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# TANF REAUTHORIZATION PROPOSAL GOES TO HOUSE FLOOR TOMORROW

Problematic provisions mark a step backwards in welfare reform debate

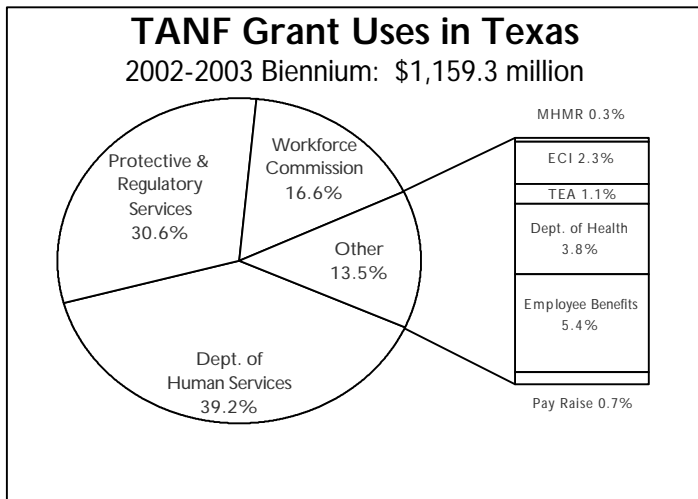
## TEXAS CONGRESSIONAL DELEGATION NEEDS TO HEAR FROM YOU!

### Introduction

As readers are probably aware, Congress must “reauthorize” (continue) the Temporary Assistance for Needy Families (TANF) block grant this year. This block grant provides Texas with \$539 million per year in federal funding (a base grant of \$486 million plus \$52.7 million in supplemental funds – FY 2002), which is used for an array of benefits and services, from basic cash assistance and welfare-to-work services to foster care and youth programs.

reauthorization. Other bills have been filed in the House and Senate, both Democratic and bipartisan versions, and they will continue to be part of the debate. See side-by-side comparisons of all key bills at: <http://www.cbpp.org/tanfseries.htm>. CPPP will provide more analysis of competing proposals as they move forward.

It is anticipated that HR 4700 will go to the House floor for a vote as early as Wednesday, May 15th. Numerous provisions of this bill would present serious challenges for Texas and appear directly at odds with the lessons learned over the past five years. Education and training are severely limited; required work participation rates and hours of work are increased with no new TANF funding and only modest increases in child care funding; full-family sanctions are mandated for noncompliance with work requirements; family-formation funding is narrowly focused on marriage promotion; and a new “superwaiver” proposal threatens the integrity of multiple low-income programs. The bill’s provisions also conflict with clear messages the Center has been hearing from communities around the state during its Reauthorization briefing sessions. In visits to Lubbock, Houston, San Antonio, El Paso, and the Rio Grande Valley, community leaders, caseworkers, advocates, and service providers have all called for more flexibility in work activities, less focus on process measures, restoration of eligibility for legal immigrants, broad definitions of “family formation,” and adequate funding of TANF and child care. Concerns about HR 4700 must be communicated immediately to the Texas Congressional delegation. Contact information is provided at the end of this Policy Page.



A number of competing proposals for TANF reauthorization have emerged over the past two months and some of them are moving very quickly. In the House, HR 4700 has combined elements of the Bush Administration’s TANF plan and two bills (HR 4090 and HR 4092) that came out of the House Ways and Means and House Education and the Workforce Committees. Both these bills were reported out of their committees on party line votes, and the merged legislation represents the House Republican and Bush Administration priorities for TANF

### Major Provisions of HR 4700

**Funding:** HR 4700 provides states with the same level of TANF funding they have received for the past five years. The block grant is not adjusted for inflation and new work requirements (see below) are not accompanied by additional funding. The TANF supplemental grants are renewed but

fixed at the FY 2001 level (\$52.7 million for Texas). Supplemental grants to Texas and 16 other states were originally designed to increase each year to address state-to-state disparities. This new fixed funding approach leaves Texas \$306.9 million short of what it would have received by 2007 under the initial supplemental formula. Child care funding in HR 4700 is increased by \$2 billion, though half of this will require state matching funds to draw down (see more below). The bill also includes funding for marriage promotion and fatherhood involvement efforts (also discussed below).

**Purposes:** HR 4700 amends the four purposes of the TANF program to include statements on improving “child well-being”, “reducing poverty” through job preparation, work, and marriage and encouraging the formation of “healthy, two-parent married” families and “responsible fatherhood.” These changes add emphasis to the family formation statements and add poverty reduction to the goal of reducing dependence on government benefits. Unfortunately, the actual provisions of the bill may make it harder for states to focus on poverty reduction and the family formation portion of the bill is very narrowly targeted on marriage promotion activities.

