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At What Price?

A Cost Analysis of the Administration's Temporary Assistance for Needy Families (TANF) Work Participation Proposal

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The Administration has proposed significant revisions to the work and participation requirements applicable to families receiving TANF assistance. To date, the Administration has not provided an estimate of the likely costs, although the proposal seeks no additional funding for TANF or the child care block grant.

This analysis estimates the costs of implementing the Administration's proposal, drawing from administrative data and relevant research findings. Any cost estimate is necessarily uncertain for many reasons: some details of the proposal have not yet been released, data are lacking in key areas, future costs will depend on economic and other conditions that one cannot readily project, and it is particularly difficult to determine the likely "behavioral" impacts of the proposal, i.e., how might states and families change their behavior in response to the new federal requirements. Even with these caveats, it is both possible and important to estimate the likely costs of the proposed changes.

We estimate that the five-year costs of complying with the proposed work requirement provisions, assuming a flat TANF caseload, are in the range of \$15.1 billion above what states would otherwise spend under current law. The costs will be greater if the caseload increases (as occurred in 37 states between March and December 2001) and smaller if the caseload falls. (For example, we estimate that if the TANF caseload falls by 5 percent each year, the work program cost would be in the range of \$13.0 billion, and, if the caseload falls by 10 percent, such costs would be in the range of \$11.0 billion.) Our estimated costs are based on projecting the numbers of additional persons who would need to participate in work-related activities under the plan and their average activity and child care costs. More than half of the additional costs (\$7.9 billion) are for child care.

Overall, we believe that our estimate is likely to understate the costs states would face because, in a number of key areas, we made conservative assumptions. And, we want to emphasize that, by offering these cost estimates, we are not suggesting that the best course for Congress is simply to determine and fund the costs of complying. Some analysts have suggested that it would be impossible for states to meet the proposed requirements *even* if they had unlimited resources. And, at the end of this analysis, we

Participation Requirements in the Herger Bill

On April 10, 2002, Rep. Wally Herger, Chairman of the Subcommittee on Human Resources of the House Ways and Means Committee introduced the Personal Responsibility, Work, and Family Promotion Act of 2002, H.R. 4090. In most respects, the Herger bill's participation requirements are similar or identical to those in the Administration's proposal, but there are some differences that could affect state costs.

Most significantly, under the Administration's proposal, the caseload reduction credit would be phased out by 2005, with states getting the full credit in 2003, and 50 percent of their credit in 2004. Instead of a caseload reduction credit, states would be able to count employed leavers toward participation rates for the first three months after leaving assistance. In contrast, under the Herger bill, states would not be able to count employed leavers for any period of time. Instead, states would continue to qualify for a caseload reduction credit, modified as follows:

- In 2003, the caseload reduction credit would be based on caseload reduction from 1996-2002;
- In 2004, the credit would be based on caseload reduction from 1998-2003;
- In 2005, the credit would be based on caseload reduction from 2001-2004;
- In 2006, the credit would be based on caseload reduction from 2002-2005;
- In 2007, the credit would be based on caseload reduction from 2003-2006.

Under this provision, state costs in and after 2005 would be much more dependent on whether and to what extent a state's caseload continues to fall below 2001 levels.

Other differences under the Herger bill that could have cost implications include:

- **Treatment of Sanctioned Families.** Under the Administration proposal, such families would be included in the denominator for purposes of calculating a participation rate so long as they continue to receive assistance; under the Herger bill, families would be excluded from the denominator for three months in a 12- month period if an adult's needs were excluded in determining the family's assistance due to a TANF or child support sanction.
- **Teen Parents:** Under the Herger bill, a teen parent participating in education directly related to employment for an average of 20 hours a week would count as a 40-hour participant. This was not indicated in the Administration's proposal.
- **Calculating Monthly Hours:** The Administration's proposal had indicated that families would need to have 40 hours of average weekly participation throughout the month to count as participants. Under the Herger bill, this calculation will be made based on 160 hours in the month, i.e., the individual will count as a full participant so long as the individual has 160 countable hours in the month and satisfies the 24-hours-a-week direct work requirements.

CLASP intends to revise and update this document in the near future to also include estimates for the costs of meeting the work participation requirements of the Herger bill.

briefly note some non-fiscal arguments as to why the Administration's proposal should not be adopted (which are explained in detail in a related forthcoming document, *Unwise and Unworkable: Work Participation Requirements in the Administration's Welfare Plan*). Accordingly, the projected costs are only one factor to consider, and we hope that this analysis will contribute to a discussion of whether implementing this proposal would be the best use of \$15 billion.

In the following pages, we provide background on the proposal, summarize the overall approach and key assumptions of our cost analysis, and discuss implications of the

projected costs. In Appendix A, we offer a detailed step-by-step analysis of each assumption used in making our cost estimates. Appendix B describes the details of the President's proposal. Attached tables provide the actual numbers and projected dollar figures.

Background: The Administration's Proposal

The 1996 law has two separate participation rates for families receiving TANF assistance: an overall rate and a separately calculated two-parent rate. States risk penalties if they do not satisfy these requirements. To count toward a participation rate, an individual must participate in a federally "countable activity" for a specified number of hours each week. The overall rates increased from 25 percent in 1997 to 50 percent in 2002, and two-parent rates increased from 75 percent to 90 percent; however, under a provision known as the caseload reduction credit, a state's actual rates can be adjusted downward if the state's caseload has fallen since 1995 for reasons other than changes in eligibility rules, and, as a result, states have typically had effective rates far below the listed ones.

To count toward the overall rate, single-parent families with children under age six must be engaged in countable activities for at least 20 hours a week; all other families must be engaged for at least 30 hours a week. Generally, a state can count hours in paid or unpaid work, job search and job readiness (for up to six weeks) and vocational training (for up to a year for part of the caseload) toward the first 20 hours of activity, and a broader list toward required hours in excess of 20.² States can opt to exclude adults with children under age one when calculating the state's participation rate.

The Administration's proposed approach would:

- Increase the monthly participation rate from 50 percent to 70 percent by 2007, while phasing out the caseload reduction credit; instead of the caseload reduction credit, states would be allowed to count families who left assistance due to employment toward work participation rates for three months.
- Increase the weekly participation requirement from 20 hours for single parents with children under six and 30 hours for other parents to 40 hours for all families with children age one or older.
- Provide that in meeting the 40-hour requirement, at least 24 hours must be in "direct" work activities — unsubsidized or subsidized employment, supervised work experience or community service programs, on-the-job training and school completion for teen parents. Vocational training and "barrier removal" activities (i.e., activities designed to help adults address circumstances or conditions that make it more difficult to work, e.g., illness, mental illness, substance abuse, domestic violence, etc.) would generally not be countable toward the first 24 hours each week. For up to three months in a 24-month period, states could count participation in short-term substance abuse treatment, rehabilitation, and work-related training toward meeting the 24-hour direct work requirement.

- Exclude families from the participation rate calculation for the first month of assistance.

Calculating the Costs of the Administration’s Proposal: A Brief Summary

To estimate costs of the Administration’s proposal, we went through the following steps:

- First, the rules about how to calculate a participation rate under the proposal would differ from current law in a number of ways, so we initially estimated what each state’s participation rate would have been in FY 2000 under the rules for determining the “denominator” and “numerator” under the Administration proposal.
- Then, we assumed that, in FY 2001 and FY 2002, states would have the same share of countable participants as states had in FY 2000.
- Then, we estimated how many additional participants would be needed to meet the applicable requirements in FY 2003-2007, assuming a flat caseload from FY 2001 (the last year for which we have caseload figures) to FY 2007.
- Then, we applied estimated costs for the TANF (work activity) costs and child care costs for the additional participants.

Ultimately, we concluded that the five-year cost of implementing the work requirements would be \$15.1 billion in excess of the costs states would incur under current law. Table 1 below summarizes the costs we have estimated for each year, divided into child care costs and service costs. As shown, the annual costs increase from \$657 million in FY 2003 to \$4.9 billion in FY 2007.

Table 1. Total Estimated Costs of Administration’s Proposal

	CHILD CARE COSTS	SERVICE COSTS	TOTAL COSTS
FY 2003	345,391,807	311,746,560	657,128,367
FY 2004	1,057,051,455	954,238,321	2,011,289,776
FY 2005	1,804,191,702	1,628,777,784	3,432,969,486
FY 2006	2,175,765,066	1,964,816,372	4,140,581,438
FY 2007	2,565,518,068	2,315,910,578	4,881,428,646
TOTAL	7,947,918,097	7,175,489,615	15,123,407,712

In addition, we estimate that another \$4.2 billion would be necessary over the five-year period in order to meet the welfare work requirements without reducing funding available for child care assistance to other low-income working families. In the Administration’s proposed FY 2003 budget, child care funding is frozen at FY 2002 levels through FY 2007. However, due to inflation, FY 2002 levels of funding will not be sufficient to

allow states to maintain the current level of service for such families, even if Congress provided the full \$15.1 billion estimated necessary to meet the work requirements.

While there are many steps in the process of estimating the costs of the Administration's welfare work requirements, we want to highlight four key aspects of our calculations, of which three probably understate and one may overstate costs. These four calculations exert the most influence on our estimates (for more detailed explanations of these issues, see Appendix A).

How many people are currently participating at a level that would count toward participation rates under the Administration's proposal? We estimated that if the Administration's proposal were in effect in FY 2000, the national average participation rate would have been 33 percent (see Table A.6). This may be a significant overestimate, and, if so, it will lead to an understating of subsequent costs. We assumed that for all families currently participating in "direct work" activities for at least 20 or 30 hours a week, a number equal to 80 percent would count as full participants. We then estimated that, in most states, the remainder of families currently counting toward participation rates by participating in any activity other than "direct work" could count as participants in approved short-term activities, and that a number equal to 80 percent of such families would count as full participants. And, we assumed that 50 percent of case closures would count for three months as attributable to employment, even though current case closure data indicate a figure well below that.

For new participants, how much would program activities cost? We use an annual unit cost of \$3,000 for program activities (based on expected costs of operating unpaid work experience programs) for new participants, with inflation adjustments, based principally on findings from older research data. However, it is possible that costs would be significantly higher for efforts to work with a population that includes families with serious and multiple employment barriers.

