

Federal Anti-Poverty Policy: Holding our Breath?
Questions for Stakeholders on Welfare Reauthorization
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This morning I've been invited to talk with you all about the state of our national policy agenda for low-income families and particularly how the welfare reauthorization debate – such as it is – reflects that agenda.

First, let me provide a bit of federal budget context. Since President Clinton left office almost 3 years ago, much has happened. We've had to deal with the impact of a recession, terrorism, and now a war. Meanwhile, we've gone from record surpluses to record deficits – for years to come. We've seen tax cuts for the wealthy, increases in defense spending, increased health care costs with attendant federal budget impacts, and we still face baby-boomers retiring and the pressure that will put on entitlements like Medicare and Social Security.

My colleague Isabel Sawhill, a codirector of our Welfare Reform & Beyond initiative at the Brookings Institution, has described the budget picture as “The Big Squeeze”. She points out that while federal tax revenues are declining rapidly, spending for Social Security, Medicare, Medicaid, defense, and interest are going up rapidly. She finds that within 8 years there will be no money left for other domestic spending.

What does this mean? We have three choices: living with deficits, cutting spending, raising taxes (sometimes also known as eliminating prospective tax cuts).

Of course, living with deficits is problematic for many reasons, including the ongoing interest costs. We are creating an enormous burden on members of the next generation by requiring them to pay for the additional interest in amounts that would be enough to pay for SSI, EITC, food stamps, TANF, and child nutrition programs.

And cutting spending isn't easy either: two-thirds of all spending by the end of the decade will be for entitlements and interest payments. This doesn't leave much room for cutting. To balance the budget by 2008, we would need to cut all non-interest spending by 17 percent. If we limit our cuts to non-defense discretionary spending, the cut would have to be ninety-three percent! Of course, the need to cut spending may be the reason we see so many proposals for block granting entitlement and categorical spending on social services and work supports. It is no secret that block grants usually lead to funding cuts.

Increasing taxes on the top four income tax rates to pre-2001 levels takes care of about one-fifth of the deficit. A full repeal of the cuts since 2001 and restoration of taxes on capitol gains, dividends, and estates would balance the budget – but many political analysts question whether this is politically feasible in the current Congress.

It seems most likely that the approach will be a mix of ongoing deficits, spending cuts, and tax increases. Of course, any new tax cuts or spending increases will just make getting closer to a balanced budget that much harder to achieve.

This suggests that funding for programs serving low-income programs is not likely to increase, and is likely to be cut. Of course, the outcome of the election could have an impact on this picture. A Democrat in the White House is more likely to try to protect the low-income program funding. But, a friendlier Congress would make this easier to do, so you can see why at least one of the Democratic candidates has committed to raising money for targeted House members in the few remaining swing districts.

Moving on to a focus on reauthorization of the 1996 welfare legislation, I want to pose a few questions with the hope that these questions will help you decide how to use your connections and resources on the issue in the weeks and months to come.

I will refer to the 1996 legislation as the welfare bill, but I want to note here that – as you all well know – the Temporary Assistance for Needy Families block grant to states are no longer primarily for what we have traditionally

thought of as welfare: cash assistance to the unemployed. Instead, these are more working poor family block grants, than welfare block grants.

As you know, the reauthorization is now over a year late – the original law expired in September 2002. Congress has extended the law through March 2003. The House has twice passed a bill that essentially puts a rubber stamp on the administration’s proposal. In the Senate, the “tripartisan” bill passed by the Senate Finance committee last year never made it to a floor vote, and was dropped by the Republican leadership when they took over in 2003. The bill that passed the Finance Committee in September of this year will not go to the floor before the new year.

I’m told that I do not need to review the details of the two bills with this group, but please interrupt me if something I say about the bills or their prospects needs further explanation.

Can we agree that the bills increase state obligations to have more cash assistance recipients enroll in work activities for more hours than is required under current law? If that’s true, then we know that states will have to increase their spending on work activities (whatever the definition) and child care for the children of those parents in work activities.

Where will the money come from to pay for these additional costs? Nationally, states are already spending more than their annual block grant as they use the savings from reduced spending on cash assistance that resulted from caseload decline. States are not likely to raise taxes to spend more on these programs, so they must reduce spending on the work support programs that they have created and expanded with caseload reduction savings.

Primarily, this means cuts to child care. Yes, cuts beyond the reductions that have already occurred in state after state in an attempt to balance state budgets, deal with increasing cash assistance caseloads, and cope with the end of the accumulated savings from caseload decline.

Of course, many states have implemented other work support programs with TANF that are already suffering from cuts: flexible grants to counties, transportation, prevention and advancement programs, and other services

have been cut in your states. These programs face additional cuts or elimination if the proposed work requirements become law.

