

PRESIDENT AND HOUSE DEMOCRATS STAKE TANF REAUTHORIZATION POSITIONS

The Bush Administration released its proposal for the reauthorization of the Temporary Assistance for Needy Families (TANF) block grant on February 26, 2002. Representative Benjamin Cardin (D-MD), the ranking minority member of the House Ways and Means subcommittee with jurisdiction over TANF, introduced HR 3625 on January 24, 2002, which would reauthorize TANF. Federal funding for TANF, which provides funds for California's CalWORKs program, will end on September 30, 2002 if Congress does not act to reauthorize the block grant.

The Administration's proposal extends funding for the TANF block grant, but freezes the funding level. In addition, the proposal increases work requirements, emphasizes promoting child well-being and marriage, and continues the five-year ban on legal immigrants being eligible for TANF services. Representative Cardin's bill proposes adjusting future block grant levels for inflation, adding poverty reduction as a goal of TANF, making time limits more flexible for working families, and restoring eligibility to legal immigrants. See *Comparison Of Key Provisions In Recent TANF Reauthorization Proposals* for a side-by-side comparison of these proposals and a bill introduced by Representative Patsy Mink (D-HI) to reauthorize the TANF block grant.¹

PRESIDENT'S PROPOSAL FREEZES TANF FUNDING

The President's proposal extends TANF block grant funding at \$16.5 billion for each of the next five years. This is identical to the funding level provided in the 1996 welfare law. If the block grant continues to be funded at this level, its inflation-adjusted value in 2007 will be about 22 percent below its 1997 value.

The Administration's proposal also includes \$2 billion for the TANF contingency fund. The contingency fund was designed to provide states with additional funding during recessions. The original eligibility criteria made it nearly impossible for states to access the funding, and under the President's proposal "some provisions will be modified in order to ease access." Specifically, states would be able to count spending on child care and other state programs toward the spending match requirement, which would reduce the amount states will have to increase their spending before they can qualify for contingency funds.

Proposal Stiffens Work Requirements For Families And States

The Administration's proposal requires families to participate in work activities for 40 hours a week, an increase from the current requirement of 30 hours a week. In addition, the proposal limits the activities that can count as the first 24 hours of work to subsidized and unsubsidized employment, on-the-job training, work experience, and community service. The President's proposal allows participation in substance abuse treatment, rehabilitative services, and work-related training to count toward the 24-hour requirement for up to three months out of any 24 months.

The President's proposal increases the minimum participation rate states must meet from 50 percent to 70 percent in 2007. In addition, the proposal phases out the current "caseload reduction credit" by FY 2005. The 1996 welfare law created this credit, which reduces the share of welfare recipients that are required to participate in federally-defined work activities in each state. Since the caseload in California has dropped by over 40 percent since 1995, the "effective" participation rate is currently below 10 percent. Under the administrative proposal, California's effective rate would jump to about 35 percent by 2004, 60 percent in 2005, and 70 percent in 2007.

Promoting Marriage And Reducing Non-Marital Births

The use of TANF funds to affect marriage, pregnancy, and other family structure decisions has triggered considerable discussion. However, states have generally not dedicated many TANF resources to this issue. Rather than earmarking a portion of TANF block grant funds for marriage promotion and similar activities as some conservatives have proposed, the President's proposal shifts the current \$100 million Illegitimacy Reduction Bonus to fund research and technical assistance "primarily focusing on family formation." The Administration's proposal also creates a \$100 million matching grant program for states "to develop innovative approaches to promoting healthy marriage and reducing out-of-wedlock births." The proposal explicitly allows for states to use TANF block grant funds to meet the match requirement, but does not specify whether states can use state maintenance of effort (MOE) funds to meet the match requirement. The President's plan also eliminates the separate work participation rate for two-parent families.

Five-Year Ban On Immigrant Eligibility Maintained

The Administration's proposal continues the five-year ban on TANF benefits for immigrants who entered the country after 1996. The proposal states that this policy is needed "to ensure that welfare policy neither attracts noncitizens to the US to take advantage of welfare programs nor induces welfare dependency among noncitizens who do receive welfare benefits."

