

*A product of
"Assessing the
New Federalism,"
an Urban Institute
Program to Assess
Changing Social
Policies*

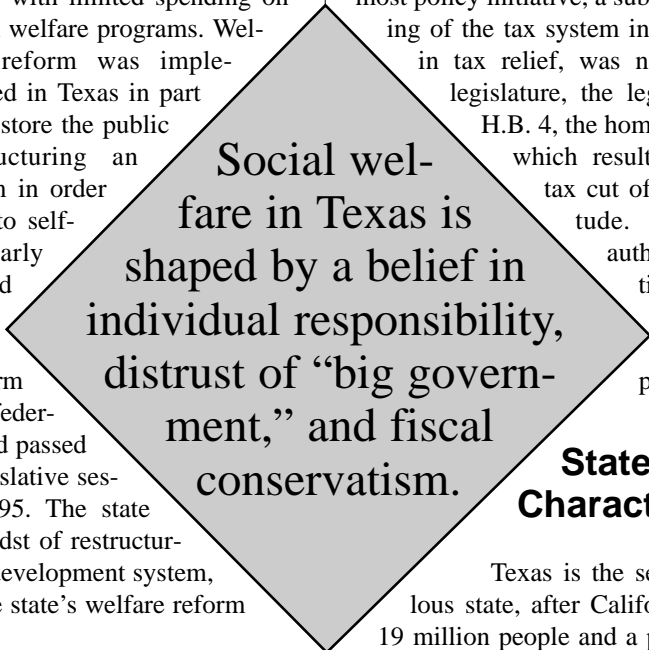
Income Support and Social Services for Low-Income People in Texas

*Nancy Pindus, Randy Capps,
Jerome Gallagher, Linda Giannarelli,
Milda Saunders, and Robin Smith*

Texas has a commitment to government efficiency and low taxes, with limited spending on social welfare programs. Welfare reform was implemented in Texas in part to "restore the public trust," by restructuring an unpopular program in order to move families to self-sufficiency. In early 1997 the state had nearly completed implementation of its welfare reform legislation (under federal waivers) that had passed during the last legislative session in spring 1995. The state was also in the midst of restructuring its workforce development system, linked partly to the state's welfare reform legislation.

The healthy economy in the state and additional Temporary Assistance for Needy Families (formerly Aid to Families with Dependent Children) funding provide opportunities for Texas to invest more in its new welfare and workforce development systems and move many families off welfare and into jobs with a future. But despite a generally favorable political climate toward immigrants and a large budget surplus, the state continues

to limit spending on social programs in favor of tax cuts. Although Governor Bush's foremost policy initiative, a substantial restructuring of the tax system including \$1 billion in tax relief, was not passed by the legislature, the legislature did pass H.B. 4, the homestead exemption, which resulted in a property tax cut of the same magnitude. The legislature authorized appropriation of \$1 billion in state revenues to replace local property taxes.



State Characteristics

Texas is the second most populous state, after California, with almost 19 million people and a population growth rate almost double that of the United States (see table 1). Of its 254 counties, 196 are rural, although two-thirds of the population live in urban areas. Almost one-third of the population is Hispanic. Texas has one of the youngest populations in the country and a lower-than-average rate of nonmarital births. Its economy is now growing faster than the nation's and is relatively stable, with a reduced dependence on oil and gas. Texas

Table 1
State Characteristics, 1995

	<u>Texas</u>	<u>United States</u>
Population Characteristics		
Population (1995) (in thousands)	18,732	260,202
Percent under Age 18 (1995)	29.6%	26.8%
Percent Hispanic (1995)	31.0%	10.7%
Percent Non-Hispanic Black (1995)	12.0%	12.5%
Percent Noncitizen Immigrant (1996)*	8.6%	6.4%
Percent Rural (1990)	33.1%	36.4%
Population Growth (1990–1995)	10.2%	5.6%
Births:		
Percent to Unmarried Women (1994)	28.9%	32.6%
Percent to Women under Age 20 That Were Nonmarital (1994)	63.0%	76.0%
Per 1,000 Women Ages 15–19 (1994)	78	59
State Economic Characteristics		
Per Capita Income (1995)	\$ 21,206	\$ 23,208
Percent Change in Per Capita Personal Income (1990–1995)	23.2%	21.2%
Percent Poor (1994)	17.6%	14.3%
Unemployment Rate (1996)	5.6%	5.4%
Employment Rate (1996)	65.2%	63.2%
Percent Persons Receiving AFDC (1995)	4.0%	5.1%
Percent Persons Receiving Food Stamps (1995)	13.6%	10.1%
Family Profile		
Percent Two-Parent Families (1994)	38.8%	35.7%
Percent One-Parent Families (1994)	13.1%	13.8%
Percent Mothers with Child 12 or Under		
Working Full Time (1994)	41.0%	38.1%
Working Part Time (1994)	13.7%	16.1%
Percent Children below Poverty (1994)	25.8%	21.7%
Median Income of Families with Children (1994)	\$33,041	\$37,109
Percent Children Uninsured (1995)	17.2%	10.0%
<p><i>Source:</i> Complete list of sources is available in <i>Income Support and Social Services for Low-Income People in Texas</i> (The Urban Institute, 1998).</p> <p>* Three-year average of the Current Population Survey (CPS) (March 1996–March 1998, where 1996 is the center year) edited by the Urban Institute to correct misreporting of citizenship. Please note that these numbers have been corrected since the original printing of this report.</p>		