Why are we having a debate about additional work requirements? My own theory is that the current administration wants to get the federal government out of the business of supporting low-income working families. The cost of “making work pay” turns out to be significantly more than the block grants to states currently provide.

Just child care alone needs a massive new investment in order to begin to meet the existing need. Adding meaningful transportation, education, training, housing, and income supports would create additional pressure on the federal budget.

No one anticipated the significant increases in work by single mothers, or caseload decline of more than 50 percent after passage of the welfare law. But as a result of the decline – combined with the law’s definition of work participation rates, as well as the Clinton administration’s rulemaking – the states have been able to use the savings from caseload decline to support those working poor families.

It’s my bet that there are some conservatives who have noted the increase in spending for work supports and want to put a stop to it before the pressure to more adequately fund these popular services becomes a political problem.

Of course, some of the architects of the President’s proposal also believe that stricter work requirements will further reduce the caseloads. If states strictly followed and enforced new additional hours requirements, these administration members and their outside advisers may be right.

Some program operators report that working poor parents have a very difficult time participating for more than 30 hours a week. If the national work hours requirement increases above 30 hours, I believe we can expect that some parents will fail. This isn’t surprising when we know that many of the long term recipients are struggling with the care of young children in the face of inadequate transportation, addiction, mental health problems, and other barriers.

The work requirements proposal worries me, and it angers me. I wonder why federal decisionmakers would choose to make this particular change in the law when there is NO EVIDENCE AT ALL THAT INCREASING WORK HOURS WILL RESULT IN BETTER OUTCOMES. Furthermore, paying for these new work programs will require a reduction in the very services that are proven to improve employment and family outcomes – services like child care and transportation assistance.

Statements by proponents of the increase in work hours - in the administration and on the Hill - make it clear that they believe the first priority – if not the only priority – of the block grants is to provide support and services to cash assistance recipients, not working poor families struggling to stay off welfare.

This is a fundamental change from the direction we were headed at the end of the Clinton administration. While no one I know would say that the 1996 bill is perfect, policymakers and taxpayers willingness to provide significant (if still inadequate) supports to low-income families is a very positive outcome of the law.

I would hate to backtrack on our progress now – but that is precisely where the proposals pending in Congress are headed.

So – what are we doing about this state of affairs?

The thought I want you to leave with today is that we have to do more to avert this significant change in direction - this proposed shift away from the working poor to a limited focus involving work requirements, marriage, and time limits for welfare recipients.

When the reauthorization bill passed the Senate Finance Committee in September, the only concession that Republicans were willing to make was a promise to let Senator Snowe offer a floor amendment increasing child care spending by somewhere around \$5.5 billion over 5 years.

Senator Snowe has provided much comfort to low-income families and their advocates this year. But, Senator Snowe will have to find an offset for the proposed new spending. The offset will have to be supported by enough

Senators to pass – in other words, it has to be real: scorable and non-controversial. An offset like that will be truly difficult to find these days.

But, let's assume that she can find such an offset. Is the child care amendment the only one that is critical to making the Senate Finance bill into an improvement over current law?

Do you believe that some additional amendments should not only be offered, but should be part of the final law? Listen to the following list and think about whether you know which Senator will offer the amendment, whether your Senators should be and have been asked to support it, and whether it will pass:

- **Permitting TANF funded services for legal immigrants**
- **Expanding education and training options that count as participation**
- **Reducing work requirements from 34 hours to the current 30**
- **Reducing work requirements for parents of children under age 6**
- **Providing health insurance for legal immigrants**
- **Striking the super-waiver**
- **Exempting recipients caring for family members with disabilities**
- **Eliminating funding for marriage initiatives**
- **Expanding the uses of funding for marriage initiatives**
- **Funding pregnancy prevention programs, not limited to abstinence only**
- **Funding for transitional jobs (aka Businesslink)**
- **Exempting wage subsidies for workers from time limited benefits**

- Requiring fair treatment before sanctions
- Changing the state caseload reduction credit to an employment credit

I'm willing to wager that across the country, very little has been done to discuss these amendments with Senators.

Now, I understand one of the reasons for this. After the September committee vote, some analysts concluded that the smart move would be to get a bill passed in the Senate this year. And, given the press of Senate business, they also thought that a vote would only be scheduled if the amendments were limited in number. So, they argued that the only amendment should be Senator Snowe's child care amendment. The reason for this strategy, as I understand it, is that some feared that this year is the last time there is a chance for increased spending on child care. And further, that waiting until 2004 or 2005 could lead to a worsening political environment and cuts in funding or even worse policy changes than we currently face.

Good people can – and do – differ on the best approach for reauthorization. But whatever some analysts concluded in September, now that it is clear there will not be a bill in 2003, it is time to reevaluate.

