The Temporary Assistance for Needy Families (TANF) block grant was created 22 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 seen over the last 22 years the shortcomings of the TANF block grant and how the program has performed in both good and bad times. The labor market was extraordinarily strong in TANF’s early years, while during and for several years 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 18 years.

TANF’s funding structure was and is a bad deal for states. The block grant has eroded for all states over time. Allocations per poor child were inequitable at the outset and the inequity increased over time as the block grant failed to account for disproportionate population growth and demographic changes, particularly in poor states. When considered on a per-poor-child basis, the block grants in half of the states have eroded more than the national average.

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 strong 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, an unacceptable number of families are living in very deep poverty.

Taking into account the full 22 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.

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.

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.

The TANF block grant was inequitable at the outset and only grew more inequitable over the next two decades.

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.

Over the last two decades, the national TANF average monthly caseload has fallen by almost two-thirds — from 4.4 million families in 1996 to 1.36 million families in 2016 — 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 over 5.8 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 2.7 million.

TANF caseloads failed to adequately respond to need during and in the years immediately following the Great Recession, when poverty was high. Nationally, they rose modestly but returned to their pre-recession levels while poverty remained high. In some states, the TANF caseloads didn’t respond at all to the increased need.

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.
In a number of states, TANF provides cash assistance to a much smaller share of poor families than the national data suggest. In 13 states, ten or fewer families receive cash assistance for every 100 families in poverty.
Few Poor Families with Children Received TANF, 2016

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.
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 2016, the number of unemployed single mothers was more than 2.5 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 Reaching Fewer Jobless Single Mothers**

Note: TANF = Temporary Assistance for Needy Families; AFDC = Aid to Families with Dependent Children. TANF replaced AFDC under welfare reform in 1996.

Source: Employment data are annual averages from the monthly Current Population Survey (CPS), AFDC/TANF caseload data from Department of Health and Human Services and (since 2006) caseload collected by CBPP from state agencies.
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 2018, a family of three received $447 per month; in 14 states, such a family received less than $300. TANF benefits are below two-thirds of the federal poverty line in all 50 states and the District of Columbia and at or below 20 percent of the poverty line in 17 states.

Maximum TANF Benefits Leave Families Well Below Federal Poverty Line

Maximum TANF benefit as percent of poverty line (for a family of three)

Note: The federal poverty level for a family of three in 2018 is $1,739 per month in the 48 contiguous states and Washington, D.C.; Alaska and Hawaii have higher poverty levels. TANF = Temporary Assistance for Needy Families

Source: 2018 Health and Human Services Poverty Guidelines. TANF benefit levels for a single-parent family of three were compiled by CBPP from various sources and are current as of July 31, 2018.
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 three 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.

The impact on families is even greater than these data suggest, 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 the largest for most families). 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 cash assistance in 1996 and 2018

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

Note: The National Low Income Housing Coalition creates weighted statewide average Fair Market Rents based on HUD Fair Market Rents for various sub-regions in the state. Numbers here are for a two-bedroom apartment.

Source: National Low Income Housing Coalition’s Out of Reach report. TANF 2018 benefit levels for single-parent families of three were compiled by CBPP from various state sources and are current as of August 1, 2018.
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 TANF was to give states greater flexibility to help cash assistance recipients find and maintain work so they would no longer need assistance. The theory was that with more flexibility, states could take the funds they previously used for cash grants 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 TANF’s early years, they have not sustained the increases.

Nationally, states spend a little more than half of their federal and state TANF dollars on the core activities of basic assistance, child care, work-related activities, and work supports. For 2016 (the most recent data available), this core spending was primarily for basic assistance (24 percent of total spending) and child care (17 percent of total spending). Spending on work and work supports is the smallest share of core spending. States spent only 9 percent of their state and federal TANF funds on work activities in 2016, and 3 percent on work supports and supportive services like transportation. Eleven states spent less than 5 percent of their funds on work activities and work supports/supportive services combined.

The rest of federal and state TANF funds are spent outside of core areas, for program management, working-family tax credits, and other state services. Though not considered core areas, program management is important for TANF operation, and state working-family tax credits ultimately support the goal of work. However, these other state services, which make up about 28 percent of total TANF spending, are used in some cases to expand programs like pre-K education, or to cover the growing costs of existing services such as child welfare. In other cases, states used TANF funds to replace existing state funds, freeing up those state funds for purposes unrelated to providing a safety net or work opportunities for low-income families. 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.
Employment among single mothers increased in the 1990s, but welfare reform was only one of several contributing factors.

