



The Temporary Assistance for Needy Families Block Grant: Issues for the 112th Congress

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Summary

Under current law, the bulk of funding for the Temporary Assistance for Needy Families (TANF) block grant to the states expires at the end of 2011 (December 31, 2011). P.L. 112-35 provided a short-term (three-month) extension of the basic TANF block grant, healthy marriage and responsible fatherhood competitive grants, and mandatory child care grants for the first quarter of FY2012, which began on October 1, 2011. It did not provide funds for TANF supplemental grants.

The short-term extension of TANF defers major budget and policy decisions related to the block grant. Most federal TANF policy focuses on historical concerns related to cash assistance for needy families with children, which led to the 1996 welfare law 15 years ago. However, TANF has evolved into a funding stream that funds a wide range of economic aid and human services that address economic and social disadvantage for families with children. In FY2009, only 28% of all federal TANF and associated state dollars were used for basic monthly cash assistance. There is little information available for oversight and assessment of the non-cash uses of TANF and related state funds. In reauthorizing or extending TANF, Congress might consider the need for expanded data collection on activities other than cash assistance, as well as the need for a method that allows for the assessment of the effectiveness of TANF-funded programs and activities.

The recent recession was the first long and deep one since the enactment of the 1996 welfare law. TANF's contingency fund, established in 1996 to provide extra grants during recessions, was exhausted in early FY2010. Congress created a \$5 billion temporary Emergency Contingency Fund (ECF) for FY2009 and FY2010 that provided extra funding to help pay for increased cash assistance caseloads, short-term aid, and subsidized employment. The ECF expired on September 30, 2010. After December 2010, there are no additional contingency funds available for the remainder of FY2011. Congress might consider policy alternatives to provide states with extra funding during the next economic downturn.

A TANF-funded activity that was substantially expanded during the recent economic downturn was subsidized employment. The ECF provided \$1.3 billion for subsidized employment for an estimated 262,500 slots during the lifetime of the fund. TANF-funded subsidized employment can be for those on the assistance rolls as well as other low-income parents, caretakers, or youth. Congress might consider ways to encourage states to continue subsidized employment activities, including providing dedicated funding for this activity and/or considering participation in subsidized employment for individuals not receiving ongoing assistance when assessing state TANF performance.

Additionally, most traditional welfare reform issues have focused on families headed by a single mother. Current law provides TANF grants to community-based organizations, for initiatives to promote both healthy marriage and responsible fatherhood. However, poor noncustodial fathers, like their poor single mother counterparts, tend to have low levels of educational attainment, weak attachment to work, and health barriers to employment. They might also have a criminal record. Congress might examine ways to expand TANF-funded work and employment services for disadvantaged noncustodial fathers.

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Introduction

The 112th Congress will decide whether, and on what terms, to extend the Temporary Assistance for Needy Families (TANF) block grant and related programs. TANF was created in the 1996 welfare reform law (P.L. 104-193), and is best known for helping states pay for their cash assistance programs for very low-income families with children. However, TANF also helps states finance a wide range of benefits and services that seek to either ameliorate the effects of or address the root causes of economic disadvantage among families with children.

Under current law, the bulk of TANF funding and the authority for states to operate TANF programs will expire at the end of 2011 (December 31, 2011). P.L. 112-35 provides a three-month extension through the end of the calendar year of the basic TANF block grant, healthy marriage and responsible fatherhood competitive grants, and mandatory child care grants.¹ It does not fund TANF supplemental grants, which expired on June 30, 2011. TANF contingency funds (that address extra spending during economic downturns) received an FY2012 appropriation through legislation enacted in 2010 (P.L. 111-242).

This report provides an overview of potential issues that might arise during a discussion of extending TANF funding or a long-term reauthorization. It does not go into detail on TANF program rules or necessarily provide the most up-to-date data on TANF. For a non-technical overview, see CRS Report R40946, *The Temporary Assistance for Needy Families Block Grant: An Introduction*. For a report that details TANF program rules, see CRS Report RL32748, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements*. For current data on TANF, see CRS Report RL32760, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions*.

Background

TANF is a product of the welfare reform debate of the mid-1990s, which ended four decades of legislative efforts to either substantially revamp or replace the system of providing cash assistance to needy families with children. Cash assistance programs date back to the state- and locally funded “mothers’ pension” programs of the early 1900s; the federal government first funded these programs under the Social Security Act of 1935.

The visibility of cash assistance programs increased in the 1960s, when caseload increases raised concerns about their cost and effects. The welfare reform debates from the late 1960s to the mid-1990s focused on issues related to families headed by a single mother (which comprised most of the families on the assistance rolls during that period), and, specifically, concerns that welfare itself helped contribute to economic disadvantage of families with children. Social science research showed that cash assistance provided to non-working families was a disincentive for the single mother to go to work.² Additionally, there was much discussion that a system of cash welfare targeted toward single parent families contributed to the rise in single, female-headed

¹ Under prior law, the bulk of TANF funding was set to expire on September 30, 2011.

² Robert Moffitt, “Incentive Effects of the U.S. Welfare System: A Review,” *Journal of Economic Literature*, vol. 30, no. 1 (March 1992), pp. 1-61.

families. The research evidence on the effects of cash assistance on family structure is less conclusive than it is on the effects of cash assistance on work.³

There were other policy concerns about the adequacy of cash assistance benefits. Cash assistance programs were run at the state and local level, with large variations in eligibility criteria and benefit amounts. The cash assistance programs also provided limited aid to the working poor.

Research conducted in the 1980s and the early 1990s indicated that while many families received cash assistance for short periods of time, some families experienced long-term welfare dependency. Further, other research showed that mandatory welfare-to-work programs could be effective in moving families from the assistance rolls into employment. Thus, a policy requiring participation in activities that could lead to employment addressed the concern that receipt of cash assistance discouraged work.

TANF was created in the 1996 welfare law. The basic rules of TANF are discussed below. However, TANF was only a part of a series of policy changes that addressed the many policy concerns raised by cash assistance programs. The changes in low-income assistance policies of the mid-1990s were the culmination of a shift in emphasis away from providing a safety net for families without earnings to supporting the “working poor,” particularly through expansions of the Earned Income Tax Credit (EITC).⁴

Table 1 shows the cash assistance caseload in the context of related economic and social indicators for families with children for 1995 through 2009. The table shows that some of the circumstances of 2009 were very different from those of 1995. The cash assistance rolls are significantly diminished and reach a far smaller share of poor children than in 1995. The rate at which single mothers work is even higher in 2009 than in 1995 (despite the recession), and the poverty rate for children living in families headed by mothers is lower in 2009 than in 1995.

