
Deficit Reduction Act of 2005

Impact on the Temporary Assistance for
Needy Families (TANF)

and

Child Care Programs

Briefing for the
House Appropriations Committee

October 16, 2006

TANF Impacts

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- In 1995, Virginia implemented the Virginia Initiative for Employment not Welfare (VIEW) program, Virginia's welfare reform initiative.
 - Virginia's reform came two-years before federal welfare reform.
 - Virginia's program emphasized a strong work component through the Virginia Initiative for Employment not Welfare (VIEW) Program.

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- For persons required to participate in VIEW, a work requirement and a two-year time limit applied.
 - By statute, many families were exempt from the work requirements and time limits, including families with children less than 18 months of age and persons with disabilities. These cases were paid with state-only funds.

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- In 1996, Congress passed the Personal Responsibility and Work Reconciliation Act (PRWORA) which enacted the Temporary Assistance for Needy Families (TANF) program. The features of the legislation included:
 - A block grant to each state. Virginia's share is \$158 million per year.
 - A "maintenance of effort" (MOE) requirement. Virginia must spend at least \$128 million per year from state-only funds.
 - The state must meet work participation rates of 50 percent for all families and 90 percent for two-parent families.
 - A 60-month lifetime limit on receipt of assistance.

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- To reward states that moved individuals off the welfare rolls, the bill included a provision for a caseload reduction credit; the credit allowed states to reduce their work participation rate target by the same percentage as their caseload decrease.
 - In Virginia, the caseload has decreased by more than 50 percent since the enactment of the TANF legislation and, therefore, Virginia did not have to meet a work participation target.

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- On February 23, 2006, President Bush signed the Deficit Reduction Act of 2005. The main impacts of the bill are as follows:
 - Elimination of the high performance bonus.
 - Calculation of the work participation rate using state-only cases if the state counts those payments for MOE.
 - A change in the baseline for calculating the caseload reduction credit from 1995 to 2005.
 - New regulations on verifying participation, defining work activities, and defining child-only families.

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- States that fail to meet the required work participation rate face strict penalties.
 - What are the penalties?
 - ❑ 5% reduction in the federal block grant (\$7.9 million) which must be replaced with state general funds of \$7.9 million, which do not count toward the state's MOE expenditures
 - ❑ 5% increase in required MOE (\$8.5 million)
 - ❑ For each subsequent year that the state fails to meet the participation, the state loses an additional 2% of the block grant (\$3 million)

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- Impact of the penalties in Virginia:
 - \$16.4 million the first year.
 - The penalty increases \$3 million per year and caps at \$42 million per year.

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- The high number of VIEW exemptions and the state definition of work activities allowed by Virginia's welfare reform initiative, which were far more limited than that of the federal government, would have made achieving the work participation rate in Virginia very difficult to accomplish.
 - The 2006 session of the General Assembly enacted budget language allowing the Department to make necessary changes to comply with the DRA which became effective October 1, 2006. These changes include:

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- **Remove the 90-day requirement.** Currently, individuals may not be placed in a work activity prior to 90 days in the program.
 - **Reduce the number of program exemptions.** Because so much of the population is exempt from participation, the state could only achieve the required participation rate if all current VIEW participants participate for 30 hours per week. More participants are needed.

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- **Require participation 12 months after a child is born** rather than the current 18 months.
 - **Change the exemption for pregnancy** so participation will be required as long as the health of the mother is not in danger.
 - **Require non-parent caretakers to participate.**

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- **Adopt the federal definitions of work activities.** By expanding the allowable work activities, it will give case managers greater flexibility to respond to the needs of participants. Allowing more activities translates into more possibilities of clients being placed in countable activities.

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- Unsubsidized employment
 - Subsidized employment
 - Work experience
 - On-the-job training
 - Vocation education
 - Job skills training directly related to employment
 - Education directly related to employment
 - Secondary school for those without a degree or GED
 - Child care for an individual participating in a community service program
 - Community service
 - Job search

- **Take advantage of the large number of people that are already participating.**

Work participation rates are calculated based upon the people that are receiving assistance.

- Families that becomes ineligible for TANF due to earned income and are working 30 or more hours per week will be eligible for a job retention payment of \$50 per month for one year as long as employment continues and the client reports hours of employment.

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- Increase the hours requirement to 35 hours a week for single parent families and 40 hours per week for TANF-UP families
 - About 10% of families participate between 21 and 30 hours of participation per week

 - We expect legislation to be presented during the 2007 session to codify these changes.

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- An additional 6,100 individuals need to be involved in work activities each month in order for Virginia to meet the federal work participation requirements.
 - Implementing the new employment incentive benefit –2,385 individuals
 - Changing exemptions and assuming 65 percent of the new VIEW participants are engaged in the required number of hours – 2,455 individuals
 - Policy Changes (expanding work activities, participation by non parents and increasing hours of participation) – 1,313 individuals

Change

Cases

Cost

Transitional Benefit

2,385

\$ 1,431,000

Changing exemptions

2,455

\$21,641,828

Policy Changes

1,313

\$ 5,811,276

Total

6,153

\$28,884,104

Child Care Impacts

PURPOSE

- **Federal Objective:**
 - **Increase Availability, Affordability, Quality**
- **Strong Need for Quality Infant and Toddler Care**
- **With Rising Costs of Child Care, Parents Need Financial Assistance**
- **Parental Choice**

CHILD CARE IN VIRGINIA

- 26.6% of VA population is <age of 5 (2000 US Census Data)
- 63% of Children Under 6 in VA Have All Available Parents Working (2004, KidsCount)
- Child Care Supports Parents Who Work
- In Virginia, Child Care is a \$1.46 Billion Industry and Employs 30,000 (Chmura Economics & Analytics)

