Congressional Research Service

Temporary Assistance for Needy Families (TANF): Issues for the 110th Congress

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July 16, 2008

Congressional Research Service
7-5700
www.crs.gov
RL34206

CRS Report for Congress
Prepared for Members and Committees of Congress

Summary

Enactment of the Deficit Reduction Act of 2005 (DRA, P.L. 109-171) ended more than four years of congressional debate on "reauthorizing" the block grant of Temporary Assistance for Needy Families (TANF). The DRA extended funding for most TANF grants through FY2010, except TANF supplemental grants that expire at the end of this year (FY2008). Supplemental grants go to 17 states that have high population growth or low historic funding in TANF's predecessor programs per poor person. H.R. 6331, a Medicare bill enacted over President Bush's veto on July 15, 2008, extends supplemental grants for one year, through FY2009.

TANF is best known as the funding source for welfare benefits for low-income families with children. In 2006, 1.9 million families per month received TANF cash welfare, down from the historical high of five million families receiving cash welfare in the mid-1990s. In 2006, less than three in ten poor children were in families that received TANF cash welfare. However, TANF funds a wide range of "nonwelfare" benefits and services for needy families with children. In FY2006, spending on activities related to traditional cash welfare accounted for a little more than half of total TANF funding, while other "nonwelfare" activities accounted for the remainder.

Though cash welfare is a shrinking part of what TANF funds, many of the issues Congress might consider in the 110th Congress (beside supplemental grants) focus on families receiving cash welfare, particularly the work participation standards that apply to these families. The DRA made changes that require states to either increase participation among families receiving cash welfare in work or job preparation activities or reduce their welfare caseloads to meet these numerical performance standards. The DRA also required the Department of Health and Human Services (HHS) to issue rules regulations defining what specific activities count toward the participation standards. HHS final regulations, published on February 5, 2008, allow states to count participation in a four-year college degree program toward the participation standards and provide for limited counting of rehabilitative activities. However, the regulations also limit counting activities such as adult basic education (ABE), pursuing a General Educational Development (GED) credential, and English as a Second Language courses, generally requiring them to be counted only in conjunction with activities more closely related to work.

In terms of "nonwelfare" spending from TANF, Congress might consider proposals left over from TANF reauthorization proposals, but not included in DRA, to loosen some rules for nonwelfare spending. Congress might also consider improving the information available on how TANF funds are used for "nonwelfare" benefits and services, since relatively little is known about this half of TANF funding. Additionally, legislation that affects foster care, child welfare services for abused and neglected children, and child care funding would have an effect on TANF, since large amounts of TANF "nonwelfare" dollars are used to supplement dedicated federal and state funding for these programs. This report will be updated as legislative events warrant.

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Introduction

The block grant of Temporary Assistance for Needy Families (TANF) is best known as a funding source for cash welfare for low-income families with children. However, the block grant also funds a wide range of benefits and services for economically disadvantaged families. It also funds activities to help achieve the goals of reducing out-of-wedlock pregnancies and raising children in two-parent families.

TANF was created in the 1996 welfare reform law (P.L. 104-193), with the funding originally slated to expire at the end of Fiscal Year (FY) 2002. Congress debated reauthorization of the block grant during the 107th through the 109th Congresses.[1] Comprehensive legislation to reauthorize and revise TANF did not pass during this period, and the program operated on the basis of a series of temporary extensions.[2] The Deficit Reduction Act of 2005 (DRA, P.L. 109-171) included a slimmed down version of welfare reauthorization that

- extended TANF funding through FY2010, though TANF "Supplemental Grants" (discussed below) were extended only through FY2008;
- revised the work requirements that apply to welfare recipients; and
- established new funding for competitive grants to demonstrate initiatives to promote healthy marriage and responsible fatherhood.

A decision on whether and how to extend TANF supplemental grants, which go to 17 states in the South and West on the basis of low historic levels of welfare funding and high population growth, beyond September 30, 2008, is the only "must-do" task related to TANF in the 110th Congress. However, Congress might examine the impact of DRA's provisions related to TANF work participation standards for welfare recipients. Additionally, in light of renewed interest in issues related to poverty and disadvantaged families with children, interest might be raised in the flexibility states have to use TANF funds for a wide range of "non-welfare" activities.

[1] For a discussion of the issues raised during the welfare reform debate, see CRS Report RL33418, *Welfare Reauthorization in the 109th Congress: An Overview*, by (name redacted), (name redacted), and (name redacted). This report discusses proposals that were included in "comprehensive" welfare reauthorization proposals considered by Congress during 2002 to 2005. "Comprehensive welfare reauthorization proposals" refers to bills that either passed the House or were reported from the Senate Finance Committee. These bills were H.R. 4737 in the 107th Congress; H.R. 4 in the 108th Congress; and the House-passed version of S. 1932 in the 109th Congress.

[2] For a listing of the temporary extensions, see CRS Report RL32760, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions*, by (name redacted), **Table A-1**.

Use of the Term "Welfare" in this Report

This report makes a distinction between "welfare" and "nonwelfare" spending within TANF. The purpose of this distinction is to emphasize that TANF funds a wide range of activities that go well beyond what is traditionally thought of as "welfare" and related administrative and work program costs.

In this report, the nontechnical term "TANF welfare" is used to denote what is technically referred to within TANF as "assistance." TANF's implementing regulations define "assistance" as payments to families to meet ongoing basic needs, such as food, clothing, shelter, utilities, household goods, and other personal expenses. This generally conforms to what most people call "welfare." There are broader uses of the term "welfare," which may include most benefits and services paid on the basis of financial need. However, in this report, the term welfare is used in a narrow sense.

"Nonwelfare" is used to describe activities such as TANF-funded work supports, such as child care and transportation aid; TANF-funded refundable tax credits; and TANF activities related to family formation issues. In technical terms (from TANF's implementing regulations), these types of activities are given the label of "nonassistance."

Background and Context

TANF is the block grant created in the 1996 welfare reform law that replaced the New Deal program of Aid to Families with Dependent Children (AFDC). AFDC provided monthly cash welfare benefits to needy families with children, with most of these families headed by single mothers. Concerns that AFDC helped create disadvantage by discouraging work and breaking up families dominated welfare reform debates from 1970 onward, culminating in the 1996 welfare reform law.[3] Some of the most visible policies of the 1996 welfare reform law are TANF work requirements for welfare recipients, time limits on the receipt of welfare, and the end of a federal entitlement to welfare for needy families with children.

The monthly TANF cash welfare benefit, like the monthly AFDC benefit before it, is determined by the states, and benefit amounts vary widely among the states. In January 2005, the monthly cash benefit in California was $723 for a family of three.[4] The California benefit amount is high relative to many other states, though even that benefit is only a fraction (54%) of poverty-level income. In Alabama, a family of three received $215 per month (16% of poverty-level income).

Table 1 shows selected economic and social indicators for 1995, 2000, and 2006. As shown, the cash welfare caseload plummeted from nearly 5 million to 1.9 million families over this period. Most of that caseload decline occurred from 1995 to 2000, though recently the cash welfare caseload has fallen again. The number of children in families receiving cash welfare fell from 9.1 million to 3.5 million from 1995 to 2006. Work among single mothers (who head most welfare families) increased from 1995 to 2000, with some slippage in the 2000-2006 period. However, despite the decline in receipt of cash welfare and increase in work among single mothers, improvements in other social and economic indicators have been less dramatic. The child poverty

[3] A large body of literature that attempted to empirically estimate the impact of welfare on work effort and family structure developed prior to the 1990s. This literature is reviewed in Moffitt, Robert, "Incentive Effects of the U.S. Welfare System," *Journal of Economic Literature*, Vol. 20, No. 1 (March 1992), pp. 1-61. The literature review concluded that the available empirical evidence at the time showed that welfare reduced labor supply (work effort) and "weakly" affected family structure. However, the magnitude of these effects indicated that the effect of welfare was not large enough to fully explain the trends in work effort for single mothers or family structure.

[4] For more detail on cash welfare benefit amounts under TANF see CRS Report RL32760, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions*, by (name redacted).

rate did fall from 1995 to 2000, but the 2006 rate of 17.4% is higher than in 2000. There remained 12.8 million children living in families with incomes below the poverty threshold in 2006. Further, the percentage of babies born out-of-wedlock in 2006 was 38.9%—an all-time high.

Table 1. Welfare Receipt, Economic, and Social Indicators for Selected Years

	1995	2000	2006
Cash welfare caseload (monthly average, millions of families)	4.8	2.3	1.9
Number of children in families receiving cash welfare (monthly average, millions)	9.1	4.5	3.5
Child poverty rate	20.8%	16.2%	17.4%
Number of poor children (millions)	14.7	11.6	12.8
Ratio of children in families receiving cash welfare to all poor children (expressed as a percent)[a]	61.5%	38.1%	26.7%
Employment rate for single mothers	64.0%	75.5%	72.0%
Out-of-wedlock birth ratio	32.2%	33.2%	38.9%

Source: Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services, U.S. Census Bureau, U.S. Bureau of Labor Statistics, and National Center for Health Statistics.

a. This is the average monthly number of child cash welfare recipients in TANF and MOE programs in the 50 states and District of Columbia divided by the total number of poor persons under age 18 for the year.

Cash welfare reaches far fewer disadvantaged children than it did prior to welfare reform. The ratio of the average monthly number of children in families receiving cash welfare to the total number of children in poverty declined from about six out of ten in 1995 to less than three out of ten in 2006.

