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Chart Book: TANF at 20

The Temporary Assistance for Needy Families (TANF) block grant was created 20 years ago as a part of the 1996 welfare reform law to replace the Aid to Families with Dependent Children (AFDC) program. Welfare reform provided states with a fixed block grant in exchange for greater flexibility in how they could use the funds. In addition, for the first time, cash benefits were time limited and states were held accountable for engaging most cash assistance recipients in work or work-related activities.

We have observed over the last 20 years how TANF performed in both good and bad times. The labor market was extraordinarily strong in TANF's early years, while during and after the Great Recession it was one of the worst on record. When assessing TANF's accomplishments, it is important to consider how it has performed over the full period. Proponents use data from TANF's early years (through 2000) to tout TANF as a resounding success, but that view ignores what has happened during the last 16 years.

To be sure, TANF's early years were marked by unprecedented drops in the number of families receiving cash assistance — and unprecedented increases in the share of single mothers working, especially those with a high school education or less. But since then, TANF's record has been dismal. TANF provides basic assistance to few families in need and responded only modestly to the significant increase in unemployment nationally during and after the Great Recession — and not at all in a number of states, including some that were hard hit. Even in the current rebounding economy, individuals with a high school degree or less continue to fare poorly; without higher levels of education and better skills, they are likely to continue to do so. And, because TANF provides such a weak safety net, few families receive help when the labor market fails to provide opportunities that will allow them to meet their basic needs, leaving an unacceptable number of families living in very deep poverty.

Taking into account the full 20 years of TANF's history, this chart book illustrates the following facts:

- Over time, TANF has provided basic cash assistance to fewer and fewer needy families, even when need has increased.
- During the recession and slow recovery, TANF served few families in need.
- The amount of cash assistance provided to families has eroded in almost every state, leaving families without sufficient funds to meet their most basic needs.

- TANF plays much less of a role in reducing poverty than AFDC did — and the provision of less cash assistance has contributed to an increase in deep or extreme poverty.
- Although a key focus of welfare reform was on increasing employment among cash assistance recipients, states spend little of their TANF funds to help improve recipients' employability.
- Employment among single mothers increased in the 1990s, but welfare reform was only one of several contributing factors — and most of the early gains have been lost.

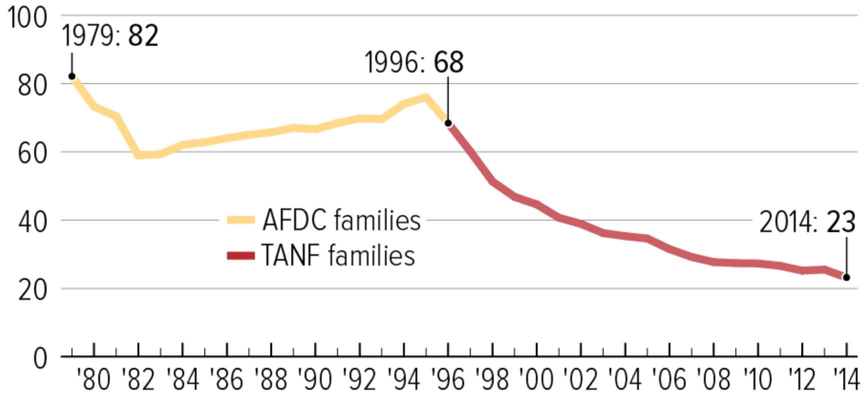
Over time, TANF has provided basic cash assistance to fewer and fewer needy families, even when need has increased.

Over the last 20 years, the national TANF average monthly caseload has fallen by almost two-thirds — from 4.4 million families in 1996 to 1.6 million families in 2014 — even as poverty and deep poverty have worsened. The number of families with children in poverty hit a low of 5.1 million in 2000, but has since risen to more than 7.1 million. Similarly, the number of families with children in deep poverty (with incomes below half of the poverty line) hit a low of about 1.9 million in 2000, but is now at about 3.1 million.

These opposing trends — TANF caseloads falling while poverty is rising — mean that TANF reaches far fewer poor families than AFDC did. When TANF was enacted, nationally, 68 families received assistance for every 100 families in poverty; that number has since fallen to just 23 families receiving assistance for every 100 families in poverty.

