

Testimony of Governor Howard Dean, M.D., from Vermont, on Welfare Reauthorization and Work Requirements

Senate Finance Committee - April 10, 2002

House Ways and Means Committee - April 11, 2002

Mr. Chairman and Members of the Committee:

Thank you for inviting me to testify. I have been the Governor of Vermont since 1991. My state was one of the first states to obtain a state-wide waiver to implement our 7-year welfare reform demonstration project before the 1996 federal welfare reform effort. We have learned much in Vermont about what works to move families toward self-sufficiency and away from a dependence on cash assistance.

In my testimony today, I will discuss the modifications to the TANF work requirements that the Administration proposes. I will explain how the proposed changes vary from the current law that Vermont and other states relied upon in creating their programs. I will tell you, from a Vermont perspective, the effects Vermont anticipates the Administration's proposed restrictions, if adopted, will have on the future success of our TANF program. My testimony today will highlight the inherent difficulties that would result from implementation of the administration's proposal.

Specifically, I will focus on the following points:

- The Administration's proposed work requirements will significantly erode the primary TANF purpose of increasing states' flexibility to operate a program designed to meet the four TANF purposes.ⁱ
- The Administration's proposed work requirements are unsupported by research findings of effective welfare-to-work strategies and do not align with community-based services infrastructure.

- The Administration’s proposed work requirements raise the bar for TANF participants to a level higher than reflected in employment practices outside the program.
- Adoption of the Administration’s work requirements will have substantial costs – both financial and to the continuing success of the TANF program.

The Administration’s Proposal for a rigid 24/40 model will limit the current flexibility afforded to the states. This 24/40 proposal requires all adult TANF recipients to engage in 40 hours of activities per week. To count toward a state’s rate, the participating adult must spend at least 24 hours in one of a limited set of five “direct work” activities and the remaining 16 hours must be spent in any activity that serves a TANF purpose. A family’s participation in activities will not count toward the participation rate unless the adult is meeting the 24-hour requirement. To be counted fully toward the state’s participation rate the adult must be meeting the 40-hour requirement.

The Administration’s proposal reduces the 12 core work activities that now count toward the participation rate to 5 direct work activities. It raises the number of hours of participation required for all adults from 30 hours per week (20 hours for families with children under six) to 40 hours per week. It requires “universal engagement” for all TANF recipients and increases the participation rate from 50% to 70% over time. Provided the individual is meeting the 24-hour piece, 16 hours of participation in activities other than the direct work activities may count toward the participation rate. Participants needing more time than 16 hours a week to address barriers or engage in training and education have up to 3 consecutive months within a 24-month period to do so and states can count this participation toward their rate.

In Vermont, we have aligned our work requirements with the current federal requirements to ensure compliance with TANF and have exercised the state’s flexibility to tailor the Reach Up Program to the realities of Vermont’s caseload, labor market, and resource delivery systems. Capable participants in Reach Up must meet the federal work requirements. Each participant must set an employment goal to meet or exceed the applicable work requirement with unsubsidized employment within the labor market. Because of flexibility afforded under current

law, Vermont can provide reasonable accommodations for participants with multiple barriers and match them with activities that address these obstacles so they can attain the ultimate goal of unsubsidized employment.

Vermont already has achieved the “universal engagement” outcome the Administration proposes. The Reach Up Program’s foundation principle is that everyone can and should be doing something to move toward self-sufficiency. The irony for Vermont is that the Administration Plan’s prescriptive work requirements and limited countable activities will curtail Vermont’s ability to move less capable TANF recipients along a continuum of activities.

Approximately 30% of Reach Up participants have barriers that, if not addressed, will prevent them from engaging in full-time work. Vermont would have to shift its current focus away from preparing participants to gain sustainable unsubsidized employment that leads to self-sufficiency and train our efforts on immediately placing participants in direct work activities. Resources would have to be redirected away from services and activities not immediately related to work. The state would have to develop expensive workfare and work experience programs. Continuance of existing initiatives to support employment-related vocational and postsecondary education would be jeopardized and timeframes for participation in vocational rehabilitation and treatment programs would be significantly altered, shortened, or not available.