incomes are below average, however, with 18 percent of Texans below the poverty line (compared with 14 percent for the nation), and education levels are low as well. Texas is a fiscally conservative state with a history of low social spending, especially for cash assistance. The governor has a traditionally weak role, with no cabinet and no direct oversight over the administrative departments. By contrast, the Legislative Budget Board (LBB), a joint committee of the Texas House and Senate, proposes budgets (which the Texas constitution requires to be balanced) and, with the governor's approval, can

shift funds when the legislature is out of session. Bipartisan cooperation is the norm, and state government departments are organized more by function than by program.

Setting the Social Policy Context

Social welfare in Texas is shaped by a belief in individual responsibility, distrust of "big government," and fiscal conservatism. Consistent with this philosophy, an overarching goal

of welfare reform is to make sure that all Texans who are able to work do so.

Texas ranks behind most states in social welfare spending, with limited state spending beyond federal matching requirements. Public spending per poor family in Texas is substantially lower than in the United States as a whole in almost all areas except food stamps (see table 2). Although local governments are not required to report spending information to the state, other than the documentation required for matching funds, our site visits indicated substantial local variation in social services spending.

Table 2
Social Welfare Spending
for Families with Children in Texas,
FY 1995

Program	(\$ in millions)			Total Spending per Poor Family	
	Federal Spending	State and/or Local Spending	Total Spending	Texas	United States
Income Support					
AFDC Benefits	\$ 329.1	\$ 190.7	\$ 519.8	\$ 214	\$ 851
AFDC Administration	103.5	98.8	202.3	83	136
SSI Benefits for Children	—	—	271.6	112	184
EITC Federal	2,772	—	2,772	1,140	1,010
Food Stamps, households with children	1,928.1	—	1,928.1	793	711
Education and Training					
JOBS	29.3	17.9	47.2	—	—
JTPA	150.9	—	1,50.9	62	73
Food Stamps E&T (1996)	12.9	4.8	17.7	—	—
Child Care/Development					
AFDC/At-Risk/CCDBG	—	—	194.3	80	115
Health					
Medicaid, children only	1,004.7	582.3	1,587	653	984

Source: Complete list of sources is available in *Income Support and Social Services for Low-Income People in Texas* (The Urban Institute, 1998).

Texas law codifies very little about the division of responsibilities between state and local governments. In practice, the state typically operates federally funded and the few state-funded social services through regional offices of state agencies, with services administered in basically the same way statewide. The limited local role in social services contrasts with substantial local responsibilities in the area of health care.

Basic Income Support

The major income support programs in Texas are the Food Stamp program and Aid to Families with Dependent Children (AFDC), now Temporary Assistance for Needy Families (TANF). Texas has the fourth-lowest AFDC/TANF benefits

in the nation and is one of only seven states that do not provide the optional state supplement to recipients of Supplemental Security Income (SSI) for elderly and disabled individuals. There is no statewide General Assistance (GA) and there are few county GA programs. The maximum AFDC monthly grant for a single mother and two children who receive no child support is \$188. With a maximum grant of \$313 in food stamps, such a family in Texas has a monthly income of \$501, just 46 percent of the federal poverty line.

Partly because of low benefit levels, Texans typically stay on AFDC for shorter-than-average periods (only 17 percent of the caseload has been on AFDC for four years or more, compared with the national average of 27 percent). Texas has the second-largest Food Stamp program

in the country, however, with benefit payments totaling \$2.25 billion in FY 1995. This is because the Food Stamp program is a federal program, with a benefit structure designed to offset differences in the generosity of state AFDC benefits.

