



★ WASHINGTON WATCH ★

An update on federal action from

The Center for Public Policy Priorities

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What's Hot

Welfare Reform Vote Delayed

Sen. Gramm Presents Competing Proposal

Sen. Bob Dole (R-KS) has scheduled floor debate on welfare reform starting **August 7**, and threatened to keep the Senate in session all August, if necessary, to pass a welfare bill. Disagreement among Republicans (especially Gramm and Dole), however, may force welfare reform to be folded into the budget reconciliation bill in the fall — a move that will significantly limit debate on the issue. Key sources of disagreement among the senators continue to be: **block grant funding allocation formulas; child exclusion provisions; and, which programs should be block granted.** Sen. Phil Gramm (R-TX) and other conservatives want Congress to cut off welfare payments for unmarried teen-age mothers and legal immigrants who have not become citizens, and deny increased welfare benefits to women who have additional children while on welfare. Sen. Gramm is so dissatisfied with Dole's welfare reform bill that he is offering his own alternative.

Sen. Gramm and 18 other co-sponsors have proposed the **"Work, Family and Community Welfare Replacement Act"** Similar in many ways to the House welfare reform proposals, the bill would block grant 9 programs:

- AFDC (As provided in the House bill);
- Child Welfare Services (Similar to the House bill);
- Child Care and Development Program (As provided in the House bill);
- Child Nutrition programs (As provided in the House bill);
- National School Lunch Program (As provided in the House bill);
- The disabled children's portion of Supplemental Security Income (SSI) (As provided in the House bill);
- Job Training programs (as provided in the Senate Labor Committee bill);
- Housing assistance (All federal means tested housing assistance will be block granted to states); and,
- Food Stamps will be block granted on the basis of their current distribution.

Other Features

- Block grant funds go directly from the Treasury to states, bypassing federal agencies such as HHS.
- All existing federal restrictions and regulations governing these programs are repealed and replaced with the specific language of the bill.
- Program compliance monitoring will be privatized.
- 70% of the funds block granted to any state must be used for the purpose of that block grant. No more than 30% of any block grant can be transferred among the various block granted programs.
- Dramatically increases work requirements for welfare recipients while cutting funding for job training and child care, eliminates the JOBS program.
- Includes provisions to deny benefits to certain children (see "Child Exclusion Provisions" below).

Food Stamps Threatened but Sen. Lugar Continues to Defend Against Block Grant

With an August 7th target date for the Senate to take up a welfare reform bill nearing, Agriculture Committee Chairman Richard Lugar (R-IN) and a core of Republican Senators reportedly are holding the line against a food stamp block grant. According to National Journal's Congress Daily: "GOP senators discussed the idea of a food stamp block grant during their weekly policy luncheon Tuesday. 'I don't think the votes are there to do that,' Republican Conference Chairman Thad Cochran [R-MS] contended. And Republican Conference Secretary Connie Mack [R-FL] agreed, saying, 'I'm not sure we have the votes there.'" (See 7/19/95 issue of Congress Daily). The situation, however, is still considered precarious. Sen. Phil Gramm (R-TX) upped the ante on the issue Thursday by announcing his proposal to block grant nine welfare programs, including food stamps as well as the child nutrition programs. Block grant proponents are expected to continue to push the food stamp block grant issue inside the Republican conference as well as on the Senate floor. Nonetheless, if Sen. Lugar can keep the backing of nearly all Democrats as well as a nucleus of Republicans, a food stamp block grant would fail to carry.

As Republicans in the Senate maneuver to put together a welfare reform proposal it is important to keep up the pressure against severe funding cuts and block granting basic support programs. Aspects of the current welfare reform fight are described below. Remember, Texas loses significant federal funds under both the House and Senate welfare reform proposals. Over 5 years, Texas would lose \$5.2 billion under the House or \$1.86 billion under the Senate proposals.

Formula Fight Update

A growing "formula fight" is a major factor causing the slow-down in the Welfare Reform debate in the Senate. One particular formula proposal for allocating the Senate's proposed welfare block grant illustrates the issues. Senators Kay Bailey Hutchison (R-TX), Bob Graham (D-FL), and Thad Cochran (R-MS), are promoting this formula, which they call the "Children's Fair Share Allocation Plan." This formula would phase out the distribution of funds based on historical state and federal spending, and would instead phase in the allocation of block grant funds based on the number of children in poverty in each state (as a percentage of children in poverty nationwide). Using the national average of spending per poor child in FY 1994 as its benchmark, the plan would "ratchet up" federal funds per poor child in states with below-average spending in 1994 (like Texas), and reduce federal funds per child to states that spent more than the national average.

The Children's Fair Share Plan is similar to (and probably inspired by) Texas Comptroller John Sharp's earlier proposal, the "National Fair Share Block Grant Plan." Sharp's plan differs in that it is based on each *population* as a percentage of all Americans, adjusted for the state's *average per capita income* (compared to the average U.S. per capita income).

Both formulas:

- distribute funds according to a state's share of total need or population, rather than historical spending, and
- are driven by actual population figures, such that states with more rapid population growth would get a corresponding increase in their funding.

