

**CHOOSE OR LOSE:**  
***A Review of Proposals to Reform Massachusetts' Welfare Program***

## **Executive Summary**

Massachusetts currently operates its welfare program under a number of waivers from federal law. These waivers allow Massachusetts to provide individuals with disabilities or other barriers to employment more extensive exemptions from work requirements than federal law recognizes; under these waivers the state is also able to mandate fewer work hours and accept different categories of work activities than are counted under federal rules. On September 30, 2005, the state's waivers will expire. At that point, unless the state alters the current program, it may face fiscal penalties for not complying with federal law. Furthermore, while Congress has approved another short-term extension to the federal welfare program under Temporary Assistance for Needy Families (TANF) reauthorization, federal laws that govern this program may change in the near future. Given these circumstances, the state must make critical decisions on how it will structure its cash assistance program for low-income families.

This paper reviews the current status of Massachusetts welfare reform and some of the key issues in the federal TANF reauthorization debate. It also summarizes two recent proposals to reform Massachusetts' welfare program. The analysis describes *An Act Relative to Responsible Welfare Reform* (sponsored by State Representative Antonio Cabral and by State Senator Cynthia Creem), including the following highlights:

- This legislation would formally establish a "separate state program" to continue the state's practice of using state funds to pay benefits to individuals who are not exempt under federal law. Currently, the state funds the Transitional Aid to Families with Dependent Children (TAFDC) program with state money, but because this funding is commingled with federal funding, the program is subject to federal TANF rules. At least 28 states operate separate state programs. When their federal waivers expired, several states, including Nebraska, Virginia, and South Carolina, created separate state programs to continue providing benefits to families who would otherwise be subject to time limits and work requirements.
- An Act Relative to Responsible Welfare Reform would increase TAFDC work hours for non-exempt beneficiaries to meet federal TANF rules. Work hours after TANF reauthorization are expected to increase to as many as 34 to 40 hours per week. The proposal would raise work hours for non-exempt recipients to meet with the expected increase in the work participation rate under the TANF reauthorization bills proposed in Congress earlier this year.

- By adopting work hours recognized by federal law and by creating a separate state program, which would pay benefits for many individuals who would not be able to meet federal work requirements, An Act Relative to Responsible Welfare Reform would help the state to achieve the work participation rate that is likely to apply under TANF reauthorization. The state's current TAFDC program structure would likely meet the work participation rate required under existing federal law, but not under the expected regulations of TANF reauthorization.
- This bill would implement new strategies designed to help individuals with barriers to employment move toward economic self-sufficiency. An Act Relative to Responsible Welfare Reform would authorize the Department of Transitional Assistance, in collaboration with other agencies serving TAFDC beneficiaries, to create "family well-being plans" to help exempt individuals – including those with disabilities – and would require the Commonwealth to develop and fund programs to assist these recipients in overcoming their barriers to employment. Currently, the Department of Transitional Assistance only provides employment assessments for the non-exempt portion of the caseload and exempt individuals participating in a work activity.
- This legislation maintains various safeguards for vulnerable families. For example, the bill would preserve the state's commitment to allowing certain types of work activities that do not count under federal TANF rules, but would help individuals move toward economic self-sufficiency. In circumstances like these, An Act Relative to Responsible Welfare Reform proposes that the state pay benefits from the separate state program.

Governor Romney, in his House 1 budget proposal for FY 2006, proposed changes to the TAFDC program. Because the Legislature rejected his proposal in their budget deliberations, the Governor filed separate legislation to reform TAFDC; this bill is essentially the same as his proposal in House 1. The following elements are included in the Governor's plan:

- The Governor proposes to impose work requirements and time limits on approximately 14,000 families who are currently exempt from such regulations. Many of these families are headed by individuals who are disabled or have some other barrier to employment. If these people are not able to meet the federal work requirement and the state fails to meet federal work participation rates, it can be penalized up to 5 percent (\$23 million) of the TANF block grant in the first year, and more in subsequent years.
- In his plan, the Governor gives the Department of Transitional Assistance authority to set work hours at the level necessary to maximize the federal work participation rate. Under TANF reauthorization, states will likely receive "extra credit" for individuals who work more than the 34 or 40 hours per week standards; therefore, under the Governor's plan, work hours could be set at more than 40 hours per week because doing so would maximize the work participation rate.
- Governor Romney's plan would change current time limits rules. In addition, families whom the Commonwealth currently deems exempt from time limits – including families headed by individuals with disabilities, individuals caring for a disabled family member, and teen parents – would be subject to both the 24 out of 60 month time limit and the five year lifetime limit. Under this plan, current recipients who have received assistance for a total of 24 months could have this time retroactively applied toward the lifetime time limit.

- The Governor’s proposal would remove various protections for individuals receiving TAFDC. He removes many of the “good cause” provisions (safeguards which prevent the Department of Transitional Assistance from sanctioning individuals who face documented hardships for noncompliance), and eliminates the guarantee of child care assistance for up to one year after benefits end. This plan also fails to restore TAFDC benefits for qualifying legal immigrants, contrary to a recommendation from the Welfare Reform Advisory Committee, a committee convened at the request of the Commissioner of the Department Transitional Assistance to recommend changes to the TAFDC program.

In addition to analyzing these two proposals, this paper also examines TAFDC reform-related funding levels in FY 2006 within the context of the state fiscal crisis, showing how investments for this year compare with funding levels from recent years.

- The FY 2006 budget provides at least \$6.0 million more for child care assistance to support anticipated reforms to the TAFDC program. The overall level of funding only begins to restore budget cuts in this area. Moreover, the current amount would not provide services to other low-income families seeking child care assistance. As of March 2005, over 13,000 children were on the waitlist for subsidized child care. To provide services to solely the infant and toddlers on this list would require an additional \$75.6 million.
- The budget provides an \$8.0 million increase for the Employment Services Program. The total appropriation is below the 2002 level, and it is questionable whether this amount is sufficient to meet increased demand for services through this program. Funding reductions in recent years have resulted in limited, less expensive supports, and the state has moved away from providing education and training programs toward job search and unpaid community service placements. Re-allocating resources to less costly areas may save money in the short term, but this is counter to the goal of fostering economic self-sufficiency.
- While it is uncertain whether the proposed level of funding for TAFDC benefits is sufficient to sustain the current number of recipients or potential growth in the caseload, it is clear that the level of benefits provided to families does not meet many measures of self-sufficiency, including the Standard Budgets of Assistance, a benchmark used by the Department of Transitional Assistance to define the amount necessary to for a family to meet its most basic needs. Both proposals to reform the TAFDC program offer policies to improve families’ economic security.
  - The Governor would remove the different financial standards for awarding benefits to exempt and non-exempt individuals. Under his proposal, the higher of the two standards would apply across the entire caseload, regardless of exemption status.
  - Both proposals change the amount of income a beneficiary would be able to keep before experiencing a reduction in their grant. Under the proposed legislation, all recipients would be allowed to retain \$30 and one-half of their earned income (the higher amount currently granted to non-exempt beneficiaries) before experiencing a reduction in benefits. These changes provide a first step in helping these families to achieve economic security.

## **Introduction**

In 1995, the Commonwealth was one of the first states to reform its cash assistance program during that wave of reform initiatives. Renamed Transitional Aid to Families with Dependent Children (TAFDC), the program provides financial assistance, education and training, and child care to very low-income families who qualify for such assistance. Since these reforms were inconsistent with the federal law that pre-dated federal reforms under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), the state needed and obtained waivers from the federal government to continue its program. When the federal program was reformed, the Commonwealth was allowed to continue to operate in accordance with the pre-PRWORA waivers. These waivers allow Massachusetts to provide individuals with disabilities or other barriers to employment more extensive exemptions from work requirements than federal law recognizes; under these waivers the state is also able to mandate fewer work hours and accept different categories of work activities than are counted under federal rules. The Commonwealth's waivers will expire on September 30, 2005, and unless the state alters the current program it may face fiscal penalties for not complying with federal law. Furthermore, while Congress has approved another short-term extension to the federal welfare program under Temporary Assistance for Needy Families (TANF) reauthorization, federal laws that govern this program may change in the near future. Given these circumstances, the state must make critical decisions on how it will structure its cash assistance program for low-income families.

