

Comments to the
U.S. Department of Health and Human Services
Regarding the Reauthorization of the Temporary
Assistance for Needy Families
(TANF) Block Grant

by the Center for Law and Social Policy

November 30, 2001

Center for Law and Social Policy
CLASP

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Thank you for seeking comments concerning reauthorization of the Temporary Assistance for Needy Families (TANF) Block Grant and related programs. TANF reauthorization provides an important opportunity to take stock of the nation's experience since 1996, to consider where progress has and has not been made, and to articulate goals and strategies for the next round of reform efforts. In this letter, we offer an overview of some of the key lessons we draw from the experience since 1996, and then highlight a set of priority areas for consideration in reauthorization.

I. Background: The TANF Experience

In this section, we summarize some of the most significant developments since 1996. Our recommendations for changes to the statute are included in **Section II. Framework and Recommendations for the Future**, page 14.

Caseload Levels and Child Poverty

Since the law was enacted, both the TANF assistance caseload and the nation's child poverty rate have fallen significantly. However, participation in TANF assistance fell much more rapidly than child poverty declined. Since 1994, there has been an historically unprecedented decline in the number of families receiving assistance. In early 1994, five million families were receiving AFDC. The number fell to 4.4 million by the time the 1996 law was enacted, and then dropped to 2.1 million by March 2001.¹ (Due to lags in data reporting and publication, we do not yet know whether caseloads have begun to rise since that time.) Part of the caseload decline is clearly due to reduced need. Child poverty fell from 21.8% in 1994 to 16.2% in 2000.² However, participation in welfare fell much more rapidly than child poverty. In 1994, 62% of poor children were receiving AFDC assistance; by 1999, only 40% of poor children were receiving TANF assistance.³

Employment and Earnings

¹ U.S. Department of Health and Human Services, "U.S. Welfare Caseloads Information: January - September, 2000," Available online: <http://www.acf.dhhs.gov/news/tables.htm>

² Joseph Dalaker, "Poverty in the United States: 2000," *Current Population Reports*, (Washington, DC: U.S. Census Bureau, September 2001), Available online: <http://www.census.gov/prod/2001pubs/p60-214.pdf>

³ U.S. Department of Health and Human Services, "Indicators of Welfare Dependence," *Annual Report to Congress*, (March 2001), A-9.

There has been a large increase in employment among low-income single mothers. Studies of families who have left welfare have consistently found that about 60% of leavers are working, with an even larger share report having worked at some point since leaving assistance. The share of adults working while receiving TANF assistance increased from 8% in 1994 to 28% in 1999.⁴ (Part of the explanation for this increase in employment among recipients is that, under TANF, most states have liberalized the rules for reducing assistance when a family has earnings; as a result, a family is more likely to retain eligibility when a parent enters a low-wage job.) And, Census Bureau data also point to a large increase in employment among low-income female-headed families in recent years. For families with incomes below 200% of poverty, between 1994 and 1999, employment rates stayed essentially flat for married mothers but grew by thirteen percentage points for single mothers. As a result, 59% of single mothers in families with incomes below 200% of poverty were working in 1999, versus 43% of married mothers.⁵

Much of the employment has been in low-wage jobs, often without employer-provided benefits. For working adults receiving assistance, earnings averaged \$597.97 per month in FY 99.⁶ Leavers studies also report generally low wages and earnings for those who are employed after leaving assistance. According to the Urban Institute's Nation Survey of America's Families, median wages for recent welfare leavers in 1999 were \$7.15 an hour.⁷ State studies typically report wages at or in that range. A new CLASP review of more than 30 recent leavers studies found that median wages ranged from \$6.00 to \$8.47 an hour, while median first-quarter earnings ranged from \$1,884 to \$3,416, with most states showing median quarterly earnings of \$2,000 to \$2,500.⁸ Five states provided the average annual earnings level for leavers continuously employed since leaving, and in no case did the average earnings exceed the poverty guideline for a family of three.⁹ Furthermore, only about half of employed leavers work in jobs which offer paid vacations, and even fewer have paid sick leave. Only one-quarter receive employer-sponsored health insurance.¹⁰

There is some earnings growth over time, but so far, earnings remain low for most of the affected families. The fact that many families are entering low-wage employment was not unexpected, because a strong focus in TANF implementation was to encourage parents to enter employment as rapidly as possible, even at low wages, with the hope that earnings would grow over time. A limited number of states have reported longitudinal data for families leaving welfare and entering employment. From those data, it looks like

⁴ U.S. Department of Health and Human Services, "Temporary Assistance for Needy Families (TANF) Program," *Third Annual Report to Congress*, (August 2000), Available online: <http://www.acf.dhhs.gov/programs/opre/annual3.doc>

⁵ Ibid.

⁶ U.S. Department of Health and Human Services, "Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 1999," Available online: <http://www.acf.dhhs.gov/programs/opre/characteristics/fy99/analysis.htm>

⁷ Pamela Loprest, *How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers*, (Washington, DC: The Urban Institute, April 2001), 3. Available online: http://newfederalism.urban.org/pdf/anf_b36.pdf

⁸ Elise Richer, Steve Savner, and Mark Greenberg, *Frequently Asked Questions about Working Welfare Leavers*, (Washington, DC: Center for Law and Social Policy, *forthcoming*).

⁹ Ibid.

¹⁰ Ibid.

earnings do increase after leaving assistance, but remain low. CLASP's review of recent leavers' studies found that, in most states, earnings in the fourth quarter after exit grew by only a few hundred dollars when compared to earnings in the first quarter.¹¹ There are little data yet available showing long-term earnings changes for TANF leavers. A study done in Wisconsin which tracked families who left welfare in 1995 found similar quarterly earnings growth, but larger annual earnings growth. They found that median earnings (in 1998 dollars) were \$8,608 in the first year after leaving, \$9,627 in the second year, and \$10,924 in the third year.¹² Despite the growth over this period, the actual figures remain low, never coming close to the poverty line for a family of three.

TANF's Role in Affecting the Employment Outcomes

TANF played an important role in the growth of employment among single mothers, but was not the only factor. It is probably impossible to isolate the independent role of TANF in the increase in employment among single mothers. The growth in employment of low-income single mothers with young children began between 1992 and 1993. During the 1990s, a set of factors contributed to employment growth for single mothers: the strong national economy, the expansion of the Earned Income Tax Credit, increased availability of child care subsidies, expansion of health coverage for children, the minimum wage increase, and improved child support enforcement. There seems to be a consensus among researchers that welfare reform efforts played an important role, with the effects more pronounced in latter years.¹³ Other factors occurring at the same time all pushed in the same direction, and we don't know how the same policies would have worked in a different economy, or how one component would have worked without the others.

The "TANF effect" involved both additional requirements and a large infusion of funds to states making it possible to increase services. When states implemented TANF, they generally expanded requirements to participate in work-related activities; increased penalties for failure to comply with such requirements; restricted access to education and training; provided increased income support for families with earnings; liberalized program asset requirements; broadened eligibility for two-parent families; imposed time limits on assistance; and expanded the availability of "transition" benefits for families leaving assistance.¹⁴ Apart from formal rules, state agencies often emphasize that there has been a fundamental change in the basic orientation of their systems, as the principal focus shifted from providing income support to an emphasis on requiring and supporting employment.

¹¹ Ibid.

¹² Cancian, et al., *Before and after TANF: The Economic Well-being of Women Leaving Welfare*, (Madison, Wisconsin: University of Wisconsin, Institute for Research on Poverty, May 2000), 36. Available online: <http://www.ssc.wisc.edu/irp/sr/sr77.pdf>

¹³ Rebecca M. Blank, "Declining Caseloads/Increased Work: What Can We Conclude About the Effects of Welfare Reform?," *FRBNY Economic Policy Review*, (New York: Federal Reserve Bank of New York, September 2001), Available online: www.newyorkfed.org/maghome/econ_pol/2001/801rbla.pdf

¹⁴ State Policy Documentation Project, joint project of the Center for Law and Social Policy and the Center on Budget and Policy Priorities, Available online: <http://www.spdp.org>

TANF implementation also meant an infusion of additional funds for states. Since funding levels were generally set to reflect welfare caseloads from the early mid-1990s, and caseloads began falling in 1994, TANF implementation resulted in increased federal funds for states. The General Accounting Office estimated that if all states had participated in TANF throughout 1997 and had met applicable maintenance of efforts, states would have had an additional \$4.7 billion above the funding level that they would have had under prior law.¹⁵ And, since block grant funding remained constant as caseloads declined, the funds potentially available for services steadily increased over time. This made it possible for states to expand employment-related services, child care, and other important services. Thus, both additional requirements and expanded services resulting from additional funds are each part of the “TANF effect.”

State TANF choices may have also played a role in increasing the likelihood that families attaining employment entered low-wage jobs. In implementing TANF, many states were guided by a “work-first” philosophy, in which programs emphasized rapid employment entry. The guiding perspective was that any job could be a stepping stone to a better job, that job placement efforts should not make special efforts to link parents with better jobs, and that education, training, and skill-building for the unemployed should be discouraged. Nationwide, by FY 2000, only about 1% of TANF funds were being used for education and training. However, new evidence from the five-year impacts in the National Evaluation of Welfare-to-Work Strategies indicates that a program placing a stronger emphasis on job quality performed better than those that emphasized taking any job. In the NEWWS evaluation, the highest performing program (in Portland, Oregon) placed a strong emphasis on employment, but relied on a more individualized, mixed strategy combining job search and education and training, and, rather than urging participants to take any jobs, the program expressly focused on helping participants find better jobs.¹⁶

Participation in Work Supports

The fact that many exiting families have low earnings underscores the importance of access to “work supports” — Food Stamps, Medicaid, child care assistance and child support services — for families leaving assistance. However, participation in Food Stamps and Medicaid sharply declines after families leave assistance, most working leavers do not receive child care assistance, and most leavers do not receive child support. In a set of eight leavers studies funded by DHHS, the share of single parents receiving food stamps in the quarter after leaving TANF ranged from 33% to 57% (and was 9% in one additional county). The share of adults receiving Medicaid in

¹⁵ U.S. General Accounting Office, *Welfare Reform: Early Fiscal Effects of the TANF Block Grant*, GAO/AIMD-98-137, (Washington, DC, August 1998), 11. Available online: <http://www.gao.gov>.

