

CLASP

CENTER FOR LAW AND SOCIAL POLICY

Conference TANF Agreement Requires States to Increase Work Participation by 69 Percent, but New Funding Meets Only a Fraction of New Costs

By Mark Greenberg, December 20, 2005

The fiscal year 2006 federal budget Conference agreement, passed by the House on December 19, contains provisions to reauthorize the Temporary Assistance for Needy Families (TANF) program—including a new mandate that states meet a 50 percent work participation rate in order to avoid federal penalties. On December 19, the Congressional Research Service (CRS) released a memo estimating the number of additional participants states would need to meet this 50 percent requirement.¹ According to CRS calculations, if the TANF requirements of the Conference bill had been in place in 2003, states would have needed to engage an additional 236,000 families receiving assistance in work-related activities in order to meet this 50 percent rate—a 69 percent increase in the number of families participating in such activities. The Conference bill provides no new TANF funding and only \$200 million a year in new child care funding—a sum that translates to \$68.97 per month per new participating family. The lack of adequate funding will not lead to better welfare reform efforts; rather, it will create tremendous pressure on states to cut child care for other low-income working families, cut the number of families receiving TANF assistance, or both.

According to the CRS data, forty-seven states fall short of meeting a 50 percent participation rates. The CRS data indicates that:

- For the nation as a whole, the average participation rate in 2003 would have been 30 percent under the Conference bill rules—20 percentage points short of a 50 percent rate.
- For the nation, total participation was 339,600, with an additional 236,000 participants needed to meet the 50 percent level.
- Sixteen states—Massachusetts, Maryland, Georgia, Pennsylvania, Tennessee, West Virginia, Arizona, Oregon, Mississippi, Delaware, Vermont, Rhode Island, District of Columbia, Nevada, Michigan, and Arkansas—had rates of 25 percent or less. Each of these states would need to double its participation level (or more) to meet the new requirements.

Despite imposing these substantial new participation requirements, the Conference bill provides no additional TANF funds to states and only \$200 million each year in additional child care funding.

The additional child care funding translates to \$68.97 a month for each additional family required to participate.² This is less than one-fourth of the average child care subsidy provided

¹ Congressional Research Service Memorandum, TANF Work Participation Standards: Revising the Caseload Reduction Credit (December 19, 2005)

² This is a CLASP calculation, based on dividing state allocations of the \$200 million [see Congressional Research Service Memorandum, Estimated Mandatory Child Care Allocations Under the Deficit Reduction Act of 2005 (S. 1932), December 20, 2005] by the estimated number of new participants needed to reach a 50 percent participation rate.

by the Child Care and Development Block Grant (CCDBG) in 2000, the most recent year for which data are available.³ Nationally, the average cost of center-based child care ranges from \$4,000-\$10,000 a year for one child,⁴ which would translate to \$333 to \$833 a month. Recent data from the U.S. Census Bureau show that employed mothers reported spending an average of \$96 per week on child care; the average increases to \$114 per week for two or more children;⁵ these figures would translate to \$413 a month for one child, \$490 for two or more children.

While not every participant will need or want child care assistance, states will face additional costs for every participant. States face costs for orientation, assessment, case management, supervision, and the cost of program activities such as job search, work experience, and vocational training. Sixty nine dollars per month per family does not come close to meeting these costs. In fact, when estimating the costs of work participation, Congressional Budget Office staff uses a figure of \$3720 annually (i.e., \$310 a month) as the average cost of maintaining a work slot, and a blended figure of \$3700 annually (\$308 a month) for child care, averaging the costs of families that would and would not need child care subsidies.

If a state directs all of its new funds to meet costs—however incompletely—for TANF recipients, then no new funds can be used to maintain child care slots for other low-income working families. Indeed, the principal way that states can provide additional child care funding to meet the new requirements is by cutting child care for families who are not receiving TANF assistance.

The lack of adequate funding is particularly troubling because under the Conference bill, a state can meet participation rate requirements simply by reducing the number of families receiving assistance. Throughout the reauthorization process, the Senate Finance Committee consistently rejected the idea that states should be rewarded for caseload decline whether or not families got jobs or still needed assistance. Under each bill approved by the Finance Committee, participation rates would *not* have been adjusted based on caseload decline, but rather based on factors including the number of families working after leaving assistance. Conferees rejected this approach. Instead, the Conference bill establishes a 50 percent rate, adjusted downward if the state's caseload falls below 2005 levels for reasons other than changing eligibility rules.

