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Why TANF Is Not a Model for Other Safety Net Programs

By Liz Schott

House Speaker Paul Ryan, other House Republican leaders, and some conservative commentators have cited Temporary Assistance for Needy Families (TANF) as a model for reshaping federal-state funding relationships in other programs for low-income families. The forthcoming proposal from the House Republican Task Force on Poverty, Opportunity, and Upward Mobility, to be released June 7, is likely to reflect that view. It's thus important to examine how TANF has performed, in both good times and bad, in helping poor families with children meet basic needs and improve their employment prospects and their lives. Such an examination indicates that TANF is not a useful or applicable model for other safety net programs.

TANF was created twenty years ago when Congress and President Bill Clinton replaced the Aid to Families with Dependent Children (AFDC) matching-grant program to states with the TANF block grant. Subject to some federal mandates such as time limits and work requirements, the 1996 welfare law gave states sweeping flexibility in setting eligibility for cash assistance, designing work programs, and spending federal and state TANF dollars.

Proponents claimed that states would serve as laboratories for developing new strategies to connect families to work. They also argued that states would use their spending flexibility under TANF to shift dollars from cash assistance to work programs and work supports such as child care. Yet that is not what happened. TANF enjoyed some success in its early years when the economy was strong, but when the economy weakened, TANF failed to provide employment assistance or cash benefits to many of the families most in need. Funding and assistance have continued to decline over time and states, by and large, have not used the flexibility of the TANF block grant to promote positive innovations — though they have, unfortunately, used this flexibility to siphon off a large share of TANF funds for other purposes. Weak accountability mechanisms have contributed to TANF's deficiencies.

Below we explain six reasons why TANF provides a cautionary tale about the dangers of block-granting basic safety net programs.

1. Like other block grants, TANF has lost much of its value over time.

Each state's federal TANF funding has remained frozen since 1996 and has lost one-third of its value due to inflation. This is typical for block grants. History shows that when social programs are merged into (or created as) broad block grants, federal funding typically contracts — often sharply — in subsequent years and decades, with the reductions growing over time.[1]

Moreover, TANF's funding allocations to the states have not been adjusted over the past two decades to reflect increases or decreases in the number of poor families in each state or in the overall population. In fact, while TANF originally included supplemental funds for 17 mostly poor states that provided very low cash assistance benefits under AFDC or that had high population growth, Congress subsequently allowed this funding to lapse — causing a further reduction in TANF resources.

State spending, as well, has fallen significantly under TANF. A state must only spend 80 percent of its historic annual spending level under the old AFDC program (before TANF's creation) in order to meet TANF's maintenance-of-effort (MOE) requirement. Thus, from the outset of TANF, states could withdraw 20 percent of the funds they had spent on AFDC and related programs. And, because the MOE requirement has no inflation adjustment, this reduced amount has shrunken further in value over the past two decades, contracting by about one-third. When these two declines are combined, the current state contribution requirement represents just *half* of the value of what states spent before TANF. Moreover, as explained below, states have diverted federal and state TANF dollars to many other areas, leaving even less support for core welfare-reform purposes.

2. States used their flexibility under TANF to ease budget shortfalls and fund other state priorities, shifting funds away from helping poor families meet basic needs or prepare for work.

A key argument for TANF's block-grant design was that states needed much greater flexibility over the use of funds than AFDC's funding structure provided. Under a block grant, proponents argued, states could shift the funds freed up when families left welfare for work to child care or other work supports, where need would increase. States also would invest more in work programs to reflect the increased emphasis on welfare being temporary and work-focused. But experience has not borne out those predictions.

The bulk of funds withdrawn from the cash assistance safety net has *not* gone to programs that connect families to work or to support low-income working families. States spent *only 8 percent* of their combined state and federal TANF funds on work-related activities in 2014, and only another 16 percent on child care. Only half the funds spent in 2014 went to the core welfare reform areas of basic assistance, child care, and work programs combined; eight states spent one-quarter or less of

