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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, at slightly above 2 million, but 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 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. However, employment rates of single mothers, which rose sharply in early TANF years, decreased in 2001 and 2002. In response to fiscal crises, some states recently have moved to restrict benefits and services. Under AFDC, 75% of family welfare outlays were for cash benefits, but under TANF, cash assistance accounts for only 41% of total spending. 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 — more than half of all adult recipients)..

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 10 states TANF benefits do not end until gross earnings exceed or come very close to the 2002 poverty guideline ($1,252 monthly for a family of three). Thirty-three states now ignore from 20% to 75% of all earnings in all months, and two states — Connecticut and Virginia — disregard all earnings until total income reaches the poverty level. See *TANF Benefits and Earnings Limits* in the CRS Welfare Reform Electronic Briefing Book at [http://www.congress.gov/brbk/html/ebwlf26.html]. 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). 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.

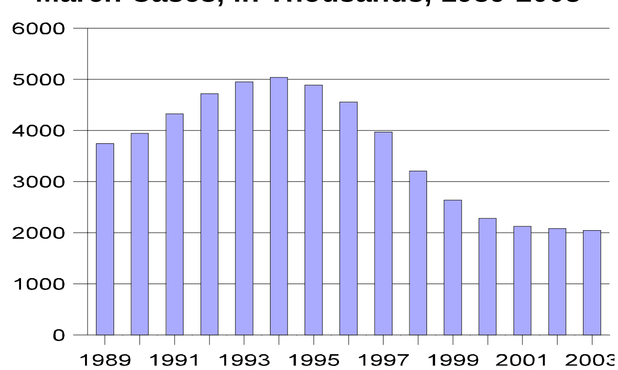
Restrictive Policies. State policy choices that tend to restrict enrollment include: time limits shorter than federal limits, tough sanctions, welfare avoidance (diversion) payments, and family caps (reduced or zero benefits for a new baby in a TANF family). Some states adopted these policies under AFDC 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. in June, North Dakota reported 323 "benefit cap" children, 50 more than a year earlier. 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 (August), 209 families, equal to 8.4% of cases opened; New Mexico (September), 24 cases, 1% of approved applications; and Virginia (January), 192 cases, 7.7% of cases opened. In FY2002, Oklahoma diverted 2,299 families from TANF enrollment. (For details of state TANF programs, see CRS Report RL30695)

Recent State Policy Changes. Minnesota reduced income eligibility limits, reduced benefits for families with SSI income or housing subsidies, and increased penalties for noncompliance. Texas reduced the countable asset limit to $1,000 and increased sanctions. California suspended a statutory cost-of-living benefit increase for 9 months. Connecticut reduced the number of extensions available for persons exceeding the state's 21-month time limit. Indiana adopted a full-family sanction for persons failing to comply with TANF rules. Montana reduced benefits by 26% and (on Jan. 31, 2002) ended a one-time Work Support Payment ($494) for those who left TANF with jobs. Indiana, Minnesota, and West Virginia reduced eligibility for working families. (Most of these changes were made in 2003.) See *State Legislative Changes to TANF Cash Assistance Programs* in the CRS Welfare Reform Electronic Briefing Book at [http://www.congress.gov/brbk/html/ebwlf80.html].

Benefit Levels. According to the fifth annual TANF report, cash benefits averaged $395 per family in FY2001 (up from $349 in FY2000), and that 23% of families had non-TANF income averaging $593. Of TANF families, 81% received food stamps averaging $228 monthly, and 20% received subsidized housing. According to CRS benefit surveys, 25 states did not change their maximum benefit levels between July 1994 and January 2003; six reduced benefits (Connecticut, the District of Columbia, Hawaii, Idaho, Oklahoma, and Wyoming), and 18 raised them, but increases exceeded the 18.3% rise in consumer prices in only 4 states (Louisiana, Maryland, West Virginia, and Wisconsin).. (See *Cash Welfare Benefit Amounts* in the CRS Welfare Reform Electronic Briefing Book at [http://www.congress.gov/brbk/html/ebwlf12.html].) 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 FY 2002), but spending rose, exceeding $25 billion in F'S 2001 and 2002. Of FY2002 spending, $9.4 billion was for basic ongoing cash aid and $1 billion for other cash payments (diversion, tax credits, and IDA contributions). Administration and systems accounted for $2.6 billion, and TANF-funded child care, services, and work activities accounted for the remaining $12.4 billion. Federal funds paid 57% of the total ($14.6 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. At the start of FY2003, unspent/unobligated funds totaled $2.7 billion.