However, some of the indicators of social and economic disadvantage commonly associated with welfare issues have changed little or have even worsened in an era of lower cash assistance caseloads. The poverty rate for all children declined in the late 1990s—but this improvement was ephemeral, as the child poverty rate increased in the 2000s even *before* the onset of the recession that began in December 2007. The rate at which children are born to unmarried mothers climbed in the 2000s, reaching a historical high. The continued high rates of child poverty and children being born into and living in single-mother families raise policy issues. Research has linked both being raised in a poor family and being raised in a single-parent family to lower chances of success later in life. That is, while many poor children and many children raised by a single parent do well, these factors increase the likelihood that a child will fail in school or suffer other negative outcomes.

³ In his review of the effects of the U.S. welfare system, published in 1992 and cited above, Moffitt concluded that the welfare system affected family structure “weakly.” The studies he reviewed were econometric analyses that used variation in welfare benefits to seek to explain the family status of mothers. The experimental evidence about this effect is much more ambiguous. Further, in the post-welfare period, particularly in the 2000-2008 period, the time series relationship between single-parent families and welfare receipt changed. Cash welfare receipt declined, while the percentage of babies born out-of-wedlock and the percent of children in single-parent families increased.

⁴ For a discussion, see CRS Report R41823, *Low-Income Assistance Programs: Trends in Federal Spending*, by Gene Falk.

**Table I. Selected Economic and Social Indicators for Families with Children,
Selected Years from 1995 to 2009**

Indicator	1995	2000	2007	2009
Number of families receiving cash assistance (monthly average) in millions	4.8	2.3	1.7	1.8
Number of children receiving cash assistance (monthly average) in millions	9.1	4.5	3.1	3.3
Federal and state expenditures on cash assistance (in billions of constant 2009 dollars)	\$31.1	\$14.0	\$9.5	\$9.3
Child poverty rate	20.8%	16.2%	18.0%	20.7%
Number of poor children (in millions)	14.7	11.6	13.3	15.5
Employment rate for single mothers	64.0%	75.5%	72.8%	67.8%
Poverty rate for children living in single-parent families	50.3%	40.1%	43.0%	44.4%
Percent of births out-of-wedlock	32.2%	33.2%	39.7%	41.0%

Source: Prepared by the Congressional Research Service (CRS) with data from the U.S. Department of Health and Human Services (HHS) and U.S. Census Bureau.

It should be noted that the diminishment of state-based cash assistance does not mean that overall spending for the poor or poor families with children has also declined. On the contrary, expansions of the EITC and a new refundable portion of the child tax credit, along with increases in Medicaid, the Children's Health Insurance Program (CHIP), the Supplemental Nutrition Assistance Program (SNAP, the program formerly known as food stamps), and Supplemental Security Income (SSI) have resulted in higher levels of outlays for total need-tested aid to low-income families, including low-income families with children.⁵

⁵ H.R. 1135, the Welfare Reform Act of 2011 (Representative Jordan) would cap overall spending for need-tested programs as a whole (as defined in the bill) at their FY2007 level plus inflation. If enacted, this could affect TANF funding. Under the bill, projected spending on need-tested benefits in excess of the cap would trigger a process for the congressional budget process to enforce the cap.

For an overview of spending trends for low-income assistance programs, see CRS Report R41823, *Low-Income Assistance Programs: Trends in Federal Spending*, by Gene Falk.

TANF: The Basics

Financing

The bulk of federal TANF funding is in a basic block grant to states that totals \$16.5 billion per year. States are also required to expend a certain amount of their own funds on TANF-related programs, under what is called a maintenance of effort (MOE) requirement, equal to a total minimum of \$10.4 billion per year. The basic block grant and MOE amounts, both nationally and for each state, were set back in the original 1996 welfare law based on what states were spending in pre-1996 programs, and they have not been changed since. They are not adjusted for inflation or any other changes in national or state conditions (cash assistance caseloads, population, child poverty, etc.). In addition to the basic block grant, there are additional federal supplemental grants and contingency funds for states that are discussed later in this report. TANF also includes competitive grants for healthy marriage and responsible fatherhood initiatives.

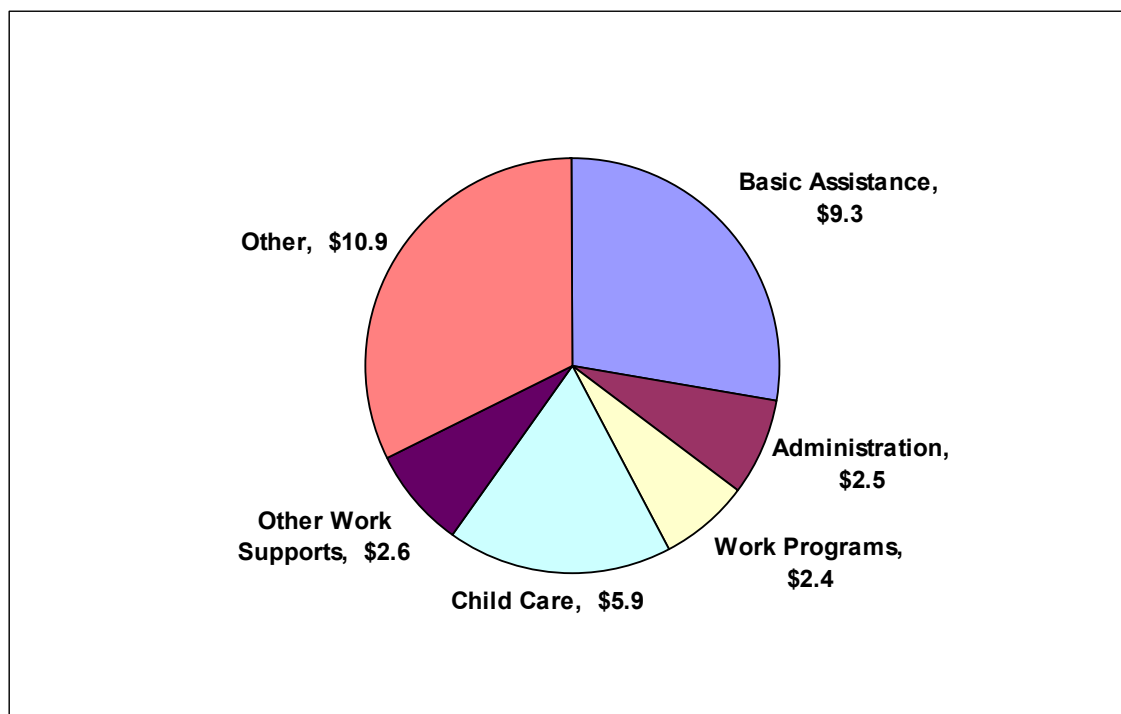
The statutory purpose of TANF is to increase the flexibility of states to achieve four goals:

1. provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
2. end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. encourage the formation and maintenance of two-parent families.