This paper briefly describes Massachusetts welfare reform since 1995 and highlights some of the key issues in the federal TANF reauthorization debate. It also summarizes two recent proposals to reform Massachusetts' welfare program. This analysis also examines the FY 2006 budget for income supports within the context of the state fiscal crisis, showing how investments for this year compare with funding levels from recent years.

## **Overview of Massachusetts' Welfare Reform**

In 1995, Massachusetts passed legislation to reform the state's welfare program. The reformed program provides financial assistance to families with little or no income, but also places an emphasis on helping such families secure employment. The following year, the federal government enacted the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which repealed the Aid to Families with Dependent Children program (AFDC) and replaced it with the Temporary Assistance for Needy Families (TANF) block grant program. The federal reform altered the way funding is distributed to states, and implemented work requirements and time limits on benefits that were tied to federal funding. Rather than allocating a portion of the costs of providing cash assistance back to states, the federal government now provides a fixed amount of money – the TANF block grant – to each state. States can use these funds in a variety of ways (e.g., cash assistance, child care assistance, employment supports), within certain guidelines, to help low-income families achieve economic security. Massachusetts' TAFDC program is funded by the TANF block grant and by state money, but operates under waivers from federal TANF regulations that give the state greater flexibility on how it uses federal funding.

Massachusetts' waivers, in part, allow the Commonwealth to provide more generous exemptions from the time limit for individuals who have documented barriers to employment. The state program also allows for greater flexibility for individuals subject to the work requirement, both in the types of authorized activities (for example, allowing homeless individuals to use time spent searching for permanent housing to count toward their work hours) and in offering exemptions to individuals who cannot work for credible reasons. Another difference between the TAFDC program and federal TANF rules is the treatment of time limits. Compared to federal TANF regulations, Massachusetts' program, in some ways, has stricter time limits on the receipt of benefits. Massachusetts limits benefits to 24 months within a 60 month period, while federal law provides for a five year lifetime limit.

Individuals receiving TAFDC benefits are generally referred to as "exempt" or "non-exempt" from the work requirements. Exempt beneficiaries, due to existing barriers to work, receive a slightly higher level of benefits than non-exempt beneficiaries. Exemption categories include disabled adults or those caring for a disabled family member, individuals over 60 years of age, pregnant or parenting teenagers in school, pregnant women in their last trimester, and parents caring for a child under two years of age.<sup>1</sup> While the number of individuals who are exempt has actually declined somewhat since 1995, nearly three-fourths of the current caseload is exempt (35,070 individuals out of 47,845).<sup>2</sup> This is primarily because non-exempt individuals have left the TAFDC caseload in greater numbers since major reforms of the program were implemented. Non-exempt recipients are required to spend between 20 and 30 hours per week in a work activity, depending on the age of their youngest child. Although work activities generally feature a "work first" approach, there are some programs focused on education and training.

Central to the debate on reforming the state's welfare program is whether Massachusetts can meet federal work requirements and maintain crucial safeguards for vulnerable families. The policies passed in 1996 under PRWORA authorized the federal TANF program until 2002. Unable to agree on a new version of the program, Congress has passed several short term extensions to the program since 2002, including a three-month extension authorized in June 2005. The most recent proposals for TANF reauthorization would change various aspects of the program, including increasing its work requirements. Meanwhile, the Commonwealth's waivers from federal law will expire on September 30, 2005. Considering these circumstances, Massachusetts must modify its current program to ensure that the state can meet federal work participation rates and not risk losing federal funding.

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<sup>1</sup> Many individuals who are exempt in Massachusetts are also exempt under federal law, including roughly 17,000 families where the heads of household (typically a non-parent relative) are not receiving assistance for themselves, and over 3,000 families with a child less than one year of age.

<sup>2</sup> Caseload figures are from "Transitional Aid to Families with Dependent Children Caseload Demographics," Massachusetts Department of Transitional Assistance, February 2005, available at: [http://www.mass.gov/portal/index.jsp?pageID=eohhs2modulechunk&L=4&L0=Home&L1=Government&L2=Departments+and+Divisions&L3=Department+of+Transitional+Assistance&sid=Eeohhs2&b=terminalcontent&f=dtar\\_finassist\\_tafdc&csid=Eeohhs2](http://www.mass.gov/portal/index.jsp?pageID=eohhs2modulechunk&L=4&L0=Home&L1=Government&L2=Departments+and+Divisions&L3=Department+of+Transitional+Assistance&sid=Eeohhs2&b=terminalcontent&f=dtar_finassist_tafdc&csid=Eeohhs2).

## TANF Reauthorization

Earlier this year, the U.S. Senate Finance Committee and the U.S. House approved different versions of TANF reauthorization legislation. These proposals modify numerous aspects of the program, including funding and eligibility criteria. Summarized below are four components of TANF reauthorization that would have important consequences for the state's ability to meet new federal requirements and maintain exemptions for those who have documented barriers to work.<sup>3</sup>

### *Work Participation Rates*

Both proposals in Congress would increase work participation rates among TANF recipients from 50 percent to 70 percent over the next five years. The U.S. Senate Finance Committee plan includes an employment credit, which would generally allow states to count employed former recipients toward the work participation rate. The U.S. House version includes a caseload reduction credit, similar to the one currently in place, but would base the credit on recent reductions in caseloads rather than in comparison to 1995. Under current law, Massachusetts is able to meet the federal work participation rate mostly due to state waivers and its caseload reduction credit. (See Figure 1 below to compare current federal requirements with reauthorization proposals in Congress and with Massachusetts' current policies.)

Both federal bills also allow states to exclude certain individuals from counting toward the work participation rate, provided that the benefits those individual receive are funded entirely with state funds in a nominally "separate state program." These expenditures by the state also count toward the state's Maintenance of Effort (MOE) – the amount of money a state is required to spend to qualify for the federal TANF block grant.<sup>4</sup> In Massachusetts, the benefits for exempt individuals currently are paid from state funds to prevent these beneficiaries from being subject to the federal five-year time limit. However, if not for the state's waivers, these individuals would count against the federal work participation rate because the funds which pay their benefits are commingled with federal funding.

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<sup>3</sup> This paper provides a brief summary of elements of TANF reauthorization that would have a considerable impact on how Massachusetts administers the TAFDC program. For more comprehensive analyses, see the following: Framstad, Shawn, and Parrott, Sharon, *The Senate Finance Committee's TANF Reauthorization Bill*, Center on Budget and Policy Priorities, Revised May 12, 2004, and *Key Provisions in TANF Reauthorization Bills Passed by the Senate Finance Committee and the House*, Center for Law and Social Policy and Center on Budget and Policy Priorities, September 19, 2003.

<sup>4</sup> Massachusetts' TANF block grant totals \$459.4 million, and the state contributes \$358.9 million in MOE funds. The state uses the sum of these funds to provide cash assistance as well as other supports like child care, job search assistance, and transportation to TAFDC recipients. This money also funds programs and services designed to assist low-income families who do not receiving TAFDC; examples include subsidized child care and the Earned Income Tax Credit.