Funding For Child Care And Related Services Frozen

In addition to the TANF block grant, Congress must also reauthorize the Child Care and Development Fund (CCDF) this year. President Bush's budget freezes the mandatory or entitlement portion of the CCDF at the FY 2002 level of \$2.7 billion.² Under the 1996 welfare law, this funding increased annually by an average of \$150 million. California currently receives approximately \$280 million of these funds. The interaction between TANF and CCDF funds has become increasingly important since nearly all states use TANF funds directly for child care purposes, in addition to transferring TANF funds to the CCDF.

The President's proposal extends the Social Services Block Grant (SSBG) for the next five years at the FY 2002 level of \$1.7 billion. The SSBG funds a variety of social services programs including child care, child welfare services, and services for the disabled and elderly.

Transitional Medicaid Extended For One Year

The Administration's budget proposes extending Transitional Medical Assistance (TMA), which is due to expire at the end of FY 2002, through the end of FY 2003. The program allows families leaving welfare to continue receiving Medicaid (Medi-Cal in California) coverage for up to 12 months. State law allows former welfare recipients to retain Medi-Cal eligibility for up to two years through Transitional Medi-Cal or, if a family's income is low enough, for an indefinite period through the 1931(b) program.

Child Support Changes

The Administration's proposal increases the amount of child support reaching low-income children. The President's budget helps states fund the cost of directing up to \$100 in child support to families currently receiving welfare benefits. It also includes a proposal giving states the option to pass certain delinquent child support payments directly to families who are no longer receiving welfare benefits. In order to defray the costs of the child support changes, the Administration's budget requires custodial parents who receive child support through a child support agency and have never received TANF benefits to pay a \$25 annual fee.

HOUSE DEMOCRATS INTRODUCE TANF REAUTHORIZATION BILL

Increasing TANF Block Grants

Unlike the Administration's budget, Representative Cardin's bill indexes to inflation the annual block grant that states receive, thus halting the gradual decline in spending power that states have experienced since the block grant structure began. The bill adjusts the block grant for inflation beginning in federal fiscal year 2003. For California, this would mean approximately \$100 million in additional funding each year on top of the current block grant of \$3.7 billion. The measure also adjusts states' MOE requirement for inflation.

The bill reinstates the contingency fund and makes the fund easier for states to access. The new triggers, based on increases in state unemployment levels and food stamp use, make it more likely for states to be eligible to access the funds. However, states with high and stagnant food stamp caseloads or unemployment levels may not be able to access the fund even with the new triggers. Also, the bill removes the \$2 billion cap on funds, unlike the Administration's budget, and significantly lowers the state spending requirement to match the contingency funds.

Reducing Poverty As A TANF Goal

HR 3625 adds a new TANF goal to "reduce the extent and severity of poverty and promote self-sufficiency among families with children." Current goals include providing assistance to families so children may be cared for in their own homes, promoting work and marriage, and reducing non-marital pregnancies. The bill includes \$150 million in annual bonuses for states that reduce the number of children in poverty and the "child poverty gap," which is the amount of money it would take to raise all children up to the poverty line.

Promoting Work, Education, And Behavioral Health Services

The Cardin bill eliminates the caseload reduction credit and replaces it with an employment credit. Rather than receiving a credit for reducing the number of families receiving cash assistance, the bill provides a credit to states for increasing the number of families who leave welfare for work. The employment credit would be equal to two times the percentage of families that leave welfare in the first quarter of the year and are still working two quarters later. States would receive larger credits when welfare leavers earn wages above a certain threshold. Bureau of Labor Statistics data indicate that the threshold for California would be approximately equivalent to the federal poverty level for a family of three. Work participation rates for any state would not increase by more than 10 percentage points under this proposal.

Stopping The Clock For Working Families

HR 3625 stops the five-year time limit “clock” when families are working. Under this proposal, months in which welfare recipients have significant work income, as defined by states, would not count toward families’ time limits. This would be particularly beneficial to recipients in states such as California, where about half of adult recipients are working. One reason that so many recipients are working is that California’s cash benefit structure encourages work by allowing recipients to take home more of their earnings. Thus, many recipients in low-wage jobs combine work and welfare.

