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CLASP Audio Conference Series Transcript

Welfare Reform in 2004: Where Are We? What's Next?
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The Second Audio Conference of the 2004 CLASP Audio Conference Series, "The Squeeze: Helping Low-Income Families in an Era of Dwindling Resources"

JOHN HUTCHINS: Hello, and welcome to the second call in the 2004 CLASP Audio Conference Series, "The Squeeze: Helping Low-income Families in an Era of Dwindling Resources." My name is John Hutchins, and I'm the Communications Director here at CLASP. Today's call is entitled, "Welfare Reform in 2004: Where Are We? What's Next?"

And I'm pleased to be joined by two nationally renowned experts: Sheri Steisel of the National Conference of State Legislatures and Mark Greenberg, the CLASP Policy Director. Welcome to you both.

SHERI STEISEL: Thank you.

MARK GREENBERG: Thank you.

JOHN HUTCHINS: We also have a special guest today, Dave Hage, who is the author of a new book that's about to be published by the University of Minnesota Press on the Minnesota welfare reform experience. It's called *Reforming Welfare by Rewarding Work: One State's Successful Experiment.* Welcome, Dave.

DAVE HAGE: Glad to be here, John.

JOHN HUTCHINS: We have a great audience for today's call. We estimate that there are nearly 1,000 people listening in, in more than 190 locations, in 45 states and the District of Columbia.

I want to remind our listeners that you are welcome to send me questions via e-mail during the call. My e-mail address is jhutchins@clasp.org, and that address is also on the call-in instructions that you received.

Before we get started, let me offer our listeners a brief biographical sketch of our guests:

Sheri Steisel has worked on welfare and other social policy issues for the National Conference of State Legislatures for 15 years. She currently has two roles there: Federal Affairs Counsel and Senior Committee Director of the Human Services Committee.

Mark Greenberg is CLASP Director of Policy. He joined CLASP in 1988. Mark is an expert on federal and state welfare reform efforts, particularly related to jobs programs, education and training, and child care issues.

But before we get to Mark and Sheri, we're going to spend a few minutes learning about Dave Hage's new book. Dave is an editorial writer at the *Minneapolis Star-Tribune*. As a reporter and editorial writer, he has covered welfare and poverty issues at the state and federal level since the mid 1990s.

Dave, could you give us a thumbnail sketch of what your book covers and how you came to write it?

DAVE HAGE: Sure, John. I had just moved back to Minnesota from Washington in 1995, when Congress began considering the law that became welfare reform, the Personal Responsibility Act, and I found the folks back here had already been thinking about the subject for almost 10 years.

But they seemed to have what I thought was a more balanced approach than what I had seen in Congress. They wanted to promote work. They wanted to reduce dependency, but they were also concerned about lifting families out of poverty. They had given a lot of thought to the sort of jobs that single mothers might find in the labor market, and they were genuinely concerned about improving the well-being of children.

And, in addition, they had hired a respected outside evaluator at the Manpower Demonstration Research Corporation to see if their trial program actually worked. So, when MDRC came back with its first report in 1997, it was really startling. It found very strong employment effects in this new program.

It found very strong anti-poverty effects and modest, but extremely striking, improvements in family well-being; marital stability went up, domestic violence went down, the children in many cases seemed to be doing better in school.

So, in short, Minnesota seemed to have an experimental program that proved that you could deliver what both conservatives and progressives wanted. It could reduce poverty and reduce dependency. So I knew that this was more than just some sweet little thing happening in Minnesota, but it was an experiment with some national significance.

JOHN HUTCHINS: How does your book tell the story of the Minnesota experience?

DAVE HAGE: Well, I did two things. Part of it is political history of how the state designed this program, and then I spent six months more or less hanging out in welfare offices and interviewing families who are using the assistance.

First, as a matter of truth in advertising, I found a couple of things. The program that our legislature adopted in 1997, which turned an experiment into a statewide welfare work system under the new federal law, it's a little different from the original experiment that had the striking results with MDRC. It's not as generous in terms of a cash benefit and it has tighter work requirements, but it's still very much the same program and it seems to be having much the same impact. And this is what I was seeing during that year working on the book. Minnesota has done a better job than most states of reducing poverty. It seems to be putting families in relatively stable jobs and so forth.

The second thing I found—and I thought this was really interesting just from the perspective of families—was that the recipients and the applicants, they got the message of this program instantly. I spent a lot of time in welfare offices attending orientation sessions for new families, and, for lack of a better word, the state did a fine job of marketing the program. The women that I interviewed walked out of those sessions with a very clear understanding of how the program worked. They said things like, "This really will make me better off."

I'll really have more money at the end of the month. I know how to get the car loan that I need. In other words, you know, it really seemed to work, you know, on the ground.

JOHN HUTCHINS: And what is it about Minnesota's program specifically that makes it special?

DAVE HAGE: Well, three things. At one level, Minnesota is a pretty generous state. This is a high-tax state with pretty generous social benefits, so they started with a pretty generous cash grant and a pretty generous earnings disregard. The folks on the call probably know what that is—it's a form of earnings supplement. So they really were able to put some money behind this guarantee that you will be better off if you get work. The second thing that kind of set Minnesota apart—and it took me a while to realize this—was that they really took the politics out of welfare reform.

