

TANF Reauthorization

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Introduction/Background

The enactment of the Personal Responsibility and Work Opportunity Reconciliation act of 1996 (PRWORA) marked an extraordinary turning point in U.S. social policy. The legislation is probably best known for having repealed the Aid to Families with Dependent Children Program and having provided states with block grants to design work-focused, time-limited welfare programs. The law reduced federal requirements and protections for individuals while expanding state discretion and flexibility in numerous aspects of social policy. The law also made major changes affecting child support enforcement, child care, the Food Stamp Program, disability benefits for children, and the eligibility of immigrants for federal, state and local benefits.

These issues and more will be before Congress in 2002. A set of programs – the Temporary Assistance for Needy Families (TANF) Block Grant, the Child Care and Development Block Grant, the Food Stamp Program, and funding for abstinence education – are all scheduled to be reauthorized by the end of 2002. It is anticipated that Congress, the states and the public will take stock of what has and has not been accomplished since 1996 and consider the next set of directions for national poverty policy and family policy.

I. WELFARE REFORM: FIVE YEARS AFTER

- A. Caseloads have fallen precipitously, across the US and in New York. Since January 1995, New York State has had caseloads (families receiving TANF/AFDC or Safety Net/HR) fall by more than 56% — from 505,259 cases in January 1995 to 220,601 in July 2001. (See Figure 1.)
 - 1. Some of this caseload decline is due to the strength of the economy and would have happened without welfare reform. (See Figure 2.)
 - 2. However, it is likely that welfare reform has led to greater declines in caseload than would have occurred otherwise.

Figure 1: New York State AFDC/TANF and Home Relief/Safety Net Family Cases and Recipients, 1986 to 2001

