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# RECYCLING AN UNWISE PROPOSAL:

## State Concerns and New State Fiscal Realities Ignored in House Republican Welfare Bill

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On February 4, 2003, Rep. Deborah Pryce (R-OH) introduced TANF reauthorization legislation (H.R. 4) in the House of Representatives. The full House is expected to vote on the bill on February 13, 2003. (The bill will go straight to the House floor, and will not be "marked up" by the committees with jurisdiction over the programs affected by the legislation.) The bill is nearly identical to the bill passed by the House on an essentially party-line vote last year. The House bill also is largely similar to the Bush Administration's TANF reauthorization proposal originally unveiled in February 2002, which earlier this year the President called on Congress to enact. (See box on page 3 for a brief summary of the main provisions in the bill.)

House Republicans, following the Administration's lead, have proposed a bill with the same formula as last year — one that imposes expensive new mandates, reduces state flexibility, and fails to provide needed additional resources. This is particularly striking in light of the almost unprecedented fiscal crisis now facing states, the cuts states already have made and are now considering in TANF and child care programs, and the serious concerns states raised about the House bill's approach during the debate on this legislation last year.

- **Expensive New Mandates:** The bill would *require* states to increase dramatically the number of parents receiving TANF cash assistance that must participate in work activities and would sharply *increase* the required hours to 40 per week. States currently have the flexibility to require 40 hours of participation from families, but most have not chosen to do so universally, typically because such a requirement has not been seen as the most effective way to increase employment among single-parent families. Instead of focusing on keeping participants busy for precisely 40 hours per week while they are on welfare, states have placed a greater emphasis on structuring work programs that provide the types of activities needed to move participants into paid employment and off of welfare (regardless of the precise number of hours these activities add up to each week). In addition, most states have determined that providing supports to low-income families, such as child care and transportation assistance, before they resort to welfare, is an essential part of work-based welfare reform. By increasing work program costs for families on welfare, a 40-hour requirement would limit the resources states have to help other low-income working families *stay off* of welfare.

- **Reduced State Flexibility:** The bill would *reduce* the flexibility states now have to tailor work activities to the individual needs of parents and families. In particular, states would have less ability to place recipients in vocational education programs because such activities generally would not count toward the first 24 hours of participation required of parents. To meet the new work mandates, most states likely would have to develop large-scale "workfare" programs. While under current law states can operate such programs now, most do not because they have not been found effective at helping parents find private employment. The bill also would limit significantly states' ability to engage recipients in activities designed to address various barriers to employment — such as physical, mental, and learning disabilities, domestic violence, and substance abuse — because these activities would not "count" for the bulk of the mandated hours of participation.

- **No Funding to Meet New Federal Requirements:** The bill would provide too little in additional child care resources to avert cuts in child care programs even in the *absence* of new costs related to increased requirements. Last year, the Congressional Budget Office estimated that an additional $4.55 billion in child care funding over the next five years is needed to ensure that the mandatory federal child care funding stream, state funds used to match these federal funds, and the TANF funds devoted to child care keep pace with inflation.[1] The House bill, however, provides only $1 billion in additional mandatory child care over the next five years. The bill also would *freeze* TANF funding, despite imposing costly new work mandates on states.

  Last year, the Congressional Budget Office estimated that if states were required to enforce the 40-hour work requirement and meet the increased participation rate targets in the bill, the costs to states of meeting the new work requirements would be up to *$11 billion over five years* (roughly $6 billion in work program costs and $5 billion in increased child care costs for work program participants). If these mandates are placed on states without the funding needed to meet them, states will have to cut effective programs now funded with TANF — including programs that help low-income working families stay off of welfare by providing key supports such as child care and transportation assistance — in order to comply with the new federal mandates. As is discussed further below, these cuts will be on top of substantial cuts in TANF and child care programs that states already have made and further cuts now under consideration in these programs.