¹⁶ Hamilton, et al., “How Effective are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs,” Executive Summary, *National Evaluation of Welfare-to-Work Strategies*, (New York: Manpower Demonstration Research Corporation, November 2001), Available online: http://www.mdrc.org/Reports2001/NEWWS_FinalReport/NEWWS_FinalReport_ES.htm

the quarter after leaving was between 41% and 57% in seven of nine sites.¹⁷ There are indications that factors affecting the drops in participation include eligibility rules, lack of awareness of continued eligibility, and administrative practices that sometimes resulted in closing Food Stamp and Medicaid cases when TANF cases were closed.¹⁸

There are also indications that families who could benefit from child care assistance after leaving welfare often do not receive such assistance. In state leavers studies, only about one-third or less of working leavers report receiving child care subsidies,¹⁹ despite the fact that 40% of working low-income single parents (income below 200% of poverty) with children under age 13 have child care costs, averaging \$217/month and representing 16% of family income.²⁰

Child support collection has significantly improved in recent years. The Urban Institute reports that when poor families receive child support, the support represents 26% of family income.²¹ However, despite these improvements, federal administrative data indicate that some child support is collected for only 44% of welfare leavers participating in the child support program. Moreover, about half of support arrears collected on behalf of leavers are not paid to the family, but instead are retained by the government to recover prior assistance costs. Overall, more than half of the support retained by government is collected for welfare leavers, rather than families currently receiving cash assistance.²²

Families Still Receiving Assistance

Families still receiving assistance are a heterogeneous group, but generally have more serious barriers to employment than those who have left assistance. Most families now receiving assistance are either working or do not include an adult receiving assistance. In FY 99, 28% of adults receiving assistance were working, and 29% of families receiving assistance were “child-only” cases, i.e., cases in which no adult received assistance because the child is living with a grandparent or other non-parent

¹⁷ Gregory Acs and Pamela Loprest, *Initial Synthesis Report of the Findings from ASPE's 'Leavers' Grants*, (Washington, DC: The Urban Institute, January 2001), Available online: <http://aspe.hhs.gov/hsp/leavers99/synthesis01/>.

¹⁸ Janet Quint and Rebecca Widom, *Post-TANF Food Stamps and Medicaid Benefits: Factors That Aid or Impede Their Receipt*, (New York: Manpower Demonstration Research Corporation, January 2001), Available online: <http://www.mdrc.org/Reports2000/UrbanChange/Post-TANFFoodStamp/PostTANFBenefits2000.pdf>

¹⁹ Rachel Schumacher and Mark Greenberg, *Child Care After Leaving Welfare: Early Evidence from State Studies*, (Washington, DC: Center for Law and Social Policy, October 1999), 10. Available online: <http://www.clasp.org/pubs/childcare/Child%20Care%20after%20Leaving%20Welfare.PDF>

²⁰ Linda Giannarelli and James Barsimantov, *Child Care Expenses of America's Families*, (Washington, DC: The Urban Institute, 2000), 14.

²¹ Elaine Sorensen and Chava Zibman, *Child Support Offers Some Protection Against Poverty*, (Washington, DC: The Urban Institute, March 2000), 2. Available online: <http://newfederalism.urban.org/pdf/Anf31.pdf>

²² U.S. Department of Health and Human Services, Office of Child Support Enforcement, “FY2000 Preliminary Data Preview Report,” (July 2001), Available online: <http://www.acf.dhhs.gov/programs/cse/pubs/2000/datareport/>

relative, the parent is disabled and receiving Supplemental Security Income, or the parent is an ineligible alien or under sanction.²³

State and local agencies often note that many of the families still receiving assistance are likely to have serious employment barriers. It is difficult to provide a precise picture, because the types of problems often identified — health and mental health, domestic violence, substance abuse, limited or no English proficiency, severe basic skills deficits — are not the types of information routinely collected or reported in program administrative data. The Urban Institute reports that among adults receiving assistance in 1999, 44% had less than a high school education, 38% either had poor health, a health condition preventing work, or very poor mental health; and 27% last worked three or more years ago. Most (56%) of those with no identified barrier to work were working; in contrast, only 20% of those with two or more barriers to work were working.²⁴ A recent GAO study reported that 44% of adults receiving assistance had physical or mental impairments.²⁵ Six to twenty percent of adults on the TANF rolls are estimated to struggle with substance abuse.²⁶ Often substance abuse co-occurs with other problems, especially mental health problems.²⁷ A review of the literature concludes that recent or current rates of domestic violence among welfare recipients are generally in the 20-30% range. Lifetime prevalence of such violence tends to be in the 50-60% range.²⁸

From available research, it is unclear whether the incidence of barriers is more severe now than in 1996. On the one hand, the Urban Institute found that the incidence of barriers in 1999 did not look substantially different from 1997, and the GAO found that the share of adults with impairments did not substantially change from 1994 to 1999. However, states consistently report that the families receiving assistance now do have more serious barriers, and it is possible that the instruments used in the national surveys are not adequately identifying key barriers. Moreover, the research results are puzzling, because leavers studies consistently show that families still receiving assistance are much more likely to have multiple barriers to employment than families who have left, and,

²³ U.S. Department of Health and Human Services, “Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 1999,” Available online:

<http://www.acf.dhhs.gov/programs/opre/characteristics/fy99/analysis.htm>

²⁴ Sheila R. Zedlewski and Donald Alderson, *Do Families on Welfare in the Post-TANF Era Differ from Their Pre-TANF Counterparts?*, (Washington, DC: The Urban Institute, February 2001), 20. Available online: at <http://newfederalism.urban.org/html/discussion01-03.html>

²⁵ U.S. General Accounting Office, *Welfare Reform: More Coordinated Federal Effort Could Help States and Localities Move TANF Recipients With Impairments Toward Employment*, GAO-02-37, (Washington, DC, October 31, 2001), 3. Available online: <http://www.gao.gov>

²⁶ Amanda Barusch, Mary Jane Taylor, and Soleman Abu-Bader, *Understanding Families with Multiple Barriers to Self Sufficiency*, (Salt Lake City: University of Utah, Social Research Institute, 1999), 21; Sandra K. Danziger, Ariel Kalil, and Nathaniel J. Anderson, “Human Capital, Physical Health, and Mental Health of Welfare Recipients: Co-occurrence and Correlates,” *Journal of Social Issues*, Vol. 56,(4), (Malden, MA: Blackwell Publishers, 2000), 635-654; Rukmalie Jayakody, Sheldon Danziger, and Harold Pollak, “Welfare Reform, Substance Use and Mental Health,” *Journal of Health Politics, Policy and Law*, Vol. 25(4), (Durham, NC: Duke University Press, 2000).

²⁷ Danziger, Kalil, and Anderson, “Human Capital, Physical Health, and Mental Health of Welfare Recipients: Co-occurrence and Correlates,” 2000; Jayakody, Danziger, and Pollak, “Welfare Reform, Substance Abuse, and Mental Health,” 2000.

²⁸ Richard M. Tolman and Jody Raphael, “A Review of Research on Welfare and Domestic Violence,” *Journal of Social Issues*, Vol. 56(4), (Malden, MA: Blackwell Publishers, 2000), 655-82.

historically, research indicated that applicants had fewer barriers than did recipients. In any case, for many states, the key question isn't really whether the prevalence of these problems has increased, because five years ago, families with multiple barriers were typically exempt from program requirements. Now, these families are subject to work and time limit requirements, and states need to develop appropriate service strategies to work with them.

Families Not Receiving Assistance and Not Working

Many leavers with serious employment barriers are not working. About 40% of families who have left assistance are not working. Generally, there is less information about these families, and it would be helpful to have a clearer picture of why they left and how they are managing. However, there are indications that, as compared to working leavers, the nonworking leavers are likely to have more serious employment barriers — e.g., less education and work history, greater likelihood of illness or disability. They are also likely to be poorer than working leavers.²⁹

In some states, sanctions have played a key role in caseload decline. Sanctioned families are more likely to have serious employment barriers. States vary in their extent of sanctioning; in some leavers studies, only a small share of case closures are attributable to sanctions and, in other studies, 25% or more of case closures are for such reasons. Studies of sanctioned families consistently report that such families are likely to have less education and work history than other leavers, and that they are less likely to be working and more likely to have lower earnings when they do work.³⁰ Some states have responded to these concerns by developing “second look” procedures before imposing sanctions or additional efforts to engage in outreach to sanctioned families. However, the TANF law does not actively encourage such efforts, and the federal government does not collect information on state practices to avoid terminations of assistance to families with multiple employment barriers.

Impacts on Children

It is not yet clear how TANF implementation has affected children, but prior research suggests that there may not be benefits unless there are increases in family income. Recent work by the Manpower Demonstration Research Corporation, looking at pre-TANF welfare-work programs, found that while many programs raised employment rates, only some raised income, because gains in employment were often offset by losses in benefits. In those programs where employment was associated with increased family income, MDRC found evidence of positive effects on childrens' school achievement. In addition, two of three programs that raised incomes found increases in positive behaviors by children, and one found a decline in problem behaviors. In contrast, programs in which increased employment did not translate to increased incomes had mixed effects,

²⁹ Pamela Loprest, *Families Who Left Welfare: Who Are They and How Are They Doing?*, (Washington, DC: The Urban Institute, 1999).

³⁰ Heidi Goldberg and Liz Schott, *A Compliance-Oriented Approach to Sanctions in State and County TANF Programs*, (Washington, DC: Center on Budget and Policy Priorities, October 2000), 7, 10. Available online: <http://www.cbpp.org/10-1-00sliip.pdf>

and no clear positive impact on childrens' well-being. The authors conclude: "[W]e found that programs that provided earnings supplements had consistently positive impacts on children's achievement. Raising employment without increasing income may not be sufficient to boost the healthy development of children in low-income families."³¹

Even when programs have raised family incomes, there are concerns that welfare-work programs have had negative effects on adolescents. It is not yet clear whether these effects could be reduced or reversed by expanded services for adolescents.

Even when programs have raised family incomes, there are concerns that welfare-work programs have had negative effects on adolescents; reauthorization presents an opportunity to consider whether there are ways to mitigate any problems in this area. A recent Child Trends review of welfare-work evaluations notes that "...adolescent children of parents enrolled in welfare-to-work programs showed increased behavioral problems and lower academic achievement."³²

This concern, more broadly framed, has been raised by Wade Horn, DHHS Assistant Secretary, when he spoke at a September 2001 DHHS conference and asserted that the top question to ask of welfare reform is "are children better off?" Assistant Secretary Horn went on to note that if what we view as "positives don't translate into benefits for kids, that's a problem." He also asserted that generally with respect to welfare changes one should "proceed cautiously" in order to avoid "unintended negative consequences."

