



POLICY BRIEF

Center for Public Policy Priorities

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TANF AT 10: HAS WELFARE REFORM BEEN A SUCCESS IN TEXAS?

Caseloads Have Fallen Dramatically, but Child Poverty Is On the Rise and Poor Families Are Still Struggling to Make Ends Meet

Ten years ago today, Congress overhauled the nation's welfare system with the promise of helping poor families become self-sufficient by replacing welfare with work. Known as "welfare reform," the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) established the Temporary Assistance for Needy Families (TANF) block grant. TANF replaced the former entitlement program Aid to Families with Dependent Children (AFDC).

Under TANF, states were given great flexibility to design their own rules for cash assistance programs, as well as the authority to use the block grant for other programs besides cash assistance. The law imposed a lifetime limit of 60 months on receipt of cash assistance and required that recipients work in order to qualify for benefits.

Nationwide, the number of families receiving welfare has fallen dramatically since the 1996 law; in Texas, TANF enrollment has decreased by 75%. Supporters of welfare reform hail these declines and the growth in employment among single mothers as proof that welfare reform was a success. Beyond the massive caseload declines, a broader set of indicators on family and child well-being reveals more mixed results.

- Texas welfare caseloads have fallen 75% since 1996; fewer than 65,000 families received assistance in May 2006, down from 275,050 ten years ago. Most experts agree that the declines were due to an improved economy, a "work first" approach that redirected the most employable TANF adults to low-wage jobs, and other policy changes that made it harder to enter and stay on TANF.
- While child poverty declined in the mid-1990s, it has increased since 2000, as has the number and share of Texas children living in extreme poverty (below 50% of the poverty level).
- Though the earnings of single poor mothers have increased, research on those going off the TANF rolls ("leavers") shows that those who find employment do not earn enough to make ends meet and often return to the program. The TANF "revolving door" begins with the Choices program—the mandatory employment program that emphasizes a "job-first" approach at the expense of meaningful skills development and career-based training.
- Many families leaving TANF do not make the transition from welfare to work. In Texas, the majority of the significant recent caseload decline that has occurred is *not* the result of recipients finding employment. Instead, an increasing number of families are being sanctioned off the program for failure to comply with TANF program rules. Research with these families has consistently shown that the parents face multiple employment barriers and significant hardships after losing cash assistance. They are more likely to remain jobless.

New requirements in the 2006 federal Deficit Reduction Act (DRA) may worsen these trends. The DRA raised effective “work participation” targets (the percentage of recipients meeting work requirements) for states without giving them significant new resources to fund child care or employment and training programs. The regulations recently issued to implement the law make it harder for states to design effective welfare-to-work programs and meet the higher participation targets. Together these changes create an incentive for states to serve fewer families, particularly those recipients who face the greatest barriers to employment and are therefore the hardest and most expensive to serve.

Over the last decade Texas has spent an increasing share of the block grant on child protection and foster care – first to “supplant” (replace) the general revenue that used to fund these services and later to expand funding for these services. As a result, fewer TANF funds are spent on cash assistance and other work support programs designed to help parents make the transition from welfare to work. For example, spending on cash assistance accounted for 67% of the block grant in 1997; now it makes up only 22%.

Further, funding for employment and training has not increased since 1999, and no federal TANF funds are used to fund child care for “working poor” families – families who make too much to qualify for TANF but too little to afford child care. Texas’ use of the TANF block grant for child protection also leaves funding for child protection vulnerable to potential changes at the federal level, both in the form of cuts to the TANF block grant or changes in how child protection is financed. For more information about Texas and the TANF block grant, visit <http://www.cppp.org/research.php?aid=473&cid=3&scid=12>.

This policy brief summarizes the outcomes of welfare reform in Texas and the challenges that lie ahead.

