

Work Participation and Child Care Funding Issues in TANF Reauthorization 2003

Presentation for Welfare Reform Task Force,
National Conference of State Legislatures
January 25, 2003

Mark Greenberg
Center for Law and Social Policy
1015 15th St., NW, Suite 400
Washington, DC 20005
202-906-8004; mgreenberg@clasp.org
www.clasp.org

In brief

- Work participation rates and child care funding were contentious issues in 2002, likely to be so again in 2003.
- Rigid and prescriptive work rates combined with little or no new child care funding would hurt state efforts.
- More flexible and outcome-oriented work provisions, increased child care funding a better approach.

Components of a work participation rate

Impact of rate depends on interaction of factors:

- What's the required **rate**?
- What (if any) **adjustments** are made to the rate?
- Who is in the **base** from which the rate is calculated (i.e., what's the denominator)?
- Which **activities** are countable toward the rate?
- How many **hours** must someone be engaged in order to count?

Rates under 1996 law

- Rates increased 5 percentage points/year, from 25% in 1997 to 50% in 2002.
- Rates adjusted downward by caseload reduction credit.
- Base: all families with adults; exceptions only for those with children under one and those being sanctioned (for three months).
- Restrictive set of countable activities: limited counting of vocational training, no barrier removal.
- 20 hours for single parents of child under 6, thirty for all others.

Results

Rates probably played big role in shaping initial state decisions, but full impact of restrictive list never felt because most states had low or no effective rates.

Administration's Work Proposal

- Increase rate to 70% over five years
- Phase out caseload reduction credit, count people who leave due to work for three months
 - In House bill, caseload reduction credit retained, but with base year for calculation readjusted each year; by 2005, states would only get credit for reductions since 2001.
 - In House bill, states with caseload reductions exceeding 60% from 1995-2001 would qualify for “superachiever credits.”
- Allow additional exclusion for first month of assistance
- 40 hours/week to fully count, partial credit if in “direct work” activities at least 24 hours/week
 - In House bill, calculated based on 160 hour month.

Administration's Work Proposal (cont'd)

- At least 24 hours/week in “direct work”
 - For adults, unsubsidized or subsidized employment, on-the-job training, supervised work experience or community service;
 - Education/training, job search, barrier removal activities only countable toward first 24 hours for 3 months in each 24 months.
- Universal Engagement
- No new funding for TANF or Child Care

Key implications and concerns

- Very different from current approaches, and does not reflect states' best judgment about how to help people get jobs.
- No research basis for proposed approach.
- Significant new costs with no new funding.
Would force states to cut other initiatives in efforts to meet requirements.

Does not reflect states' best judgments

- Nothing in federal law would prevent any state from electing to implement this model today if the state wished to do so.
- 41/47 states responding to NGA-APHSA survey said that proposal would cause them to make fundamental changes to state strategies and/or redirect resources

How different?

- Rate: National average 34% in FY 01 (29% without waivers). Without waivers, most (37) states have rates below 40%.
- Hours: States average 29.7 hours per engaged person; one state reports averaging 40.
- Most states have not elected to run large-scale work experience/community service programs or large subsidized employment programs
 - 6.3% of adults in work experience or community service in FY 2001; less than 4% in most states; less than 1% in twelve states.
 - Only 0.6% of adults in on-the-job training or subsidized work in FY 2001; less than 1% in forty states.

How different (cont'd)

- Most states make limited use of education/training, but use has been growing, and not typically restricted to 3-4 months:
 - 6.2% of TANF adults had reported hours of ET participation in FY 01.
 - At least 40 states allow more access than would be countable under Administration plan.
 - At least 23 states allow more access than countable under current law (but are able to do so because of low effective rates).

Not consistent with research findings about effective programs

- Most effective programs use a range of services.
- No evidence that states should all be required to make more use of unpaid work experience.
- Transitional jobs a promising approach, but costs more and not for everyone.
- No evidence that it's important to restrict full-time ET to three months.
- No evidence that 40 hours engagement more effective.

How much would this cost?

