

HOUSE WAYS AND MEANS COMMITTEE APPROVES TANF REAUTHORIZATION: COMPARISON OF KEY PROVISIONS IN THE TANF REAUTHORIZATION PROPOSALS

On Wednesday, October 26, the House Ways and Means Committee approved the Entitlement Reconciliation Recommendations for Fiscal Year 2006 Act, making \$8 billion in reductions to federal programs under the Committee's jurisdiction. The Recommendations would reauthorize the Temporary Assistance for Needy Families (TANF) block grant and make a number of related policy changes. In general, the policy changes in the House Recommendations would increase work requirements for states and families and limit states' flexibility to define the types of activities that count toward fulfillment of work requirements without providing sufficient resources to meet the new requirements.

The House Recommendations:

- Provide only \$500 million in additional funding for child care over five years. The most recent Senate reauthorization bill increased child care funding by a total of \$6 billion over five years. Analysts estimate that the new funds are insufficient to keep pace with inflation and could result in 270,000 children losing child care subsidies nationally in 2010 relative to the number available in 2004.¹
- Increase the percentage of families that must participate in federally-approved work activities and increase the number of hours that families must be engaged in work activities in order to count toward the federal requirements.
- Narrow the types of activities that count toward the fulfillment of the federal work requirements.
- Substantially reduce the federal contribution to child support program costs. Currently, the federal government pays 66 percent of program costs and states and counties pay the remaining 34 percent of costs. Under the House Recommendations, the federal share would be gradually reduced to 50 percent in 2010 and thereafter, increasing the

state and county share of costs. California stands to lose \$3.2 billion in federal funds from this and related child support program changes between 2006 and 2015.²

The Legislative Analyst's Office has previously estimated that changes similar to those in the Ways and Means Recommendations would increase California's costs, primarily for child care and employment services, by \$375 million to \$450 million per year. The impact of these changes on California alone could far exceed the national increase in available funds.³

The Ways and Means Committee Recommendations will now move to the House Budget Committee, which will compile a comprehensive budget reconciliation package. If approved by the full House, the budget proposals, including changes to the TANF Block Grant and related programs, would be reconciled with Senate proposals in a two-house conference committee.

A comparison of the current provisions governing the current TANF Block Grant, the Ways and Means Committee recommendations, and the most recent Senate TANF reauthorization measure follows.

Quinlan Bowman, Scott Graves, and David Carroll prepared this Budget Brief. 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. General operating support for the CBP is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's website at www.cbp.org.

ENDNOTES

¹ Sharon Parrott, *Ways and Means "Chairmen's Mark" Targets Key Low-Income Programs* (Center on Budget and Policy Priorities: October 25, 2005).

² Vicki Turetsky, *Ways and Means Committee Approves 40 Percent Cut in Child Support Funds* (Center for Law and Social Policy) downloaded from www.clasp.org on October 27, 2005.

³ Legislative Analyst's Office, *Analysis of the 2004-05 Budget Bill* (February 2004), p. C-252.

Comparison of Key Provisions in TANF Reauthorization Proposals

Current Law		Budget Reduction Recommendations (House Committee on Ways and Means October 26, 2005) ¹	S 667 (Senate Finance Committee, March 2005) ²
TANF Block Grant	\$16.6 billion annual TANF block grant to states.	Extends annual TANF block grant at the current level through federal fiscal year (FFY) 2010.	Extends annual TANF block grant at the current level through FFY 2010.
State Spending Requirement	Establishes a maintenance of effort (MOE) requirement for each state to spend at least 80 percent of its FFY 1994 spending on programs replaced by TANF. The required MOE drops to 75 percent if a state meets the federal work participation rate requirement (discussed below). State spending may count toward the state MOE only if used for TANF-eligible families.	Maintains state MOE requirement through FFY 2011. Allows state spending for non-TANF-eligible families to count toward the state MOE if it is used to prevent and reduce non-marital births and encourage the formation and maintenance of two-parent, married families and responsible fatherhood.	Maintains state MOE requirement through FFY 2011. Allows state spending for non-TANF-eligible families to count toward the state MOE if it is used to prevent and reduce non-marital births and encourage the formation and maintenance of two-parent, married families and responsible fatherhood.
Contingency Fund	Provides \$2 billion for matching grants for states that meet certain economic hardship criteria. B11 States must meet a 100 percent MOE requirement.	Provides \$2 billion through FFY 2010. Allows child care spending and spending on all separate state programs to count toward state spending required to access the fund.	Provides \$2 billion through FFY 2010. Revises the rules and lowers states' MOE requirement to qualify for contingency funds.
Child Care Funding	Provides mandatory funding of \$2.7 billion annually. States must meet an MOE requirement and provide matching funds to receive a portion of these federal funds.	Increases mandatory funding by a total of \$500 million over five years.	Increases mandatory funding by a total of \$6 billion over five years.
Time Limit	Five-year federal time limit.	Maintains the five-year federal time limit.	Maintains the five-year federal time limit.
Work Participation Rates	50 percent of all families and 90 percent of two-parent families in a state must participate for a minimum number of hours in federally-specified work activities. A "caseload reduction credit" allows states to reduce the required work participation rate. The credit is based on the percentage decline in a state's TANF caseload since FFY 1995.	Increases states' minimum participation rate from 50 percent to 70 percent in FFY 2010. Eliminates separate participation rate for two-parent families, who are included in the overall participation rate calculation. Maintains a caseload reduction credit, but bases the credit on recent reductions in caseloads. Provides an additional "superachiever" credit for states whose caseloads declined by at least 60 percent between FFY 1995 and FFY 2001. California would not qualify for this credit, since its caseload declined by 44 percent during this period.	Increases states' minimum participation rate from 50 percent to 70 percent in FFY 2010. Eliminates separate participation rate for two-parent families, who are included in the overall participation rate calculation. Replaces the caseload reduction credit with a credit that reduces required participation rates based on the number of former recipients who are working. States could also receive credit for using TANF funds for child care and transportation subsidies for working families. The total credit starts at 40 percent and declines to 20 percent in FFY 2010 and thereafter.

