

CRS Report for Congress

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Welfare Reform: TANF Trends and Data

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Summary

The shrinkage in U.S. family cash welfare rolls has slowed to a near halt, although national numbers still are 50% below those of August, 1996, when Congress created the time-limited and work-conditioned block grant program of Temporary Assistance for Needy Families (TANF). Under TANF, the nature of the caseload has changed. The share of recipients who combine welfare and work has risen sharply (from 11% to 26%). The share of “child-only” cases, which are free of work and time limit rules, has climbed to 37% and in seven states exceeds one-half of all TANF cases. The number of families who exhaust their 60-month time limit for federal aid is rising, and states with more than 40% of the nation’s caseload say they use their own funds to continue aid to “timed-out” families not granted hardship extensions. The smaller caseload holds a rising proportion of black and Hispanic families. To promote work, programs use tough work sanctions, liberal work rewards, “Work First” policies, and diversion payments. Many states offer new services aimed at TANF goals for a broad non-welfare population. Before TANF, 75% of family welfare outlays were for cash benefits, but in FY2001 ongoing basic cash assistance accounted for only 40% of the total. This report will be updated for new data.

TANF Policy Choices Made by States

P.L. 104-193, which replaced Aid to Families with Dependent Children (AFDC) with TANF, sets some ineligibility rules and many work rules. States may not use TANF to assist unwed mothers under 18 unless they live in an adult-supervised setting and, if a high school dropout, attend school. They cannot give federally funded ongoing basic aid to a family with an adult member who has received aid for 60 months, and they must require work, under state definition, as a condition of continued aid after 24 months of benefits. Otherwise, states are generally free to design their own programs. To avoid loss of TANF funds, however, the states must engage 50% of most adult recipients in specified “work activities” for a general average of 30 hours weekly (20 hours for single parents of preschool children).

Expansionary Policies. More than 30 states have expanded eligibility by adopting one or more of these policies: ending special eligibility restrictions for two-parent families, continuing benefits for those who go to work, and increasing asset limits. Some states made these changes before TANF, under AFDC waivers. About half the

states exempt from work single parents with an infant, and in FY2001 this policy exempted 7% of adults (a monthly average of 98,600 mothers). All but about 10 states have adopted the Family Violence Option (FVO), which permits exemption from TANF rules of victims of domestic violence. To reward work, states generally disregard a sizable share of earnings for at least a year. In 11 states TANF benefits do not end until gross earnings exceed or come very close to the 2001 poverty guideline (\$1,220 for a family of three). Ten states ignore from 20% to 67% of all earnings in all months, and two, 100%, subject to a gross income cap. See *TANF Benefits and Earnings Limits* in the CRS Welfare Reform Electronic Briefing Book. New Jersey has launched a supplemental work support program (\$200 monthly payment for up to 2 years for families with earnings below 250% of the poverty level who withdraw from TANF although eligible for a partial benefit), and (until June 30, 2003) Montana offers a one-time Work Support Payment (\$494) for those who leave TANF with jobs. Further, in a pilot program paid with state maintenance-of-effort (MOE) dollars, Montana pays income-eligible mothers with a work history to provide full-time care for their infant child or toddler for up to 24 months.

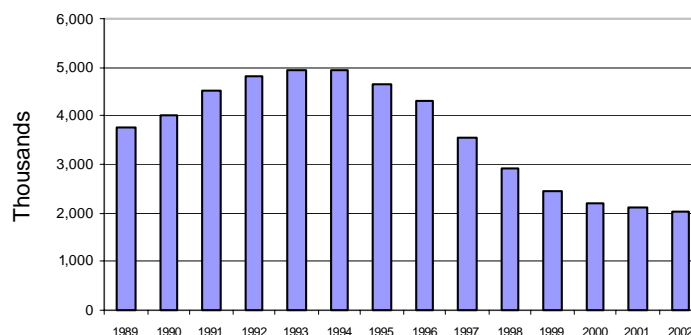
Restrictive Policies. State policy choices that tend to restrict enrollment include: time limits shorter than federal limits, tough sanctions, welfare avoidance (diversion) payments, and family caps (reduced or zero benefits for a new baby in a TANF family). Some states adopted these policies under AFDC waivers. Twenty-two states have benefit cutoff limits shorter than 60 months, and almost a dozen require work immediately, rather than after 24 months (some defining this to include job search, some restricting it to a job or community service). Some 19 states penalize recipients for their first failure to comply with required work activities by suspending the family's whole benefit, sometimes until compliance, sometimes for specified periods. Under some conditions, eight states end benefits permanently (see CRS Report RS21070). Pre-TANF law required states to continue aid for the child(ren). More than 20 jurisdictions impose family caps. Georgia reports that in FY1999, 3,596 children were subject to these caps, and in December, 2002, North Dakota reported 276 "benefit cap" children. Two states pay flat benefits for all family sizes. More than 30 states make lump sum payments that divert some applicants from enrollment. Recent diversion data: Oklahoma, 107 families, equal to 5.3% of cases opened, and New Mexico, 25 cases, 1.2% of approved applications (both December 2002); Virginia (January, 2003), 192 cases, 7.7% of cases opened; Minnesota (November) 194 cases; and Washington (July), 348 families. In FY2001, Oklahoma diverted 2,830 families and, in FY2000, Iowa made diversion payments to 304 families. (For details of state TANF programs, see CRS Report RL30695).

