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## TANF AT 10

### Program Results are More Mixed than Often Understood

By Sharon Parrott and Arloc Sherman

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) established the Temporary Assistance for Needy Families (TANF) block grant. Under TANF, states received fixed block grants and had broad flexibility to design their own rules for their cash assistance programs, and broad authority to use the block grant resources for other programs outside of cash assistance to assist low-income families, promote marriage, and reduce non-marital childbearing.

Many discussions of TANF focus on three sets of trends — the decline in the number of families receiving cash assistance through TANF programs, the increase in employment rates of single mothers during the 1990s, and the decline in child poverty during the 1990s.

While important, these three sets of trends miss important information about the functioning of the TANF program and the impacts on low-income families over the last decade. Examining a broader set of indicators reveals these important facts:

- **Child poverty fell during the 1990s, but has increased significantly in recent years as has the number of children living below *half* the poverty line.** While child poverty remains below its levels in the mid-1990s, the recent trends are disturbing. Between 2000 and 2004, the number of children living in families with cash incomes below half the poverty line increased by 774,000. Over the same period, the number of children getting assistance from TANF *declined*. While other safety net programs such as food stamps and Medicaid provided assistance to increasing numbers of individuals as the labor market weakened and poverty rose, TANF did not, failing to serve as a bulwark against deep poverty for many children.
- **Employment rates among single mothers are higher today than in the mid-1990s, but they have fallen since 2000.** Single mothers who leave welfare for work typically have higher incomes than they did when they received TANF, but remain poor or near-poor, often face significant work expenses and material hardships, and see only modest income growth over time.
- **The number of poor single mothers who are jobless, do not receive cash public assistance (from TANF or other programs), and do not live with others who work or receive cash income support has increased significantly.** Between 1996 and 2004, the

number of single mothers who were working increased by about 1 million. But from 1996 to 2003, the number of single mothers who fall into this "no work, no welfare" group in an average month increased by more than 400,000. There are now roughly 1 million poor single mothers — with 2 million children — in an average month who fall into this "no work, no welfare" group.

- **TANF now helps a much smaller share of the families that are poor enough to qualify for the program than it used to.** Program participation has fallen sharply among families poor enough to qualify for the program under state eligibility rules (and who meet the other eligibility criteria as well), from about 80 percent in the early 1990s (under the former Aid to Families with Dependent Children program) to just 48 percent in 2002, the last year for which data are available.

Startlingly, this drop in TANF participation among eligible families accounts for *more than half of the decline in TANF caseloads since 1996*. Stated another way, more than half — 57 percent — of the caseload decline during the first decade of welfare reform reflects a decline in the extent to which TANF programs serve families that are poor enough to qualify, rather than to a reduction in the number of families who are poor enough to qualify for aid.

Very poor families that do not receive TANF miss out not only on the income assistance that could help these families meet their children's basic needs, but also on programs that could help them prepare for and find employment.

Many of the TANF provisions included in the Deficit Reduction Act (DRA) passed earlier this year could exacerbate the decline in TANF participation among eligible families and further increase the number of poor families with neither a job nor income support. The DRA gives states a strong incentive to assist fewer families — especially the families with barriers to employment who need the most help — because it raises states' work participation targets while simultaneously narrowing the range of welfare-to-work activities that can be counted toward those targets. These restrictions will make it considerably harder for states to design welfare-to-work programs tailored to recipients' needs.

PRWORA included a far broader set of changes in low-income programs than the elimination of the AFDC program and the creation of the TANF block grant. PRWORA included nearly \$55 billion in cuts to low-income programs, including deep cuts to the Food Stamp Program, cuts in benefits to *legal* immigrants, and new eligibility restrictions in the SSI program for children with disabilities. While overall poverty has fallen since the mid-1990s, the reductions in poverty (particularly using a measure that counts food stamps as income) would have been *greater* in the absence of these cuts. Over the past decade, Congress has restored some of these cuts, but the bulk of them remain in place, reducing food stamps to all poor households participating in the Food Stamp Program and denying basic safety net assistance — including income assistance, nutritional aid, and health care through Medicaid and SCHIP — to legal immigrants.

On a more positive note, PRWORA also included positive changes in the child support enforcement system which have resulted in a significant increase in child support collections over the last decade — this increase in child support collections as reduced the extent and depth of poverty for many families and helped some families leave welfare.

This paper focuses on the broad trends in TANF cash assistance programs over the past 10 years and only touches on some of these other important changes made in the 1996 law.

## **Trends in Child Poverty and TANF Participation Among Eligible Families**

To understand the "story" of TANF, it is useful to understand the basic trends in caseloads, employment rates for single mothers, poverty, deep poverty, extent to which poor families receive help through TANF, and the group of "no work, no welfare" families. As is clear from the data described here, in many cases the trends were far more positive in the mid to late 1990s, when the *combination* of an unusually strong economy that featured strong employment growth and rising wages even among low-skilled workers, growing aid for low-income working families including an expanded EITC, child care subsidies and health care for children in low-income working families, and welfare reform efforts produced strong gains in employment rates among single mothers and reductions in poverty. Since 2000, when the labor market for low-skilled workers has been weaker and supports for low-income working families has stagnated — and in the case of child care, has begun to contract — those trends changed direction, with poverty rising and employment rates falling.

What also becomes clear from these data, however, is that TANF cash assistance programs themselves began to become less and less available to very poor families who had not found jobs during the 1990s, and when the economy weakened and *more* families needed help, TANF assistance programs did not step in to provide that help.