TANF's Role as a Safety Net Continues to Decline

Number of families receiving AFDC/TANF benefits for every 100 families with children in poverty



Note: TANF = Temporary Assistance for Needy Families, AFDC = Aid to Families with Dependent Children

Source: CBPP analysis of poverty data from the Census' Current Population Survey and AFDC/TANF caseload data from Department of Health and Human Services and (since September 2006) caseload data collected by CBPP from state agencies.

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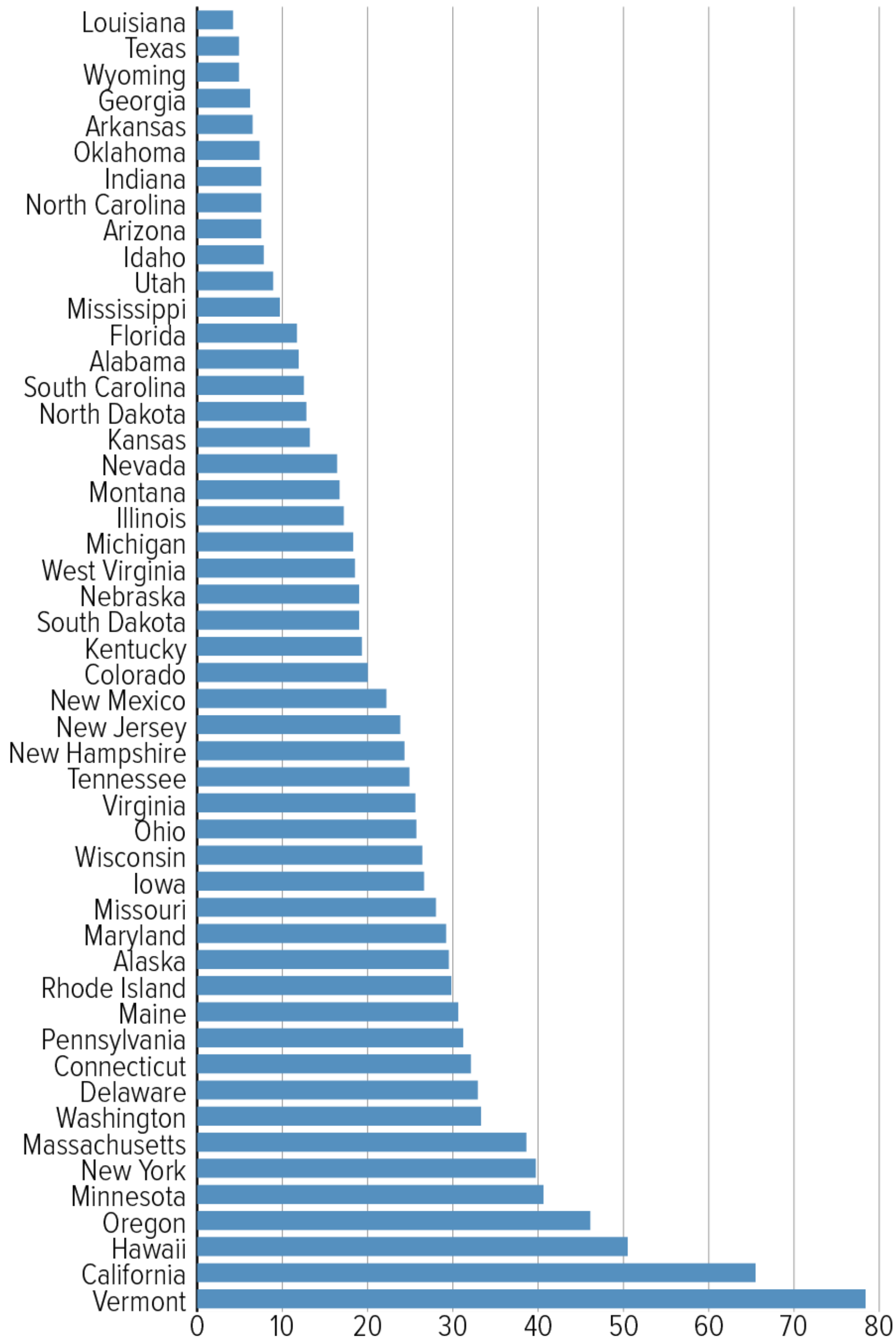
And, in a number of states, TANF provides cash assistance to a much smaller share of poor families than the national data suggests. In 12 states, *10 or fewer families* receive cash assistance for every 100 families in poverty.