While the House Republican TANF bill is nearly identical to last year's bill, much has changed since last spring when this measure was debated in the House. The magnitude of the fiscal crisis facing states is now well understood; over the past year, states undertook serious budget cuts and still larger cuts now are being considered for FY 2004. Similarly, data from the Department of Treasury on TANF expenditures makes clear that nearly all states have exhausted or nearly exhausted any unspent TANF funds from prior years. This has led many states to cut TANF-funded programs, including key supports such as child care and transportation programs for low-income working families. And, finally, governors and other state officials from across

## Brief Summary of the Main Provisions in House Welfare Bill (H.R. 4)

- **Imposes Costly Work Requirements:** The bill would increase the number of cash assistance recipients who must participate in work activities and would increase the number of hours they must participate to 40 hours per week. The bill would provide *no* additional TANF funding and just $1 billion over five years in additional child care resources, less than the Congressional Budget Office has said states need to continue providing child care to the same number of children now being served.

- **Reduces State Flexibility:** The bill would reduce the flexibility states now have to design their welfare-to-work programs and tailor employment-related services to the needs of individual recipients. The bill also would mandate that states terminate all assistance to a family — including the children in the family — when a parent does not meet work program expectations, even if states do not want to adopt such a policy.

- **Retains Discriminatory Restrictions on Legal Immigrants' Eligibility for TANF and Medicaid:** Despite bipartisan support in the Senate Finance Committee last year for easing some of the restrictions in this area, the House would continue to prohibit states from providing TANF-funded benefits and Medicaid and SCHIP benefits to recent legal immigrants.

- **Includes Radical "Superwaiver" Proposal:** The bill includes the risky "superwaiver" provision that would allow federal agency heads to override nearly all federal laws and rules associated with a number of low-income programs, including: the Food Stamp Program, public housing and homeless assistance programs, the Child Care and Development Block Grant, the Social Services Block Grant, most workforce investment and job training programs funded under the Workforce Investment Act, the Employment Service, adult education programs, and TANF.

- **Food Stamp Program Block Grant:** Five states would be allowed to block grant the food stamp program with virtually *no limits* on how states could structure benefits, thereby eliminating any assurance that the Food Stamp Program would serve as a nutritional safety net for all poor households in states that elect the block grant.

- **Marriage Promotion Funding:** The bill would direct up to $1.8 billion (this includes $1.2 billion in federal funding and $600 million in state resources, which can be federal TANF funds) between 2003 and 2008 to a narrow set of marriage-promotion projects.

- **Modest Child Support Improvements:** The bill would make modest improvements in the child support enforcement system to help states defray the cost of ensuring that more of the child support paid by noncustodial parents is received by their children, rather than being retained by the federal and state governments to offset welfare costs. The changes are far more modest, however, than the provisions included in last year's Senate Finance Committee TANF reauthorization bill and in legislation approved overwhelmingly by the House in 2000.

the political spectrum made clear in the months since last year's House debate the extent to which the House bill would force them to make cuts in important programs currently funded with TANF resources and change fundamentally their welfare-to-work initiatives in ways they do not think will lead to better employment outcomes for families.

These issues — the budget realities that already are leading to cuts in programs and governors' concerns — as well as information about provisions in the House bill are discussed in more detail below.

## State Fiscal Crises and TANF Budget Pressures Already Have Led States To Cut TANF and Child Care Programs

As has been well-documented, states are facing an unprecedented fiscal crisis which is forcing them to cut spending in an array of areas — including health and human services, education, and transportation — and, in some states, to raise taxes. For fiscal year 2004, states need to find budget cuts or increase revenues to close a budget gap that is projected to be between $70 billion and $85 billion. The budget cuts and revenue increases will come on top of significant measures already underway to close a budget gap in FY 2003 that was estimated at more than $60 billion across all states. State budget pressures have led some states to reduce their *state* commitment to child care programs. In some cases, states are not devoting enough state funding to child care to draw down all available federal child care matching funds.

The state fiscal crisis has important implications for TANF reauthorization legislation. As is discussed more below, states already are cutting TANF and child care programs in part because of the overall state budget pressures. If states are saddled with new mandates and no additional resources, they will have to cut programs they now fund — including important supports such as child care and transportation assistance for low-income *working* families that do not receive cash welfare benefits — in order to meet the new requirements. At a time when states are cutting K-12 education, transportation funding, and state employee positions and raising tuition at state universities and taxes, states will not be able to commit additional *state* revenues to meet new *federal* mandates, absent massive (and politically unfeasible) increases in state taxes.

