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CREATING A SAFETY NET THAT WORKS WHEN THE ECONOMY DOESN'T: THE ROLE OF THE FOOD STAMP AND TANF PROGRAMS[1]

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The Food Stamp Program[2] and the Temporary Assistance for Needy Families (TANF) program have responded very differently to the unprecedented challenges that the current recession, with its high levels of unemployment and rapidly changing economic circumstances, has posed to the nation's safety net. The Food Stamp Program, a federal entitlement program, has responded quickly to rising need: nationally caseloads have increased by 4.6 million households (37 percent) since the beginning of the downturn. TANF, a fixed block grant provided directly to the states, has lagged far behind: caseloads have increased by just 10 percent, and in 23 states, caseloads have increased by 5 percent or less or have actually declined. For both programs, the recession has highlighted areas needing improvement to strengthen the safety net for this and future recessions.

How Food Stamps and TANF Assist Families in Need

The nation's means-tested safety net is designed to help disadvantaged individuals and families meet their basic needs when they are unable to meet them on their own. Individuals or families find themselves in need for a variety of reasons. Some cannot find employment. Others can only find part-time work or earn wages far below what they need to cover their basic expenses. Still others are facing a short- or long-term personal or family challenge that makes work or steady work infeasible. Food stamps and TANF are two federally funded, state-administered programs that are designed to support low-income families through periods of need.

Food Stamps. The Food Stamp Program,[3] the nation's most important anti-hunger program, helps very-low-income Americans to afford a nutritionally adequate diet. Unlike most means-tested benefit programs, which are restricted to particular categories of low-income individuals, the Food Stamp Program is broadly available to almost all households with very low incomes, making it an

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[1] This paper was prepared for the conference "Reducing Poverty and Economic Distress After the American Recovery and Reinvestment Act," January 15, 2010

[2] Recently renamed the Supplemental Nutrition Assistance Program, or SNAP.

[3] For more background information , see "Introduction to the Food Stamp Program," Center on Budget and Policy Priorities, http://www.cbpp.org/files/policybasics-foodstamps.pdf.

important resource for families with limited income. More than 75 percent of all food stamp participants are in families with children; nearly one-third of participants are elderly people or people with disabilities.

The federal government pays the full cost of food stamp benefits and splits the cost of administering the program with the states, which operate the program. Food stamp eligibility rules and benefit levels are, for the most part, uniform across the nation, but states have flexibility in the procedures and requirements that low-income families face for application and ongoing receipt of benefits, as long as states meet certain federal service-delivery standards.

Food stamp households receive their benefits on electronic benefit transfer (EBT) cards, which they can use only to purchase food. The average household received about $133 a month (or $4 a day) for each household member in the second half of fiscal year 2009.[4] The food stamp benefit formula targets benefits according to need: very poor households receive more food stamps than households closer to the poverty line since they need more help affording an adequate diet. In fiscal year 2008, 95 percent of food stamp benefits went to households with income below the poverty level, and more than half went to households with income below *half* of the poverty level.

The share of food stamp households that have no other income rose from about 8 percent in 2000 to almost 16 percent in 2008 and likely has continued rising since then because of the economic downturn.[5] This trend is the result of two factors: many low-wage unemployed workers cannot qualify for unemployment insurance, and the cash assistance available to unemployed workers through TANF and state general assistance programs has eroded over time. As a result, food stamps is the only federally funded safety net program available to many families that have lost jobs during the recession.

TANF. Congress created TANF in 1996 to replace the Aid to Families with Dependent Children (AFDC) program, which provided monthly cash grants to families with children. A key feature of TANF is that it is a fixed block grant that is provided to the states, which then have broad flexibility to decide what benefits to offer and under what conditions, consistent with the four TANF purposes set forth in the law.[6] States have a maintenance-of-effort (MOE) requirement that compels them to continue to spend at least 75 percent of the funds they were spending in their AFDC and related work programs as of 1994 on one of the TANF purposes. Over time, states have spent a declining share of their TANF block grant and MOE funds on basic monthly cash assistance for families in need; in fiscal year 2008, they spent only 30 percent of their $30 billion in TANF and MOE dollars for this purpose. States used the remaining funds to provide child care, other work support and employment programs, transportation, and other services to families with children.

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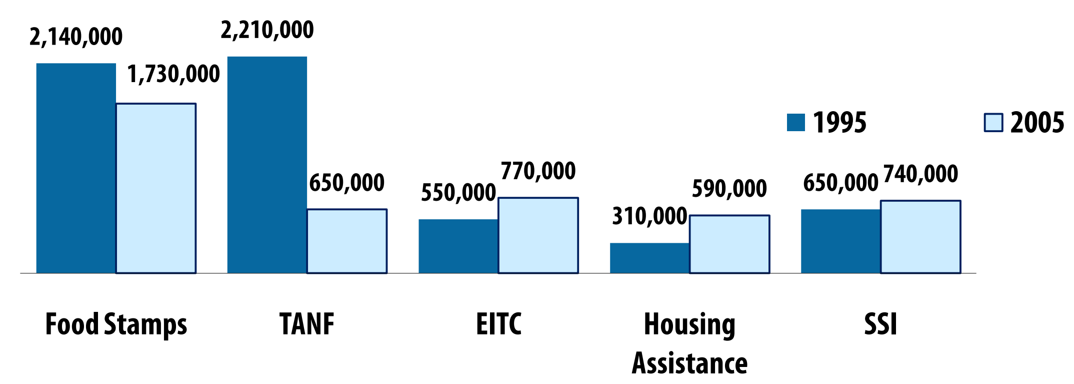
[4] Because, as discussed below, maximum benefits under ARRA are unchanged in fiscal year 2010, average benefits likely will remain level as well in nominal terms.

[5] Based on CBPP analysis of food stamp quality control administrative data, available at: http://www.fns.usda.gov/ora/menu/Published/SNAP/SNAPPartHH.htm.

[6] The four purposes of TANF are: (1) assisting needy families so that children can be cared for in their own homes; (2) reducing the dependency of needy parents by promoting job preparation, work, and marriage; (3) preventing out-of-wedlock pregnancies; and (4) encouraging the formation and maintenance of two-parent families.

The TANF block grant is of fixed size and does *not* increase if the number of families seeking assistance increases. When Congress created TANF, it allocated additional funds ($2 billion) to a contingency fund to provide increased help to states during an economic downturn, but despite the deep recession, only about one-third of states have been able to access the fund because of the way it was designed. Moreover, the fund had limited money and was exhausted early in federal fiscal year 2010. Without the additional TANF funds included in the American Recovery and Reinvestment Act of 2009 (ARRA), described below, most states would not have had *any* additional resources to assist families adversely affected by the downturn.

FIGURE 1:
CHILDREN LIFTED ABOVE DEEP POVERTY BY MAJOR MEANS-TESTED BENEFITS



Unlike food stamps, which are available to nearly all low-income individuals, only families with children are eligible for TANF benefits. Typical TANF programs provide a monthly cash grant on an electronic benefit card to program participants, most of whom are required to participate in select work activities as a condition of initially receiving or continuing to receive cash assistance. Cash grants vary widely — the maximum monthly benefit for a family of three with no income ranges from $170 in Mississippi to $923 in Alaska — and only about half the states (26) provide a maximum monthly benefit of at least $400, which is about 20 percent of the poverty line.