FUNDING STREAMS

■ **Federal**

- ❑ Child Care and Development Fund (CCDF) Block Grant
- ❑ TANF Transfers

■ **State**

- ❑ General Funds

■ **Local**

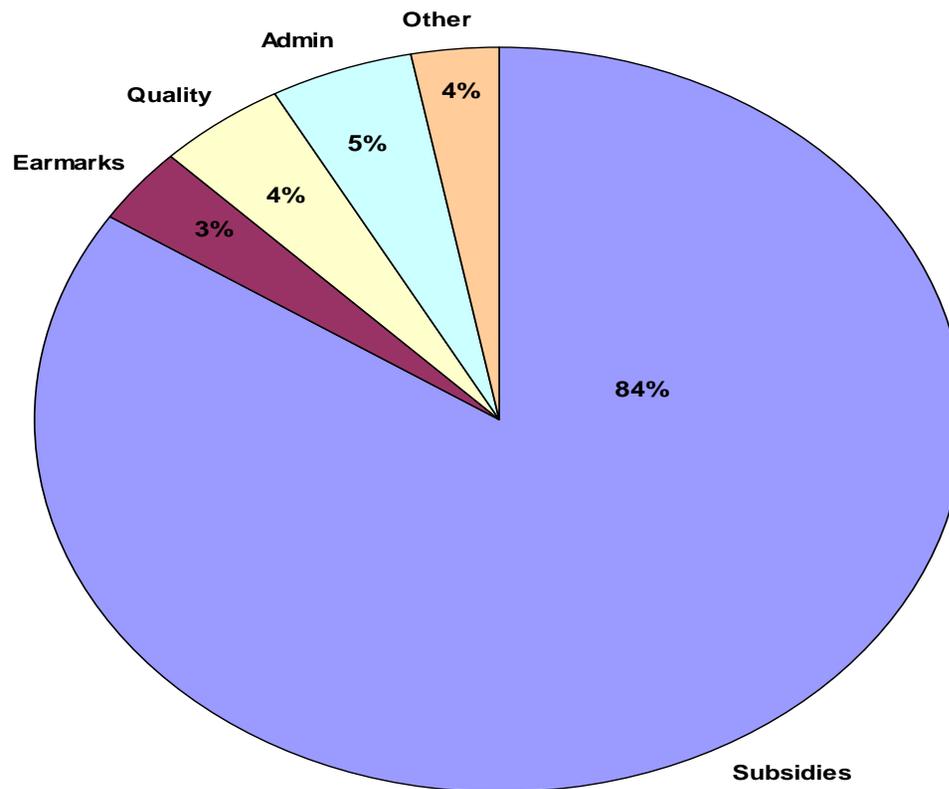
- ❑ Matching Funds

FUNDING CATEGORIES

- **Mandatory and Discretionary Funds**
 - 100% Federal Funds.

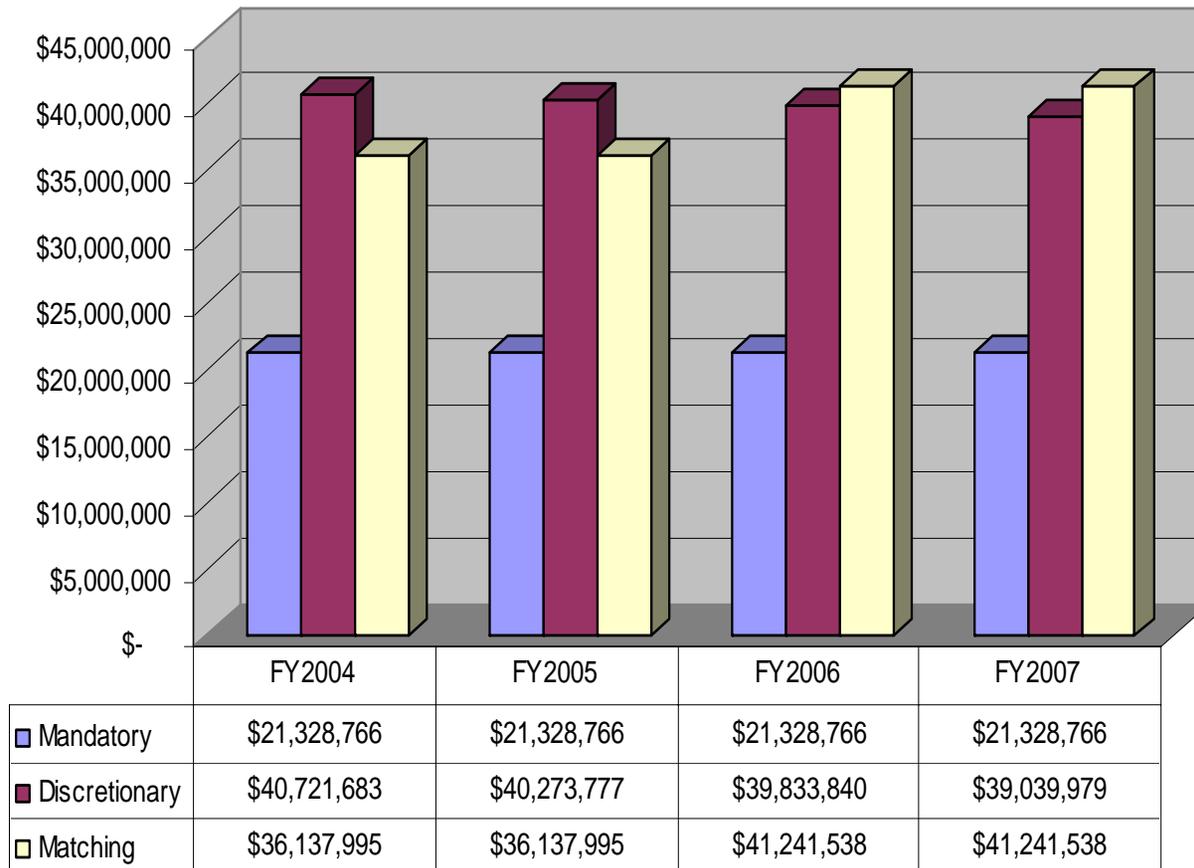
- **Matching Funds**
 - General Fund
 - Maintenance of Effort (MOE)
(Different from TANF)
 - Virginia Preschool Initiative (VPI)
 - Local Funds

PROGRAM EXPENDITURE REQUIREMENTS



Federal requirement: At least 70% of mandatory and matching funds for subsidies; 4% of all for Quality activities.