In light of the available research findings, Child Trends has made four broad welfare policy recommendations: (1) decrease the number of changes in adolescents' lives when parents move from welfare to work and this might include parental flexibility in job choice and limiting the number of required hours of work; (2) increase child care – after school for youth and child care for their siblings; (3) reduce hours of youth work sensitively, e.g. perhaps increase income supports at that time; and (4) provide guidance to parents. Child Trends cautions that policy changes need to be sensitive to each family's realities. Negative impacts on adolescents may be a story of welfare-work programs' "unintended consequences," and we now have the opportunity to further consider and address it.

There are also concerns that the implementation of TANF may have increased child maltreatment, particularly child neglect, and that children in more disadvantaged families are at greatest risk.³³ National data on substantiated maltreatment indicate that child maltreatment rates have decreased since 1993,³⁴ but that foster care caseloads have

³¹ Pamela A. Morris, et al., *How Welfare and Work Policies Affect Children: A Synthesis of Research*, (New York: Manpower Demonstration Research Corporation, March 2001), 63. Available online:

<http://www.mdrc.org/Reports2001/NGChildSynth/NG-ChildSynth.pdf>

³² Jennifer L. Brooks, Elizabeth C. Hair, and Martha J. Zaslow, *Welfare Reform's Impact on Adolescents: Early Warning Signs*, (Washington, DC: Child Trends, July 2001), Available online:

<http://www.childtrends.org/PDF/WelfareEditBrief.pdf>

³³ For a synthesis of the research on this topic see, Rutledge Q. Hutson, *Red Flags: Research Raises Concerns About the Impact of Welfare Reform on Child Maltreatment*, (Washington, DC: Center for Law and Social Policy, October 2001), Available online: <http://www.clasp.org/pubs/TANF/redflags.pdf>

³⁴ U.S. Department of Health and Human Services, Administration on Children, Youth and Families, Children's Bureau, *Ten Years of Reporting: Child Maltreatment 1999, 2001*, (Washington, DC: U.S. Government Printing Office, 1999, 2001).

continued to increase over this time period³⁵ — suggesting that the impact of TANF on child maltreatment is not yet clear. On the other hand, an evaluation of Delaware’s AFDC waiver, which included many provisions similar to those states have adopted under TANF, found a 45% higher rate of substantiated maltreatment among waiver participants in the third year of follow-up, compared to those who continued to participate in the traditional AFDC program.³⁶ The evaluation suggested that the increased rates of maltreatment were driven by increased rates of neglect and that the increases were most concentrated among more disadvantaged families. These findings are consistent with other research which shows that loss of welfare income is associated with increased involvement with child protective services and with slower rates of reunification for children who have previously been removed from their homes.³⁷

The Urban Institute conducted case studies in twelve states, in part to assess whether the number and nature of child welfare cases had changed during the implementation of TANF.³⁸ While the researchers “found no evidence to suggest that welfare reform has significantly increased the number of families referred to child welfare agencies,” the large majority of child welfare administrators and workers interviewed believed that welfare reform will have a significant negative effect on child welfare — that “it’s too early” to see such results. The case studies also provide anecdotal evidence that some negative impacts of TANF on child welfare may already be occurring. First, child welfare officials in five of the studied states reported an increased number of neglect cases based on “inadequate supervision.” Although only one of the study states was able to quantify the extent of this change, that state reported a 150% increase in the number of such cases. Second, child welfare officials in six of the states reported that more parents were surrendering their children to the child welfare agency or delaying reunification because they were “overwhelmed by the stress of poverty coupled with welfare requirements.” Finally, many child welfare workers reported that TANF requirements, particularly work requirements, frequently conflicted with services and court hearings required by the child welfare system, leading a number of parents to believe they must choose between receiving cash assistance and keeping their children. While the evidence is not conclusive, taken together, these findings raise concern that the implementation of TANF is increasing the risk of child maltreatment, particularly neglect, and that the increased risk is most pronounced for families who are already struggling.

The implementation of TANF requirements may be making it more difficult for kinship caregivers to provide for children in need, causing more children to end up

³⁵ 2000 *Green Book*, (Washington, DC: Committee on Ways and Means, U.S. House of Representatives, 2000), 718.

³⁶ David J. Fein and Wang S. Lee, *The ABC Evaluation: Impacts of Welfare Reform on Child Maltreatment*, (Cambridge, MA: Abt Associates, Inc., 2000), 15. Available online: <http://www.abtassoc.com/reports/welfare-download/malpap-2.pdf>

³⁷ Kristen Shook, “Does the Loss of Welfare Income Increase the Risk of Involvement with the Child Welfare System?,” *Children and Youth Services Review*, Vol. 21(9-10), (Elsevier Science, 1999), 781-814.

³⁸ Rob Geen, Lynn Fender, Jacob Leos-Urbel, and Teresa Markowitz, *Welfare Reform’s Effect on Child Welfare Caseloads*, (Washington, DC: The Urban Institute, February 2001), Available online: <http://newfederalism.urban.org/html/discussion01-04.html>

in foster care. An increasing number of children (2.16 million in 2000)³⁹ are being cared for solely by grandparents and other relatives, often because their parents are unable or unwilling to care for them. Although some of these children are involved with the child welfare system, many more of these children are able to remain outside of the child welfare system because their relatives are able to care for them. Kin caregivers who are playing this role often need some help to adequately provide for the children.

Approximately 420,000 children living with relatives received TANF child-only grants in 1999. Nearly 80,000 more lived in relative-headed households that included the relative caregiver in the grant.⁴⁰ Relative caregivers who rely on TANF to help care for children are often in a Catch-22 situation. If the relative caregiver needs support herself and is included in the grant, federal time limits and work requirements apply, which then may make it difficult or impossible for the relative to provide a stable home for the child and to care for special needs that the child may have. On the other hand, a relative caregiver may not be able to support the child adequately with only a typical child-only grant. In either case, the child may end up in foster care.

Teen Pregnancies and Family Structure

During the 1990s, teen birth rates declined and the share of children born out of wedlock appeared to level off, though remaining at about one-third of all births.

Between 1991 and 2000, the nation's teen birth rate dropped 22%.⁴¹ The teen birth rate in 2000 was 48.7 births per 1000 women aged 15-19, a record low for the nation, though still high in comparison to many other countries, and still involving nearly 500,000 births to teenagers.⁴² The decline in the rate of teen births is significant, both because of concerns about outcomes for children born to teenagers and because nearly 80% of teen births are out-of-wedlock births.⁴³ As in other areas, it is difficult to determine the role of TANF in contributing to the decline in teen births. On one hand, the trend began well before implementation of the 1996 law. However, almost all states are using some TANF funds for teen pregnancy prevention initiatives. These funds have been used to create or expand after-school programs, pregnancy prevention programs, stay-in-school programs, and youth development initiatives aimed at reducing teen pregnancies and promoting stronger outcomes for low-income teens.

During the 1990s, the birth rate for unmarried women declined slightly, and the share of births to unmarried women appears to have flattened. At the peak year, 1994, the birth

³⁹ U.S. Census Bureau, *America's Families and Living Arrangements, March 2000*, (Washington, DC: U.S. Census Bureau, June 29, 2001), Available online: <http://www.census.gov/population/socdemo/hh-fam/p20-537/2000/tabC2.pdf>

⁴⁰ U.S. Department of Health and Human Services, "Temporary Assistance for Needy Families (TANF) Program," *Third Annual Report to Congress*, (August 2000), Available online: <http://www.acf.dhhs.gov/programs/opre/annual3.doc>

⁴¹ Joyce A. Martin, Brady E. Hamilton, and Stephanie J. Ventura, "Births: Preliminary Data for 2000," *National Vital Statistics Report*, Vol. 49(5), (Center for Disease Control and Prevention, July 24, 2001), 3. Available online: http://www.cdc.gov/nchs/data/nvsr/nvsr49/nvsr49_05.pdf

⁴² Stephanie J. Ventura, T.J. Matthews, and Brady E. Hamilton, "Births to Teenagers in the United States, 1940-2000," *National Vital Statistics Report*, Vol. 49(10), (Center for Disease Control and Prevention, September 25, 2001), 1. Available online: http://www.cdc.gov/nchs/data/nvsr/nvsr49/nvsr49_10.pdf

⁴³ *Ibid.*, 4.

rate for unmarried women aged 15-44 was 46.9 per 1000; preliminary data indicate that the rate declined to 45.2 in 2000.⁴⁴ After many years of growth, the percentage of births to unmarried women has hovered around 32-33% since 1994. Again, the change was evident before enactment of the 1996 law. (The National Center for Health Statistics reports that because of underreporting in some states, the actual peak would have been in the early 1990s rather than 1994 had numbers been fully reported⁴⁵.)

In the late 1990s, the share of children living with single mothers stopped growing, and may have begun to decline.⁴⁶ Since the mid-1990s, the share of children living with two parents has increased, and the share of African American children living with two married parents has increased significantly.⁴⁷ The decrease in the proportion of children living with single mothers has been greatest among low-income children.⁴⁸ However at least one analyst points out that it is premature to attribute these changes in family household composition to changes in welfare policy, since the changes were not more pronounced in states where, by some accounts, welfare reform was pursued most rigorously.⁴⁹

The large majority of states have made efforts to pursue the family formation goals of TANF — primarily through removing policy barriers that discourage two-parent families, providing programs to reduce teen pregnancies and out-of-wedlock childbearing, and strengthening relationships in fragile families. In addition, four states have committed TANF funds to directly promote marriage and reduce divorce.

⁴⁴ Martin, Hamilton, and Ventura, “Births: Preliminary Data for 2000,” 4.

⁴⁵ Stephanie J. Ventura and Christine Bachrach, “Nonmarital Childbearing in the United States, 1940-1999,” *National Vital Statistics Reports*, Vol. 48(16) (revised), (Center for Disease Control and Prevention, October 18, 2000).

⁴⁶ Gregory Acs and Sandi Nelson, “*Honey, I’m Home*” *Changes in Living Arrangements in the Late 1990s*, (Washington, DC: The Urban Institute, June 2001); Richard Bavier, *Recent Increases in the Share of Young Children Living with Married Mothers*, draft paper presented at Brookings Seminar, October 15, 2001; Allen Dupree and Wendell Primus, *Declining Share of Children Lived with Single Mothers in the Late 1990s*, (Washington, DC: Center on Budget and Policy Priorities, June 15, 2001).

⁴⁷ Bavier, *Recent Increases in the Share of Young Children Living with Married Mothers*, 2001; Dupree and Primus, *Declining Share of Children Lived with Single Mothers in the Late 1990s*, 2001.

