



TANF and Child Care Reauthorization – Déjà Vu Redo?

Despite a 2002 deadline, Congress failed to reauthorize the Temporary Assistance for Needy Families (TANF) block grant and the Child Care and Development Fund last year, due primarily to disagreements over work requirements and child care funding. As the 107th Congress adjourned it temporarily extended the TANF program through March 31, 2003. On January 14th President Bush made a public announcement calling upon the 108th Congress to place TANF reauthorization high on this session's agenda. The President revisited the components of his plan from last year which proposed to increase work requirements while limiting allowable work activities and freezing funding for both TANF and child care. Despite the change in leadership in the Senate, any new effort to reauthorize TANF will likely engender the same debate that stalled the process last year. This **Policy Page** offers an update on the current status of TANF and child care and key issues affecting both the timing and substance of reauthorization this year.

Whatever Happened to TANF Reauthorization?

As readers will recall, TANF, Food Stamps and the Child Care and Development Fund (CCDF) – a.k.a. the Child Care and Development Block Grant (CCDBG) – were all set to expire in 2002, requiring Congress to pass legislation to “reauthorize” – or continue – these programs.

Reauthorization of the Food Stamp program was included in the Farm Bill that was signed into law in May 2002 (see details in *Policy Page* #166). However, legislation to continue TANF and CCDF was not enacted before the 107th Congress adjourned.

This failure to reauthorize TANF and Child Care resulted in a series of continuing resolutions to ensure the programs' continued existence and state access to these federal funds. The last of these resolutions extended TANF only through March 31, 2003. However, on January 23rd of this year the Senate passed the FY 2003 omnibus appropriations package which completes the appropriations bills not passed last year and includes language extending TANF, Child Care and Transitional Medicaid to the end of the fiscal year (September 30, 2003). This bill must now go to a House/Senate conference committee for final action.

Timing

As mentioned above, the President has publicly encouraged Congress to take up and complete reauthorization and to do so following the outlines of his plan. Additionally, Republican leaders in the House have recently indicated that they want to put TANF reauthorization on a fast track. Reports suggest that they

plan to introduce legislation nearly identical to what they passed last year, and to do so as early as this month, with action on the bill by March. To speed things up they are even considering bypassing the House Ways and Means Committee and taking a bill straight to the House floor. Things are much less clear in the Senate with no early indications of a plan or schedule for reauthorizing legislation. However, Sen. Grassley, incoming chair of Senate Finance, has issued a statement suggesting that welfare reauthorization was on his “to-do” list for the coming year.

Despite the eagerness displayed by the President and House leadership, the timetable for any action on welfare and child care reauthorization may still slow considerably due to the current debate over an economic stimulus plan, related disagreements over the size and scope of the President's proposed tax cuts, and the drafting of a budget resolution for fiscal year 2004. Unlike last year, it is expected that there will indeed be a budget resolution setting out general funding levels and “reconciliation instructions” for the various committees. It is not clear yet whether specific budget instructions for TANF and Child Care will be included in these budget actions. Any hope of increased funding for child care may well depend on whether specific funding targets are included in these budget instructions.

Sources on Capitol Hill suggest that the Republican leadership wants to complete a budget resolution by the April recess with the final version of a tax bill wrapped up by Memorial Day. This leaves the status of welfare reauthorization and many other legislative priorities up

in the air, making it unlikely that any final TANF bill will be completed before summer.

In related action, Senate Democrats have staked out an early position on child care funding and the Social Services Block Grant, introducing a package of 12 separate pieces of legislation. Their proposals would restore the SSBG to its pre-welfare reform (1996) level of \$2.8 billion and increase child care funding by \$11.2 billion over five years, while increasing the amount reserved for improving child care quality from 4% to 10%.

Key Committees

The Senate Finance Committee and the Subcommittee on Human Resources of the House Ways and Means Committee will be the primary committees considering any reauthorization proposals. Additionally, work provisions, child care issues and health care topics related to reauthorization may also be considered by the Senate Committee on Health, Education, Labor and Pensions and the Subcommittee on 21st Century Competitiveness of the House Committee on Education and the Workforce. As the process moves forward this year CPPP will keep you informed about any committee action and the Texas members of these committees who will be in a position to influence reauthorization legislation.