Benefit Levels. According to the fifth annual TANF report, cash benefits averaged \$395 per family in FY2001 (up from \$349 in FY2000), and 23% of families had non-TANF income averaging \$593. Of TANF families, 81% received food stamps averaging \$228 monthly, and 20% received subsidized housing. Between July 1996 and January 2002, most jurisdictions did not change their maximum benefit levels; five reduced benefits (the District of Columbia, Hawaii, Idaho, Oklahoma, and Wyoming), and 18 raised them, but increases exceeded the 11.6% rise in consumer prices in only 8 states. (See *Cash Welfare Benefit Amounts* in the Welfare Reform electronic briefing book.) Two states have adopted bonuses (Oregon for cooperation with its work program and West Virginia for marriage). Wisconsin and Idaho no longer adjust benefits for family size. The Wisconsin Works (W-2) program pays flat monthly amounts of \$673 for community service jobs and \$628 for W-2 transitional activities (e.g., sheltered workshops, vocational rehabilitation, parenting, life skills, job skills training).

TANF Spending. In FY1996, last full AFDC year, spending on AFDC, AFDC-related child care, Emergency Assistance (EA), and JOBS totaled \$30.4 billion (\$16.3 billion in federal funds and \$14.1 billion in state funds). In FY1998, first full year of TANF, comparable spending was \$21.5 billion (down 29% from 1996), and the average monthly caseload was down 29% from its 1996 level. Thereafter the cash caseload continued to shrink (17% in FY1999, 15% in FY2000, 7% in FY2001, and less than 1% in the first half of FY2002), but spending rose, reaching \$21.7 billion in FY1999 and \$25.5 billion in FY2001. Of FY2001 spending, \$10.2 billion (40%) was for basic ongoing cash aid and \$3.4 billion (13%) for other cash payments (diversion, tax credits, and IDA contributions). TANF-funded child care, services, and work activities accounted for the remaining \$11.9 billion. The annual federal TANF grant to states is \$16.5 billion, and states must spend at least \$10.4 billion of their own funds each year (MOE rule) on behalf of TANF-eligible families. On June 30, 2002, states had an unobligated and unspent TANF balance of \$4.5 billion.

Caseload Decline. TANF caseloads declined less than 1% during FY2002 and stood at 2.0 million in September 2002 (see Figure 1). New York numbers were down 61,000 from a year earlier, but most of the decrease (more than 44,000 families) apparently represented “timed-out” cases transferred to the state-funded safety net program. In 24 jurisdictions enrollment topped September 2001 levels. Persons now on the rolls include rising proportions of minorities, and TANF “families” include a growing proportion with no adult recipient. The 2001 poverty rate among children in female-headed families (no spouse present) was 39.3%, 10 percentage points below that of 1996.

Figure 1. AFDC/TANF Families, September Cases, 1989-2002



Many factors have helped to shrink the TANF caseload since 1996, including the “Work First” culture, the improved economy in the early period, tougher sanctions, the benefit limit and widespread adoption of diversion practices. Under TANF, not only have recipients departed from welfare at a faster rate, but (at least until recently) fewer persons have joined the rolls. For instance, an Illinois study found that annual TANF entries in the state fell 45% from FY1997 to FY1999, while exits rose by 8%. However, Florida case closures in January 2003 (8,241) exceeded entries (6,994), most of whom were returnees, and California closures in November (41,566) topped entries (33,552).

Rise in Mothers' Employment. Among families with children that are maintained by the mother, the share with an employed mother soared from 61.6% in 1994 to 75.5% in 2000, but slipped to 74.5% in 2001, according to the Bureau of Labor Statistics (BLS). In its 2001 annual report, the Council of Economic Advisers (CEA) cited an estimate that the Earned Income Tax Credit (EITC) was responsible for 34% of the rise in annual employment among unmarried mothers between 1992 and 1996. The poverty rate of children in female-headed families dropped from 52.9% in 1994 to 46.1% in 1998, 41.9% in 1999, 39.8% in 2000, and 39.3% in 2001.

