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TANF SUPPLEMENTAL GRANTS ACT OF 2001

NOVEMBER 7, 2001.—Ordered to be printed

Mr. BAUCUS, from the Committee on Finance, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 942]

[Including cost estimate of the Congressional Budget Office]

The Committee on Finance, having considered legislation (S. 942) to reauthorize the supplemental grant for population increases in certain states under the temporary assistance to needy families program for fiscal year 2002, reports favorably thereon with an amendment and refers the bill as amended to the full Senate with a recommendation that the bill do pass.

I. SUMMARY

S. 942 continues, for one year, the supplemental grant portion of the Temporary Assistance for Needy Families (TANF) program. The TANF program was created in 1996 to replace the Aid to Families with Dependent Children (AFDC) program. It is a block grant, replacing the old welfare program with a flexible funding stream.

State allocations of TANF funding are largely based on the amount of AFDC funds a State received in the years just prior to 1996. AFDC was an entitlement program and States set their own benefit levels and many of their own eligibility standards. The Federal Government provided a share of the cost of aiding families in AFDC. This led to wide variation in the amount of AFDC funds going to each State.

During consideration of the 1996 welfare law, there was substantial discussion about whether to allocate TANF funds on the basis of historic AFDC spending or whether to shift to some alternate

99–010

formula, such as one based on the number of children in poverty in a State. The Congress decided to primarily allocate TANF on the basis of historic AFDC spending. However, a "supplemental grant" funding stream was created to add to the base TANF allocation for certain States which receive relatively low TANF allocations per poor child or which had high growth rates.

More specifically, for FY 1998, the first year of the supplemental grants, States qualified in one of three ways:

- FY 1994 Federal welfare expenditures per poor person at or below 35 percent of the comparable national average per poor person;
- Population growth of more than 10 percent from 1990 to 1994; or
- Having both below average FY 1994 Federal welfare expenditures per poor person and above average population growth over the most recent 2-year period.

Seventeen States met one of these three criteria and received TANF supplemental grants. They are: Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Louisiana, Mississippi, Montana, Nevada, New Mexico, North Carolina, Tennessee, Texas, and Utah. These grants represented approximately 2.5 percent of the State's original TANF allocation.

For FY 1999–FY 2001, every original TANF supplemental State received a grant. States which met the first or second criteria noted above received increases of approximately 2.5 percent each year. Other States only received an increase if they continued to meet the third criteria. $800 million was provided over the 4 years for TANF supplemental grants.

TANF supplemental grants received by a State are governed by the general rules concerning the uses of TANF funds. States have great flexibility and can use the funds to support traditional cash welfare assistance, innovative welfare-to-work programs, efforts to prevent out-of-wedlock childbearing, or many other related purposes.

In the FY 2002 Budget Resolution funding was set aside to continue the TANF supplemental grants at the FY 2001 level of $319 million. On May 23, 2001, Senators Bob Graham (D–FL) and Kay Bailey Hutchison (R–TX) introduced S. 942, the TANF Supplemental Grants Act of 2001, which reauthorized the program for 1 year. This restoration of funds is needed because, under the 1996 welfare reform law, the TANF supplemental grant funds expire 1 year before the rest of TANF as part of balancing the Federal budget by 2002. Since then, the Federal fiscal outlook has improved significantly.

If the TANF supplemental grants are not continued, several States face an effective 10 percent reduction in their TANF funding. This could require them to lessen their welfare-to-work efforts. This is of particular concern since States receiving the TANF supplemental grants are among those with the fewest TANF dollars per poor child. They are the States with the least room to make cutbacks in their TANF programs.

We have been contacted by a number of State organizations and individual Governors to express their support for the continued funding of TANF supplemental grants and the negative impact of failing to do so. For example, the National Governors Association stated (in a letter of September 10, 2001) that "[c]uts of this magnitude would have a significant effect on continued state implementation of welfare reform." Governor Foster of Louisiana stated (in a letter of July 19, 2001) that "[t]hese modest grants were intended to reduce the very large disparity in TANF funding between poorer and wealthier states . . ." and that they have "afforded states like mine a much better opportunity to achieve TANF goals."

