



June 20, 2002

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No. 164

TANF/CHILD CARE REAUTHORIZATION MOVES TO U.S. SENATE

Texas' Senators and Senate Finance Committee members need to hear from YOU!

See Call to Action section below

A QUICK REFRESHER

As you may be aware, the U.S. Congress is currently debating reauthorization of the Temporary Assistance to Needy Families (TANF) block grant and the Child Care and Development Fund (CCDF). The TANF 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. The child care block grant provides Texas with \$351 million per year, which is used to pay for child care subsidies for low-income working families. In May, the U.S. House of Representatives passed its reauthorization legislation, mirroring the Bush's administration's proposal. The reauthorization debate has now moved to the U.S. Senate and its Finance Committee. Mark-up, the committee's final word on the bill before it is reported out to the larger Senate, is scheduled for next week.

The Senate Finance Committee will be focusing its deliberations around its "Tripartisan Consensus" proposal. This *Policy Page* will provide descriptions of provisions contained within this proposal, as well as alternative proposals being floated in the U.S. Senate. Alternative proposals include the Democratic HELP Principles (endorsed by 22 Democratic Senators, including members of the Health, Education, Labor, and Pensions Committee), S. 2052 introduced by Senator John Rockefeller of West Virginia, and S. 2524 introduced by Senators Evan Bayh of Indiana and Thomas Carper of Delaware. We will also compare the Tripartisan Consensus proposal to H.R. 4737, the reauthorization bill passed in the U.S. House and the House Democratic proposal that was not approved.

It is critical that Texans interested in TANF and Child Care reauthorization contact both Texas Senators Phil Gramm and Kay Bailey Hutchison and members of the Senate Finance Committee with their views on this

legislation before the committee meets next week. Contact information is provided below.

For a side-by-side analysis of the TANF reauthorization proposals, please visit the Center on Budget and Policy Priorities' "Summary Comparison of Key Provisions in TANF Reauthorization Legislation and Proposals" at <http://www.cbpp.org/6-13-02tanf.pdf>.

H.R. 4737: WELFARE REFORM MOVING IN THE WRONG DIRECTION IN U.S. HOUSE

The TANF and CCDF reauthorization bill passed last month in the U.S. House has grave implications for low-income families in Texas. Although H.R. 4737 maintains TANF block grant funding at current levels and increases CCDF funding, numerous provisions contained in the bill would present serious challenges for Texas and appear directly at odds with the lessons learned over the past five years of welfare reform. 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.

For full CPPP analysis of H.R. 4737, please visit: <http://www.cppp.org/products/policypages/151-170/151-170html/PP161.html>

REVIEW OF SENATE PROPOSALS

TANF Funding: The Senate Tripartisan Consensus proposal calls for frozen TANF funding at \$16.5 billion through 2007. While this funding level is consistent with H.R. 4737, the bill passed by the U.S. House, it is lower

than other TANF proposals currently circulating in the U.S. Senate. The Senate HELP Democratic Principles call for increases in funding with no specific dollar amount, and the Rockefeller Bill calls for an increase of \$2.5 billion over 5 years. The House Democratic proposal would have adjusted the TANF block grant annually for inflation, meaning \$18.7 billion in spending by FY 2007.

TANF Work Requirements: Increases in states' work participation rates will threaten Texas' ability to help families move from welfare or poverty to self-sufficiency. The Senate Tripartisan Consensus proposal mirrors work participation rate increases found in H.R. 4737, as do the Bayh/Carper Bill and the House Democratic Substitute. All of these proposals mandate that states increase the work participation rate from the current 50 percent to 55 percent in 2004, 60 percent in 2005, 65 percent in 2006, and 70 percent in 2007. Each proposal also eliminates the separate two-parent family work participation rate set at 90 percent in 2007. The Rockefeller Bill maintains the current 50 percent work participation rate, but eliminates the separate two-parent family participation rate.

Child Care: Significant differences exist between H.R. 4737 and Senate proposals on the issue of child care funding. The Senate Tripartisan Consensus calls for an increase in child care funds necessary to meet the additional costs states will incur as a result of increased TANF work participation rates, but does not specify an amount. The House Democratic Substitute and the Senate HELP Democratic Principles offer the largest increase in child care funding, calling for an additional \$11.25 billion over 5 years. The Bayh/Carper Bill in the Senate calls for an increase of \$8 billion over 5 years, and the Rockefeller Bill includes a request for an additional \$5 billion over 5 years. H.R. 4737 that emerged from the U.S. House increases child care funding by \$1 billion over 5 years.