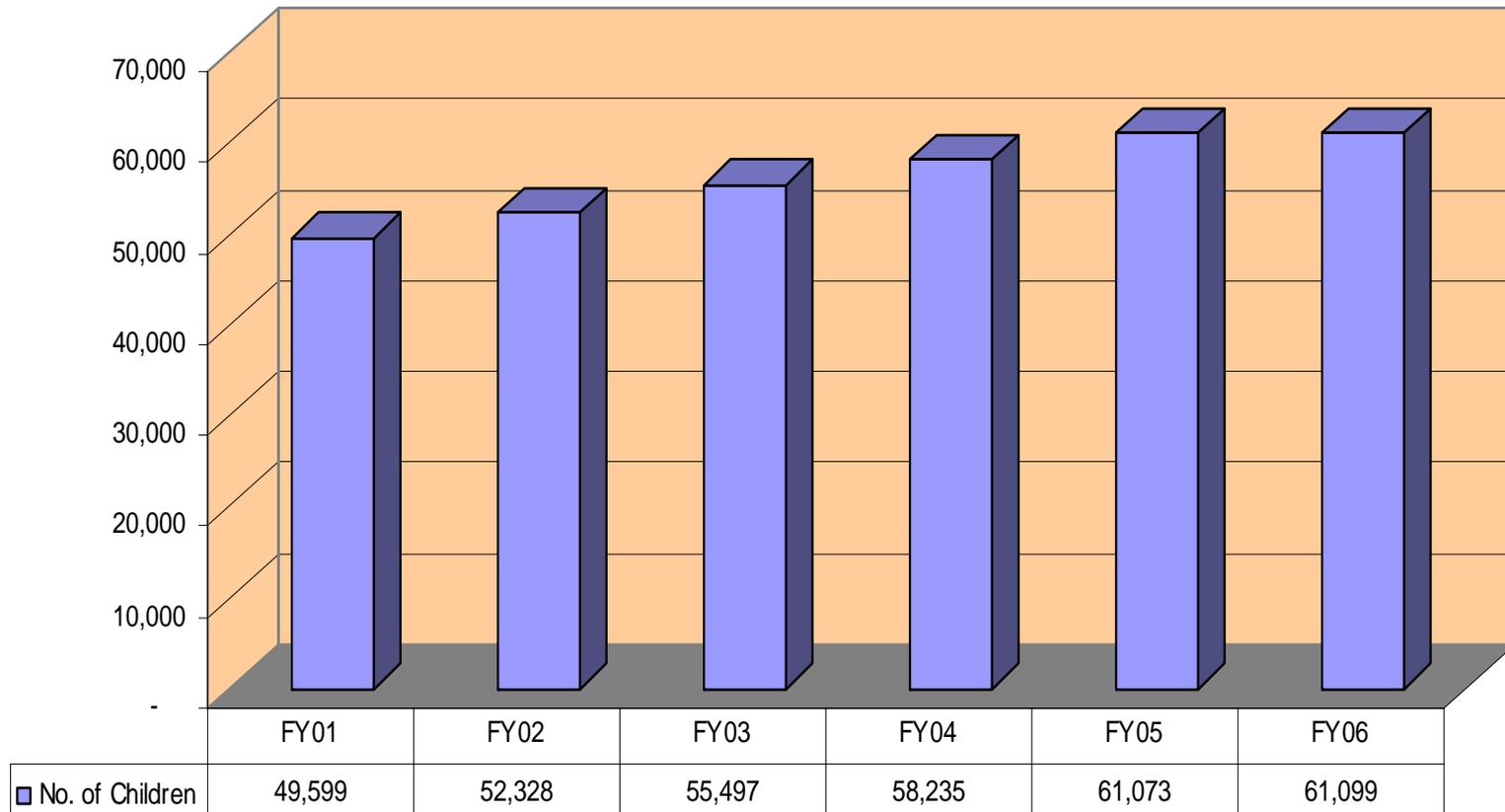
CCDF FEDERAL AWARDS



CHILD CARE SUBSIDY PROGRAM

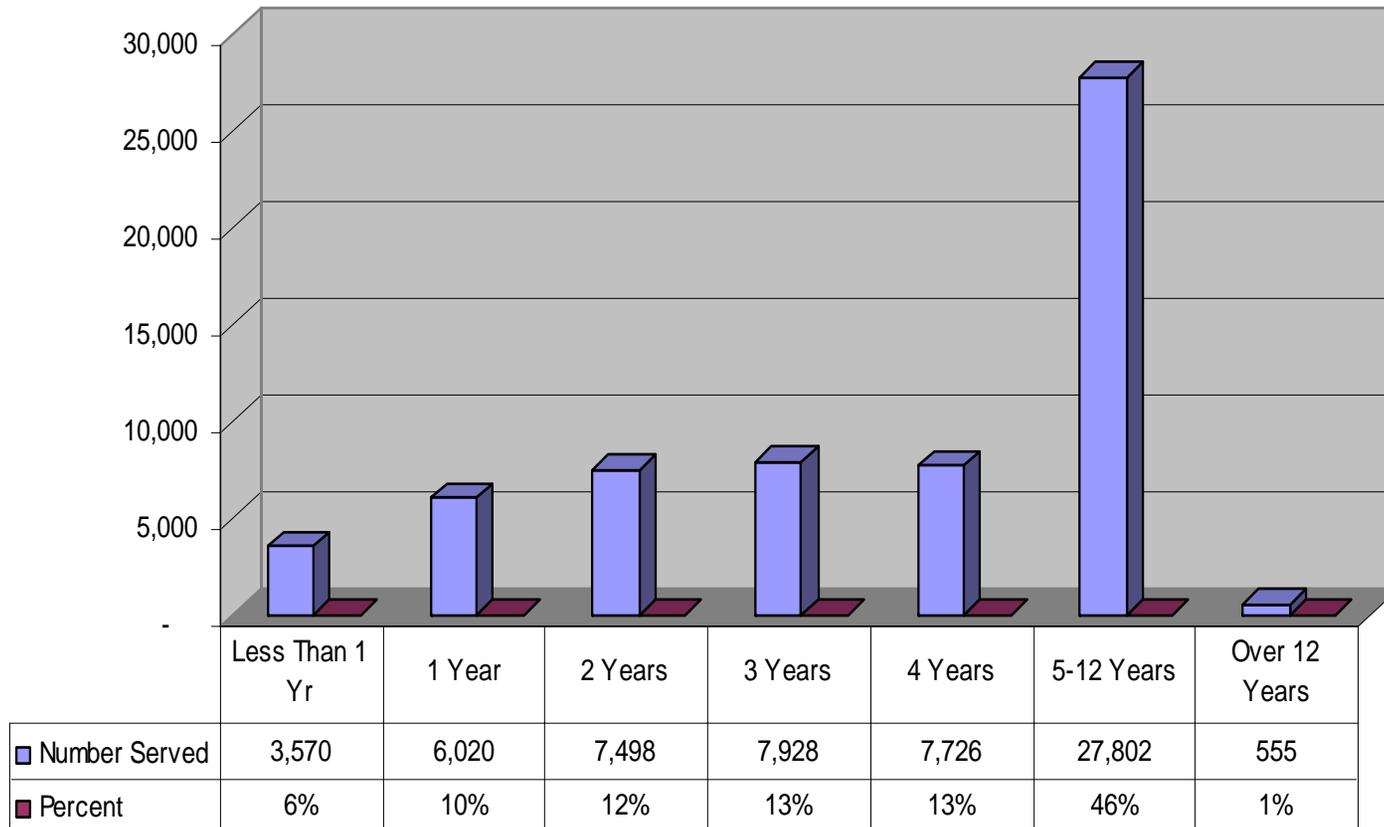
CCDF SUBSIDY CHILDREN SERVED

(Unduplicated Totals)



