

WELFARE REFORM 2002: LEGISLATIVE DEVELOPMENTS AFFECTING PUERTO RICO

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INTRODUCTION

On June 26, 2002, the Senate Finance Committee approved a bill to reauthorize the Temporary Assistance for Needy Families (TANF) block grant by a margin of 13 to eight. The Committee's "Work, Opportunity, and Responsibility for Kids Act of 2002" (WORK) was modeled on the proposals of Senators Hatch (R-UT), Snowe (R-ME), Jeffords (I-VT), Breaux (D-LA), Lincoln (D-AR), and Rockefeller (D-WV).

This bill is similar in several aspects to the measure passed by the U.S. House of Representatives on May 16, 2002, the "Personal Responsibility, Work, and Family Promotion Act of 2002" (H.R. 4737). Both bills continue the five-year lifetime limit on receipt of benefits, require more work from recipients, and focus on universal engagement, which requires that all TANF recipients have an Individual Responsibility Plan that outlines the activities and supports that will move the parent into the workforce.¹

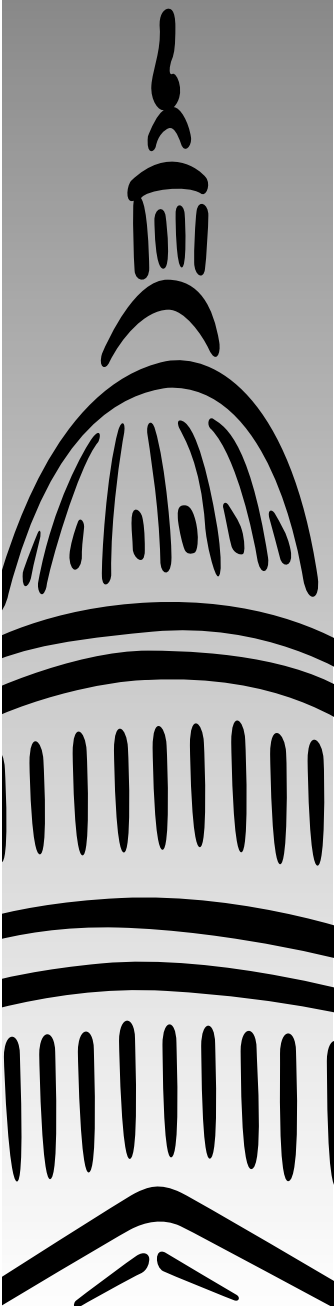
However, the WORK Act is far better than the bill passed by the House because it gives states the flexibility to serve legal immigrants, expands access to education and training, and increases funding for child care. In addition, the WORK Act includes two provisions that directly relate to Puerto Rico, whereas the House bill did not address the disparities in funds assigned to Puerto Rico's TANF program. The Finance Committee's bill is expected to go to the floor of the Senate in the coming weeks.

This White Paper highlights recent developments in the TANF reauthorization process in Congress and analyzes their implications for Puerto Rico. It provides information on the experience of Puerto Rico with the implementation of welfare reform during the past five years and provides important recommendations for the Senate to consider as it makes its final decision about TANF reauthorization.

SOCIOECONOMIC OVERVIEW OF PUERTO RICO

The Commonwealth of Puerto Rico faces unique social and economic conditions that significantly impact the well-being of the 3.8 million U.S. citizens living on the Island. Over the last three decades Puerto Rico has

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experienced slow growth of its Gross National Product. During the last ten years, the economic growth of the formal economy has ranged between 3.0% and 3.8%.² Moreover, Puerto Rico has experienced significantly higher unemployment and poverty rates than the States. According to the Puerto Rico Department of Labor and Human Resources, unemployment rates have fluctuated between 10.1% and 23.4% since 1970. In 2002, the unemployment rate has ranged between 11.1% and 13.5%, roughly twice the average of the U.S. The population living in poverty has fallen from 63% to 57% during the last three decades.³ However, according to the 2000 Census, 48% of the total population still lives below the poverty level. Meanwhile, the cost of living has risen on the Island in recent years. According to the Consumer Price Index, the cost of goods and services consumed by the average family was 5.7% higher in 2000 than in 1999. The costs of groceries, medicine, and gasoline have increased by 8.4%, 9.1%, and 12.7%, respectively, from 1999 to 2000.⁴ In addition, during the last decade Puerto Rico has experienced a loss of manufacturing jobs. Although new jobs in the service, commerce, finance, and technology industries have been created, Puerto Rico has not been able to achieve employment levels comparable to the United States.⁵ The implementation of welfare reform in Puerto Rico and the impact that TANF reauthorization might have on the Island must be analyzed within this socioeconomic context.