Expanding Work Activities

The bill also broadens the federal definition of “work.” Currently, recipients are required to work or be in work-related activities for 20 to 35 hours per week, depending on how many adults are in the family and the age of the children.³ The bill removes the ceiling on the number of recipients who can count vocational education as a federal work activity, and recipients would be able to count up to two years of education, including post-secondary education, as a work activity, up from the current restriction of one year. In addition, English as a Second Language (ESL) classes could count toward the work requirement, and states could count substance abuse and mental health services, domestic violence counseling, and physical rehabilitation as a work activity for up to six months.

The bill provides additional research funds to address two areas where information is currently lacking: helping recipients move up the wage ladder and tracking recipients after they leave cash assistance (“leavers”). The bill provides \$150 million each year to promote wage progression and job advancement for former and current recipients through grants for research, evaluation, and demonstration projects. The bill also requires the US Department of Health and Human Services to conduct three-year studies of welfare leavers in every state.

Restoring Immigrant Eligibility

HR 3625 eliminates the ban that currently exists for serving legal immigrants with federal TANF funds, although an immigrant’s sponsor’s income would be included when determining benefit eligibility during a three-year deeming period. This would affect at least 4,000 legal immigrant families that California serves with state funds under CalWORKs. Also, poor elderly legal immigrants would be eligible for federal Supplemental Security Income (SSI) with a five-year deeming period. California currently provides state funded benefits to over 10,000 elderly immigrants through the Cash Assistance Program for Immigrants (CAPI); some or all of these recipients would potentially become eligible for SSI under HR 3625.

Encouraging Marriage And Reducing Non-Marital Births

Cardin’s bill includes several proposals to promote family structure or so-called “family formation,” and, similar to the President’s budget, the bill does not earmark block grant funds for specific marriage promotion activities. The bill prohibits states from imposing stricter eligibility criteria for two-parent families and eliminates the separate work participation rate for two-parent families. Similar to the Administration’s budget, the bill allows states to direct child support payments to former and current welfare families and replaces the current Illegitimacy Reduction Bonus with a Family Formation Fund. This fund would provide \$100 million annually to conduct research, provide technical assistance, and promote best practices to encourage two-parent families, reduce teenage pregnancy, and increase the involvement of non-custodial parents with their children.

Increasing Child Care And Related Funding

The Cardin bill increases funding for the Child Care and Development Fund (CCDF) by \$11.25 billion over five years. Specifically, CCDF entitlement funds would increase from the current level of \$2.7 billion to \$4.0 billion in 2003.⁴ Funding levels would then increase by an additional \$500 million in each subsequent year. California's portion of these funds is currently \$280 million. The Cardin bill could increase this amount by \$100 million or more in 2003, and then by approximately \$50 million in each year through 2007.

The bill also restores funding for the Social Services Block Grant (SSBG) to \$2.8 billion from its current level of \$1.7 billion, whereas the Administration's budget maintains the funding level at \$1.7 billion.

There are 25 Democratic co-sponsors of the bill, including seven from California. All Democratic members of the Human Resources Subcommittee of the Ways and Means Committee, including Representative Fortney Pete Stark (D-CA), are original co-sponsors. The bill has been referred to the Ways and Means Committee for action.

Endnotes

¹ Mink introduced HR 3113 on October 12, 2001 to reauthorize TANF, but this bill is not covered in this summary.

² This figure combines two sets of funds: mandatory funds, which are allocated to states as an entitlement, and matching funds, which states can access if they meet spending match requirements. It does not include discretionary funds, which are subject to an annual appropriations process.

³ State CalWORKs requirements are 32 to 35 hours per week.

⁴ See endnote 2 for an explanation of entitlement funds.

Sarah Steinheimer prepared this Update with assistance from David Carroll. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low and middle income Californians. Publication of this update was supported by grants from the David and Lucile Packard and William and Flora Hewlett Foundations. This publication is part of a series monitoring the implementation of welfare reform in California. Please visit the CBP's web site at www.cbp.org.
