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HOUSE BUDGET RECONCILIATION BILL INCLUDES HIGHLY FLAWED TANF PROVISIONS THAT HAVE REPEATEDLY FAILED TO GARNER SUPPORT

By Sharon Parrott

The budget reconciliation bill that the House passed on November 18, H.R. 4241, includes a set of controversial provisions related to the reauthorization of the Temporary Assistance for Needy Families (TANF) block grant and the child care block grant. The TANF and child care provisions in the House bill would impose inflexible and expensive new mandates on states. Those provisions would require states to operate large welfare-to-work programs without providing states either the flexibility to determine how best to help individual parents move from welfare to work or the resources needed to meet the new requirements. The Senate budget reconciliation bill, in contrast, contains no TANF or child care provisions.

The TANF and child care provisions in the House budget bill are nearly identical to earlier versions of TANF legislation the House passed in 2002 and 2003. As compared to those earlier versions of TANF legislation, the largest change in the provisions folded into the budget reconciliation bill is that the current provisions provide significantly *fewer resources* to states than earlier versions of the legislation. Those earlier bills did not become law in large part because they did not enjoy broad support in the Senate or among governors who would be responsible for implementing them. The House leadership may have decided to fold these controversial provisions into the broad budget reconciliation bill in the hopes that including them in a 900 page bill that enjoys fast-track legislative procedures in the Senate would make them easier to “slip through” despite continued opposition to them.

The House budget reconciliation bill also includes extremely controversial changes to the child support enforcement program. Some modest improvements in this program included in earlier versions of TANF reauthorization legislation are retained in the new bill, but they are coupled with

KEY FINDINGS

- TANF provisions in the House budget reconciliation bill would impose rigid and costly new requirements on state TANF programs and could force some states to abandon successful welfare-to-work initiatives.
- The House bill contains grossly insufficient funding for states to meet its new requirements. Funding for the TANF block grant would remain frozen, and funding for child care would not even keep pace with inflation.
- The House bill also contains a severe cut in child support enforcement funding that would cause \$24 billion in child support to go uncollected over the next decade, according to the Congressional Budget Office.

deep cuts in federal funding for child support enforcement efforts — cuts that would reach *40 percent* by 2010. According to the Congressional Budget Office, the net result of these changes would be that over the next ten years, *\$24 billion* in child support that otherwise would be collected would instead go *uncollected*, making it much more difficult for the affected parents and children to make ends meet.

Background on TANF Reauthorization

The Temporary Assistance for Needy Families (TANF) block grant provides federal funding to states to provide a range of services and supports for low-income families, including basic income assistance, welfare-to-work programs, child care subsidies, transportation assistance, and programs designed to reduce non-marital pregnancies and encourage two-parent family formation. The child care block grant provides funding to states for child care subsidies for low-income families. Both programs require states to contribute state resources toward these programs.

While both the TANF and child care block grants were due to be reauthorized by the end of 2002, reauthorization legislation has not been enacted, and both programs have operated under temporary extensions since the end of fiscal year 2002. The failure to enact reauthorization legislation reflects disagreements in a number of areas, including the work requirements that apply to families receiving TANF cash assistance and the level of child care funding the legislation should provide.

In highly partisan votes, the House of Representatives passed reauthorization legislation twice, in 2002 and 2003. These proposals, which closely tracked recommendations by the Bush Administration, were highly controversial. Among other things, they imposed expensive new mandates on states to operate far larger welfare-to-work programs, while reducing states' flexibility to determine how best to help parents move from welfare to work and failing to provide states with the resources necessary to meet the new requirements.

The full Senate has not voted on TANF reauthorization legislation, but earlier this year the Senate Finance Committee passed a reauthorization bill with bipartisan support. The Senate bill, known as the PRIDE Act, differs significantly from the House proposal. Like the House bill, the Senate bill increases the number of parents that states would be required to place in welfare-to-work programs. But the Senate bill gives states substantially greater flexibility to design those programs and to tailor welfare-to-work activities to the needs of individual parents. The Senate bill also includes \$6 billion in additional child care funding to help states cover the increased child care costs associated with operating larger welfare-to-work programs while also meeting the child care needs of low-income working families not receiving cash assistance.

The House leadership included the TANF and child care reauthorization provisions from the earlier House bills in the budget reconciliation bill the House approved on November 18. The one key change is that the current House bill provides *even fewer resources* than earlier House bills. (And those earlier bills provided far less funding than CBO estimated would be needed to meet the bill's costly new work mandates and ensure that child care funding keeps pace with inflation.) The House reconciliation bill also includes new cuts in the child support enforcement program.

