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Proposed TANF Extension Would Pressure States to Cut TANF Caseloads and Place States at Risk of Penalties[1]

Since September 2002, funding for the Temporary Assistance for Needy Families (TANF) program has been extended through a series of short-term extensions while Congress and the Administration seek to reach agreement on terms for reauthorization. The current extension lasts through March 31, 2004. However, a recently proposed TANF extension bill, H.R. 3848, the Work Promotion and Independence Act of 2004, filed by Representative Wally Herger (R-CA), would not maintain current law during the extension period. Rather, while maintaining flat TANF and mandatory child care funding, H.R. 3848 would change the rules for calculating program "participation rates" so that states would face significantly higher rates unless they generated large caseload declines. This would greatly increase the risk that states would simply cut assistance to needy families, and increase the number of states at risk of federal penalties based on not meeting the higher required rates.

H.R. 3848 reflects a sharp departure from the bipartisan, bicameral agreement to maintain current law while reauthorization is pending. It would impose one of the most controversial and objectionable features of the House bill as a condition of continued TANF funding.

What H.R. 3848 Would Do: The 1996 welfare law mandated that states meet annual participation rate requirements, reaching 50 percent in 2002, in order to avoid risk of fiscal penalties. The law also provided for a "caseload reduction credit," specifying that a state's required participation rate each year would be reduced based on the size of the state's caseload decline since 1995 for reasons other than changes in eligibility rules. For example, if a state's caseload declined by 40 percent for reasons other than eligibility rules between 1995 and 2001, the state's required adjusted rate in 2002 would be 10 percent (i.e., 50 percent minus 40 percent).

The House reauthorization bill passed in February 2003 (H.R. 4) would maintain the caseload reduction credit, but "recalibrate" it so that states would only get credit for recent declines. The caseload reduction credit would be calculated in 2004 based on caseload decline from 1996-2003; in 2005, based on decline from 1998-2004; in 2006, based on decline from 2001-2005; in 2007, based on decline from 2003-2006; and in 2008, based on decline from 2004-2007. Under this approach, unless the state had a large caseload decline over the measured period, the credit would be smaller and the state's required participation rate would go up. This would create a strong incentive to cut state caseloads, whether or not families got jobs or still needed assistance.

The Senate Finance Committee reauthorization bill, passed in September 2003 and awaiting floor action, has no similar provision. Instead, it would phase out the caseload reduction credit

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[1] References for research cited here can be found in the longer version of this document, Greenberg, M., Rahmanou, H., & Patel, N. *Proposed TANF Extension Would Force States to Cut TANF Caseloads and Place States at Risk of Penalties.* Washington, DC: Center for Law and Social Policy. Available at www.clasp.org.

altogether and replace it with an "employment credit," based on the number of families employed after receiving assistance, and the number of families employed after receiving a nonrecurrent, short-term benefit or receiving TANF-funded child care or transportation assistance to support work.

The contrasting House and Senate approaches reflect an important difference between the bills. The House approach emphasizes cutting caseloads; the Senate approach emphasizes looking at whether families are leaving welfare due to employment and whether TANF funds are being used to help families to avoid welfare receipt.

Under H.R. 3848, TANF would be modified to include H.R. 4's recalibrated caseload reduction credit for 2004 and subsequent years. These credits would be applied against a 50 percent required participation rate, meaning that if a state's caseload did not fall over the measured period, the state would face a 50 percent required participation rate.

Impact of H.R. 3848: The Congressional Research Service (CRS) has estimated effective required state participation rates under H.R. 3848, assuming that state caseloads remain flat at levels from the first nine months of FY 2003. CRS concluded that if caseloads remain flat, and states sustain current participation levels: 8 states would face a shortfall in 2004; 26 states would face a shortfall in 2005; 43 states would face a shortfall in 2006; and 48 states would face a shortfall in 2007. Tables of state-by-state projections are included at the end of this document.

Concerns Presented by the H.R. 3848 Approach:

- H.R. 3848 would require states to <u>either</u> dramatically increase work participation <u>or</u> dramatically cut their caseloads.
- Meeting the bill's requirements by increasing work participation would cost money, but the bill would provide no new resources to fund new work activities or child care.
- States could not absorb the costs of increasing participation without cutting other benefits and services for low-income families—such as child care for working families not receiving welfare.
- Without new resources, states will feel pressure to simply cut welfare caseloads as a means of lowering required adjusted participation rates without incurring new costs.
- Welfare caseloads are already at historic lows, with only one-third of poor children and only one-half of eligible families receiving assistance.
- Some states would likely risk penalties immediately, as the bill would not provide time for state legislatures to modify their programs.
- According to CRS's estimates, over time, most states—48 states by 2007—would face a significant risk of penalty under H.R. 3848 because they would fall short of meeting required participation rates.
- Financial penalties imposed against states for failing to meet H.R. 3848 requirements would hurt both states and families because such penalties would further reduce available resources.
- H.R. 3848 would compel the Senate to adopt an approach expressly rejected by the Senate Finance Committee in its reauthorization bill on a central issue in dispute.