The whole process started with a very nasty political fight in our state legislature in 1986, but then the governor appointed a bipartisan citizen's commission, which did a year of very thoughtful work and issued a very good report, and then the politicians more or less forgot about the issue for the next five years. The result was that the work was turned over to career professionals, people who really understood poverty in the system, and they did very careful research about who actually uses public assistance and why and for how long.

And then just the third thing I'd say really quickly [is that] even though Minnesota is a pretty generous state on cash benefits and so on, this program called MFIP had a very conservative side, too. It sets up clear simple rules and has work requirements, but then basically it gets out of the way for families. It doesn't rely on a lot of work activities or legislative rule-making to decide who can work. It pretty much lets the labor market decide.

Like any state, we have a significant number of families who have big barriers to employment, and I'm not sure that we've solved those problems. They can come back to the county for employment services if they need them, but the designers of the program really believe that if you set in place the right incentives and the right work supports, most families really wanted to work and would find work.

JOHN HUTCHINS: What lessons do you think that this MFIP experience offers to Congress as it continues to consider the reauthorization of the TANF program?

DAVE HAGE: Well, two things. At a broad philosophical level, I'd just like to repeat what I said before. I think it really does demonstrate that you can do two things at once. You can reduce dependency on public assistance and you can reduce poverty at the same time. You can move people off assistance and lift them out of poverty at the same time.

This combination of work requirements and earnings supplements, it really did seem to work and it had nice results for poor families and their children. What puzzles me about the bill that's in

the House—and I think it's the President's proposal as well—is that they seem to concentrate on families who are in the system rather than helping families leave the system, and that's kind of the opposite of what Minnesota did. They set up highly complex and ambitious work targets, work activities, for families that are counted in your state's workload, and people in other states that I've talked to say that they're going to have to divert resources away from helping people leave assistance and toward sort of keeping people busy while they're on assistance. And that sort of allocation of resources puzzles me.

JOHN HUTCHINS: Thanks, Dave, very much, for telling us about your book. How would our listeners be able to find out more about your book and maybe get a copy of it?

DAVE HAGE: If you do a Google search on "reforming welfare by rewarding work," you'll find it on the Internet, at the University of Minnesota Press website. And I believe you can order it directly from the Press. It should be in local bookstores around the country by the end of this month.

JOHN HUTCHINS: That's great. Thanks a lot, Dave, for joining us.

DAVE HAGE: Thank you for your interest. It was great to be with you.

JOHN HUTCHINS: Now, let's turn to our other two guests, Mark Greenberg and Sheri Steisel, to find out what's going on in D.C. with regards to welfare reauthorization.

Mark, let's start with an orientation of where we are. TANF was supposed to be reauthorized in 2002, and here we are in 2004. How did we get to this point?

MARK GREENBERG: Well, John, there's probably a formal answer to that and then a more interpretive one. In terms of the formal answer, the sequence was the President, the Administration, put forward a TANF reauthorization proposal early in 2002. It was a deeply controversial proposal.

The House and the Senate were not able to reach agreement on it in 2002, and at that point, we began a series of short-term extensions to the program. We're now in the fifth of those short-term extensions. When Congress came back and started a new session in 2003, the House very quickly passed its bill, which was essentially the same bill that passed the year before, which is essentially the Administration's proposal. The Senate Finance Committee then went through a process of developing its own bill, which is similar to the President's proposal in a number of ways, but also different in some significant details. The Finance Committee finished its process last fall.

We're now awaiting the time when the Senate Finance bill comes to the floor, and, as we're going to be talking about in the next several minutes, there is uncertainty about when that might happen. So, the formal status is: the House is done, the Senate Finance Committee is done, we're waiting for the bill to come to the floor.

In terms of how we got to this point, my own view is that for the last several years, the political process has been struggling with how to best deal with a very controversial Administration proposal that a number of people are not very comfortable with. On the House side, it was adopted in a very straightforward way. In the Senate, there has been much more of an effort to try to strike a balance between things the Administration wants and the concerns of many members, states and advocates around the country.

JOHN HUTCHINS: Sheri, there have been a couple of developments in the last week or so. Could you tell us what they are?

SHERI STEISEL: Sure, John. Overall, what I'd say is that the fate of welfare reform reauthorization hangs on the outcome of three different actions. The Senate budget resolution, which was marked up in the Senate Budget Committee; whether a short-term extension might include policy changes like those that were proposed this past Friday in the House; or whether differences can be resolved so that a Senate Finance Committee-passed welfare bill can move to the Senate floor.

The Senate Budget Committee yesterday adopted, on a party line vote of 12 to 10, a budget resolution. The budget resolution governs the spending for fiscal year 2005 and sets the rules of this discussion. In the House, the budget resolution has not yet been taken up. It definitely has implications for welfare reform.

In the House of Representatives last Friday, Representative Wally Herger, who chairs the Subcommittee on Human Resources of the House Ways and Means Committee, introduced H.R. 3848, which is legislation to extend TANF and all the related programs through June 30th of 2004. But this also includes policy changes relating to the caseload reduction credit, which relates directly to work participation rates states must meet or risk financial penalties from the federal government. So, this has really been a very active week for welfare reform.

