

WRITTEN TESTIMONY

OF

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ON BEHALF OF

THE STATE OF TEXAS

BEFORE THE SENATE FINANCE COMMITTEE

MARCH 12, 2003

Good morning Mister Chairman and members of the committee. I am Larry Temple, Deputy Executive Director of the Texas Workforce Commission. I would like to thank the committee on the behalf of the state of Texas for this opportunity to share our welfare reform successes and our ideas regarding the reauthorization of the TANF program.

The Texas Workforce Commission is charged by state law and the Governor with the responsibility of ensuring that every adult Texan receiving welfare is afforded the opportunity to workforce development services in each of our 254 counties. Services are designed to assist our customers in leaving welfare by getting a job.

As you know, since the enactment of PRWORA in 1996, welfare dependency has plummeted. States have successfully transformed their welfare entitlement programs into work programs resulting in unprecedented caseload reduction and job placement.

Nationwide, the welfare caseload has declined one half since 1996. Texas mirrors the success of the nation: the welfare caseload has also declined by one half since 1996 and Texas has moved a record number of individuals into jobs. In recognition of this high rate of job placement, Texas received the High Performance Bonus from the U.S.

Department of Health and Human Services in FY 1999, FY 2001, and FY 2002, totaling \$65 million. Texas looks forward to continuing this success.

The revamping of welfare has been a journey of learning for Texas. The state attributes its success to an early commitment to a work first philosophy and continual enhancements to its welfare program as well as its overall workforce service delivery

design. Texas developed innovative strategies, including integration of all workforce services through 28 local workforce development boards in order to effectively serve all Texans by providing opportunities to successfully enter the workforce and, therefore, attain self-sufficiency. Transitioning welfare from an entitlement to a work program has been a challenge, but has allowed Texas to learn along the continuum of reform and evolve its program into one that is ready begin serving more Texans.

The evolution of Texas' program began with the addition of a 20-hour per week participation requirement in response to federal changes to the Aid to Families with Dependent Children program. This was the first effort at recognizing the merit of personal responsibility in moving individuals along the path from welfare dependency to self-sufficiency. Just about any activity counted and we found that most of the participants did not become employed. Because the focus was on training and education, there was no real expectation of participants to go to work. Therefore, in order to expand and improve upon the concept of personal responsibility, in 1995 Texas applied for and received a waiver to operate its welfare program that increased the emphasis on work. Then, upon the enactment of PRWORA, Texas again increased the emphasis on work by raising the bar on hourly requirements to 30 hours (20 hours in work activities and 10 hours in education and training activities).

Beginning in 1999, Texas further tightened the allowable work activities within the already established 30 hour per week participation requirement in preparation for compliance with PRWORA. In the 18 months prior to the expiration of the waiver,

Texas began an aggressive campaign to provide training and technical assistance to the local workforce boards to prepare them for the increased emphasis on work. As a result of this campaign, by March 2002, the number of individuals participating in work activities had increased by 51%. Texas accomplished this increase by putting people to work. Ultimately, Texas' transition to a more work focused program under PRWORA proved to be simply the next phase on the continuum of welfare reform for the state.

The Texas model continues to be focused on work. Reinforcing this service delivery model is a requirement that customers be in an employment activity and meeting their hourly participation requirement within four weeks of entering the welfare employment program we call "Choices"; the result of non-compliance with this policy is a community service placement. We believe that this is one of the best methods to identify our hardest to serve families. Since the implementation of this policy in July 2002, on average only 10% of customers participating in the Choices program are in community service placements.

We realize that a community service requirement has been a controversial issue.

However, I believe from personal experience that this type of activity has value whether it is dubbed community service, work experience or workfare. My father and his brother left home during the depression to participate in a workfare program, the Civilian Conservation Corps. They left their Mississippi farm to earn money helping to build state parks; parks that are still enjoyed today by millions of Americans. The money they

earned literally helped to save the family farm. I truly believe that this type of activity has merit when crafted right.