Time Limits. The General Accounting Office (GAO) estimates that states excluded 11% of adult recipients of TANF cash aid from the federal time limit, as of autumn 2001, by three means: paying certain recipients with state-only funds (and thereby stopping the federal time clock), continuing pre-TANF waivers that permit time limit exemptions, and granting hardship exemptions (see GAO-02-501T). TANF's 5-year anniversary marks the earliest date that a family could accumulate 60 months of federally paid benefits, and it varies by state, generally ranging from October 1, 2001 to July 1, 2002 (January 1, 2003 in California). States may grant hardship extensions of federally paid benefits to 20% of adult recipients. Further, eight states containing more than 40% of the 1999 national caseload say they use state funds to continue benefits for cases not granted hardship extensions (this spending can be credited toward required MOE expenditures). Maine, Michigan, Maryland, New York, and Vermont continue full benefits (generally in noncash form in New York), and California and Rhode Island pay reduced benefits (for children only). A state welfare official estimates that 7-8 % of New York families who reach the 60-month limit receive hardship extensions; the rest are moved into the state-funded MOE safety net program, which pays TANF level benefits in noncash form. From December, 2001 (month of initial impact of the time limit in New York) to November, 2002, the estimated monthly number of safety net case transfers rose from about 28,000 to 45,600, and it appears that one-third of adults receiving aid in New York now are in the state-funded safety net program. Michigan reports that its January, 2003 caseload included 6,796 cases that had exceeded the federal time limit (but, presumably, were granted hardship extensions). The California state welfare agency has estimated that more than 115,000 adults will reach the CalWORKs 60-month time limit between January and June 2003 (but county estimates are smaller). Families in 20 states face state-imposed limits shorter than 60 months (see CRS Report RS21069) but often receive extensions. At the end of November 2002, for example, 2,570 Connecticut families who had exhausted their original 21 months of aid received 6-month benefit extensions because they had been unable to obtain work that paid more than TANF (another 407 families lost eligibility because of the state time limit – and 9 because of the federal time limit). In February 2003, 4,042 Florida families who had reached the state's time limit (24 or 36 months) received extended benefits, some because of unsubsidized employment (under which they earned a one-month TANF extension for each month of work).

Characteristics of TANF Families

(For details and state data, see the fifth annual TANF report to Congress at <http://www.acf.dhhs.gov/programs/ofa/indexar.htm>)

Marital Status, Race/Ethnicity. In FY2001, 66.9% of TANF adult recipients were single, 11.7% were married and living together; 12.5% had married, but were separated, 8.2% were divorced, and 0.8%, widowed. Compared with FY1996, the share

of TANF children who were Hispanic or African-American rose, and the share who were white declined in FY2001: white, 25.6% (down from 31.6% in FY1996); African-American, 40.8% (compared with 38.4%); Hispanic, 27.8% (22.4%). Asians represented 2.7% of TANF children; American Natives, 1.2%; Hawaiian, 0.5%, and unknown race, 1.4%.

Child-only Cases. In child-only cases, which are free of TANF work rules and time limits, the parent or other relative caretaker is ineligible because of being non-needy, an illegal immigrant, under sanction, or for some other reason (or, though eligible, declines TANF). During FY2001, 34.5% of TANF families had no adult recipient. This compares with 11.6% in FY1990, 21.5% in FY1996, 29% in FY1999, and 34.5% in FY2000. In seven states, more than one-half of TANF families in FY2001 had no adult recipient (Alabama, Florida, Idaho, North Carolina, South Dakota, Wisconsin, and Wyoming). The composition of child-only cases (by status of the caretaker) varies among states. Examples: Florida (February, 2003) non-needy caretaker relative, 64%; SSI recipient, 23%; non-citizen, 8.6%; sanctioned, 1.8%, and other, 2.7%; Nevada (January), non-needy caretaker, 64%; SSI recipient, 15%; non-citizen, 14%, kinship case, 3.5%, and family preservation plan case, 2.5%; and Minnesota (November), SSI, 51%; non-citizen, 16%; kinship case, 31%, sanctioned, 2%; and other, 1%.