This statutory purpose is more than a symbolic statement of policy. States may use their TANF funds (and to a certain extent MOE funds) in any manner they “reasonably calculate” could further this purpose and achieve these goals. **Figure 1** shows nationally how federal TANF and state MOE funds were used in FY2009. Basic assistance, the category of expenditure most commonly associated with TANF, represents only 28% of all TANF and MOE funds used in FY2009. TANF also provides substantial support to state child care subsidy programs; additional work supports such as the refundable portion of state tax credits (state versions of the EITC); and a wide range of spending in the “other” category, on activities such as providing services to families with children at-risk of being placed in foster care, early childhood education programs (e.g., pre-K programs), programs for youths, and responsible fatherhood and healthy marriage programs.

Figure 1. Use of Federal TANF and MOE Funds: FY2009

(dollars in billions)



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

State Cash Assistance Benefits

Federal law gives states complete latitude in determining the rules of their cash assistance programs. States set rules for determining how low a family's income must be to qualify for assistance as well as the amount paid. In July 2009, the maximum monthly benefit for a family of three ranged from \$923 in Alaska to \$170 in Mississippi. The wide variation in benefit amounts is *not* a result of the 1996 welfare reform law; under pre-1996 policies, states also set benefit levels that varied greatly among the states.

Requirements for Families Receiving Cash Assistance

The most well-known features of both TANF and the 1996 welfare reform law are the requirements that apply to families receiving cash assistance that include an adult recipient: work requirements and time limits. The main TANF work requirement is actually a performance measure that applies to *states* rather than individual recipients. TANF time limits prohibit states from aiding a family with an adult for more than 60 months (five years). However, states have considerable flexibility in implementing time limits.

Issues in Extending or Reauthorizing TANF

The current funding and program authority for TANF comes from a one-year extension of the program enacted in the Claims Resolution Act of 2010 (P.L. 111-291). The Claims Resolution Act provided TANF funding through the end of FY2011, though it funded TANF supplemental grants only through June 30, 2011, and provided for no additional contingency (recession-related) funds for the remainder of FY2011.

President Obama's FY2012 budget proposes that TANF funding be extended at least through the end of FY2012. The budget also sets forth some general principles the Administration is seeking to further in a long-term reauthorization of TANF:

When TANF reauthorization is considered, the Administration would be interested in exploring with Congress a variety of strategies to strengthen the program's ability to improve outcomes for families and children, including helping more parents succeed as workers by building on the recent successes with subsidized employment, using performance indicators to drive program improvement; and preparing the program to respond more effectively in the event of a future economic downturn.⁶

The remainder of this report will use the Administration's budget request and general principles as a framework for discussing TANF issues before the 112th Congress. It will first discuss general budget issues and supplemental grants that are the main focus of the President's FY2012 budget request. A discussion of TANF performance measurement, its response to recessions, and subsidized employment follow. In addition, the report will briefly address a related issue of responsible fatherhood initiatives, as the Administration put forward a responsible fatherhood agenda in its FY2012 budget. For each issue, it provides a listing of policy options that generally have been drawn from proposals made in the past. Also, see "Additional Reading," below, for documents from organizations that provide policy options that might be addressed in TANF reauthorization.

TANF and the Federal Budget

A TANF reauthorization this year would be conducted in a climate shaped by the recent large budget deficits at the federal level and the need to balance operating budgets at the state level. In addition to the near-term fiscal situation, the budget outlook over the long term poses challenges created by projected increases in health care and retirement costs at the federal level and at the state and local levels. TANF itself is subject to proposed reductions. H.R. 1135 (Representative Jordan) would reduce the TANF basic block grant by a little more than \$1.0 billion per year, reducing each state's basic block grant by 6%.

TANF is a mandatory spending program, as its grants are entitlements to the states. TANF funding is provided in authorizing legislation rather than annual appropriation bills. As a mandatory spending program, it is subject to both the pay-as-you-go budget rules, requiring tax or spending offsets to any increases in spending, and the "cut-as-you-go" rules in the House, requiring spending offsets for any increases in TANF spending.

⁶ U.S. Department of Health and Human Services (HHS), *FY2012 Budget In Brief*, February 2011, p. 95.

Cuts or spending increases are measured relative to the “baseline.” In general, the baseline is the level of funding necessary to continue current policies. **Table 2** shows the Congressional Budget Office (CBO) March 2011 baseline for TANF for FY2011 through FY2016. In general, the TANF baseline for future years is the same as it is for the last year for which funding is provided under current law (in this case, FY2011). Because TANF grants are set in statute, there is no adjustment for inflation or other conditions (cash assistance caseload, population growth) in constructing the baseline.

Supplemental grants (discussed in further detail below) are not continued in the baseline beyond the current fiscal year. This is because a provision in TANF law says the baseline should assume no further supplemental grants beyond its current funding authorization (in the case of FY2011, June 30, 2011). Thus, under congressional budget rules, the cost of extending supplemental grants beyond June 30, 2011, would have to be offset.

Table 2. Congressional Budget Office Baseline for Major TANF Grants

(Grant awards for FY2011 through FY2016, dollars in millions)

	2011	2012	2013	2014	2015	2016
State family assistance grant	\$16,489	\$16,489	\$16,489	\$16,489	\$16,489	\$16,489
Supplemental grants	210 ^a	0	0	0	0	0
Marriage and fatherhood grants	150	150	150	150	150	150
Contingency Funds	335 ^b	612	612	612	612	612

Source: Congressional Research Service (CRS) based on data from the Congressional Budget Office (CBO).

a. President Obama's FY2012 budget reports \$211 million in supplemental grants for FY2011.

b. President Obama's FY2012 budget reports \$334 million in contingency funds for FY2011.

Supplemental Grants

As discussed above, the TANF basic block grant and MOE were set back in the 1996 welfare reform law. Each state's block grant funding level is based on federal grants to states in the pre-1996 welfare programs; the MOE is based on state spending in the pre-1996 programs. The basic block grant and MOE are frozen, not adjusted for changes in a state's economic or demographic circumstances. During debates on the legislation that became the 1996 welfare law, it was thought that this “freeze” would particularly disadvantage two sets of states: (1) those that have high rates of population growth and that would experience steeper declines than other states in their per-capita grants; and (2) those that paid relatively low benefit amounts under pre-1996 welfare programs and thus would have low federal grants compared to poverty in the state.

To address this issue, Congress provided TANF supplemental grants to certain qualifying states based on historical population growth and historical grants per poor person. In total, 17 states qualified for supplemental grants: Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Louisiana, Mississippi, Montana, Nevada, New Mexico, North Carolina, Tennessee, Texas, and Utah.

Supplemental grants reduced the disparities in TANF funding among the states in terms of grants per poor child. However, this reduction was small. (See **Table A-1** for supplemental grants per poor child by state.) Supplemental grants themselves had been frozen since FY2001, and even at their full funding level some states with high population growth and increases in child poverty (e.g., Texas and Nevada) saw continuing declines in their grants per poor child. However, further addressing the issue of disparities in grants per poor child would require either additional funding or a redistribution of existing funds from states with relatively high grants per poor child to states with lower grants per poor child.