TANF Offers Few Carrots and Wields a Big Stick

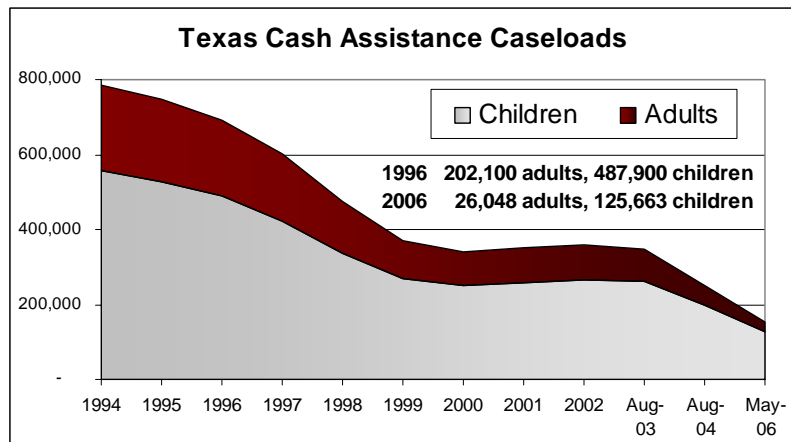
- Families must have an income below 14% of poverty to qualify for TANF — less than \$2,350 annually for a family of three in 2006.
- Families poor enough to qualify for TANF in Texas receive one of the nation’s lowest benefits. Texas’ maximum monthly TANF payment was \$213 for a family of three in 2003; only five other states (Alabama, Arkansas, Mississippi, South Carolina, and Tennessee) provided less. The median benefit nationwide was \$396 per month, almost twice as much as Texas.
- The Texas benefit has seen the largest decline in purchasing power in the nation. But Texas’ TANF benefit was not always one of the lowest. In 1970, Texas’ maximum monthly AFDC benefit of \$148 for a family of three was higher than that of 17 other states. However, because the Texas benefit has not been automatically adjusted for inflation until relatively recently, it has seen the largest decline in purchasing power. A benefit of \$148 in 1970 would have hit \$702 by 2003 if it had been adjusted every year for inflation using the Consumer Price Index.

The most common TANF caretaker in Texas:

- Is a Black or Hispanic female,
- Is approximately 30 years old,
- Has 1 or 2 children under age 11,
- Is unemployed and has no other income,
- Receives a monthly TANF grant of \$208 or less, and
- Receives TANF for less than 12 continuous months.

Source: Texas Health and Human Services Commission

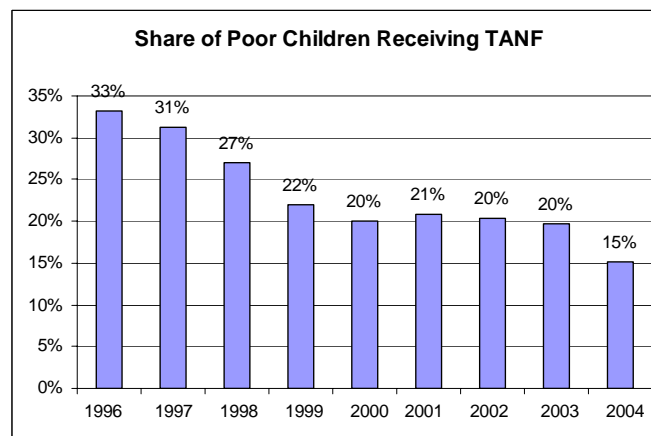
- Punitive program rules often force families off the program before they find employment. Since 2003, TANF caseloads in Texas have been cut in half; more than half of this decline is the result of a “full-family sanction” policy that terminates benefits to the entire family when a parent fails to comply with program rules. Before this dramatic drop, TANF caseloads had been increasing slightly.
- In 2004, only 2% of TANF recipients are involved in job skills training activities, and only 1% of TANF recipients are engaged in education activities related to employment. This low rate underscores the lack of opportunity TANF recipients have to attain skills and credentials for self-sufficiency (U.S. Department of Health & Human Services, Administration on Children & Families, 2006).



Sources: Texas Department of Human Services; Texas Health and Human Services Commission. 1993 to 2002 are monthly averages for the fiscal year.

TANF Now Helps a Smaller Share of Poor Families Than 10 Years Ago

- In 1996 cash assistance reached 22% of the 3.2 million impoverished Texans. By 2004 only 7% of the state’s 3.7 million poor were receiving cash assistance through TANF.
- By 2004, only 15% of poor children in Texas received TANF, a 55% decrease since 1996, when 33% of poor children received assistance.



- Cash assistance caseloads did not decline because fewer Texans sought help. In fact, the

monthly average number of TANF applications rose from 43,400 in 1996 to more than 61,000 in 2004.

