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## **TANF at 20: Time to Create a Program that Supports Work and Helps Families Meet Their Basic Needs**

By LaDonna Pavetti and Liz Schott

The Temporary Assistance for Needy Families (TANF) block grant, established 20 years ago, is overdue for reform. TANF's combination of nearly unfettered state flexibility, fixed block grant funding, narrowly defined work requirements, and time limits has created a system that provides a safety net to very few families in need and does little to prepare low-income parents for success in today's labor market. Federal policymakers can address these problems by adopting policy changes in three broad areas: providing an effective safety net to poor families with children, creating effective work programs to help parents prepare for work, and ensuring adequate resources are available for achieving these goals.

When President Bill Clinton signed the TANF block grant into law in 1996, he emphasized that its success (or failure) would depend on states. States receive fixed TANF funding in exchange for much greater flexibility than they had under TANF's predecessor, Aid to Families with Dependent Children (AFDC). While the welfare law left many decisions to the states, it also included key requirements that have shaped how states have implemented TANF. For example, it requires states to impose work requirements on most adults receiving cash assistance, holds states accountable for meeting a "work participation rate," and sets highly restrictive limits on what counts as a "work activity." It also requires states to impose a lifetime time limit of 60 months on receipt of federally funded cash assistance.

Under TANF, the number of children living in deep poverty — with incomes below half the poverty line, using a comprehensive poverty measure — has risen significantly, placing large numbers of children at risk for long-term negative academic, employment, and health outcomes. The share of children below half of the poverty line rose from 2.1 percent to 3.0 percent between 1995 and 2005, and the number of children in deep poverty rose from 1.5 million to 2.2 million.<sup>1</sup> Between 2005 and 2010 (the latest year for which we have comparable data), the deep poverty rate

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<sup>1</sup> The poverty line in this analysis was about \$25,000 a year in 2010 dollars for a couple with two children renting in an average-cost community. Arloc Sherman, "Commentary: After 1996 Welfare Law, a Weaker Safety Net and More Children in Deep Poverty," Center on Budget and Policy Priorities, August 9, 2016, <http://www.cbpp.org/family-income-support/commentary-after-1996-welfare-law-a-weaker-safety-net-and-more-children-in>.

for children fell somewhat, to 2.6 percent, largely due to strong, temporary expansions in food assistance and unemployment insurance enacted in response to the Great Recession.

Twenty years' experience under TANF has provided more than enough information to see that the program is not working as intended and is leaving many children worse off than they were under AFDC.<sup>2</sup> States certainly could have done a better job to further TANF's twin goals of providing a safety net and connecting parents to work, but the law itself is a large part of the problem. It contains poorly designed incentives and requires no state accountability for providing a safety net. It does not promote effective work programs or hold states accountable for creating them. States have used TANF's flexibility to spend the money in ways Congress never imagined, with less than a third of the funds going to providing a safety net or effective work programs. Given states' dismal track record, federal law should change to hold states accountable in these key areas.

"This Act gives States the responsibility that they have sought to reform the welfare system. This is a profound responsibility, and States must face it squarely. We will hold them accountable, insisting that they fulfill their duty to move people from welfare to work and to do right by our most vulnerable citizens, including children and battered women. I challenge each State to take advantage of its new flexibility to use money formerly available for welfare checks to encourage the private sector to provide jobs."

President Bill Clinton, August 22, 1996

## Providing an Effective Safety Net to Poor Families with Children

An effective safety net helps families meet their basic needs when they are unable to work — and avoid a downward spiral when they come upon hard times. To ensure that TANF provides an effective safety net for such families, we recommend the following reforms:

- **Hold states accountable for serving families in need.** TANF provides cash aid to very few poor families: only 23 of every 100 poor families with children nationwide received such assistance in 2014, and fewer than 10 of every 100 poor families did in a dozen states.<sup>3</sup> (In 1996, in contrast, 68 families received cash assistance through AFDC for every 100 poor families with children.) States' failure to reach families in need has contributed to the rise in deep poverty. Congress should require states to serve some minimum share of poor or deeply poor families with some type of aid to help them meet basic needs. The aid could take the form of a cash grant, a significant housing assistance payment, or a subsidized job providing earnings sufficient to meet basic needs.
- **Set minimum benchmarks for benefit levels and eligibility requirements.** TANF's cash assistance benefits are so small — less than half of the federal poverty line in all states, and below 20 percent of the poverty line in one-third of states — that recipient families have

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<sup>2</sup> Danilo Trisi and Arloc Sherman, "Incomes Fell for Poorest Children of Single Mothers in Welfare Law's First Decade," Center on Budget and Policy Priorities, August 11, 2016, <http://www.cbpp.org/research/family-income-support/incomes-fell-for-poorest-children-of-single-mothers-in-welfare-laws>.

<sup>3</sup> Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," Center on Budget and Policy Priorities, updated October 27, 2015, <http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net>.

trouble meeting basic needs or remaining stably housed.<sup>4</sup> In addition, some states have used their broad flexibility under the TANF block grant to adopt harsh eligibility policies, including time limits as short as 12 months and onerous work requirements for families simply *applying* for assistance. This demonstrates the need for federal minimum benchmarks for states with respect to both benefit adequacy and eligibility.

- **Create a recession response fund.** TANF largely failed to respond to increased need during and after the Great Recession. Nationally, caseloads rose only modestly even as the number of unemployed doubled; in some states, caseloads actually fell. Although the 1996 welfare law created a TANF Contingency Fund intended to help states respond to increased need, its design was seriously flawed, and it has never functioned as an effective recession fund should. Congress should create and fund a new TANF emergency fund that can provide counter-cyclical help to a state with high unemployment. Building on the highly successful, temporary TANF Emergency Fund created as part of the 2009 Recovery Act, the fund should be narrowly targeted to cover the increased costs of providing direct assistance to families through cash payments, subsidized employment, and emergency assistance.

## Creating Effective Work Programs to Help Parents Prepare for and Connect to Work

A key goal of TANF is to help disadvantaged parents succeed in the labor market. Despite common rhetoric about welfare reform being work-focused, however, most states do little to help prepare TANF recipients for work. States spend only 8 percent of their state and federal TANF funds on work programs nationally; some states spend even less. To ensure that TANF effectively connects parents to job opportunities that increase their chances of escaping poverty, we recommend the following reforms:

- **Replace the work participation rate with an employment outcome measure.** TANF's core work measure — the work participation rate — assesses the extent to which states engage cash assistance recipients in a narrowly defined set of work activities.<sup>5</sup> States primarily meet the rate by *not* providing assistance to many poor parents who face various barriers to employment and could have difficulty meeting the requirements, by counting participation by parents who are already working, and by cutting their caseloads to take advantage of a “caseload reduction credit” that lowers the work participation rate a state needs to achieve. (States can get this credit whether the families removed from TANF, or deterred from applying, have jobs or not.)

TANF's primary measure of work success should be *whether families find a job* and are on a path to earn enough to provide for their families, not simply whether they participate in a narrowly

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<sup>4</sup> Ife Floyd and Liz Schott, “TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode,” Center on Budget and Policy Priorities, updated October 15, 2016, <http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states>

<sup>5</sup> Liz Schott and LaDonna Pavetti, “Changes in TANF Work Requirements Could Make Them More Effective in Promoting Employment,” Center on Budget and Policy Priorities, February 26, 2013, <http://www.cbpp.org/research/family-income-support/changes-in-tanf-work-requirements-could-make-them-more-effective-in>.

pre-defined set of activities that may not prepare them for work and help them move out of poverty. A new employment outcome measure should capture employment and earnings outcomes for TANF families. It also should align TANF performance measures with those required under the Workforce Innovation and Opportunity Act (WIOA).