**Work Requirements:** Currently, Texas is required to have 50 percent of all TANF families engaged in work activities for an average of 30 hours per week. There is a separate requirement of 90 percent work participation for two-parent families, but Texas provides assistance to these families with state TANF Maintenance of Effort (MOE) funds and does not have to meet the 90 percent threshold.

HR 4700 would eliminate the separate work requirements for “all families” and “two-parent families” and increase the work participation rate to 70 percent by FY 2007. Additionally, the required hours of participation would increase from 30 hours per week to 40 hours per week. The definition of what “counts” as a qualified work activity is narrowed considerably, with the first 24 hours of the 40 hours required to be “direct” work activities.<sup>1</sup> All other job preparation activities and anything designed to address barriers to work – education and training, substance abuse treatment or mental health services, English as a Second Language (ESL), etc. – are only allowed after the 24 hour direct work requirement is met and even then are of restricted duration.

Another significant change to the current work participation rate structure in HR 4700 is a restructured caseload reduction credit. Under current law, states get “credit” against the required participation rate for each percentage point their TANF caseload has declined since 1995. For many states, Texas included, meeting the current federal participation rates has depended on this credit. HR 4700 replaces the current methodology and phases in a credit that would look backwards to only the three most recent

<sup>1</sup> Direct work activities include paid work; unsubsidized, subsidized, on-the-job training; and unpaid work: supervised work experience, workfare, or community service.

### **Holding the Bag:**

#### Cost Implications for Texas of HR 4700

The increased work requirements of HR 4700 have significant cost implications. More clients, in more expensive work activities, for more hours, will require more funding for both employment services programs and child care services. Despite this reality the bill provides no increase in TANF funds and only a modest increase in child care funding—half of which will require new state matching funds to access.

The Congressional Budget Office (CBO) estimates that the work provisions of HR 4700 would require \$11 billion in additional state spending by 2007. This amount includes \$6 billion for employment services and \$5 billion for child care assistance. The \$2 billion in increased child care funding contained in HR 4700 is less than one-fifth of these combined costs.

Cost implications for Texas echo these national estimates. The Center calculated the unit costs of current employment and child care services, compared the current work participation rate in Texas (about 20 percent) with the requirements of HR 4700, then calculated the increased number of TANF clients that would be have to be in work activities under the new provisions and the cost of delivering employment services and child care assistance to these additional clients.

If Texas were to comply with the full 70 percent participation rate requirement we estimate a one-year cost of \$166 million over current spending. This amount includes \$57.8 million in “workforce services” and \$108 million in related child care costs. In order to allow for the mitigating effect of some sort of continued caseload reduction credit we also estimated the costs associated with moving from current participation rates to a 50 percent rate. Using the same methodology, we estimate that achieving a 50 percent participation rate would have a one year cost of \$65.1 million over current spending, consisting of \$22.7 million in “workforce services” and \$42.4 million in related child care costs.

Without additional TANF block grant funding, these increases would have to come from cuts to other TANF-funded programs and services. The child care funding crunch is comparable. Even though HR 4700 contains some new child care funding, it is estimated that Texas’ share of that increase would be only \$10 million in child care block grant funds and a similar amount that would require state matching dollars to draw down. Without additional child care funding, the only way for Texas to meet these new child care demands for TANF recipients would be to reduce child care assistance to the working poor. We estimate that the state would have to reduce child care slots for working poor families by 10,000 to 30,000 depending on the scenarios outlined above.

years, making the increased participation rates much more “real” and difficult to meet.

Texas currently has a work participation rate of about 26 percent, though this rate is calculated using work exemptions the state had under its welfare reform waiver. With the expiration of the waiver last month the recalculated work participation rate is closer to 20 percent. Because the state’s TANF caseload has declined by about 46 percent since 1995, the caseload reduction credit continues to enable Texas to “meet” the current 50 percent federal work requirement.

Taken together, the new work-related mandates of HR 4700 would present nearly insurmountable hurdles for Texas. Moving from a current participation rate of 20 percent to a 70 percent rate by 2007—with a caseload reduction credit that will offer less help—may be an impossible task. The pressure will shift dramatically to moving people off the rolls at all costs, with reduction of cases a more important goal than good employment outcomes for clients. Moreover, converting current employment services to more intensive direct work activities would not only be a major programmatic shift but would also cost more than the current focus on job readiness and job search.

In areas of the state with difficult job markets, even attempting to meet the increased work participation requirements would demand major new workfare, community service and public jobs approaches, all of which are more costly and labor intensive to manage than the current program.

