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Testimony for the Record

March 11, 2010
Hearing on TANF's Role in Providing Assistance to Struggling Families

Subcommittee on Income Security and Family Support
Committee on Ways and Means
U.S. House of Representatives

Mr. Chairman, Members of the Committee, thank you for the opportunity to testify on the role of the Temporary Assistance for Needy Families (TANF) block grant in providing assistance to needy families. CLASP develops and advocates for policies at the federal, state and local levels that improve the lives of low income people. In particular, we focus on policies that strengthen families and create pathways to education and work.

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 statesⁱ— they provide much-needed 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 can also provide access to paths out of poverty through services such as job training or counseling for mental health issues. However, far too often, even families in desperate need are failing to receive help from the TANF program. One measure of TANF’s failure to reach needy parents is that an increasing share of poor families are “disconnected” from both work and welfare: in 2007, prior to the current deep recession, one third of poor single mothers were neither working nor receiving cash benefits, compared to 16 percent in 1995.ⁱⁱ

TANF’s weakness as a safety net program has been highlighted by the current economic crisis. The unemployment rate peaked at 10 percent in late 2009, and is widely expected to remain high for a prolonged period. The poverty rate rose in 2008 to its highest level since 1997 and data from 2009 likely will show it worsened. Child poverty is particularly bad: the official data will probably show nearly one in four children living in families with incomes under the official poverty level, which was \$22,050 for a family of four in 2009.ⁱⁱⁱ

Nationally, there has been about a 10 percent increase in the number of families receiving cash assistance since the start of the recession. This overall figure masks a great deal of variation from state to state. This variation is illustrated by the four states with the highest unemployment rates in January 2010. Michigan, with the highest unemployment rate in the country (14.3%), has had essentially no growth in its TANF caseloads. Nevada, with the second highest unemployment rate (13.0%), has had TANF caseloads rise by nearly 25 percent. Rhode Island (unemployment rate of 12.7%) has seen its caseloads *fall* by more than 25 percent as it began cutting children as well as adults from assistance when families reach the time limit on benefits. South Carolina (unemployment rate of 12.6%) has had TANF caseloads rise by more than 25 percent.^{iv} Even the states with the largest increases are serving far fewer families than they were prior to welfare reform.

It is also striking to contrast the experience of the TANF program with that of the Supplemental Nutrition Assistance Program (SNAP, or food stamps). Nationally, SNAP caseloads have increased by more than 37 percent since the recession began.^v Recently, a New York Times article found that six million people nationally were receiving food stamps and had no other reported source of income.^{vi} All of these who are in families with children should be eligible for TANF. This implies that there are millions of people in families who have severe need, who have sought out public assistance, and who have navigated the system successfully enough to receive food stamps, but who are not receiving TANF cash assistance.

The TANF block grant, at its best, provides a flexible funding stream that allows states to determine what families truly need to succeed, and to provide as much or as little as needed. However, this potential is all too often unfulfilled. CLASP believes that TANF reauthorization should include an explicit **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, TANF's predecessor, was created because of a societal recognition that children should not be destitute, but TANF is failing to adequately alleviate child poverty. Far too many 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.

In order to understand how TANF's safety net role can be strengthened, it is necessary to consider some of the reasons why TANF caseloads have not increased more during the economic downturn. From a "street level" perspective, there are a number of possible explanations:

- Many states have adopted a range of policies designed to divert potential recipients from receiving TANF cash benefits. These include formal diversion policies, where clients are offered one-time payments in lieu of ongoing cash assistance, intensive orientation and up-front job search requirements. While job search is a logical part of a work-focused program, applicants are often not informed of exemptions available for individuals with disabilities or facing domestic violence, nor provided with child care or transportation assistance to help them comply with these requirements.^{vii} In some areas, caseworkers also informally discourage poor parents from applying for benefits, asking repeated questions about whether potential applicants have any friends or family who could help them out, or threatening them with the possibility of child welfare investigations.^{viii} There is little evidence that states have changed these policies in the face of the recession.
- As the need for help increases with the lasting downturn, many social service agencies are simply overwhelmed by the large number of applicants for various programs. States cut back welfare agency staff as caseloads fell, and, given huge state deficits, it is difficult to increase staffing at this time. Many states are failing to meet the standards set under the SNAP program for processing applications in a timely fashion.^{ix} There are no national standards for processing TANF applications, and so it is likely that they are subject to even greater delays. Newspaper stories report of needy individuals waiting days simply to see an eligibility worker or submit their applications.^x Some potential applicant may simply give up in frustration.
- Former recipients who lost benefits due to permanent sanctions or lifetime limits on benefit receipt may not be eligible to come back on the rolls. Others may incorrectly believe that they are ineligible to receive additional assistance.
- There is a great deal of stigma associated with welfare receipt. Families that have fallen into poverty due to prolonged unemployment or other crises may be reluctant to apply for cash assistance, even if they are eligible. Moreover, food stamps and Medicaid have been