TANF budget pressures also are leading states to cut TANF-related programs, including child care. This pressure stems in large part from the exhaustion of unspent TANF funds from prior years that states have used to augment their annual TANF block grant allotment. In 2001 and 2002, states relied on about $1.6 billion per year in these unspent TANF funds from prior years to fund programs and services for low-income families, including child care assistance and other supports for low-income working families. These unspent TANF funds have been exhausted or nearly exhausted in most states. Some states have had to cut TANF funding for various programs to bring spending in line with the annual TANF block grant and more states now are considering such cuts. (The state fiscal crisis also means that states are very unlikely to have *state* resources that they can use to replace federal TANF funding.)

### TANF and Child Care Funding: Basic Facts

There are three main streams of funding for state welfare and child care programs:

- **Federal TANF Funds:** The federal Temporary Assistance for Needy Families (TANF) block grant provides flexible funding for states to spend on basic cash assistance, welfare-to-work programs, essential supports — such as child care and transportation assistance — for low-income *working* families, and efforts to reduce teen pregnancy and promote marriage. The basic TANF block grant totals $16.5 billion annually. Seventeen states also receive "supplemental grants" totaling $319 million per year.

- **State TANF Funds:** To be eligible for federal TANF funds, states must meet a "maintenance-of-effort" requirement based on state spending levels in the early 1990s. States collectively spend between $10 and $11 billion per year in state funds to meet this requirement.

  Most federal and state TANF funds are *not* spent on cash assistance. Instead, states use them to fund a variety of programs; a substantial portion of funds are used to help low-income working families *stay off* of welfare by providing key work supports such child care and transportation. In FY 2001, states spent $3.65 billion in federal TANF funds on child care.

- **Child Care and Development Fund:** The federal Child Care and Development Fund provides mandatory and discretionary child care funding to states. In 2002, mandatory funding for child care was $2.7 billion and discretionary funding was $2.1 billion. In order to qualify for the mandatory child care funding, states must meet a "maintenance-of-effort" requirement on state child care spending. States also must match a portion of the mandatory child care funds.

In addition, some states are facing increased costs for basic cash assistance for poor families because the number of families needing this assistance has increased due in large part to the weak economy. These rising cash assistance costs are increasing pressure on some states to reduce the amount of TANF funds spent in programs other than basic cash aid.[2]

Finally, the TANF block grant has received frozen funding since 1996 and has lost nearly 11 percent of its value since then. As long as the block grant remains frozen at its current level — as it would under the House Republican bill — the level of benefits and services it can fund will decline each year as inflation increases the costs of these services.

### Cuts Enacted or Under Consideration by States

Over the past year or so, a number of states have cut TANF and child care programs. As governors' budgets have been released, it is clear that more cuts are being considered. The following are some examples of cuts states have made or are considering:

- **Indiana:** As a result of a steady rise in the cash assistance caseload and dwindling reserves of unspent TANF funds from prior years, Indiana reduced TANF spending in fiscal year 2003 by $60 million or *16 percent*. These included cuts in cash assistance for *working poor families*, a reduction in the amount transferred to

the Social Services Block Grant, and a nearly $10 million cut in TANF transfers to child care. These child care cuts were absorbed by reducing the income eligibility limit for the program. Almost *7,000 children* in families with incomes between 127 percent and 143 percent of the federal poverty level (between $19,380 and $21,822 for a family of three) are slated to lose child care subsidies.[3]

- **Kansas:** In December 2002, the state lowered the income eligibility for child care from 185 percent to 150 percent of the federal poverty level. This change is expected to result in a loss of subsidies to over *2,000 children*. Grants to improve child care quality and Early Head Start also were cut by $1.7 million.

- **Massachusetts:** The state's fiscal year 2003 budget included: a 20 percent reduction in funding for employment services; the elimination of a state-funded cash and food assistance program for legal immigrant families ineligible for federally-funded benefits; the termination of an $8.2 million TANF-funded eviction prevention program, which helped roughly 8,000 families pay back-rent in state fiscal year 2002; and cuts in welfare administration that led to staff reductions. Further cuts were made during the fiscal year to TANF-funded employment services.

- **Montana:** Due to increasing TANF caseloads, the state human services agency has requested permission from the state legislature to reduce cash assistance grants. A family of three would see its benefits cut by more than *25 percent.* Currently, the grant a family receives is equivalent to 40 percent of the 2003 federal poverty level ($507 per month for a family of three). The requested reduction would drop grant levels to 29 percent of the federal poverty level ($375 per month for a family of three).