- TANF now helps a smaller share of families poor enough to qualify for aid than it did 10 years ago. Nationwide, the 57% decline in TANF caseloads since 1996 was the result of fewer *eligible* families receiving assistance. Between 1992 and 2002 (the latest year data are available), participation among eligible families fell from 80% to 48%.¹

TANF Caseload Declines Have Not Led to a Decline in Poverty

- Welfare caseloads have fallen by 75% since 1996, even as the number of Texans living in poverty has increased. The number of Texans living below the poverty level grew from 3.18 million in 1996 to 3.67 million in 2004. There has been no significant change in the “poverty rate” — the share of Texans in poverty — which was 16.6% in 1996 and 16.4% in 2004.
- Though child poverty fell during the mid-1990s, the share of Texas children living in poverty has increased since 2000 from 22% to 23% (the national average is 18%). The number of poor Texas children increased by 12% between 2000 and 2004.
- In 2004, one in 10 children in Texas lived in extreme poverty —those most likely to qualify for and benefit from TANF—a 10% increase since 2000.
- The increase in child poverty has been accompanied by an increase in infant mortality, low-birth weight babies, and the percentage of babies who are not immunized.²

TANF Caseload Declines Have Not Produced More Workers Earning Above the Poverty Line

- The vast majority of adults who leave TANF having found employment earn below the poverty level. In 2005, the average wage of those employed was \$7.08 per hour—well below poverty for a family of three. Only 7.4% of TANF “leavers” are earning at or above 200% of the federal poverty level; fewer than two-thirds (57%) maintained those wages a year later. (Source: Texas Workforce Commission).
- Many TANF leavers have trouble staying employed. A 2001 statewide survey of Texas adults six months after they left TANF found that only 46 percent still had a job.³
- Nationwide, the average monthly number of single-mother families neither employed nor receiving TANF has increased by more than 1 million from 1995 to 2002.⁴

Important Points About the TANF Block Grant

- Since 1997, Texas has received an annual TANF block grant of \$539 million. To receive these funds, Texas must spend \$251 million annually of its own general revenue or other state dollars to meet a “maintenance of effort” (MOE) requirement.
- Texas’ federal TANF grant was approximately \$147 per resident in poverty in 2004. This is less TANF assistance than any other state except Alabama. The U.S. average is \$459 per person in poverty, three times as much provided by the Texas grant.

¹ “TANF AT 10: Program Results are More Mixed Than Often Understood,” Center on Budget and Policy Priorities, August 17, 2006. (<http://www.cbpp.org/8-17-06tanf.htm>)

² 2006 KIDS COUNT Data Book, Annie E. Casey Foundation (http://www.aecf.org/kidscount/kc_pubs.html)

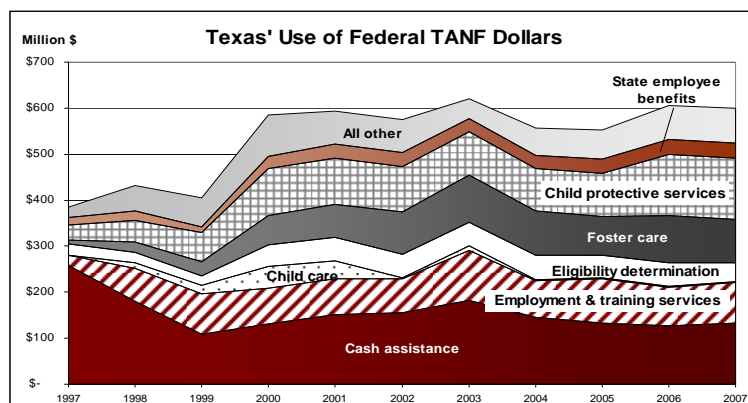
³ *Texas Families in Transition / Surviving Without TANF: An Analysis of Families Diverted From or Leaving TANF*, Ray Marshall Center, UT Austin, January 2002.

⁴ “TANF AT 10: Program Results are More Mixed Than Often Understood”

- TANF replaced Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and Job Opportunities and Basic Skills (JOBS) as part of massive federal welfare changes in 1996's Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).
- Authorized by the Social Security Act in the 1930s, AFDC, EA, and JOBS were open-ended entitlement programs in which the state and federal government shared the cost of providing cash assistance, job training, and child care to households with children (typically families headed by a single mother). States were allowed to determine eligibility and benefit levels.
- TANF, in contrast, provides a capped grant to states, with available supplemental and bonus grants and gives states more flexibility in using the funds to provide time-limited assistance. States must meet federal work participation rates and reporting requirements related to expenditures and TANF recipients.

