REPORT

OF THE

JOINT INTERIM STUDY

COMMITTEE ON BLOCK

GRANTS

January 1997

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I. Committee Recommendations

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

RECOMMENDATIONS TO THE ARIZONA STATE LEGISLATURE

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, better known as welfare reform, combines federal funding for the Aid to Families with Dependent Children (AFDC), Job Opportunities and Basic Skills (JOBS) and Emergency Assistance programs into block grants for each of the states. The Act gives states tremendous flexibility in designing their own welfare programs while imposing a few requirements.

Pursuant to the request made by the President of the Arizona Senate and the Speaker of the Arizona House of Representatives to review the federal welfare reform block grants and study possible methods for administering block grant programs, the Joint Interim Study Committee on Block Grants submits the following recommendations:

1. The eligibility criteria for cash assistance should not be changed; however, the welfare program should shift from one which offers benefits based on eligibility to one that offers benefits based on work.

2. An individual responsibility plan should be prepared for each adult applying for cash assistance. The expectations of both the applicant and the state should be clearly outlined in the plan. A penalty for non-compliance with the individual responsibility plan should be imposed. The penalty should be a 25% cash benefit sanction for the first instance of non-compliance, a 50% sanction for the second, and a 100% sanction for the third instance of non-compliance.

3. Families moving to Arizona should be treated under the same eligibility criteria and benefit levels as Arizona families.

4. A state criminal background check should be performed on each adult applying for cash assistance in order to deny cash assistance to persons convicted of felonies involving the possession, use or distribution of controlled substances.

5. The state should eliminate all federal waivers in effect under the EMPOWER Program except the transitional medical assistance waiver. This waiver should continue until it expires.

6. Arizona should set ambitious goals for reducing out-of-wedlock births and encourage the use of the request for proposal (RFP) process to reach the goals.

7. Community service should be an option in the mix of possible work requirements for people who apply for cash assistance.

8. The state should set up a work program to get people into a job as the way to move from welfare to work.

9. The state should set aside a percentage of the Temporary Assistance for Needy Families (TANF) Block Grant monies in a rainy day fund for use in times of economic downturn.

10. No specific exemptions from the five-year lifetime cap on benefits should be outlined at this time. An evaluation shall be conducted prior to the fifth year of passage of the federal legislation to determine who, if anyone, should be exempt from the lifetime cap.

11. A statutory exemption from work for domestic violence victims should not be instituted. Work requirements for victims of domestic violence should be determined on a case by case basis. Eligibility offices should screen for domestic violence and refer individuals to appropriate services.

12. A portion of the state maintenance of effort dollars should be designated for the Emergency Assistance Program so that program administrators and recipients do not have to comply with the TANF requirements.

13. A portion of the TANF monies should be transferred to the Child Care and Development Block Grant for child care services.

14. A new sanction structure should be implemented imposing a 25% cash benefit sanction for the first instance of program non-compliance, a 50% sanction for the second and a 100% sanction for the third instance of program non-compliance.

COMMITTEE MEMBERS

Gary Richardson, Co-chair

Carolyn S. Allen, Co-chair

Thomas C. Patterson

Mark Anderson

Sandra D. Kennedy

Marion L. Pickens

II. Options Available to the State

WELFARE REFORM BLOCK GRANTS

OPTIONS AVAILABLE TO THE STATES UNDER P.L. 104-193

THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996

Prepared by Senate Legislative Staff

ELIGIBILITY

Federal Provision	Considerations	Issues Presented
P.L. 104-193 eliminates the open-ended federal entitlement program Aid to Families with Dependent Children (AFDC). States are able to establish eligibility standards and requirements for cash assistance or other services the state chooses to offer.	Current law requires that eligibility be established according to several indicators including a 185% Income Maximum Standard, a Need Eligibility Determination, and a Payment Standard. Also, any changes must coordinate eligibility for Food Stamps and Medicaid. Under TANF, a state must provide Medicaid to a family that would have been eligible for cash assistance on July 16, 1996.	Does the state want to change the eligibility criteria?

Federal Provision	Considerations	Issues Presented
Eligibility continued... States must make an initial assessment of the skills, prior work experience and employability of recipients. States may develop, in consultation with the recipient, an individual responsibility plan which sets forth employment goals and obligations of the recipient. States may reduce the TANF benefit by an amount determined appropriate by the state to a family with an individual who fails without good cause to comply with the individual responsibility plan.		Does the states want to require that an individual responsibility plan be developed for recipients? Does the state want to impose a penalty for non-compliance with the individual responsibility plan? If so, what should that penalty be?

Federal Provision	Considerations	Issues Presented
Eligibility continued... States are allowed to treat families who have moved from another state under the cash assistance rules operating in that state (including benefit levels) for 12 months.	Administrative time and expense. Arizona benefit levels compared to other states.	Does the state want to treat families who have moved to Arizona from another state under the cash assistance rules operating in the state from which they moved?

Federal Provision	Considerations	Issues Presented
States must deny cash assistance to persons convicted of felonies involving the possession, use or distribution of controlled substances.	States may opt out of this provision. Administrative issues with regard to checking the state criminal history data bank. National criminal background checks may take weeks. Costs involved with background checks.	Does the state want to opt out of this provision? Does the state want to require self-reporting? Does the state want require a state criminal data base search? Does the state want to require a national criminal data base search?

EMPOWER PROGRAM

Federal Provision	Considerations	Issues Presented
P.L. 104-193 combines federal funding for the AFDC, Emergency Assistance and JOBS Programs into one block grant. States can create their own welfare programs with few restrictions.	Arizona's EMPOWER Program contains several welfare reform provisions passed by the Legislature during the 1994-95 legislative sessions.	Does the state want to make any changes to the EMPOWER Program provisions?

OUT-OF-WEDLOCK BIRTHS

Federal Provision	Considerations	Issues Presented
States must establish numerical goals for reducing out-of-wedlock pregnancies for calendar years 1996-2005. States must take action to reduce the incidence of out-of-wedlock pregnancies with special emphasis on teenage pregnancies. States must conduct a program to reach state and local law enforcement officials, counselors and the educational system that provides information on the problem of statutory rape "...so that teenage pregnancy prevention programs may be expanded in scope to include men". Additionally, $100 million dollars is allocated each year, beginning in FFY 1998, to be divided among the five states who are most successful in reducing the number of out-of-wedlock births without increasing the abortion rate.	Arizona's State Plan submitted to DHHS on October 1, 1996 establishes the state's numerical goals for reducing out-of-wedlock births. The Teenage Pregnancy Prevention Task Force reviewed a number of programs and proposals to address these issues. Beginning in FFY 1998, an estimated additional $750,000 is included in the Child and Maternal Health Block Grant, administered by the Department of Health Services, for an "abstinence education" program as defined in P.L. 104-193.	Does the state want to make any changes to the numerical goals? How does the state want to achieve these goals?

WORK REQUIREMENTS

Federal Provision	Considerations	Issues Presented
States may require a parent or caretaker who has received assistance for two months, who is not exempt from work requirements, is deemed ready to work, and is not engaged in work to participate in a community service program.	States may opt out of this provision.	Does the state want to require recipients who are ready to work to participate in community service after two months of receiving assistance if they have not found employment?

Federal Provision	Considerations	Issues Presented
Work requirements continued... P.L. 104-193 requires a state to have a percentage of its assistance caseload in specified work activities. For FFY 1997, 25% of all families that include an adult or minor child head-of-household must be participating in the specified work activities. 75% of the two parent family caseload must be participating in the specified work activities.	It is estimated that the state will receive a 12 point credit towards these work participation rates in FFY 1997 for reducing the caseload from 1995 levels. The work participation rates for adult and minor child head-of-household families increases each year with a 50% maximum caseload requirement to be achieved in FFY 2002 and beyond. Beginning in FFY 1999, 90% of the two parent family caseload must be participating in work activities.	How does the state want to meet or exceed the work participation rates?

Federal Provision	Considerations	Issues Presented
Work requirements continued... Adults in families receiving assistance under TANF are required to participate in work activities (as defined by the state) after receiving assistance for 24 months.		How does the state want to meet these work requirements?

RAINY DAY FUND

Federal Provision	Considerations	Issues Presented
States are given the option to carry over TANF Block Grant funds for the purpose of providing assistance in future years.		Does the state want to set aside a portion of the annual TANF Block Grant funds in a Rainy Day Fund for times of economic downturn?

EXEMPTIONS

Federal Provision	Considerations	Issues Presented
States may exempt up to 20% of its caseload from the 5 year lifetime benefit limit due to "hardship".	P.L. 104-193 allows child only cases to be exempt from the time limits. The EMPOWER Program allows certain people to be exempt from the 24-month adult portion time limit including those who are over 62, disabled or incapacitated. The EMPOWER Program allows an unlimited number of recipients to be granted extensions to the 24-month adult portion cap for either an education and training extension (limited to two four-month extensions per recipient) or a good faith effort extension (no limit on the number of extensions per recipient).	Does the state want to exempt a percentage of the caseload from the 5 year lifetime limit on benefits? If so, what percent of the caseload should be exempt from the 5 year lifetime limit? Does the state want to specify who would qualify for an exemption or does the state want to leave this discretion to the program administrators?

Federal Provision	Considerations	Issue Presented
Exemptions continued... States may establish procedures to screen and identify victims of domestic violence, refer these individuals to counseling and appropriate services and waive program requirements such as work requirements, child support cooperation requirements and family cap provisions.	How should the eligibility interviewer verify that domestic violence is indicated?	Does the state want to establish special screening procedures? Does the state want to provide a referral service? Does the state want to waive any program requirements for victims of domestic violence?

EMERGENCY ASSISTANCE

Federal Provision	Considerations	Issues Presented
Recipients receiving services under the TANF Block Grant must cooperate with child support enforcement services, must be calculated in the denominator when calculating work participation rates (with some exceptions) and must be tracked for life to ensure that services are not provided for more than five years.	Services offered under the Emergency Assistance Program (which is now part of the TANF Block Grant) are provided by local community agencies. These agencies have several administrative concerns with regard to their ability to track EA recipients for life. Additionally, the thousands of people who receive EA services each year will be counted when calculating the work participation rates thereby negatively impacting the rate unless other efforts are made to ensure that they are in "work activities". MOE monies do not have to meet the TANF requirements so the state could designate a portion of the MOE monies for the EA Program eliminating the TANF requirements from EA services.	Does the state want the new TANF requirements to apply to EA services? Does the state want to place any new requirements on EA services or recipients? Does the state want to designate a portion of the MOE monies for the EA Program?

TRANSFER OF TANF FUNDS

Federal Provision	Considerations	Issues Presented
States may transfer up to 30% of the funds from the TANF Block Grant into the Child Care and Development Block Grant or for every two dollars that is transferred into the Child Care and Development Block Grant, one dollar may be transferred into the Social Service Block Grant, up to the 30% total maximum transfer amount.	Estimates on the number of child care dollars needed will be contingent upon the work program adopted by the Legislature and may not be known at this time.	Does the state want to transfer any TANF Block Grant monies to the Child Care and Development Block Grant or the Social Services Block Grant?

SANCTIONS

Federal Provision	Considerations	Issues Presented
States are given broad flexibility to assess penalties for failure to perform required actions. These options are:		
Non-compliance with work requirements States must reduce the amount of the TANF assistance pro-rata if an individual fails to comply with a work requirement but the amount is set by the state. States may terminate TANF assistance for the whole family. States may eliminate the Medicaid benefit for the individual whose cash is terminated for failure to work.	Current sanctions for non-compliance with the JOBS Program include: 1st time - the adult portion of the benefit is sanctioned for one month 2nd time - the adult portion of the benefit will be sanctioned for a minimum of three months All subsequent sanctions - the adult portion of the benefit will be sanctioned for a minimum of six months.	Does the state want to make any changes to the current structure of penalties for non-compliance with work requirements?
Minor teen parent failure to attend school Unmarried, minor teen parents must attend high school or equivalent program. States must impose a penalty but the amount is up to the state.	Arizona imposes a sanction for non-compliance through the JOBS Program.	Does the state want to increase the penalty for teen parents who fail to attend high school or it equivalent?

Federal Provision	Considerations	Issues Presented
Sanctions continued...		
Failure to live in adult-supervised setting Teenage parents must live at home or in an adult supervised setting. The entire TANF benefit must be sanctioned.	The EMPOWER Program eliminates the cash benefit for teen parent families not living in an adult supervised setting.	This is a requirement of the federal legislation, not an option.
Child Support Enforcement A state must reduce a family's grant by 25% if the parent fails to cooperate in establishing paternity or in establishing, modifying or enforcing a support order. States have the option to increase the amount of the penalty.		Does the state want to increase the minimum penalty beyond what is required in the federal legislation?
Minor Dependent Children States may sanction families where an adult fails to ensure that the minor dependent children of the adult attend school as required.		Does the state want to sanction families where the adult fails to ensure the minor child's attendance at school?

Federal Provision	Considerations	Issues Presented
States may determine the number of days (between 30 and 180) a minor child may be absent from the home before assistance is denied.	Tribal members may be concerned with the number chosen as many children are sent away to boarding school.	How long should a child be absent from the home before assistance is denied?

IMMIGRATION ISSUES

Federal Provision	Considerations	Issues Presented
States have the option to provide, deny, deem or otherwise limit benefits under TANF, the Social Services Block Grant and non-emergency Medicaid to legal non-citizens in the United States prior to August 22, 1996. (There are exceptions)		Does the state want to provide, deny, deem or otherwise limit services provided under TANF, SSBG, or non-emergency Medicaid to legal non-citizens in the United States prior to August 22, 1996?
Legal non-citizens arriving in the United States after August 22, 1996 are ineligible for all federal means tested programs for five years. (There are exceptions) After the five year bar, states may continue to bar services until citizenship is obtained.	A state may use state funds to provide services to these individual. Dollars used for services would count towards the TANF MOE requirements.	Does the state want to use state funds for cash assistance or other services for immigrants barred from receiving federal assistance? After the five year bar, does the state want to continue to bar services until citizenship is obtained?

Federal Provision	Considerations	Issue Presented
Immigration continued...		
States have the option to deny state-only funded public benefits to legal non-citizens. (There are exceptions)		Does the state want to require that citizenship be an eligibility requirement for state funded programs?
Legal non-citizens who will be losing SSI benefits under P.L. 104-193 will also lose their categorical eligibility for Medicaid. (There are exceptions)	If a state wanted to extend non-emergency Medicaid coverage to these individuals, a new eligibility category would have to be created.	Does the state want to continue to provide non-emergency Medicaid services to these individuals through the creation of a separate eligibility category?

CHILD SUPPORT ENFORCEMENT

Federal Provision	Considerations	Issues Presented
The federal law requiring a pass-through of the first $50 of any child support payment to go to the family receiving assistance is repealed.	States may continue the pass-through but the federal government will no longer share in the cost.	Does the state want to continue the $50 child support pass-through?

III. Minority Reports

MINORITY REPORT
JOINT INTERIM COMMITTEE ON BLOCK GRANTS REPORT

The Joint Interim Committee on Block Grants report contains recommendation to the Legislature on how to address block grant funding for welfare reform, many of which I support. However, many recommendations have not been included in the report, which I believe are essential in moving people from public assistance to self-sufficiency. Without those provisions, I cannot endorse the committee recommendations.

I believe Arizona must include the following provision in developing a comprehensive welfare reform program:

A careful assessment, by properly trained workers, of a recipient's skill. Sufficient time must be allowed to assess prior work experience and employability to assure accuracy of information.

Any program design for full employment should include opportunities for work experience, continuing education, job training and transportation assistance.

Transitional support should continue until a recipient becomes financially self-sufficient.

The Personal Responsibility Plan should be considered a contract between the recipient and the state agency (DES), with both sharing the responsibility of complying with the provisions of the plan.

The language in the Personal Responsibility contract must clearly state the expectation for participants and define noncompliance and resulting sanctions.

The amount of the cash benefit agreed upon in the onset of the Personal Responsibility Plan should not be reduced due the unexpected increase in the state's caseloads.

Allows a minimum of 20 hours a week to fulfill the work requirement if the participant is continuing their education and/or job training that will lead to a higher salary position.

That a recipient is granted a hearing after a proper investigation has been conducted before a sanction for an alleged noncompliance is imposed.

A criminal background check should not be required of each person requesting assistance.

TANF (block grant) monies should not be deposited into a "Rainy Day Fund" until the state has determined that sufficient funding is available to implement any welfare reform program. Fund monies should be dedicated solely to the achievement of the of TANF.

The state should consider allowing the following to be exempted from the 5-year lifetime limit: recipients who are 62 years old or older; the disabled or incapacitated; and those who have made a good faith effort and still unable to find work.

Victims of domestic violence must be given time to establish stability and security in their lives through counseling and appropriate support services, before a work requirement is imposed.

Child care reimbursement must be at the current market rate.

Child care must be available for parents up to 100% of the federal poverty level, and on a sliding scale for parent whose income falls between 100% and 200% of the federal poverty level.

Parents participating in the program must be given assurance of quality child care, which includes providing child care for special needs and sick children. The child care should be made available during and after traditional work hours. The program should also include provisions that provide child care for single parents for work, job training or educational classes.

The state should continue to provide services to legal non-citizens who resided in the U.S. prior to August 22, 1996.

Arizona should continue the $50 child support pass-through for those currently receiving the pass-through.

The Legislature should receive annual reports on the implementation of the welfare reform program. Included in the report is the number of recipients who achieved economic self sufficiency and no longer require public assistance and those who have left the public assistance system without obtaining self-sufficiency.

The recommendations I have included in this Minority Report are the results of many hours of public testimony before the Joint Interim Committee on Block Grants and community forums held throughout the state. Through this process, I have come to the conclusion that these provisions are vital in developing an innovative welfare to work program. With the flexibility given to the states in the federal legislation, Arizona should take this opportunity to ensure that everyone is treated fairly and provided the support services to move to self sufficiency.

I would like to thank my colleagues for the many hours spent in working through this issue, but without the provisions I have highlighted, I regret I cannot endorse the interim committee report at this time.

Marion L. Pickens

REP. MARION PICKENS

MINORITY REPORT TO THE REPORT OF THE JOINT INTERIM COMMITTEE ON BLOCK GRANTS

While many of the recommendations contained in the full committee rport are appropriate, the committee missed the a number of opportunities to make the Arizona Temporary Assistance To Needy Families (TANF) much better, both in terms of fostering self-sufficiency and providing a safety net for nnedy children and families.

I join in the recommended additional provisions set out in Representative Pickens report and will not repeat those here. In addition I would urge any legislation in this area to include:

- a provision in the law providing that Arizona may not set more restrictive income eligibility standards than those that existed under the Aid for Dependent Children program
- an increase in the benefit level by making it based upon a percentage of the most recent Federal Poverty Level
- a stipulation in the law that, prior to cutting off or reducing TANF grants due to a budget shortfall, any "rainy day" contingency fund of excess TANF grant monies must be exhausted
- continuing the Jobstart Program as a pilot only, until further evaluaation is done as to the effectivenes and success of the project
- reasonble sanctions for noncompliance that apply only to the adult portion of the TANF grant, not to the child portion.

The committee recommendations should also have included some general direction to the Legislature and the Department of Economic Securtiy to include adequate funding and flexibility geared, not to cutting families off from help and saving money, but instead to helping people find and keep work, to breaking down the barriers to work and to making certain that children in this state are not scarred by poverty to the extent possible.

Sandra D. Kennedy

SENATOR SANDRA D. KENNEDY

IV. Meeting Notices

ARIZONA STATE LEGISLATURE

Joint Interim Meeting Notice

Open to the Public

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

DATE: Wednesday, September 4, 1996

TIME: 4:00 p.m.

PLACE: House Hearing Room 1

AGENDA

1. Introduction of Members

2. Opening Remarks and Statement of the Committee's Mandate

3. Briefing on Current Block Grants Administration in Arizona
   - -- Ted Ferris, Joint Legislative Budget Committee
   - -- Ken Behringer, Legislative Council

4. Preliminary Briefing of the New Federal Block Grants Law
   - -- Department of Economic Security
   - -- Joint Legislative Budget Committee

5. Committee Discussion

6. No Public Testimony

NEXT MEETING

Members:

Representatives:
Carolyn Allen, Co-Chair
Mark Anderson
Robert McLendon

Senators:
Gary Richardson, Co-Chair
Tom Patterson
Sandra Kennedy

8/26/96
jb

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ARIZONA STATE LEGISLATURE

Interim Meeting Notice
Open to the Public

Joint Interim Committee on Block Grants

DATE: Monday, October 7, 1996

TIME: 8:30 a.m.

PLACE: Senate Hearing Room 1

AGENDA

1. Opening Remarks

2. Discussion: Major Legislative Decisions for Implementing PL 193 - Welfare Reform Block Grants

3. Funding Issues: Presentation by the Joint Legislative Budget Committee staff

   - Overview of the current funding for Aid to Families with Dependent Children (AFDC), Emergency Assistance, Job Opportunities and Basic Skills Training (JOBS), and Child Care.
   - Review of Welfare Reform Block Grant Funding

4. Child Support Enforcement: Presentation by Nancy Mendoza, Director, Division of Child Support Enforcement, Department of Economic Security

   - Overview of the provisions of PL 193 relating to child support enforcement
   - Mandates and options available to the states

5. Public Testimony

Members:

Senator Richardson, Co-chair
Senator Patterson
Senator Kennedy

Representative Allen, Co-chair
Representative Anderson
Representative McLendon

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ARIZONA STATE LEGISLATURE

MEETING NOTICE

Open to the Public

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

DATE: Tuesday, October 22, 1996
TIME: 8:30 a.m.
PLACE: House Hearing Room 4

AGENDA

1. Opening Remarks

2. Overhead Presentation by Legislative Staff:
   "Major Provisions of P.L. 104-193 that require State Policy Decisions"

3. Presentation by the Department of Economic Security:

   - Overview of the Job Opportunities and Basic Skills (JOBS) Program
   - Profile of the AFDC and JOBS caseload
   - Update on the Arizona JOBSTART Pilot Program

4. Public Testimony

Members

Senator Richardson, Co-chair
Senator Patterson
Senator Kennedy

Representative Allen, Co-chair
Representative Anderson
Representative McLendon

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10/10/96
ML/aps

ARIZONA STATE LEGISLATURE

MEETING NOTICE

OPEN TO THE PUBLIC

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

DATE: Thursday, October 31, 1996
TIME: 8:30 a.m.
PLACE: Senate Hearing Room 1

AGENDA

1. Follow-up Issues: Information provided on several questions raised during the last committee meeting

2. Presentations by the Department of Economic Security:
   - Child Care and Development Block Grant
   - Diversion Option
   - Emergency Assistance Program
   - Social Services Block Grant

3 Public Testimony

Members

Senator Richardson, Co-chair
Senator Patterson
Senator Kennedy

Representative Allen, Co-chair
Representative Anderson
Representative McLendon

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10/25/96
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ARIZONA STATE LEGISLATURE

Joint Interim Meeting Notice

Open to the Public

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

DATE: Friday, November 15, 1996

TIME: 8:30 a.m.

PLACE: House Hearing Room 2

AGENDA

1. Emergency Assistance Program
   Discussion of the impact of P.L. 104-193

2. Immigration Provisions of P.L. 104-193
   Impact on services funded under the TANF block grant and options available to the State
   - Presentation by the Department of Economic Security

   Impact on the Medicaid Program and options available to the State
   - Presentation by AHCCCS

3. Welfare reform programs from other states
   - Presentation by legislative staff

4. Public Testimony

Members:

Representatives:
Carolyn Allen, Co-Chair
Mark Anderson
Robert McLendon

Senators:
Gary Richardson, Co-Chair
Tom Patterson
Sandra Kennedy

11/8/96
jb

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ARIZONA STATE LEGISLATURE

MEETING NOTICE

OPEN TO THE PUBLIC

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

DATE: Tuesday, December 3, 1996
TIME: 8:30 a.m.
PLACE: Senate Hearing Room 1

AGENDA

1. EMPOWER Redesign: Proposal for welfare reform changes under P.L. 104-193
   - Presentation by Dr. Linda Blessing, Director, Department of Economic Security

2. Discussion of options available to the states under P.L. 104-193

3. Public Testimony

Members

Senator Richardson, Co-chair
Senator Patterson
Senator Kennedy

Representative Allen, Co-chair
Representative Anderson
Representative Pickens

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11/25/96
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ARIZONA STATE LEGISLATURE

MEETING NOTICE

Open to the Public

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

DATE: Monday, December 9. 1996
TIME: 1:30 p.m.
PLACE: House Hearing Rooms 3 and 4

AGENDA

1. Presentation by the Department of Health Services:
   Teen Pregnancy Program "Sex Can Wait"
   - Marianna Bridge, Office Chief, Women's and Children's Health

2. Discussion of Welfare Reform Block Grant policy options

3. Public Testimony

Members

Senator Richardson, Co-chair
Senator Patterson
Senator Kennedy

Representative Allen, Co-chair
Representative Anderson
Representative Pickens

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12/4/96
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ARIZONA STATE LEGISLATURE

MEETING NOTICE

Open to the Public

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

DATE: Friday, December 20, 1996
TIME: 1:00 p.m.
PLACE: Senate Hearing Room 1

AGENDA

1. Committee discussion of the policy options available to the states under P.L. 104-193 and preliminary recommendations.

