

## Cash Assistance since Welfare Reform

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The 1996 “welfare reform” law ended the individual entitlement to cash assistance under Aid to Families with Dependent Children (AFDC) and replaced AFDC with the Temporary Assistance for Needy Families (TANF) block grant. All states have continued to use a portion of these funds to provide cash assistance to some very low-income families<sup>1</sup>; however, the number of families receiving assistance has fallen dramatically, to about one-third of the 1994 peak. Less than half of families who are eligible for cash assistance receive it.<sup>2</sup> Many of the TANF requirements, including the work participation rate, the time limit on federal assistance, and most data reporting, are limited to families receiving cash assistance and do not apply to families receiving other benefits or services funded from the TANF block grant.

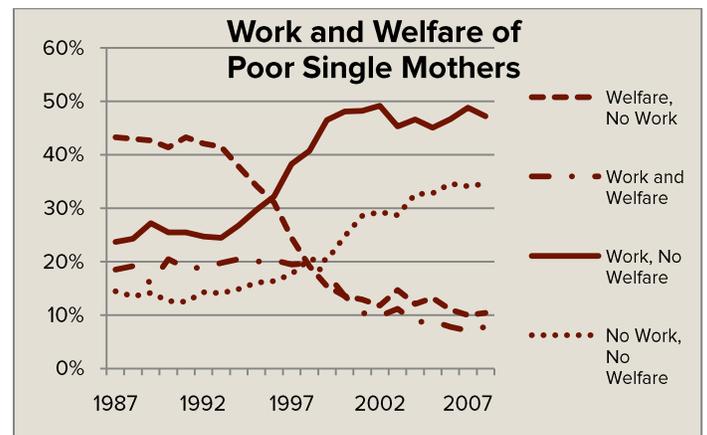
### Caseloads Remain Historically Low

In the average month of FY 2009, 1.8 million families received cash assistance under TANF – and just under half of these families were “child-only cases” where no adult received benefits.<sup>3</sup> The share of poor children receiving TANF benefits has fallen from 55 percent in 1997 to 23 percent in 2009.<sup>4</sup> Caseloads fell most rapidly during the economic growth years of the 1990s, but continued to decline slowly through the 2001 recession and the “jobless recovery” that followed.

National caseloads reached record lows in July 2008 and have since risen by 14 percent from that low. Some states experienced larger increases, while three states – Georgia, Indiana, and Rhode Island – had falling assistance caseloads throughout the recession. Without exception, TANF caseloads remain significantly below their historical peaks.

By contrast, SNAP (food stamp) caseloads are at record high levels, with 43.2 million individuals in over 20 million households receiving benefits.<sup>5</sup> While a broader population is eligible for SNAP benefits than for TANF, since 2000 the two programs have followed fundamentally different approaches to eligible families, as states have eased application barriers and conducted outreach for nutritional assistance, while continuing to discourage receipt of cash assistance.

While the share of poor single mothers who are employed has stagnated since 2000, the share that is neither working nor receiving welfare benefits has risen steadily. In 2008, the Congressional Research Service calculates that **one third of poor single mothers—heading more than 1.3 million families – were neither working nor receiving cash assistance.**<sup>6</sup>



Many of these women have disabilities that limit their ability to work, but either do not meet the stringent definition of disability needed for SSI benefits, or are waiting for their SSI applications to be approved.<sup>7</sup>

## No Progress in Employment and Poverty Reduction since 2001 – and Lost Ground in Recent Years

One of the goals of welfare reform was to emphasize work as a path to economic opportunity. Indeed, between 1993 and 2000, the employment rate of single mothers increased from 57.3 percent to 72.8 percent, with gains concentrated among never married mothers, those most at risk of poverty. Credit for this increase must be shared between the overall growth of the economy and expansions of work supports such as the EITC, child care subsidies, public health insurance, and improved child support enforcement and distribution, as well as welfare reform. This progress stalled after 2000, and has lost ground, with single mothers' employment rate falling to 65.8 percent in 2009.<sup>8</sup>

In addition, while the law was silent regarding poverty reduction, many people hoped that welfare reform would reduce poverty among families with children. Tracking the growth in employment and the expansion of work supports, the poverty rate for children did fall by 30 percent from 1993 to 2000 (from 22 percent to 15.6 percent). However, about one-third of that gain was lost between 2000 and 2007, with the child poverty rate climbing to 17.6 percent. That was even before the current economic crisis pushed the child poverty rate to 20.7 percent in 2009 and likely higher in 2010.<sup>9</sup>

Moreover, even before the recession, low-income single mothers entered a labor market full of low-wage jobs, often unstable, with few benefits, and little opportunity for advancement. As discussed below, welfare reform reduced recipients' access to education and training, which might have led to longer term advancement.<sup>10</sup>

The primary performance measure under TANF is the work participation rate, a process measure. States

must engage at least 50 percent of their assistance caseloads in a specific list of countable work activities for at least 30 hours a week (20 hours a week for single parents with a child under 6), or face financial penalties. There is a separate requirement that 90 percent of two-parent families be engaged in countable work activities for 35 hours a week (55 hours if they receive child care subsidies).