Few Poor Families with Children Received TANF, 2013-2014

Number of families with children receiving TANF benefits for every 100 families with children in poverty



Note: TANF = Temporary Assistance for Needy Families

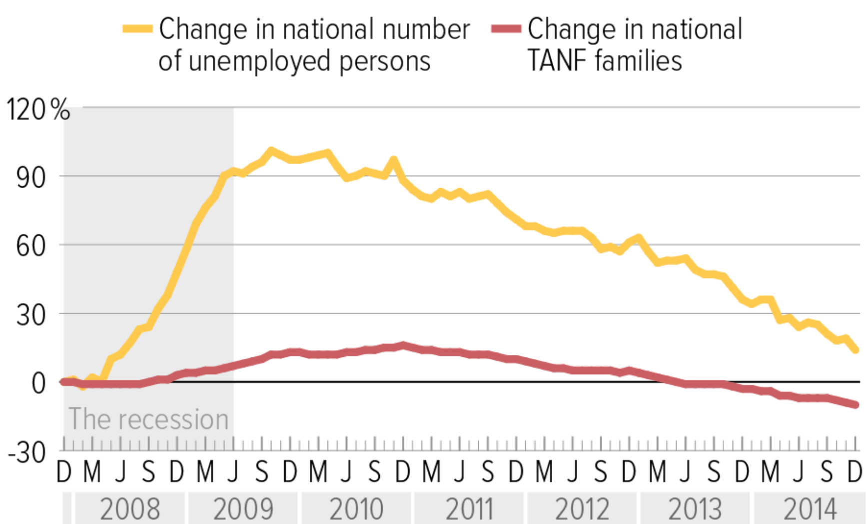
Source: CBPP analysis of poverty data from the Census' Current Population Survey and caseload data collected by CBPP from state agencies.

During the recession and slow recovery, TANF served few families in need.

Nationally, TANF responded only modestly to the severe recession that began in December 2007. State TANF caseloads varied widely in their responsiveness during the recession, growing substantially in some states but changing little in many others.

The variation among states widened during the recovery that began in June 2009, as some states made significant policy or programmatic changes that led to substantial caseload declines. National TANF caseload levels returned to their pre-recession levels while unemployment remained high. By December 2014, two-thirds of all states had *lower* caseloads than at the start of the recession in December 2007, while the national unemployment rate, at 5.6 percent, was just nearing the December 2007 level of 5 percent.

TANF Responded Only Modestly to Recession



Note: Temporary Assistance for Needy Families

Source: Analysis of CBPP-collected TANF caseload data from state agencies and the Bureau of Labor Statistics' unemployment data.

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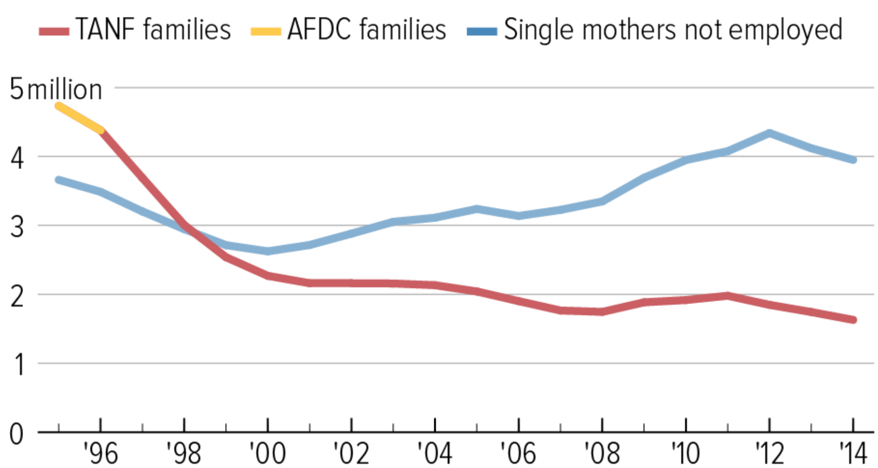
The growing gap between the number of single parents who are not working and the number of families receiving TANF also shows TANF's limited reach to families in need. In 1995, the number of families receiving cash assistance in an average month exceeded the number of single mothers who were not employed over the course of the year. By 2014, the number of unemployed single mothers was more than 2.4 times the number of families receiving TANF in an average month. This gap was substantial even before the recession, but it grew substantially during and just after the recession.

