Order Code 98-369 EPW
Updated July 20, 2004

CRS Report for Congress

Received through the CRS Web

Welfare Reform: TANF Trends and Data

Vee Burke
Domestic Social Policy Division

Summary

The national family cash welfare caseload (AFDC/TANF), which flattened out after plunging 57% from FY1994 to FY2001, (Figure 1), now may be on the rise. In California and New York, which account for about 30% of all TANF families, the overall TANF caseload, including families in separate state-funded programs, climbed almost 2% in the first half of FY2004. (National data for March are not yet available.) Recent budget shortfalls have led to some state TANF cutbacks. Effective August 1, West Virginia is to reduce benefits by 25%, end the marriage bonus, reduce the school clothing allowance, and end some services. The California budget proposes to cut TANF benefits by 5% in October and increase work requirements. New state laws of Texas and Washington have increased work sanctions, and the governor of New York has proposed to tighten sanctions. Minnesota now is implementing a diversionary work program and a family cap required by 2003 state law. However, both California and New York increased basic benefits in 2003, California to implement a statutory COLA that had been suspended and New York to respond to law suits charging that benefit levels were inadequate in violation of basic state law. To promote work, TANF programs use work sanctions, liberal work rewards, "Work First" policies, and diversion payments. Under TANF, the share of recipients who work and the proportion of cases without an adult recipient have increased sharply. 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 ending special eligibility restrictions for two-parent families, continuing benefits for those who go to work, and/or 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. All but about 9 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 poverty guideline. See *TANF Benefits and Earnings Limits* in the CRS Welfare Reform Electronic Briefing Book at [http://www.congress.gov/brbk/html/ebwlf26.html].

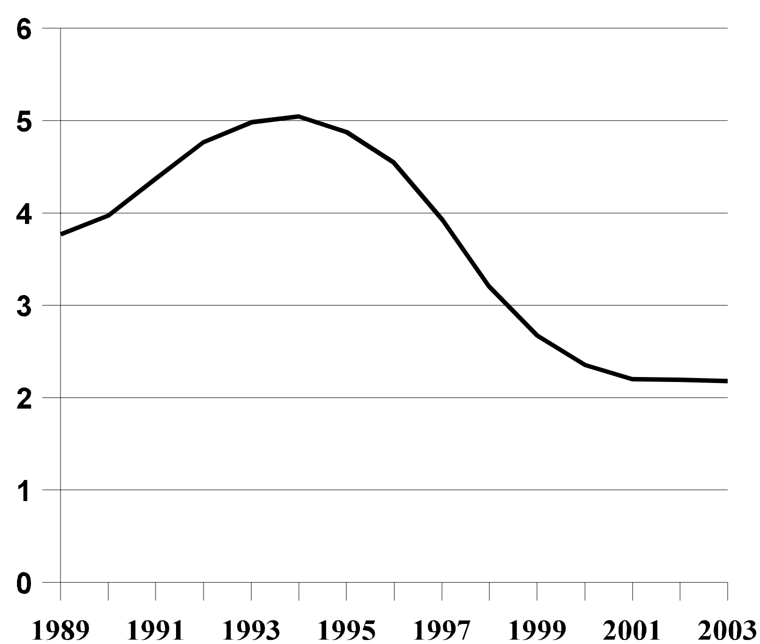
Restrictive Policies. Restrictive state policy choices include time limits shorter than federal limits, tough sanctions, welfare avoidance (diversion) payments, and family caps (reduced or zero benefits for a new baby in a TANF family). Some states adopted these policies under AFDC waivers. Twenty-two 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). More than 20 jurisdictions impose family caps (Minnesota joined the list on May 1). Two states pay flat benefits for all family sizes (Idaho and Wisconsin). More than 30 states make lump sum payments that divert some applicants from enrollment. Recent diversion data: Oklahoma (March), 65 families, equal to 3.2% of cases opened; New Mexico (May), 25 cases, 1% of approved applications; and Virginia (June, 2004), 205 cases, 8.1% of cases opened. In FY2003, Oklahoma diverted 1,429 families from TANF rolls. (See CRS Report RL30695 for state TANF program details.)