For new participants, how much would child care cost? We estimate that 52 percent of new participants would have child care costs, and that the average expenditure per child with costs would range from \$3,896 in FY 2003 to \$4,300 in FY 2007, when adjusted for inflation. The 52 percent estimate may be a significant underestimate for families engaged in 40 hours a week of program activities. And, while we drew the per child expenditure figure from average FY 2000 Child Care and Development Fund (CCDF) program expenditure data, it seemed likely that average child care expenditures would be higher than the current CCDF average, because these families will be engaged in full-time activities, are likely to be families with more serious employment barriers, and are likely to be very low-income families for which states cannot reduce CCDF expenditures by requiring substantial copayments.

What will happen to TANF caseloads? The most significant area for which we may be overstating costs concerns assumptions about caseloads. We assume a flat caseload through 2007. If the caseload falls sharply, costs would be lower and our estimate will be overstated. However, we were hesitant to assume a declining caseload in light of the fact

that caseloads have already fallen very sharply — from 5 million in 1994 to 2.1 million in 2001 — and current data indicate that caseloads rose in 37 states from March to December of 2001.

Implications and Alternatives

The fact that a plan is costly is not, in itself, an argument against the plan. However, it is an argument for considering whether the proposed expenditures are the best use of funds and for ensuring that costs are adequately addressed.

A Deficient Approach at Any Price

We do not recommend that Congress should fund the Administration’s proposal in its current form. We share the Administration’s goals of increasing engagement of families with the most serious barriers, and of helping families enter sustainable employment and advance to better jobs. At the same time, we have three principal concerns about the Administration’s proposal.

First, the proposal is significantly more prescriptive and restrictive than current law. The combination of increasing effective rates, raising hourly requirements, and limiting the activities that can count toward the first 24 hours of engagement would allow states far less flexibility in structuring activities than they currently have. For example, a state may now count full-time engagement in vocational training for up to 12 months (subject to a limit on the total number countable), but under the proposal, no more than three months of full-time engagement in vocational training would be allowable. States may now count engagement in job search for up to six weeks a year, while under the proposal, any counting of job search would compete with any other activity that a state wanted to count toward the “flexible” three-month allowance. States can now choose whether to require more than 20 hours of participation for single parents of children under age six, while under this proposal, they would be required to establish 40-hour participation plans for such families with children age one and older.

Second, the Administration’s approach reflects a model that no state has elected to implement under TANF. In structuring their TANF programs, some states have placed strong emphasis on job search programs aimed at connecting families with employment as rapidly as possible. Some have greatly liberalized their policies to broaden support to families who enter low-wage jobs. Most states significantly reduced the role of education and training in their programs (at least in part due to federal participation rate rules), but education and training remains a significant component in some states. Generally, most states have made only limited use of unpaid work experience and community service programs, and even more limited use of subsidized employment and on-the-job training. No state reports that participants averaged 40 hours of engagement a week. At least in part, this is because a parent employed for 40 hours a week will not be eligible for continuing TANF assistance in most states. Rather, in FY 2000, states reported an average of 29 hours a week for those reported participating in one or more work-related activities.

One of the strongest themes in state experience has been concern about imposing one-size-fits-all rules. For some recipients in some circumstances, a well-structured work experience program may be an entirely appropriate activity that can help the individual move toward unsubsidized employment. But, for an individual with substantial recent work experience, it may be wholly inappropriate. And, some individuals with multiple barriers may be able to move into a structured work activity within three months, but one would be hard-pressed to say that that would be true for all individuals at all times. And, some training programs can be completed in three months, but the federal government is ill-suited to say that three months is right and four months is wrong.

Third, the Administration’s proposed approach is fundamentally inconsistent with the key findings from welfare-to-work research. The best evidence from two decades of evaluations of welfare-work strategies is that the most effective approaches are “mixed-strategy” programs. In such programs, the range of services provided typically included assessment, job search, life skills, work-focused basic education, work experience, and job training, with recipients generally participating in only one activity at a time.³ The most successful site by far in the National Evaluation of Welfare-to-Work Strategies (NEWWS) — Portland, Oregon — stressed moving individuals into the workforce quickly but emphasized finding good jobs and allowed the first activity for each person to vary depending on skills, work history, and other factors.⁴ Portland not only increased overall employment and earnings by much more than the other ten sites but also helped people stay employed longer and increase their earnings more.⁵ More generally, programs achieving the biggest and longest-lasting impacts on employment and earnings have consistently been those using a mix of services, and none of the successful, mixed-strategy programs had large work experience components.

States would not be able to adopt the Portland model under the Administration’s plan because most of the activities provided by Portland and other such mixed-strategy programs would not count toward the first 24 hours of program activity after the first three months. Yet nearly half (49.5 percent) of recipients in Portland participated longer than three months; about ten percent (9.9 percent) participated longer than 12 months. Further, there was no standard hourly participation requirement; while staff worked intensively with recipients to help them participate as much as possible, expectations for participation were tailored to each individual.

Moreover, the NEWWS evaluation and earlier research on the Center for Employment Training suggest that access to occupational training, especially for those without a high school diploma or GED, may be a key to helping recipients find higher paying jobs. The three NEWWS sites that most increased hourly pay for non-graduates — Columbus, Detroit, and Portland — also boosted participation in postsecondary education or occupational training. Non-graduates in Portland were four times more likely to receive a trade license or certificate than those not in the program. Other programs, such as Alameda County GAIN and Baltimore Options, have used training to increase wages for high school graduates.⁶

In sharp contrast, there is only limited recent research on unpaid work experience programs. However, in a review of research conducted in the 1980s, the Manpower Demonstration Research Corporation (MDRC) concluded, “there is little evidence that unpaid work experience leads to consistent employment or earnings effects.”⁷ More recently, researchers in Washington state⁸ were able to isolate the employment and earnings impacts of different work activities in Washington’s “WorkFirst” (TANF) program, including unpaid work experience. The study determined that work experience increased employment among relatively less job-ready participants, but the impacts were substantially less than either of Job Skills Training or Community Jobs (a Transitional Jobs Program offering subsidized employment). The work experience program had no earnings effects, whereas both of the other two programs serving less job-ready participants had significant positive earnings effects, with Community Jobs being the strongest of the three on both measures. Based on the weak performance of the work experience component, the program was eliminated in the current budget.

None of this is to say that work experience cannot contribute in important ways to improving the employability of individuals with little labor market experience. The research suggests that when appropriate skill development and barrier removal activities are added to paid work experience, there can be significant impacts. However, there is simply no basis for saying that all states should be compelled to use unpaid work experience programs in instances in which they believe that other program approaches would be more effective.

In short, the Administration’s approach is prescriptive, does not reflect the best judgment of states, and is not consistent with two decades of research on effective programs to promote employment for families receiving assistance. Accordingly, it is surely not the best way to spend \$15 billion.

The Implications of No Additional Funding

Apparently, the reason why the Administration has sought no additional funding is that TANF caseloads have fallen significantly since 1996, so there is “enough” money to pay for these and other new initiatives within existing funding. However, nationwide, as cash assistance spending fell, states increasingly redirected their TANF funds to a broad array of services and supports for low-income families outside the traditional welfare system. The single biggest redirection of TANF funds has been to child care for low-income working families, but the funds have also been used for a broad array of initiatives, such as transportation assistance, state earned income tax credits, employment retention and advancement programs, services for families at risk of entering the child welfare system, help for homeless families and victims of domestic violence, assistance to immigrants ineligible for federal benefits, and others. By FY 2001, states were spending TANF funds at a rate higher than their basic block grant allocations: such allocations are about \$16.5 billion, and state TANF spending in FY 2001 reached \$18.6 billion. While we may not agree with every choice made by every state, it seems fundamental that, if one is asking states to do more things with the same amount of money, one must be prepared to articulate what they should stop doing. Any given dollar can only be spent once, and it

would literally be impossible for states to redirect existing TANF funds without cutting other low-income benefits and services. And, since many of those benefits are playing an integral role in helping working families sustain work and avoid welfare, cutting such benefits would be both harmful and counter-productive.

Similarly, there are no “extra” child care funds that could simply be redirected to meet the welfare work requirements. It is certainly true that child care funding has grown substantially since 1996, with states’ redirection of TANF funds playing a key role in that growth. However, most federally eligible children still do not receive child care subsidy assistance. The precise percentages may be in dispute, but it is clear that, at current funding levels, only a fraction of eligible families are receiving help, and it surely follows that it would be impossible to redirect existing child care funding to meet welfare work requirements without cutting back current funding that is being used to help low-income working families outside the welfare system. Moreover, the Administration has proposed to provide no new federal child care funding in reauthorization. So, even if there were no changes in TANF work requirements, states would still face the specter of needing to cut existing child care slots for low-income working families in order to manage with funding that would remain frozen despite inflationary pressures.

A Better Alternative

We strongly share the goal of promoting better employment outcomes for families receiving TANF assistance, but we believe that there are better ways to accomplish this goal. As we have recommended elsewhere,⁹ we think that Congress could most effectively further the work-related goals of TANF by taking the following actions:

- All states should be given an option to elect to be accountable for program outcomes — employment entries, earnings at placement, employment retention, earnings gains — rather than be subject to participation rates requirements.
- If a participation rate structure continues, Congress should eliminate the caseload reduction credit, allowing states instead a credit for families who leave assistance due to employment; broaden the ability to count vocational training and barrier removal activities; and make no change in the current hourly requirements.
- Congress should provide additional, dedicated funding to encourage states to develop transitional jobs programs, but this funding should be supplementary and states should not be required to implement such programs.
- Congress should increase dedicated funding for child care for families working toward leaving welfare, as well as for other low-income working families who are not receiving welfare assistance.
- States should be allowed to provide ongoing wage supplements for low-earning families without such supplements counting against federal time limits on assistance.
- Congress should provide additional, dedicated funding directed at research, evaluation, and replication of best practices to encourage employment retention and advancement initiatives and to improve employment outcomes for families with the most serious employment barriers.

- Without mandating a single approach, Congress should remove barriers that make it difficult for states to integrate TANF with state programs under the Workforce Investment Act.