⁴⁸ Acs and Nelson, “*Honey, I’m Home*” *Changes in Living Arrangements in the Late 1990s*, 2001; Dupree and Primus, *Declining Share of Children Lived with Single Mothers in the Late 1990s*, 2001.

⁴⁹ Bavier, *Recent Increases in the Share of Young Children Living with Married Mothers*, 2001.

Father Engagement and Child Support

While states are expanding services to poor fathers of children receiving TANF assistance, most poor fathers do not receive services, and, when they pay support, their children often do not benefit.

Like most of the mothers participating in the child support program, many of the fathers are poor.⁵⁰ While state child support programs have traditionally limited their role to establishing paternity and securing child support, a number of state programs are broadening their focus by funding a limited number of public and community-based initiatives to help poor fathers improve their employment and earnings prospects and to increase paternal involvement. In addition, a number of states are beginning to reexamine their child support arrearage policies. However, few poor fathers participate in fatherhood programs or receive special attention from child support or welfare programs.

Research from the Parents' Fair Share demonstration and other research indicate that many poor fathers are reluctant to pay child support or participate in fatherhood programs when their support payments do not benefit their children, but instead are retained by the government as recovered welfare costs.⁵¹ Early findings from the Vermont and Wisconsin pass-through demonstrations indicate a modest increase in the amount of support paid by fathers and the number of fathers that paid when the support was received by their children.⁵² In addition, the Wisconsin study found a substantial difference in payments among parents who were new to the welfare system and had not paid support under the old rules: among those cases in which the mother had not received AFDC during the prior two years, 58% of fathers in the full pass-through group paid support, compared to 48% of fathers in the partial pass-through group. Evidence in the Wisconsin study also hints at less conflict between the parents, more satisfaction with child care arrangements, and improved adolescent outcomes when support is paid to the family.

⁵⁰According to the Urban Institute, 40% of custodial mothers were poor, while 23% of non-custodial fathers were poor in 1997. Elaine Sorensen and Chava Zibman, *A Look at Poor Dads Who Don't Pay Child Support*, (Washington, DC: The Urban Institute, September 2000), 3. Available online: <http://newfederalism.urban.org/html/discussion00-07.html>. Mothers (and presumably fathers) participating in the IV-D child support program are disproportionately low income. In 1995, only 16% of families in the IV-D program had incomes at or above 300% of poverty, while 42% of non-participating families had incomes at or above 300% of poverty. Matthew Lyon, *Characteristics of Families Using IV-D Services in 1995*, (Washington, DC: U.S. Department of Health and Human Services, May 1999), Available online: www.acf.dhhs.gov/programs/cse/

⁵¹Fred Doolittle et al., *Building Opportunities, Enforcing Obligations: Implementation and Interim Impacts of Parents Fair Share*, (New York: Manpower Demonstration Research Corporation, December 1998), 49. Available online: www.mdr.org/Reports/PFS-BOEO.pdf

⁵²Dan Bloom et al., *WRP: Implementation and Early Impacts of the Vermont Welfare Restructuring Project*, (New York: Manpower Demonstration Research Corporation, October 1998), Available online: www.mdr.org/Reports/VermontWRP/wrpex-su.htm; Daniel R. Meyer and Maria Cancian, *W2 Child Support Demonstration Evaluation: Phase I: Final Report*, (Madison, Wisconsin: University of Wisconsin, Institute for Research on Poverty, April 2001), 34. Available online: <http://www.ssc.wisc.edu/irp/csde/phase1-tocs.htm>

The Use of TANF Funds

The TANF caseload decline has made it possible for states to make a major redirection of resources to child care and other work and family supports. As cash assistance caseloads fell, states were able to use TANF funds in other ways; by FY 2000, only 43% of TANF and maintenance-of-effort funds were being used for cash assistance costs. The clearest response to freed-up funds was to commit resources to child care. In FY 2000, about \$3.9 billion in TANF funding was redirected to child care, an amount larger than the entire federal child care block grant.⁵³ TANF funding has made it possible for states to undertake initiatives such as creating or expanding refundable Earned Income Tax Credits, initiating programs of Individual Development Accounts to promote asset formation, expanding services for victims of domestic violence and for families in need of substance abuse and mental health treatment, increasing services for non-custodial fathers, expanding “diversion” assistance for families in need of short-term, emergency help, and increasing services to prevent child abuse and neglect, to support families and avoid unnecessary foster care, as well as to reunify families when out-of-home placements are necessary.

In some states, TANF funds have been used to supplant other state spending. However, not all of the funds that become available due to caseload declines were redirected to other low-income benefits and supports. A number of states used some of their TANF funds to “supplant” state spending, i.e., to use TANF funds to replace existing state expenditures for allowable activities under the TANF law. A recent ten-state analysis by the General Accounting Office found supplantation in nine of the ten states, with five of the ten having used between 15 percent and 25 percent of their annual block grants to finance state programs that had traditionally been financed with state dollars in the most recent year.⁵⁴ While this practice was legal, it meant that funds that could have been used to expand critical services for low-income families were instead diverted to other purposes in state budgets.

The existing federal reporting system does not provide a good picture of how funds are being used. Unfortunately, the current federal reporting structure does not provide a clear description of TANF spending; state plans often provide only cursory detail about state spending choices, and the broad categories in federal spending reports are not very informative. As a result, while the broad outlines of state spending choices may be apparent, it is often impossible to provide a clear picture of the choices states have made in their uses of TANF funds.

II. Framework and Recommendations for the Future

A Framework for Change

⁵³Rachel Schumacher, Mark Greenberg, and Janellen Duffy, *The Impact of TANF Funding on State Child Care Subsidy Programs*, (Washington, DC: Center for Law and Social Policy, September 2001), 7.

Available online: <http://www.clasp.org/pubs/childcare/TANFChildCareFullReport.pdf>

⁵⁴U.S. General Accounting Office, *Welfare Reform: Challenges in Maintaining a Federal-State Fiscal Partnership*, [GAO-01-828](http://www.gao.gov), (Washington, DC, August, 2001), 18. Available online: <http://www.gao.gov>

From examining the TANF experience since 1996, we believe it is possible to identify both goals for reauthorization and principles that can guide thinking about specific proposals.

In articulating goals, we do not mean to suggest that each of these should be expressly written into the statutory goals of TANF; we think that is one among several ways that they can be communicated, but it is important for Congress to find ways to articulate what it most hopes for states to focus on in the next period. Drawing from the TANF experience, we believe those goals should include:

- Reducing child and family poverty, by ensuring that employment translates to improved economic well-being and that states actively help those with the most serious barriers to enter stable employment;
- Improving the quality of jobs for low-income parents, by helping increase the share who are in jobs with higher pay, key benefits such as sick leave, vacation, and health care benefits, and adequate flexibility to meet family needs;
- Strengthening access to work supports, such as Food Stamps, Medicaid, child care, and child support, by families leaving TANF and by other low-income families. Recommendations regarding improving access to work supports are not included here because the needed changes in federal policy are generally outside of TANF. Nonetheless, we urge the Department to work with other agencies and with Congress to continue to improve work support programs and the ability of low-income families to access those benefits.
- Strengthening families, by efforts to support healthy marriages, help fragile families, end discrimination against two-parent families, and expand services that can help ensure that fathers help support and are engaged in the lives of their children;
- Increasing attention to the well-being of children in low-income families, when parents are and are not employed.

How should these goals be advanced in the block grant framework? From the experience since 1996, we draw five broad conclusions that inform many of our specific recommendations:

- **The level of funding is crucial in a block grant structure.** The existence of a block grant structure lets states flexibly redirect resources, but the actual amount of resources was critically important. States began implementing TANF with an infusion of new funds. Though funding was fixed, the continuing caseload decline gave states a steadily growing amount of highly flexible funding each year, as cash assistance spending fell from \$24 billion in 1994 to \$11 billion in 2000. The experience of states would have been fundamentally different had they been facing reduced funding or growing caseloads. Thus, in structuring reauthorization decisions, it is important to not ascribe to “flexibility” the progress that resulted from having higher levels of stable funding in which the funds effectively available for new initiatives grew each year.
- **For states to benefit from a block grant, it is important to allow flexible redirection of resources.** While there have been some “new ideas,” many of the state approaches under the block grant structure were already in place well before

1996. The virtue of the block grant was not necessarily that states generated new approaches, but rather that as caseloads declined, it allowed states to redirect resources flexibly as needed. Thus, a guiding principle in reauthorization should be that the basic block grant funds should not be earmarked or set aside for particular purposes, in order to ensure that states continue to have broad discretion in making allocation decisions.

- **Dedicated federal funding may be needed to spur innovation in key areas.** Despite having billions of dollars in freed-up funds, states have made only limited or minimal investments in some key areas, such as providing subsidized jobs to hard-to-employ recipients; developing employer partnerships for advancement initiatives; developing more effective ways of integrating adult education and workplace skills; providing second chance homes for teen parents; strengthening healthy marriages. In areas where states have not committed resources despite having significant surpluses, there is a strong case for the need for dedicated funding to promote desired activities, but such funding should be outside of and in addition to block grant funding levels, rather than earmarking or restricting existing funding.
- **Broad state flexibility needs to be linked with reasonable measures designed to assure that states are accountable for the appropriate use of funds and the fair treatment of low-income families.** Flexibility is not a goal in itself, but only a means to an end. In some instances, unrestricted flexibility has meant that states have, for example, restricted or denied assistance to families with the most serious employment barriers rather than actively working with those families, or used federal TANF funds to replace state funds so that state funds could be used for purposes unrelated to aiding low-income families. When there is clear evidence that states have failed to provide key safeguards or essential services despite having discretion and resources, it is appropriate for Congress to provide additional direction in reauthorization. A reasonable system of accountability should include: (1) public access to adequate information about how funds have been used and what results have been achieved; (2) measures to assure that funds are used for the purposes intended by Congress; and (3) protections to assure that low-income families whom the funds are largely intended to serve are treated fairly when they seek help.
- **Federal signaling plays an important role in a block grant structure.** Though the ability to impose direct requirements may be limited in a block grant structure, federal goals can be communicated in various ways: by the law's purposes; by its penalty and bonus structure; by the commitment of federal research and demonstration funding; by the state plan and reporting provisions. Many groups, including CLASP, believe that the strongest federal signal in early years of block grant implementation concerned the importance of caseload reduction, and that as caseloads fell, there was no clear federal signal as to what should be the next set of goals. As Congress reauthorizes the TANF structure, it is essential to clearly articulate the next set of goals, and to ensure that the law effectively communicates those signals to states.

