

Acknowledgements

CLASP's work on income assistance policy is funded by the Annie E. Casey Foundation, The Atlantic Philanthropies, The George Gund Foundation, John D. and Catherine T. MacArthur Foundation, the Ford Foundation, the Joyce Foundation, and an anonymous donor. We thank them for their generous support but acknowledge that the recommendations in this brief are those of the author alone, and do not necessarily reflect the opinions of these funders.

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Goals for TANF Reauthorization

BY ELIZABETH LOWER-BASCH

By September 30, 2011, Congress must take action to reauthorize the Temporary Assistance for Needy Families (TANF) block grant.¹ This comes at a time when growing numbers of American families are needy. While the recession may have officially ended, economists agree that the unemployment rate is likely to remain high for years to come. The poverty rate jumped to 14.3 percent in 2009, the highest level since 1994 and it is likely to continue to climb. Child poverty is particularly bad: more than one in five children lived in families with incomes under the official poverty level, which was \$22,050 for a family of four in 2009.² Similarly, more than one in five children lived in households that did not always have the resources to purchase food.³ These realities highlight the urgent need to ensure our nation's safety net is working.

TANF is a flawed but essential part of the safety net for very low-income families with children. While cash benefits are meager—half or less of the poverty level in all states⁴—they provide much-needed cash assistance to families at critical times in their lives, such as periods of unemployment or disability, when escaping from domestic violence, or when a baby is born. TANF also can provide access to paths out of poverty through services such as job training or counseling for mental health issues. States also use the block grant for a wide range of work supports, including child care and transportation, for both recipients of cash assistance and other low-income families. Last year, 39 states used the additional funds provided under the TANF Emergency Fund to support subsidized jobs for more than 250,000 low-income parents and youth.⁵

The TANF block grant, at its best, provides a flexible funding stream that allows states to ask what families truly need to succeed, and to provide as much or as little as needed. However, this potential is all too often unfulfilled. Today there are more demands on the TANF program than ever before, and fewer resources with which to meet them.

The share of poor single mothers who were working increased significantly during the early years of welfare reform when the earned income tax credit, child care and health insurance subsidies were also expanded. At the same time, the share of those who were “disconnected” from both work and welfare also increased: by 2007, one third of poor single mothers were neither working nor receiving cash benefits, compared to 16 percent in 1995.⁶

Even for those who went to work, there is little evidence that TANF programs helped them find better jobs than they could have found on their own. With “work first” as the mantra, most recipients were denied the opportunity to participate in education and training that might have given them access to better jobs. Instead, they were pushed into a labor market full of low-wage jobs that did not provide enough income to make ends meet. Research has shown that too often these jobs fail to serve as stepping stones to better jobs in the future.⁷

The 2005 TANF reauthorization, which applied work requirements to state-funded programs and focused on documenting participation in countable work activities, has primarily had the effect of increasing the paperwork burden on clients, caseworkers, and administrators, and reducing state flexibility, with no evidence that it has caused states to develop more effective programs.⁸

In the current recession, single mothers have been particularly hard hit. Unemployment rates for single mothers are about a third higher than for all adult women, the percentage of single mothers employed in an average month fell from 76 percent in 2000 to 68 percent in 2009.⁹ Programs serving these vulnerable families have also been challenged by the simultaneous increase in newly struggling families seeking services and declining or stagnant state funding. Caseworkers are handling increased caseloads and many states have cut funding for welfare to work services.¹⁰

During FYs 2009 and 2010, cash assistance was cushioned from state budget cuts because of the availability of the TANF Emergency Fund, which reimbursed states for 80 percent of increased spending on basic assistance, one-time payments or services, and subsidized jobs. With these funds no longer available, many states are considering or have already imposed cuts.

Congress must take timely action to reauthorize – and improve – TANF. Reauthorization must both accommodate the economic realities of today and build the groundwork for the recovery for tomorrow.