House Bill Work Requirements Are Inflexible, Costly, and Unfunded

The House bill would require states to increase dramatically the percentage of parents receiving TANF cash assistance who are participating in work activities. The bill also would sharply increase the number of hours in which parents must be engaged in work activities, to a total of 40 hours per week. That 40-hour total must include 24 hours each week of work in a subsidized or unsubsidized job, significantly restricting the flexibility states now have to engage recipients in vocational educational training and other activities designed to address barriers to employment, such as substance abuse or mental health problems.

Meeting these new work requirements would cost states \$8.3 billion over the next five years, according to CBO; this amount is *on top of* the more than \$4 billion that CBO projects states will need just to keep current child care funding with inflation.¹ The additional costs associated with the expanded work requirements include the cost of operating larger welfare-to-work programs and the cost of providing child care to children whose parents are participating in these programs. Yet the House bill includes just \$500 million over five years in new child care funding, and no new TANF funding. In fact, the bill's child care funding totals just 6 percent of CBO's estimate of the cost of meeting the bill's new requirements, and just 4 percent of the combined cost of meeting the work requirements and maintaining current child care services for low-income working families not receiving TANF assistance.

Work Requirements Are Poorly Designed

In addition to being expensive, the work requirements in the House bill are poorly designed, reducing the flexibility that states now have to tailor work activities to the individual needs of parents and families.

- **Most states would have to develop large-scale workfare programs, despite the poor track record of these programs in helping parents find jobs.** Under the House bill, a parent only “counts” as a work program participant if she is working in an unsubsidized or subsidized job for at least 24 hours each week. (There is an exception to this rule for three months out of every two-year period that an adult receives assistance.) That leaves a state with only two real options for recipients who cannot secure an unsubsidized job for the required number of hours each week: create expensive wage-paying jobs for them or require them to work in a variety of government and private settings in exchange for their welfare benefits.

Current law allows states to operate large-scale subsidized work programs, but most choose not to do so. While wage-paying subsidized jobs can be highly effective for some recipients, states have made only limited use of such programs because they are expensive to operate. States also have shied away from lower-cost workfare or community service programs because they have not been found to be effective at helping parents find private employment.

Gordon Berlin, president of the Manpower Demonstration Research Corporation (the nation's premier welfare-to-work program evaluation institution), has written, “Careful evaluations of

¹ CBO noted that states, faced with such large costs and few new resources, could choose to get out from under the new work requirements by providing fewer families with federally funded assistance, either by further restricting TANF eligibility or by shifting families into state-funded programs to avoid federal mandates.

Should TANF Reauthorization Be Part of Budget Reconciliation?

Until now, the House and Senate have considered TANF reauthorization bills as stand-alone legislation. The House now has changed course, however, and included TANF reauthorization measures in its budget reconciliation bill.

This poses a series of problems. The budget reconciliation process was designed to provide a fast-track legislative process for budget bills that lower deficits by reducing entitlement spending or raising revenues. In recent years, the reconciliation process has been used to ease passage of deficit-increasing tax cuts, but that was not the purpose for which the process was originally designed. There are special rules in the Congressional Budget Act associated with reconciliation bills, one of which — known as the Byrd rule — prohibits such bills in the Senate from including legislative changes that do *not* have a material impact on the budget. It appears likely that some of the TANF provisions in the House budget bill run afoul of the Congressional Budget Act rules for reconciliation bills and, thus, could be stricken from final reconciliation legislation, though precisely how the parliamentarian would rule on certain provisions is unclear.

The House's decision to include TANF reauthorization in its budget reconciliation bill may have been designed to make passage of TANF reauthorization legislation more likely this year. It also may have been done to make it harder for the Senate to insist on providing states the new resources they will need to meet the new TANF work requirements. Because the budget reconciliation bill requires Congress to meet spending-cut targets, any new child care resources included in the bill would have to be offset dollar-for-dollar with cuts in other programs.

In other words, incorporating the TANF reauthorization measures into the budget reconciliation bill significantly enhances the House's leverage in negotiating with the Senate on TANF reauthorization issues.

In May, all 29 Republican governors signed a letter to Senate Majority Leader Bill Frist urging him to complete work on TANF reauthorization legislation *outside* of the reconciliation process. The letter stated, "This effort [TANF reauthorization] is far too important to leave to the limitations of a reconciliation process." The letter also praised several aspects of the Senate Finance Committee bill, including its provision of added resources for child care and the state flexibility that the Finance Committee built into its TANF work requirements.

