Welfare Reform in Tennessee:
A Summary of *Families First* Policy

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EXECUTIVE SUMMARY

State welfare programs have changed dramatically since President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act, known widely as “welfare reform,” in 1996. Replacing the original entitlement program (AFDC) with a system of less restrictive block grants (TANF) has resulted in a network of state-specific welfare programs that vary dramatically. As more and more states undertake in-depth evaluations of their new welfare programs and compare their results to those from other states, it becomes even more critical that the differences between state programs are clearly understood.

This document provides a summary of Tennessee’s new version of welfare, Families First. Also enacted in 1996, Families First has much in common with the Federal guidelines. We begin by briefly describing the Federal reform of 1996, and continue by presenting a detailed yet concise look at the most salient features of the Tennessee program. There are many important differences, and the most important ones are outlined herein. Specifically, while Families First recipients are required to work, look for work, or train for work immediately upon entering the program, Tennessee provides a much more extensive array of supportive services to help participants in achieving the more stringent requirements.

It is our hope that this brief summary will be useful to policy administrators, analysts and other researchers who may not be familiar with Families First, but who may desire to undertake a cross-state evaluation of welfare reform or simply learn more about Tennessee’s approach to it. Much of the content of this report was drawn from Tennessee Department of Human Services (TDHS) policy handbooks and other publications. Ryan Russell was responsible for writing most of the text, and Karie Barbour also provided significant contributions to its development.
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**FEDERAL WELFARE REFORM**

On August 22, 1996, President Clinton signed into law The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), a comprehensive welfare reform plan that replaced an entitlement program with a block grant to the states. Aid to Families with Dependent Children (AFDC) was transformed into Temporary Assistance to Needy Families (TANF). The new block grant system provides states with funding to support time-limited cash assistance programs for needy families. In this new regime, most recipients are required to participate in work or educational activities until self-sufficiency is achieved.

The reasoning behind the replacement of the AFDC entitlement program with the TANF block grant was that TANF’s emphasis on time limits and work requirements would provide needy families with incentives to find work—a dramatic change from the essentially unlimited assistance found in the AFDC program. It was hoped that such incentives would encourage those who could participate in the labor market to find employment, thus reducing the welfare rolls and allowing government funding to be spent only on those who truly lacked the marketable skills needed to participate in the labor market. In order to achieve these goals, the TANF block grant includes a number of restrictions on the use of federal funds.

**TIME LIMITS**

The federal guidelines stipulate two separate limits on the amount of time that recipients can receive TANF benefits. The first is that the head of each household receiving assistance must find employment within two years of receiving his or her first benefit payment. Second, each recipient has a 60-month lifetime limit, which means that no recipient may receive federally funded cash assistance for more than a combined total of sixty months over the course of his or her life. These time limits are intended to give recipients strong incentives for achieving not just employment, but self-sufficiency as well.

States are free to set stricter limits. Specifically, a state can make the lifetime limit within its borders less than sixty months, or it may require recipients to find employment in less than two years. Further, states may exempt up to 20 percent of their caseload from the 60-month limit each year. They are also permitted to use existing federal social service funds to provide non-cash benefits to families, or to use state funds to provide cash assistance, beyond the 60-month
limit. Thus, the states have some degree of flexibility in how they set their time limits and how benefits are affected by those limits.

**WORK REQUIREMENTS**

The primary work requirement under TANF is that the head of every recipient household must participate in work activities within two years of receiving benefits. Such work activities can include unsubsidized or subsidized employment, on-the-job training, community service, up to twelve months of vocational training, child care services to individuals participating in community service, or up to six weeks (but no more than four consecutive weeks) of job search. However, states can count no more than 30 percent of their work participants as having met their work requirement through vocational training.

Also, states may exempt parents with children under the age of one from work requirements, and states may not penalize parents with children under the age of six for not working if child care has not been made available. Such requirements ensure that all recipients are either preparing for, searching for, or participating in employment. At the same time, they attempt to prevent family stress that may arise from a lack of child care. This concern for proper child care reflects PRWORA’s goal of providing for the needs of underprivileged children.

**SOCIAL ISSUES**

The federal welfare reform is also intended to address some important social issues, including teen pregnancy and child support enforcement. Beginning with teen pregnancy, PRWORA authorizes $50 million to be provided annually to the states to fund abstinence education programs. The act also authorizes annual bonus grants to be given to the five states that reduce all out-of-wedlock births by the greatest amount without increasing the abortion rate. Under the PRWORA requirements, unmarried minor parents must live under responsible adult supervision and participate in educational and training activities. Finding such supervised settings is the responsibility of the state governments.