- Congressional Budget Office: House Bill would have added \$8 to \$11 billion in additional costs for states over five years
- Costs in both TANF and child care
 - \$6.2 TANF, \$4.9 child care for 40 hour requirement
 - \$4.6 TANF, \$3.8 child care for 24 hour requirement
- Why?
 - More people, more hours, some current activities don't count

Can't states afford it?

- States were already risking shortfalls before the proposal
 - In FY 01, annual TANF spending of \$18.6 billion, \$2 billion higher than basic block grants
 - NGA/APHSA: Of 40 responses, 29 states spending above, 8 spending at grant.
 - No proposed inflation or equity adjustments.
- Other spending would have to be cut to meet requirements:
 - Single biggest TANF redirection has been to child care, that and array of other new and innovative state initiatives at risk.

Senate Finance Bill in 2002

- Universal Engagement
- Raise rates to 70% by 2007
- Employment credit, with adjustments for employed leavers, higher earnings, receipt of child care/transportation, diverted families entering employment
- Credit capped unless state qualified for contingency fund
- Let states exclude adults caring for disabled family members (up to 10%) and those qualifying for SSI

Senate Finance (cont'd)

- Retain current law hours requirement, but raise “primary activities” requirement from 20 to 24 hours.
- Countable activities:
 - Vocational training for up to 24 months
 - State option to have program allowing for longer postsecondary education for up to 10%
 - Barrier removal can count as primary activity for up to 3 months in 24, and another 3 if combined with work or job readiness.

The discussion in 2003...

- Probably, agreement on raising rate to 70%
- Dispute: adjust downward for caseload reduction, employment entries, other factors; will adjustment be capped to ensure effective rate of no less than 50% after adjustment?
- Dispute: should states be able to exclude those caring for disabled from rates?
- Dispute: what number of hours should be required, what activities should be countable?

CLASP recommends...

- Allow states to be accountable for outcomes rather than participation rates.
- Eliminate caseload reduction credit, provide a credit for working leavers, greater credit for leavers with higher earnings.
- Eliminate or reduce restrictions on vocational training.
- Broaden ability to count barrier removal activities.
- Let states exclude those caring for disabled.

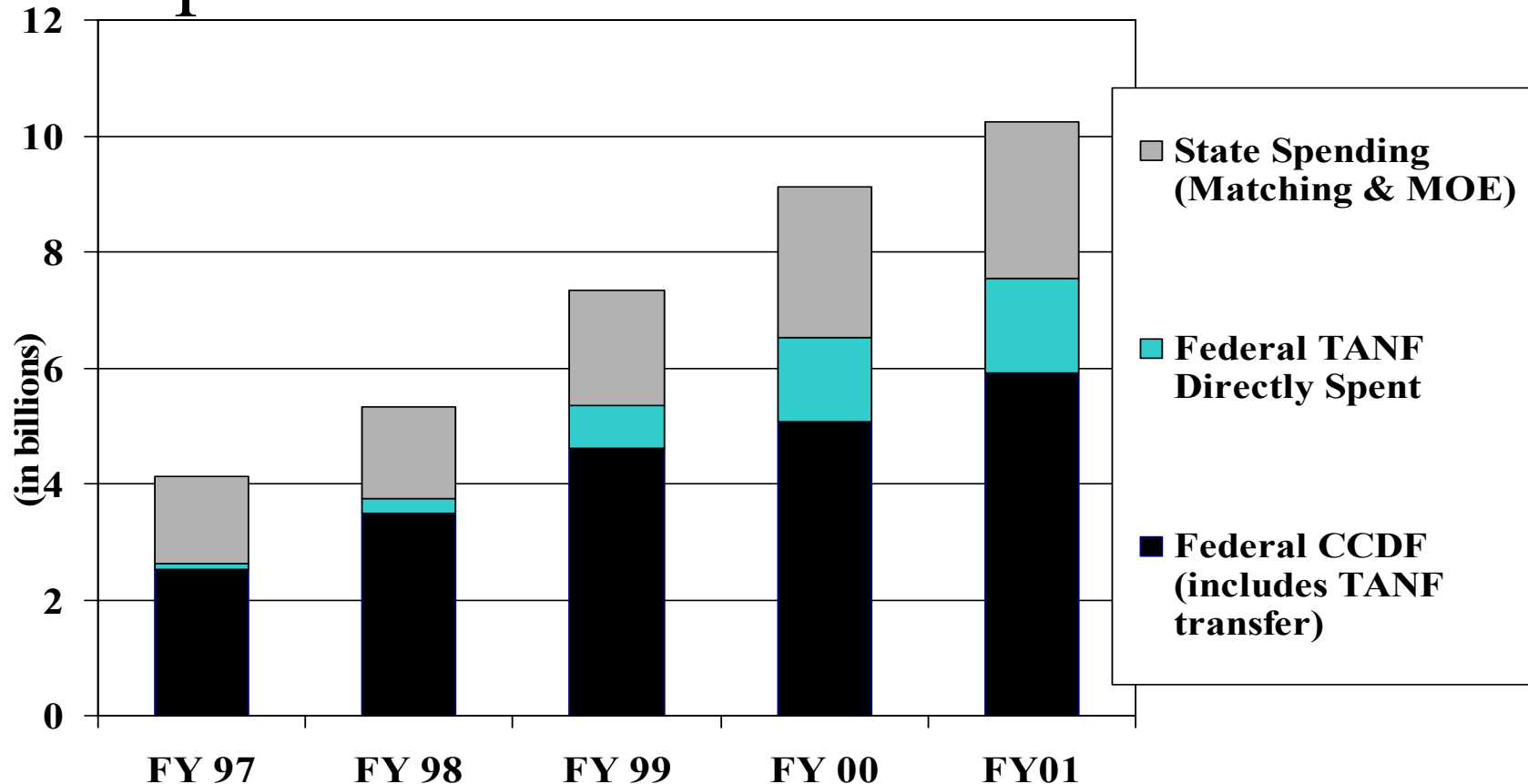
CLASP also recommends...