### **The Data**

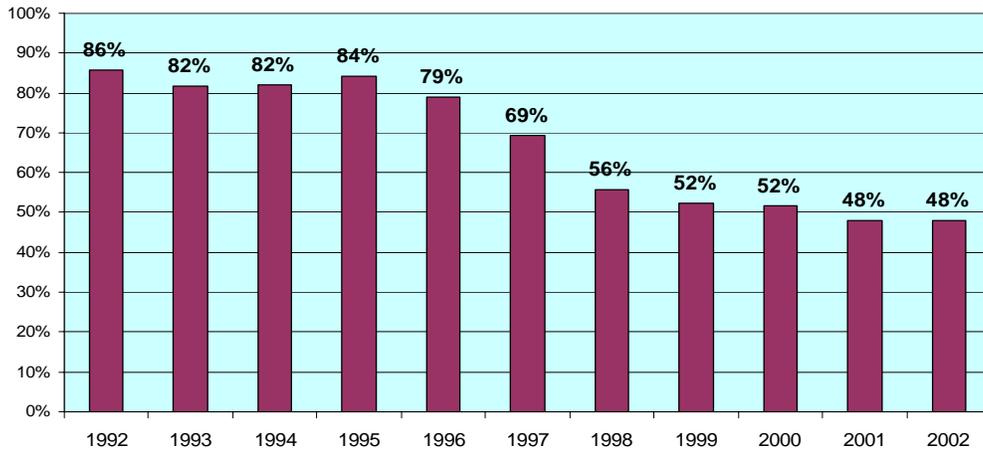
- **Caseloads:** As has been well documented, the number of families receiving assistance (in either a TANF- or MOE-funded program) has fallen dramatically since 1994. Caseload decline began prior to the enactment of PRWORA and accelerated after the enactment of PRWORA.

Caseloads continued to fall after 2000, even as poverty — and deep poverty — among children began to rise. Between 2000 and 2004, the number of children living in families with cash incomes below half of the poverty line increased by 774,000, while the number receiving assistance through TANF or MOE programs *fell* by 509,000. In other words, at a time of rising need, states' TANF programs were assisting *fewer* children.

- **Employment rates:** Employment rates among single mothers rose during the late 1990s, from 61.7 percent in 1995 to 73 percent in 2000. Since 2000, though, employment rates among this group have fallen, reaching 69.1 percent in 2005.
- **Poverty:** Child poverty overall and poverty among single mother families fell during the 1990s. In 1993, some 22.7 percent of children were poor according to the official Census definition of poverty. Poverty began to fall in 1993; in 2000, child poverty stood at 16.2 percent. After 2000, however, poverty began to rise. In 2004 — the latest year for which data are available — child poverty had risen to 17.8 percent, still below its levels in 1993 and 1996, but significantly above its 2000 level. Between 2000 and 2004, an additional 1.4 million children fell into poverty.

FIGURE 1

**Participation in AFDC/TANF by Families that Meet Program Eligibility Requirements, 1992-2002**



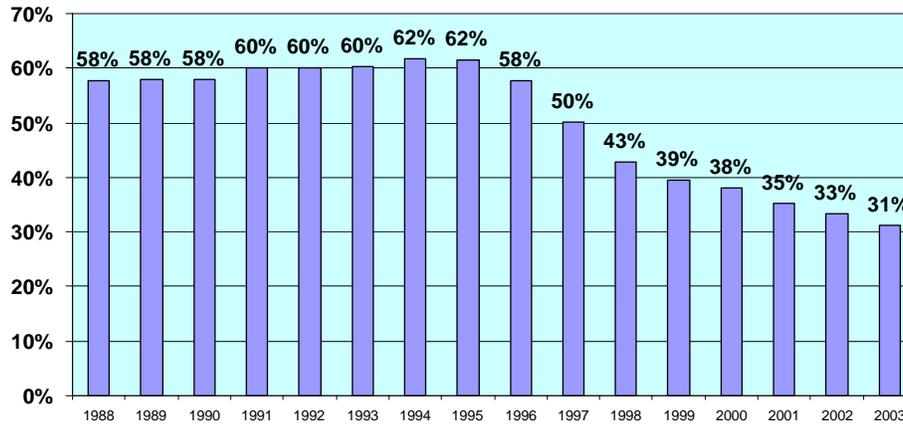
Source: U.S Department of Health and Human Services, Indicators of Welfare Dependence, 2005

- **Deep poverty:** In recent years, the number of children living below *half* of the poverty line has increased substantially. Between 2000 and 2004, the number of children with cash incomes below one-half of the poverty line increased by 774,000. These are the families that could most benefit from TANF assistance programs and associated welfare-to-work programs, but as the number of children living in these very poor families increased since 2000, the number of children receiving TANF (or MOE funded) assistance *declined*. (Even when other noncash benefits such as food stamps are counted, the number of children in families with incomes below half the poverty line increased substantially over this time period.)
- **"No work, no welfare":** Between fiscal year 1996 and 2004, the number of single mothers receiving TANF fell by 2 million, yet employment among single mothers rose by only about 1 million. This left a growing third group — jobless single mothers that receive no help from TANF, or other government assistance programs as well. In 2003, roughly 1 million single mothers in an average month were not working and were not receiving assistance from TANF, SSI, unemployment insurance and were not living with other individuals who were working or had these sources of income either. This is an increase of more than 400,000 since 1996.<sup>1</sup>

<sup>1</sup> These figures are conservative to the degree they leave out any single mother household in which *someone* works or receives TANF, unemployment insurance, or SSI. Not all household members consistently share resources; this may be particularly true of families that are forced to share housing with others temporarily because of a financial crisis. Omitting all such households, as these figures do, means leaving out some single mothers who do not have access to steady income, even if they share housing with someone who does.

