



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

June 25, 2003

The Honorable Ron Wyden
United States Senate
Washington D.C. 20510

Dear Senator Wyden:

Oregon has been operating its Temporary Assistance for Needy Families (TANF) program under a waiver since 1996 and this waiver is due to expire at the end of this month. I thank you for raising with the Administration your concerns about your State's TANF program and its waiver, and I admire the tremendous efforts you have been making on Oregon's behalf to see that your State has the ability to operate the best TANF program it can. I believe that Oregon will be able to maintain its current program through the end of this fiscal year, and ask you to continue working with me to complete reauthorization legislation that will improve TANF for families across the nation.

The rigorous evaluation of your Portland program has documented some of the most impressive impacts on increased earnings, improved job quality and reductions in welfare dependency of any program that has ever been evaluated. This impressive record of accomplishment is one of which you can be proud.

I know that your efforts in support of Oregon's program are grounded in the lessons you have learned from the evaluation of your State's success and these lessons will be important in informing the debate on issues that will be considered in TANF reauthorization. Your commitment and leadership on these issues continues to benefit the people in Oregon.

Oregon's TANF program operates with a waiver granted under the former Aid to Families with Dependent Children (AFDC) program. When AFDC was converted into TANF as part of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), the new law enabled States such as Oregon that had previously approved waiver programs to continue operating those waivers. However, there is no provision in law that would permit the Administration to extend such waivers, as it was anticipated that these programs would eventually align themselves with the larger TANF reforms upon completion of their waivers. Therefore, extending existing waivers would require changing current law.

TANF is currently authorized only through the end of this month, and legislation is before the Senate that would temporarily extend the program through September, 2003, the end of FY 2003. The Administration strongly supports passage of this emergency measure to keep the current program operating, and enable Congress to complete work

on reauthorization. Without this measure, Oregon would be denied access to over \$40 million in TANF funding scheduled to be made available for the fourth quarter next week.

I understand your interest in allowing Oregon to maintain its current program while Congress completes work on reauthorization and I want you to know that I believe your State will be able to do so, confidently, without any changes in law or in your program, through the end of this fiscal year.

Let me explain. Oregon's current TANF program has many elements, most of which are accommodated under TANF and are permissible under current law. However, I understand the State is concerned about its ability to continue operating two particular policies when its waiver expires. Oregon's waiver allows the State to count toward its required work participation rate certain types of activities, such as participation in substance abuse treatment and extended education and training, which would not otherwise be countable under TANF. Your State's waiver also permits counting of certain adults who are participating but have not attained at least 30 hours of participation per week, which is also required under TANF law.

Importantly, even without its waiver, TANF would not prohibit Oregon from engaging clients in the activities they currently do, nor does it prohibit the State from assigning hours for particular clients at levels below the current-law hour standard. These issues are relevant in that States must meet minimum participation rates. However, according to Oregon's current data, the State would be likely to meet its required participation in FY 2003, even though Oregon's ability to count certain activities and clients under its waiver will end at the end of this month.

Oregon achieved a participation rate for all its families of 61.1% in FY 2002. It would have achieved only an 8.0% all-family rate if it had operated the same way, but counted participation without its current waiver. However, because Oregon achieved such a dramatic reduction in TANF caseload over the past several years, it enjoys a caseload reduction credit that reduced its effective all-family participation rate requirement to 0% in FY 2002. Thus, even without its waiver, Oregon's program would have met its all-family participation requirement in FY 2002 because it effectively had no participation requirement.

Oregon's caseload reduction credit in FY 2001 was 56.2%, and in FY 2002 was 58.3%. I would anticipate that this would not change considerably in FY 2003, and because the required all-family rate for FY 2003 remained at only 50%, the State is very likely facing no participation requirement for the current year as well. Furthermore, work participation rates are measured on a full year basis, meaning that for FY 2003 Oregon's rate would be an average of what it achieved throughout the year. Given Oregon's extremely high participation rates under its waiver, and the fact it will have operated under the waiver for three of the four quarters of FY 2003, it should achieve a very high rate even if the final quarter is calculated without the waiver.

Oregon also must meet a separate participation rate for its 2-parent families. With its waiver, the State achieved a 53.8% 2-parent rate in FY 2002, but due to the caseload reduction credit it earned, only needed to meet a 31.7% standard. Again, given the State's likely high 2-parent participation for the first three quarters of FY 2003, it should meet this standard as well.

Based upon this, I am confident that Oregon can continue to operate its current TANF program through the end of this fiscal year without concerns about becoming subject to penalties for not meeting its participation requirements. Should reauthorization not occur prior to the end of the fiscal year and current law be extended again, I would remain confident based on the facts that I have before me that Oregon could continue to operate its program without becoming subject to participation rate penalties.

TANF is a great program, and with your help we can make it work even better in the future. TANF provides States tremendous flexibility to fund and operate work and job preparation activities, and to provide supportive services and benefits so clients can find work, support themselves and build a better life for their families. I know you share my interest in seeing the program reauthorized as quickly as possible, and seeing that important improvements are made to enable States to engage all cases in meaningful and helpful activities so they can move into work quickly and successfully. Reauthorization is crucial for Oregon. As you know, the President's reauthorization proposal includes changes that would enable States to count various barrier removal activities toward their participation rates, as Oregon is doing now. It would also eliminate the separate 2-parent participation rate.

I appreciate the impressive work you are doing for the State of Oregon, and particularly your attention to this critical program that has become so important to helping our neediest families build better lives. The State of Oregon has done a wonderful job with its TANF program over the years, and we will continue to work with you on reauthorization legislation to see that we build the best program for Oregon and all of America.

The Office of Management and Budget advises that it has no objection to this letter from the standpoint of the Administration's program.

Sincerely,

Tommy G. Thompson