2. Public Testimony.

3. Committee vote on policy option recommendations.

Members

Senator Richardson, Co-chair
Senator Patterson
Senator Kennedy

Representative Allen, Co-chair
Representative Anderson
Representative Pickens

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12/13/96
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V. Meeting Minutes

Minutes of

THE JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

Wednesday, September 4, 1996
4:00 p.m. – House Hearing Room 1

Co-chair Carolyn Allen called the meeting to order at 4:05 p.m. and attendance was taken. See attached sheet for other attendees.

Members Present
Representative Mark Anderson
Representative Robert McLendon
Representative Carolyn Allen, Co-chair
Senator Gary Richardson, Co-chair

Staff
Pat Chumbley, House
Mimi Leonard, Senate

Members Excused
Senator Tom Patterson

Members Absent
Senator Sandra Kennedy

Representative Allen informed the Committee since President Clinton had signed the "Welfare Reform" bill, it would be up to the individual states to establish the methods for distribution of funds. She added today's meeting would inform the Committee where the program is currently, where it is going and how Arizona will get there. She further stated the original bill was 615 pages and that she had asked many interested parties to participate in today's meeting which would be mainly informal in nature and would have no public testimony.

Senator Richardson noted this bill would cause the biggest change to welfare reform ever in Arizona and that he was glad to see so many people at today's meeting who were interested in the outcome. He cautioned the Committee to take its charge seriously as it was imperative that the program be "done right" the first time.

Ted Ferris, Staff Director, Joint Legislative Budget Committee (JLBC), introduced **Lisa Cotter, JLBC,** who would be making the presentation on current block grants in Arizona.

Lisa Cotter, JLBC, distributed a summary prepared by JLBC entitled "Current Federal Block Grant Programs" (filed with original minutes). She noted the total grant amount of existing block grants for Federal Fiscal Year (FFY) 1996 was $138.7 million and the estimate of new block grants and existing block grants for FFY 1997 was $412.1 million. Ms. Cotter listed the existing current Federal block grant programs as follows: the Social Services Block Grant, administered by the Department of Economic Security; the Low Income Home Energy Assistance Program administered by the Department of Economic

Security; the Substance Abuse Block Grant administered by the Department of Health Services; the Mental Health Block Grant administered by the Department of Health Services; the Maternal and Child Health Block Grant administered by the Department of Health Services; the Preventive Health Block Grant administered by the Department of Health Services; the Title VI Educational Improvement Block Grant administered by the Department of Education; the Community Development Block Grant administered by the Department of Commerce; and the Surface Transportation Program administered by the Department of Transportation. She reviewed the information found on the handout which specified the intent, amount and use of each grant.

Representative McLendon referred to the 10% allocated for administrative costs in most of the grant programs and asked if that amount included costs associated with assembling a computer system. Ms. Cotter explained that she did not have specifics for each of the grants but that she would investigate the question further for the Committee.

Representative McLendon referenced the "Surface Transportation Program" and asked what the majority of funds were used for. Ms. Cotter explained the use of the funds was at the discretion of the Department of Transportation but that it was her understanding most of the funds were used for highway projects.

Senator Richardson inquired whether programs funded by the block grants Ms. Cotter referred to were integrated in order to deliver services in a more streamlined manner. Ms. Cotter said it was the goal of those involved with the Community Services Block Grant to integrate services wherever possible. Senator Richardson stressed the need to study further the possible duplication of services and ways to enhance the delivery of needed programs. Representative Allen agreed with Senator Richardson's statement.

Pat Chumbley, House Research Analyst, informed the Committee that its mandate is to establish a review of existing block grants, study methods for the administration of block grants and to report its recommendations to the President of the Senate and the Speaker of the House.

Ken Behringer, General Counsel, Legislative Council, referred to the handout entitled "Federal Welfare Reform Legislation, The Personal Responsibility and Work Opportunity Act of 1996 (H.R. 3734) in Relation to the Welfare System of the State of Arizona, Including the State's Waiver Provisions, EMPOWER (Employing and Moving People Off Welfare and Encouraging Responsibility) September 4, 1996 Prepared by Martha Cronin, Legislative Council; Ricki Kaplan, Legislative Council; and Stefan Shepherd, JLBC" (filed with original minutes). Mr. Behringer informed the Committee there are nine provisions that comprise the EMPOWER welfare reform legislation that was passed by the Arizona State Legislature in 1994. Implementation of the series of laws known as EMPOWER was conditioned on receiving waivers from certain portions of the Federal Social Security Act

from the U.S. Department of Health and Human Services. He noted those waivers were granted in May of 1995 and the EMPOWER legislation was subsequently implemented on November 1, 1995. The waiver duration is seven years.

Martha Cronin, Research Analyst, Legislative Council, further explained that under H.R. 3734, states have the option of continuing to operate their welfare systems under their existing waivers or to terminate their waivers without being subject to any accrued cost liabilities. Ms. Cronin referred to the handout Mr. Behringer introduced into record, and explained the State's plan and the Federal plan and compared on a side-by-side basis.

Representative McLendon asked if it is the responsibility of the Legislative or the Executive branch to carry out changes. Ms. Cronin said it was her understanding the Legislature has the authority to appropriate the block grants but that she was not entirely sure and referred the matter to **Mr. Behringer.**

Mr. Behringer said he believed the Federal law and State law were consistent on their interpretations of who was to deal with the issue of block grants. Representative McClendon said it was his interpretation that block grants were to be administered through the Executive Branch, and that he wondered if the Statutes would need to be changed to reflect that interpretation. Mr. Behringer said he believed the Legislature already possessed the authority to appropriate the block grant dollars. Representative McLendon queried whether decisions could be made without both branches being involved..

Peter Burns, Governor's Office, responded the issue Representative McLendon referred to regarding the allocation and control of block grants was currently being researched and that legislative authority and involvement would be sought and anticipated.

Representative Anderson referred to the "Brown Amendment" to H.R. 3734, and asked what block grants it would apply to. **Mr. Behringer** returned and explained the amendment applies to the Child Care Block Grants and Temporary Assistance for Needy Families (TANF).

Representative McLendon asked if the Legislature would have to tailor its approach to block grants to the Federal model. **Ms. Cronin** returned to the podium and explained it would be up to the Legislature to decide how it wished to proceed. He asked the Chair if it would be part of the Committee's formal recommendation that the Committee decide which option it would pursue. Representative Allen said she believed that language to that effect could be part of the recommendation.

Ms. Cronin referred again to the table and pointed out "Part I" was a comparison of EMPOWER VS. TANF. She reviewed the provisions found in the table and the policy considerations that need to be made in order to decide which direction the State should

go. Comparisons of the time limits, exemptions, family cap, transitional medical assistance and child care, unwed minor parents, work requirement for unwed teen parents, 100-hour rule, sanctions for noncompliance with work requirements, individual development accounts, and the JOBSTART pilot program were made in the table and reviewed by Ms. Cronin.

Ms. Cronin proceeded to Part II of the table entitled "Additional State Welfare Provisions VS. H.R. 3734" which compared the following issues: allowable uses of funds, funding levels, appropriation of monies, start date, eligibility requirements, benefit levels, work requirements, residence status, paternity and child support, legal immigrants, immigrant deeming requirements, illegal immigrants, child support disregard, child care block grant, funding levels, MEDICAID/AHCCCS, and food stamps.

Dr. Linda Blessing, Director, Department of Economic Security (DES), referred to the handout entitled "Welfare Reform State Options" (filed with original minutes) and pointed out to the Committee Arizona was already "ahead of the game" when it came to applying for waivers in order to develop its own welfare program. She informed the Committee that it was imperative that a new State plan was developed quickly and returned to the Federal government since Arizona could lose some grant money. She added it was in Arizona's best interest to develop a transitional plan that will continue to allow flexibility with Federal block grant dollars. Dr. Blessing emphasized the long range goal of the Department was to work with the Governor's Office and the Legislature to focus on the provisions and goals of EMPOWER in addition to employment, personal responsibility and prevention and be able to make any changes to the plan during the regular Legislative session. Dr. Blessing asked the Committee members to pay special attention to numbers 1., 4., 5., and 8. She further referred the Committee to the last page of the handout, specifically the provision dealing with food stamps, adding that studies were currently being conducted in hopes of simplifying the program for families. She added DES would continue to work with the Governor's office to develop a transitional plan.

Representative Anderson asked Dr. Blessing if she was confident with the Legislature's ability in making decisions regarding the program. Dr. Blessing said she believed policy options were clearly under the purview of the Legislature. She added it was her objective to get the maximum block grant amounts and that it was urgent for the Legislature to proceed with its work.

Leslie Johnson, representing Congressman Salmon's Office, said Congressman Salmon wants Arizona to be involved in the process and wants to see its program succeed. She added the issue is not a partisan one and that the block grant concept is a way to deliver services to those who need them in the most efficient manner. She spoke in support of the flexibility block grants allow and noted that Congress has a stake in the success of the program.

Representative Allen informed the Committee she and Senator Richardson would be attending a three day conference in Washington, D.C. that would give them further information on block grants and that a second meeting would be scheduled upon their return.

Representative Anderson thanked those who had prepared the handouts distributed to the Committee members and noted the comparisons would be helpful to the Committee members in reaching a decision on which issues to address.

Representative McLendon agreed with Representative Anderson and addressed Ms. Johnson's concerns at the Federal level. He added he was pleased to see all those attending today's meeting and that he would depend on those people to keep him informed of issues vital to making recommendations.

Representative Allen commended **Janet Regner** for her paper entitled "Block Grants with a Vision" and recommended that all of the Committee members familiarize themselves with it.

Without objection, the meeting was adjourned at 5:32 p.m.

Respectfully submitted,

Arlene Seagraves

Arlene Seagraves, Committee Secretary

(Tapes on file in the Office of the Secretary of the Senate)

ARIZONA HOUSE OF REPRESENTATIVES

Guests Attending Meeting

MEETING Joint Interim Study Comm. on Block Grants DATE 9/4/96

NAME AND TITLE (Please print)	REPRESENTING	BILL NO.
Linda Blessing	DES	
BARBARA CARPENTER	MAG	
Kent Fairbairn	League of Cities & Towns	
JACK LUNSFORD	Maricopa Comm. Colleges	
Jason W Paisley	Ft. Hell Public Schools	

ATTACHMENT ____

ARIZONA STATE LEGISLATURE

Interim Meeting Notice
Open to the Public

Joint Interim Committee on Block Grants

DATE: Monday, October 7, 1996

TIME: 8:30 a.m.

PLACE: Senate Hearing Room 1

AGENDA

1. Opening Remarks

2. Discussion: Major Legislative Decisions for Implementing PL 193 - Welfare Reform Block Grants

3. Funding Issues: Presentation by the Joint Legislative Budget Committee staff

   - Overview of the current funding for Aid to Families with Dependent Children (AFDC), Emergency Assistance, Job Opportunities and Basic Skills Training (JOBS), and Child Care.
   - Review of Welfare Reform Block Grant Funding

4. Child Support Enforcement: Presentation by Nancy Mendoza, Director, Division of Child Support Enforcement, Department of Economic Security

   - Overview of the provisions of PL 193 relating to child support enforcement
   - Mandates and options available to the states

5. Public Testimony

Members:

Senator Richardson, Co-chair
Senator Patterson
Senator Kennedy

Representative Allen, Co-chair
Representative Anderson
Representative McLendon

***Title II of the Americans With Disabilities Act prohibits the Arizona Senate from discriminating on the basis of disability in the provision of its services and public meetings. Individuals with disabilities may request reasonable accommodations, such as interpreters or alternative formats, by contacting the Senate Secretary's Office at (602) 542-4231 (voice) as soon as possible. Please be specific about the agenda item in which you are interested and for which you are requesting an accommodation. The Senate may not be able to provide certain accommodations prior to the meeting unless they are requested a reasonable time in advance of the meeting. This agenda will be made available in an alternative format on request.*

Minutes of

Joint Interim Study Committee on Block Grants

DATE: **Monday, October 7, 1996**

TIME: **8:30 a.m.**

PLACE: **Senate Hearing Room #1**

Members Present	**Member Absent**
Senator Patterson	Senator Kennedy
Representative Anderson	
Representative McLendon	
Representative Allen, Co-chair	
Senator Richardson, Co-chair	

Senator Richardson called the meeting to order at 8:40 a.m. and announced that Senator Kennedy would be arriving momentarily.

Approval of Minutes

Senator Richardson called for approval of the minutes of September 4, 1996 and, without objection, they were approved as distributed.

Major Legislative Decisions for Implementing PL 193 - Welfare Reform Block Grants

Mimi Leonard, Research Staff Analyst, distributed a memo on *Federal Welfare Block Grants - Major Decisions for State Legislatures* (filed with original minutes), outlining the categories the Legislature will need to address.

Ms. Leonard stated Arizona's State Plan was submitted on October 1, 1996 and under Temporary Assistance to Needy Families (TANF) Arizona will receive an additional $23 million than under Aid to Families with Dependent Children (AFDC), and $6 million in child care funding.

Ms. Leonard noted the handout entitled *State Plan Differences* (filed with original minutes), prepared by the Department of Economic Security (DES), explains the Employing and Moving People Off Welfare and Encouraging Responsibility

(EMPOWER) was submitted as the State Plan. The only changes to the State Plan are those required by federal law.

Ms. Leonard referred the members to the goals and objectives regarding out-of-wedlock births and teen pregnancies in the *Arizona State Plan* (filed with original minutes).

Ms. Leonard stated the reason the federal legislation requires establishment of goals is to ensure the issue is brought before the public for debate and to ensure legislative oversight. She explained if a state's goals are not met, there are no penalties, however there are substantial incentives for success in meeting related goals specified in the bill. The top five states who decrease the out-of-wedlock birth rate, without increasing the abortion rate, beginning in Fiscal Year (FY) 1999 through 2002, will be awarded $20 million for each year the individual state is the most successful in meeting the requirements.

Ms. Leonard distributed the most recent summary entitled *Analysis of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (filed with original minutes).

In response to Senator Patterson, Ms. Leonard explained the determination of success for the $20 million award is based on the top five states that are successful in meeting the requirements, not what goals are set.

In response to Representative McLendon, Ms. Leonard stated presently federal legislation does not provide direction on how states are to use the $20 million award. Senator Richardson stated he presumed Congress was trying to reverse the negative incentive and look at how they could reward the states initially. He added if caseloads drop, then federal funds decrease, which might be seen as a negative. However, this provides more federal money to work with on a limited basis. Representative McLendon stated the idea of having a contest using $20 million dollars of federal funds seemed a little frivolous.

Ms. Leonard said the United States Department of Health and Human Services (HHS) may set forth rules to guide the states regarding the incentive. Representative Allen stated she sits on the Teenage Pregnancy Task Force and Arizona could use those funds to continue to help in this area.

In response to Senator Richardson, Ms. Leonard stated, in reading the bill, she could not find any direction regarding how states can use the $20 million award.

Marge Cawley, Senior Fiscal Analyst, Joint Legislative Budget Committee (JLBC) distributed the *Temporary Assistance for Needy Families Block Grant Comparison to Current System* and *Child Care Block Grant Comparison to Current System* (green sheets filed with original minutes).

Stefan Shepherd, Fiscal Analyst, JLBC explained TANF consolidates the AFDC program, job training program for AFDC recipients, and the Emergency Assistance Program. He stated Arizona will receive an additional $23.8 million in the TANF block grant than it would have expected to receive had the Welfare Reform Bill not passed and the old programs continued as they were.

In response to Senator Richardson, Mr. Shepherd stated the amount represents a change from the earlier projections which were based upon HHS projections of what Arizona would receive in federal FY 1997. Senator Richardson clarified that under block grants the State of Arizona is going to receive more money than it would have prior to welfare reform.

Mr. Shepherd clarified that in the earlier years the State will receive more money through block grants than through the old system, however, caseloads are projected to increase in later years and the old system would have provided more money. He continued that HHS calculates Arizona will lose some money over the six years of the block grant, however, HHS projected Arizona would spend more than $15 million this year alone whereas JLBC is projecting Arizona will actually spend less. Mr. Shepherd concluded if caseloads increase at the rate HHS projects over the lifetime of the block grants, there will be a slight loss in federal funds to the state.

In response to Representative McLendon, Mr. Shepherd indicated JLBC has not prepared any projections on caseload growth.

Regarding the TANF block grant, Mr. Shepherd stated PL 193 provides $2 million in federal matching funds from federal FY 1997 through FY 2001. He explained there are two triggers for qualification for these funds: 1) high unemployment rates; or 2) high food stamp caseload growth. In order to draw down monies from these contingency funds, Arizona must spend 100% of what it spent on TANF programs in federal FY 1994, as opposed to the basic maintenance of effort requirement of 80%.

In response to Senator Richardson, Mr. Shepherd explained states can only draw down 20% of their block grant in any one fiscal year, which represents approximately $44 million for Arizona. These funds must be matched by the State on a 1/3 state dollars, 2/3 federal dollars basis.

Mr. Shepherd indicated there is also a "rainy day" loan fund from which a state can borrow up to 10% of its grant, which must be repaid within three years. He explained an illegitimacy reduction bonus available for the five states with the greatest reduction in out-of-wedlock births and a Performance Bonus Fund which provides $200 million a year for the next five years for high performance states.

In response to Representative McLendon, Mr. Shepherd indicated TANF does include emergency assistance and he did not know how Arizona would track who has received emergency assistance, and would defer that question to DES.

Mr. Shepherd explained that any cash assistance paid out of TANF does count against the 60-month time limit and he did not know if DES has any guidelines in this area. **Richard Stavneak, Deputy Director, JLBC** stated it is a problem that every state will face because a national registry is not in place at this time and will become an issue as the five years progress. Senator Richardson suggested the State's federal representatives look into this issue.

Mr. Shepherd explained the Child Care Block Grant, referring to the green sheets distributed earlier. He stated JLBC estimates the State will receive $6 million more in federal FY 1997 than it would have otherwise. He said JLBC projected a higher total prior to this time for two reasons: 1) they used the federal FY 1997 Child Care Development Block Grant figure rather than the federal FY 1996 figure; and 2) there was slightly higher spending for these programs than expected for federal FY 1997. He concluded the Child Care Block Grant serves any of the following: 1) current recipients of welfare or AFDC; 2) people at risk of enrolling in AFDC; or 3) people transitioning off of AFDC, for child care assistance.

Senator Patterson referred to page 2 of the green sheets and questioned the high costs for administration. Ms. Cawley stated that figure represents just under 16% of the total amount spent on child care. She indicated that the new block grant for child care mandates not more than 5% for administration, but they also exclude several things, such as eligibility determination, etc. She noted that after all of the exclusions, the state is probably within the 5% and that DES should be able to provide information as to exactly how the $11 million is distributed.

In response to Senator Patterson's question of whether vouchers could be issued for child care, Mr. Shepherd indicated, as he reads the bill, there are no limitations or restrictions on the method of providing child care to recipients and it would probably be up to the Legislature.

Senator Patterson asked if there were any federal restrictions precluding the State from giving the money directly to community or private organizations and not running an AFDC program. Mr. Shepherd noted there is very little guidance in the federal law specifying what a State must include for an acceptable program.

Senator Patterson questioned if there is an approval process the states must access to make changes in their Plan. Mr. Shepherd said the answer is "sort of" yes. He explained the federal government could say they disagree with a concept of a Plan, however, they have no provision for enforcement. Mr. Stavneak indicated that statutorily the federal government is in a weaker position than before and a state does not have to obtain formal approval, but rather the federal government certifies that a state's plan looks right.

In response to Senator Patterson, Mr. Shepherd indicated if caseloads are reduced the federal draw down will not be reduced. He explained Arizona will receive $222.4 million every year, however, if the State spends less than 80% of the federal FY 1995 amount, then the State's grant will be docked a dollar for every dollar below the 80% amount.

Senator Richardson informed the members Senator Kennedy had a family emergency and would not be attending today's meeting.

Representative McLendon questioned if someone will be drafting policy decisions before the legislative session begins in January. Senator Richardson stated that was the Committee's charge as referred to in the memo distributed earlier from Mimi Leonard. Mr. Stavneak also indicated DES is currently looking at redesigning the program and should have proposals developed by November.

Representative McLendon pointed out that local governments and private sector groups within the State should be solicited for their input in the process also.

Senator Richardson said the State has the authority to allow welfare moms to set up home day care programs using TANF dollars to assist them in getting off welfare.

In response to Senator Patterson's inquiry on privatization of job placement, Mr. Shepherd indicated there are no specifications in this area.

Mr. Stavneak pointed out that DES has been very creative in pulling down federal emergency assistance dollars which has resulted in the State spending money on items not traditionally associated with welfare, such as Child Protective Services case managers and programs for domestic violence, community action, and the homeless.

Dr. Linda Blessing, Director, DES informed the members that the State Plan has been filed and distributed a list of several forums scheduled around the State regarding Welfare Reform (filed with original minutes). She stated similar forums were conducted in April of this year and DES prepared a summary document from those forums. She added the upcoming forums will address the specific issues on the list of issues distributed at the September 4, 1996 meeting of this Committee.

Dr. Blessing stated the policy options developed by DES are presently being reviewed for an executive recommendation. She said DES is also redesigning the way they operate to further assist the mission of moving people into self-sufficiency and the work groups should complete their labors by mid-November.

Dr. Blessing noted that the State has been very progressive in the area of Child Support Enforcement (CSE) and has been working with the Child Support Coordinating Council.

In response to Representative Anderson, Dr. Blessing stated the DES work groups are on-going internal meetings and she would be happy to keep him informed.

In response to Representative McLendon, Dr. Blessing stated DES does think it will be advantageous for both the State and the tribes if block grant monies are directly given to the tribes. DES has met with the Intertribal Council and the Navajo Nation and she noted the Navajo President expressed a strong interest. She suggested the Legislature might want to include legislative incentives next session for tribal governments.

Child Support Enforcement

Nancy Mendoza, Director, Division of CSE, DES presented the changes in CSE in the federal Welfare Reform Bill. She explained one-third of the caseloads are interstate, and the Department is only successful to the degree other states are successful in working with Arizona.

Ms. Mendoza noted two accomplishments already enacted by the Legislature: 1) enactment of the Uniform Interstate Support Act; and 2) requirement that a father must voluntarily acknowledge paternity or go through an adjudicated paternity process in order for his name to appear on a birth certificate.

Ms. Mendoza noted the following: CSE continues to be a matched federal funding source and is not block granted; the State share is 34% and the federal is 66%, however the new rate will be 20% for the State and 80% for the feds; the costs of

genetic testing will be funded at 90% federal and 10% State; and the requirement that Congress study the incentive formula and consider changes for federal FY 1999.

Ms. Mendoza explained the elimination of the $50 disregard which stopped on October 1, 1996: The State previously did not take into account the first $50 of child support collected when a family was on assistance. If the State wants to continue to disregard that income, they would have to make up both the State and federal share. She stated the federal share is $155,827 per month and there are 4,722 families on an average who will be affected by the disregard. She concluded that to do nothing until the remainder of this FY will cost $1.4 million.

Senator Patterson asked what the effect of elimination of the disregard will be on child support collections. Ms. Mendoza stated there is no substantive data on whether disregarding this income specifically acted as an incentive that produced results or not. She added that in talking to staff about the incentive, they did not feel the disregard was effective in promoting cooperation and they are more optimistic that sanctions for noncooperation will have more effect.

In response to Representative Allen, Ms. Mendoza explained that legislation is not required regarding the disregard. Previously federal law required that the first $50 was passed through, however, that legal framework is gone and there is nothing in state law requiring it. She said it is a policy decision and for the month of October DES is continuing the disregard.

In response to Representative McLendon, Ms. Mendoza explained the money to fund the disregard will come out of the State's share of returned earnings, which will consequently not be available for a federal match or operating expenses. She explained that the break-even point for the State is January. Senator Richardson emphasized this is one of the policy decisions the Committee needs to address.

Dr. Blessing reiterated it is not something that requires a change in State law and the matter was brought to the Governor's attention which he addressed in his cover letter for the State Plan to members of the Legislature. She emphasized the Governor wants to work closely with the Legislature in making the decision, however, theoretically, DES, under the Governor's direction, could discontinue the payments.

Ms. Mendoza addressed an area requiring legislation regarding the order in which families or the State receive collections of arrearages. She explained Congress has adopted a Families First Policy on Arrearages to be phased in beginning October 1, 1997 through the year 2000. Currently if a family goes off assistance, arrearages collected for the time before assistance or after is proportionally shared between the

State and the family. Beginning October 1, 1997, all arrearages that accrue after the family leaves assistance go to the family first and by the year 2000 all arrearages accruing before and after assistance go to the family first before the State. She stated the order would be as follows: 1) collect the money; 2) first payment would go to any current support due the family; 3) second payment to any debt that had accrued to that family either before or after they went on assistance; and 4) third payment to the State for amounts that accrued while they were on State assistance. She added the only exceptions are intercepted tax refunds on the federal level, which go to pay back both the State and federal government.

Ms. Mendoza addressed direct interstate wage withholding under the Uniform Interstate Family Support Act (UIFSA). UIFSA standardizes how cases are to be processed across state lines. One of the features of the law is the ability of the custodial parent's state to reach directly to the employer of the noncustodial parent and issue a wage withholding order.

Addressing the issue of how to find out where a noncustodial parent is employed, Ms. Mendoza explained the provisions of the Mandatory New Hire Reporting Program. It will take effect in 1997 nationally and a voluntary program is already in place in Arizona. Beginning in 1998 all employers will be required to notify a state new hire directory within 20 days of hire. Ms. Mendoza pointed out that the State is presently experiencing great success with the voluntary program. The federal government and military will also be required to be a part of the Program.

In response to Senator Richardson, Ms. Mendoza stated a person's social security number will be the primary tracking tool.