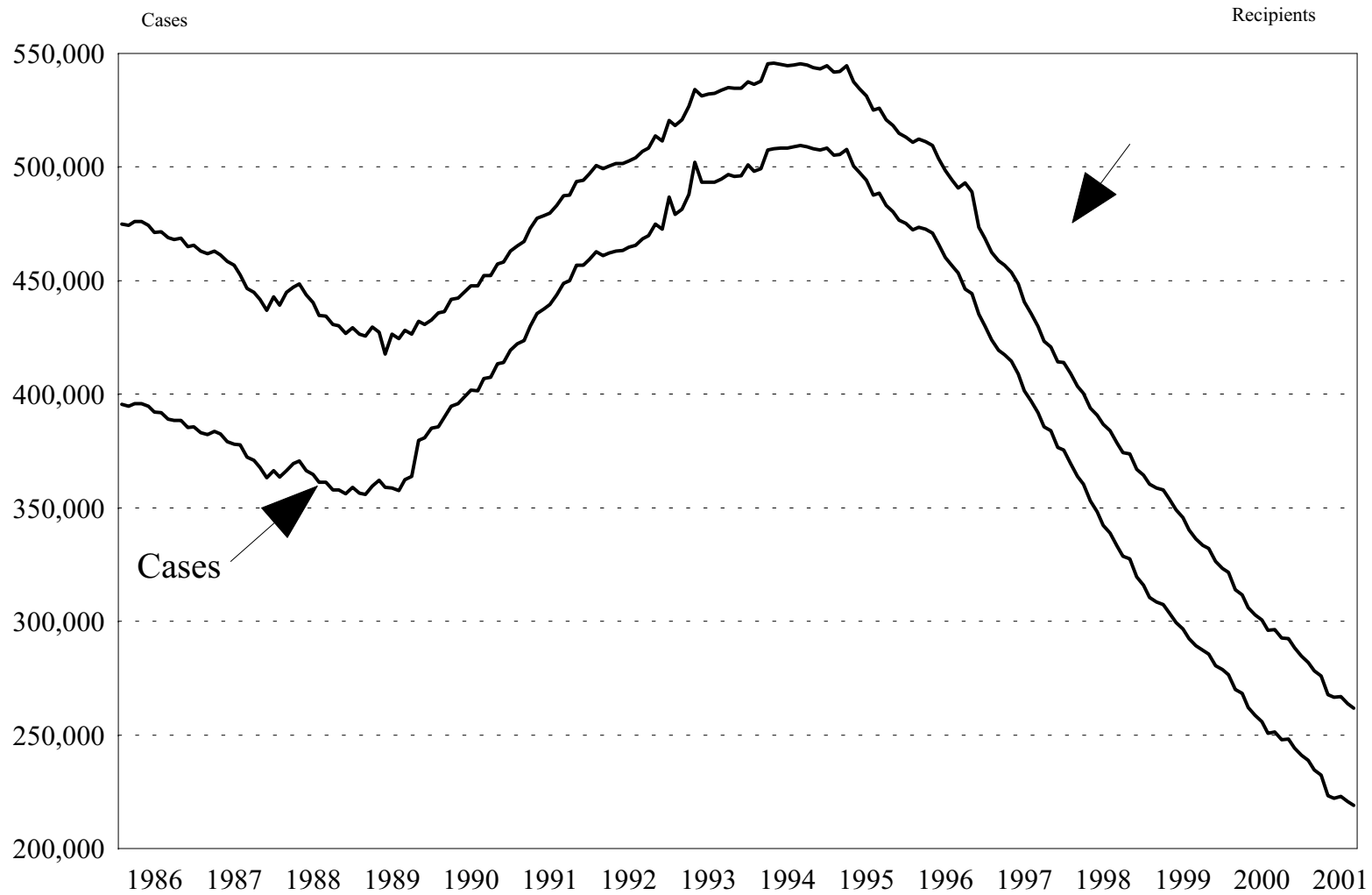