Child Support, Family Formation, and Fatherhood: The Senate Tripartisan Consensus mirrors H.R. 4737 and the Administration's proposal on marriage promotion, including \$200 million for demonstration grants and technical assistance to states for narrowly defined "healthy marriage activities." Like H.R. 4737, the Consensus bill would allow states to use this pot of TANF money on non-needy populations as long as they were spent on marriage promotion activities. The Rockefeller and Bayh/Carper Bills address family formation, but allow for much greater flexibility in the use of these funds, such as for responsible parenting programs. Unfortunately, the Consensus bill does not address or include funding for fatherhood programming at all, despite a provision in H.R. 4737 for \$20 million in fatherhood demonstration grants and the Bayh/Carper Bill proposal for up to \$200 million in matching grants for employment programs for non-custodial parents. Lastly, child support provisions that increase states' flexibility to pass through more child

support to low-income families instead of using it to recoup TANF costs are similar across all bills. Interested readers should check in with the CPPP web site this summer for more on successful fatherhood programs and child support policies.

Transitional Medicaid: Under current law, families who leave TANF due to increased earnings or child support (if they got Medicaid or TANF for at least 3 months) are supposed to receive Transitional Medicaid (TMA) benefits. Due to loopholes in the law, only 22 percent of Texans leaving TANF from 1995 to 1999 got these benefits. All of the TANF reauthorization bills under consideration reauthorize TMA, however HR 4737 extends the program only through 2003, while the House Democratic substitute and all of the Senate bills reauthorize the program at least through 2007 with new state options to further extend eligibility and simplify reporting requirements.

For a more detailed analysis of each of these areas, please visit the Center on Law and Social Policy's web site at <http://www.clasp.org/>.

OTHER PROVISIONS – GOOD & BAD – THAT COULD BE ADDED TO THE SENATE BILL

Legal Immigrant Health Care Provisions (Good!). It is possible that the Senate Finance Committee may consider amending S. 582, the Immigrant Children's Health Improvement Act (ICHIA), to its TANF reauthorization bill. ICHIA would restore access to prenatal care and children's health care to legal immigrants. Under current federal law, legal immigrants who arrive in the United States after 8/22/96 face a 5-year bar before they are eligible for Medicaid or the Children's Health Insurance Program (CHIP). After the 5-year bar, states may choose whether to provide these benefits to this population. Texas currently uses state funds to provide health benefits to legal immigrant children during their 5-year bar, and the governor vetoed 2001 legislation that would have exercised Texas' option to provide Medicaid to all legal immigrants after the five-year bar. ICHIA would give states the option to provide prenatal care and children's health benefits to legal immigrants without a 5-year bar, and with full federal matching funds.

Superwaiver (Bad!): Absent from the current version of the Senate Finance Committee bill is one of the most troubling provisions of HR 4700—what is being called "superwaiver" authority. In summary, superwaiver authority would allow states to request permission from the Executive Branch to "waive" critical statutory and regulatory provisions of an array of low-income programs including Child Care, TANF, the Social Services Block Grant, homeless assistance and housing programs,

Department of Labor employment programs, and Food Stamps. This broad authority would allow the administration to approve the use of any of these programs' funds for purposes not authorized under federal law, and to alter the fundamental nature of these programs by eliminating eligibility criteria, service guidelines, and operational requirements. In addition, superwaiver authority would allow states to shift funding from services for the neediest families to other state priorities and to proposals, which could result in significant reductions in overall resources for low-income programs. Enactment of the superwaiver provisions would significantly weaken Congress' (and state legislatures') control over these programs and hence a significant amount of funds. The Congressional Budget Office (CBO) estimates that spending on programs included in the superwaiver will reach \$65 billion in 2003, and \$670 billion over the next 10 years. The superwaiver provision is being sold as an important tool to increase state flexibility in spending and policy making on low-income programs and services. If Texas is any example, this type of "flexibility" has often led to more punitive welfare policies, less overall spending on low-income support programs, and the diversion of funding from services for the neediest families to other state priorities such as proposals for the full-scale privatization of eligibility services. For more detail on the superwaiver provision, see <http://www.cbpp.org/5-13-02tanf.pdf>.