In response to Representative Allen, Ms. Mendoza stated it is anticipated the process will be primarily automated and DES is working on streamlining the operation by redeployment of individuals. She noted the program will likely make some of the activities of caseworkers less labor intensive and may reduce work for enforcement officers.

Ms. Mendoza, explained the sanctions for non-cooperation if a TANF requirement and said the Legislature will need to look at when sanctions should be imposed, the degree of those sanctions, and how sanctions can be removed.

Ms. Mendoza explained the centralized payment processing, which was centralized during the last Legislative session for 4-D cases and noted there is a work group in Pima County looking into this issue.

Ms. Mendoza listed the areas the federal law requires states to access which will require legislation:

- ability to request records of other state and local government agencies;
- accessibility to privately held records, i.e. public utilities and cable utility records, financial institutions;
- ability to secure assets, i.e. unemployment compensation, workers compensation, etc.

Senator Richardson expressed privacy concerns and Ms. Mendoza concurred DES does believe it is a serious concern and has implemented 60 different levels of security access to the system and avenues for disciplinary action.

Ms. Mendoza stated the Directory of New Hires will be housed within the Social Security Administration and whatever safeguards accrue to the Administration will accrue to the Directory. Senator Richardson stated it is an important issue to be looked into.

In response to Senator Patterson, Ms. Mendoza stated the national average for child support collection is 18% and Arizona is at 12%, up from 3% in 1992.

Senator Patterson stated data supports the conclusion that the more contact the noncustodial parent has with a child the more likely they will pay their child support and he asked if there are any ways to incorporate that into public policy. Ms. Mendoza stated the Supreme Court has recently adopted new guidelines for CSE and are making adjustments to the amount of support based on the amount of visitation. She added the federal law provides a grant to promote visitation and the Child Support Coordinating Council has launched a public relations effort emphasizing the noncustodial parent's important role in a child's growth and development. Ms. Mendoza stated the guidelines adopted by the Supreme Court go into effect on November 1 and she would provide a copy of them to the members.

Senator Richardson requested Ms. Mendoza obtain the background information used in developing the Supreme Court guidelines.

In response to Representative McLendon, Ms. Mendoza stated the interstate procedures will definitely cut down on the bureaucracy and may allow DES to redeploy resources. She emphasized there are close to 300,000 cases on a regular basis and approximately 38,000 are paying on a regular monthly basis.

Msgr. Edward Ryle, representing the Arizona Catholic Conference and the Arizona Network for Community Responsibility, stated the block grant movement

will have a great effect on human services in Arizona. He explained the Network brings together several community action programs whose mission is to try to understand the changes in the welfare system due to block grants and how they will be implemented in Arizona. The agencies in the Network represent a broad range of expertise.

Msgr. Ryle explained the circumstances that will directly impact United Way agencies:

- 4,200 people will lose general assistance because of change in eligibility, the majority of whom are in Maricopa County;
- 2,500 people with disabilities due to substance or alcohol abuse will lose Supplemental Security Income (SSI) and eligibility for the Arizona Health Care Cost Containment System (AHCCCS) will be lost because of the loss of eligibility for SSI;
- 24,000 people 18-50 years of age who are childless and not disabled will only be eligible for food stamps for three months of unemployment out of any three-year period, which puts pressure on food banks, etc.

Msgr. Ryle stated the Federal Emergency Management Agency (FEMA) was cut from $130 million to $100 million and as a result Maricopa County lost $112,000 in FEMA funding. He also noted that on July 1, 1996 social service block grant money was cut by 15%, which are funds that go to the private sector for preventive services to keep people from knocking on DES' door. He stressed the Committee needs to take a broad look at what the private sector will be up against.

Representative Anderson inquired what percentage of the money the State spends on welfare programs goes directly to the private sector and if the private sector feels it is receiving enough or should the system be redesigned to make it more effective. Msgr. Ryle stated the Catholic Conference is funding a small grant to analyze to what extent State and voluntary non-profit agencies and local governments derive funds and they hope to have information within the next couple of months.

In response to Representative Anderson, Msgr. Ryle stated vouchers should be considered and it would be helpful to look at other states who have implemented the voucher proposal in child care development block grants.

Senator Richardson stated he has been advocating that more block grant funds be distributed to local county entities and private providers. Msgr. Ryle stated programs that meet a person's basic human needs of food, clothing and shelter should be primarily State programs with state eligibility standards. He added the soft services, such as job development and training, would be appropriate in the private sector.

Representative McLendon stated he has requested information from Dr. Blessing on how block grants work and how they affect local providers. He said he would copy that information to the members of the Committee when he receives it.

In response to Senator Patterson, Msgr. Ryle stated philosophically he feels the State has a responsibility to meet a person's basic needs in fairness to equity of life.

Jose Zapata, representing himself, stated discontinuation of the $50 disregard will have a great impact on his family and also expressed concern with the food stamp program. He indicated he has difficulty receiving child support from his ex-wife, who is the non-custodial parent residing out of state. Senator Richardson assured Mr. Zapata that under the new program he will be the first in line for child support payments and suggested he meet with Ms. Mendoza after the meeting to address his concerns.

Janet Regner, Executive Director, Arizona Community Action Association, stated the Welfare Reform Legislation significantly impacts the very poor in Arizona. She explained poverty in Arizona has risen to 16%, which is higher than in 1990 and noted welfare recipients represent only 25% of the poor. She requested that the Committee address poverty issues, not just the issue of trying to get people off of welfare.

Ms. Regner asked the members to keep *Block Grants with a Vision* in mind and to recognize that the eight principles contained in the document were meant as a guide in protecting the most vulnerable population.

Ms. Regner stated the Association is helping set up the informational meetings with DES. She added most people feel privatization is a good option and informed the members that child care vouchers are currently in place.

Senator Richardson stated significant efforts should be made to reduce the tax burden on families as a means of helping the working poor.

In response to Representative McLendon, Ms. Regner said there are probably many people in Arizona who would qualify for welfare benefits but are not applying because perhaps they don't understand the welfare system.

Dr. Blessing, in response to Representative McLendon, stated that the co-sponsoring agencies have done a great job in spreading the word to the local communities and assured they would do everything possible to maximize the opportunity.

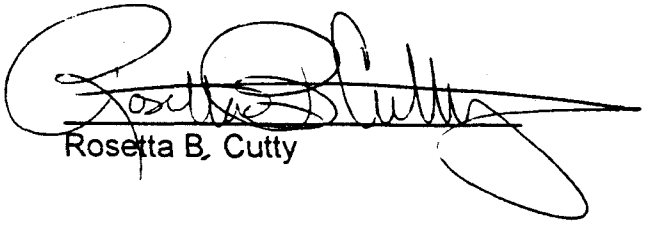
Senator Richardson stated the next meeting is tentatively scheduled for October 22, 1996.

Representative Allen suggested the Committee meet for a half day session and insist that other members of the Legislature attend because of the lack of knowledge and the fact that a lot of money is on the table.

Representative Anderson suggested at the next meeting that more detail be provided regarding exactly where funds are dispersed.

Senator Richardson adjourned the meeting at 11:50 a.m.

Respectfully submitted,



Rosetta B. Cutty

Hearing Room No. [illegible]

MEETING OF COMMITTEE ON
Joint Interim Committee
on Block Grants

DATE Oct. 07, 1996

TIME 8:30 am.

NAME Please Print	REPRESENTING	BILL NO.
Janet Regner	Arizona Community Action Assn	N/A
Nellie Campbell	Maricopa County Head Start	
Ellen G. Sims - CSC	Maricopa County Head Start	
Linda Blessing	DES	
Nancy Mendoza	DES	
Kevin Pell	DES	
Edward Ryle	AZ Chth. Cnwf	
Mark Barnes	Children's Action Alliance	
Carol Kratz	Maricopa Assn. of Government	
Marcia Hoffman	A.C.C.C.A	

ARIZONA STATE LEGISLATURE

Minutes of

THE JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

Tuesday, October 22, 1996
8:30 a.m. - House Hearing Room 4

Co-chair Carolyn Allen called the meeting to order at 8:35 a.m. and attendance was noted.

MEMBERS PRESENT
Senator Patterson
Senator Kennedy
Representative Anderson
Senator Richardson, Co-chair
Representative Allen, Co-chair

STAFF
Mimi Leonard, Senate
Victoria Tafoya, Senate

MEMBERS ABSENT
Representative McLendon

Representative Allen said she appreciated both the Committee members and the other Legislators who were attending in the audience.

OVERHEAD PRESENTATION BY LEGISLATIVE STAFF: MAJOR PROVISIONS OF P.L. 104-193 THAT REQUIRE STATE POLICY DECISIONS

Mimi Leonard, Research Analyst, gave a slide presentation to the Committee which Representative Allen referred to as a "refresher course" on the Federal block grants legislation. Ms. Leonard explained the final version of P.L. 104-193 is 252 pages long and the conference report is 350 pages. The provisions will allow the states to make changes in the areas of Medicaid, Food Stamps, SSI, child support programs and other benefit programs for legal residents. The presentation focused mainly on the Temporary Assistance to Needy Families program (TANF), the choices available to the states, and what other states are doing in response to the legislation.

Ms. Leonard reviewed the goals of TANF; i.e., to give the states an opportunity to create a new system that promotes work and responsibility and strengthens families, prevents and reduces out-of wedlock births, encourages the formation of two-parent families and reduces dependence on the government. The use of the TANF grant is allowed "in any manner that is reasonably calculated to accomplish the purpose of this part."

Ms. Leonard testified the amount of the block grant is $222,400,000 and that states must maintain 80% of historic spending. The Maintenance of Effort (MOE) can be reduced to

75% if work participation rates are achieved and failing MOE results in dollar for dollar reductions in state aid. There is additional funding that can be received for population increases, a contingency fund and a revolving loan fund. In addition, there is a $50 million fund to promote abstinence for states that have a lower number of out-of-wedlock pregnancies.

Ms. Leonard showed a table illustrating the AFDC caseload from 1992 projected through 1996 and the caseload for the "Two Parent Employment Program" (TPEP) from 1992 projected through 1996.

Ms. Leonard reviewed the bonuses and incentives built into the program to decrease illegitimacy, measure high performance states and annual ranking for the most and least successful programs. She also referred to the flexibility found under the TANF program and the emphasis on work which will include the development of "Individual Responsibility Plans," the inclusion of a community service requirement, mandatory work participation rates that must be met by the states, the requirement that a client must be working after two years of assistance and be allowed a total five-year lifetime limit.

Ms. Leonard explained a chart entitled "Annual Work Participation Requirements" which requires states to meet annual work participation rates with respect to all families that include an adult or minor child head of household receiving assistance. She listed the allowable work activities as defined by the Federal government as:

1. Unsubsidized employment
2. Subsidized private sector employment
3. Subsidized public sector employment
4. Work experience (including refurbishing publicly assisted housing if sufficient private sector employment is not available.
5. On-the-job training
6. Job search and job readiness assistance for up to six weeks. No more than four weeks may be consecutive. Individuals in states with high unemployment may participate for 12 weeks.
7. Community service programs
8. Vocational educational training not to exceed 12 months for any individual.
9. Provision of child care services to an individual who is participating in a community service program.

She further listed the additional activities that count after 20 hours or 30 hours for a two-parent family:

1. Job skills training directly related to employment
2. Education directly related to employment for recipients without a high school

diploma or GED.

3. Satisfactory attendance at secondary school or course of study leading to GED for recipients who have not completed secondary school.
4. Job search and job readiness once the individual has exceeded the six-week limit.

Teen heads of household under age 20 attending school or education related to employment count toward the first twenty hours and there is a 20% limitation on vocational educational training and teens in school. Senator Patterson asked about the work requirement that included "job readiness" as a possible option. Ms. Leonard informed Senator Patterson that the work requirements listed by the Federal government are more stringent than Arizona's requirements.

Senator Richardson asked if there was a "menu" of options detailing work requirements for the states to choose from. Ms. Leonard deferred to DES, but noted it was her understanding states would be able to use any or all of the options. She also informed the Committee the State of Texas had formed a "Workforce Commission" in order to streamline entitlement programs related to TANF.

Ms. Leonard continued with the slide presentation, and explained the calculation of the monthly participation rate for all families with the numerator being the number of families receiving assistance that include an adult or minor head of household who is engaged in work for the requisite hours divided by the number of families that include an adult or a minor child head of household receiving assistance **LESS** the number of families sanctioned in that month for failure to participate in work (for up to three months in the preceding 12-month period). It is also an option of the State to include families receiving assistance under a tribal family plan in the work participation rate calculation.

Ms. Leonard informed the Committee of the "pro rata reduction in the work participation rate" which gives states with net caseloads lower than FY 1995 levels a lower participation rate. Reduction is equal to the percentage points (if any) that the average monthly number of families receiving aid in the preceding year is less than the average monthly number of families receiving aid in FY 1995. Reductions due to changes in Federal law or state eligibility criteria will not be counted. The reduction appears to apply to two-parent families, and if caseloads rise above FY 1995 levels, states will face the full rate in the next fiscal year. Ms. Leonard gave a rate reduction example to illustrate the criteria used.

Ms. Leonard listed the TANF penalties effective upon submission of a state plan: a misuse of funds requires repayment plus 5% for intentional violations; failure to comply with the five year limit on assistance has a penalty of 5%; sanctioning a non-participating parent with a child under age six and no child care has a penalty of up to 5%; failure by the State to meet the MOE is a dollar-for-dollar reduction in the grant.

She further explained penalties that are effective either July 1, 1997 or six months after submittal of a state plan (whichever is later) as follows: failure to meet work participation rates - 5% plus an additional 2% for consecutive failures with a 21% ceiling; failure to submit quarterly reports - 4%; failure to participate in IEVS - up to 2%; failure to enforce child support penalties - up to 5%; failure to comply with child support requirements of IV-D - 1% - 2% with the second consecutive finding at 2% - 3% and the third consecutive finding, 3% - 5%; failure to maintain MOE for contingency fund is penalized at the amount of the contingency fund used.

Ms. Leonard explained the child care block grant effective October 1, 1996 consolidates Title IV-A child care funding sources and eliminates the open-ended Federal match. It further specifies that 70% must be used for specified groups, 4% must be used for improving quality and availability of child care and that there is a 5% cap on administrative costs.

Ms. Leonard continued her presentation by explaining the Medicaid program which is effective July 1, 1997 or earlier at the state's option. Eligibility is based on the income and resource standards for determining eligibility based on the State's AFDC state plan in effect on July 16, 1996. A state can modify income and resource standards and may lower income standards, but not lower than the State plan standard on May 1, 1988 and may use methodologies less restrictive than July 16, 1996. Existing law regarding transition assistance to those losing eligibility due to increased child support or earnings or employment are continued and state waivers approved on or before July 1, 1997 may continue. There is also an increase in the Federal share of administrative costs due to eligibility rules.

Ms. Leonard described a table in her presentation entitled "Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Title IV: Restricting Welfare and Public Benefits for Noncitizens - Major Provisions." The restrictions on Federally funded programs to legal noncitizens in the United States prior to enactment is that they are ineligible for SSI and food stamps except in certain cases. In addition, states have the option, upon enactment, to deny benefits under the TANF program, the Title XX Social Services Block Grant and nonemergency Medicaid. Current recipients are covered until January 1, 1997. Legal noncitizens arriving after enactment are ineligible for all Federal means-tested Federal benefits for five years although certain child nutrition and education programs are excepted from this ban as well as some other exceptions. Illegal immigrants are ineligible for all Federal benefits with exceptions.

Ms. Leonard went on to explain the restrictions on state and local-only funded programs for legal noncitizens is as follows: states are authorized to deny state-only funded public benefits to legal noncitizens with certain exemptions and current recipients are covered until January 1, 1997. Illegal immigrants are ineligible for all state and local benefits with

exceptions and states may elect to provide eligibility for illegal immigrants through state laws enacted after enactment of H.R. 3734. The exceptions for the above mentioned categories are to those individuals who are serving in the armed forces, veterans and their respective dependents, refugees and those seeking asylum within the first five years of U.S. residency and those who have worked 40 quarters. The programs that are exempted are emergency medical services, emergency noncash disaster relief, treatment for communicable disease, immunizations, certain housing programs, and other programs specified by the U.S. Attorney General that provide basic in-kind services without a means test, such as soup kitchens.

Representative Anderson asked if the State has the ability to check the status of children in the free and reduced lunch program. Ms. Leonard explained AFDC and food stamp recipients are asked for proof of residency but that she is unaware of requirements for the nutrition programs. She said she would check further for the Committee.

Ms. Leonard further informed the Committee in the fiscal year following a reduction in the TANF grant due to a penalty, states must increase their state spending by an amount equal to the penalty and states do have the opportunity to enter into a corrective compliance plan before a penalty is assessed. If the plan is accepted and the state corrects the violation according to the plan, there would be no penalty imposed. A state may also appeal any adverse action taken against the state. She directed the Committee to the handout entitled "Penalties Against States" for further information (filed with original minutes). Senator Patterson asked if the MOE was able to be modified in light of falling caseloads. Ms. Leonard said she was not aware of further reductions in the MOE. She suggested the Committee contact the Congressional Delegation for amendments to the law. Representative Allen said it was her understanding Congress was still studying the rules for possible changes. She added it was a complex and mammoth undertaking that will need further refining.

Dr. Linda Blessing, Director, Department of Economic Security (DES), informed the Committee the EMPOWER program has been working well and that issues such as transportation and child care are things that need to be addressed "on the front end." She spoke in support of focusing on unpaid work experience and internships rather than simply focusing on the educational aspects of past programs. Dr. Blessing referred the Committee to **Gretchen Evans** and **Gerry Teebeau** and added that "maintenance of effort" documentation does not have to reflect only cash payments; rather it can also report things like child care.

Gretchen Evans, DES, JOBS Program, explained the JOBS program was mandated by the Family Support Act of 1988 and its purpose was to provide education and training to AFDC recipients in order to move those clients into self sufficiency. Recent shifts in the program focus the emphasis on obtaining employment at the earliest possible time. Ms.

Evans referred to a yellow packet of information distributed to the Committee (filed with original minutes) and asked the Committee to look at "Illustration 1" which is a diagram of the program as it currently exists. She distributed copies of the forms used for applicants (filed with original minutes) and told the Committee the JOBS programs and services include employment services for those who are job ready or need job-seeking assistance, job development and placement, job readiness training and job search; training services for community work experience, training and work experience in the private sector, on the job training and skills training; educational services that include English for speakers of other languages, remedial education, high school or General Equivalency Diploma and post secondary education. The intent of the JOBS program is to move everyone into employment and Ms. Evans gave an example of a 22-year old female head of household with two children who had little high school education and is without child care assistance. She explained the case manager would assess the situation, arrange for 20 hours per week GED work and child care for the woman. After completing the GED course in five months and taking job readiness classes, the woman was able to secure a job at $6 per hour, 35 hours a week. She is able to go off AFDC and will continue to receive 24 months of child care and medical assistance as a transitionary measure. Senator Kennedy asked how many people are served on each of the "tracks" listed on the "Arizona JOBS Program" chart which included the "Basic Education" track, the "Pregnant and Parenting Teens" track, the "Self-initiated Education & Training" track and the "Direct Employment" track. Ms. Evans said she would provide that information for the Committee.

Senator Patterson asked if the 20 hours a week GED work was credited as employment under Federal statutes. Ms. Evans explained most of those on the Basic Education track are working part time in addition to working on their GED. She noted the emphasis has changed in the Federal program from education to personal responsibility; i.e., a job. There is an option to require work in the new Federal program in addition to the educational requirements.

Ms. Evans referred to Illustration #2B which lists statistics for SFY 1996 and is titled "JOBS Management Indicators." The chart lists the number of total participants, participants by the service model, component activity, the total who entered employment and the average wage, the Federal JOBS participation rate and the number of families and children receiving JOBS child care. Illustration #3 gives a breakout of the JOBS 1997 budget and asked the Committee to note the percentage of contract and voucher services. Ms. Evans spoke in support of the JOBSTART program which was a pilot program that worked in cooperation with private enterprise. Senator Kennedy asked if the program could be considered a success. Ms. Evans said she believed it was and that over the last three years the total number of participants had increased dramatically. She added, however, that there was room for improvement in the program. She explained that in order to participate in the program a client must be AFDC eligible and there are sometimes people who "drop off" the system who are no longer eligible or who have found employment on

their own. She noted that some of those who decide not to participate in the program are sanctioned.

Senator Kennedy referred to Illustration #5, FY '96 Actuals and pointed out that of the 21,263 participants, only 5,905 of them were listed as having been employed. She asked what happened to the remaining participants. Ms. Evans said she did not have exact figures but that 14% of the remaining number were sanctioned or lost AFDC benefits, while some leave AFDC voluntarily or move out of state. She added about 5,000 participate in the JOBS program monthly. Ms. Evans further stated it was difficult to track all of the participants individually. Senator Kennedy asked approximately how many of the participants leave the state monthly. Ms. Evans said she did not have that data with her. Senator Kennedy asked her to provide the information to the Committee members.

Senator Richardson referred back to Illustration #4 and asked what "OOE" stands for. Ms. Evans defined it as "Other Operating Expenses" and "PS" stands for "Personal Services." Senator Richardson asked why the 1997 estimated budget was 30% more than 1996. Ms. Evans deferred to **David Longo.**

David Longo, Budget Manager, DES, explained the 1997 estimate was based on full staffing while the existing 1996 budget was actual dollars spent.

Ms. Evans referred the Committee members to Illustration #6A in which a participation rate comparison was done under the Family Support Act (JOBS program) and TANF. Hours under the JOBS program are combined and averaged across participants to equal or exceed 20 hours per week. Those individuals working and the resulting percentage are likely to be significantly lower because some JOBS activities do not count in TANF. Additionally, house under TANF are not averaged across participants; each individual must meet the required hours of work to be counted. Ms. Evans reported DES must develop new strategies for work participants and find ways to count the mix of those who both go to school and work. Representative Anderson noted that to meet the work participation rate, people will have to be in "countable" programs. Ms. Evans explained that the current focus was to do that very thing -- to ensure that people were working in the kind of acts that will count towards credit with the new program. Representative Anderson asked why that was not already being done. Ms. Evans explained the original focus was on education and now new Federal legislation requires a focus on work. Representative Anderson asked how participants were reacting to the new requirements. Ms. Evans stated that through focus groups conducted by DES, it was determined that people want to be in the JOBS program and that the only barrier to most people securing employment was the lack of transportation and the lack of child care.

Senator Patterson referred to Illustration #2B, and asked how many of those in the program stay employed. Ms. Evans stated 78% were not back on AFDC at the six month

mark and that attempting to get a number at the 90-day mark was somewhat misleading. Senator Patterson asked what the sanctions are for someone who does not work. Ms. Evans testified the adults share in the families AFDC grant could be removed for one month and that a sanction of three to six months could be forthcoming if there is continued noncompliance. The adult's share of AFDC would amount to an average of $72 per month. Senator Patterson contented it was his belief the penalties for the program were not good enough and that most people work because they need the money.

Senator Kennedy referred to Illustration #5 and asked how the TANF estimated rate for 1997 was arrived at. Ms. Evans explained the number, 23,085, was an estimate based on historic data. Ms. Evans informed the Committee that 7/96 data showed that 62,000 families were receiving AFDC and the average amount per household was $295.

Ms. Evans referred to Illustrations #8 and #9, informing the Committee the categories of exemptions would count in the work rate.

Geraldine Tebo, Project Control Manager, DES, explained the JOBSTART program was intended by the Legislature to determine the effects of replacing welfare benefits with guaranteed paid employment to reduce the need for and dependence on the welfare system in addition to facilitating the transition from welfare to employment. Senator Kennedy asked where the pilot projects were. Ms. Tebo stated the first pilot was in Pinal County and the second was in the East valley area. She added the numbers of employers and employees in Pinal County were too small to draw in an adequate number of participants. Senator Kennedy expressed her displeasure with the second pilot project in the East valley being chosen.

Ms. Tebo explained the project features a diversion of benefits to employers and that placements are coordinated with an employability plan agreement. There is a job mentor for each participant and no displacement of existing workers. Participants benefit from the program since there is a support system in place, child care is arranged and skills are learned. The program benefits the employer in that he has training costs offset, he is dealing with prescreened candidates and is reimbursed for a percentage of the employee's wages. Senator Patterson asked if the employer can use the money from DES to offset the employee's salary. Ms. Tebo answered affirmatively. Senator Patterson asked what happens to those who don't show up for work. Ms. Tebo explained there is a reduction in the benefit check.

Ms. Tebo referred to Illustration #10, a chart showing the JOBSTART client flow for Pinal County. Of the 645 selected for the program, only 21 went into the JOBSTART experimentation. She reviewed the other figures on the chart and informed the Committee of a case in which a woman with no work history was assisted by the program in securing employment at an auto parts store. Representative Anderson asked what participants

were doing before securing employment. Ms. Tebo explained that training for job interviews and other preparation involved in learning how to look for work were a couple of areas in which participants could receive assistance.

Senator Patterson said it was his opinion that the program needs work, and asked if the availability of employers or employees is a limiting factor. Ms. Tebo said the availability of work in certain communities was a factor and that it would benefit the state to encourage job creation in communities where work is needed. Senator Patterson asked if those who work continue to receive AFDC benefits. Ms. Tebo explained the eligibility for AFDC is part of the criteria for participating in the JOBS program.

Ms. Evans returned to explain to remain eligible, the money from DES is diverted to the employer. The employee must remain income eligible.