Current Law		Budget Reduction Recommendations (House Committee on Ways and Means October 26, 2005) ¹		S 667 (Senate Finance Committee, March 2005) ²
Work Participation Hours	20 hours per week for single-parent families with a child under age 6 and 30 hours per week for other single-parent families. 35 hours per week for two-parent families, or 55 hours per week for two-parent families who receive federally-funded child care assistance. States may not claim partial credit for individuals who participate for less than the required hours.	40 hours per week for all families, regardless of the age of the children. Provides partial credit for families who participate in activities for at least 24 hours per week, but who do not meet the 40-hour standard.	24 hours per week for single-parent families with a child under age 6 and 34 hours per week for other single-parent families. 39 hours per week for two-parent families, or 55 hours per week for two-parent families who receive federally-funded child care assistance. Provides partial credit for recipients who work less than the required number of hours and extra credit for recipients who work more than the minimum requirement. Partial credit starts at 20 hours per week.	
Work Participation Activities	Single parents must spend at least 20 hours per week and two-parent families who receive federally-funded child care assistance must spend at least 50 hours per week in one or more of nine primary activities. Primary activities include employment, work experience, on-the-job training, job search and job readiness assistance, community service, and vocational educational training for up to 12 months. States may count additional activities, including job skills training directly related to employment, toward the remainder of the required work hours.	Recipients must spend at least 24 hours per week in certain "direct work" activities. Direct work activities are limited to employment, on-the-job training, and supervised work experience or community service. However, allows participation in substance abuse and rehabilitation treatment and job search or job readiness assistance to count as direct work activities for up to three months in a two-year period. In addition, allows participation in work-related education or training to count as direct work activities for up to four months in a two-year period.	To receive credit for hours at or below 24, a single-parent family must spend all of these hours in "direct work" activities. To receive credit for hours at or below 50, a two-parent family receiving federally-funded child care assistance must spend all of these hours in direct work activities. Direct work activities are the same as primary activities in current law and include employment, work experience, on-the-job training, job search and job readiness assistance, community service, vocational educational training for up to 12 months. However, allows participation in services designed to address barriers to employment, including adult literacy programs and substance abuse treatment, to count as direct work activities for up to three months, or up to six months in certain cases, in a two-year period. Allows states to create a "Parents as Scholars" program and count postsecondary or vocational educational training as a work activity for more than 12 months for up to 10 percent of the state's TANF caseload.	

Current Law		Budget Reduction Recommendations (House Committee on Ways and Means October 26, 2005) ¹		S 667 (Senate Finance Committee, March 2005) ²
Sanctions Policy	Requires states to reduce or discontinue cash payments to families who do not comply with participation requirements.	Requires states to discontinue cash payments to families with an adult who does not comply with participation requirements for two consecutive months. Excludes California from this requirement due to an exemption for states that have constitutional or statutory provisions adopted prior to 1966 that require local governments to provide assistance to needy families. However, this exemption applies for only one year.	Maintains current law.	Maintains current law.
Eligibility for Immigrants	Bars most legal immigrants who entered the US on or after August 22, 1996, from receiving federal means-tested benefits, including Supplemental Security Income (SSI), food stamps, and TANF, for five years. Certain immigrants who entered on or after this date, including refugees and persons granted asylum, are exempt from the five-year ban. However, refugees, asylees, and certain other immigrants admitted for humanitarian purposes are eligible for SSI only for their first seven years in the US.	Maintains current law.	Maintains five-year ban. Increases SSI eligibility period for refugees, asylees, and certain other immigrants admitted for humanitarian purposes from seven to nine years.	
"Superwaiver" Provision	Current law does not contain a superwaiver provision, but does provide program-specific waiver authority that varies across programs.	Allows states to seek waivers from federal agencies to modify statutory and regulatory requirements of several federal programs, including food stamps, child care, public housing, and job training programs, with the purpose of improving program coordination.	Allows up to 10 states to seek waivers from federal agencies to modify statutory and regulatory requirements for TANF, the Social Services Block Grant, and mandatory child care assistance, with the purpose of improving program coordination.	
TANF Purpose	To "(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families."	Changes the second purpose to "end the dependence of needy families on government benefits and reduce poverty by promoting job preparation, work, and marriage." Changes the fourth purpose to "encourage the formation and maintenance of healthy, two-parent married families, and encourage responsible fatherhood."	Changes the fourth purpose to "encourage the formation and maintenance of healthy, two-parent married families, and encourage responsible fatherhood."	

