

TEXAS WORKFORCE COMMISSION LETTER

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Date: December 10, 1999

Key Word: Administration

To: Local Workforce Development Board Executive Directors
LWDA Coordinators
TWC Executive Staff
TWC Local Offices

From: Jean Mitchell, Director of Workforce Development

CC: Local Workforce Development Board Chairs

Subject: Uses of Temporary Assistance for Needy Families Funds

PURPOSE:

To provide Local Workforce Development Boards (LWDBs) with information on the recently issued Temporary Assistance for Needy Families (TANF) final regulations, and how they are applicable to workforce services administered by LWDBs.

This letter is intended to augment the information in the Choices Program Guidelines issued by the Texas Workforce Commission (TWC) in December 1998 and the Choices/TANF Module of the Financial Manual for Grants and Contracts issued by TWC in January 1999.

REFERENCE:

TANF Final Rule (45 CFR Part 260 through 265) and Preamble, published April 12, 1999 (64 FR 17720); Also available online at:
<http://www.acf.dhhs.gov/programs/ofa>

Welfare-to-Work Grants; Interim Final Rule (20 CFR Part 645 et seq.), published November 18, 1999

Title IV of the Social Security Act (42 USC 601 et seq.)

Office of Management and Budget Circulars A-21, A-87 and A-122

1997 TANF State Plan

Choices Program Guidelines, issued by TWC in December 1998

Module 4 - TANF Employment Services, TWC Financial Manual for Grants and Contracts, issued January 1999

WD Letter 22-99, issued February 18, 1999 on Impact of Cash Assistance under the Welfare-to-Work Grant Programs

Texas State Plan for Title IV-A or Title IV-F of the Social Security Act

TWC Choices Rules, Sections 811.1 through 811.87

BACKGROUND:

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 established the TANF program to offer new opportunities to develop and implement creative and innovative strategies and approaches to alleviate needy families' dependency on public assistance and promote self-sufficiency through work, including expanded opportunities for post-employment services. Under the Choices/TANF Work First concept, the "primary focus is on placing individuals in employment activities. Nevertheless, the Work First approach also recognizes that individuals may be provided, as appropriate, education and skills training related to the job, as well as other services to ensure lasting employment and the achievement of self-sufficiency."

The TANF Final Rule released on April 12, 1999 provides further clarification on uses of TANF funding and specifically removes post-employment supports and services from the definition of assistance. These regulations provide flexibility for LWDBs to expand, augment and locally adapt the Choices/TANF Work First model in innovative ways to meet the changing workforce service demands of needy families. There are fewer restrictions and administrative requirements for services and supports not defined as assistance, including not having to count months of service toward state or federal time limits on TANF benefits. Information on what is or is not considered assistance can be found in Attachment 1 to this WD letter entitled "TANF Assistance".

The cost principles in the Office of Management and Budget (OMB) Circulars A-21, A-87 and A-122, applicable to TANF federal funds, emphasize that costs are allowable if they are "reasonable and necessary." The TANF statute and regulations focus the determination of "reasonable and necessary" on the analysis of each cost and its supporting documentation. The cost must be for a service, function, activity, benefit, or support that is "reasonably calculated to contribute to one of the four purposes of the TANF program."

In addition to the benefits, services and supports that are allowable because they are reasonably calculated to meet a TANF program purpose, the statute provides that TANF federal funds may also be used for component services, supportive services and benefits previously allowable under Title IV-A, Aid to Families with Dependent Children (AFDC), or Title IV-F, Job Opportunities and Basic Skills Training (JOBS), as of September 30, 1995, even if these services would be otherwise unallowable. The current TANF State Plan for Texas covers allowable service offerings under TANF, including the prior allowable offerings authorized under AFDC/JOBS, with the following statement from page 1: "Texas reserves the right to use TANF funds to provide services consistent with the four purposes of the TANF program as specified in Section 260.20 of TANF regulations, or as allowed under the Texas IV-A or IV-F state plan in effect on September 30, 1995, as clarified by the state's 1997 plan amendment."

PURPOSES OF THE TANF PROGRAM:

Texas reserves the right to use TANF funds to provide services consistent with the four purposes of the TANF program as specified in the TANF Final Rule, Section 290.20 or as allowed under the Texas State Plan for Title IV-A or Title IV-F of the Social Security Act in effect on September 30, 1999, as clarified by the state's 1997 TANF State Plan.

The four purposes of the TANF program are to:

- Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- Encourage the formation and maintenance of two-parent families.

Services, benefits, and supports are only allowable under the first two purposes if provided to "needy" families as defined by Texas in its TANF State Plan. Under the current TANF State Plan, applicants for TANF, current recipients of TANF, and former recipients of TANF are defined as "needy" families. Services, benefits and supports are allowable under the latter two purposes to a universal population, including "non-needy" families.

EXPANSION OF POST-EMPLOYMENT SERVICES UNDER THE TANF/CHOICES PROGRAM:

The Work First service delivery model implemented following passage of State welfare reform under House Bill 1863 provides TANF applicants and recipients the opportunity for rapid attachment to the labor market. As a result, training and educational services were usually provided to Choices participants who needed skills upgrades to meet the requirements of local labor markets.

In Texas' robust economy, most exited Choices without having participated in education or training activities. Past policies and practices as well as concerns regarding the applicability of state and federal time limits restricted the provision of post-employment services using TANF funds.