Figure 1. AFDC/TANF Families, March Cases, in Thousands, 1989-2003



Caseload Decline. The national TANF caseload declined less than 1% during FY2002 and stood at 2.040 million families in March, 2003, down 2% from March 2002 and down 60% from the record peak of 1994. However, in more than half the states, family caseloads grew in the first half of FY2003. These numbers do not include families enrolled in separate state MOE programs (including some transferred from TANF after reaching the time limit for federally funded basic aid). The combined total caseload (including separate state programs) held 2.184 million families in March 2003, 1.6% fewer than a year earlier. March overall numbers have been relatively flat since 2001, averaging 2.2 million families (rounded number). See *Caseload Trends* in the CRS Welfare Reform Electronic Briefing Book at [http://www.congress.gov/brbk/html/ebwlf14.html]. Persons now on the rolls include rising proportions of minorities, and TANF "families" include a growing proportion with no adult recipient. 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, and widespread adoption of diversion practices.

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 and 73.4% in 2002, according to the Bureau of Labor Statistics (BLS). In its 2001 annual report, the Council of Economic Advisers (SEA) cited an estimate that the Earned Income Tax Credit (ETC.) 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, but rose to 39.6% in 2002..

Time Limits. 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 . States may grant hardship extensions of federally paid benefits to a limited number of adult recipients (equal to 20% of average monthly caseload). Further, 7 states containing more than one-third of the FY2002 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 August, 2003, the estimated monthly number of safety net ex-TANF cases rose from 28,000 to almost 48,000, and it appears that one-fourth of cash welfare families in New York now are in the state-funded safety net program. The California (state-funded) safety net program is for children only. The number of California safety net cases receiving cash aid rose from 5,573 in January 2003, first month, to 19,711 in July. In addition, 44,896 California "timed-out" cases received hardship extensions and remained in TANF with full family benefits. In all, almost 65,000 California families received cash aid in July after reaching the 60-month limit. Michigan reports that as of September, 7,874 "timed-out"cases were being aided under hardship exemptions. In November, 5,563 Florida families (19.8% of the caseload) 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). In FY2002, Arkansas closed 644 TANF cases because they had exceeded the state's 24-month lifetime eligibility limit. 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). HHS reports that in FY2002, some 767,241 TANF families were exempt from accrual of TANF months for the following reasons: No adult recipient, 88% of total exemptions; state-funding, 6.4%; waiver, 5.3%, and living in Indian country, 0.5%.:

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, 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, 37.2% 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 (November, 2003) non-needy caretaker relative, 65%; SSI recipient, 22%; non-citizen, 8.4%; sanctioned, 2.1%, and other, 2.5%; Nevada (September), non-needy caretaker, 57%; SSI recipient, 19%; non-citizen, 18%, kinship case, 4.1%, and family preservation plan case, 2.7%; and Minnesota (August), SSI, 50%; non-citizen, 16%; kinship case, 31%, sanctioned, 2.3%; and other, 0.5%.

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 (2003) employment data. Percentages of total TANF families (including no-adult families) with earnings follow: Florida (November), 4.7% (15% of work-required group); Michigan (October), 25% (35% of "targeted" cases); Pennsylvania (September), 10.5% (26% of work-required group); Oregon (July), 2.1% of 1-parent families and 8% of 2-parent families; Illinois (April), 13.8% (31.2% of work-required group); Indiana (June) 4.4% (12% of the work-required group); and Virginia (July-September), 25% (59% of work-required group). Some state reports provide work exemption data. In September, Pennsylvania exempted 25% of adult recipients from work requirements, most because of disability; and in October, Massachusetts (under a waiver lasting until September 30, 2005) exempted 70.2% of the caseload from work requirements and the time limit. .About 60% of the Michigan caseload is "deferred" from work requirements or is not subject t to work rules because of having no adult recipient..

In Florida about 69% of TANF cases are not subject to work requirements, most because of being a child-only case.

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 (2003) available state data on sanctions: In August, the proportion of Oklahoma case closures attributed to TANF work refusal/failure was 42%. During August, 4,035 Minnesota families were under sanction (most for a repeat violation). In November, 748 Florida families (2% of the caseload) were under sanction

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. (Because the TANF time limit applies only to basic ongoing aid and support services for the unemployed, states can use federal funds to help working poor families without exposing them to time limits.) However, state budget deficits have imperiled some plans for broad services. The single largest TANF-funded service is child care (federal/state outlays — exclusive of transfers to the Child Care and Development Fund — were estimated at $3.5 billion in FY2002). Estimated federal/state TANF spending in FY2000 on various support, rehabilitative, and preventive services totaled $5.6 billion.

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. 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].)