TANF Is Not Responsive to Changes in Joblessness Among Single Mothers



Note: TANF = Temporary Assistance for Needy Families; AFDC = Aid to Families with Dependent Children

Source: CBPP analysis of March CPS employment data. Employment data for 1988 and 2001 use the latest available sample. AFDC/TANF caseload data from Department of Health and Human Services and (since 2006) caseload collected by CBPP from state agencies.

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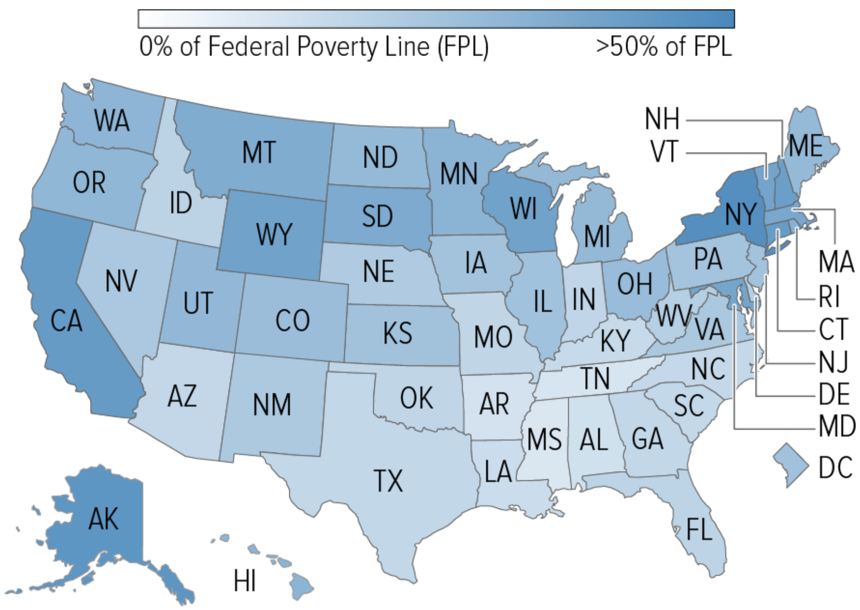
The amount of cash assistance provided to families has eroded in almost every state, leaving families without sufficient funds to meet their most basic needs.

Not only are fewer needy families receiving TANF cash benefits, but benefit levels for those who are on TANF are extremely low. In the median state in 2015, a family of three received $429 per month; in 14 states, such a family received less than $300. TANF benefits are below 50 percent of the federal poverty line in all 50 states and the District of Columbia and below 20 percent of the poverty line in 16 states.

Maximum TANF Benefits Leave Families Well Below the Federal Poverty Line (FPL)

Maximum cash benefits as percent of federal poverty line (for a family of three), 2015



Note: TANF = Temporary Assistance for Needy Families.

Source: Calculated from Department of Health and Human Services Poverty Guidelines and CBPP-compiled 2015 benefit information