Over time, the TANF program has served a decreasing share of eligible families. In 1995, AFDC served 84 percent of all eligible families; in 2005, TANF served only 40 percent of all eligible families.[7] As a result, TANF has become less effective over time at reducing deep poverty (defined as having family income below 50 percent of the poverty line).[8] In 1995, AFDC lifted 2.2 million children out of deep poverty; in 2005, TANF lifted only 650,000 children out of deep poverty — fewer than food stamps and other means-tested benefits (see Figure 1). Still, TANF remains an

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[7] *Indicators of Welfare Dependence: Annual Report to Congress 2007,* U.S. Department of Health and Human Services, http://aspe.hhs.gov/hsp/Indicators07/.

[8] Arloc Sherman, "Safety Net Effective at Fighting Poverty But Has Weakened for the Very Poorest," Center on Budget and Policy Priorities, July 6, 2009, http://www.cbpp.org/cms/index.cfm?fa=view&id=2859.

important component of the safety net, as it is one of the few programs that provides cash assistance to non-working families to help them meet their basic expenses.

Current Recession Has Produced Rising Poverty and Extremely High Unemployment

The current recession followed a disappointing economic recovery that started at the end of 2001 and culminated in 2007. That recovery marked the first time on record that poverty and the incomes of typical working-age households worsened despite six years of economic growth. The share of Americans in poverty climbed from 11.7 percent in 2001 to 12.5 percent in 2007. While overall median household income rose from $49,455 in 2001 to $50,233 in 2007 (in inflation-adjusted 2007 dollars), income for working-age households (those headed by someone younger than 65) declined by more than $1,100 during the same period, from $57,652 to $56,545.[9] The situation worsened in 2008: the number of people in poverty increased by 2.6 million to 39.8 million, the poverty rate rose to 13.2 percent (its highest level since 1997), and median household income declined 3.6 percent, after adjusting for inflation (reaching its lowest point since 1997).

Moreover, these data include only the early months of the recession.[10] The figures for 2009, a year in which the economy weakened further and unemployment climbed substantially, will look considerably worse. The figures will likely worsen again in 2010 if, as many economic forecasters expect, unemployment fails to improve significantly.[11]

The recession has been characterized not only by high levels of unemployment, but also by the speed at which the ranks of the unemployed swelled. Between the start of the recession in December 2007 and January 2010, the unemployment rate more than doubled, from 4.9 percent to 9.7 percent. Among the 14.8 million unemployed in January 2010 were 6.3 million persons who had been unemployed for 27 weeks or longer. The unemployment rates for African American and Hispanic workers were significantly higher than for the total population, at 16.5 and 12.6 percent, respectively. And teenagers faced an unemployment rate more than two and a half times the national rate: 26.4 percent.[12]

Food Stamp Program Has Responded Quickly and Effectively

The Food Stamp Program has grown dramatically to support low-income families and communities during the economic downturn. After unemployment insurance, the Food Stamp Program historically has been the most responsive federal program providing additional assistance

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[9] Robert Greenstein, Sharon Parrott, and Arloc Sherman, "Poverty and Share of Americans Without Health Insurance Were Higher in 2007 — And Median Income for Working-Age Households Was Lower — Than at the Bottom of Last Recession," Center on Budget and Policy Priorities, August 26, 2008, http://www.cbpp.org/cms/?fa=view&id=621.

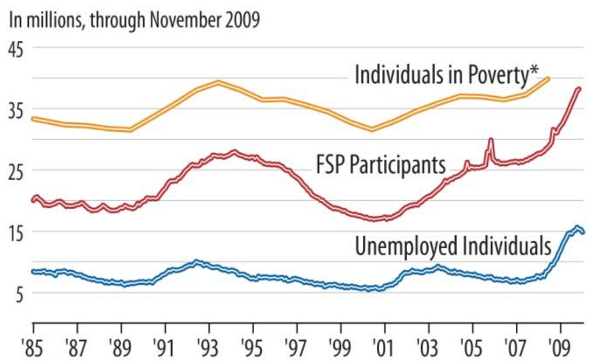
[10] Arloc Sherman *et al.,* "Poverty Rose, Median Income Declined, and Job-Based Health Insurance Continued to Weaken in 2008," Center on Budget and Policy Priorities, September 10, 2009, http://www.cbpp.org/cms/index.cfm?fa=view&id=2914.

[11] *The Budget and Economic Outlook: An Update*, Congressional Budget Office, August 2009.

[12] *The Employment Situation – January 2010,* Bureau of Labor Statistics, http://www.bls.gov/news.release/pdf/empsit.pdf.

during downturns. This downturn has been no exception: national food stamp enrollment is at an all-time high (see Figure 2.)

FIGURE 2:
FOOD STAMP CASELOADS CLOSELY TRACK CHANGES IN POVERTY AND UNEMPLOYMENT



*Poverty numbers are annual estimates and not yet available after 2008. Spikes in food stamp participants are from disaster food stamps after hurricanes.

Sources: Food and Nutrition Service (Food Stamp Program participants); Census Bureau (individuals in poverty); Bureau of Labor Statistics (unemployed individuals).

In September 2009, 16.9 million households (with 37.2 million individuals) were participating in the Food Stamp Program. Nationally, caseloads had increased by 4.6 million households (37 percent) since the beginning of the downturn.[13] Caseloads increased in every state, with 45 states (including DC) experiencing all-time highs in the last 12 months[14] (see Tables 1 and A-1).

Some of the states hit hardest by the recession saw the largest caseload increases. For example, in Nevada, where the number of unemployed increased by 168 percent, the number of food stamp cases increased by 78 percent. In Florida, where the number of unemployed increased by 131 percent, the number of food stamp cases increased by 67 percent.

Food stamp caseloads can grow for two reasons: because more households are qualifying for the program and enrolling, or because a larger share of already-eligible households are signing up for the program. During most of the early to mid-2000s, both were occurring. With the weak economic recovery, the number of eligible households climbed from 14 million in 2000 to 18 million by 2005. Meanwhile, the participation rate among eligible households increased from 50 percent in 2000 to 63 percent in 2006, as states and USDA worked to boost enrollment.

The rapid caseload growth in more recent years appears to primarily reflect the fact that more households are becoming eligible because of the recession. Between 2006 and 2007, USDA estimated a modest decline in the participation rate (from 62.7 percent to 61.8 percent), which suggests that the growth in participation rates may have leveled off. (In some states, however, participation rates may have declined because of barriers resulting from administrative cuts brought on by state budget crises, as explained below.)

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[13] The food stamp data are for September 2009, which is the most recent month for which TANF caseload data also are available. In the next two months food stamp caseloads continued to grow: to 17.5 million households containing 38.2 million individuals (one in eight Americans and one in four children) in November 2009.

[14] This calculation excludes months that a state operated a disaster food stamp program, usually in the aftermath of a hurricane or other natural disaster.