Turning to child support, PRWORA requires states to operate enforcement programs that meet federal requirements. Those recipients who refuse to cooperate with child support enforcement agencies must receive at least a 25 percent reduction in their benefits, but the reduction may vary from this level, as states may eliminate cash benefits entirely. It is hoped
that such strict requirements will increase child support payments, thus reducing the government’s financial burden.

FINANCIAL RESTRICTIONS

There are various restrictions under the TANF block grant to ensure that states do not take advantage of federal funds in order to reduce their own financial obligations. One such restriction is that no more than 15 percent of a state’s TANF grant may be used for administrative costs. In order to receive their full allocation of federal funds, states must spend at least 80 percent of the amount of non-federal funds they spent on AFDC and related programs in fiscal year 1994. However, a state’s mandatory effort is reduced to 75 percent if it meets a set of minimum work participation requirements. Specifically, the percentage of all families whose caretaker is working a combined total of at least 30 hours a week must be 40 percent in 2000, 45 percent in 2001, and 50 percent in 2002.

Also, the percentage of all two-parent families with a combined total of 35 hours worked per week during each of these years must be at least 90 percent. These restrictions create strong incentives for the states to develop effective welfare programs by rewarding states that achieve high work participation rates with a lower mandatory level of state effort. State dollars used in the federal TANF program are not subject to any of the policy restrictions mentioned above except for the child support enforcement requirements. Related state programs funded outside of TANF with state funds face no restrictions from the federal government.

ADDITIONAL FUNDING

There are a number of ways that states can receive additional funding from the federal government. Such additional funding sources provide states with a safety net during economic downturns. The first of these additional funding sources is a contingency fund for states experiencing recession. States with high and increasing unemployment rates and states whose food stamp case loads increase by at least 10 percent can access this fund. The amount that states receive from this fund is determined on an individual basis, and depends on the needs of the state and the economic conditions that are prevailing at that time.

An emergency fund also exists for states that experience high population growth, along with a $1.7 billion loan fund and various performance bonuses. Also, child support collected by
state governments can be used to compensate for welfare expenses, although nearly 50 percent of such funds must be given to the federal government.

**PENALTIES**

States can be penalized for misusing TANF funds and for failure to meet the above restrictions regarding work requirements, child support enforcement, repayment of federal loans, maintenance of effort requirements, and time limits. If the federal government finds that a state has violated the guidelines, the state is given the opportunity to explain its actions and develop corrective procedures before a penalty is assessed. The total penalty assessed to a state in a given year can not exceed 25 percent of that state’s block grant allotment.
FAMILIES FIRST

The Families First Act was passed by the Tennessee General Assembly on April 25, 1996, and signed by Governor Don Sundquist on May 13, 1996. This legislation created Families First, which is the program through which the TANF block grant is implemented in Tennessee. As with the federal reform, the objectives of the Families First program include strengthening families, improving the work force, reducing poverty, reducing the population that is dependent on government benefits, and reducing the incidence of out-of-wedlock pregnancies. The primary goal of the program is to help needy families with dependent children achieve self-sufficiency in the most efficient manner possible.

Tennessee state government hopes to achieve these goals through the use of federal and state funding as well as cooperation with local governments, community organizations, businesses, and religious groups. Such non-profit groups often are providers of Families first work activity services, child care, and transportation. The activities of these various community groups are coordinated with the Families First program through the Families First Councils, which exist in every county and consist of representatives of both the community and the organizations involved.

When the Families First Act was signed in Tennessee in 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) had not yet been passed. Therefore, it was necessary for the state to obtain a waiver from the U.S. Department of Health and Human Services under section 1115 of the Social Security Act. This provision created the waiver process in order to give the states flexibility to individualize their programs and experiment with new policies. Tennessee’s waiver was approved on July 25, 1996, and its effective life runs from September 1, 1996 to September 1, 2007. The waiver proposal process consists of five phases:

1. **Concept Phase:** The state presents the outline of its policy proposals to the federal government and receives policy guidance.

2. **Proposal Phase:** The state presents a formal proposal to the federal government. The affected government agencies then discuss various issues with the state government in detail. Once this is done negotiations take place.

3. **Pre-Implementation Phase:** The time between the approval of the waiver and the state initiation of the new program. During this period the affected state agencies will be visited
by their counterpart agencies of the federal government, so that the federal government can ascertain the state’s readiness to begin the new program.