In October, the National Governors Association released a formal statement about the Ways and Means' portion of the House Budget Reconciliation bill in which they expressed strong opposition to the inclusion of the TANF reauthorization provisions in the budget reconciliation bill. The governors wrote:

The Ways and Means Committee's reconciliation package also includes a 5-year reauthorization of the Temporary Assistance for Needy Families (TANF) block grant and related programs. Governors maintain that welfare reform reauthorization should be driven by good public policy and not by the federal budget process. For that reason, they continue to support efforts to reauthorize the TANF program outside of reconciliation. The committee's decision to reduce the additional amount of child care funding, which was initially included in H.R. 240, is of concern to governors, who remain committed to seeking new funding for child care services.

work experience programs revealed . . . no evidence that workfare led to increases in unsubsidized private sector employment, and little support for the notion that recipients learned new skills.”²

- **The bill significantly limits states’ ability to engage recipients in vocational educational training.** Because recipients must work in a subsidized or unsubsidized job for 24 hours each week, it will be difficult for even the most motivated single mother to combine this level of work (with the associated transportation time) with serious vocational educational training. In addition, states will find it difficult to locate or operate vocational training programs that fit parents’ work schedules. To combine at least 24 hours of work with vocational education training, a state and parent must be able to arrange the training around the parent’s work schedule (which may change weekly), drop-off and pick-up times at school and child care, and transportation schedules and routes.

This is a misguided departure from current law, which allows up to 30 percent of TANF recipients to meet their work requirements by participating in full-time vocational educational training programs.

Targeted vocational training programs that help recipients prepare for jobs that are available locally has been shown to be more effective than workfare at helping parents move from welfare to work and secure higher paying, more stable jobs. For example, a welfare-to-work program in Portland, Oregon, which produced the greatest employment and earnings gains of any welfare-to-work program ever evaluated, encouraged parents to search for higher paying jobs and allowed some parents to participate in vocational education programs designed to train them for jobs in demand in the local economy. *A large share of the Portland participants, however, would not have met the House bill’s rigid work rules*, so a state that wanted to replicate the Portland approach would not be able to count many of its participants toward the work participation rates that the House bill would require it to meet. As a result, the House bill would largely preclude states from developing such programs, despite their proven success.

MDRC president Gordon Berlin has written that the role of education and training in welfare-to-work programs should be expanded, not restricted: “The evidence indicates that both job-search-first and education-first strategies are effective but that neither is as effective as a strategy that combines the two, particularly a strategy that maintains a strong employment orientation while emphasizing job search first for some and education first for others, as individual needs dictate.”³ In short, the House bill would essentially prevent states from designing the types of welfare-to-work programs that research has found to be the most effective and force them instead to develop programs that research has found to be relatively ineffective.

- **The bill would limit states’ ability to engage recipients with serious barriers to employment — such as physical, mental, and learning disabilities, domestic violence, and substance abuse — in specialized activities designed to help them move toward self-sufficiency.** Under the House bill, these specialized activities would not count toward the mandated 40 hours of participation in activities unless a recipient also worked in a subsidized or

² See Gordon Berlin, *What Works in Welfare Reform*, <http://www.mdrc.org/Reports2002/TANF/TANF-Implications4.htm>.

³ See *What Works in Welfare Reform*, <http://www.mdrc.org/Reports2002/TANF/TANF-Implications1.htm>

unsubsidized job for 24 hours each week. Yet some recipients with these kinds of serious problems cannot succeed in a rigid work program — or a private job — and need other kinds of services and treatment to prepare them for work. Some states have established creative programs that help recipients with these kinds of barriers get the help they need. The House bill could force these states to abandon some of these efforts.

Research shows that the approach in the House bill is ill-conceived. Gordon Berlin of MDRC writes, “While investments in research, demonstration, and evaluation are essential to build additional knowledge about what works, it is clear that treatment programs for the hard-to-employ will play an important and growing part in states’ efforts to reduce welfare caseloads further. If engagement in these activities does not count toward meeting their [work] participation requirements, state officials have less incentive to work with these populations. Recognizing this need, the Bush administration’s plan would allow engagement in treatment programs to count toward the participation standard, but only for 3 months out of every 24. Experience to date suggests that this is an inadequate amount of time to overcome the barriers faced by some welfare recipients.”⁴

- **The high work participation rates are unrealistic.** Under the bill, states ultimately could be required to have 70 percent of their adult recipients (excluding those with infants) engaged in countable work activities for 40 hours each week. This very high participation rate ignores important lessons that have been learned over the past two decades of welfare-to-work experimentation. In particular, states have learned that in any particular month, some parents will be unable to participate at all and others will not be participate for the required number of hours for a variety of reasons, such as the parent is ill, a child in the family is ill (a case of strep throat or flu could cause a parent to miss a week of participation), or a parent is waiting for a work program to begin.