- **Nebraska***:* In July 2002, eligibility for child care subsidies dropped from 185 percent to 120 percent of the federal poverty level for all low-income families except those who have received cash welfare assistance in the past 24 months. This means that a family of three with income between $18,312 and $28,231 can no longer be approved for child care subsidies.

- **New Mexico:** In July 2001, eligibility for child care subsidies dropped from 200 percent to 100 percent of the federal poverty level for new applicants. This means that a family of three with income between $15,260 and $30,520 can no longer be approved for child care subsidies.

- **Ohio:** Governor Taft's 2004-2005 budget proposes to reduce the income eligibility limit for subsidized child care from 185 percent to 150 percent of the federal poverty level, resulting in the loss of child care subsidies for an estimated *15,000 low-income children*.

- **Tennessee:** The fiscal year 2003 budget cut spending on TANF-related programs by $20 million. Some of these cuts included: a $3.8 million cut in transportation

assistance for *former* cash aid recipients who are *working*; a $1.1 million cut in a program to help low-income families obtain loans to purchase cars; a $1.9 million cut in job skills training programs; a $1 million cut in the Family Services Counseling program, which helps families receiving cash assistance address barriers and move into employment; and a $1.3 million cut in administrative funding which will result in staff reductions in welfare offices.

- **West Virginia:** In June and July of 2002, a number of cuts in TANF-funded programs were made, including: a $2.2 million cut in cash assistance for *working* families; an estimated $1.4 million cut in payments for supportive services such as transportation or work expenses for both current and former cash aid recipients; a cut in bonus payments for cash assistance recipients who met certain employment-related goals; the elimination of 521 jobs (for a savings of some $27 million) at state welfare offices and non-profit organizations that had contracts with the department (these staff reductions affect a range of programs such as child protective services, domestic violence prevention, homeless programs, and welfare-to-work programs); and $7.2 million in annual cuts to child care programs achieved by reducing eligibility limits and increasing family co-payment levels.

## "New" House Bill Also Ignores Concerns Raised by States About Inflexible and Expensive Work Requirements and Other New Federal Mandates in Last Year's House-Passed Bill

States, on a bipartisan basis, expressed concerns about last year's House-passed bill. These states were concerned not only about the fiscal impact of the legislation, but about the extent to which it would limit the flexibility states now have to tailor welfare-to-work programs to meet the needs of individual recipients and the local economy, and force them to revamp programs they have found successful.

Specifically, governors of both parties expressed concerns about the extent to which last year's House bill (like this year's bill) would *reduce* the flexibility they have to decide what type of welfare-to-work activity — paid work, job search, on-the-job training, unpaid work experience, vocational training, basic education and English-language instruction, or activities designed to address barriers such as substance abuse treatment or vocational rehabilitation services — would best help a parent secure a job that could support her or his family. Governors also were concerned that they would have to curtail sharply access to vocational training and educational programs in favor of unpaid "workfare" programs when research has found these programs to be ineffective at helping parents find jobs. (In fact, the state of Washington abandoned its workfare program in early 2002 after research found it to be *less* effective than other welfare-to-work activities such as job-specific training programs and job search programs.)

During the TANF reauthorization debate last year, states raised such concerns and some stated in writing their preference for the more flexible, less costly approach adopted on a *bipartisan* basis by the Senate Finance Committee. The following are several *examples* of the concerns governors raised about the approach taken in the House bill. Many other states

expressed concerns about the House-passed bill as well.

- **Governor Jane Dee Hull (R-AZ, former governor):** In a letter dated June 3, 2002 to Senator Jon Kyl (R-AZ), Governor Hull wrote, "After reviewing the reauthorization legislation passed by the House of Representatives, we have identified six key areas of concern and three other issues…I believe the legislation should preserve states' flexibility, provide sufficient funding to meet increased requirements, and require accountability. These principles are contained in the Senate 'Tripartisan Consensus Provisions on Welfare Reform.'"

  An attachment that outlines the Governor's concerns notes that "The House bill increases the number of required hours of work to 40 hours and decreases the amount and type of activities that may be counted. States should be allowed to place recipients in basic education, vocational and other postsecondary activities, including substance abuse treatment to enable adults to improve employment opportunities and increase earnings. The tripartisan proposal maintains the current work activities while increasing state flexibility in the area of education and training."

