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Special Series: **Economic Recovery Watch**

February 17, 2009

DESPITE CRITICS' OVER-HEATED RHETORIC, THE ECONOMIC RECOVERY BILL DOES NOT UNDERMINE WELFARE REFORM

by Sharon Parrott

The economic recovery legislation provides additional resources to states where more poor families need basic assistance due to the recession and the states have responded by serving more families in their TANF (Temporary Assistance for Needy Families) programs. TANF is the welfare-reform block grant that the 1996 welfare law established to replace the old welfare system.

Some critics, such as Robert Rector of the Heritage Foundation, have charged that the TANF provisions of the recovery legislation undermine welfare reform. This criticism mischaracterizes the TANF provisions in the legislation. It also ignores a basic reality — poverty and hardship are rising substantially as a result of the recession, and the number of poor children and families in need is increasing. Ron Haskins — the lead House Republican staffer on the 1996 welfare law — has called for the very type of TANF provisions the recovery legislation contains and has said such measures are fully consistent with the 1996 law.

What the New TANF Provision Does

The TANF provisions in the recovery legislation provide states with additional resources through an "emergency contingency fund" if their TANF caseloads — and, thus, the costs of providing basic assistance to needy families with children — have increased and the states have responded by boosting expenditures for such assistance. The provisions also provide additional resources to states that respond to rising need by expanding subsidized employment programs or programs that provide short-term, non-recurrent aid, such as to help families pay security deposits or avoid utility shut-offs. Under the new legislation, states experiencing increased costs in these areas, as compared to the costs they incurred in 2007 or 2008, will be able to receive federal funding to cover 80 percent of the increase in expenditures. States will have to pay the other 20 percent of the costs either by increasing state spending — which will be difficult given the large budget shortfalls states face — or by cutting TANF-related funding from other areas such as child care or child protective services to meet these rising costs.

The recovery legislation also includes a provision ensuring that the *percentage* of families receiving TANF assistance that a state must enroll in welfare-to-work programs will not automatically spike upward if a state's caseload rises during the recession. Under standard TANF rules, the "work participation rate" that a state must meet — that is, the share of adult TANF recipients who must be employed or in welfare-to-work activities — is reduced based on the extent to which the state's caseload has fallen *below* its 2005 level. This means that if a state's caseload increases during the current recession, the work participation rate that the state must meet automatically rises as well. The standard rules thus would trigger especially sharp increases during the recession in the number of parents a state must engage in welfare-to-work activities. This would be a difficult requirement for states to meet during a deep economic downturn, when job placement opportunities diminish rather than expand.

The new legislation addresses this problem; under it, states that experience caseload increases during the recession will not face an increase in their required work participation rate. *But they will have to increase the number (as distinguished from the percentage) of parents engaged in work activities, since the same work participation rate will now apply to a bigger caseload.* Without this aspect of the new legislation, a state experiencing modest increases in its caseload could be required to expand the size of its welfare-to-work program by 40 or 50 percent, a particularly difficult and expensive undertaking when jobs are scarce. (In normal economic times, a large share of TANF recipients who are in work activities are working in unsubsidized low-income jobs and receiving a TANF grant to supplement their earnings.)

Why the TANF Provisions of the Recovery Legislation Are Needed

The original 1996 welfare law included a "contingency fund" to provide states with additional resources during recessions. But there are two problems now with the existing contingency fund. First, it may well run out of money in 2009, as states draw down the available funding. Second, some states have been able to draw down funding because they have met the economic "triggers" for the fund, but then have not used the money to provide basic assistance to additional families in need.

To address these problems, the new legislation provides additional "emergency" contingency funds on a temporary basis and makes them available only to states that provide basic assistance to a larger number of families, expand subsidized employment, or expand programs providing short-term non-recurrent aid to needy families. This ensures that the funding is targeted on states where additional families that need assistance to make ends meet are receiving help.

Many analysts have voiced concern that in some states that are experiencing large increases in unemployment and corresponding increases in food stamp caseloads, the TANF program has not responded to the rise in poverty. Although TANF caseloads are increasing in some states, they remain flat or are declining in others where unemployment has increased substantially. The TANF provisions of the new law are intended to ensure that states have the resources they need to avert serious hardship among very poor children and their parents as a result of the deepening recession.

Addressing the Criticisms

The criticisms leveled against the TANF provisions of the legislation reflect both rhetorical excess and a lack of careful scrutiny of the provisions. These provisions do not undermine welfare reform. Nor do they undo its focus on work.

- *States will have no incentive to put families on TANF that don't need assistance.* Under the new provisions, states will have to find the resources to cover 20 percent of the additional costs associated with TANF caseload increases. States face cumulative budget deficits over the next 30 months estimated at $350 billion. The fiscal relief that the recovery legislation provides to states will close only about 40 percent of these shortfalls. States thus will have no incentive to push families who don't need TANF assistance onto the rolls, as that would increase the costs that hard-pressed states would have to bear.

- *The 1996 law itself established a contingency fund to be drawn upon in recessions — the new legislation simply ensures there is enough money available and that the new emergency contingency funds are targeted on states that need it.* The 1996 welfare law assumed states would need more resources when poverty increased during a recession. The new legislation adds some additional resources and targets the new funding to states facing increases in the number of families that need assistance and are receiving aid. Some critics have argued that states meeting certain economic triggers — such as increased unemployment rates — should have had access to the additional funding, even if they do not use the funding to cover the costs of aiding more poor families. But TANF was not intended to provide general fiscal relief to states. It is a funding stream intended to meet the needs of poor children and their families.

- *States experiencing caseload growth will be required to expand their work programs and place more parents into welfare-to-work activities.* Under the new legislation, a state that experiences caseload grow of 10 percent will have to increase the number of parents participating in welfare-to-work activities by 10 percent in order to meet the federal work participation requirements. The new provision simply ensures that states with ballooning deficits and weak job markets are not expected to increase the number of parents working or in job training programs by a substantially *larger* percentage than the percentage increase in their TANF caseloads.

- *Ron Haskins, the Republican staff director of the Ways and Means Subcommittee on Human Resources when the 1996 welfare reform law was written and a key figure in the crafting of that legislation, has said that TANF provisions like those the new legislation contains are needed now and are fully consistent with the 1996 welfare law.* In a recent memo (co-authored with the author of this analysis), Haskins wrote:

  > "Currently, a state can draw down TANF contingency funds even if it is not serving more families in its TANF cash assistance program. . . . [T]he new contingency funds [in economic recovery legislation] … should be targeted to states that are assisting increasing numbers of families and are, therefore, facing increased costs. This policy change would return the contingency fund to its original purpose — helping states meet higher assistance costs during recessions — and show states that if they ensure that their program responds to rising need during the downturn, the federal government will help cover the cost."