5-State Food Stamp Block Grant Option (Bad!): Also encouragingly absent from the Senate bill is HR 4737's proposal to allow five states to elect to receive Food Stamps as a block grant at any time during the 2003-2007 period. Under a block grant, states would receive a fixed amount of annual funding to provide Food Stamp benefits. Once that money runs out, states would either have to use their own revenue to pay for benefits, or find ways to restrict eligibility and limit additional enrollment. Under the current entitlement status of the Food Stamp Program, states receive as much funding as they need to cover all who apply and are eligible (Food Stamp benefits are 100 percent federally funded and do not require a state match). This structure is what allows the Food Stamp Program to respond to economic downturns, when it is likely that more people than predicted will be eligible and applying for benefits. Capping the funds in a block grant would end the program's responsiveness to economic conditions, as well as efforts to reach more eligible people. Under the five-state block grant proposal, states would receive a fixed amount of funding based on 2002 spending, with no adjustment for economic changes, population growth, or increases in participation. With fixed funding, states would have no room to expand participation—for example, to working families or seniors—or to implement any of the improvements in the recently passed Farm Bill. Further, it is likely that under frozen funding levels, states would be required to cut benefits or erect new barriers to participation—in other words, to "ration by

inconvenience." As with the superwaiver provision, states would be allowed to reduce benefits across the board, cut or eliminate benefits for any group of individuals, including seniors and persons with disabilities, or impose time limits and sanctions. There are virtually no limits on how a state could decide to structure the program under the block grant proposal. For more on the block-grant proposal, see <http://www.cbpp.org/5-13-02fs.htm>.

While it is unlikely that either of these provisions will be added during committee deliberations, it is possible that they may be amended to the bill when it reaches the Senate floor. For this reason, it is important that opponents of the provisions start speaking out against them now, before it's too late.

IMPLICATIONS FOR TEXAS

H.R. 4737, the TANF and CCDF reauthorization bill that emerged from the U.S. House of Representatives contains troubling proposals for Texas. The welfare reform debate in the U.S. Senate is the last, best hope for mitigating these concerns. Increased work requirements 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, H.R. 4737 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. In fact, without inflationary adjustments, the buying power of Texas' TANF block grant decreases steadily with a 22 percent loss by 2007.

The Congressional Budget Office (CBO) estimates that the work provisions of HR 4737 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 4737 would pay for less than one-fifth of these combined costs.

Cost implications for Texas echo these national estimates. 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. Because some form of continued caseload reduction credit would mitigate the impact of a higher work participation rate, we also estimated the costs associated with moving from the current participation rates to a 50 percent rate. 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 same is true for child

care funding. Even though HR 4737 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.

CALL TO ACTION – YOU CAN MAKE A DIFFERENCE!

Texas' Senators and members of the Senate Finance Committee need to hear from you TODAY. Key messages to send to the Senate are:

- Tell your stories of the impact of welfare reform; they make a tremendous difference.
- Support the Tripartisan Consensus proposal, but raise concerns about increasing work participation rates.
- Be sure to convey the message that Texas needs additional TANF and Child Care funds to keep pace with inflation, expand its welfare-to-work activities, and address large child care waiting lists.
- Tell the Senate that 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.
- Remind the Senate that 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 that will hurt children.
- 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 and Medicaid funds to provide benefits and services to immigrants who are in the United States legally and need help caring for their families and becoming employed.
- Texas needs the integrity of federal programs maintained, no superwaiver or Food Stamp block grant.

CONTACT INFORMATION

When contacting your Senators, please ask for the person who handles welfare, TANF, or child care.

Contact **Senator Phil Gramm**, who is on the Senate Finance Committee, at (202) 224-2934 or via e-mail at Phil_Gramm@gramm.senate.gov.

Contact **Senator Kay Bailey Hutchison** at (202) 224-5922 or via e-mail at <http://hutchison.senate.gov/e-mail.htm>.

Contact the **Senate Finance Committee** directly to be certain that Texas' needs are being heard. Visit <http://finance.senate.gov/sitepages/contact.htm>.

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