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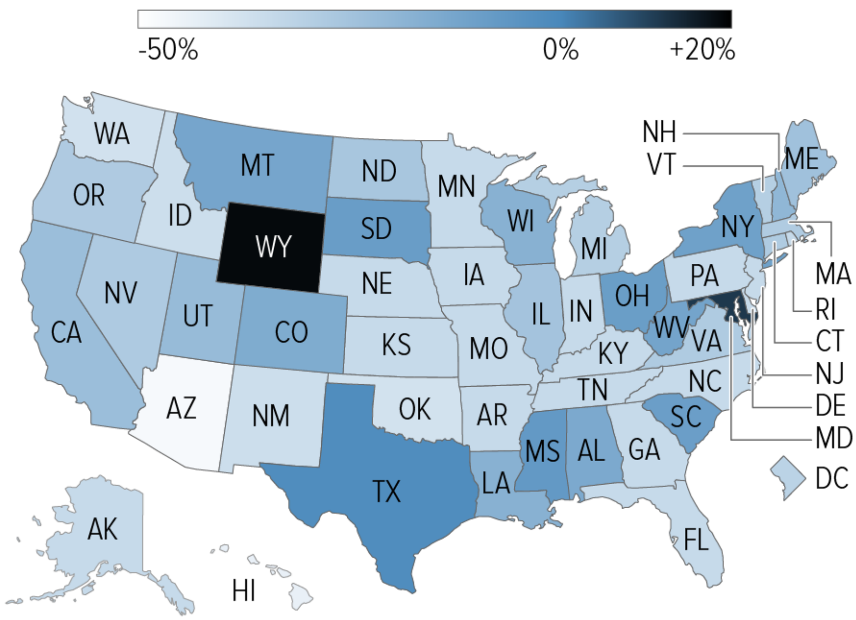
TANF benefits were not high in most states at the start of welfare reform, but most states have allowed their benefits to erode even further. In all but two states, the real (inflation-adjusted) value of TANF cash benefits has fallen since welfare reform's enactment and in the vast majority of states, TANF cash benefits today are worth at least 20 percent less today than in 1996.

TANF Benefits in Most States Have Declined in Value Since 1996

Inflation-adjusted decline in benefits (for a family of three), 2015



Note: TANF = Temporary Assistance for Needy Families.

Source: Congressional Research Service (for 1996) and CBPP-compiled (for 2015) benefit information adjusted for inflation using the Consumer Price Index (CPI)

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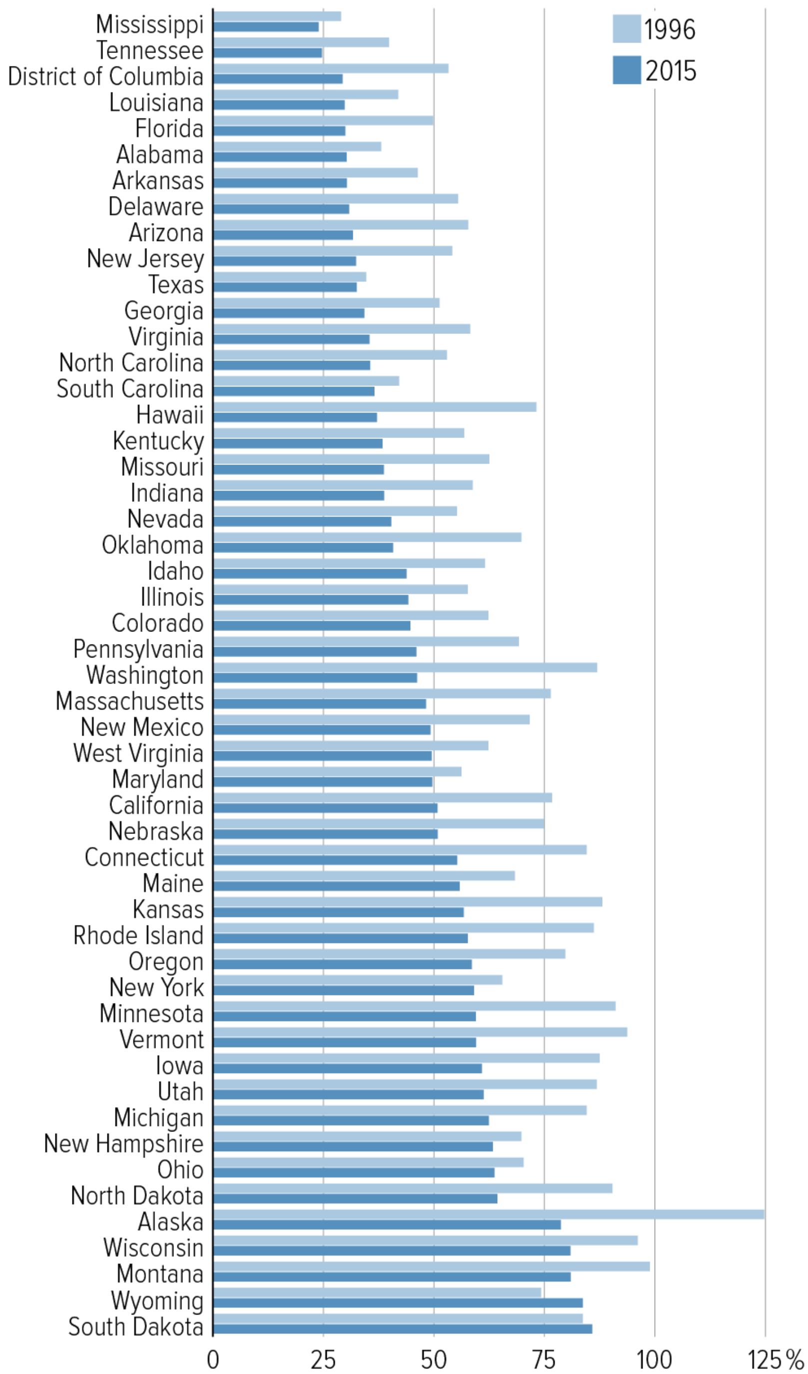
The impact on families is even greater than this data suggests, because as TANF benefits have declined, housing prices in many places have increased. Consequently, TANF benefits cover only a fraction of a family's housing costs, and housing is only one of the basic needs that a family must meet (although it is one of the largest). The monthly TANF benefit level for a family of three is less than the estimated cost of a modest two-bedroom apartment in all states (based on the Department of Housing and Urban Development's Fair Market Rents, or FMRs). Additionally, the monthly TANF benefit level for a family of three is currently less than half of the FMR in 30 states, compared with only seven states in 1996. Because modest housing is so often out of reach for TANF families they find themselves living in substandard conditions, doubled up with family or friends, or homeless.