Senator Patterson referred to Illustration #10, noting that out of the 645 selected for referral only 21 received jobs and said it was his contention there are too many exceptions in the program and weak sanctions for those who decide not to participate. He added the program is badly flawed and that he would like to see the Committee in future meetings tackle this problem. Representative Allen agreed changes would need to be made.

Ms. Tebo said she would provide numbers to the Committee of those who found unsubsidized employment. Senator Patterson said he was interested in those numbers.

Representative Anderson asked about privatization. Ms. Evans referred the Committee to Illustration #3 and noted many services are contracted directly with providers. Representative Allen said she would be interested in seeing a list of private providers.

Representative Anderson asked how many people went through the "Job Readiness" program. Ms. Evans said the number was 10,449 at a cost of approximately $1 million; one of the lowest costing contracts in the program.

Without objection, the meeting was adjourned at 10:55 a.m.

Respectfully submitted,

Arlene Seagraves, Committee Secretary

(Tapes on file in the Office of the Secretary of the Senate)

Research

ARIZONA STATE LEGISLATURE

Minutes of

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS
Thursday, October 31, 1996
Senate Hearing Room 1 - 8:30 a.m.

Cochair Gary Richardson called the meeting to order at 8:40 a.m. and attendance was noted. See attached sheet for other attendees.

MEMBERS PRESENT
Senator Patterson
Representative Anderson
Senator Richardson, Cochair
Representative Allen, Cochair

STAFF
Mimi Leonard, Senate

MEMBERS EXCUSED
Senator Kennedy
Representative McLendon

Senator Richardson said he appreciated everyone's faithful attendance to the Block Grant Committee meetings and emphasized the importance of addressing the issues "right the first time." He added it was gratifying that those in the audience placed the same importance on block grants as the Committee.

Senator Richardson announced Senator Kennedy and Representative McLendon were EXCUSED from today's meeting and that Senator Patterson was on his way.

FOLLOW-UP ISSUES

Mimi Leonard, Senate Research Analyst, reviewed some of the questions asked at the last Block Grants Study Committee meeting and informed the Committee of her findings.

1. **$50 million additional appropriation for abstinence education:** Ms. Leonard distributed a copy of the section of P.L. 104-193, 912 which creates a separate program for abstinence education which was added to Title 5. Representative Anderson asked who was allowed to come up with a plan in order to secure the money. Ms. Leonard explained the funds would come through the Department of Health Services (DHS) and that various options had been discussed in the Teen Pregnancy Prevention Committee.

2. **Social Services Block Grant:** Ms. Leonard reviewed for the Committee what she had reported at the last Block Grants Committee meeting; i.e., that there was a 15% across-the-board cut by the Federal Government. She clarified that the actual cut made

was approximately 10.7%, **NOT** 15%. Senator Richardson expressed his pleasure at that news.

3. **Citizenship testing:** Ms. Leonard explained citizenship status is not required in Federal regulations for participation of children in nutrition programs; however, welfare reform changes do provide for the option of asking for proof of citizenship when application is made for benefits. She referred to a handout (filed with original minutes) which states under Section 742 that individuals who are eligible to receive public school education benefits under State or local law are eligible to receive benefits under the National School Lunch Program and the School Breakfast Program and that states also have the option of deciding whether benefits under the Child and Adult Food Care Program, the Summer Food Service Program, the Special Milk Program, Women, Infants and Children Program, the Commodity Supplemental Food Program, the Temporary Emergency Food Assistance Program and Food Distribution Programs on Indian Reservations. She added another Legislative Committee is looking at these changes as they would pertain to Block Grants and Governor Wilson of California is also pursuing the issue of authority by the states as it relates to the above listed programs. Senator Richardson asked who administers the programs Ms. Leonard listed. Ms. Leonard explained the first five listed are administered by the Department of Education (DOE) and the last 3 are administered by the Department of Economic Security (DES).

Representative Allen asked what Committee was studying the programs further. Ms. Leonard revealed the Joint Legislative Committee on Hunger had examined the issues during a recent meeting and that she would provide an update on their recommendations to the Committee.

Ms. Leonard also clarified an additional question on eligibility from the last meeting, noting that residency must be documented but that one did not have to be a citizen to be on Aid to Families with Dependant Children (AFDC). Senator Richardson asked if everyone who applies for AFDC is asked that question. Ms. Leonard said she would have to defer that question to DES and that she had spoken with the United States Department of Agriculture and that there appears to be nothing written on who can make a decision whether or not to inquire about citizenship.

Lynne Dulin, representing the Department of Education (DOE), informed the Committee it was Superintendent Lisa Keegan's position that benefits should be provided to all children. Representative Allen asked what the Governor's position was. Ms. Dulin explained she was unaware of Governor Symington's position. Representative Allen said she believed the Governor and Superintendent Keegan's positions were the same.

PRESENTATIONS BY THE DEPARTMENT OF ECONOMIC SECURITY

CHILD CARE AND DEVELOPMENT BLOCK GRANT

Stefan Shepherd, Joint Legislative Budget Committee (JLBC) Analyst, reviewed the information packet distributed to the Committee members (filed with original minutes) and informed the Committee there are four types of providers reimbursed that serve Child Care Administration (CCA) Clients: Child Care Centers which can be public, private non-profit and private for profit; private child care homes; private child care group homes; and relatives. These providers are certified by DES. Mr. Shepherd reviewed the "Client Demographics" for August 1996 and noted that 80% of families served were below 100% of the poverty level and that 70% of the dollars spent must be spent on those meeting welfare reform requirements. He further reviewed the Estimated Administrative Costs for State Fiscal Year (SFY) 1997 which consists of direct/administrative services, all other administrative costs, other costs not considered administrative and the "set aside" money that is to be used for statewide resource and referral, child care for special populations, expanding the supply of child care and training child care providers.

Dr. Linda Blessing, Director, DES, informed the Committee child care is one of the most important factors to parents who are trying to become employed and that national studies show affordable child care to be a critical issue to those seeking employment. She noted DES had done a good job providing for approximately 30,000 children monthly within the State which figures out to approximately 4,500 providers in the system. She told the Committee Working Mother Magazine said Arizona had made impressive strides in child care. She advocated a voucher-like approach for child care and informed the Committee DES does not run child care centers in Arizona. Dr. Blessing said she welcomed the opportunity to consolidate programs and to working with the Committee to make sure all goals are met.

Bruce Liggett, Bureau Chief, DES, distributed a handout to the Committee entitled "Overview of Child Care Programs" (filed with original minutes) and informed the members DES provides child care assistance for low income families to allow them to work, participate in training or education, search for work and also for families unable to care for their children or involved with Child Protective Services (CPS) or foster care. Mr. Liggett explained families are able to access child care directly or via referrals and eligibility is determined based on income, family size or program category. He stressed that parents choose the child care provider who is notified of the authorized amount and the specific amount of care is authorized by DES based on parent activity. The provider establishes its charges for care and is notified of the authorized amount. Providers are also reimbursed based on established rates and usage. In addition, parents may change providers at any time. Senator Richardson commented on the "user friendly" system provided by DES and asked if there had been any complaints from users of the system. Mr. Liggett said he had heard of no complaints from parents using the system and that clients rated the system very highly in its evaluations. Senator Richardson asked if parents

could choose an unregistered provider. Mr. Liggett explained that day care centers must be licensed in order to receive payment and that homes caring for four or less children must be certified.

Representative Anderson asked if any of the day care providers were run by churches. Mr. Liggett said some were.

Mr. Liggett continued with his presentation by explaining the demographics of families and children served by the program in State Fiscal Year (SFY) 1996. Mr. Liggett reported 85% of the families served had a single parent and 71% of the children were under school age. Approximately 30,000 children are served monthly and the total served in SFY 1996 was 58,005.

Mr. Liggett explained page 3 of the handout listed the types of child care programs that are currently paid for by DES and have been in existence since the 1970s when a state subsidy program was created for day care. Senator Richardson asked if any of the programs require a co-payment. Mr. Liggett explained that all of them do except for those under AFDC. He continued by referring the Committee to page 4 of the handout which designates income eligibility by program, criteria for applying, and the maximum monthly income allowed. Representative Anderson asked if there was a waiting list for the AFDC program. Mr. Liggett said there was and that over 1,000 families with a total of 1,800 children were on that list.

Mr. Liggett told the Committee that the pie chart on page 6 of the handout gave a breakdown of families served by income category as of August 1996 and that page 6 gave a comparison of payment rates for full-time and part-time day care. He informed the Committee that payment rates are determined every two years through a geographic survey done by both the Federal and State governments. There are seven fee levels within the State system and parents pay varying rates for day care under those programs.

Mr. Liggett informed the Committee there are 1,058 centers currently under the DES child care administration system. Of that number, 84% - 86% do business with DES. Those centers serve 80% of the children in the system and the other 20% are taken care of by relatives who are an option only under the Federal program. The chart on page 8 lists the percentage of child care dollars and to what types of providers those dollars are paid.

Mr. Liggett told the Committee the Child Care and Development Block Grant Amendments of 1996 establishes three funding streams: mandatory, mandatory matching and discretionary which is effective October 1, 1996. There is only one program which consolidates all the past child care programs into one. An interim application was approved and Mr. Liggett reviewed the major new provisions of the program which include the following:

1) Removes the child care entitlement for AFDC-employed, JOBS, At-Risk, TCC and TCC Extension.

2) 70% of mandatory funds must be used to provide child care assistance to families who are receiving assistance under Temporary Assistance to Needy Families (TANF), families who transition off of such assistance, and families who are at risk of becoming dependent on assistance.

3) A substantial portion of the remaining funds must be available to provide assistance to low-income working families.

4) The payment rates must be sufficient to ensure equal access for eligible children to comparable child care services and the State must provide a summary of facts relied on to determine that such rates are sufficient to ensure equal access.

5) Not less than four per cent of the funds must be used for comprehensive consumer education, activities that increase parental choice, and activities designed to improve the quality and availability of child care such as resource and referral services.

6) Not more than five per cent may be expended for administrative costs which shall not include the costs of providing direct services.

7) There are new reporting requirements that have been imposed and include the cost of care and sources of family income including:

* The amount obtained from employment, including self-employment
* cash assistance or other assistance under IV-A
* housing assistance
* food stamps
* other public assistance

Finally, Mr. Liggett referred the Committee to the pie chart on page 10 of the handout which is an expenditure plan for SFY 1997. Approximately $5.4 million is set aside, $5.5 million is for direct service, $1.9 million is for administrative costs and $67.4 million is for client subsidies.

Senator Patterson asked how long a family was allowed to be on transitional child care once the parent has found employment. Mr. Liggett said the family was allowed 24 months of transitional child care. Senator Patterson asked if there was a Federal requirement that the State would have to continue that transition and asked if the whole program could be made one that is a cost sharing program. Mr. Liggett said the program could be simplified

but that caution should be exercised regarding educational requirements found in the Federal legislation.

DIVERSION OPTION

Vince Wood, Division Chief, DES, gave a brief presentation on the diversion option within the program, focusing on citizenship and the screening process for benefits. An applicant must provide proof of citizenship or legal residence and the Systematic Alien Verification System allows DES to dial into INS computer files. The computer system classifies persons as "citizens" or "noncitizens," not "legal" or "illegal." Illegals are not counted in determining the amount of funding received from the Federal government. He informed the Committee DES had in the past cooperated with the Social Security Administration in order to study alleged fraud and it was found that there were actually lower fraud rates in that town than in others studied. He added that additional fraud was uncovered when 77 individuals were identified who were employed in Nevada but were collecting benefits in Arizona. He agreed it was necessary to find new ways to combat fraud in Arizona.

Mr. Wood commented on S.B. 1399 from 1996, noting that DES applied for Federal waivers which were now unnecessary in light of recent Federal legislation. Further studies were needed regarding food stamps and continued medical assistance and that information on those items would probably not be forthcoming until after the election. He noted language in the Federal bill would impact the required work participation rate . He encouraged the Committee to discuss DES concerns with the Congressional delegation for a technical amendment in order to make sure TANF numbers are figured into the denominator. He also informed the Committee the effective date was six months after the waiver was granted and that the diversion option will be imposed six months after the waivers. Senator Patterson asked what happens presently if someone comes in to file for benefits. Mr. Wood explained that anyone who comes in has a right to file an application and are asked if they are currently employed and what their income is.

EMERGENCY ASSISTANCE PROGRAM

Karen Novachek, Program Administrator, DES, explained the Emergency Assistance Program is a matching program for families with children in crisis situations. The primary areas of service are to those families who are homeless or victims of domestic violence. Ms. Novachek referred the Committee to a document entitled "Emergency Assistance to Families" which is administered by the Community Services Administration (filed with original minutes) and gives a breakdown of funding sources and the amounts, services offered and the amounts, and the cost of administering the program. She explained DES is authorized to adminster the program; however, they do not operate it directly.

Ms. Novachek distributed a second handout (filed with original minutes) to the Committee listing the emergency assistance providers by district and the amount of money each provider receives. There is a total of 46 agencies providing services, 15 of them run by local governments with 83% being nonprofit agencies. She noted the use of local agencies gives the program a better coordinated approach to the needs of the community.

Ms. Novachek reported that TANF will impact the Emergency Assistance Program since it is short term crisis assistance by nature so there are barriers within the new Federal guidelines. One option is to operate under the new TANF guidelines which would require tracking the recipient of benefits for five years after that person received emergency assistance and the second option is to operate as a state-only program. Ms. Novachek pointed out to the Committee DES had been in the communities to get input from those affected on the changes to the welfare system.

Representative Allen asked for clarification on the 5-year tracking. Ms. Novachek explained if TANF dollars are used, then all requirements of TANF apply although there are some exemptions including cases of domestic violence. She added she would prefer that community agencies continue to be used but that the tracking requirements would be a concern. Representative Allen noted the Legislature would have to establish some sort of tracking system and added her concern with continuing to utilize community based services rather than DES offices.

Senator Richardson asked how the community agencies are funded. Ms. Novachek explained a proposal is submitted by the agency and a contract for services is negotiated. Payment is reimbursed when a claim is submitted. The program is a voucher program and payments are not made directly to the client. Senator Richardson asked how the program could work under TANF guidelines. Ms. Novachek said the issue was still being studied and that recommendations were being formulated.

SOCIAL SERVICES BLOCK GRANT

Mike Koppleman, Deputy Director, DES, explained the Social Services Block Grant was not part of TANF and that the types of services being provided are case management, foster care, residential treatment, and other programs serving youth, adults, the elderly, and those with developmental disabilities. The block grant has eliminated the match requirement and local planning organizations solicit proposals and tell DES how to distribute the money.

Mr. Koppleman referred the Committee to a handout (filed with original minutes) entitled "Arizona's Social Services Block Grant Program" and explained that while the Federal regulations do not define administrative costs, DES has identified them to include direct service staff which includes Child Protective Services, Adult Protective Services, and Case

Management. Administrative Support includes facilities, automation, risk management, and support for the Arizona Office of Americans with Disabilities. The distribution of planned expenditures is 62% to community providers, 21% to direct service staff and 17% to administrative support.

Mr. Koppleman addressed the 15% across-the-board cut made retroactively to the social services block grant, noting the cut was actually less as reported earlier by Ms. Leonard. The total revised allocation is approximately $36 million. As part of the TANF block grant, a new allocation was realized which brought the total up to $28.9 million although the $3 million excess is expected to make up the deficit caused by the retroactive cut.

Mr. Koppleman reported the Social Services Block Grant relates to the TANF block grant in that the monies transferred in the TANF grant must be spent on families who are at 200% of the Federal Poverty Level. Senator Patterson asked if the State supplies any services to people over 200% of the poverty level. Mr. Koppleman said he would research the question but that he doubted it.

Senator Richardson asked if providers are required to find out the income level of their clients. **Ms. Novachek answered,** stating that the requirement was not part of the legislation but that all the community providers have some sort of intake process for establishing service for the client. Senator Richardson spoke in favor of accountability.

Senator Patterson asked if items paid for under the Emergency Assistance Program be covered under the Social Services Block Grant. Mr. Koppleman said he believed so.

Representative Anderson asked if the community boards were appointed and if the structure could be changed by legislation.

Carol Kratz, Coordinator, Maricopa Association of Governments (MAG), reported that human service needs vary by region and stressed the importance of the partnership between DES and local governments in administering block grant funds. She noted the program is one that does not require income eligibility; however, 80% - 85% of those applying for assistance fall under the poverty level. Ms. Kratz went over the handout she provided to the Committee (filed with original minutes) and noted a total of $8.7 million was allocated to the State to provide funds for domestic violence shelters, case management, homeless shelters, in-home services to elderly persons as well as transportation and counseling.

Dr. Blessing returned to inform the Committee of the Department's intention to identify strategies for providing services under the new Federal legislation. Senator Richardson asked for the Agency's continued support as further meetings were planned in order to deal with remaining issues for recommending legislation.

PUBLIC TESTIMONY

Irene Jacobs, representing the Children's Action Alliance, noted the TANF grants offered the State a chance to develop a new child care program and a simplified and more streamlined approach designed for the needs of families. She noted child care is a priority of working parents and that child care should be the centerpiece of welfare reform. She urged that the State maintain or increase its current level of spending for child care and distributed a handout to the Committee (filed with original minutes) that illustrates the costs incurred by a working single parent who has two children in day care. It showed that 37% of that hypothetical parent's income was spent on child care. She spoke on the opportunity of the Committee to design a new program that could help end welfare. Senator Richardson said he was alarmed by the figures illustrated by the pie chart and asked what had made the cost of child care rise so dramatically. Ms. Jacobs said she did not feel the cost of child care was expensive as those working in child care were among the lowest paid but that the State was being forced to subsidize child care because employees were not being paid a good enough wage and were forced to spend a bigger percentage of their earnings on child care. She further commented on the fact that most child care was for all day and the cost was truly not that high based on an hourly wage. She added that argument contributed to people wondering why they should work when they can make as much money staying home. Senator Richardson said he sympathized with the problems Ms. Jacobs' shared with the Committee.

Senator Patterson asked if the illustration given by Ms. Jacobs would be able to qualify for some sort of child care cost subsidy. Ms. Jacobs said she believed they would and that the illustration she gave did not allow for the subsidy. Senator Patterson spoke on the need to provide incentives for people to search out other options for child care.

Representative Allen noted she had some experience as a single mother and that the need for affordable child care was a big concern when a mother is trying to retain a job.

Senator Patterson asked for DES input on the public forums held recently throughout the State on welfare reform. **Mr. Wood returned** and informed the Committee DES would be preparing a report for the Committee on its findings. He added that there was good attendance at some and light attendance at others but that the forums had been informational.

Senator Richardson thanked the Committee and DES for their participation and hard work. Representative Allen echoed his comments, adding she felt a half to full day briefing for all the legislators would be helpful to them understanding the issues of block grants.

Without objection, the meeting was adjourned at 11:25 a.m.

Respectfully submitted,

Arlene Seagraves

Arlene Seagraves, Committee Secretary

(Tapes on file in the Office of the Secretary of the Senate)

MEETING OF COMMITTEE ON
JOINT INTERIM STUDY
BLOCK GRANTS

DATE 10.31.96
TIME 8:30 am

NAME Please Print	REPRESENTING	BILL NO.
Irene Jacobs	Children's Action Alliance	
Lyndi Tripdurong	ACCA	
Connie Phillips	Sojourner Center	
Carol Crockett	~~Gov Div for~~ Gov's Div. for Children	
Peggy Eggemeyer	Gov's Div for Children	
Don DeWitt	Arizona Child Care Assoc	
Joy Bauer	Az Child Care Association	
Andrea Palm	AZ Justice Institute	
Monica Seymour	ADE	
Carol Kratz	MAG	
Sylvia Polacca	ITCA	
VALERIE VIDAL	City Council Tucson WARD I	
Melissa HARTMAN	City of Tucson WARD IV	
Marcia Hoffman	ACCCA	
[illegible]	[illegible] Justice Institute	
[illegible]	[illegible]	
Layla [illegible]	Friendly House	
Linda Fries	Dist 28 Citizen	
Teri Grier	Maricopa County	

ARIZONA STATE LEGISLATURE

Minutes of

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS
Friday, November 15, 1996
House Hearing Room 2 - 8:30 a.m.

Cochair Carolyn Allen called the meeting to order at 8:43 a.m. and attendance was noted.

MEMBERS PRESENT
Senator Kennedy
Senator Patterson
Representative Anderson
Representative Pickens
Senator Richardson, Cochair
Representative Allen, Cochair

STAFF
Mimi Leonard, Senate
Pat Chumbley, House

MEMBERS ABSENT
None

Representative Allen informed the Committee **Representative Marion Pickens** would be replacing Representative McLendon who had found it difficult to attend all of the meetings due to time constraints in representing his constituents in the Yuma area. Representative Allen said she was happy to have Representative Pickens join the Committee and that she had been faithfully attending the meetings previously as an observer.

EMERGENCY ASSISTANCE PROGRAM: DISCUSSION OF THE IMPACT OF P.L. 104-193

Mimi Leonard, Senate Research Analyst, reviewed one of the issues previously discussed by the Committee on the providing of services under the Temporary Aid to Needy Families (TANF) program; i.e., the tracking of an individual for five years after he receives services from the Emergency Assistance Program (EAP). One of the options to be considered besides keeping the EAP within TANF is possibly placing the EAP under the Social Services Block Grant (SSBG) and transferring necessary dollars from TANF to SSBG. The other option, as reported by Ms. Leonard, would be to take the Emergency Assistance dollars and use the "Maintenance of Effort" requirement to fund the EAP. Ms. Leonard referred to the handout entitled "Temporary Assistance for Needy Families Block Grant Comparison to Current System" (filed with original minutes) and informed the Committee that the Joint Legislative Budget Committee (JLBC) will need guidance in order to prepare financial information for the Committee.

Ms. Leonard further informed the Committee some of the money expected from TANF has already been allocated; for instance, the Legislature needs to decide if the salary increase for State employees of 1% approved during the last legislative session and effective in 1997 should be taken from TANF funds or from the General Fund. Another program that could be funded through TANF is the Fingerprint Imaging Program approved during the last legislative session which assumed a $1.4 million match from the "Rainy Day Fund." There are also programmatic changes for the employment programs that could be funded out of TANF.

Janet Regner, Executive Director, Arizona Community Action Association, informed the Committee representatives of some of the Community Action Alliances (CAAs) were available to answer questions on how the EAP works. Senator Patterson said he was interested how the EAP would work in terms of the new welfare reform legislation.

Henry Atha, Director of Community Services, Pima County, explained there is some tracking of emergency assistance clients and that he would prefer funding to the EAP be transferred from the SSBG rather than TANF funds since long term tracking would be difficult. He informed the Committee administrative costs of tracking people within the system are very low and that the program operates with very little funding. He noted the amount of assistance is small and for a one-time crisis situation. Representative Allen asked if income of the person requesting assistance is verified. Mr. Atha explained income is recorded and every effort is made to verify and examine the expenses of the event creating the crisis situation.

Senator Richardson asked how many people are assisted in crisis situations in Pima County. Mr. Atha explained with all funding sources, 2,000 - 3,000 households were assisted last year. Senator Richardson asked if all of those households received cash assistance. Mr. Atha clarified that the individual does not receive a check for assistance; rather, whoever is owed the money such as a utility company or landlord receives the money. Senator Richardson said he did not feel the CAAs would require any additional full time employees (FTEs) to track those who receive assistance. Mr. Atha agreed it would not take more people to record the information required under TANF but that the difficulty was in determining whether the individual had received emergency assistance from another state. Senator Richardson observed the Committee had been under the impression that there was no tracking system for emergency assistance. Mr. Atha replied that was not the case and that tracking was done to assure there was not duplicative assistance. Senator Richardson asked what information was gathered for tracking. Mr. Atha explained information requirements differ among agencies and that eligibility varies depending on the funding source but that recording of the Social Security number was the primary means of tracking a client.

Representative Pickens asked if there is an income cap for those receiving assistance in Pima County. Mr. Atha stated that in most cases there is not a strict income cap and that in emergency crisis situations, determination is made by the crisis and the income situation at that point in time. There is no income cap since the program is designed to meet emergency financial crisis situations but that in most cases, the income level is very low. He added it was his understanding that if any funding is received from TANF, then all the guidelines applicable to TANF funds must adhere to the same rules and regulations applied to any other programs under TANF. The "60-month" limit would trigger only one use of emergency funds in five years, no matter how small the amount for assistance or if the person received assistance under any other TANF program.

Mr. Atha further informed the Committee his Department will be holding hearings regarding the new block grant legislation and promised to provide a report of his findings to the Legislature.

Gloria Hartado, Deputy Human Services Director, City of Phoenix, informed the Committee 2,000 households are assisted each year in emergency situations and that those receiving assistance are recorded by Social Security number and name into a data base. She listed some of the services provided through EAP including assistance to homeless families, move-in costs for families transitioning from homelessness to permanent shelter, repairs for major crisis situations, and rent extensions. A family is eligible to receive emergency assistance once in a twelve-month period, but unless a person comes back in for additional services at a later time, there is no guarantee they will remain in the data system. Senator Patterson asked if everyone who meets the eligibility requirements is entitled to receive benefits. Ms. Hartado replied only if that person can meet the guidelines and can document the crisis for which he is applying for assistance. Senator Patterson asked if someone could apply for reimbursement of moving costs if they meet the eligibility requirements. Ms. Hartado explained if that person was moving from a shelter into a home and is able to sustain a living, they would be eligible. Senator Patterson wondered what would happen if a caseworker determined a person was eligible for emergency services but has a regular income that was spent for illegal substances. Ms. Hartado reminded the Committee a person would qualify for emergency services once in a twelve-month period so that person would not be coming in each month for funds. She added when the client comes in, the caseworker determines what types of services the client needs and that the EAP is only one source of assistance available.