Texas' focus on work has even passed the test of an economic downturn. During the last two years of economic downturn, amid high unemployment, we have not only been successful in placing our TANF customers in jobs, but have increased those numbers over the course of those two years (see Attachment A).

Further, these jobs on average paid \$7.20 per hour, well above the minimum wage of \$5.15 per hour. When combined with the Earned Income Tax Credit, guaranteed child care, Medicaid, and food stamps, this \$7.20 hourly wage at full time hours totals nearly \$30,000 per year, a figure that is clearly above, actually nearly double, the federal poverty line of \$14,640 for a family of three (see Attachment B).

As you can see, the work first approach has been successful for the state of Texas on many levels. We realize that some individuals challenge whether this approach, which is consistent with the approach prescribed in the Bush Administration's proposal, is the most effective way to move people from welfare to self-sufficiency. Generally, they charge that pre-employment education and training are the missing elements from successful welfare reform. I am here today to disagree.

What we have found in Texas is that there is a missing element in individuals ability to move from welfare to self-sufficiency, but it is not pre-employment training. It is the

absence of a good job reference. We are providing that job reference by helping people to get jobs as quickly as possible. Once individuals are employed, we can work with them and their employers on ways to increase their chances for job retention and advancement. This model is working for Texas and it will work with implementing the Bush Administration's proposal.

Texas looks forward to participating in the next phase of welfare reform by partnering with the federal government to again raise the bar of expectations and, thus, increase the long-term self-sufficiency of needy families. With over a decade of demonstrated success in welfare programs, the research definitively shows that a combination of work and training, with the primary focus on work, results in the most positive outcomes for program participants: increased job placement, retention, and advancement. Recognizing this success, the Bush Administration has proposed an increased emphasis on direct work activities coupled with additional flexibility for states to engage families in other activities that assist them in addressing their unique needs in the climb to independence. From experience, I believe that this is the best program strategy.

Any discussion about the next phase of welfare reform and the changes associated with it must also consider how programmatic success will be measured. Currently, there are two primary measures that determine the success of states' welfare programs: participation rates and the caseload reduction credit. The participation rate measures what percentage of welfare recipients a state has in countable program activities; currently, the maximum rate required of states is 50%. The caseload reduction credit is designed to give states

credit for those individuals who leave welfare; currently, the credit is calculated with 1996 as the base year.

Under the Bush Administration's proposal, both the participation rate and the caseload reduction credit would change. The combination of the incremental increase to the participation rate from 50% in FY2003 to 70% in FY 2007 and the phase out of the caseload reduction credit will have the net effect of requiring states to serve more welfare recipients. Since many states have already been faced with the challenge of providing work services to a growing caseload, this will be a familiar challenge. Texas' experience with its transition from its waiver to PRWORA demonstrates the challenge is surmountable and that the key to conquering this challenge is focused preparation.

The primary tool offered by the Bush Administration's proposal to achieve this increased level of service is universal engagement. The expectation is for states to begin serving all individuals in their welfare caseloads. When mixed with the increased participation rate and the phase out of the caseload reduction credit, universal engagement will ensure that the entire nation's welfare caseload receives services.