From FY2001 through FY2010, supplemental grants totaled \$319 million per year.⁷ In order to keep the legislation that extended TANF through FY2011 cost neutral, FY2011 supplemental grants were funded only through June 30, 2011, and at a reduced rate.⁸ The three-month TANF extension (P.L. 112-35) does not fund TANF supplemental grants for the first quarter of FY2012. To continue TANF after December 31, 2011, Congress must once again act, providing another opportunity to consider supplemental grants. However, since supplemental grants are not included in the CBO baseline, the cost of extending them would have to be offset.

Assessing the Performance of TANF-Funded Activities

All of the current TANF performance measures focus on the cash assistance caseload. In the past, TANF attempted to assess a broad range of outcomes through measures used to award two bonuses: the High Performance Bonus and the bonus for reducing out-of-wedlock pregnancies. The High Performance Bonus awarded grants based on state rankings of nationally based welfare-to-work measures (job entry, job retention, wage gains), receipt in the state of work supports⁹, and the percent of children in a state living in two-parent families. The bonus for reduction in out-of-wedlock pregnancies was awarded based on state rankings of out-of-wedlock birth ratios, with a proviso that such reductions could not stem from increases in abortions. These two bonuses were repealed in 2006. A key issue was that these broad outcome measures could not be tied to what states were doing in their TANF programs.

The repeal of the TANF bonuses means that the main performance measure currently used to assess state programs is the TANF work participation standard that applies to families receiving cash assistance. This measurement reflects the major welfare reform policy concerns that led to the 1996 welfare law, but it is out of step with the way states currently use TANF funds.

⁷ The original 1996 welfare law funded supplemental grants through FY2001. These grants lapsed for a period, from October 1, 2001 (the beginning of FY2002) through the enactment of P.L. 107-147 on March 9, 2002, which provided the full \$319 million in supplemental grants for FY2002.

⁸ The Claims Resolution Act constrained supplemental grant funding by providing that the sum of the cost of extending supplemental grants and contingency funds could not exceed a certain amount. Ultimately, FY2011 funding for supplemental grants amounted to 66% of the full \$319 million states historically received. HHS provided the 17 qualifying states with their full supplemental grants in the first and second quarter of FY2011, and a reduced grant in the third quarter of FY2011.

⁹ The measures relating to support of work were: (1) the food stamp (now the Supplemental Nutrition Assistance Program) participation rate among low-income families with a worker; (2) enrollment in Medicaid or the State Children's Health Insurance Program (CHIP) of former cash assistance recipient families; and (3) the percentage of eligible children who receive child care subsidies in a state and the co-payments families receiving subsidies must pay relative to income.

Challenges in Assessing TANF Beyond Cash Assistance

Should Congress wish to measure and assess TANF beyond its cash assistance programs, a number of challenges would have to be addressed. Relative to the information that states are currently required to provide the federal government, measuring and assessing the broader range of TANF activities would require: (1) more detailed descriptions of the programs and activities that states are conducting in order to know what policies are actually being assessed; (2) more detailed data on how much money is spent for these programs and activities in order to know how much effort a state is making in a particular policy area; and (3) measuring program outcomes and impacts to permit assessments of whether programs are effective.

The one-year extension of TANF in the Claims Resolution Act included a requirement that states submit supplemental expenditure reports in 2011 detailing program expenditures on activities such as child welfare payments, child welfare services, emergency aid, domestic violence services, mental health and addiction services, education and youth programs, early childhood development programs, and TANF-funded expenditures on juvenile justice. These are not categories in the existing TANF expenditure report.

The additional reporting required for 2011 in the Claims Resolution Act indicates that Congress recognized that a part of the TANF story is not being told. Obtaining more detailed information imposes additional reporting burdens on the states. However, for the long term, Congress could modify TANF's existing requirements to obtain such information rather than require additional reports. Existing reports include TANF plans, which are prospective documents that states must submit before receiving their block grants, quarterly reports on expenditures and caseloads, and a retrospective annual report. Options for modifying these reports include

- changing the requirements for state plans to (1) describe all TANF-funded programs and activities; (2) submit information in a standardized form, for better comparisons across states; (3) relate each program or activity to a TANF goal; (4) establish goals and outcome measures for the program or activity; and (5) provide a plan for assessing the effectiveness of the activity;
- requiring additional detail in quarterly expenditure reports, such as the additional information required for the supplemental reports under the Claims Resolution Act; and
- expanding quarterly caseload reporting to include additional, selected TANF-funded benefits and services (e.g., require reporting on participants in subsidized jobs); Congress potentially also could expand relevant reporting systems in certain related programs (e.g., child care reporting system) to include TANF-funded services.

In terms of requiring an assessment of TANF-funded activities, Congress could ask the U.S. Department of Health and Human Services (HHS) to re-establish some national measures and assess programs in that manner. However, because each state may use TANF's flexibility differently, another option would be to have each state set its own goals and provide an annual assessment for how these goals are being met in retrospective annual reports.