Alton Washington, City of Phoenix, informed the Committee there are five "Family Service Centers" that utilize caseworkers in order to provide necessary services within the community. Mr. Washington pointed out caseworkers are critical to the success of the program and that they assist in the delivery of critically needed services to needy clients. He noted the City of Phoenix provides $800,000 in funding and stressed the need to make sure the delivery system is enhanced at the caseworker level.

Ms. Regner stressed that funds used by the CAAs are not entitlement funds and that many of the people who are served are the extremely poor.

IMMIGRATION PROVISIONS OF P.L. 104-193 - PRESENTATION BY THE DEPARTMENT OF ECONOMIC SECURITY (DES)

Vince Wood, Assistant Director for the Division of Eligibility, DES, distributed a chart to the Committee entitled "Treatment of Non-Citizens" (filed with original minutes) and informed the Committee under TANF, current residents as of August 21, 1996 shall continue to receive benefits until December 31, 1996 if otherwise eligible. The State has the option to continue benefits after this point. If the State decides not to continue the benefits they are currently giving, the State would have to continue to pay benefits to those exceptions determined by the Federal government. The categories that are considered exceptions by the Federal government are refugees, asylees and deportees, residents with 40 qualifying quarters of work, and veterans, active duty military, their spouses and dependents. New arrivals on or after August 22, 1996 are ineligible for five years from the date of entry with the same exceptions listed above. For Food Stamp recipients, benefits shall continue until April 1, 1997 if otherwise eligible but no later than August 22, 1997 with the same exceptions listed above. New arrivals on or after August 22, 1996 also have the same exceptions. Representative Anderson pointed out the State has the option to consolidate benefits and asked who makes the decision to make changes within the program. Mr. Wood explained DES has instructions not to make any changes until the Legislature is in session per instructions from the Joint Legislative Budget Committee (JLBC) through the Appropriations process.

Representative Pickens asked if legal non-citizens have to "do anything" to retain their status. Mr. Wood explained the Immigration and Naturalization Service (INS) classifies a person when the person arrives in this Country and applies for residency which takes approximately five to six years to receive. The intent of the legislation is that people become citizens. Early information from the Social Security Administration indicates that 4,500 people currently on supplemental security income (SSI) will be impacted and are generally elderly who will be affected by these changes.

Senator Richardson asked how many people will continue to be eligible and the fiscal impact will be to the State. Mr. Wood estimated the average cash assistance grant is $294 per month per family and that there are 450 families who consist of non-citizen adults who are legal and that there are an additional 3,000 cases in Arizona where the parent is a legal non-citizen and the child is a citizen. If those benefits are continued to be provided to children who are citizens, the cost would be approximately $72 per child per month. In addition, there are approximately 27,000 individuals who are legal non-citizens currently receiving Food Stamps at a value of $74 per month. Food Stamps are 100% Federally funded. Senator Richardson asked if any of these programs could be adjusted or changed

by the State. Mr. Wood said cash assistance programs could be changed; however, Food Stamps could not since they are not block granted to the State and the State does not have the flexibility to make that adjustment.

Mike Koppleman, Deputy Director, DES, clarified that the only way to convert the value of the Food Stamps to be received is if the person is eligible for a program like "JOBSTART." A person who is a legal resident non-citizen would not generally be eligible for the JOBSTART program so that value could not be "cashed out."

IMPACT ON THE MEDICAID PROGRAM AND OPTIONS AVAILABLE TO THE STATE

Diane Ross, Assistant Director, Arizona Health Care Cost Containment System (AHCCCS), distributed a handout to the Committee entitled "Welfare Reform and State Options Under Medicaid for Immigrants" (filed with original minutes) and informed the Committee her remarks would focus on the charts found on the first two pages of the booklet. Ms. Ross noted that changes to Medicaid and State and local programs to illegal immigrants would consist of the following: under Medicaid, a state is required to provide emergency services and public health assistance for immunizations and the testing and treatment of communicable diseases. Under State and local programs, states have the option to provide emergency services and public health assistance for immunizations and testing and treatment of communicable diseases. It is the option of the State to provide full health care services at State cost after state legislation is passed. Those people who receive services under Medicaid include the aged, the blind and disabled, and those who are receiving services through the Sixth Omnibus Reconciliation Act (SOBRA) and Aid to Families with Dependent Children (AFDC). Ms. Ross estimated there are 5,400 undocumented persons currently receiving emergency services and who will continue to receive only emergency services, immunizations, and treatment for communicable diseases.

Ms. Ross said those qualified legal immigrants who resided in the United States prior to August 22, 1996 receive full Medicaid benefits when they fall under the following provisions:

1) They are refugees until five years after the date of entry into the United States.
2) Asylees who are granted asylum until five years after the granting of asylum.
3) Immigrants whose deportation is withheld until five years after the date of the withholding.
4) Immigrants lawfully admitted to the United States who have worked 40 qualifying quarters (ten years).
5) Immigrants lawfully residing in the United States who are veterans with an honorable discharge or on active duty and the spouse or unmarried dependent children.

Those who can receive emergency services or full Medicaid benefits at State option after January 1, 1997 are:

1) Legal permanent residents with less than 40 quarters or work.
2) Parolees.
3) Immigrants granted conditional entry prior to April 1, 1980.
4) Refugees after five years of entry.
5) Asylees after five years of entry.
6) Individuals granted withholding of deportation after five years of entry.

Ms. Ross listed those who can receive Medicaid benefits for the first five years who are entering the United States after August 22, 1996 and are qualified legal immigrants:

1) Refugees.
2) Asylees.
3) Immigrants whose deportation is being withheld.
4) Veterans with an honorable discharge or on active duty and the spouse or unmarried dependent child.
5) Immigrants granted conditional entry prior to April 1, 1980.

For five years after entry into the United States, qualified immigrants will only receive emergency Medicaid services and public health assistance for immunizations and the testing and treatment of communicable diseases.

Representative Allen asked how it had been determined there were 5,400 undocumented aliens. Ms. Ross explained those who receive emergency services are tracked by certain codes so that the individual can be identified by the kind of service provided.

Ms. Ross clarified that 40 quarters is equal to ten years, and that spouses' quarters can be combined to total the 40 quarters.

Representative Pickens asked what the number of qualified legal immigrants was. Ms. Ross referred the Committee to the last page of the handout she distributed at the beginning of her testimony entitled "Estimated Impact of Welfare Reform on Immigrants" which illustrates why it is so hard for the State to ascertain how many people will be affected. There are 4,200 persons in the current AFDC population who must be redetermined and 7,000 who are currently AFDC medical assistance only. Of the estimated 10,100 SSI cash recipients, 4,400 are likely to remain eligible but must go through a formal redetermination and 5,700 are potentially ineligible. There are also 1,300 Arizona Long Term Care System (ALTCS) non-SSI cash recipients and Qualified Medical Beneficiary (QMB) cases of which 1,000 have been estimated to retain eligibility. Of that 1,300, approximately 800 are in nursing homes under ALTCS.

Representative Allen surmised that the amount of work ahead of the Social Security Administration was great, and asked how the extra determinations would be made. Ms. Ross explained the Social Security Administration had estimated it would take until August 1997 to gather all the necessary information nation-wide and that until told otherwise, AHCCCS would continue to serve those it is currently serving. The long term care population, it has been estimated, can be reviewed prior to January 1, 1997. She added that if an individual loses SSI cash or AFDC benefits, it would be up to the State to see if those persons are covered by any other benefits.

WELFARE REFORM PROGRAMS FROM OTHER STATES

Mimi Leonard, Senate Research Analyst, informed the Committee she had reviewed programs from Wisconsin and Michigan and distributed reports on those programs (filed with original minutes) in order to give the Committee members ideas on ways to address some of the problems associated with shifting the Federal entitlement system to a State block grant system. Ms. Leonard noted Wisconsin had changed the way applications are made; rather than applying for cash assistance, a client is applying for a job. There were significant start-up costs associated with this program and Wisconsin has been undergoing significant welfare reform changes since 1987. She reported that Governor Thompson's concerns were with the long term use of welfare by clients and that he wanted to design a program with immediate work for those who can work. Governor Thompson's philosophy is that work fulfills a basic human need as it connects individuals to society and its values and by providing income without the need to work, welfare isolates recipients from society. "W-2" which is the "Wisconsin Works" program, has eight principles to be consistently applied:

1) For those who can work, only work should pay.
2) "W-2" assumes everybody is able to work within their abilities.
3) Families are society's way of nurturing and protecting children and all policies must be judged in light of how well these policies strengthen the responsibility of both parents to care for their children.
4) The new system's fairness will be gauged by comparison with low-income families who work for a living.
5) There will be no entitlement. The "W-2" reward system is designed to reinforce appropriate behavior.
6) Individuals are part of various communities of people and places. "W-2" will operate in ways that enhance the way communities support individual efforts to achieve self-sufficiency.
7) The new system should provide only as much service as an eligible individual asks for or needs. Many individuals will do better with just a light touch.
8) "W-2" objectives are best achieved by working with the most effective providers and by relying on market and performance mechanism.

Ms. Leonard reported Wisconsin has the most comprehensive welfare reform program in the country and that families consisting of custodial parents and their children age 18 or younger with incomes below 115% of poverty and with low assets are eligible for all "W-2" services while noncustodial parents and pregnant women are eligible for certain services. "W-2" health care and child care are available to families with low incomes and assets.

Ms. Leonard listed the four work options available under "W-2" which are unsubsidized employment, subsidized employment, community service jobs and transition jobs. The program is designed so that people move up the "self-sufficiency ladder" at the earliest possible opportunity. Representative Allen asked if Wisconsin must create jobs in order for everyone in the program to have some sort of employment. Ms. Leonard explained each county works out its own program but that the main emphasis of the program is that AFDC is a last resort. A case manager works with the community in order to have lists of jobs available for clients to apply for. Ms. Leonard also clarified that individuals who do not speak English are not automatically exempt from participating in the program. She added there are currently 49,000 participants in the program with approximately 10,000 exemptions although as of December 1, 1996, there will be no exemptions except for those mothers who have a child under 12 weeks old at home.

Ms. Leonard reviewed some of the points of the Michigan program, focusing on the creation of the "Family Independence Agency" which focuses on four key principles of welfare reform: encourage employment, target support, increase personal responsibility, and involve communities. Ms. Leonard revealed Michigan's goal is to have one caseworker per family instead of three who will assist the family in applications, job search, and transportation issues. The Department of Transportation in Michigan is working with the Family Independence Agency to come up with ideas for transporting individuals to work.

Representative Allen requested a copy of the "8 principles" Ms. Leonard referred to in her remarks about Wisconsin.

Representative Anderson asked if most of the changes put into place in Wisconsin were courtesy of the Governor or the Legislature, or a joint effort between the two. Ms. Leonard explained Wisconsin's program had been in place since 1987 due in large part to efforts by the Governor and there are debates as to the success of certain aspects of the program. The "Pay for Performance" plan began in the early 1990s and the Governor spearheaded the program with the support of the Wisconsin Legislature. Representative Anderson asked for further information on the child care aspects of the program. Ms. Leonard explained child care is provided as a benefit and is a very expensive aspect of the program. There is a co-pay schedule depending on the parent's income. Representative Anderson asked what would happen if someone simply did not want to work. Ms. Leonard

explained cases are handled on an individual basis, but that she did not know what would happen if someone refused a job.

Senator Kennedy asked Ms. Leonard about the transportation issue being discussed in Michigan. Ms. Leonard said she was not aware of who was on that particular task force but that she would get further information on that and on how the Michigan program would work with the Housing and Urban Development Commission (HUD). Senator Kennedy also requested further information on how much money was put "up front" into instigating the Wisconsin program.

Senator Patterson said he was also interested in how the start up costs could be absorbed and referred to statistics in which Wisconsin experienced a 29% drop in its caseload. He asked if that number included those participating in work programs. Ms. Leonard said that number did include those participating in the program. Senator Patterson expressed concern that there are still 48,000 in the program when there are almost no exceptions to participation. Ms. Leonard clarified the number does include those persons in unsubsidized employment in addition to those in the four levels of work experience. Senator Patterson asked if the 29% included those who chose not to participate in the program or found employment independently. Ms. Leonard said it did and that those in the 29% are no longer receiving AFDC checks. Senator Patterson requested further information on privatizing certain parts of the program. Ms. Leonard clarified that the only privatization at this point in Michigan is taking place in Milwaukee County but that she would research the program further.

Representative Pickens referred to the four tracks of employment found in the Wisconsin program and the time limits placed on each and asked if disabled citizens were required to move out of the lowest track. Ms. Leonard stated the assumption made by the State is that everyone can contribute in some way but acknowledges that some individuals cannot be moved from the "W-2" program. Ms. Leonard added she would gather further information on Wisconsin's planned five year cap and 20% exemption. Representative Pickens requested further information on costs associated with job training and education.

Senator Kennedy referred to the "dialogue schedule" distributed by DES (filed with original minutes) and asked the Department how the forums were progressing.

Dr. Linda Blessing, Director, DES, revealed sessions are still being held and that comments are being compiled in order to provide information to the Legislators prior to the start of the legislative session. Representative Pickens said she had been able to attend several of the sessions and that information given had been very helpful. She added she was also organizing a hearing in Tucson to have further input on the proposed changes.

Representative Allen said she had not attended any of the hearings at this point but that she felt it was important for the Legislators to attend at least one of the meetings.

Representative Anderson asked if DES planned to have an agency bill which would include policy options for the Legislators to consider. Dr. Blessing explained she was working with various parties and the Governor's office to redesign the program and would have a comprehensive plan to share with the Committee. Representative Allen stressed that members of the Committee might have ideas they would like incorporated into the plan for consideration.

Senator Kennedy pointed out it was the members of the Block Grant Committee who were meeting in order to come up with recommendations and that it would be appreciated if DES' plans could be shared with the members prior to the Legislative Session.

Brian McNeil, Policy Advisor, Office of the Governor, explained he had just heard DES' presentation for the first time the previous night and that the Governor's Office had discussed ideas with DES. He added before the Governor's Office goes public with its ideas to the Legislature, it wanted to be completely sure of the implications of all the possibilities to be presented including the fiscal impacts of any legislation. He added the Governor wants to work with the Legislature but that he wants to be deliberate in his approach before presenting to the Legislature. Senator Kennedy said she appreciated Mr. McNeil's remarks, but felt it was up to the Legislature to come up with its own plan. Mr. McNeil said he would be disappointed if the Legislature did not have its own plan and that he would be surprised if dialogue was not forthcoming between both parties.

Representative Allen said the purpose of the Committee was to write legislation and make its recommendations but that she was looking forward to seeing proposals from the Governor's Office and DES.

Senator Kennedy said she had not, in the past, seen any positive input from the Governor's Office on welfare reform and that she would trust that Mr. McNeil would at least, after sitting down with DES, inform the Legislature of their combined proposal very soon so that the Committee can "digest" it before January. Mr. McNeil pointed out that when doing welfare issues, it was important for all interested parties to work in cooperation and that he hoped for continued positive interaction with the Legislature.

Senator Patterson observed Dr. Blessing had informed the Committee they already had a proposal and that he had believed the Block Grants Committee was "in the loop" but that no one had let them know any details about the proposal. He added he hoped there would not be too many independent efforts and that work can begin soon on a single proposal. Representative Allen agreed with Senator Patterson's remarks.

PUBLIC TESTIMONY

Chris Herstam, Arizona Hospital and Healthcare Association, spoke on the impact welfare reform will have on the immigrant population and urged the Committee's caution concerning primary and prenatal care services. He spoke on the cost savings to the State by providing basic health care so that emergency services, in some cases, would be unnecessary.

Brenda Robbins, Director, Eloy Housing Authority, informed the Committee she had attended several of the public forums on welfare reform and that she was concerned with the impact block grants would have on public housing. She discussed the problem faced when rents based on income would end up shifting the burden to DES. She added she had attempted to discuss this concern with DES but had not been able to interest anyone in her problem. Senator Kennedy inquired whether or not there would be an incentive for someone in public housing to get out of public housing if changes were not made to proposed block grant legislation. Ms. Robbins said there would be no incentive for someone to attempt to get out of public housing as the program is currently proposed. Senator Kennedy said she believed DES, HUD and all other agencies interested in the block grants proposal need to get together and discuss the problems Ms. Robbins alluded to.

Senator Patterson asked what options would be available to help with this situation. Ms. Robbins explained HUD has programs promoting self sufficiency which requires renters to assist in rehabilitating property in exchange for housing and a small stipend. Under new block grant proposals, that stipend would be counted as income and could hurt those who are currently just paying their bills. Senator Patterson asked what the Legislature could do to help the situation. Ms. Robbins said she hoped the Legislature could make DES speak with her regarding her concerns.

Representative Allen instructed DES to discuss the problem with Ms. Robbins and asked to see her again after the meeting. Representative Pickens commented on how helpful it was for the Committee to learn where there might be small "glitches" in the system from those who use it.

Rebecca Swanson, Executive Director, Nogales Housing Authority, echoed Ms. Robbins' comments on the HUD problem and the stipend which could be a disincentive to getting people to work on their homes in exchange for rent. She added Arizona is the only state counting the stipend as income when figuring benefits and asked that a dialogue take place with DES.

Gene Vandenbosch, Arizona Head Start Association, said he welcomed welfare reform and explained Head Start is a Federally funded program for at-risk children. He noted

11,000 families participate in Head Start in Arizona and that he wanted to work with whatever changes are made as a result of block grant legislation. Representative Pickens asked how block grants legislation would affect Head Start directly. Mr. Vandenbosch acknowledged that it wouldn't since Head Start is funded differently but that Head Start should be considered as part of the solution for parents who are beginning to work.

Senator Richardson clarified that Mr. Vandenbosch's interest was incidental as there was no direct affect to the Head Start program in Arizona. Mr. Vandenbosch explained block grant legislation will impact the families Head Start serves.

Msgr. Ed Ryle, Arizona Catholic Conference, referred to the "Pay for Performance" handout distributed to the Committee and referred to by Ms. Leonard in her remarks, noting it oversimplified some concerns he had with block grants. Senator Kennedy requested a copy of the report referred to in the handout from Staff.

Eddie Sissons, Executive Director, Arizona Justice Institute, informed the Committee of a conference being held by the Institute on December 9 regarding immigration issues and the proposed changes being considered by the Committee. She noted 44% of the savings comes at the expense of legal immigrants and asked that the Committee consider the following questions: how will the Committee deal with programs that provide both State and Federal benefits and does the State want to provide funds for those families who are not eligible. She added only 5% of legal residents utilize benefits and asked the Committee to consider the consequences to future immigrants that it wants to help. Representative Anderson asked when the Institute was started. Ms. Sissons explained it is a private, non-profit organization formed in April 1996.

Senator Patterson said the assertion that legal immigrants use less services than others in the United States was debatable and that he believed the United States has become a "magnet" for people around the world because of its benefits system.

Richard Trujillo, Director, Medical Assistance Program, Maricopa County, stated concern and agreement with the issues brought up by Mr. Herstam in previous testimony and the increased cost to the county for providing emergency medical services. Representative Anderson clarified that emergency services were still covered. Mr. Trujillo pointed out the County is still liable until AHCCCS eligibility is established. Representative Anderson advocated that the County Supervisor study the issue further.

Rory Hayes, representing Maricopa County, added the County is the payer of last resort and added the County was trying to determine the size of the population that would become the responsibility of county taxpayers. She noted she was currently working with AHCCCS to get those figures. Senator Richardson requested a fiscal impact statement and the number of people estimated to be served in light of the proposed changes.

Mr. McNeil returned, and suggested the Legislature had a history of dealing with the county liability issue and that it would continue to be dealt with clearly on the issue of emergency services. He pointed out the Federal Emergency Service Program was available to people who are otherwise eligible for Medicaid and that if AFDC recipients who do not meet the legal citizenship requirements would be served under the Federal Emergency Service Program. He referred to Title 11 provisions which have been dealt with on prior occasions and "Proposition 203" which will also affect the providing of service.

Representative Pickens commented the decision seemed to her to be whether the financial burden would be shifted to the counties. Mr. McNeil said he understood the concern, but pointed out the issue is not a unique one and had been addressed by the Legislature many times before.

Danny Dyas, Member, Arizona Rural Human Services Network, spoke in support of encouraging accurate census counts to be taken, especially in the rural counties so that sufficient monies are available for services. He distributed a letter to the members (filed with original minutes) outlining ideas on ways to narrow the poverty gap in Arizona.

Mark Barnes, County Supervisor's Association, expressed concerns with costs to be picked up by the counties for health care services and the loss of funds for AHCCCS patients.

Representative Allen informed the Committee they would be notified on future meeting dates, noting she would be attending an National Conference of State Legislatures conference on ways other states are addressing the issue of block grants. She requested that the members approach her with their ideas for welfare reform prior to the next meeting.

Without objection, the meeting was adjourned at 11:55 a.m.

Respectfully submitted,

Arlene Seagraves

Arlene Seagraves, Committee Secretary

(Tapes and handouts on file in the Office of the Secretary of the Senate)

ARIZONA STATE LEGISLATURE

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

Minutes of the Meeting
Tuesday, December 3, 1996
8:30 a.m., Senate Hearing Room 1

Members Present
Senator Richardson, Co-chair
Representative Allen, Co-chair
Representative Anderson
Representative Pickens

Members Excused
Senator Patterson
Senator Kennedy

Staff
Mimi Leonard, Senate Research Analyst

Co-chairman Richardson called the meeting to order at 8:30 a.m. and the attendance was noted. He explained that a half-hour would be allowed for a presentation by Senate staff and the meeting would then be recessed until 1:00 p.m. today to allow time for legislative members to attend memorial services for Representative Ned King.

Mimi Leonard, Senate Research Analyst, distributed a handout (filed with original minutes) detailing federal provisions under federal welfare reform legislation, Public Law 104-193, and states' options and potential considerations in response to the provisions. She first specified federal provisions related to eligibility; Arizona's EMPOWER program; reducing out-of-wedlock births; work requirements; establishing a rainy day fund which may be rolled over during economic downturns, exemptions, emergency assistance, transfer of TANF (Temporary Assistance to Needy Families) funds, sanctions, immigration issues and child support enforcement.

Ms. Leonard next reviewed considerations which the State may wish to take into account. In regard to work requirement provisions, Ms. Leonard noted it is estimated that Arizona will receive a 12 point credit toward work participation rates in FFY 1997 for reducing its caseload from 1995 levels. She additionally noted that tribal members may be concerned with the number of days chosen by the State that a minor child may be absent from the home before assistance is denied because many of their children are sent to boarding schools. Ms. Leonard also noted that the federal government is making $100 million available each year to the top five states which have reduced their rates of teen pregnancy without increasing their rates of abortion.

In regard to eligibility considerations, Senator Richardson asked how much it would cost to perform criminal data searches for felons convicted of possession or distribution of controlled substances. Ms. Leonard indicated she did not have the information today, but could develop it.

Representative Allen expressed concern it would be difficult to track families who have moved into Arizona from out-of-state for purposes of requiring they receive assistance from their home states. She asserted the state where a family is domiciled should be the state which provides assistance.

Ms. Leonard acknowledged it would require that DES become familiar with all states' eligibility requirements, could present problems in verifying where the family came from and explained the provision relates to ensuring that an individual does not exceed the five-year lifetime assistance cap.

Senator Richardson suggested that if families are not tracked, they may move from state-to-state after receiving two years' assistance in each, and be able to exceed the five year cap.

Representative Pickens asked whether legislative changes will be necessary and Ms. Leonard explained any legislative changes would be optional, except in the case of child support enforcement. Representative Pickens asked if Arizona would have to make legislative changes to take in some of the federal provisions in its EMPOWER program, expressing her wish that EMPOWER remain the way it is. Ms. Leonard explained it will be necessary to incorporate a few federal requirements, especially in regard to work requirements, but it may be possible to accomplish through changes to rules.

Dr. Linda Blessing, Director, DES, acknowledged EMPOWER could be operated with very few changes, perhaps only making minor technical ones. She explained, however, the changes to child support enforcement in the federal welfare reform legislation are quite profound and will require a significant set of changes in legislation.

Senator Richardson suggested that it would be beneficial to keep Arizona's waivers in place in consideration of the potential there may be federal changes it chooses not to adopt. Dr. Blessing agreed it would be prudent to retain the waivers at least until early 1997.

In response to Representative Anderson's request to know how the $750,000 federal funding for abstinence programs will be allocated, Ms. Leonard explained these Title V monies under the Child and Maternal Health Block Grant are administered by Department of Health Services (DHS). She confirmed Senator Richardson's understanding this is an existing block grant which has been coming to the State, but the $750,000 abstinence program funding is new in the welfare reform legislation. Ms. Leonard explained DHS will work with the Teenage Pregnancy Prevention Task Force to coordinate efforts to determine how best to spend these monies.

Representative Allen, a member of the Task Force, indicated a very good media campaign has been identified and will be aired once funding is secured to do so.

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Chairman Richardson recessed the meeting at 9:00 a.m. and announced it would reconvened at 1:00 p.m.

The recessed meeting was reconvened at 1:12 p.m. and all members were present, except Senator Kennedy, who remained excused.

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In response to Representative Pickens' request for further elaboration on the 12-point work participation credit Arizona stands to receive, Ms. Leonard explained this is called a *pro rata reduction*, providing states with credit for each percentage point they reduce caseloads from 1995 levels. She further explained the 12 point credit is an estimate she has seen in several sources, including a national report printed in the *New York Times*, which has been determined by looking at Arizona's caseload totals; but has not yet been confirmed by the U.S. Department of Health and Human Services.