In 1995, the state legislature passed H.B. 1863, requiring the Texas Department of Human Services (TDHS) to request a waiver from the federal government to enact the Achieving Change for Texans (ACT) demonstration. The ACT waiver was approved in March 1996 and fully implemented by January 1997. The major provisions of ACT are statewide. These include a requirement that all adult recipients sign a personal responsibility agreement addressing child support cooperation, early medical screening, work requirements, drug and alcohol abuse, school atten-

dance, parenting skills, and similar issues.

A key component of ACT is a tiered welfare time limit for Job Opportunities and Basic Skills (JOBS) program participants, in effect in 87 counties that together serve 90 percent of the AFDC caseload. The tiers are limits of one, two, or three years, depending on job readiness as measured by education and recent work experience. Because the time limit is tiered and applies only to JOBS participants (not their family members), state officials consider ACT to be more “humane” and supportive of family needs than federal welfare. Local case-workers are enthusiastic about the personal responsibility agreements as opportunities to discuss options with recipients, and about the time limits as providing “teeth” to back up instructions to participate in training and job search.

Programs That Promote Financial Independence

To help promote self-sufficiency, cash assistance programs often need to be supplemented with employment and training, subsidized child care, child support collection efforts, and health insurance coverage.

Employment and Training

Passage of the Texas Workforce and Economic Competitiveness Act in 1993 began a process of consolidating training and employment programs and devolving responsibility for them to the local level—a process that was continued under the 1995 waiver law. The Texas workforce development system has several levels. The governor designates Local Workforce Development Areas (LWDAs), certifies Local Workforce Development Boards (LWDBs), and approves LWDA strategic and operating plans for provision of services. Two state advisory boards reporting to the governor and the legislature are charged with making sure real skills are taught and developing strategic plans, performance measures, and evaluations of program performance.

In addition, a new state agency was created, in part by transferring certain responsibilities from the TDHS, with full jurisdiction over Job Training and Partnership Act (JTPA) programs, JOBS, Food Stamp Employment and Training, and literacy programs, and state responsibility for child care. The new Texas Workforce Commission (TWC) also manages the Employment Service and the state’s labor market information system. In 1996, TWC became a \$1.6 billion agency with 6,000 employees. The LWDBs set policy at the local level and are led by business representatives. Once certified, LWDBs submit strategic and operational plans to the governor and to TWC—plans that must include one-stop Career Centers for centralized intake, assessment, and case management of employment and training program participants. As of September 1997, 24 of the LWDBs have certified boards in place that are at different stages in the development of their strategic and operational plans. Only one board has actually entered into a contract with the state. Implementation of one-stop Career Centers is ahead of LWDB establishment, however, with all but five of the LWDAs having received one-stop grants.

The primary employment and training programs for public assistance recipients are the JOBS program and the Food Stamp Employment and Training (FSE&T) program. JOBS served an average of nearly 31,000 clients a month in fiscal 1996 and FSE&T nearly 13,000. The annual costs of the two programs, respectively, in FY 1996 were \$47 million and nearly \$18 million. H.B. 1863 authorized an array of work programs for AFDC/TANF recipients. However, a Work First service model has become the primary program design for AFDC/TANF. This model, which was fully implemented in January 1996, combines services (over a five-week period) designed to provide the client with early exposure to the labor market. These include job readiness activities, job search, and group employment seminars. Case managers from TDHS or TWC assign AFDC/TANF clients to one of the three time-limit tiers, but the time limit is only activated once the client is contacted by the

JOBS program. Program administrators feel that the one- and two-year tiers may be effective but are concerned that the least job-ready tier will need more than three years of services and greater funding than Texas is likely to provide.

The primary focus of the new workforce system is not on welfare reform per se but on making Texas businesses and residents more productive and thus more competitive in the global economy. For example, TWC also spends \$5 million a year through Trade Adjustment Assistance, on unemployment benefits, job training, job service, and relocation benefits to 18,000 to 20,000 workers laid off from trade-impacted industries.