Vermont is proud of its Reach Up Program’s design. Reach Up’s mixed-strategy approach emphasizes attainment of sustainable unsubsidized employment. Methods for achieving this goal are tailored to the individual family. Participants with measurable skills move directly to job search and employment while participants with barriers that slow or prevent immediate attainment of an employment goal are required to participate in services and activities designed to address the family’s needs and maximize its human resource capital. Mixed strategy programs like Reach Up are recognized as the most successful types of programs.ⁱⁱ

The Reach Program can be summarized in three steps. In step one we assess the capabilities and needs of the families to be served; all participating adults are required to undergo a formal assessment. The plan and strategies each family develops with their case manager to meet their

goal for unsubsidized employment are based on the assessment results. Collective assessment results show that the needs of Vermont families mirror the needs of the greater TANF population as reflected in studies by the General Accounting Office (GAO) and others.ⁱⁱⁱ

Twenty-one percent of Reach Up participants^{iv} report mental and emotional barriers (including substance abuse problems) and 24% report physical barriers. The GAO study found that 44% of TANF recipients had at least one physical or mental impairment and estimated the prevalence of substance abuse barriers among TANF recipients to range from 6% to 27%.^v Twenty percent of Vermont's participants report barriers related to parenting a child with special needs is in keeping with the findings that about a quarter of TANF recipients have a child with an illness, disability or emotional problem.^{vi} In addition, 32% of Vermont participants have barriers related to a lack of essential education skills, such as literacy, and 39% were assessed to have employment-related barriers, such as lack of marketable skills and no previous attachment to the work force.

After assessing the needs of the population, in step two we assess what the community has to offer in services, education, and labor resources. We look for resources that can meet the needs of and strengthen families so they can achieve the goals of the program. In communities where the needed services and opportunities are absent alternatives must be developed.

In the third and final step we connect participants with appropriate activities in a planned and structured way. Case managers provide ongoing support as needed and monitor families' progress toward achieving their employment goal within a reasonable period of time.

The greatest challenges for Reach Up and the families it serves are the barriers faced by so many of the families. Of the program's assessed families the average number of barriers per participant is three barriers. To overcome these barriers families need time to engage in one or more activities. In a rural state like Vermont the services needed are not always convenient to home, school, child care or work. Services and programs are not as regularly scheduled as they may be in more urban areas. Often the primary challenge is to bring the service to the family or the family to the service.

Because the Administration's proposal does not recognize this challenge, it serves to compound the problem. Connecting services to participants will be harder or impossible with the Administration's plan in place. Essential activities simply may not be available at the times permitted. For example, mothers with co-occurring substance dependency and mental illness could not participate in Vermont's Families in Recovery program because this residential program takes one year to complete. Yet it is the only program in Vermont that keeps parents and children together by treating the entire family.

The Administration's Plan would allow for participation in short-term residential or intensive outpatient services that can be completed within a 3-month period during any two years. But up to 40 % of recovering alcoholics and 70% of hard drug users have relapses. The Administration's Plan will drastically limit the treatment alternatives available for these individuals to address their problems.

In Reach Up participants with physical, emotional and learning disabilities are referred to the vocational rehabilitation program. These individuals work with specially trained case managers who help them to enter the work force in an average of 12 months. With the Administration's Plan in place, most who need the vocational rehabilitation will not be able to participate. Some Reach Up participants choose to pursue vocational education as part of their employment plan. Successful vocational education programs, such as licensed practical nursing and Job Corps, lead to skilled jobs with potential for advancement. But these programs and others like them take more than 3 months to complete and will not be an option under the Administration's plan.