- Dedicated additional funding to encourage states to develop transitional jobs programs
- Research and evaluation re retention, advancement, employment for multiple barrier families
- Let states use TANF for wage supplements without time limits on working families
- Improve ability to coordinate and integrate TANF and WIA.

Child Care from 1996-2001

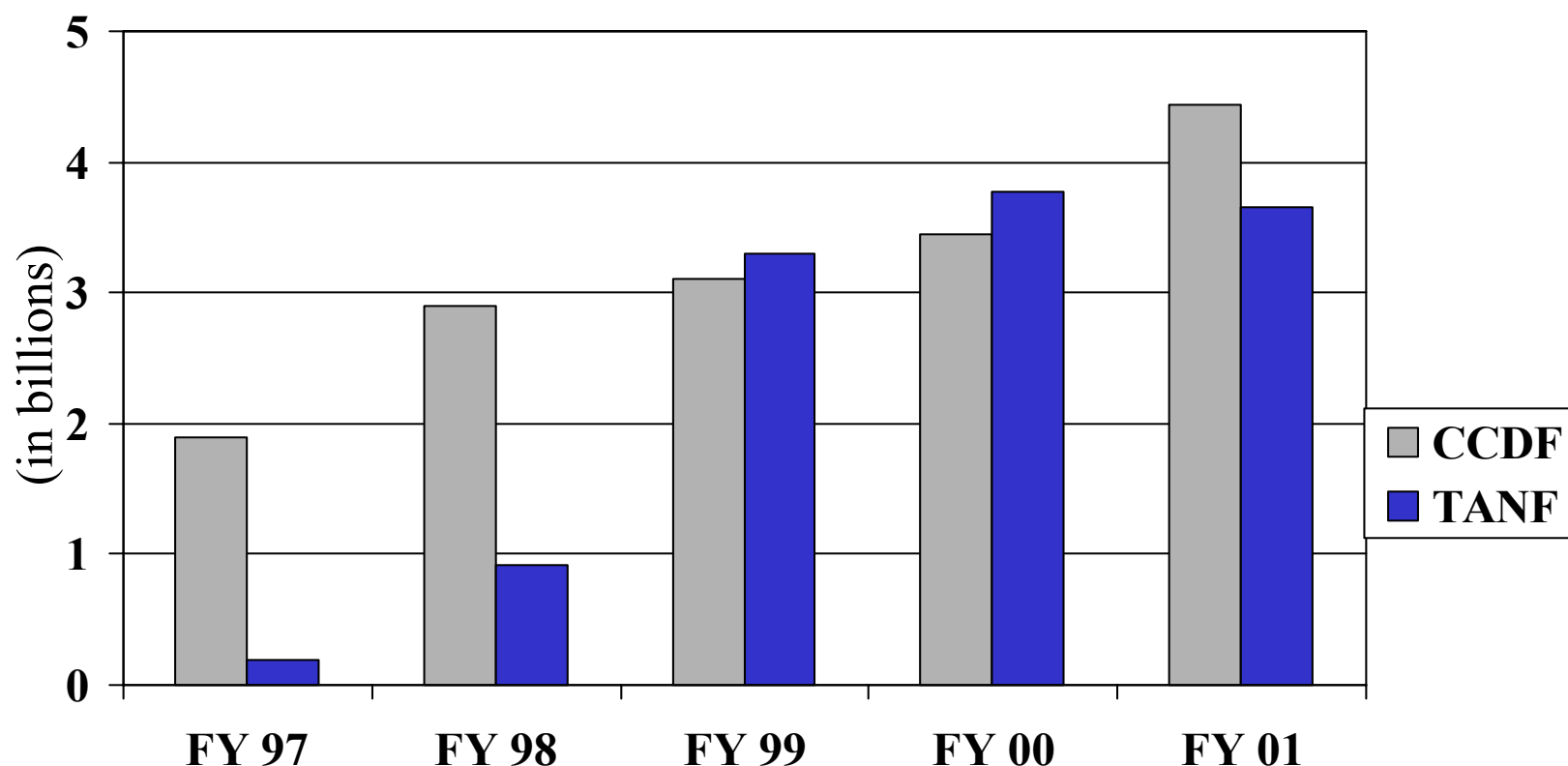
- Expansion of child care a key strategy to support work and reduce need for welfare.
- Single biggest redirection of TANF funds was to child care.
- Significant increase in overall child care funding: most federal, single biggest source of growth was TANF.
- Allowed states to double number of children receiving subsidies.
- Still only reaching 1 in 7 eligibles, continuing concerns about adequacy of rates, compensation, turnover, early learning components.

CCDF and TANF Child Care Expenditures FY 1997 – FY 2001



Source: U.S. Department of Health and Human Services, Administration for Children and Families, *TANF Program Federal Awards, Transfers and Expenditures*; Child Care Bureau, *FY 2000 CCDF State Expenditures* and *FY 1999 CCDF State Expenditures*; CLASP, *The Impact of TANF Funding on State Child Care Subsidy Programs*, FY 2001 ACF-196 forms as submitted by states to Zoe Neuberger, Center on Budget and Policy Priorities.

Federal CCDF Allocated & TANF Redirected for Child Care (FY 97- 01)