JOHN HUTCHINS: And we'll get to a discussion of Representative Herger's proposal in just a minute, but why don't we talk a little bit more about this budget resolution? Could you explain to our audience what that is exactly and what its actual implications are for reauthorization?

SHERI STEISEL: Well, the Senate budget resolution controls the rules that govern how the Senate will allocate funds for federal year fiscal 2005. The budget resolution, which was introduced by Senator Nickles of Oklahoma and will be coming to the Senate floor next week, is really critical because of what it says. First, it does not include funding for the extension of the TANF supplement grants for next year. Those are the grants that go to primarily southern and western states, high-poverty, high-growth states. It also does not include in the Chairman's mark an extension of transitional medical assistance under Medicaid. It doesn't provide the funds to extend these programs.

While the budget resolution assumes TANF reauthorization is likely, it does not include any assumption of any funding for changes made by the Senate Finance Committee bill. It says, in fact, that any spending changes would require cuts in spending and not increases in the deficit.

What that means is, for welfare reauthorization to pass, first there must be offsets to pay for the TANF supplemental grants and a continued transitional medical assistance. Second, what it further means is that right now the PRIDE bill—H.R. 4 as passed by the Senate Finance Committee—assumes about $6 billion of new spending, spending for child support, for the changes in pass through and distribution, for changes in improvements in transitional medical assistance and for $1 billion of child care over five years. It seems to me that any increase for any of these programs including child care, if considered on the Senate floor, have to be accompanied by a spending reduction to pay for it. If not, there would have to be a vote to overcome a point of order. Conceivably any Senator could say, this is objected to by the budget resolution. If that is the case, it would require 60 votes to pass. So, it appears to me that with this

budget resolution at a minimum, either spending reductions have to be identified to pay for welfare reform or the PRIDE bill must get 60 votes to overcome budget points of order.

This would also affect further discussions on the floor of any other changes or amendments. For example, any further expansion of child care.

JOHN HUTCHINS: Mark, you and your colleagues have just completed an analysis of Representative Herger's proposed extension of TANF, and that's available on the CLASP website. Could you describe the specifics of this proposal and what its effects might be for states?

MARK GREENBERG: Sure. But first, John, I want to emphasize a point Sheri just made.

JOHN HUTCHINS: Sure.

MARK GREENBERG: Once a budget resolution has been passed, if it is passed reflecting the terms that the budget committee has agreed to, then even a continuation of current law, the continuation of the supplemental grants, the continuation of the existing transitional Medicaid program, would require cuts in other spending just to maintain current law.

There would not be the room for the expansions that the Senate Finance Committee agreed to. There would not be the room for even the $1 billion in child care that both the House and the Senate Finance Committee have both had in their bills. If there is no money set aside for TANF reauthorization, it makes it tremendously difficult to make progress.

So, we're not entirely sure what the next step in all this is going to be and what happens next, but this puts tremendous pressure on the process.

JOHN HUTCHINS: Thanks. Do you want to talk for a minute about the proposed extension?

MARK GREENBERG: Sure. This is something else that puts tremendous pressure on the process. As I had indicated earlier, once TANF reauthorization didn't happen in 2002, we've been subject to these short-term extensions—in what is referred to as clean extensions, no policy changes up until now.

The proposal last week by Representative Herger in the House is to say that in return for the next quarter of funding—where the funding would go from April 1 to the end of June—that the bill filed by Representative Herger would seek a permanent change in the TANF participation rate rules and, in particular, the use of the caseload reduction credit. As probably everyone in this audience knows, under current law, states face a participation rate. The participation rate is adjusted downward based upon caseload decline since 1995 for reasons other than changes in eligibility rules. And since most states have had very large caseload declines over this period, the adjusted participation rate after the caseload reduction credit has been at or close to zero for most states in recent years.

And that's been one of the controversies in reauthorization. Both the House and the Senate have sought to address it but in very different ways. The House in its reauthorization bill has sought to address it by saying, let's keep having a caseload reduction credit but change the base year for calculating how big the credit is, so that we're always looking at caseload reduction from a more recent year. The net effect of that is unless states continue to generate large substantial caseload

reductions, their caseload reduction credits would be smaller and their participation rates would be bigger.

The Senate Finance Committee took a different approach. They said that instead of having a structure which simply rewards caseload reduction regardless of whether families are getting jobs, regardless of whether they need help, let's replace the caseload reduction credit altogether with what's referred to as the employment credit. And so, under their bill, instead of a caseload reduction credit, state participation rates would be adjusted based upon the numbers of families who are working after they leave assistance, with bigger adjustments if families are earning more, and with further adjustments for the numbers of families not receiving TANF assistance because they've gotten help through short-term benefits and for the numbers of families receiving TANF-funded child care or transportation benefits to support work.

So, philosophically, this reflects a big difference between the House and Senate provisions, with the House emphasizing caseload reduction and the Senate emphasizing employment.

Representative Herger's bill would say, in return for three more months of extension, Congress should immediately enact the House provision for what's known in the jargon as recalibrating the caseload reduction credit, so that states only get credit for most recent caseload reductions.

