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

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Revised January 11, 2006

The fiscal year 2006 federal budget Conference agreement—now awaiting a final vote in the House—contains provisions to reauthorize the Temporary Assistance for Needy Families (TANF) program. One key provision requires that starting with the year beginning October 1, 2006, every state must meet a 50 percent work participation rate in order to avoid federal penalties, unless the rate is adjusted downward because the state's caseload falls below its 2005 level for reasons other than changing eligibility rules.

The bill's provisions will result in a substantial increase in required state participation rates. Under current law, states must meet a 50 percent rate, but it may be reduced by a caseload reduction credit for caseload decline since 1995 (for reasons other than changes in eligibility rules). Since most states had large caseload declines after 1995, the actual required rates for most states have been far below 50 percent. In 2003, for example, all but seven states were required to meet participation rates of less than 20 percent because of their caseload declines. Under the Conference Agreement, the caseload reduction credit will be based only on caseload declines since 2005. As a result, any state in which the caseload does not fall in 2006 will face a 50 percent participation rate in 2007.

On December 19, the Congressional Research Service (CRS) released a memo estimating the number of additional participants states would need to meet a 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 federal 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 indicate 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.

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

- 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.

CRS estimates likely underestimate the number of new participants states would need to meet the new rates. Under the conference bill, the Secretary of HHS is directed to promulgate regulations to ensure consistent measures of work participation. The bill specifies that such regulations should address:

- whether an activity will be treated as one of the listed work activities under the law;
- uniform methods for reporting hours of work;
- the type of documentation needed to verify reported hours; and
- the circumstances under which a parent residing with a child receiving assistance should be counted in the work rate calculation.

It is possible—indeed, likely—that under the Secretary’s regulations, some amount of currently counted participation would no longer be countable,² meaning that state shortfalls would be greater than CRS has estimated.

In addition, the CRS estimates are of the number of participants needed to precisely reach 50 percent. Yet, as a practical matter, no state wishing to avoid a penalty would aim to reach 50 percent precisely. States would necessarily need to aim for a higher figure, recognizing that in any given month, some individuals are ill, absent, leave assistance, or otherwise do not participate. Thus, the number of additional participants states would need would be substantially greater than the number needed to reach the 50 percent level.

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. States would need to spend state matching funds to qualify for the new federal funds.

The additional federal child care funding translates to \$68.97 a month for each additional family required to participate.³ This is less than one-fourth of the average child care subsidy provided by

² The federal TANF statute lists the activities that can count as participation for purposes of federal work requirements. When HHS wrote implementing regulations in 1999, it elected to not further define the activities, but rather to allow states to develop their own definitions. An August 2005 GAO report found that states varied in terms of which activities counted as participation (GAO. *Welfare Reform: HHS Should Exercise Oversight to Help Ensure TANF Work Participation Is Measured Consistently across States* <http://www.gao.gov/new.items/d05821.pdf>). GAO recommended that HHS issue regulations to specify the types of activities that can and cannot be included under the categories of work activities listed in the law. Under the conference bill, HHS could not change the list of activities in the federal TANF statute, but could choose to develop definitions that reduced which activities state could count as participation.

³ This is a CLASP calculation, based on dividing state allocations of the \$200 million by the estimated number of new participants needed to reach a 50 percent participation rate. (For information on 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.)

the Child Care and Development Block Grant (CCDBG) in 2000, the most recent year for which data are available.⁴ Nationally, the average cost of center-based child care ranges from \$4,000-\$10,000 a year for one child,⁵ 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;⁶ these figures would translate to \$413 a month for one child, \$490 for two or more children.

Some states would receive far less than \$68.97 per new required participant. The new federal child care funds will be allocated based on the established formula that applies to distribution of mandatory child care funds. When the amount of state allocations is compared to the estimated number of new participants needed, there are wide variations, although the amount of additional funding is less than \$100 a month for most states. As described above, four states are projected to already meet a 50 percent rate (although, as noted, the assumptions leading to that conclusion may be overly generous.) At the other end, eight states and the District of Columbia would have less than \$40 a month in new federal funds for each required new participant (see below).

States with Less than \$40 in Additional Federal Funds Per Required New Participant Per Month		
State	Number of Additional Participants to Reach 50% Rate	Additional Federal Funding Provided Per New Required Participant
Pennsylvania	16,600	\$37.58
Maine	1,600	\$36.74
California	60,700	\$35.28
Massachusetts	10,700	\$30.44
West Virginia	3,100	\$27.33
Vermont	1,100	\$26.72
Tennessee*	16,500	\$19.05
Rhode Island	2,800	\$18.88
District of Columbia	2,500	\$10.61

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.