The employment situation for never-married mothers with a high school education or less — the group of mothers that welfare reform affected most — 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 the employment rate for both groups fell considerably in the years after. The employment rate for never-married mothers is now only slightly higher than when welfare reform was enacted over 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 another factor unique to never-married mothers.
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 levels (often in combination with helping them to find jobs), rather than simply requiring them to work.
**The TANF block grant was inequitable at the outset and only grew more inequitable over the next two decades.**

When TANF was created, the federal government allocated block grant funds to states based on historical federal spending in TANF’s predecessors, Aid to Families with Dependent Children (AFDC) and related programs. These allocations were highly unequal among states on a per-poor-child basis — and that basic formula has remained, with total state allocations fixed since TANF’s inception. Many poor states chose to set very low cash assistance benefit levels under AFDC, so they received fewer federal TANF dollars per poor child than richer states. In 1997, the block grant amount per poor child ranged from $332 in Arkansas to more than $2,000 in Alaska, Connecticut, New York, Rhode Island, and Vermont. Thirty states’ block grant allocations fell below the nationwide average of $1,168.

As a condition of receiving its full federal TANF block grant, a state must continue to spend 80 percent of its historical state spending, known as the state maintenance of effort (MOE) requirement. The MOE requirement also locked in lower state spending obligations for poorer states, creating a greater overall disparity in total TANF funding available per poor child among the states. When factoring in this required state spending, the inequity in total TANF spending per poor child among the states in 1997 was even greater, with spending ranging from $462 in Arkansas to $3,860 in Connecticut.
TANF Federal Block Grants and Required State TANF Maintenance of Effort (MOE) Spending Per Poor Child Varied Widely at the Outset

TANF block grants and maintenance of effort requirements per poor child in 1997

Note: TANF = Temporary Assistance for Needy Families. As a condition of receiving its full federal TANF block grant, a state must continue to spend 80 percent of its historic state spending, known as the state maintenance of effort requirement.

Source: Child poverty numbers are from the Census’ Current Population Survey (CPS). CBPP uses two-year averages of CPS state-level data to improve the reliability of the data. TANF state block grants and MOE required spending amounts from Health and Human Services' TANF financial data.
This basic formula hasn’t changed, with each state’s annual block grant funding remaining fixed since TANF’s inception. As a result, between 1997 and 2016 the block grant lost 32 percent of its value nationwide on a per-poor-child basis. But, because the block grant also doesn’t adjust for changes in the number of poor children due to population growth or economic conditions, some states have fared substantially worse than others.

**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 420,000 children out of deep poverty in 2014.

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<tr>
<th>TANF Lifts Many Fewer Children out of Deep Poverty Than AFDC Did</th>
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<tr>
<td><strong>TANF (2014)</strong></td>
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<tr>
<td>Lifted 18% of children who otherwise would have been in deep poverty</td>
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<td>420,000 children</td>
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<td><strong>AFDC (1995)</strong></td>
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<tr>
<td>Lifted 56% of children who otherwise would have been in deep poverty</td>
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<td>2,622,000 children</td>
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Note: TANF = Temporary Assistance for Needy Families, AFDC = Aid to Families with Dependent Children, Deep poverty = income less than 50 percent of the poverty line

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 developing 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.
Conclusion

Many policymakers lift TANF up as a model for reforming other low-income programs. Looking back over TANF’s history, it is impossible to reconcile the claim that welfare reform was an extraordinary success with the facts. TANF has failed in its two main purposes: to provide a safety net and to adequately support parents in work. First, TANF does not reach many families in need, even during hard economic times. The benefits for families that do receive assistance have lost purchasing power, making it increasingly difficult for families to meet their basic needs.

Second, in TANF’s 22-year history, TANF work programs have not helped parents find and keep jobs that will lead to self-sufficiency. Never-married mothers with a high school education or less made substantial gains in employment only in TANF’s first four years — largely due to the roaring economy in the late 1990s — and those gains have mostly eroded in the subsequent 18. It is unlikely 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 weakened role for families with the most significant employment barriers should concern 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 rather than continue to repeat its failures.