While our principal focus here is on the work-related provisions of TANF, we think that any discussion of reauthorization-related expenditures should not be limited to asking the costs of meeting new work requirements. Rather, a TANF funding discussion needs to involve a broader set of issues, including the need to provide inflation adjustments for all states; the need to provide equity funding to address the circumstances of states hurt most by the existing allocation formula; the need for a reasonable, functional contingency fund to address economic downturns; and the need for dedicated additional funding to promote areas of innovation such as transitional jobs. Moreover, Congress must address key concerns outside of TANF, such as ensuring that families are able to receive and retain their child support, that restrictions on access to benefits for legal immigrants be removed, and that funds cut from the Social Services Block Grant be restored.

Similarly, the debate on CCDF reauthorization should be broader than a discussion about numbers of families who will need child care assistance to meet welfare work requirements. At current funding levels, most eligible children do not receive child care subsidy assistance, most states set eligibility well below the allowable limits of federal law, copayments are often higher than desirable, and rates are often insufficient to ensure access to a broad range of care. The supply of high quality care is particularly limited for infants, toddlers, school-aged children, children with disabilities, children whose parents work non-traditional hours, and children who live in rural areas. Efforts to promote early learning in child care environments are often not statewide in scale. Moreover, the economic downturn has meant that a number of states are facing budget shortfalls that jeopardize some of the progress that has been made. Reauthorization of CCDF ought to include increased funding not only to help families leave TANF, but also to support other low-income working families in their efforts to remain off of TANF and to promote the quality of child care and early learning opportunities.

Conclusion

We hope that our analysis of work program costs will promote a better public discussion of the likely costs of the proposed Administration approach and of alternative approaches and uses of funds that may be more effective in best addressing the work and other goals that Congress must consider during reauthorization. We do not think that the proposed plan would be a good approach at any price, but, at minimum, Congress should consider and address the price during reauthorization deliberations.

Appendix A: A Step-by-Step Calculation of the Cost of the Administration's TANF Proposal

This appendix provides a step-by-step summary of how we have estimated the costs of the Administration's TANF proposal. As noted in our main text, any cost estimate is necessarily uncertain for many reasons, but we believe most of our key assumptions were conservative ones. To estimate costs of the Administration's proposal, we went through the following steps:

- First, the rules about how to calculate a participation rate under the proposal would differ from current law in a number of ways, so we initially estimated what each state's participation rate would have been in FY 2000 under the rules for determining the "denominator" and "numerator" under the Administration proposal. This provided a baseline for the rest of the analysis.
- Then, we assumed that in FY 2001 and 2002, states would have the same share of countable participants as states had in FY 2000.
- Then, we estimated how many additional participants would be needed to meet the applicable requirements in FY 2003-2007, assuming a flat caseload from the end of FY 2001 (the last year for which we have caseload figures) to FY 2007.
- Then, we applied estimated costs for the TANF (work activity) costs and child care costs for the additional participants and current participants who will have to increase their work activity participation from part-time to full-time.

The following text proceeds through our analysis in a step-by-step discussion.

1. Calculating the Participation Rate for FY 2000

Calculating a participation rate requires determining the "denominator" and the "numerator." Both denominator and numerator would be calculated differently from the ways in which they are calculated under current law.

a. Calculating the Denominator for FY 2000

Under the Administration's proposal, the denominator would be comprised of all families with an adult, minus families with an adult in their first month of assistance and (at state option) single-parent families with children under age one. Families who leave assistance due to employment would be added to both the numerator and denominator for three months.

To calculate the FY 2000 denominator, we initially began with the number of families in the denominator for the overall participation rate in FY 2000, which already excludes (at state option) single parents of children under age one (see Table A.2.). We then added to the denominator each group excluded under current law but counted under the Administration proposal, i.e., the number of families excluded because an adult was under sanction, families excluded because they were part of a research project, or excluded based on inconsistency under a state waiver. The result is 1.4 million families.

We then needed to exclude families in their first month of assistance. Unfortunately, the federal government has not released TANF administrative data indicating the share of the caseload that is comprised of new entrants. We had to use a two-step process to determine the rate of case opening in FY 2000.

First, as shown in Table A.3, we estimated the rate of case opening in FY 1999. To do so, we assumed that the change in caseload over the course of FY 1999 (a decline of 384,000 families) was equal to the number of cases that opened minus the number of cases which closed. Since we have FY 1999 data on the number of cases that closed (2.5 million, or 95% over the course of the year), we could estimate that the number of cases that opened that year was 2.1 million. Dividing this number by the average caseload for FY 1999 (2.6 million), we generated an annual case opening rate of 80% for FY 1999.

The second step, shown in Table A.4, was to estimate the rate of case opening in FY 2000 — made somewhat more complicated since we lack case closure data for FY 2000, so that we have to estimate that rate as well. To do so, we first applied the FY 1999 case closure and opening rates to the FY 2000 average caseload. If in FY 2000 the case closure rate had been 95% and the case opening rate had been 80%, we would have seen 2.2 million case closures, 1.8 million case openings, and a caseload decline of 323,000. The actual caseload decline reported that year was 196,000. We then assumed that the difference in actual caseload decline and that which would have occurred had the FY 1999 rates applied to FY 2000 — 127,000 cases — was divided between case closures and case openings. In other words, half of the 127,000 case difference (63,500) represented fewer case closures, and the other half represented more case openings. Thus, we arrived at 2.1 million case closures and 1.9 million case openings in FY 2000. Divided by the average caseload that year, we estimated therefore that the case closure rate was 93%, and the case opening rate was 84% annually, or 7% monthly.

Now that we had a case opening rate, we had to apply it to the number of cases containing an adult. To do this, we used actual FY 2000 caseload data on the number of all cases containing an adult (1.6 million, as show in Table A.5). We multiplied the monthly number of case openings to the number of cases with an adult, and got about 100,000 cases monthly as representing the number of cases with an adult in the first month of assistance at any given point in the year.

While this is our best estimate of new entrants in FY 2000, we think that it could overstate or understate the exclusion. First it could overstate the exclusion because there is considerable “churning” in the caseload, i.e., cases closing and reopening in a short period of time and exiters returning to assistance after relatively short exits. We assume that the legislative language for the plan will likely include a provision to prevent states from excluding individuals from the denominator multiple times over the year. On the other hand, the new entrant exclusion could be understated, because new entrants are a combination of cases that include adults and “child-only” cases, but we assume that the 84% annual rate applies equally to child-only cases and cases including an adult. We would anticipate that probably a higher share of both entrants and exiters are cases that include adults, but we had no ready basis from which to adjust for this consideration.

In addition to adjusting for new entrants, the denominator and numerator are adjusted to include for three months families who leave TANF assistance due to employment. To estimate this figure, we had to determine how many cases are closed each month and estimate how many of these were likely to leave assistance due to employment.

We have described above how we arrived (in Table A.4) at a 93% case closure rate for FY 2000. We applied the 93% rate to the 1.6 million cases containing an adult to calculate 1.3 million closed cases containing an adult in FY 2000 (see Table A.5), equivalent to 111,000 cases monthly.

We then needed to determine what percentage of case closures to attribute to employment. It is unclear how this number will be calculated under the Administration's proposal. On one hand, case closure data from FY 1999 (the most recent available) indicate that 23% of case closures were attributable to employment. However, families who leave due to employment are often not coded as having done so, and the most recent synthesis of state leavers' studies reports that 57% of leavers were employed at some point in the quarter after leaving assistance. We concluded that we should work from the 57% employed leavers rate, but that it should be adjusted downward for several reasons. First, leavers studies typically exclude short-term leavers, i.e., administrative churning and those returning to assistance within a month or two, and the rate would be lower if those leavers were included. Second, under the plan, a state cannot continue to count a leaver if he or she returns to assistance in any of the three months after leaving. Third, the 57% figure reflects those employed at any point in the quarter after leaving, while the calculation here is supposed to reflect those who leave due to employment. To reflect these considerations, we opted to use a 50% rate. Note that this will significantly overstate the ability of states to count employed leavers if states must rely on case closure codes rather than wage data matching.

To continue our calculations, we multiplied the monthly number of closed cases containing an adult by 50%, and then multiplied that number by three since employed leavers may count for three months (see Table A.2). We calculated 166,000 employed leavers in this way.

Therefore, the denominator that we calculated for FY 2000 was 1.5 million — made up of 1.4 million families subject to participation requirements and 166,000 employed leavers, minus 100,000 cases in their first month of assistance (see Table A.2).

b. Calculating the Numerator for FY 2000

Under the Administration's proposal, a numerator will have three components. First, the state may count individuals who participate for at least 24 hours a week in one or more "direct work" activities. States will have more flexibility in determining what hours count beyond the first 24, but individuals must participate for 40 hours to fully count. Second, states may substitute other activities for the listed direct work activities for not more than three consecutive months in a 24 month period, with such families still

required to participate for 40 hours a week in order to fully count. We refer to these activities as “short-term approved activities.” Finally, as noted above, states may count individuals who leave assistance due to employment, for not more than three months.

Accordingly, calculating the participation rate numerator for FY 2000 had three steps: determining the number of families that satisfied the 24 hour “direct work” requirement, determining the number of families that could satisfy the requirement for three months through substitute activities, and counting the number of families who left assistance due to employment (as discussed above.)

First, we estimated the number of families who would meet the 24-hour “direct work” requirement (see Table A.1). To do so, we summed the numbers of families counting toward participation rates in FY 2000 through participating in unsubsidized employment, subsidized employment, work experience, community service, on-the-job training, and teens satisfactorily engaged in school completion. In some instances, individuals or families were in more than one activity, and for some states, the total exceeded the number of participants; therefore, we specified that the number countable by engagement in direct work activities could not exceed the total of countable participants for a state.

Once we had a total (of approximately 348,000 families), we needed to determine what share we should treat as meeting the requirements of the Administration’s proposal. The difficulty here is that we know that these families were meeting applicable hourly requirements in FY 2000, but those requirements could have been satisfied by 20 hours of participation for single parents with children under 6, and 30 hours for other participants. So, we have no way to determine what share of these families would have met either a 24-hour standard or a 40-hour standard. According to FY 2000 TANF characteristics data, 12% of all TANF families were participating in activities for 21-30 hours a week, and 18% were participating for 31 hours or more. Unfortunately, the 20 hour participants are excluded from this calculation, and these numbers do not directly correspond to the TANF participation data, but the numbers suggest that at least 40% (12/30) of those with sufficient hours to count toward participation rates had less than 31 hours of activity in an average month.