Doug Besharov and Peter Germanis of the American Enterprise Institute have written that even New York City in the late 1990s — when that city boasted the largest workfare program in the nation — would not have been able to meet the work requirements in the House bill unless it sustained a significant caseload decline (as explained below, a caseload decline can reduce a state’s federal work participation requirements).⁵ Similarly, Gordon Berlin of MDRC noted that to achieve the high work participation rates in the House bill, the hourly requirements would need to be *reduced* and the set of allowable activities would need to be *broadened* — precisely the opposite of the approach the House bill takes. Berlin explained that for states to achieve a 70 percent work participation rate, “... the weekly hours requirement would have to be relaxed and that the rules would need to take account of several practical realities involving people's changing status (for example, some will be sick, others will be between activities, and so forth), the slots and services required, and the administrative difficulty of monitoring participation.”⁶

⁴ See, *What Works in Welfare Reform*, <http://www.mdrc.org/Reports2002/TANF/TANF-Implications2.htm>.

⁵ Doug Besharov and Peter Germanis, “Full Engagement Welfare in New York City: Lessons for TANF’s Participation Requirements,” http://www.welfareacademy.org/pubs/welfare/nyc_hra.pdf.

⁶ See *What Works in Welfare Reform*, <http://www.mdrc.org/Reports2002/TANF/TANF-Implications4.htm>.

- **The 40 hour requirement is inflexible.**⁷ Under the bill, a parent must meet two separate requirements in order to count fully toward the state’s work participation rate: the parent must participate in work activities for at least 40 hours each week, and at least 24 of those hours must be spent in a subsidized or unsubsidized job. This is unnecessarily rigid. States already have the flexibility to require 40 hours of participation from families, but most states have chosen not to do so for all families, for a number of legitimate reasons. These include the costs associated with ensuring that all recipients are kept busy for this many hours regardless of whether those hours are spent in useful endeavors.

The cost concerns are particularly relevant for parents with young children. If parents are engaged in worthwhile activities that have a track record of helping parents secure employment, then paying for child care so parents can participate in these activities is a sound investment. However, paying for child care so a parent can be kept busy doing things that do *not* significantly affect the parent’s ability to find or retain employment is a poor investment. The unnecessary costs that the House bill would generate in this manner are particularly troubling, given that the bill fails to provide the resources that states would need to meet the bill’s own requirements. States could be forced to take child care subsidies away from low-income working families that do not receive TANF but need child care subsidies to stay employed in order to pay for longer hours of child care for families receiving cash assistance, even when the only purpose of those longer hours is to keep a parent busy for an arbitrary number of hours each week.

It also is important to note that some parents — such as those with health problems or those with children who have disabilities — are unable to participate in activities for 40 hours each week. Appropriate child care for children with disabilities often is unavailable, making it impossible even for some parents with school-age children to participate for 40 hours each week since children are not in school for that many hours. Parents with children who are ill and unable to go to school or to child care for a long period of time also will be unable to meet a 40-hour standard. Similarly, parents who themselves have health problems may be unable to participate for a full 40 hours every week.⁸

- **The bill gives states strong incentives to make it harder for poor families that need help to receive basic assistance through TANF.** Under current law, states receive credit toward their work participation target on the basis of the drop in their TANF caseload since 1995. Under the House bill, by contrast, states would receive credit toward their work participation rate (which would be increased to 70 percent) only if the state *continued to* reduce its caseload. When the House work requirements were fully in effect, states’ work participation rate requirement would be reduced based on the percentage decline in their TANF caseload over the preceding four years, not their caseload decline since 1995. This would give states a strong incentive to continue reducing the number of families receiving TANF income assistance.

⁷ Under the bill, states would receive partial credit if a recipient participated for at least 24 hours each week, but less than 40. Still, states would be under significant pressure to schedule most or all recipients for the full 40 hours of requirements to ensure that the state meets the bill’s ambitious work participation rates.

⁸ The House bill does allow states to receive partial credit for a recipient who meets the requirement to work in a subsidized or unsubsidized job for 24 hours each week, but does not participate a total of 40 hours each week. This provision of partial credit, however, will not assist states in meeting the work participation requirements when a parent misses work for a week because she is ill or because she must care for an ill child.

This “caseload reduction credit” is not the only reason that states would have a strong incentive to help fewer needy families. The work requirements in the bill are costly to meet, and the fiscal penalties states can incur if they are unable to meet the work requirements are steep. The fewer families a state serves in its TANF cash assistance program — and, in particular, the fewer adults it serves who have barriers to employment — the lower will be the state’s cost of complying with federal law.

States already have instituted policies and procedures that have resulted in a sharp decline in the proportion of poor families eligible for TANF assistance that actually receive aid through TANF. In the mid-1990s, about 80 percent of families with children who were poor enough to qualify for cash assistance through the former AFDC program received aid through that program. Data from HHS shows that in 2002, *fewer than half* — 48 percent — of families poor enough to meet the TANF eligibility requirements in their states received income assistance through TANF.⁹ This marked drop in participation is one of the reasons that the number and percentage of children and families who live in deep poverty — i.e., below 50 percent of the poverty line — has risen significantly in recent years. The strong incentives in the House bill for states to restrict access to assistance could exacerbate this disturbing trend.