FIGURE 2

Share of Poor Children Receiving AFDC/TANF,  
1988-2003



Source: HHS, Indicators of Welfare Dependence, 2005.  
Calculation based on comparing number of children receiving TANF assistance to number in poverty.

- **Proportion of families eligible for TANF assistance who receive aid:** Since the 1996 law was enacted, the proportion of families eligible for state TANF assistance that actually receive assistance has fallen dramatically. During the first half of the 1990s, data from the Department of Health and Human Services (HHS) show that more than 80 percent of families that met the eligibility criteria for the former AFDC program received assistance through that program. AFDC's participation rate had remained at about this level since at least 1981, the first year for which data are available. By 2002 — the last year for which data are available — just 48 percent of families eligible for assistance received help through TANF or a separate MOE-funded state program.<sup>2</sup>

This is a dramatic change. It means that *fewer than half* of the families that are poor enough to qualify for TANF — which, in most states, means that the family has income well below the poverty line — actually receive assistance from the program. Very poor families that do not receive TANF miss out not only on the income assistance that could help these families meet their children's basic needs, but also on programs that could help them prepare for and find employment.

The decline in the proportion of families eligible for TANF that receive assistance from the program is a significant factor behind the decline in the TANF caseloads. In fact, if TANF programs continued to serve the same proportion of eligible families that they did in the mid

<sup>2</sup> U.S. Department of Health and Human Services, *Indicators of Welfare Dependence 2005*, [http://aspe.hhs.gov/hsp/indicators05/ch2.htm#ch2\\_4](http://aspe.hhs.gov/hsp/indicators05/ch2.htm#ch2_4).

1990s, the number of families receiving TANF (or aid through an MOE-funded program) would stand at roughly 3.2 million, rather than the current levels of roughly 2 million.

*Stated another way, more than half — 57 percent — of the decline in TANF caseloads since 1996 is due to a decline in the extent to which TANF programs serve families that are poor enough to qualify, rather than to a reduction in the number of families who are poor enough to qualify for aid.* Despite this dramatic change, little research has been done to understand why the change occurred and what it means for poor families and children.

### **What Is Behind these Trends?**

The trends discussed above have no single cause. Several researchers have tried to disentangle the causes of the rise in employment rates and declines in TANF receipt among single mothers during the 1990s. Most have concluded that a combination of factors contributed to the increased employment rates, including the strong labor market, TANF policies, improved work supports such as increased child care assistance, a strengthened EITC, and the expansion of Medicaid and SCHIP to children in low-income working families. Determining the relative importance of each factor and the synergy among them has proven difficult, but conservative and progressive researchers alike typically ascribe less than half of the increase in employment rates to TANF-related policies.<sup>3</sup> (The ways in which TANF programs promoted work is discussed in more detail below.)

Similarly, the poverty trends discussed above — including both the reduction in child poverty in the 1990s, the rise in child poverty since 2000, and the increase in children in single-mother families living below half the poverty line — have multiple causes. These include the broader labor market and the effectiveness of assistance programs such as TANF, food stamps, EITC, the Unemployment Insurance program, and SSI in reducing the extent and depth of poverty.

The importance of work-promoting policies outside of TANF — such as the expansions of the EITC in 1990 and 1993, the Medicaid and SCHIP expansions of the late 1980s and 1990s that enabled parents to leave welfare for work without jeopardizing their children's health care coverage, and increased support for child care assistance (through both CCDBG and TANF funding) — should not be underestimated. These policies created an environment where work was rewarded and supported. Unfortunately, progress on this “make work pay” agenda has stalled in recent years. Funding shortfalls have resulted in a *contraction* of child care assistance, state and federal law changes may make health care for children in low-income working families less, rather than more, available, and the real value of the minimum wage now stands at its lowest level since 1955.

While TANF's role in some of the other recent trends — such as the extent to which families that are poor enough to qualify for TANF do not participate in the program — is easier to determine, it is not entirely clear which state programmatic choices have led to this trend. Many TANF programs now send a clear signal to applicants and recipients that the program is temporary and that they should do everything they can to find jobs and stay off the program. Some states discourage

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<sup>3</sup> See, for example, “The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update,” Council of Economic Advisors, August 3, 1999, <http://clinton4.nara.gov/WH/EOP/CEA/html/welfare/nontechv3.html>; Gary Burtless, “The Labor Force Status of Mothers Who Are Most Likely to Receive Welfare: Changes Following Reform,” Brookings Web Editorial, March 30, 2004; and “The Past and Future of Welfare Reform,” by Douglas Besharov, *the Public Interest*, Winter 2003.

## **Welfare Law Also Made Deep Cuts in Other Programs, Most of Which Remain**

In addition to creating the TANF block grant, PRWORA cut low-income programs by almost \$55 billion over six years. Nearly all of this \$55 billion came from programs *other* than AFDC, with especially large cuts made in the Food Stamp Program and in legal immigrants' eligibility for SSI, food stamps, and Medicaid. Cuts were also made that restricted SSI for some children with disabilities. Only a tiny amount of the cuts reflected reductions in administrative costs or savings resulting from anti-fraud measures; virtually all took financial support away from low-income individuals. Many of these cuts remain in effect today, weakening the Food Stamp Program and making life more difficult for low-income legal immigrant families.