Child Care

The primary goal of Texas’s child care system is to provide affordable, quality care to enable low-income parents to work. TWC provides child care to children of low-income parents at risk of needing welfare assistance on a first-come, first-served basis, unless families are eligible for JOBS, transitional child care, or FSE&T. Families with incomes below 150 percent of the federal poverty line are eligible, and they can remain eligible for one year after income rises as long as it does not exceed 185 percent of the federal poverty line. Sliding fees are 9 percent of gross family income for one child and 11 percent for two or more children. Texas has not required documentation of legal status; however, it will begin to require Social Security numbers to cross-match data with the state’s welfare eligibility system. This policy will effectively deny child care to undocumented immigrants, but this is seen as a consequence of the new policy, not its goal.

Since 1991 Texas has used an innovative Child Care Management System (CCMS) to administer child care services. CCMS has 20 contractors who manage child care services in 28 LWDAs statewide. Funding for child care services is allocated to CCMS contractors on the basis of the number of eligible children in the contractor’s service delivery area. CCMS manages multiple funding streams, each with different eligibility

Table 3
Texas's TANF Program

<p>Eligibility</p>	<p>Income eligibility is \$400 (during first month of earnings) and \$280 (after one year of earnings) for a family of three with no unearned income; asset limit is \$2,000 for most families and \$3,000 if an elderly or disabled person is in the household.</p>
<p>Time Limits</p>	<p>Benefits terminate after five years. The following time limits apply for benefit reductions once the recipient is notified of an opening in the JOBS program: one-year limit for recipients with 18 or more months of recent work experience and a high school diploma, GED, or postsecondary/vocational school certificate; two-year limit for recipients with 6–17 months of recent work experience or education through 11th grade but less than a high school degree; three-year limit for recipients with less than six months of recent work experience and education less than 11th grade.</p>
<p>Income Disregards</p>	<p>Retains AFDC disregards: disregards \$120 and one-third of the remainder for the first four months of earnings; \$120 for the next eight months; \$90 after 12 months.</p>
<p>Work Requirements</p>	<p>Adults must participate in work activities at least within two years of benefit receipt, except for adults with a child under age four.</p>
<p>Work Sanctions</p>	<p>For first instance of noncompliance, \$78 reduction of benefit (if one parent fails to comply), \$125 reduction of benefit (if both fail to comply) for one month. For second instance of noncompliance, \$78 reduction of benefit (if one parent fails to comply), \$125 reduction of benefit (if both fail to comply) for three months. For subsequent instances of noncompliance, \$78 reduction of benefit (if one parent fails to comply), \$125 reduction of benefit (if both parents fail to comply) for six months.</p>
<p>Benefit Level</p>	<p>\$188/month maximum for a single parent with two children and no income.</p>

Source: *One Year after Federal Welfare Reform: A Description of State Temporary Assistance for Needy Families (TANF) Decisions as of October 1997*. L. Jerome Gallagher, Megan Gallagher, Kevin Perese, Susan Schreiber, and Keith Watson. The Urban Institute, *Assessing the New Federalism* Occasional Paper Number 6, June 1998, various tables.

criteria, with the goal of making service delivery “seamless” to the families. Except for mandatory information about program structure, certification, and any licensing violations, CCMS contractors are not supposed to influence parents, who may arrange their own child care with other licensed or registered providers or with certain relatives. The system is generally agreed to be working well,

receiving an Innovations in Government Award from Harvard’s Kennedy School of Government in 1993.

Child care supply is not considered a bottleneck in Texas, although funding for subsidizing it certainly is, at least in part because Texas has not allocated sufficient general revenue to access all available federal matching funds. Funding totaled \$195 million in FY 1995 and served a daily average of

63,000 children, 3 to 4 percent of all Texas children age 12 or under in low-income families. Child care administrators worry about inadequate training of relatives who are child care providers but feel that quality is increasing—in part because of a Head Start state collaboration grant and in part because of the Child Care and Development Block Grant quality-of-care set-aside.

Child Support

The Office of the Attorney General administers child support establishment and enforcement in Texas. Parents who apply for welfare must assign their child support rights to the state and cooperate in establishing paternity and enforcing child support orders. Texas is a leader in paternity establishment, succeeding in 55 percent of all out-of-wedlock births in 1995, compared with a national average of 45 percent. Counties maintained their own child support enforcement programs and case registries for nonwelfare cases until 1995 legislation required establishment of a statewide integrated child support registry. Since 1989, the enforcement program has been self-funded by the reinvestment of collections retained from the federal government's incentive payments and a percentage of the recovery of AFDC payments.

Texas ranked seventh in the nation in child support collections in FY 1995, its most successful tool being the use of wage withholding as a means of enforcement. Drivers' licenses also can be suspended for nonpayment.

