
**Report to
The Vermont Legislature**

**Annual Report on
Families' Receipt of TANF Assistance in Excess of 60 Months**

In Accordance with 33 V.S.A. §1134(c)

Submitted to: Senate Committee on Appropriations
Senate Committee on Health and Welfare
House Committee on Appropriations
House Committee on Human Services

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Executive Summary

In 1996, the U.S. Congress passed the Temporary Assistance for Needy Families (TANF) Block Grant. TANF replaced the Aid to Families with Dependent Children Program (AFDC, ANFC in Vermont). Vermont's TANF financial assistance program is Reach Up. The TANF law gives states flexibility to design their welfare programs, yet requires they meet participation requirements and abide by limitations on TANF funds. One of these spending limitations prohibits states from using TANF to fund financial assistance for any family with an adult member who has already received 60 months of TANF assistance and does not qualify for the 20 percent hardship exemption.

In 2000, the Vermont General Assembly enacted the statute creating Vermont's TANF program (Reach Up). This included a section prohibiting the termination of a Reach Up family's financial assistance on the basis of the 60-month TANF limitation (33 V.S.A. § 1108). Accordingly, Vermont must use general funds to pay the Reach Up grants of those families who no longer qualify for TANF-funded assistance due to the 60 month threshold. To monitor the effects of this policy, 33 V.S.A. § 1134(c) of the Vermont Statutes requires the Department for Children and Families report annually on the number of families exceeding 60 months of TANF-funded assistance to the House Committees on Human Services and Appropriations and the Senate Committees on Health and Welfare and Appropriations. This report is divided into four parts corresponding to the subsections in 33 V.S.A. § 1134(c)(1) – (4).

In May 2014, Vermont implemented time limits for the Reach Up program. Any family in which at least one parent has received at least 60 countable¹, cumulative months of Reach Up assistance may continue to receive assistance only if they are fully complying with the requirements of the program. The conciliation and sanction process are not available to families with 60 countable, cumulative months. Failure to comply with program requirements after 60 months results in grant closure and a mandatory two month break in benefits. This report does not specifically address families who have received 60 countable months of Reach Up as described in the footnote below.

Part I: Number of cases with more than 60 months of assistance

Below is a chart listing the number of families receiving assistance in federal fiscal year 2014 (FFY'14) that included an adult family member who has received TANF-funded financial assistance as an adult for more than 60 months in his or her lifetime.

Number of cases with more than 60 months of TANF-funded assistance					
	All cases		Cases with more than 60 months of assistance		
	Reach Up Cases (TANF & state funded)	TANF-Funded Cases	Not sanctioned (hardship)	Sanctioned (not qualified for hardship)	Total (TANF and state-funded)
Oct-13	5,580	1,574	274	24	298
Nov-13	5,481	1,469	267	29	296
Dec-13	5,491	1,579	263	29	292
Jan-14	5,477	1,544	264	24	288
Feb-14	5,494	1,541	248	20	268
Mar-14	5,409	1,381	239	21	260
Apr-14	5,385	1,566	232	23	255
May-14	5,325	1,587	231	10	241
Jun-14	5,121	1,433	187	0	187
Jul-14	5,089	1,510	183	0	183
Aug-14	5,066	1,550	187	0	187
Sep-14	5,089	1,510	183	0	183

¹ Countable months are months in which the participant was age 18 or older, a parent on the grant, and not deferred for the following reasons: medical, needed in the home to care for a sick/incapacitated family member, or the effects of domestic violence. Months of assistance received through the Post-Secondary Education (PSE) program, Reach Ahead, Reach First, or as a child-only grant also do not count towards the 60 month limit. The funding stream (TANF or state-funded) does not affect whether or not a month is countable.

The number of cases exceeding the 60-month assistance limit decreased in FFY'14 to an average of 245 from an average of 285 in FFY'13. Before the changes took effect in May, an average of 24 Reach Up cases beyond their 60-month limit were in sanction (the same as in FFY'13), indicating that they were not fully complying with Reach Up program requirements and therefore not meeting the TANF hardship exemption (defined further in part II below).

Some cases have fewer than 60 months of TANF-funded assistance, but reached the 60-month mark when their months of *state*-funded assistance are included. The number of cases that have received more than 60 months of Reach Up program assistance, regardless of whether it is TANF or state funded, decreased from 877 in October 2013 to 763 by September 2014.²

Cases with more than 60 months of all RU assistance (TANF and state-funded assistance)		
	Number	Grants paid
Oct-13	977	\$527,320
Nov-13	978	\$518,700
Dec-13	981	\$510,205
Jan-14	983	\$522,125
Feb-14	993	\$528,791
Mar-14	974	\$523,478
Apr-14	961	\$512,000
May-14	936	\$503,240
Jun-14	789	\$418,987
Jul-14	763	\$405,438
Aug-14	767	\$397,273
Sep-14	763	\$405,438

Part II: Hardship cases as a percentage of TANF-funded cases

The chart below shows the number of cases qualifying for the hardship exemption and the percentage of the caseload they represent that can be applied against the 20 percent hardship exemption.