  The Governor's attachment also raises issues related to funding. "The increases in the work participation rate and required hours of participation will require states to provide increased supportive service[s] for supplemental payments for the federal Fair Labor Standards Act, transportation, and especially child care. While the House bill increases child care funding, one-half of the proposed increase is discretionary, and we do not believe the increases are sufficient to cover the additional need…"

- **Governor M.J. "Mike" Foster Jr. (R-LA):** Governor Foster sent a letter to Sen. John Breaux (D-LA) in June 2002 which does not talk specifically about the House bill, but praises key elements of the Senate tripartisan approach which differ markedly from provisions in the House bill. Governor Foster wrote, "While I certainly believe that paid work is a necessary component in achieving self-sufficiency, I also believe that providing both current and former TANF recipients with education, job training, child care, and other support services is essential in giving them the greatest chance of achieving and maintaining long-term independence from government services. That is why I support items in the tripartisan proposal such as the allowance of vocational education to meet some of the work participation requirement and the assurance of adequate child care provisions to meet the new work participation rates. I also believe that the 30-hour-per-week work requirement is an appropriate and realistic expectation for states to meet at this stage of welfare reform, particularly when coupled with the proposal to increase to 70% the work participation rate that states will be asked to meet and which I support."

- **Governor Mark S. Schweiker (R-PA, former governor):** Governor Schweiker, in a letter to Sen. Arlen Specter (R-PA) dated May 17, 2002, also raises serious concerns about the House-passed bill. Governor Schweiker wrote, "Of primary

concern are the work requirements include[d] in the House-passed bill. An analysis by the Pennsylvania Department of Public Welfare reveals that the lack of appropriate credits for the successful placement of clients into jobs, accompanied by the lack of recognition that 20 percent of the caseload, at any point in time, have temporary family or medical situations that exempt them from work, will unfairly penalize the Commonwealth. Without attention to these issues, meeting the work requirements would require us to dismantle much of our time-tested and effective welfare program and replace it with costly programs with little utility for the Commonwealth's current caseload. These changes, including significant new child care costs, could cost the taxpayers of Pennsylvania more than $300 million…"

- **Governor Gary Locke (D-WA):** In July 2002, Governor Locke wrote Sen. Patty Murray (D-WA) about TANF reauthorization. He stated, "We estimate that the work participation requirements in HR4737 [the House-passed bill] would cost Washington a minimum of $136 million in added child care costs over five years, but the bill provides only $20 million in new funding. This unfunded mandate would require us to cut child care for working families in order to pay the child care costs of welfare recipients forced into "make work" jobs.… I am deeply concerned that HR4737 severely restricts state flexibility and attempts to impose a one-size-fits-all approach that ultimately will fail.... Enactment of HR 4737 would force Washington to abandon proven initiatives in order to create large public systems of workfare jobs. We know from our five years of experience that these "make work" jobs do not lead to the real jobs families need to get off and stay off welfare. It makes no sense to abandon successful approaches in favor of a strategy that has been proven to be flawed."

Concerns raised by states are important since they must make welfare reform work "on the ground." Despite these concerns, however, H.R. 4 does not include any significant changes to the work requirements or funding levels in last year's bill.

## Other Provisions in the House Bill — Unchanged from Last Year — Continue to Raise Questions

While much attention has been focused on the aspects of the TANF reauthorization bill pertaining to work requirements, there are a number of other provisions in the House bill that are problematic. Many of these controversial provisions either were not included at all in the bipartisan bill that passed the Senate Finance Committee last year or were included in a modified fashion to reduce some of the concerns raised here.

- *Under the House bill, states would be required to terminate all assistance to a family (including the children) if a parent failed to meet program expectations for just two months.* In a notable departure from the Administration's original welfare plan from February 2002, the House bill would *mandate* that states impose so-called "full-family" sanctions if an adult TANF recipient failed to meet

program requirements for two months, even when state policymakers did not want to adopt such a policy. Under current law, states have considerable flexibility in designing their sanction policies. While 36 states have adopted full-family sanctions, a substantial number of states have chosen not to terminate all benefits to children when an adult fails to meet program requirements. Moreover, 13 states that impose full-family sanctions under some circumstances impose a lesser penalty first and only terminate assistance to families after noncompliance has lasted for an extended period of time or has occurred several times.