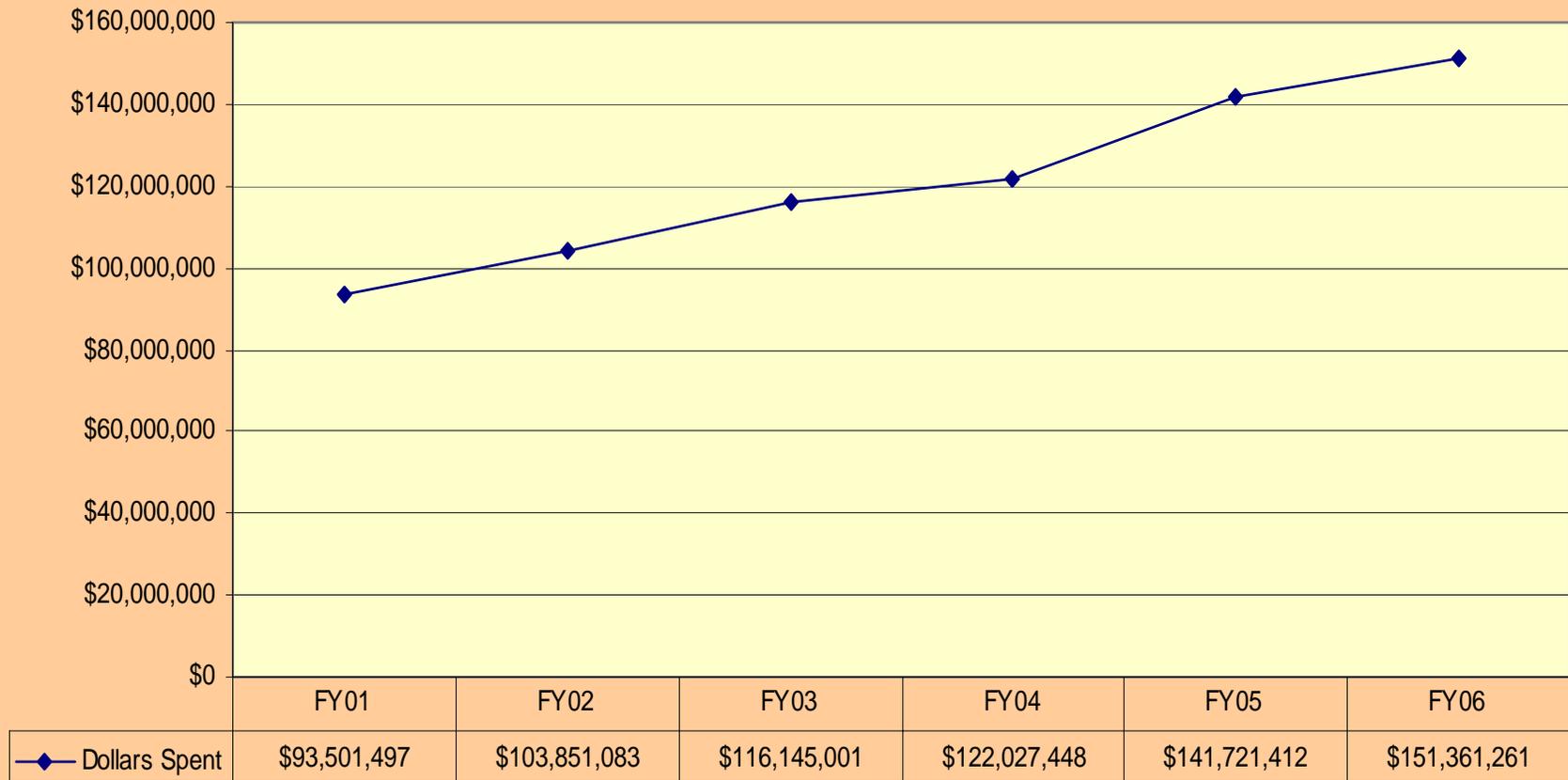
CHILD CARE SUBSIDY PROGRAM

CCDF Subsidy Children Served By Age Group



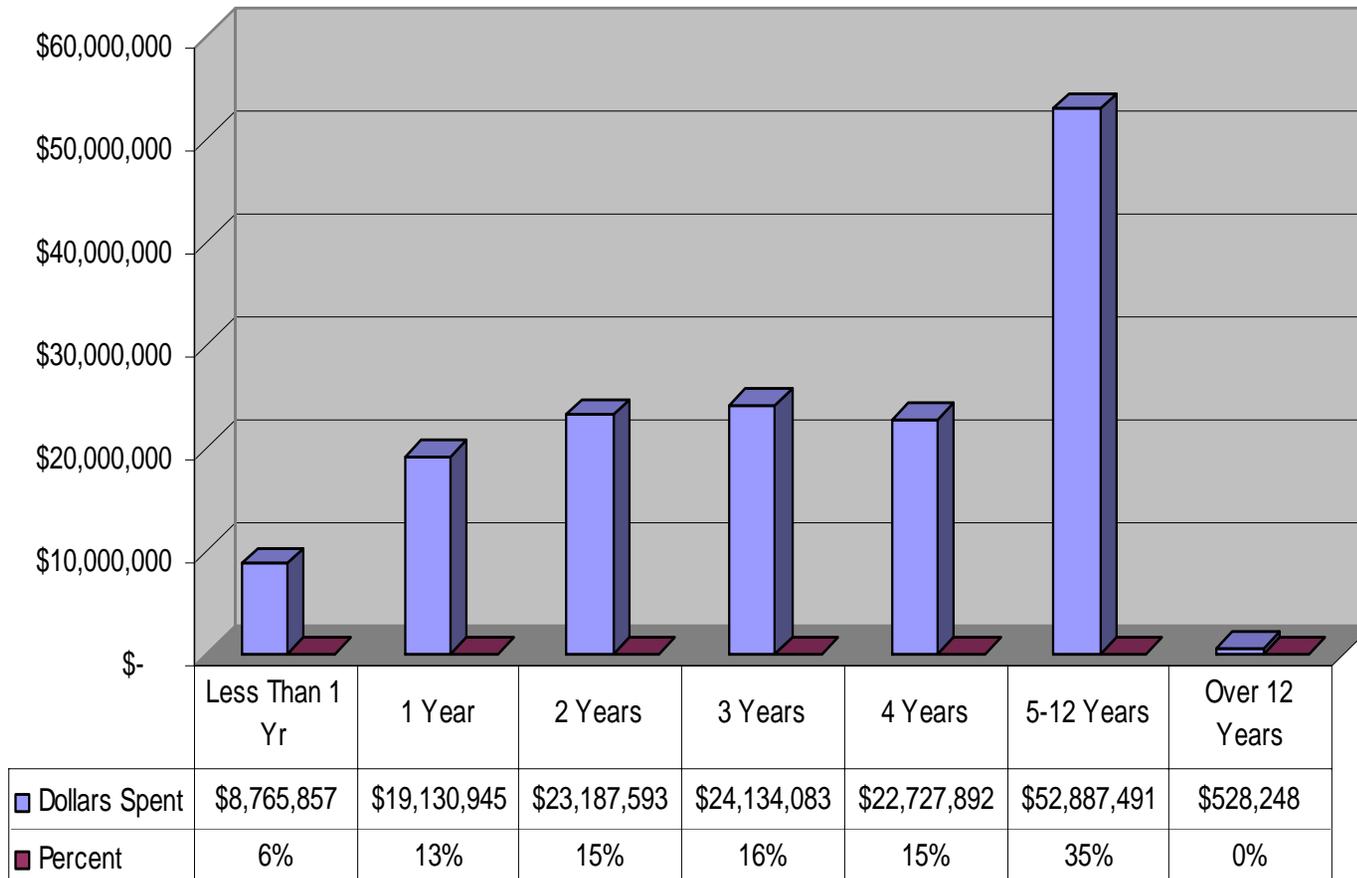
GROWTH OF CHILD CARE IN VIRGINIA

CCDF SUBSIDY DOLLARS SPENT FOR DIRECT SERVICES



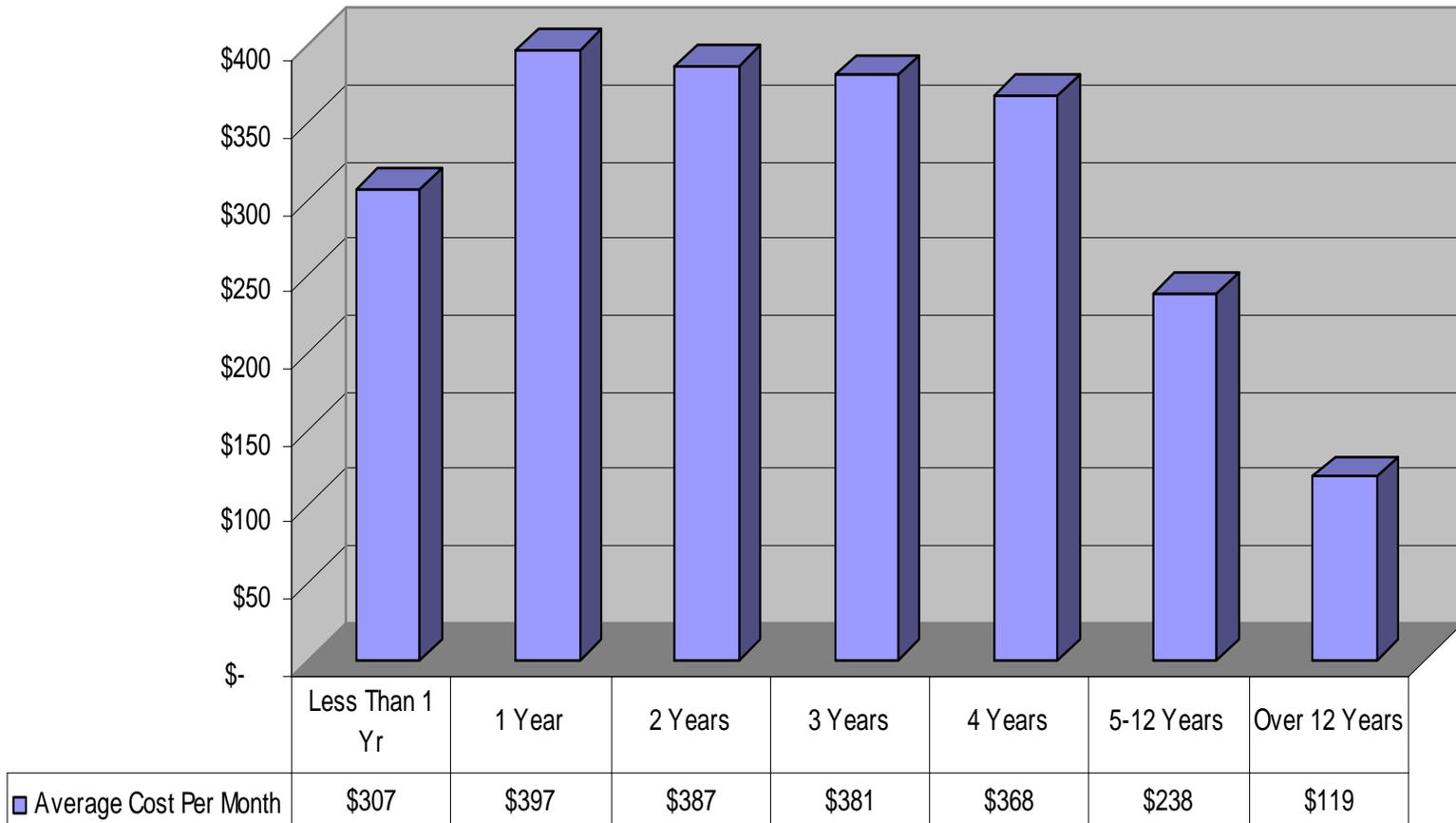
CHILD CARE SUBSIDY PROGRAM

CCDF Cost of Subsidized Care By Age Group



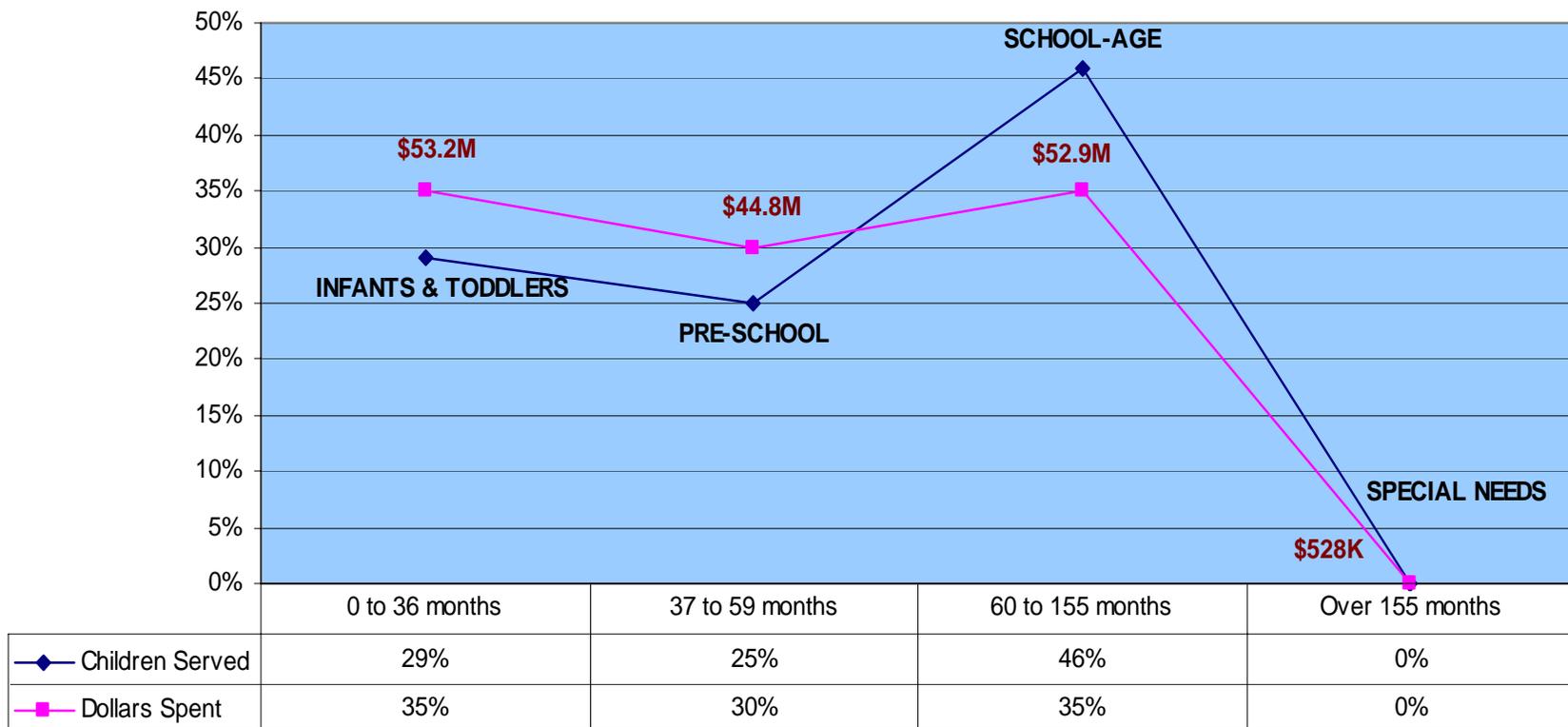