Hardship cases as % of TANF-funded cases		
	Not sanctioned (hardship)	Hardship cases, as % of last FFY's TANF-funded Reach Up cases³
Oct-13	274	9.1%
Nov-13	267	8.8%
Dec-13	263	8.7%
Jan-14	264	8.8%
Feb-14	248	8.2%
Mar-14	239	7.9%
Apr-14	232	7.7%
May-14	231	7.7%
Jun-14	187	6.2%
Jul-14	183	6.1%
Aug-14	187	6.2%
Sep-14	183	6.1%

The 20 percent hardship exemption derives from the federal TANF law and regulations (42 U.S.C. § 608(A)(7)(C) and 45 C.F.R. §264.1(C)(1)) that permit states to exempt, on the basis of hardship, up to 20 percent

² Includes months of assistance through the Reach Up program; excludes months received through the ANFC program that existed in Vermont prior to Reach Up's implementation in July 2001.

³ Based on the average number of TANF cases in FFY 2013 (including child-only cases), no more than 658 cases may be considered "hardship" cases for FFY 2014.

of its TANF-funded caseload from the five-year limitation on receipt of TANF assistance. The state must define the "hardship" criteria. Vermont describes "hardship" in its program rules as follows:

Reach Up families may qualify for a hardship exemption if they meet these criteria:

- at least one member of the family has received 60 or more months of federal TANF assistance as an adult; and
- the family is fully complying with Reach Up requirements whether or not those requirements are deferred [i.e. the family is not in sanction].

Vermont's hardship definition limits the hardship qualification to families who are complying with Reach Up requirements demonstrated by not being sanctioned. As shown in the chart above, the number of Reach Up families having received five years of TANF assistance is less than 20% of the caseload. An average of 7.6 percent of Reach Up cases with TANF-funded grants during FFY'14 qualified as hardship cases— this is well below the 20 percent limit.

Vermont's TANF program started in July 2001. Consequently, the first families to reach the 60-month limit began to do so in June 2006. Between July 2006 (when families began exceeding the time limit) and November 2007, the number of hardship cases grew by an average of nine cases per month. For FFY'08, the number of hardship cases grew by an average of three cases per month. Although the number of hardship cases stabilized during FFY'09, they comprised a higher percentage of all TANF cases because the total number of TANF cases declined. Between FFY'07 and FFY'08, the average number of TANF cases fell from 4,480 to 3,594. In FFY'09, FFY'10, and FFY'11, the average number of these cases totaled even less – 1,560, 1,527, and 1,444 respectively. These declines have occurred as some Reach Up cases were shifted to state funding to ensure the federally-funded portion of the caseload met federal work participation rate requirements. This shifting bumped the percentage of cases with more than 60 months of assistance up substantially, even though the absolute number of cases with more than 60 months of assistance did not increase. In April 2012, the Administration for Children and Families (ACF) advised Vermont to include an additional case type (child-only) in the denominator when computing the hardship percentage. Like with the work participation rate-induced shifting of cases to state funding in 2007-2011, this definition change in FFY'12 caused the hardship percentage to change dramatically (this time to decrease), while the absolute number of cases with more than 60 months of assistance remained relatively unchanged. The imposition of time limits by the Vermont Legislature in May 2014 reduced the number of hardship cases, decreasing the hardship percentage even further.

As long as the hardship group remains less than 20 percent of the caseload, Vermont does not have to use general funds to support these families' grants. As discussed in part III, general funds were needed and used to fund the grants of families who did not qualify for the hardship exemption.

Part III: Sufficiency of general funds to support non-hardship cases

Prior to May 2014, the only families not qualifying for the 20 percent hardship exemption were those who had received 60 months of TANF and included an adult in sanction. Federal law prohibits funding these families' grants with TANF funds. In the past, Vermont funded these grants with TANF Maintenance of Effort (MOE) general funds claimed toward Vermont's federal financial participation requirement. Due to a change in the federal law effective October 1, 2006, Vermont began funding these cases with general funds not claimed as MOE.⁴ This change affects the availability of funding for these cases.