Let's me ask a series of questions about the likely scenarios.

First, we have to acknowledge that stakeholders have a somewhat limited ability to influence the decision about whether there is a vote in the Senate. Bigger issues are involved – and no group will have as much impact on the bigger issues as would be necessary if national leaders decide that welfare reauthorization is a “must do” before the election.

But you can have some impact on how that debate plays out.

If there is a vote in the Senate, and you all do your best to educate members and ask for support for the amendments you'd like to see included, how many of the amendments that I listed do you think can pass?

Let's assume a bill with an additional \$5 billion for child care passes, perhaps with a new disabilities caretaker exemption. When the bill is conferenced with the House bill, what would you expect the conference report to look like?

When you think about the answer to that question, consider that on the recent major conferences – Democrats weren't really allowed to participate fully. Consider that the Senate Republicans have not generally won in conference confrontations with the House this year, and the administration is apparently adamantly opposed to new funding for child care.

Remember that the House already claims to have over \$3 billion in new money for child care. (Unfortunately, most of that is not spending, but authority to spend – a very different thing.) Can you imagine the policy sacrifices that will be made in the name of some additional child care funding – work hours, definitions, superwaivers?

These policy changes will be hard to explain or fight publicly – but child care funding levels are a simple matter, widely understood. And if the major debate on the floor of the Senate is about child care, then can we expect the conference members will feel they've been successful simply by claiming an increase in child care funding?

Would the "claims" be for new mandatory spending, or would the House continue to insist that they already HAVE \$3 billion in money for child care in their bill? Would that be enough "new" money to get the bill out of conference?

If there is a conference report with new money for child care, can we expect Democrats to vote against the bill? Can we assume that a bill looking largely like the House bill with \$2 - \$3 billion in child care would pass both Houses?

If the bill passes, even if it is marginally better than the current House bill, what do you think the President's signing ceremony will look and sound like? Can we expect the President to highlight new and stricter

work requirements, and marriage initiatives? Is this what you want poor families, state legislators, taxpayers, and the rest of the world to know about how our government treats people in poverty?

On the other hand, what do you think will happen if the Senate leadership and administration believe that there are a great many amendments to be considered on the floor? What if Senators made it clear that child care – real mandatory money – is not the only “must do” change in the bill? What if some members drew a line in the sand over immigrant funding? Or countable work hours? Or requirements for parents of young children?

Is it possible that the Senate would delay voting again? In that case, are there any Senators who would be willing to say that a longer term extension of current law is called for at this point? Maybe two or three years to give the states some certainty, a chance to recover from the current budget problems, time to deal with long-term unemployment that is swelling welfare rolls?

Whether or not there is longer term extension – does having ongoing short-term extensions lead to a better outcome or a worse one than fundamental changes in the nature of the our assistance to low-income families?

If any members of Congress really tried to cut the funding or make changes in the state participation rates in exchange for an extension of current law, would you expect Governors to rise up and object? Do you think that cuts are a realistic possibility? If TANF cuts were included in a reconciliation bill, do you think they could be avoided in the context of numerous other changes of greater magnitude and broader impact?

How do you weigh the risks of no bill against a bill (like the House bill with child care money) at this time?

If you want amendments, even though it could add to the risk of no bill, is it worth taking the time now – and in January - to let your Senators know about all the amendments that should be included? Can you get together as a community to identify the most receptive Senators and divide up the

(admittedly lengthy) list of amendments among them?

I know that good and smart people may disagree with my own conclusions about where the greatest risk lies. Yet, I am worried – very worried - about what will happen to our system of supports for the unemployed and working poor families who have depended on TANF block grants.

I hope we are able to avoid an outcome that sends a message indicating that the United States is proud to depend on unproven and punitive-sounding work requirements coupled with time limits, and on marriage initiatives to support poor working families. If this happens, our chance of maintaining and improving other programs and services that address poverty will be diminished.

The long term impact from the signaling in reauthorization could do more damage than the legislative changes in the bill itself. If advocates don't work hard now to honestly tell elected decisionmakers how bad the Senate bill is – how much needs to be done to make it acceptable as a final bill – then Congress will effectively have permission to dismiss the needs of this population in the future - when budget cuts are likely.

I suggest that we have to breathe deeply, and admit that current law is better than any bill we are likely to get with reauthorization in 2004. Then you must decide whether it makes sense to advocate for an extension of the current law, even if there is some chance that proposals will get worse over time. This is the point on which good people tend to disagree. But, that disagreement doesn't change the mandate for today: develop an honest list of problems with the Senate bill, make a plan for requesting amendments, and make sure that Senators have as much information as you have about how best to protect the poor and working poor families in your states.