WELFARE REFORM IN PUERTO RICO

Prior to the 1996 welfare reform law, caseloads in Puerto Rico had declined by 17% from 1990 to 1996. However, since the implementation of TANF in 1997, caseloads have dropped more rapidly. The most recent data from June 2002 indicate that the number of TANF recipients receiving cash assistance has decreased by 47% since the implementation of welfare reform in Puerto Rico.⁶ Between July 1996 and June 2000, the number of children receiving assistance dropped by 39%, from 103,603 to 63,093.⁷

Based on these data, welfare reform has been successful in moving people off the welfare rolls in Puerto Rico. However, it has not been equally successful in moving them into the workforce. According to information gathered by the Administration for the Socioeconomic Development of the Family (ADSEF), the agency in charge of administering the TANF program in Puerto Rico, 42.8% of families left the welfare rolls in 2001 due to failure to comply with program rules, and 10.6% left because the youngest child reached the age limit for welfare receipt. Only 25.1% of families in Puerto Rico have left the program because of employment or excess of earnings, which suggests that the majority of TANF participants are leaving the program without the adequate skills to obtain jobs to support their families.

An investigation currently being conducted by ADSEF has revealed that 51% of the heads of households who have left the TANF program in Puerto Rico are currently unemployed. Of the 49% who are employed, the highest percentage (36%) are employed in the service industry, 29% are employed in commerce, and 19% are working in the public administration sector. This investigation has also revealed that many TANF participants are fulfilling their work requirements in "fast food" restaurants.⁸

More than half (56%) of those who are employed are working in jobs that pay the minimum wage or less. Thus, a large proportion of both TANF participants and TANF leavers are not working. Those who are working have been primarily employed in the secondary labor market, which is characterized by low wages, irregular work hours (including working at night), and no benefits – jobs that are difficult for single mothers with children and which do not enhance possibilities for moving out of poverty.

Given labor market conditions in Puerto Rico, fulfilling the work requirements of the TANF program has been difficult. In addition to few employment opportunities, especially outside of metropolitan areas, other factors affect the ability of TANF participants to enter the workforce. In rural regions, public transportation is practically nonexistent and child care centers are scarce.⁹ Moreover, many women have reported delays in payment to child care workers from funds from the Administration for Families and Children.¹⁰ Additionally, some women have never heard that the TANF program can provide them with other support services, besides child care, that might help them ease their transition from welfare to work, such as economic support to cover transportation expenses or nutritional assistance while they engage in training or education.¹¹

One significant factor that has hampered Puerto Rico's implementation of welfare reform has been an extremely low level of funding for the Commonwealth's TANF program even though Puerto Rico complies with the same requirements and regulations as the States. States receive TANF grants that average \$535 for each person in poverty, while Puerto Rico's TANF grant is \$35 per poor person.¹² The next lowest jurisdiction, Arkansas, received roughly \$148 per person in poverty.¹³ As a result of this low level of funding, Puerto Rico has been forced to restrict program participation to the Island's poorest families.

The TANF grant formula limits funding to Puerto Rico because it is based on historical spending prior to the 1996 welfare reform law. The supplemental TANF grants were created to compensate for the TANF block grant formula. Currently, 17 poor or rapidly-growing states receive supplemental grants that reduce the disparities between poorer and wealthier states in TANF funding per poor child. Although Puerto Rico's funding is well below that of the states receiving the supplemental grants, the Commonwealth is excluded from receiving more adequate funding to achieve TANF's goals. Puerto Rico and the other territories are also excluded from the contingency fund, which was designed to assist states affected by high population growth or an economic downturn. Furthermore, TANF funding for Puerto Rico is also restricted by a statutory cap that limits total funding for three separate programs: TANF, foster care, and assistance for the aged, blind, and disabled. Similarly, Puerto Rico's Medicaid program is capped such that the federal contribution only covers 15% of the actual cost of the program. Furthermore, Puerto Rico is excluded from two of the four Child Care Development Fund grants. These funding restrictions severely limit the Commonwealth's ability to reduce poverty and improve the well-being of the Island's families.

ADDRESSING PUERTO RICO'S CHALLENGES

The Senate Finance Committee took two important first steps in addressing Puerto Rico's funding shortfalls. The WORK Act assigns \$10 million from the Child Care Development block grant to Puerto Rico in mandatory child care funding per year. In addition, it increases the total annual cap on federal funding for public assistance programs by \$2.5 million. Although the Senate bill presents a definite improvement over the House bill and current law, several limitations remain, as outlined below, that must be addressed in order to provide an adequate safety net to all U.S. citizens, including those who are residents of Puerto Rico.

