self-Sufficiency;  
<http://www.leg.state.vt.us/DOCS/2000/ACTS/ACT147.HTM>

## 2005 Federal Deficit Reduction Act Required Additional State Program Changes

Vermont had a few short years to implement its new Reach Up program before passage of the federal Deficit Reduction Act (DRA) required significant increased work participation rates.

Legislators, administration officials and advocates spent many hours working to meet the requirements of the DRA without terminating needy families from the programs. The House Human Services Committee took advantage of very creative thinking by national policy experts and a summer legislative study committee and split Vermont's Reach-Up Program into three separate programs. Under this new system, programs that keep Vermont under its mandated work participation rate, but are considered to be very important for the well-being of children and their families, are funded with separate state money. Because the DRA outlaws the use of MOE funds for separate state programs the state had to find other general fund money—these programs are called 'Solely State Funded'—to fund the programs that the federal government refused to fund. An example is Vermont's post-secondary education program. That program allows low-income parents to attend college or technical school. Under the DRA, post-secondary education cannot be counted as employment in the work participation rate. In order to save the program, policymakers now use only state money to fund it.

### — Historical Perspective —

#### Use of Maintenance of Effort (MOE) Funds Restricted by Deficit Reduction Act (DRA)

TANF regulations require states to spend at least a specified amount of state dollars for benefits and services for members of needy families each year. These Maintenance of Effort (MOE) dollars could be used to fund separate state programs. When Vermont implemented welfare reform in 2001, MOE dollars funded separate programs such as Vermont's post-secondary education program.

The 2005 Federal Deficit Reduction Act prohibits the use of MOE funds for separate state programs.

## Act 30 signed into law by the Governor in May 2007

The law turns the current program, Reach Up, into three separate programs.

1. **Reach First:** The first is a program of services and temporary financial aid to families who may need short-term help. The help given the family must meet the federal definition of 'non-assistance' in order not to be counted against the work participation rate. The family must move out of the program within four months. The family can transition to another program if it is necessary.
2. **Reach Up:** Vermont's current income support program for low-income families with children received a welcome increase in the earnings disregard. The amount a family can earn and still receive benefits was increased from \$150 per month plus 25% of the remaining income to \$200 per month plus 25%.
3. **Reach Ahead:** The third program is for low-income employed families or families receiving Food Stamp benefits. Implementation of this program, which will provide food assistance to the family for one year, was delayed due to funding limitations. It was set to begin October 1, 2008 for families leaving Reach Up and April 1, 2009 for all other families. To be eligible as a 'leaver' the family must have left Reach Up or the postsecondary education program within the prior six months for unsubsidized employment that meets the work requirements for the Reach Up program for the family's size and composition.<sup>4</sup>

Both Reach Up and Reach Ahead families are counted in the work participation rate. Reach Ahead families are guaranteed to increase the work participation rate, as they are in the program because they are working.

4 33 V.S.A. Ch. 12: <http://www.leg.state.vt.us/statutes/fullchapter.cfm?Title=33&Chapter=012>

## SETBACKS

### Failure to Meet Required Work Participation Rates:

Under the law that established the TANF block grant in 1996, states were required to meet a 50 percent work participation rate, but it could be reduced by a caseload reduction credit for caseload decline since 1995 (for reasons other than changes in eligibility rules). Since Vermont had a large caseload decline after 1995, until the passage of DRA, the actual required rate was far below 50 percent. In 2003, for example, Vermont was required to meet a work participation rate of 22%.<sup>5</sup> Under the Deficit Reduction Act, the caseload reduction credit is based only on caseload declines since 2005. That change became effective in FY2007. As a result, any state in which the caseload did not fall in 2006 or after is faced with a 50 percent required work participation rate. Vermont will soon be one of those states; a ten-year drop in the Reach Up caseload began to level off after FY05. Vermont's Reach Up caseload increased for the first time in FY07.<sup>6</sup> In FY08 the caseload exceeded the estimated average of 11,021 recipients per month by 1,379.<sup>7</sup>

In its FY09 budget proposal Vermont's administration did not fund the Reach Ahead Program, citing the budget deficit as a reason. The fact that this program can help keep the state from losing a substantial amount of federal money in sanctions spurred the House Appropriations Committee to insert into the FY09 budget bill language implementing Reach Ahead for families who leave Reach Up on or after April 1, 2009 (delaying the start-up originally set for October 1, 2008). The House appropriated a small amount of money to ensure implementation. In addition the budget bill mandated that, subject to appropriation, Reach Ahead shall be implemented for all other families no later than July 1, 2009.<sup>8</sup>

### Full Family Sanctions:

Vermont officials are beginning to consider instituting full family sanctions for those families whose parents are not complying with work requirements. Currently, Vermont is one of a few states that do not impose these sanctions.<sup>9</sup> Parents who don't comply are sanctioned by losing their portion of the grant; however the family continues to receive a reduced grant for the needs of the children. According to state officials some parents are willing to accept a partial grant rather than comply with work requirements.<sup>10</sup> It is those families who may be targeted for loss of the entire grant.