Under the plan, an adult with exactly 24 hours of direct work will count as 0.6 of a participant, and an adult with 24 hours of direct work and 8 hours of other countable activity will count as 0.8 of a participant (i.e., 32/40 of a participant). Note that this concept is different from current law. For example, under the new plan, if five participants each have 32 countable hours, they will count as four participants.

We decided to assume that the entire group of families counting toward current participation rates through direct work would satisfy the 24 hour requirement (even though this is probably not the case for some of the families). Then, we concluded that it was reasonable to estimate that these families, as a group, were averaging 32 hours of activity. So, we estimated that the 348,000 families would all count toward the participation rate, but as a group, would count as 275,000 participants, i.e., 80% of 348,000.

We then needed to estimate a number for individuals who could count for up to 3 months in a 24-month period by engagement in short-term approved activities. Using FY 2000 participation data, we subtracted the number of participants in direct work activities from the total number of reported participants.

Counting all participants in activities other than direct work would overstate the number of countable participants in short-term approved activities, since under the proposal individuals may only count in short-term approved activities for 3 consecutive months in any 24 month period. Thus, if the caseload were constant and unchanging, on average, no more than 1/8 of families each month could count through engagement in substitute activities. We know that many families are coming in and out of the caseload; in FY 1999, the number of case closures nearly equaled the caseload. At the same time, we know that the caseload is not completely “turning over” during the course of the year, since some of the families receiving assistance in FY 1999 are still receiving assistance in FY 2000. Accordingly, we applied a rule saying that the numbers countable through participation in substitute activities could not exceed 1/6 of a state’s caseload, i.e., a midpoint between one-eighth and one-fourth. And, as with direct work participants, we estimated that these families in short-term approved activities, as a group, were averaging 32 hours of activity. So, we estimated that the 47,000 families would all count toward the participation rate, but as a group, would count as 39,000 participants, i.e., 80% of 47,000.¹⁰

The numerator also includes the number of employed leavers calculated for the denominator. As Table A.1 shows, for FY 2000, we estimate that the numerator nationally would total approximately 490,000, with 275,000 representing participants in direct work activities, 39,000 participants in short-term approved activities, and 167,000 employed leavers.

2. Estimating the Number of Participants in FY 2001 and FY 2002

Once we calculated state participation rates for FY 2000, we needed to estimate the likely numbers of participants for FY 2001 and 2002, in order to have a basis for estimating how many additional participants states would need in subsequent years.

We first calculated the numerator for FY 2001. Since we did not have participation data for FY 2001, we applied our FY 2000 percentages of direct work participants to the FY 2001 caseload to estimate numbers of direct work participants in FY 2001 (see Table B.1). We calculated that the ratio of the FY 2001 caseload to the FY 2000 caseload was 0.94, and we assumed that the ratio of participants in FY 2001 to participants in FY 2000 would be the same. Thus, we arrived at 253,000 participants in direct work activities in FY 2001. We did the same calculation for adults in short-term approved activities and calculated that 37,000 adults would participate in short-term approved activities.

We also estimated a new rate of case closure and case opening in FY 2001, based on the slower rate of caseload decline over FY 2001 (see Table B.3) than FY 2000. Following

the same calculations we did to estimate the rates in FY 2000, we calculated that in FY 2001 the rate of case opening was 87% annually (i.e., 7.25% monthly), and the rate of case closure was 90% (7.5% monthly). This then affected the number of employed leavers we calculated for FY 2001 (see Table B.2). Note that because we had no information on the share of cases containing an adult in FY 2001, we simply applied the same share as we had calculated for FY 2000.

Once we had estimated a numerator and denominator in FY 2001, we calculated the participation rate for that year would have been 32.3% (see Table B.5).

Then, we applied the same series of calculations for FY 2002, assuming that the overall caseload and the share of cases with an adult would remain constant. Keeping the caseload constant meant that the case closure and case opening rates would be equal, and we estimated both to be 89% annually, i.e., 7.33% monthly. This slightly affected the participation rate, generating an estimated participation rate of 32.1% in FY 2002, as shown in Table C.5.

3. Estimating Participation for FY 2003-2007

In estimating participation for FY 2003-2007, we needed to determine:

- the required participation rates that states would need to meet each year;
- the numbers of additional participants that states would seek to engage in FY 2003 and 2004 in order to ensure that they were able to meet the required rates in those years and to “ramp up” in order to meet required rates in FY 2005; and
- the total number of recipients that a state would need to work with to attain a given participation rate, i.e., to attain a given participation rate, how many recipients would a state seek to engage in work activities.

Under the Administration’s proposal, the listed rate would increase from 50% in FY 2003 to 70% in FY 2007, increasing by five percentage points each year. The caseload reduction credit would remain available in FY 2003, would be phased out by half in FY 2004, and would be fully phased out as of FY 2005. Accordingly:

- In FY 2003, since the caseload reduction credit is fully available, states would have a listed rate of 50% and an effective rate of 0% (unless, due to caseload increases, they no longer have had a 50% caseload decline since FY 1995).
- In FY 2004, the listed rate would be 55%, states would only be able to claim half of the caseload reduction credit (presumably, 27.5%, unless due to caseload increases, they have not had a 55% caseload decline since FY 1995), and so the effective rate would be 27.5%.
- In FY 2005, the listed rate would be 60%, and with no caseload reduction credit, the effective rate would also be 60%.
- In FY 2006, the listed and effective rate would be 65%; in FY 2007, the listed and effective rate would be 70%.

In this framework, it is clear that states would need to meet rates of 60% in FY 2005, 65% in FY 2006, and 70% in FY 2007. However, in FY 2003 and 2004, many states

would still satisfy the participation rates without additional activity due to the continuing availability of the caseload reduction credit.

It is highly unlikely, though, that a state facing a rate of 60% in FY 2005 would wait until the beginning of FY 2005 to alter its performance. Rather, we concluded that states would “ramp up,” with some increase in FY 2003, and a greater increase in FY 2004. Specifically, we estimated that whatever the gulf between a state’s FY 2002 participation rate and the numbers needed to attain a 60% rate in FY 2005, the state would seek to address 20% of the difference in FY 2003, 40% in FY 2004, and 40% in FY 2005.

We then needed to determine how many families a state would need to engage to meet a given participation rate. It is broadly recognized among program administrators and in the work-welfare literature that to achieve any given participation rate, one must place a larger number of recipients in program activities, since in any given month, some number of assigned participants do not meet the required standards, for many reasons: illness of parent, illness of children, emergencies, court obligations, transportation breakdowns, child care breakdowns, exits from assistance, participant noncompliance, etc. We opted to assume a 75% success rate, i.e., that a state would need to work with 100 recipients to attain 75 countable participants (or, stated differently, if 100 recipients were, as a group, meeting the 24-hour threshold and engaging in an average of 30 hours a week, a state would have 75 countable participants). Some observers suggested that this estimate was too conservative, and that given the nature of the 40-hour requirements, a state would need to work with its entire caseload to attain even a 60% participation rate. Table D.1 estimates the additional number of participants needed to achieve the target rates each year from FY 2003 – FY 2007, as well as the number of participants states would need to engage in order to successfully get the number required to meet the rate. Our estimate is that the number of additional participants needed ranges from 76,000 in FY 2003 to 514,000 in FY 2007, with another 570,000 needed to be engaged across all five years in order to meet the participation rates.

4. Determining Work Program Costs

Once we determined the number of additional participants a state would need each year, we needed to apply an estimate of additional work program costs per participant. To do so, we drew from research literature concerning the historic and projected costs associated with operating unpaid work experience programs. We do so because for adults, the “direct work” requirements can only be satisfied through unsubsidized employment, subsidized employment, a supervised work experience or community service program, or on-the-job training. Historically, on-the-job training has always been a very small part of state efforts. So, for individuals who cannot attain unsubsidized employment, the principal choice for states will likely be subsidized employment or work experience programs. Relative to subsidized employment programs, unpaid work experience will be less expensive and therefore we assume the preferred approach for the bulk of those whom states seek to engage. In making this estimate, we are not assuming that it will be the only additional direct work activity states use, but rather, that other activities are likely to have comparable or greater costs.

Note that states could also respond to these requirements by altering their program eligibility rules so that low-income working families become more likely to qualify for and receive TANF assistance. However, we were hesitant to assume that states would actively seek to increase the number of families receiving assistance. Note that if states were to do so, they would incur the costs of cash assistance, case management, administration, and supportive services for such families.

We looked to various welfare-to-work analyses to estimate the cost of unpaid work experience. One source for such data is the synthesis of research conducted by MDRC on Community Work Experience Programs (CWEP) in the 1980s, which describes a range of annual costs per filled slot from \$700 to \$8,200.¹¹ In a subsequent analysis of this same set of studies, a narrower range of \$2,000 to \$4,000 annually, per filled slot is reported (p. 55).¹² We also reviewed cost data from the National Evaluation of Welfare-to-Work Strategies, which describes a range from \$550 to \$6,900 annually, per filled slot in the unpaid work experience programs in the various NEWS sites.¹³ Johanna Walter, at MDRC, advised us that a figure of \$3,000 per year, per filled slot, the mid-point of the range of costs from the earlier synthesis, and somewhat below the midpoint for the data reported in the NEWS evaluation, was a reasonable estimate of the average current costs for this activity.

In our estimate of costs for the Administration's proposal, we applied an inflation adjustment of 2.4% for FY 2003 and 2.5% annually thereafter (consistent with Congressional Budget Office projections of the percentage increase in the Consumer Price Index) to determine costs for the period of FY's 2003 through 2007.¹⁴

While the \$3,000 figure seems reasonable, if not conservative, for work program costs, we are concerned that it may significantly understate the actual costs states will face. Some administrators have informally advised us that current average costs considerably exceed a \$3000 figure. And, as participation rates increase, states will increasingly face the need to engage families with the most serious barriers to employment, and program costs for those families are likely to be significantly higher than average costs for earlier programs.