The goals of reauthorization should be to:

- **Focus on alleviating poverty and preventing material hardship among children and families**, especially those who are particularly vulnerable due to circumstances such as disability, domestic violence, or homelessness. AFDC was created because of a societal recognition that children should not be destitute. TANF is failing to adequately alleviate child poverty. From 1996, when TANF replaced Aid to Families with Dependent Children (AFDC), to 2009, the share of poor children receiving cash assistance fell from 62 percent to under 23 percent.¹¹ Far too many children are hungry, cold, left without adult supervision, or failing in school because they don’t know where they are going to sleep that night. Poverty has adverse consequences for families and for the nation as a whole. Persistent, deep, and early poverty are particularly threatening to child well-being. Poor children face worse education, health, life and economic outcomes than children who don’t grow up poor.
- **Create effective pathways to economic opportunity**, including subsidized jobs, access to mainstream education and training and individualized services for those with barriers to employment. There is a broad consensus that parents should work to provide economic support for their families. But, in an economy where family-supporting jobs are increasingly limited to those with at least a postsecondary credential or degree, low-income parents need access to the training that would allow them to escape a cycle of low-wages, unstable work and poverty. TANF recipients who face other barriers to employment require services to help them surmount those barriers, and those with disabilities require modifications to work requirements to accommodate their disabilities.

To achieve these goals, federal funding must be increased to make up for the erosion of purchasing power due to inflation since 1996, and the “maintenance of effort” (MOE) requirement must be revisited so that it serves its original purpose of ensuring that states continue to invest their own funds in serving low-income families, as they did under AFDC. A redesigned contingency fund is needed to ensure that states are able to provide services during times of recession.

State flexibility is a major feature of TANF, and a reauthorized TANF program should continue to give states room to innovate in thoughtful ways, respond to state and local variation in economic conditions, and provide low-income families with the range of benefits and services they need to succeed. However, state flexibility is not a goal in itself. In return for state flexibility, the federal government should hold states accountable for the outcomes experienced by low-income families.

The federal government’s influence over the TANF program is largely through the incentives it presents to states. The 1996 law included a range of provisions such as time limits, work participation requirements, and a high performance bonus designed to emphasize that cash assistance should be a temporary support and to promote work. But not a single provision encouraged states to provide assistance to more needy families – in fact, the “caseload reduction credit” penalized them for doing so. The federal government should rethink this to support the TANF goals recommended in this paper. Outcome goals should reflect the realities of the economic environment and the characteristics of recipients, rather than arbitrary targets.

Summary of Recommendations

Shift toward outcome-based accountability, with a focus on reducing poverty and hardship, improving child well-being, and helping parents work and gain skills for better jobs.

- Adopt a national goal of reducing poverty by 50 percent in ten years, with TANF as one element of a broader poverty-reduction strategy.
- Collect and report data to monitor indicators of child well-being and hardship at the state level.
- Allow states to opt into outcome-based performance measures instead of using process-based work participation rates.
- Revise work participation requirements to give all states flexibility to serve recipients with individual work activities.

Provide adequate funding to both restore TANF’s role as a safety net and invest in effective pathways to economic success.

- Provide contingency funds to ensure that states can serve more needy families during periods of high unemployment.
- Provide additional funding dedicated to specialized work programs for families facing multiple barriers to employment.
- Revise the “maintenance of effort” (MOE) requirement so that it serves its original purpose of ensuring that states invest their own funds in serving low-income families.

Recommendations

Shift toward outcome-based accountability, with a focus on reducing poverty and hardship, improving child well-being, and helping parents work and gain skills for better jobs.

There is increasing consensus that the effectiveness of public programs should be measured, as much as possible, by their effects on outcomes for the populations that they are designed to serve. In the case of TANF, the target population is low-income children and their parents and caregivers. We should hold states accountable for the results of the programs they support for the families who are served. We should also hold them accountable for the choices they make related to the types of programs they

support and the groups of potentially eligible families they decide to serve. To do this effectively, HHS should collect and report data on the full population of low-income families, as well as those served by TANF cash assistance programs.