Adoption of the Administration's Plan will signal the demise of successful mixed-strategy programs like Reach Up. And, because the Administration's proposal also would do away with the waivers that would allow programs like Reach Up to continue, states' efforts to develop innovative programs will be suppressed.

The Administration would hold TANF families to a higher standard than the rest of the country and require them to get jobs faster and work more. By increasing participation rates and

eliminating caseload reduction credits, the Administration's plan compels states to move all families, including those with barriers and little or no attachment to the work force, into direct work activities as soon as possible.

Moreover, this expectation of immediate attachment to the work force for those families with multiple barriers and few or no skills is not only unrealistic, it is inconsistent with the expectations that we as a nation hold for the unemployed.

This country's unemployment compensation program serves only individuals who have had a recent and substantial attachment to the labor force. Recipients in this program continue to receive benefits for at least 6 months (or more during times of high employment) and the only activity in which they must engage is job search. In contrast, the Administration's Plan, which does not include job search as a direct work activity, would require engagement in direct work activities within 30 days.

Not only does the Administration want TANF families to find work faster, it wants them to work more too. The Bureau of Labor Statistics says the workweek for production or nonsupervisory workers on private payrolls has consistently averaged 34 to 35 hours over the last decade.^{vii} In Vermont, the average weekly hours employees spend in the service industries is between a 30 to 32 hours and workers in the retail trade average 29 hours per week. In contrast, the Administration wants all TANF recipients to engage in activities for 40 hours a week. The fact that 16 of the 40 hours may be spent in other TANF-related activities does not diminish this higher expectation of productivity for TANF families; it is the required level of commitment that is not in conformity with the practice.

The related costs associated with the work requirement changes would be substantial. Vermont would have increased costs for child care, transportation, and work site development and maintenance. The cost of child care for universal engagement at 40 hours per week is high. To meet the 40-hour requirement Vermont's Reach Up parents will need to participate in no fewer than two activities. Realistically, some activities will only be available at night, on weekends, and holidays. Off-hours child care is more expensive and harder to find. Vermont estimates

costs will increase by \$10 million to cover child care under the President's proposal. According to the a report by the National Research Council and Institute of Medicine, the costs of placing young children in full-time child care may not be only financial. The report indicates that early relationships are especially critical to childhood development and notes the persistence and pervasiveness of substandard child care. The report recommends that government leaders should extend the time TANF parents with young children may be excused from work requirements.

In rural Vermont, TANF families often must travel in different directions to get to work and take their children to school and child care. The Administration Plan's 40-hour requirement means more travel to more activities. Vermont anticipates increased costs to ensure TANF families have access to reliable transportation.

To ensure Vermont can meet the participation rate and our participants are in direct work activities will require the additional development of direct work placements. Currently, Vermont operates a community service/work experience program and funds 116 slots in group worksites. We would need to expand these opportunities significantly to meet the proposed work requirements. Providing supervision at a group work site costs approximately \$40,000 to \$45,000. At 15-20 slots per site, this translates to a state expense of \$3000 per slot (filled or unfilled). Additional staff time would be needed to create these opportunities and manage the contracts. Individual slots do not incur the supervision expense, but require additional time to develop slots and monitor the participants' participation.

Community service placements will not fill all of Vermont's needs for direct work slots.

Vermont will also have the costs of developing workfare placements. Vermont has had direct experience with the intricacies and burdens of managing these programs and they are costly on several levels. Because these slots are subject to the minimum wage standards of the Fair Labor Standards Act, participants must be paid wages that in most cases will exceed the amount of the family's assistance grant. In addition to wages, the state will bear the burden of the associated costs to support the payroll process and expenses such as workers' compensation.

The costs of expanding workfare and community service placements are not only financial.

According to the research, there is little evidence that unpaid work experience leads to consistent employment, earnings effects, or reductions in welfare receipt. None of the Welfare-to-work programs evaluated by Manpower Demonstration Research Corporation to date would have achieved the level of participation proposed by the Administration. Yet the effect of the Administration's Plan would be to force states to increase the use of work experience programs at the cost of losing the successful mixed-strategy and job search programs.