CHILD CARE SUBSIDY PROGRAM

CCDF Average Monthly Subsidy Cost Per Child By Age Group



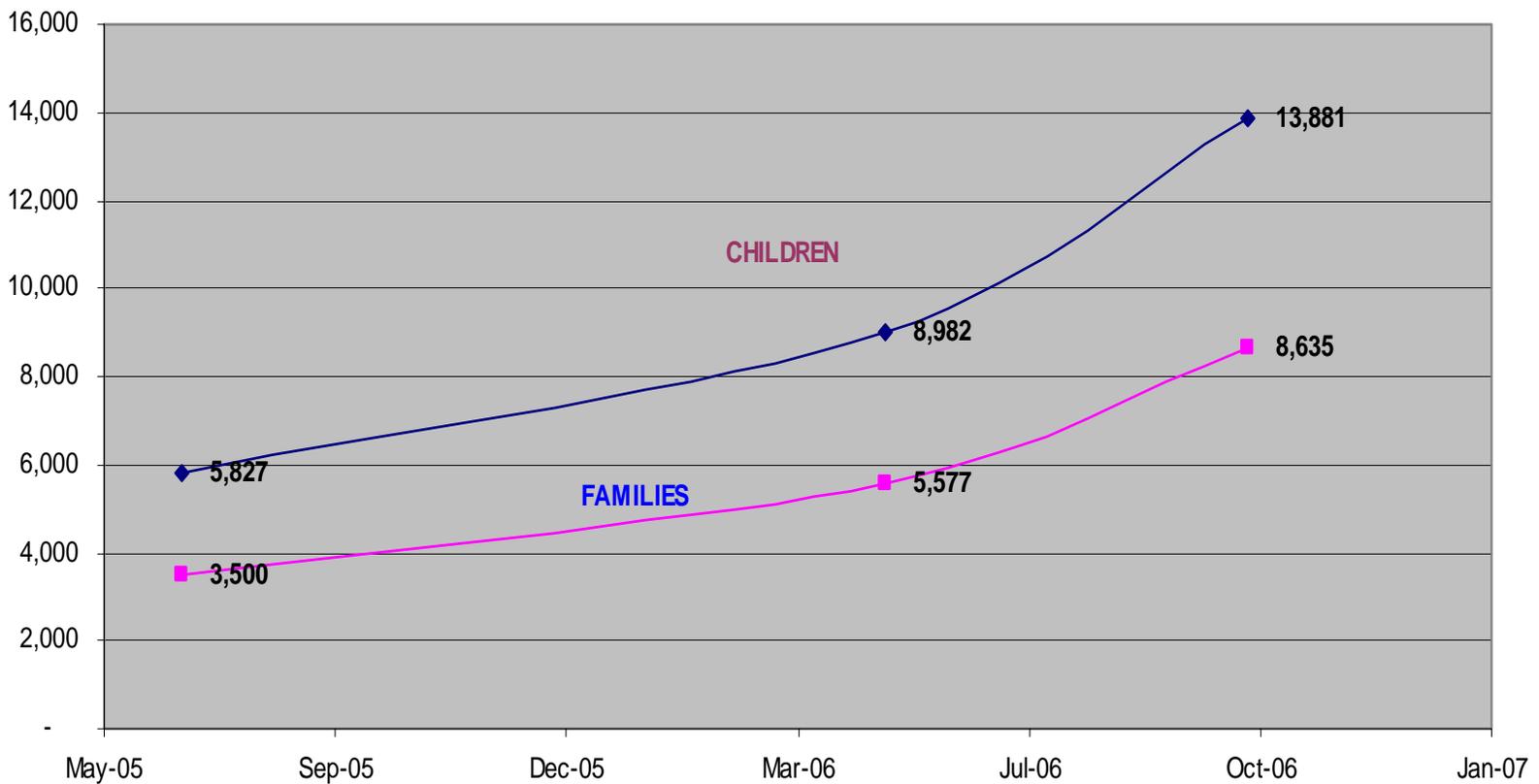
CHILD CARE SUBSIDY PROGRAM

CCDF Dollars Spent on Children Served By Age Group

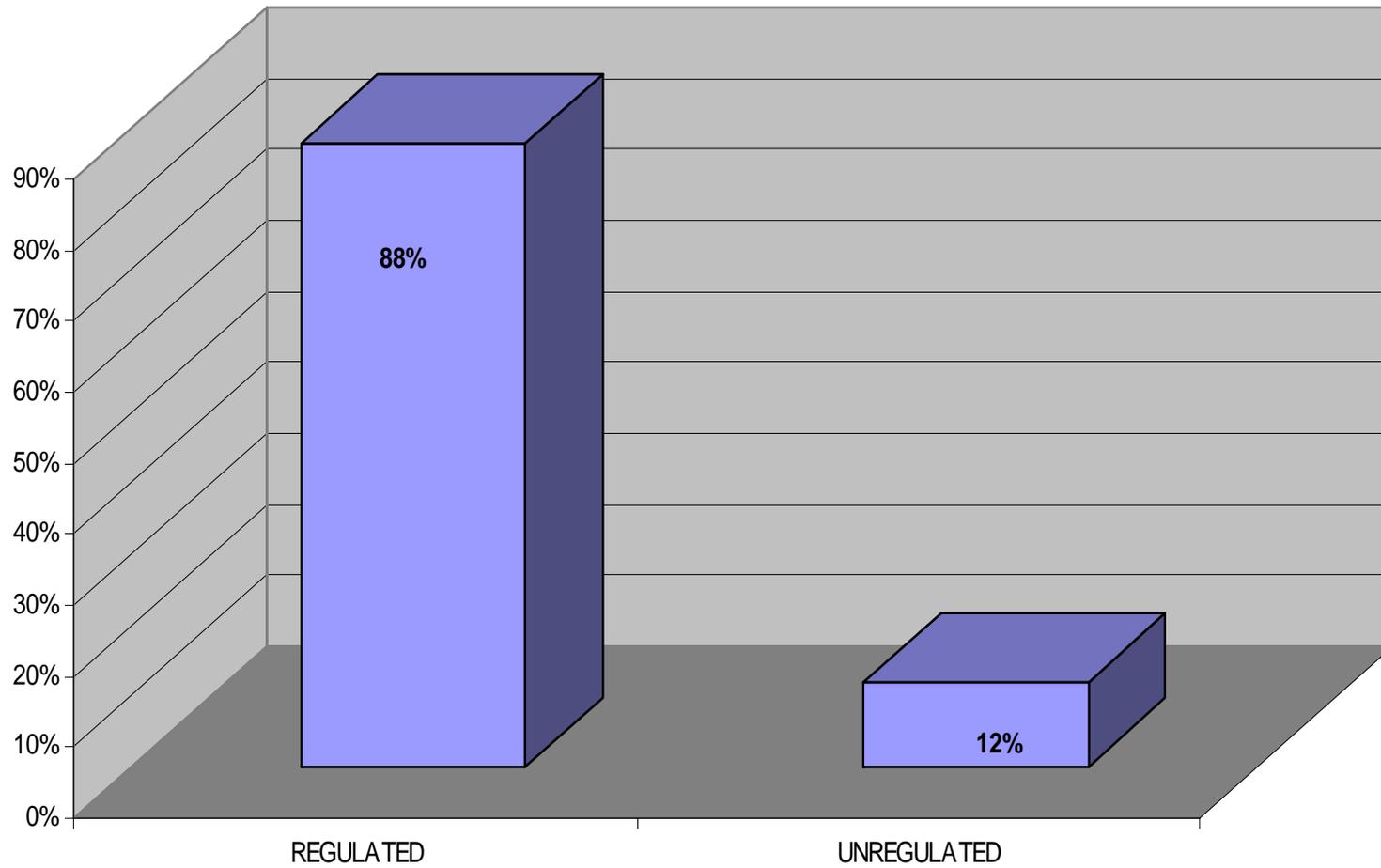


CHILD CARE SUBSIDY PROGRAM

CCDF SUBSIDY WAIT LIST AS OF OCTOBER 10, 2006



TYPES OF CARE



QUALITY CHILD CARE