The other major cost component of these increased requirements is child care. As more clients are required to be in work activities for more hours per week, the demand for child care and other support services naturally increases. More detail on the child care provisions of HR 4700 follows below, but more intensive work requirements for TANF recipients will require more child care slots and could well threaten the child care subsidies Texas now offers to working poor families.

Even if these new work requirements were possible to meet and afford, it remains questionable whether this is even the right approach. Increasing the focus on work participation continues to measure and reward *process*, not outcomes. As Texas has struggled to integrate the TANF employment programs *Choices* with its other workforce programs, local workforce boards are constantly frustrated with this inordinate attention to process measures. All other workforce programs, and the business community they seek to serve, are moving in the opposite direction—away from process and toward real outcomes for workers and for business. Entered employment rates, entry wages, job retention and wage advancement; these are what the system seeks to measure and reward. The increased work requirements of HR 4700 not only measure the wrong thing they actually perpetuate current barriers to the successful integration of all workforce programs.

**Full-family Sanctions:** HR 4700 mandates that states must terminate all assistance to a family—including the children’s benefits—if the adult does not comply with all work requirements for two months. These full-family sanctions have been the subject of much debate in Texas and have never succeeded in gaining legislative support. When adult TANF recipients in Texas do not comply with program requirements only their benefits are cut-off. The full-family sanction provision of HR 4700 ignores the research showing that sanctioned families are often those with the most barriers to work, and those most frequently confused about program requirements. There is also no compelling evidence to suggest that full-family sanctions are more effective than partial sanctions in fostering program compliance.

**Child Care:** At first glance, HR 4700 appears to increase funding for child care subsidies for low-income working families. However, other provisions within the bill may in fact force tens of thousands of working poor or “at-risk” Texas families to lose child care assistance. HR 4700 includes a \$2 billion increase in the size of the Child Care and Development Block Grant (CCDBG), divided equally between mandatory and discretionary funds. Remember, mandatory funds are the child care block grant dollars that states receive *without* a state match requirement, while any increase to the discretionary fund would require state matching funds to access. HR 4700 also increases from 4 to 6 percent the amount set aside to improve child care quality. It is estimated that Texas’ share of the increased child care funding in HR 4700 would be about \$10 million per year in mandatory CCDBG funds and a similar amount in discretionary funds.

While the child care increase is encouraging—earlier versions of the bill had no new child care funds—HR 4700 may in reality jeopardize child care subsidies for low-income Texas families trying to stay off public assistance. A significant percentage of HR 4700’s increase would probably be needed to satisfy the mandated increase in quality spending. In addition, inflationary increases in child care staffing costs may eat up a significant share of the new funding. Finally and most distressingly, the increase in the TANF work participation rate, to 70 percent by 2007, mentioned above, will cost Texas over \$100 million in additional child care costs and could mean that up to 30,900 Texas children in working poor families could lose their subsidies. Even a more modest increase in the TANF work participation rate to only 50 percent would still cost about \$42 million or displace 12,100 non-TANF kids from child care assistance. A perverse and ironic ripple effect of this policy could well be the return of working poor families to the TANF program when they are unable to work due to the loss of child care assistance.

**Family Formation, Marriage and Responsible Fatherhood:** H.R 4700 mirrors the Bush administration’s commitment to “encourage the formation of healthy, two-parent married families” and includes a new dedication to responsible fatherhood programs.

The current marriage promotion proposal includes up to \$300 million to be used for family formation programs at the state and local level. The heart of HR 4700's family formation program is funded through the reallocation of the current \$100 million bonus for the reduction of non-marital births (created as part of the original TANF law). These funds would instead be used for state and local demonstration projects that focus on public education about the value of marriage and on marriage counseling. The proposal adds an additional \$100 million (through a 50 percent reduction in the TANF-related high performance bonus for states) for use in research, evaluation, and technical assistance for marriage promotion programs, and allows states to use federal TANF funds as state match to draw down federal funding for marriage promotion. New guidelines would also allow states to count current "family formation" activities for non-needy families as maintenance of effort funds, allowing states to reduce their current MOE funds and take money away from other TANF programs.

HR 4700 would fund only a narrow set of untested family formation ideas. While the bill's sponsors cite research indicating that children who grow up in stable two-parent families fare better on a variety of child outcome measures, there is no evidence that the family formation activities outlined in this bill are an effective and justifiable tool to achieve those outcomes. The little data that exists on successful family formation programs appears to favor a more holistic approach of providing low-income "fragile families" with employment services, expanding supports for low-income non-custodial parents, and offering parenting education—programs that appear to be excluded from HR 4700's limited focus on increasing marriage.<sup>2</sup> Promoting marriage, which in a few states has meant actual financial incentives to get married, seems especially inappropriate for families with histories of domestic violence—which may be an issue for up to 60 percent of TANF mothers.<sup>3</sup> Lastly, the reallocating the "high performance bonus" for states (one of the few incentives for states to focus on helping former welfare recipients get better jobs) and the allowing states to use their federal TANF funds to draw down federal marriage promotion funding will displace the already limited resources for employment services, work supports and child care.