We have a piece on our website which draws from the analysis the Congressional Research Service has done and looks at how this would affect state participation rates. It would affect a limited number of states immediately, a bigger number in 2005, and it would mean that most states would face shortfalls in 2006.

What I'd emphasize is this approach—which, as you can tell, we disagree with—this approach is not simply saying states need to get more people involved in work. What it is doing instead is saying states will face this pressure, that they can meet the pressure either by cutting their welfare caseloads or by increasing work participation, but in the context of an extension where there would be no additional funding for new work activities or child care. So, with completely flat funding, this approach is saying, your choice is either cut your caseload or increase work participation.

In terms of where it stands, the House hasn't acted on it yet. If the House approves it, the Senate would then have to determine its approach, and if the Senate takes a different approach, they would have to conference it.

We don't know precisely what will happen next. It will have to get resolved by the end of March. We would urge people to take a look at our website where you can both see a more detailed explanation and some state-by-state tables to show how individual states are affected.

JOHN HUTCHINS: Thanks. Sheri, do you have any comments on the proposed extension by Representative Herger?

SHERI STEISEL: Well, I think it's important to note that the House has been pretty much treading water for the last two years, having passed a welfare reform bill twice now in the past two years and not seeing any action back from the Senate.

To some extent, this is like the first shot across the bow in an ongoing skirmish on welfare policy that's going to happen certainly in a conference committee over welfare reform reauthorization

because they have different approaches to the work participation rate. I see this as the House saying work is important and that extensions forever will mean some ramification in terms of policy change.

And so, the House is saying—particularly Representative Herger, Chair of the Committee—that it is sending a message, "We think further extension bills may include more policy change proposals."

As a matter of practice, next week the Senate goes in to do the budget resolution, and there are other cuts on the budget resolution to EITC and to Medicaid changes as we deal with the highway bills and a number of other programs. That's going to take up all next week. The corporate tax, or FSC bill, is up the following week. There is probably not enough time for the Senate to consider welfare reauthorization. And there's certainly not enough time for a conference between the House and the Senate.

So, as a practical matter, we expect that there should be a short-term clean extension to get us through the next three months—because TANF is paid for in quarterly payments. That's why we look at these kinds of extensions every three months. But it does say that there is frustration certainly with members that this issue has not been resolved.

There are implications for states, especially because if we do not meet the work participation rates, states are held in financial penalty status by the federal government, which means loss of five percent of your TANF dollars. Then states have to back-fill those lost TANF dollars, those cuts with state money. And ultimately they also, in addition, have to increase their state maintenance of effort by five percent.

And the people on this call all across the country certainly know that states are not in a financial position to be able to pay for these kinds of penalties.

JOHN HUTCHINS: Sheri, let me ask you, what has been the effect for states of this continuing uncertainty about the future of the welfare program—and that we keep having these quarterly extensions for the last couple of years?

SHERI STEISEL: Well, it's not very helpful in terms of planning for state lawmakers across the country. As states are putting their budgets together, they need to make assumptions about what's going to happen both to the TANF block grant funding, funding for child care and also, obviously, for policy changes, because policy changes mean states have to reallocate TANF money to change priorities inside of their programs.

It's very hard to make those decisions absent guidance from the federal government. We've been very appreciative of the fact the federal government continues this program. It's critical. On the other hand, this uncertainty kind of leads states also to be in a status of treading water, waiting for the federal government to make some choices. It's very hard to go forward with policy changes at the state level, even though we now have broad flexibility to do so under the current program, because we're uncertain about what changes will come from the federal government.

And nobody wants to be in the position of having to constantly change these programs. We don't have the staff to do it, and, frankly, many states are starting to go out of legislative session. They're completing their budgets.

So, one of the issues about policy changes and any kind of short-term extension is it leads to uncertainty at the state level because we're not sure from month to month what the federal government's goals will be for this program.

JOHN HUTCHINS: Mark, besides the continuing uncertainty regarding the future of the welfare program, states have also been struggling with severe budget crises for the last couple of years. And now we're facing years of big federal deficits. What's the TANF piece of this deficit story?

MARK GREENBERG: Sure. But before I answer that, let me just comment a little bit on something that Sheri said about Representative Herger's extension proposal. I agree with a lot of Sheri's characterizations of the situation, and there is no doubt that there is a broadly shared frustration that with how long this process has taken and the fact that it continues to drag out. At the same time, the reason why it has dragged out is because there are some pretty serious disagreements about a number of substantive issues involved in the process.

The House was able to finish its work very quickly at the beginning of 2003 because it held no hearings in 2003 on this issue and went to what was virtually a straight party-line vote. The Senate has taken longer because there is a more extended effort to try to find some common ground in the process. So, that's the underlying dynamics for what's happening.

And, just to reiterate, the proposal by Representative Herger in my view is not fundamentally about increasing participation in work. It's about sending a very strong signal about the need to further cut welfare caseloads.

So, having said that, to respond, John, directly to the question about the TANF fiscal situation in states, the situation over the last several years is one which is basically unsustainable. If we think about the overall history of TANF spending in the early years of the program, as welfare caseloads went down much faster and much more than, I think, probably anyone expected, states began to accumulate some fairly significant reserves of unspent TANF funds. In each of the last three years, however, states have been spending at least $2 billion a year more in TANF funds than their basic block grants. They've been spending down those reserve funds. But, whenever the law is eventually reauthorized, under everyone's proposals, TANF funding will be flat for the next five years.