Recipients with Jobs. Under TANF there has been a sharp increase in welfare *plus* work. In FY2000 and 2001, 26% of welfare adults were employed (in paid jobs), more than double the FY1996 rate of 11% (but below the FY1999 rate of 28%). Seven states had TANF adult employment rates of one-third or higher in FY2001: Hawaii, Illinois, Indiana, Maine, Michigan, Minnesota, and New Mexico. Available state data provide more recent employment data. In November 2002, Connecticut says that 13.1% of TANF families had earnings averaging \$7.86 hourly (\$799 monthly). This included 30% of families in time-limited cases. Percentages of total TANF families (including no-adult families) with earnings in some other states: Michigan (January), 24% (39% of “targeted” cases); Florida (February) 5% (16% of work-required group); Pennsylvania (January) 14% (35% of work-required group); Oregon (November), 2.1% of 1-parent families and 8% of 2-parent families; Illinois (November), 16.3% (34% of work-required group); Indiana (January) 2.8% (8.6% of the work-required group); and Virginia (January), 19% (55% of work-required group). Some state reports provide work exemption data. During November, Connecticut exempted 5,196 adults and minor household heads from work requirements (more than half because of caring for an infant; in September, Pennsylvania exempted 27% of adult recipients from work requirements, most because of disability; in February, Florida exempted about 9% of adult recipients from work, more than half because of being pregnant or incapacitated, and in January, Massachusetts (under a waiver lasting until September 30, 2005) exempted 89% of the caseload from work requirements (and 70% from time limits). In November Minnesota exempted about 16% of caregivers from work activity.

Sanctioned Recipients. The fifth annual TANF report attributes 7.2% of TANF case closings in FY2001 to sanctions (4.5% were sanctions related to work; 2.7% were sanctions related to child support, teen parent requirements, or failure to meet an individual responsibility plan). Sanctions accounted for more than one-fifth of closures in four jurisdictions: Florida, 26.9%; Idaho, 21.2%; Mississippi, 42% and Oklahoma, 30.9%. However, 8 states reported no FY2001 case closures attributed to sanctions of any kind: Colorado, Maine, Minnesota, North Carolina, Pennsylvania, Rhode Island,

Vermont, and Washington). More recent available state data on sanctions: In December, the proportion of Oklahoma case closures attributed to TANF work refusal/failure was 42%. In February, Florida suspended parental benefits of 645 families (485 for work violations and 160 for other reasons); the children's benefits continued. During November sanctions caused 3% of closures in Connecticut, and 3,773 Minnesota families were under sanction (most for a repeat violation).

TANF Services for An Expanded Population

States are free to use TANF dollars to offer benefits and services to families ineligible for ongoing cash aid, provided the services promote a TANF goal. In addition to traditional welfare goals of helping needy children in their own homes and promoting self-sufficiency of needy parents, TANF seeks to reduce out-of-wedlock pregnancies and promote formation and maintenance of two-parent families. In their 2000-2001 plans, 40 states described special programs for at-risk families (some with income limits up to 250% of poverty) and 31 indicated they would offer special services for non-custodial parents. (The TANF time limit applies only to basic ongoing aid and support services for the unemployed, not to services generally. Thus, states can use federal funds to help working poor families without exposing them to time limits.) However, rising state budget deficits are imperiling some plans for broad services. The single largest TANF-funded service is child care (federal/state outlays estimated at \$4.3 billion in FY2000). Estimated federal/state TANF spending in FY2000 on various support, rehabilitative, and preventive services totaled \$3.7 billion. Services provided by these funds included transportation subsidies, parental skill building services, home energy aid, responsible parenthood counseling, family planning, and numerous others.

Findings about Welfare "Leavers"

State studies explore the circumstances of families who have left welfare: reasons for departure, employment and earnings, and returns to the rolls. More than 30 leaver studies completed as of January 2000 show that most families who left TANF or AFDC waiver programs between 1995 and 1998 did so because of employment. In the quarter after exit, administrative data indicate that employment rates ranged from 50% to 64%, but rose to 66%-86% when based upon employment at any time since exit. Studies using survey data found generally higher employment rates and a broader range, from 35% to 83%, at the time of the survey. Among welfare leavers who worked, survey data indicate that average hourly wages ranged from \$5.50 to \$8.16. Annualized (on the basis of reported weekly or quarterly work hours) their earnings exceeded cash welfare guarantees in all 22 states studied. For all these leavers, year-round work paid more than welfare. However, in all but six of the states, income from wages alone would leave a family of three below the poverty level. Within 1 year of exit or at the time of the leaver study, from 13% to 36% of leavers returned to welfare. This count excludes "churners," persons who returned to welfare almost immediately, within 1 or 2 months of exit. (For a final synthesis report of 15 HHS-funded studies about welfare leavers, see [<http://aspe.hhs.gov/search/hsp/leavers99/synthesis02/index.htm>].)