Under the federal regulations in the recently issued TANF Final Rule, states are encouraged to provide post-employment services to support needy families' independence from public cash assistance and progress towards self-sufficiency. Attachment 2 to this WD letter, entitled "Using TANF Funds to Augment Choices Services" provides examples of allowable post-employment services.

ADMINISTRATIVE COST CAP FOR TANF FUNDS:

TANF administrative costs are capped at 15% in the federal statute and regulations. In Texas, the administrative cap is applied to expenditures and is shared by TWC and LWDBs. The cap for the LWDB share of administrative

expense is reflected in the Master Board Contract and is currently 10% of expenditures.

REPORTING TANF COSTS:

TANF expenditures must be reported by cost classifications used for federal reporting. Some of the federal cost classifications are not applicable to workforce services; those that are applicable and the manner in which services are to be reported shall be covered in a separate issuance from TWC and will be reflected in the soon-to-be-released LWDB expenditure reports.

The material on assigning costs between administrative and program functions, presented on pages 4-11 and 4-12 of the TANF Module of the TWC Financial Manual for Grants and Contracts, continues to be in effect.

PERIOD OF AVAILABILITY FOR TANF FUNDS:

In the TANF statute and regulations, the state is viewed by the federal government as being responsible for administering the program. This is different from the Job Training Partnership Act (JTPA), Workforce Investment Act (WIA) and Welfare-to-Work (WtW) program where the statute and regulations presume a particular sub-state administrative structure. The conditions relating to funds availability in the TANF regulations apply specifically to the State; they are not necessarily applicable to LWDBs.

TARGETING THE USE OF TANF FUNDS TO ENHANCE WORK

PARTICIPATION RATES:

Using TANF funds to expand Choices services enhances work participation rates by increasing the number of full participants counted in the numerator, or decreasing the number of non-exempt clients receiving cash assistance counted in the denominator.

States that fail to meet work participation rates are subject to a reduction in the TANF block grant. The reduced federal funding must be replaced with State General Revenue funds. TANF funding for Choices services could be reduced if a penalty is imposed upon Texas.

Combining education and training activities with employment or Work First activities should increase the number of TANF recipients in the numerator.

An important way to reduce the denominator is to use TANF funds to provide work supports and post-employment services to TANF recipients who have transitioned to work. This ensures that former recipients of TANF cash assistance retain their employment and do not return to the cash assistance rolls.

Another way to increase participation is to outreach clients currently receiving cash assistance, but not currently counted in the denominator, and enroll them in qualified work participation activities prior to, or concurrent with, the month in which they will be added to the denominator.

TARGETING FUNDS TO INTEGRATE SERVICE DELIVERY:

LWDBs may choose to use TANF funds to meet the Choices/TANF shared resource contribution needed for integrated workforce service delivery system, operated primarily through Texas Workforce Centers. The attachment to this WD letter entitled “Using TANF Funds to Augment Choices Services” provides examples of uses for TANF funds to integrate direct client services, program service delivery management, and administrative functions.

ACTIONS REQUIRED:

As part of the program administrative planning, oversight and evaluation functions delegated under the Texas Labor Code, LWDBs must:

1. Assess service offerings under Choices/TANF and other programs to identify and target specific client needs.
2. Develop and implement policies and procedures on the scope of services, activities, benefits, and supports offered with Choices/TANF funds. This includes the frequency, duration, level and intensity necessary to meet the needs identified in #1, above, and to also:
 - integrate services;
 - meet participation rates;
 - achieve performance accountability relating to employment entries, job retention, and earnings gains; and
 - help needy families end dependence on public assistance and progress toward self-sufficiency.
3. Review the LWDBs categorical plans for Choices/TANF and other funding streams serving TANF needy families and submit a modification or amendment, if needed to reflect expanded service offerings.
4. Continue standard practices, including:
 - Reviewing Choices/TANF obligations and expenditures to determine available funds for expanded service offerings.
 - Ensuring that contractor billings for services are received and paid promptly.
 - Reporting expenditures to TWC in a timely fashion on a monthly basis to allow TWC to process federal expenditure reports in a timely and accurate manner.
 - Ensuring that available Choices/TANF allocations are encumbered accurately in the LWDB Master Contract each year.
5. Evaluate contracted and purchased service arrangements and procure or modify contracts and agreements as needed to efficiently and effectively expand service offerings and expend available funds.

INQUIRIES:

Direct inquiries to Kathy Payne at (512) 936-3204, via e-mail kathy.payne@twc.state.tx.us or fax (512) 936-3420.

ATTACHMENTS:

Attachment 1: "TANF Assistance". Provides information on benefits, services, and supports that meet or do not meet the definition of assistance. Summary information is also included on the impact on clients, service delivery management, and program administration when services or supports considered assistance are provided with TANF funds to families not otherwise receiving assistance.

Attachment 2: "Using TANF Funds to Augment Choices Services". Provides examples of allowable functions, services, activities, benefits, and supports for LWDBs to consider when expanding, improving, or locally-tailoring their Choices/TANF service offerings. While not all-inclusive, this list is offered to spark local initiative. Since the basis for cost allowability under TANF is the four purposes of the program as well as prior offerings under the JOBS program or welfare reform waivers, the attachment is organized accordingly. Examples include allowable service integration activities and administrative functions.

Rescissions: None	Expiration: Continuing
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