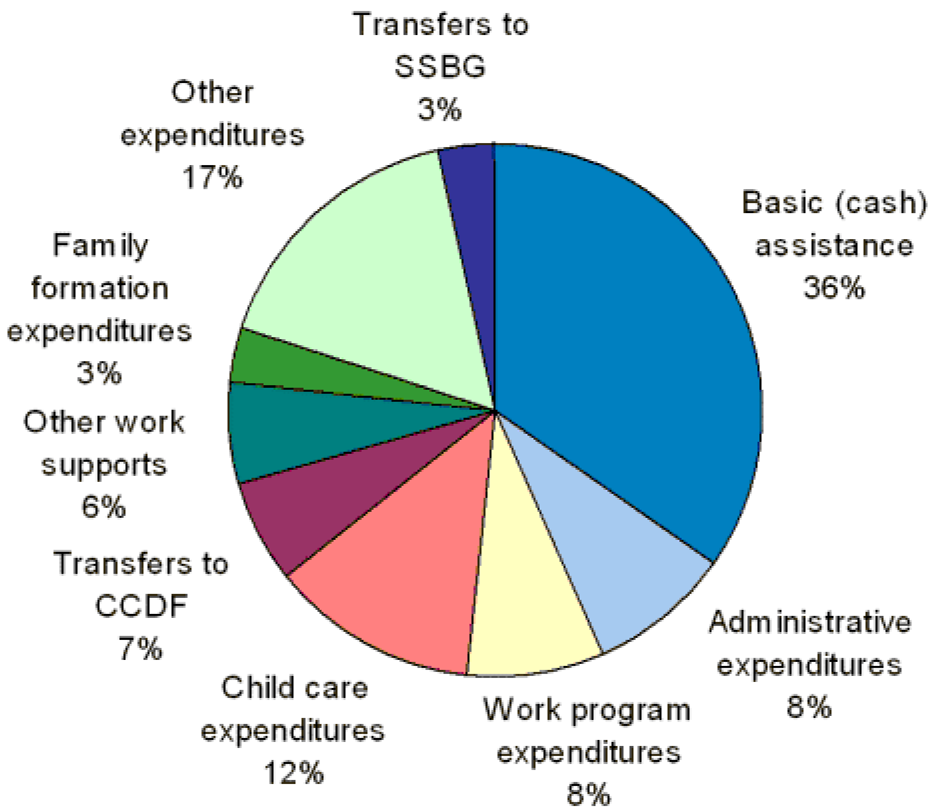
TANF is not just a welfare program. The 1996 law granted states permission to use funds for a wide range of benefits, services, and activities to address some of the social and economic ills afflicting disadvantaged families with children. States may use their funds in any manner "reasonably calculated" to further TANF's purpose, which is to provide states with the flexibility to achieve four goals set in statute:

> (1) provide assistance to needy families so that children may live in their own homes or in the homes of relatives;
>
> (2) end dependence of needy parents on government benefits by promoting work, job preparation, and marriage;
>
> (3) reduce the incidence of out-of-wedlock pregnancies; and
>
> (4) promote the formation and maintenance of two-parent families.

Given the fixed funding of the TANF block grant, states are able to use the savings from the welfare caseload decline to fund other "nonwelfare" benefits, services, and activities. Total funding in the TANF "system" comprises both the federal block grant to states and a state's own funds spent to meet a maintenance of effort (MOE) requirement. **Figure 1** shows the uses of TANF and MOE funds in FY2006. It shows that the categories typically associated with a traditional cash welfare program—cash benefits, administrative costs, and work activities—accounted for only a little more than half of total TANF funds. Thus, TANF has the potential to make an impact on disadvantaged families with children through both its "nonwelfare" benefits, services, and activities, as well as its "welfare" component.

Figure 1. Uses of TANF and MOE Funds in FY2006

Total Transfers and Expenditures = $28.4 billion



Source: Figure prepared by the Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS).

Note: SSBG means the Social Services Block Grant, Title XX of the Social Security Act. CCDF means the Child Care and Development Fund.

The 109th Congress: The Deficit Reduction Act

Enactment of the Deficit Reduction Act of 2005 (DRA, P.L. 109-171) ended more than four years of congressional debate on "reauthorizing" the TANF block grant. Over the 2002 to 2005 period, Congress passed twelve temporary extensions of the program while more comprehensive reauthorization bills remained pending. The DRA included a slimmed down version of reauthorization, extending TANF funding and making some limited policy changes.[5] Many of the

[5] The DRA was a budget reconciliation bill. A budget reconciliation bill is considered on a legislative "fast-track" in the Senate, in that consideration is time-limited and cannot be delayed by a filibuster. A Senate rule known as the "Byrd Rule" (after West Virginia Senator Robert Byrd) provides that a Senator can raise a point of order on a reconciliation bill provision that makes a policy change that has no budgetary impact. To overcome such a point of (continued...)

policy changes proposed in the reauthorization bills considered from 2002 to 2005 were *not* included in the DRA, and some of those changes may be revived for legislation in the 110th Congress. Additionally, DRA's changes to the TANF work participation standards have met with some criticism that also might spur proposals in this Congress.

This section provides a brief summary of the DRA provisions affecting TANF. For more detail, please see CRS Report RS22369, *TANF, Child Care, Marriage Promotion, and Responsible Fatherhood Provisions in the Deficit Reduction Act of 2005 (P.L. 109-171)*, by (name redacted).

Extension of Funding

The DRA extended most TANF funding through FY2010. However, TANF "Supplemental Grants" (discussed in some detail below) were extended only through FY2008. Therefore, the 110th Congress may consider whether to further extend these grants. Additionally, the DRA eliminated two TANF bonus funds: the first bonus ($200 million per year) was for states that achieved high performance on measures relating to achieving TANF goals; the second ($100 million per year) was for states that reduced out-of-wedlock birth ratios without increasing abortions.

Work Participation Standards and Verifying Work Participation

The 1996 welfare reform law established work participation standards for a state's welfare caseload. States that fail these participation standards could be financially penalized by a reduction in their block grants. The TANF work participation standards are numerical standards computed in the aggregate for a state's cash welfare caseload. The participation standards are

- 50% for all families; and
- 90% for the two-parent portion of its cash welfare caseload.

These standards may be met *either* by engaging welfare adult and teen parents in specified work and job preparation activities *or* through reductions in the TANF cash welfare caseload.

Revision to the Caseload Reduction Credit

The 1996 welfare reform law provided states with credit for caseload reduction that occurred from FY1995. The *caseload reduction credit* provided a state with a one percentage point reduction in its participation standards for each percent decline in its TANF cash welfare caseload from FY1995. The large caseload declines that occurred subsequent to FY1995 meant that most states had large reductions in the standards they were required to meet; for many states, the effective (after credit) participation standard was reduced to 0%.

(...continued)

order, 60 votes are needed or the provision is stricken from the bill. Many provisions in the comprehensive welfare reauthorization bills that changed policy but had no estimated budgetary impact were not included in the final version of the DRA. For more information on the "Byrd Rule," see CRS Report RL30862, *The Budget Reconciliation Process: The Senate's "Byrd Rule"*, by (name redacted).

The DRA revised the caseload reduction credit, so that states will receive credit only for *future* welfare caseload reduction. Beginning in FY2007, states receive credit for caseload reductions measured from FY2005 forward. The effect of this change is much smaller caseload reduction credits for FY2007 and higher effective (after credit) participation standards. Like the prior law caseload reduction credit, states are *not* given credit for caseload declines estimated to come from policy changes that restrict eligibility for welfare benefits.

Counting Families in Separate State Programs

Under the 1996 welfare reform law, states could provide welfare to families using state MOE funds and *not* count those families when determining whether the state met its work participation standard. States could designate families receiving welfare from MOE funds as being assisted by "separate state programs" outside of the TANF program. This effectively exempted the family from TANF's work participation standards. The most common use of separate state programs was to house a state's two-parent welfare caseload and avoid the 90% participation standard, but states also used separate state programs for other populations such as college students and the disabled.

The DRA requires, beginning in FY2007, that states count families receiving cash welfare in separate state programs when determining work participation rates. This effectively ends the exemption from TANF work participation standards for families placed in separate state programs.

Definitions of Work Activities and Work Verification

Before the DRA, the operational details of state work programs were generally left to the states. Federal law lists 12 categories of activities that count toward the participation standards, but regulations promulgated during the Clinton Administration from the Department of Health and Human Services (HHS) explicitly allowed states to define the specific activities counted in these categories. HHS also left to states how work participation would be verified (i.e., how to determine whether a recipient scheduled to be in an activity actually performed that activity).

The Government Accountability Office (GAO), in a 2005 report, found that the lack of further definition for what counts as work led to a wide-range of state practices, particularly with respect to education and rehabilitative activities.[6] GAO concluded that this led to an "inconsistent" measurement of work across states and recommended that HHS regulate what counts as work. The DRA required HHS to issue regulations providing a consistent definition of work activities and describing procedures for states to verify work activity. These regulations were issued in interim form on June 29, 2006, then revised and published in final form on February 8, 2008. The major issues raised by those regulations are discussed below. See "What Activities Count Toward the Participation Standards?" section later in this report.[7]

[6] U.S. Government Accountability Office. *Welfare Reform: HHS Should Exercise Oversight to Help Ensure TANF Work Participation is Measured Consistently Across States.* GAO-05-821. August 2005.

[7] For a detailed discussion of the differences between the interim and final regulations, see CRS memorandum *TANF Work Participation Regulations*, by (name redacted). Available upon request.

Promoting Healthy Marriage and Responsible Fatherhood Initiatives

The DRA established within TANF new competitive grants totaling $150 million per year for research and demonstration projects to promote "healthy" marriages and responsible fatherhood. The marriage promotion grants are generally for nonwelfare services (and not necessarily restricted to low-income families) such as advertising campaigns, education in high schools on the value of marriage, and education in "social skills." The "responsible fatherhood" grants attempt to reach noncustodial parents with education in "social skills" as well as job training.

Legislative Issues in the 110th Congress Related to TANF Funding

The DRA extended the bulk of federal TANF and MOE funding through FY2010. However, DRA continued supplemental grants only through FY2008, making a decision on their extension beyond then the business of the 110th Congress.

Unless Congress acts to extend supplemental grants, the FY2009 TANF grant awards, beginning October 1, 2008, would be reduced for the 17 states that receive supplemental grants. In light of the potential for an economic slump, 110th Congress might also review TANF's contingency provisions for financing unanticipated spending increases because of a recession.

Supplemental Grants

The bulk of federal funding for TANF is in a fixed basic block grant, with its amount determined by the amount of funding a state received under pre-1996 welfare and related programs. All state funding, under the TANF MOE, is also determined by the historical level of welfare spending by the state. Each state's basic grant and MOE levels has been frozen since FY1997: it is neither adjusted for inflation nor for changing circumstances (population or TANF cash welfare caseload). Thus, TANF funding rules have effectively "locked-in" historical levels of funding, which reflected the pre-1996 welfare policies of states.

During the welfare reform debate of the mid-1990s, concerns were raised that the fixed funding based on historical spending patterns disadvantaged two sets of states: (1) those that paid relatively low welfare benefits and consequently had low federal grants relative to poverty in the state; and (2) high population growth states. The supplemental grants were added to TANF to target additional funds to such states.

Seventeen states qualify for supplemental grants. From FY1998 through FY2001, supplemental grants grew each year until they reached $319 million. They have been frozen at that level since. The DRA extended supplemental grants at $319 million per year until the end of FY2008. **Table 2** shows the 17 states that receive supplemental grants and the grant amount. The table shows the amount of TANF funding each of these states would lose if Congress does not extend supplemental grants beyond FY2008.