EMPOWER REDESIGN: PROPOSAL FOR WELFARE REFORM CHANGES UNDER P.L. 104-193

Dr. Blessing distributed handouts (filed with original minutes) entitled "EMPOWER Redesign: Changing the Culture of Public Assistance in Arizona," and copies of overhead slides she used in her presentation (filed with original minutes). Dr. Blessing emphasized the federal Personal Responsibility and Work Opportunity Reconciliation Act replaces AFDC (Aid for Families with Dependent Children) with the TANF (Temporary Assistance to Needy Families) block grant, and modifies the child care and development block grant as well. Dr. Blessing indicated changes to child support enforcement would not be included in today's presentation, except to note that the federal government will no longer share in the cost of the $50 pass-through. She emphasized the focus has shifted from receiving entitlements to obtaining employment and it is critical that the State take advantage of the flexibility in the federal legislation to promote this objective.

Dr. Blessing indicated the redesign is based on the following principles: 1) requiring work and providing support services to enable it, 2) reducing dependency and promoting self-sufficiency and 3) increasing client accountability and program efficiency. She distributed a data sheet (filed with original minutes) which showed that a family with an adult who is able to work is better off financially working at minimum wage, than collecting public assistance.

Dr. Blessing recommended strengthening sanctions for those adults who are able to work but choose not to comply with the required Personal Responsibility Plan. She emphasized the need to provide transitional child care, medical care and suggested at adding transportation provisions as well.

Dr. Blessing indicated the program redesign is targeting child care for working-poor families who may be at-risk for dependency on public assistance. She also indicated that an effort will be directed at removing bureaucratic red tape, streamlining processes and eliminating redundancy.

Dr. Blessing explained DES is proposing a "universal model" that builds on EMPOWER for the program redesign with an integrated services office which will provide one application for all clients to fill out. She indicated that business partnerships have been formed and job training has been designed to meet business specifications, all in an effort to help families become self-sufficient long before their two-year time limit expires.

Dr. Blessing further explained the universal model will allow placing more individuals in employment, allow funds to be set aside for a reserve, allow funding to be shifted from traditional cash assistance to child care as individuals move toward employment and allow Arizona to compete for bonuses in participation rate performance. She explained the proposal is cost-neutral, does not increase caseload and does not increase public assistance staff. Dr. Blessing indicated there would be one-time costs associated with changing facilities from welfare offices to employment offices, spread over a year or two. She also indicated separate budget requests for automated systems, such as electronic benefits transfer, will be presented.

Dr. Blessing emphasized the importance of DES living within its budget and the need to reduce benefits if caseloads rise above the appropriated amount rather than place individuals on waiting lists. She indicated that DES would keep the Legislature apprised of any increase in caseload and it could then choose to allow use of reserve funds or allow DES to proceed with reducing benefits.

Dr. Blessing distributed a handout of dialogue taken during interim welfare reform meetings held around the State (filed with original minutes) and indicated most of the discussions involved helping people to understand the new federal legislation. Testifiers also emphasized continuing the integration of services and giving special consideration to victims of domestic violence.

Dr. Blessing noted that six more public forums will be held by February 1, 1997 and requests for additional forums will continue to be honored, where details of the redesign proposal will be explained and feedback on DES ideas will be solicited from community groups. She pointed out that community involvement will be solicited in developing

employment opportunities, establishing transportation services (a key barrier to self-sufficiency and employment), addressing domestic violence and also teen pregnancy prevention.

Dr. Blessing introduced DES personnel, **Gretchen Evans, Bruce Liggett and Vince Wood,** to provide an overview of the service delivery model, review the 16 major policy options DES is recommending and review the four policy options it does not recommend.

In response to Representative Pickens inquiry, Dr. Blessing explained that a person could receive support services for two years after he or she leaves cash assistance. Representative Pickens questioned whether a person would be better off if their income does not rise during these two years than if they stayed on cash assistance and did not work. Dr. Blessing expressed her hope a person's income would rise over the two years, explaining that the intent is to support people early on and over time increase self-sufficiency. She also pointed out that people who are considered "working poor" would continue to be eligible for child care depending on their income level.

Representative Anderson asked what is still available to a person whose income has not risen over two years and Dr. Blessing reiterated that a person could still be eligible for medical care, food stamps and child care depending upon income. She emphasized these support services are not impacted by the two-year time limit as is the cash assistance and also pointed out that the earned income tax credit would continue to apply to low income families unless tax laws change.

In response to Representative Anderson's request for more information on child care, Mr. Liggett explained that after the two-year transitional period, each family would be treated individually depending upon income levels, and further reviewed specific examples on the data sheet.

Ms. Evans reviewed pages 8-14 of the proposal and referred to coordinated overheads charting client flow and current welfare-to-work system. She explained changes will introduce work earlier in the process, increasing the emphasis on obtaining employment and decreasing emphasis on eligibility for financial benefits. Ms. Evans noted this changes the welfare office into an employment office, with less emphasis on the one-on-one interview, and changes the lobby of the office into a self-service information resource center. She indicated the objective is to help clients understand that work is the goal, assist themselves in finding information and gain referrals if necessary, e.g. to unemployment insurance if eligible or specifically child care if this is the only need.

Ms. Evans described the orientation area where clients would view a video ensuring that everyone receives the same information about the program: that all recipients are expected to engage in work, that all are expected to sign a personal responsibility

agreement, that there are penalties for noncompliance with the program and that there is a time limit to participation in the program. She explained that if a client moves forward in the process, this person would next fill out a self-survey for the one-on-one interview where planning and eligibility for cash assistance would be determined. Ms. Evans noted that those determined ineligible would be referred for other services.

Ms. Evans explained that applicants determined TANF eligible will be placed in one of five service populations: diversion, rapid placement, short-term work transition, temporarily deferred and child only. She also explained the work activity priority ranking: 1) unsubsidized employment, 2) subsidized employment (JOBSTART), 3) unpaid work experience and 4) other work activities. Ms. Evans noted how education and training hours, subsidies of food stamps and cash would be allocated in each of these categories.

Senator Richardson asked what "allowable work activity other than education or training" would be and Ms. Evans explained this would include community service, unpaid work experience, on-the-job training or any allowable work activities listed in the federal legislation.

Senator Patterson suggested it is asking too little of clients to allow them to work fewer than the standard 40 hours per week and Ms. Evans explained that this allows time to prepare for a General Equivalency Diploma (GED) or training that will help them obtain 40-hour unsubsidized employment. Senator Patterson noted that some high school students are attending classes and working full-time and questioned why any less would be expected of people who are receiving public assistance.

In response to Representative Allen's inquiry, Ms. Evans confirmed that the hours spent in education and training must be in a formal setting, that clients are receiving child care to attend classes as part of their personal responsibility agreements and that they could be sanctioned if they do not comply with these activities.

Ms. Evans confirmed Representative Allen's understanding these clients would be the "hard to employ." Ms. Evans further explained these are the clients lacking skills and education to move into unsubsidized employment.

Ms. Evans confirmed Representative Anderson's understanding this category of client is mostly made up of single mothers and would therefore, need to devote time each week to family responsibilities as well as education and employment, whereas a high school student would not. Ms. Evans also noted there would be a cost for child care while participating in education activities.

Representative Pickens asked what group of the original AFDC caseload the "100 percent" refers to in the service program information. Ms. Evans explained this refers to 100

percent of the total cash assistance caseload with cases which contain an adult member, currently comprising about 50,000 households statewide, and excludes child-only cases with no adult in the assistance unit. Ms. Evans further explained the 20 percent is the group that could be exempted from the five-year lifetime limit for assistance due to a hardship.

Representative Pickens asked if the service program considers only those who are expected to move up to employment and not those who will be exempted. Ms. Evans explained TANF provisions do not allow for any exemptions from the work activities participation rate calculation, except that the State has the option to exempt people with children under age one and those with no adult in the assistance unit. Ms. Evans explained there are no exemptions for disability related to work activities as there were previously. She noted DES is providing for a temporary deferment from employment, but this is not a federal requirement.

Representative Pickens asked if DES recommends shortening timelines for job placement to 12 months. Ms. Evans explained that the 24-month time limit in EMPOWER refers to how long the adult in the assistance unit can receive cash assistance and that the 12 months in the chart refers to how long DES feels it will take to move someone into employment and does not mean this person's cash assistance would be cut off at the end of 12 months if this person had not moved into employment.

Representative Pickens asked if one-day service at DES offices allows enough time to move a person to the point of signing a personal responsibility agreement. Ms. Evans emphasized the purpose of one-day service is to eliminate a waiting period for receiving cash assistance while employability is being assessed.

Senator Patterson asked if a person who declined to work could receive cash assistance and other support services for two years. Ms. Evans emphasized this would not happen, clarifying that if a person refuses to work, he would then be ineligible for cash assistance or support services because he would not be cooperating with the program.

Ms. Evans, Mr. Liggett and Mr. Wood each reviewed a portion of the following 16 policy options which DES is recommending Arizona adopt:

- have a work expectation for all
- administer sanctions for noncompliance with the program
- subsidize employment statewide
- exempt families with children under age one from work participation, but require preparation for subsequent employment
- target child care funding
- streamline child care eligibility

- support Native American tribes' sovereignty through the operation of their individual TANF and/or child support programs
- continue to provide cash assistance for non-citizens who entered the U.S. prior to August 22, 1996 and subject those who entered after this date to new eligibility criteria as mandated by the federal legislation
- develop standards to identify applicants who are victims of domestic violence for referral to counseling and support services
- operate an Emergency Assistance (EA) Program for out-of-home placement of children in crisis and for domestic violence victims--and provide assistance to low-income and homeless families through a separate state/local funded program apart from TANF
- provide block grant funds to locally administer teen pregnancy prevention and statutory rape prevention programs
- use a standard set of rules and eligibility guidelines among the programs most often linked to assist families moving to self-sufficiency
- replace the complex cost of employment earnings disregards with a 30 percent earning disregard
- intercept unemployment insurance benefits to offset food stamp over-issuances
- solicit cooperation and assistance from the Arizona Department of Education to implement the requirement that all children of cash assistance recipients attend school as a condition of eligibility, expanding the existing requirement to include 16 and 17 year-olds
- require up-to-date immunizations for children who are receiving cash assistance

Ms. Evans explained that sanctions would be administered progressively, with a minimum 25 percent reduction in cash assistance for the first failure to comply, a 50 percent reduction in the cash assistance grant and termination of the entire cash assistance grant for the third failure to comply. She noted there is always an opportunity for the client to show good cause for noncompliance at each step in the progression.

Ms. Evans next discussed the JOBSTART program, operating as a pilot in Pinal County and in eastern Maricopa County. She recommended legislative changes be enacted that would enable DES: 1) to use wage subsidy more effectively with a broader segment of the population statewide, 2) to develop businesses in rural areas and 3) to target high pockets of urban unemployment. Ms. Evans also proposed removing the requirement that a person have a high school diploma or GED in order to participate in wage subsidy. She explained this recommendation is based upon information gleaned from the pilot program and from employers. Ms. Evans also recommended reducing the length of placement from nine to six months, using a flat reimbursement to the employer and no longer passing all of the child support through to the individual.

Senator Richardson asked if additional education and training is being ignored with JOBSTART, which requires full-time employment, usually defined as 40 hours per week. Ms. Evans acknowledged the full-time employment in JOBSTART usually means 40 hours per week, but indicated all employers do not define full-time employment as 40 hours per week, explaining that banks define full-time as 30 to 35 hours per week. She noted that clients in this program are able to take classes at night or another time and additional child care is provided for this purpose.

Ms. Evans confirmed Senator Richardson's understanding there is no requirement that clients in JOBSTART continue to participate in education and training. Senator Richardson asserted it is important for a client to better themselves after obtaining entry level employment and that education and training is the key to successful welfare reform. He expressed his wish to see further education required as a component of subsidized and unsubsidized employment. Ms. Evans indicated she would take this request under advisement.

In response to Representative Anderson's inquiry, Ms. Evans noted that JOBSTART has been up and running for a little over a year. Representative Anderson asked if employers dismiss subsidized employees once their six-month period is up. Ms. Evans explained that for those individuals who have been subsidized, only one has actually remained through the nine month period and was hired by the employer. She noted that the others all moved to unsubsidized employment within a month or two of being wage-subsidized. Representative Anderson asked if these individuals remained with the same company and Ms. Evans responded that most did.

In response to Representative Anderson's request to know how many in the test program moved into a wage subsidy, Ms. Evans related that ten moved into a wage subsidy. She emphasized that before being assigned a wage subsidy, many individuals obtained unsubsidized employment.

In response to Representative Pickens' request to know how successful the pilot program has been and how many additional staff it would take to move the program statewide, Ms. Evans responded that an evaluation of the entire EMPOWER program is underway as part of a government requirement to keep the State waiver and that no additional staff would be required to move the pilot program statewide. Ms. Evans emphasized that the program cannot meet the current demand of over 100 employers in Pinal County and noted there has been no difficulty recruiting employers in Casa Grande, Eloy or Coolidge.

Mr. Liggett reviewed the following problems with the current child care programs: there are no established priorities for assistance; the income limit of 83 percent of the Federal Poverty Level (FPL) is too low and there is a complicated mix of programs and funding sources.

Mr. Liggett proposed targeting child care for the low-income working families, families receiving TANF funds and families with special circumstances. He further proposed raising income eligibility to 100 percent of the FPL, shifting resources from education and training to work and managing capped child care funding through waiting lists.

In regard to Representative Anderson's earlier question about the family who had not raised its income from minimum wage after two years, Ms. Liggett explained that today that family, after two years, would only be eligible for the State program and its child care benefits would decrease by one-half. He noted that under the proposal this family would be eligible to received continued child care support at approximately $600 per month.

Mr. Liggett proposed supporting EMPOWER/TANF by allowing any amount of work, supporting clients' employment plans, including education and training, and continuing transitional benefits. He further proposed to only allow coverage of postsecondary activities if a family is first working 30 or more hours per week, strengthening the criteria for families receiving education and training, i.e., show satisfactory progress, validating goals, limiting time allowed to 24 months, reducing education time limit from a four-year to a two-year degree, defining allowable certificates and allowing high school and GED coursework for teen parents, even if they are not working.

Mr. Liggett indicated the proposal calls for a phase-out of State subsidy payment rates, using the federal rate approach which differentiates based upon age of the child, type of care and area of the State. He suggested that this along with restricting time periods and activities for education will necessitate grandfathering current recipients.

Mr. Liggett addressed special circumstances child care and proposed targeting Child Protective Services and Foster Care, continuing to make capped funding available for families unable to care for their children due to medical reasons, homelessness, domestic violence and other categories DES now serves. He emphasized that child care came up as a very important issue at many of the community forums.

Mr. Liggett next discussed the companion recommendation to targeting child care--streamlining child care eligibility by strengthening accountability. He proposed limiting job search activities to one month for those receiving benefits who have had a break in employment; developing better tools to verify self-employment earnings; adding a citizenship verification requirement; standardizing eligible applicants and family size by aligning many of Arizona's definitions with the Temporary Assistance and Food Stamp programs to define how dependents and income are treated; enhancing linkages with other programs such as child support; removing federal requirements which have been barriers to transitional child care and reviewing payment rates for relatives in a pilot program where paying reduced levels to relatives is tested and the impact measured. He emphasized the

importance of not hurting the supply of relatives available for child care in reducing levels of payment.

In response to Representative Anderson's request to know how long the federal child care program has been in effect, Mr. Liggett indicated it began in 1990, whereas Arizona has had provided a state subsidy since the mid-1970s. He further indicated the child care program, serving about 18,500 families with about 32,000 children per month, is operated currently with $62 million, to include approximately $20 million from state funds and approximately $40 million from federal funds.

Representative Pickens asked how much child care could be authorized for a person working 30 hours per week and receiving training as well. Mr. Liggett indicated DES could authorize 23 days per month full-time child care and could go up to 30 days if activities warranted. Mr. Liggett confirmed the time limit for education and training is 24 months, noting some people in public forums statewide have expressed concern about supporting clients while they receive education.

Mr. Liggett confirmed Representative Allen's understanding that child care coverage is being reduced to cover a two-year degree, and not a four-year degree.

Mr. Wood reviewed policy recommendations beginning on page 15 of the proposal dealing with tribal cash assistance, treatment of non-citizens, domestic violence screening and referral, emergency assistance for children in crisis and victims of domestic violence, use of the State's Maintenance of Effort (MOE) for low-income and homeless families, locally planned and administered teen pregnancy prevention and statutory rape prevention programs.

Mr. Wood also addressed increasing client accountability and program efficiency, reviewing issues related to streamlining eligibility, earned income disregards, recovering food stamp overpayments from unemployment insurance benefits, school attendance requirements for children and up-to-date immunization requirements for children.

Mr. Wood explained that currently 50 percent of clients are exempted from work activities and since DES proposes no longer allowing this under its universal model, it must streamline eligibility guidelines to stretch existing resources.

Mr. Wood also reviewed four policy options considered but not recommended by DES:

- opt out of using rules and benefit levels of the state from which a family has moved and treat all Arizona residents equally in regard to eligibility, regardless of where they previously resided

- opt out of mandating community service after two months of benefit receipt so participants can engage in work activities that lead to meaningful employment and self-sufficiency
- opt out of testing for controlled substances due to the cost of a testing program
- opt out of denying food stamps to persons who have a prior conviction for a drug-related offense, as this would shift costs from federal food stamp funds to state or local emergency funds.

Mr. Wood further explained that DES is proposing that Arizona not mandate enrollment in community service after two months, but to use this option as its fourth work activity priority.

Mr. Wood further explained the costs of operating a substance testing program far outweigh the benefits the State might realize. He acknowledged that states must deny cash assistance to applicants convicted of prior drug related offenses under federal legislation and Arizona will pose the self-declaratory question, "Have you ever been convicted of a drug-related offense?" on its application. Mr. Wood noted that federal overseers have allowed states to pose a self-declaratory question as there is no national database nor are there federal funds to help states administer this portion of the federal legislation.

Representative Allen asked how statutory rape prevention programs have been developed and Mr. Wood indicated DES is not charged with such development, is unaware of any programs in place, but has begun discussions with DHS to learn of its recommendations.

Representative Anderson suggested since truancy laws are already in place, the issue of school attendance should not be involved in the proposal. Mr. Wood indicated ADE would be responsible for monitoring school attendance under the proposal and emphasized that not only is school attendance for recipients a requirement under the federal legislation, but one which DES feels is important in moving people toward self-sufficiency.

In response to Representative Allen's request for elaboration on the treatment of noncitizens, Mr. Wood explained states will continue providing food stamps for anyone residing in the country before August 22, 1996 and will continue to until at least April 1, 1997 and no later than August 22, 1997. He indicated that between these dates the state must redetermine eligibility for food stamp recipients based on the new federal regulations which indicate most legal immigrants are not eligible. Mr. Wood explained there are some exceptions for immigrants who have worked forty quarters in the United States (calculated by including quarters worked by applicant, spouse and dependents) and for individuals classified by the Immigration and Naturalization Services (INS) as refugees, asylees and deportees. He further explained that the Social Security Administration (SSA) has been

directed to develop a method for states to verify the 40 quarters of work, noting the states already have a method for verifying the different groups to be classified by INS.

In regard to Social Security Insurance (SSI) eligibility, Mr. Wood explained SSA will be mailing out notices in February and March 1997 to all recipients who are legal immigrants informing them their eligibility needs to be redetermined by August 1997. He noted the same exceptions apply to SSI that apply to food stamps.

With regard to cash assistance, now coming as a block grant to the states, states have the option as to whether or not to continue providing services to legal immigrants. He related that DES recommends continuing to provide services for legal noncitizens who entered the U.S. prior to August 22, 1996, determining eligibility and moving them toward self-sufficiency through employment. Mr. Wood explained there is a five-year federal ban from participating in any federal program, including TANF block grant monies, for legal noncitizens who arrived after August 22, 1996 and if the State chooses to provide services to this group, it would need to pick up 100 percent of the cost.

In response to Senator Richardson's inquiry about what DES requires as identification or proof of entry date to the U.S., Mr. Wood explained that every applicant is required to provide proof of citizenship or proof of legal residency and the most commonly presented document is a birth certificate, though other forms are also accepted. He explained that assistance is provided in obtaining copies of birth certificates from health departments across the country.

Senator Richardson asked if there are any problems with the current verification process and whether it might need review for the welfare reform program. Mr. Wood expressed his belief current verification requirements are sufficient to implement provisions that DES is recommending for welfare reform. He explained INS is currently redesigning its verification documents so they hold up in court, as they currently do not.

Senator Patterson asked if a goal for the reduction in teenage pregnancy has been set for Arizona. Mr. Wood responded that DHS has established these goals, as this is not a function of DES.

Dr. Blessing added that this is an area of interest to the Governor and suggested the goals are tied to how much investment Arizona wants to make in the program.

Senator Patterson asked for clarification about what population would receive cash assistance. Mr. Wood explained the group receiving cash assistance would be those determined eligible by income standards based on family size. He clarified that DES is not recommending any change in the ceiling of income or the benefit level. Mr. Wood acknowledged the need to move this group toward employment, but noted some may not

meet the goal of becoming employed within the goal of six months time and would continue on cash assistance.

Representative Barry Wong, in attendance at the meeting representing constituents from the Chinese community, applauded the efforts of welfare reform, but expressed the need to address the concerns of elderly noncitizens who have been productive in the work force for a number of years but are unable to in their senior years. Mr. Wong also expressed concern for those who enter the U.S. at an elderly age, unable to continue working and in need of health care. He explained that many of these elderly receive medical services under AHCCCS--some for the reason they cannot buy health insurance on the private market due to preexisting conditions or prohibitive cost.

Diane Ross, AHCCCS, explained whether or not the individual continues to be Medicaid eligible, will depend on what type of immigrant they are, how long they have been in the U.S. and whether or not the State chooses to continue benefits to the optional category. She explained that if an elderly immigrant has worked 40 quarters, is in active military service or has an honorable discharge, their spouse or parent is in active military service or has received an honorable discharge, is a refugee, deportee or asylee they will receive mandatory coverage for five years. After that five year period, Ms. Ross explained, the State will need to determine if it wants to continue to provide Medicaid benefits to this group. She noted that if they fall into the active military service, honorably discharged or the 40 quarters of work group, they will continue to receive mandatory coverage. Ms. Ross acknowledged there are a significant number of people in Arizona "residing under color of law," and of these, five categories are exceptions and eleven are not. She explained these eleven groups will receive emergency services only unless the State opts to continue their coverage entirely at its own expense.

Representative-elect Barbara Leff, also in attendance on behalf of Russian immigrants, who, she noted, are small in number and all fit into the refugee category, expressed support for pursuing the options of premium sharing or a sliding scale fee for medical coverage.

Senator Richardson asked Representative Wong and Representative-elect Leff to help in developing a solution by providing an indication of the numbers of people they referred to. Both members expressed their commitment to working with the committee and appropriate state agencies.

Representative Pickens asked if there is a formula in place to make the reduction of benefits unnecessary in the event caseloads rise. Mr. Wood responded affirmatively, explaining that every year DES works with the Governor's Office of Budgeting and Strategic Planning and the Joint Legislative Budget Committee to estimate what the service population will be in order to arrive at a consensus. He explained that issue of a

reduction in benefits on page 6 of the proposal refers to the reality that once the Legislature appropriates the federal block grant dollars and appropriates the State amount, DES realizes it must stay within this appropriation. Mr. Wood explained that before the block grant, DES could request a transfer of funds between items.

Dr. Blessing remarked that in Arizona the public caseload is decreasing, there are jobs available in most communities and great opportunities to build upon EMPOWER for its welfare reform. She noted DES will continue to work with the Governor on ideas for providing child care for education, teen pregnancy prevention ideas and ideas for preventing domestic violence and will continue to hold public forums. Dr. Blessing indicated that some changes may require rule or regulation revisions, and that very few would require additional waivers from the Health Care Finance Administration or the Department of Agriculture. She distributed a packet of feedback on the most recent public forums (filed with original minutes) and indicated DES would provide a report to the Legislature in the coming session.

Senator Richardson asked about the philosophical foundation for limiting child care for education to two years from the current four years. Dr. Blessing explained this is proposed because the emphasis of the proposal is on moving people swiftly to employment, stressing there is a sense of urgency to meet federal time limit and work participation rate requirements. She acknowledged the importance of continuing education and noted this is one reason the Governor is looking at options for additional child care for advancing a person's education.

Senator Richardson emphasized the importance of empowering people to move up or transition to better paying jobs after obtaining entry-level employment and the necessity of continuing education to accomplish this.

PUBLIC TESTIMONY

Michael Doyle, representing Renewing America, Scottsdale, AZ, submitted a pamphlet for the record entitled containing reproduced articles related to welfare reform. Mr. Doyle's cover letter recommended to the government that all programs falling under the block grant umbrella be delivered by community agencies and private, not-for-profit groups already in existence to effect the best result for the least money, based on proven results.

Irene Jacobs, Senior Program Associate, Children's Action Alliance, emphasized the importance of measuring accountability not only in a reduction of the welfare caseload but in the attainment of adequate wages for workers and support services for workers to include child care and transportation; equal access for all participants to core services statewide, coordination of service providers at the local level and providing for foreseen and unforseen future economic circumstances. She noted that time limits and food stamp

reductions are hard on poor families and may result in neglect of children and subsequent removal from their home and parents, simply because they are poor. Ms. Jacobs expressed concern about the potential for children to be left home alone or in poor quality child care, emphasizing that with more parents moving to employment there will be greater need for child care. She noted the Carnegie Corporation reports that only one in eight child care centers is providing high quality, developmentally appropriate child care.