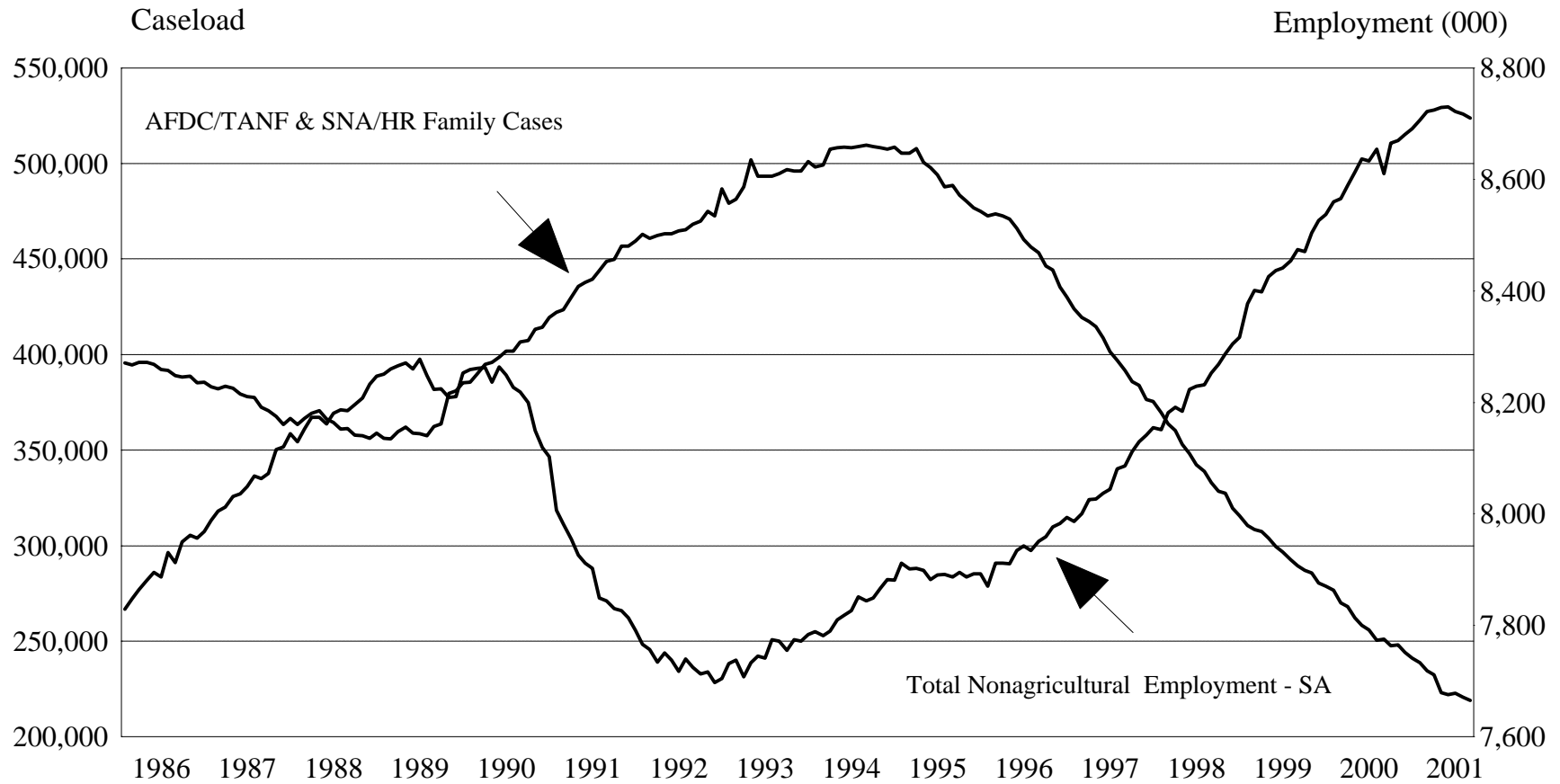