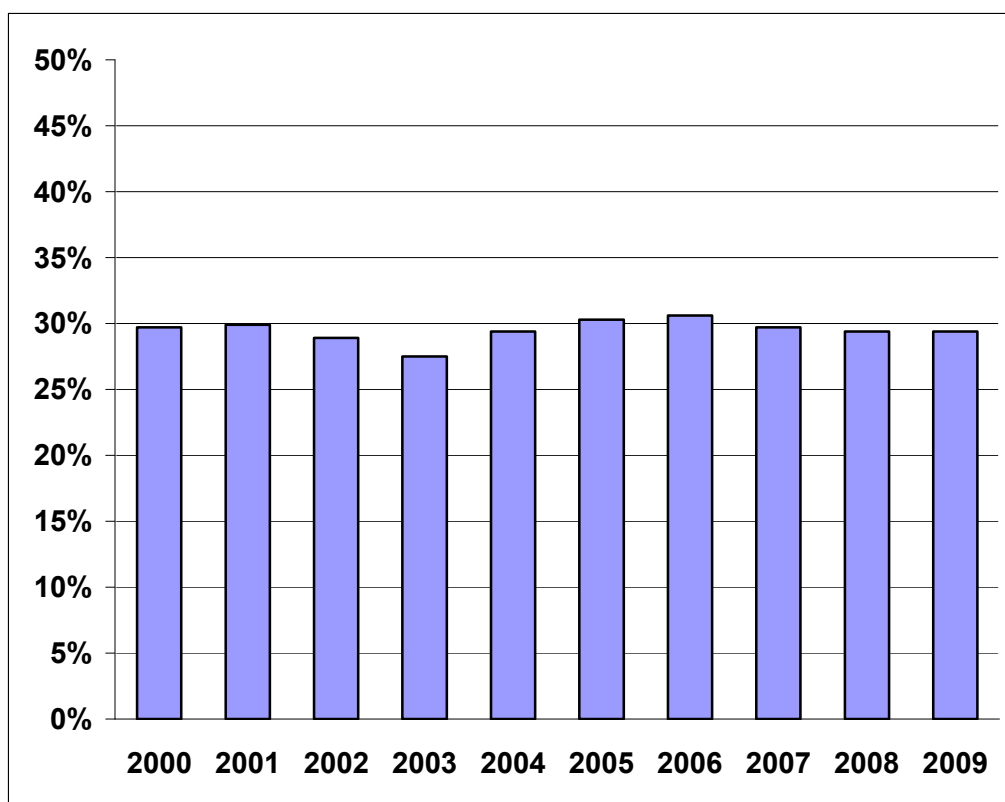
Assessing Welfare-to-Work Activities

As discussed above, the TANF work participation standard is the main performance measure used to assess the block grant. It relates to only one facet of what states do with TANF. It also affects a relatively small population (particularly when compared with the historical welfare caseload). However, the work participation standard reflects the welfare-to-work philosophy that helped to create TANF. Additionally, it reflects efforts to help a very disadvantaged population (those who have come on the cash assistance rolls) reintegrate into the workforce.

TANF's work participation standards are numerical performance measures that set target rates of participation in work and self-sufficiency activities for a state's cash assistance caseload as a whole. They do not apply directly to recipients, though they may help shape the types of requirements states place on individuals. The TANF statute sets a target that 50% of all families with an adult recipient should be engaged in specified work or self-sufficiency activities for at least a certain number of hours per week each month. It also sets a separate two-parent work participation standard, with a target of 90% for these families.

Figure 2 shows that the national average work participation rate for all families has been fairly stable over the period from FY2000 to FY2009 at a level well below 50%. The rate has hovered around 30% for the entire period.

**Figure 2. National Average TANF Work Participation Rates
Under Federal Rules: FY2000-FY2009**



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

Notes: Official rate under federal rules means the work participation rate for all families excluding activities and exemptions under grandfathered “waivers” of pre-1996 rules. Under the 1996 law, a state that obtained such waiver was permitted to continue operating until its expiration. The last waiver expired in 2007.

Most states have met their individual state standards because the actual, effective standard they face is lower than 50% because of credits. A state receives credit toward meeting its participation standard through caseload reductions and also for spending in excess of what is counted toward the MOE.

The calculation of the work participation rate is fairly complex. Almost all activities that one would typically think of as helping a recipient achieve self-sufficiency count in some manner toward the TANF work standard—including educational and rehabilitative activities. However, the law places limits on counting pre-employment activities. The combination of job search and job readiness activities, which includes rehabilitative activities, is only countable for up to 12 weeks in a fiscal year. Vocational educational training, which includes post-secondary education, is only countable for one year in a recipient’s lifetime. Completing secondary school or obtaining a General Educational Development (GED) credential for those age 20 or older are countable only in conjunction with activities more closely associated with work. Teen parents engaged in education may be considered as engaged in activities countable toward the standard. However, the combination of teen parents engaged in education and those engaged by virtue of vocational educational training cannot count for more than 30% of all families engaged in work or activities countable toward the standards.

The only activities that count without limit are unsubsidized employment, subsidized employment, on-the-job training, and working off a cash assistance benefit through work experience or community service. The limits on counting pre-employment activities of job search, rehabilitation, and education raise both measurement and policy issues. In terms of measurement, they raise questions about whether the work participation rate adequately measures state effort in moving families from welfare-to-work. An alternative, broader measure that reports the percent of adult recipients engaged in any activity for any number of hours shows somewhat higher rates of engagement, but little change in the trend (fluctuating between 42% and 45% for FY2000 through FY2008). This broader measure might also understate total engagement if states fail to report participation that does not count toward the official standard. The Claims Resolution Act included a provision to require states to make a supplemental report on engagement, focusing on activities that do not count toward the official standard.

Additionally, the work participation rate only captures activities for those on the rolls. States may, and have, used TANF funds for employment and education activities for low-income parents who are not on the cash assistance rolls. A major recent example, discussed below, is subsidized employment.

To address the measurement issues, Congress might seek to

- require states to report activities even if they don’t count toward the TANF work participation standard;
- require the calculation of a second, broader measure of participation in self-sufficiency activities that could be developed to complement the existing, current participation standard; this could include employment and training activities for those not on the assistance rolls, such as subsidized employment and participation of low-income parents in TANF-funded community college programs.

The policy question is whether the work participation standard achieves the goal of engaging a sufficient number of recipients in activities that could lead to employment. The credits against the participation standard have diluted its effect. If Congress would seek to raise the rate at which recipients engage in activities, the major issue would be determining what rate is achievable and under what circumstances. Welfare-to-work programs evaluated before the 1996 law, even the successful ones, failed to achieve a 50% monthly participation rate.¹⁰ The natural dynamics of the cash assistance caseload—new recipients coming on to the rolls and awaiting assignments, and others leaving—can depress monthly participation rates. A 90% participation rate for two-parent families has generally been considered difficult to achieve, and many states have withdrawn their two-parent families from TANF to avoid the necessity of achieving that standard.¹¹ Most of the past proposals for changing the participation standard focused on expanding either education or rehabilitative activities (e.g., vocational rehabilitation for physical disabilities; mental health or substance abuse treatment, etc.). The evaluation literature found that education-focused programs, while effective in moving families from welfare-to-work, were not more effective than “work-first” programs even over a relatively long (five-year) time period. However, since that research was completed, a new generation of programs has emerged in the education arena that shows promise in addressing the factors that might have limited the effectiveness of education-focused programs (for example, progressing in an educational program).¹² Little definitive research has been done on the effectiveness of rehabilitative activities on cash assistance recipients. Moreover, it should be noted that the “work-first” approach evaluated in welfare-to-work studies emphasized job search—itself only countable for up to 12 weeks in the fiscal year under the current work participation rules.

Policy options to address the policies of work participation among cash assistance families include

- strengthening the participation standard by eliminating credits against them, so that only participation in activities helps states achieve the work participation rate;
- expanding the exemptions from families being considered in the participation rate calculation, such as allowing an optional exemption for the first month on the rolls to allow states time to engage a recipient in activities;
- eliminating the 90% participation standard for two-parent families; and
- allowing broader measures of participation—that count more or even all pre-employment activities—to be used against the standard rather than the current work participation rate; the broader measure could also count selected activities of those not receiving ongoing cash assistance, such as subsidized employment.

¹⁰ See Gayle Hamilton, *The JOBS Evaluation: Monthly Participation Rates and Factors Affecting Participation Levels in Welfare-to-Work Programs*, MDRC, July 1995, <http://www.mdrc.org/publications/217/execsum.pdf>.