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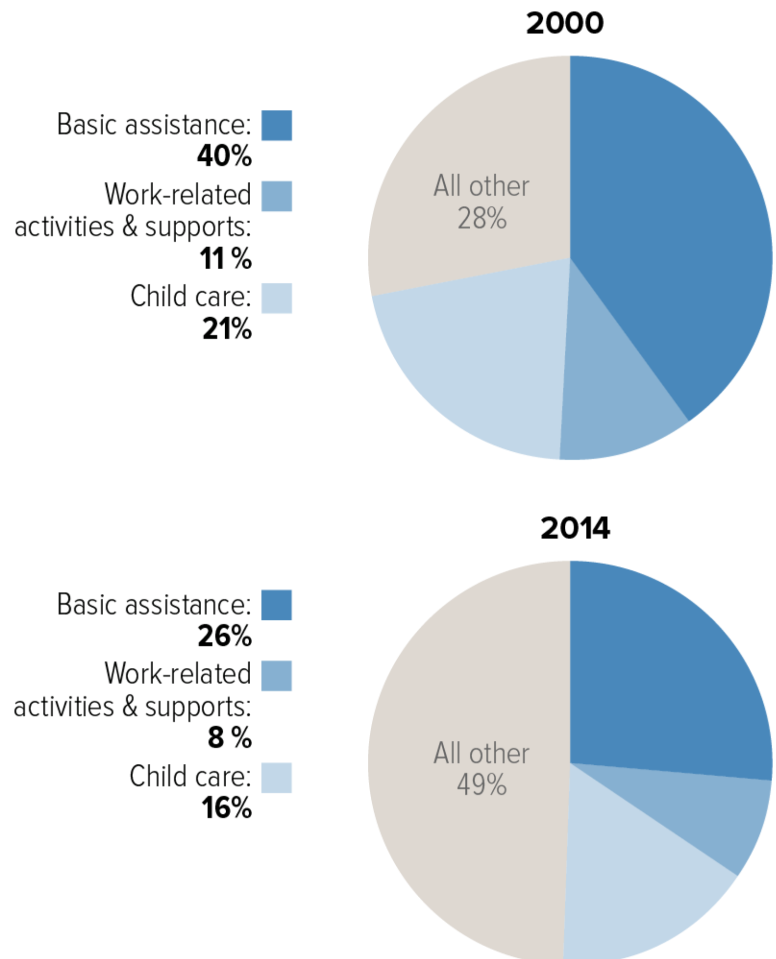
[1] Isaac Shapiro *et al.,* "Funding for Housing, Health, and Social Services Block Grants Has Fallen Markedly Over Time," Center on Budget and Policy Priorities, updated March 24, 2016, http://www.cbpp.org/research/federal-budget/funding-for-housing-health-and-social-services-block-grants-has-fallen.

their funds there.[2] In fact, states spend less in *each* of these core welfare reform areas than in TANF's early years (see Figure 1.)

FIGURE 1

States Spending Less TANF Funding on Core Welfare Reform Areas

2000 and 2014 federal and state spending



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

Source: CBPP analysis of U.S. Department of Health and Human Services 2000 and 2014 TANF financial data

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[2] Liz Schott, LaDonna Pavetti, and Ife Floyd, "How States Use Federal and State Funds Under the TANF Block Grant," Center on Budget and Policy Priorities, updated October 15, 2015, http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant.

States used the diverted funds to fill budget holes, fund services for families above the poverty level (sometimes far above), bolster child welfare systems, and support early education and higher education, among other things. In some cases, they used the funds to expand these programs; in others, they supplanted *existing* state spending, which enabled them to shift even more funds to other uses, such as highways and tax cuts.

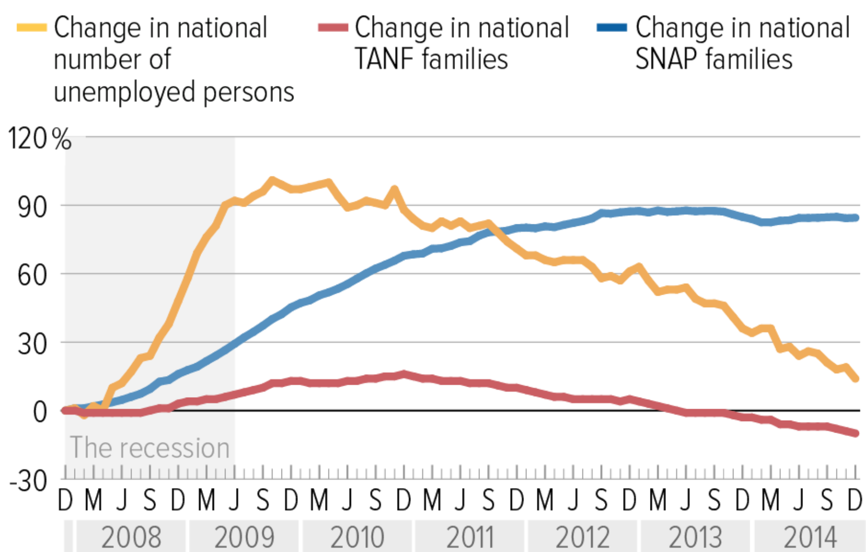
As states shifted substantial amounts intended to help poor families to other uses, they left many of the most disadvantaged families without much of a safety net — *and* without the employment resources that might help them gain a foothold in the labor market.

3. State TANF programs failed to respond to increased need during the Great Recession.

Safety net needs rise and fall with the economy. But under a block grant with fixed funding that doesn't rise and fall with need, states bear all the financial burden of responding when the economy slows or the low-income population grows for other reasons. Under TANF, many states did not shoulder that burden.

FIGURE 2

TANF Responded Only Modestly to Recession



Note: Temporary Assistance for Needy Families

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

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While the number of unemployed doubled in the Great Recession, TANF caseloads rose only modestly, by 13 percent from December 2007 to December 2009 (see Figure 2). In some states, caseloads even fell as the state reduced access to benefits. In contrast, SNAP (formerly food stamps) provided the automatic counter-cyclical response that a safety net program should have.