Medicaid and Other Health Insurance

Although health care in general enjoys more political support in Texas than does cash assistance, few health programs exist outside those required to receive federal matching funds. The Texas Medicaid program includes a "medically needy" provision, but extremely low income and asset limits restrict eligibility. Children are not covered beyond federal requirements (133 percent of the poverty level), but Texas Medicaid does cover pregnant women and infants up to 185 percent of the poverty level in an effort to reduce infant mortality. Texas expects to have extended mandatory managed care to virtually all its Medicaid recipients by the year 2000. Texas has a large uninsured population, with 24 percent of the nonelderly population lacking health insurance in 1994-95,

compared with less than 16 percent for the nation.

Youth Services/Teen Pregnancy Prevention

There is little formal coordination or statewide policy direction in Texas for youth services, and there is no single government-appointed coordinator or state vision regarding teen pregnancy prevention efforts. However, the recent federal welfare reform law providing financial incen-

The state's historically low spending on employment and training, combined with the low education levels of many TANF recipients, makes many officials concerned that the state will have trouble meeting the TANF participation requirements and the federal five-year term limits.

tives for states that reduce births to unwed teens, combined with the increasing numbers of young single mothers receiving welfare in Texas, have caused the state to expand its coordination of teen pregnancy prevention efforts.

Last-Resort Safety Net Programs

Although one of the goals of devolution is to promote the well-being of children and families, it is important to consider what might happen to families for whom the new rules and programs do not work as designed. Child welfare, housing, and emergency services have existed for a long time to "pick up the pieces" when families cannot cope.

Child Welfare

In Texas, child welfare is largely a state-run program administered by the Children's Protective Services (CPS) division of the Texas Department of Protective and Regulatory

Services (TDPRS). The major sources of child welfare funding are federal funds and state matches for AFDC/TANF and other joint federal-state programs with matching formulas. Although intake is being increasingly centralized, primary decisionmaking on case management and services to individual families continues at the local level.

Emergency Services and Housing

No public body sets overall policy for homeless services at the state, county, or city level. Emergency and housing services are locally based and capacity varies by community, with the state allocating limited funds (federal funds from the Department of Housing and Urban Development, state general revenues, and oil overcharge funds) to city and county governments. Nonprofit organizations play a large role in actual service delivery and must match any public funds they receive out of their own coffers.

Implications of the New Welfare Reform Legislation

Many Texas state officials interviewed for this study view federal welfare reform as devolution in name more than deed. The state's TANF plan basically proposes to continue the waivers already in place prior to the federal legislation (table 3). However, the elimination of the federal welfare entitlement is a serious concern in Texas, which has limited state-funded support systems. The block granting of funds to the state is consistent with what Texas was planning for its Local Workforce Development Boards, although the restrictions on block grant spending and the fact that employment and training funds have not been block granted results in less flexibility than the state would like. The new federal child support provisions and the benefit restrictions for legal immigrants are regarded as overly intrusive in state operations and decisionmaking. Federal child

support enforcement statutes will also require the state to make extensive changes. Automation is a particularly pressing challenge, and the state may be forced to provide funds for child support administration rather than the self-funding used to date. With respect to the TANF windfall, the state used part of it to expand welfare-to-work initiatives and child welfare services, but about 39 percent of the surplus (or \$152 million) was used to free up funds to be spent in other areas of the budget.

Texas will also face more general challenges. The state's historically low spending on employment and training, combined with the low education levels of many TANF recipients, makes many officials concerned that the state will have trouble meeting the TANF participation requirements and the federal five-year term limits. The slower-than-planned development of the Workforce Development System has also contributed to this concern. This potential problem is exacerbated by cooperation and coordination difficulties between the Texas Department of Human Services and the Texas Workforce Commission. Texas had planned, in a much publicized move, to privatize the development and operation of an integrated enrollment system, and the bidding process generated competition between the two agencies. The final decision not to allow private employees to make eligibility decisions for food stamps or Medicaid resulted in a more limited reengineering initiative that, when operational, may help solve the problem.