Where Things Left Off Last Year

The debate over TANF reauthorization this year will likely echo the themes from last year. Unfortunately, the widespread criticism of both the President's plan and the bill passed by the House last year does not seem to have altered this year's starting point. In the President's remarks last week he continued to push for significant increases to work requirements while freezing both TANF and child care funding. Because the core disagreements over work requirements and child care remain, it is worth briefly revisiting the key components of last year's proposals.

Early in 2002 the President outlined a plan for TANF reauthorization which marked a substantial departure from what had been expected. Instead of building on state flexibility and focusing on the work supports necessary to help those leaving welfare, the President instead proposed significantly increased work requirements with no new funding.

House Republicans quickly adopted the President's plan as the outline for HR 4737, which passed the House in May on a vote of 229 to 197. Key components of the House Bill included:

- TANF funding frozen through 2007, supplemental TANF grants frozen at the 2001 level through 2006.
- Child Care matching funds increased by only \$1 billion over five years.
- \$300+ million annually in various funding streams for "healthy marriage" promotion and responsible fatherhood initiatives.
- Work participation rates increased from the current 50% to 70% by 2007.
- Caseload reduction credit recalculated to reflect only the most recent years.
- Mandatory work participation increased to 40 hours per week, regardless of age of child. First 24 hours in "direct work" activities, any other activities limited to 3 months in 24.
- Mandatory full-family sanctions for non-compliance.
- Major "superwaiver" proposal allowing states to request waivers of almost all statutory requirements of numerous social support programs.

In contrast to the quick action taken by the House, the Senate committee disagreed over the details of the work requirements, yet showed wide support for more child care funding than proposed by the House. Ultimately the Senate Finance Committee approved a proposal but it was never brought to the full Senate for a vote.

Key components of the Senate Finance Committee proposal included:

- TANF funds frozen at \$16.5 billion through FY 2007.
- An increase to TANF supplemental grants and an expansion of the number of qualifying states.
- Child care "mandatory" funds increased by \$5.5 billion (no match required).
- \$200 million in matching grant programs "to promote stronger families, with an emphasis on the promotion of healthy marriages," with a broad set of allowable activities.
- \$200 million annually for new "business link," wage advancement and transitional jobs programs.
- Work participation rates increased from the current 50% to 70% by 2007.
- Caseload reduction credit replaced with employment credit that also rewards earnings increases.

- Work participation hours remain as under current law with expanded definition of “countable” work activities.
- State option to provide TANF to legal immigrants and Medicaid/CHIP to legal immigrant children and pregnant women, regardless of date of entry

The Senate proposal did not require full-family sanctions and did not include a “superwaiver” provision.

Many of these issues will be debated again this year. As feared, a worsening federal budget which will make any funding increases to TANF or Child Care even more difficult. The shift in leadership in the Senate from Democratic to Republican control also will influence the debate. Despite this change, it is anticipated that a coalition of Democrats and moderate Republicans in the Senate will have many of the same concerns they had last year and push for a more moderate, bi-partisan

approach to reauthorization than that offered by the President and the House.

(For a detailed side-by-side of last year’s proposals see: <http://www.centeronbudget.org/7-2-02tanf.pdf>)

