Report to
The Vermont Legislature

Annual Report on Families' Receipt of TANF Assistance in Excess of 60 Months

In Accordance with 33 V.S.A. §1134(c)

Submitted to:	**Senate Committee on Appropriations** **Senate Committee on Health and Welfare** **House Committee on Appropriations** **House Committee on Human Services**
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VERMONT
AGENCY OF HUMAN SERVICES
Department For Children And Families

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Introduction

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 financial assistance 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 as an adult has received 60 months of TANF assistance and does not qualify for the 20% hardship exemption.

In 2000, when the Vermont General Assembly enacted Vermont's statute creating Vermont's 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 (Department) 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).

Part I

The number of families receiving assistance in federal fiscal year 2013 (FFY'13) 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.

Number of cases with more than 60 months of TANF-funded assistance

	All cases		Cases with more than 60 months of TANF-funded assistance		
	Reach Up cases (TANF & state funded)	**TANF-funded cases**	**Not sanctioned (hardship)**	**Sanctioned (not qualified for hardship)**	**Total**
Oct-12	5,632	1,489	245	33	278
Nov-12	5,651	1,527	243	24	267
Dec-12	5,709	1,539	259	19	278
Jan-13	6,055	3,892	253	25	278
Feb-13	5,660	1,444	255	20	275
Mar-13	5,682	1,317	258	18	276
Apr-13	5,616	1,480	263	22	285
May-13	5,681	1,612	267	19	286
Jun-13	5,598	1,515	285	24	309
Jul-13	5,586	1,485	275	25	300
Aug-13	5,617	1,613	260	31	291
Sep-13	5,572	1,656	261	31	292

The number of cases exceeding the 60-month assistance limit increased slightly in FFY'13, to an average of 285 from an average of 276 in FFY'12. During each month of FFY'13, an average of 24 Reach Up cases beyond their 60-month limit were in sanction, indicating that they were not fully complying with Reach Up program requirements and therefore not meeting the TANF hardship exemption (defined further in part II below). This is a slight increase relative to the average of 20 in FFY'12.

Some cases have fewer than 60 months of TANF-funded assistance, but have reached the 60-month mark when their months of *state*-funded assistance are included. The number of cases that have received more than 60 months of Reach Up program assistance, regardless of whether it is TANF or state funded, rose from 898 in October 2012 to 966 by September 2013.[1]

[1] Includes months of assistance through the Reach Up program; excludes months received through the ANFC program that existed in Vermont prior to Reach Up's implementation in July 2001.

Cases with more than 60 months of all RU assistance (TANF and state-funded assistance)

	Cases	Grants paid
Oct-12	898	$479,278
Nov-12	897	$480,798
Dec-12	908	$484,232
Jan-13	896	$480,974
Feb-13	918	$494,086
Mar-13	936	$497,725
Apr-13	943	$169,268
May-13	967	$531,171
Jun-13	984	$530,220
Jul-13	978	$529,786
Aug-13	975	$528,033
Sep-13	966	$515,492

Part II

The average proportion of the monthly TANF-funded caseload during FFY'13 that represents families receiving more than 60 months of TANF-funded assistance:

Hardship cases as % of TANF-funded cases

	Not sanctioned (hardship)	Hardship cases, as % of last FFY's TANF-funded Reach Up cases[2]
Oct-12	245	8.1%
Nov-12	243	8.1%
Dec-12	259	8.6%
Jan-13	253	8.4%
Feb-13	255	8.5%
Mar-13	258	8.6%
Apr-13	263	8.7%
May-13	267	8.8%
Jun-13	285	9.4%
Jul-13	275	9.1%
Aug-13	260	8.6%
Sep-13	261	8.7%

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% hardship exemption. The 20% 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% 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:

[2] Based on the average number of TANF cases in FFY 2012 (including child-only cases), no more than 603 cases may be considered "hardship" cases for FFY 2013.

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% of the caseload. An average of 8.6% of the Reach Up cases with TANF-funded grants during FFY'13 qualified as hardship cases—well below the 20% 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. Between July 2006 (when families began exceeding the time limit) and November 2007, the number of hardship cases grew by an average of 9 each month. For FFY'08, the number of hardship cases grew by an average of 3 each month. Although the number of hardship cases stabilized during FFY'09, they comprised a higher percentage of all TANF cases because the total number of TANF cases declined. Between FFY'07 and FFY'08, the average number of TANF cases fell from 4,480 to 3,594. In FFY'09, FFY'10, and FFY'11, the average number of these cases totaled even less – 1,560, 1,527, and 1,444 respectively. These declines have occurred as some Reach Up cases were shifted to state funding to ensure the federally-funded portion of the caseload met federal work participation rate requirements. This shifting bumped the percentage of cases with more than 60 months of assistance up substantially, even though the absolute number of cases with more than 60 months of assistance did not increase. In April 2012, the Administration for Children and Families (ACF) advised Vermont to include an additional case type (child-only) in the denominator when computing the hardship percentage. Like with the work participation rate-induced shifting of cases to state funding in 2007-2011, this definition change in FFY'12 caused the hardship percentage to change dramatically (this time, to decrease), while the absolute number of cases with more than 60 months of assistance remained relatively unchanged.