### *Hours of Participation*

The Congressional proposals would also increase the number of required hours a recipient must work to count toward the work participation rate. Under current federal law, parents whose youngest child is older than six years of age are required to work 30 hours per week; parents with children younger than six years, must work 20 hours per week. The U.S. House's proposal includes a 40 hour per week requirement for all parents regardless of their child's age. Under the U.S. Senate Finance Committee's plan, single parents with school-aged children would have to work 34 hours per week, and single parents with younger children would be required to work 24 hours per week. In Massachusetts, parents with children between two and six years of age are required to work 20 hours per week; parents with children between the ages of six and nine years of age have to work 24 hours per week, and parents with children older than nine years of age must work 30 hours per week.

### *Types of Work Activities*

In addition to altering the participation rate and the number of required work hours for recipients, Congress will likely change the types of activities in which a recipient may engage and still be considered to have met their work requirement. For example, the U.S. Senate Finance Committee's bill maintains one aspect of current law, which allows states to count vocational education; the U.S. House bill, in contrast, would limit such activities to three months within a two-year period; otherwise, vocational education would count only if the recipients are also working 24 hours per week. Massachusetts currently counts education and training as permissible work activities for up to 12 months, as does current federal law.

### *Universal Engagement*

Both bills include strategies to fully engage TANF recipients. The proposals would require states to assess the skills, work experience, education, and barriers to employment for all adult recipients and to develop self-sufficiency plans for each recipient within 60 days of their TANF enrollment. In Massachusetts, the Department of Transitional Assistance (the state agency which administers the TAFDC program) only provides these types of services to non-exempt recipients. The U.S. Senate Finance Committee's plan would further require that before sanctioning a family from the program for failing to comply with a certain provision of their plan, states must review the plan and make a good-faith effort to consult with the family regarding this matter.

Figure 1

TANF Reauthorization: A Comparison of Current Federal Law, Federal Proposals, and Massachusetts Law <sup>5</sup>				
	Current Federal Law	Federal Proposals		Massachusetts Law
		<u>U.S. House</u>	<u>U.S. Senate</u>	
<b>Required Work Participation Rate and Credits</b>	<ul style="list-style-type: none"> <li>• 50% in FY 2002 and after</li> <li>• Caseload reduction credit toward rate based on 1995</li> </ul>	<ul style="list-style-type: none"> <li>• 50% in 2006</li> <li>• Increases by 5 percentage points until 70% in 2010</li> <li>• Credit towards rate given for new caseload reduction</li> </ul>	<ul style="list-style-type: none"> <li>• 50% in 2006</li> <li>• Increases by 5 percentage points until 70% in 2010</li> <li>• Credit towards rate given for employed former recipients</li> </ul>	<ul style="list-style-type: none"> <li>• 50% minus Caseload Reduction Credit ≈ 10%</li> </ul> <p><i>MA's actual rate before waivers (approximately 20%) meets federal regulations due to caseload reduction credit and other waivers</i></p>
<b>Work Hours (Single Parents)</b>	<ul style="list-style-type: none"> <li>• Youngest child under 6 years: 20 hours/week</li> <li>• Youngest child over 6 years: 30 hours/week</li> <li>• No partial credit for parents engaged in work activities for fewer hours than required</li> </ul>	<ul style="list-style-type: none"> <li>• Any age child: 40 hours/week</li> <li>• Partial credit for adults spending 24 or more hours/week in specified work activities</li> </ul>	<ul style="list-style-type: none"> <li>• Youngest child under 6 years: 24 hours/week</li> <li>• Youngest child over 6 years: 34 hours/week</li> <li>• Partial credit for parents who participate for at least 20 hours/week</li> </ul>	<ul style="list-style-type: none"> <li>• Youngest child 2 to 6 years: 20 hours/week</li> <li>• Youngest child 6 to 8 years: 24 hours/week</li> <li>• Youngest child 9 years or older: 30 hours/week</li> <li>• Family cap child under 2: 20 hours/week<sup>6</sup></li> </ul>
<b>Work Requirements/ Education and Training</b>	<ul style="list-style-type: none"> <li>• Vocational training counts toward participation rates for up to 12 months</li> </ul>	<ul style="list-style-type: none"> <li>• Countable for 3 months within a 24 month period or if recipient works at least 24 hours/week</li> </ul>	<ul style="list-style-type: none"> <li>• Retains current law</li> <li>• State has option to count postsecondary or vocational education for more than 12 months</li> </ul>	<ul style="list-style-type: none"> <li>• Vocational education counts towards participation rates up to 12 months</li> </ul>

<sup>5</sup> Summarized from: Framstad, Shawn, and Parrott, Sharon, *The Senate Finance Committee's TANF Reauthorization Bill*, Center on Budget and Policy Priorities, Revised May 12, 2004, and *Key Provisions in TANF Reauthorization Bills Passed by the Senate Finance Committee and the House*, Center for Law and Social Policy and Center on Budget and Policy Priorities, September 19, 2003.

<sup>6</sup> Under the family cap policy, if an additional child is conceived after the family begins to receive welfare that family does not receive an incremental increase in benefits. Instead, the family's grant is capped and the child is excluded from the grant increase.

**TANF Reauthorization:  
A Comparison of Current Federal Law, Federal Proposals, and Massachusetts Law<sup>5</sup>**

<u>Current Federal Law</u>	<u>Federal Proposals</u>		<u>Massachusetts Law</u>
	<u>U.S. House</u>	<u>U.S. Senate</u>	
<ul style="list-style-type: none"> <li>• States must ensure that adults are "engaged in work" under state regulations within 24 months</li> <li>• State option to develop Individual Responsibility Plan</li> </ul>	<ul style="list-style-type: none"> <li>• States must develop self-sufficiency plans for parents/caretakers within 60 days of TANF enrollment and detail work activities</li> <li>• U.S. Department of Health and Human Services directed to impose financial penalties on states that fail to comply with these requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminates 24-month work trigger</li> <li>• States must develop self-sufficiency plans within 60 days of TANF enrollment and outline how they intend to require recipients to engage in work activities</li> <li>• Self-sufficiency plan must contain activities designed to help family achieve maximum self-sufficiency, state-provided supportive services, steps to promote child well-being, and information about work-support assistance</li> <li>• HHS shall impose a financial penalty on states that fail to comply with self-sufficiency plan requirement based on degree of noncompliance.</li> </ul>	<ul style="list-style-type: none"> <li>• DTA creates an employment plan for non-exempt recipients and exempt recipients who volunteer for work activities</li> <li>• Non-exempt recipients who do not identify their own countable activities are usually assigned to community service</li> </ul>
<b>Universal Engagement</b>			

## **An Act Relative to Responsible Welfare Reform**

When the Commonwealth reformed its welfare system, it acknowledged that certain individuals would face serious obstacles to employment. Based on their circumstances, it would be unreasonable for these individuals to be subject to a work requirement or face sanctions from the program if they failed to meet the set number of hours in an approved work activity. Similarly, the 24 months within a 60 month time limit was recognized as too restrictive for individuals who would not be able to support themselves solely through employment. For example, a teenager whose time limit would run out before graduating from high school would likely face greater economic insecurity by entering the workforce without a high school diploma. By providing exemptions from the work requirement and time limit, the state maintains important safeguards for those who need them. The state must resolve how it will structure the TAFDC program with respect to these safeguards once its waivers expire. Massachusetts must also consider the likelihood of new TANF rules when reauthorization is taken up in Congress. Both circumstances require the Commonwealth to alter the current program to enable the state to meet higher federal work participation rates.