Recommendations

Incorporating a Poverty Reduction Goal in TANF

Reauthorization provides an important opportunity for the Administration and Congress to communicate priorities for the next stage of state and local welfare reform initiatives. In doing so, we urge that one key message should be the need to broaden the focus of

state efforts from caseload reduction to efforts to reduce family poverty. **We recommend that a goal of poverty reduction be incorporated within the purposes of the law; that the high performance bonus provisions of the law include a measure of poverty reduction; and that state plans expressly discuss how states will use TANF and other resources in an effort to reduce child and family poverty.** In addition, many of our subsequent recommendations, relating to time limits, work requirements, sanctions, treatment of child support, and others, are all ones which we believe would contribute to the reduction of child and family poverty.

We want to emphasize that a concern about reducing child and family poverty does not mean a departure from emphasizing employment; rather, it means that employment should translate to improved economic well-being; that working with the hardest to employ is preferable to cutting off their assistance; and that TANF funds should be seen as part of an overall strategic effort to dramatically reduce child poverty in the United States. As noted, we have come to believe that the signaling effects of the federal law are very important in communicating messages to states and localities about desired goals and outcomes. The lack of any reference to addressing child poverty in the goals of TANF has been an unfortunate omission, and adding an explicit child poverty reduction goal would provide a valuable signal to states and communities about the challenge.

We understand that some states and observers have expressed concern that the available resources in TANF would not be sufficient to end child poverty, and that the responsibility for addressing child poverty should not be the sole responsibility of a state's TANF agency. We agree with both points. However, the fact that TANF funds are not sufficient to completely meet a goal should not keep us from explicitly identifying and attempting to make progress toward the goal, and we are not in any way suggesting that articulating a goal in a statute implies that this is the sole program or initiative to which the goal applies.

Funding

In addressing TANF funding, we recommend that the Administration focus on five principal points:

- **Sustain current TANF and maintenance-of-effort funding levels with inflation adjustments over the block grant reauthorization period;**
- **Incorporate a more effective contingency fund to address economic downturns;**
- **Provide additional funding to address inequities in the current funding formula;**
- **Establish safeguards against supplantation;**
- **Improve financial reporting by states.**

It is difficult to specify the “right” funding level for TANF, because the law’s purposes are broad and there are not clear ways to measure the extent to which they are being achieved. However, one clear indication that current funding is not sufficient is that, while progress has been made in some key areas, none of the goals have been fully reached, and additional funding would help in coming closer to attaining each goal.

While welfare caseloads have fallen sharply since 1996, the goals of TANF involve far more than reducing welfare caseloads, and in every area of the law's concerns — helping low-income families so that children can be raised in their homes, promoting work and job preparation, reducing the need for government assistance, reducing out-of-wedlock pregnancies, supporting two-parent families and marriage — states and communities would benefit from increased resources. Accordingly, we support the proposal by the American Public Human Services Association that TANF funding be sustained with inflation adjustments. Moreover, in sustaining current funding, it is also important to ensure that maintenance-of-effort requirements are not reduced. Since 1996, maintenance-of-effort requirements have been essential in preserving state fiscal contributions to TANF efforts, and from the standpoint of providing services and supports for low-income families, a reduction in MOE requirements would have the same effect as a reduction in TANF block grant funding.

We urge that a restructured and improved contingency fund be included in the Administration's reauthorization proposal. In 1996, one key question concerning enactment of a block grant structure involved how such a structure would perform during an economic downturn. To respond to concerns about the fixed nature of funding, Congress enacted a \$2 billion contingency fund to be available during economic downturns. However, the contingency fund expired on September 30, 2001, with no new structure enacted to replace it.

As a practical matter, there were numerous problems in the details of the original contingency fund: over time, it had become increasingly clear that states would be unlikely to qualify for contingency funds, and that the effective match rates for qualifying states would be far less favorable than ordinary federal matching rates. Nevertheless, the existence of a contingency fund was intended to reflect a fundamental principal about federal and state roles in the block grant structure: with fixed funding, states should be responsible for addressing ordinary economic fluctuations, and the federal government should join in the cost of addressing extraordinary ones. Accordingly, we urge that a revised contingency fund, with more reasonable trigger requirements and more favorable terms for federal matching funds, be included in reauthorization.

We also recommend that the Administration propose additional funding to reduce funding inequities between states in the current TANF structure. When TANF was originally enacted, state funding levels were principally based on the amount of funding that states had been receiving from the federal government in the old AFDC Program structure. The single biggest factor affecting those funding amounts was the level of state AFDC grants at that time. As a result, states with relatively high AFDC grants and/or relatively high AFDC participation rates received more funding in relative terms. A structure of supplemental grants has reduced some of the disparities between states, but that structure ended as of September 30, 2001.

We believe that it is very hard to justify why funding levels for states in 2002 should be principally based on AFDC participation and grant levels from 1994. We would oppose reducing current funding levels to any states in order to address disparities, but do believe that additional funding should be allocated for the express purpose of increasing funding

for those states which, in relative terms, receive the least block grant funding based on the numbers of children in poverty in their states.

In recommending sustained and increased funding, we also urge the Administration to recommend provisions intended to bar supplantation, i.e., the use of federal TANF funds to substitute for existing state spending. We recognize that the incorporation of a nonsupplantation provision raises some difficult issues, because much of what states have valued in TANF has involved the flexible use of funds, and we would not want to establish new requirements that created significant uncertainty about when particular expenditures were allowable. At the same time, it seems fundamental that the reason for providing states with federal block grant funds is to make it possible for states to provide benefits and services that would not otherwise be available, and that purpose is undercut when the federal funds are simply used to substitute for other state spending. We recommend that the Administration work with the states, concerned advocates, and others to develop a reasonable response to the problem of supplantation.

Finally, the Administration should recommend provisions to improve the availability and timeliness of information about state spending choices under TANF. The Administration should develop additional categories for financial reporting, so that there will be better information about how funds are being spent, and to reduce the amount of expenditures that are only identified as “other nonassistance” or “authorized under prior law”; the law should then specify that at the same time that a state submits its financial data to the federal government, the financial reporting should also be posted on a state’s web site so that it is readily viewable by members of the public. In addition, current state plans often provide only minimal and sometimes no information about the programs and benefits funded with TANF and MOE dollars. The Administration might consider either developing new state plan or annual reporting requirements under which states should describe the principal programs funded with TANF or MOE funds (e.g., each program for which at least some specified percentage of TANF or MOE funds were used); the description should include the name of the program, the principal eligibility rules, the principal benefits or services being provided. And, as with financial data, proposed and complete state plans should be posted on state web sites so that the public can better understand the uses of funds and services and benefits available under a state’s TANF programs.

Time Limits

The inclusion of time limits on the use of federal funds to provide assistance to families was a central provision in the TANF block grant, and followed the initiatives in a number of states through AFDC waivers to impose time limits on the receipt of cash assistance. The rationale for these policies has been that they send a clear and unequivocal message about the importance of maximizing earnings and other income sources while minimizing reliance on cash welfare payments. To best achieve these goals, time limits should be implemented in ways that support work, and do not adversely affect those for whom work is not expected or who simply are unable to find work. However, under current law, states must either use their own funds or accommodate families within the 20% exception provision if they wish to extend benefits to families outside the federal restrictions. It is difficult to predict the extent to which these two vehicles will provide adequate flexibility to states to appropriately implement time limit policies consistent with the underlying rationale, and, more importantly, there would appear to be little reason at this point to limit that flexibility. Several changes to federal law would substantially enhance the likelihood that state time limits can be implemented in ways that support work while providing needed assistance to those who cannot work or cannot find work.

Federal time limits should not apply when an adult in the family is employed and the family is receiving supplementary cash assistance. Nearly every state has liberalized its earnings disregard policies in order to provide continued help to working families with very low earnings. These supplements to earnings are important to ensure that entering employment results in improvements in family economic well-being; research findings suggest that in order to see improved outcomes for children when parents work, it is crucial that work actually translates to increased income, as opposed to just substituting work income for public benefits income.⁵⁵ However, counting months of such assistance against a time limit means that earnings disregard and time limits policies are working at cross purposes. In a number of states which implemented time limits shorter than five years, from 40% to 87% of all families whose benefits were terminated as a result of time limits were employed, though often with very low earnings, at the time they were terminated.⁵⁶ In experimental demonstrations in Florida and Connecticut, average family income fell when families began reaching time limits, because gains in employment income did not offset the losses in public benefits.⁵⁷ Thus, applying time

⁵⁵ See Pamela A Morris et al., *How Welfare and Work Policies Affect Children: A Synthesis of Research*, (New York: Manpower Demonstration Research Corporation, March 2001), Available online: <http://www.mdrc.org/Reports2001/NGChildSynth/NG-ChildSynth.pdf>

⁵⁶ Mark Greenberg, "Time Limits and Those Still Receiving Assistance: Background and Issues for Reauthorization," presentation to Senate Finance Committee Forum Series, November 19, 2001.

⁵⁷ Dan Bloom, Laura Melton, Charles Michalopoulos, Susan Scrivener, and Johanna Walter, *Jobs First: Implementation and Early Impacts of Connecticut's Welfare Reform Initiative*, (New York: Manpower Demonstration Research Corporation, March 2000), 78. Available online: <http://www.mdrc.org/Reports2000/Connecticut/CT-JobsFirst.pdf>; Dan Bloom, James J. Kemple, Pamela Morris, Susan Scrivener, Nandita Verma, and Richard Hendra, *The Family Transition Program: Final Report on Florida's Initial Time-Limited Welfare Program*, (New York: Manpower Demonstration Research Corporation, December 2000), 180. Available online: <http://www.mdrc.org/Reports2000/Florida-FTP/FTP-Final-FullRpt.pdf>

limits against working families had the effect of reducing incomes for low-earning families.

A handful of states have enacted rules that disregard months in which a recipient combines employment and welfare when determining whether a family has reached a state time limit. However, the months of assistance continue to count against the federal clock unless state funds used to provide that assistance. This results in needless administrative complexity. Federal law should not restrict a state's ability to use TANF funds to help low-earning working families.

Federal time limits should also not apply to families in which it is not reasonable to expect the adult to be employed. There are two principal situations in which it is likely that adults are not, or reasonably should not be, expected to work: when the adult is excused from participation in work activities because there is a very young child in the family, and when non-parent relatives have voluntarily agreed to care for children.