Table 1:
CHANGES IN TANF AND FOOD STAMP CASELOADS AND THE NUMBER OF UNEMPLOYED DECEMBER 2007 TO SEPTEMBER 2009

	TANF Cases		Food Stamp Cases		No. of Unemployed	
	% change	Rank	% change	Rank	% change	Rank
Alabama	7.8	25	39.8	20	168.9	1
Alaska	3.2	35	31.6	33	32.0	51
Arizona	4.6	33	63.2	4	118.1	8
Arkansas	-1.5	43	18.3	50	44.5	49
California	16.7	15	43.8	17	109.3	14
Colorado	36.0	4	48.3	12	68.2	45
Connecticut	4.2	34	35.4	27	74.7	40
Delaware	20.8	11	45.1	16	114.8	12
District of Columbia	8.9	22	28.7	38	94.4	30
Florida	20.7	12	67.1	3	131.2	6
Georgia	-7.5	48	51.7	8	94.8	28
Hawaii	16.2	16	35.5	26	133.1	5
Idaho	5.7	30	58.3	5	147.0	3
Illinois	2.6	37	22.8	45	86.1	35
Indiana	-6.6	47	23.6	43	108.3	16
Iowa	-1.5	44	29.5	36	74.4	41
Kansas	5.1	31	33.1	31	71.1	44
Kentucky	1.5	40	19.7	48	103.5	22
Louisiana	1.7	39	19.5	49	90.5	33
Maine	7.1	27	28.9	37	79.9	37
Maryland	18.9	13	50.0	9	97.5	25
Massachusetts	8.3	24	48.8	11	108.2	17
Michigan	-0.7	42	35.6	25	103.2	23
Minnesota	11.2	20	34.7	29	57.0	47
Mississippi	3.2	36	17.4	51	48.1	48
Missouri	-1.7	45	26.0	41	77.8	39
Montana	13.0	19	31.0	35	72.6	42
Nebraska	1.4	41	23.3	44	83.6	36
Nevada	23.8	8	78.4	1	167.6	2
New Hampshire	38.2	1	46.3	15	108.9	15
New Jersey	-3.9	46	28.3	39	123.1	7
New Mexico	37.9	2	46.6	14	112.8	13
New York	2.4	38	38.1	22	94.7	29
North Carolina	5.8	29	36.8	23	117.7	9
North Dakota	-17.7	50	19.9	46	32.8	50
Ohio	22.2	10	34.8	28	72.2	43
Oklahoma	7.4	26	31.1	34	95.6	27
Oregon	33.8	5	47.4	13	115.8	10
Pennsylvania	4.8	32	24.5	42	92.6	32
Rhode Island	-26.7	51	56.9	7	115.6	11
South Carolina	28.2	6	33.3	30	106.7	18
South Dakota	7.0	28	40.7	19	78.6	38
Tennessee	13.1	18	36.4	24	96.7	26
Texas	-16.2	49	26.9	40	94.1	31
Utah	37.0	3	68.2	2	105.8	20
Vermont	18.1	14	49.6	10	67.9	46
Virginia	23.2	9	38.5	21	103.6	21
Washington	24.0	7	42.1	18	106.0	19
West Virginia	10.1	21	19.9	47	100.5	24
Wisconsin	8.8	23	57.3	6	86.2	34
Wyoming	14.0	17	32.2	32	140.0	4
US Total	**10.0%**		**37.2%**		**99.8%**	

TANF Cash Assistance Programs Have Responded Unevenly

In most states, TANF cash assistance programs have lagged far behind the Food Stamp Program in their responsiveness to the recession and rising poverty. Nationally, the total number of families with children receiving cash assistance has increased by just 10 percent since the beginning of the recession.[15] However, the state variation is significant (see Tables 1 and A-1). In ten states, caseloads actually declined or remained flat; in 13 others, caseloads increased by 1 to 5 percent. Caseloads responded moderately in 12 states, increasing by between 6 and 15 percent. Caseloads increased by more than 15 percent in 16 states. New Hampshire, New Mexico, Utah, Colorado, and Oregon led the way, with increases of 38, 38, 37, 36, and 34 percent, respectively. However, New Hampshire and Utah started from a very small base, having had large declines in their TANF caseloads a few years before the recession started.

Most states that experienced significant increases in their TANF caseloads also had above-average increases in their food stamp caseloads (see Figure 3). Similarly, most states with less responsive

TANF caseloads had below-average increases in their food stamp caseloads. A few states with declines or only modest growth in their TANF and/or food stamp caseloads have not been hit as hard by the recession as most other states.

The more limited responsiveness of TANF caseloads, which is striking when compared to the surge both in unemployment and in food stamp caseloads, likely reflects several factors. Since TANF's creation, states have focused on reducing their TANF caseloads for a variety of reasons — fiscal, ideological, and as a public measure of effective performance — and even during the current economic downturn, they have been slow to shift away from this emphasis.

Many states have policies and procedures in place that make it difficult both for eligible applicants to obtain benefits and for recipients to continue receiving benefits even if they remain eligible. Some states require applicants to participate in work activities for a period of time before they can qualify for aid, but some families may be in crisis and have difficulty meeting these requirements until they begin to receive help in meeting basic needs. States have continued to impose these work requirements even during the economic downturn. Many states have eased their enrollment processes for food stamps and Medicaid but not extended these improvements to TANF; others continue to actively discourage TANF applicants. In some cases, families in need may not pursue TANF because of stigma, erroneous information about eligibility, time limits, or other reasons.

