
**Report to
The Vermont Legislature**

**Annual Report on
Families' Receipt of Reach Up 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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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 2011 (FFY'11) 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 Assistance

| | Reach Up cases (TANF & state funded) | TANF-funded cases | Cases with more than 60 months of TANF assistance | | |
|--------|--------------------------------------|-------------------|---|---|-------------------------------|
| | | | Not sanctioned (hardship) | Sanctioned (not qualified for hardship) | Total (TANF and state-funded) |
| Oct-10 | 5,311 | 1,471 | 271 | 20 | 291 |
| Nov-10 | 5,275 | 1,484 | 267 | 22 | 289 |
| Dec-10 | 5,363 | 1,502 | 265 | 22 | 287 |
| Jan-11 | 5,347 | 1,473 | 268 | 18 | 286 |
| Feb-11 | 5,318 | 1,489 | 263 | 17 | 280 |
| Mar-11 | 5,360 | 1,423 | 260 | 15 | 275 |
| Apr-11 | 5,395 | 1,475 | 262 | 16 | 278 |
| May-11 | 5,379 | 1,422 | 262 | 14 | 276 |
| Jun-11 | 5,350 | 1,423 | 262 | 13 | 275 |
| Jul-11 | 5,263 | 1,395 | 263 | 12 | 275 |
| Aug-11 | 5,193 | 1,384 | 253 | 19 | 272 |
| Sep-11 | 5,227 | 1,388 | 252 | 18 | 270 |

The number of TANF cases exceeding the 60-month assistance limit decreased during FFY'11—from 291 in October 2010 to 270 by September 2011. During each month of FFY'11, an average of 17 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). This is a decrease of 6 families compared to the average of 23 in FFY'10.

Part II

The average proportion of the monthly TANF-funded caseload during federal fiscal year 2011 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 ¹ |
|--------|------------------------------|--|
| Oct-10 | 271 | 17.7% |
| Nov-10 | 267 | 17.5% |
| Dec-10 | 265 | 17.4% |
| Jan-11 | 268 | 17.6% |
| Feb-11 | 263 | 17.2% |
| Mar-11 | 260 | 17.0% |
| Apr-11 | 262 | 17.2% |
| May-11 | 262 | 17.2% |
| Jun-11 | 262 | 17.2% |
| Jul-11 | 263 | 17.2% |
| Aug-11 | 253 | 16.6% |
| Sep-11 | 252 | 16.5% |

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:

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 17.2% of the Reach Up cases with TANF-funded grants during FFY'11 qualified as hardship cases--below the 20% limit. In FFY'10, an average of 17.3% of the cases qualified as hardship cases.

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

¹ Based on the average number of TANF-funded cases in FFY 2010, no more than 305 cases may be considered "hardship" cases for FFY 2011.

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 has 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 numbered even less – 1,560, 1,527, and 1,444 respectively. These declines have occurred as some Reach Up cases have been shifted to state funding to ensure that the federally-funded portion of the caseload meets federal work participation rate requirements. This shifting bumped the percentage of cases with more than 60 months of assistance up substantially as of FFY'10, even though the absolute number of cases with more than 60 months of assistance has not increased since FFY'09.

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 next 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.² This change affects the availability of funding for these cases.

As reflected in the following chart, during each month in FFY'11, an average of 17 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 \$7,479 (down from \$9,458 in FFY'10) and totaled \$89,748 for the year (down from \$122,955 in FFY'10).

As in prior years, the number of sanctioned cases with more than 60 months of assistance and the amount of their Reach Up benefits varied from month to month during FFY'11. Monthly general fund expenditures for benefits provided to this segment of the Reach Up caseload ranged from \$5,000 to \$10,000 during FFY'11.

²In 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).

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-10 | 20 | \$8,888 | 11% | 25% | 64% |
| Nov-10 | 22 | \$9,725 | 13% | 24% | 63% |
| Dec-10 | 22 | \$9,866 | 18% | 18% | 64% |
| Jan-11 | 18 | \$7,271 | 14% | 27% | 59% |
| Feb-11 | 17 | \$7,194 | 15% | 58% | 27% |
| Mar-11 | 15 | \$7,203 | 11% | 39% | 50% |
| Apr-11 | 16 | \$7,024 | 15% | 27% | 57% |
| May-11 | 14 | \$6,754 | 21% | 33% | 46% |
| Jun-11 | 13 | \$5,472 | 15% | 47% | 39% |
| Jul-11 | 12 | \$5,409 | 59% | 0% | 41% |
| Aug-11 | 19 | \$7,563 | 33% | 29% | 39% |
| Sep-11 | 18 | \$7,379 | 33% | 30% | 37% |

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, 21% of the sanctioned families with more than 60 months of assistance were in the \$75 sanction category (up from 13% in FFY'10), 30% were in the \$150 sanction category (about the same as in FFY'10), and 49% were in the \$225 category (down from 55% in FFY'10).

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 qualifying for this benefit and the cost associated with funding it is relatively moderate and have both declined steadily over the past two years.

Achieving savings by eliminating financial assistance to Reach Up families with more than 60 months of assistance could leave families destitute and at risk and will create a large hole in the fabric of Vermont's safety net for those most in need. The families who would be affected by this cut have three times as many barriers to gaining self-sufficiency as the general Reach Up caseload population; they are families with limited abilities and resources to recover from such a loss. The elimination of their financial assistance may put their children at risk and force a cost shift to other programs.

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 that the children in these families do not experience additional hardship. The department is continuing to employ 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.

Summary

The number of families in FFY'11 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 decreased by \$33,207 or 27 percent over the prior year. In light of this decreasing cost and the expenditure's purpose of supporting Vermont's most vulnerable families, the administration is recommending that the state continue to provide these families with financial assistance and to focus on policy changes that protect the children in these families while supporting their parents to achieve self-sufficiency.