On one hand, the state could strictly impose work requirements and time limits for the entire caseload. This may increase the state's work participation rate, but there is no guarantee that the state would be able to meet the higher work rates being considered under TANF reauthorization, since individuals with documented barriers to employment may simply not be able to work 24 to 40 hours per week. Implementing work requirements and time limits for the entire caseload would likely cause individuals to lose their assistance if they are not able to meet their work requirement. On the other hand, the Commonwealth could maintain current exemptions for individuals by continuing to pay for their benefits from state funds and designating these funds as a separate state program, an approach which would not incur any additional cost to the state. This strategy would meet proposed federal work requirements and keep in place safeguards for exempt families. The Commonwealth currently uses state money to fund benefits for exempt beneficiaries. Creating a separate state program would formally establish a discrete method for paying these benefits, satisfying current federal law and proposals by the U.S. House and the U.S. Senate Finance Committee for TANF reauthorization.

Two identical proposals before the Massachusetts Legislature, *An Act Relative to Responsible Welfare Reform* (House No. 4245, sponsored by Representative Antonio Cabral, and Senate No. 2144, sponsored by Senator Cynthia Creem), elect the latter option. The bill would create a separate state program that will meet federal requirements and will fund benefits for individuals with exemptions at no additional cost. Two identical versions of this bill have been reported favorably by the Joint Committee on Children and Families and are now pending before the House and Senate Committees on Ways and Means. The following sections summarize the major components of this bill. (Figure 2 compares key features of this bill with current law as well as a proposal offered by Governor Romney to reform the program.)

### *Creates a Separate State Program*

This bill would maintain exemptions for individuals with documented barriers to employment, including disabled parents, individuals caring for a disabled family member, teen parents in high school, women in their third trimester of pregnancy, and parents whose youngest child is under two years of age. An Act Relative to Responsible Welfare Reform would continue the state's practice of using state funds to pay benefits to individuals who are not exempt under federal law, but would formally establish a separate state program for federal reporting purposes. Under federal law, any program which is funded wholly or in part with federal money is subject to federal rules for that program. Currently, over half of the TAFDC program is funded with state money, but because the state's funds for this program are commingled with federal funding, the program is subject to federal TANF rules. Establishing a discrete, separate accounting method would meet federal requirements. The separate state program would also fund assistance to individuals who demonstrate "good cause" for not finding work and to individuals who are participating in activities permitted under state law but not federal law. At least 28 states operate separate state programs.<sup>7</sup> When their federal waivers expired, several states, including Nebraska, Virginia, and South Carolina, created separate state programs to continue providing benefits to families who would otherwise be subject to time limits and work requirements.<sup>8</sup>

### *Aligns Work Requirements with Federal Law*

An Act Relative to Responsible Welfare Reform would increase TAFDC work hours for non-exempt beneficiaries to meet federal TANF rules. The proposal would incrementally phase in increased work hours for non-exempt recipients to comply with incremental increases in the work participation rates included in the TANF reauthorization bills proposed in Congress earlier this year. Non-exempt beneficiaries would be required to work 24 hours per week in a direct work activity plus additional hours in qualified activities in order to meet federal law. Total required hours could be as high as 34 to 40 hours per week.

### *Meets Federal Work Participation Rates*

The Responsible Welfare Reform legislation would meet federal work participation rates expected under TANF reauthorization. Current federal law requires states to meet a 50 percent nominal work participation rate, but allows states to use various credits, including the caseload reduction credit, which lowers their required work participation rate from the nominal standard. In Massachusetts, the work participation rate, after accounting for various credits, is about 20 percent, and the state's current structure can meet this standard. Both TANF reauthorization proposals currently under consideration would raise the work participation rate to 70 percent by 2010, and limit the type of credits states may use to lower this rate. By adopting work hours recognized by federal law and by creating a separate state program, which would pay benefits for exempt individuals and other recipients who may risk lowering the state's work participation rate, the state would likely meet the federal work participation rate.<sup>9</sup>

<sup>7</sup> "Welfare Caseload Watch," National Conference of State Legislatures, March 9, 2005.

<sup>8</sup> *The Wise Response to TANF Reauthorization in Massachusetts: An Act Relative to Responsible Welfare Reform*, Massachusetts Law Reform Institute, December 2004, p. 6.

<sup>9</sup> For more on work participation rates under An Act Relative to Responsible Welfare Reform, see *The Wise Response to TANF Reauthorization in Massachusetts: An Act Relative to Responsible Welfare Reform*, Massachusetts Law Reform Institute, December 2004, and Deborah Harris, *Testimony Before the Joint Committee on Children and Families Regarding An Act Relative to Responsible Welfare Reform*, H. 3866, S. 71, Massachusetts Law Reform Institute, June 14, 2005.

### *Implements Full Engagement Strategies*

An Act Relative to Responsible Welfare Reform would authorize the Department of Transitional Assistance, in collaboration with other agencies serving TAFDC beneficiaries, to create “family well-being plans” to help exempt individuals – including those with disabilities – and would require the Commonwealth to develop and fund programs to assist these recipients in overcoming barriers to employment. This strategy engages the same 14,000 families that would lose their exemption under the Governor’s proposal. Currently, the Department of Transitional Assistance only provides employment assessments for the non-exempt portion of the caseload and exempt individuals participating in a work activity. While non-exempt individuals may be given priority for these assessments because of their mandated work requirements, this bill recognizes that the Department should utilize all appropriate methods in assisting families with barriers to employment.

### *Upholds Various Safeguards and Restores Benefits*

The Responsible Welfare Reform bill would maintain good cause provisions enacted as part of the FY 2005 budget, which prohibit the Department of Transitional Assistance from terminating benefits for recipients who cannot meet their work requirement because they face documented hardships. Examples of such barriers include a lack of transportation or inability to obtain child care.

This proposal would also restore benefits to legal immigrants who are not eligible for federally funded cash assistance. Although federal TANF law prohibits certain legal immigrants from receiving federally funded cash assistance, Massachusetts made a commitment to providing such assistance from state funding to families who qualified for the TAFDC program. In fiscal year 2002, due to fiscal pressures, the state stopped granting TAFDC benefits to legal immigrants. In her testimony in support of this bill before the Legislature’s Joint Committee on Children and Families, Senator Cynthia Creem estimated that the funding necessary to provide these benefits would total \$1.0 million.

An Act Relative to Responsible Welfare Reform would preserve the state’s commitment to allowing certain types of work activities that do not count under federal TANF rules. For example, Massachusetts counts 12 months of education and training as a work activity, while the U.S. House bill proposed earlier this year in support of TANF reauthorization would restrict such activities. Similarly, the Commonwealth allows recipients who reside in homeless shelters to use time spent searching for permanent housing to count toward their work hours. Current federal law may not recognize this as a countable activity, although it may count for up to three months as an activity to remove employment barriers under TANF reauthorization proposals. In circumstances like these, An Act Relative to Responsible Welfare Reform proposes that the state pay benefits from the separate state program.

## Governor Romney's Proposed Changes to the TAFDC Program

In light of the imminent expiration of Massachusetts' waivers, Governor Romney, in his fiscal year 2006 budget proposal (House 1), proposed to repeal the Commonwealth's welfare reform law, and offered a new version of the TAFDC program. A press release from the Governor's office states, "With the waiver expiring at the end of September, Romney said major changes must be made to come into conformance with the federal standards or else the Commonwealth could risk losing millions of dollars in federal welfare reimbursements."<sup>10</sup> The Legislature rejected the Governor's proposed changes in the version of the FY 2006 budget it enacted in June, thus maintaining the current structure of the TAFDC program. On July 8, 2005, the Governor filed separate legislation to reform the TAFDC program (*An Act Making Appropriations and to Promote Self-Sufficiency and Independence for Transitional Assistance Recipients*), which is essentially the same legislation that was offered in his FY 2006 budget proposal. The plan would limit the categories for exemptions to match those of the federal TANF program. Detailed below are the major policy changes included in the Governor's proposal. (See Figure 2 below for a comparison of current law, An Act Relative to Responsible Welfare Reform, and Governor Romney's plan.)