Figure 2: Welfare Caseloads and Total Nonfarm Employment
New York State, January 1986 to August 2001



- B. Some argue incorrectly that declining caseloads, in and of themselves, indicate that low-income families in New York are better off today than before welfare reform...e.g. that families forced off public assistance are working, bringing home paychecks, and, therefore, better off. However, neither the studies of families who have left welfare in New York nor the more general economic and social indicators support this position.

1. LEAVERS STUDIES

A study by the Rockefeller Institute of Government used administrative data to track families who left welfare in the first quarter of 1997. This study found that only 40% of these families had an adult employed in at least one day in each quarter in the year after they left welfare and that outside New York City, the median annual earnings of families with an adult employed in all four quarters were only \$12,611, far below the \$16,660 poverty line for a family of four in 1998. Even in New York City, the median earnings were only a meager \$17,431.

Researchers working with the New York City Human Resources Administration conducted phone interviews in May 1998 with families who left public assistance in November 1997. These researchers were only able to find 211 of 596 randomly selected families and were able to complete interviews with only 126 of these families. Of these families, only 25 percent had incomes above the federal poverty guidelines and less than a third said they were better off financially after leaving public assistance.

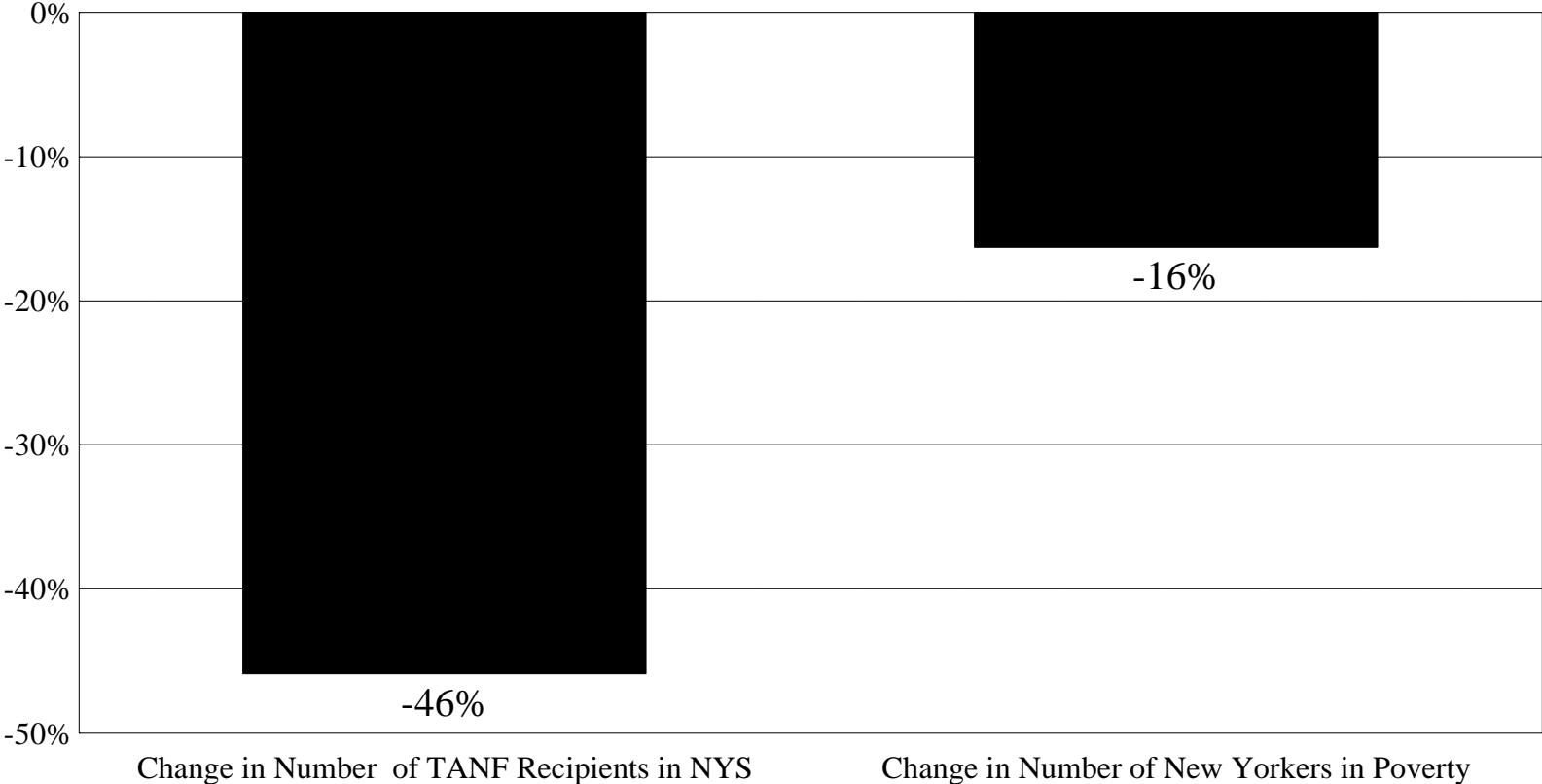
2. SOCIAL AND ECONOMIC INDICATORS

Social and economic indicators do not support some observers' rosy view of welfare caseload declines.

- a. The poverty rate in New York State remains stubbornly high. In 2000, 13.4% of New York's population had incomes below the federal poverty threshold. Although this was a decrease from 1999, it was still higher than it had been in 1989 and still considerably above the national poverty rate of 11.3%.
- b. The poverty rate for families with children is even higher. In 2000 18.5% of families with children had incomes below the official poverty rate. The poverty rate for single parent families was 39%.
- c. The poverty rate for children in New York is too high — 18.9 % for 2000.
- d. A recent study by the Economic Policy Institute found that 37% of New York families with children did not have sufficient income to support basic needs