The fatherhood component of HR 4700 allocates \$20 million for programs to connect low-income fathers to counseling and fatherhood development classes and is a notable step toward helping low-income fathers to become better parents. Still, the current proposal falls significantly short in two ways. First, while the fatherhood field is young, several national demonstration projects have shown that employment assistance is both one of the biggest needs for low-income fathers and one of the most effective ways to help low-income fathers help themselves and their families. With the disappearance of the Welfare-to-Work program, there is a

significant gap for employment services for low-income dads. HR 4700 fails to allow use of the limited grant funds for employment services for fathers and instead reiterates the idea of promoting healthy marriages. Second, the \$20 million dollars may, in fact, go to a national media campaign promoting fatherhood, leaving little room for states to advance effective programs. Fatherhood program development could best be supported under HR 4700 if it were integrated and funded under the allowable 'family formation' activities and considered as a way to support a truly stable and healthy two-parent family.

### **Immigrant Eligibility**

HR 4700 contains no provision to allow states the flexibility of using TANF funds to provide benefits and/or services to legal immigrants who have arrived in the United States since 1996. Currently, these recent legal immigrants are barred from TANF for five years, and even then states must choose whether or not to provide TANF after this five-year bar (which Texas has yet to do). The current restrictions have undermined efforts here in Texas to offer employment assistance, adult education, and English as a Second Language (ESL) classes to immigrants who may be seeking employment or job advancement. A broad range of organizations has called for relaxing these restrictions, with the National Governors' Association and the National Conference of State Legislatures both taking this position as well. This week, the Secretary of Health and Human Services—Tommy Thompson—added his support to the restoration of TANF benefits to legal immigrants.

**Superwaiver:** Perhaps one of the most troubling provisions of HR 4700 is what is being called "superwaiver" authority. A separate alert about this provision and dangerous changes to Food Stamps is going out at the same time as this Policy Page. But, in summary, this "superwaiver" would allow states to request permission to "waive" critical statutory and regulatory provisions of an array of low income programs from Child Care and TANF to Department of Labor employment programs, Food Stamps, and Housing. This broad authority would allow the administration to approve the diversion of funds from one program to another and to alter virtually all eligibility criteria, service guidelines and operational requirements. If Texas is any example, this type of "flexibility" has often led to the diversion of funding from services for the neediest families to other state priorities and to proposals such as the full-scale privatization of eligibility services.

**Other provisions:** The bill also contains provisions related to child support and child welfare, abstinence education and disability determinations under the Supplemental Security Income (SSI) program, and a one-year extension of the Transitional Medicaid program. More detail on these issues will be included in future analyses.

<sup>2</sup> Virginia Knox, Cynthia Miller, Lisa A. Gennetian. *Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program*. September 2000. Manpower Demonstration Research Corporation.

<sup>3</sup> See NOW Legal Defense Fund's Comments on Welfare Reauthorization [http://www.nowldef.org/html/issues/wel/tanf\\_overview.html](http://www.nowldef.org/html/issues/wel/tanf_overview.html)

**Congress Must Hear From You Today About How  
HR 4700 Would Affect Texas**

**What Texas needs from TANF Reauthorization is not what  
HR 4700 offers:**

- Texas needs additional TANF and Child Care funds to keep pace with inflation, expand its welfare-to-work efforts, and address large waiting lists for child care.
- Texas needs more flexibility, not less, in allowable work activities so that individuals can receive employment assistance customized to their needs and the employment barriers they face.
- Texas needs program measures that track and reward real outcomes, not process. Work participation rates and caseload reduction credits should be replaced with real measures of employment, wages, job retention, and wage advancement.
- Texas should retain its own decision-making about the best incentives and sanctions for work requirements, not be required to impose full-family sanctions.
- Texas has good models of fatherhood programs that focus on employment and family responsibility. Any family formation and marriage promotion activities must be broadly defined and tested first, not narrowly targeted and ideologically driven.
- Texas must have the flexibility to use TANF funds to provide benefits and services to immigrants who are here legally and need help becoming employed.

Call today; tell your stories about what Texas needs; urge your Congressional representative to **vote no** on HR 4700. To locate and/or contact your Representative so you can leave a message about HR 4700 call the capital switchboard at **(202) 224-3121**.

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