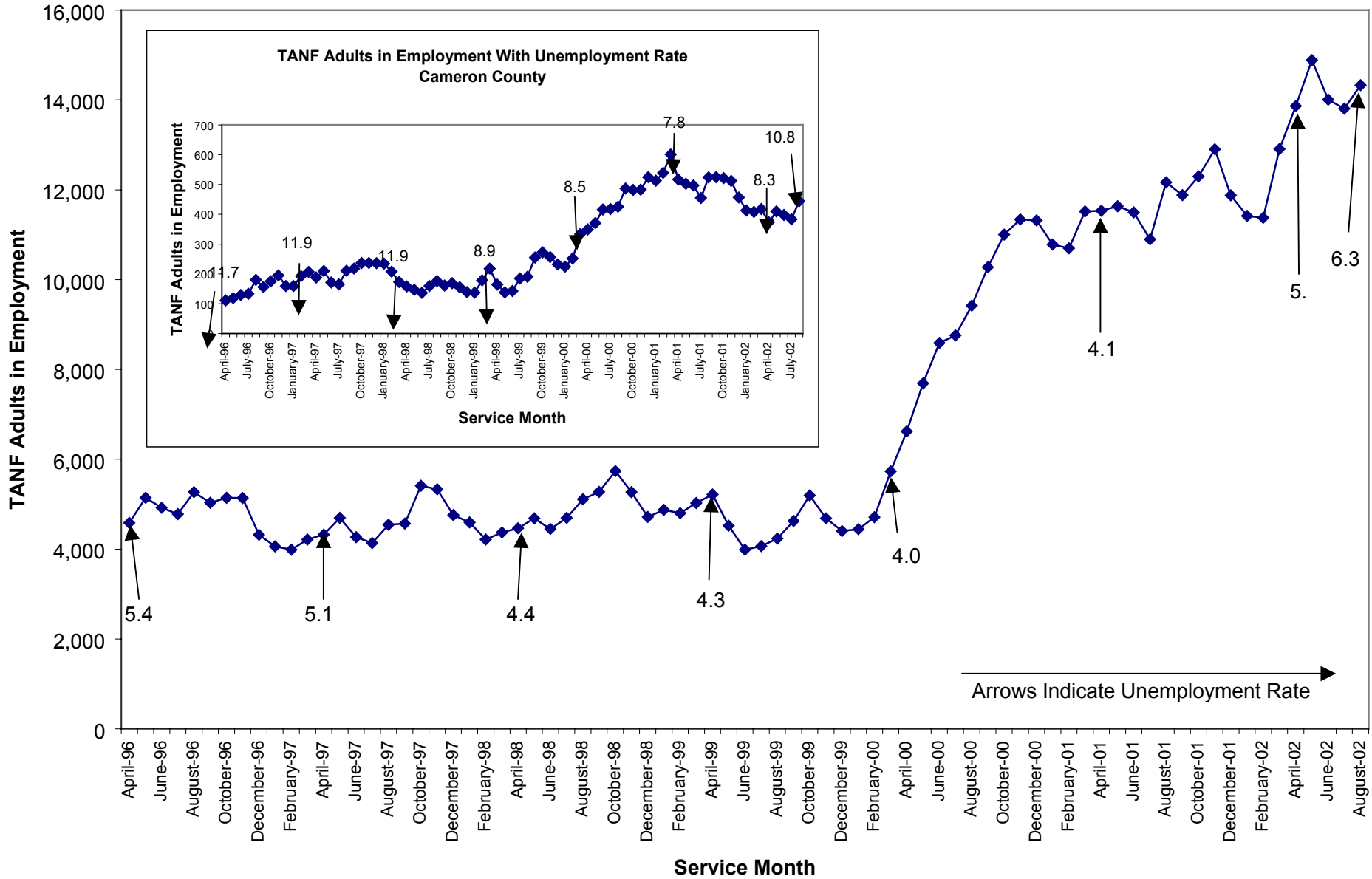
The challenges of these proposed changes offer exciting opportunities for states to re-examine what their program goals should be. The focus should still be work. I believe that an increase in the work hours mixed with the broad flexibility to address families' needs through other work-related activities will further widen the path from welfare to self-sufficiency. Certainly, states will have to continue to improve upon the management

of the programs and services to reach the increased participation requirements set forth and this will not be an easy task. But, as we would probably all agree, hard work begets good results. All, not just a percentage of, families deserve services that will address their employment needs and Texas applauds the Bush Administration's proposal to do this.