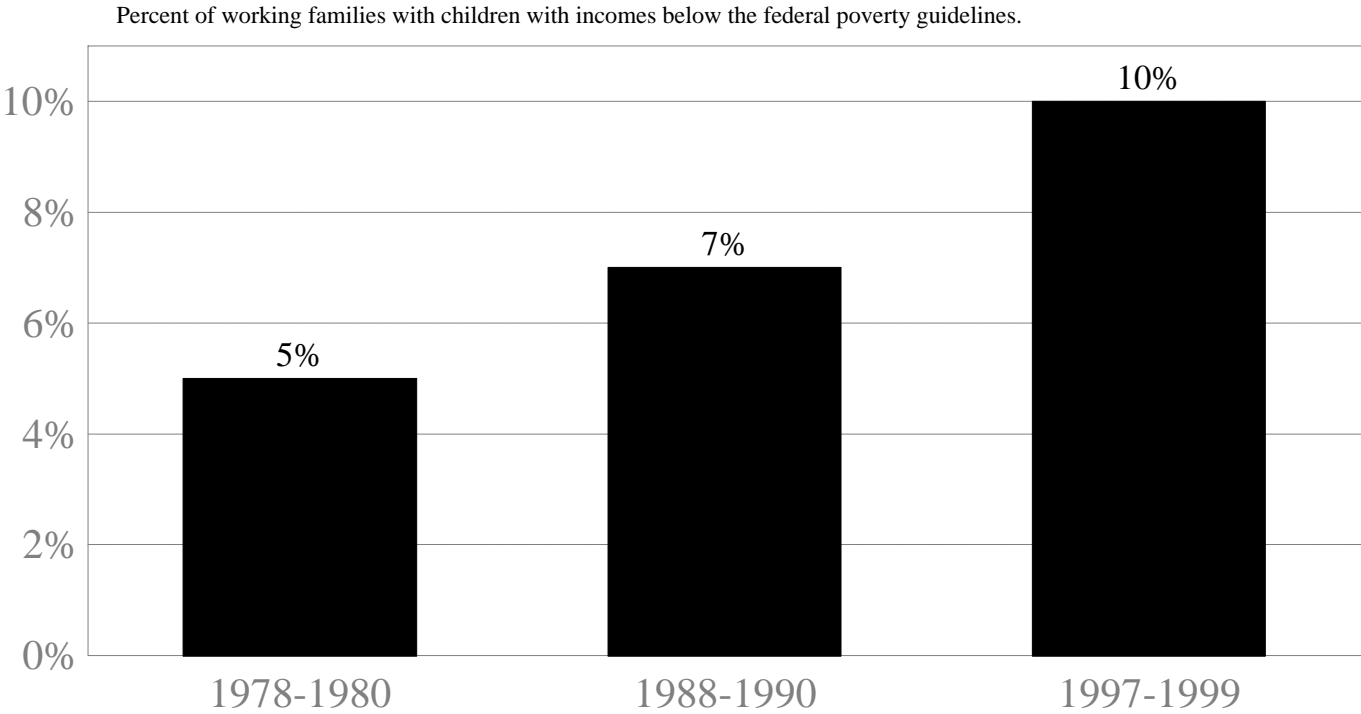
3. Between 1995 and 2000, the number of TANF recipients in New York State declined by 46% but the number of New Yorkers living in poverty declined by only 15%. (See Figure 3.) How can we explain this apparent disconnection between reduced caseloads and persistent poverty. The answer is relatively simple. While there was a time in the United States and in New York when working full-time, even at the minimum wage, was sufficient to keep a family out of poverty, that is no longer true. Today thousands of families in New York are poor despite work
 - a. The poverty rate of working families with children has doubled in New York from 5% in the late seventies to 10% in the late nineties. (See Figure 4.)
 - b. 60% of poor families with children include a least one person who works outside the home and 23% include a full-time, year-round worker.
 - c. Of the “near-poor” families with children — those with incomes between 100% and 200% of the federal poverty guidelines, or between about \$18,000 and \$36,000 for a family of four — 70% included a full-time worker .

Figure 3: Between 1995 and 2000, the number of TANF recipients in NYS decreased much faster than the number of New Yorkers in poverty.



Sources: Change in average monthly TANF recipients from NYS Office of Temporary and Disability Assistance Monthly Statistics. Change in number of poor individuals, U.S. Bureau of the Census.