■ **Reduce Funding Disparities.** The Senate Finance Committee should be commended for the WORK Act's provisions aimed at reducing the funding crisis of Puerto Rico's TANF program. While these two provisions are important and will strengthen funding for Puerto Rico's TANF program, they do not do enough to reduce the disparities in TANF funds assigned to Puerto Rico. Specifically:

- The WORK Act's \$2.5 million increase in the cap on Puerto Rico's TANF, foster care, and aged, blind, and disabled assistance programs is less than an adjustment for inflation. Furthermore, a critical step that should be taken is to remove foster care – which is administered by a wholly separate agency from the TANF and aged, blind, and disabled assistance programs – from the cap. Aid to abused and neglected children should not be pitted against assistance to the Island's poor families or the disabled.
- Although the WORK Act assigns \$10 million in mandatory child care funding, it does not close the gap between Puerto Rico and the States, relative to its poor population. For example, in 2001 the state of Colorado received \$10.1 million in mandatory grant funding to serve a population of 37,000 children (0-5 years old) living below the poverty level, and South Carolina received \$9.9 million to provide child care services to a population of 52,000 children. At the level proposed, Puerto Rico would be receiving a similar amount of money to serve a population of approximately 167,000 poor children.¹⁴
- The Senate bill continues to exclude Puerto Rico from several funding sources including supplemental grants, the contingency fund, and transitional medical assistance. Although the WORK Act adds seven states to the 17 that currently receive supplemental grants,¹⁵ and changes the contingency fund to make it easier for states to qualify for this fund, Puerto Rico is still excluded from these funding sources. Puerto Rico is also excluded from the five-year extension of transitional medical assistance proposed by the Senate bill, and the WORK Act does not reimburse Puerto Rico for the transitional medical assistance the Island provides to TANF leavers. These barriers that exclude Puerto Rico from the same funding sources available to states should be removed, and once removed the additional funds must be excluded from the TANF cap.

- **Create Flexible Work Requirements.** The Senate bill increased the requirement of working hours in a primary activity from 20 to 24. Although this increase may seem minor to many states, fulfilling this requirement will pose serious challenges for the Commonwealth. In Puerto Rico's rural areas, child care centers and public transportation are nonexistent and the options for employment are very limited. Even the maintenance of the current law's 20-hour work requirement for single mothers with children under the age of six – 88% of all TANF minor recipients are between the ages of one and three in Puerto Rico¹⁶ – will be difficult to fulfill given the socioeconomic realities facing mothers on the Island.
- **Examine the Hardship Exemption.** The director of the TANF program in Puerto Rico has indicated that a high percentage of the current population of TANF participants on the Island is either "hard-to-employ" or incapacitated.¹⁷ Therefore, the 20% hardship exemption is currently too small to encompass many TANF recipients who will need continued assistance beyond the 60-month limit. This limited hardship exemption is of particular concern to Puerto Rico because the Island's highly competitive and tight labor market makes the task of moving parents from welfare to work very difficult. Additional flexibility is needed to allow Puerto Rico to develop limits and requirements that are workable within the unique economic and labor conditions on the Island.
- **Encourage and Provide Resources for Education.** Although the Senate bill extends vocational education to 24 months and gives states the option to count post secondary education as an approved work activity, caps limit participation in these programs. The 30% cap on vocational education and the 10% cap on post secondary education significantly restrict the number of TANF recipients who can improve their skills and qualify for better-paying jobs. Education is beneficial for TANF recipients across the country, but is especially needed in Puerto Rico where, in 1999, only 39% of the caseload had completed high school or had some college education.¹⁸ Education is one of the most effective tools for moving parents out of poverty and should not be limited.

Puerto Rico must have access to the same resources as the States if the Commonwealth is to fulfill the requirements of the TANF program. At the time of this writing, the Senate is expected to consider the TANF reauthorization in the next few weeks. It remains unclear whether the final bill will include provisions that reduce the funding disparities between the States and Puerto Rico and increase the Island's flexibility in implementing welfare reform. Until then, advocates and national organizations representing Puerto Ricans on the Island and in the States will lobby for provisions that improve Puerto Rico's TANF program. The National Council of La Raza will continue to monitor the reauthorization process to seek provisions that benefit TANF participants in Puerto Rico and facilitate their transition from welfare to work.

ENDNOTES

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