### *Removes Exemptions*

The Governor's plan to reform the TAFDC program would impose work requirements and time limits on approximately 14,000 individuals who are currently exempt from such restrictions.<sup>11</sup> His proposal would remove exemptions for approximately 5,600 families headed by parents who have been determined disabled by the state but are not receiving federal Supplemental Security Income (SSI) benefits.<sup>12</sup> Currently, the TAFDC program uses slightly less stringent disability criteria than the federal SSI program, and allows individuals with disabilities to receive TAFDC benefits while waiting to receive SSI. Governor Romney's proposal would also impose work requirements and time limits on individuals caring for a disabled family member, beneficiaries over the age of 60, parents whose youngest child of record is between one and two years of age, teen parents attending high school, and pregnant women in their last trimester.<sup>13</sup>

Imposing time limits and work requirements on individuals with documented barriers to employment would likely threaten the well-being of these populations. Compared to beneficiaries without barriers, these individuals experience lower earnings, are less likely to

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<sup>10</sup> "With Work, Romney Helps Welfare Recipients Get on their Feet," Massachusetts Office of the Governor, January 24, 2005.

<sup>11</sup> "House 1 for FY 2006 Preliminary Analysis of Selected Welfare, Child Care, Housing, Elder, and Health Issues," Massachusetts Law Reform Institute, January 26, 2005, p. 1.

<sup>12</sup> Ibid.

<sup>13</sup> Governor Romney's proposal does not explicitly state that individuals with a disabled spouse or child could meet their work requirement by caring for the family member, but his Administration has claimed that this would satisfy the work requirement. There are similar contentions that teen parents would be permitted to use school attendance as a work activity, but the proposal does not prevent the Department of Transitional Assistance from requiring additional activities. See Commissioner John Wagner, "FY06 Joint Budget Testimony," Department of Transitional Assistance, March 3, 2005, available at: [http://www.mass.gov/portal/index.jsp?pageID=eohhs2modulechunk&L=4&L0=Home&L1=Government&L2=Departments+and+Divisions&L3=Department+of+Transitional+Assistance&sid=Eeohhs2&b=terminalcontent&f=dt\\_a\\_r\\_reform\\_testimony20050303&csid=Eeohhs2](http://www.mass.gov/portal/index.jsp?pageID=eohhs2modulechunk&L=4&L0=Home&L1=Government&L2=Departments+and+Divisions&L3=Department+of+Transitional+Assistance&sid=Eeohhs2&b=terminalcontent&f=dt_a_r_reform_testimony20050303&csid=Eeohhs2).

secure employment, and are more likely to lose assistance due to sanctions.<sup>14</sup> Moreover, requiring these populations to work may not be practical or financially feasible. For example, individuals with disabilities are likely to require more supportive and costly resources than the existing program could support. The amounts appropriated in the FY 2006 budget for support services would not cover the costs for such programs.

There is little evidence to suggest that removing exemptions will help Massachusetts achieve the work participation rate required under TANF reauthorization. The Administration has not documented how its plan would enable Massachusetts to satisfy the work rates under current TANF law or those expected under reauthorization. Removing exemptions for individuals with barriers to employment and counting them in the federal work rate assumes a high rate of compliance – a level not even achieved among individuals who do not have barriers to work. If the state fails to meet federal work participation rates, it can be penalized up to five percent (\$23 million) of the TANF block grant in the first year, and more in subsequent years.

### *Proposes New Work Requirements and Time Limits*

In addition to introducing new work requirements for thousands of individuals, the Governor's plan would increase the number of hours needed for non-exempt beneficiaries to fulfill the work requirement. In his plan, the Governor gives the Department of Transitional Assistance authority to set work hours at the level necessary to maximize the federal work participation rate. Under current TANF law, non-exempt individuals would likely be required to work between 20 and 30 hours per week. Under TANF reauthorization, the state will likely receive full credit for weekly hours between 34 and 40 hours. Under the Governor's plan, the Department would have complete authority to set the required number of hours at more than 40 per week.

Governor Romney's plan would also change current rules for time limits. His proposal maintains the state's 24 month within a 60 month time limit, but also sets a five year lifetime limit on TAFDC benefits. Under the plan, current recipients who have received assistance for a total of 24 months could have this time retroactively applied toward the lifetime time limit.

### *Rescinds Various Safeguards and Fails to Restore Benefits*

The Governor's proposal would remove various protections for individuals receiving TAFDC. He removes many of the good cause provisions, explained in the above section on An Act Relative to Responsible Welfare Reform. Governor Romney also proposes to remove the guarantee of child care assistance for current and former recipients up to one year after benefits end. However, such assistance is important in helping welfare recipients secure stable employment and advance their earnings.

The Governor's plan also fails to restore TAFDC benefits for qualifying legal immigrants, despite a recommendation in favor of doing so from the Welfare Reform Advisory Committee in November 2004. This committee was convened at the request of the Commissioner of the Department Transitional Assistance to recommend changes to the TAFDC program. The Commonwealth has not provided TAFDC benefits to legal immigrants since fiscal year 2002, after which it excluded this population due to fiscal constraints.

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<sup>14</sup> Goldberg, Heidi, *Improving TANF Program Outcomes for Families with Barriers to Employment*, Center on Budget and Policy Priorities, January 22, 2002, p. 1.

Figure 2

TAFDC Reform: A Comparison of Current Law, An Act Relative to Responsible Welfare Reform, and the Governor's Proposal				
	Current MA Law	An Act Relative to Responsible Welfare Reform	Governor's Proposal	
<b>Exemptions</b>	<i>Exemptions granted to individuals who meet the following criteria:</i>			
	• Receiving federal SSI benefits	✓	✓	✓
	• Disabled under federal or state standards, according to state disability determination	✓	✓	
	• Caring for a disabled family member	✓	✓	
	• Caring for a young child under 1-2 years old	✓	✓	
	• Caring for a young child under 1 year old	✓	✓	✓
	• Relative other than a parent caring for a child without receiving benefits	✓	✓	✓
	• Teen parent in school/GED	✓	✓	
• Age 60 or older	✓	✓		
<b>Work Hours</b>	<i>Work hours set by age of youngest child:</i>			
	• Families whose youngest child is: between 2 and 6 years of age work 20 hours/week; between 6 and 8 years of age work 24 hours/week; 9 years or older work 30 hours/week; or a family cap child under 2 years of age work 20 hours per week.	✓		
	<i>Work hours set to conform to federal law:</i>			
• To meet increased work participation rates proposed in TANF reauthorization, individuals spend 24 hours/week in direct work activities, and additional hours in "qualified" activities as needed to meet federal rate.		✓		
<i>Work hours set at DTA's discretion to maximize federal work rate:</i>				
• Under current TANF law, individuals work between 20 to 30 hours per week; under TANF reauthorization, hours could range between 34 to 40 hours per week; required hours could be set higher at DTA's discretion.			✓	

**TAFDC Reform: A Comparison of Current Law,  
An Act Relative to Responsible Welfare Reform, and the Governor's Proposal**