Table 2. TANF Supplemental Grants

($ in millions)

State	Supplemental Grant
Alabama	11.093
Alaska	6.888
Arizona	23.925
Arkansas	6.218
Colorado	13.570
Florida	60.406
Georgia	37.283
Idaho	3.498
Louisiana	17.027
Mississippi	9.036
Montana	1.133
Nevada	3.734
New Mexico	6.553
North Carolina	36.110
Tennessee	21.565
Texas	52.708
Utah	8.704
Totals	319.450

Source: Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS).

Supplemental grants, at $319 million per year, have only a small impact on the pattern of welfare funding relative to the number of poor children in a state. Appendix **Table A-1** ranks states by TANF and MOE funding per poor child per year. Total basic block grant plus MOE funding per poor child per year ranges from a low of $480 in Arkansas to a high of over $5,000 in Hawaii. Supplemental grants bring up funding for some states with low funding per poor child. For example, the $480 in basic funding per poor child per year in Arkansas is 23% of the national average. The Arkansas supplemental grant adds $38 per year per poor child, raising its funding to $518 per year per poor child. The $518 is 25% of the national average. Additionally, not all states with low levels of funding per poor child receive supplemental grants; some were excluded because their population growth was less than the national average.

A one-year extension of supplemental grants through FY2009 is included in H.R. 6331, a Medicare bill. President Bush vetoed the bill (because of certain Medicare provisions), but Congress overrode the veto on July 15, 2008. Extension of supplemental grants through FY2010, when other TANF grants expire, will require further action by Congress.

Earlier in 2008, Senator Rockefeller introduced S. 2820, which would both extend and expand supplemental grants. S. 2820 would fund supplemental grants through FY2010 and provide additional grants for all states with below average total federal and state TANF resources per poor child.

TANF Recession Funds

TANF's fixed block grant led to concerns that funding might be insufficient in the event of a recession. Therefore, the 1996 welfare reform law included three provisions intended to allow states to supplement their annual block grant in the case of a recession. A state may

- reserve or "save" funds during periods of economic growth to be used to pay for any increased costs associated with a recession;
- draw from a "contingency fund," if it meets criteria of economic need, expends extra state funds to reach a level of 100% of FY1994 state spending, and also expends extra state funds to match federal contingency funds; and
- obtain interest-bearing loans from the federal government that would have to be repaid.

TANF was only tested by one recession—the relatively shallow 2001 recession. However, during and after that recession, employment among single mothers slumped some and child poverty increased. On a national level, the cash welfare caseload did not respond as it remained relatively constant during the period 2001 to 2004 when child poverty increased.

Reserve Funds

Unspent TANF funds have sometimes been seen not as "reserves" to save in the case of a recession but as an indicator of lack of need. The Bush Administration's 2002 welfare reauthorization proposal and all except one of the comprehensive reauthorization bills considered during 2002-2005 allowed states to designate either some or all of their unspent monies as "contingency" reserve funds.

TANF Contingency Fund

No state drew funds from the TANF contingency fund during or immediately after the 2001 recession. There were two major reasons states failed to draw down contingency funds during a recession. First, states would have had to increase spending from their own funds before they could qualify for the first matching contingency dollar. Second, many states failed to meet the criteria of economic need based on high and increasing unemployment rates and food stamp caseloads during the recession.

Ironically, a few states drew upon contingency funds in 2005 and 2006[8]—well after the 2001 recession had ended. They qualified based on high food stamp caseloads. The 1996 law provided that a state would be considered economically needy for contingency funds if a state's food stamp caseload was 10% higher than its adjusted caseload during the corresponding period in FY1994 or FY1995. (FY1994 and FY1995 are adjusted downward for immigrants made ineligible for food stamps by the 1996 welfare reform law.) Food stamp caseloads, unlike cash welfare caseloads, did increase with the 2001 recession and have remained historically high. The food stamp contingency fund trigger is also expressed in terms of number of participants, rather than a

[8] This is in addition to funds drawn from the contingency fund in FY2005 and FY2006 to aid evacuee victims of Hurricane Katrina under P.L. 109-68.

rate of receipt, in a state. Population growth over the 12- or 13-year period means that the number of participants in a state can be higher than in the base years, even if the rate at which people in the state receive food stamps declined.

The 2002 Bush Administration welfare reauthorization proposal and all comprehensive reauthorization bills considered during the 2002-2005 period would have made some changes to the contingency fund. Reauthorization proposals emanating from the Senate Finance Committee would have made more far-reaching changes to the contingency fund. They would have eliminated matching requirements and made the unemployment and food stamp criteria for qualifying for contingency funds more sensitive to recent economic changes.

TANF Loan Fund

TANF includes a loan fund, so that states running short of TANF grants could borrow funds from the federal government. These loans would have to be repaid with interest. Aside from loans to states affected by Hurricane Katrina that were forgiven, no state has drawn a loan from the fund. The Bush Administration's 2002 welfare reauthorization proposal and all comprehensive reauthorization proposals considered during 2002-2005 would have eliminated the loan fund. However, DRA extended the TANF loan fund through FY2010.

Potential Legislative Issues for the 110th Congress Related to Families Receiving Welfare

Though "welfare" now accounts for only a little more than half of all TANF and MOE funding, most issues the 110th Congress might consider, other than financing issues, relate to families receiving welfare. Specifically, these issues relate to the law's requirement that a specified percentage of cash welfare families in each state participate in work or related activities. DRA's changes to the caseload reduction credit require states to either: (1) raise the share of families on the welfare roles working or engaged in job preparation activities or (2) reduce the cash welfare caseload. Although much attention has been paid to the required increase in participation standards and the impact of DRA-required regulations specifying the operational details of state work programs, the cash welfare caseload has been declining at an accelerating rate. Over the most recent 12-month period for which data are available, the TANF/MOE cash welfare caseload declined by 10%.

Meeting TANF Work Participation Standards

The change in the caseload reduction credit—beginning in FY2007, providing credit only for caseload reduction from FY2005—means that many states had to either quickly raise participation in activities or reduce their caseloads to meet TANF's work participation standards. Simultaneously, states had to adjust to new rules, in the form of regulations from HHS required by the DRA, for what specific activities count toward the participation standards and how participation is supervised and verified.

However, a couple of points might help put issues regarding TANF work participation standards in perspective. First, although the TANF work participation standard rules undoubtedly *influence* the design of state work requirements, states themselves still determine the requirements that apply to individuals. States are free to determine that some families may be exempt from participating and can determine that some individuals in these families may participate in activities that are not countable toward the federal standards.

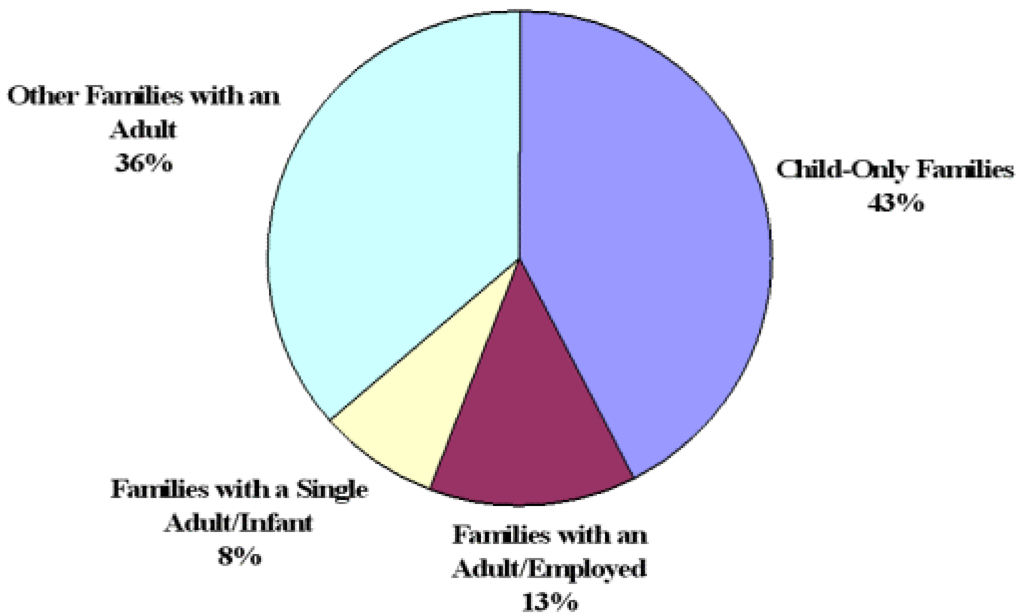
Second, these TANF work participation rules affect a relatively small number of families each month. As discussed above, while cash welfare caseloads have declined markedly, within the cash welfare caseload the number of families with an adult recipient who is not employed has declined even faster. (Families with a non-employed adult recipient have been the focus of most welfare-to-work efforts.)

Figure 2 shows the composition of the cash welfare caseload in FY2006. Child-only cases are families receiving cash welfare where the adults caring for the children are *not* receiving benefits on their own behalf. They comprised 43% of all cash welfare families in FY2006, totaling about 830,000 families per month. These families have been excluded from TANF's work participation standards. Additionally, about 8% of families were single-parent families caring for an infant (153,000 families per month), who may be exempted and excluded from work participation standards. An additional 13% of all cash welfare families (259,000) already had an employed member. Therefore, the focus of much of the work rules is the remaining 36% of families (713,000 families per month) with an adult recipient who is not employed.

This is not to say that TANF work rules are unimportant. TANF cash welfare is received by the most disadvantaged of poor families with children, and policymakers remain concerned about finding effective strategies to help adults in these families move from welfare to self-sufficiency. As indicated above, the rules are likely to influence state policies concerning how this very disadvantaged group is served.

Figure 2. TANF Cash Welfare Families, FY2006

Total Families = 2.0 million



Source: Congressional Research Service (CRS) analysis of the FY2006 TANF National Data Files.

Note: "Child-only families" with an adult subject to sanction are considered "other families with an adult" for the purposes of this chart.

Effective TANF Participation Standard with the Revised Caseload Reduction Credit

FY2006 was the last year states received credit for caseload reduction from FY1995. In that year, the caseload reduction credit reduced the statutory 50% TANF work participation standard to below 20% in 47 states, among them 0% in 19 states.

Beginning in FY2007 states are given credit only for caseload reduction from FY2005. Based on caseload data for FY2005 through FY2006, most states are likely to receive a caseload reduction credit against their FY2007 participation standard. The national average decline for FY2005 to FY2006 in the cash welfare caseload was 6%. Actual caseload reduction credits might be higher or lower: states are not given credit for caseload reduction that results from restricting eligibility, but might get additional credit if the state is aiding cases using state dollars in excess of the TANF MOE.[9] Assuming that the average state receives a credit equal to the caseload decline, the national average effective all-family participation standard would be 44% for FY2007. (The two-parent standard is discussed below.) This is substantially higher than the national average

[9] Under existing regulations, for purposes of the caseload reduction credit, the FY2006 caseload may be reduced pro-rata for states that spend more of their own funds toward the TANF MOE. That is, the state only needs to count the caseload that is aided by required state spending under the TANF MOE.

participation rate states officially achieved in FY2006 of 32%. (See Appendix **Table A-2** for FY2006 official work participation rates by state.)