As long as the hardship group remains less than 20% of the caseload, Vermont does not have to use general funds to support these families' grants. As discussed in part III, general funds are needed and used to fund the grants of families who do not qualify for the hardship exemption.

Part III

The sufficiency of general funds appropriated to support financial assistance for those families not qualifying for the 20% hardship.

Currently, the only families not qualifying for the 20% hardship exemption are those who have received 60 months of TANF and include an adult in sanction. Federal law prohibits funding these families' grants 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 1, 2006, Vermont began funding these cases with general funds not claimed as MOE.[3] This change affects the availability of funding for these cases.

[3] 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 from FFY 2007 forward. See 33 V.S.A. §1121(c)(6)(C)(ii).

As reflected in the chart below, during each month in FFY'13, an average of 24 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 $10,380 (up from $7,864 in FFY'12) and totaled $124,554 for the year (up from $94,363 in FFY'12).

As in prior years, the number of sanctioned cases with more than 60 months of assistance and their Reach Up benefit amount, varied from month to month during FFY'13. Monthly general fund expenditures for benefits provided to this segment of the Reach Up caseload ranged from $7,761 to $15,205 during FFY'13.

Sufficiency of general funds to support non-hardship cases

	Sanctioned cases with more than 60 months of TANF assistance	Amount of Reach Up grants paid	Cases with a $75 sanction	Cases with a $150 sanction	Cases with a $225 sanction
Oct-12	33	$15,205	24%	47%	29%
Nov-12	24	$11,330	6%	44%	50%
Dec-12	19	$9,058	16%	50%	35%
Jan-13	25	$10,027	16%	55%	29%
Feb-13	20	$8,667	14%	41%	45%
Mar-13	18	$7,761	8%	50%	42%
Apr-13	22	$9,936	6%	47%	48%
May-13	19	$7,891	7%	51%	43%
Jun-13	24	$10,351	4%	41%	55%
Jul-13	25	$10,573	5%	43%	52%
Aug-13	31	$11,430	14%	40%	45%
Sep-13	31	$12,325	13%	40%	47%

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 of assistance or families with more than 60 months of assistance but less than 12 months in sanction. On average, 11% of the sanctioned families with more than 60 months of assistance were in the $75 sanction category (down from 17% in FFY'12), 46% were in the $150 sanction category (up from 36% in FFY'12), and 43% were in the $225 category (down slightly from 47% in FFY'12).

The funds used to pay these grants and services are general funds not claimed as MOE. This same pool of funds also supports other state priorities such as the Postsecondary Education Program and the deferment to care for a child under the age of 2 years. Using general funds in this manner reduces the amount of general funds available to use as excess MOE to increase the state's caseload reduction credit.

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 the children in these families.

Current economic conditions continue to challenge state officials to search for savings in all areas of state spending; including social programs that assist Vermont's most vulnerable families. As indicated in Part III of this report, the number of families who require state funds for their Reach Up benefits because their sanctioned status makes them ineligible for the federal hardship provision is relatively moderate ($125,000 in FFY'13). However, some of these families will likely become ineligible for Reach Up benefits after the five year limit is imposed in 2014, reducing this expenditure of state general funds. The department is committed to helping these families find pathways out of poverty with programming and policies that help the parents address the underlying issues that interfere with their success while providing assistance in a way that ensures the children in these families do not experience additional hardship. The department is committed to continuing changes in Reach Up program operations and policies that should help these families move toward self-sufficiency and reduce or alleviate their ongoing need for state assistance.

Families with long Reach Up histories have three times as many barriers to gaining self-sufficiency as the general Reach Up caseload population, requiring careful programmatic approaches that avoid putting children at risk and force a cost shift to other programs. After months of study, the Reach Up work group convened by the Legislature in 2013 recommended an increase in the program's case management capacity and a reduction in caseloads, especially related to the program participants' substance abuse and mental health needs. Additional action is recommended to increase specialized services for participants with addiction and/or mental health challenges.

Summary

The number of families in FFY'13 qualifying for the hardship exemption from the 60-month limit on receipt of TANF-funded assistance did not exceed the allowable 20% of the average caseload. Some families, however, have received 60 months of TANF-funded assistance and do not qualify for the hardship exemption; their grants must be funded with state funds. This expenditure increased by $30,191 in FFY'13. However, when Vermont's five-year lifetime limits take effect in 2014, this expenditure will likely decline again when benefits terminate for families who do not meet their work requirement or who obtain the required deferment.