

May 17, 2018

Temporary Assistance for Needy Families: The Decline in the Cash Assistance Caseload

Introduction

The Temporary Assistance for Needy Families (TANF) block grant helps fund public assistance programs for needy families with children, families often headed by a single mother. It was created in the 1996 welfare reform law, P.L. 104-193, which ended the prior federal grant to states for public assistance, Aid to Families with Dependent Children (AFDC). TANF has an explicit statutory goal to end the dependence of needy parents on government benefits and the decline in the cash assistance caseload is the most visible indicator of progress toward meeting that goal.

In 1995 an estimated 17.6 million people (adults and children) received assistance during the year compared to 4.9 million in 2015. However, most of the TANF cash assistance caseload decline comes from fewer eligible people receiving assistance, rather than from there being fewer eligible people.

This In Focus examines the TANF caseload decline in the context of those eligible for its assistance as well as child poverty. It summarizes and updates information in CRS Report R44724, *Temporary Assistance for Needy Families (TANF): Size of the Population Eligible for and Receiving Cash Assistance*.

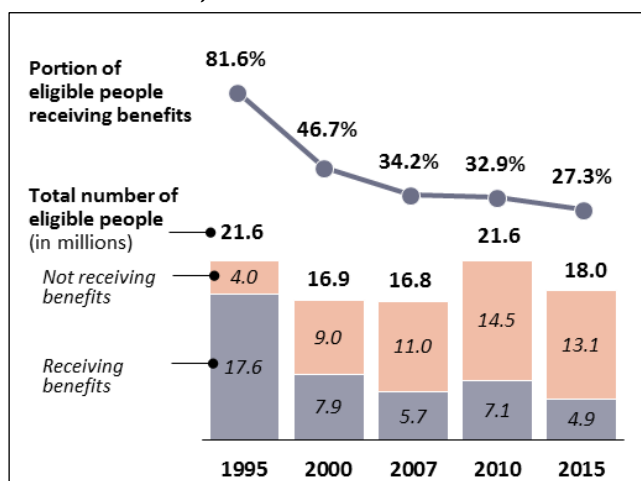
Number of People Eligible for and Receiving TANF Cash Assistance

Figure 1 shows the number of people eligible for and receiving AFDC in 1995, and the proportion of eligible individuals who received benefits in that year. In 1995, 21.6 million persons were eligible for AFDC cash assistance, with 82% of those eligible (17.6 million) receiving benefits during that year. The figure compares these numbers and the rate of eligible people receiving TANF cash assistance for selected years. The number of people receiving cash assistance declined most rapidly in the late 1990s. By 2000, the caseload had declined from an estimated 17.6 million persons to 7.9 million. This decline stemmed from both fewer people being eligible for benefits and a decline in the share of eligible people receiving benefits. The rate at which eligible people received benefits in 2000 had fallen to a little less than half (47%).

The figure also shows the fluctuations in the caseload during the 2000s. In the period from 2000 to 2007, the caseload continued to fall, but this was almost wholly attributable to a decline in the share of eligible people who actually received benefits, which declined to 34% by 2007. The period from 2007 to 2010 shows caseload trends during the Great Recession of 2007-2009. During this period, the estimated share of eligible people receiving benefits held fairly steady (33% in 2010). However, at the same time, the

caseload increased by 1.4 million because the number of people eligible for benefits rose from 16.8 million to 21.6 million. Following the recession, the number of people eligible for assistance again declined along with an even faster decline in the caseload. By 2015, 27% of the 18.0 million eligible for cash assistance received it. Over the entire 1995 to 2015 period, most of the caseload decline resulted not from fewer people being eligible for aid, but from fewer of the eligible people actually receiving benefits.

Figure 1. Number of People Eligible for and Receiving Cash Assistance, Selected Years



Source: Congressional Research Service (CRS) analysis based on estimates from the TRIM3 micro-simulation model.

Notes: Includes people in state-funded public assistance programs who are eligible for TANF, but excludes families receiving relatively small TANF-funded earnings supplements outside of regular TANF programs.

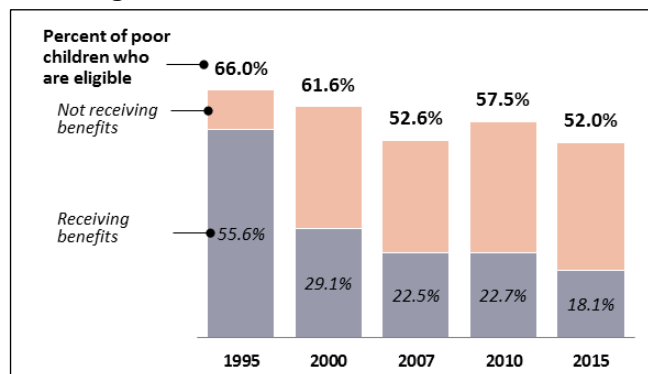
The Decline in the Cash Assistance Caseload and Child Poverty

The majority of cash assistance recipients are children. Of the 17.6 million persons receiving AFDC in 1995, 11.5 million were children. Of the 4.9 million people receiving assistance in 2015, 3.5 million (more than 70% of recipients) were children.