Figure 4: The poverty rate of New York's working families with children doubled from 5% in the late 1970s to 10% in the late 1990s.



Source: Center on Budget and Policy Priorities, *Poverty Despite Work Handbook*, August 2001.

- C. Welfare reform at the national level provided states with the opportunity to redirect federal public assistance resources from traditional cash assistance to programs that (1) increase the earning capacity of families leaving welfare through education and training initiatives and (2) supplement the incomes of the working poor with state EITCs and/or with subsidies for child care, health insurance, transportation, etc.

Since TANF provides each state with a block grant of a fixed amount, the decline in caseloads has given New York access to significant “new” resources to provide services and support to its low-income families. (See Figure 5.) The New York City Independent Budget Office estimates that since 1995, the state has had \$6.7 billion dollars of “TANF surplus” funds. Unfortunately, we do not have enough to show for the \$6.7 billion.

1. While New York was slow to spend TANF funds in the first years of the block grant, New York will exhaust all of its reserves by the end of the next fiscal year. (See Figure 6.)
2. Too little has been spent on programs to help the hardest to employ families get off of welfare as evidenced by the thousands (43,000) of families facing the five-year time limits on federal assistance in December 2001.
3. Programs to help the working poor, e.g. transportation and child care assistance, have not been sufficiently funded.
4. Too much of the block grant funds have been used for supplantation or fiscal relief. This has been accomplished in a number of ways. For example, the state has used large and increasing amounts of its TANF block grant to fund important child welfare services that historically were funded from general revenues. If the economy continues to worsen and public assistance caseloads increase, this strategy will make needy populations compete for the same resources.

Figure 5: While the federal TANF block grant is fixed at \$2.4 billion, New York's expenditures for cash assistance have fallen dramatically, leaving a greater "surplus" each year.