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Projected Participation Rate Shortfalls Under H.R. 3848

(based on 2002 participation rates and caseloads through first nine months of 2003)

	Participation Rate in 2002	Projected Shortfall 2004	Projected Shortfall 2005	Projected Shortfall 2006	Projected Shortfall in 2007 and 2008
Alabama	37%	0%	0%	13%	13%
Alaska	40	0	0	3	10
Arizona	26	0	24	24	24
Arkansas	21	0	11	26	29
California	27	0	0	18	23
Colorado	36	0	0	14	14
Connecticut	27	0	0	11	23
Delaware	12	2	17	38	38
District of Columbia	16	0	15	34	34
Florida	30	0	0	19	20
Georgia	8	0	18	42	42
Hawaii[1]	59	0	0	0	18
Idaho	41	0	0	9	9
Illinois	58	0	0	0	0
Indiana	45	5	5	5	5
Iowa	51	0	0	0	0
Kansas	38	12	12	12	12
Kentucky	32	0	0	15	18
Louisiana	39	0	0	2	11
Maine	45	0	0	0	6
Maryland	8	3	4	41	42
Massachusetts[2]	61	0	0	41	41
Michigan	29	0	0	21	21
Minnesota	31	0	5	19	19
Mississippi	19	9	16	32	32
Missouri	25	0	3	19	25
Montana	38	0	11	12	12
Nebraska	23	12	20	27	27
Nevada	22	15	28	28	28
New Hampshire	33	0	8	17	17
New Jersey	36	0	0	6	14
New Mexico	43	0	0	0	7
New York	39	0	0	0	12
North Carolina	27	0	0	17	23
North Dakota	30	0	20	20	20
Ohio	56	0	0	0	0
Oklahoma	27	0	0	23	23
Oregon	8	0	42	42	42
Pennsylvania	10	0	0	37	40
Puerto Rico	6	0	0	16	44
Rhode Island	25	0	2	16	25
South Carolina	30	0	4	20	20
South Dakota	43	0	0	8	8
Tennessee[3]	41	0	9	9	9 (36 without waiver)
Texas	21	0	26	29	29
Utah	28	0	1	22	22
Vermont	21	0	1	24	29
Virginia	23	0	1	27	27
Washington	50	0	0	0	0
West Virginia	19	0	11	31	31
Wisconsin	69	0	0	0	0
Wyoming	83	0	0	0	0
Guam	0	50	50	50	50
Virgin Islands	18	0	0	0	32

[1]Hawaii's waiver expires at the end of FY 2004; without waivers, its participation rate in 2002 would have been 33 percent.

[2]Massachusetts' waiver expires at the end of FY 2005; without waivers, its participation rate in 2002 would have been 9 percent.

[3]Tennessee's waiver expires June 30, 2007; without waivers, its participation rate in 2002 would have been 14 percent.

Source: Falk, G. (March 1, 2004). *Memorandum: Revised TANF Caseload Reduction Credits Proposed in H.R. 3848.* Washington, DC: Congressional Research Service.

Projected Participation Rate Shortfalls Under H.R. 3848, Ranked
(based on 2002 participation rates and caseloads through first nine months of 2003)

Projected Shortfall 2004		Projected Shortfall 2005		Projected Shortfall 2006		Projected Shortfall in 2007 and 2008	
Guam	50%	Guam	50%	Guam	50%	Guam	50%
Nevada	15	Oregon	42	Georgia	42	Puerto Rico	44
Kansas	12	Nevada	28	Oregon	42	Georgia	42
Nebraska	12	Texas	26	Maryland	41	Maryland	42
Mississippi	9	Arizona	24	Massachusetts**	41	Oregon	42
Indiana	5	Nebraska	20	Delaware	38	Massachusetts**	41
Maryland	3	North Dakota	20	Pennsylvania	37	Pennsylvania	40
Delaware	2	Georgia	18	District of Columbia	34	Delaware	38
		Delaware	17	Mississippi	32	District of Columbia	34
		Mississippi	16	West Virginia	31	Mississippi	32
		District of Columbia	15	Texas	29	Virgin Islands	32
		Kansas	12	Nevada	28	West Virginia	31
		Arkansas	11	Nebraska	27	Arkansas	29
		Montana	11	Virginia	27	Texas	29
		West Virginia	11	Arkansas	26	Vermont	29
		Tennessee*	9	Arizona	24	Nevada	28
		New Hampshire	8	Vermont	24	Nebraska	27
		Indiana	5	Oklahoma	23	Virginia	27
		Minnesota	5	Utah	22	Missouri	25
		Maryland	4	Michigan	21	Rhode Island	25
		South Carolina	4	North Dakota	20	Arizona	24
		Missouri	3	South Carolina	20	California	23
		Rhode Island	2	Florida	19	Connecticut	23
		Utah	1	Minnesota	19	North Carolina	23
		Vermont	1	Missouri	19	Oklahoma	23
		Virginia	1	California	18	Utah	22
				New Hampshire	17	Michigan	21
				North Carolina	17	Florida	20
				Puerto Rico	16	North Dakota	20
				Rhode Island	16	South Carolina	20
				Kentucky	15	Minnesota	19
				Colorado	14	Hawaii***	18
				Alabama	13	Kentucky	18
				Kansas	12	New Hampshire	17
				Montana	12	Colorado	14
				Connecticut	11	New Jersey	14
				Idaho	9	Alabama	13
				Tennessee*	9	Kansas	12
				South Dakota	8	Montana	12
				New Jersey	6	New York	12
				Indiana	5	Louisiana	11
				Alaska	3	Alaska	10
				Louisiana	2	Idaho	9
						Tennessee*	9 (36 without waiver)
						South Dakota	8
						New Mexico	7
						Maine	6
						Indiana	5
						Illinois	0
						Iowa	0
						Ohio	0
						Washington	0
						Wisconsin	0
						Wyoming	0

*Tennessee's waiver expires June 30, 2007; without waivers, its participation rate in 2002 would have been 14 percent.
**Massachusetts' waiver expires at the end of FY 2005; without waivers, its participation rate in 2002 would have been 9 percent.
***Hawaii's waiver expires at the end of FY 2004; without waivers, its participation rate in 2002 would have been 33 percent.
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