- **The House bill would impose costly new drug testing mandates on states and harsh penalties on families while providing no resources for substance abuse treatment or the drug tests themselves.** Under the House bill, states would be required to conduct a drug test on TANF recipients suspected of unlawfully taking a controlled substance. If that test indicates that the individual has recently used an illegal substance — or if the state otherwise determines that the individual is likely to have used an illegal substance recently — the state is required to terminate all cash assistance to the family (including the children) until the recipient passes a subsequent drug test. These mandates are not, however, backed up with resources. States would receive no additional funding to administer these tests and no resources for substance abuse treatment — states, however, could lose up to ten percent of their block grant funding if they fail to comply with the new drug testing mandates. And, while states would be required to terminate cash assistance to families in which an adult tested positive for a controlled substance, families would have no assurance of receiving any help in overcoming a substance abuse problem.

Funding Falls \$12 Billion Short of the Cost of Meeting New Work Requirements and Continuing Current Child Care Programs

Despite including new work requirements that CBO estimates would cost states \$8.3 billion to meet over the next five years, the House bill includes only \$500 million in additional child care funding over this period, which is just *half* of what earlier versions of the House TANF reauthorization bill contained. This small increase in child care funding is well below what is needed just for such funding to keep pace with inflation (so cutbacks in child care assistance can be averted), even in the absence of the bill’s costly new work requirements.¹⁰

⁹ HHS, Indicators of Welfare Dependence: Annual Report to Congress 2005, <http://aspe.hhs.gov/hsp/indicators05/index.htm>.

¹⁰ For a more detailed examination of the impact of the House bill on child care funding, see “Families Will Lose Child Care Assistance Under House Ways and Means Committee Welfare Reauthorization Bill” by Danielle Ewen, Center for Law and Social Policy, October 2005, http://www.clasp.org/publications/house_tanf_bill_childcare.pdf.

House Work Requirements and Funding Levels Are at Odds with the National Governors Association's Recommendations

The structure of the work requirements in the House bill and the bill's failure to provide sufficient resources are at odds with NGA policy recommendations on welfare reform. The NGA policy position (see NGA policy HHS-21.), updated earlier this year calls for:

- **Increased TANF funding.** “Governors believe the federal government must maintain the financial commitment to the TANF block grant and allow for inflationary increases in the program. Welfare is no longer simply about providing cash payments to poor families. While Governors are proud of the significant decline in the number of people receiving cash assistance, the untold story of welfare reform is the amount of federal, state, and local funds that are now being dedicated to non-cash assistance, such as child care, low-income tax credits, transportation, training, and family support services for families transitioning from welfare to work. Failure to provide an inflationary increase, coupled with a continued reduction in the real dollar value of the TANF block grant, could cause states to shift their focus away from, or reduce their investment in, non-cash assistance services that directly relate to the success of welfare reform.”

The House bill, by contrast, freezes TANF funding through 2010 at the levels first set in 1996.

- **Increased flexibility to tailor work activities to recipients' needs.** “Governors support the notion that TANF clients should be engaged in work preparation or employment activity but believe that states should have greater flexibility to define what counts as a work activity. As states work with families on a more individualized basis, many states are finding that a combination of activities on a limited basis, such as work, job training, education, and substance abuse treatment, leads to the greatest success for some individuals. Governors believe the federal government should recognize the success of these tailored approaches to addressing an individual's needs by providing states greater discretion in defining appropriate work activities. This should include the authority to determine which individuals require additional preparation for work and the duration and scope of such activities.”

The House bill, by contrast, restricts states' flexibility to engage TANF recipients in a broader range of welfare-to-work activities, curtailing their ability to engage recipients in vocational training or programs to address barriers to employment. Moreover, the House bill requires recipients to participate in activities for 40 hours each week, even when states determine that such an hourly requirement would be counterproductive.

- **Increased child care funding.** “It is imperative that the federal government recognize child care as a key component of a successful TANF program. For many families, a successful transition from welfare to work is based on the reliability of child care assistance. Despite significant increases in both state and federal investments in child care, many states continue to face an unmet need for child care subsidies...”

“Governors also believe that funding for child care should continue to be a priority for the federal government. Therefore, any federally mandated increases in work requirements for TANF families should also be accompanied by additional federal child care assistance. Otherwise, states may be forced to drastically reduce child care assistance for working poor families or put TANF children at risk while their parents work.”

The House bill provides only \$500 million in added child care funding, far less than is needed to ensure that states' can maintain their current child care programs and meet the bill's expensive new work requirements.

Similarly, in an April letter to the chair and ranking member of the Ways and Means Subcommittee on Human Resources (which has jurisdiction over TANF), Governors Barbour and Granholm — writing on behalf of all governors — asked that TANF legislation include increased child care funding, increased flexibility to engage recipients in education and training, and a lower hourly participation work requirement for children under six. The letter also opposed new mandates on states to conduct extensive drug testing.