4. **Operational Phase**: The state program becomes operational.

5. **Evaluation Phase**: Research and program evaluation take place regarding the public policy value of the state program.

**ELIGIBILITY REQUIREMENTS**

In order to receive Families First benefits the following requirements must be met:

- **RESIDENCE**: The applicant must be a resident of the state of Tennessee, which means the applicant must be living in the state with the intention of making a home there. *There is no minimum period of residence required.*

- **CITIZENSHIP & ALIEN STATUS**: The applicant must be a U.S. citizen or a lawfully admitted alien.

- **AGE REQUIREMENT**: The applicant must have a dependent child under the age of 18 or be in the third trimester of pregnancy. If the dependent child is 18, he or she must be on schedule to complete high school or an equivalent vocational technical training before his or her 19th birthday.

- **RELATIONSHIP**: The applicant must have a dependent child living in his or her home, which means that the applicant has both care and control of the child, and the applicant must be either the parent of this child or a 5th degree relative. A 5th degree relative is defined by the Families First program as a blood relative, half-blood relative, step-parent, step-sibling, legally adoptive parent, or legal spouse of any of the persons previously named.

- **DEPRIVATION**: The applicant’s dependent child must be in need, which requires the death, continued absence, incapacity, or unemployment of one or both parents.

- **RESOURCES**: The combined total of the *countable* resources of all those who would be included in the Families First application must be less than $2,000 at the time of the application and reapplication.

  *The following resources are considered countable:*

1. Bonds, cash, checking accounts, and savings accounts.
2. IRA holdings (minus any withdrawal penalty), Keogh plans, savings certificates, and life insurance polices.
3. Equity in one vehicle that exceeds $4,600, and all equity in any other vehicles.
4. Any real property other than the home in which the assistance group lives and the land on which that home stands.
5. Any recreational properties such as boats and mobile homes.
6. Non-recurring lump sum payments and retroactive payments if retained past the month of receipt.
7. Victims compensation awards paid to adults.

The following resources are not considered countable:

1. The home in which the assistance group lives and the land on which that home stands.
2. The equity value of one vehicle up to a value of $4,600.
3. Earned Income Tax Credits.
4. Entrepreneurial Account holdings up to $5,000 (see below).
5. Equipment used in self-employment.
6. Individual Development Account holdings up to $5,000 (see below).
7. Liquid assets used as collateral for business loans.
8. Insurance settlements and government payments to repair household damage caused by a disaster.

- INCOME: The gross income of all those who would be included in the Families First application must be less than 185 percent of the consolidated need standard for the appropriate number of people.

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ASSISTANCE GROUPS

The Families First Program defines an assistance group (AG) as a group of people who are all included in the same Families First application or assistance case. All AG members must be technically eligible, and all of their income and resources must be counted unless they are specifically exempt. Also, all children in the AG must be within the specified degree of relationship to the person who is applying for assistance. The mandatory members of an AG (if present in the household) include the dependent child, the technically eligible whole, half, or adopted siblings of the dependent child, the technically eligible parents living in the home with
the dependent child, the technically eligible alleged parent in the home who meets incapacity or unemployment parent criteria, and any married minor who lives with a Families First sibling.

Individuals must be excluded from the AG if they are persons who are receiving SSI benefits, do not meet eligibility requirements, or do not meet certain program requirements. Also, any individual who is a drug felon, fleeing felon, or probation/parole violator can not be included in an AG. Those who are found guilty or plead no contest in a federal or state court for having made a fraudulent statement in order to receive assistance simultaneously from two or more states must also be excluded from the AG.

A family cap is imposed on the AG that prohibits any increase in grant payments due to the birth of a child 10 months or more after the initial receipt of assistance. The goal of the family cap is to discourage the birth of new children during the period of assistance. Exceptions to the family cap can be made in cases in which it can be proven that the newborn was conceived prior to the application for assistance, that the child is the firstborn of a minor in the AG, or if the caseworker finds good cause. Also, the family cap does not take effect if children other than newborns enter the AG. The various rules concerning who may or may not be part of an AG exist to ensure that only those in need receive benefits.

One goal of Families First is to encourage marriage among young parents. Therefore, recipients who marry during the receipt of assistance have the option of including the spouse in the AG. If the recipient chooses to include the spouse in the AG, the spouse’s income and resources will be considered available to the AG. As long as the spouse’s income and resources do not cause the AG to become ineligible and the spouse meets all other Families First eligibility requirements, the spouse may be admitted to the AG. If the spouse is included in the AG, his or her children must also be included in the AG.