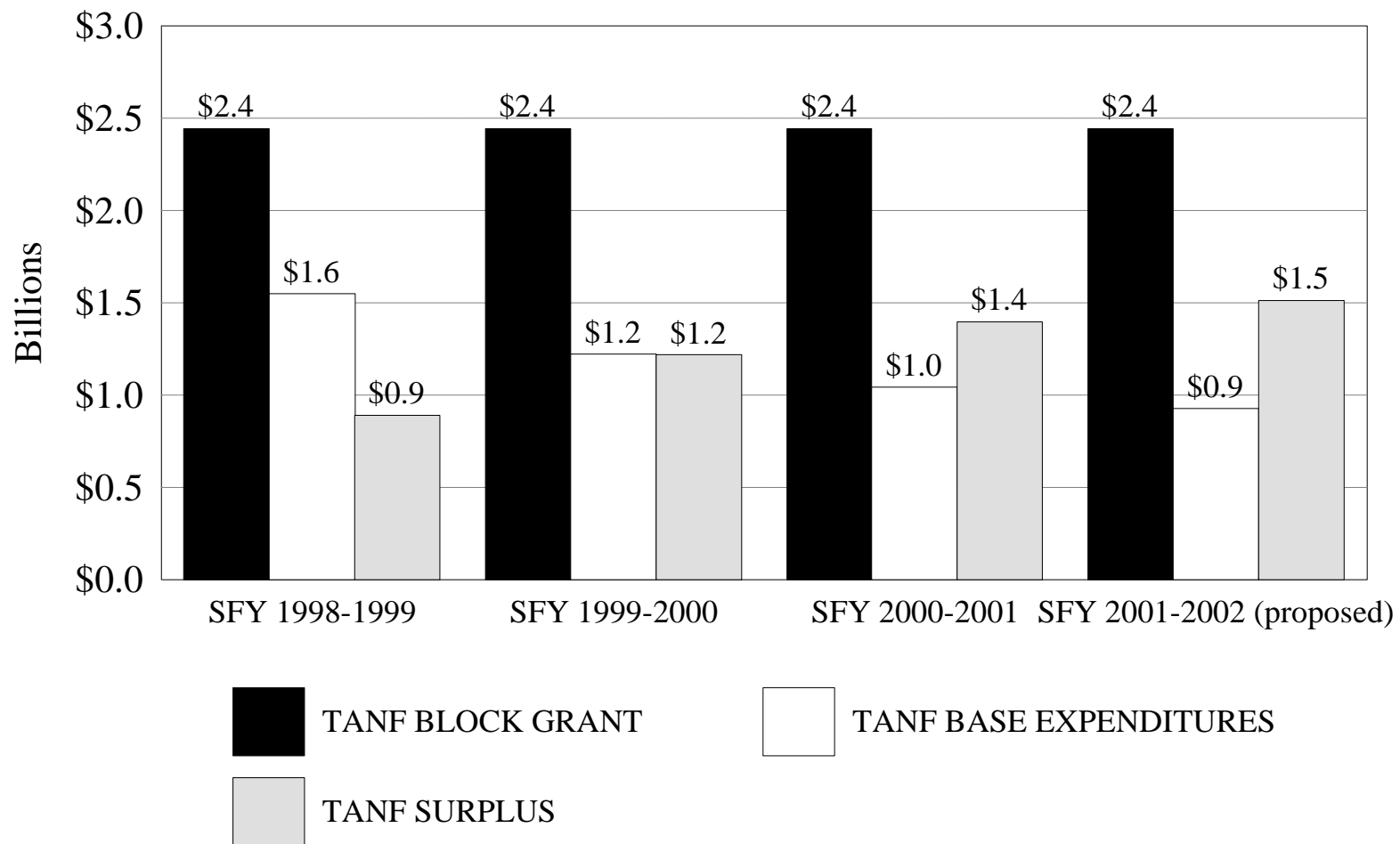
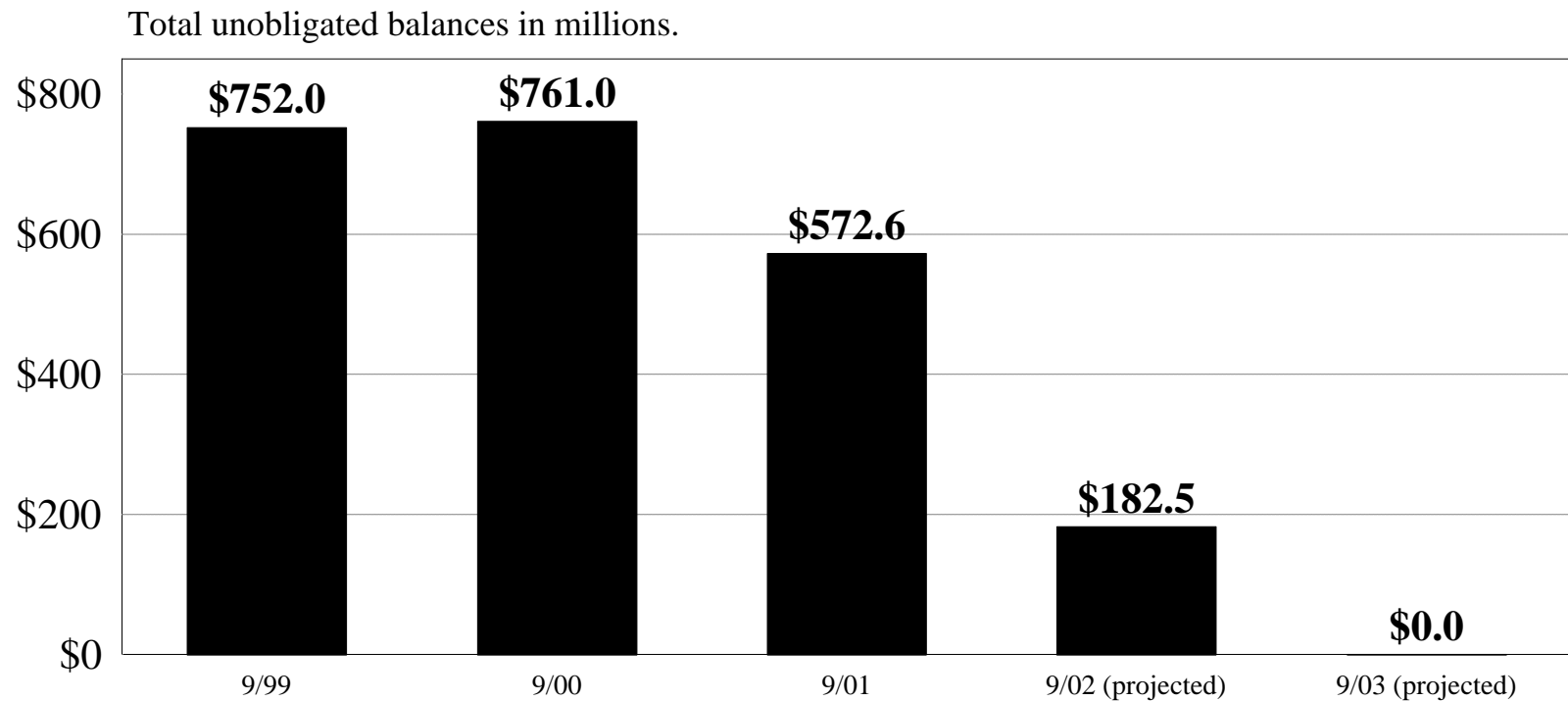