Current Law		Budget Reduction Recommendations (House Committee on Ways and Means October 26, 2005) ¹		S 667 (Senate Finance Committee, March 2005) ²	
Child Support ³	Families who apply for TANF cash assistance are required to assign to the state their rights to unpaid child support owed before and during their time on aid in order to repay the government any cash assistance received. TANF families: States may keep or “pass through” child support to TANF families. In both cases, states must pay the federal government a share of the support collected. If a state passes through support, it may count that support as income or disregard it in determining cash aid. Former TANF families: Child support collected by the state is paid to the family, except for overdue payments collected through offsets to federal tax refunds. Such collections are retained by the state and shared with the federal government.	Reduces child support funding by \$5.0 billion over five years, primarily by gradually reducing the federal matching rate for child support enforcement activities from 66 percent to 50 percent. California would lose \$1.0 billion over five years. Maintains current law regarding assignment of child support rights to the state. TANF families: Requires the federal government to waive a limited portion of its share of child support if a state increases the amount of support passed through to TANF families and disregards that support in determining cash aid. The increase must take effect after December 31, 2005, to qualify. Former TANF families: Allows states to distribute all overdue child support payments to former TANF families, in which case the federal government would waive its share of the support. However, states would have to convert their child support payment processing systems to distribute all payments based on their collection date, rather than the date the payments were due.	Eliminates the requirement for TANF applicants to assign to the state their rights to unpaid child support that precedes their receipt of cash aid, effective October 1, 2009. States may accelerate effective date. TANF families: Requires the federal government to waive its share of child support if the state passes through the support to TANF families and disregards the support in determining cash aid. Former TANF families: Allows states to distribute all overdue child support payments to former TANF families, in which case the federal government would waive its share of the support.		
Marriage and Family Formation	Provides an annual bonus of up to \$100 million annually for up to five states that reduce non-marital births, as well as reduce abortion rates as compared to FFY 1995. Allows federal TANF funds to be used for activities that seek to reduce non-marital births and promote the formation and maintenance of two-parent families without regard to families’ financial need.	Replaces the non-marital birth reduction bonus with Healthy Marriage Promotion Grants, which would provide \$100 million annually through FFY 2010 in matching grants to fund up to half the cost of programs to promote and support healthy, married, two-parent families. States may use TANF funds for their share of program costs, but TANF funds used for this purpose may not be counted toward states’ MOE requirement. Provides \$100 million annually through FFY 2010 to the Department of Health and Human Services (DHHS) to fund research and demonstration projects and technical assistance, primarily for marriage promotion activities. Authorizes, but does not appropriate, \$20 million annually through FFY 2010 for a new fatherhood program consisting of a range of local, multi-state, and national projects and activities.	Replaces the non-marital birth reduction bonus with Healthy Marriage Promotion Grants, which would provide \$100 million annually through FFY 2010 in matching grants to fund up to half the cost of programs to promote and support healthy, married, two-parent families. States may use TANF funds for their share of program costs, but TANF funds used for this purpose may not be counted toward states’ MOE requirement. Provides \$100 million annually through FFY 2010 to the DHHS to fund research and demonstration projects and technical assistance, primarily for marriage promotion activities. Appropriates \$50 million annually through FFY 2010 for “responsible fatherhood demonstration grants” to states and local entities and authorizes \$25 million annually through FFY 2010 for media campaigns to promote healthy, married, two-parent families and responsible fatherhood.		

¹ Entitlement Reconciliation Recommendations for Fiscal Year 2006 as passed by the House Committee on Ways and Means on October 26, 2005.

² Personal Responsibility and Individual Development for Everyone (PRIDE) Act as passed by the Senate Finance Committee on March 9, 2005.

³ For more details on the House bill’s child support provisions, see Vicki Turetsky, *Ways and Means Committee Approves 40 Percent Cut in Child Support Funds* (Center for Law and Social Policy) downloaded from www.clasp.org on October 27, 2005.