Once the spouse is admitted into the AG he or she will be subject to work requirements and sanction provisions. However if the recipient chooses to exclude the spouse from the AG, then the spouse’s income and resources will not be included in the AG’s eligibility determination and the AG will be treated as if the spouse were not in the home. Any of the spouse’s children who move into the AG’s household at the time of the marriage must be included in the AG if they are siblings or half-siblings of any AG children. Also, if the AG’s case closes, the excluded spouse will not be eligible for Medicaid. The chosen option—to include or exclude the spouse—
remains in effect until the AG’s case closes. If the AG reapply for assistance then the spouse will be included in the eligibility determination.

PERSONAL RESPONSIBILITY PLANS

The Personal Responsibility Plan (PRP) is an agreement between the Families First participant and the Tennessee Department of Human Services, in which the participant agrees to take certain steps to help move the AG toward self-sufficiency. In return the Department of Human Services agrees to provide temporary aid to the AG until self-sufficiency is achieved or until a time limit expires, whichever is shorter. The goals of the Personal Responsibility Plans are to make the participant’s responsibilities clear and to provide a greater motivation to work toward self-sufficiency. All adults and minor parents in the AG must sign a Personal Responsibility Plan. However, if the head of the AG (also known as the caretaker) does not sign his or her Personal Responsibility Plan, the entire AG becomes ineligible for benefits.

The PRP may contain requirements regarding any or all of the following: immunizations; health checks; school attendance for the AG’s children; cooperation with child support services to establish paternity, locate the absent parent, and collect child support; mandatory school attendance for minor parents; and the requirement that minor parents live in a home with a parent or responsible adult.

WORK REQUIREMENTS

All parents and caretaker relatives in the AG who are not exempt must include a work component in their Personal Responsibility Plan. The work component will require 40 hours per week of participation in work and/or work preparation activities. Such activities may consist of full or part time work, educational activities that prepare recipients to find work, community service programs, or GED and post secondary education. Individuals who function below the 9th grade level in either math or reading may enter Adult Basic Education (ABE) for 20 hours per week and will be exempt from the 40-hour work requirement until testing at or above the 9th grade level.

Exemptions from the work requirements are provided to individuals who have a medically verified disability, are determined to be incapacitated, are needed in the home to provide full time care to a related disabled child or adult who lives in the same home, or are over
the age of sixty. An individual may also receive an exemption from the work requirement if the caseworker finds a good cause reason for providing such an exemption. Any exemption that is subject to change will be monitored by the caseworker to determine if the condition still exists. However, being granted an exemption from the work requirement has no effect on the time limits faced by the individual unless the individual also meets the requirements for a time limit exemption.

**TIME LIMITS**

An AG will have any one period of eligibility for Families First benefits limited to 18 months, and lifetime eligibility will be limited to 60 months. The 18-month period of eligibility means that a non-exempt individual becomes ineligible for benefits after accumulating 18 months of benefits. These 18 months are not necessarily consecutive, but are cumulative countable months. For example, if an interruption in the time limit count ends, a new 18-month period does not necessarily begin. The existing 18-month count, which began before the interruption, is simply continued. This 18-month time limit is six months shorter than that required by federal law, while the 60-month lifetime limit is the same.

The 18- and 60-month time limits are maximum limits, which means that an AG may certainly achieve self-sufficiency or become ineligible for other reasons before they reach either time limit. Each 18-month period of eligibility is seen as a time during which the AG will work toward self-sufficiency. Each AG must be off Families First cash assistance for at least three months between each 18-month period. The time limit faced by the AG applies to every member of the AG. Months are counted toward the time limit beginning with the first full month after a Personal Responsibility Plan has been presented to the AG and the caretaker of the AG has signed the plan.

Under certain conditions the time limits may not apply to the AG. This may result in the AG being exempt from the time limits, granted an interruption in the count of months toward the time limit, or granted an extension in the time limits. An AG may receive an *exemption* from the time limits if one of the following conditions is met:

- The caretaker is 60 or older.
- The caretaker is disabled.
• The caretaker is providing care for a disabled relative living in the caretaker’s home as determined by a health care professional.

• The AG does not contain an eligible adult for reasons other than an imposed sanction or disqualification.