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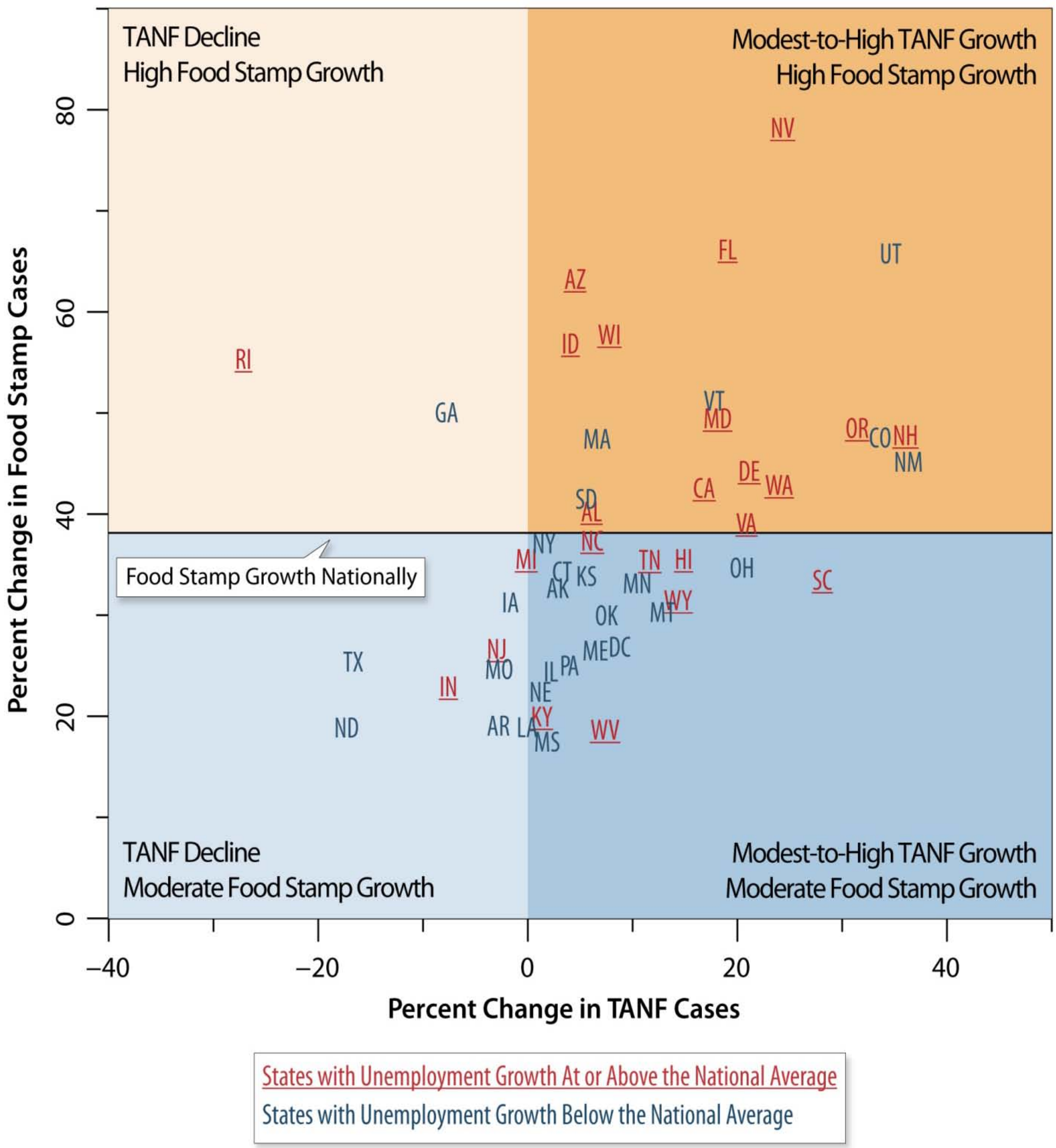
[15] This analysis is based on state TANF data collected from states by the Center on Budget and Policy Priorities. These data differ from the official TANF caseload statistics maintained by the U.S. Department of Health and Human Services (HHS) in several important ways. First, they include cases in solely state funded programs. In most cases, these families had been in state TANF programs but were shifted to a state program after the passage of the Deficit Reduction Act of 2005 (DRA). These cases are not included in the data maintained by HHS. Second, these data exclude cases in worker supplement programs, which provide cash payments to working families for a set period of time. These programs also were created after the passage of the DRA. We exclude these cases because states usually do not report them in their state caseload statistics and because, in some states, they resulted in large caseload increases shortly before or around the start of the recession. These cases are included in the official HHS TANF statistics. For more detail on the problems with using the official TANF data see: http://www.mathematica-mpr.com/publications/PDFs/family_support/TANF_caseloads.pdf.

FIGURE 3:
CHANGES IN TANF CASES COMPARED TO FOOD STAMP CASES
DECEMBER 2007 TO SEPTEMBER 2009



Additional Food Stamp Benefits in Recovery Act Have Boosted Economy

The Food Stamp Program has not only expanded caseloads dramatically to meet rising need, but also delivered more than $6 billion (between April and December 2009) in additional food stamp benefits under ARRA.[16] ARRA provided a 13.6 percent temporary boost in the maximum food stamp benefit in federal fiscal year 2009. Congress included this provision as a fast and effective economic stimulus measure to help push against the rising tide of hardship for low-income Americans.

All food stamp households — currently about 17.5 million households, containing more than 38 million people — are benefitting from the increase. Most households received about $20 to $24 more per person per month in the latter half of fiscal year 2009 (see Table 2). The average recipient household received $40 to $50 more a month in 2009 as a result of the change.[17]

Table 2:
IMPACT OF A 13.6 PERCENT INCREASE IN FY09[17]

Family Size	Prior Law Maximum Benefit	Increase in Monthly Household Benefit	New Maximum Benefit
1	$176	$24	$200
2	323	44	367
3	463	63	526
4	588	80	668
5	698	95	793

The increase first reached food stamp households in April 2009, only about six weeks after ARRA's enactment. It will remain in place until it is overtaken by the routine annual adjustments in food stamp benefits that account for food inflation. In fiscal year 2010, households will receive a similar amount of additional benefits.[18]

ARRA included two additional food stamp provisions.[19] First, because of the high unemployment rates across the United States, ARRA temporarily suspended the three-month limit on receipt of food stamps that most jobless workers face. Second, it provided about $300 million over fiscal years 2009 and 2010 in extra food stamp administrative costs to help states manage rising caseloads.

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[16] See http://www.recovery.gov/Transparency/agency/reporting/default2.aspx and choose USDA. According to USDA estimates, an additional $10.5 billion in economic stimulus funds will be delivered through the Food Stamp Program in fiscal year 2010. The amount is larger than the 2009 amount because 1) the benefit increase is in effect for the whole fiscal year, 2) caseloads are higher in 2010, and 3) because of food deflation benefits would have been slightly lower in 2010 in the absence of the ARRA change, so the share of the benefit increase attributable to ARRA is larger.

[17] The table shows maximum benefit levels for the 48 continental states and the District of Columbia. Alaska, Hawaii, Guam, and the Virgin Islands receive higher maximum benefits and also will see a 13.6 percent increase.

[17] About 1 million households, primarily households with seniors or people with disabilities who have income above the poverty level, receive the food stamp minimum benefit amount of $14 a month. Under ARRA such households received a $2 monthly benefit increase.

[18] Because food prices declined in 2009, if the ARRA benefit increase had not been in effect, maximum food stamp benefits would have declined (by about 0.8 percent) in fiscal year 2010. As a result, the monthly benefit increase because of ARRA is slightly larger in fiscal year 2010 than in fiscal year 2009.

[19] In addition to these changes in the Food Stamp Program, ARRA provided a parallel amount of additional funds for Puerto Rico and American Samoa through the block grants that the these jurisdictions receives in lieu of participating in the regular Food Stamp Program. It also made $5 million available for infrastructure improvements for the Food Distribution Program on Indian Reservations.

All three provisions likely also contributed to the program's caseload growth. In many states, jobless childless workers would have qualified for only three months of food stamps if Congress had not enacted ARRA. Suspending the time limit extended their eligibility. In addition, research finds that households are more likely to participate in food stamps if they qualify for higher benefits, so ARRA's benefit increase likely made the program more attractive to eligible non-participants. And finally, the administrative funds helped states keep up with rising caseloads.