States that fail to meet TANF work participation standards may be penalized by up to a 5% reduction in their block grant for the first year of noncompliance, though the penalty is reduced by the "degree" of noncompliance. Penalties increase for each subsequent year that a state fails to meet the standards. However, states can either avoid or delay the penalty for failing to meet the FY2007 participation standard by either entering into a corrective compliance plan or claiming reasonable cause. HHS has already publically announced that it would consider requests to avoid the penalty based on reasonable cause if a state's legislature had not met in time to enact program changes needed to meet the FY2007 requirement.[10] S. 1461 (Rockefeller) would prohibit HHS from penalizing a state for failing to meet participation standards for the period of time (FY2007) while HHS and the state is negotiating its work verification plan and for one year thereafter.

Two-Parent Participation Standard

President Bush's FY2009 budget proposal would eliminate the higher, 90% work participation standards required of two-parent welfare families. All welfare reauthorization proposals that received action in 2002 through 2005 sought to eliminate the separate standard,[11] except the slimmed down version of welfare reauthorization included in the conference report on the DRA. In the 110th Congress, H.R. 3188 (Weller) would eliminate the two-parent standard. Additionally, the elimination of the two-parent standard is included in broader "responsible fatherhood" legislation proposed in H.R. 3395 (Davis-Il) and S. 1626 (Bayh).

The higher participation standard for two-parent families on welfare dates back to pre-TANF policies under the Family Support Act of 1988. That act first required states to provide welfare for two-parent families; before then it was optional. The Family Support Act also established participation standards in the pre-1996 education, employment, and training program for welfare families. Higher participation standards and stricter work requirements for two-parent families responded to criticisms that extending welfare to two-parent families without work could promote more welfare dependency.[12]

The two-parent component of the cash welfare caseload remained relatively small even after the 1988 expansions and subsequently after states liberalized eligibility for two-parent families under TANF. In FY2006, the two-parent caseload averaged 98,000 families per month, or 5% of the total cash welfare caseload. (There is a great deal of variation across states in the share of the cash welfare caseload that consists of two-parent families. See Appendix **Tables A3** and **A4** for a state-by-state breakdown of the two-parent caseload versus the one-parent and no-parent caseload in FY2006.)

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[10] See *Hearing to assess impact of recent changes in programs assisting low-income families*. Subcommittee on Income Security and Family Support of the Committee on Ways and Means, U.S. House of Representatives. March 6, 2007. Hearing transcript available at http://waysandmeans.house.gov.

[11] S. 667, reported from the Senate Finance Committee in 2005, would have eliminated the 90% standard but retained higher hours requirements for two-parent families.

[12] For an overview of the debate on the Family Support Act, see "After Years of Debate, Welfare Reform Clears," *1988 CQ Almanac*, Washington, Congressional Quarterly. p. 349-364.

Though the number of two-parent families on cash welfare has remained small, work participation rates for this category of families never reached the high levels envisioned either under the Family Support Act or TANF. In FY2005, the national work participation rate for two-parent families in both TANF and separate state programs was 36%—only a few percentage points higher than the all families work participation rate of 32%. (FY2005 is the last year for which this comparison is available.[13])

As previously noted, many states avoided having to meet the 90% two-parent standard by placing the two-parent component of their caseload in separate state programs. In FY2006 (the latest year for which official TANF work participation data are available), 19 states had all of their two-parent cash welfare families in separate state programs. Other states generally met the standard, in part, through caseload reduction measured from FY1995. (Arkansas and the District of Columbia failed the two-parent standard.) The combination of the two DRA changes—counting families in separate state programs and providing a credit for welfare caseload declines only from FY2005—means that many states are in jeopardy of failing the two-parent standard.

Failure to meet the two-parent participation standard by itself is likely to result in a fairly small penalty to the states. Under HHS regulations, the maximum penalty for failure to meet the two-parent participation standard would be pro-rated based on the share of the cash welfare caseload that consists of two-parent families. However, this would not be the case if a state failed both the all-family and two-parent participation standards. The rules penalize a state more heavily if they fail both standards than if they fail one of the two standards.[14]

Additionally, the high two-parent participation standard potentially encourages states to calculate ways to "game" TANF rules. Through June 2007, 12 states had dropped serving two-parent families with TANF or MOE funds. States are no longer reporting information on these families, though states may have shifted to serving these families with state-only funds outside of the TANF-MOE system.

What Activities Count Toward the Participation Standards?

Federal law lists 12 categories of activities that count toward TANF work participation standards. **Table 3** lists these 12 categories and any statutory limitation that might apply to counting participation in these categories. The statutory list influences the content of state work programs for cash welfare recipients, since these are the categories of activities that count toward meeting the numerical performance standards states must meet or risk being penalized.

[13] The FY2005 participation rate estimates discussed in this report represent CRS estimates of participation rates in both TANF and State Maintenance of Effort, Separate State Programs (MOE-SSP programs). The estimates *do not* reflect DRA rule changes, as data for FY2005 are insufficient to fully estimate how changes such as including certain child-only families in the participation rate and changes in the definition of work activities will affect the participation rate. HHS did estimate the effect of some of these changes using FY2005 data and estimated a national average participation rate of 31%—very similar to this report's 32%.

[14] See regulations at 45 C.F.R. 261.51.

Table 3. TANF Work Participation Activities and Their Limitations

Activity	Statutory Limitations
Unsubsidized employment	
Subsidized private sector employment	
Subsidized public sector employment	
Work experience	
On-the-job training	
Job search and readiness	Limited to 6 weeks in a fiscal year, 12 weeks under some circumstances. Only four consecutive weeks may be counted.
Community service programs	
Vocational educational training	Limited to 12 months in a lifetime. Only 30% of those engaged in work may be counted as participating through either vocational educational training or teen parents deemed engaged in work through education.
Job skills training directly related to employment	Usually countable only in conjunction with work.
Education directly related to employment	Usually countable only in conjunction with work and only for those who do not have a high school degree
Satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalence	Usually countable only in conjunction with work and only for those who do not have a high school degree.
Provision of child care services to an individual participating in a community service program	

Source: Congressional Research Service.

The federal participation standards reflect a "work-first" approach, which emphasizes job seeking and relatively rapid attachment to either a job or an activity to work off welfare benefits. All pre-employment activities are subject to limits. Job search and readiness is usually limited to six weeks in a year (12 weeks under certain circumstances). Education and training are subject to limits, including a 12-month lifetime limit for counting vocational educational training. For adults, education and training other than vocational educational training counts only in conjunction with other activities more closely related to work. Teen parents (under the age of 20) may be deemed engaged in work through education.

The "work-first" approach to work participation is part of a long-standing controversy over the effectiveness of different approaches to getting welfare recipients off the rolls and into jobs. "Work-first" approach advocates often point to research conducted in the 1990s that found that when the work-first and education-focused programs were directly compared, the long-term impact of education-focused programs on increasing earnings and reducing welfare receipt was *no* greater and sometimes smaller than programs that focus on job seeking and quick attachment to a job.[15] Additionally, the impact of "work-first" programs occurs faster.

[15] This is based on the findings of the National Evaluation of Welfare-to-Work (NEWWS). NEWWS was designed specifically to test the relative effectiveness of "work-first" programs emphasizing job search against programs that emphasized education and training. See U.S. Department of Health and Human Services and U.S. Department of Education. *National Evaluation of Welfare-to-Work Strategies: How Effective are Different Welfare to Work* (continued...)

However, the evaluated programs with the largest increases in earnings and reductions in welfare tended to have a strong work message like the "work-first" programs but provided some flexibility for education and training. For example, large impacts were attributed to a program operated in Portland, Oregon during the 1990s, that, like other "work-first" programs, had job search as its most common activity. However, Portland program recipients also often participated in education or in *both* job search and education during the two years following entry into the program more often than in other evaluated programs. In Portland, job search and education were typically done sequentially, not simultaneously.[16]

Additionally, a fairly large proportion of adults on welfare have certain barriers to employment; that is, they are either ill or disabled, are taking care of ill or disabled children, have mental health issues, or have been victims of domestic violence.

The Clinton Administration explicitly side-stepped the issue of whether TANF's work activities should accommodate activities designed to address "barriers" to work, allowing states themselves to interpret the 12 federal categories of activities and decide what specific activities were countable toward the participation standard.[17] The comprehensive welfare reauthorization proposals considered during 2002 to 2005 differed considerably in their approach to education and disabilities, reflecting the old controversies.

Education and Training

As shown above, the TANF statute limits education and training as activities countable toward the TANF work participation standards. Vocational educational training is limited to 12 months in a lifetime. Other educational activities are generally countable only in combination with work or those activities more closely associated with work.

HHS, in its interim regulations required by DRA, prohibited states from counting coursework leading to a four-year or advanced college degree program from being counted as "vocational educational training." However, in its final regulations published on February 5, 2008, HHS reversed this policy, allowing states to count all college as vocational educational training. Thus, college can now count as the prime or sole activity of a cash welfare recipient for up to 12 months. After 12 months, college coursework can be combined with work (for example, a paid work-study position) as "job skills training directly related to employment" and thus be counted toward the TANF work participation standards.

However, in FY2006 a large share of TANF adult recipients failed to have even a high school diploma or equivalent. Teen parents can be deemed as satisfying the participation standards through education leading to a high school diploma or General Educational Development (GED) credential. However, adult recipients aged 20 and older may have their participation in a GED program count only in combination with work or with activities more closely related to work.