Ms. Jacobs expressed support for moving the subsidy level up to 100 percent of FPL, but expressed concern about reducing child care for education and training. She noted that Children's Action Alliance was founded primarily by business leaders concerned about the future of our children and encouraged the Committee to establish some kind of mechanism whereby business leaders and community groups have input as decisions are made.

Representative Allen asked if Ms. Jacobs considers child care by a relative, such as a grandparent, high quality child care. Ms. Jacobs indicated she could not say what every grandparent would be like in every situation, but agreed if this option is available for a family, it makes sense. She suggested it makes sense for DES to perform some type of minimal certification for a relative provider as well as they do for family providers. Ms. Jacobs asserted the same standards should apply whether its a relative provider or a family provider.

Representative Allen indicated the House of Representatives will have a block grant committee and encouraged participation from all interested parties, emphasizing this will provide a forum for the input of business leaders and others.

Ms. Jacobs suggested there will be implementation glitches that cannot be foreseen and encouraged providing for the input and involvement of business leaders at as high a level as possible. as they are the segment providing the jobs. She noted the discussions to date have revealed that business leaders are barely knowledgeable about the block grant provisions. but are very interested in becoming involved. In response to Representative Allen's request for names of interested parties, Ms. Jacobs indicated she would supply these.

Carol Kratz, Coordinator, Human Services Planning, Maricopa Association of Governments, representing the Arizona League of Cities and Towns, expressed concern about there being sufficient jobs available across the State, skill levels matching the jobs available. the low wage level and affordable housing issues. She emphasized the current transportation system provides no service on weekends, that a one-bedroom apartment in Maricopa County rents for $447 per month and also emphasized the importance of including all levels of advocates in the planning process. Ms. Kratz encouraged the Committee to look at support services in place by other levels of

government, noting the cities and towns provide transportation and food for this population.

Ms. Kratz indicated the League of Cities and Towns adopted a policy statement dealing with equity across the State in terms of allocation of block grant funds. She emphasized the importance of using local planners and contractors in utilizing these funds.

Ms. Kratz suggested looking at transferring TANF block grant funds to the social service block grant to provide support services such as transportation. She indicated there is a technical glitch in the federal law which Congress intends to address in its next session and once addressed, these services could be provided.

Ms. Kratz suggested that DES develop partnerships with other agencies and other levels of local governments. She suggested the Arizona Department of Transportation should be involved as well as the Department of Commerce to develop incentives for affordable housing and job development across the State, and ADE to address literacy skills and English as a second language.

Senator Richardson discussed the potential of "devolving" block grants down to local levels, to cities, communities and to individual providers. In response to his request to know if Ms. Kratz had an idea whether the League of Cities and Towns supports such an idea, Ms. Kratz indicated support has not been assessed because there has been no opportunity to have a policy level dialogue. She opined that some would want to become involved and that others may not have the capacity to become involved. Ms. Kratz indicated she would pursue the issue with the League.

Senator Richardson suggested the welfare program in Bisbee ought to look very different than the one in Phoenix, for example, and best suit the local needs, allowing cities to control their own destinies. He warned against trading the "tyranny of Washington" for the "tyranny of the Capitol in Phoenix."

Ms Kratz acknowledged that from dialogue it has become apparent local entities would like to take on their own planning, but suggested that local control of the purse strings is another issue and has not yet been discussed. She indicated it would be possible to convene a group to explore this issue

Senator Richardson suggested that La Paz County, for example, may have good opportunities for agricultural jobs, whereas Tempe might not.

Ms. Kratz suggested there be a dialogue between the program attempting to place applicants in jobs and the individual cities' economic development offices.

Eddie Sissons, Executive Director, Arizona Justice Institute, distributed charts (filed with original minutes) showing distribution of numbers of jobs and immigrant populations in Arizona. She suggested there may a problem identifying the number of jobs necessary for TANF recipients without facing some sanctions. Ms. Sissons also emphasized the need for community advocate participation in planning. She reviewed a map showing concentrations of legal noncitizens in legislative districts 5, 8 through 11, 15, 20, 22, 23, 25 and 30. Ms. Sissons also reviewed a map showing legislative districts 5, 10 through 13, 15, 17, 18, 20, 22 through 26 and 29 have concentrations of legal noncitizen food stamp recipients. She suggested that if the legal noncitizens are disallowed food stamps it may impact food bank supplies in these areas and also may have a negative impact on grocers. Ms. Sissons emphasized these individuals will have some problems if food stamps are discontinued and suggested the State may need to consider developing a solution to help these communities.

In response to Senator Richardson's request to know what the numbers in parentheses on the maps signify, Ms. Sissons explained they represent numbers of zip code areas.

Senator Richardson asked it the charts refer to numbers of legal noncitizens and Ms. Sissons confirmed they do. She indicated the State does not provide assistance to illegal noncitizens, but perhaps to their children.

Monsignor Edward Ryle, Director, Arizona Catholic Conference, provided an analysis of spending cuts adopted by the 104th Congress, noting that 93 percent of the benefit cuts and 24 percent of the entitlement cuts are disproportionately focused on poor people and will total $4.6 billion from 1996-2002. He noted that tax cuts and reductions in benefit levels present a concern at a time when greater expectations are being placed on poor mothers and children of Arizona, suggesting it would be reasonable to increase benefit levels to 36 percent of FPL. Msgr. Ryle noted that the cost to reach this level would be $11 million at a time when taxpayers have been saved $28 million in the last few years.

Senator Richardson asked if the figures cited for benefit cuts are actual dollars or reflect cuts in the anticipated growth. Msgr. Ryle indicated the figures represent actual dollar amounts. He explained the AFDC caseload has been going down over the past two years and, unlike the country in general, poverty has gone up in Arizona over the past two years. He emphasized that if families on welfare have a chance to work, they want to work.

Representative Anderson asked who the other 76 percent of the entitlement group represent, asking if they are not poor and did not receive benefit cuts. Msgr. Ryle responded these receive Medicare benefits and Social Security Insurance benefits, which take a much larger number of people out of poverty than food stamps and AFDC put together.

Representative Anderson asked if Msgr. Ryle would advocate bigger cuts in Medicare and Social Security in the interest of fairness. Msgr. Ryle suggested since Social Security has done such a fine job of taking people out of poverty, the U.S. may want to consider doing what a number of western European countries do and provide a "children's allowance."

Senator Richardson announced the Committee's potentially final meeting will be held December 9, 1996 at 1:30 p.m. in the House of Representatives. He expressed his intent to bring formal closure to proceedings and arrive at specific recommendations for the Legislature, acknowledging another meeting can be set if necessary.

Without objection, the meeting was adjourned at 4:15 p.m.

Respectfully submitted,

Alice Kloppel

Alice Kloppel,
Committee Secretary

(Tapes and attachments on file in the Office of the Senate Secretary)

MEETING OF COMMITTEE ON
JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS

DATE 12·3·96
TIME 8:30 am

NAME Please Print	REPRESENTING	BILL NO.
MIKE DOYLE	RENEWING AMERICA	
E.J. Jamsgard	Senator Jon Kyl	
Norman Levine	Catholic Sun	
[illegible] Jacob	Children Action Alliance	
[illegible]	Ariz. Community Action Assn.	
Deborah Baker	Inter Tribal Council of Az	
Randy Warner	Jewish Community Relations Council	
Don DeWitt	Ariz Child Care Assoc	
Polly Sharp	ITCA, Inc.	
[illegible]	AHCCCA	
[illegible]	City of Avondale Social Services	
Richard Trujillo	Maricopa County	
[illegible]	AZ. CATHOLIC CONF	
[illegible]	Arizona Cities or Towns	
[illegible]	[illegible] Counties	
[illegible]	[illegible] Citizen Assn	
[illegible]		
[illegible]		
[illegible]	" " "	
[illegible]	" " "	
[illegible]	County Supervisors association	
[illegible]	I-CIT	
[illegible]	CHINESE AMERICAN CITIZENS ALLIANCE	

ARIZONA STATE LEGISLATURE

Minutes of

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS
Monday, December 9, 1996
House Hearing Rooms 3 and 4 - 1:30 p.m.

Cochair Carolyn Allen called the meeting to order at 1:45 a.m. and attendance was noted. See attached sheet for other attendees.

MEMBERS PRESENT
Senator Kennedy
Senator Patterson
Representative Anderson
Representative Pickens
Senator Richardson, Cochair
Representative Allen, Cochair

STAFF
Mimi Leonard, Senate
Pat Chumbley, House

MEMBERS ABSENT
None

PRESENTATION BY THE DEPARTMENT OF HEALTH SERVICES (DHS)

Marianna Bridge, Office Chief, Women's and Children's Health, DHS, distributed handouts to the Committee (filed with original minutes) and informed the Committee DHS had purchased a copy of the abstinence program compiled in Michigan at the direction of the Legislature's Teen Pregnancy Task Force which has been meeting for approximately two years. Ms. Bridge read Section 402(a)(1)(A)(v) to the Committee which created a Federal special incentive program for states to plan and promote an abstinence program. The section states "Establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and establish numerical goals for reducing the illegitimacy ratio of the State (as defined in section 403(a)(2)(B) for calendar years 1996 through 2005." Senator Patterson said it was his understanding that the actual focus of the section was on out-of-wedlock pregnancies and that it made a definite difference if the focus was only on teenagers. Ms. Bridge agreed the focus would be changed, but added that the Federal government had neglected to give the states clear direction on how to proceed. Ms. Bridge informed the Committee goals had been submitted for Arizona and that the penalties and funding awards to each state had not yet been clarified. She said it was also her understanding that only two states, Arizona and Massachusetts, had submitted plans in order to qualify for the additional funding and that as far as she knew, Arizona's goals had been accepted.

Representative Pickens and Representative Allen asked what Arizona did in order to

qualify for the additional award. Ms. Bridge explained DHS tried to decipher the Federal "wording" and develop options by ascertaining the number of pregnancies versus the number of births. The Department opted to discuss the number of births rather than the number of pregnancies since there were many factors that could affect a pregnancy including late term miscarriages, abortions, and fetal deaths. DHS also had to decide whether the State had to address all unwed births or only teenage unwed births. That issue would also contribute to problems in addressing the issue without increasing the rate of elective abortions. The only money DHS is sure of receiving is that from a Title 5 Block Grant program but she was unsure of the amount.

Representative Anderson said he had seen a table that listed Arizona receiving $894 thousand dollars and had it duplicated for the Committee members (filed with original minutes).

Senator Patterson expressed his frustration with the intent to focus the unwed pregnancy campaign only to teenagers and asked why the State would want to "cut off" its efforts to those who are over 18 years old. Ms. Bridge said assumptions were made regarding the 18 and 19 year olds; for example, it was assumed that girls of that age who were pregnant were out of high school and would not be impacted by a campaign such as the one purchased from Michigan. The age of people getting married has also increased which would further impact numbers. Senator Patterson noted it would be helpful to the Committee if they had numbers of those unwed women in Arizona and their ages so that the Committee could see what percentage of births were to mothers under 15 years old. Ms. Bridge distributed a chart (filed with original minutes) that answered that inquiry and also projected future numbers. She further informed the Committee the largest increase in out of wedlock births had occurred among the 20 to 24 year old group. She added the goals of ADHS were presented to the Federal government with the Temporary Assistance to Needy Families (TANF) response on October 1, 1996.

Ms. Bridge further informed the Committee the Legislature had funded the task force mentioned earlier with $250,000. DHS has staffed the task force which has focused on a statewide campaign for teenagers entitled "Sex Can Wait" with a target audience of 10 to 14 year olds. Ms. Bridge distributed two handouts to the Committee, both entitled "Teen Pregnancy Prevention" (filed with original minutes) and reviewed some of the programs listed. She said there were still considerations being made as to how to allocate monies to the counties for pregnancy prevention programs and further distributed a handout entitled "Base Level" to the Committee (filed with original minutes) which gave a breakdown of the expected funding to be received by the State and how it will be used.

Senator Patterson inquired about the terms "unintended pregnancies" and "out of wedlock" pregnancies since both are obviously different and asked rhetorically why the State would care about addressing the "unintended pregnancy" issue. He further noted the goal of

reducing the teen pregnancy rate from 38% to 37.5% did not seem like a significant goal. Representative Allen asked why that number was chosen. Ms. Bridge referred the Committee to a table with the years 1997, 2000 and 2005 which broke down the ages targeted and projections for future births (filed with original minutes). Senator Patterson repeated it was his contention that the goals were extremely moderate and was inconsistent with good policy. Ms. Bridge noted with the funding constraints experienced, it was in the State's best interest to strategically position itself for additional funding. Senator Patterson pointed out he did not believe it was right for the State to set such low goals. Representative Allen reminded the Committee it was not "locked into" any proposals and that they could continue to discuss their ideas for making the program better.

Senator Richardson pointed out over the time period DES had charted, a reduction from 38.2% to 37.5% was still an increase of out of wedlock births in light of projected population increases. He added he would like one of the goals of the Committee to be lowering the number of out of wedlock births among all ages, not just teenagers.

Representative Anderson said he believed the Federal language in Title 5 was pretty clear regarding what the funds were to be used for and asked if it was the belief of DHS that $894,000 should go for the "Sex Can Wait" program. Ms. Bridge informed the Committee it was her understanding the money in Title 5 is tied to teenage pregnancy prevention initiatives and spoke glowingly about the Joint Legislative Committee on Teenage Pregnancy who had recommended that the message to teenagers should be "Sex Can Wait" but added it was not the only thing that could be done with the funding. Representative Anderson said he had not seen the program yet, and would like to do so in order to see how it fits the Federal criteria.

Representative Pickens asked how local communities received funding for teen pregnancy prevention programs. Ms. Bridge explained out of $250,000, $110,000 was distributed for pilot projects while other funds were used for training, media, national education and employee costs. She noted that the State would have to abide by Federal regulations on how additional appropriations are distributed. Representative Pickens asked what agency would get the money for distribution. Ms. Bridge said that it was unclear, but that counties could be involved.

PUBLIC TESTIMONY

Polly Sharp, Inter Tribal Council of Arizona, read a letter to the Committee (filed with original minutes) regarding the effect of TANF on the Indian tribes and the need for a good cooperative effort between the State and the tribes. She added the tribes are still ascertaining their needs regarding the Aid to Families with Dependent Children (AFDC) program and State matching funds and promised to provide that information to the

Committee members when it was available.

Susan Webb, Executive Director, Arizona Bridge to Independent Living (ABIL) and Arizona Association of Temporary Staffing Services (AATSS), suggested that changes to welfare reform would be beneficial, citing examples of job training and future employee preparation. She informed the Committee her organization had placed 250 people who were previously on public assistance into jobs paying no less than $6 per hour. She also told the Committee how people were trained in basic skills that would apply to specific industry needs so they could be trained further in the industry that hired them. Representative Allen asked for a definition of "basic skills." Ms. Webb explained that reading, dressing properly for work and showing up on time for a job were all considered basic skills that the employer doesn't have time to train for. Ms. Webb spoke in support of designing a job training program specifically for Arizona that effectively uses the funds provided by TANF.

Senator Patterson thanked Ms. Webb for her testimony and asked for an example of a week of basic skills training. Ms. Webb said a curriculum was being defined currently for various areas of job training such as home health care, customer services, electronics and assembly work. Senator Patterson asked if employers already provide training. Ms. Webb agreed training was usually provided by the employer, but that it was specific to the task the employee was hired for. Senator Patterson asked if a high school diploma or General Education Equivalency test was required for some of the jobs she referred to. Ms. Webb said it was.

VIDEO PRESENTATION

Ms. Bridge returned, and the video presentation of "Sex Can Wait" was played for the Committee.

After the video, Ms. Pickens informed the Committee she had been participating in hearings in Tucson and that job readiness and preparation were issues she had heard referred to by the public. She asked for the Department of Economic Security's (DES) position on expansion of job training programs.

Dr. Linda Blessing, Director, DES, explained the change in focus of DES had been to develop a partnership with various employees in the State for short term preparation. She referred to Bill Hernandez for further information.

Bill Hernandez, Assistant Director, DES, explained revamping within the Job Opportunities and Basic Skills Program (JOBS) program was currently taking place in conjunction with AATSS and other programs were being facilitated through the counties. He added it was the intent of DES to create an "umbrella" of services for appropriate

references and services. Representative Pickens asked if an evaluation of a potential worker's job readiness and life skills could take place through the same program. He explained the "one-stop center" concept would take DES out as the "middle man" and create a new network. In response to a query by Representative Pickens, Mr. Hernandez told the Committee the JOBS program does not have a waiting list and that DES was attempting to bring all funding sources together to create one program. Representative Pickens said she would like to discuss the JOBS program further with Mr. Hernandez at a later time.

Representative Anderson asked Dr. Blessing what would happen to someone who tried a few jobs but was uncooperative and without skills. **Dr. Blessing returned,** explaining that some people may have to be temporarily "deferred" for a period of time, but that it was her belief that most people can be placed in employment. She added the design of the proposal calls for sanctions on those who won't work but that there is a 20% exemption for those unable to work. She explained the sanctioning is progressive, and that the changes to welfare reform are about personal responsibility, and the ability for the State to get rid of some of the Federal "red tape." Representative Anderson asked if there was some role for the churches or small agencies to play in the "character" issues of potential employees. She informed the Committee JOBSTART serves as a diversion in getting people ready to work. She added she believed that most people who are able to work who are on public assistance would be willing to take the work option.

Vince Wood, Division Chief, DES, informed the Committee there is a two year time limit for adults on Employing and Moving People Off Welfare and Encouraging Resposibility (EMPOWER) although children in the same family will continue to receive benefits for five years maximum. He added there could be coordination with different local services agencies through Social Services Block Grants to help a family before the five year time limit is imposed. The assumption regarding children continuing to receive benefits is contingent on the adult continuing to cooperate, and sanctions will affect the entire family. Senator Patterson asked if there are any provisions for getting community groups involved. Mr. Wood said emergency assistance would be available through community groups for people in crisis and DES would also try to refer people to local organizations for services.

Representative Pickens noted it was assumed that everyone who is currently on public assistance would have to go through job training even if they were elderly, physically or mentally disabled. Mr. Wood explained there were different demographics to consider but that under EMPOWER there are definite time limits with extensions but no exemptions. He added there was also the 20% population exemption the State could choose to use.

Representative Allen announced the next meeting would be on the afternoon of December 20 in order for the Committee to discuss issues associated with Block Grants and possibly make recommendations.

Monsignor Edward J. Ryle, Arizona Catholic Conference, said he was worried about the impact of the proposed changes, especially for illegal immigrants who are on AFDC, Arizona Health Care Cost Containment System or receiving other Federal assistance. He added there was no way for local agencies such as United Way to make up the difference lost in assistance to those persons from changes to welfare reform.

Jackie Taylor, Executive Director, United Methodist Outreach Ministries, applauded the Committee for considering the issues of child care for those needing additional assistance and encouraged the Committee to study the lack of services to the working poor. She expressed grave concern with the funding of emergency services, and asked that funding for that area not be contingent on TANF.

Carolyn Hollis, teacher, Pima County Adult Education, informed the Committee she teaches women who are on welfare and that most of those women read below an 8th grade level. She expressed concern with that group of people who don't get jobs will no longer receive welfare.

Rebecca Swanson, Executive Director, Nogales Housing Authority, spoke on the lack of jobs in rural communities, double digit employment, and the lack of public housing. She added it was her intent to discuss her concerns and those of the Housing and Urban Development Administration.

Without objection, the meeting was adjourned at 4:17 p.m.

Respectfully submitted,

Arlene Seagraves

Arlene Seagraves, Committee Secretary

(Tapes and attachments on file in the Office of the Secretary of the Senate)

19 TRIBES

INTER TRIBAL COUNCIL of ARIZONA

MEMBER TRIBES
AK-CHIN INDIAN COMMUNITY
COCOPAH TRIBE
COLORADO RIVER INDIAN TRIBES
FORT McDOWELL YAVAPAI TRIBE
FORT MOJAVE TRIBE
GILA RIVER INDIAN COMMUNITY
HAVASUPAI TRIBE
HOPI TRIBE
HUALAPAI TRIBE
KAIBAB-PAIUTE TRIBE
PASCUA YAQUI TRIBE
QUECHAN TRIBE
SALT RIVER PIMA-MARICOPA INDIAN COMMUNTY
SAN CARLOS APACHE TRIBE
TOHONO O'ODHAM NATION
TONTO APACHE TRIBE
WHITE MOUNTAIN APACHE TRIBE
YAVAPAI APACHE NATION
YAVAPAI PRESCOTT INDIAN TRIBE

December 9, 1996

Senator Gary Richardson, Chairman
Joint Interim Study Committee on Block Grants
Arizona State Senate, Room 305
1700 West Washington
Phoenix, Arizona 85007

Dear Senator Richardson,

The Inter Tribal Council of Arizona, an organization of 19 tribal governments in Arizona, appreciates the acknowledgment regarding tribal sovereignty and the need for continued technical and financial assistance to be provided by the State of Arizona for those tribes which may opt to administer their own Temporary Assistance to Needy Families (TANF) or child support programs under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) as outlined in the governor's EMPOWER Redesign. At this time we do not know how many tribes will opt to operate their own programs. It is critically important and mutually beneficial for the State to continue to provide state matching funds for those tribes that do seek to administer their programs.

As with other rural areas in the state, the tribes have serious concerns regarding the lack of transportation and lack of employment opportunities in many of the reservation communities. The operation of the new TANF programs is a totally new arena for tribes in Arizona to consider. The tribes have never before had the opportunity to administer this program. There is a need for data to be shared with tribes regarding caseload size, expenditure patterns and the true cost of administering the program authorized by the PRWORA in order for informed decisions to be made.

Individual tribes are establishing local tasks forces and committees to begin to assess the feasibility of operating their own programs and are also meeting collectively to exchange information and ideas. ITCA has been working closely with officials from the Department of Economic Security to develop information and explore tribal options. We will continue to coordinate this effort and to provide consultation and technical assistance.

Thank you for your interest in tribal participation in the TANF and other PRWORA programs.

Yours truly,

John R. Lewis,
Executive Director

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ARIZONA HOUSE OF REPRESENTATIVES

Guests Attending Meeting

MEETING Joint Interim Study Committee on Block Grants DATE 12/9

NAME AND TITLE (Please print)	REPRESENTING	B.
Carolyn Hollis	Pima County Adult Education	
Andria Palm	AZ Justice Institute	
Linda Blessing	DES	
Barry Gartell	AACo	
Richard Trujillo	Maricopa County	
Rebecca T. Swanson	Nogales Housing Auth.	
Brenda Robbins	Eloy Housing Authority	
Kent Fairbanks	League of Cities & Towns	
MARIANNA Bridge	ADES / DWCA	
Polly Sharp	Inter Tribal Council of Ariz	
Darren Pete	Inter Tribal Council of Ariz	
Henry Atz	Pima County	
SUSAN WEBB	AATSS, ABIL	

ATTACHMEN

ARIZONA STATE LEGISLATURE

Minutes of

JOINT INTERIM STUDY COMMITTEE ON BLOCK GRANTS
Friday, December 20, 1996
Senate Hearing Room 1 - 1:30 p.m.

Cochair Gary Richardson called the meeting to order at 1:45 a.m. and attendance was noted. See attached sheet for other attendees.

MEMBERS PRESENT
Senator Patterson
Representative Anderson
Representative Pickens
Senator Richardson, Cochair
Representative Allen, Cochair

STAFF
Mimi Leonard, Senate

MEMBERS ABSENT
Senator Kennedy

Senator Richardson informed those present the first order of business would be to review the document "Welfare Reform Block Grants -- Options Available to the States Under P.L. 104-193" (filed with original minutes) and make Committee recommendations. He added it was important for the Committee to establish a direction for the Legislature's consideration and that public testimony would be taken after the document was reviewed and recommendations made.

ELIGIBILITY: Does the State want to change the eligibility criteria?

Representative Allen said she had no interest in drastically changing the eligibility criteria established by the Federal government while Senator Richardson said he wanted eligibility to be centered on the ability to work, making it a "work-based welfare program."

Representative Pickens asked what the payment standard was for those applying.

Mimi Leonard, Committee Analyst, explained that those making up to 185% of the Federal Poverty Level (FPL) can apply, but that at that rate, most applying would not be eligible.

Vince Wood, Assistant Director, Division of Eligibility, Department of Economic Security (DES), explained there are two standards used to determine eligibility with one based on shelter costs for the family. The gross income test is 185% of the FPL and the standard payment is $218. Representative Pickens expressed concern with more people being forced to go on DES caseloads and the need for the State to have a reserve so cash payments are not reduced further.

Representative Anderson asked if DES recommended changing the eligibility criteria or allowing it to remain the same. Mr. Wood said there were no recommendations in regard to changing the payment level; however, alignments in eligibility criteria between all of the programs was planned for the future. Mr. Wood stressed the need to focus on moving people to employment and said he hoped the Committee would look at eligibility criteria and streamlining. In response to a query from Representative Pickens, Mr. Woods recommended that the qualifying amount of resources under the same types of program be adjusted to the same amount ($2,000). Mr. Wood also explained DES was currently working with the Governor's Office to address the changes that could take place as a result of the offset, and that he was not prepared to respond to that inquiry today.

Senator Patterson reminded the Committee that an important aspect of the program was to allow two parent families to participate in work programs in order to curb family breakdown. Representative Pickens requested further information on the possibility of simplifying the options and the consequences of such a move.