¹¹ In FY2009, 27 jurisdictions did not have any two-parent families in TANF or MOE-funded assistance programs.

¹² For example, see Susan Scrivener and Erin Coghlan, *Opening Doors to Student Success: A Synthesis of Findings from an Evaluation at Six Community Colleges*, MDRC, Policy Brief, March 2011, <http://www.mdrc.org/publications/585/policybrief.pdf>.

Assessing How TANF Serves the Needs of the “Child-Only” Caseload

Welfare-to-work and the work participation standard reflect policies that apply to families with an adult recipient. However, a large share of the TANF assistance caseload does not have an adult recipient. In September 2010, 41% of all TANF assistance families had no adult receiving benefits on their own behalf—all benefits were paid on behalf of the children in the families. This portion of the caseload, known as the “child-only” caseload, reflects families in a range of circumstances. This includes families where (1) the parents receive Supplemental Security Income (SSI), usually on the basis of disability; (2) the children are living with non-parent caretakers, such as grandparents; and (3) citizen children are living with TANF-ineligible noncitizens.

There is little federal policy that affects this portion of the cash assistance caseload. Moreover, there is little in the way of performance measurement for these families. The Government Accountability Office (GAO) has been asked to conduct a study on the TANF’s “child-only” families.

TANF’s Responsiveness To a Recession

The “Great Recession” of 2007-2009 represents the first deep and long economic slump since the enactment of the 1996 welfare reform law. During the recession and its aftermath, the cash assistance caseload increased nationally and in most states. Though the cash assistance caseload fell during the first months of the recession, the caseload increased beginning in August of 2008. From July 2008 to December 2010, the cash assistance caseload increased by 16%, adding about 273,000 families to the monthly benefit rolls. Under TANF, the cash assistance rolls continued to be much diminished from their pre-1996 welfare reform levels. The number of families receiving benefits in December 2010—1.9 million—is well below the number receiving benefits—5.1 million—at the peak of the cash assistance caseload in March 1994, well after the end of the 1990-1991 recession.

Whether the 16% rise in the TANF cash assistance caseload was an adequate response to the recession is difficult to answer. Not all demographic groups were hit equally hard by the recession. The unemployment rate for men was well above that for women, though young women and young single mothers, who represent most TANF cash adult recipients, had higher rates of unemployment than older, married women (see **Table A-2** and **Table A-3** for changes in unemployment and employment by family type). Additionally, TANF’s response is best viewed in the context of the response of all assistance programs. The front-line program of income support during a recession is Unemployment Insurance (UI). During the 2007-2009 recession and thereafter, the share of the unemployed receiving UI was higher than during any recession since the 1970s.¹³ Moreover, UI receipt had a greater effect on reducing poverty in the most recent recession—including poverty among children living with single mother—than it did during either the 1990-1991 or the 2001 recessions. Much of the impact of UI on incomes and poverty is owed to the legislated, ad-hoc extensions of benefits (beyond the 26 weeks of regular UI benefits

¹³ See CRS Report R41777, *Antipoverty Effects of Unemployment Insurance*, by Thomas Gabe and Julie M. Whittaker. For the impact of unemployment insurance on child poverty rates, see **Table A-4**.

usually available). Taken together, all transfer programs had a substantial impact in mitigating the income loss during the 2007-2009 recession and its aftermath.¹⁴

Further, TANF responded to the recession in ways other than through increases in the cash assistance caseload. As discussed below, TANF also funded subsidized jobs in response to the recession and provided emergency, short-term aid to families. Participants in subsidized employment and receiving short-term aid are not counted in the TANF assistance caseload figures.

However, the experience of the 2007-2009 recession raises a number of policy concerns. First, some of the policies outside of TANF to aid families during the recession—particularly the extensions of UI benefits—are not part of permanent policy, but rather were temporary measures enacted to respond to the recession. There is no assurance that Congress will be able or willing to respond to future recessions in the same manner.

Second, the 1996 welfare law included a \$2 billion contingency fund, most of which was still available at the beginning of FY2008. However, the fund was exhausted in early FY2010 based on grants made to relatively few states (18 states and the District of Columbia). Many states failed to qualify for regular contingency funds because of its requirement that states expend more than 100% of what they spent in FY1994 to receive matching grants.

Congress augmented the regular contingency fund by creating a temporary, Emergency Contingency Fund (ECF), funded at \$5 billion for two years, FY2009 and FY2010. The ECF only financed expenditures for basic assistance, short-term non-recurrent aid, and subsidized jobs. However, it allowed states to access these funds based on increased expenditures in these categories from the recent pre-recession years rather than increases from pre-welfare reform levels. The ECF rules expanded access to extra funding and 52 of the 54 jurisdictions operating TANF drew ECF grants. However, the ECF also is not part of permanent law, and it expired on September 30, 2010.

Finally, the story of how TANF responds to the recession is ongoing, given the persistent high rate of unemployment through 2011. There are no additional available contingency funds for the remainder of FY2011. The lack of contingency funding occurs as some of the long-term unemployed exhaust even their extended benefits.

The most likely options for Congress to address TANF's ability to respond to a future recession are through changes to the contingency fund. Congress might consider adding new funding to the contingency fund or establishing policies that would structure aid (though, given budget constraints, not necessarily automatically provide funding) that would be available in future recessions. Congress might consider the following:

- Revising the requirement that states spend more than 100% of what they spent in FY1994. Like the ECF, proposals approved by the Senate Finance Committee (but not acted on by the full Senate) during the 2002-2005 period would have allowed access to contingency funds on the basis of increased expenditures from recent, pre-recession years, rather than linking it to increased spending from FY1994 levels.

¹⁴ See CRS Report R41917, *Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987-2009*, by Thomas Gabe.

- Narrowing the types of expenditures reimbursed to target economic aid to families, such as basic assistance, short-term emergency aid, and subsidized employment. This would help ration extra funding, which otherwise might be diverted into fiscal relief that could be simply re-financing existing state spending on human services.
- Revising the economic criteria for allowing access to the contingency fund. This might help target aid to periods when a state experiences its next economic slump. The current economically needy criteria for states—particularly the criterion that Supplemental Nutrition Assistance Program (SNAP) caseloads be at least 10% above pre-welfare reform levels—are likely to be met by many states long after the recent recession has ended.

Subsidized Employment

Despite the focus on work during the 1996 welfare reform debate, subsidized employment has been a relatively small part of TANF throughout most of its history. However, the ECF (discussed above) provided grants of \$1.3 billion to help finance subsidized employment during FY2009 and FY2010. The ECF was estimated to have funded 262,500 job slots during its lifetime.¹⁵ TANF-funded subsidized employment programs can be for those who are on the cash assistance rolls, or for those who are not receiving cash assistance but qualify for TANF: needy custodial parents, noncustodial parents, nonparent caretaker relatives (grandparents, aunts, and uncles) or youth. That is, a subsidized job can be provided in lieu of cash assistance or to certain persons (e.g., noncustodial parents) who are unlikely to receive TANF cash assistance.