It also should be noted that Medicaid and food stamp rolls dropped sharply in the initial years of TANF implementation in part because many families that left TANF — and families that never came onto the program — also did not receive food stamp and Medicaid benefits, despite being eligible for these supports. In more recent years, states improved their efforts to ensure that those that left TANF and those that chose not to apply for TANF have access to Medicaid and food stamp benefits.

### **Food Stamps**

About half (\$28 billion) of the \$55 billion in cuts came from the Food Stamp Program, with CBO estimating that the cuts would reach 20 percent of projected benefit spending by the sixth year. They included an across-the-board benefit reduction for nearly all recipient households, including families with children, the working poor, the elderly, and people with disabilities. Eligibility also was severely curtailed for legal immigrants and unemployed childless adults. Congress has moderated some of the most severe cuts, but about two-thirds of the cuts remain in effect.

Additional across-the-board benefit cuts also eliminated many of the inflation adjustments in food stamp eligibility and benefit calculation formulas. As a result, a typical family of three — which, according to program data, has a with monthly income of \$1,078 (or 78 percent of the poverty line) — is eligible for \$217 in food stamps under current law. If the welfare law had not included across-the-board benefit reductions, the household would receive \$248, or 14 percent more each month. Over the course of a year, these cuts add up to \$372 — a reduction in income a poor family can ill afford. While Congress made some improvements in 2002 to address this problem, the real value of the food stamp benefit has continued to deteriorate over time. Without further changes, poor households will always receive less help from the Food Stamp Program than if the welfare law had not cut benefits.

### **Legal Immigrants' Benefit Eligibility**

PRWORA bill radically restricted legal immigrants' eligibility for public benefits. (Undocumented immigrants were not and are not eligible for public benefits.) These changes were estimated to save \$22 billion over six years (this figure includes the cuts in food stamps for immigrants).

Congress later scaled back some of the cuts, reversing its decision to cut elderly and disabled legal immigrants already receiving SSI benefits off of the program (but denying eligibility for virtually all immigrants who entered after 1996) and restoring food stamp eligibility to some groups of legal immigrants. But the welfare law's real impact on legal immigrants cannot be measured by the eligibility changes alone. The law convinced many immigrant communities that they were not eligible for benefits and that they (and their citizen family members) should not participate even if eligible, in part out of fear that legal immigrants who did participate would be deported or denied citizenship.

Despite outreach efforts, many eligible immigrants and their citizen children continue to shun benefit programs such as Medicaid and food stamps. Immigrants' participation rates in these programs are significantly below those of the general population, and their hardship levels (as measured by food insecurity and uninsurance rates) are much higher. This is highly problematic: legal immigrants make up a significant portion of the low-wage working population, and nearly one-quarter of children in poverty have an immigrant parent. Finding new ways to make these individuals eligible and to connect them to assistance is critical to responding to the needs of low-wage workers.

families from applying for assistance, place requirements on families before their TANF application can be approved, quickly terminate assistance to families for missing appointments with caseworkers or not completing paperwork, and/or end assistance to families that do not meet work or other requirements. Such policies and procedures can reduce the extent to which eligible families receive assistance from TANF.

## **State Welfare-to-Work Efforts**

While work participation had long been required of many welfare recipients under AFDC, TANF brought a renewed emphasis that recipients were required and expected to participate in work activities. The work participation rates in the 1996 law spurred states to revamp their welfare-to-work programs. While the caseload reduction credit (which reduced the work participation rate that a state was required to meet) ultimately meant that the participation rates were not difficult for states to achieve, state employment and training programs often were designed around meeting the work rates and achieving caseload reduction.

States sought to enforce a strong work message and help families find work in several ways: through employment and training activities, policies that “make work pay,” supportive services that helped make work possible for many families (most notably child care assistance), and improved child support enforcement (which helped some families leave TANF due to a combination of earnings and child support). Some of these policies, such as expanded child care assistance and improved child support collections, also benefited low-income families *not* receiving TANF benefits, helping them remain employed and off of TANF.

- **Employment and training activities:** States increased their employment and training activities under TANF, although state investments were still limited — states spent less than 10 percent of federal TANF and state MOE funds on work-related programs in FY 2004, according to HHS data. Some states developed innovative programs to help those with the greatest barriers to employment prepare for and find jobs and to help recipients build their skills so they could secure more stable employment, with better wages and advancement opportunities. Others did little in these areas, focusing their programs on a narrow set of job search activities.
- **Making work pay:** Under AFDC, when a parent found a job the family’s AFDC benefit was soon reduced nearly dollar-for-dollar to offset the increased earnings. This meant that few AFDC recipients were employed, because even very low earnings made a family ineligible. Under TANF, in contrast, nearly all states expanded their earnings disregard policies (many had done so through waivers even before the 1996 law was passed) so that more families could work without losing eligibility for cash welfare, although families still lose eligibility in many states when their earnings reach very low levels.

Research has shown consistently that expanded earnings disregards improve employment outcomes for TANF recipients. Moreover, evaluations by the research institute MDRC show that the only welfare-to-work programs that consistently improve employment outcomes, reduce poverty, *and* improve children’s education outcomes are those that increase assistance to working families. The increased earnings disregards states put in place are one reason that

among TANF recipients engaged in work activities, the most common activity they are participating in is private employment.