Mandating increased use of full-family sanctions is troubling. Such a policy ignores the substantial research showing that such sanctions disproportionately fall on families in which the parents have serious barriers to employment– such as physical or mental disabilities – that impede their ability to comply with requirements. Such recipients often are willing to comply with program requirements but have not been given the help to do so. In addition, a growing body of cautionary research suggests that sanctions may increase children's risk for food insecurity — a commonly used measure of hunger risk — and involvement in the child welfare system.

This year's House bill actually made this provision harsher. Under the bill that passed last year, states that had constitutional or statutory provisions in place that prohibited the imposition of full-family sanctions (including New York and California) were exempted from this mandate. In this year's bill, however, these states are only exempted from imposing full family sanctions *for one year*, effectively requiring them either to amend their state constitution or statute so they can impose these sanctions or risk a federal fiscal penalty which escalates over time for failing to comply with the requirement.

Last year's bipartisan Senate Finance Committee bill did not include this new mandate on states.

- *Significant TANF resources would be devoted to narrow marriage-promotion activities.* The bill earmarks up to $1.2 billion in federal funds over six years (2003-2008) for competitive grants to states for a limited set of marriage-promotion and marriage-education activities. These resources could *not* be used for broader programs to strengthen families and support marriage such as teen pregnancy prevention efforts or programs to help noncustodial parents meet their parenting and financial obligations, despite interest among policy experts and states in testing new initiatives in these areas. An additional $600 million in federal funds over five years is provided to the Secretary of Health and Human Services for research, demonstration projects, and technical assistance; these funds must be used primarily for marriage promotion activities. The total amount of funding the House bill earmarks for marriage promotion is excessive given how little is known about the potential effectiveness of marriage promotion programs. Furthermore, a substantial share of the funding for these marriage-

promotion projects comes from redirecting TANF funds that states can currently use for a wide range of proven programs, including child care and welfare-to-work programs.

While last year's bipartisan Senate Finance bill also included funding for marriage grants, it allocated $1 billion, rather than up to $1.8 billion in the House bill, and allowed the funds to be spent on a somewhat broader range of activities.[4]

- *The bill retains discriminatory restrictions that prohibit states from providing TANF-funded benefits and work supports to recent legal immigrants, and Medicaid or SCHIP-funded health care assistance to many legal immigrant children and pregnant women.* The bill would continue the current-law ban on providing such benefits to legal immigrants who entered the country within the last five years. Even if states want to use federal TANF funds to help such immigrants find jobs or learn English, they are barred from doing so. In an Associated Press story in May 2002, Secretary of Health and Human Services Tommy Thompson, was quoted on the subject of providing TANF-funded services and benefits to legal immigrants, saying, "If states want to do it, they should have the opportunity....We're not pushing it, but if it passes, it's going to be included." The Administration now appears to have backtracked on this issue; both the Administration plan and the House bill leave the current ban in place.

  The bill also continues the current provisions which prohibit states from providing Medicaid or SCHIP benefits to recent legal immigrants, including pregnant women and children.

  Some 23 states use state funds to serve legal immigrants ineligible for federal TANF benefits; 27 states use state funds to provide health care assistance to some or all legal immigrants in the state who are ineligible for federally funded Medicaid or SCHIP. It appears likely that some states will discontinue these programs because of budget pressures. As noted above, Massachusetts already has made cuts in this area. More recently, Colorado and Minnesota are now considering cutting state-funded replacement benefits to legal immigrants.

  Last year's bipartisan Senate Finance bill included state options to provide TANF to legal immigrants and Medicaid to legal immigrant pregnant women and children.

- *The bill also includes a troubling "superwaiver" provision that would give the Executive Branch broad authority to waive federal laws and rules.* Federal agency heads could waive federal law and rules that apply to a number of low-income programs, including: the Food Stamp Program, public housing and homeless assistance programs, the Child Care and Development Block Grant, the Social Services Block Grant, most workforce investment and job training programs funded under the Workforce Investment Act, the Employment Service, adult education programs, and TANF. Executive Branch officials would have

virtually unfettered authority to approve waivers that effectively rewrite federal laws and alter the fundamental nature of affected programs. The Executive Branch could approve waivers that allow states to use federal funds in ways not authorized by Congress and negate provisions of federal law that target program funds to particular needy populations.