Neither formula addresses the adequacy of funding. The focus of this formula fight is how the pie is cut up, and not whether the pie is big enough in the first place. Under this approach to block granting, Texas (and 35 other states) would get considerably larger allocations than they would have under a block grant distribution based on historical spending. However, the states that have raised and spent more tax dollars for social programs in the past would face major reductions in their federal funds, which would presumably result in loss of services for clients in those states.

Block Grant Principles

While the best way to maintain a safety net for children and families is to keep the current state-federal partnership intact, a more equitable formula for any block grants would incorporate the following set of principles:

- The allocation of resources under any block grant proposal must guarantee an equitable distribution of resources for every person in need, regardless of where they live.
- A state's access to federal funding should increase if the number of people in need of assistance increases.
- The overall resources in any block grant should be enough to prevent the wholesale dismantling of social supports in any individual state.
- State allocations should not be permanently linked to their spending and policy choices in 1994.
- If Congress provides additional funding for any state, there needs to be a safeguard to ensure that the additional funding results in assistance to the poor rather than the substitution of federal for state funds (maintenance of effort).
- Block grants should be structured to support real reform and innovation in the design and delivery of services, not just provide a vehicle for budget cuts.
- Minimal national standards (e.g., safety and quality) designed to protect vulnerable populations must be included. Punitive or restrictive requirements should not be included.

Child Exclusion Provisions

One of the areas of dispute in the Senate is the treatment of teen pregnancy and out-of-wedlock births in the welfare reform bill. Conservative Senators are promising to hold up consideration of the bill unless it contains child exclusion provisions similar to those contained in the House passed HR4.

The provisions are:

- Restrictions on the use of federal funds for cash benefits to young unwed mothers (i.e., under the age of 21, or at a minimum the age of 18);
- A "family-cap" prohibiting the use of federal funds for increased benefits to mothers on welfare who have additional children; and,
- State allocation adjustments based on formulas related to illegitimacy and abortion rates as adopted by the House.

Each of these provisions threatens to punish children who are poor for circumstances over which they had no control. These provisions advance no real policy goal but simply make poor children poorer. Some of the concepts are based on the belief that welfare has caused the growth in out-of-wedlock births. Recently, 76 prominent researchers in the field

refuted this connection. Further, it is unfair and foolhardy to undermine the safety and well being of millions of children in an attempt to affect their parent's behavior. It is important that Senators receive a strong message against the inclusion of these provisions in any Senate welfare reform proposal.

Still Simmering

The Earned Income Tax Credit

Hidden behind the well publicized attacks on programs for low-income Americans lurks a proposal that would significantly reduce the income received by the working poor. The Congress may soon consider reducing the Earned Income Tax Credit, which brings six times more federal money to needy Texans than AFDC and nearly as much as the food stamp program.

The federal Earned Income Tax Credit (EITC) is a refundable tax credit created to help working poor Americans with children and to provide an incentive for parents to work rather than rely on welfare programs. The EITC offsets some or all of the income and payroll taxes that low-income working families pay and can supplement a worker's low wages.

More than 1.7 million Texas families benefit from the EITC, which returned \$2.1 billion in federal taxes to Texas in tax year 1994. One-fifth of all Texas taxpayers receive the EITC each year — the fifth highest participation rate in the nation. Many middle-class families are eligible for the credit when the loss of a job or a serious illness temporarily reduces their incomes for a year or two.

The recently approved Congressional Budget Resolution calls for reducing the EITC by up to \$21 billion nationally over seven years as part of the budget reconciliation process. The bulk of the reduction would come from scaling back the EITC expansions scheduled for 1995 and 1996. This change would effectively increase the taxes paid by 786,000 Texas families. A proposal to eliminate the modest credit for very poor workers without children would cut payments received by another 443,000 Texans. The

seven-year tax increase on low-income Texas workers from these provisions would total \$1.95 billion.

Senators William Roth (R-Del.) and Don Nickles (R-Okla.) may offer an amendment during the full Senate's consideration of welfare reform that would cut the EITC by more than triple the amount required by the budget resolution, primarily by ending the current inflation indexing of the EITC. The losses to Texas low-income working families would be proportionately higher.

Senators and representatives should be urged to preserve the EITC, including the scheduled expansions. The EITC has received bipartisan support in the past because it attacks poverty by supporting the transition from welfare to work, imposes no costs on employers and does not require a large bureaucracy to administer.

- *The EITC helps encourage work.* It makes working a better choice than welfare. It helps parents pay for child care and medical care so they can keep working.
- *Working families should not have to raise their children in poverty.* The EITC helps address a trend that has caused a substantial increase in child poverty in recent years — the erosion of wages for low-paid work.
- *Cutting the EITC raises taxes on hard-working people who can least afford it.* These changes would raise taxes on many low- and moderate-income working people at the same time that Congress is likely to grant upper-income Americans and large corporations sizable tax cuts.

Please note corrections for the following congressional members on your delegation list from the last Washington Watch

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