The 20% limitation on exceptions to federal time limits should be eliminated and states should be allowed to specify the circumstances under which families can receive benefits after 60 months. Finally, while many states currently report that the 20% exceptions to the federal time limit available under current law will be sufficient to accommodate needed exceptions in the short run, states are just beginning to reach the five-year limits now, and it is difficult to foresee the landscape that will exist five or six years from now. Indeed, five years ago, few predicted the current landscape. More fundamentally, the process of deciding whether to allow an exception to a time limit ought to be based on family circumstances, rather than being driven by an essentially arbitrary cap. In the TANF structure, a state has no fiscal or other incentive to continue assistance beyond five years unless the state believes that family circumstances merit such a continuation. A better approach would be for federal law to say that a state must specify, in its state plan, the circumstances under which assistance may continue after reaching the federal time limit.

Improving Employment Outcomes

In order to improve the quality of initial job placements, and otherwise increase prospects for job retention and advancement, we propose the statute provide for an Improved Employment Outcomes Fund, to invest in research and demonstration projects and replication of proven best practices, in the areas of employment preparation and advancement. This Fund would be administered jointly by the Secretaries of Health and Human Services and Labor. Priority in funding would be given to projects that seek to: (1) significantly improve wages for low-wage workers through occupational training and related services provided during work hours at or near their worksite; (2) significantly improve wages for working or unemployed individuals with limited English or low basic skills through occupational training and related services; (3) increase employment and/or wages for unemployed individuals who have little or no work experience and face serious and substantial challenges to employment because of physical or mental limitations or disabilities; or (4) link low-wage workers with work supports.

Within topic areas, a project could target services for recipients of TANF assistance, former recipients of TANF assistance, and/or other low-income parents and low-income individuals (including non-custodial parents). In awarding grants under the first three topic areas, priority would be given to projects that include as service providers local consortia which, at minimum, include employers or employer associations and non-profit or for-profit providers of education and training and of social services. Such consortia may include other entities, such as labor organizations and community-based organizations. The Secretaries would be required to convene a peer review process (including representatives of state and local government, employment and training providers, and researchers) to review applications to the Fund and make recommendations to the Secretaries on selection of grantees. Further, the Secretaries would be required to ensure that all research funded under the Fund has a strong evaluation component, and that there be at least one random assignment demonstration in each of the four topic areas. The Secretaries would also be required to disseminate best practices learned from the demonstration.

Work Requirements

Since 1996, the TANF law has largely relied on the use of “participation rates” as a means to encourage states to strongly focus on encouraging work and caseload reduction. It is, at best, unclear whether the existence of work participation rates has led to improved state performance in operating TANF programs. In many respects, it would be preferable for federal law to focus on identifying and measuring outcomes rather than imposing process requirements. At the same time, we understand that there are significant difficulties in developing effective measures of outcomes under TANF. We urge the Administration to continue exploring the potentials for outcome measures as a substitute for work participation rates. However, if participation rates are to continue, we recommend several changes in the list of activities that are countable toward participation rate requirements.

As noted earlier, data from TANF “leaver” studies, research on the incidence of various barriers among TANF recipients, and information from studies of sanctioned families all demonstrate that many families have secured relatively low-paying jobs, and many who are not currently employed face significant barriers to employment. Reauthorization provides an opportunity to address the needs of both groups by insuring that states have greater flexibility and incentives to provide skill development activities to help individuals secure or move up to better paying jobs, and to provide services to address the employment barrier that many individuals face.

The current restrictions on countable activities for TANF work participation requirements are inconsistent with research findings about the most effective welfare-work programs. Under current law, states are sharply restricted in their ability to count education and training activities toward meeting TANF participation rate requirements. However, in general, the most effective welfare-to-work programs have had a flexible, balanced approach that offers a mix of job search, education, job training, and work activities.⁵⁸

⁵⁸ Stephen Freedman, Daniel Friedlander, Gayle Hamilton, JoAnn Rock, Marisa Mitchell, Jodi Nudelman, Amanda Schweder, and Laura Storto, *Evaluating Alternative Welfare-to-Work Approaches: Two-Year*

These “mixed strategy” programs more generally individualize services; have a central focus on employment; have close ties to local employers; and are intensive, setting high expectations for participation.⁵⁹ Some of these mixed strategy programs have not only increased employment but have also helped welfare recipients find better jobs than they would have on their own. The best example is Portland’s Steps to Success program in the NEWWS evaluation.⁶⁰ Portland provided a mix of services, including job search, life skills, work-focused basic education, and occupational training. Among the eleven NEWWS sites, Portland increased employment and earnings more than the three “work first” programs, while also increasing receipt of occupational licenses or certificates and GEDs by as much as the seven education-focused sites. Portland increased stable employment, hourly wages, and access to full-time work and employer-provided benefits for both high school graduates and those who entered the program without a high school diploma.⁶¹

To assure that states have the ability to offer quality education and training programs as part of a mixed strategy approach, current limitations on counting vocational educational training should be removed from the statute and these activities should be fully countable toward the work participation rates.

Under current work participation rate provisions, states are also generally unable to count individualized “barrier removal” activities toward meeting participation rates. However, families with substantial barriers to employment stemming from physical or mental impairments, very low basic skills, or domestic or sexual violence often need to participate in activities other than job search, work experience, or limited vocational educational training. Parents may need to participate in substance abuse or mental health counseling, rehabilitation services, services for victims of domestic or sexual violence, programs designed to address learning disabilities, or tailored programs to assist those with very limited literacy and numeracy skills. Many families face multiple barriers to employment, and they, in particular, may not be able to participate in activities included in the current list of activities countable toward federal participation rates until after they have participated in activities to alleviate those barriers.⁶² The most effective means of

Impacts for Eleven Programs, (New York: Manpower Demonstration Research Corporation, June 2000), Available online: <http://www.mdrc.org/Reports2000/NEWWS-11Prog/NEWWS-2-Year-11-Site.pdf>

⁵⁹ Julie Strawn, *Beyond Job Search or Basic Education: Rethinking the Role of Skills in Welfare Reform*, (Washington, DC: Center for Law and Social Policy, April 1998), Available online: www.clasp.org/pubs/jobseducation/beyondexec.htm

⁶⁰ See also, George Cave, Hans Bos, Fred Doolittle, and Cyril Toussaint, *JOBSTART: Final Report on a Program for School Dropouts*, (New York: Manpower Demonstration Research Corporation, 1993); Daniel Friedlander and Gary Burtless, *Five Years After: The Long-Term Effects of Welfare-to-Work Programs*, (New York: Russell Sage Foundation, 1996); Amy Zambrowski and Anne Gordon, *Evaluation of the Minority Female Single Parent Demonstration: Fifth Year Impacts at CET*, (Princeton, New Jersey: Mathematica Policy Research, Inc., December 1993).

⁶¹ Freedman et al., *Evaluating Alternative Welfare-to-Work Approaches: Two-Year Impacts for Eleven Programs*, June 2000.

⁶² Sheila Zedlewski and Pamela Loprest, “Will TANF Work for the Most Disadvantaged Families?,” in *The New World of Welfare*, eds. Rebecca M. Blank and Ron Haskins, (Washington, DC: The Brookings Institution, 2001); U.S. General Accounting Office, *Welfare Reform: More Coordinated Federal Effort Could Help States and Localities Move TANF Recipients With Impairments Toward Employment*, GAO-02-37, (Washington, DC, August 2001), 18. Available online: <http://www.gao.gov>; Sandra K. Danziger, Ariel Kalil, Nathaniel J. Anderson, “Human Capital, Physical Health, and Mental Health of Welfare Recipients:

removing barriers will vary from person to person, particularly for those who face multiple challenges. States must be able to develop individualized work-preparation plans. Federal participation rates and the definition of countable activities should support the states' efforts to ensure that parents have access to the programs and services that are best tailored to help them move towards employment. **Specifically, we propose that states be able to offer barrier removal services according to individualized assessments of families' needs and that satisfactory participation in such services should be counted towards a state's participation rate.**

The existing work participation structure sends a signal to states that even non-parent kin caregivers should be expected to participate in work activities in order to receive assistance. This signal may interfere with efforts to keep children in the homes of relatives when they cannot live with their parents. A retired grandmother who agrees to take on the responsibility of raising her grandchildren and keeps them from entering the foster care system should not be expected to return to work in order to receive the financial assistance she needs to provide for her family. **States should have the option to exempt non-parent relative caregivers from the work requirements. We also recommend that the Administration explore approaches for ensuring that kinship families are provided with needed services, even when they are exempted from work requirements.** This approach signals that kinship caregiving is valued and should be supported.

Sanctions for Failing to Comply with Work Requirements

As noted earlier, there is evidence that individuals have been sanctioned for failing to comply with work requirements, even though they were willing to comply but either did not understand what was expected of them, or needed additional supportive services in order to comply. Assuming that the goal of any sanction policy is to encourage compliance, both before and after a sanction has been imposed, there are several modifications to federal law that could reduce the likelihood of inappropriate sanctions, and help assure their administration is consistent with the underlying rationale.

The statute should be modified to assure that prior to the imposition of any sanction, efforts are made to contact the recipient, and provide information so that he or she understands the nature of the sanction that is being considered, the specific reason (e.g., what the recipient has done or failed to do), information about how the individual can come into compliance or demonstrate that he or she should be excused from compliance, and that help from the agency is available if needed.

Once a sanction has been imposed, two changes are needed to assure that the underlying purpose of promoting compliance is most effectively met. First, the statute should require that periodic attempts are made to communicate with the individual to assure that he or she understands that the sanction can be removed,

Co-Occurrence and Correlates," *Journal of Social Issues*, Vol. 56(4), (Malden, MA: Blackwell Publishers, 2000), 635-654; Mary Clare Lennon, Juliana Blome, and Kevin English, *Depression and Low-Income Women: Challenges for TANF and Welfare-to-Work Policies and Programs*, (Columbia University, National Center for Children in Poverty, April 2001), Available online: www.researchforum.org

the steps that need to be taken to come into compliance, and that help is available from the agency in order to come into compliance. Second, the statute should specify that sanctions must end after a reasonable period of compliance.

Federal Funding for Transitional Jobs Programs

Since 1997, several states (including Washington, Pennsylvania, and Minnesota) and more than 30 cities have established *Transitional Jobs Programs* to help increase the employment and earnings of TANF recipients who have been unable to find stable, unsubsidized employment. These programs currently serve between 8,000 and 10,000 recipients. Transitional Jobs Programs use TANF, Welfare-to-Work, and other public funds to combine wage-paying jobs with skill development activities and related support services. A CLASP survey of more than 30 programs reveals that, on average, programs are placing 50% to 75% of all who are enrolled into unsubsidized employment within six to nine months of enrollment, and most programs report average wages at placement into unsubsidized employment between \$7 and \$10 per hour. These are extremely promising results, especially in that most programs are serving individuals who are either long-term recipients, have been identified as having significant barriers to employment, or both.