(...continued)

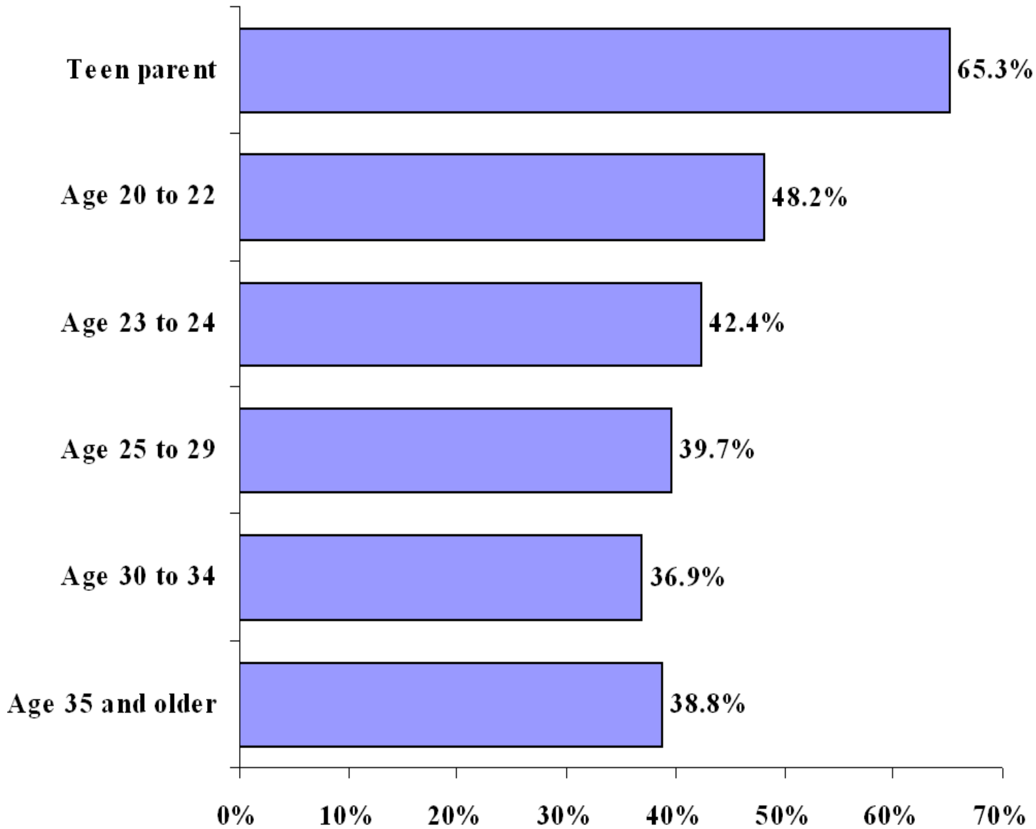
Approaches? 2001.

[16] The statement that participation in job search and education typically did not occur simultaneously is based on an unpublished CRS analysis of participation patterns in the Portland NEWWS program and discussions with MDRC researchers who evaluated the program.

[17] See the Notice of Proposed Rule-Making, *Federal Register* Vol. 62, No. 224, November 20, 1997, pp. 62137-62138.

Figure 3 shows the educational attainment of TANF teen heads of households and adult recipients in FY2006. Overall 42% of TANF adults and teen heads of households lacked a high school diploma. Among the adult recipients (aged 20 and older), 41% lacked a high school diploma or equivalent with the highest incidence being in the youngest age categories.

Figure 3. Percent of TANF Adult and Teen Heads of Households Without a High School Diploma or Equivalent, FY2006



Source: Congressional Research Service (CRS) analysis of the FY2006 TANF National Data files.

Under HHS regulations, participation in a GED program, adult basic education, and English as a Second Language (ESL) activities are counted in two ways. They may be counted within vocational educational training, if they are a "necessary" part of a larger vocational education program. Thus, if an individual is enrolled in a community college vocational education program, remedial adult basic education or ESL classes that may be needed for the individual to succeed in the program may be counted toward TANF work participation standards.

Pursuing a GED, adult basic education, and ESL activities may also be counted in the participation categories that may be counted only in combination with work. For single-parent families, this means that they count only after an individual already participated for at least 20 hours in unsubsidized or subsidized work, community service, work experience, on-the-job training, job search and readiness, vocational educational training, or providing child care to a community service recipient. For single parents with a school-age child, this means that activities such as pursuing a GED, adult basic education, or ESL classes can count for the remaining 10 hours of participation to meet the 30 hours of participation required of them. However, single parents with a pre-school child—who comprise a large share of the young TANF adults without a high school degree or equivalent—are required to participate for only 20 hours per week. The state gets no further credit by having such recipients engaged in GED, adult basic education, or ESL activities because all 20 hours of participation must come from work or activities closely related to work.

Rehabilitative Activities

Research has consistently shown that a fairly large share of families receiving cash welfare have non-educational barriers to work.[18] Pre-TANF law exempted from participation requirements the ill and incapacitated[19] and those needed in the home to care for an ill or disabled family member. TANF made no such exemption.

Studies show that at least one-third of TANF adults have disabilities, and one in four families on TANF include a child with an impairment.[20] Though federal benefits are available for disabled persons, such as the Supplemental Security Income Program (SSI) and Social Security Disability Insurance (SSDI),[21] cash welfare has often served as a way-station for those awaiting determination that they are eligible for them. The SSI and SSDI disability determination process can take months or even span several years if the initial application is turned down and appealed. Additionally, TANF may provide benefits to those who have impairments that are not permanent or considered severe enough to qualify them for SSI or SSDI.

Further, research by the GAO concluded that *former* TANF cash welfare recipients with physical or mental impairments are less likely to be employed than those without impairments. When those with impairments do get jobs, they tend to be at lower wages than for those without impairments.[22] As discussed below, many families dealing with disability have—like those considered easier to employ—left the welfare rolls and contributed to the caseload decline.

HHS conducted a study in six states[23] to examine employment barriers within their single parent, cash welfare caseloads. **Figure 4** shows the percent of recipients in six states in the HHS study with selected barriers to employment. It shows the most common barrier was mental health issues, reported as a barrier by 30% of all recipients. Having a child with a disability or special needs was the second most common barrier (29%), followed by a recipient's own physical health issue (21%).

[18] The TANF national data reported by states do not include information on disabilities or other barriers to employment. The research is discussed below.

[19] HHS regulations required that illness be determined on the basis of medical evidence and that a physician or licensed psychologist determine that a physical or mental impairment prevents the individual from engaging in employment or training.

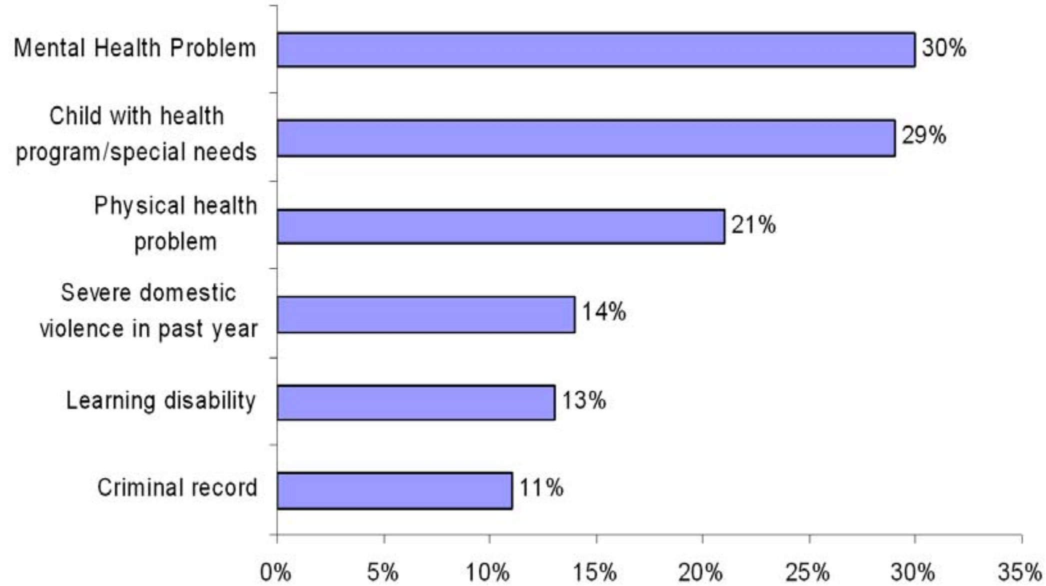
[20] See Nadel, Mark, Steve Wamhoff, and Michael Wiseman. "Disability, Welfare Reform, and Supplemental Security Income," in *Social Security Bulletin.* Vol 65, No. 3, January 2005, pp. 14-30.

[21] The standard for federal disability benefits from either Social Security Disability Insurance (SSDI) or SSI is "inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months..." The social security standard for disability is all or nothing: a person either is determined disabled or not and thus eligible for benefits or not, with no accounting for "degree" of disability.

[22] U.S. Government Accountability Office. *Welfare Reform: Former TANF Recipients with Impairments Less Likely to Be Employed and More Likely to Receive Federal Supports.* GAO-03-210. December 2002.

[23] The six states are Colorado, the District of Columbia, Illinois, Maryland, Missouri, and South Carolina.

Figure 4. Barriers to Work Reported by Welfare Recipients (Six-State Study)



Source: Congressional Research Service (CRS) based on data in Hauan, Susan and Sarah Douglas. *Potential Employment Liabilities Among TANF Recipients: A Synthesis of Data from Six State TANF Caseload Studies.* U.S. Department of Health and Human Services (HHS), Office of the Assistant Secretary for Planning and Evaluation. October 2004.

Rehabilitative activities, including vocational rehabilitation, mental health services, and substance abuse, are not explicitly mentioned in federal law as activities that would count toward TANF work participation standards. Before DRA, states defined these activities inconsistently across the 12 federally listed categories of work activities that are countable toward the standards. Some states offered certain rehabilitative services, but did not count rehabilitative activities toward the federal work participation standards. Some states placed disabled recipients into "separate state MOE programs," effectively exempting them from work participation standards, a practice not permitted under DRA.

The HHS regulations issued under the DRA place such rehabilitative activities under the time-limited job search and readiness category. Activities in this category are countable for up to six weeks in a year—12 weeks under certain conditions that many, but not all, states currently meet. No more than four consecutive weeks of job search or readiness may be counted. The time limit applies to all activities within this category. This sets up a "zero-sum" situation: a week spent in job search reduces the period of time that rehabilitative activities can be counted by one week, and vice-versa.

The final HHS regulations provided states some additional flexibility relative to the interim regulations for counting job search and readiness. Under the interim regulations, one hour of participation in the job search and readiness category during the week resulted in that full week being counted toward the six- or 12-week limit. HHS final regulations convert these six- or 12-week limits to hourly equivalents. Over the course of a year, single-parent families with preschool children are granted up to 120 hours of job search and readiness; other families are granted up to 180 hours in this category. (This is based on a 20 hour per week requirement for single parents caring for a child under the age of 6, and 30 hours per week for others.) These limits double if a state qualifies for 12 weeks of job search and readiness.

Further, the HHS regulations allow states to count "supported work" programs for disabled recipients as either subsidized employment or on-the-job training (depending on the content of the program). "Supported work" programs in the vocational rehabilitation system combine employment with various support services.

HHS regulations also permit states to exempt from work participation requirements, and exclude when calculating participation rates, families with adults needed in the home to care for a disabled child.

S. 1730 (Smith) would allow states to create an individualized employability plan for a disabled adult or an adult caring for a disabled family member and count them toward the TANF participation standards. The bill would also allow states to exempt from the participation standards applicants for SSI and those who would temporarily meet the SSI standard for disability.