Last year, CBO estimated that an additional \$4.8 billion in child care funding would be needed over the next five years just to keep federal and state child care funding even with inflation. Without these resources, states will be forced to cut back their existing child care programs, even if they do not have to meet any new TANF-related work requirements.

CBO also estimated that states would need an additional \$12.5 billion over five years to meet the new work requirements imposed by the bill while also continuing to provide child care to the same number of children in low-income working families not on TANF cash assistance as states currently do.¹¹ This means that the \$500 million in child care provided in the bill falls *some \$12 billion short* of the amount needed to continue providing child care assistance to low-income working families not receiving TANF cash assistance and to meet the bill's new work requirements.

This funding shortfall would *not* be made up by additional TANF funds, as the bill continues to freeze funding for the TANF block grant, with no adjustment for inflation. Funding for the basic TANF block grant has been frozen since the block grant was established in 1996, and already has lost 17 percent of its value due to inflation. If the block grant remains frozen for another five years (as would occur under the House bill), the basic block grant will, by 2010, be worth only about three-quarters of what it was worth when it was established.

Because of inadequate child care funding levels and the costs of providing child care to children whose parents are placed in expanded welfare-to-work programs, states almost surely will be forced to divert substantial child care resources from children in low-income working families that are not receiving TANF cash assistance. Under the House bill, *an estimated 330,000 fewer children in low-income working families not receiving cash aid will receive child care assistance in 2010 than received such assistance in 2004.*¹² Put another way, the House bill essentially contains a large cut in child care assistance for working-poor families.

And, this estimate may well understate the loss of child care assistance because it is based on the optimistic assumption that states would not reduce the amount of TANF funds they are devoting to child care in order to help meet the costs of the expanded welfare-to-work programs they would be required to operate. States struggling to meet the costs of the new work requirements and to cope with the diminished value of the TANF block grant would be left with limited choices: cutting the amount of TANF funding used for child care assistance for low-income working families; cutting other programs funded with TANF, such as basic income assistance (which already provides benefits so low that it leaves many families with children in deep poverty); cutting transportation and

¹¹ This \$12.5 billion estimate takes into account the overlap in the CBO estimates of the funding needed to ensure that current child care funding keeps pace with inflation and the cost of meeting the new work requirements in the bill.

¹² This figure was computed with the assistance of Danielle Ewen of the Center for Law and Social Policy. The estimate was made by first calculating the number of children overall (including children receiving TANF income assistance) that could receive child care subsidies in 2010 based on the funding provided by the House bill and comparing it to the number that could be funded in 2004 with the funding available that year. The per-child-care cost was calculated based on the annual cost per child care slot in 2001 and the CBO estimate of how much the cost of child care slots increases each year due to wage and general inflation. (The 2001 per-slot-data are based on HHS data on children served in the Child Care and Development Fund programs in 2001 and total expenditures in that program.) The number of additional child care slots that would be needed for TANF recipients as a result of the bill's work requirements was then calculated using CBO's estimates of the additional child care costs associated with meeting the increased work requirements. The decline in the *overall* number of child care slots that could be funded under the House bill and the number of child care slots that would need to be *diverted* to TANF families were combined to compute the number of child care slots for children in low-income working families that would be lost under the bill.

other supports for working families, efforts to reduce teen pregnancies, or child welfare programs now supported with TANF resources; reducing the cost of meeting the new TANF work requirements by cutting TANF cash assistance programs and providing many fewer families with federally funded TANF aid to start with; substantially increasing *state* funding for child care and welfare-to-work programs; or some combination of these policies.

House Bill Would Require States to Terminate Assistance to Children If Parents Do Not Meet Work Requirements

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, even when state policymakers did not want to adopt such a policy. Under current law, states have considerable flexibility in designing their sanction policies. According to data from the Urban Institute, in 2003, 37 states utilized full-family sanctions, while 14 states chose not to terminate all benefits to children when an adult fails to meet program requirements. Moreover, nearly all 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 more than two (and often longer) or has occurred several times.

Mandating increased use of full-family sanctions seemingly 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.¹³ 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 behavioral problems.¹⁴

Even in the absence of this provision, there would be a substantial risk that larger number of families with barriers to employment would face sanctions under the House bill, as states push more recipients into workfare programs — even when such programs are inappropriate for a parent given their circumstances — so the state can comply with the work participation requirements in the bill. This provision would mean that more families would lose *all* assistance when parents are unable to participate in work activities that may be poorly suited to their circumstances.

The bill even would force states that have a provision in their state constitution which bars the use of full-family sanctions either to amend their constitutions so they can impose these sanctions or risk a federal fiscal penalty which escalates over time for failing to comply with the requirement.