Source: CLASP, *The Impact of TANF Funding on State Child Care Subsidy Programs and States Have Slowed Their Use of TANF Funds for Child Care in the Last Year*, www.clasp.org

Last year

- Administration: no new funding
- House: \$1 billion in mandatory funding over five years, subject to match.
- Senate Finance: \$5.5 billion in mandatory funding over five years, with no match on \$5 billion.
- Bingaman/Kerry: \$11.25 billion over five years, with match.

Child Care:

Four Goals for Funding

- Maintain current levels of services
- Meet new work requirements
- Expand access for other working families
- Improve quality, strengthen early learning components.

Whether states will be able to meet all four goals depends on how much money they have.

Toward meeting goals

- CBO estimates cost of keeping pace with inflation \$4.5 to \$5 billion over five years.
- Cost of maintaining current services probably greater in light of pressures on state budgets.
- If work rates increase without increasing TANF funding, states will likely need to withdraw TANF funds from child care.

Funding alternatives

- Senate Finance package (\$5.5 billion) not enough to meet Administration's work requirements (\$8-\$11 billion) and maintain current services (\$4.5 - \$5 billion).
- If Congress hopes to see improved access or improved quality, funding levels must be higher.

CLASP recommends...

- Child care funding should be sufficient to maintain current services, meet work requirements, broaden access and improve quality.