Temporary Assistance for Needy Families

ACTION

- As Congress reauthorizes the Temporary Assistance for Needy Families (TANF) block grant, ensure that funding is preserved and adjusted annually for inflation. TANF provides a significant source of funding for child welfare services.
- Incorporate the well-being of children in the TANF law. It is critical that the TANF program include improving the lives of children in its planning and focus. Strategies to address child well-being must also include measuring these policies and their effect on children.
- Recommend that the Family Self-Sufficiency Plan include a comprehensive family assessment, an initial screening by a trained caseworker to identify and screen for barriers to work—such as substance abuse, physical and behavioral health problems, and domestic violence—and for risks to child safety. Support at least six months of rehabilitative services (substance abuse treatment and mental health services) to count as work activity, and allow states the option of additional months of treatment and services.

HISTORY

Congress will 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. Congress debated but did not take final action on reauthorizing legislation in 2002.

Instead of providing an open-ended entitlement to parents with children, as existed under the former 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, but the law does allow states broad flexibility in administering the TANF program. 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 dependence of needy parents on government benefits by promoting work and marriage;
- preventing and reduce 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 reform 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 receiving 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 welfare reform law, legal immigrants generally were eligible for benefits.

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The 1996 welfare reform law also established a number of additional funding sources, including a $100 million bonus for the top five states that reduce out-of-wedlock births, a supplemental TANF grant for 17 states that either experienced high population growth or received a lower federal amount of TANF funding, and a high-performance bonus rewarded to states that meet specific work targets.

States have a great deal of flexibility with their TANF funds, including the ability to transfer up to 30% of their into the Child Care and Development Fund (CCDF) and 10% into the Social Services Block Grant (SSBG). The total transfer to those two block grants cannot exceed 30%.

The 1996 welfare reform law allows federally recognized American Indian tribes to apply to operate their own TANF programs. If a tribe or consortia of tribes operates its own program, a portion of TANF funds are taken from the state or states where a tribal plan is being implemented and 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 activity and time limits.

THE 2002 DEBATE

In 2002, the Administration proposed several changes to the current law that were incorporated into legislation that passed in the House of Representatives. The House bill would have funded TANF at the same level for the next five years, with no adjustment for inflation. It provided a $200 million increase in mandatory child care funds, increased the authorization level for discretionary child care funds, and mandated stricter work requirements.

Child well-being was included as a part of TANF's overall goals. States would have been required to explain in their state plans how to accomplish child well-being and to indicate performance measurements in this area, such as how a state would address youth development. The House bill also would have created two new programs that provided $1.5 billion over five years to promote marriage.

The most significant changes in the House bill were to work requirements under TANF. The House bill would have required states to have 70% of their caseload working instead of the current 50%. Work requirements for two-parent families were made the same as the single parent's requirements. TANF recipients would have to be engaged in "activities" 40 hours per week, rather than the current 30 hours. At least 24 hours of this total would have to be in activities defined by the federal government, such as an actual job or community service. The remaining 16 hours would have to be in state-defined work activities, such as job training or education. States would be allowed to count three months of substance abuse treatment as a work activity.

The Senate Finance Committee approved a TANF reauthorization bill in 2002, but it was never considered by the full Senate. That bill differed from the House bill in several important ways. The Senate bill would have allowed states to count up to six months of substance abuse treatment as a work activity, and it extended the amount of time an educational activity could be counted as work above what the current law allows. The Senate bill also provided a work credit to allow states to reduce their annual caseload work requirements based on the number of adults who left TANF for a paying job. The Senate included a $1 billion increase in mandatory child care funding for FY 2003, for a total of $5.5 billion over five years.

THE EFFECT OF WELFARE REFORM

Although the effect of TANF on child maltreatment is not yet clear, TANF has become a major source of funding for child welfare services. TANF accounts for 15% of the $9.9 billion in federal funds state child welfare agencies spend on child welfare.[1] States also use SSBG funds for child welfare services that are transferable from TANF.

TANF cash assistance caseloads dramatically declined from 1996 to 2002; many states experienced caseload reductions of more than 50%. By the summer of 2002, however, 39 states were seeing the first significant increases in TANF caseloads.[2]

Those who work after leaving TANF generally earn low wages and often remain poor. A 2001 review of studies on those who leave TANF 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."[3] 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.

State TANF agencies increasingly face the challenge of serving a caseload with multiple barriers to employment, including substance abuse, mental and physical impairments, domestic violence, and problems obtaining child care, transportation, or housing. Coordinating and integrating services, particularly substance abuse treatment, can facilitate treatment and recovery and help move these individuals into jobs.[4]

Most studies on welfare reform have assessed the financial well-being of those who leave TANF. Much less is known about the effect of welfare reform on children, yet children represent the largest part of the TANF caseload—5.7 million. Although child poverty rates have declined, the number of children in poor working families has grown by more than 650,000.[5]

Preliminary research suggests some evidence of negative effects for adolescents, including increases in high-risk behaviors and behavioral problems in school, and decreased school achievement.[6] These results require further study, but they raise concern about the impact of recent reforms on the adolescent population.

The more direct effects of TANF time limits and work requirements on child maltreatment are less clear. Despite the limited research, however, some important questions have been raised about key child welfare concerns. A review of AFDC waiver programs, and the more recent TANF studies, indicate that reductions in cash benefits resulting from sanctions and other cash welfare policy requirements may actually slow the rate of reunification for children in foster care. Other long-range studies indicate that the effect of various policy changes to the cash welfare system is complex but that they may increase rates of maltreatment.[7]

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.[8]
- In 1996, the national caseload included 12.2 million children, or 4.4 million families receiving cash assistance. By June 2002, the caseload had decreased 50% and included 5.2 million recipients, or 2.024 million families.[9]
- In the last quarter of FY 2002 (July through September), 39 states reported a caseload increase. In 25 states, TANF caseloads increased for the entire fiscal year.[10]
- 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.[11]
- 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. It is unclear how these numbers have been altered by the recession.[12]
- In August 2000, HHS estimated that at least 460,000 families on welfare—about 1.2 million parents and children—were affected by substance abuse.[13] TANF caseworkers see substance abuse as perhaps the most intransigent of the barriers facing people trying to make the transition from welfare to permanent employment.
- A great deal of research indicates that parental substance abuse, domestic violence, or mental health problems have deleterious effects on the children. Of youth ages 12–17, 29% were in special education classes, and 20% had run away, had been in trouble with the law, were using drugs or drinking, had become pregnant, or were involved with gangs.[14]
- In FY 2000, 778,000 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.[15]

- Of the 1.3 million children in child-only TANF families, 22.7% were grandchildren of the head of the household, and 10.3% 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.[16]
- 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.[17]

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