Cash assistance does not reach all poor children in part because of the way eligibility is determined. Not all poor children were eligible for AFDC; nor are all poor children eligible for TANF. States determine income eligibility for TANF (as they did for AFDC before it). In 1995, most states set their income eligibility threshold below the poverty level; this has also been true under TANF.

Figure 2 shows the percent of children in families with income below the poverty level who were eligible for and receiving AFDC in 1995, and eligible for and receiving TANF in selected years. In 1995, 66% of poor children were eligible for AFDC. In 2015, 52% of poor children were eligible for TANF. The share of poor children receiving AFDC in 1995 was 55.6%. The percentage of poor children receiving TANF in 2015 stood at 18%.

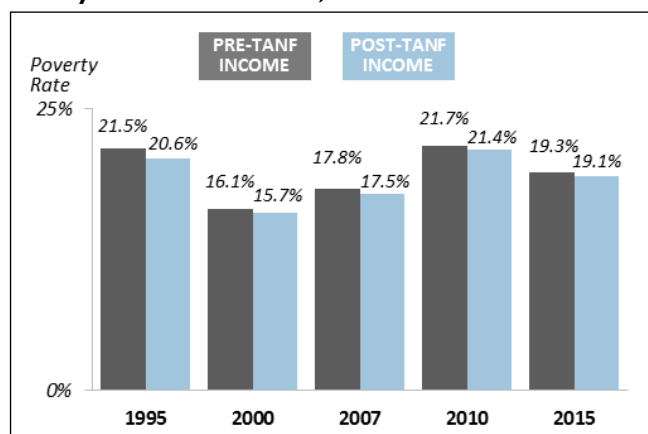
Figure 2. Percent of Poor Children Eligible for and Receiving Cash Assistance, Selected Years



Source: Congressional Research Service (CRS) analysis based on estimates from the TRIM3 microsimulation.

How has the decline in the share of poor children receiving cash assistance affected the poverty rate? **Figure 3** compares child poverty rates using income that does not include assistance (AFDC assistance in 1995, and TANF assistance thereafter) and income with assistance included. Neither AFDC nor TANF moved large numbers of families above the poverty line. In 1995, AFDC income reduced the observed poverty rate by 0.9 percentage points. In 2015, TANF has reduced the observed poverty rate by 0.2 percentage points.

Figure 3. Child Poverty Rates Based on Pre- and Post-Family Assistance Income, Selected Years

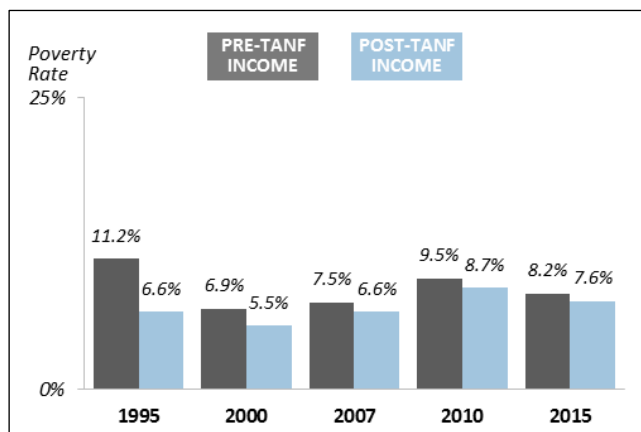


Source: Congressional Research Service (CRS) analysis based on estimates from the TRIM3 microsimulation

Though AFDC did little to change the child poverty rate, it did reduce the severity of poverty for children. **Figure 4**

shows the effect of AFDC assistance income in 1995, and TANF assistance income in subsequent years, on deep poverty, measured as incomes below 50% of the poverty threshold. AFDC income reduced the deep poverty rate from 11.2% to 6.6%. In contrast, in 2015, TANF assistance decreased the child deep poverty rate from 8.2% to 7.6%.

Figure 4. Child Deep Poverty Rates Based on Pre-Assistance and Post-Assistance Income, Selected Years



Source: Congressional Research Service (CRS) analysis based on estimates from the TRIM3 microsimulation

Conclusion

The cash assistance caseload decline has been seen as one of the prime indicators that TANF made progress in achieving the goal of ending the dependence of needy families on government benefits. However, most of the caseload decline has resulted from a decline in the rate at which people eligible for assistance actually receive benefits, rather than a decline in the population in need. In 2015, 18.0 million people were eligible for TANF assistance, but 4.9 million (27%) received it.

The drop in the share of TANF-eligible individuals who receive benefits raises the question of whether a goal of TANF should be caseload reduction per se, regardless of whether or not the size of the population in need is growing. TANF was to be “temporary and provisional,” however the data indicate that TANF is increasingly forgone or otherwise not received by those eligible for it, even among the poorest of families. Other means-tested programs that have grown in terms of spending and recipients (e.g., the Earned Income Tax Credit, the Supplemental Nutrition Assistance Program, and Medicaid) do not provide ongoing cash assistance to families to meet basic needs. If policymakers conclude there is an unmet need for such assistance, they might consider policies that would eliminate some TANF provisions that encourage states to reduce caseloads (e.g., end allowing states to meet all or part of their work participation standards through caseload reduction) or consider other alternatives outside of TANF.

Gene Falk, Specialist in Social Policy

IF10889

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.