• The AG has an eligible adult who functions at or below the 9th grade level as defined by the Department of Education. In this case the AG will not be subject to time limits as long as the adult is enrolled in an ABE program and is making satisfactory progress. The exemption lasts until the adult reaches a 9th grade literacy level or passes a functional literacy test given by the Department of Education.

• The caretaker is a minor parent. In this case the count does not begin until the caretaker is 18 and graduates high school or the class of which he or she is a member when age 18 is reached graduates from high school.

An AG may have an interruption in the count of months toward the time limits if one of the following conditions is met:

• The Department of Human Services cannot provide the needed education or job training prescribed in the recipient’s Personal Responsibility Plan.

• The Department of Human Services cannot provide essential daycare, dental, optical, or transportation services needed to comply with the recipient’s Personal Responsibility Plan.

• The caretaker has a newborn child less than 16 weeks old.

• The caretaker is temporarily incapacitated and thus cannot work.

• The caretaker is enrolled in substance abuse counseling.

• The caretaker or a relative of the caretaker is the victim of an abusive relationship and domestic violence. In this case Family Services Counseling determines if an interruption is needed (see below).

An AG may have an extension in its time limits if one of the following conditions is met:

• The AG resides in a county that has an unadjusted unemployment rate (as defined by the Department of Employment Security Statistics) that is at least twice the unadjusted rate for the state as a whole.

• The AG has “good cause,” as defined by its caseworker, to have its eligibility period at the end of the 18 or 60 month count extended or to return to the program after the case has closed following the 60 month limit.
• An adult who previously received assistance for one group of children but now
receives assistance for a different group of children receives a new 18/60-month time
limit.

• An adult that leaves one AG and enters another AG becomes subject to the limits
faced by the second AG.

• Children do not have a running clock. Therefore, if a child is part of an AG that has
reached its 60-month limit, the child can still create an AG when he or she becomes
an adult.

• Months of benefits accumulated in other states will not count toward the 18-month
and 60-month limits in Tennessee.

RE-ENTRY AFTER A PERIOD OF INELIGIBILITY

Re-entry is applicable only to those AGs that are not exempt from time limits. Those
AGs that are exempt from time limits may re-establish eligibility simply by meeting the
eligibility requirements. However, those AGs that do face time limits must not only meet the
standard eligibility requirements, but must also meet re-entry provisions. Therefore, an AG that
is not exempt from time limits may re-establish eligibility after a closure or period of ineligibility
if the AG meets the standard eligibility requirements and one of the following provisions:

• The AG has closed for a reason, other than a sanction, and has not completed their
18-month period of eligibility.

• The AG has corrected non-compliance with work requirements.

• The AG has corrected non-compliance with the child support cooperation
requirements.

• The AG is working at the time the 18-month period of eligibility ends and
subsequently loses employment through no fault of the employee.

• The AG has been closed for at least 3 months after the 18-month period of eligibility
ended.

• The AG’s caseworker determines that the group has good cause to return to the
program after the 18/60-months of eligibility.
The Families First program applies sanctions (e.g., reduced benefits) to AGs that fail to comply with program requirements without good cause for the non-compliance. Sanctions are applied as follows:

- Failure to cooperate with work or work related components of the Personal Responsibility Plan will cause ineligibility for the entire AG. The sanction for the first occurrence will exist until the adult is in compliance for two weeks. The sanction for the second occurrence will exist until the adult is in compliance for two weeks or three months after non-compliance first began, whichever is longer. The count of these occurrences is not limited to one period of eligibility. Therefore, the first and second occurrences could happen in separate 18-month periods of eligibility.

- Voluntary termination of employment will lead to the entire AG being ineligible for three months. A Families First application with an adult member who voluntarily quits a job, without good cause, will not be eligible for benefits for three months after the job separation occurred. An adult who voluntarily quits a job, without good cause, and leaves one AG to join another will carry the remaining months of the sanction to the new group. The only exceptions are granted if the individual is a non-eligible member of the AG, exempt from the work requirement, or if the caseworker finds good reason for the voluntary termination.

- Failure to cooperate with child support requirements, without good cause, will result in the AG being ineligible until the caretaker cooperates with the child support requirement for two weeks.

- An unmarried minor parent, whose child is at least 16 weeks of age, must participate in an educational activity to obtain a high school diploma or its equivalent, or participate in another educational activity approved by the program. Failure to do so will result in the needs of the minor parent being removed from the AG budget until the minor parent is in compliance for two weeks.