Note that in making our estimates of additional program costs, we treated two factors as offsetting. First, at any given point, there are a number of people participating in activities but not meeting requirements to count toward federal participation rates. For example, in FY 2000, when 395,000 families were counting toward participation rates, there were 631,000 adults reported to be engaged in some form of work-related activity for some number of hours. This is a mix of people, including those employed for less than 20 hours a week, those participating in activities not countable toward federal participation rates, and those participating in countable activities, but for a level below the required hours threshold, either due to individual capacity, state scheduling choices, noncompliance, or other reasons. Presumably, some of these families may be reasonably close to reaching a 24-hour threshold, and the cost of doing so may be less than the \$3,000 per participant average discussed above. (Note, however, that for a parent

engaged in unsubsidized employment for 19 hours a week because those are the employers' preferred hours, it is not clear that the program will be able to do anything to increase hours other than create a new activity.)

Second, in many cases, states will need to combine direct work activities with other program activities to approach a 40-hour standard. In most states, a working family loses eligibility for assistance long before the parent begins working 40 hours a week, so families receiving assistance while employed are likely to have less than 40 hours of employment. And, since the required hours of participation in unpaid work experience may not exceed the combination of the family's TANF and Food Stamp assistance divided by the minimum wage, states will not be able to generate 40-hour participants through work experience participation. Accordingly, states will need to generate participation in other activities to approach 40 hours, and we have not built in a separate estimate of that cost. Moreover, even if the caseworker simply identifies activities that are available in the community at no cost to the agency, there will be additional case management, monitoring, and tracking time, and in those instances in which agencies need to fund and create additional activities, the costs could be significant.

While we are treating these factors as offsetting, we suspect that overall use of a \$3,000 unit cost per additional participant could be a substantial understatement.

Using this assumption, we calculate that total service costs for the additional participants (and those who are engaged but who do not achieve the participation rate) grows from \$312 million in FY 2003 to \$2.3 billion in FY 2007, for a five-year total of \$7.1 billion (see Table D.2).

5. Estimating Child Care Costs for Additional Full-Time Work Participants

In seeking to estimate additional child care costs, we considered three factors: the number of additional participants likely to need child care assistance; the number of children for which they would need assistance; and the estimated expenditure per child.

First, we estimate that states would need to pay for child care costs for 52% of the additional participating and engaged families. There is no national data specifying the current uptake rates for child care assistance by TANF recipients participating in work-related activities. However, even if such data were available, it would presumably understate the anticipated take-up rate for families facing 40-hour-a-week activity requirements. To estimate the likely utilization by families engaged in full-time activities, we looked at national data from the Urban Institute indicating that:

- 52% of employed single parents at all income levels and with children under age 13 pay for child care;
- 52% of families with children under age 13 and working full-time (defined as 35 hours or more) pay for child care; and
- 50% of employed single parents with children under age 13 and incomes under 200% of poverty pay for child care.¹⁵

Each of these figures suggested to us that an estimated take-up rate in the range of 52% is appropriate. Some observers advised us that they consider this estimate too low, in light of the fact that states would presumably want to ensure stable, reliable child care arrangements in order to encourage consistent participation. At the same time, we considered the facts that not all TANF families have children under 13, and concluded that an overall 52% utilization rate would be reasonable.

We considered whether to reduce utilization rates because some families may satisfy part of the 40-hour requirements by engaging in structured activities with their children. We understand that Administration officials have emphasized that activities “to promote child well-being,” including participation in structured activities with children, could count toward satisfying 16 hours of activity, and that families presumably would not need child care assistance for that period. However, we were hesitant to reduce the estimated utilization rate for a number of reasons:

- First, until now, the principal focus of states has been on engaging families in activities intended to promote workforce participation, and it seemed speculative to assume that states would significantly alter that focus;
- Second, states are likely to schedule families for more than 24 hours of participation in direct work activities. This is because under the proposed approach, the state will get partial credit for individuals participating less than 40 hours, so long as they fully satisfy their required participation in direct work activities. For example, a state would get partial credit for an individual in direct work activities for 24 hours and in other activities for 1 hour, but would get no credit for an individual participating in direct work activities for 23 hours and other activities for 16 hours. To avoid this risk of no credit, we assume states will typically schedule participants for significantly more than 24 hours of direct work activities, so families will often need full-time care just to meet direct work requirements;
- Third, on average, parents have two children, so unless they are participating in structured activities with all children simultaneously, parents will often need care for one child even if engaged in structured activities with the other child.

For all of these reasons, we were hesitant to make a downward adjustment in utilization rates based on the fact that child well-being activities could count toward part of the 40-hour requirement. As discussed below, the fact that fewer hours of care might sometimes be needed is reflected by our use of a CCDF per child expenditure calculation that combines expenditures for families with full-time and part-time child care arrangements.

For families that would receive child care subsidies, for how many children would subsidies be provided? Using FY 1999 CCDF data reported by HHS’s Child Care Bureau, we found that for every family served with a subsidy, there were approximately 1.68 children served.¹⁶ Therefore, we multiply the number of additional participating and engaged families needing care by 1.68 to determine the number of children needing subsidy assistance.

To determine the likely expenditure for each additional child, we estimated a CCDF “per child expenditure” by dividing FY 2000 CCDF expenditure data by the number of

children reported served in that year. Using the FY 2000 data of \$6,772,836,528¹⁷ serving 1,870,000 children,¹⁸ we obtain a FY 2000 national average unit expenditure figure of \$3,622 per child receiving CCDF-funded child care subsidy assistance. The inflation-adjusted per child unit expenditure, using the Congressional Budget Office's projected percentage increase in the Consumer Price Index, is \$3,896 for FY 2003 and \$4,300 for FY 2007.

We believe that using the per child expenditure data may understate likely average costs for several reasons. First, the FY 2000 data reflects child care costs for a mixture of families with full- and part-time participation, while participants here would typically be full-time participants. Second, as states seek to engage families with the most serious barriers, there will be a higher share of new participants with children with disabilities, along with a greater need for sick child care, and night and weekend care. The fact that such care is limited in supply and is often expensive when available suggests higher than average costs for these new participants.¹⁹ Third, CCDF participants are a mixture of TANF recipients, former TANF recipients, and other low-income families; families with relatively lower incomes generally receive larger subsidies, since they have reduced or no copayment requirements. Accordingly, applying the average expenditure for all families to these new TANF recipients engaging in full-time work activities does not reflect that some CCDF families were only receiving part-time care or receiving partial subsidies. Finally, we have assumed that average per child expenditures would increase by the rate of inflation using the Consumer Price Index. However, the rate of increase in per child expenditures between FY 1998 and FY 2000 substantially exceeded the rate of increase in the Consumer Price Index.

Using the assumptions described above, we calculated the child care costs for the additional participating and engaged adults, estimated with the 52% take-up rate. These costs would range from \$345 million in FY 2003 to \$2.6 billion in FY 2007, resulting in a total cost of \$7.9 billion over five years (see Table D.2).

6. Costs Associated with Preventing Displacement of Child Care Assistance for Other Children in Low-Income Working Families

Our focus in this analysis is on the costs of meeting the welfare work requirements in the Administration's proposal. However, a closely related question is what it would cost to meet the welfare work requirements without reducing child care assistance for other low-income working families. In the Administration's proposed FY 2003 budget, child care funding is frozen at FY 2002 levels through FY 2007. However, in light of inflationary increases in the cost of care, FY 2002 levels of funding will not be sufficient to allow states to provide their current levels of service. We estimate that it would cost approximately \$4.2 billion in additional child care expenditures over five years to keep pace with inflation. It is important to note that these additional funds would just maintain current services, and would not allow states to meet more of the current unmet need for child care subsidies nor increase current levels of investments in improving the quality of child care services.

In making this calculation, we start with HHS's total estimated amount of federal and state child care funding that would be available to states in FY 2002 from the CCDF, TANF, and Social Services Block Grants. In testimony before the House Education and Workforce Committee, Secretary Tommy Thompson indicated that \$11 billion would be available for investment in child care services.²⁰ We therefore assume that in order to maintain the same amount of child care services purchased in FY 2002, states would need access to an amount of child care funding equal to this FY 2002 baseline level of \$11 billion increased by an inflation adjustment through FY 2007.

Using the above methodology, we estimate that states would need at least an additional \$264 million in FY 2003, increasing to an additional \$1.4 billion in FY 2007, to make up for the effects of inflation measured by the Congressional Budget Office's projected percentage change in the Consumer Price Index between FY 2003 and FY 2007. Therefore, at least \$4.2 billion in additional child care funding over five years would be necessary to keep pace with inflationary pressures so that states would be able to make the same level of child care investments in services for low-income working families in FY 2007 as they did in FY 2002.

7. Totals, Discussion, and Conclusion

In applying the step-by-step process described here, we ultimately conclude, using the best available data, the costs of implementing the Administration's proposed plan, assuming a constant caseload over the next five years, would be in the range of \$15.1 billion. And, if states would hope to meet the work requirements without curtailing current levels of child care assistance for other low-income working families, at least \$4.2 billion in additional funding over five years would also be needed.

Appendix B

Participation Requirements in the Administration's Proposal — A Summary

Participation rates: The Administration would eliminate the separately-calculated two parent rate, and have all families subject to a single rate, which would rise from 50% in 2003 to 70% in 2007. The current caseload reduction credit would be phased out, with states receiving half of the current credit in 2004, and no credit beginning in 2005. In practice, this would mean that if a state's current adjusted rate is 10% (due to caseload decline), the state's rate would increase to 27.5% in 2004 (i.e., half of 55%), and to 60% in 2005.

Who would be counted in the rate calculation: The rate would be calculated based on counting all families with one or more adults and in which the youngest child is at least one year old. States could exclude families for the first month after a case is opened.

How many hours of activity would be required: All families would be subject to a 40-hour/week requirement, in contrast to current law (in which single parents with children under 6 must meet a 20-hour requirement and other families must meet a 30-hour requirement).

What activities would count toward the rates: The key rules governing what would count are:

- Generally, in order to count, an individual must have at least 24 hours per week in unsubsidized or subsidized employment, on the job training, or supervised work experience or community service activities.
- If an individual was satisfying the 24 hour/week rule above, the state would have discretion to define other approved activities counting toward the remaining 16 hours of participation, consistent with the purposes of TANF.
- If an individual was participating less than 40 hours, the state could receive a pro-rata credit so long as the 24-hour direct work requirement was met.
- For up to three consecutive months in a 24-month period, states could count participation in short-term substance abuse treatment, rehabilitation, and work-related training as meeting the 24-hour direct work requirement.
- Individuals who leave welfare due to employment could count toward the rates for the first three months after leaving.
- Teen parents would be considered to meet the 24-hour direct work requirement and 40-hour full participation requirement by maintaining satisfactory school attendance, but would otherwise be subject to the requirements.