It is important to note that the make-work-pay policies that states adopted in their TANF programs supplemented a much larger set of make-work-pay policies initiated at both the federal and state levels, such as Medicaid and SCHIP expansions and expansions in the EITC, discussed above.

- **Child care and other work supports:** The total amount spent on child care assistance for both TANF recipients and low-income working families increased substantially in the years following the enactment of PRWORA, though this progress has stalled in recent years. In 1997, some \$4 billion was spent on child care. This increased to \$11.9 billion in 2004. (The amount spent on child care actually peaked in 2003 and then declined somewhat as states began to reduce the amount of TANF spent on child care.)<sup>4</sup>

States increased child care assistance primarily for families *not* receiving TANF cash assistance. (Prior to the 1996 law most states provided child care assistance to AFDC recipients who were working or in employment programs.) Increasing the availability of child care to low-income working families — those who had recently left welfare for work as well as those who had not recently received TANF — helped those families retain employment. Research has shown that child care assistance improves employment outcomes and can help families stay employed and off welfare.<sup>5</sup>

In addition to child care, some states provided other forms of work supports to families transitioning from welfare to work and other working-poor families. These supports, which included transportation assistance, help purchasing a car, and one-time help to cover work expenses such as new uniforms, were less widely available and extensive than child care assistance programs.

- **Improved child support enforcement:** As noted above, PRWORA made important changes to the child support enforcement program that significantly enhanced states' ability to collect child support from non-custodial parents. A report by the Center for Law and Social Policy summarized the results:

Child support collection rates have more than doubled since 1996, when Congress overhauled the program as a part of welfare reform. In 2004, 51 percent of families in the child support program received child support, up from 20 percent in 1996. Collected dollars increased from \$12 billion to \$22 billion. This amounts to an 82 percent increase in collections, despite an 18 percent decline in the child support caseload.<sup>6</sup>

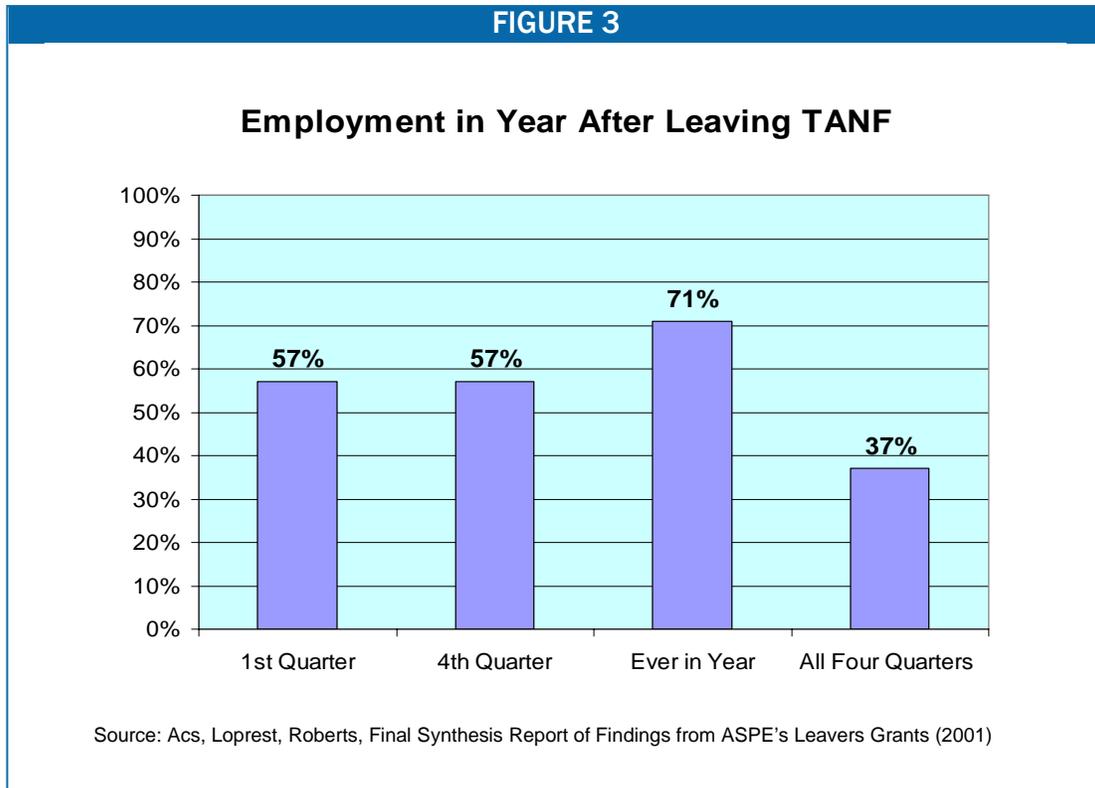
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<sup>4</sup> These figures reflect nominal spending on child care and are not adjusted for inflation. If the figures are adjusted for inflation, the real increase in child care spending over this period totals more than 150 percent.

<sup>5</sup> For a brief review of the research on the impact of child care assistance programs on employment, see, "Child Care Assistance Helps Families Work: A Review of the Effects of Subsidy Receipt on Employment," by Hannah Mathews, Center for Law and Social Policy, April 2006.

<sup>6</sup> Vicki Turetsky, "The Child Support Program: An Investment that Works," July 2005.