Subsidized employment programs can benefit individual participants by providing job experience for those with limited work histories, filling gaps in employment histories for those who are unemployed for long periods of time, and keeping an individual attached to the labor force. Subsidized employment programs can also provide more income for families than TANF cash assistance benefits provide. In July 2009, a participant working 30 hours per week in a subsidized job paying the federal minimum wage (\$7.25 per hour) earned more than the maximum benefit available for a family of three in all states.¹⁶ Subsidized employment programs can also benefit communities by producing goods or services that are of value to the community.

However, a more difficult question to answer is whether subsidized employment programs actually *create* jobs. While programs must comply with non-displacement requirements (cannot use a subsidized job to fill a position where someone is on layoff), this does not mean that all subsidized employment positions reflect jobs that otherwise would not exist. Research on public sector, public service jobs in the 1970s found that state and local governments did to some degree substitute subsidized jobs for regular public sector jobs. The applicable research is more limited on whether subsidized private sector jobs can substitute for regular jobs. One of the Obama Administration's "general principles" for reauthorization of TANF is to build on recent experience with TANF subsidized employment. Congress could consider

¹⁵ LaDonna Pavetti, Liz Schott, and Elizabeth Lower-Basch, *Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund*, Center for Budget and Policy Priorities and the Center for Law and Social Policy, February 16, 2011.

¹⁶ This statement assumes that the Earned Income Tax Credit (EITC) at least offsets income and payroll taxes.

- establishing a dedicated funding stream for subsidized employment; and/or
- creating non-financial inducements for states to expand their subsidized employment programs, such as counting participation in subsidized employment for those not on the ongoing cash assistance rolls toward a state's work participation standard.

Fathers

The current cash assistance programs date their lineage to “mothers’ pension” programs, and most of the policy concerns in past welfare reform debates have focused on families headed by a single mother. The circumstances of the fathers of children living with single mothers—today, more likely to be alive but absent from the household rather than deceased—have received far less policy attention until recently.

Noncustodial fathers are expected to help support their children through the payment of child support. Child support collections through the Federal-State Child Support Enforcement (CSE) program increased dramatically in the post-welfare reform period, rising 73% in inflation-adjusted terms between FY1995 and FY2009. Total CSE collections stood at \$26.4 billion in the recession year FY2009. Despite the successes of the CSE program in increasing collections, the CSE program collected only 64% of the total amount of current support that was due and an even smaller proportion (7%) of past-due support.

The Deficit Reduction Act of 2005 (P.L. 109-171) established within the TANF program two categorical, competitive grant programs to fund healthy marriage and responsible fatherhood initiatives. For FY2006 through FY2010, the grants were funded at about \$100 million per year for healthy marriage activities and \$50 million per year for responsible fatherhood activities. These programs fund grants to community-based organizations, to operate initiatives that focus on providing training in “soft-skills” (e.g., social skills, conflict resolution) to help either couples or noncustodial fathers. TANF’s one year extension in the Claims Resolution Act provided equal funding at \$75 million each for these two sets of activities, though the Administration solicited grantees who would take a more comprehensive approach to fatherhood issues, integrating employment services with soft-skills training.

One common characterization of noncustodial fathers who fail to pay their child support is that of a “dead-beat” dad. However, research has shown that some of these fathers are themselves poor. These fathers—like their single mother counterparts—tend to have lower levels of educational attainment and face above-average rates of health barriers to employment. Long-term economic and social trends reflect some of the challenges to policies that would further involve men in the lives of their children. Wages of men in general have been stagnant—the inflation-adjusted median annual earnings of a man working full-time all year peaked in 1973—and for men with lower levels of educational attainment, wages have fallen. Fathers face an additional barrier to supporting their children—high rates of incarceration. In 2009, 949 per 100,000 males were incarcerated versus 67 per 100,000 females. For African-American males, the incarceration rate was 3,119 per 100,000. While fathers who are in prison have obvious constraints on their ability to support their children, the stigma of having a criminal record is an employment barrier faced by ex-offenders.¹⁷

¹⁷ For a discussion of policies affecting noncustodial parents, usually fathers, see CRS Report R41431, *Child Well-* (continued...)

Congress has a number of options should it wish to expand programs focused on fathers. It could create a new funding stream within the CSE program for this purpose. Or Congress might consider ways states could make more extensive use of existing TANF funds to serve disadvantaged noncustodial parents by, for example,

- continuing DRA-established programs, possibly emphasizing activities such as employment services in addition to training in social skills;
- providing states with the incentive to expand subsidized jobs programs for noncustodial parents; an example of such an incentive is allowing states to count participants in subsidized employment who are not recipients of ongoing cash assistance toward the TANF work participation standard;
- establishing a TANF state plan requirement that requires states to discuss and set goals for noncustodial parents; this could be paired with requiring states to assess their efforts at aiding noncustodial parents.

Recent Chronology

February 8, 2006	Enactment of the Deficit Reduction Act of 2005 (P.L. 109-171), which provided TANF funding through September 30, 2010.
September 30, 2010	Enactment of the First Continuing Appropriation for FY2011 (P.L. 111-242), providing funding for TANF through December 3, 2010. It also appropriates to the TANF contingency fund \$506 million for FY2011 and \$612 million for FY2012.
December 4, 2010	Enactment of the Second Continuing Appropriation for FY2011 (P.L. 111-290), providing funding for TANF through December 18, 2010.
December 8, 2010	Enactment of the Claims Resolution Act of 2010 (P.L. 111-291) that provides funding for TANF through September 30, 2011. However, TANF supplemental grants are funded only through June 30, 2011. Provides that no further contingency funds may be obligated for FY2011.
February 14, 2011	President Obama submits his FY2012 budget proposal. Provides “general principles” to consider when Congress considers reauthorizing TANF.
Sept 30, 2011	Enactment of the Short-Term TANF Extension Act (P.L. 112-35) that provides a three-month extension of TANF funding through December 31, 2011.

Legislation in the 112th Congress

S. 943 (Hatch) would require states to establish policies that prevent the use of TANF cash assistance in any transaction that occurs in a liquor store, a casino, or a strip club. States that fail to implement a policy could be penalized with a funding reduction of up to 5% of the state family assistance grant.

H.R. 628 (Cleaver) establishes a \$20 billion TANF Emergency Contingency Fund for FY2011 through FY2018. It provides funding for increases in cash assistance, non-recurrent short-term benefits, and subsidized employment.

(...continued)

Being and Noncustodial Fathers, by Carmen Solomon-Fears, Gene Falk, and Adrienne L. Fernandes-Alcantara.

H.R. 1135 (Jordan) and H.R. 1167 (Jordan) Similar bills; both would reduce the TANF basic block grant to \$15.5 billion. Also, both would set an overall cap on spending for need-tested benefits, enforced through the congressional budget process.