Recent State Policy Changes. Effective in mid-2004, Minnesota reduced income limits, reduced benefits for families with Supplemental Security Income (SSI) or housing subsidies, increased work sanctions, and established a diversionary work program. Texas reduced the countable asset limit to $1,000, but New York in mid-December 2003 excluded from countable assets up to $1,400 set aside for tuition at a 2-year college. Illinois ended the family cap for babies born after 2003, but Minnesota imposed a family cap on May 1, 2004. Washington increased work sanctions, effective May 1, and New York Governor Pataki proposed in his budget message to impose a full family sanction for work violations. Effective August 1, West Virginia plans to reduce benefits by 25%, end the marriage bonus, reduce the school clothing allowance, and end some services. The California budget proposes to cut benefits 5% in October, suspend a scheduled July 2004 COLA, cut benefits for child-only safety net cases if the family adult does not work, and increase work requirements. The New York City Council in April 2003 approved a bill that would allow most TANF recipients a right to at least some education and training (and, in some cases, to full-time education). Mayor Bloomberg protested the bill as a "giant step backwards" and filed suit in the New York Supreme Court to block it. He said it contradicted federal and state law. A 2004 Minnesota law restores the state's at-home infant care program.

Benefit Levels. According to the 2004 report, *Indicators of Welfare Dependence* (IWD), issued by the Department of Health and Human Services (HHS), weighted average monthly maximum benefits for a family of 3 dropped from $485 (2002 dollars) in 1996 to $454 in 2002. It said average money payments declined from $430 monthly 2002 dollars) in 1996, when only 11.1% of the families had earnings, to $355 in 2002, when 21.8% had earnings. The report said the proportion of TANF families who lived in public housing rose from 8.8% in 1996 to 19.2% in 2002 and that the share participating in the food stamp or donated food program dropped from 89.3% to 80.1% over this period. According to CRS benefit surveys, 23 states did not change their maximum benefit levels between July 1994 and January 2004; and only 8 raised them enough to offset price inflation. California in June 2003 restored a statutory COLA benefit increase after a nine-month suspension, lifting maximum benefits for a 3-person family from $679 to $704; and New York effective in November 2003 raised basic benefits from $577 to $691 (20% boost) in response to litigation about adequacy of benefit levels. Five other states raised benefits slightly.(See *Cash Welfare Benefit Amounts* in the CRS Welfare Reform Electronic Briefing Book at [http://www.congress.gov/brbk/html/ebwlf12.html].)

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. The cash caseload continued to shrink for three years (17% in FY1999, 15% in FY2000, and 7% in FY2001), but spending rose, exceeding $25 billion in FY2001 and FY2002. 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 and territories is $16.6 billion, and states must spend at least $10.4 billion of their own funds each year (MOE rule) on behalf of TANF-eligible families (including, by definition, "timed-out" families).

Figure 1. AFDC/TANF Families, in millions, FY1989-FY2003



Caseload. The national TANF caseload, after plunging 57% from FY1994 to FY2001, has been essentially flat since, as Figure 1 shows, at a monthly average of 2.2 million families. HHS reports that 2.007 million families were enrolled in TANF in September, 2003. Another 164,000 were in separate state programs, paid with MOE funds. According to state data, enrollment has grown since September by 11,469 cases (1.7%) in the two largest TANF states, California and New York. The California March 2004 caseload (486,383 families) included 29,631 families whose children were placed in the MOE safety net program after their parent reached the 60-month time limit for basic federal aid, and the New York caseload (189,882) included 50,170 "timed-out"families placed in the MOE safety net program. In both states some timed-out families received hardship extensions in the regular TANF program. See *Caseload Trends* in the CRS Welfare Reform Electronic Briefing Book at [http://www.congress.gov/brbk/html/ebwlf14.html]. Like TANF, food stamp enrollment declined sharply from 1996 to 2001 (from 10.6 million to 7.5 million households) but has since climbed by 1.8 million households. The 2004 IWD report says that the share of U.S. children receiving AFDC/TANF fell from 13.9% in 1993 to 5.6% in 2002. State variation in child recipiency rates was large. Rates exceeded 10% in California, Hawaii, Rhode Island, and the District of Columbia, but fell below 3% in Colorado, Florida, Idaho, South Dakota, Utah, Virginia, Wisconsin, and Wyoming.