Ultimately, the current work participation rate calculation – which is a process measure of whether clients spend a certain amount of time participating in countable activities – should be replaced by outcome-based performance measures that will help foster and improve the effectiveness of these programs. However, we recognize that while some states have expressed strong support for replacing the participation rate with outcome measures, others are not yet prepared for such a transition. We also recognize the importance of refining possible measures, collecting data, and establishing baselines before mandating the use of these measures. Therefore, our recommendations are designed to begin the shift toward outcome-based accountability.

Adopt a national goal of reducing poverty by 50 percent in ten years, with TANF as one element of a broader poverty-reduction strategy.

CLASP supports adopting a national goal to reduce poverty, or a poverty target, with TANF as part of that strategy. Establishing a national target—a numerical goal with a deadline—creates a shared vision that reducing poverty is a priority that must be tackled. An effective poverty target draws ongoing political and public attention to whether, and how much, progress has been made toward reducing poverty at different points within the deadline. TANF – both the cash assistance component and the broader block grant – can be a component of a poverty reduction strategy, and the recommendations in this document are important steps in that direction. However, it is important to recognize that in addition to income and work support, a serious attempt to reduce poverty requires improvements to the availability and quality of jobs, strategies to increase access to and success in education, asset-building opportunities, and community-based strategies in areas of concentrated and persistent poverty.¹² These strategies require the participation of a range of actors – public and private,

federal, state, and local – not just TANF agencies, and resources well beyond that of the TANF block grant.

Even within the income- and work-support component of poverty reduction, TANF reauthorization does not offer enough leverage to achieve all of the desired goals of poverty reduction. It is important to use TANF in tandem with opportunities provided under different programs. Thus, for example, in addition to the TANF improvements discussed here, we urge continuation of recent improvements to the refundable child tax credit and earned income tax credit.¹³ Further, President Obama should appoint a commission to evaluate the full range of income- and work-support programs, and to identify gaps and determine ways to improve them.

Too many low-income families who are eligible for income and work supports do not receive them. This weakens programs' effectiveness in reducing poverty. AFDC once functioned as an entry point into a range of programs, but TANF does not fill that role for most low-income families. A key reason is unnecessarily time-consuming and complicated procedures that create barriers to application and enrollment. The federal government should support efforts to make it easier and less time consuming for low-income families to apply for and maintain enrollment in programs for which they qualify, and should encourage states to consider this goal as they develop systems to enroll people in Medicaid and health insurance subsidies under the Affordable Care Act.

Collect and report data needed to monitor indicators of child well-being and hardship at the state level.

TANF is intended to promote child well-being and reduce material hardship and to give states a great deal of flexibility in how to achieve these ends. States should be held accountable for their performance in preventing severe hardship among children, as measured by indicators such as poverty, deep poverty (income below 50 percent of the poverty line), homelessness, hunger, lack of adult supervision, and multiple housing, school, or child care moves in a year. However, reliable state-level data is not currently available for all of these measures. Reauthorization should include a clear expectation that states will be held accountable but also provide a reasonable period to collect and report data on measures

before consequences such as loss of funding flexibility are associated with them.

In addition, TANF reauthorization should include funding to collect state-level data on indicators of child well-being and hardship. HHS should be required to report on these measures for all 50 states on an annual basis and to make recommendations for how to incorporate them into the performance measures for TANF, while recognizing that child-well being is the result of a much larger set of services and systems than just TANF.

Allow states to opt into outcome-based performance measures instead of process-based work participation rates.

The current participation rate requirements are a process measure – they document whether states are able to get recipients of assistance to attend work activities but provide no information on whether these activities affect participants’ outcomes. Monitoring and tracking participation consumes a great deal of state resources; one study of employment counselors in Minnesota found that they spent 53 percent of their TANF time on documentation activities such as verifying, collecting, and reporting information for work participation rates, and 47 percent on direct service activities such as creating employment plans, identifying barriers to work, and assisting with job search.¹⁴

States that are willing to be held accountable for the outcomes they achieve in their programs, such as employment entry, job retention, or poverty reduction, should be given the ability to opt out of the process-focused participation rate either for the entire TANF population or for groups participating in specific programs such as career pathways initiatives. To the extent appropriate, these outcome measures should be aligned with outcome measures for other federally supported programs. Performance measures and targets should be negotiated between the states and HHS, with adjustments for populations served and economic conditions. States taking up this option should be required to report data that demonstrate that they are not “creaming” or setting up barriers that discourage services

to less employable participants. HHS should also monitor the indicators discussed above for possible adverse trends.