FIGURE 3



The improvement in child support collections has enabled some families to leave TANF and other families to avoid applying for TANF assistance. Research has shown, for example, that former TANF recipients that receive child support payments are less likely to return to TANF and that families that receive child support income have better employment outcomes.<sup>7</sup>

In addition to these policies, states also used time limits and sanction policies to limit assistance to families and to enforce work requirements. Research on time limits is surprisingly limited and may reflect the fact that caseload declines were driven largely by policies other than time limits. There is substantial research on sanction policies — both on their effectiveness at improving participation in required activities and on the characteristics of sanctioned families. While sanctions appear an important part of enforcing work requirements, there is no research to suggest that full-family sanctions — which most states have now adopted — are more effective than partial sanctions at gaining compliance with work requirements. And, as is discussed below, there is substantial evidence that a significant share of recipients who are sanctioned for failing to comply with program activities have barriers to participation that may be impeding their *ability* to comply.

### **How Families That Left Welfare for Work — and Families Left Behind — Are Faring**

As discussed above, employment rates among single mothers have increased since the mid-1990s, and TANF policies and programs played a role in that increase. During the 1990s, HHS sponsored a series of studies of families that left TANF programs. Taken together, these studies showed that

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<sup>7</sup> Ibid.

about three in five former TANF recipients were employed at any given time during the year after they left TANF, and about three-quarters worked at some point during that year. Only a little more than one-third worked all four quarters of the year (see Figure 3).

Wages of former TANF recipients were low — typically \$7 to \$8 per hour — but employed former recipients nonetheless had higher incomes than when they were on TANF. Most former recipients worked nearly full time in the months in which they were employed.<sup>8</sup> Employed former recipients benefited from an expanded EITC and other work supports that were strengthened in the 1990s.<sup>9</sup> Still, a study of women on TANF in Michigan found that, when hardships including lack of health insurance are examined, those who left welfare for work had similar numbers of hardships (such as difficulty paying rent and utilities, food insecurity, and food, and lack of health insurance or having unmet medical needs) as those who continued to receive TANF.<sup>10</sup>

Most recipients who left TANF and found jobs saw some wage advancement, but it was typically limited, and many experienced significant spells of joblessness after leaving welfare for work. A Johns Hopkins study of current and former recipients in three cities found that when all former TANF recipients are considered — those with jobs and those without jobs — the average income gains of those who left TANF were about the same as those who had not left the TANF program.<sup>11</sup>

Evaluations of welfare-to-work programs have shown that, designed properly, welfare-to-work programs that include strong job development and skill-building components can improve the likelihood that recipients find “better” jobs — that is, jobs that pay higher wages, provide some benefits, and offer opportunities for advancement.

The highly successful welfare-to-work program evaluated in Portland, for example, was able to help recipients secure higher paying jobs that offered more opportunities for advancement than the jobs that recipients typically find. The Portland program was able to do this by working with recipients to identify their career interests and job skills, providing training opportunities to recipients that enabled them to secure occupational certificates for high-demand jobs, and linking job training and job search activities so recipients were pursuing jobs that matched their new skills.

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<sup>8</sup> Gregory Acs and Pamela Loprest, "Final Synthesis Report of Findings from ASPE 'Leavers' Grants, Urban Institute, 2001.

<sup>9</sup> The HHS-sponsored studies of former recipients were completed prior to the economic downturn and the subsequent rise in poverty and decline in employment rates among single mothers. Given the recent declines in employment rates among single mothers, employment rates among former TANF recipients may also be somewhat lower now than in the late 1990s.

<sup>10</sup> Sheldon Danziger, Colleen M. Heflin, Mary E. Corcoran, et al., “Does it Pay to Move from Welfare to Work?” (Revised April 2002), [www.fordschool.umich.edu/research/poverty/pdf/v2workpays-danzetal.pdf](http://www.fordschool.umich.edu/research/poverty/pdf/v2workpays-danzetal.pdf)

<sup>11</sup> A study of low-income women in three cities concludes finds that, “in the absence of large increases in other family members’ earnings, the expected income gain from leaving welfare is either zero or very small.... In our three cities, the risk of nonemployment is sufficiently great that leaving welfare offers very little financial reward, if not a financial loss.” Robert Moffitt and Katie Winder, “Does It Pay to Move from Welfare to Work? A Comment on Danziger, Heflin, Corcoran, Oltmans, and Wang,” (Revised August 2004), [www.jhu.edu/~welfare/moffitt\\_winder\\_v4c.pdf](http://www.jhu.edu/~welfare/moffitt_winder_v4c.pdf).

## Families Left Behind

While many families make the transition from welfare to work, others do not. Some of these families become part of the growing group of poor families that are jobless and do not receive assistance from TANF or another income support program, while other families continue to receive TANF over long periods of time. Some families cycle between periods in which they receive TANF, periods in which they do not receive TANF and are working, and periods when they are neither working nor receiving TANF assistance (or aid from another income support program).