It is difficult to say why the Administration seeks to change the TANF program in a way that undermines the very part of the program that led to its success: states' flexibility. Why does the administration want to abandon proven policies? The prescriptive measures the Administration proposes may be the result of a combination of the factors: a 34%^{viii} participation rate and the belief that this rate indicates that families are not sufficiently engaged due to exceptions in the law. Unfortunately, reliance on the participation rate as a measure of families' involvement is misguided. It is not an accurate indicator of families' participation in activities related to achieving self-sufficiency. The participation rate measures only the percentage of families who are engaged in and meeting the full federal work requirement.

Families who are working at levels below the federal requirements or actively engaged in activities to overcome physical, emotional and other barriers to work are not included in the rate. In fact, there is no true measure of family engagement because states are not required to report, nor do they derive any benefit from reporting on family participation in state-approved activities that are different from federal work activities. The data is incomplete. It would be a travesty to substantially modify a successful program based on inaccurate or at best incomplete data.

Families in need have heard and heeded the message of the past five years of welfare reform; public assistance no longer means income maintenance. Now families seek TANF assistance for temporary financial support and services to put them in a position to rely on themselves instead of public benefits. Congress should let the states continue down the successful path already charted. The best way to do this is to maintain or broaden the states' flexibility to craft programs that serve their families and the goals of the TANF program - the Administration's Plan does not do this.

ⁱ 42 U.S.C §601(a).

ⁱⁱ Freedman, Stephen, Daniel Friedlander, Gayle Hamilton, JoAnn Rock, Marisa Mitchell, Jodi Nudelman, Amanda Schweder, and Laura Storto. 2000. *Evaluating Alternative Welfare-to-Work Approaches: Two-Year Impacts for Eleven Programs*. Washington, DC: U.S. Department of Health and Human Services and U.S. Department of Education.

ⁱⁱⁱ U.S. General Accounting Office, *Welfare Reform: More Coordinated Federal Effort Could Help States and Localities Move TANF Recipients With Impairments Toward Employment*, GAO-02-37, (Washington, DC, October 31, 2001), 3. Available online: <http://www.gao.gov>; Amanda Barusch, Mary Jane Taylor, and Soleman Abu-Bader, *Understanding Families with Multiple Barriers to Self Sufficiency*, (Salt Lake City: University of Utah, Social Research Institute, 1999), 21; Sandra K. Danziger, Ariel Kalil, and Nathaniel J. Anderson, “Human Capital, Physical Health, and Mental Health of Welfare Recipients: Co-occurrence and Correlates,” *Journal of Social Issues*, Vol. 56, (4), (Malden, MA: Blackwell Publishers, 2000), 635-654; Rukmalie Jayakody, Sheldon Danziger, and Harold Pollak, “Welfare Reform, Substance Use and Mental Health,” *Journal of Health Politics, Policy and Law*, Vol. 25(4), (Durham, NC: Duke University Press, 2000); Gretchen Kirby & Jacquelyn Anderson, *Addressing Substance Abuse Problems Among TANF Recipients: A Guide for Program Administrators, Final Report*, (Washington, DC: Mathematica Policy Research Inc., July 2000).

^{iv} The data represent those individuals who had a completed assessment on file during the initial 6-month start-up period for Reach Up, Vermont’s TANF program that was implemented on July 1, 2001.

^v Ibid.

^{vi} Heidi Goldberg, *Improving TANF Program Outcomes for Families with Barriers to Employment*, (Washington DC: The Center on Budget and Policy Priorities, January 2002) available online at <http://www.cbpp.org>

^{vii} Article, Pear, Rober, Study by Governors Calls Bush Welfare Plan Unworkable, NY Times (April 4, 2002)

^{viii} Article, Pear, Rober, Study by Governors Calls Bush Welfare Plan Unworkable, NY Times (April 4, 2002)