¹³ For a review of this research, see “Review of Sanction Policies and Research Studies,” LaDonna Pavetti, Mathematica Policy Research, Inc., March 2003.

¹⁴ See, Nancy E. Reichman, et al “Variations in Maternal and Child Wellbeing Among Financially Eligible Mothers by TANF Participation Status,” Center for Research on Child Wellbeing, Working Paper #03-13-FF, April 2003; Nancy E. Reichman, et al, “Hardships Among Sanctioned Leavers, Non-Sanctioned Leavers, and TANF Stayers,” Center for Research on Child Wellbeing, Working Paper #03-17-FF, December 2003; John Cook, et al, “Welfare Reform and the Health of Young Children: A Sentinel Survey in Six United States Cities,” *Archives of Pediatric and Adolescent Medicine*, vol 156:7, July 2002; and Lindsey Chase-Landsdale, et al “Welfare Reform: What About the Children?” 2002.

Senate TANF Bill Takes a Different Approach

Like the House bill, the Senate bill also would increase the percentage of parents who must participate in welfare-to-work programs. But, the Senate bill establishes a more workable set of requirements and provides additional funding to help states meet those new requirements:

- **The Senate bill (like the House bill) sets the work participation rate at 70 percent, but gives states credit toward this rate based on the number of families that stop receiving TANF cash assistance and are working.** This is in contrast to the House bill that rewards states if they reduce their caseload, regardless of whether families that no longer receive assistance are working or destitute.

The Senate bill caps the “employment credit,” so when fully in effect, states would have to meet a 50 percent participation rate. This structure gives states a strong incentive to help families find jobs and sets the participation rate at a more workable level that recognizes the myriad reasons that parents may be unable to meet the full requirements each month.

- **The Senate bill provides states substantially more flexibility than the House bill to determine the work activity that is best suited to the needs of each recipient.** The Senate bill continues to allow states to engage recipients in vocational educational training programs to satisfy some or all of the required hours of participation. And, the Senate bill *expands* the set of activities in which states can engage recipients and get credit toward the work participation requirements by counting participation in rehabilitative services — such as mental health or substance abuse treatment — toward the participation requirements. (After a recipient has participated in such activities for three months, participation in rehabilitative services must be combined with participation in other welfare-to-work activities.)
- **The hourly requirements in the Senate bill are more reasonable than in the House bill.** Under the Senate bill, parents with children under the age of six count fully toward the participation rate the state must meet if they participate in activities for at least 24 hours each week — well below the 40 hour standard in the House bill. This provides states with greater flexibility to determine how best to use their limited resources and how best to structure their programs so that parents with young children can balance their work and family responsibilities. The Senate bill sets the hourly requirement for parents with children ages six and over at 34 hours. (It should be noted that both the Senate and House bills raise the hourly standards in the absence of any empirical evidence that increasing the hours of participation will improve the employment outcomes for TANF recipients.)
- **The Senate bill provides \$6 billion in additional child care funding.** This appears to be roughly the amount needed to meet the costs of the Senate work requirements and ensure that current child care funding keeps pace with inflation. It is not enough, however, to make a significant dent in the large number of children in low-income working families that qualify for child care subsidies but do not receive them because of insufficient funding.
- **The Senate bill continues to allow states to set their own sanction policies.**
- **The Senate bill does not mandate new drug testing.**

Claims That House Bill Would “Increase” Welfare Spending are Misleading

The summary of the TANF-related provisions issued by Rep. Bill Thomas, Chairman of the House Ways and Means Committee, states that the bill “*increases spending on welfare reform reauthorization policies* by \$1 billion over five years compared with current law” [emphasis in original]. This creates the impression that the bill provides states with increased resources for welfare reform. This impression is inaccurate, for two reasons:

- The provision of the bill that extends TANF “supplemental grants” (additional TANF funds that have been provided since TANF’s inception to 17 states, most of which are poor, Southern states) is counted by CBO as representing \$319 million in new spending per year. But this provision — and these funds — do nothing more than maintain the current funding level. The 1996 welfare law contained an unusual provision directing CBO to assume that these supplemental grants would not continue beyond 2001; as a result, CBO must “score” the continuation of these funds as a “cost.” These supplemental grants have repeatedly been extended, however, because the states that receive them — primarily poor southern states that receive block grants under the TANF funding formula that provide these states with significantly fewer TANF funds per poor child than other states get — need these funds simply to maintain their current programs.
- What is being described as “new” marriage-related funding is not, in fact, new funding at all, but rather a shift in funds from other TANF purposes. The House bill would provide \$1 billion over five years for marriage-related programs and marriage-related research and demonstration projects; the funds would be awarded on a competitive basis by the federal government and generally would be spent on a narrow range of projects and demonstration programs designed to promote healthy marriages (such as pre-marital counseling and public education campaigns on the importance of marriage). These marriage funds would be secured by *eliminating* various other federal TANF funds.