- Failure of any or all of the AG’s children to attend school, without good cause, will result in the AG’s cash payment being reduced by 20 percent until the AG is in compliance for two weeks. This definition of children includes married children, married children who are minor parents, and married minor caretakers.

- Failure to have immunizations and/or health checks for children in the AG, without good cause, will result in the AG’s cash payment being reduced by 20 percent until the AG is in compliance.

Note that it is possible for an AG to receive two or more sanctions simultaneously. In cases where the sanction does not lead to a closure of the AG, cash benefit reductions are added.
together and subtracted from the net cash payment. For example, it is possible for an AG to receive two separate 20 percent reductions that result in a combined 40 percent reduction.

**INCOME**

The Families First cash payment does not necessarily meet 100 percent of the consolidated need standard. Net income available to the AG is subtracted from the Consolidated Need Standard (see above) to determine the deficit. The payment that is provided is either the deficit or the standard payment amount for an AG of that size, whichever is smaller. No monthly payment less than $10.00 is paid.

If the AG’s gross income exceeds 185 percent of the Consolidated Need Standard for the appropriate number of people, the AG is not eligible for Families First. However, if the AG’s gross income is equal to or less than this income level, net income is computed and this amount is used to determine eligibility for cash payments and the size of those payments. If the deficit between the AG’s net income and the Consolidated Need Standard is between $1.00 and $9.99 then the AG will not receive cash assistance, but may receive other forms of Families First support services. If the deficit is $10.00 or more the AG is eligible for both Families First support services and cash assistance.

**INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROJECT**

An Individual Development Account is a savings account that Families First participants in selected pilot counties can open with the assistance of the Tennessee Network for Community Economic Development (TNCED). Up to $5,000 of the funds placed in the account will not count toward the AG’s resource limit in the Families First, Food Stamps, or Medicaid programs. The Individual Development Account is to be used for purposes such as career development, post-secondary education, small business development, home ownership, and/or transportation needs. To be eligible for the program an individual must meet the following conditions:

- The individual must be a member of a Families First AG in one of the twelve pilot counties (Campbell, Davidson, Fayette, Knox, Lawrence, Madison, Montgomery, Sevier, Shelby, Tipton, Washington, and Williamson).

- All of the deposited funds must come from earnings.
• The individual must join a support group with an approved community based organization that meets twice monthly. It is during these meetings that deposits will be made.

• The deposit amount must be decided beforehand, and the amount must be manageable.

• An annual emergency withdrawal is permitted, but it is not to exceed 10 percent of the account’s value.

• When the family leaves the Families First program, the IDA Funds (up to $5,000) will not count against the resource limit in determining eligibility for Food Stamps and Medicaid.

• The individual must notify Families First about setting up the account so that IDA deposits will not count toward the resource limit.

The funds that are deposited by the individual are eligible for a match by a separate non-profit organization within the Tennessee Network for Community Economic Development. Matching funds can only be withdrawn for an approved use. In order to receive the matching funds, an account holder must attend the bi-monthly meetings, deposit the agreed upon amount twice a month, and the deposited money must come from earnings.

LOW-INCOME ENTREPRENEURIAL ESCROW ACCOUNTS

All Families First participants who are self-employed may be eligible for a Low-Income Entrepreneur Escrow Account administered by a Community Based Organization. Up to $5,000 of the funds in this account will not count toward the resource limits for Families First, Food Stamps, or Medicaid programs. In order for an individual to be eligible for an escrow account, he or she must be (a) a Families First participant in compliance with work related requirements, (b) self-employed, and (c) participating in a micro-lending program, which provides entrepreneurial training and assistance.

COMPLETION BONUSES

Beginning February 1, 2000, bonuses will be given to Families First participants who achieve certain goals on their Personal Responsibility Plans. It is hoped that these bonuses will
provide an extra incentive for participants to work toward self-sufficiency. Completion bonuses will be awarded for the following achievements:

- Reaching the 2\textsuperscript{nd}, 6\textsuperscript{th}, or 9\textsuperscript{th} grade literacy levels for ABE students.
- Passing the GED or receiving a high school diploma.
- Completing various types of skills training.
- Receiving an Associate’s or Bachelor’s degree.
- Getting a 35-hour per week full time job or two or more part time jobs that have a total of 40 hours per week.
- Leaving the Families First program due to earnings.
- Keeping a job after leaving Families First and staying off the program for six months.
- Keeping a job after leaving Families First and staying off the program for twelve months.