H.R. 2277 (Doggett) would extend TANF supplemental grants through the end of FY2011 (September 30, 2011).

H.R. 2943 (Geoff Davis) would extend TANF basic, healthy marriage and responsible fatherhood, and mandatory child care grants (and certain other TANF funds) through December 31, 2011. Passed the House, September 21, 2011; passed the Senate, September 23, 2011.

S. 83 (Vitter) and H.R. 1769 (Boustany) would require states to operate drug testing programs for recipients of TANF assistance and would require states to sanction individuals who fail drug tests.

Additional Reading

The American Public Human Services Association and the National Association of State TANF Administrators, *Temporary Assistance for Needy Families: Recommendations for Reauthorization*, December 2010, <http://www.aphsa.org/Home/Doc/APHSA-NASTATANFRecommendations.pdf>.

Katherine Bradley and Robert Rector, *Confronting the Unsustainable Growth of Welfare Entitlements: Principles of Reform and Next Steps*, Heritage Foundation, June 24, 2010, http://thf_media.s3.amazonaws.com/2010/pdf/bg2427.pdf.

Elizabeth Lower-Basch, *Goals for TANF Reauthorization*, Center for Law and Social Policy January 24, 2011, <http://www.clasp.org/admin/site/publications/files/TANF-Reauthorization-Goals.pdf>.

Appendix. Additional Tables

Table A-1. TANF Grants Per Poor Child: Basic Block Grant Only (State Family Assistance Grant) and Basic Block Grants with TANF Supplemental Grants

Number of poor children are as measured in the 2009 American Community Survey; states ranked based on their State Family Assistance Grant per poor child

State	State Family Assistance Grant (SFAG)	SFAG Plus Supplemental Grants Funded at \$319 Million Per Year (historical level of supplemental grants)	SFAG Plus Supplemental Grants Funded at \$211 Million Per Year (current law FY2011 level of supplemental grants)
Texas	\$293	\$324	\$314
Arkansas	300	333	322
Alabama	339	380	366
Mississippi	373	412	399
Nevada	373	405	394
South Carolina	385	385	385
Idaho	426	472	457
Tennessee	547	609	588
Arizona	559	619	598
Georgia	582	648	625
North Carolina	599	670	646
Louisiana	612	675	654
South Dakota	617	617	617
Virginia	625	625	625
Colorado	646	711	689
Florida	660	731	707
Indiana	665	665	665
Kentucky	710	710	710
Utah	732	815	786
Oklahoma	738	738	738
Missouri	746	746	746
Kansas	840	840	840
Nebraska	875	875	875
Delaware	964	964	964
Montana	981	1,006	998

State	State Family Assistance Grant (SFAG)	SFAG Plus Supplemental Grants Funded at \$319 Million Per Year (historical level of supplemental grants)	SFAG Plus Supplemental Grants Funded at \$211 Million Per Year (current law FY2011 level of supplemental grants)
New Mexico	984	1,035	1,018
Illinois	989	989	989
Oregon	1,022	1,022	1,022
Iowa	1,202	1,202	1,202
West Virginia	1,243	1,243	1,243
Ohio	1,246	1,246	1,246
New Hampshire	1,259	1,259	1,259
Wyoming	1,364	1,364	1,364
North Dakota	1,455	1,455	1,455
New Jersey	1,482	1,482	1,482
Wisconsin	1,484	1,484	1,484
Maryland	1,487	1,487	1,487
Michigan	1,492	1,492	1,492
Minnesota	1,540	1,540	1,540
Pennsylvania	1,542	1,542	1,542
Washington	1,612	1,612	1,612
Maine	1,729	1,729	1,729
California	2,022	2,022	2,022
Massachusetts	2,475	2,475	2,475
Rhode Island	2,518	2,518	2,518
Hawaii	2,520	2,520	2,520
Alaska	2,751	3,049	2,948
Connecticut	2,753	2,753	2,753
District of Columbia	2,795	2,795	2,795
New York	2,813	2,813	2,813
Vermont	2,871	2,871	2,871
National Average	1,125	1,147	1,139
Minimum	293	324	314

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

Notes: Child poverty is measured as the number of persons under age 18 living in families below the poverty level as measured in the 2009 American Community Survey (ACS).

Table A-2. Number of Unemployed and Unemployment Rate by Family Type: 2007 and 2009

	Number of Unemployed (in thousands)			Unemployment Rate		
	2007	2009	Difference	2007	2009	Difference
Family heads and spouses with own children						
Married mothers	549	1,027	478	3.1	5.8	2.8
Married fathers	615	1,559	944	2.5	6.6	4.1
Single mothers	654	1,094	439	8.0	13.6	5.7
Single fathers	136	331	195	6.2	15.0	8.9
Subtotal	1,954	4,010	2,056	3.7	7.8	4.1
Others						
Married wives	500	1,031	530	2.6	5.2	2.7
Married husbands	547	1,422	875	4.9	6.5	1.6
Other women	1,520	2,712	1,191	5.0	8.5	3.5
Other men	2,562	5,081	2,520	7.8	15.2	7.4
Subtotal	5,129	10,246	5,116	5.0	9.6	4.6
Total	7,083	14,256	7,173	4.5	9.0	4.5

Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau, Current Population Surveys, 2007 and 2009.

Notes: This table was prepared by Gerald Mayer of the Domestic Social Policy Division, Congressional Research Service (CRS).

Table A-3. Employment-Population Ratios by Family Type 2007 and 2009

	2007	2009	Difference
Family heads and spouses with own children			
Married wives	66.7	65.5	-1.2
Married husbands	90.8	86.5	-4.3
Single women	70.4	65.5	-4.9
Single Men	84.0	74.7	-9.3
Subtotal	77.6	74.2	-3.4

	2007	2009	Difference
Others			
Married wives	53.6	52.6	-0.9
Married husbands	60.6	58.2	-2.4
Other women	58.1	56.5	-1.5
Other men	62.5	56.0	-6.5
Subtotal	58.9	55.9	-3.0
Total	64.2	60.8	-3.4

Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau, Current Population Surveys, 2007 and 2009.

Notes: This table was prepared by Gerald Mayer of the Domestic Social Policy Division, Congressional Research Service (CRS).

Table A-4. Impact of Unemployment Compensation on Child Poverty Rates, Selected Years Associated with Recessions

	1993	2002	2009
All Children			
Pre-UC poor	23.3	17.3	22.0
Officially poor	22.7	16.7	20.7
Difference	-0.6	-0.6	-1.3
Children living in single female-headed families			
Pre-UC poor	54.9	40.9	46.6
Officially poor	54.3	39.8	45.1
Difference	-0.6	-1.1	-1.6

Source: Congressional Research Service, based on data from the U.S. Census Bureau, Current Population Surveys, selected years.

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