TANF Benefits Falling Further Behind Housing Costs

Percent of HUD Fair Market Rent covered by TANF benefits in 1996 and 2015

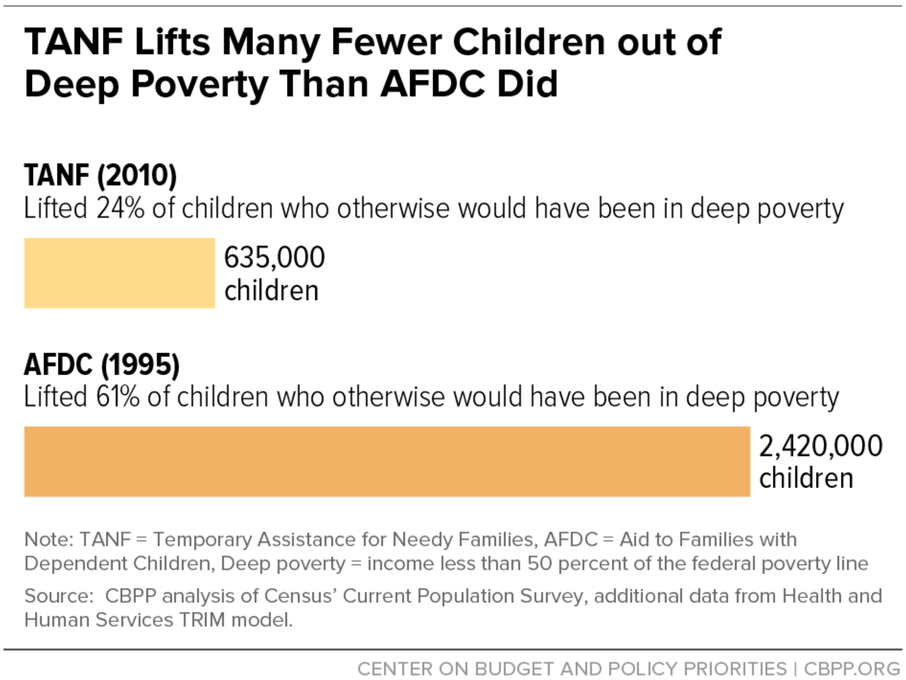


Note: TANF = Temporary Assistance for Needy Families; HUD = Department of Housing and Urban Development

Source: National Low-income Housing Coalition' Out of Reach report. NLIHC creates weighted statewide average Fair Market Rents for various-sized apartments based on HUD Fair Market Rents for various sub-regions in the state. The numbers used here are for a two-bedroom apartment. TANF 2015 benefit levels for single-parent families of three were compiled by CBPP from various state sources and are current as of July 1, 2015.

TANF plays much less of a role in reducing poverty than AFDC did — and the provision of less cash assistance has contributed to an increase in deep or extreme poverty.