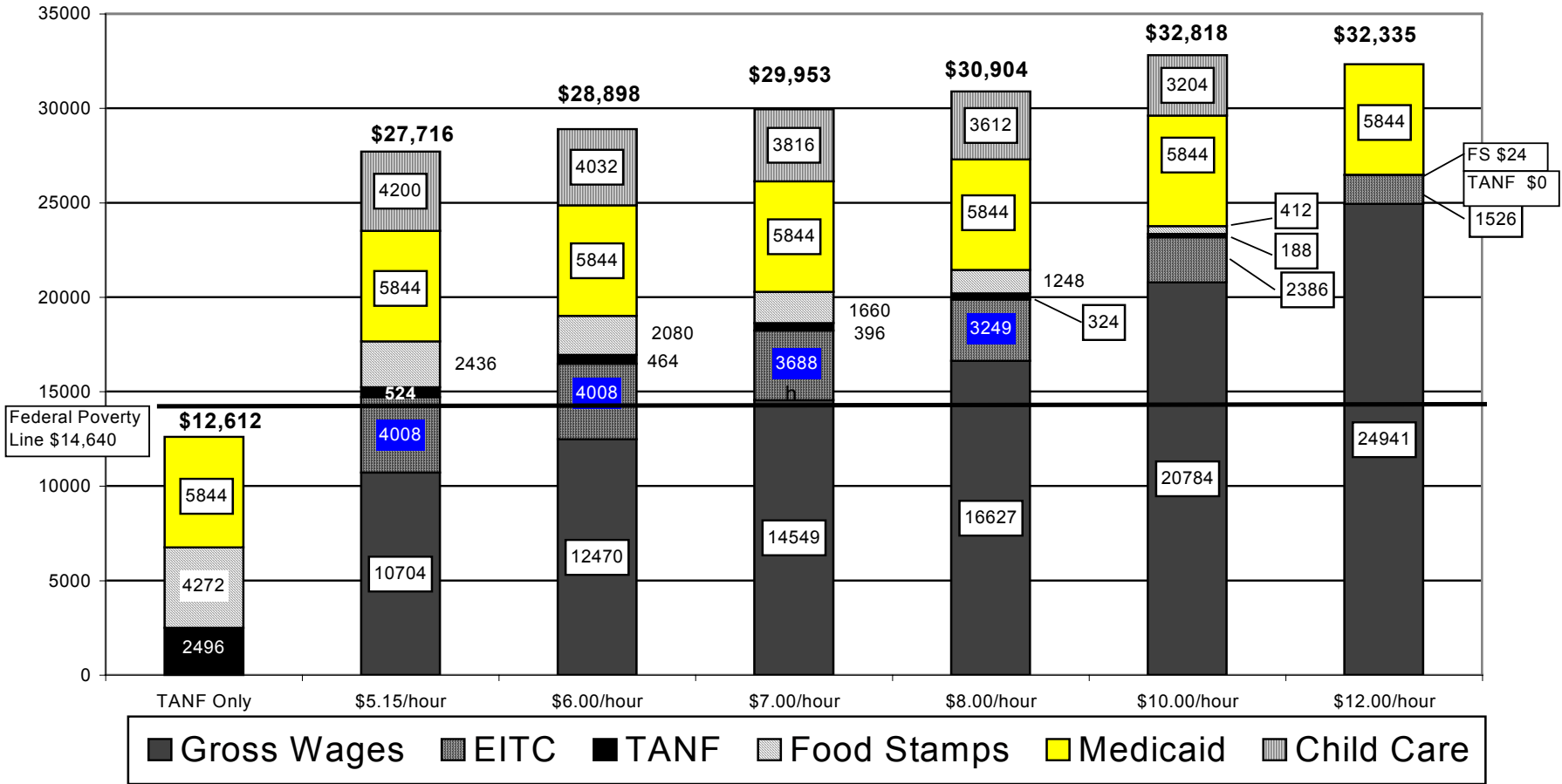
Again, I thank you on behalf of the state of Texas to share our thoughts and concerns on TANF reauthorization.



### Total TANF Adults in Employment with Unemployment Rate



### 2002 Annual Wage and Benefit Scenarios for Single Parent with Two Children



NOTE: Annual totals are derived by using four months of Earned Income Disregard (EID) values plus eight months of post-EID values.