## Participation Rate Requirements Were Tightened by Deficit Reduction Act

Along with the work participation rate requirements, the 1996 law also included a "caseload reduction credit" which reduced the target states were required to achieve by a percentage point for every percent of caseload decline since 1995. Because the caseload decline was so great, most states had very low, or zero, effective participation rate requirements by the early 2000s.<sup>11</sup>

**The reduced work participation rate targets gave states the flexibility to assign recipients to the activities that they deemed appropriate, even if they were not federally countable.** For example, a 2004 study of sites that attempted to achieve "full engagement" found that they assigned between 44 percent and 62 percent of recipients either only to activities that were not countable towards the federal rate, or to a combination of countable and non-countable activities.<sup>12</sup> In addition, families served with state-only funds were not counted toward the participation rate requirement, even if those funds were claimed towards the maintenance-of-effort (MOE) requirement. Many states (25 in FY 2006) used this flexibility to serve all two-parent families through such "separate state programs." A number of states used them to serve other populations for which the work participation requirements did not seem appropriate, such as recipients who had applied for SSI disability benefits and were waiting for an eligibility determination.

With a few notable exceptions, such as Maine's Parents as Scholars and Kentucky's Ready to Work,<sup>13</sup> most states did not use this flexibility to support TANF participants in education and training activities. **Even beyond the federal limits on counting of education and training, states adopted a "work first" orientation that prized rapid employment over skills development.** This was driven in part by evaluations that had found that such programs had greater effects on single parents' employment and earnings than classroom-based adult basic education, and in part by the booming economy of the late 1990s. Thus, in 2006, 6.5 percent of TANF recipients in the overall rate were engaged in vocational education or counted as a teen parent successfully attending high school, well under the statutory limit. Many of these participants were in very short-term vocational training for entry level positions such as nursing aides, which have limited advancement opportunities.

From 2002 to 2005, reauthorization was postponed repeatedly (and TANF continued under a series of short-term extensions) while Congressional debate focused on details of the work participation rate – what activities should be counted, how many hours should be required, whether states should receive partial credit for engaging recipients in work activities but for fewer hours than the standard. Ultimately, TANF was reauthorized by the Deficit Reduction Act (DRA) of 2005, which was passed through reconciliation procedures. The DRA left the hours and countable activities unchanged, but made two key changes that had the effect of sharply increasing the participation rates that states needed to meet: it reset the base year for the caseload reduction credit to 2005 (when caseloads had started to level off after a long period of decline) and it required states to include in the participation rate calculation families receiving aid funded through separate state programs and certain child-only cases. In addition, it authorized HHS to set federal definitions for each of the countable work activities and establish federal

requirements regarding documenting and verifying all hours of work participation claimed.

**In the wake of the DRA and the HHS implementation, states were forced to refocus on the participation rate requirements.** Many states made changes that had the effect of mechanically increasing their work participation rate, but did not actually engage more recipients. For example, since partially sanctioned cases are counted toward the denominator of the participation rate, many states began moving more quickly to full-family sanctions. Others made it easier to combine welfare and work or created new "work supplement" programs to add employed families to their caseloads. Some states limited caseworkers' power to assign recipients to non-countable activities, or held them individually accountable for their caseload meeting the work participation rate.<sup>14</sup>

Caseworkers had to spend an increasing portion of their time ensuring that all hours of participation were verified and documented. 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 only 47 percent on direct service activities, such as creating employment plans, identifying barriers to work, and assisting with job search.<sup>15</sup> There is no evidence that states were more effective in engaging recipients in work activities after the passage of the DRA.

## Many "Diverted" from Assistance

One of the most controversial features of the 1996 law was the 60 month lifetime limit on federally funded assistance. States could provide extensions to up to 20 percent of their caseloads, and could also continue aid using state funds claimed toward the MOE requirement. States also have the option of imposing shorter time limits, and a number did so.

Researchers estimate that through FY 2005, around 250,000 families had their benefits terminated due to time limits; however approximately one-third of these cases were in New York, where recipients whose cases were closed could receive comparable benefits through the state-funded safety net program.<sup>16</sup> In addition to their direct effects, the existence of time limit policies may have helped deter potential applicants, or caused recipients to exit “voluntarily” in order to save months of welfare eligibility for future need.