The share of children living in deep poverty (defined as living in families with incomes below half the poverty line) has increased since welfare reform was implemented, and research suggests that the loss of TANF benefits contributed to that growth. TANF benefits are too low to lift many families out of poverty, but they can help reduce the *depth* of poverty. Unfortunately, TANF has proven far less effective at lifting families out of deep poverty than AFDC, mostly because fewer families receive TANF benefits than received AFDC benefits. (The erosion in the value of TANF benefits has also contributed.) While AFDC lifted more than 2 million children out of deep poverty in 1995, TANF lifted only 635,000 children out of deep poverty in 2010.



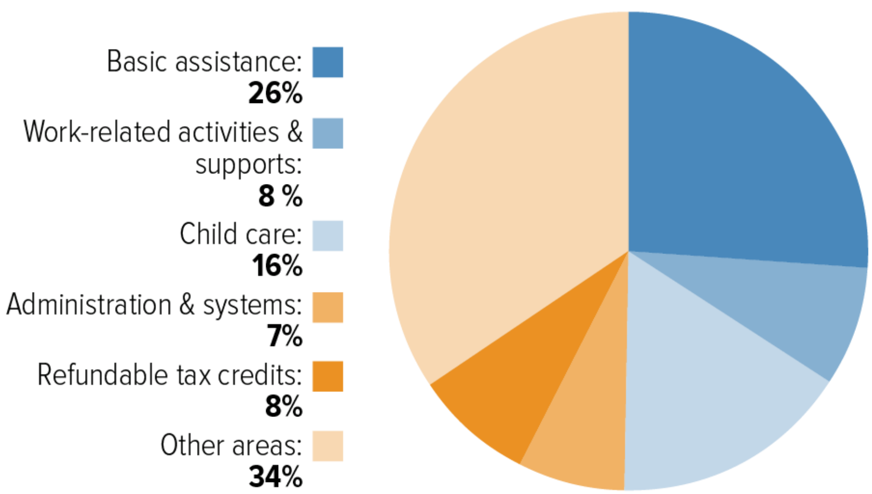
Researchers Luke Shaefer and Kathryn Edin have found that the number of households with children with monthly cash incomes equivalent to less than $2 per person per day — a standard of poverty more associated with third-world countries — has more than doubled since 1996. Counting the value of tax credits and non-cash benefits — housing assistance, tax credits, and SNAP (formerly food stamps) — lowers these numbers considerably, but the growth in extremely poor households with children remains troubling: a 50 percent increase, to 613,000 families in 2011 even after adding in these non-cash benefits. This measure of extreme poverty rose "particularly among those most impacted by the 1996 welfare reform," Shaefer and Edin found.

Although a key focus of welfare reform was on increasing employment among cash assistance recipients, states spend little of their TANF funds to help improve recipients' employability.

One of the key reasons for block granting the TANF program was to give states greater flexibility to help cash assistance recipients find and maintain work so they would no longer need assistance. The idea was that if states had more flexibility, they could take the funds they previously used to provide cash grants and use them to help recipients find jobs and to cover the costs of work supports like child care and transportation. While states modestly increased spending in these areas in the early years of TANF, they have not sustained the increases.

Overall, states spent only 8 percent of their state and federal TANF funds on work activities in 2014, with ten states spending less than 5 percent. States spent 16 percent of these funds on child care, with 15 states spending less than 5 percent. States spent about a third of their TANF funds on other services such as child welfare, early education, afterschool programs, and college financial aid; much of this spending goes for families with incomes well above the poverty level. While these are worthy areas for state spending, states are diverting TANF dollars to them instead of funding the core TANF purposes of supporting work for parents and meeting basic needs of poor children.

How States Spent Federal and State TANF Funds in 2014



Note: Total does not add to 100% due to rounding. TANF = Temporary Assistance for Needy Families.