Families that are sanctioned for failing to comply with TANF program rules (typically work program requirements) often become part of the “no work, no welfare” group, at least for a period of time. An extensive body of research has emerged to suggest that these families often have serious barriers to employment — including disabilities — that may limit their ability to meet program requirements. For example, a study of sanctioned families in Illinois and South Carolina by Mathematica Policy Research, Inc. found that recipients with mental and physical health problems, those caring for family members or friends with health problems, and those with less education were significantly more likely to be sanctioned than other recipients.<sup>12</sup>

Research also has shown that families whose benefits are terminated for noncompliance with program requirements often remain jobless; employment rates are much lower for sanctioned families than for families that left TANF for other reasons.<sup>13</sup> Many families experience significant material hardships after being sanctioned off TANF. A Mathematica review of research on sanctioned families concluded, “Sanctioned recipients are more likely to experience material hardships than their non-sanctioned counterparts. Material hardships TANF recipients face include borrowing money to pay bills or falling behind on payments, not having enough food, problems paying for medical care, and experiencing a utility shut-off, among others.”<sup>14</sup>

A recent Urban Institute study measured material hardships among “disconnected welfare leavers” — families that leave TANF, but are not working, do not receive cash aid or disability benefits, and do not have a working spouse. This group, who represented 17 percent of recent welfare leavers in 1997 and 21 percent in 2002, were “significantly more disadvantaged than other leavers,” according to the study. They had significantly more problems buying food (three-fifths had what the study termed “multiple food insecurities,” compared with fewer than half of other families leaving welfare). Their average income (including boyfriends’ income, if any) was just \$6,178 in 2002, equal to about one-third of the incomes of other welfare leavers (\$17,681).<sup>15</sup>

Similarly, analysis of data from the Survey on Income and Program Participation shows that those individuals who have a recent connection to the TANF program but are now without work or welfare face high rates of hardships. Among single-mother households who have some recent connection with TANF (either leaving or joining the program in the last 12 months) and who have

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<sup>12</sup> LaDonna Pavetti, et al., "The Use of TANF Work-Oriented Sanctions in Illinois, New Jersey, and South Carolina," Mathematica Policy Research Inc., April 2004.

<sup>13</sup> For a review of this research, see "Review of Sanction Policies and Research Studies," by LaDonna Pavetti, 2003.

<sup>14</sup> Ibid, page 17.

<sup>15</sup> Loprest and Zedlewski (July 2006)...pages ix and 50-52.

two months or more with neither work nor welfare, half experienced a serious hardship — hunger, failure to pay their rent or mortgage, or a shut off of their heat or power after failing to pay bills.<sup>16</sup>

Detailed research on long-term TANF recipients also sheds light on the characteristics of families that are not successfully making the transition from welfare to work. A recent in-depth study of long-term TANF recipients in St. Paul, Minnesota found that a large share of long-term recipients — those about to reach the 60-month time limit — had low cognitive functioning (defined as an IQ of below 80) and serious physical or mental health problems that limited their ability to hold a job. The problems documented by caseworkers were severe. One parent was unable to lift a gallon of milk because of health problems; another suffered from depression so severe that she was unable to maintain basic hygiene. Some parents had such low cognitive functioning that they could not read simple words, identify numbers, or tell time.<sup>17</sup> It is important to note that families with these characteristics sometimes are among the long-term TANF recipients and sometimes are part of the “no work, no welfare” group, depending on a particular family’s circumstances and the time limit, sanction, and other policies in place in the state.

Some states have developed innovative programs to help recipients with disabilities and other barriers move toward employment. Vermont’s TANF agency, for example, has partnered with the state’s vocational rehabilitation agency to develop a set of specialized services for TANF recipients with disabilities. At a recent meeting of the American Public Human Services Association, a state agency official from Vermont noted that programs exist that can help many TANF recipients with disabilities, but they take time and resources. She noted that recipients who participate in the vocational rehabilitation agency’s program spend an average of 15 months in the program; many require modifications to the standard TANF work requirements because of their disabilities.

## **The Block Grant Financing Structure**

The 1996 law changed the basic financing structure for basic cash assistance programs. States received a fixed block grant — which has not been adjusted even for inflation since its inception 10 years ago — and broad flexibility to spend those resources on programs that (1) provide assistance to needy families with children, (2) seek to end parents' dependence on government assistance through job preparation, work, and marriage, (3) reduce non-marital childbearing, and (4) promote marriage.

States used this funding flexibility to fund a broad array of programs. As cash assistance caseloads fell, states diverted the cash assistance “savings” to other programs that meet these broad purposes, including child care assistance and other work supports, programs that seek to prevent child abuse and neglect or provide services to assist families at risk of abuse or neglect, after-school programs, pregnancy prevention programs, and a host of others. In many cases, as cash assistance costs declined, states *increased* there overall investments in these other programs, but in other cases the

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<sup>16</sup> Center on Budget and Policy Priorities analysis of 2003 SIPP data.

<sup>17</sup> LaDonna A. Pavetti and Jacqueline Kauff, “When Five Years Is Not Enough: Identifying and Addressing the Needs of Families Nearing the TANF Time Limit in Ramsey County, Minnesota,” Mathematica Policy Research, Inc, 2006.

funds freed up by falling cash assistance caseloads were used to supplant state funding in other areas.

The block grant itself is now worth far less than it was in 1996. The basic block grant states receive has not been adjusted since 1996 and inflation has now reduced its purchasing power by 22 percent. The block grant is scheduled to remain frozen through 2011, when it will be worth just 70 percent of its 1996 value.

As the value of the block grant continues to erode with inflation, the funding structure itself may become one more reason that states seek to keep caseloads low and try to drive still more families off the program. Without additional resources, states will find it increasingly difficult to fund their cash assistance and welfare-to-work programs and continue to fund the other programs for low-income families that TANF-related resources now finance.

### **Reauthorization Provisions Could Worsen Troubling Trends**

The TANF reauthorization provisions included in the Deficit Reduction Act (DRA) passed earlier this year are forcing states to reexamine their TANF programs. Renewed interest in welfare reform and innovation is welcome. However, many of the DRA's provisions could exacerbate the more troubling trends discussed above.