effectively delinked from cash assistance, so families are increasingly able to receive those benefits without having to apply for TANF assistance.

- Some states have suggested that the recent expansions and extensions of unemployment insurance (UI) have meant that low-income families have not needed to apply for TANF benefits. CLASP believes that this is highly unlikely, because few low-wage workers qualify for unemployment insurance benefits.^{xi} One pre-recession study of the UI experiences of former welfare recipients found that only 13 percent of those who were unemployed for at least a full calendar quarter (13 weeks) applied for and received unemployment insurance during the year after they became unemployed.^{xii} While some potential TANF recipients are likely to have benefited from the adoption of the alternative benefit period and other improvements under the UI Modernization Act, those who do not qualify for unemployment benefits in the first place do not benefit from the extensions.

In addition, CLASP believes that a systems perspective sheds additional light on the reasons why caseloads have not increased. Simply put, the structure of the TANF block grant creates no incentive for states to allow more families to receive cash assistance, even in the face of rising need, and does include some major disincentives:

- TANF is a fixed block grant, which means that states bear the additional cost of rising caseloads. As discussed below, the Emergency Fund greatly reduces the increased cost to the state; however, state policy makers are reluctant to make permanent policy changes based upon a temporary program. When cash assistance caseloads fell, states reinvested the TANF funds into other activities, such as child care and family support. Politically, it is very difficult to remove those funds from their current uses in order to support TANF cash assistance. Moreover, due to inflation, the real value of the block grant has fallen by nearly 30 percent since 1996. This means that a large number of services for low-income families are competing for a shrinking pot of funding.
- One element of the block grant, the caseload reduction credit, explicitly rewards states for caseload decline. By statute, states are required to engage 50 percent of work-eligible recipients in a limited set of federally countable activities for a required number of hours per week. However, this 50 percent target is reduced by 1 percentage point for every percent the caseload has declined compared to 2005. The caseload reduction credit applies regardless of whether the caseload decline is due to an increase in work, or to the state imposing barriers to benefit access.
- More broadly, the work participation requirement has focused state efforts on minimizing the number of recipients who are receiving welfare and not participating in countable activities. There is no penalty for failure to serve needy families. This creates a disincentive to serve recipients who, for whatever reason, are less likely to participate in a countable activity for the required number of hours.

The American Recovery and Reinvestment Act of 2009 included several provisions designed to address these systemic issues and to strengthen TANF's role as a safety net. Most significantly, it

created a new \$5 billion Emergency Fund that is available to reimburse states for 80 percent of their increased expenditures in any of three countable areas: basic assistance, short-term non-recurrent benefits, and subsidized employment. Each state can receive up to 50 percent of its block grant over the two years of the Emergency Fund. In addition, the ARRA provided a “hold-harmless” clause for states that experienced caseload increases, stating that they could still receive the same caseload reduction credit toward the work participation rate requirement that they had received in 2007 or 2008. These provisions were designed to remove the disincentives, under current law, for states to allow additional needy families to receive cash assistance.

Few states, with the notable exception of Illinois^{xiii}, have made policy changes to expand access to TANF benefits in the face of the recession. However, the availability of the Emergency Fund has clearly averted cuts to benefits that would have otherwise occurred, given the drastic decline in state revenues. It has also spurred the largest subsidized job creation effort in decades. The TANF Emergency Fund is scheduled to expire on September 30, 2010. Given that unemployment rates are expected to remain high into next year, Congress should act promptly to extend the TANF Emergency Fund beyond its current September 30, 2010 scheduled expiration date. We appreciate the House’s recent action to extend the Emergency Fund as part of the Small Business Job Creation bill, and hope that the Senate will follow suit.