Kinship Care

TANF cash aid is usually talked about in the context of families with children where the parents do not work, sometimes because of barriers to employment or stable employment, or who face low wages. However, a sizeable share of the TANF cash aid caseload—approximately 484,000 children out of the 3.5 million children on the rolls in FY2006—is comprised of children living with relatives, such as grandparents, aunts or uncles. Many children living with relatives are doing so by private or public arrangement, where a relative has simply assumed responsibility for the children of parents who cannot or will not care for and support them. Others, however, are caring for children who are in foster care. In this second situation, a court, typically because of the abuse or neglect of a child by their parents, has ordered the child removed from the home of the parents and has given the state child welfare agency care and placement responsibility for the child.

Children ordered to foster care who are placed by the child welfare agency with non-relatives receive a monthly foster care maintenance payment to cover their "room and board." However, foster children who are placed by the child welfare agency with relatives sometimes receive a TANF payment. While a TANF payment is typically worth much less than a foster care payment, relative caregivers are nearly always eligible for TANF payment and may turn to it for financial support because they do not meet the eligibility requirements for federally supported foster care. In particular, those criteria provide that any foster family home where a child is placed must meet state licensing requirements in order for the state to seek federal reimbursement of a foster care maintenance payment. Many relatives cannot meet (or do not wish to undergo) state foster care licensing procedures.

S. 661 (Clinton) and H.R. 2188 (Davis, IL) could increase relative access to federally supported foster care maintenance payments by permitting states to establish separate licensing standards for relatives, which, provided the standards ensured children's safety, could include less restrictive requirements than those for non-relatives. Though these bills do not amend the TANF program itself, they can affect the TANF cash aid caseload by permitting greater access to an alternative source of federal help for relative caregivers raising children. That is, they could transfer these families from the TANF cash aid caseload to the foster care caseload.

Child Support Pass-Through

Families receiving TANF cash welfare are required to assign (turn over rights to) child support received from noncustodial parents to the state to reimburse it and the federal government for their welfare costs. States may pay some or all of that child support to the family but must pay the cost of that "passed-through" child support. The DRA gave states a financial incentive to pass-through some child support to families receiving cash welfare, by having the federal government share the cost of the first $100 in monthly child support—$200 for a family of two or more children—in passed through child support, so long as the receipt of that child support by the family does not affect a family's TANF eligibility or benefit amount.[24]

H.R. 896 (Ryan) would require all child support paid by noncustodial parents to be passed-through to a TANF cash welfare family. However, H.R. 896 would leave it up to the states to decide whether the child support received by the family would affect TANF eligibility or decrease the TANF cash welfare benefit amount.

Further Caseload Decline

Discussions of the new TANF work participation standards have tended to focus on the need to increase the number of recipients engaged in countable activities. However, a state could meet the increased standards by *either* increasing engagement in activities *or* producing further caseload declines. Thus, the DRA gives states a strong incentive to attempt to cut their caseloads from FY2005 levels.[25] Further, with fixed federal funding through FY2010, either keeping a family off or moving a family off the TANF cash welfare rolls helps the state meet the work participation standards without having to spend additional funds to engage its adult members in work. The resulting caseload decline would free up money to help maintain funding for the "nonwelfare" activities funded through TANF.

Figure 5 shows that the national cash welfare caseload has recently resumed its decline, after being relatively constant for a number of years. Over the most recent 12-month period, the caseload has declined by 10.4%—the greatest decline since June 1999 to June 2000. Some of these declines are likely to stem from changes in eligibility rules for TANF/MOE cash welfare programs, including ending TANF/MOE funding for certain families (two-parent families, families dealing with disabilities) and funding their benefits from state-only funds outside the TANF/MOE system. There is no reporting on the number of families receiving benefits in state-only programs outside of the TANF/MOE system, so it is not possible to quantify at this point how much of the recent caseload reduction was caused by shifting families to state-only programs.

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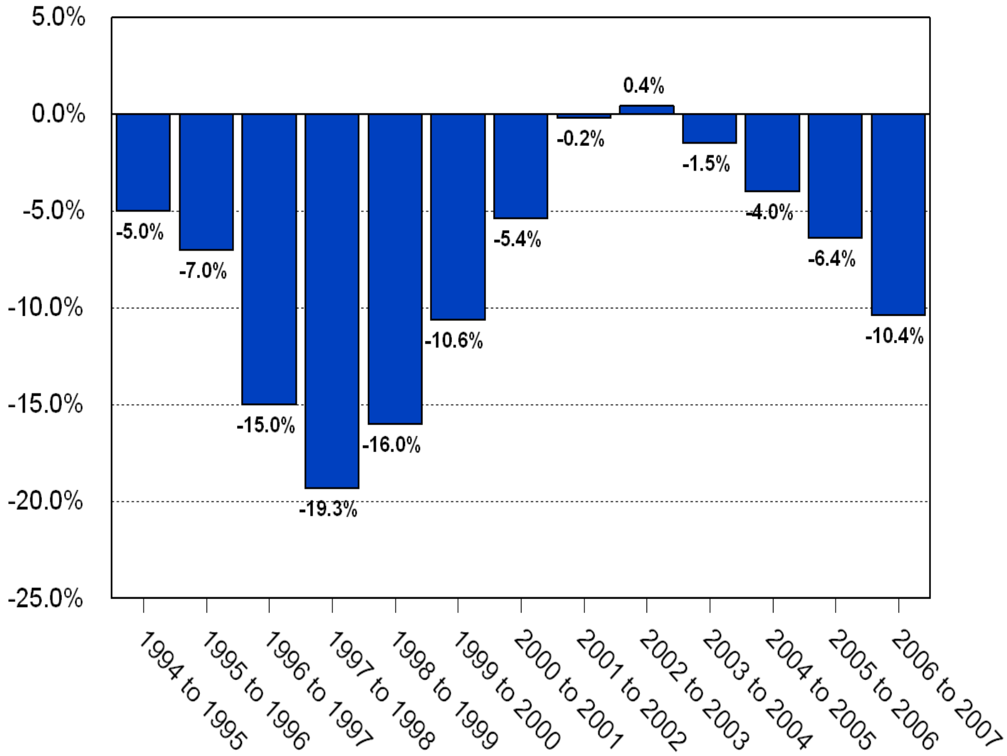
[24] For an analysis of the DRA child support pass-through provisions, see CRS Report RL34105, *The Financial Impact of Child Support on TANF Families: Simulation for Selected States*, by (name redacted) and (name redacted).

[25] Though states are *not* given credit for caseload declines estimated as stemming from policy changes that restrict eligibility, there are a number of actions states can take to reduce their caseloads without explicit policy changes. The most obvious is greater enforcement of existing requirements.

Figure 5. Percentage Change in Families Receiving TANF/MOE Cash Welfare: June to June of Each Year 1994-2007



Source: Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS).

The most common metric used to evaluate welfare policies is whether they lower welfare caseloads, and caseload decline is the most cited indicator of the success of welfare reform. A TANF goal is to "end dependency on government benefits," and lower cash welfare caseloads help achieve that end. To the degree that receipt of welfare itself helps create disadvantage, a smaller role for cash welfare in society could be viewed as a positive outcome. Families that work are eligible for benefits outside of the cash welfare system, and some of these benefits such as the Earned Income Tax Credit (EITC) and the State Children's Health Insurance Program (SCHIP) have increased their role in supporting families with children while the role of cash welfare has diminished.

However, the TANF welfare caseload decline raises questions about the economic security of those who face barriers to work or cannot achieve steady work. The available evidence indicates that the TANF caseload decline has been broad-based: the decline has affected both those who were "work-ready" as well as those considered "hard-to-serve." The Urban Institute, using data from their National Survey of American Families, estimated that from 1997 through 2002, the share of welfare *recipients* with specified barriers to work had changed little. However, the share of recent welfare *leavers* with barriers such as health conditions that limit work and poor mental health has increased.[26] Despite the increased role of programs that supplement and support work,

[26] Loprest, Pamela and Sheila Zedlewski. *The Changing Role of Welfare in the Lives of Low-Income Families with Children.* Urban Institute, August 2006. p. 28.

the declining role of welfare might leave families with barriers to work or without steady work with a diminished safety net to support their children.

Potential Legislative Issues in the 110th Congress Related to "Nonwelfare" TANF Benefits and Services

The savings to government budgets from the cash welfare caseload decline remain within the TANF system for states to use in any manner reasonably calculated to achieve the broad purposes of the block grant. In FY2006, almost half of all TANF and MOE funding—totaling $14 billion—was available to states for benefits, services, and activities *other* than those associated with traditional cash welfare programs. TANF funds are used for a wide range of activities often discussed in the debate about ways to combat poverty: providing early childhood programs, supporting post-secondary education, job retention and advancement programs, and helping noncustodial parents. Thus, while TANF cash welfare reaches less than three in ten poor children, TANF's nonwelfare benefits and services can have a much broader reach into the population of disadvantaged children and their families.

The "nonwelfare" component of TANF is much less debated than its traditional cash welfare programs and activities for a number of reasons. First, the information TANF requires of states to describe the "nonwelfare" component of TANF precludes a comprehensive and systematic examination of these activities. A 2006 GAO report found that "reporting and oversight mechanisms have not kept pace with the evolving role in TANF budgets, leaving information gaps at the national level related to the numbers served and how states use funds to meet welfare reform goals...."[27]

Second, on the basis of what is known, a great deal of TANF's "nonwelfare" spending goes to two other federal-state program areas: child care and child welfare. (Child welfare means foster care, adoption assistance, and other benefits and services for children who either have been, or are at risk of, abuse and neglect.) Both of these areas have their own dedicated funding streams, which are supplemented with considerable dollars by TANF. Both of these areas also have their own policy debates which, while related to TANF, are sometimes conducted independently of TANF debates.

The welfare reauthorization proposals considered by Congress during 2002 through 2005 included two relatively "technical" issues (use of carry-over funds and whether certain services are classified as "welfare") that were not in the final DRA agreement.[28] These two issues and two others relating to "nonwelfare" uses of TANF and MOE funds are discussed below.

[27] U.S. Government Accountability Office. *Welfare Reform: Better Information Needed to Understand Trends in the States' Uses of the TANF Block Grant.* Report GAO-06-414. March 2006.

[28] The Congressional Budget Office (CBO) estimated that those two policy changes did not have a budgetary impact. Therefore, they had the potential to spur objections under the Senate's "Byrd Rule" discussed earlier in footnote 5.