The DRA requires states to meet significantly higher work participation rates and, when coupled with the interim final regulations recently issued by HHS to implement the new law, will considerably reduce states' flexibility to design welfare-to-work programs tailored to the needs of individual recipients. In fact, programs that are designed to address two of the biggest problems that have emerged over TANF's first decade — that parents who leave welfare for work often earn low wages and have unstable employment, and that many families with the greatest barriers to employment are being left behind — often will *no longer count* toward states' TANF work participation requirements.

- **The new regulations severely restrict the extent to which states can receive credit toward the participation rate for welfare-to-work activities that are designed to help those with the greatest barriers to employment become job ready.** The regulations give states no credit toward their work requirements when parents with disabilities participate in welfare-to-work activities that have been modified (either the activity itself or the number of hours it must be performed) to reflect the recipients' disabilities. The regulations make clear that HHS wants states to try to help TANF recipients with disabilities prepare for employment and that states are obligated under the Americans with Disabilities Act to ensure that their programs make reasonable accommodations to ensure that program requirements are appropriate for individuals with disabilities. Yet the rules, themselves, inhibit states in both of these areas.
- **The DRA statute and regulations significantly restrict the extent to which states can count programs designed to improve parents' skills toward the work rate.** The statute limits vocational educational training programs to 12 months, and to no more than 30 percent of a state's welfare-to-work program participants. The regulations place further restrictions on

the types of skill-building programs that can qualify as vocational educational training.

The new work participation rates in the DRA are not accompanied by any significant new resources. The \$200 million per year in additional child care resources included in the DRA is not even sufficient to ensure that federal child care funding simply keeps pace with inflation. In fact, the Administration's own 2007 budget documents show that it expects the number of low-income children receiving child care assistance to fall to 1.8 million in 2011, down 650,000 from the 2.45 million children who received child care assistance in 2000. This represents a projected *26 percent decline* in the number of children projected to be served in child care assistance programs.

The rigidity of states' new work rules, coupled with a lack of additional resources, gives states a clear incentive to reduce their caseloads further, regardless of whether the number of families in need declines as well. *The cheapest and easiest way for a state to meet the new work rules and avoid fiscal penalties is to assist fewer poor families.* As the last decade has shown, it is entirely possible for many states to implement policies and procedures that will drive very poor families from the TANF program and swell the already large group of families that are jobless and not receiving income assistance from TANF or other cash aid programs.

All state officials understand the incentives embodied in the law to reduce caseloads by any means. While many state officials express concerns about taking steps to further restrict access to assistance for poor families, the message being sent by the federal legislation and regulations is clear.

To be sure, adopting policies that restrict access to assistance for poor families is not the only approach open to states. States can and should consider their own welfare reform and anti-poverty goals and then design programs to meet those goals, with the federal work requirements as a constraint but not the driving force behind their decision making. With ingenuity and hard work, states can develop a set of programs — some supported by TANF and MOE funds, others entirely state funded — that can serve the needs of poor families and help the state meet its federal TANF requirements. The options open to states that can help them meet these twin goals include engaging more recipients in higher-quality welfare-to-work programs, including those that seek to prepare recipients for better paying, more stable jobs; expanding low-income working families; improving procedures for identifying barriers to employment and developing more effective programs to help recipients address those barriers; and, when necessary, using state funds (that are not associated with the TANF program) to provide assistance and appropriate job preparation services to poor families for whom the federal work requirement structure is inappropriate because of its rigidity.

It is important to recognize that TANF, and in fact welfare reform in general, is at a crossroads. If states simply seek to meet the new TANF rules in the simplest and least expensive manner, then increasingly the nation's poorest families will not be able to obtain basic assistance and those with the greatest needs will be left further behind. If, on the other hand, states take this opportunity to establish high-quality programs that help parents build their skills, address barriers to employment, and provide needed income support to families when they need it, perhaps some of the most disturbing trends discussed above, such as increases in deep poverty, could be ameliorated.

Unfortunately, without modifications to the DRA or the recently released interim final regulations, federal law will not encourage states to follow the better of the two paths.

## Conclusion

Too often, the discussion of the first ten years of TANF implementation focuses on the sharp declines in the number of families receiving assistance and the positive trends in poverty and employment among single mother families that occurred in the 1990s. To be sure, TANF's emphasis on work and helping parents find jobs contributed to these positive trends, though most researchers attribute a substantial portion of the credit to an unusually strong economy that reached into the low wage labor market and significant increases in work supports that both make work possible and increase the returns to work.

But, an honest assessment of the last ten years also shows that our safety net for the poorest families with children has weakened dramatically and left some families in very difficult circumstances. The seldom told truth about the dramatic caseload decline is that more than half of the caseload decline is attributable to the fact that TANF assistance programs now serve a far smaller share of those poor enough to qualify for the program. With some one million single mothers — with some 2 million children — in an average month being both jobless and without income assistance from TANF, other cash aid programs, or other household members, it is clear that much work remains to be done.

Over the next ten years, the real test of success will be whether states and the federal government can find ways simultaneously improve on three fronts: ensuring that needed income support is provided to the poorest children, helping those with the greatest problems find jobs, and assisting those at the bottom rungs of the labor market get the skills they need to advance. Without progress in all three areas, a group of very poor families will go without the help they need to make ends meet and another group of poor and near-poor families will work but fail to "get ahead."