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**WELFARE REAUTHORIZATION BILLS FAIL TO COVER
THE COSTS OF SUSTAINING CURRENT POLICY**

Effects of Inflation and Changing Work Requirements Are Not Fully Recognized

Washington, D.C. – Despite net increases in spending in both the House and Senate welfare reauthorization bills, those measures still fall well short of the amount needed to offset inflation and simply extend current welfare policy, according to a new report by the **Joint Economic Committee Democrats**. The funding shortfalls are even greater after accounting for the significantly higher child care funding needs that would result from the increased work requirements under both bills.

“Inflation has been eroding the purchasing power of the welfare block grant and that erosion is built into the budget rules we use to evaluate the cost of reauthorizing the program,” said **Sen. Jack Reed** (D-RI), Ranking Democrat on the **Joint Economic Committee (JEC)**. “We are asking people who receive public assistance to work more, but the funds to help them succeed have not kept up. Pegging these programs to inflation and the new demands we are putting on recipients would not be expanding welfare programs. It would simply reflect the reality of our changing economy and society’s needs.”

For most programs, the Congressional Budget Office (CBO) baseline budget estimate includes adjustments for inflation and economic or demographic changes. For block grants, however, including Temporary Assistance to Needy Families (TANF) and related programs, the CBO baseline assumes that funding is fixed irrespective of changing needs. When evaluated against this baseline, both the House and Senate welfare reauthorization bills cost money. However the majority of the costs in both bills represent the continuation of current policy, rather than truly new welfare spending.

The JEC Democrats’ report, *Getting Real about Welfare Funding: The Costs of Sustaining Current Policy Are Not Program Expansions*, finds that this year the real value of the basic TANF block grant was only 85 percent of its fiscal year (FY) 1997 level. If funding remains fixed in nominal terms, the purchasing power of the TANF block grant will continue to erode, falling to just 75 percent of its original value by FY 2010.

The funding shortfalls under both bills are even greater when the increased child care funding needs associated with the bills’ higher work participation requirements are taken into account. From FY 2006 through FY 2010, the increase in child care funding needed to offset inflation and higher work requirements would total between \$5.4 billion and \$8.3 billion, according to CBO data.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.