These programs are also being used to provide help to families who have or may soon lose access to cash assistance because of welfare time limits. In the coming period, these programs will also be valuable in providing paid work and additional skill development activities for those who lose employment because of economic conditions.

One of the principal sources of funding for Transitional Jobs Programs has been the Welfare-to-Work block grant authorized in 1997. These funds will largely be used up during the next year, and have already been exhausted in a number of locations. In addition, it now seems likely that with a slowing economy, that it will be increasingly difficult to fund Transitional Jobs Programs solely with TANF funds. **Therefore, a separate federal funding stream should be established specifically for Transitional Jobs Programs in addition to a fully-funded TANF block grant to insure the stability and continued growth of this promising model to help current and former TANF recipients, as well as other low-income adults and youth, prepare for and succeed in the labor market.**

Family Formation

There is a broad research consensus that children have the best life chances if they are raised in a two-parent, married family. These improved prospects appear to result in roughly equal parts from: (1) the higher incomes of two-parent, married families as compared to single-parent families, and (2) non-economic factors associated with being raised in two-parent, married families.⁶³ It is important to note that children whose parents are in high-conflict relationships are generally better off if their parents divorce. However, in 1996, about 25% of all children under age 18 lived in single-parent households, double the proportion in 1970.⁶⁴ In 1998, 9% of children in married-couple families were living in poverty, compared with 46% in female-householder families.⁶⁵ Thus, we believe it is appropriate to put forward a public policy goal of increasing the share of children growing up in stable and healthy marriages. But in some cases marriage is not appropriate or feasible, and some marriages should be ended. Thus with respect to the TANF family formation goals we propose a “marriage-plus” approach that recognizes the complex realities of families’ lives and places child well-being at the center. This approach encourages and supports marriage whenever appropriate, helps fragile (unmarried) families provide a stable, cooperative environment for their children, and provides increased economic security to low-income parents whether married or single.

Improving economic security is an important component of an agenda to improve marriage and child well-being because of evidence that some of the decline in marriage is due to economic insecurity and joblessness. There is also evidence that income support programs, including stronger child support enforcement, can *indirectly* reduce out-of-wedlock births, encourage marriage and promote marital stability.⁶⁶ Families with higher and more regular income are more likely to be stable and provide a healthy environment for their children.

We propose that states be required to remove barriers in public assistance programs that may discourage marriage, and, in particular:

- **states should not be allowed to impose stricter eligibility requirements for two-parent families than apply to single-parent families; and**
- **the separate two-parent family work participation rate should be eliminated.**

In addition, states should be encouraged to serve more two-parent families, and we also support efforts to provide employment-related services to both low-income mothers and fathers — regardless of whether they are married.

⁶³ “The Consequences of Father Absence” in the book *Parenting and Child Development in “Non-traditional” Families*. (Non traditional is in quotation marks in the title) Published by Lawrence Erlbaum Associates, Inc. in 1998. Michael E. Lamb, Editor.

⁶⁴ In 1996, 54 % of black children, 28% of Hispanic children and 19% of white children lived in single parent households. See Fields, J. *Living Arrangements of Children: 1996* Current Population Reports. P70-74. U.S. Bureau of the Census, U.S. Department of Commerce. Issued April 2001.

⁶⁵ Federal Interagency Forum on Child and Family Statistics. *America's Children: Key National Indicators of Well-Being, 2000*. Page 14. See www.childstats.gov

⁶⁶ Theodora Ooms, Congressional testimony before the Committee on Ways and Means, U.S. House of Representatives, (Washington, DC, May 22, 2001), Available online:

http://www.house.gov/ways_means/humres/107cong/5-22-01/5-22ooms.htm

Couples and marriage policy is a new area for government intervention. Little is known about the kinds of policies or supports that *directly* help couples develop healthy relationships, make good marital choices, have long-lasting marriages, and avoid divorce. As such, the federal government's primary role in the area of family formation should be to encourage states to launch pilot demonstration programs to be evaluated by an independent, nationally credible research firm(s). Prior to the 1996 law, this gradual, experimental approach was used to learn how to help welfare mothers successfully move into the workforce. A similar strategy is needed to learn how to strengthen couples and marriage.

We thus propose that the federal government establish a Family Formation Fund to invest in research and demonstration grants in the area of family formation. To ensure these programs do not inadvertently do harm to women and children, grantees should be required to consult with domestic violence programs. This Fund would be funded largely through redirecting the out-of-wedlock bonus, discussed more fully in the next section.

In order to assist states in assessing their progress towards achieving the family formation goals in TANF, the DHHS Centers for Disease Control and Prevention should reinvest in assisting states in their collection of accurate and consistent marriage and divorce statistics.

Teen Pregnancy Prevention and Teen Parents ⁶⁷

Each year, about 400,000 babies are born out-of-wedlock to teen mothers; about 100,000 babies are born to teenagers who are already mothers.⁶⁸ In the TANF program, only about 5% of recipients are identified as teen mothers (108,000 individuals)⁶⁹ yet historically about 40-50% of older mothers who receive welfare started parenting as teenagers.⁷⁰ In addition, such mothers tend to have longer stays on welfare. For these reasons, it is appropriate that TANF seek to address teen pregnancy prevention and to support teen mothers; however, current policy is sometimes counter-productive and often inadequate in meeting this national teen pregnancy dilemma head-on.

TANF funds should be spent on the promotion, replication, and adaptation of programs that have been proven to lower the rates of teen pregnancy or sexual risk-taking. For the first time research points to specific programs that have been able to

⁶⁷ See "Reauthorization Issues: Teens/Reproductive Health," <http://www.clasp.org>

⁶⁸ Stephanie J. Ventura, T.J. Matthews, and Brady E. Hamilton, "Births to Teenagers in the United States, 1940-2000," 2001; Joyce A. Martin, Brady E. Hamilton, and Stephanie J. Ventura, "Births: Preliminary Data for 2000," 2001.

⁶⁹ U.S. Department of Health and Human Services, "Temporary Assistance for Needy Families (TANF) Program," *Third Annual Report to Congress*, (Washington, DC, August 2000), Available online: <http://www.acf.dhhs.gov/programs/opre/annual3.doc>

⁷⁰ U.S. General Accounting Office, *AFDC Women Who Gave Birth as Teenagers*, GAO/HEHS 94-115, (Washington, DC, May 31, 1994).

accomplish these goals,⁷¹ and the Family Formation Fund proposed in the preceding section should be available to help states and localities implement these proven programs. Those funds should also be available to test new prevention initiatives. To pay for this and related family formation research, the \$100 million out-of-wedlock bonus should be redirected. It makes sense to redirect these funds because it appears the bonus rewards states for statistical changes rather than, as intended, the performance of programs.

Research should help guide funding for abstinence education. Currently, there is no rigorous research evidence that indicates that abstinence-unless-married programs help prevent pregnancy, yet there is new evidence this approach puts some individuals more at risk of unintended pregnancy and/or sexually transmitted illnesses.⁷² In the face of possible harm, continued funding for the prescriptive abstinence-unless-married education approach should be highly scrutinized, and states provided flexibility in how they approach abstinence education and pregnancy prevention programs.⁷³

TANF policy should encourage participation by needy teen parents and:

- **Establish a “transitional eligibility” period.** Participation in TANF requires teen parents to meet two important goals — participation in school and living in an approved setting. Thus, if implemented well, the TANF requirements should help teens “stay on track” towards economic self-sufficiency and this includes avoiding a rapid subsequent birth. However, instead of reaching out to eligible teen parents to get them onto the social services “radar screen,” it appears some welfare offices too often turn needy teen parent applicants away.⁷⁴ An important way TANF could encourage states to reach out to needy teen parents would be to provide three months of “transitional eligibility” (with state discretion to extend) for minor parents who at application do not meet program requirements. This would allow states to provide customized case management to help teens come into eligibility compliance.
- **Address teen parent sanction rates.** Teen parent compliance with on-going participation requirements is also key, and sanction procedures should be changed to ensure advance notice and to improve sanction resolution procedures. A rough calculation of available data suggests that teen parents may be subject to relatively

⁷¹ Douglas Kirby, *Emerging Answers: Research Findings on Programs to Reduce Teen Pregnancies*, (Washington, DC: National Campaign to Prevent Teen Pregnancy, May 2001).

⁷² Peter Bearman and Hannah Brückner, “Virginity Pledges as they Affect the Transition to First Intercourse,” *American Journal of Sociology*, Vol. 106(4) (2001). John B. Jemmott III, Loretta Sweet Jemott, and Geoffrey T. Fong, “Abstinence and Safer Sex HIV Risk-Reduction Interventions for African-American Adolescents, A Randomized Control Trial” *Journal of the American Medical Association*, Vol. 279 (May 20, 1998).

⁷³ The abstinence program is not a part of TANF but was enacted at the same time as part of the Personal Responsibility and Work Opportunity Reconciliation Act

⁷⁴ Martha Matthews and Shannon Shelley, “Turned Away, Misinformed, Denied – Teen Parents’ Experiences in Welfare Offices,” *Youth Law News*, July – August 1999. Jody Raphael, “Accessing TANF Benefits: A Survey of Low-Income Teen Mothers in Chicago” (Chicago, IL: Center for Impact Research, forthcoming).

high rates of sanction;⁷⁵ reauthorization is an opportunity to foster provisions that would further our understanding about the extent of this problem, why it is happening, and its impact.

- **Start the time clock at age 20.** For those teen parents who are complying with education and training requirements, the time-limit clock should not start until age 20. In order for young mothers to be able to compete in the job market, they should have a chance to complete essential education and/or training.

Funds beyond the TANF block grant amounts should be made available for “second chance” homes. Compliance with the living arrangement rule provides particular challenges. There are few “second chance” homes, so the welfare agency often has limited ability to improve on the living arrangements faced by some teen parents. New funding sources are needed.

Finally, TANF state plans should be amended to improve what is known about teen parents in the state and should include such elements as the estimated number of TANF-eligible teen parents in the state, assessment procedures, and interagency coordination.