When TANF is reauthorized, it is critical that some form of countercyclical additional funding for TANF be provided on a permanent basis. This funding should not be available to all states at all times, but should include “triggers” so that it automatically kick in when warranted by economic conditions, without the need for Congressional action. With this exception, CLASP believes that the Emergency Fund is a better model than the original Contingency Fund created by the 1996 legislation. The Contingency Fund was never accessed during the 2001 recession, and in practice has rewarded states that are more aggressive about claiming existing spending as Maintenance of Effort, rather than encouraging increased spending on core income supports.

In addition, Congress should require HHS to collect and report data needed to monitor indicators of child well-being and hardship at the state level. 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 based on these measures, but should also provide a reasonable period to collect and report data before imposing consequences such as loss of funding flexibility.

Even before Congress takes up a full reauthorization of TANF, it should provide funding to collect state-level data on indicators of child well-being and hardship, such as through the expansion of the National Survey of Children’s Health proposed under the State Child Well Being Research Act^{xiv}. 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.

For a fuller discussion of CLASP's priorities for TANF reauthorization, see:
 Elizabeth Lower-Basch, *Goals for TANF Reauthorization*, CLASP, January 6, 2010.
<http://www.clasp.org/admin/site/publications/files/TANF-Reauthorization-Goals.pdf>

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- ⁱ Liz Schott and Zachary Levinson. "TANF Benefits Are Low and Have Not Kept Pace With Inflation." Center on Budget and Policy Priorities, November 24, 2008.
- ⁱⁱ Congressional Research Service, Trends in Welfare, Work, and the Economic Well-Being of Female-Headed Families with Children: 1987-2007 (April 21, 2009).
- ⁱⁱⁱ Emily Monea and Isabel Sawhill. "Simulating the Effect of the 'Great Recession' on Poverty." Brookings Institution, September 10, 2009.
- ^{iv} Unemployment rates as of January 2010, from BLS Regional and State Employment and Unemployment Summary, March 10, 2010. <http://www.bls.gov/news.release/laus.nr0.htm> TANF caseload changes are from December 2007 to September 2009, based on LaDonna Pavetti, Ph.D. and Dottie Rosenbaum, Creating a Safety Net that Works When the Economy Doesn't, Center on Budget and Policy Priorities, February 25, 2010. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3096>
- ^v Pavetti and Rosenbaum.
- ^{vi} Jason DeParle and Robert M. Gebeloff, "Living on Nothing But Food Stamps" New York Times, January 2, 2010.
- ^{vii} LaDonna Pavetti, et al. *Strategies for Increasing TANF Work Participation Rates: Summary Report*, Mathematica Policy Research, December 2008. http://www.mathematica-mpr.com/publications/pdfs/family_support/summarytanfbr5.pdf
- ^{viii} Liz Schott, Georgia's Increased TANF Work Participation Rate is Driven by Sharp Caseload Decline, Center on Budget and Policy Priorities, March 2007. <http://www.cbpp.org/files/3-6-07tanf.pdf>
- ^{ix} Brent Jones, "Judge Rules against Maryland on Food Stamp Delay" The Baltimore Sun, December 1, 2009. Allison Sherry, "Long delays in Colorado food aid may spur another lawsuit," The Denver Post, February 1, 2010. Ken Kusmer, "Judge: Improve Indiana Food Stamps Processing," The News-Sentinel (Fort Wayne), October, 29, 2009. Gary Scharrer, "Flood of food stamp requests drains agency," Houston Chronicle, September 6, 2009. See also Pavetti and Rosenbaum.
- ^x Tim Craig, "Frustration among poor D.C. residents grows at understaffed assistance center," Washington Post, January 19, 2010.
- ^{xi} Government Accountability Office, Unemployment Insurance: Receipt of Benefits Has Declined, with Continued Disparities for Low-Wage and Part-Time Workers, GAO-07-1243T, September 2007.
- ^{xii} Christopher J. O'Leary and Kenneth J. Kline, UI as a Safety Net for Former TANF Recipients, Upjohn Institute, March 2008, <http://aspe.hhs.gov/hsp/08/UI-TANF/index.htm>
- ^{xiii} Dan Lesser, Illinois General Assembly Moves to Repair Frayed Safety Net for our Most Vulnerable Families, Sargent Shriver National Center on Poverty Law, May 2009, <http://www.povertylaw.org/newsroom/2009-press-releases/2009-05-15.pdf>
- ^{xiv} For more information on this legislation, see: <http://www.childindicators.com/>