It is likely that the food stamp benefit increase has been one of the most effective forms of economic stimulus in the Recovery Act. The benefits quickly reached families and communities in need, and recipients are highly likely to spend the money quickly, producing a snowball effect that helped keep the downturn from turning into an even deeper recession. Eighty percent of all food stamp benefits are redeemed within two weeks of receipt, and 97 percent are spent within a month, so this is an efficient mechanism for pumping spending into a sagging economy.

Research shows that low-income individuals generally must use all of their limited resources to meet daily needs such as shelter, food, and transportation. Therefore, every dollar in food stamps that a low-income family receives generally enables the family to spend an additional dollar on food or other items. This spending not only helps sustain local businesses but also ripples through the wider economy, such as when a local grocer orders more food from a national distributor to restock its shelves. Moody's Economy.com estimates that for every dollar ARRA spent on the temporary increase in food stamp benefits, the Gross Domestic Product increased by $1.73, making it the strongest stimulus provision that Moody's assessed.[20] The U.S. Department of Agriculture estimates the multiplier at $1.84.[21]

TANF Funds in Recovery Act Have Reduced Hardship and Created Subsidized Jobs

Congress included $5 billion in ARRA for a TANF Emergency Contingency Fund to provide states with additional resources to help families meet their basic needs. States can qualify for these funds if their TANF cash assistance caseloads increase or if they increase spending either on one-time benefits to help families stave off a crisis or on subsidized employment programs for jobless individuals.

The federal government has already approved over $1 billion in Emergency Fund spending, about two-thirds of which is for increased spending on basic assistance. We do not yet know how much of the $5 billion states will use and what the overall impact on poverty will be. However, we do know that this fund has made it possible for some states to meet the increased demand for assistance, to avoid significant cuts in cash assistance and services for very poor families with children despite large state budget shortfalls, and to maintain their commitment to providing work opportunities for TANF recipients. Below are examples of how Oregon, Florida, and Maryland — whose TANF caseloads increased between December 2007 and September 2009 by 34, 21, and 19 percent, respectively — are planning to use these funds.

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[20] Mark Zandi, "The Economic Impact of the American Recovery and Reinvestment Act," January 21, 2009, p. 9.

[21] Kenneth Hansen and Elise Golan, "Effects of Changes in Food Stamp Expenditures Across the U.S. Economy," Food Assistance and Nutrition Research Report Number 26-6, U.S. Department of Agriculture, August 2002.

- **Oregon,** anticipating that it will be able to draw down $74.9 million from the Emergency Fund for 2009 and 2010, expects to cover the costs of providing cash assistance to an average of 6,226 more families per month *and* to forestall cuts that would otherwise have significantly weakened the safety net for poor families. Without this additional funding, Oregon would have eliminated its TANF program for unemployed two-parent families, reduced eligibility for employment-related day care, further reduced transitional payments for newly employed parents, and eliminated enhanced grants for families with a disabled household head who is applying for Supplemental Security Income or Social Security Disability Insurance.

- **Florida** expects to draw down its full maximum allocation of $280 million. It will use about $80 million to cover the costs associated with providing cash assistance to an average of an additional 6,406 families each month. It also plans to draw down $200 million to create new subsidized employment programs that will provide jobs to more than 10,000 jobless individuals.

- **Maryland** has received approval for about $50 million in TANF Emergency Funds and expects to draw down its full maximum allocation of about $68 million. The approved funds for 2009 include $17.7 million to provide basic cash assistance to an average of an additional 3,107 families each month, and $12.5 million to provide one-time benefits such as emergency assistance payments to families that might otherwise lose their housing or job. The state plans to use some of these funds to cover the additional staff costs associated with processing a greater volume of applications for assistance.

The federal government has authorized additional funding to create or expand subsidized employment programs for 17 states, some of which have never before operated such programs. These programs will provide jobs for low-income individuals who would otherwise be unemployed. Rigorous evaluations of similar programs have shown they are successful at providing short-term employment opportunities when parents are unable to find unsubsidized jobs on their own.[22]

- **California** is planning to draw down $300 million from the Emergency Fund to create subsidized employment programs throughout the state. San Francisco is planning to use its share of funds to expand its JOBS NOW! program; as of January 2010, it had already placed about 1,500 additional unemployed and underemployed parents in jobs, exceeding the original goal of 1,000 placements. Participants are assigned to an appropriate job based on their employment readiness and the level of personal support needed. Los Angeles is implementing the state's largest program, with plans to provide subsidized employment to 10,000 unemployed individuals.

- **New York** is implementing a $53 million subsidized employment project using ARRA and state general fund dollars. The state will spend $25 million in ARRA funds to create a new Transitional Jobs Initiative to provide paid, subsidized work experience — combined with educational opportunities related to work — to TANF-eligible individuals, including disconnected youth and the formerly incarcerated. The state will spend $7 million in ARRA

[22] Cindy Redcross, MDRC, "Using NDNH Data to Evaluate Transitional Jobs," presentation at the National Association for Welfare Research and Statistics annual conference, July 13, 2009.

funds to create a Health Care Job Subsidy Program, which will hire health care outreach workers to help qualified low-income individuals receive publicly funded health coverage and to connect them to other preventive health care services. Finally, the state will spend $7 million in ARRA funds to create a new Green Corp Jobs Subsidy Program, which will link eligible individuals to job skills training, basic education, and career advancement opportunities in entry-level, high-growth energy efficiency and environmental conservation industries.

The Health Care and Green Jobs programs each include $2 million from New York's general fund to provide subsidized employment opportunities to single individuals receiving cash assistance from the state's general assistance program. New York also increased its wage subsidy program by $10 million to make it a $14 million program.

Lessons Learned

Food Stamps. Several features of the Food Stamp Program have enabled it to respond so effectively to the economic downturn. First, because it is a federally funded entitlement, the additional benefits to cover newly eligible individuals have been available automatically, where they are needed; state budget crises have not stymied program growth. Second, the uniform nature of the program in all the states and the fact that almost all low-income households are eligible have made it an easy and efficient mechanism to deliver increased benefits quickly to low-income families. And finally, because the program is targeted on very low-income households, the benefits individuals receive constitute effective economic stimulus and directly improve families' circumstances.

However, two noteworthy issues have made the Food Stamp Program less responsive than it could have been. First, some low-income individuals — such as many legal immigrants — are ineligible for the program, and most childless unemployed adults may only receive three months of food stamps in any three-year period. If ARRA had not suspended this time limit, the program's ability to respond to unemployed childless adults would not have been as robust. Food stamps would be a stronger safety during economic downturns if benefits were restored to these groups, as well as others who have lost eligibility.

Second, the recession has been challenging for the states (and, in some areas, the counties) that administer the program. Caseloads have risen by more than 5 million households, or 42 percent, since late 2007, and some states — Arizona, Florida, Idaho, Nevada, Utah, and Wisconsin — have seen caseload increases that approach or exceed 70 percent. States are increasingly struggling to handle the workload associated with processing so many new cases. States normally pay half of the program's administrative costs, but many states, facing budget crises that stem from the economic downturn, are cutting staff across large numbers of agencies, including food stamp administration. Other states are freezing new hiring and leaving open positions unfilled.