- **“Quality” Activities Include:**
 - ❑ Consumer Education
 - ❑ Grants/Loan Programs to Improve Quality
 - ❑ Professional Development and Compensation for Child Care Staff
 - ❑ Monitoring of Licensing Standards

QUALITY INITIATIVES

- ❑ **Early Childhood Summits**
- ❑ **Virginia Early Childhood Foundation**
- ❑ **New Parent Kits**

QUALITY INITIATIVES (cont.)

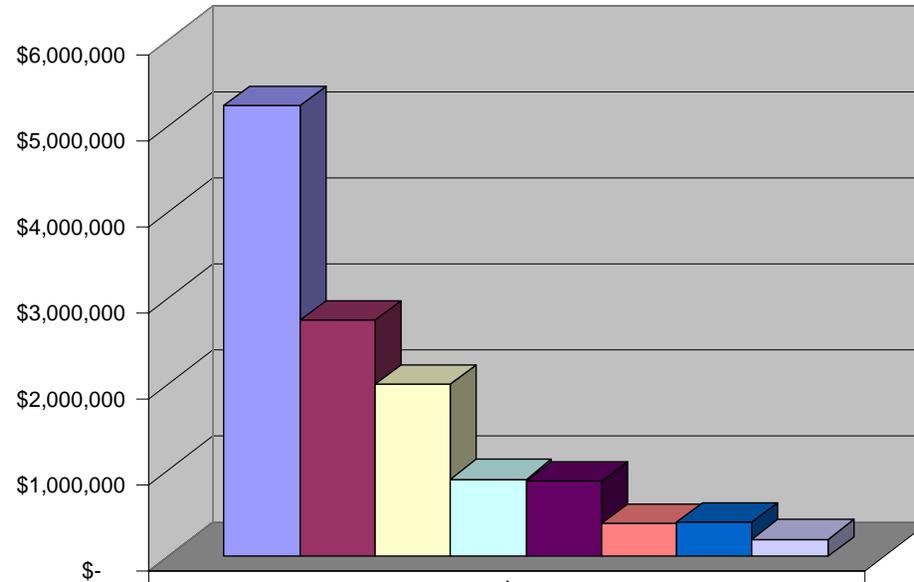
- ❑ **Professional Development**
 - Alignment Project
 - Saturday Training Classes
 - Endorsement Programs
 - Distance Learning
 - Virginia Child Care Provider Scholarship Program
 - TEACH-Virginia

QUALITY INITIATIVES (cont.)

- **Virginia Child Care Resource and Referral Network (VACCRRN)**
- **Information for Parents on Quality Child Care**
- **School-age Grants**
- **Maximization of Child Care Study**

QUALITY EXPENDITURES

FY 2005 QUALITY EXPENDITURES



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LICENSING STAFF	\$5,233,474
LOCAL DSS QUALITY INITIATIVES	\$2,748,000
INFANT AND TODDLER	\$2,000,000
SCHOLARSHIP/TEACH	\$900,000
PROVIDER TRAINING	\$875,000
SCHOOL AGE GRANTS	\$384,239
RESOURCE AND REFERRAL	\$400,000
LEGISLATIVE STUDIES	\$200,000