The effect of language that was added last year to address concerns raised about the superwaiver by members of the House Appropriations Committee is much more limited than some may have thought. This language — which remains in H.R. 4 and would prohibit waivers of "funding restrictions" — would do little to limit the extent to which statutes governing low-income programs could be overridden. Likewise, restrictions in the bill on shifting funds from one federal budget account to another would *not* prohibit Executive Branch officials from granting state requests to shift federal funds to other uses; superwaivers still could be used to accomplish such shifts since the Executive Branch could allow funds in a given program to be used in new ways not authorized under federal law, without formally transferring the funds to a different budget account.

- *Five states would be allowed to block grant the food stamp program with virtually no limits on how states could structure the program under the block grant.* Five states could elect to receive a block grant. The block grant funding level would remain fixed for five years, during which time it would decline in value as a result of inflation. As a result, the program would lose its ability to expand (or contract) in response to recession or changes in need. Fixed funding would make it harder for states to increase participation among the working poor and implement provisions recently enacted in the Farm Bill that would allow states to restore food stamp benefits to certain legal immigrants. In addition, without any requirement that the program be evaluated or the impact on beneficiaries measured, states would be able to shift funds away from food assistance to other activities and reduce or eliminate benefits to any group.

- *While there is significant bipartisan support for the Transitional Medical Assistance (TMA) program, the House bill only extends the program through fiscal year 2003 and finances this limited extension with a cut in federal Medicaid funding.* Limiting TMA reauthorization to one year appears to be a budget gimmick designed to avoid showing the costs of extending TMA after 2003. Given that all parties expect TMA to continue well beyond 2003, a more reasonable and straightforward approach would be to extend TMA at least through 2008 — the same length of time that the House bill reauthorizes TANF for — or to reauthorize TMA permanently.

  To finance the TMA extension, the House bill includes a temporary reduction in federal Medicaid matching payments to states for administrative costs. This is particularly unwise given that states already are making very deep cuts in their Medicaid programs in response to their serious fiscal crises.

> In addition, the House bill does not include TMA program improvements that were included in last year's bipartisan Senate Finance bill *as well as the President's budget that was just released.* These program improvements would allow states to simplify the program and make it easier to enroll and retain eligible families.

The bill would make modest, though important, improvements in the child support enforcement system. These improvements would help states defray the cost of ensuring that more of the child support paid by noncustodial parents is received by their children, rather than retained by the federal and state governments to offset welfare costs. Although helpful, these improvements are far more modest than a child support bill sponsored by Representatives Nancy Johnson (R-CT) and Ben Cardin (D-MD) that passed the House of Representatives at the end of 2000 with overwhelming bipartisan support. (The bill received more than 400 votes.) The provisions also are more modest than those included in the bipartisan TANF reauthorization legislation that passed the Senate Finance Committee last year.

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Over the past year, the pros and cons of various TANF reauthorization proposals have been widely discussed. Despite significant concerns raised by state officials responsible for implementing welfare reform and others, a serious state fiscal crisis, and new information regarding cuts that states already have made or are now considering, House Republicans are moving forward with a bill unchanged from almost a year ago.

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[1] CBO's $4.55 billion figure may understate the cost of maintaining current services because the estimate assumes that states will be able to maintain their current levels of using TANF for child care. This is unlikely to occur. In 2002, states spent $1.6 billion *more* than their annual TANF allotments, by drawing on unspent TANF funds carried over from prior years. These "carry-over" funds have been exhausted or nearly exhausted in most states. To bring spending in line with their annual TANF block grant allotment, many states will have to *cut* TANF funding for various programs, including child care programs, in the next few years.

[2] Elise Richer, Hedieh Rahmanou, and Mark Greenberg, *Welfare Caseloads Increased in Most States in Third Quarter*, Center for Law and Social Policy, December 2002.

[3] These figures and the similar figures below are calculated using 2003 federal poverty guidelines.

[4] It is important to note that the House bill includes one additional year of funding for marriage grants than was included in the Senate Finance bill. When five years of funding under the House bill is compared to the five years of funding in the Senate Finance bill, the House allocates up to an additional $500 million to marriage promotion programs.