Universal Engagement: All families would be required to have an individualized plan for pursuing their maximum degree of self-sufficiency, and to be participating in constructive activities in accordance with their plan, within 60 days of opening an ongoing TANF case.

Cost Analysis Tables

TABLE A.1. FY2000 NUMERATOR: ESTIMATED ADULTS IN DIRECT WORK ACTIVITIES, EMPLOYED LEAVERS, AND ADULTS IN SHORT-TERM APPROVED ACTIVITIES

Average Monthly Number of Adults Engaged in Work by Work Activity for Families Counted as Participating in the All Families Work Rates							
A	B	C	D	E	F	G	H
UNSUBSIDIZED EMPLOYMENT	SUBSIDIZED PRIVATE EMPLOYMENT	SUBSIDIZED PUBLIC EMPLOYMENT	WORK EXPERIENCE	ON-THE-JOB TRAINING	COMMUNITY SERVICE	SATISFACTORY SCHOOL ATTENDANCE	SUM OF THOSE IN DIRECT WORK ACTIVITIES (NOT TO EXCEED 100% OF PARTICIPATING FAMILIES)
<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	(A+B+C+D+E+F+G)
259,987	2,836	2,875	41,931	1,376	25,284	14,603	348,892

J	K	L	M	N
PRO-RATED NUMBER OF PARTICIPANTS IN DIRECT WORK ACTIVITIES (80% OF SUM)	ADULTS IN SHORT-TERM APPROVED ACTIVITIES (NOT TO EXCEED 17% OF ELIGIBLE ADULTS)	PRO-RATED NUMBER OF PARTICIPANTS IN SHORT-TERM APPROVED ACTIVITIES (80% OF SUM)	EMPLOYED LEAVERS	NUMERATOR: ADULTS IN DIRECT WORK AND SHORT-TERM APPROVED ACTIVITIES AND EMPLOYED LEAVERS
<i>(H*80%)</i>	<i>From FY00 figures: All participating adults minus those in direct work activities</i>	<i>(J*80%)</i>	<i>Table A.2, Column H</i>	<i>(J+L+M)</i>
275,161*	46,920	38,943	166,781*	480,886

* Figures denoted with an asterisk represent the sum of state figures which may not match exactly with the same operation performed only on national totals.

TABLE A.2. FY2000 DENOMINATOR: ESTIMATED FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS MINUS CASES IN THEIR FIRST MONTH OF ASSISTANCE PLUS EMPLOYED LEAVERS

ESTIMATED FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS								
A	B	C	D	E	F	G	H	J
NUMBER OF FAMILIES USED IN ALL FAMILIES RATE ¹	SUBJECTED TO A SANCTION	PART OF AN ONGOING RESEARCH EVALUATION	INCONSISTENCY UNDER AN APPROVED WELFARE REFORM WAIVER	SUBTOTAL	CASE OPENINGS PER MONTH	ESTIMATED NUMBER OF FAMILIES CONTAINING AN ADULT IN FIRST MONTH OF CASH ASSISTANCE	EMPLOYED LEAVERS, ASSUMING A 50% EMPLOYMENT RATE AMONG CASE CLOSURES WITH ADULTS (MULTIPLIED BY THREE BECAUSE COUNTABLE FOR THREE MONTHS)	DENOMINATOR: AVERAGE MONTHLY NUMBER OF FAMILIES SUBJECT TO PARTICIPATION, MINUS THOSE IN FIRST MONTH OF ASSISTANCE, PLUS EMPLOYED LEAVERS
<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>(A+B+C+D)</i>	<i>(Table A.5, Column G)</i>	<i>(Table A.5, Column H)</i>	<i>((Table A.5, Column F)*50%*3)</i>	<i>(E-G+J)</i>
1,260,392	45,476	3,059	92,830	1,401,757	7%	100,450	166,781	1,468,088

TABLE A.3. FY1999: ESTIMATED RATE OF CASE OPENING

A	B	C	D	E	F	G	H
AVERAGE TOTAL FAMILIES FY99	CASES WHICH CLOSED DURING FY99	RATE OF CASE CLOSURE FY99	CASES 10/98 (start of FY99)	CASES 9/99 (end of FY99)	CASELOAD CHANGE DURING FY99	CASES WHICH OPENED DURING FY99	RATE OF CASE OPENING FY99
<i>ACF figures FY99</i>	<i>ACF figures FY99</i>	<i>(B/A)</i>	<i>ACF figures FY99</i>	<i>ACF figures FY99</i>	<i>(E-D)</i>	<i>(F+B)</i>	<i>(G/A)</i>
2,648,462	2,513,699	95%	2,852,407	2,467,948	(384,459)	2,127,240	80%

TABLE A.4. FY 2000: ESTIMATED RATES OF CLOSURE AND OPENING

A	B	C	D	E	F	G
AVERAGE TOTAL FAMILIES FY00	CASES 10/99 (start of FY00)	CASES 9/00 (end of FY00)	CASELOAD CHANGE DURING FY00	CASES WHICH WOULD HAVE CLOSED DURING FY00, USING FY99 CASE CLOSURE RATE	CASES WHICH WOULD HAVE OPENED DURING FY00, USING FY99 CASE OPENING RATE	CASELOAD CHANGE WHICH WOULD HAVE OCCURRED, USING FY99 CLOSURE AND OPENING RATES
<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>(C-B)</i>	<i>(A*Table A.3, Column C)</i>	<i>(A*Table A.3, Column H)</i>	<i>(F-E)</i>
2,269,131	2,382,646	2,186,508	(196,138)	2,165,922	1,841,975	(323,947)

H	J	K	L	M
DIFFERENCE BETWEEN ACTUAL CASELOAD CHANGE AND CHANGE USING FY99 RATES	NUMBER OF CLOSED CASES FY00, ACCOUNTING FOR HALF THE DIFFERENCE IN CASELOAD CHANGE	NUMBER OF OPENING CASES FY00, ACCOUNTING FOR HALF THE DIFFERENCE IN CASELOAD CHANGE	RATE OF CASE CLOSURE FY00	RATE OF CASE OPENING FY00
<i>(G-D)</i>	<i>(E+(0.5*H))</i>	<i>(F-(0.5*H))</i>	<i>(J/A)</i>	<i>(K/A)</i>
(127,809)	2,102,018	1,905,880	93%	84%

TABLE A.5. FY2000: ESTIMATED NUMBER OF OPENED AND CLOSED CASES CONTAINING AN ADULT

A	B	C	D	E	F	G	H
AVERAGE TOTAL FAMILIES	AVERAGE CASES CONTAINING AN ADULT	SHARE OF CASES CONTAINING AN ADULT	RATE OF CASE CLOSURE	NUMBER OF CLOSED CASES CONTAINING AN ADULT	MONTHLY NUMBER OF CLOSED CASES CONTAINING AN ADULT	MONTHLY RATE OF CASE OPENING	MONTHLY NUMBER OF OPENED CASES CONTAINING AN ADULT
<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>(B/A)</i>	<i>Table A.4, Column L</i>	<i>(B*D)</i>	<i>(E/12)</i>	<i>((Table A.4, Column M) / 12)</i>	<i>(B*G)</i>
2,269,131	1,487,580	66%	93%	1,334,251*	111,188*	7%	100,450*

TABLE A.6. FY2000: ESTIMATED PARTICIPATION RATE UNDER ADMINISTRATION'S PROPOSAL

NUMERATOR				DENOMINATOR				
ADULTS IN DIRECT WORK ACTIVITIES	ADULTS IN SHORT-TERM APPROVED ACTIVITIES	EMPLOYED LEAVERS	TOTAL	FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS	EMPLOYED LEAVERS	(CASES IN FIRST MONTH OF ASSISTANCE)	TOTAL	PARTICIPATION RATE
275,161	38,943	166,781	480,886	1,401,757	166,781	100,450	1,468,088	32.8

* Figures denoted with an asterisk represent the sum of state figures which may not match exactly with the same operation performed only on national totals.

TABLE B.1. FY2001 NUMERATOR: ESTIMATED ADULTS IN DIRECT WORK ACTIVITIES, EMPLOYED LEAVERS, AND ADULTS IN SHORT-TERM APPROVED ACTIVITIES

A	B	C	D	E	F	G
RATIO OF FY01 CASELOAD TO FY00 CASELOAD	ADULTS IN DIRECT WORK ACTIVITIES FY00	ADULTS IN DIRECT WORK ACTIVITIES FY01	ADULTS IN SHORT-TERM APPROVED ACTIVITIES FY00	ADULTS IN SHORT-TERM APPROVED ACTIVITIES FY01	EMPLOYED LEAVERS	NUMERATOR: ADULTS IN DIRECT WORK AND SHORT-TERM APPROVED ACTIVITIES AND EMPLOYED LEAVERS
<i>ACF FY00 and FY01 figures</i>	<i>Table A.1, Column J</i>	<i>(B*A)</i>	<i>Table A.1, Column L</i>	<i>(D*A)</i>	<i>Table B.2, Column F</i>	<i>(C+E+F)</i>
0.94	275,161	253,962	38,943	36,922	151,941	442,825

TABLE B.2. FY2001 DENOMINATOR: ESTIMATED FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS MINUS CASES IN THEIR FIRST MONTH OF ASSISTANCE PLUS EMPLOYED LEAVERS

A	B	C	D	E	F	G
RATIO OF FY01 CASELOAD TO FY00 CASELOAD	FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS FY00	FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS FY01	CASE OPENINGS PER MONTH	ESTIMATED NUMBER OF FAMILIES CONTAINING AN ADULT IN FIRST MONTH OF CASH ASSISTANCE	EMPLOYED LEAVERS, ASSUMING A 50% EMPLOYMENT RATE AMONG CASE CLOSURES WITH ADULTS (MULTIPLIED BY THREE BECAUSE COUNTABLE FOR THREE MONTHS)	DENOMINATOR: AVERAGE MONTHLY NUMBER OF FAMILIES SUBJECT TO PARTICIPATION, MINUS THOSE IN FIRST MONTH OF ASSISTANCE, PLUS EMPLOYED LEAVERS
<i>ACF FY00 and FY01 figures</i>	<i>Table A.2, Column E</i>	<i>(B*A)</i>	<i>Table B.4, Column G</i>	<i>Table B.4, Column H</i>	<i>((Table B.4, Column F)*50%*3)</i>	<i>(C-E+F)</i>
0.94	1,401,757	1,316,950*	7%	97,124	151,941	1,371,766

* Figures denoted with an asterisk represent the sum of state figures which may not match exactly with the same operation performed only on national totals.