In addition, however, the federal cuts in the Food Stamp program combine with the lack of General Assistance in most of the state to cause great concern about the future adequacy of the social safety net in Texas. Texas was especially hard hit by provisions in the welfare reform law affecting legal immigrants. Under an option in the federal welfare law, Texas chose to continue providing TANF, Medicaid, and Title XX benefits for qualified aliens already residing in the United States as of August 22, 1996. Immigrants who enter after August 22, 1996, however, are barred

permanently from receiving TANF in Texas. The federal restrictions will also lead an estimated 112,000 legal immigrants in Texas to lose food stamp benefits. In October 1997, the governor announced an \$18 million state-funded program to restore food assistance for 28,000 elderly and disabled legal immigrants, with a probable implementation date of early 1998. The state has no program to help the remaining 84,000 who will lose the food stamp benefit.

The nonprofit agencies that are so important in safety net service delivery in Texas are particularly concerned about the impacts of welfare reform on emergency service needs. These agencies are not kept regularly informed by the state about welfare reform changes, they are seeing more financial rigidity rather than more flexibility with the federal funding changes, and they are expecting increases in the need for emergency services, particularly among immigrants (including legal immigrants), as TANF and related reforms proceed.

Finally, the Texas workforce development system will test some of the principles of devolution. Will local workforce development boards evolve differently across the state, reflecting the needs of local employers and workers? Will such locally tailored systems be more successful in working with employers and in moving families to self-sufficiency? Certain communities in Texas, particularly El Paso, provide a microcosm of the greatest challenges to making welfare reform work. With high unemployment, low education levels, many workers with limited English, and many noncitizen immigrants who will lose benefits, the safety net is already stretched very thin.

It will be important to watch for innovative approaches to providing job opportunities and income support to families in the El Paso area. It will be equally important to see how systems (federal, state, and local) respond when families face time limits, and when the needed training and employment opportunities are not available or are not successful in achieving family self-sufficiency.

About the Authors

Nancy Pindus is a senior research associate at the Urban Institute and case study coordinator for income support and social services for the *Assessing the New Federalism* project. Her work at the Urban Institute focuses on services integration, employment and training programs, public health programs, and organizational and industry analysis.

Randy Capps is a research associate at the Urban Institute and is currently completing his coursework for a doctorate in sociology at the University of Texas at Austin. His special interests are immigration, demography, and employment and training.

Jerome Gallagher is a research assistant at the Urban Institute. His work focuses on welfare reform and income support programs.

Linda Giannarelli is a senior research associate at the Urban Institute. Her special interests include microsimulation, income and benefits, and the distributional effects of taxes and transfers.

Milda Saunders, formerly a research assistant at the Urban Institute, is an analyst at Abt Associates, Inc., in Cambridge, Massachusetts.

Robin Smith is a research associate at the Urban Institute, specializing in community development and capacity building, housing, and public administration.

Funders

Assessing the New Federalism is funded by the Annie E. Casey Foundation, the Henry J. Kaiser Family Foundation, the W.K. Kellogg Foundation, the John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, the Commonwealth Fund, the Stuart Foundation, the Robert Wood Johnson Foundation, the Rockefeller Foundation, the Weingart Foundation, the McKnight Foundation, and the Fund for New Jersey. Additional support is provided by the Joyce Foundation and the Lynde and Harry Bradley Foundation through grants to the University of Wisconsin at Madison.

This series is a product of *Assessing the New Federalism*, a multi-year project to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director and Anna Kondratas is deputy director. The project analyzes changes in income support, social services, and health programs and their effects. In collaboration with Child Trends, Inc., the project studies child and family well-being.

There are two *Highlights* for each state. The *Highlights* that focus on health cover Medicaid, other public insurance programs, the health care marketplace, and the role of public providers. The income support and social services *Highlights* look at basic income support programs, employment and training programs, child care, child support enforcement, and the last-resort safety net. The *Highlights* capture policies in place and planned in 1996 and early 1997. To receive the full-length reports on which the *Highlights* are based, contact the Urban Institute.

Publisher: The Urban Institute, 2100 M Street, N.W., Washington, D.C. 20037

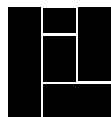
Copyright © 1998

Permission is granted for reproduction of this document, with attribution to the Urban Institute.

For extra copies call 202-261-5687, or visit the Urban Institute's web site (<http://www.urban.org>) and click on "Assessing the New Federalism."

The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

Telephone: (202) 833-7200 ■ Fax: (202) 429-0687 ■ E-Mail: paffairs@ui.urban.org ■ Web Site: <http://www.urban.org>



THE URBAN INSTITUTE

2100 M Street, N.W.
Washington, D.C. 20037

Nonprofit Org.
U.S. Postage
PAID
Permit No. 8098
Washington, D.C.

Address Correction Requested