As reflected in the chart below, during each month in FFY'14 before May, an average of 24 cases with more than 60 months of assistance did not qualify for the hardship exemption because they were in sanction. Paid for with

⁴ In 2006, Congress reauthorized the TANF block grant and changed the law to require inclusion of families whose grants are funded with TANF MOE in a state's work participation rate. If Vermont had continued to fund the sanctioned families' grants with MOE these families would have been included in and lowered Vermont's work participation rate. To avoid this consequence, the Vermont General Assembly authorized the Commissioner to fund these families' grants with general funds not claimed as MOE from FFY 2007 forward. See 33 V.S.A. §1121(c)(6)(C)(ii).

general funds, the monthly Reach Up benefits provided to all these families averaged \$9,208 (down from \$10,380 in FFY'13) and totaled \$68,999 for the year (down from \$124,554 in FFY'13).

Sufficiency of general funds to support non-hardship cases					
	Sanctioned cases with 60 or more months of TANF assistance	Amount of Reach Up grants paid	Cases with a \$75 sanction	Cases with a \$150 sanction	Cases with a \$225 sanction
Oct-13	24	\$9,807	12%	33%	55%
Nov-13	29	\$10,720	9%	39%	52%
Dec-13	29	\$11,654	23%	16%	61%
Jan-14	24	\$10,162	17%	18%	65%
Feb-14	20	\$8,370	30%	23%	47%
Mar-14	21	\$6,724	14%	51%	35%
Apr-14	23	\$7,022	8%	42%	49%
May-14	10	\$3,443	24%	76%	0%
Jun-14	0	\$0	n/a	n/a	n/a
Jul-14	0	\$0	n/a	n/a	n/a
Aug-14	2	\$0	n/a	n/a	n/a
Sep-14	0	\$0	n/a	n/a	n/a

Prior to May 2014, families who had been in sanction for 12 months and received 60 total months of assistance had their grants reduced by \$225. This is a higher sanction amount than families with fewer than 60 months of assistance or families with more than 60 months of assistance but less than 12 months in sanction. The time limits legislation enacted in May 2014 eliminated the \$225 sanction level, anticipating that the benefits for these sanctioned families would instead end. However, the \$225 sanction level is based on total months of Reach Up assistance, and does not take into consideration the additional complexity of Reach Up time limits which only looks at “countable” months. This resulted in a small number of individuals who have reached 60 **total** months of assistance, but not 60 **countable** months. This small number of individuals will still remain on Reach Up, sanctioned at the \$150 level rather than the \$225 level. Since sanctioned months of assistance do count towards the 60 month limit, these families will eventually reach 60 countable months and their benefits will close unless they remedy their sanction.

Prior to May 2014, the funds used to pay these grants and services are general funds not claimed as MOE. This same pool of funds also supports other state priorities such as the Postsecondary Education Program and the deferment to care for a child under the age of 2 years. Using general funds in this manner reduces the amount of general funds available to use as excess MOE to increase the state’s caseload reduction credit.

Part IV: Insufficient appropriated general funds

Challenging economic conditions in FFY 2014 prompted the imposition of limits on the number of months that some families may receive Reach Up benefits. As indicated in Part III of this report, the number of families who required state funds for their Reach Up benefits because their sanctioned status made them ineligible for the federal hardship provision was relatively moderate (averaging \$9,208 per month in October through April 2014). However, some of these families became ineligible for Reach Up benefits due to continued non-compliance after time limits were imposed in 2014 thus reducing this expenditure of state general funds. The department is committed to helping these families find pathways out of poverty with programming and policies that help the parents address the underlying issues interfering with their success while providing assistance in a way that ensures these families’ children do not experience additional hardship. The department is committed to continued changes in Reach Up program operations and policies to help these families move toward self-sufficiency and reduce or alleviate their ongoing need for state assistance.

Families with long Reach Up histories have three times as many barriers to gaining self-sufficiency as the general Reach Up caseload population and require careful programmatic approaches that avoid putting children at risk or a forced cost shift to other programs. After months of study, the Reach Up work group convened by the Legislature in 2013 recommended an increase in the program’s case management capacity and a reduction in

caseloads, especially related to the program participants' substance abuse and mental health needs. Additional action is recommended to increase specialized services for participants with addiction and/or mental health challenges.

Summary

The number of families in FFY'14 qualifying for the hardship exemption from the 60-month limit on receipt of TANF-funded assistance did not exceed the allowable 20 percent of the average caseload. Some families, however, have received 60 months of TANF-funded assistance and did not qualify for the hardship exemption; their grants were funded with state funds. This expenditure decreased by \$55,555 in FFY'14. This decline is due primarily to Vermont's 60 month time limit which took effect in May, 2014.