⁴ U.S. Department of Health and Human Services, Child Care Bureau. *Child Care and Development Fund Report to Congress: Submitted January 2003.*

⁵ 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

⁶ U.S. Census Bureau. *Who's Minding the Kids? Child Care Arrangements: Winter 2002.* October 2005.

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, under the Conference bill, a state's participation rate will only be adjusted downward below 50 percent 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 will work to avoid penalties, but without new resources to fund the costs of additional work slots, states will face strong incentives to simply cut assistance to needy families, or to cut child care or other benefits for non-welfare families in efforts to meet the new requirements.

**Appendix 1:
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.

**Appendix 2:
Additional federal funding per month per required additional participant under
Conference Agreement**

State	Increase Needed in Participating Families to Reach 50% Rate*	FY2007 Additional Childcare Allocation	Additional Federal Funding Per New Required Participant Per Month 2007
Alabama	1,000	\$2,953,745	\$246.15
Alaska	400	\$502,906	\$104.77
Arizona	8,000	\$4,034,393	\$42.02
Arkansas	1,300	\$1,805,391	\$115.73
California	60,700	\$25,697,414	\$35.28
Colorado	1,200	\$3,096,045	\$215.00
Connecticut	3,000	\$2,339,924	\$65.00
Delaware	700	\$507,983	\$60.47
District of Columbia	2,500	\$318,319	\$10.61
Florida	3,100	\$10,342,949	\$278.04
Georgia	9,400	\$6,168,317	\$54.68
Hawaii	1,600	\$800,330	\$41.68
Idaho	less than 100	\$982,632	N/A
Illinois	0	\$8,800,200	N/A
Indiana	1,300	\$4,280,059	\$274.36
Iowa	600	\$1,831,938	\$254.44
Kansas	1,200	\$1,844,552	\$128.09
Kentucky	2,700	\$2,485,689	\$76.72
Louisiana	1,200	\$3,142,356	\$218.22
Maine	1,600	\$705,446	\$36.74
Maryland	6,300	\$3,690,094	\$48.81
Massachusetts	10,700	\$3,908,284	\$30.44
Michigan	9,800	\$6,836,859	\$58.14
Minnesota	6,000	\$3,274,278	\$45.48
Mississippi	2,900	\$2,036,038	\$58.51
Missouri	6,200	\$3,689,997	\$49.60
Montana	600	\$549,963	\$76.38
Nebraska	1,700	\$1,160,454	\$56.88
Nevada	1,300	\$1,578,671	\$101.20
New Hampshire	700	\$799,960	\$95.23
New Jersey	3,800	\$5,741,062	\$125.90
New Mexico	600	\$1,318,370	\$183.11
New York	10,400	\$12,383,871	\$99.23
North Carolina	3,100	\$5,626,933	\$151.26
North Dakota	500	\$375,565	\$62.59
Ohio	0	\$7,668,418	N/A
Oklahoma	1,500	\$2,322,666	\$129.04
Oregon	2,800	\$2,270,546	\$67.58
Pennsylvania	16,600	\$7,486,105	\$37.58
Rhode Island	2,800	\$634,450	\$18.88
South Carolina	2,100	\$2,608,856	\$103.53

State	Increase Needed in Participating Families to Reach 50% Rate*	FY2007 Additional Childcare Allocation	Additional Federal Funding Per New Required Participant Per Month 2007
South Dakota	less than 100	\$507,229	N/A
Tennessee*	16,500	\$3,771,845	\$19.05
Texas	11,100	\$16,526,550	\$124.07
Utah	900	\$1,953,515	\$180.88
Vermont	1,100	\$352,676	\$26.72
Virginia	3,500	\$4,774,323	\$113.67
Washington	1,700	\$4,010,918	\$196.61
West Virginia	3,100	\$1,016,563	\$27.33
Wisconsin	0	\$3,483,090	N/A
Wyoming	0	\$310,520	N/A
Totals	236,000	\$195,309,257	\$68.97

Source: CLASP calculations based on estimated numbers of new participants needed in Congressional Research Service Memorandum, *TANF Work Participation Standards: Revising the Caseload Reduction Credit*, December 19, 2005, and state child care allocations in Congressional Research Service Memorandum, *Estimated Mandatory Child Care Allocations Under the Deficit Reduction Act of 2005* (S. 1932), December 20, 2005.

*Increase needed in participating families for Tennessee reflects number needed after expiration of state's waiver.