Allowing Carry-Over Funds to Be Spent on "Nonwelfare" Benefits and Services

Current law allows states to reserve unused block grant funds without fiscal year limit only for the purpose of paying cash welfare benefits. This was intended as a reserve fund for states to draw on during recessions when it was presumed that the cash welfare caseload could increase. The Bush Administration's 2002 welfare reauthorization plan, and all comprehensive reauthorization proposals considered by Congress during the 2002-2005 period, would have allowed TANF carry-over funds to be used for any TANF benefit or service. The proposal was not included in the final version of DRA.

Treatment of Child Care and Transportation Aid

Under current regulations, child care and transportation aid for nonworking families is considered "welfare." (Child care and transportation aid for working families is considered "nonwelfare.") As such, receipt of these benefits by a family triggers TANF requirements, such as the five-year time limitation on federally funded benefits, subjection to the work participation standards, and assignment of child support.

The Bush Administration's 2002 welfare reauthorization proposal, and all comprehensive welfare reauthorization proposals, would have permitted child care and transportation aid for nonworking recipients to be considered a "nonwelfare" benefit and service and hence not subject to TANF requirements. This proposal was not included in the final version of DRA.

Reporting on "Nonwelfare" Benefits and Services

TANF's detailed reporting requirements focus on families receiving cash welfare. The statutory reporting requirements date back to the 1996 welfare reform law, and the reporting requirements in regulations were promulgated in the wake of that law—before it became clear that the cash welfare caseload was dramatically declining and that the money saved from the caseload decline was being used in the diverse ways allowed by the TANF block grant. The "TANF caseload" that is often cited represents families receiving TANF welfare, excluding those families that receive only "nonwelfare" benefits and services. It thus understates the number of families benefitting from TANF-funded benefits, services, and activities.

In annual program reports due after the close of the fiscal year, states are required to provide information on all "programs" funded with MOE dollars, with a description of the types of benefits and services provided and the number of beneficiaries receiving them. These program reports do *not* capture the same information for nonwelfare programs funded with federal TANF dollars. Additionally, program expenditure information collected by HHS fails to capture spending for child welfare benefits and services as a category (it is subsumed in other more general categories). The result is an incomplete picture of how TANF and MOE dollars are spent and how many families benefit from them.

The Bush Administration's 2002 welfare reauthorization proposal would have required reporting on nonwelfare benefits and services. All of the comprehensive welfare reauthorization bills except one (Senate Finance Committee-reported H.R. 4737, 107th Congress) considered during 2002-2005 included provisions to extend the annual program report information from covering the use of only MOE dollars to covering both TANF and MOE dollars. This would have required states to provide a description and caseload number for all "programs" and activities funded with TANF and MOE funds.

Additionally, the 2005 Senate Finance Committee bill would have required that the child care reporting system be extended to TANF-funded child care so that it would be possible to determine both numbers of families receiving this benefit as well as their characteristics (e.g. income, demographic information).

No reporting changes were included in the final version of DRA that was enacted.

Oversight of Competitive Grants to Promote Healthy Marriages and Responsible Fatherhood

Though much of the controversy during the welfare reauthorization debate focused on cash welfare recipients—and their work requirements—a major component of the Bush Administration's 2002 welfare reform proposals was to provide grants to promote "healthy marriages." These initiatives were "nonwelfare" initiatives, education in social skills as well as campaigns in schools and in the media on the importance of marriage.

The DRA included a $150 million per year appropriation for competitive grants to promote "healthy marriages" and "responsible fatherhood." About $100 million per year of these funds are for "research, demonstrations, and technical assistance" related to promotion of healthy marriages. HHS awarded five-year grants to a variety of organizations from this appropriation.[29] This amount of funding is large relative to other available funds for research and demonstrations under TANF. (TANF has a $15 million appropriation for both state and federally initiated research projects; HHS also receives an appropriation for research, which was $5.7 million for FY2007.) Congress might conduct oversight to examine how these projects are likely to improve the research base from which programs to promote healthy marriage may be evaluated.

Child Care and Child Welfare Financing

As discussed above, TANF supplements federal funding for both the child care block grant and the various federal programs that help fund foster care, adoption assistance, and child welfare services. The supplement provided by TANF is fairly large. In FY2005, total TANF and MOE funding for child care totaled about $5.4 billion, which reflected both transfers to the Child Care and Development Fund (CCDF) and expenditures within the TANF program. At 19% of total TANF and MOE funding, child care is the second largest category next to cash welfare within TANF. Expenditures on child welfare activities—for example, foster care and services for families with children who have been abused and neglected or are at-risk of abuse and neglect—cannot be derived directly from TANF's financial reporting system. The Urban Institute, on the basis of a survey of the states, reported that in state FY2004, TANF's contribution to child welfare agency funding totaled $3.0 billion.

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[29] The listing of grantees can be found at http://www.acf.hhs.gov/programs/ofa/hmabstracts/index.htm.

Thus, child care and child welfare services together account for more than half (at least $8 billion of the $13 billion) of TANF and MOE funding available for "nonwelfare" activities. Therefore, legislation affecting either child care or child welfare financing could have an impact on how much funding is available for TANF's other activities.

Legislation affecting child welfare funding would also have an impact on TANF. As discussed above, legislation has been introduced that would allow nonparent relatives caring for children to be eligible for federal foster care payments; some of these relatives currently rely on TANF cash welfare.[30] This change could transfer some cases out of TANF and onto the foster care rolls, freeing up some TANF dollars. Other long-standing child welfare financing issues, if resolved, could also affect the amount of TANF and MOE funds used by the child welfare system.[31]

Conclusion

The 110th Congress might consider a range of TANF issues. A number of them stem from policy changes made by Congress in the DRA. These issues also touch on some that have been long-debated, such as the role of education and training in helping recipients move from welfare to work and achieving self-sufficiency.

Even absent a scheduled reauthorization of TANF, this may be an opportune time to reconsider TANF issues and the role the block grant can play to help disadvantaged families with children. The context that TANF operates in has changed considerably from the time of the welfare reform debates in the early and mid-1990s. The cash welfare caseload has declined substantially and incentives are in place for states to seek further caseload declines. Non-welfare support for the working poor has increased, both with TANF-funded benefits and services (e.g., child care) and from other programs (e.g., Earned Income Tax Credit and State Childrens' Health Insurance Program).

The "nonwelfare" part of TANF has the potential to help disadvantaged families with children through new and innovative ways. Whether that is happening is an open question given the information gap on these activities. Illuminating TANF's "nonwelfare" side might recast future discussions about TANF to reflect the changing context in which the block grant operates.

[30] See CRS Report RL34388, *Child Welfare Issues in the 110th Congress*, by (name redacted).

[31] See CRS Report RL32849, *Child Welfare Financing: An Issue Overview*, by (name redacted).

Appendix. Additional Tables

Table A-1. TANF and MOE Funding Per Poor Child Per Year (2006 Poverty Data)

State	Basic Block Grants Per Poor Child		Total MOE Dollars (80% Rate) Per Poor Child		Total Basic Block Grant and State Funds Per Poor Child		Supplemental Grants Per Poor Child	Total Federal Resources (Including Supplemental Grants) Per Poor Child	
	Dollars	% of National Average	Dollars	% of National Average	Dollars	% of National Average	Dollars	Dollars	% of National Average
Arkansas	345	27.8	135	16.1	480	23.1	38	518	24.6
Texas	318	25.7	165	19.7	483	23.2	35	518	24.6
Mississippi	394	31.7	105	12.5	499	24.0	41	540	25.7
Alabama	369	29.7	165	19.7	534	25.7	44	578	27.5
South Carolina	442	35.6	169	20.2	611	29.4	0	611	29.1
Louisiana	550	44.3	198	23.7	748	36.0	57	805	38.3
Idaho	547	44.0	250	29.8	796	38.3	60	856	40.7
Nevada	505	40.7	312	37.3	817	39.3	43	860	40.9
Tennessee	594	47.9	274	32.7	868	41.7	67	935	44.4
South Dakota	687	55.4	294	35.1	981	47.2	0	981	46.7
Oklahoma	696	56.1	307	36.7	1,003	48.3	0	1,003	47.7
Arizona	713	57.5	325	38.8	1,038	49.9	77	1,115	53.0
Georgia	683	55.0	382	45.6	1,064	51.2	77	1,141	54.3
North Carolina	704	56.7	383	45.7	1,087	52.3	84	1,172	55.7
Utah	826	66.5	290	34.6	1,116	53.7	94	1,209	57.5
Kentucky	812	65.4	322	38.4	1,134	54.5	0	1,134	53.9
Indiana	747	60.2	437	52.2	1,184	57.0	0	1,184	56.3
Colorado	756	60.9	491	58.6	1,246	60.0	75	1,322	62.9
New Mexico	987	79.5	312	37.2	1,298	62.4	51	1,349	64.2

State	Basic Block Grants Per Poor Child		Total MOE Dollars (80% Rate) Per Poor Child		Total Basic Block Grant and State Funds Per Poor Child		Supplemental Grants Per Poor Child	Total Federal Resources (Including Supplemental Grants) Per Poor Child	
	Dollars	% of National Average	Dollars	% of National Average	Dollars	% of National Average	Dollars	Dollars	% of National Average
Missouri	836	67.4	494	58.9	1,330	64.0	0	1,330	63.2
Virginia	731	58.9	632	75.4	1,363	65.6	0	1,363	64.8
Florida	816	65.7	574	68.5	1,390	66.9	88	1,477	70.3
Nebraska	921	74.2	485	57.8	1,405	67.6	0	1,405	66.8
West Virginia	1,143	92.1	357	42.7	1,500	72.2	0	1,500	71.4
Kansas	956	77.0	618	73.7	1,573	75.7	0	1,573	74.8
Montana	1,226	98.8	451	53.9	1,678	80.7	31	1,708	81.2
Delaware	1,023	82.4	736	87.8	1,759	84.6	0	1,759	83.6
Oregon	1,191	96.0	698	83.3	1,889	90.9	0	1,889	89.8
Illinois	1,077	86.8	844	100.8	1,921	92.4	0	1,921	91.4
North Dakota	1,448	116.7	531	63.3	1,978	95.2	0	1,978	94.1
Iowa	1,374	110.7	691	82.4	2,065	99.3	0	2,065	98.2
Ohio	1,431	115.3	820	97.8	2,251	108.3	0	2,251	107.0
Wyoming	1,546	124.5	807	96.4	2,353	113.2	0	2,353	111.9
Maine	1,611	129.8	825	98.5	2,436	117.2	0	2,436	115.9
Pennsylvania	1,548	124.8	935	111.6	2,483	119.4	0	2,483	118.1
Wisconsin	1,658	133.6	940	112.3	2,598	125.0	0	2,598	123.5
New Hampshire	1,376	110.9	1,224	146.1	2,600	125.1	0	2,600	123.7
Michigan	1,742	140.3	1,123	134.0	2,864	137.8	0	2,864	136.2
New Jersey	1,655	133.4	1,312	156.6	2,967	142.7	0	2,967	141.1
Washington	1,750	141.0	1,256	150.0	3,006	144.6	0	3,006	143.0
Minnesota	1,768	142.4	1,265	151.0	3,032	145.9	0	3,032	144.2
Maryland	1,768	142.5	1,457	173.9	3,225	155.2	0	3,225	153.4

