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“YouCut” VOTE MISCHARACTERIZES TANF EMERGENCY FUND

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The description of the TANF Emergency Fund on the House Republicans’ “YouCut” website is fundamentally inaccurate, so the vote by respondents to eliminate the program is essentially meaningless. Despite what the website suggests, the Fund reflects the main tenets that federal policymakers agreed upon when they enacted landmark welfare reform legislation on a broad bipartisan basis in 1996.

The Fund is enabling states to create or expand work-focused welfare-reform programs in which low-income people work in actual jobs. It also is helping states assist the increased numbers of very poor children and parents who are seeking help as a consequence of the deep economic downturn, so that they do not fall into severe destitution or even homelessness.

Without the Fund, many fewer low-income parents would be working today. In addition, more of the nation’s poorest children and parents would have neither earnings nor TANF assistance and would face severe hardship that could have lasting effects on children’s development.

The TANF Emergency Fund does not promote welfare dependence or undercut welfare reform. The TANF Emergency Fund did not change the basic structure of the TANF program. TANF recipients remain fully subject to time limits, and they continue to be required to meet stringent work requirements, which are enforced through serious financial penalties for noncompliance.

Nationally, TANF caseloads have increased by only about 10 percent during the recession — far less than experts would have expected during such a severe downturn — and some states’ caseloads have actually declined. Rising caseloads during a recession are a sign *not* of an undoing of welfare reform, but rather of a responsive safety net that helps parents find employment and pay for necessities like food and housing when the economy slumps badly and jobs are not available.

The Members of Congress who crafted the 1996 welfare law *intended* for federal resources provided to state TANF programs to increase during recessions, for these very reasons. They froze TANF allotments to states (those allotments have been frozen now for 14 years), but they established a *TANF Contingency Fund*, which states could draw upon in a recession when they expected the need for assistance would be greater. No one anticipated an economic downturn as long and severe as the current one, however, and the TANF Contingency Fund (which has not been replenished since 1996) has run out of money. The *TANF Emergency Fund* established by ARRA

now serves a similar purpose and does so more effectively than the old Contingency Fund. In particular, the Emergency Fund has encouraged states to create jobs for low-income people, something the TANF Contingency Fund does not do.

If Congress fails to extend the TANF Emergency Fund beyond September 30 when it is slated to expire, states will have *no* additional resources to respond to the increased need that stems from the recession, and most of the subsidized jobs they have created will disappear, increasing the ranks of the unemployed and pushing many children whose parents want to work into severe poverty.

One clear piece of evidence that the TANF Emergency Fund is working well is that the Fund has enabled states to create the largest number of subsidized jobs in TANF's history. By September, states estimate that 186,000 low-income individuals will be working in these subsidized jobs. Far from undermining welfare reform, the subsidized jobs programs that states have established with resources from the Fund are enabling states to give many TANF recipients a way to meet their work requirements and to pay for their basic expenses. Many recipients working in a subsidized job are no longer part of the TANF caseload, because their earnings make them ineligible. Moreover, a large share of the subsidized jobs that the Fund has created are in the private sector and some of the jobs may turn into permanent jobs as the economy becomes stronger.

If the Fund is not extended, most of these subsidized jobs will simply terminate on September 30. The low-income parents now working in those jobs will again be unemployed — an outcome that would be at odds with the welfare reform goal of promoting work.

The Fund gives states flexibility and resources they need to respond to increased hardship in a long and deep recession. Providing subsidized jobs for *every* unemployed low-income parent on TANF would be prohibitively expensive. Accordingly, the TANF Emergency Fund allows states to strike a balance between providing a substantial number of low-income parents with jobs and providing others with assistance to avert family crises that can result from being unable to find work for an extended period of time in an economy with high unemployment.

- Florida provides an illustration of how states are striking this balance. The state's TANF caseload increased by 25 percent between December 2007 and December 2010 and has only recently started to decline. Its unemployment rate is 12.3 percent, well above the national average. Florida has used the TANF Emergency Fund both to create a large subsidized jobs program and to cover the costs of providing assistance to more poor children and parents. The state expects to place over 13,000 low-income parents in subsidized jobs by the middle of the summer.
- Texas, where the TANF caseload has *declined* by 10 percent since the start of the recession, plans to use the TANF Emergency Fund to assist food banks across the state. Many food banks plan to provide extra food, including fresh produce and other nutritious food, during the summer months when poor children are out of school and cannot get school lunches. One in eight Texans — and over 1 million Texas children — used food banks in 2009; usage has reportedly grown by 30 percent in the past year. Texas is also operating a subsidized jobs program that will serve unemployed low-income parents and youth.

Finally, the fund does not incentivize states to increase their TANF caseloads. As the Texas example illustrates, states certainly do not have to increase their TANF caseloads to qualify

for resources from the TANF Emergency Fund. States can use the Fund for three purposes: (1) to pay wages and related expenses for subsidized jobs; (2) to provide short-term, non-recurring assistance to needy families, such as assistance to avert an eviction that would make children homeless; and (3) to provide basic assistance to poor children and parents. Only if they wish to use some of the funds for basic assistance do states have to show that their TANF caseload has increased, a requirement that makes sense because states otherwise should be able to serve families out of their regular TANF allotments.

Furthermore, states must contribute 20 percent of the cost for any of the three purposes outlined above. Given states' severe budget problems, they are not looking for extra programs to fund. Instead, they are trying to do the best they can to help poor parents and children meet their basic needs and move to self-sufficiency, despite high unemployment and a still weak economy.