		<u>Current MA Law</u>	<u>An Act Relative to Responsible Welfare Reform</u>	<u>Governor's Proposal</u>
<b>Work Requirements</b>	<i>Countable work activities include:</i>			
	• Paid work	✓	✓	✓
	• Subsidized work	✓	✓	✓
	• Vocational education allowed up to 12 months	✓	✓	✓
	• Community service	✓	✓	✓
	• Job search	✓	✓	
	• Housing search (if residing in shelter)	✓	✓	✓
	• All other federally allowed activities		✓	✓
	• Caring for a disabled family member *			✓
• Teen parent enrolled in school/GED program *				
<b>Child Care</b>	<i>Child care guarantee for:</i>			
	• Recipients who are employed or are participating in work activity	✓	✓	
	• Employed former recipients up to one year after benefits end	✓	✓	
<b>Universal Engagement</b>	• DTA generates employment plan for non-exempt recipients and exempt recipients who volunteer.	✓		
	• After comprehensive assessment, DTA is required to complete a plan for non-exempt recipients and authorized to complete plan for exempt recipients by collaborating with other state agencies.		✓	
	• DTA generates employment plan for all recipients, subject to appropriation. *			
<b>Time Limit</b>	• 24 months out of every 60 months unless there is an exemption/extension	✓	✓	✓
	• 5 year lifetime limit on benefits			✓
<b>Benefits</b>	<i>In addition to monthly benefits:</i>			
	• Non-exempt individuals are allowed to keep \$30 plus 1/2 of earned income; exempt individuals are allowed to keep \$30 plus 1/3 of earned income.	✓		
	• Regardless of exemption status, working beneficiaries are allowed to retain \$30 plus 1/2 of earned income.		✓	✓

\* Although these activities are not explicitly written into the Governor's legislation, the Administration has indicated that these would be implemented in reform efforts.

## The Legislature's Proposed Limited Changes to the TAFDC Program

The Legislature rejected Governor Romney's initial welfare reform proposal in its entirety during its deliberations on the FY 2006 budget, in part because the leadership of House of Representatives has expressed a commitment to enacting major policy changes through the committee process and not through the budget. In its budget proposal, the Senate adopted the funding mechanism for a separate state program included in An Act Relative to Responsible Welfare Reform. The FY 2006 budget, approved by both branches and signed by the Governor, left in place the current structure of the TAFDC program. On Tuesday, June 28, 2005, the state's Joint Committee on Children and Families, the legislative committee charged with reviewing An Act Relative to Responsible Welfare Reform, favorably reported two identical versions of this bill, which are now before the House and Senate Committees on Ways and Means.

While the Legislature did not alter the TAFDC program in the FY 2006 budget, it provided additional money for child care assistance and employment services in anticipation of changes needed to comply with federal law once the state's waivers expire. The following sections describe how funding levels for specific income supports are affected in the FY 2006 budget.

### Investments in Income Supports

To address the proposed changes to TAFDC, the FY 2006 budget offers additional funding for various income supports. The FY 2006 budget provides an additional \$2.2 million for Department of Transitional Assistance caseworkers. Although neither the House nor the Senate indicated this additional funding is due to TAFDC reform, the Governor's House 1 budget proposal provided an increase of roughly the same amount and explicitly describes this increase in funding as an investment related to welfare reform. The FY 2006 budget also increases funding for the main budget account which funds child care for low-

income families. It is difficult to determine how much of this increase is meant to support TAFDC reforms, since this account also funds subsidies for other low-income families. One way to estimate this difference is to attribute the inflation-adjusted increase to the amount needed to support this reform.<sup>15</sup> After adjusting for inflation, the difference amounts to a \$5.7 million increase over FY 2005. This may overstate the overall investment due to TAFDC reforms, but the amount is roughly comparable to Governor Romney's House 1 proposal to increase nominal

**Figure 3**

<b>Net Investments Due to TAFDC Reform</b>	
<i>(In Millions of \$)</i>	
<b>Total Investment</b>	<b>22.0</b>
DTA Caseworkers	2.2
Child Care Assistance	11.7
Employment Supports	8.0
<b>Appropriation for TAFDC Grants*</b>	<b>(4.9)</b>
<b>Net Investment</b>	<b>17.1</b>
<b>Net Investment excluding DTA Caseworkers</b>	<b>14.9</b>

\* Appropriation decreases due to projected decline in the caseload.

<sup>15</sup> This is the only instance where the inflation-adjusted difference is calculated as part of the net investment. All other increases are in nominal dollars.

funding for child care assistance by \$6.4 million, which he indicated was to support welfare reform. The FY 2006 budget also dedicates one half of a \$12.0 million reserve created to comply with changes in the federal program to fund child care subsidies and resource and referral services, resulting in an overall increase of \$11.7 million for child care assistance. The budget also boosts funding for employment supports by \$8.0 million, including \$6.0 million from the \$12.0 million reserve for TAFDC reform. Combining total new investments in DTA caseworkers, child care assistance, and employment services with the reduction in the appropriation for TAFDC grants shows a net investment of \$17.1 million, as shown in Figure 3. If the increase in funding for DTA caseworkers is removed from the calculation, the result is a \$14.9 million net investment.

While it is clear that greater demands on TAFDC beneficiaries require increased supports in these areas, it is unclear whether the proposed rise in funding is sufficient. Furthermore, budget cuts during the state's fiscal crisis have resulted in shortages of resources in these areas. At the same time, overall demand for such services has increased, making additional funding in FY 2006 seem small in comparison. The following sections assess funding for child care assistance, employment services, and TAFDC grant payments over the past few years and compare them to proposed funding for FY 2006. Because the budget does not separate administrative costs for the TAFDC program from other administrative costs for the Department of Transitional Assistance, this report will not attempt to compare funding for the Department's caseworkers in the same manner as other supports to TAFDC recipients.

### *Child Care Assistance*

Providing subsidies for child care is one of the primary strategies that federal and state governments use to help low-income families achieve economic security. For individuals transitioning off of welfare, this assistance is particularly important to securing stable employment and increasing earnings.<sup>16</sup> Although there is ample evidence demonstrating the benefits of providing financial assistance for child care to low-income families, funding for subsidized child care was reduced during the fiscal crisis. Between fiscal years 2002 and 2005, funding for child care assistance fell from \$292.1 million to \$278.9 million, a \$13.2 million or five percent budget cut. Adjusting for inflation shows a real decline of \$36.3 million or 11 percent (Figure 4).<sup>17</sup> One consequence of budget cuts to child care assistance is a decrease in the availability of subsidized slots and an increase in the waitlist. Between 2002 and 2003, when funding was cut by five percent in real terms, the number of children in subsidized care fell by ten percent. During the same period, the waitlist grew from 17,610 to 19,235 children, a nine percent increase.<sup>18</sup>

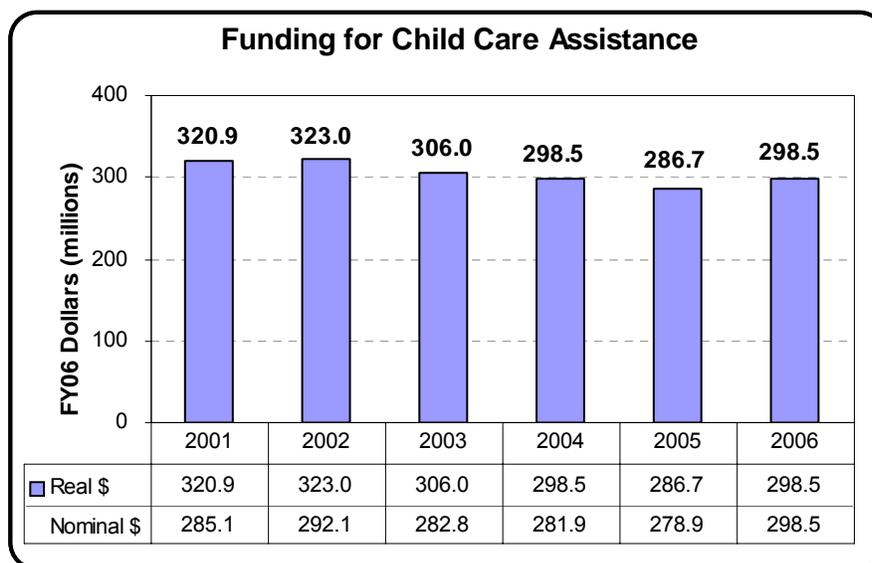
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<sup>16</sup> Boushey, Heather, *Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth*, Economic Policy Institute, 2002, p. 1-2.