State	Basic Block Grants Per Poor Child		Total MOE Dollars (80% Rate) Per Poor Child		Total Basic Block Grant and State Funds Per Poor Child		Supplemental Grants Per Poor Child	Total Federal Resources (Including Supplemental Grants) Per Poor Child	
	Dollars	**% of National Average**	**Dollars**	**% of National Average**	**Dollars**	**% of National Average**	**Dollars**	**Dollars**	**% of National Average**
California	2,200	177.3	1,714	204.6	3,914	188.3	0	3,914	186.1
Vermont	2,712	218.5	1,561	186.3	4,273	205.6	0	4,273	203.2
Alaska	2,405	193.8	1,974	235.7	4,379	210.7	260	4,640	220.6
Rhode Island	2,680	215.9	1,816	216.8	4,496	216.3	0	4,496	213.8
District of Columbia	2,525	203.4	2,049	244.6	4,574	220.0	0	4,574	217.5
Massachusetts	2,586	208.4	2,156	257.3	4,742	228.1	0	4,742	225.5
New York	2,750	221.6	2,064	246.3	4,814	231.6	0	4,814	228.9
Connecticut	3,012	242.7	2,209	263.7	5,220	251.1	0	5,220	248.3
Hawaii	2,983	240.4	2,348	280.3	5,331	256.5	0	5,331	253.5
Average for the 50 States and District of Columbia	**1,241**	**100.0**	**838**	**100.0**	**2,079**	**100.0**	**24**	**2,103**	**100**

Table A-2. TANF Work Participation Rates for FY2006, by State

State	All Families (%)	Two-Parent Families (%)
United States	**32.5**	**45.9**
Alabama	41.6	[a]
Alaska	45.6	54.2
Arizona	29.6	67.5
Arkansas	27.9	22.3
California	22.2	[a]
Colorado	30.0	35.2
Connecticut	30.8	[a]
Delaware	25.3	[a]
Dist. of Columbia	17.1	13.1
Florida	41.0	[a]
Georgia	64.9	[a]
Guam	0.0	0.0
Hawaii	37.3	[a]
Idaho	44.2	39.2
Illinois	53.0	[a]
Indiana	26.7	[a]
Iowa	39.0	[a]
Kansas	77.2	82.3
Kentucky	44.6	51.3
Louisiana	38.4	42.5
Maine	26.6	[a]
Maryland	44.5	[a]
Massachusetts	13.6	[a]
Michigan	21.6	26.2
Minnesota	30.3	[a]
Mississippi	35.5	[a]
Missouri	18.7	[a]
Montana	79.2	83.3
Nebraska	32.0	[a]
Nevada	47.8	[a]
New Hampshire	24.1	[a]
New Jersey	29.2	[a]
New Mexico	42.3	54.5
New York	37.8	48.9

State	All Families (%)	Two-Parent Families (%)
North Carolina	32.4	54.0
North Dakota	51.9	a
Ohio	54.9	55.5
Oklahoma	32.9	a
Oregon	15.2	22.6
Pennsylvania	26.1	32.5
Puerto Rico	13.1	a
Rhode Island	24.9	94.3
South Carolina	49.5	64.7
South Dakota	57.9	a
Tennessee	57.2	a
Texas	42.0	a
Utah	42.5	a
Vermont	22.2	33.9
Virgin Islands	14.5	a
Virginia	53.9	a
Washington	36.1	43.1
West Virginia	26.2	a
Wisconsin	36.2	17.1
Wyoming	77.2	75.9

Source: Table prepared by the Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS).

a. State did not serve two-parent families within its TANF program in FY2006.

Table A-3. TANF and MOE-Funded Cash Welfare Families, by Family Type, FY2006

State	Single-Parent Families	Two-Parent Families	No-Parent Families[a]	Total Families
Alabama	10,260	295	8,974	19,528
Alaska	2,117	472	1,025	3,614
Arizona	20,419	407	18,726	39,551
Arkansas	3,872	118	4,187	8,177
California	225,640	38,432	223,550	487,622
Colorado	8,403	933	5,131	14,468
Connecticut	12,572	1,321	8,203	22,096
Delaware	2,932	105	2,572	5,609
District of Columbia	9,007	124	6,814	15,945

State	Single-Parent Families	Two-Parent Families	No-Parent Families[a]	Total Families
Florida	13,005	876	39,731	53,612
Georgia	8,034	86	23,747	31,867
Guam	NR	NR	NR	NR
Hawaii	5,665	1,367	2,400	9,432
Idaho	369	26	1,423	1,818
Illinois	18,236	244	18,704	37,184
Indiana	25,218	2,241	19,679	47,138
Iowa	14,287	1,520	5,276	21,083
Kansas	11,403	1,229	4,600	17,232
Kentucky	15,329	617	17,146	33,092
Louisiana	3,537	82	8,301	11,920
Maine	7,859	585	2,773	11,216
Maryland	13,065	115	8,712	21,892
Massachusetts	28,434	2,828	16,670	47,932
Michigan	51,717	4,135	27,101	82,953
Minnesota	17,726	3,036	9,763	30,525
Mississippi	6,364	0	7,053	13,417
Missouri	30,091	3,171	11,085	44,348
Montana	2,048	434	1,330	3,812
Nebraska	8,270	1,006	3,542	12,818
Nevada	3,334	314	3,381	7,028
New Hampshire	3,944	275	2,051	6,270
New Jersey	28,700	1,940	12,147	42,786
New Mexico	10,360	700	5,835	16,895
New York	108,129	7,433	62,403	177,966
North Carolina	10,817	257	19,098	30,172
North Dakota	1,991	0	701	2,692
Ohio	33,250	3,187	43,048	79,485
Oklahoma	3,960	38	6,211	10,208
Oregon	9,736	674	8,733	19,143
Pennsylvania	61,525	4,536	28,635	94,696
Puerto Rico	11,274	0	3,051	14,325
Rhode Island	7,211	932	4,145	12,287
South Carolina	9,780	660	7,659	18,099
South Dakota	989	0	1,834	2,823
Tennessee	50,804	679	17,893	69,376

State	Single-Parent Families	Two-Parent Families	No-Parent Families[a]	Total Families
Texas	25,724	1,939	45,075	72,738
Utah	4,499	29	2,964	7,492
Vermont	3,155	536	1,083	4,774
Virgin Islands	305	0	129	434
Virginia	21,579	1,440	11,957	34,975
Washington	29,508	5,701	20,876	56,085
West Virginia	5,558	630	5,306	11,495
Wisconsin	6,532	284	11,470	18,286
Wyoming	67	2	239	308
Totals (Except for Guam)	**1,028,608**	**97,990**	**834,140**	**1,960,738**

Source: Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS).

a. "No-Parent Families" are those in which the adults in the family or households are not themselves considered recipients of assistance. In these families benefits are paid only on behalf of the child. These families are sometimes called "child-only" families for the purposes of TANF.

Table A-4. TANF and MOE-Funded Cash Welfare Families, by Family Type, as a Percent of Total Cash Welfare Families, FY2006

State	Single Parent Families	Two-Parent Families	No-Parent Families	Total Families
Alabama	52.5	1.5	46.0	100.0
Alaska	58.6	13.1	28.4	100.0
Arizona	51.6	1.0	47.3	100.0
Arkansas	47.4	1.4	51.2	100.0
California	46.3	7.9	45.8	100.0
Colorado	58.1	6.4	35.5	100.0
Connecticut	56.9	6.0	37.1	100.0
Delaware	52.3	1.9	45.9	100.0
District of Columbia	56.5	0.8	42.7	100.0
Florida	24.3	1.6	74.1	100.0
Georgia	25.2	0.3	74.5	100.0
Guam	NR	NR	NR	NR
Hawaii	60.1	14.5	25.4	100.0
Idaho	20.3	1.4	78.3	100.0
Illinois	49.0	0.7	50.3	100.0
Indiana	53.5	4.8	41.7	100.0
Iowa	67.8	7.2	25.0	100.0

State	Single Parent Families	Two-Parent Families	No-Parent Families	Total Families
Kansas	66.2	7.1	26.7	100.0
Kentucky	46.3	1.9	51.8	100.0
Louisiana	29.7	0.7	69.6	100.0
Maine	70.1	5.2	24.7	100.0
Maryland	59.7	0.5	39.8	100.0
Massachusetts	59.3	5.9	34.8	100.0
Michigan	62.3	5.0	32.7	100.0
Minnesota	58.1	9.9	32.0	100.0
Mississippi	47.4	0.0	52.6	100.0
Missouri	67.9	7.2	25.0	100.0
Montana	53.7	11.4	34.9	100.0
Nebraska	64.5	7.8	27.6	100.0
Nevada	47.4	4.5	48.1	100.0
New Hampshire	62.9	4.4	32.7	100.0
New Jersey	67.1	4.5	28.4	100.0
New Mexico	61.3	4.1	34.5	100.0
New York	60.8	4.2	35.1	100.0
North Carolina	35.9	0.9	63.3	100.0
North Dakota	73.9	0.0	26.1	100.0
Ohio	41.8	4.0	54.2	100.0
Oklahoma	38.8	0.4	60.8	100.0
Oregon	50.9	3.5	45.6	100.0
Pennsylvania	65.0	4.8	30.2	100.0
Puerto Rico	78.7	0.0	21.3	100.0
Rhode Island	58.7	7.6	33.7	100.0
South Carolina	54.0	3.6	42.3	100.0
South Dakota	35.0	0.0	65.0	100.0
Tennessee	73.2	1.0	25.8	100.0
Texas	35.4	2.7	62.0	100.0
Utah	60.1	0.4	39.6	100.0
Vermont	66.1	11.2	22.7	100.0
Virgin Islands	70.3	0.0	29.7	100.0
Virginia	61.7	4.1	34.2	100.0
Washington	52.6	10.2	37.2	100.0
West Virginia	48.4	5.5	46.2	100.0
Wisconsin	35.7	1.6	62.7	100.0

State	Single Parent Families	Two-Parent Families	No-Parent Families	Total Families
Wyoming	21.8	0.7	77.5	100.0
National Average (Except for Guam)	**52.5**	**5.0**	**42.5**	**100.0**

Source: Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS).

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