TABLE B.3. FY2001: ESTIMATED RATES OF CASE CLOSURE AND OPENING

A	B	C	D	E	F	G
AVERAGE TOTAL FAMILIES FY01	CASES 10/00 (start of FY01)	CASES 9/01 (end of FY01)	CASELOAD CHANGE DURING FY01	CASES WHICH WOULD HAVE CLOSED DURING FY01, USING FY00 CASE CLOSURE RATE	CASES WHICH WOULD HAVE OPENED DURING FY01, USING FY00 CASE OPENING RATE	CASELOAD CHANGE WHICH WOULD HAVE OCCURRED, USING FY00 CLOSURE AND OPENING RATES
<i>ACF figures FY01</i>	<i>ACF figures FY00</i>	<i>ACF figures FY00</i>	<i>(C-B)</i>	<i>(A*Table A.4, Column L)</i>	<i>(A*Table A.4, Column M)</i>	<i>(F-E)</i>
2,123,306	2,173,989	2,102,719	(71,270)	1,967,329*	1,793,942*	(173,387)

H	J	K	L	M
DIFFERENCE BETWEEN ACTUAL CASELOAD CHANGE AND CHANGE USING FY00 RATES	NUMBER OF CLOSED CASES FY01, ACCOUNTING FOR HALF THE DIFFERENCE IN CASELOAD CHANGE	NUMBER OF OPENING CASES FY01, ACCOUNTING FOR HALF THE DIFFERENCE IN CASELOAD CHANGE	RATE OF CASE CLOSURE FY01	RATE OF CASE OPENING FY01
<i>(G-D)</i>	<i>(E+(0.5*H))</i>	<i>(F-(0.5*H))</i>	<i>(J/A)</i>	<i>(K/A)</i>
(102,117)	1,916,271	1,845,001	90%	87%

* Figures denoted with an asterisk represent the sum of state figures which may not match exactly with the same operation performed only on national totals.

TABLE B.4. FY2001: ESTIMATED NUMBER OF OPENED AND CLOSED CASES CONTAINING AN ADULT

A	B	C	D	E	F	G	H
AVERAGE TOTAL FAMILIES	SHARE OF CASES CONTAINING AN ADULT FY00	AVERAGE CASES CONTAINING AN ADULT	RATE OF CASE CLOSURE	NUMBER OF CLOSED CASES CONTAINING AN ADULT	MONTHLY NUMBER OF CLOSED CASES CONTAINING AN ADULT	MONTHLY RATE OF CASE OPENING	MONTHLY NUMBER OF OPENED CASES CONTAINING AN ADULT
<i>ACF figures FY01</i>	<i>Table A.5, Column C</i>	<i>(A*B)</i>	<i>Table B.3, Column L</i>	<i>(C*D)</i>	<i>(E/12)</i>	<i>((Table B.3, Column M)/12)</i>	<i>(C*G)</i>
2,123,306	66%	1,388,709*	90%	1,215,525*	101,294	7%	97,124*

TABLE B.5. FY2001: ESTIMATED PARTICIPATION RATE UNDER ADMINISTRATION'S PROPOSAL

NUMERATOR				DENOMINATOR				
ADULTS IN DIRECT WORK ACTIVITIES	ADULTS IN SHORT-TERM APPROVED ACTIVITIES	EMPLOYED LEAVERS	TOTAL	FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS	EMPLOYED LEAVERS	(CASES IN FIRST MONTH OF ASSISTANCE)	TOTAL	PARTICIPATION RATE
253,962	36,922	151,941	442,825	1,316,950	151,941	97,124	1,371,766	32.3

* Figures denoted with an asterisk represent the sum of state figures which may not match exactly with the same operation performed only on national totals.

TABLE C.1. FY2002 NUMERATOR: ESTIMATED ADULTS IN DIRECT WORK ACTIVITIES, EMPLOYED LEAVERS, AND ADULTS IN SHORT-TERM APPROVED ACTIVITIES

A	B	C	D	E	F	G
RATIO OF ASSUMED FY02 CASELOAD TO FY00 CASELOAD	ADULTS IN DIRECT WORK ACTIVITIES FY00	ADULTS IN DIRECT WORK ACTIVITIES FY02	ADULTS IN SHORT-TERM APPROVED ACTIVITIES FY00	ADULTS IN SHORT-TERM APPROVED ACTIVITIES FY02	EMPLOYED LEAVERS	NUMERATOR: ADULTS IN DIRECT WORK AND SHORT-TERM APPROVED ACTIVITIES AND EMPLOYED LEAVERS
<i>(Table B.3, Column C / Table A.5, Column A)</i>	<i>Table A.1, Column J</i>	<i>(B*A)</i>	<i>Table A.1, Column L</i>	<i>(D*A)</i>	<i>Table C.2, Column F</i>	<i>(C+E+F)</i>
0.93	275,161	250,589*	38,943	36,775*	148,061	435,425

TABLE C.2. FY2002 DENOMINATOR: ESTIMATED FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS MINUS CASES IN THEIR FIRST MONTH OF ASSISTANCE PLUS EMPLOYED LEAVERS

A	B	C	D	E	F	G
RATIO OF FY02 CASELOAD TO FY00 CASELOAD	FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS FY00	FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS FY02	CASE OPENINGS PER MONTH	ESTIMATED NUMBER OF FAMILIES CONTAINING AN ADULT IN FIRST MONTH OF CASH ASSISTANCE	EMPLOYED LEAVERS, ASSUMING A 50% EMPLOYMENT RATE AMONG CASE CLOSURES WITH ADULTS (MULTIPLIED BY THREE BECAUSE COUNTABLE FOR THREE MONTHS)	DENOMINATOR: AVERAGE MONTHLY NUMBER OF FAMILIES SUBJECT TO PARTICIPATION, MINUS THOSE IN FIRST MONTH OF ASSISTANCE, PLUS EMPLOYED LEAVERS
<i>(Table B.3, Column C / Table A.5, Column A)</i>	<i>Table A.2, Column E</i>	<i>(B*A)</i>	<i>Table C.4, Column G</i>	<i>Table C.4, Column H</i>	<i>((Table C.4, Column F)*50%*3)</i>	<i>(C-E+F)</i>
0.93	1,401,757	1,306,237*	7%	98,707	148,061	1,355,590

* Figures denoted with an asterisk represent the sum of state figures which may not match exactly with the same operation performed only on national totals.

TABLE C.3. FY2002: ESTIMATED RATES OF CASE CLOSURE AND OPENING

A	B	C	D	E	F	G
AVERAGE TOTAL FAMILIES FY02	CASES 10/01 (start of FY02)	CASES 9/02 (end of FY02)	CASELOAD CHANGE DURING FY02	CASES WHICH WOULD HAVE CLOSED DURING FY02, USING FY01 CASE CLOSURE RATE	CASES WHICH WOULD HAVE OPENED DURING FY02, USING FY01 CASE OPENING RATE	CASELOAD CHANGE WHICH WOULD HAVE OCCURRED, USING FY00 CLOSURE AND OPENING RATES
<i>Assumed same as 9/01 ACF figures</i>	<i>Assumed no change</i>	<i>Assumed no change</i>	<i>(C-B)</i>	<i>(A*Table B.3, Column L)</i>	<i>(A*Table B.3, Column M)</i>	<i>(F-E)</i>
2,102,719	2,102,719	2,102,719	0	1,907,408*	1,843,848*	(63,560)

H	J	K	L	M
DIFFERENCE BETWEEN ACTUAL CASELOAD CHANGE AND CHANGE USING FY00 RATES	NUMBER OF CLOSED CASES FY01, ACCOUNTING FOR HALF THE DIFFERENCE IN CASELOAD CHANGE	NUMBER OF OPENING CASES FY01, ACCOUNTING FOR HALF THE DIFFERENCE IN CASELOAD CHANGE	RATE OF CASE CLOSURE FY02	RATE OF CASE OPENING FY02
<i>(G-D)</i>	<i>(E+(0.5*H))</i>	<i>(F-(0.5*H))</i>	<i>(J/A)</i>	<i>(K/A)</i>
(63,560)	1,875,628	1,875,628	89%	89%

* Figures denoted with an asterisk represent the sum of state figures which may not match exactly with the same operation performed only on national totals.

TABLE C.4. FY2001: ESTIMATED NUMBER OF OPENED AND CLOSED CASES CONTAINING AN ADULT

A	B	C	D	E	F	G	H
AVERAGE TOTAL FAMILIES	SHARE OF CASES CONTAINING AN ADULT FY00	AVERAGE CASES CONTAINING AN ADULT	RATE OF CASE CLOSURE	NUMBER OF CLOSED CASES CONTAINING AN ADULT	MONTHLY NUMBER OF CLOSED CASES CONTAINING AN ADULT	MONTHLY RATE OF CASE OPENING	MONTHLY NUMBER OF OPENED CASES CONTAINING AN ADULT
<i>Assumed same as 9/01 ACF figures</i>	<i>Table A.5, Column C</i>	<i>(A*B)</i>	<i>Table C.3, Column L</i>	<i>(C*D)</i>	<i>(E/12)</i>	<i>((Table C.3, Column M)/12)</i>	<i>(C*G)</i>
2,102,719	66%	1,372,328*	89%	1,184,488*	98,707	7%	98,707*

TABLE C.5. FY2002: ESTIMATED PARTICIPATION RATE UNDER ADMINISTRATION'S PROPOSAL

NUMERATOR				DENOMINATOR				
ADULTS IN DIRECT WORK ACTIVITIES	ADULTS IN SHORT-TERM APPROVED ACTIVITIES	EMPLOYED LEAVERS	TOTAL	FAMILIES SUBJECT TO PARTICIPATION REQUIREMENTS	EMPLOYED LEAVERS	(CASES IN FIRST MONTH OF ASSISTANCE)	TOTAL	PARTICIPATION RATE
250,589	36,775	148,061	435,425	1,306,237	148,061	98,707	1,355,590	32.1

* Figures denoted with an asterisk represent the sum of state figures which may not match exactly with the same operation performed only on national totals.

