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BRIEF GUIDE TO 2005 TANF REAUTHORIZATION LEGISLATION

Congress has been debating reauthorization of the Temporary Assistance for Needy Families (TANF) program and changes to related programs, including child care and child support, since the program first came up for renewal in 2002. In March of this year, the Senate Finance Committee passed reauthorization legislation (S. 667) which awaits consideration by the full Senate. The House shortly thereafter passed a reauthorization bill (H.R. 240) through a subcommittee of the Ways and Means Committee, but did not take further action on that bill, and instead included a modified version in a much larger "budget reconciliation" bill (H.R. 4241) passed by the full House in November. It remains to be seen whether the two chambers will resolve their differences through the budget reconciliation process, or whether TANF reauthorization will be addressed instead through stand-alone legislation either this year or at a future time.

While similar in some respects, there are major differences between the House and Senate legislation. This reflects, in part, the fact that the Senate bill is the product of bipartisan negotiation and better reflects the views of governors and TANF administrators, while the House bill is essentially the same bill as was introduced with only Republican sponsors in 2002.

Funding

TANF Funding

Both bills—

- extend TANF block grant funding for five years at the current funding level of \$16.6 billion a year;

- extend TANF "supplemental grants"—\$319 million in annual funding that is provided to 17 states—for four years at the current funding level; and
- eliminate funding (\$100 million a year) that currently goes to up to five states with the largest decline in non-marital births and also have declines in numbers of abortions.

The Senate bill (S. 667) would reduce the "high-performance bonus" for states by \$150 million a year (a 75 percent cut) in the years 2006-2008, and by \$100 million per year in the years 2009-2011. The House bill (H.R. 4241) would eliminate this bonus entirely.

The Senate bill provides increased funding for tribal employment programs and a new source of funding to help tribes improve their TANF programs.

Child Care Funding

The House bill increases funding for child care by \$500 million over five years — less than the amount needed to account for inflation. The Senate bill increases funding for child care by \$6 billion over five years. These costs are offset in the Senate bill in part by changes in the Earned Income Tax Credit (EITC) and child tax credit that are noncontroversial with one exception¹.

Work, Education, and Rehabilitative Services

Work Participation Rates

Both bills raise the overall work participation

rate standard that states must meet from 50 percent of families with an adult receiving TANF assistance to 70 percent of such families. The rate increase would be phased in, rising by 5 percentage points in each of the next four years.

Both bills eliminate the separate participation rate for two-parent families (these families would be included in the overall rate calculation).

Under current law, states are subject to a financial penalty if they fail to meet the participation rate standard, even if they have improved their rate by a significant amount. The Senate bill amends current law to waive a state's penalty if it has improved its rate by at least 5 percentage points and has a corrective compliance plan approved by the U.S. Department of Health and Human Services.

Work Participation Rate "Credits"

The Senate provides an "employment credit" which allows states to get credit (capped at 20 percentage points when fully phased in) toward meeting the work participation rate for adults who are employed after they stop receiving TANF income assistance, with several other employment-related adjustments.

The House retains a caseload reduction credit, similar to current law, but bases the credit on more recent reductions in caseloads so that only states that continue to reduce their caseload receive any credits.

Hours of Work and Other Allowable Activities

To count fully toward the rate, a single parent with a child age 6 and over would need to be engaged in allowable activities for 34 hours a week under the Senate bill (24 if the adult has a child under 6), and 40 hours a week under the House bill (regardless of age of child).

Both bills provide "partial credit" for families who meet some but not all of the required hours. Partial credit starts at 20 hours in the Senate and 24 hours in the House.

Education and Training

The Senate bill retains current law — states can count vocational education as a stand-alone activity for up to 12 months. In addition, the Senate bill gives states the option to create a "Parents as Scholars" program and count postsecondary or vocational education as a work activity for more than 12 months for up to 10 percent of the state's caseload.

The House bill would limit current law by only allowing vocational education as a countable activity for 3 months (and in very limited circumstances, 4 months) in any two-year period or if the TANF beneficiary also is working 24 hours a week in a subsidized or unsubsidized job.

Rehabilitative Services

The Senate bill allows TANF beneficiaries to count toward the work rate if they are participating in rehabilitative services for up to six months (months 4-6 must be combined with work or job readiness activities). Beyond six months, states can get credit for individuals with disabilities (including chemical dependencies) who are participating in rehabilitative services so long as half of their countable time is in work or job readiness activities.

In addition, the Senate bill allows states to count single parents caring for a child (or other dependent) with a disability toward the work rate.

Under the House bill, TANF beneficiaries engaged in rehabilitative services would only count toward the work rate if allowed under a provision that gives states the discretion to count state-defined work activities for 3 months in any 24 month period. The House bill would not provide any accommodation for parents caring for children with disabilities.

