

**TESTIMONY BEFORE  
THE BUDGET COMMITTEE ON HUMAN SERVICES**

**July 11, 2006**

**Chairman Dever and members of the Budget Committee on Human Services, my name is John Hougen. I am Director of Public Assistance for the Department of Human Services. This testimony is intended to provide you with a report on changes affecting the Temporary Assistance for Needy Families (TANF) Program in North Dakota. Topics include changes made under the Deficit Reduction Act of 2005 (DRA); a brief description of plans made by the Department to assure compliance with those changes; Interim Final Federal Regulations issued on June 29, 2006 under authority of the DRA; and a North Dakota status report on a key federally required measure, the “work participation rate.”**

**DRA Changes**

**The DRA reauthorized TANF through September 30, 2010 with limited changes. The DRA changes of significance to North Dakota are:**

- Recalibrated the caseload reduction credit- Starting October 1, 2006, States must achieve a 50% work participation rate for TANF households, with credits only for reducing caseloads below the FFY 2005 level. Failure to achieve a work participation rate of 50% results in a yearly penalty of from 5% up to 21% of the TANF block grant (\$1,319,990 to \$5,543,958 in North Dakota).**
- Added a penalty for State failure to establish or comply with work participation verification procedures.**
- Eliminated the high performance bonus provisions. North Dakota had previously collected a number of those high performance bonuses.**
- Authorized the Secretary to issue “Healthy Marriage Promotion and Responsible Fatherhood Grants,” a new but limited source of competitive grants, targeted to public and nonprofit community**

entities, as well as States, territories, and Indian Tribes and tribal organizations. These grants do not provide regular funding for any existing State activity.

- Counts in the State work participation rate any parent living with a child who is getting a TANF grant, even if the parent is denied TANF assistance. Examples are parents denied assistance because of fraud, or felony drug convictions.
- Granted the Secretary additional regulatory and oversight authority to determine what a State may count as a “work activity,” and to require States to establish “work participation verification procedures.” These had to be issued by June 30, 2006, as interim final regulations.

#### Department plans

[\(Attachment 1\)](#) is a monthly chart of North Dakota TANF actual work activity rates from October 2004 through May 1 2006, the latest data available. As you can see, with no changes to policy or practice, North Dakota would have difficulty achieving the required 50% work participation rate.

Concerned, in March, Carol Olson directed the Division to assemble a team to plan efforts to assure work participation rates would continue within the federal requirements. The assigned target was to achieve a 60% work participation rate, and to begin doing so in August of 2006.

- After evaluating the likely effects of a number of options, the Department made plans to focus on the “Diversion Assistance” program. Diversion Assistance limits cash benefits to four months, and encourages rapid movement to self-sufficiency. Adults receiving Diversion Assistance are required to participate in a “Pathways to Work” (PtW) program provided through Job Service ND. Diversion Assistance will become the entry point for most families seeking cash assistance. Diversion Assistance cases that are not successful at quickly achieving substantial self-sufficiency transition to the

TANF assistance program. We project an improvement of about 10.0% in the TANF work participation rate.

- Improved coordination between TANF and programs operated by the Standing Rock Sioux Tribe and the Turtle Mountain Band of Chippewa will help Job Service ND and the Department to maintain work participation rate gains. TANF household who participate in Tribal Native Employment Works (Tribal NEW) already contribute significantly to TANF work participation rates. Tribal NEW administers federal and other funds focused on making work activities available. Tribal NEW work activities count as TANF work activities, but appear not to be subject to the limitations imposed on TANF work activities. As a result, Tribal NEW is able to offer, as a work activity, an education component that is otherwise forbidden to TANF participants. We expect to retain increases in the work participation rate already accomplished since July 2005. At current caseloads, North Dakota's TANF work activity rate would increase by 1% for each eighteen new TANF households that become Tribal NEW participants.
- We have also prepared plans to implement, if necessary, an incentive program to encourage greater countable hours of participation in work activities by individuals who are currently participating in a countable work activity, but at an insufficient rate to count. The projected result is a 4.6% increase in work participation rates.

### **Interim Final Federal Regulations**

The June 29, 2006 Interim Final Regulation was published at 71 FR 37454. The federal agency also issued a "fact sheet" concerning those regulations ([Attachment 2](#)). The fact sheet identifies two goals: "tightening the focus on work," and "strengthening State accountability." The federal agency also issued a fact sheet ([Attachment 3](#)) that describes the new requirements for work activities.

- We expect to discontinue approving TANF recipients' participation in work activities that are not included within the regulatory list of "core" activities. North Dakota has long focused on work, and will continue to do so. The regulatory changes will reduce the numbers of North Dakota TANF participants who engage in education, as well as some other existing activities.
- We will adjust to the increases in data gathering requirements and reporting to federal officials. There will be costs to implement these new requirements for close supervision and verification of work activities. Our efforts will be to accomplish all required reporting on a timely basis at the lowest possible cost.
- We continue to study the interim final regulations, requesting clarification, and analyzing details. We continue collaborating with other States, and with interested organizations, to achieve intended objectives.
- We will bring to the attention of the 2007 legislative Assembly any conflict between existing state law and the DRA or the new federal regulations.

#### Status report

Though we have an eight to ten percent monthly "turnover" in the TANF caseload, through and after FFY2005, since FFY2005 the monthly number of participating TANF families in North Dakota has stabilized at about 2700. Accordingly, we have assumed no caseload reduction credit will be available after October 1. The tightened regulatory requirements affect our ability to count some formerly acceptable work activities, and also require more resources to verify reported participation. That said, we are confident the plans now in place will allow North Dakota to avoid penalties for failure to achieve the 50% work participation rate. We expect to continue the generally upward trend reflected in [Attachment 4](#).