TABLE D.1. FY2003 - FY2007: ESTIMATED NUMBER OF ADDITIONAL PARTICIPANTS NEEDED EACH YEAR

	A	B	C	D	E	F
	PARTICIPATION RATE REQUIRED UNDER PROPOSAL	ANNUAL PARTICIPATION RATE	SHARE NEEDED TO REACH REQUIRED PARTICIPATION RATE (OR RAMP-UP)	NUMBER OF PARTICIPANTS NEEDED TO REACH REQUIRED PARTICIPATION RATE (OR RAMP-UP), CUMULATIVE	ADDITIONAL NUMBER OF ADULTS NEEDED TO ENGAGE TO ENSURE REQUIRED NUMBER OF PARTICIPANTS, CUMULATIVE	TOTAL NUMBER OF ADULTS NEEDED TO ENGAGE
	<i>from proposal</i>	<i>Assumes prior year's effective rate (or ramp-up) was met</i>	$(A-B)^1$	<i>(C*Denominator in Table C.5)</i>	$(D*33\%)$	$(D+E)$
FY2003	50.0 ²	32.1	5.6	76,300	25,179	101,480
FY2004	55.0 ²	37.7	11.2	227,841	75,188	303,029
FY2005	60.0	48.9	11.2	379,382	125,196	504,578
FY2006	65.0	60.0	5.0	446,285	147,274	593,559
FY2007	70.0	65.0	5.0	513,503	169,456	682,958

¹ In FY2003 and FY2004, these figures are calculated differently. In those years, most states will not need to meet the full required participation rate due to the caseload reduction credit. We have assumed that states will nonetheless seek to "ramp up" their participation rates during these years in anticipation of FY2005 when the caseload reduction credit will be gone.

² Due to the continued use of the caseload reduction credit in these years, most states would effectively be required to meet much lower participation rates.

TABLE D.2. FY2003 - FY2007: ESTIMATED COSTS FOR ADDITIONAL PARTICIPANTS

	A	B	C	D	E	F	G
	AVERAGE NUMBER OF CHILDREN PER FAMILY RECEIVING CCDF-FUNDED CARE	SUBSIDY COST PER CHILD OF CHILD CARE	ADDITIONAL PARTICIPATING/ ENGAGED ADULTS	CHILD CARE COSTS FOR ADDITIONAL PARTICIPANTS, ASSUMING 52% TAKE-UP RATE	SERVICE COSTS PER PARTICIPANT	TOTAL SERVICE COSTS	TOTAL COSTS
	<i>FY99 CCDF figures</i>	<i>FY00 CCDF figures, inflation adjusted</i>	<i>Table D.3, Column E</i>	<i>(A*B*C*52%)</i>	<i>estimated based on literature, inflation adjusted</i>	<i>(C*E)</i>	<i>(D+F)</i>
FY2003	1.68	3,896	101,480	345,391,807	3,072	311,746,560	657,128,367
FY2004	1.68	3,993	303,029	1,057,051,455	3,149	954,238,321	2,011,289,776
FY2005	1.68	4,093	504,578	1,804,191,702	3,228	1,628,777,784	3,432,969,486
FY2006	1.68	4,196	593,559	2,177,231,316	3,308	1,964,816,372	4,142,047,688
FY2007	1.68	4,300	682,958	2,565,518,068	3,391	2,315,910,578	4,881,428,646
TOTAL				7,949,384,348		7,175,489,615	15,124,873,963

TABLE E.1. COSTS ASSOCIATED WITH PREVENTING DISPLACEMENT OF CHILD CARE ASSISTANCE FOR OTHER CHILDREN IN LOW-INCOME WORKING FAMILIES

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Administration's estimate of \$11 billion available for child care investment in FY 2002	\$11,000,000,000	\$11,264,000,000	\$11,545,600,000	\$11,834,240,000	\$12,130,096,000	\$12,433,348,400
Inflation adjustment		2.4%	2.5%	2.5%	2.5%	2.5%
Additional cost of adjusting for inflationary increases		\$264,000,000	\$545,600,000	\$834,240,000	\$1,130,096,000	\$1,433,348,400
Five-year cost of adjusting for inflationary increases	\$4,207,284,400					

¹ CLASP appreciates the assistance of the Center on Budget and Policy Priorities in developing this analysis.

² More precisely, under current law, to count toward the all-families rate, at least 20 hours per week must be attributable to:

- Unsubsidized or subsidized employment;
- Work experience and community service programs, i.e., work without wages in return for receiving the welfare grant;
- On-the-job training;
- Provision of child care services to an individual who is participating in a community service program;
- Vocational educational training for up to 12 months, provided that no more than 30 percent of those counting toward a state's participation rate may do by being engaged in vocational educational training or by being teen parents engaged in school completion;
- Job search and job readiness assistance for up to 6 weeks (or twelve weeks in periods of high unemployment).

In addition, teen parents can count toward the participation rates by being engaged in school completion or education directly related to employment, but such activities are counted within the 30 percent cap described above.

For the all-families rate, hours in excess of 20 may be counted when an individual participates in:

- Job skills training directly related to employment;
- Education directly related to employment, for a recipient who has not received a high school diploma or a certificate of high school equivalency; or
- Satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalence, for a recipient who has not completed secondary school or received such a certificate.

³ Stephen Freedman, Daniel Friedlander, Gayle Hamilton, JoAnn Rock, Marisa Mitchell, Jodi Nudelman, Amanda Schweder, and Laura Storto, *Evaluating Alternative Welfare-to-Work Approaches: Two-Year Impacts for Eleven Programs*. Washington, DC: U.S. Department of Health and Human Services and U.S. Department of Education, 2000.

⁴ Stephen Freedman, Daniel Friedlander, Gayle Hamilton, JoAnn Rock, Marisa Mitchell, Jodi Nudelman, Amanda Schweder, and Laura Storto, *Evaluating Alternative Welfare-to-Work Approaches: Two-Year Impacts for Eleven Programs*. Washington, DC: U.S. Department of Health and Human Services and U.S. Department of Education, 2000.

⁵ Stephen Freedman, *National Evaluation of Welfare-to-Work Strategies: Four-Year Impacts of Ten Programs on Employment Stability and Earnings Growth*. New York: Manpower Demonstration Research Corporation, December 2000.

⁶ Julie Strawn and Karin Martinson, *Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce*. New York: Manpower Demonstration Research Corporation, 2000.

⁷ Thomas Brock, David Butler, and David Long, *Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research*. New York: Manpower Demonstration Research Corporation, September 1993, p. 3.

⁸ Marieka Klawitter, *Effects of WorkFirst Activities on Employment and Earnings*. Seattle, WA: University of Washington Evans School of Public Affairs, September 2001, p. 4-5. Available online:

<http://www.wa.gov/WORKFIRST/about/studyActiv.pdf>

⁹ *Comments Regarding the Reauthorization of the Temporary Assistance for Needy Families (TANF) Block Grant*, submitted to the U.S. Department of Health and Human Services by the Center for Law and Social Policy, November 30, 2001. Available at: <http://www.clasp.org/pubs/TANF/TANF%20comments%201101.pdf>

¹⁰ Note that in this case, as in most others, we calculated the national figure by summing the individual state figures. Thus, when looking only nationally, multiplying the percentages does not always exactly equal the resultant figure.

¹¹ Brock, Butler, and Long, *Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research*, (New York City, NY: MDRC, September 1993), at p. 4.

¹² Amy Brown, *Work First: How to Implement an Employment-Focused Approach to Welfare Reform*, (New York City, NY: MDRC, March 1997), at p. 55.

¹³ *The National Evaluation Welfare-to-Work Strategies: How Effective are Different Welfare-to-Work Approaches? Five Year Adult and Child Impacts for Eleven Programs*, U.S. DHHS and U.S. Department of Education, December 2001).

¹⁴ Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2003-2012* (Washington, DC: Congressional Budget Office, January, 2002), at Appendix E (Table E-2), <http://www.cbo.gov/showdoc.cfm?index=3277&sequence=13>.

¹⁵ Linda Gianerelli & James Barsimantov, *Child Care Expenses of America's Families* (Washington, DC: Urban Institute, December, 2000), at p.9 (Table 1) & p.24 (Table A-3).

¹⁶ U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *Child Care and Development Fund (CCDF) FFY 1999 Tables and Charts* (February 15, 2001), at Table 1, <http://www.acf.dhhs.gov/programs/ccb/research/99acf800/chldserv.htm>.

¹⁷ U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *Fiscal Year 2000 State Spending Under the Child Care and Development Fund (CCDF) as of 9/30/00* (last updated March 11, 2002), at Table A & Table 1 (Summary of Expenditures), <http://www.acf.dhhs.gov/progs/ccb/research/00acf696/overview.doc>. This figure includes FY 2000 CCDF federal discretionary (including transferred TANF funds), mandatory, federal and state matching, and state maintenance of effort (MOE) expenditures. Several states reported additional CCDF MOE expenditures that exceeded the CCDF MOE requirement. We did not include this additional amount in this total spending figure because we could not determine whether these additional expenditures were used to serve the number of CCDF-subsidized children reported by the Child Care Bureau. We also do not include other expenditures on child care made with TANF funds directly and with SSBG funding, because it is our understanding that children served with those dollars are not included in the HHS number of children served for FY 2000.

¹⁸ U.S. Department of Health and Human Services, Administration for Children and Families, *FY 2003 Annual Performance Plan, Revised Final FY 2002 Performance Plan and FY 2001 Annual Performance Report for the Government Performance Results Act of 1993* (February, 2002), at p. M-94, <http://www.hhs.gov/budget/docgprra.htm>

¹⁹ For information on the challenges of finding care for these populations of children, see Jennifer Mezey, Rachel Schumacher, Mark H. Greenberg, Joan Lombardi & John Hutchins, *Unfinished Agenda: Child Care for Low-Income Families Since 1996 – Implications for Federal and State Policy* (Washington, DC: Center for Law and Social Policy, 2002), at Chapter V.

²⁰ Statement by Tommy G. Thompson, Secretary Department of Health and Human Services, before the Committee on Education and the Workforce, United States House of Representatives. April 9, 2002.