During this same period, the number of SNAP recipients grew by 45 percent. (SNAP caseloads have since fallen as the economy has improved.)[3]

TANF's modest response to the recession would have been even weaker if the 2009 Recovery Act had not included additional funding to reimburse states for caseload increases. Otherwise, TANF's block-grant design would have forced states to absorb all costs from any caseload increases. After the Recovery Act's TANF funding supplement ended in October 2010, many states imposed TANF cuts such as reducing benefits and tightening time limits, even though poverty and need remained elevated.[4]

4. TANF has provided a temporary safety net to fewer and fewer poor families over time.

Just 23 of every 100 poor families with children now receive cash assistance through TANF, down from 68 of every 100 poor families when TANF was created. (See Figure 3.) In a dozen states, fewer than *ten* of every 100 poor families with children receive cash assistance.

A major reason for this decline is that states have used the block grant's flexibility to restrict access to basic assistance, leaving many extremely poor families with no cash income. For example, while federal law sets a five-year limit on receipt of cash aid, many states have set much shorter limits, of 24 months or even 12 months in one instance (Arizona). Many states have also imposed application barriers that limit families' ability to start receiving benefits, even at times when a family may be in crisis.

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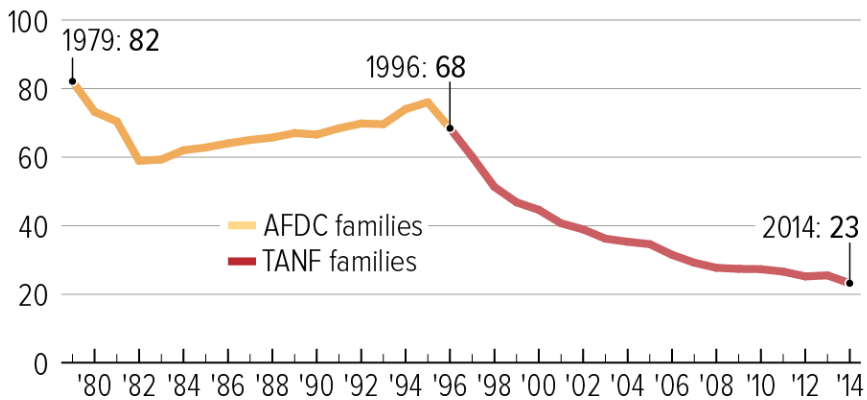
[3] Dottie Rosenbaum, "SNAP Caseloads Dropping, as Forecast," Center on Budget and Policy Priorities, May 10, 2016, http://www.cbpp.org/blog/snap-caseloads-dropping-as-forecast.

[4] Liz Schott and LaDonna Pavetti, "Many States Cutting TANF Benefits Harshly Despite High Unemployment and Unprecedented Need," Center on Budget and Policy Priorities, updated October 3, 2011, http://www.cbpp.org/research/many-states-cutting-tanf-benefits-harshly-despite-high-unemployment-and-unprecedented-need?fa=view&id=3498.

FIGURE 3

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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5. States have not used the flexibility of the block grant for successful innovation in connecting families to work.

States had an opportunity under TANF to innovate and rigorously evaluate new approaches to helping recipients move from welfare to work, but that is not the path most states chose. While the AFDC program's waiver structure required formal evaluation to credibly test whether new approaches had a measurable impact on employment and earnings, TANF has no such requirement. As a result, under TANF, relatively little innovation and rigorous evaluation have occurred. Once the initial spate of studies looking at employment outcomes of families that left TANF were completed over a decade ago, few states have continued tracking employment or earnings outcomes for families leaving TANF.

Most states' work programs focus largely on job search and on parents finding unsubsidized employment. Few states have used TANF funds for significant work-preparation activities, such as education and training, or for subsidized job opportunities. Similarly, few states have implemented innovative employment strategies for families with substantial personal and family challenges, so we still know very little about how to significantly improve those families' employment outcomes. Twenty years after TANF's creation, we still have no rigorous evidence to inform debates about expanding work requirements to other programs.

6. TANF does little to hold states accountable for how they use federal funds or what outcomes they achieve.

A block grant with broad flexibility and purposes has substantially less accountability for the use of its federal funds than do other federal-state funding arrangements, and TANF is no exception. We have limited knowledge about how states spend much of their TANF funds or the extent to which this spending furthers TANF's goals. Given how many different programs and services TANF funds, it would be extremely difficult to develop even a small number of common metrics that could be applied in multiple programs that would provide meaningful information and hold states accountable for improving families' circumstances. Moreover, expanding the reporting requirements and performance measures for funding that has a diverse set of uses could undermine the very flexibility that is the claimed rationale for a block grant.

The Work Participation Rate, the limited accountability metric that does exist in TANF, applies only to recipients of TANF cash assistance, who account for only one-quarter of TANF spending nationally (and even less in many states). And even this information is incomplete: states are not required to report the employment, earnings, and other outcomes of families that have left cash aid.

The TANF experience highlights the difficulty of holding states accountable for outcomes under a block grant, where the funding is too flexible to allow a common set of uses or metrics and states need not report in any detail even on whom they are serving with most of the funds.