To receive a bonus, the individual must reach one of the milestones listed above and be in full compliance with the Families First requirements. Also, the individual’s entire AG must have been in compliance with all program requirements for the past three months or since entering the program, whichever is shorter.

**SUPPORT SERVICES**

Every Families First participant will be provided with those support services that are needed in order to successfully comply with work related requirements of the program. These support services come in the form of transportation, dental, and optical assistance.

Transportation assistance comes in the form of gasoline vouchers, tickets, passes, and van services. How transportation services are provided and to what degree they are provided will be determined on an individual basis according to the needs of the participant. Reimbursements are provided when the participant chooses to provide his or her own transportation. If the Families First program can not supply transportation and the participant can not arrange his or her own transportation, the count of months toward the time limit will stop until such services can be provided.
Dental assistance is provided in cases where dental pain negatively affects the ability of the participant to successfully take part in a component of the Personal Responsibility Plan, or when dental problems affect the participant’s appearance and hinder his or her ability to find employment. In all cases, the caseworker will first determine whether or not the dental services can be provided through TennCare or another insurance program before the Families First program will pay for the service.

Optical services also will be provided by the Families First program if a participant’s vision problem impedes his or her ability to successfully participate in a component of the Personal Responsibility Plan. This service is only provided, however, if funding for the service cannot be provided by any other source. As in the case of transportation services, failure by the state or the participant to provide needed dental or optical services will cause the count of months toward the time limit to stop until those services are provided.

**CHILD CARE**

In order for a parent’s participation in the Families First program to be successful, quality child care must be available. The Families First program provides two kinds of child care. Families First child care is free child care provided for a participant while engaged in work, education, and/or training. Transitional child care (TCC) is available for 18 months after the family leaves the program and requires that the caretaker contribute to the cost of care. To be eligible for either Families First free child care or TCC, the child must be under the age of thirteen. If the child is thirteen or older the child must either be physically or mentally incapable of self-care or under court supervision in order to be eligible for child care. Also, the caretaker must be an AG member. As such, no child care is available for child-only AGs.

In two parent families, child care is not provided if there is one parent who is able, willing, and appropriate to provide care. Families First free child care is only available to those families in which the caretaker relative cannot arrange free child care for the children at the time the children’s guardian is engaged in a work related component of the Personal Responsibility Plan. Free child care is also available for up to 30 days if the parent is in a substance abuse recovery program.

A parent may receive TCC for up to 18 months after the family’s case is closed as long as the case was not closed for failure to meet the child support cooperation requirement and as long
as the parent is working, has an eligible child, has an income that does not exceed 60 percent of
the State median income, and cooperates with child support requirements. Under TCC, the
parent must make weekly contributions to the cost of child care.

MEDICAID

All members of a Families First AG will receive Medicaid coverage. A Families First
AG that is closed for any reason other than non-cooperation with child support requirements,
moving out of state, or death will be eligible for Transitional Medicaid for 18 months after the
case is closed. The caretaker of an AG closed for non-cooperation with the child support
requirement is not eligible for Transitional Medicaid, but the other AG members are eligible.

FAMILY SERVICES COUNSELING

Family Services Counseling is available to all Families First participants and all former
participants who qualify, beginning February 1, 2000. The goal of Family Services Counseling
is to remove barriers such as substance abuse, domestic violence, learning disabilities, and
children’s health/behavioral problems from the lives of participants so that they can more easily
achieve self-sufficiency. The Families First case manager will suggest Family Services
Counseling as part of the Personal Responsibility Plan. An individual must be referred to Family
Services Counseling if the individual:

• Requests a referral.
• Is non-compliant with the Personal Responsibility Plan.
• Exhibits signs that he or she is suffering from substance abuse, domestic violence, or
  mental health problems.
• Is identified by a service provider as suffering from one of these barriers.
• Is in a self-initiated treatment or domestic violence program.
• Is exempt from the work requirement, but volunteers for family services.

Once an individual is referred to Family Services Counseling, his or her count toward the
time limits will be interrupted for at least one month. After referral, the Family Services
Counselor will conduct a preliminary assessment to determine if the individual has any of the
barriers described above. The Family Services Counselor will also determine if the individual’s Personal Responsibility Plan should be adjusted to better meet his or her needs or if the individual may have a disability, which makes him or her exempt from certain requirements.