The TANF “high performance bonus,” now awarded to states based on welfare-to-work and other performance measures, would be terminated. (Currently, states can use these bonus funds for any TANF-related activity, including work programs, child care, and transportation assistance; some 42 states received high performance bonus funds in 2005.) The House bill also eliminates the “illegitimacy bonus,” a \$100 million per year bonus typically awarded each year to four or five states that have experienced reductions in non-marital childbearing without a rise in abortions. The total savings from eliminating both of these bonuses are \$300 million per year, or \$1.5 billion over five years.¹⁵ This is *more* than the cost of the new marriage initiatives.

To be sure, the combined cost of extending the TANF supplemental grants, establishing the new marriage initiatives, and the bill’s small (\$500 million) increase in child care funding is somewhat larger than the savings from eliminating the high performance bonus and the illegitimacy bonus.

¹⁵ These figures represent the reduction in *budget authority* that would result from the elimination of these two bonuses. CBO estimates that this reduction in budget authority would result in outlay savings of \$1.1 billion over the five year period because, if awarded, some of these bonus funds would have been spent after the close of the five year period. This often occurs with bonus funds because the bonuses are often awarded late in the federal fiscal year.

But states will *not* receive an increase — even in nominal terms — in their TANF-related funding as compared to the funding they received in 2004, since the costs associated with extending the TANF supplemental grants do not represent new resources for states. (As noted, the fact that continuing the current TANF supplemental grants is counted as a new “cost” is simply an artifact of the unusual provision written into the 1996 welfare law.)

Modest Child Support Policy Improvements Far Outweighed By Massive Cuts to Federal Child Support Enforcement Funding

Finally, the House bill includes two sets of child support provisions.

- **Modest improvements in certain aspects of the child support enforcement program.** One set of provisions would allow states to direct more child support collected on behalf of families receiving TANF income assistance directly to the children in these families, rather than having the states retain this support to offset a portion of federal and state costs in providing TANF assistance to the families. This is a modest improvement, although CBO, notes that the provisions in the House bill would not result in as much child support being directed to families as a more far-reaching set of proposals in the TANF legislation approved by the Senate Finance Committee. The cost associated with these modest improvements would largely be offset by an increase in the fees charged to custodial parents who receive help through the child support program and who are not on TANF.¹⁶
- **Deep cuts in federal funding for child support enforcement efforts.** CBO estimates that the House bill would cut federal funding for child support enforcement by \$5 billion over the next five years and \$14 billion over the next ten years. In 2010, when the cuts are fully in effect, federal support for child support enforcement would be cut 40 percent, according to CBO. Cuts of this magnitude would have a large negative impact on the performance of state child support enforcement programs that locate absent parents, establish legally enforceable child support orders, collect child support from non-custodial parents, and distribute that support to parents caring for children.¹⁷

CBO estimates that over the next ten years, the net effect of these two sets of child support provisions would be that \$24 billion in child support owed to children would go uncollected. This money would come straight out of the budgets of families raising children, which would have a more difficult time affording the basics for these children — food, clothing, health care, and housing.

And even this estimate of the reduction in child support collected may be low. CBO assumes that states will increase state funding of child support programs to plug part of the hole left by the withdrawal of federal funds. As states struggle to meet the House bill’s costly new TANF work requirements without any additional federal resources, however, additional state dollars for child

¹⁶ For more information about these changes, see “Child Support Provisions in TANF Reauthorization Bills,” (a PowerPoint presentation) by Vicki Turetsky, the Center for Law and Social Policy, Oct. 2003, http://www.clasp.org/publications/CS_TANF_bills.pdf.

¹⁷ For more information, see “Updated: Ways and Means Committee Approves 40 Percent Cut in Child Support Funds,” by Vicki Turetsky, Center for Law and Social Policy, November 2002. http://www.clasp.org/publications/child_support_cuts.pdf.

support enforcement may not be forthcoming. Some state officials have warned that the cut in federal funding will result in a far larger decline in the amount of child support collected on behalf of children who need and are owed that support than is projected by CBO.

Conclusion

For three years, the TANF and child care reauthorization provisions included in the House budget reconciliation bill have failed to garner support in the Senate or among governors for three years. There is a good reason for this lack of support: the provisions impose inflexible, poorly designed, and expensive new mandates on states. In fact, the provisions run counter to much of what has been learned in more than two decades of rigorous research and analysis on welfare-to-work programs and policies. Including these highly controversial provisions in a fast-track budget reconciliation bill appears to be designed to push them through the Congress. As House and Senate leaders meet to discuss the broader budget reconciliation bill, they should carefully consider the objections that members of Congress of both parties and governors have raised against these provisions.