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Revised February 12, 2003

\$16,000 PER FAMILY? ADMINISTRATION'S CLAIM THAT ITS BUDGET INCREASES WELFARE-TO-WORK FUNDING IS INCORRECT

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The President's welfare (TANF) reauthorization plan, originally proposed in February 2002 and now being considered in the House, places new mandates on states that the Congressional Budget Office estimates would cost states between \$8 billion and \$11 billion over five years to implement.¹ Even though the plan provides *no* new funding to help states pay for these costs — and the Administration does not dispute CBO's estimates of the cost of its plan — the Administration has sought to portray its plan as providing *increases* in funding for states. To do so, it has repeatedly claimed that its plan would “increase the welfare-to-work resources available for families” by providing “an average of \$16,000 per family in federal and state welfare, childcare, and job training resources.”² This claim is a distortion.

- **The \$16,000 figure is calculated by adding together total TANF and child care block grant funding — including the funding spent on working families that do *not* receive cash assistance — and dividing that total by only the number of families that receive *cash assistance*.** The calculation excludes all families who receive benefits or services funded with TANF or the child care block grant that do *not* receive cash assistance.
- **The President's budget *freezes* welfare and child care funding rather than increasing such funding.** In fact, according to the Administration's budget, the number of children who will receive child care subsidies is projected to *fall* by 200,000 by 2007.
- **If the Administration calculated the amount available per family based on all of the families that receive benefits and services funded with TANF and child care block grant funds — including low-income working families that do not receive *cash assistance* — the amount would be far lower than \$16,000.** The Administration artificially inflates the amount of funding available per family by ignoring more than *one million* low-income working families who *currently* receive child care and other benefits funded with TANF as well as *all* of the working families not receiving cash welfare benefits that receive child care subsidies through the *child care block grant*.
- **States could not spend \$16,000 per family unless they eliminated all TANF and child care funding for benefits and services for low-income families not receiving cash aid.** This would mean that no TANF or child care funds could be

The Administration Does Not Count Many Families Getting Important Services

Families Counted by the Administration:

Families receiving TANF *cash* assistance

Families Not Counted by the Administration:

Families not receiving TANF cash assistance but receiving the following benefits funded by TANF or CCDF:

- Child care subsidies
- Transportation subsidies to get to work
- A state-level earned income tax credit
- Case management services after leaving cash assistance for work
- One-time emergency assistance to avoid joining the welfare rolls
- Marriage counseling
- Teen pregnancy prevention education

used to assist working poor families with child care costs, to serve low-income teens in a teen pregnancy prevention program, or to provide marital counseling to non-cash aid recipients.

By repeatedly using this \$16,000 figure, the Administration paints a misleading picture about the amount of resources states spend on cash assistance recipients. The claim also seems to suggest that the Administration believes that it is wise policy for states to divert substantial resources from programs for low-income working families in order to fund expensive new federal mandates for which the Administration does not wish to allocate additional resources.

Administration Claim Based on Distortions

The Administration's \$16,000 figure is calculated by first combining the federal TANF block grant (about \$17 billion a year) and the amount of funds state are required to spend to meet the TANF maintenance-of-effort (MOE) requirement (\$10 billion to \$11 billion a year). The Administration then takes two additional steps that result in a figure that distorts the amount of welfare-to-work and child care funding available to states per family. The Administration adds in the entire amount of federal child care funding provided to states under the Child Care and Development Fund (about \$4.8 billion a year) and the amount of state funding that states are required to spend to draw down these funds (about \$1 billion), even though this funding stream is separate from the TANF program and serves many families who do not receive TANF cash assistance. The Administration then divides the total funding available under these various funding streams by the number of *families receiving TANF cash assistance* — not, as one would expect, by the actual number of families receiving benefits and services under these funding streams (including the substantial number of low-income working families receiving child care and other benefits, but not cash assistance).

- **The Administration artificially inflates the amount of funding available per TANF family by including a *non*-TANF funding stream — the Child Care and Development Fund — in its calculation.** The Administration’s \$16,000 figure includes federal and state funds that constitute the Child Care and Development Fund (CCDF), the main federal funding stream for child care subsidies, which Congress clearly intended for states to use in large measure to serve low-income working families not receiving cash aid. Just under two million children receive child care subsidies funded by CCDF (including families with incomes above the federal poverty level). A large share of the families that receive CCDF child care subsidies are low-income working families that do not get cash benefits and therefore are ignored in the Administration’s figure.³
- **The Administration ignores the million or more working families that receive *TANF-funded* benefits and services — but not cash assistance — that help them to stay off the welfare rolls and make ends meet.** One of the most important elements of the 1996 welfare law was the flexibility it gave to states to use TANF funds to provide a much broader array of services than had been allowable under the prior AFDC welfare program and to serve a broader range of families. States have used this flexibility to provide child care and other work supports to low-income *working* families not receiving cash aid so that families do not need to get cash assistance in order to obtain other forms of help.

Families receiving other types of TANF-funded services and benefits — including families receiving TANF-funded marriage counseling and other marriage-related services the Administration has heavily promoted, or teenagers participating in TANF-funded programs designed to prevent teen pregnancy — also are ignored in the Administration’s per-family calculation unless they also receive cash assistance.

A very conservative estimate, based primarily on GAO data, is that more than one million families that do not receive cash assistance receive services in TANF-funded programs.⁴ When the Administration claims that states have \$16,000 per family, it ignores all of these families in its calculation.