Revise work participation requirements to give all states flexibility to serve recipients with individualized work activities.

For states that choose to continue under the participation rate requirements, the work participation rate should be revised to give states flexibility to serve recipients with a range of work activities that will allow caseworkers to respond to individual needs and circumstances, including appropriate accommodations for individuals with disabilities. TANF recipients have a broad range of work histories and personal experiences and are poorly served by one-size-fits-all approaches. Education and training, including at the postsecondary level, should be allowable without arbitrary time limits. Many of the most promising programs combine work, learning, barrier reduction and support services in different ways, and these integrated approaches should be allowed without burdensome requirements to track each component separately. States should receive partial credit for clients who can participate but not for the full hours that are expected. Ongoing job search combined with part-time employment should not be time-limited.

The caseload reduction credit is a particular concern because it rewards states for reducing their welfare rolls, whether or not parents are employed in jobs that pay family-sustaining wages or receive other income supports. It must be replaced with a system that rewards only successful outcomes.

Provide adequate funding to both restore TANF’s role as a safety net in hard times and invest in effective pathways to economic success.

Improved performance measures and incentives are necessary for successful TANF reauthorization, but they are not enough. Increased funding is needed to achieve the TANF goals. Since TANF was created, the real value of the basic TANF block grant has declined 28 percent due to inflation. In FY 2011, for the first time since

TANF was created, Congress did not fully fund the supplemental grants received by 17 states, and both the Contingency Fund and the Emergency Fund have been exhausted.¹⁵

During the boom years when jobs were easier to find, states used the flexibility of TANF to focus on other goals of the program -- such as keeping children safely with their families and helping parents maintain jobs by ensuring their children had nurturing child care while they were working. As a result, states spent significant portions of the block grant funding to support other critical needs for low-income families, including child care subsidies and child welfare activities. In some cases, states used these funds to substitute for state investments in these areas. Given the dire budget situations in the states, removing these funds would adversely affect low-income children and families. However, new TANF funding should be targeted to activities that strengthen TANF's dual roles as a safety net and a pathway to economic success.

Provide funding to enable states to serve more needy families during periods of high unemployment.

The current structure of TANF – the fixed block grant combined with an intense focus on meeting work participation requirements and reducing caseloads – makes it difficult for states to use the program to operate as a counter-cyclical support for families during economic hard times. To address this, the American Recovery and Reinvestment Act of 2009 (ARRA) created a new TANF Emergency Fund, which provided 80 percent reimbursement for increases in TANF-related expenditures in three specified areas: basic assistance, short-term non-recurrent assistance, and subsidized employment. This provision recognized that in the face of the long-term erosion of the buying power of the TANF block grant and the severe budget situations faced by states, it is not reasonable to expect states to assume the full costs of rising caseloads and related services.

The TANF Emergency Fund expired on September 30, 2010. However, researchers at the Brookings Institution have projected that child poverty will remain elevated for the next decade.¹⁶ While the need for services, including subsidized jobs, remains high, states simply do not have

the funding needed to continue programs at the scale they were operated at in recent years.

We recommend creating a permanent contingency fund usable for basic assistance, short-term non-recurrent assistance and work activities, including subsidized employment. Funding would be available to all states with unemployment rates above 6.5 percent, with a sliding-scale schedule of matching rates so that the states with the highest unemployment rates are required to provide the lowest share of program costs.

Provide additional funding dedicated to specialized work programs for families facing multiple barriers to employment.