Work requirements were a key component of the original TANF legislation, and sanctions for noncompliance were an important part of the policy design. A full family sanction means that failure to comply with work requirements can result in the loss of the family's entire cash grant, as well as a reduction in food stamps and loss of Medicaid for the non-pregnant adults (The state may not terminate the children's Medicaid benefits under full family sanctions<sup>11</sup>).

5 Mark Greenberg, Center for Law and Social Policy, "Conference TANF Agreement Requires States to Increase Work Participation by 69 percent, but New Funding Meets Only a Fraction of New Costs", Revised January 11, 2006. [http://www.clasp.org/publications/tanfagreement\\_update\\_jan12.pdf](http://www.clasp.org/publications/tanfagreement_update_jan12.pdf).

6 Act 30 Report: Implementation of Expansion and Modification of Vermont's Reach-Up Program: Presented to House and Senate Committees on Appropriations, House Human Services Committee, Senate Health and Welfare Committee, Joint Fiscal Committee; Submitted by: Stephen R. Dale, Commissioner Department for Children and Families, October 15, 2007 <http://www.leg.state.vt.us/reports/2008ExternalReports/228547.pdf>.

7 Agency of Human Services Secretary Cynthia LaWare, Report to House Appropriations re: '08 Budget Adjustment, December 11, 2007.

8 H.891: An Act Relating To Making Appropriations for The Support Of Government. <http://www.leg.state.vt.us/docs/legdoc.cfm?URL=/docs/2008/bills/passed/H-891.HTM>.

9 As of August 2000, 13 states had implemented a full family sanction policy for first instances of noncompliance. Thirty-four states imposed a full family sanction only as an ultimate sanction. The remaining 16 states do not impose a full cut off of TANF benefits for sanctioned families. Child Welfare League of America: "TANF Reauthorization": <http://www.cwla.org/advocacy/cc4092detailed.htm#SANC>.

10 Stephen R. Dale, Commissioner, Department for Children and Families; Report to the House Appropriations Committee, February 4, 2008.

11 Kaplan, Jan, Welfare Information Network, "The Use of Sanctions Under TANF, Vol. 3, No. 3, April 1999. <http://www.financeproject.org/Publications/sanctionissue.htm>.

Sanctions, or the threat of sanctions, are intended both to motivate recipients to comply with work-related program requirements and, for those under sanction, to hasten their return to compliance. However, when a parent is sanctioned, there are frequently reasons of disability or other barriers that have prevented participation in the first place.<sup>12</sup> There is evidence that families experiencing sanctions are more likely to suffer from multiple serious health problems and other work barriers. Research has shown that the existence of a sanction predicts hardships such as utility shut-offs.<sup>13</sup>

## RECOMMENDATIONS

### **Make funding and implementing the Reach Ahead Program a top priority.**

If properly implemented the Reach Ahead program will not only help Vermont meet its required work participation rate; the program will provide Food Stamp benefits to families who have only recently left the Reach Up program and have very little savings or assets. As more Vermonters face food insecurity, the Food Stamp benefit provided by this program will be a welcome addition to lean food budgets.

### **Do not implement full family sanctions in the Reach Up program.**

If Vermont implements full family sanctions our state's low-income children will be at risk of suffering extreme deprivation and perhaps end up in the custody of the state. They will be cut off from the most basic assistance because of the actions of their parents. The savings the state anticipates from meeting the work participation rate could be spent many times over on foster care and other services.

In short, full family sanctions are a terrible policy, meant to punish parents, many of whom face significant barriers to work, without consideration of the needs of their vulnerable children. Partial family sanctions are bad enough; a full grant for a family of three in Vermont is \$640 (\$665 in Chittenden County) per month. The full grant meets less than 49.6% of the basic needs standard.<sup>14</sup> If the parent is sanctioned, the reduction of the grant can be from \$75 to \$225 per month, depending upon circumstances.<sup>15</sup> That means that even partially sanctioned families are living far below the federal poverty line and far below what their children need for the basics of life.<sup>16</sup> The limited support available to children living in extreme poverty is further reduced.

In several respects, America's 'welfare reform' movement lost sight of the needs of poor children. Vermont policymakers, on the other hand, refused, throughout the era of welfare redesign, to turn their backs on our state's most vulnerable children and their families. Full family sanctions would be a big step in the other direction. It will be far better to increase our work participation rates by implementing positive programs such as Reach Ahead.

12 Reach Up Annual Report, Submitted to Legislature by Stephen Dale, Commissioner, Department for Children and Families, January 31, 2008, p. 5. [http://www.dcf.state.vt.us/sites/DCF/files/pdf/esd/ReachUp\\_2008.pdf](http://www.dcf.state.vt.us/sites/DCF/files/pdf/esd/ReachUp_2008.pdf)

13 A. Kalil, K.S. Seefeldt, and H. Wang, 2003. "Sanctions and Material Hardship Under TANF." *Social Services Review* 76(4):642-662.

14 Reach Up Report, p. 13, [http://www.dcf.state.vt.us/sites/DCF/files/pdf/esd/ReachUp\\_2008.pdf](http://www.dcf.state.vt.us/sites/DCF/files/pdf/esd/ReachUp_2008.pdf)

15 W.A.M. # 2372.2

16 The federal poverty line for a family of three is \$17,600 per year. *Federal Register*, Vol. 73, No. 15, January 23, 2008, pp. 3971-3972

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