

TANF Reauthorization Memorandum

From: ██████████ Brookings Institution

To: Dennis Hastert, Speaker of the House of Representatives

Background History

Initially, the welfare program was established in 1935 under the Aid to Families with Dependent Children (AFDC) program. With this program, families under the poverty income level were automatically provided cash welfare. However, in 1996 the Temporary Assistance for Needy Families (TANF) program replaced AFDC, giving state governments more control over the previously federally dominated welfare system. Instead of the matching grants system (in which states were rewarded more federal dollars if they spent more on welfare), states are provided with fixed block grants that allowed more flexibility on how funds were used to ameliorate the situations of the poor. States were allowed to allocate funds as they saw fit according to four federal requirements: 1) provide assistance to children of needy families, 2) end the dependence of needy parents on government benefits by means of promoting job preparation, work, and marriage, 3) reducing out of wedlock births, and 4) encourage the formation and maintenance of two-parents families. States used the block grants in a variety of ways, including: cash assistance, child-care, education/job training, and transportation. TANF also imposed new work requirements and time limits on recipients. Federal law requires that half of families receiving assistance must be engaged in some kind of work-related activity for at least 30 hours a week. On time limits, no family is allowed to receive assistance for longer than five years. The TANF block grant funding was authorized through the end of fiscal year 2002 and since that time Congress has been working on legislation to reauthorize TANF with modifications. However, because no agreement has been reached on reauthorization, TANF has been temporarily extended several times by Congress.

Problem Definition

TANF cash assistance caseloads fell significantly in the first five years, and overall the number of single parents who now work has risen considerably. Also, since the 1996 welfare reform, the goal of reducing out of wedlock births and encouraging two-parent families seems to have been accommodated. In the 1990s, rates of non-marital pregnancies fell 13% and the proportion of low-income children living in two-parent households rose from 51% in 1990 to 64% in 1996 (it is unclear, though, exactly how much TANF played a role in this trend). However, there are problems that must be addressed with the current program.

Source?

- With the addition of the 30 hour a week work requirements for at least 50% of all recipient families, TANF does not seem to take into consideration the obstacles that many poor families have to face when trying to get a job. Such barriers to work include substance abuse, mental and physical impairments, low literacy or skills levels, domestic violence, learning disabilities, having a child with a disability, and problems with child-care, housing, or transportation. Those with such problems must be aided so that they can overcome their obstacle and join the workforce successfully.
- Even if states increase their work participation by significant amount, they can still be penalized if they do not meet federal standards. Those that fall short would be subjected

to block grant reductions. Such a measure is counterproductive because it would hinder a state's progress in trying to increase worker participation.

- The current restriction that excludes legal immigrants that have not lived in the US for five years harms American children who belong to immigrant parents. Because many legal immigrants live at or below the poverty level, these families do not have much needed access TANF benefits.
- In the early years of TANF, because cash assistance caseloads fell sharply, some TANF funds went unspent. These freed-up funds went into low-income family support programs (for such things as child-care) and welfare-to-work programs as states tried to better accommodate the 4 federal TANF goals. These funds are now dwindling. With the loss of reserves, it is projected that states will cut overall TANF spending reform from \$19.3 billion in 2003 to 16.9 billion by 2008. With the additional reduction of purchasing power through inflation, current fixed block grants will not allow states to maintain their family support programs, thus making TANF program cuts inevitable.
- The 1996 welfare reform may be too optimistic about federal work participation requirements when taking job availability into consideration. With economic fluctuations (like the recent recession), legislators will have to consider ways to increase job opportunities through temporary public sector job slots or through wage subsidy schemes.

If the welfare problem of equity and wealth distribution is to be addressed effectively, the problems above must be addressed. The reauthorization of TANF must be modified with these concerns in mind so that the 4 original, and still applicable, federal goals (found in 'Background History' section) can be met.