So, states are currently spending above their annual block grants, are spending down their reserves, and a number of states have exhausted their reserves. This has already meant a set of significant cuts in TANF-funded services and child care. Unfortunately, whatever happens in reauthorization, I think there is reason to believe that we're going to see even more pressure in the years to come just based upon this structural problem.

JOHN HUTCHINS: Sheri, what's your view of the budget crisis and its affect on states?

SHERI STEISEL: Well, in terms of the overall budget crisis in states, while budget shortfalls are dropping dramatically, we have a great deal of concern for fiscal year 2005 overall inside of state budgets. And that's important because states can't make up the difference with state funds if, in fact, there are shortfalls inside of TANF. States for the last three years have had a $200 billion cumulative budget gap that they've had to deal with every single year. So, every year state legislators have to come into session and look at spending and revenue restructuring. All of the easy cuts are over with. So, now what's happening is that states are looking at very difficult choices.

And while the overall economy may be getting better—and we see signs of that in the states—we also see that states are really struggling with some of the choices before them. For fiscal year 2005, states are projecting more than $35 billion in budget gaps for the fiscal year. And that means new cuts and new changes states have to make to come into compliance because every state has statutory requirements, except the state of Vermont, that they must have a balanced budget at the end of the fiscal year.

We have states, about 18 this time, that have some budget gaps even in the current fiscal year of '04. So, while we see improvement, and states were able to make some very easy choices over time, we're now really getting into some of the more difficult choices. Seventeen states say Medicaid and other health programs continue to exceed their budget amounts. And one final thing I'd say is that the outlook varies considerably by state and the nature of the states' economy.

So, there's much uncertainty inside of the future state fiscal picture. While these shortfalls are less severe than they have been in the past, they occur at a time when most states have depleted their reserves, exhausted one-time funding sources, or imposed repeated spending cuts. We have state legislators who have been having to make very difficult choices about a range of programs. This comes up quite a bit in child care policy inside of human services, but actually it's really all across the board in the range of services that states provide. We've also had to cut administrative staff through higher-end cuts, freezes, and furloughs. So, there are fewer people and less senior people running programs inside of states than there were three years ago.

JOHN HUTCHINS: And we'll get to the issue of child care specifically in just a moment, too. Let's move back to the Hill for a second. Sheri, when and if the Senate Finance bill comes to the floor, there'll likely be the opportunity for Senators to offer amendments. For instance, we expect that Senator Snowe will offer an amendment to increase child care spending by $6 or $7 billion over five years. What are the main issues that the state legislators would like to see addressed in the Senate bill?

SHERI STEISEL: When the Senate bill comes to the floor, we expect there will be a number of amendments offered. One of the key ones for state lawmakers, and I know we're going to talk about this in a moment, is child care where Senator Snowe, along with a bipartisan group of Senators, will be offering an amendment to increase child care spending to meet the work rates and also to ensure we're not in the hole when it comes to assisting the working poor—as child care is designed to help the range of recipients.

Another key issue for state lawmakers is what is referred to on the Hill as penalty relief. Now this is very important because right now, as I've said, if states miss the work rates even by the smallest of margins, they're subject to financial penalties from the federal government. And as I've said, while TANF is a block grant, there are no other state funds to make up the difference to make changes in programs. If states have to change their programs, they're going to have to reallocate inside of the block grant away from some of their current choices to move towards meeting these work participation rates.

We have advocated for penalty relief, which is the notion that if a state has improved their work participation rates by at least five percentage points, they should not be subject to financial penalties. They would still certainly be in penalty status, but we believe that there are 50 different state welfare programs going on across the country, and 50 different economies in which states are working—so we believe that if a state is improving, that should be enough to not have

to risk the financial penalty from the federal government and potentially more regulations from the federal government that would lead states to meet the work participation rates in a more federally directed way, and potentially require states to reallocate TANF dollars.

We feel very strongly that penalty relief is very important and very meaningful here. It should be meaningful both to advocates and to state administrators and to state lawmakers and certainly to members of Congress.

Another issue that will come before the Senate is an amendment as it relates to recipients with barriers to employment. It would grant more flexibility to work with those facing disabilities for three months after an initial three-month period. This would give states more flexibility to serve these clients' individual needs and not penalize states who do so under an increased work participation rate.

We are also concerned with recipients who are disabled and have become eligible for Supplemental Security Income—that these recipients, who are deemed by the federal government to be unable to work, because they're eligible for the SSI program, not be included when we calculate the work participation rank. Child care obviously is another very important amendment.

JOHN HUTCHINS: Let's talk about child care a little bit, which remains a controversial issue. Mark, both the House and Senate TANF bills call for a $1 billion increase in mandatory child care money over five years as well as increasing the authorization for discretionary spending by $2.3 billion. You and others have argued that this level of funding would not meet the increased need for child care among both welfare recipients and the working poor.