These cutbacks are occurring at a time when states need *more* staff to manage the flood of new food stamp applications. Large backlogs and bottlenecks are showing up in a growing number of areas across the country, with long waits for application interviews and delays in application processing. Though federal law mandates that food stamp benefits be processed within 30 days, applicants in numerous parts of the country must wait longer than that just to get an *appointment.* State performance remains strong overall, but delays are commonplace across the country, particularly in large urban areas, and numerous class action lawsuits have been filed. USDA has stepped up its monitoring of the problem and has placed an increased emphasis on the need for timeliness in its communications with states.

ARRA provided $290.5 million in administrative funds to help states manage rising food stamp caseloads. An additional $400 million, which Congress provided in the Department of Defense fiscal year 2010 appropriation bill enacted in December 2009, will become available to states in early spring. But as states face mounting deficits, the eventual end of funds from the stimulus bill, and persistently high rates of unemployment, the problem may worsen even with the additional funding.

A longer-term solution would be to establish a mechanism to provide states with additional administrative funding during economic downturns. One possibility would be to create a trigger within the Food Stamp Program whereby states would automatically qualify for additional administrative funding if their caseloads and/or local unemployment rates rose dramatically. (To ensure that the new resources expand the state's administrative capacity, states would need to maintain a consistent level of funding in the program to qualify for the funds.) If states were able to anticipate additional federal support to operate their programs during economic downturns, it might help to ensure access to this critical safety net program.

TANF. States must receive the needed resources and flexibility both to respond more effectively to the current economic downturn and to implement structural changes that will improve the program's long-term effectiveness as an employment program and a safety net. In the short term, states face two key issues: (1) securing adequate resources to provide cash assistance or employment support to all families in need of assistance; and (2) developing viable strategies for meeting the TANF work participation requirements.

The ARRA Emergency Fund has helped states meet the growing demand for cash and emergency assistance while also creating or expanding subsidized employment opportunities for otherwise-unemployed parents. Policymakers must address several immediate problems in the very short term to improve TANF's responsiveness to the downturn and to maximize the Emergency Fund's effectiveness.

First, the fund expires on September 30. It is unlikely that TANF caseloads will begin to decline before then. As states prepare their budgets for next year, without any assurance that funds will be available beyond September 30, they are likely to begin scaling back or eliminating the subsidized employment programs they have created and to implement policy changes to reduce their expenditures on cash assistance. If unemployment levels remain as high as expected, these cuts will come at a time when the need for assistance is still *rising*, not declining. By extending the fund, Congress could help to improve TANF's responsiveness as a safety net.

Second, if Congress extends the Emergency Fund, it will also need to modify the funding allocation so that states have an allotment they can draw down for 2011, as some states — especially those with the most significant caseload increases — will have drawn down all or most of their allocation for 2009 and 2010. These states are the most likely to need additional funding to continue to meet the increased demand for assistance. The easiest way to address this issue would be to specify the additional amount of funds that a state can qualify for in 2011 (or to raise the amount that a state could qualify for over the three-year period of 2009-2011).

Third, some states have indicated they have not been able to obtain Emergency Funds because they cannot meet the matching requirement. One way to resolve this issue would be to eliminate the match requirement for all states, or at least for those demonstrating the greatest need. However, there is a tradeoff, as eliminating the match may reduce the total amount of federal and state money targeted directly to disadvantaged families.

The second immediate issue is how states can develop an effective work program that accounts for the current economic realities — in particular, how to avoid federal fiscal penalties if states do not meet the required work participation rates. The work-first program design that states implemented in the late 1990s when the economy was strong, and the "countable" work activities set forth in the 1996 law, do not provide states with the flexibility they need to help families when few jobs are available. Several policy changes could be implemented that would preserve TANF's emphasis on work while making the program more responsive to current economic circumstances.

For example, many unemployed workers are responding to the poor job market by improving their skills and their long-term employment prospects. Congress could promote this approach by lifting the cap on the share of a state's recipients that can meet their work requirements by participating in educational activities, which would allow more recipients to participate in skills training. Congress also could suspend the one-year time limit on participation in vocational education, which would allow more recipients to pursue two-year community college or four-year bachelor's degree programs.

In addition, since unemployed workers today can expect longer spells of unemployment, extending the duration of job search participation that states can count toward the work participation rate would provide recipients with a more realistic chance of eventually finding employment. One approach would be to adopt in TANF the same requirements and time constraints that now apply to unemployment insurance recipients. Also, eliminating or extending the time limits on job search would make it feasible for states to encourage recipients to participate in substance abuse counseling, mental health counseling, or other programs designed to address barriers to work.

States have been preoccupied since 2006 with meeting the work participation rates, which the Deficit Reduction Act of 2005 (DRA) made more challenging. States need relief from work-rate pressures in order to operate programs that are appropriate for these economic times, as well as to target limited resources effectively. ARRA's temporary freeze on the credit states receive for declines in their TANF caseloads partially protects states from penalties if they let their caseloads rise in response to need. The TANF law also provides some relief from fiscal penalties if states fail to meet the work participation rate due to recessions. However, most states are still operating on the assumption that they need to meet the work participation rates and will face penalties they cannot afford if they fail to do so. The Administration could help by telling states how it will apply these penalty relief provisions and announcing that states that allow their caseloads to grow in response to rising need will receive penalty relief.

Finally, the staff layoffs, hiring freezes, and furloughs resulting from state budget crises are making it increasingly difficult for states to meet the DRA's onerous reporting requirements. Relaxing these requirements would remove a large burden from states, allowing them to devote more resources to processing applications for assistance and helping recipients find employment in an extremely challenging labor market.

TANF's authorization ends on September 30, 2010. Reauthorization provides an opportunity to address some of TANF's structural features that have weakened its effectiveness as a safety net during recessions. Even though the program has shifted from a long-term income maintenance program to a time-limited program focused on work, it continues to carry some of the stigma of a "welfare" program. The last reauthorization debate was lengthy and contentious and focused narrowly on tightening the program's work requirements, resulting in changes that further eroded the program's ability to provide a safety net to families during tough economic times. Without major structural changes, TANF will provide a very weak safety net during both good times and bad.

Over time, the TANF block grant and programmatic structure have created three significant problems, all of which Congress should address in reauthorization. They are:

- **The block grant funding structure and caseload reduction credit provide states with an incentive to serve as few families as possible.** Because states can reallocate funds to many different purposes, they have a significant financial incentive to reduce their cash assistance caseloads, even when the economy is performing poorly. The program's performance structure reinforces this incentive, since it is based on work participation rates that are extremely difficult to meet unless a state receives credit for declines in its TANF caseload.

- **States' work participation rates make no adjustments for the level or composition of the TANF caseload or the economic context in which their programs operate. This encourages states to focus on providing cash and employment assistance to the most employable families — i.e., to "cream."** Although states differ in the share of eligible families their TANF programs serve, they are all subject to the same work participation requirements. This structure encourages states to concentrate on the families that are already working or who have demonstrated their ability to participate in a work program almost full time. It *discourages* states from serving families with the greatest needs and the most significant barriers to employment, even though they would likely benefit the most from the resources the program can provide.