Changes in Program Administration. Since 1996, two-thirds of the states have adopted electronic benefit transfer (EBT) systems for issuing TANF benefits, and in some regions determination of eligibility and overall program administration have been contracted out to non-governmental units. In 36 states and the District of Colombia, TANF benefits now are delivered through electronic benefit transfer systems, according to an October 2003 report to Congress by the Agriculture Department. The USDA report said six primary vendors handle most of the welfare EBT accounts. Recent news reports indicate that many vendors use overseas "call centers" to answer questions about use of EBT cards (balances on hand, how to handle lost/stolen cards, etc.).One state, Wisconsin, makes wide use of TANF privatization authority given in the 1996 law. Two other states, Florida and Texas, plan to "integrate" eligibility determination for food stamps and Medicaid, (two programs that now require a public official to certify eligibility) along with TANF. A 2003 Texas law requires that up to four "call centers" be used to sign up for major social programs.

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 74.3% in 2001, 73.4% in 2002, and 71.9 in 2003, 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 fell 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. States may continue federally paid basic TANF benefits beyond 60 months to a limited number of adult recipients (equal to 20% of average monthly caseload). Further, 7 states containing 38% of the FY2003 national caseload use state funds to continue benefits for cases not granted hardship extensions (as noted before, 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. State data indicate that in March, 2004, more than one-fourth of cash welfare families in New York and 6% in California were in MOE safety net programs. Michigan reports that as of May, 2004, 8,657 "timed-out"cases (11.8% of the total caseload were aided under hardship exemptions. In June, 4,355 Florida adults who had reached the state's time limit (18% of the adult caseload) 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. In FY2003, Oklahoma closed 483 cases because they had exceeded the 60-month time limit (or an extension of that limit). HHS reports that in FY2002, some 767,241 TANF families were exempt from accrual of TANF months for these reasons: No adult recipient, 88% of total exemptions; state-funding, 6.4%; waiver, 5.3%, and living in Indian country, 0.5%. See GAO-02-501T for a General Accounting Office report on time limits.

Characteristics of TANF Families

Marital Status, Race/Ethnicity. In FY2002, 66.6% of TANF adult recipients were single (never-married), 11.5% were married and living together; 13% had married, but were separated, 8.2% were divorced, and 0.7%, widowed (2004 IWD report) . 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%) (5^{th} annual TANF report). The proportion of cash welfare families that have two parents at home apparently has decreased under TANF. In 1996, last full year of AFDC, 7.7% of AFDC families were two-parent families (in which the second parent was disabled or worked fewer than 100 hours monthly). In FY2001, the estimated share of cash welfare families with two or more adult recipients was 5.8% (3.5% of the 2.123 million families in the federally-funded program and about 63% of the 84,697 total in separate state programs).

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 FY2002, 39% of TANF families had no adult recipient (2004 IWD report). This compares with 11.6% in FY1990 and 21.5% in FY1996. 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 (June, 2004) non-needy caretaker relative, 66.5%; SSI recipient, 21.2%; non-citizen, 8.1%; sanctioned, 1.8%, and other, 2.4%; Oregon (May) no parent in home, 42%; SSI recipient, 23.4%; non-citizen, 22.7%; sanctioned, 3.8%; and unknown, 8.1%; Nevada (May), non-needy caretaker, 55.7%; SSI recipient, 19.6%; non-citizen, 17.7%, kinship case, 4.1%, and family preservation plan case, 2.8%.

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. Percentages of total TANF families (including no-adult families) with earnings follow: Florida (June), 3.9.% (13.5% of work-required group); Michigan (May), 11% (34% of "targeted" cases); Pennsylvania (March), 10.2% (24.4% of work-required group); Oregon (May), 2% of 1-parent families and 7.3% of 2-parent families; Illinois (April), 14% (312% of work-required group); Indiana (January) 3.7% of all adult recipients (about 5%of the work-required group); and Virginia (June), 25% (59% of work-required group), with average wage of $6.89. Some state reports provide work exemption data. In March, Pennsylvania exempted 25% of adult recipients from work requirements, most because of disability. .About 56% 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 71% 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 available state data on sanctions: In January, 2004, the proportion of Oklahoma case closures attributed to TANF work refusal/failure was 51%. . In June, 639 Florida families (2% of the caseload) were under sanction (540 for a work 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. The single largest TANF-funded service is child care. Exclusive of transfers to the Child Care and Development Fund, federal/state TANF outlays for child care 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"

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. However, within one year of exit or at the time of the leaver study, from 13% to 36% of leavers returned to welfare. For a final synthesis report of 15 HHS-funded leaver studies, see [http://aspe.hhs.gov/search/hsp/leavers99/synthesis02/index.htm].)