However, in a CLASP Audio Conference last month, Assistant Secretary Wade Horn suggested that it would be more than enough because it was only about meeting new work requirements. Let me quote from the transcript of call, which is available on the CLASP website. Dr. Horn said, "The rationale for the additional money in child care is because of the increased need for child care to meet the more challenging work standard as contained within the TANF reauthorization bill."

Mark, can you respond to that?

MARK GREENBERG: Oh yes. The position that Assistant Secretary Horn took in the Audio Conference—and it's very consistent with ones that he's taken in previous statements and letters to the editor around the country—is largely focusing on the need for child care to meet the TANF work requirements. And I think there are really three concerns with the way in which Assistant Secretary Horn has framed this issue.

The first is that there is no reason why the discussions of child care funding ought to be limited to the questions of meeting of TANF work requirements. In 1996, when Congress originally established TANF, the law also restructured federal child care funding not just for welfare recipients, but more broadly for low-income families.

The fundamental story in child care over the last five years has been about the efforts of states to expand child care funding not just for families receiving welfare, but also to expand child care outside welfare for other low-income working families so that families won't need welfare. Across the country, while welfare caseloads were falling by half, child care cases were doubling.

The reauthorization process involves reauthorizing both TANF and the child care block grant. This is the time for Congress to address child care funding for low-income working families for the next five years, and there is just no reason why that question ought to be narrowed to the question of how much does it cost to meet the TANF work requirements?

Second, around the much narrower question of whether the legislation provides adequate funding to meet the TANF work requirements, we have a disagreement with Assistant Secretary Horn. He has repeatedly emphasized that there would be $3.3 billion available for child care under these bills. It's important to understand that under both the House bill and the Senate bill, there is $1.0 billion of mandatory funding and then what's known as a "discretionary authorization," for $2.3 billion.

In the jargon of the budget, there is a critical distinction between mandatory funding and discretionary funding. When Congress provides mandatory funding, it's known as "guaranteed funding," that is, we know it's going to be there unless Congress takes further action to stop it from being there. On the discretionary side, Congress first authorizes funding and then after it's authorized still has to make a separate decision to appropriate it. An authorization of $2.3 billion in discretionary funding doesn't assure one penny of child care funding. That money would only become available if Congress separately acted to appropriate it. So, when we ask how much money is assured for child care under these bills, the figure is $1.0 billion, not $3.3 billion.

Third, we need to then compare the funding to the work requirements under the bills. Under the Senate bill, the Congressional Budget Office has made preliminary estimates that the work requirements would cost in the range of $1.0 billion to $1.5 billion. Under the House bill, which represents the Administration's proposal to a great extent, the estimated cost of meeting the work requirements are in the $3.0 to $9.0 billion range. When we pull all this together, the ultimate story that emerges is that $1 billion in funding is short of meeting the work requirements under the House bill and is certainly short of what needed to sustain current levels of child care for low-income working families. And at a time where we ought to be focused on the broader question of access for low-income working families, it is critical to be sure that these families don't lose ground.

JOHN HUTCHINS: Sheri, as you suggested a moment ago, many states have been forced to make cuts in child care in the last couple of years because of their own state budget crises.

Let me read you another quote from Dr. Horn from our recent Audio Conference, when I asked him about state child care cuts, and ask you to respond. He said, "Well, the federal government is spending about $9.0 billion annually on child care and that number has not shrunk since I've been in office. And, so, the difficulty is that state budgets are decreasing, not that the federal budget for child care subsidies is decreasing. And there's a reasonable federalism argument to be made here as to whether or not it is the role of the federal government solely to determine or to provide all of the financial means for child care subsidies."

How would you respond to Dr. Horn?

SHERI STEISEL: Well, I appreciate, John, that you've asked me that question. In 1990, when the Child Care Development Block Grant was created when [the first] President George Bush was in office, it was a bipartisan effort that was supported by the states and the federal government to have a combined shared responsibility for child care. The Child Care Development Block Grant is supposed to serve those who are on welfare, those who are leaving welfare to go to work, and

the working poor—to try to ensure that people who leave welfare to go to work don't end up coming back on to public assistance because they lose their child care.

So, what is just very difficult about that statement is it doesn't recognize the dilemma that states have been facing for the last couple of years regarding child care. The federal government for the last two years has actually cut their commitment to child care, cutting the discretionary portion of the Child Care Development Block Grant, as Mark explained. The discretionary portion has been cut because of overall across-the-board cuts in appropriations. So, actually states have had less money from the federal government, not the same. And states, frankly, have expanded child care beyond what is required by the federal government, and they have to meet the demand for child care. And they have also done this as a method of supporting those who leave welfare and go into the workforce.

The cliff effect is well recognized—that, unfortunately, if child care is not available, people who are struggling with low incomes, but don't want to come back to the welfare system, really are forced to return to welfare if they lose their child care. That child care makes a difference.

So, we have felt very strongly, and we are working closely with Senator Snowe and other Senators on an amendment to expand the child care dollars, because without that what we are really left with is an unfunded federal mandate. The work requirements, in effect, will require more child care. In fact, the work requirements on moms with a child under six are expanded significantly in the House bill, and they are increased to a smaller extent in the Senate bill—this will require more child care because mothers with a child under six—infant and toddler care—is the most expensive type of child care. We believe that the federal government has a responsibility to share in the cost of any new mandates.