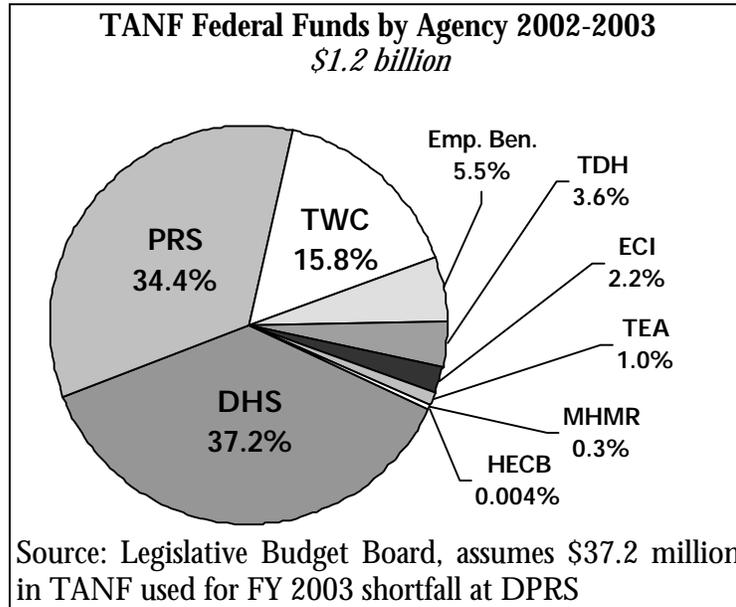
Implications for Texas

Reauthorization of TANF and Child Care carries serious implications for Texas and the hundreds of thousands of low-income families who rely on these programs. The economic downturn and enormous state budget shortfall make the outcome of the Congressional debate even more important to both families and state budget writers. Unemployment rates are climbing; TANF caseloads are creeping upward; and, the state funding crisis threatens basic support programs and child care assistance. Any significant increase to work requirements will both exacerbate the state budget problem and force many more TANF mothers into a very difficult labor market with only limited child care assistance and few other work supports.

Complying with the new work requirements proposed by the President and the House would be difficult both

for clients and for program administrators. The 40-hour work week proposed in the House bill is six hours more than the national average work week for women with young children. It is unlikely that the state could implement the new requirement without creating a massive new “workfare” program – a significant and costly departure from the current short-term job readiness and job search approach.

In addition to the programmatic impact of any reauthorization



proposal, the fiscal impact is significant. Texas currently receives \$539 million each year in federal TANF funds and \$351 million in federal child care funds. Uncertainties about future federal funding levels for TANF and Child Care create another challenge for state budget writers.

If TANF reauthorization comes with no inflation adjustment to the block grant, with

supplemental grants frozen and no additional child care dollars, the effects on an already critical state budget crisis would be substantial. If reauthorization also adds new work requirements without additional funding to meet them, the results could be devastating to all state programs relying on TANF funding, as the state would have to shift funds to meet the new mandates.

The Congressional Budget Office estimated that the work provisions of HR 4737, which the President is promoting, would cost states \$11 billion in spending by 2007 (\$6 billion in employment services, \$5 billion in child care). Estimates by CPPP suggest that the President’s plan would cost the state somewhere between \$65 million and \$166 million annually above current allocations for work and child care programs (depending on the design of caseload reduction or reemployment credits). A recent report by the Legislative Budget Board (LBB) estimates the fiscal impact of last year’s House-passed bill to be \$492.1 million over five years (\$25.6 million for Choices employment services and \$466.5 million for child care). This cost impact is reduced to \$316.1 million when possible savings in cash assistance (reduced caseload) are factored in. See the full LBB report on TANF at:

http://www.lbb.state.tx.us/Performance/Reporting/Staff_Performance_Report_78th_0103.pdf – pages 89-100.

Pressures on the TANF block grant extend beyond the Texas Department of Human Services (DHS) and the Texas Workforce Commission (TWC). Of the \$1.2 billion in federal TANF funds available in fiscal 2002-03, eight different state agencies claim a piece of the pie, and many would like a bigger share.

For the coming 2004-05 biennium Texas state agencies have requested \$1.54 billion in TANF funds, though only \$1.15 billion is expected to be available--a \$391 million gap. Budget shortfalls at the department of protective and Regulatory Services (DPRS) and a TANF caseload that is creeping upward could worsen this gap.

What's Next

As the Texas Legislature begins budget deliberations, the utilization of TANF federal funds will undoubtedly

be an important topic. Pressure to stretch these federal funds could threaten positive welfare-to-work initiatives currently in place and may lead to a complete review of all TANF funding. It will be important to educate lawmakers about the essential need to focus these funds on the neediest Texas families and on efforts to lift them up and out of poverty.

When Congress does turn its attention to reauthorization or considers funding for TANF and Child Care in a budget resolution, the Texas delegation will need to hear about the critical need for additional child care funding. They must also be cautioned about increased work requirements that would force a costly and ineffective overhaul of current programs. We'll keep you posted.

You are encouraged to copy and distribute this

POLICY PAGE.