Committee on Ways and Means Democrats

Representative Charles B. Rangel - Ranking Democratic Member

Issue Brief – March 8, 2004

Breaking the Deal on Welfare Reform -- Republican Bill Would Add Unfunded Work Requirements to Temporary Funding Extension

UPDATE – Since this report was originally released in February, the Congressional Budget Office (CBO) has estimated that it would cost the states $6.9 billion to implement the Herger bill. Furthermore, the Congressional Research Service (CRS) added an additional state (Massachusetts) to the list of states that would be required to increase the number of welfare recipients in work activities in FY 2006 under the bill (bringing the total to 42 states).

The Temporary Assistance for Needy Families (TANF) program and several related programs have been operating on temporary funding extensions since September 2002. Five such extensions have been enacted on a bipartisan basis as Congress debates a long-term reauthorization of the program. Each one of these extensions has simply extended current law – both funding levels and program requirements. The current extension expires on March 31, 2004.

Representative Wally Herger (R-CA), the Chairman of the Ways and Means Subcommittee on Human Resources, recently introduced legislation that would change this bipartisan tradition by including controversial policy changes in legislation to extend funding for TANF and several other programs, including the Child Care and Development Block Grant. Herger's bill, HR 3848, would change the so-called caseload reduction credit, which reduces the percentage of a state's welfare population that must be enrolled in federally-defined work activities based on the number of people who have left the welfare rolls since 1995. HR 3848 would change the base year of the credit so that states receive increasing less credit for past reductions in their caseload.

This would <u>force 42 states to increase the number of welfare recipients engaged in work activities in FY 2006</u>, unless caseloads drop substantially below their current historic lows. Some States would be required to increase participation as soon as this fiscal year, which is almost half over. In just two years,

Delaware, Georgia, Maryland, Massachusetts, Oregon and Pennsylvania would have to more than triple the number of welfare recipients enrolled in federally-defined activities under HR 3848. Many others, including AR, DC, MS, NE, NV, OK, TX, VT, VA, and WV, would have to double the participation rate among welfare recipients by FY 2006.

The legislation does not include any additional resources for states to meet this new requirement, which CBO estimates will cost the states $6.9 billion to implement through FY 2009. In fact, neither TANF funding nor child care funding would even keep pace with inflation under the bill. The Congressional Budget Office has estimated that child care funding would have to be increased by $4.5 billion over the next five years to offset the impact that inflation will have on current resources (even without any increases in work requirements). Furthermore, the General Accounting Office has reported that 23 states have cut child care assistance since 2001, especially for the working poor.

Congress is now debating the appropriate mix of work requirements and funding for the TANF program. HR 3848 attempts to short-circuit that process by including a portion of the House-passed reauthorization bill in a temporary funding extension, while ignoring other issues raised during the debate, such as the glaring need for child care funding.

Democrats have supported modifying the current caseload reduction credit in the context of comprehensive reform that provides adequate resources and establishes an employment credit. Such a credit would reward states for moving people off welfare and into real jobs, instead of focusing solely on how many welfare recipients are in work-related activities. Even the Bush Administration has proposed a version of an employment credit, rather than endorsing the modified caseload reduction credit in HR 3848.

The attached chart illustrates how much states would be required to increase participation in work activities by welfare recipients in FY 2006 under HR 3848 (which changes the base year for determining the caseload reduction credit from FY 1995 to FY 2001 for that year). The chart, which is derived from data provided by the Congressional Research Service, assumes TANF caseloads remain stagnant.