<sup>17</sup> The following sections describe budget reductions in inflation-adjusted figures to indicate the real impact of these cuts. Budget figures here only represent funding for administered by the main budget account for subsidized slots for low-income families. Subsidized child care is also available through the Community Partnerships for Children program, but funding in this area is not tied to welfare reform.

<sup>18</sup> Na'im, Alyssa and Wagman, Nancy, *Real Cuts – Real People – Real Pain: The Effects of the Fiscal Crisis on Women and Girls in Massachusetts*, Massachusetts Budget and Policy Center, December 2004, p. 21.

**Figure 4**



The FY 2006 budget increases funding for child care assistance in two ways. The main budget account which funds subsidies to low-income families grows from \$278.9 million to \$292.5 million, a \$5.7 million increase, after adjusting for inflation. The budget also allocates \$6.0 million of a \$12.0 million reserve – created to comply with anticipated changes to the TAFDC program – toward subsidized child care and resource and referral services. The level of funding, however, only begins to restore budget cuts in this area. Moreover, the current amount would not provide services to other low-income families seeking child care assistance. As of March 2005, over 13,000 children were on the waitlist for subsidized child care.<sup>19</sup> To provide services to just the infant and toddlers on this list would require an additional \$75.6 million (see Figure 5).<sup>20</sup>

**Figure 5**

<b>Cost of Clearing the Waitlist for Subsidized Care</b>		
	<u>Total on Waitlist</u>	<u>Cost of Child Care (\$)</u>
Infant	2,767	36.3 M
Toddler	3,301	39.3 M
Preschool	4,656	39.2 M
School Age	3,071	11.8 M
<b>Total</b>	<b>13,795</b>	<b>126.5 M</b>

*Sources: Waitlist numbers are from Massachusetts Department of Early Education and Care. Costs are from the Massachusetts Child Care Resource and Referral Network.*

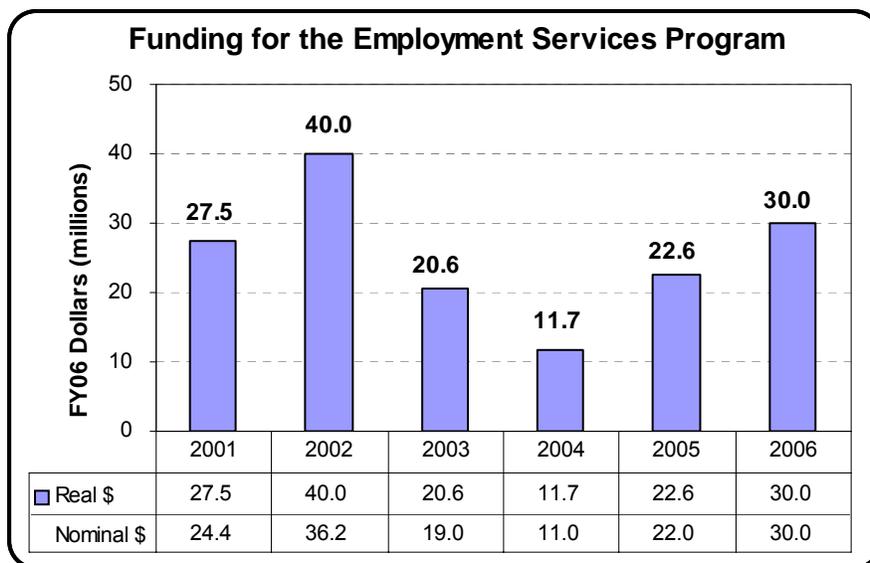
<sup>19</sup> “Waitlist by Age Groupings of Children – March 2005,” Massachusetts Department of Early Education and Care, March 2005, available at: [http://www.eec.state.ma.us/kr\\_research.aspx](http://www.eec.state.ma.us/kr_research.aspx).

<sup>20</sup> Calculated from the average annual costs of child care from Massachusetts Child Care Resource and Referral Network, as cited in Trail, Saskia, Wohl, Jen, *The Economic Impact of the Child Care and Early Education Industry in Massachusetts*, National Economic Development and Law Center, 2004, p. 12.

## Employment Services

The Employment Services Program is a set of programs designed to offer education, training, and job search assistance to current and former TAFDC recipients for up to one year after their financial benefits cease. Like many other areas of the state budget, funding for the Employment Services Program was cut substantially during the fiscal crisis. Between fiscal years 2002 and 2004, support for the Employment Services Program declined in real terms by \$28.3 million or 71 percent. The 2005 budget restored \$11.0 million, to the program in response to increased demand for services brought about, to some extent, by new work requirements for parents of preschool aged children. The FY 2006 budget increases funding for the Employment Services Program by a total of \$8.0 million (Figure 6).

**Figure 6**



Although the FY 2006 budget provides an \$8.0 million increase over FY 2005 (\$7.4 million more, after adjusting for inflation), the amount is below the 2002 level and it is questionable whether this amount is sufficient to meet increased demand for services through this program. In 2002, the \$36.2 million appropriated to the Employment Services Program supported activities for 4,171 individuals.<sup>21</sup> By 2004, the Department of Transitional Assistance provided services to 7,609 individuals with only \$11.0 million.<sup>22</sup> Funding reductions have resulted in limited, less expensive services and a shift from providing education and training programs to job search and unpaid community service placements.<sup>23</sup> Re-allocating resources to less costly areas may save money in the short term, but is counter to the goal of fostering economic self-sufficiency. Research has shown that offering education and training programs to individuals transitioning off

<sup>21</sup> Employment Services Program caseload data are from *Breakdown of Active TAFDC Cases with June 2002 Participation or Earnings*, Massachusetts Department of Transitional Assistance, June 2002.

<sup>22</sup> *TAFDC Caseload Tracking Breakout Report Unduplicated Activities for June 2004*, Massachusetts Department of Transitional Assistance, June 2004.

<sup>23</sup> Na'im, Alyssa and Wagman, Nancy, *Real Cuts – Real People – Real Pain: The Effects of the Fiscal Crisis on Women and Girls in Massachusetts*, Massachusetts Budget and Policy Center, December 2004, p. 15.

of welfare increases individuals' long-term earnings.<sup>24</sup> It is also important to note that the Governor's plan would impose work requirements on individuals with barriers to work. Providing appropriate services to just the portion of the caseload with disabilities or those caring for disabled families members would cost significantly more than the \$8.0 million increase for employment services.

### *TAFDC Grants*

Partially offsetting the investments in the areas above is a \$4.9 million nominal reduction in FY 2006 for the budget account which funds TAFDC benefits; after adjusting for inflation, this represents an \$13.8 million decline in the appropriation. The lower level of funding for FY 2006 assumes that the caseload is likely to shrink. One reason that the caseload would contract is that individuals would move into the workforce and no longer rely on cash assistance. A 1999 study of individuals leaving the TAFDC program showed that while their earnings increased, their wages and the industries in which they were employed were not likely to lead to economic self-sufficiency.<sup>25</sup> This report also showed that former recipients were still eligible for and received publicly funded services like Medicaid, housing assistance, food stamps, and child care subsidies.<sup>26</sup> A more recent study of low-income families in Boston showed similar results for former TAFDC recipients.<sup>27</sup> Another reason for the smaller projection in the caseload is that individuals would not be able to meet the increased work requirements and would be sanctioned from the program. This is more likely to occur for those individuals who cannot find suitable work activities for the required number of hours.

