

A Call for Sensibility in the Reauthorizing of TANF Post 2001 Recession



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OVERVIEW

The vibrant economy of the late 1990's was critical to the passage of the 1996 welfare reform legislation. Today the United States faces an uncertain economy evidenced by the 1.9 million jobs lost since the 2001 recession. Despite this recession, the TANF caseload has decreased by 1.8 percent.

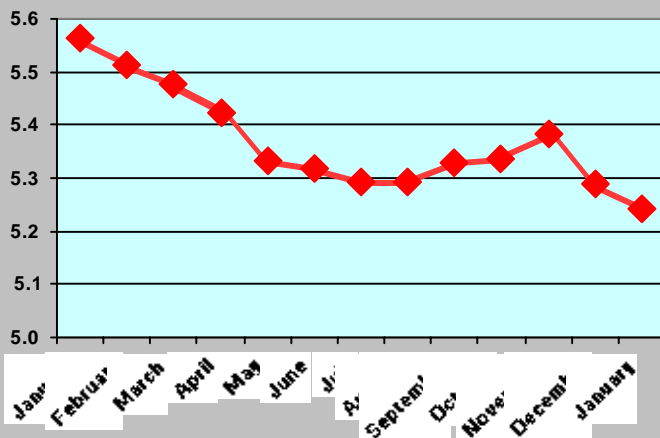
Caseload Change Over the 2001 Recession

According to data from the Administration for Children and Families (ACF), beginning in March 2001 there was nearly 5.5 million recipients on the rolls including adults and children and by November 2001, what many economists considered the end of the recession, there was less than 5.4 million recipients on the rolls.

Caseloads Increased in 27 States

- In total the TANF caseloads decreased by 1.8 percent.
- Yet, 27 states experienced increases while, 23 states saw decreases.

TANF Recipient Caseload Over the 2001 Recession



TANF Work Participation Rates

Work is required to receive cash benefits under the TANF program.

- In 2001 approximately 34.4 percent of all families on TANF participated in work activity. There was an overall 1.2 percentage point increase in work participation from 2000 to 2001.
- Unsubsidized employment decreased by .80 percentage points and adult participation in subsidized public employment decreased by .10 percentage points.
- An important component of work is job search; overall, during this period recipients participating in job search activities increased by 1.70 percentage points.

Racial Composition of the Caseload

The caseload is significantly more African American and Latino than it was prior to the 1996 welfare reform legislation. Over a five year span from 1996 to 2001, there was a 5.7% change increase in the number of African American recipient families.

- In 2001 the rolls were 39.9 percent African American and 23.2 percent Latino.
- Similarly, the racial concentration of the child recipient caseload was 40.8 percent African American and 27.8 percent Latino.

Children Dominate the Rolls

TANF is increasingly serving more children as a proportion of all recipients.

- Approximately 4.0 million children receive cash benefits with the family unit or as child-only cases, wherein the child is unattached to the adult recipient.

Children and TANF

- Nationally, more than 74% percent of the TANF rolls are children.
- And 36.6% of all families on the rolls are child-only

WELFARE POLICIES

The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 drastically changed welfare in the United States. The new program TANF replaced the centralized Aid to Families with Dependent Children (AFDC) and devolved the responsibility to administer the program to state governments. To use federally allocated resources states must adhere to federally established guidelines, however, some states chose more strict requirements.

Major Changes in Welfare Implemented in 1997

1. Devolved administrative responsibility to states;
2. Removed the entitlement status;
3. Requires recipients to work to continue to receive the cash benefit;
4. Placed a five-year time limit on public assis-

Eligibility

In 2001 33 states including the District of Columbia offered a diversion payment to divert eligible applicants or recipients from ongoing welfare receipt; however, there is great variation in type of strategies states employ. On average, a diversion payment was approximately \$1,147.

Except for Ohio, every state and the District of Columbia require an assets test. Nearly a quarter of states would classify an applicant as ineligible if their savings exceeded \$1,000 and 24 states include the value of the primary automobile when it exceeds a specified value.

Work Requirements

On average, a recipient family of three, one adult and two children, receives an annual cash benefit of \$4,949. Most recipients are required to work for this benefit with very few exceptions.

- In 2001 5 states did not explicitly exempt mothers with young children of any age.
- A total of 29 states require that recipients begin immediately working and generally, recipients are required to work 30 or more hours per week.
- The maximum sanction for noncompliance with work activities varies; in 15 states the adult portion of the benefit is subtracted and in 34 states the full benefit is terminated.

- Approximately 3.9 percent of recipients were sanctioned for work noncompliance.

Time Limits

Of the 44 states that adopted lifetime time limits 39 did not continue benefits to children after the adult was sanctioned.

- In 2002 approximately 176,600 families were on the rolls for over 49 months. However, only .9 percent of the caseload received a grant reduction for length of time on the rolls.

Conclusions

Currently, the safety net for the poor is extremely weak. There are no provisions for an economic downturn and reauthorization proposals are much more insensitive to the needs of recipients and their children.

Social policy experts know very little about what drives caseload reduction. During the economic boom, many argued that it was the economy. However, depending on the state TANF caseloads decreased despite the recession. It is unclear why low-income households did not choose to take up TANF at greater rates than they actually did during the recession. One possibility is that families choosing not to use now may be preparing for worse times ahead.

Policy Implications

- Slight decrease in TANF utilization over the recession indicates that many eligible families are underutilizing the safety net – these are people who are desperately in need of work support programs.
- Reauthorization proposals have to be flexible enough for states to accommodate the varying needs of recipients and their families across states.
- The federal policy has to adequately build in policy provisions that activate during an acute shift in the economy, for example, when millions of jobs are taken out of the economy.
- Opportunities for recipients to pursue post secondary education have to be restored.
- Work participation and declining rolls as the TANF measure of success require expansion to gauge impacts on children.



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