As the Finance Committee prepares for the reauthorization of the 1996 welfare law next year, this measure will "hold harmless" States receiving TANF supplemental grants. The committee substitute reauthorizes the TANF supplemental grants for 1 year at the FY 2001 funding level of $319 million, consistent with the Budget Resolution. (As originally introduced, S. 942 would have provided $402 million for TANF supplemental grants, consistent with the original 1996 formula, which allowed for funding to grow in States meeting the first two eligibility criteria.) Under the committee substitute no State will receive more TANF funding than in FY 2001. But no State will receive less. This will allow the committee time to properly review State TANF allocations as part of the broader welfare reauthorization process in 2002.

To accommodate the requirements of the Budget Resolution, the committee substitute includes two offsets of FY 2002 spending. The first prohibits States from drawing down TANF funds on September 30, 2002. The second rescinds $319 million of TANF "high performance" bonus in FY 2002 and reappropriates it in FY 2003. This will not affect the next round of "high performance" awards, currently scheduled to be awarded in December 2001.

On November 1, 2001, the committee approved S. 942, as amended, by voice vote.

II. THE COMMITTEE BILL

Section 1. Short title

The short title of the bill is the "TANF Supplemental Grants Act of 2001."

Section 2. Reauthorization

Section 2 reauthorizes the TANF supplemental grants for FY 2002 and awards States the same amount of funding they received in FY 2001.

Section 3. FY 2002 TANF payments

Section 3 delays TANF payments to States from September 30, 2002 to October 1, 2002.

Section 4. TANF "high performance" bonus

Section 4 rescinds in FY 2002 $319 million of the $600 million yet to be awarded in TANF "high performance" bonuses to States. It then reappropriates the funds in FY 2003.

III. CONGRESSIONAL ACTION

On May 23, 2001, S. 942 was introduced in the Senate. On May 22, 2001, a companion measure, H.R. 1930 had been introduced in the House by Representatives Kevin Brady (R–TX) and Lloyd Doggett (D–TX).

On July 17, 2001, the Finance Committee scheduled a markup of S. 942 but was unable to complete it because of unrelated circumstances.

On November 1, 2001, the Finance Committee approved S. 942, as amended, on a voice vote, and ordered the bill reported to the full Senate without further amendment.

IV. VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act of 1946, the committee states that S. 942 was ordered favorably reported, with an amendment, by voice vote with a quorum present on November 1, 2001.

VI. BUDGETARY IMPACT OF THE BILL

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

S. 942—TANF Supplemental Grants Act of 2001

Summary: S. 942 would extend the Supplemental Grants for Population Increases under the Temporary Assistance for Needy Families (TANF) program through 2002. States would receive grants funded at the 2001 level totaling $319 million. The bill would delay some other payments to states from 2002 to 2003. Overall, enacting the bill would reduce direct spending by $20 million in 2002, but would increase such spending by $135 million in 2003 and $315 million over the 2002–2011 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

S. 942 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Overall, the bill would authorize an increase in grant funding to states of $319 million; CBO estimates that most of those funds would be spent over the 2002–2011 period.

Estimated cost to the Federal Government: The estimated budgetary impact of S. 942 is shown in the following table. The costs of this legislation fall with budget function 600 (income security).

Seventeen states that had lower-than-average TANF grants per poor person or had increasing populations received Supplemental Grants each year for 1998 through 2001. S. 942 would provide Supplemental Grants totaling $319 million to those states in 2002. Because many states have not been spending their entire TANF grant or have balances from prior years, CBO assumes that states would not spend the new funds quickly. CBO estimates that states would spend $90 million in 2002 and $25 million each year thereafter until the money is spent. We estimate that such spending would total $190 million over the 2002–2006 period.

	By fiscal year, in millions of dollars—				
	2002	2003	2004	2005	2006
CHANGES IN DIRECT SPENDING					
Extend supplemental grants through 2002 at $319 million:					
Budget authority	319	0	0	0	0
Estimated outlays	90	25	25	25	25
Delay TANF payments to states:					
Budget authority	0	0	0	0	0
Estimated outlays	−110	110	0	0	0

	By fiscal year, in millions of dollars—				
	2002	2003	2004	2005	2006
Rescind $319 million of budget authority for the high-performance bonus in 2002 and restore it in 2003:					
Budget authority	−319	319	0	0	0
Estimated outlays	0	0	0	0	0
Total changes:					
Budget authority	0	319	0	0	0
Estimated outlays	−20	135	25	25	25

In addition, the bill specifies that any TANF payments that would otherwise be sent to states on September 30, 2002, would instead be sent on October 1, 2002. Based on recent spending patterns, CBO estimates that $110 million of payments would be moved from fiscal year 2002 to fiscal year 2003.