A significant portion of TANF recipients – especially those receiving TANF for more than two years – have various barriers to employment, such as physical or mental health limitations, a child with a health problem, or an experience with domestic violence.¹⁷ Others with similar limitations are among the “disconnected,” neither working nor receiving cash assistance.¹⁸ In addition to restrictions on what activities can count toward the work participation requirement, the cost of providing high quality assessments, case management, and appropriate activities has often discouraged states from providing appropriate services to these low-income families. Therefore, a priority area for additional funding should be specialized work programs for families facing multiple barriers to employment.

States should have the flexibility to determine the target populations and appropriate approaches. Possible examples include transitional jobs, partnerships with vocational rehabilitation agencies, and customized employment. They might also include efforts to integrate services with other child and family serving agencies, such as child welfare, Medicaid, food stamps, child support, early intervention, mental health and substance abuse, to develop comprehensive approaches that address the challenges of families facing multiple barriers to success. These efforts would build on the work that many states did during the early years of TANF when the flexible TANF funding allowed states to be innovative and to experiment with different approaches to creating multiple pathways to economic success for families based on their particular needs. As the value of the block grant has declined and states have had to expend more

resources on complying with work participation rates, TANF funds have been fully committed and room for innovation has decreased.

Outcome expectations under these targeted programs would need to be modified to reflect the realities of the populations served. For example, MDRC evaluated New York City's Personal Roads to Individual Development and Employment (PRIDE) program, a program that provided specialized work experience and job search services to individuals who had previously been exempted from work requirements due to disability, but who did not qualify for federal disability benefits. This program increased employment rates by more than 25 percent compared to a control group – but only a third of the recipients assigned to PRIDE ever worked in unemployment-covered jobs during the two years after assignment, and only 3 percent worked every quarter of those two years.¹⁹ Unreasonable expectations simply discourage states from serving low-income families with significant barriers to employment.

Revise the “maintenance of effort” (MOE) requirement so that it serves its original purpose of ensuring that states invest their own funds in serving low-income families.

AFDC, the predecessor to TANF, was a matching program. When the TANF block grant was created, Congress established a maintenance of effort (MOE) requirement under which states were required to continue to spend at least 75 percent of what they had spent under AFDC (80 percent if they failed to meet the work participation rate requirements). Both spending under TANF and increases in spending on other programs serving needy families can be counted as TANF. This was designed to ensure that states would continue to invest their own funds in programs serving low-income families.

However, over time this requirement has become increasingly ineffective, as states have realized that spending on a large number of existing programs – including spending by nongovernmental entities – can be claimed as maintenance of effort. The requirement that, outside of TANF, only increases in spending can be counted has become less meaningful as the base has not

been adjusted for inflation. In fact, while the amount of spending reported as MOE has climbed in recent years, researchers at the Rockefeller Institute have found that since 2001, states have actually reduced total spending on non-medical social services.²⁰

In order to restore the effectiveness of the MOE requirement, only spending by governmental entities (including counties and other sub-state entities) should be countable. A reasonable limit should also be set on the definition of “needy families” so that states may not claim expenditures on families earning well above the median income.

Conclusion

It has been 14 years since TANF replaced AFDC. TANF was created at a time when the economy was booming and many of its policies were based on the assumption that jobs would be plentiful. Due to the ongoing effects of deep recession, the economic environment over the next five years will continue to be very difficult and different than that of the late 1990s or the 2000s. States should be encouraged to provide adequate and accessible income supports to needy families and to prepare recipients for the jobs of the future with opportunities for subsidized employment and education and training.

Temporary assistance is a critical safety net, but also a net that has been stretched too thin. Vulnerable children and families are falling through the holes. Poverty reinforces itself when a parent loses her job because she can't afford to fix a broken car, or a child falls behind in school because her apartment is too cold for her to do her homework. TANF reauthorization presents an opportunity to patch the holes in the safety net and to give families the opportunity to succeed.

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Endnotes

¹ TANF was originally scheduled to be reauthorized by September 30, 2010, but Congress did not take it up and instead passed a one-year extension as part of P.L. 111-291.

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