"Universal Engagement"

Both bills would require states to develop a "self-sufficiency plan" for all adult TANF beneficiaries. Under the Senate bill, before penalizing a family for not satisfying a plan provision, a state must review this plan and make a good-faith effort to consult with the family.

Financial Penalties for Families

Current law requires states to penalize a family — by reducing the amount of TANF income assistance the family receives — that does not participate in work activities, but leaves the amount of the penalty to the state to determine. The House bill would eliminate state discretion in this area and require states to impose “full-family” sanctions that terminate all TANF income assistance provided to the family if an adult failed to meet a program requirement. The Senate bill would retain current law in this area. The House bill also requires states to test TANF applicants and beneficiaries for drug use if the state has a reason to believe they have unlawfully used a controlled substance, and to suspend all TANF cash assistance until a subsequent test shows no drug use. The bill provides no funding for substance abuse treatment and does not make any provision to ensure that those who test positive for controlled substances have access to treatment.

Child Support, Fatherhood, and Marriage Promotion

Child Support Enforcement

The Senate bill includes improvements in the child support enforcement program that make it more likely that TANF beneficiaries will receive child support they are owed rather than the states and federal government retaining child support that is collected on behalf of these children to offset the cost of providing TANF assistance to families.

The House bill includes two sets of child support provisions. One set is similar to — but more modest than — those in the Senate and would allow states to direct more child support to families receiving TANF assistance. The second set of provisions, however, would reduce federal funding for child support enforcement sharply; the cuts would reach 40 percent by 2010 according to CBO. The net effect of these two sets of child support provisions would be that \$24 billion in child support would go uncollected over the next ten years, according to CBO.

Fatherhood Programs

Both bills authorize programs to encourage fathers to participate in their children's lives, although only the Senate bill includes funding for the programs.

Marriage Promotion

Both the House and Senate bills provide up to \$300 million per year in funding for marriage promotion programs and research. The Senate bill includes some protections related to the voluntary nature of these programs and domestic violence that are not included in the House bill.

Restoring SSI Eligibility for Certain Legal Immigrants

Refugees and other humanitarian immigrants who arrived in the United States on or after August 22, 1996 (the date that the original TANF legislation was enacted) are not eligible for Supplemental Security Income (SSI) on the same basis as U.S. citizens. Unlike U.S. citizens, they can only receive SSI during their first seven years in the United States unless they obtain U.S. citizenship. The Senate bill would increase this time period for eligibility to nine years.

The “Superwaiver” Proposal

The House bill allows states to obtain waivers of nearly all federal law and rules related to TANF, the Social Services Block Grant, the Child Care and Development Fund, most Workforce Investment Act programs, and adult basic education. Unlike earlier versions of the House bill, it does not allow such waivers for the Food Stamp Program, public housing, or homelessness programs. Also unlike earlier versions, the House bill does not include an option for states to elect a food stamp block grant in lieu of the regular Food Stamp Program

Under the Senate bill, up to ten states could obtain waivers of federal law and rules related to TANF, the Social Services Block Grant, and the Child Care and Development Fund.

Transitional Medical Assistance

The Senate bill extends Transitional Medical Assistance (TMA) – which provides Medicaid coverage for many families who are working when they stop receiving TANF income assistance and others who lose Medicaid coverage when their income rises – for five years. The bill also includes a set of improvements to TMA that have been supported on a bipartisan basis. These improvements give states new options to reduce the paperwork for families that participate in the TMA program and to extend the length of TMA coverage.

The House bill does not extend or modify TMA.

For Further Reading

See the series of papers online at <http://www.cbpp.org/pubs/welfare.htm>, including:

House Budget Reconciliation Bill Includes Highly Flawed TANF Provisions That Have Repeatedly Failed to Garner Support,

An Introduction to TANF:
<http://www.centeronbudget.org/1-22-02tanf2.htm>

Implications of Recent Welfare Reform Research Findings for TANF Reauthorization:
<http://www.centeronbudget.org/1-30-04wel.htm>

ⁱ The offset that has been controversial would deny the EITC to families in which one (or both) immigrant parents does not have a Social Security number that authorizes that individual to work in the United States. (In such cases, the family would be ineligible for the EITC, including families with members who are U.S. citizens or work-authorized immigrants.) The provision as currently drafted also would mean that a *child* with a "non-work" SSN would not be a "qualifying child" for purposes of the EITC; that would mean that a family in which all of the children have non-work SSNs could not qualify for the EITC. Finance Committee Chairman Grassley has promised to change this provision on the Senate floor so that children with non-work SSNs would remain "qualifying children" and their families would continue to qualify for the EITC if the parents have work-authorized SSNs.