Figure 6: New York's TANF fund balances in Washington are shrinking and will be exhausted by the end of the next fiscal year.



Projection for FFYs ending September 30, 2002 and September 30, 2003 based on proposals in January 2002 Executive Budget to spend \$918 million in reserves and other unspent TANF funds from prior year TANF block grants in the state fiscal year that runs from April 1, 2002 to March 31, 2003.

II. WHAT DOES THIS IMPLY FOR THE TANF REAUTHORIZATION DEBATE

- A. It is essential that the TANF block grant be funded at least the current levels and that it be indexed for inflation.
 - ! The declines in the cash assistance caseloads mean do not mean that the funding levels can be cut because the States are using their TANF funds to help low-income working families with basic supports and to help parents with barriers to work.
 - ! The block grant levels should be increased to reflect increases in the cost of living. In real terms, base TANF block grant funding is 13.5% lower in FY 2002 than in 1997. If FY 2002 funding levels are extended for another five years, block grant funding will fall by 28.6% by 2007.
 - ! Welfare reform is a work in progress. Much more needs to be done, now is not the time to cut back on the funding for this initiative.
- B. Similarly, it is essential that the state Maintenance of Effort (MOE) requirement be maintained at its current level, and indexed for inflation. This has been recommended by the American Public Human Services Association (the former American Public Welfare Association.)
- C. The emphasis must be on POVERTY REDUCTION — not just on reductions in caseloads.
- D. TANF resources must be used to (1) help long term welfare recipients find the kind of employment that can provide sufficient income to sustain their families and (2) provide supports to families who are poor despite work. Restrictions on education and training should be ended or reduced.
- E. There are questions about how New York is using some of its TANF fund. Language should be included in the federal law to bar states from supplanting state dollars with federal TANF funds. This would also make NY's TANF funds to go a lot farther in helping to meet the needs of low-income families.

- F. NY's experience at the county level -- with wide variations in terms of who is eligible for and actually receiving supportive services such as child care and transportation -- as well as parallel types of experiences in other states with county devolution suggest that there is a need for some federal statutory language regarding the level of accountability, public participation and reporting that must be in place if a state devolves the allocation of all or part of its TANF block grant to the county level.

- G. The fact that there is activity at the federal level on reauthorization should not slow down efforts to improve the NY program. Some areas of concern to advocates include the need for better screening and assessment tools (and their usage); need for greater uniformity of services and supports across counties; need for more intensive services for families with barriers; and the concerns related to the upcoming requirement that families will have to reapply for benefits under the state program when they hit 60 months on TANF, rather than simply being transferred to the state program.