Fathers and Child Support

Services should be expanded to low-income fathers, as well as mothers, to help them gain employment, pay their child support, learn to parent cooperatively, and be positively involved with their children. To expand services, new federal funding should be made available to states and community-based intermediaries to help pay for fatherhood initiatives. Funding should be made available to fatherhood programs to provide such services as education and employment, child support, parenting and relationship skill-building, cooperative parenting, substance abuse, mental health, and domestic violence services. Policies related to income eligibility and level of services offered to fathers should be commensurate with those provided to mothers. Because little is known about the effectiveness of providing services to low-income fathers, research funding should be made available to test promising strategies.

Child support assignment and distribution rules should be changed so that families receive more child support paid by fathers. The basic “family first” rule established by the 1996 law is that the government keeps child support owed while a family receives assistance, while the family keeps child support owed when the family does not receive assistance. The two exceptions to this basic rule should be eliminated: the tax offset exception and assignment of pre-assistance arrears. States that decide to pass through support to families receiving assistance should not have to repay the federal share of the support. States should be given assistance in converting their distribution rules so that program fiscal stability is maintained, for example, by enacting an appropriate effective

⁷⁵ Janellen Duffy, *Add it Up*, (Washington, DC: CLASP, *forthcoming*) CLASP survey data from 5 states was compared with GAO data on overall sanction rates in those states; the data are from different years. This rough comparison indicates that rates of teen parent sanctions appear to be higher although better comparative data is needed.

date, providing systems funding, and allowing use of TANF funds and credit toward TANF maintenance-of-effort requirements. **In addition, recovery of Medicaid birthing costs should be barred, and state-owed arrears should be forgiven if the parents subsequently marry.**

TANF Benefits to Legal Immigrants

A disproportionate share of the overall savings from the 1996 welfare law was intended to come from newly imposed restrictions on the eligibility of immigrants for means-tested benefits. For the first time, federal law was modified to treat legal immigrants substantially differently than citizens. Legal immigrants are federally restricted in their eligibility for TANF: most legal immigrants entering the U.S. after the enactment of PRWORA on August 22, 1996, are barred from receiving TANF for five years. Furthermore, states are not required to serve immigrants who entered before enactment, although almost all states have chosen to do so. A smaller share of states has chosen to provide state-funded benefits to eligible immigrants during their five-year bar from federal assistance.

These changes have clearly had an impact. TANF usage declined 53% between 1994 and 1999 among low-income immigrant families with children, about the same rate of decline as that seen among similar citizen families.⁷⁶ These immigrant families have significantly lower rates of participation in TANF, however, as 11.6% of low-income citizen families with children participated in the TANF program in 1999, compared with 8.7% of low-income immigrant families.⁷⁷ As the proportion and number of post-1996 immigrants in the U.S. grow over time, the changes in PRWORA will have an even greater effect.

The distinction made in the law between citizens and immigrants does not follow in the private realm. An Urban Institute study has shown that 10% of all children in the U.S. live in a family where at least one parent is a noncitizen and at least one child is a citizen. Furthermore, a vast majority (85%) of families with a noncitizen parent include a citizen child.⁷⁸ The different eligibility rules applied to parents and children within the same families (as well as concerns relating to the effect of participation on immigration status) may make it harder for eligible children to receive the assistance they need and for which they qualify. A report using data from the National Survey of America's Families has found that children of immigrants, although the vast majority are themselves citizens, are more likely to be poor, hungry, and uninsured than children of natives.⁷⁹ A study of TANF recipients in Boston, Chicago, and San Antonio found that poor native-born

⁷⁶Michael Fix and Jeffrey Passel, *The Scope and Impact of Welfare Reform's Immigrant Provisions*, (Washington, DC: The Urban Institute, September 2001).

⁷⁷Ibid.

⁷⁸Michael Fix and Wendy Zimmermann, *All Under One Roof: Mixed-Status Families in an Era of Reform*, (Washington, DC: The Urban Institute, June 1999), Available online: http://www.urban.org/immig/all_under.html

⁷⁹Randy Capps, *Hardship among Children of Immigrants: Findings from the 1999 National Survey of America's Families (B-29)*, (Washington, DC: The Urban Institute, February 2001), Available online: http://newfederalism.urban.org/html/series_b/b29/b29.html

children of noncitizen parents were far less likely to receive TANF benefits than similar children of citizen parents.⁸⁰

Accordingly, the TANF statute should be modified to bar discrimination against legal immigrants in the provision of TANF benefits or, at minimum, allow states to use federal funds to serve legal immigrants regardless of their date of entry — that is, whether they entered the U.S. before or after August 22, 1996. States should also be allowed to set their own rules regarding the deeming of a sponsor’s income, within federal parameters. A system where citizens may receive benefits denied to legal immigrants penalizes citizen children and creates a perverse incentive to naturalize.

Tribal TANF Programs

Federal block grant funding should continue to be available to tribes who elect to administer tribal TANF programs. As with block grants to states, it is important to allow flexible redirection of resources. As of June 2001, there were 34 tribes and intertribal organizations administering tribal TANF programs, projecting to serve about 17,000 families monthly.⁸¹ Given the high start-up costs necessary to establish a TANF program and the disproportionate poverty⁸² and high unemployment rates⁸³ faced by many tribal communities, it is vital that tribes that elect to administer TANF programs receive adequate funding. In addition, taking into account the economic conditions faced by tribal communities, tribes should continue to have the flexibility to redirect resources in a manner that best meets the needs of low-income families and to negotiate defined work activities and work participation rates with DHHS.

TANF and Child Care

In the PRWORA debates of 1996, Congress recognized that addressing the accessibility, affordability and quality of child care was a critical piece of any national policy designed to encourage and support workforce participation and promote child well-being. As a result, PRWORA altered the funding and policy structure of the major federal funding sources for child care and increased the funding available for child care subsidies. States have certainly indicated the importance of child care over the last five years by dramatically increasing their child care spending, largely with federal Child Care and Development Fund (CCDF) and TANF funds, in response to an increased demand for care due to increased labor force participation by low-income mothers and more stringent

⁸⁰ Ronald Angel, Linda Burton, P. Lindsay Chase-Landsdale, Andrew Cherlin, Robert Moffitt, and William Julius Wilson, *Public Assistance Receipt Among Native-Born Children of Immigrants*, (Baltimore, MD: Johns Hopkins University, October 2001), Available online: http://www.jhu.edu/~welfare/19027_WelfareBriefFall.pdf

⁸¹ U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Division of Tribal Services. “Characteristics of Tribal TANF Programs” (June 21, 2001), Available online: <http://www.acf.dhhs.gov/programs/dts/ttanfchar-621.htm>

⁸² According to 2000 U.S. Census Bureau Data, the poverty rate among Native Americans was 25.9%: <http://www.census.gov/Press-Release/www/2001/cb01-158.html>

⁸³ According to the Bureau of Indian Affairs, unemployment on Indian reservations averages about 37%: <http://www.doi.gov/bia/aitoday/aitoday.html>

TANF work requirements.⁸⁴ These funds have been used to provide child care assistance to more low-income children and to make many positive policy changes and system improvements. However, due in large part to limited resources, many eligible families remain unserved and important quality and equity concerns have not been adequately addressed. These issues and CLASP's proposed recommendations for CCDF reauthorization are addressed in separate comments to the Administration.

In these comments, we focus specifically on recommendations relating to the use of TANF funds in state child care systems. Most of the growth in child care funding since 1996 has come from the use of TANF funds. In FY 2000, states committed \$3.9 billion in TANF funds to child care, an amount exceeding the federal portion of the CCDF allocation that year and representing about 25% of all TANF funds used that year.⁸⁵ This state redirection of TANF funds to child care occurred despite the existence of TANF rules that sometimes make it complex and confusing to use TANF funds for child care.⁸⁶ Therefore, given this reliance on TANF funds, it is very important that states continue to be allowed to transfer TANF funds to CCDF and spend these funds directly on child care. We also believe, however, that in order to better understand the extent that these funds are addressing the problem of unmet need for care, child care paid for directly with TANF should be subject to simplified CCDF data collection rules.

As we indicate in our separate CCDF comments, preserving the ability to use TANF funds for child care is but one piece of a strategy to preserve and, hopefully, expand access to child care for low-income families attempting to achieve self-sufficiency, but it is a vital one. CLASP makes the following reauthorization recommendations regarding the use of TANF funds for child care:

- **Maintain current state access to TANF funding for child care.** TANF funding has become a crucial source of child care funding for states, which have used these funds in diverse and important ways. State administrators appreciate the current flexibility of the spending rules. Therefore, in reauthorization, states should retain the flexibility to use TANF for child care.
- **Eliminate federal rules that restrict use of TANF for child care.**⁸⁷ Specifically, the current distinction in federal regulation between “assistance” and “non-assistance” child care should be changed to make all TANF child care expenditures categorically “non-assistance.” If all child care were treated as non-assistance, it would greatly simplify the

⁸⁴ U.S. Census Bureau, *Statistical Abstract of the United States: 2000*, 120th edition (Washington, DC: U.S. Census Bureau, 2000), Table No 653. Available online:

<http://www.census.gov/prod/2001pubs/statab/sec13.pdf>

⁸⁵ Rachel Schumacher, Mark Greenberg, and Janellen Duffy, *The Impact of TANF Funding on State Child Care Subsidy Programs*. (Washington, DC: CLASP, 2001). Available online:

<http://www.clasp.org/pubs/childcare/TANFChildCareFullReport.pdf>

⁸⁶ Ibid.

⁸⁷ For a more fully developed discussion of this issue, see CLASP, *The Impact of TANF Funding on State Child Care Subsidy Programs*. Available online:

<http://www.clasp.org/pubs/childcare/TANFChildCareFullReport.pdf>

ability of states to use TANF for child care without drawing complex distinctions among categories of care. In addition, states should be allowed to spend prior-year unobligated TANF funds for non-assistance, and to transfer prior-year TANF funds to CCDF to the extent that the state had not reached its maximum transfer amount. This recommendation would reduce the complications and accounting barriers states face when seeking to use TANF to address child care needs.

- **Subject TANF funds used for child care to simplified and improved CCDF data collection requirements.** When child care is funded directly with TANF dollars and does not constitute TANF assistance, states are not required to collect data on the number of and characteristics of the children served with these funds. Given the large number of children who receive TANF-funded child care, it is very difficult to have an accurate count of the numbers of families and children receiving subsidy assistance or consistent description of the characteristics of the families, children, and providers served without common data collection provisions across TANF and CCDF. However, the CCDF data requirements should be reviewed to assure that they secure only the most policy relevant data and do not overly burden states.

Thank you again for seeking comments to guide the Administration during the development of TANF reauthorization proposals.

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