While it is uncertain whether the proposed level of funding for TAFDC benefits is sufficient to sustain the current number of recipients or potential growth in the caseload, it is clear that the level of benefits does not allow recipients to meet many measures of self-sufficiency, including the Standard Budgets of Assistance, a benchmark used by the Department of Transitional Assistance to define the amount necessary to for a family to meet its most basic needs. In a 2005 report to the Legislature, the Department of Transitional Assistance shows that the combination of benefits provided to non-exempt families, including the monthly grant, food stamps, and clothing and rent allowances, are well below the Standard Budgets of Assistance. The maximum base TAFDC grant for a non-exempt family of three totals \$6,936 annually. Families also receive clothing and rent allowances, and may also receive food stamps, which would bring the total benefits for a non-exempt family to \$12,228 per year (see Figure 7). The report further shows that earnings gained from employment could bring families' income close to or slightly higher than the Standard Budgets of Assistance, and therefore places a strong emphasis on beneficiaries securing work to improve their economic standing.<sup>28</sup>

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<sup>24</sup> Martinson, Karin, Strawn, Julie, *Built to Last: Why Skills Matter for Long-Run Success in Welfare Reform*, Center for Law and Social Policy, April 2003.

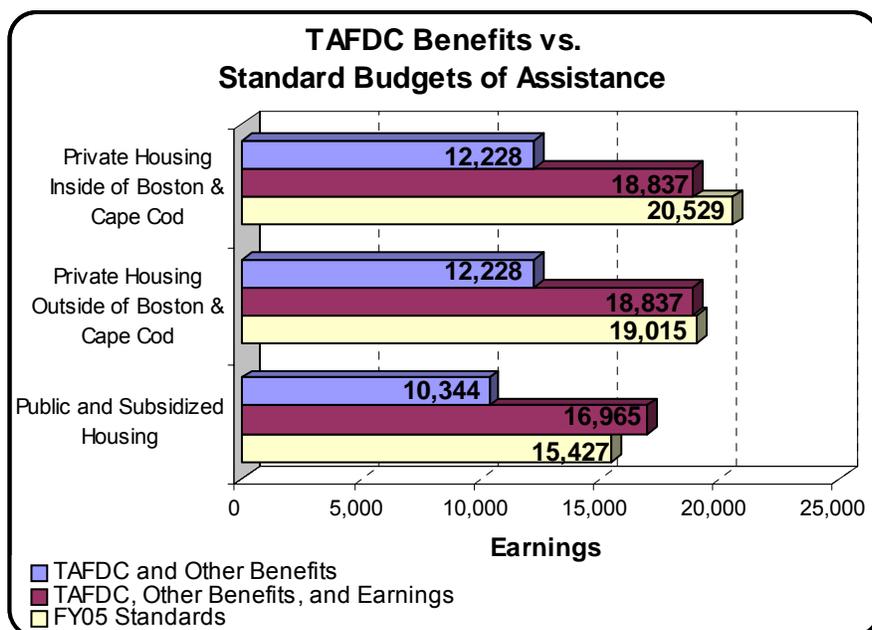
<sup>25</sup> *After Time Limits: A Study of Households Leaving Welfare Between December 1998 and April 1999*, Massachusetts Department of Transitional Assistance, November 2000, p. 22-25.

<sup>26</sup> *Ibid.*, p. 79-80.

<sup>27</sup> Angel, Ron, et al., *After Welfare Reform: A Snapshot of Low-Income Families in Boston*, John Hopkins University September 2004.

<sup>28</sup> *FY05 Report to the Great and General Court of the Commonwealth of Massachusetts on the Standard Budgets of Assistance for the Transitional Aid to Families with Dependent Children Program*, Massachusetts Department of Transitional Assistance, February 2005, p. 13.

**Figure 7**



Source: Massachusetts Department of Transitional Assistance.

The report on the Standard Budgets of Assistance only provides earnings comparisons for non-exempt families, but is important to note that exempt families receiving TAFDC are likely to experience greater levels of economic insecurity. Although the report focuses on employment as the chief method for families to improve their economic standing, the grant is the main source of income for TAFDC families. Exempt recipients receive a slightly higher level of benefits than non-exempt recipients, but they, for the most part, are not able to supplement their TAFDC grant with earnings from employment. In fiscal year 2001, the Legislature increased the monthly grant amount by 10 percent; there has not been an increase since then, and the average TAFDC grant has lost nine percent of its value due to inflation.<sup>29</sup>

Although the FY 2006 budget maintains the current structure for awarding benefits, An Act Relative to Welfare Reform and the proposal by the Governor offer alternatives. The Governor's plan removes the different financial standards for awarding benefits to exempt and non-exempt individuals. Currently, exempt recipients receive a grant that is slightly higher than that of non-exempt beneficiaries. For example a non-exempt family of three receives \$688 per month, while an exempt family receives \$618 per month.<sup>30</sup> Under the Governor's proposal, the higher of the two standards would apply across the caseload, regardless of exemption status. An Act Relative

<sup>29</sup> Inflation-adjusted decline calculated from difference in average TAFDC grant in fiscal years 2001 and 2004 based on data from the Massachusetts Department of Transitional Assistance.

<sup>30</sup> Figures are from "Transitional Aid to Families with Dependent Children Caseload Demographics" Massachusetts Department of Transitional Assistance, February 2005, available at: [http://www.mass.gov/portal/index.jsp?pageID=eohhs2modulechunk&L=4&L0=Home&L1=Government&L2=Departments+and+Divisions&L3=Department+of+Transitional+Assistance&sid=Eeohhs2&b=terminalcontent&f=dt\\_a\\_r\\_finassist\\_tafdc&csid=Eeohhs2](http://www.mass.gov/portal/index.jsp?pageID=eohhs2modulechunk&L=4&L0=Home&L1=Government&L2=Departments+and+Divisions&L3=Department+of+Transitional+Assistance&sid=Eeohhs2&b=terminalcontent&f=dt_a_r_finassist_tafdc&csid=Eeohhs2).

to Responsible Welfare Reform and the Governor's proposal both change the differential in the earnings disregard for exempt and non-exempt individuals. Under current law, exempt individuals who are working can retain \$30 and one-third of earned income before experiencing a reduction in benefits; non-exempt individuals can keep \$30 and one-half of earned income before seeing their benefits are reduced. Under the proposed legislation, all beneficiaries would be allowed to keep \$30 and one-half of their earned income before having their benefits reduced. These changes provide a first step in helping these families to achieve economic security.

## **Conclusion**

Providing low-income families with education, job training, child care and income supports helps to protect children from poverty and gives parents the capacity to provide for their families and to begin to climb the ladder of economic opportunity. Although the Commonwealth must modify the TAFDC program to conform to federal law, it does not necessarily have to introduce additional hardships on families that already face obstacles to gainful employment. Under Governor Romney's plan, the state may meet federal work participation rates under current TANF rules, but is not clear that it would achieve the rate required under TANF reauthorization. His plan would remove various protections for low-income families and impose new requirements on parents, including many with disabilities. The proposal set forth in An Act Relative to Responsible Welfare Reform would both maintain exemptions for individuals who face barriers to employment and meet federal work participation rates. Two identical versions of this bill have been reported favorably by the Joint Committee on Children and Families and are now pending before the House and Senate Committees on Ways and Means. The Legislature will likely take action on this issue before the state's waivers expire on September 30, 2005. As the state reviews its policies for helping low-income families escape poverty, it should consider both the specific rules that apply to TAFDC recipients and also whether the Commonwealth's investments in child care assistance and employment services are enough to help low-income families to achieve economic self-sufficiency, particularly given recent budget reductions and increased demand for those supports.