

Temporary Assistance for Needy Families

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ACTION

- As Congress reauthorizes the Temporary Assistance for Needy Families (TANF) block grant this year, ensure that funding is preserved and adjusted annually for inflation. While cash assistance caseloads may have decreased, many families still need important job and family supports. Maintain the required level of state funding for TANF.
- Include the well-being of children in the TANF law. It is critical that the TANF program include in its planning and focus improving the lives of children. Strategies to address child well-being must also include measuring the policies and their impact on children.

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HISTORY

Congress must act this year to reauthorize the TANF block grant created in 1996 as part of a federal effort to reform welfare. That law fundamentally changed the way the federal government provides assistance to low-income families with children.

Instead of providing an open-ended entitlement to parents with children, as existed under Aid to Families with Dependent Children (AFDC), TANF funding is capped and distributed from the federal government to states as a block grant. Under AFDC, states received automatic funding increases whenever the number of families and children eligible for AFDC increased. TANF funding, however, is capped at a set amount. Although states are no longer required to provide matching state funds to draw down federal AFDC dollars, states are required to maintain a specific level of state spending, or maintenance-of-effort (MOE).

States are required to use TANF funds to serve families with children. The law does allow states broad flexibility in administering the TANF program, however. For example, each state is allowed to set its own income eligibility standards. The regulations implementing TANF provide even greater flexibility—allowing states to spend federal TANF funds on a range of services in addition to cash assistance. States can establish different income eligibility standards for each program funded by the TANF block grant. The main requirement is that programs funded by TANF address one or all of the four purposes defined in the TANF law:

- providing assistance to needy families so children may be cared for in their own homes or the homes of relatives,
- ending dependency of needy parents on government benefits by promoting work and marriage,
- preventing and reducing out-of-wedlock pregnancies, and
- encouraging the formation and maintenance of two-parent families.

Under TANF, states must also spend 75%–80% of what they were spending under AFDC. These state dollars must be spent on services and supports that are similar to those the state had provided under AFDC.

The 1996 welfare law did establish a number of requirements and restrictions on state TANF programs. No adult may receive federally funded TANF assistance for more than five years in their lifetime. Adults qualifying for TANF must be enrolled in a work activity no later than two years after being on assistance. Fifty percent of a state's TANF caseload must work at least 30 hours per week. If states provide assistance to two-parent families, then 90% of these families must be working. States do have the option of exempting up to 20% of their caseload from these requirements. States are also barred from using federal TANF funds to assist most legal immigrants until they have been in the country for at least five years. This restriction applies not only to cash assistance, but also to TANF-funded work supports and services, such as child care, transportation, and job training. Prior to the 1996 law, legal immigrants generally were eligible for benefits without restriction.

The 1996 law also established a number of additional funding sources:

- Each year, the top five states that reduce out-of-wedlock births may qualify for a portion of \$100 million.
- In fiscal years 1999, 2000, and 2001, a supplemental grant was provided to 17 states that had either experienced high population growth or had received a lower federal amount of TANF funding compared with the rest of the country.
- A high-performance bonus rewards states that meet specific work targets.
- A contingency fund and a loan fund are available to assist states in times of recession.
- States can transfer up to 30% of their federal TANF funds into the Child Care and Development Fund (CCDF) and 10% into the Social Services Block Grant. The total transfer to those two block grants cannot exceed 30%.

The 1996 law allows federally recognized American Indian tribes to apply to operate their own TANF program. If a tribe or consortia of tribes operates its own program, TANF funds are taken from the state or states where a tribal plan is being implemented and is given to the tribe. The applying tribe then negotiates directly with the U.S. Department of Health and Human Services (HHS) on the details of its TANF plan, including issues around work and time limits. A state may assist tribes by contributing state dollars, but the TANF tribal program becomes an agreement between the tribe and the federal government. In 1999, 22 tribal TANF plans, covering 94 tribes, had been approved.