If an individual has Family Services Counseling as part of his or her Personal Responsibility Plan, failure to comply with the Family Services component, without good cause, will result in some form of sanction. However, if the individual is a volunteer for Family Services Counseling, then non-compliance with the counseling will not result in a sanction. Families that leave the Families First program are eligible for Family Services Counseling for up to 12 months after the family’s case is closed, as long as the family resides in Tennessee and includes a dependent child.

**FIRST WHEELS REVOLVING LOAN PROGRAM**

The First Wheels Revolving Loan Program was designed to help current and former Families First AGs to secure reliable transportation so that the AG’s caretaker will be better able to pursue self-sufficiency. The program gives eligible AGs access to interest free loans that will be used for purchasing a vehicle. For current Families First caretakers to be eligible for the program they must:

- Have received cash assistance from Families First for at least three months prior to the loan application.
- Reside in Tennessee.
- Have signed a Personal Responsibility Plan.
- Have been compliant with work requirements for at least one month.

For former Families First caretakers to be eligible for the program, they must:

- Have left the Families First program within the last 12 months.
- Have been employed at least 35 hours a week for the past three months, or have been working 20 hours a week while pursuing full time post-secondary education.
- Reside in Tennessee currently and at time of closure.

Once eligibility is determined, an applicant must meet all of the following program requirements:
• Complete a financial management class of five hours or more.

• Complete a vehicle maintenance class of one hour or more.

• Complete a driver’s education class or have no serious driving violations on his or her record.

• Possess a valid Tennessee drivers license.

• Demonstrate the ability to make monthly payments, pay for regular vehicle maintenance, and afford car insurance coverage.

After all requirements have been met, the caseworker will review the application with a loan committee in order to determine whether the loan should be approved. If the loan is approved, then the loan committee will determine the appropriate vehicle price and monthly payments. Isolated late payments will not incur penalties, but chronic late payments may cause the loan to be revoked. Only two extensions of the loan will be approved.
SUMMARY

Welfare reform has taken on a different meaning in Tennessee, despite broad consistency with federal guidelines. The differences between Families First and the TANF guidelines, while in effect quite substantial, can be summarized as follows:

1. Recipients of cash assistance in Tennessee must begin working, looking for work, or training for work immediately, not merely within the first 24 months of benefits.

2. In order to accommodate this immediate work requirement, Families First provides a number of important support services and other provisions. Included in this are:
   - a more generous set of activities that can satisfy work requirements (including education and training);
   - an innovative system of completion bonuses (for achieving various training and employment goals);
   - a vast network of support services (such as medical care, child care, counseling, and transportation assistance); and
   - a commitment toward transitional medical, child care, or transportation support after recipients leave Families First.
APPENDIX: A Brief Outline of Tennessee and Federal Welfare Rules

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<thead>
<tr>
<th>FAMILIES FIRST</th>
<th>PRWORA</th>
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<tbody>
<tr>
<td><strong>Work Requirements</strong></td>
<td><strong>A parent or caretaker must be engaged in work once they have received assistance for 24 months or when the state determines that the caretaker is ready to work whichever is shorter.</strong></td>
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<tr>
<td>All parents or caretakers who are recipients and not exempt must participate in full or part-time employment or work preparation activities. Although the state and federal governments define many of the same activities as work, life skills training, non-vocational education, and job skills training are not defined by the federal government as work while they are defined as such by the state.</td>
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<tr>
<td><strong>Time Limits</strong></td>
<td>There is a 60-month lifetime limit on assistance and the recipient must be working after 24 months of receipt of assistance.</td>
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<td>For non-exempt households there is an 18-month period of eligibility and a 60-month lifetime limit. There is also a three-month period of ineligibility between 18 month periods of receiving assistance.</td>
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<td><strong>Sanctions</strong></td>
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<td>• Failure to comply with work requirements results in ineligibility until compliance. For second and subsequent instances of non-compliance, the case becomes ineligible for three months or until compliance, whichever is longer.</td>
<td>• Failure to comply with work requirements results in a reduction or termination of assistance.</td>
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<td>• Recipients who voluntarily quit a job become ineligible for assistance for 3 months.</td>
<td>• States may reduce grant payments by an amount the state decides is appropriate for failure to comply with a personal responsibility plan.</td>
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<td>• Failure to comply with school attendance, immunization, and health check requirements results in a 20 percent reduction.</td>
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<td>• Minor parents who fail to attend school are removed from the grant.</td>
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<tr>
<td>• Failure to comply with child support enforcement results in the ineligibility of the family until compliance.</td>
<td>• Failure to comply with child support enforcement results in the reduction or termination of assistance.</td>
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