- **TANF is one of the few employment programs whose performance is measured by participation rather than by employment outcomes.** The 1996 welfare reforms shifted TANF from an income maintenance program to an employment program. But, unlike most other employment programs, its performance is measured by participation in a narrowly defined set of work activities instead of the employment outcomes associated with participation. And, to date, there is no evidence that participating in TANF work activities improves individuals' short- or long-term employment prospects.

Potential solutions include:

- **Replace the work participation rate and caseload reduction credit with a new performance measure that focuses on employment outcomes or other measures of**

family well-being. The work participation rate has proven to be an ineffective performance measure for TANF. A better approach would be to identify a new performance measure that rewards states for positive outcomes such as increasing employment or earnings. Such a measure would maintain the program's emphasis on work but would not reward states for simply removing families from the TANF caseload.

- **Systematically track, by state, measures that assess the effectiveness of TANF as a safety net for deeply poor children.** Since TANF was created in 1996, its effectiveness as a safety net for very poor families with children has declined dramatically. To begin to reverse this trend, HHS could begin tracking and reporting on multiple measures of the program's effectiveness as a safety net. These measures should focus on assessing the extent to which a state's TANF program serves children in deep poverty and the progress that a state is making in decreasing the share of deeply poor children that are disconnected from such aid.

- **Create and provide additional funding for alternative employment programs for families that need specialized services and more support to make the transition to steady, unsubsidized employment.** The current TANF program structure has never provided states with sufficient resources or flexibility to develop programs that can improve the employment outcomes of families facing the most serious barriers to employment. The best way to promote innovation in this area would be to provide targeted funding to states to develop alternative employment programs for parents who need more than the standard job search assistance that most TANF programs provide. The program should have its own performance measures that take these families' more limited employment prospects into account.

- **Make modest changes and simplifications in defining and tracking work activities to refocus TANF employment activities on improving outcomes for families.** TANF very narrowly defines the pathways to work that are available to program recipients. Now seems the ideal time to consider removing barriers that keep recipients from pursuing the most promising path to employment. While immediate job placement is likely to continue to be the preferred strategy for most recipients, parents who have the interest and ability to pursue an educational or training path that will lead to higher wages and less dependence on government assistance over the long term should be able to take advantage of such opportunities. Similarly, families experiencing personal and family crises should be encouraged to participate in activities that will improve their circumstances over the long term.

- **Create and fund a redesigned Contingency Fund.** The existing Contingency Fund has not been effective in helping many states respond to the economic downturn; only about one-third of the states have qualified for it, even though nearly all states meet the economic distress triggers, because of its complex design and requirements for significant increases in state spending. Moreover, the fund's current design does not require that states use any of the funds to provide or strengthen a safety net for families in need. It is important that TANF include a Contingency Fund that states can draw on during future downturns and that helps strengthen the responsiveness of TANF in difficult economic times.

The Contingency Fund should be redesigned in a way that draws on several features of the ARRA Emergency Fund. States should be able to get extra federal help during difficult economic periods if they are devoting more resources to help families meet their basic needs through an increase in expenditures for basic assistance, subsidized employment programs, or other supports for families facing hard times (such as short-term, non-recurrent benefits).

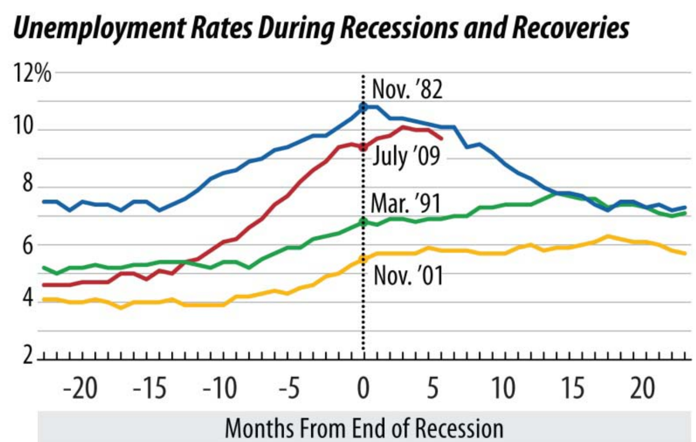
- **Provide states with waiver authority and establish a Program Innovation Fund.** TANF programs across the country are well established but could benefit from new knowledge on how to improve the economic circumstances of disadvantaged families with children. State innovations implemented through waiver authority prior to TANF's creation established an expansive knowledge base of effective strategies for increasing employment among cash assistance recipients. New innovations implemented in the current programmatic and economic context could establish a new generation of effective strategies that could improve the targeting of limited program resources.

- **Targeted additional resources.** The TANF block grant has been funded at the same nominal level for 13 years. Additional funding is needed, but it should be more narrowly targeted than the current block grant. Additional funds should focus on providing basic assistance to families in need or to improving their employment outcomes.

Looking Ahead

The road to recovery from the current recession will likely be long and difficult. The Congressional Budget Office forecasts that the unemployment rate will remain high through 2013: 10.1 percent in 2010, 9.5 percent in 2011, 8 percent in 2012, and 6.3 percent in 2013. CBO projects that we will not reach full employment (an employment rate of close to 5 percent) until 2015.[23]

FIGURE 4:
UNEMPLOYMENT OFTEN KEEPS RISING EVEN AFTER ECONOMY BEGINS TO RECOVER



Sources: Bureau of Labor Statistics, National Bureau of Economic Research, and CBPP assumption that the current recession ended in July.

Unemployment has been slow to recover after recent recessions, and poverty even slower. Post-World War II history suggests that deep recessions are followed by stronger labor market recoveries than more moderate recessions. The two most recent recessions, however, have been followed by long jobless recoveries in which the unemployment rate peaked long after the recession's formal end. Early data from the current recovery indicate that this recession will follow the more recent pattern (see Figure

[23] Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2010 to 2020*, January 2010.

4).[24] In the recession of the early 1990s, unemployment did not peak until 15 months after the recession ended. In the 2001 recession, unemployment did not peak until 19 months after the recession ended.

Poverty often takes even longer to start its decline. After each of the last three recessions, poverty continued rising or failed to decline in the first year unemployment began to fall.

- In 2004, the first year that the annual unemployment rate declined following the 2001 recession, the poverty rate rose to 12.7 percent, up from 12.5 percent the year before. The number of poor people rose 3.3 percent or 1.2 million.

- In 1993, the first year that the annual unemployment rate declined following the 1991 recession, the poverty rate reached 15.1 percent, not statistically different from the prior year's 14.8 percent. The number of poor people rose a statistically significant 3.3 percent.

- In 1983, the first year that the annual unemployment rate declined following the 1981-82 recession, the poverty rate reached 15.2 percent, not statistically different from the prior year's 15.0 percent. The number of poor people rose a statistically significant 2.5 percent.

The pattern suggests that poverty could take years to start falling and even longer to return to its pre-recession levels. This means that many families will need access to a safety net for many years to come. While not perfect, the Food Stamp Program has demonstrated its ability to respond quickly to changing economic circumstances. TANF has not.

