

Testimony
Human Services Committee
Representative Delzer, Chairman
July 18, 2007

Chairman Delzer, members of the Human Services Committee, I am Carol Cartledge, Director of Public Assistance of the Department of Human Services. I am here today regarding the committee's study of Temporary Assistance for Needy Families (TANF).

Deficit Reduction Act Changes

States were responsible for much of the success of welfare reform, and the Deficit Reduction Act (DRA) doesn't acknowledge that. It eliminates state flexibility and shifts program decisions from the states to the federal government.

Revised Caseload Reduction Credit & Impact on Work Participation Rate

- It significantly **reduces state caseload reduction credits** by changing the base year from 1995 to 2005. In North Dakota, instead of getting a caseload reduction credit based on a caseload of 5,012 (in 1995), the state will receive a credit based on the 2005 caseload of 2,774. This rebasing moves North Dakota from a 2006 credit of 44% to a 2007 credit of 6.1%.
 - This means North Dakota cannot rely on the credit to help meet the federal work participation rate and must have an actual work participation at least 43.9% (+ state's 6.1% caseload reduction credit = 50% federally required rate).
 - North Dakota's work participation rate for May 2007 was 53.90%. With the caseload reduction credit added, it was 60%.

Department Action To Meet Work Participation Rate

- Implemented **diversion assistance program** statewide with a goal of diverting families from TANF or removing barriers to employment so TANF clients are work ready.
- In collaborations with the Department, the Spirit Lake Nation and the Turtle Mountain Band of Chippewa **developed employment and training programs for Native Americans living on their reservations**. The goal is to engage every TANF caretaker in a work activity that may lead to economic self-sufficiency.
- Continue working with Tribal NEW programs on new federal work requirements.
- Because of the positive results from the Cass County TANF pilot project, the TANF program is collaborating with all eight Regional Human Service Centers to **implement treatment statewide for TANF clients** suffering from mental illness or substance addiction.
- The Department and Job Service are **reviewing services provided under the JOBS contract** to improve them and ensure that participating TANF clients meet federal work activities.

Potential Penalty

- States that do not meet the federal work participation rate (50% factoring in their credit) face a penalty equal to five percent of their TANF block grant in the first year.
- For each consecutive year they don't meet the rate, the penalty increases by two percent, not to exceed 21%.

Additional Challenges

- The DRA requires states to factor into their work participation rates those adults in TANF households who do not receive a TANF grant themselves because of non-cooperation or drug convictions. They are now part of the equation, and are included in North Dakota's current work participation rate data.

New Definition of Work Activities and Work Verification Requirement

- Under the DRA, the **federal government is now defining what constitutes approved work activities**, and all states must use the new standard.
 - Example: The DRA limits education as an approved work activity to 12 months within a TANF client's lifetime.
 - The Department has communicated the new standards to clients and partnering organizations.
- States are also required to establish and maintain **work participation verification procedures**. This includes the development of a Work Verification Plan that must be approved by U.S. Department of Health and Human Services.

Department Action

- The Department has submitted its plan and is awaiting federal approval.
- N.D.'s plan will be implemented through the JOBS contract.

Potential Penalty

- States must implement their Work Verification Plan by October 1, 2007, and have internal controls in place, or face a penalty.
- The penalty may be between one and five percent of a state's TANF block grant.

Federal High Performance Bonuses Eliminated

- The DRA **eliminated TANF high performance bonuses** to states.
 - N.D. has consistently received a TANF high performance bonus of about \$1.3 million per year in recent years.

The ongoing partnership between the Department, counties, Job Service North Dakota, and Tribal Nations will be crucial to ensure that the state meets the TANF program requirements in the DRA.

Because of the substantial federal policy changes and the associated potential penalties for noncompliance, this committee may wish to consider studying the effects of the DRA on the TANF Program.

N.D. TANF Program Priorities

Top Priority: Provide important financial assistance to low income households with children and cover expenses to meet work participation rate requirements

Second Priority: Continue to support child welfare services since TANF funds replaced prior funding authorized under Title IV-A or the former Aid to Families with Dependent Children (AFDC) program

Third Priority: Meet other priorities such as the TANF Kinship Care Program, Alternative to Abortions, the Parental Responsibility Initiative

for the Development of Employment (PRIDE) program, and Transitional Assistance.

- TANF-funded Kinship Care Program helps place children with relatives if the children have to be removed from their homes due to suspected child abuse or neglect. This reduced emotional trauma to children and conserves foster care resources.
- The PRIDE program, which is also funded by TANF, is currently a finalist for an innovation award sponsored by the Council of State Governments' Midwestern Office. It involves the department's Child Support Enforcement Division, Job Service, and the courts and addresses the unemployment and under-employment of noncustodial parents. This increases child support collections, promotes self-sufficiency, and reduces reliance on public assistance.

This concludes my testimony. I would be happy to answer any questions.