Source: CBPP analysis of Health and Human Services 2014 TANF financial data

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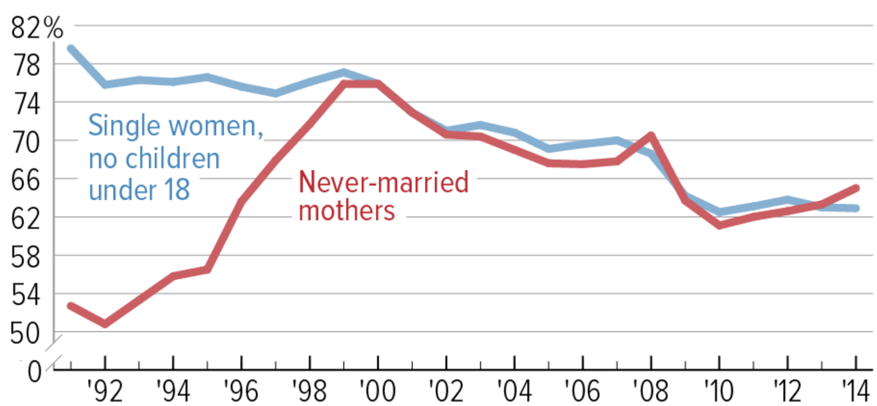
Employment among single mothers increased in the 1990s, but welfare reform was only one of several contributing factors — and most of the early gains have since been lost.

The employment situation for never-married mothers with a high school or less education — the group of mothers most affected by welfare reform — has changed dramatically over the last several decades. In the early 1990s, when states first made major changes to their cash welfare programs, only about half of these mothers worked. Importantly, there was a very large employment gap between the share of these never-married mothers and single women without children with similar levels of education, suggesting that there was substantial room for these never-married mothers to increase their participation in the labor force.

By 2000, the employment gap between these two groups of women closed, and it has remained so. But in the years since, the employment rate for both groups has fallen considerably. The employment rate for never-married mothers is now only somewhat higher than when welfare reform was enacted 20 years ago. This suggests that the economy and low education levels are now the causes of limited employment among never-married mothers — not the availability of public benefits or anything particular to never-married mothers.

Never-Married Mothers' Work Rates Jumped in 1990s but Have Fallen Since

Percent of women between the ages of 20 and 49 with a high school education or less with any work during the year



Source: CBPP analysis of Current Population Survey.

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The increase in labor force participation among never-married mothers that occurred in the 1990s is often cited as a major accomplishment of welfare reform. Rigorous research suggests, however, that a strong labor market and the expansion of the Earned Income Tax Credit (EITC) played an even greater role. A highly regarded study by University of Chicago economist Jeffrey Grogger found that welfare reform accounted for just 13 percent of the total rise in employment among single mothers in the 1990s. The EITC (which policymakers expanded in 1990 and 1993) and the economy accounted for 34 percent and 21 percent of the increase, respectively.

Furthermore, research shows that while work programs focused on encouraging cash welfare recipients to enter the labor market as soon as possible, this often did not put them in positions of stable employment. Those with significant employment barriers often never found jobs even after participating in work-first programs. The most successful programs over the long-term supported increasing participants' education and skill level, rather than simply requiring them to work.

Conclusion

Looking back over TANF's history, it is impossible to reconcile the facts with claims that welfare reform was an extraordinary success. In TANF's 20-year history, never-married mothers with a high school education or less made substantial gains in employment in only the first four years — largely due to the roaring economy in the late 1990s — and those gains have mostly eroded in the subsequent 16. It is wishful thinking to assume that we could see the same employment gains we saw in TANF's early years in today's labor market.

Similarly, the record shows that we cannot rely solely upon states to increase opportunity for the poor. When states' cash assistance caseloads fell substantially in the late 1990s, states could have used some of the freed-up funds to increase recipients' employability. Instead, they made other choices, including using TANF funds to fill budget holes and to substitute for state funds they had previously used to provide assistance to poor families. If they wanted to increase opportunity now, they could do so by using more of their TANF funds to help TANF recipients and other low-income parents gain the education and skills they need to qualify for jobs that will help them escape poverty.

Finally, in light of the growing body of research on the importance of income — and the devastating impact of poverty — on children's early development, TANF's far weakened role for families with the most significant employment barriers should cause concern for those who want to provide a better future for poor children. An entire generation of children has grown up under TANF's current structure. Policymakers should move forward expeditiously to ensure that the next generation has access to a more robust TANF program that both reaches more families in need and provides more meaningful education, training, and work opportunities that give families a reasonable chance of moving out of poverty. TANF reform is long overdue. We should fix its problems before embarking on reforms that will repeat its failures.