The Impact of Welfare Reform

TANF cash assistance caseloads dramatically declined from 1996 to 2001. Overall, the number of single parents who now work has significantly increased. Studies of families who have left cash assistance indicate that 40% of former welfare recipients do not have a job.

Those who do work after leaving TANF generally earn low wages and often remain poor. A 2001 review of studies on those who leave TANF assistance concluded, “The picture...across the states is that even when TANF recipients leave state cash assistance programs and become employed, they face significant financial instability.”¹ The report found that many of these adults are now in low paying jobs, are often without health insurance, maintain irregular hours, and suffer serious hardships.

Many families receiving TANF assistance face serious barriers to employment, including mental and physical impairments, substance abuse, domestic violence, and problems with child care, transportation, or housing.

Most of the studies on welfare reform have assessed the financial well-being of those who leave TANF. Much less is known about the impact of welfare reform on children, yet children represent the largest part of the TANF caseload—5.7 million. We do know that although child poverty rates have declined, the number of children in working families that were poor has grown by more than 650,000.²

Preliminary findings from three studies by the Manpower Demonstration Research Corporation suggests some evidence of negative impacts for adolescents, including increases in high-risk behaviors, behavioral problems in school, and school achievement.³ These results were preliminary and require further study, but they raise concern about the impact of recent reforms on the adolescent population.

Temporary Assistance for Needy Families

The impact of TANF on child maltreatment is not yet clear. Although substantiated rates of child abuse and neglect have decreased since 1993, foster care caseloads have continued to increase. Little data exists about the impact of TANF on child maltreatment and TANF-linked child maltreatment outcomes, such as involvement with child protective service agencies or placement in foster care or with other caregivers.

Despite the limited research, some important questions have been raised about key child welfare concerns. A recent review of AFDC waiver programs, and more recent TANF studies, indicate that reductions in cash benefits that may be the result of sanctions and other cash welfare policy requirements may actually slow the rate of reunification for children placed in foster care. Other long-range studies indicate the impact of various policy changes to the cash welfare system is complex but may increase rates of maltreatment.⁴

KEY FACTS

- States received \$16.5 billion in federal TANF funding each year from 1997 through 2002. More than \$500 million was also available to certain states as a result of bonuses and supplemental funding. States are required to spend between \$10 billion and \$11 billion in state MOE funds to qualify for federal TANF funds. The precise amount of state MOE is based on whether a state places enough adults in work.⁵
- In 1996, the national caseload included 12.2 million children, or 4.4 million families receiving cash assistance. By June 2000, the caseload had decreased 50% and included 5.7 million children, or 2.2 million families.⁶
- A 2001 survey of states found that between March 2001 and September 2001, TANF caseload increased in 33 states. The previous year, caseloads had increased in 22 states and decreased in 29.⁷
- An initial report by HHS of people who stopped receiving TANF broadly concluded that about three out of five worked at some point within the following year after leaving TANF. These adults earned \$7 to \$8 an hour and had a family income at approximately the poverty level. One-third received food stamps, and approximately 40% had health insurance. Many of these families experienced hardship.⁸
- The TANF block grant provides a significant share of funding for child care. In 2000, states redirected \$3.9 billion from their TANF block grant into child care while CCDF provided \$3.4 billion in federal funding for child care.⁹
- In FY 1999, 770,000 child-only families, representing 1.3 million children, received cash assistance. A child-only family is one in which the child, not the parent, receives a cash benefit.¹⁰
- Of the 1.3 million children in child-only TANF families, 22% were grandchildren of the head of the household, and 8.5% were relatives of the head of the household but not grandchildren. The remaining child-only TANF families may actually include a parent, but that parent is not considered part of the TANF family because he or she may be receiving Supplemental Security Income, is not eligible for TANF due to legal immigrant status, or may be disqualified from TANF assistance.¹¹
- The child-only TANF caseload is not increasing. Overall AFDC/TANF caseloads have decreased at a faster rate than the child-only caseload. This results in a higher percentage of child-only cases but a lower actual number of children in child-only families.¹²

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