- **Align TANF work requirements with other employment and training programs.**

TANF's emphasis on immediate job placement over investments in education and training is inconsistent with the focus of WIOA, the nation's primary work and training program for disadvantaged individuals, which Congress passed on a bipartisan basis in 2014. The 1996 welfare law's emphasis on a "work first" approach while severely limiting various education and training activities reflected studies from the early 1990s that seemed to show that programs focusing on immediate job placement produced better results than those focusing on increasing participants' education. However, more recent evidence shows that the programs that are most successful over the long term emphasize activities to boost education and skills, rather than simply requiring participants to find a job as quickly as possible. In addition, it is much harder to succeed in today's labor market without education or training beyond high school. TANF's focus on immediate employment discourages states from supporting participation in basic education or skills training programs and makes it difficult for TANF agencies to coordinate with local workforce programs. Congress should remove the restrictions that discourage states from allowing TANF recipients to gain the credentials they need to succeed in today's labor market and from becoming a full partner in the nation's workforce system.

- **Encourage states to identify effective strategies for helping individuals with significant employment barriers find and sustain employment.**

Many people turn to public assistance because they face significant personal or family challenges that limit their ability to work or to compete for jobs. With the right supports and enough time, many likely could work, but few welfare employment programs have created alternative pathways to work for these individuals or devised effective procedures to identify them and ensure that they receive the particular supports and services they need. Congress should create a competitive grant program (possibly using funds from the current Contingency Fund) to encourage states to experiment with new approaches to helping parents who are the least likely to find and maintain employment to overcome those barriers and make it in the labor market.

## **Ensuring Adequate Resources for States to Provide Safety Net and Work Programs**

States by and large have not used their flexibility under TANF either to create a strong safety net or to run effective work programs. To ensure that states devote sufficient resources to providing basic assistance to families in need and to creating effective work programs, we recommend the following reforms:

- **Require states to direct more of their TANF funds to TANF's core purposes.** States spend only half of their state and federal TANF funds on the core welfare reform areas of basic assistance, work-related activities, and child care combined; many states spend much less. Part of the funding states will need to improve their safety net and work programs should come from bringing these TANF dollars back to core welfare reform areas. Congress

should require all states to spend at least 60 percent of their state and federal TANF funds for basic assistance, child care, and work. Congress should also stop practices that have allowed some states to divert funding from key welfare reform goals and use it for other purposes — thereby reducing total state investments in programs and services for low-income families in many cases — by requiring that funds be spent only for low-income families with children, closing loopholes that have allowed some states to withdraw much of their own funding, and narrowing how the funds can be used.

- **Provide increased funding targeted to basic assistance and work programs.** A key factor that underlies some of TANF’s shortcomings and has exacerbated others is that the value of the federal TANF block grant has fallen *by more than a third* over the last 20 years. The block grant has never been adjusted for inflation, and Congress has ended the supplemental payments to about one-third of states that were part of the original TANF design. Congress should add an automatic inflation adjustment to the block grant. Congress should also create a new TANF basic assistance and work fund equal to 10 percent of the value of the current block grant (about \$1.6 billion per year), with an annual inflation adjustment. Money from the new fund should be allocated to states based on need, such as their number of poor or deeply poor children. Its uses should be restricted to direct assistance that helps families meet their basic needs and programs that support the transition to work.

Despite the rhetoric about the success of the 1996 welfare law that created the Temporary Assistance for Needy Families (TANF) block grant, the facts show otherwise.<sup>6</sup> The good news is that TANF *can* improve with changes in the TANF law. Policymakers should focus on strengthening TANF as a safety net, making it a more effective work program, and ensuring that money is directed to TANF’s core activities — work, work supports, and basic cash assistance. We should no longer accept a situation where nearly 2 million children live in deep poverty, largely due to TANF’s failure to provide assistance to the families most in need of assistance. TANF’s performance doesn’t offer much to celebrate on its 20<sup>th</sup> anniversary, but Congress can change this course.

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<sup>6</sup> “Chart Book: TANF at 20,” Center on Budget and Policy Priorities, updated August 5, 2016, <http://www.cbpp.org/research/family-income-support/chart-book-tanf-at-19>.