Under the Conference bill, each state is left with a choice: increase participation in work activities or reduce the number of families receiving assistance. Either strategy would work to avoid penalties, but with no way to fund the costs of additional work slots, states face a strong incentive to cut assistance.

One key reason for state successes in the 1990s was that states had resources to meet new requirements. Under the Conference bill, this will not be true, and states will be left with unpalatable choices: cut child care for other low-income working families, cut other benefits or services, or cut assistance to needy families.

³ U.S. Department of Health and Human Services, Child Care Bureau. *Child Care and Development Fund Report to Congress: Submitted January 2003*.

⁴ Schulman, Karen. *The High Cost of Child Care Puts Quality Care Out of Reach for Many Families*. 2000. www.childrensdefense.org/earlychildhood/childcare/highcost.pdf

⁵ U.S. Census Bureau. *Who's Minding the Kids? Child Care Arrangements: Winter 2002*. October 2005.

Number of TANF Families Meeting TANF Work Participation Standards in 2003 and Number of Families Needed to Meet a Participation Standard of 50%

State	Estimated "Baseline" TANF Work Participation Rate	FY03 Families Meeting TANF Participation Standards	Number of Participating Families Needed to meet a 50% rate	Increase Needed in Participating Families
Alabama	37	2,900	3,900	1,000
Alaska	37	1,100	1,500	400
Arizona	15	3,400	11,400	8,000
Arkansas	25	1,400	2,700	1,300
California	27	70,000	130,600	60,700
Colorado	33	2,500	3,700	1,200
Connecticut	28	3,800	6,800	3,000
Delaware	21	500	1,300	700
District of Columbia	23	2,200	4,700	2,500
Florida	35	7,200	10,300	3,100
Georgia	11	2,900	12,300	9,400
Guam	No data	--	--	--
Hawaii	34	3,200	4,800	1,600
Idaho	47	200	300	fewer than 100
Illinois	58	7,400	6,400	0
Indiana	46	14,700	16,000	1,300
Iowa	45	5,600	6,200	600
Kansas	36	3,100	4,200	1,200
Kentucky	33	5,100	7,800	2,700
Louisiana	37	3,100	4,200	1,200
Maine	27	1,900	3,500	1,600
Maryland	11	1,700	8,100	6,300
Massachusetts	10	2,500	13,300	10,700
Michigan	25	10,000	19,800	9,800
Minnesota	27	7,100	13,100	6,000
Mississippi	17	1,500	4,400	2,900
Missouri	28	7,700	13,800	6,200
Montana	36	1,500	2,100	600
Nebraska	27	2,100	3,800	1,700
Nevada	25	1,300	2,700	1,300
New Hampshire	31	1,100	1,800	700
New Jersey	34	8,300	12,100	3,800
New Mexico	43	4,100	4,800	600
New York	41	47,200	57,600	10,400
North Carolina	29	4,500	7,600	3,100
North Dakota	26	500	1,000	500
Ohio	67	26,200	19,700	0
Oklahoma	29	2,000	3,500	1,500
Oregon	16	1,300	4,100	2,800
Pennsylvania	12	5,300	21,900	16,600
Puerto Rico	7	1,000	7,100	6,100
Rhode Island	23	2,400	5,100	2,800

State	Estimated "Baseline" TANF Work Participation Rate	FY03 Families Meeting TANF Participation Standards	Number of Participating Families Needed to meet a 50% rate	Increase Needed in Participating Families
South Carolina	30	3,300	5,400	2,100
South Dakota	46	400	500	fewer than 100
Tennessee*	13	5,900	22,300	16,500
Texas	32	19,200	30,300	11,100
Utah	31	1,600	2,500	900
Vermont	22	800	1,900	1,100
Virgin Islands	6	0	100	100
Virginia	29	4,800	8,300	3,500
Washington	45	15,300	16,900	1,700
West Virginia	15	1,300	4,400	3,100
Wisconsin	66	5,400	4,100	0
Wyoming	86	100	fewer than 100	0
Totals	30	339,600	566,700	236,000

Source: Congressional Research Service Memorandum, TANF Work Participation Standards: Revising the Caseload Reduction Credit (December 19, 2005).

* Number for Tennessee reflects number needed after expiration of state's waiver.