For a growing number of families, food stamps provide the only steady source of assistance to meet their basic needs. Food stamps cannot, however, pay the rent or utilities or pay for transportation to look for work or obtain needed medical care. The current recession has both highlighted the strengths and exposed critical weaknesses in the safety net. Federal and state policymakers should take what we have learned and begin to retool TANF and various other programs now both to better address current needs and to prepare for the uncertain future that lies ahead.

[24] For this chart, we assume the recession ended in July 2009.

APPENDIX 1:
CHANGE IN TANF AND FOOD STAMP CASELOADS
DECEMBER 2007 TO SEPTEMBER 2009

	TANF			Food Stamps		
	Dec-07	Sep-09	% change	Dec-07	Sep-09	% change
Alabama	18,830	20,301	7.8	226,401	316,569	39.8
Alaska	2,989	3,086	3.2	20,969	27,590	31.6
Arizona	37,887	39,639	4.6	245,225	400,307	63.2
Arkansas	7,684	7,569	-1.5	158,080	187,016	18.3
California	466,853	545,033	16.7	871,358	1,252,703	43.8
Colorado	9,226	12,544	36.0	106,650	158,115	48.3
Connecticut	18,736	19,528	4.2	117,550	159,210	35.4
Delaware	4,628	5,589	20.8	31,330	45,460	45.1
District of Columbia	14,853	16,181	8.9	47,404	60,988	28.7
Florida	48,608	58,646	20.7	707,984	1,182,806	67.1
Georgia	22,719	21,008	-7.5	401,851	609,476	51.7
Hawaii	7,676	8,917	16.2	47,344	64,155	35.5
Idaho	1,537	1,625	5.7	38,568	61,052	58.3
Illinois	26,621	27,317	2.6	589,819	724,500	22.8
Indiana	40,985	38,300	-6.6	260,901	322,539	23.6
Iowa	16,459	16,211	-1.5	112,647	145,887	29.5
Kansas	12,837	13,494	5.1	84,038	111,814	33.1
Kentucky	29,323	29,755	1.5	278,716	333,729	19.7
Louisiana	11,178	11,367	1.7	276,247	330,001	19.5
Maine	13,169	14,110	7.1	83,059	107,041	28.9
Maryland	22,338	26,554	18.9	160,154	240,174	50.0
Massachusetts	45,915	49,715	8.3	254,061	378,018	48.8
Michigan	74,666	74,153	-0.7	575,711	780,634	35.6
Minnesota	28,851	32,082	11.2	137,943	185,754	34.7
Mississippi	11,641	12,016	3.2	201,694	236,781	17.4
Missouri	42,951	42,234	-1.7	307,570	387,572	26.0
Montana	3,189	3,604	13.0	34,978	45,823	31.0
Nebraska	9,849	9,988	1.4	51,658	63,719	23.3
Nevada	8,732	10,807	23.8	63,429	113,172	78.4
New Hampshire	4,584	6,334	38.2	30,066	43,996	46.3
New Jersey	38,615	37,103	-3.9	206,285	264,590	28.3
New Mexico	14,060	19,384	37.9	92,080	135,021	46.6
New York	153,949	157,673	2.4	979,989	1,353,360	38.1
North Carolina	25,634	27,122	5.8	409,244	559,703	36.8
North Dakota	2,423	1,993	-17.7	21,540	25,835	19.9
Ohio	80,212	98,009	22.2	515,483	695,111	34.8
Oklahoma	9,238	9,925	7.4	174,799	229,201	31.1
Oregon	19,126	25,593	33.8	233,413	343,958	47.4
Pennsylvania	81,420	85,296	4.8	548,518	682,745	24.5
Rhode Island	10,929	8,016	-26.7	38,898	61,047	56.9
South Carolina	14,428	20,180	28.2	248,868	331,697	33.3
South Dakota	2,918	3,123	7.0	25,660	36,096	40.7
Tennessee	55,161	62,372	13.1	398,134	542,865	36.4
Texas	54,858	45,955	-16.2	963,856	1,222,730	26.9
Utah	5,140	7,385	37.0	51,399	86,442	68.2
Vermont	5,027	5,770	18.1	26,828	40,123	49.6
Virginia	29,680	36,567	23.2	240,425	332,937	38.5
Washington	49,908	61,885	24.0	298,755	424,601	42.1
West Virginia	9,689	10,665	10.1	122,736	147,146	19.9
Wisconsin	18,327	19,945	8.8	170,508	268,260	57.3
Wyoming	278	317	14.0	9,496	12,550	32.2
US Total	**1,746,534**	**1,921,985**	**10.0**	**12,300,319**	**16,872,619**	**37.2**

APPENDIX 2:
CHANGES IN THE NUMBER OF UNEMPLOYED
DECEMBER 2007 to SEPTEMBER 2009

	Number of Unemployed		
	Dec 2007	**Sep 2009**	**% change**
Alabama	82,738	222,455	168.9
Alaska	22,424	29,603	32.0
Arizona	131,640	287,150	118.1
Arkansas	67,029	96,880	44.5
California	1,078,590	2,257,031	109.3
Colorado	111,461	187,475	68.2
Connecticut	91,067	159,096	74.7
Delaware	16,618	35,688	114.8
District of Columbia	19,190	37,301	94.4
Florida	440,320	1,017,835	131.2
Georgia	244,962	477,097	94.8
Hawaii	19,927	46,453	133.1
Idaho	26,794	66,187	147.0
Illinois	374,597	697,227	86.1
Indiana	145,878	303,866	108.3
Iowa	64,361	112,268	74.4
Kansas	61,694	105,530	71.1
Kentucky	110,890	225,645	103.5
Louisiana	79,974	152,382	90.5
Maine	33,148	59,623	79.9
Maryland	107,017	211,321	97.5
Massachusetts	153,308	319,211	108.2
Michigan	363,738	739,089	103.2
Minnesota	139,035	218,258	57.0
Mississippi	80,303	118,896	48.1
Missouri	160,466	285,309	77.8
Montana	19,264	33,250	72.6
Nebraska	26,338	48,362	83.6
Nevada	69,867	186,941	167.6
New Hampshire	25,530	53,321	108.9
New Jersey	199,824	445,872	123.1
New Mexico	34,549	73,536	112.8
New York	445,507	867,300	94.7
North Carolina	225,895	491,742	117.7
North Dakota	11,352	15,071	32.8
Ohio	344,969	594,207	72.2
Oklahoma	62,078	121,402	95.6
Oregon	102,481	221,154	115.8
Pennsylvania	290,366	559,150	92.6
Rhode Island	34,390	74,140	115.6
South Carolina	122,482	253,220	106.7
South Dakota	11,893	21,237	78.6
Tennessee	160,653	316,016	96.7
Texas	506,950	984,236	94.1
Utah	41,019	84,436	105.8
Vermont	14,214	23,859	67.9
Virginia	135,039	274,992	103.6
Washington	157,572	324,563	106.0
West Virginia	35,018	70,228	100.5
Wisconsin	137,541	256,058	86.2
Wyoming	8,317	19,964	140.0
US Total	**7,450,277**	**14,883,133**	**99.8**