Stakeholders

Stakeholders that are directly affected by welfare reform reauthorization comprise those families who live at or below the poverty level. This group also includes those with special needs that have obstacles to work acquisition and maintenance (people with disabilities and low education, immigrants, victims of substance abuse and domestic violence, etc.). States have interests in the outcome of new policy as well (reauthorization is a determinant of how states will progress in increasing working participation and whether or not existing family support programs will be cut). Major players in determining the final form of TANF reauthorization include the congressional Republicans, who favor cuts in federal spending and increased work participation rates, and the Democrats, who support the increase of federal funds in state block grants. There are also a wide number of special interest groups involved. Those groups representing state and local officials that develop detailed program structures include the National Governors Association, American Public Welfare Association, and the National League of Cities. Groups that conduct advocacy on behalf of the poor include Center on Budget and Policy Priorities, the Center for Law and Social Policy, and the Children's Defense Fund. Labor unions, service providers like Catholic Charities, reproductive right groups, and right-to-life groups also have vested interests in the welfare reform issue.

Criteria

Dimensions of a good reauthorization policy for TANF must include the following criteria and their relative measurements: 1) the increased movement of families out of situations of poverty and a decrease in familial dependence on government benefits. This can be

measured by observing the income levels of those receiving TANF assistance and the reduction of welfare caseloads as parents attain jobs that allow their families to subsist adequately. 2) The decrease of out of wedlock births and an increase in two-parent family formation with measurement by means of analyzing census data trends, current welfare recipient cases, and future welfare applicants. 3) Increased TANF sensitivity to those welfare applicants that have barriers to work that prevent them from meeting federal work requirements. To measure whether or not these people are being reached, a community census polling of those at or under the poverty line and an analysis of past welfare case denials would be helpful in quantifying the number of people left behind because of work obstacles. To see which work obstacles require the most attention, the data collected will be put into specific "barrier categories". In this way, whichever obstacles prove to be most detrimental to the poor will be addressed in the alternative chosen for policy. 4) Costs of the welfare reform must be made more sustainable for both the Federal and state governments. While the issue of whether or not to increase funding is undecided, what remains integral is to prevent costs from skyrocketing to a point where program cuts are necessary. This can be measured by means of keeping track of Federal and state welfare budgets and observing if they stay within or go beyond expenditure plans.

are all costs
budget costs
or do they
differ...
administrative

→ vs direct payouts etc?
Alternatives

- ✓ • Status Quo Alternative: Leave TANF as it is, and reauthorize the 1996 welfare reform program for 10 to 15 years.
- ✓ • Bush Administration Proposal: 1) Raises work participation standard from 50% to 70%, 2) Phasing out of caseload reduction credit, 3) Increase in hours per week work requirement, 4) Exemption of families from work requirements during 1st month of assistance. 5) States allowed to count employed leavers of welfare toward participation rates for up to 3 months.
- ✓ • House of Representatives Proposal: 1) State caseload reduction credit structure based on percentage points by which caseloads have fallen over previous 3 years, rather than since 1995. 2) Superachiever provision provides states with additional credit if caseload decline since 1995 exceeds 60%. 3) Includes all other above-listed features of the Bush Administration Proposal, except #5.
- ✓ • 12-Month Job Leavers' Allowance: 1) States allowed to count employed leavers of welfare toward participation rates for up to 12-months. 2) Includes all other above-listed features of the Bush Administration Proposal, except #5.
- ✓ • Senate Alternative: 1) Families that leave welfare for work and earn at least 33% of their state's average wage are counted as 1.5 families towards caseload reduction credit. 2) Maintenance of 30 hour per week work requirement. 2) 20 hour work requirement for families with children under six years of age. 3) Increase work participation standard from 50% to 70%.
- ✓ • Senator Smith and Jeffords Proposal: Give states broader flexibility in accommodating recipients with disabilities by mixing work activities with rehabilitation services.
- ✓ • Senator Graham and Chafee Proposal: Give states option to lift restrictions on Medicaid and State Children's Health Insurance Program (SCHIP) in order to provide healthcare coverage to pregnant women and children who are legal immigrants.
- ✓ • Senator Rockefeller Proposal: Provision of penalty relief for those states that do not meet federal work participation standards (even if they make significant progress) for those states that improve their rates by at least 5%.
- TANF Block Grants Funds Increase: 1) Increase in funds to allow states to maintain current expenditures on low-income family support programs and welfare-to-work programs. 2) Adjustment of annual funding for inflation.