Senator Richardson asked for the Committee's opinion on Page 2 of the handout.

Representative Pickens said she would favor the development of an "Individual Responsibility Plan" as long as both parties participate in its drafting.

Senator Richardson asked for the Committee's opinion on the second issue presented on Page 2 which asked if penalties should be imposed for non-compliance with the Individual Responsibility Plan. Representative Anderson asked how "non-compliance" would be defined. Senator Richardson said he did not want the definition to be open to abuse and that it was his preference that the Committee err on the side of control for valid reasons.

Representative Allen said she could not recall whether or not there was a definition that applied to sanctions. Mr. Wood explained sanctions could be leveled against someone who, after signing an agreement with DES, does not cooperate with the agreement which includes such items as cooperation with child support payments and ignoring the work requirements. Mr. Wood cautioned the Committee regarding "good cause" reasons and

temporary or other exceptions which might have to be placed in statute. He noted one "good cause" reason involves the parent of a child who is born as a result of rape or incest.

Senator Richardson inquired why that parent would not be expected to participate in a work program. Mr. Wood explained such an applicant is encouraged to cooperate but if there is a fear for the safety of the child or self, they do not have to. Senator Richardson asked if a victim of domestic violence was also exempt. Mr. Wood explained domestic violence could be considered a temporary situation. Senator Richardson expressed his discomfort with the idea that someone would be allowed to not cooperate.

Senator Patterson said he wanted to avoid putting definitions for "good cause" in statute and leave the determination to the caseworker. He asked what the overall financial disincentive of the 25% sanction would be. Mr. Wood said it would depend on the amount of cash assistance received and added if a person does not cooperate at the initial interview, they wouldn't receive anything. If a person is sanctioned, the amount is 25% the first month, then 50% more until the amount is zero. Senator Patterson pointed out one of the problems encountered with JOBSTART was that the sanction was not enough to deter people, which he believed was important. Mr. Wood explained the DES proposal would be progressive and that when a reduction was made, Food Stamps would not be increased to make up the difference lost.

Representative Pickens contended three months with a reduction was significant and that she would like to speak for continued clarity in how the Legislature determines what "noncompliance" is. She also spoke in support of a hearing as part of the process. Representative Anderson agreed a clear definition of noncompliance was essential.

Representative Allen asked if the contract was standardized or tailored specifically to the individual. Mr. Wood explained the contract was individually applied to the family.

Senator Patterson expressed disagreement with installing a due process requirement, and noted the more real work can be replicated, the better the system will be. Senator Richardson pointed out if the contract or agreement is specific and defines what noncompliance is, hearings will be unnecessary and if a hearing is required, even more employees will be needed to carry out the requirements of the program.

It was agreed by the Committee that a progressive sanction would be recommended and that definitions on noncompliance were necessary.

The Committee decided against treating families who have moved to Arizona from another state under the cash assistance rules operating in the state from which they moved which is the last recommendation on "Eligibility" found on Page 3 of the handout. Senator Patterson pointed out those requirements could be changed at a later time if it became necessary to do so.

Mimi Leonard, Research Analyst, reviewed the Federal provision which maintains that states must deny cash assistance to persons convicted of felonies involving the possession, use or distribution of controlled substances. She informed the Committee a State criminal background check by the Department of Public Safety (DPS) would take 3 to 5 working days and would be at no charge while a Federal check would cost $24 and take 6 to 8 weeks. Representative Allen said she did not feel the extra expense would be worth it to the program although she did not rule out the State background check as a possibility. Representative Pickens noted the purpose of the program being established is to get people into a working program and that she would hate to think that the Legislature would put in more unnecessary "roadblocks."

Senator Richardson asked if it was possible for states to opt out of the Federal requirements. Ms. Leonard explained states would be allowed to proactively opt out if there is a state plan in place. Senator Patterson asked if participation in JOBSTART would be considered cash assistance. Ms. Leonard said she believed any program using Temporary Assistance to Needy Families (TANF) monies would be considered cash assistance. Senator Patterson said he was in agreement with Representative Pickens regarding jobs, adding that if a person wants to work he should have as few "roadblocks" as possible, but that if someone wants money for doing nothing it was a different situation.

Representative Pickens discussed the need to help people get into job programs and that she did not believe a background check would help them get a job. She spoke in support of dividing the issue into a cash assistance program or job assistance program. Ms. Leonard clarified that Ms. Pickens' wish was the intent of the Committee.

Representative Allen asked what the current status of welfare benefits for felons was in the State of Arizona. Mr. Wood explained there is no requirement for DES to ask if the person applying is a felon or for DES to do background checks.

Senator Patterson said he believed Federal background checks should be done on all those applying for cash benefits. Senator Richardson wondered if that would hold up benefits. Representative Pickens noted the cost to do such a check on every applicant would be great, and that those dollars could be better spent in other ways.

Representative Anderson spoke in support of a State background check only and expressed a desire to know the number of people who are felons from other states applying for benefits in Arizona.

Representative Allen spoke in support of requiring only a state background check at this time.

EMPOWER PROGRAM

Senator Richardson asked the Committee if it wanted to continue to honor the welfare provisions already passed by the State regarding transitional medical care and child care waivers or if it wanted to make changes.

Dr. Linda Blessing, Director, DES, informed the Committee it was necessary to retain the transitional medical assistance waiver and to also expand on the two-year time limit waiver. She added it was the intent of DES to do away with most waivers. Representative Pickens asked what DES would have to do to keep some of the waivers. Dr. Blessing said that nothing would have to be done legislatively; however, they would have to be renegotiated with the affected Federal agencies.

Senator Richardson asked how the time limits would be affected. Mr. Wood explained states have the flexibility to establish time limits as long as there is still only a five year lifetime limit for anyone who collects benefits. Senator Richardson asked if the time limit would be difficult for DES to keep track of. Mr. Wood explained there were options DES was presently considering involving children who are on the system who would continue to receive benefits even if the parents go off the system.

Senator Patterson noted the program design was one in which the only people receiving cash assistance are those unable to work and asked why time limits would be necessary at all. Representative Pickens noted that Federal legislation has allowed the State to exempt certain people from the cash assistance requirements, and asked if there was a waiver how long it would be good for. Dr. Blessing explained the program waivers were for seven years and that the program was one year old now.

OUT-OF-WEDLOCK BIRTHS

Senator Richardson asked for clarification on the reduction goals for out-of-wedlock pregnancies. Ms. Leonard informed the Committee the $100 million allocated each year beginning in 1998 would be divided among the five states who are most successful in reducing out-of-wedlock births without increasing the abortion rate. The program does

not have to be specific to teenagers. Senator Richardson asked if that reduction is hinged upon the goal stated at the last Block Grants meeting, or as a percentage not yet expressed. Ms. Leonard explained the rules have not been made clear and that there does not seem to be a direct link in the legislation to goals set. Senator Richardson clarified that it was only necessary to be one of the top five states as explained by Ms. Leonard. Ms. Leonard answered affirmatively.

Marianna Bridge, Chief, Women's and Children's Health, Department of Health Services (DHS), agreed the wording in the Federal law was unclear and that there was no guidance as to where a penalty would fit in. Ms. Bridge explained the goals set and submitted to the Federal government were done without knowing clearly how "success" was defined, the possible sanctions to participating states, and the exact goals of the Federal government. Representative Anderson asked if abortion rates could be tracked across the United States. Ms. Bridge said that was possible, and that there were Federal sanctions if that information was not tracked. She added it was not possible for Arizona to track a resident who goes somewhere else for an abortion.

Representative Pickens said she believed the goals set and discussed in the last meeting were modest, but that she believed it was in the Committee's best interest to see what penalties the Federal government would levy before making changes.

Senator Patterson said he did not believe the Federal government would offer an incentive to the states to set low goals, and noted Arizona has a chance to reduce out of wedlock births and that he believed the goals set were too low. He added he would like to recommend that the Request for Proposal (RFP) process be enlisted to set up programs to reduce out-of-wedlock births. Representative Allen said she believed if Arizona turned down the additional incentive money, it was hurting itself.

Ms. Leonard said she believed the only issue of noncompliance would be if the State neglected to set goals, and that she did not interpret the law to mean a penalty would be forthcoming as long as Arizona set some type of goals. Ms. Bridge agreed intent is not limited.

Senator Richardson reviewed the issue on Page 5 and receommended that the State set goals that were worthy of its efforts and encourage the use of the RFP process to reach those goals.

Senator Patterson discussed how a financial performance incentive in contracts might generate an interest in "getting the job done."

Representative Pickens asked if part of the Teenage Pregnancy Task Force recommendations were to support programs in the communities that are already working. Ms. Bridge said she already knew of some programs in communities that look promising. Representative Pickens said she felt it was important for the Committee to look at all out-of-wedlock programs.

Representative Anderson asked DHS to provide information to the Committee on programs that were successful in reducing out-of-wedlock births.

WORK REQUIREMENTS

The Committee reviewed the Federal provision that would allow a parent or caretaker who has received assistance for two months, who is not exempt from work requirements and is deemed ready to work, to participate in a community service program. States are allowed to opt out of the provision. Representative Allen said she was ambivalent about the requirement but questioned whether it was in the State's best interest to monitor still another group of people. Senator Patterson said it was a matter of whether the State wanted to put hard-to-employ people on cash assistance or require community service work, and added he believed it was important to require some sort of effort for cash assistance.

Representative Pickens said it was necessary to have an idea of how many jobs were available, whether those jobs are available within the State and the possible use of the community service option if all else fails. She added it would result in more record keeping.

Mr. Wood said DES was not opposed to the idea of community service; however, DES was in disagreement on the two-month requirement. He added DES has community service programs as an option if a person cannot be placed into another program. He added DES would not like to see it as a requirement. Senator Patterson said he would be willing to have the option available to the caseworker for recommendation but not for the client to choose.

The Committee decided to opt out of the provision at this time, but would be willing to visit the concept again if necessary.

The Committee continued on Page 7 of the handout which requires a state to have a percentage of its assistance caseload in specified work activities. Representative Pickens noted that some individuals are working towards job training and certification by attending school and would have to stop doing that in order to work full time. Representative

Pickens said she believed that would be counterproductive and cautioned the Committee about defining the work requirement. Senator Richardson informed the Committee from personal experience, he did not feel it was a harsh requirement to expect someone to both work and go to school and he did not feel a recipient Federal aid should be any different. Representative Pickens said she felt the program could succeed if the definition of work included going to school and added she was opposed to making someone quit school in order to go to work. Senator Richardson asked what Representative Pickens would consider a fair amount of hours of work for someone who was going to school. Representative Pickens said she thought a schedule of 20 hours work, 20 hours school was fair.

Senator Patterson asked what the Federal guidelines were in regards to education as work requirements. Mr. Wood said the requirement allowed for 20 hours of work. Senator Patterson pointed out that number could be counted in the numerator and that if we want to count job training and job search as work, the State was in the same situation. He added that people work to take care of obligations, not because the State makes them.

The Committee decided that work is the main part of welfare reform.

The Committee considered Page 8 of the handout which required adults in families receiving assistance under TANF to participate in work activities as defined by the State after receiving assistance for 24 months. It was agreed a work program was the goal for encouraging productive living.

RAINY DAY FUND

The Federal provision on Page 9 of the handout gives the State the option to carry over TANF Block Grants funds for the purpose of providing assistance in future years. Representative Allen agreed the State wants to set aside a portion of those funds for a Rainy Day Fund. Representative Pickens asked that the fund should also be flexible enough to allow for the possibility of a greater caseload.

Senator Richardson said he believed a formula could be worked out to determine additional funding for an increased caseload. Senator Patterson spoke in favor of an available "cushion." Senator Richardson asked the Committee how they would want to determine a set-aside amount.

Representative Pickens cautioned the Committee regarding the Rainy Day Fund, asking for some assurance that it would not be used for any other purpose, and that the

Committee also makes sure there is funding assistance in the program for child care. Senator Richardson agreed the intent of the Fund would need to be made clear.

EXEMPTIONS

The Committee considered Page 10 of the handout which says states may exempt up to 20% of its caseload from the five year lifetime benefit limit due to hardship. Senator Richardson asked for DES' interpretation of the 20% exemptions. Mr. Wood said it was DES' policy that there would be no exemptions.

Representative Anderson said the goal of DES was a noble one; however, it was unrealistic since there would be people who will definitely be exempt. He spoke in favor of bringing in private sector organizations to assist in dealing with that population. Senator Richardson noted an evaluation of the program would be done prior to the five year limit which would allow the Legislature to "head off" any problems that might crop up.

Ms. Leonard informed the Committee the 20% exemption is separate from work participation rates.

The Committee considered Page 11 of the handout which will allow the State to establish procedures to screen and identify victims of domestic violence and refer those individuals to counseling and appropriate services. Senator Richardson said he believed one of the first priorities for a victim of domestic violence would be to get a job in order to alleviate financial problems but that he was willing that the State assist in referring that person for counseling and other appropriate services. Representative Allen said she was not willing to "opt out" of the requirement without further discussion and that she felt it was important to give victims of vioence a chance.

Representative Pickens said she did not believe the Committee needed to set time lines and that if appropriate services are offered and utilized, the person applying for assistance might be more ready to start employment.

Senator Patterson said he believed it was a mistake to create a special category as all cases are supposed to be taken and evaluated on an individual basis by a caseworker. He stated he was against offering a blanket exemption to all victims of domestic violence. Representative Allen said she believed further discussion on the issue would be necessary. Senator Patterson agreed, adding he felt the screening process could be helpful in determining services necessary for those who have suffered from domestic violence.

The Committee agreed to establish special screening procedures for victims of domestic violence, to provide a referral service, and to not automatically grant a statutory exemption from work but to provide an agreement statutorily for assistance.

EMERGENCY ASSISTANCE

The Committee reviewed the Federal provision regarding Emergency Assistance and the lifetime tracking that is required. Representative Allen emphasized the idea of lifetime tracking was not good and that she felt Emergency Assistance should not be funded under TANF. Representative Pickens agreed that only State funding should be used for Emergency Assistance since the program is only designed to be short term and should continue to be supported.

Senator Patterson inquired about eligibility requirements for Emergency Assistance. Ms. Pickens explained financial crisis that was a temporary situation with eligibility rules established by the community agencies that service them.

Ms. Leonard added the situation will be assessed by an eligibility worker and that there are also financial criteria to be considered. The crisis must be proven by the person applying for assistance.

Representative Anderson added that if Emergency Assistance was removed from TANF, work participation rates would not have to be counted. Ms. Leonard also added that Maintenance of Effort (MOE) monies do not have to meet the TANF requirements so the State could designate a portion of the MOE monies for the Emergency Assistance program, eliminating the TANF requirements from Emergency Assistance services.

The Committee agreed that the State does not want the new TANF requirements to apply to Emergency Assistance services or place any new requirements on Emergency Assistance services or recipients. The State will also designate a portion of the MOE monies for the Emergency Assistance program.

TRANSFER OF TANF FUNDS

The Committee discussed Page 13 which reviews the transfer of TANF Block Grant Funds to the Child Care and Development Block Grant or the Social Services Block Grant and agreed the coverage of child care costs was necessary to the success of the program.

SANCTIONS

The Committee decided it was willing to make changes to the current structure of penalties for non-compliance with work requirements to be discussed in more detail at a later time.

The Committee discussed the Federal provision which mandates that unmarried, minor teen parents must attend high school or an equivalent program and states must impose a penalty that is up to that state's discretion. It was noted that Arizona imposes a sanction for non-compliance through the Job Opportunities and Basic Skills (JOBS) Program. The question posed to the Committee was does the State want to increase the penalty for teen parents who fail to attend high school or its equivalent. Representative Pickens asked if those teens are required to go to work. Ms. Leonard informed the Committee teenagers are required to attend high school or an equivalency program and that those teens are also referred to the JOBS program automatically. A penalty is provided for through sanctions. Representative Pickens asked if current penalties are working.

Gretchen Evans, JOBS Program, DES, informed the Committee she did not have that data with her, but that the current requirement is weighted toward the teenager obtaining his general equivalency degree (GED) and is sanctioned for nonattendance. She said she personally believed that the grant reduction was not a significant penalty. Senator Patterson asked, in the case of a minor parent, who would receive the payment -- the minor parent, the baby, or the grandparent.

Ms. Leonard explained DES eligibility is determined in different ways. Mr. Wood explained a determination is made of the adults in the household and that income and resources are counted. If the teen parent lives in a group home, their eligibility would be determined based on their own assets.

The Committee decided to increase the penalty for teen parents who fail to attend high school or its equivalent.

The Committee discussed the Federal provisions involving sanctions on teen parents living at home or in an adult supervised setting, the reduction of the family's grant for failure to cooperate in determining paternity, and the failure of a minor to attend school and the sanctions involved. Representative Pickens asked for input from the Department of Education on tracking attendance of minor parents who are required to attend school in order to receive benefits. Ms. Leonard explained the difficulty in tracking a particular

group of students is in getting the schools to comply and submit that information to the Department of Education.

It was decided that the Committee would like the State to increase the minimum penalty beyond what is required in Federal legislation for those who do not cooperate in establishing paternity, and that further study was needed on the issue of sanctioning families when the adult fails to ensure the minor's attendance at school.

The Committee reviewed the Federal provision stating that states may determine the number of days (between 30 and 180) a minor child may be absent from the home before assistance is denied. Representative Pickens said she would like further information on this issue before making a recommendation and that it was her understanding the Indian tribes might also have their own ideas on the type of program necessary.

The Committee made no recommendation regarding this provision.

IMMIGRATION ISSUES

The Committee discussed the Federal provision which gave states the option to provide, deny, deem or otherwise limit benefits under TANF, the Social Services Block Grant and non-emergency Medicaid to legal non-citizens in the United States prior to August 22, 1996 and that legal non-citizens arriving in the United States after that date are ineligible for all Federal means tested programs for five years. After the five year ban, states may continue to bar services until citizenship is obtained.

Senator Patterson said he felt that those who are employable should go into a work program. Senator Richardson requested information on deeming from DES and DHS.

Representative Pickens requested a breakdown on the types of services the counties would have to pick up the cost on. Representative Allen noted it was difficult for the Committee to make any sort of reasonable recommendation because there are so many unknowns in this category.

Mr. Wood informed the Committee it was the recommendation of DES that the State continue to provide cash assistance to legal immigrants who were here prior to August 22, 1996 as they would continue to receive matching funds for that population. Those arriving after that date would not. If the State continues to provide cash assistance to those arriving after August 22, 1996, it might be possible for the State to use Federal Block Grant monies. The second option offered to the Committee was to determine

whether or not to count the full income and resources of the sponsor of the immigrant when determining eligibility which is DES' recommendation.

Diane Ross, Arizona Health Care Cost Containment System (AHCCCS), said AHCCCS' recommendation is the same as DES' as the cost to the State would be the same as long as Federal funding continues.

Representative Anderson spoke in support of the proposal regarding sponsors.

Ms. Leonard explained a state may use state funds to provide services to legal non-citizens arriving after August 22, 1996 and dollars used for services would not count towards the TANF MOE requirements. The National Conference of State Legislators is proposing a technical amendment to the Federal legislation to back up this interpretation.

The Committee continued to Page 18 of the handout and discussed the Federal option allowing states to deny state-only funded public benefits to legal non-citizens with exceptions, and that legal non-citizens who will be losing SSI benefits under Federal law will also lose their categorical eligibility for Medicaid, again with exceptions. Representative Anderson asked for clarification.

Mr. Wood explained the citizenship requirements are all similar for providing benefits, in that all individuals receiving them are required to be a citizen or legal immigrant.

Ms. Leonard added, the question posed to the Committee was, if a legal resident is the same as a citizen for the purposes of the legislation. Mr. Wood commented that the person receiving benefits must be a resident of Arizona, then a citizen or legal immigrant.

Representative Allen wondered if the Committee should recommend the barring of services until citizenship status has changed. It was her contention that immigration issues could not be settled at today's meeting. Senator Patterson agreed more information was necessary as far as numbers of people served, costs involved and the impact on the State. Mr. Wood said he would provide data to the Committee members on the areas of concern.

Dr. Blessing informed the Committee it was DES' recommendation that the discussed clients be treated the same as any other in relation to work requirements.

Ms. Ross noted it was AHCCCS' recommendation that the same citizenship criteria established by the Federal government be covered by the State in order to maintain the

status quo. Senator Richardson requested numbers on the impact of continuing to provide services to that population.

Representative Anderson said he would not favor creating a new category of persons receiving benefits. The issues were left out of the Committee's recommendation.

CHILD SUPPORT ENFORCEMENT

The Committee discussed the Federal provision on Page 19 of the handout which requires a pass-through of the first $50 of any child support payment to go to the family receiving assistance to be repealed. States are allowed to continue the pass-through but the Federal government will not share in the cost. According to Dr. Blessing, the additional cost to the State would be $1,200,000.

Ms. Leonard added the gross impact to the State would actually be greater than that.

Mike Koppleman, DES, explained in addition to the $1,200,000, the amount the State can "draw down" from the Federal government is also limited and would have a net effect of $3.6 million. Senator Patterson asked why the Federal government was no longer supporting the pass-through.

Dr. Blessing explained the pass-through was originally viewed as an incentive to families on public assistance, but that the argument is that it hasn't been an incentive to get employment. Dr. Blessing noted the arguments for and against the pass-through have been mainly philosophical. The $50 goes to those who are collecting child support with no distinction as to who does or doesn't have employment. Senator Patterson suggested possibly giving the pass-through only to those who are working and collecting assistance. Dr. Blessing said DES' recommendation is to leave the program as it is currently, pending further discussion as to a legislative appropriation. Senator Patterson said he would support leaving the pass-through as it is for those who are currently working.

Representative Anderson asked what the effect would be on those families who would no longer receive the $50. Dr. Blessing suggested that those families with limited income who are accustomed to receiving that additional money would suffer, and that several hundred families would be affected.

The Committee left the issue undecided at this time.

PUBLIC TESTIMONY

Senator Richardson referred the Committee to a statement distributed to each of them from **Edgar Walema, Vice Chairman of the Hualapai Tribe** (filed with original minutes) which outlines the Tribe's concerns.

Dannie Dyas, representing himself, discussed the problems of those living in the rural areas of Arizona and problems with finding jobs, child care and affordable housing.

Karen Winfield, representing herself, discussed the problems faced by teenagers having children out of wedlock. She distributed various reports on this problem (filed with original minutes) and the issues associated with this segment of society including the issue of statutory rape which is rarely prosecuted in Arizona. Representative Allen thanked Ms. Winfield for her testimony, noting she had previously been her secretary in the House.

Shi Xin Wang, representing himself, read a prepared statement (filed with original minutes) to the Committee on his experiences in both China and Arizona and the need to continue to fund programs serving the medically needy and aged.

Paula Waybright, representing herself, informed the Committee she was a counselor to women and that she was concerned with how the proposals made by the Committee would affect women with families who were attempting to better themselves through school and work. She informed the Committee most agencies who serve this population are "maxed out," adding that Employing and Moving People Off Welfare and Encouraging Responsibility (EMPOWER) was a punitive program.

Angela Fontana, representing herself, told the Committee she was a single parent and student receiving Aid to Families with Dependent Children (AFDC) and Food Stamps. The caseworker through the EMPOWER program suggested she get a job as a bus driver, citing past experience. Ms. Fontana felt reaching her long term goals were more appropriate and would lead to a better situation for her and her family in that she would be able to spend more time with them. She recommended that AFDC recipients be allowed to complete courses necessary to get their degree as it was a long term solution to the problems being faced by the Committee. Representative Pickens noted Ms. Fontana had put into words the exact situation she was trying to describe to the Committee and that she appreciated her testimony.

Maria Davis, representing herself, said it was her belief the new program would force people to take jobs rather than continue educating themselves in order to get better jobs. She asked the Committee to consider how changing the education sections of TANF would affect single mothers who are trying to "get ahead."

Monsignor Ed Ryle, representing Arizona Catholic Conference, spoke on the costs associated with doing background checks on felons and spoke in favor of assisting those who are recently out of prison. He noted the provision could have a negative affect on those who need assistance.

Carolyn O'Connor, representing herself, agreed welfare reform is long overdue and necessary but that the proposed changes to programs that encourage education and training are poor ways to make reforms. She spoke on the entry-level jobs available at less than realistic wages and encouraged the Committee to develop a welfare program that works.

Dan Duncan, President, Mesa United Way, informed the Committee he was interested in sponsoring a conference to discuss issues linking welfare reform and community and neighborhood programs. He distributed a proposal outlining such to the Committee (filed with original minutes.)

Maria Hoffman, Executive Director, Arizona Council of Centers for Children and Adults, distributed a list to the Committee entitled "Principle Statements/Recommendations" which discussed 10 issues of importance to her organization (filed with original minutes).

Representative Anderson encouraged the Committee members to attend the workshop being developed by Mr. Duncan, noting it was a good way for the members to see what was going on with programs in communities and to get involved with the private sector. Senator Richardson agreed with Representative Anderson.

Representative Pickens asked if a report would be prepared from the Committee recommendations and if addendums were allowed. Senator Richardson explained Staff would be preparing the final report, and Committee members could discuss their ideas with them.

Senator Richardson thanked the Committee members, Staff and all those who had attended the Committee meetings and noted the Final Report would reflect what issues were discussed and decided on and include those issues which the Committee was unable to come to a consensus on.

Without objection, the meeting was adjourned at 5:25 p.m.

Respectfully submitted,

Arlene Seagraves

Arlene Seagraves, Committee Secretary

(Tapes and attachments on file in the Office of the Secretary of the Senate)