JOHN HUTCHINS: Thanks. Mark, do you have anything to add on the situation of the states on child care?

MARK GREENBERG: I agree with what Sheri has said. Let's keep going.

JOHN HUTCHINS: Well, let's move on to the issue of participation and work requirements.

Mark, could you remind our listeners about the most important differences between the House and Senate Finance bills regarding work and participation requirements?

MARK GREENBERG: Sure. Both the House and the Senate Finance Bills share some features in their approach to work requirements and differ in some important details. At the broadest level, both bills envision increasing the federal participation rate requirements to 70 percent over the next five years. Both bills would phase out the current caseload reduction credits, though they take different approaches in what they'd replace it with. Both bills would increase the number of hours required to count as a participant, and both bills have a feature that's often referred to as universal engagement, an expectation to involve all families in activities based upon a family self-sufficiency plan.

In terms of the differences between the House and Senate bills, I've first noted that while they both get rid of the caseload reduction credit in its current form, the House would keep the caseload reduction credit, just having it be based upon more recent caseload decline. And it would also have a feature known as the super-achiever credit that would give additional credits to

those states that had cut their caseload by at least 60 percent between 1995 and 2001. The Senate, instead, provides for the employment credit that we've already talked about.

As to hours of participation, the House bill generally would require 40 hours of participation a week in order to fully count as a participant. Under the Senate bill, required hours vary based upon several categories. For single parents with kids under six, it's a requirement of 24 hours to fully count. For other single parents, a requirement of 34 hours, for two-parent families that aren't receiving federally-funded child care, a requirement of 39 hours, and 55 hours for two-parent families receiving federally-funded child care. So, while there are multiple categories, the Senate rates are generally lower.

As to what counts as an activity towards the participation rates, there are a number of differences between the House and the Senate bills. Very broadly, the House bill limits the ability to participate in full-time education and training to a three-to-four month period; after that, it is only countable as a secondary activity. The Senate bill allows for current law on education and training, and also includes a provision by Senator Snowe that would allow a limited part of the caseload to be involved in post-secondary education, including four-year programs. The Senate bill allows broader ability to count more flexible activities for a longer period for individuals with disabilities and other individuals with barriers to employment. And under the Senate bill, states may count individuals who are providing care for a family member—a child or adult dependent—who has a physical or mental impairment that makes that care necessary.

So, when you pull all that together, the bills are structurally similar in providing for a 70 percent rate and increased hours. But, there are a lot of differences in how the rate is calculated and what activities count.

The Congressional Research Service projects that state participation rates would be higher under the Senate bill because of its approach to hours and activities.

JOHN HUTCHINS: Thanks. Sheri, some state welfare officials have argued that these new requirements, particularly the ones in the House bill, would force them to completely revamp their welfare programs—programs that have been hailed as successful—into workfare-type programs.

Can you talk about this concern?

SHERI STEISEL: Well, probably the easiest way to meet work participation rates, to be able to count activities and hours, would be to move to a workfare-type program. However, those are some of the most costly to monitor and find placements for, and we don't have a lot of evidence that programs help move families out of the welfare system into employment. So, I think what state welfare officials are arguing is that some of these new requirements would really be more costly and would require much change in their current systems.

Senator Grassley clearly heard a number of state concerns. You can see in the differences in the bills in terms of the Senate Finance bill trying to create more options for states and much more flexibility, especially when it comes to mothers with a child under six, particularly for a much lower work hours requirement, which is more in line with the part-time employment of most mothers with a child under six. But also allowing states more flexibility, whether it's a parent caring for a disabled spouse, more flexibility when it comes generally to recipients who face

barriers. Also this notion of partial credit is really important here, I think, in terms of giving states some ability to count effort even if it doesn't meet the total hours requirement.

But all of these requirements are different than current law, and there is no question there will be costs. And those costs would come in difficult financial times and the states being constrained with the money available and their own economic difficulties. It is true that states will have to examine their welfare programs, and most of them will have to reallocate some of their TANF dollars to focus more on employment and efforts to support work.

JOHN HUTCHINS: Thanks. We're rapidly running out of time, and I'm going to jump to another topic related to the TANF reauthorization.

Sheri, marriage has been much in the news recently, both same-sex marriage and the marriage provisions of the proposed TANF bills. We'll skip the first issue for now, but what is NCSL's position on the marriage initiative in the House and Senate welfare bills?

SHERI STEISEL: I appreciate your asking me that, John. I think that marriage is an issue that states have been involved with for a very long time. And we strongly believe at NCSL that an opportunity exists to use the current out-of-wedlock bonus and create a demonstration fund for states to implement marriage and family formation initiatives is well-timed. We support the notion of trying to create funds but not using the TANF block grant. You may recall that there were earlier proposals to earmark the TANF block grant for the purpose of promoting marriage.

Having said that, we feel very strongly marriage provides important benefits, including economic ones for adults and children, but we also think that government policy has to be about healthy marriages and not to set up barriers to marriage. At the same time, we feel that we need to make sure these programs are not coercive and that efforts to salvage some relationships may not be appropriate, and there needs to be special awareness and training as it relates to domestic violence, family violence and abuse.