Finally, the bill would rescind $319 million in budget authority for a TANF bonus to high-performing states in 2002 and re-appropriate the money in 2003. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 appropriated $1 billion for high-performance bonuses for the 1999–2003 period. Based on the current schedule for awarding grants, $400 million would not be awarded until 2003 anyway, so this provision would not affect the level or timing of payments to states.

Pay-as-you-go-considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The following table displays CBO's estimate of the direct spending effects of S. 942. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

	By fiscal year, in millions of dollars—									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	−20	135	25	25	25	25	25	25	25	25
Changes in receipts	Not applicable									

Estimated impact on State, local, and tribal governments: S. 942 contains no intergovernmental mandates as defined in UMRA. Overall, the bill would authorize an increase in grant funding to states of $319 million; CBO estimates that most of those funds would be spent over the 2002–2011 period.

Estimated impact on the private sector: S. 942 contains no private-sector mandates as defined in UMRA.

Estimate prepared by: Federal costs: Sheila Dacey; impact on State, local, and tribal governments: Leo Lex; impact on the private sector: Bruce Vavrichek.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

VII. REGULATORY IMPACT AND OTHER MATTERS

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the committee states that the bill will not significantly regulate any individuals or businesses, will not affect the personal privacy of individuals, and will result in no significant additional paperwork.

The following information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104–4). The committee has determined that the bill contains no intergovernmental mandates, as defined in UMRA, and would not affect the budgets of State, local, or tribal governments.

VIII. ADDITIONAL VIEWS OF MR. GRAHAM

I am pleased that the Senate Finance Committee approved the "TANF Supplemental Grants Act of 2001," sponsored by Senator Kay Bailey Hutchison and me.

The TANF program, created by the 1996 welfare reform law, gives crucial assistance to 17 States which either receive the least welfare funds per person or, like Florida, have high rates of population growth.

The extension will mean an estimated $60 million to Florida in fiscal year 2002 and significant TANF funds for 16 other States including Alaska, Arizona, Arkansas, Louisiana, Mississippi, Montana, New Mexico, Tennessee, Texas and Utah. This program has been critical to the success of welfare reform in many of these States.

These grants were included in the 1996 welfare law to reduce the very large disparity in TANF funding between poorer and wealthier States. When we designed the TANF program to replace Aid for Families with Dependent Children (AFDC) in 1996, the new grants were based on peak Federal spending for AFDC and related programs, based on fiscal year 1994 spending levels.

This funding structure reinforced the existing, significant disparities in funding per poor child, which varied from as low as $400 in some States to more than $2,000 in others. Without a change in the funding structure, poorer States would have found themselves unable to provide adequate child care, transportation and other critical tools needed to help their citizens move from welfare to work.

If this bill is not passed into law, several States will be forced to scale back their welfare reform efforts, which have shifted in recent years to include support services for low-income working families and efforts to address the multiple barriers to employment that face a substantial share of the families that remain on welfare.

In these difficult economic times, States will require all available resources to provide cash assistance and work support services to low-income families who have been displaced from their jobs. This bill will give these States the tools necessary to do just that.

IX. CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

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TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

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PART A—BLOCK GRANTS TO STATES FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

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GRANTS TO STATES

SEC. 403. (a) GRANTS.—

(1) FAMILY ASSISTANCE GRANT.—

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(3) SUPPLEMENTAL GRANTS FOR POPULATION INCREASES IN CERTAIN STAGES.—

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(G) BUDGET SCORING.—Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this paragraph after fiscal year 2001.

(H) REAUTHORIZATION OF GRANTS FOR FISCAL YEAR 2002.—Nothwithstanding any other provision of this paragraph—

(i) any State that was a qualifying State under this paragraph for fiscal year 2001 or any prior fiscal year shall be entitled to receive from the Secretary for fiscal year 2002 a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year in which the State was a qualifying State;

(ii) subparagraph (G) shall be applied as if "2002" were substituted for "2001"; and

(iii) out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal year 2002 such sums as are necessary for grants under this subparagraph.

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