Texas Has Not Made the Most Prudent Use of the TANF Block Grant

- Declines in cash assistance caseloads after 1996 left Texas with large federal TANF surpluses. Instead of investing in child care and other strategies to support the transition from welfare to work, or giving working-poor families tools to escape poverty, Texas has used its TANF surpluses to replace and expand state spending in other areas, primarily in child protective services. As a result, almost all of the TANF surplus will be depleted by the end of fiscal 2007.
- To the extent that TANF was used to supplant (replace), rather than supplement, state spending on social services, legislators passed up the opportunity to significantly increase funding for child care, job training, or other services tied more closely to anti-poverty efforts.
- An increasing share of the TANF block grant funds child protective services and foster care, with less spent in other key areas. Child protective services (including prevention programs) and foster care were 11% of TANF federal spending in 1997, but will hit 38% by 2007. Only 22% of TANF funds are now spent on cash assistance, down from 67% in 1997.
- No TANF federal funds are currently spent on child care for the working poor, and TANF funding for employment and training programs has been flat since 1999. (Federal TANF dollars are the only source of money in the state budget for welfare recipients' employment and training services).
- Texas' federal TANF spending will total \$606 million in fiscal 2006 and \$599 million in 2007—well above the \$539 million annually authorized. With TANF spending so much higher than TANF revenue, only \$33 million will remain of the state's once formidable surplus by the end of 2007.



Source: Legislative Budget Board. For more information on Texas and the TANF block grant, read *Texas and the TANF Block Grant* at <http://www.cppp.org/research.php?aid=473&cid=6>.

New Federal Requirements Could Make Things Worse

The TANF block grant was reauthorized earlier this year as part of the Deficit Reduction Act (DRA). Funding for TANF was reauthorized at the same level it is currently funded, with \$200 million per year in additional child care funds. The increase in child care funds is insufficient to ensure that child care simply keeps pace with inflation. As a result, the number of children receiving child care assistance nationwide is expected to decline by 26% between 2000 and 2011.

The DRA requires most states to increase the share of TANF recipients engaged in countable work activities such as community service or job training. However, the final interim regulations issued in June to implement the new law will make it harder for Texas to achieve the higher work participation targets. The rigidity of these new rules combined with a lack of additional resources gives states a clear incentive to reduce their caseloads even further. A summary of these changes and their impact on Texas' TANF program follows:

Changes in the Way the Work Participation Rates are Calculated

- Since the enactment of TANF in 1996, states have always been required to engage 50% of all TANF families and 90% of two-parent families in work activities. Before the DRA passed, most states never had to meet the work participation requirements (as a result of the credit they received for reducing caseloads). Because welfare reform centered on reducing welfare caseloads, the original TANF law included a "caseload reduction credit" that states could use to lower their work participation targets. Texas had such huge caseload declines following welfare reform that the state effectively reduced its work participation rate targets to zero. The DRA recalibrated the base year for calculating this credit from 1995 to 2005. This means Texas will have a much smaller caseload reduction credit than it has had in the past; as a result, the state will now be required to meet the 50% and 90% rates.
- The DRA also requires states to include in the work participation rate calculation the adults on "child-only" cases—cases where only the child receives cash assistance. Roughly 60% of all TANF cases in Texas are child-only. Under Texas rules, these adults are not required to work as a condition of receiving TANF for the children in their care. However, the federal rule change means that Texas will now have to encourage these adults to participate in work activities and, if they do work, provide them with child care. This will mean less funding will be available for child care for the working poor, since TANF recipients are the first in line for child care subsidies from the state. In 2006, a waiting list of 27,000 children was expected for child care subsidies.

The New Regulations Increase the Incentive to Reduce Caseloads by Making it Harder to Meet the Work Participation Rates

- The final interim regulations are unnecessarily rigid in their interpretation of the DRA. They will inhibit states' efforts to meet the work requirement and increase their incentive to reduce caseloads.
- The regulations will make it harder for states to engage persons with disabilities in work activities both by restricting the types of programs that may be counted toward meeting the work requirement and limiting the amount of time that may be spent in certain activities.
- In an effort to meet the higher work participation targets, Texas may look for new ways to reduce the caseload both to take advantage of the newly calibrated caseload reduction credit, and push families off the rolls who are unlikely to be able to comply with the work rules.