So, we feel that there is a role here for trying out some new approaches to promoting marriage and trying some efforts related to premarital education and assisting parents with parenting skills and that we need to examine programs to see if there are barriers to families who wish to marry. But I will say that we also think it's very important that we look at both partners in this and economic self-sufficiency as it relates to mothers and father. And we have been strong supporters of fatherhood programs to create the economic opportunities for fathers. Unfortunately, none of the fatherhood proposals in the House or Senate welfare bills are funded. The funding will be subject to the House and Senate appropriations process for any funding.

We think that this issue of ensuring that some of the economic barriers to marriage be also addressed is very important.

We do support this proposal, especially because states are already engaged in trying to find efforts to work on fatherhood programs, marriage education, and a variety of other programs related to both marriage and divorce and creating programs to sustain marriages of parents with children.

JOHN HUTCHINS: Mark, you and your colleagues here at CLASP have suggested that the marriage provisions in the bills are both too much and too narrow. Can you explain your concerns about the marriage initiative?

MARK GREENBERG: Sure. The first thing I'd emphasize is that CLASP has placed a strong emphasis on looking at the research about marriage and its effects for children, and there are a number of publications on our website that we would urge people to look at. We think that the research base is strong for evidence that, all else being equal, children being raised in healthy, stable, low-conflict, two-parent, married families is a good thing.

The challenge, of course, is that, often, all else isn't equal, and that it's quite difficult to determine what's the appropriate, reasonable role for government in something which is a highly personal, highly individual decision and trying to assure that government does not intervene in ways which inadvertently pushes people towards making decisions which could be bad or harmful. So, we believe this is an appropriate area for a research and demonstration role.

We have two principal concerns about the specific provisions in the pending legislation, though. First, in relative terms, this is a huge amount of money. It is $300 million a year—$1.5 billion over the five-year period of the bill—at the same time that basic supports and services for low-income families are being cut across the country. So, it's a huge amount, both in relation to other needs and even in relation to developing a research agenda and developing it in a measured, thoughtful way.

Second, the allowable activities under the bills are worded in an extremely narrow way. Sheri noted the importance of fatherhood initiatives. The fatherhood initiatives that could play an important role in strengthening the relationship between fathers and their children and might, ultimately, have importance for marriage are, broadly, ones that can't be funded under this initiative because of the narrow way in which allowable activities are framed.

There is a lot of recognition of the importance in addressing teen pregnancy prevention as a crucial way of reducing the share of children who are born through non-marital birth. Again, that's something which is not fundable under this initiative. The only ways that such initiatives can be funded is if they tie in with the very specific allowable activities.

There is a major question about the extent to which providing a better economic start for young families—addressing school completion and youth employment—could make a difference in affecting marriage among young people. It ought to be part of what gets tested in an overall agenda, and it's not allowed for here.

So, the bottom line is, in our view, it is right to have a research and demonstration agenda. It is troubling to see how much money is here for such a narrow set of activities.

JOHN HUTCHINS: Thanks, Mark. We very rapidly come to the end of this hour. So, let's conclude with getting out our crystal balls and asking you both to make your best estimate of whether TANF will be reauthorized this year. Sheri, what are the odds?

SHERI STEISEL: John, I don't think I could even try to guess at the odds—as everything is changing constantly, as you can see, with the new complications of the budget resolution and other kinds of pressures.

But I don't think anyone can take for granted that there is a great desire to still do welfare reauthorization among the sponsors and the Administration. So, I think you shouldn't count out welfare reform and, for sure, there will be a short-term extension.

But I do think this is going to be a continuing issue over the next couple of months. So, don't count welfare out yet.

JOHN HUTCHINS: Mark, what do you think?

MARK GREENBERG: Well, let me bravely say I don't know.

I think everybody is aware that, at many points along the line, there have been confident predictions about when this was going to occur. They've all been wrong. It does seem clear that something has to happen within the next few weeks, at least in addressing the short-term extension. I think it is genuinely unclear what happens beyond that. I would not be surprised if the bill came forward sometime, even sometime soon. At the same time, I would not be surprised if it doesn't. And I know that's got to be frustrating to people. It's frustrating to many of us, but we're really not sure.

JOHN HUTCHINS: Thanks, Mark.

I want to thank all three of our guests—Sheri Steisel, Mark Greenberg, and Dave Hage—for taking the time out of their busy schedules to participate in today's Audio Conference. I know our audience really appreciated the opportunity to hear from you.

Thanks also to Soleste Lupu, the CLASP Audio Conference Coordinator, for her work in planning this call. Soleste and I encourage you to give us your feedback about this call in a short web-based evaluation that we are e-mailing to you right now.

Please join us for our next Audio Conference on Friday, April 2nd, entitled "The Fiscal Squeeze: What Does Tax Policy Have to Do With It?" I'll be joined by Bob Greenstein from the Center on Budget and Policy Priorities here in D.C., and by John Corlett from the Federation for Community Planning in Cleveland.

Thanks to all of you for joining us today.

[This transcript was proofed and corrected by Mark Greenberg and John Hutchins of CLASP and Sheri Steisel of the National Conference of State Legislatures.]