Other policies appear to have had greater impacts on welfare receipt. Most states now impose full-family sanctions, either immediately or over time, on recipients who are not in compliance with participation requirements. Many states “divert” families from their TANF programs by requiring applicants to attend multiple orientation sessions or to engage in job search activities for several weeks before their case can be opened.<sup>17</sup> While some applicants may find jobs or other income, it appears that some of the most disadvantaged families are diverted from assistance and never receive appropriate assessments or services. In some states, caseworkers explicitly discourage families from applying for cash assistance.<sup>18</sup>

## State Budgets Drive Policy in Recession

During FYs 2009 and 2010, the TANF Emergency Fund was available to states that increased spending on cash assistance, subsidized employment, or short-term payments or services. Few states made changes to their basic cash assistance programs in order to draw down these funds; however, it appears that the availability of these funds protected TANF programs from cuts experienced by state-funded programs. With the Emergency Fund no longer available, several states are considering or have already imposed cuts to cash assistance – either across the board or for specific groups of recipients – or to work programs serving recipients.

## Notes

<sup>1</sup> For more detail on the uses of the block grant, see Elizabeth Lower-Basch, *The Temporary Assistance for Needy Families Block Grant*, CLASP, updated January 21, 2011, available at:

<http://www.clasp.org/admin/site/publications/files/TANFBBlockGrant.pdf>.

<sup>2</sup> HHS estimates that just 40 percent of eligible families received TANF assistance in FY 2005, compared to over 80 percent in FY 1995. Office of the Assistant Secretary for Planning and Evaluation, *Indicators of Welfare Dependence: Annual Report to Congress, 2008*, US Department of Health and Human Services, 2008, <http://aspe.hhs.gov/hsp/indicators08/index.shtml>. [Indicators 2008]

<sup>3</sup> HHS data are available through June 2010 although 2009 and the first six months available for 2010 are preliminary. Office of Family Assistance, *Caseload Data 2010*, at: [http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/caseload\\_current.htm](http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/caseload_current.htm).

<sup>4</sup> Indicators 2008, updated with CPS data.

<sup>5</sup> October 2010 preliminary data, Food and Nutrition Service, SNAP Monthly Data, <http://www.fns.usda.gov/pd/34SNAPmonthly.htm>, as of January 5, 2011.

<sup>6</sup> Thomas Gabe, *Trends in Welfare, Work, and the Economic Well-Being of Female-Headed Families with Children: 1987-2008*, Congressional Research Service, December 2009.

<sup>7</sup> Rebecca Blank and Brian Kovak, *Helping Disconnected Single Mothers*, National Poverty Center, April 2008,

[http://www.npc.umich.edu/publications/policy\\_briefs/brief10/](http://www.npc.umich.edu/publications/policy_briefs/brief10/).

<sup>8</sup> Gabe, 2009.

<sup>9</sup> U.S. Bureau of the Census, Income, Poverty, and Health Insurance Coverage in the United States: 2009, Report P60, n. 238, Table B-2, pp. 62-7. and Julia B. Issacs, *Child Poverty During the Great Recession: Predicting State Child Poverty Rates for 2010*, First Focus/Brookings Institute, December 09, 2010, [http://www.brookings.edu/papers/2010/1209\\_child\\_poverty\\_isaacs.aspx](http://www.brookings.edu/papers/2010/1209_child_poverty_isaacs.aspx).

<sup>10</sup> Elizabeth Lower-Basch and Mark Greenberg, “Single Mothers in the Era of Welfare Reform,” in *The Gloves-off Economy: Workplace Standards at the Bottom of America’s Labor Market*, Labor and Employment Relations Association, 2008, pp. 163–190,

<http://www.clasp.org/admin/site/publications/files/0490.pdf>.

<sup>11</sup> Thus, in FY 2006, the national average participation rate was 32.5 percent, with states achieving rates from 15.2 percent to 77.2 percent, but only one state failed to achieve its adjusted target rate. Office of Family Assistance, *TANF: Eighth Annual Report to Congress*, June 2009.

<sup>12</sup> Jacqueline Kauff, Michelle K. Derr, and LaDonna Pavetti, *A Study of Work Participation and Full Engagement Strategies: Final Report*, Mathematica Policy Research, September 2004, <http://aspe.hhs.gov/hsp/full-engagement04/index.htm>.

<sup>13</sup> For descriptions of these programs and additional information on TANF education and training policies, see:

<http://www.clasp.org/postsecondary/pages?id=0007>.

<sup>14</sup> Government Accountability Office, *Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation*

Rates, GAO-10-525, May 2010. See also: LaDonna Pavetti, et al. *Strategies for Increasing TANF Work Participation Rates: Summary Report*, Mathematica Policy Research, December 2008.

<sup>15</sup> Dani Indovino et al, *The Flexibility Myth: How Organizations Providing MFIP Services are Faring Under New Federal Regulations*, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, May 2008.

<sup>16</sup> Mary Farrell et al, *Welfare Time Limits: An Update on State Policies, Implementation, and Effects on Families*, MDRC, April 2008.

<http://www.mdrc.org/publications/481/execsum.html>.

<sup>17</sup> Pavetti, et al, 2008.

<sup>18</sup> 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>.