- As part of this effort, Texas may consider eliminating current exemptions from the work rule for persons with disabilities. These adults, though exempt from working as a condition of receiving TANF, are counted in the state's work participation rate calculation. At the same time that these adults may now be required to work in order to stay on TANF, the federal regulations will make it harder for the state to develop meaningful programs designed to help people with disabilities gain the skills they need to succeed in the workforce.
- Should Texas decide to eliminate the work exemption for persons with disabilities, it is likely that many would fail to meet the work requirement and lose their TANF benefits as a result.
- If states do not meet the work participation rate requirements they face a 5% penalty on the TANF block grant – approximately \$25 million for Texas. (Note: States that do not meet the work participation targets have always faced an increase in their MOE requirement from 75% to 80%.)

It's Not Too late to Improve the Federal TANF Regulations—Comments Due August 28

The U.S. Department of Health and Human Services will accept comments on the TANF regulations from individuals and organizations until August 28. Written comments sent BY MAIL should be POSTMARKED by August 28th. You should send them to:

Office of Family Assistance
Administration for Children and Families
5th Floor East
370 L'Enfant Promenade SW
Washington DC 20447

Comments can be submitted electronically (**be sure to send a hard copy as well**) to Robert Shelbourne at the Office of Family Assistance at robert.shelbourne@acf.hhs.gov. E-mailed versions of the comments MUST be submitted NO LATER THAN AUG 28th. The rules are available at <http://www.acf.hhs.gov/programs/ofa/tanfregs/tfinrule.pdf>.

If you need help in writing your comments, we can provide you with a set of model comments prepared by the Center on Budget and Policy Priorities. Please contact Celia Hagert (512-320-0222, x110, hagert@cbbb.org) or Don Baylor (512-320-0222, x108, baylor@cbbb.org) with any questions.

What Can Texas Do to Make TANF More Effective?

As Texas charts a course for the second decade of TANF, we are at a fork in the road. The state could take the low road and continue to pursue policies that restrict access to assistance to poor families by any means, or travel the high road and refocus TANF on giving parents the necessary skills to enter, advance, and succeed in the workplace.

A highroad approach should include the following basic components:

- *Extending TANF benefits to more working families:* Raising Texas' low eligibility levels would help TANF reach more families in need. Another benefit of a higher eligibility limit is an increase in the number of families likely to participate successfully in work activities, which would make it easier for the state to meet its work participation requirement.
- *Expanding opportunities for education and job training:* Texas could broaden its workforce-service approach to encourage more TANF recipients to undertake longer-term efforts, including adult literacy, ESL/GED, vocational education, and customized training programs. This would improve conditions for TANF leavers and reduce recidivism. Other states, such

as Arkansas, have developed “wraparound” services and programs that put TANF recipients on a career path and reward recipients for continuous employment. Arkansas’ Career Pathways and Work Pays Programs are becoming national models for improving training and wage outcomes for TANF families. For more information, visit http://www.goodfaithfund.org/pdf/pub_pp/pp_v27_6_06.pdf.

- *Creating more transitional jobs for unsuccessful job seekers:* These community-service jobs would engage more parents in work activities while providing skills training and work supports.

Unfortunately, without significant modifications to the DRA or the new federal regulations, federal law does not encourage states to take the high road. Further, this approach would require an additional investment in employment and training, child care assistance, housing assistance, adult literacy and job training, and other work supports that help families make the transition from welfare to work. These are all areas in which Texas has always relied heavily on federal funding, investing only minimal amounts of state general revenue. However, Texas cannot rely on federal TANF funds alone to make this additional investment, given the heavy reliance on the TANF block grant to fund child protection. Without the TANF dollars supporting it now, Texas’ CPS system would collapse.

The challenge of finding new state dollars to use in combination with TANF federal funds, whether for family work supports or for child protection, is a formidable one. Texas has a structural deficit, meaning that growth in state tax revenue will not be enough to pay for future budget needs in such essential areas as K-12 education, Medicaid, and prisons. Therefore, increased funding for any program currently receiving TANF would require new state tax revenues. (To learn more about the state’s long-term tax and budget challenges, see *The Texas Revenue Primer*, April 2005 update, <http://www.cppp.org/research.php?aid=361&cid=6%20and%20http://www.cppp.org/research.php?aid=529&cid=6..>

Without significant changes in the structure and goals of the TANF program, it will continue to fail the extremely poor and vulnerable families it is intended to help. Despite the funding challenges, Texas needs to re-examine its uses of TANF, develop a strategic plan that refocuses on the core TANF goal of moving families out of poverty, and find ways to supplement TANF federal spending with state general revenue support for critical state services.