Administration’s New Welfare Mandates Would Force States to Redirect Resources from Child Care and Other Supports for Low-Income Working Families

The Administration has used the \$16,000 figure to blunt criticism that it has not provided additional resources for states to meet the increased work mandates in its proposal. Under the Administration’s proposal — and the House Republican bill — states would be required to increase substantially the number of cash assistance recipients participating in welfare-to-work activities. At the same time, the proposals call for increasing the number of hours that all recipients must spend in welfare-to-work activities — even those with toddlers and preschoolers — to 40 hours per week. The proposals also limit states’ ability to engage recipients in various welfare-to-work activities, such as vocational education, English language classes, and activities

Do Families Actually Receive \$16,000 Annually in Cash Benefits?

Although the Administration's statement is not meant to be an estimate of the amount an individual family receives in cash benefits each year, it could easily be misinterpreted as suggesting that families receiving cash assistance get \$16,000 annually in cash benefits. To the contrary:

- The *maximum* TANF cash benefit for a family of three is below \$5,000 annually in half the states and below \$8,600 annually in all states but Alaska.^a
- Because many families do not receive the maximum benefit available, *average* TANF cash benefits are lower still — in half the states, the average annual benefit for a family of three is below \$3,700, and in three-quarters of the states it is below \$4,600.^b
- It often costs a state more to provide child care subsidies to a family (roughly \$3,900 per child on average) than to provide cash assistance.^c

^a Gene Falk, *Cash Welfare Benefit Amounts*, Congressional Research Service, January 2002.

^b *2000 Green Book*, Committee on Ways and Means, Table 7-6, 1998 column, October, 2000.

^c Center for Law and Social Policy estimate. See *At What Price? A Cost Analysis for the Administration's Temporary*

designed to address barriers to employment. The Congressional Budget Office has estimated that these new requirements would cost states between \$8 billion and \$11 billion to meet.

If, as would be the case under the Administration's proposal and House Republican bill, the federal government does not provide the resources states need to meet the new requirements, states likely will be forced to divert TANF and CCDF funds that are currently spent on services for low-income working families in order to comply with these new federal requirements.⁵ *Thus, under the Administration's proposal, cuts in benefits and services for low-income working families would, in effect, serve as the financing mechanism for new federal welfare mandates — a highly regressive way to pay for new federal mandates.*

- **Paying for increased work requirements by forcing states to cut programs for low-income working families may be counter-productive.** If parents who find jobs and leave welfare do not have access to child care assistance or help paying for transportation, they may be far less likely to retain that job and remain off of welfare.
- **The Administration's proposal would force this redirection of resources to pay for work requirements that may be *ineffective* at helping parents find jobs.** The Administration's proposal would impose a rigid set of requirements on states that would make it difficult for them to tailor welfare-to-work program activities to the individual needs of recipients. This ignores more than a decade of research on welfare-to-work programs and state experience, which have found repeatedly that programs utilizing a broad array of work activities — including “work-first” activities such as job search and job readiness training, education, training, unpaid work experience, activities designed to address barriers to employment, and subsidized jobs — are most effective at improving employment

outcomes. A study by the Urban Institute found that between 1996 and 2000, states *increased* their use of education, training, and barrier-related activities to achieve better outcomes for welfare recipients.

To be sure, increased efforts to help cash assistance recipients find and keep employment are important. But, additional funding should be provided to states so that they can increase efforts in this area *without* cutting child care and other important benefits for low-income families that do not receive cash aid. It also is important to note that even with the TANF and child care block grant funds that states now spend on child care for low-income working families, only *one in seven* children eligible for child care assistance now receives that help. Despite the new costs associated with his work proposals and the already large unmet need for child care assistance, the President has proposed *frozen* TANF and child care funding levels.⁶ The President's call for frozen funding is particularly striking in the context of a budget in which he also proposes tax cuts that primarily benefit the wealthiest families and would cost \$1.5 trillion through 2013 (and more than \$1.8 trillion when the associated interest costs are included).

¹ The House Republican TANF reauthorization bill (H.R. 4) is modeled on the TANF reauthorization proposal the Administration released in February 2002. For more information on H.R. 4, see *Recycling An Unwise Proposal: State Concerns and New State Fiscal Realities Ignored in House Republican Welfare Bill*, Center on Budget and Policy Priorities, February 2003.

² White Fact Sheet, *President Calls for Action on Welfare Reform*, January 14, 2003, <http://www.whitehouse.gov/news/releases/2003/01/print/20030114.html>.

³ Wade Horn, the Assistant Secretary for HHS' Administration for Children and Families, recently stated that \$13,000 is available for each family receiving welfare benefits. Although he did not explain how he derived that estimate, or why his number differs from the White House figure, it appears that Horn's estimate was derived by counting state and federal TANF funds, not child care block grant funds. Even this figure is misleading because it still ignores all of the low-income working families not receiving cash assistance who receive TANF-funded benefits and services. Wade Horn, Letter to the Editor, *Newsday*, "Working on Welfare," February 3, 2003, <http://www.newsday.com/news/opinion/letters/ny-vpqltr033114532feb03.story>.

⁴ Shawn Fremstad and Zoë Neuberger, *TANF'S "Uncounted" Cases: More than One Million Working Families Receiving TANF-funded Services Not Counted in TANF Caseload*, Center on Budget and Policy Priorities, April 2002, <http://www.centeronbudget.org/4-24-02tanf.htm>.

⁵ 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 are exceedingly unlikely to commit additional *state* revenues to meet new *federal* mandates.

⁶ The House Republican bill would provide \$1 billion over five years in additional child care resources, less than CBO has said states need just to continue providing subsidies to the number of children now receiving that help.