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How President Obama's Budget Will Demolish Welfare Reform

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President Obama's budget seeks to overturn the fundamental principles of welfare reform. To accomplish this, his budget would:

- Create a new funding system to reward states for increasing the size of their welfare caseloads; and
- Eliminate the only remaining federal program to strengthen marriage at a time when the unwed birth rate is approaching 40 percent.

Congress is looking at opportunities to fulfill President Obama's request to undermine welfare reform. Specifically, it is considering attaching the President's request to extend and expand the Temporary Assistance for Needy Families (TANF) Emergency Fund to pieces of legislation currently moving through Congress. This anti-reform fund pays states "bonus" money for increasing the size of their welfare caseloads without any incentives to place people into jobs and off of the dole. If the TANF emergency fund is extended, the tremendous success of the 1996 welfare reform law will continue to be undermined, and the federal government will return to the failed pre-reform policy of rewarding states for increasing welfare dependence.

The Obama budget also eliminates all funding for the Marriage and Fatherhood grant program, which has served to advance and encourage healthy marriages in low-income communities and strengthen relationships between fathers and children. Despite the fact that the collapse of marriage is the prime cause of child poverty and welfare dependence, the Obama Administration plans to terminate all federal activity designed to strengthen marriage. Instead, Obama will dramatically expand the over $300 billion the government spends each year subsidizing single parenthood. His Administration will also continue government welfare polices that penalize lower income couples that do marry. Through these changes, the Obama Administration is endorsing the death of marriage in lower-income communities.

Reversing the Success of Welfare Reform. The old welfare system, Aid to Families with Dependent Children (AFDC), paid states according to the size of their welfare caseloads. This practice of rewarding states financially for increasing their caseloads was ended by legislation included in the 1994 Contract with America, which transformed AFDC into the TANF program. Success of the program led to millions of families leaving the welfare rolls for gainful employment, and the child poverty rate dropped.

Last year, a little-known provision included in the stimulus package reversed the successful provisions of welfare reform and undermined the important work TANF had accomplished. The stimulus package created a new $5 billion program called the TANF Emergency Fund, which pays states 80 cents on the dollar for every new case that enters their

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welfare caseloads above the size of their caseloads in 2007 or 2008. This was a return to the old AFDC-style system that rewards states for growing caseloads instead of shrinking them. In addition, the federal matching rate is much higher in this new fund than in the old AFDC system.

Although touted as a "temporary" program, the TANF Emergency Fund has reappeared in the President's 2011 budget with an additional $2.5 billion in funding.[1] According to the Department of Health and Human Services, where this program is administered, states have drawn down only $1.2 billion of the $5 billion allotted.[2] Yet the Administration wants to add another $2.5 billion, and Congress appears poised to act on this request in short order.

The proposal also increased the matching rate from 80 percent to 100 percent for one of the three eligible categories. Therefore, states would receive full reimbursement for a portion of their welfare caseloads. The size of TANF caseloads has been growing. It is natural to believe in an economic downturn that the safety net of the cash welfare would have an uptick; however, the new TANF Emergency Fund provides a clear fiscal incentive for states to increase the size of their welfare caseloads.

A Contingency Fund Already Exists. The President and Congress have attempted to justify the creation of the TANF Emergency Fund because of the current recession. However, this is a farce: The 1996 welfare reform law already included a $2 billion contingency fund for just these kinds of circumstances. The structure of the fund was tied to increased unemployment in a state and intentionally avoided tying the additional funding to the size of the caseloads.

The new and expanded TANF Emergency Fund directly ties funding to caseload growth, not economic factors in the state such as unemployment. If the President and Congress were serious about helping states in this challenging economy, they could have just increased funding for the contingency fund. But they deliberately chose not to do this and instead took a course of action that reverses the success that welfare reform achieved and intentionally grows the size of the welfare state.

Like Obama, Congress Has Plans to Undo Welfare Reform. Shortly after the President's 2011 budget was released, Congressman Jim McDermott (D–WA), an influential and high-ranking member of the House Ways and Means Committee and chairman of the subcommittee with jurisdiction over TANF, quickly moved to introduce legislation that not only would fulfill the President's request to extend and expand the TANF Emergency Fund but would go much further toward bringing back the old AFDC financing system.

Unlike the President's request, McDermott's bill does not limit spending on this program to an additional $2.5 billion. Rather, it includes an open-ended new entitlement that would allow the states to draw down "such sums" as necessary without being capped. The only limitation is that no state can receive more than 50 percent of its annual TANF block grant level.

The message that this bill sends to states is clear: The more people you put on your welfare rolls, the more money you will receive in reimbursement from the federal government. This is exactly the opposite structure of the 1996 welfare reform model that sent a fixed amount of money to states whether or not their caseloads grew.

At the moment, it is unclear whether Congress will act on the President's $2.5 billion request or the open-ended funding structure included in McDermott's bill. Either way, states will be actively rewarded with taxpayer funds for increasing the size of their welfare caseloads. Although both the President's request and McDermott's bill claim that the change will be extended for only one year, the reality is that Congress will almost certainly extend the

1. U.S. Office of Management and Budget, Budget of the United States Government, Fiscal Year 2011 (Washington, D.C.: U.S. Government Printing Office, 2010), Appendix, p. 492, at *http://www.whitehouse.gov/omb/budget/fy2011/assets/hhs.pdf* (February 25, 2010).
2. U.S. Department of Health and Human Services, Administration on Children and Families, "Approved TANF Emergency Fund Applications by Category," January 27, 2010, at *www.acf.hhs.gov/programs/ofa/tanf/apprTANFemerfund.html* (February 25, 2010).

program year after year after year—just as it is now extending the TANF Emergency Fund, which was created in last year's stimulus package.

Eliminating the Importance of Marriage in Low-Income Communities. Five years ago, President Bush signed into law the reauthorization of TANF, which created a new $150 million grant program to promote healthy marriages and responsible fatherhood in low-income communities. The tiny grant funded programs that taught relationship skills, the benefits of marriage, and the tools necessary to build strong marriages and promote the active involvement of fathers in the lives of their children. It also funded advertising campaigns to get out the message of marriage's importance and the benefits of such unions.

Unfortunately, President Obama's budget would terminate this program and in its place create another expensive jobs and employment program—a new $500 million program cleverly named the "Fatherhood, Marriage, and Families Innovation Fund." However, summary documents from the Administration reveal that this is actually just another jobs program and has little to nothing to do with promoting healthy marriages in low-income communities.[3] Without strong marriage promotion, the familial and financial situations in high-risk communities will not improve any time soon.

Obama's Revival of Johnson's Failed War on Poverty. The Obama budget is sending a clear message to members of high-risk communities: "Stay on welfare and don't get married." This message, however, is the very reason poverty continues to be a problem in the U.S. and why Lyndon Johnson's War on Poverty failed. While there was brief success in reversing this trend after the 1996 welfare reform initiative, President Obama and his counterparts in Congress are intent on reviving the failed policies of the past and enslaving more low-income families onto welfare and into intergenerational poverty and government dependence.

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3. U.S. Department of Health and Human Services, Administration for Children and Families, "Fiscal Year 2011 Congressional Justification," at *http://www.acf.hhs.gov/programs/olab/budget/2011/TANF.pdf* (February 25, 2010).