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TANF: A Cautionary Tale

As Congress looks to expand the use of block grants, it is important to consider the lessons of TANF.

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Just over 20 years ago, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, also known as "welfare reform," was signed into law. With a promise to "end welfare as we know it," Welfare Reform significantly restructured the nation's anti-poverty programs, the only thing keeping struggling families out of extreme poverty.
Policymakers dissolved Aid to Families with Dependent Children (AFDC), a program which provided cash assistance to needy families with children in order to protect families from the harshest effects of poverty and stabilize the family and community. Under AFDC's entitlement structure, every family who qualified for help received it.

In its place, Congress and then President Clinton created the Temporary Assistance for Needy Families (TANF) block grant. The TANF block grant set a fixed amount of federal funding and gave states the ability to determine how they could use the funds. In addition to changing the funding structure from a program that guaranteed assistance to all those who qualified to one that set a fixed amount of dollars and allowed states to serve who they could, the new law imposed a five-year lifetime time limit on benefits. Proponents of TANF argued that increased state flexibility, eligibility limits and work requirements would allow states to shift cash assistance spending into programs that promote and support work. Opponents argued that work supports and low-wage job opportunities would not be enough to help families subsist.

ENTITLEMENTS V. BLOCK GRANTS

"Entitlement" and "Block Grant" are two ways a government program is funded. Entitlement programs guarantee that everyone who qualifies for the program is able to participate. As a result, funding for entitlement programs automatically increases or decreases based on how many people need the program. Funding for entitlement programs is exclusively used for that program. Programs that are funded through Block Grants receive a fixed amount of money each year. How many people the program can serve and the quality of the services are based on predetermined funding levels. Under block grants, state and local governments often have the ability to use funding in ways that may or may not be aligned with the original program.

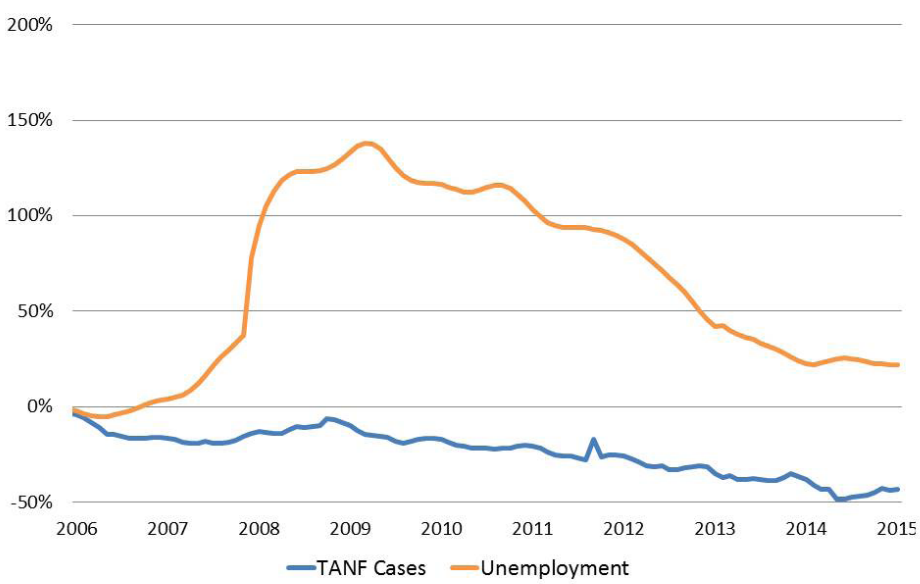
More than two decades later, we now know that TANF has failed to deliver on either one of these promises. TANF, in fact, has had the opposite effect. The cash assistance program that existed under AFDC has nearly disappeared and struggling families are finding it harder to find work that pays a living wage. Research has found that over this period the number of people living in deep poverty has grown significantly. Between 1995 and 2010, the number of children TANF lifted out of deep poverty shrank from 2.2 million to only 600,000. [1]

For years, America has worked hard to ease the effects of poverty and to protect our most vulnerable while providing a stepping stool to the middle class. As Congress considers proposals that would expand the use of block granting and other financing models that fundamentally alter the entitlement structure of public programs serving those in need, the damage of this approach is important to consider.

TANF reaches fewer families in need

In 1996, 74 out of every 100 North Carolinian families with children living in poverty received cash assistance. In 2015, only 7 out of every 100 families in poverty receive TANF benefits, putting North Carolina far below the national average of 23. [2 3] In fact, North Carolina has the 8th worse TANF-to-poverty ratio in the nation. The TANF-to-poverty ratio has dramatically decreased over the years as assistance has become less accessible to families who need help. As the TANF caseloads have decreased, the number of families in poverty has increased. In 1996, 12.4 percent North Carolina families lived in poverty. Today, that number has risen to 16.4 percent. The 1996 law required states to impose new eligibility requirements and punish individuals who did not meet the requirements. TANF's strict time limit prevents families from receiving benefits for more than five years, regardless of need. In many states, including North Carolina, failing to fulfill the work requirement terminates benefits not only to the parent(s), but also the children living in the home. [4] While access to assistance has decreased across the country, struggling families in North Carolina have been dealt an exceptionally tough blow.

Figure 1: Changes in TANF Cases and Unemployment in North Carolina



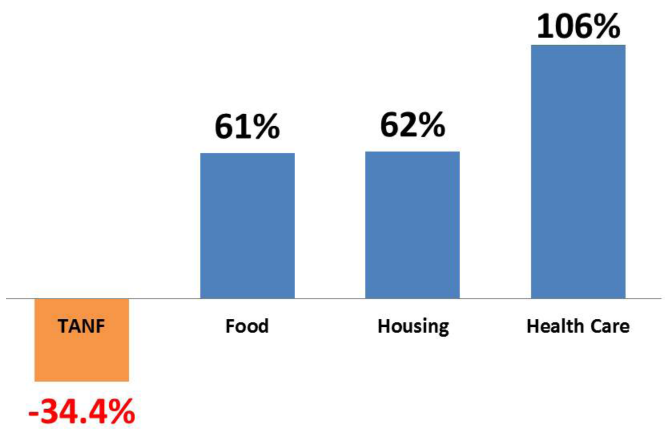
Source: CBPP analysis of state TANF caseload data and Bureau of Labor Statistics unemployment data

During the Great Recession, when unemployment and poverty rose and families needed help the most, North Carolina's TANF participation continued to drop. Between 2006 and 2010, the number of unemployed workers in North Carolina increased nearly one and a half times. During the same period, the number of people receiving emergency TANF support declined by 15 percent. [5]

This inverse relationship between those in need and those receiving help demonstrate TANF's design weakness. Capped federal spending, harsh work requirements, sanctions and punishments, and arbitrary time limits and restrictions fail to deliver aid to where it is most needed. [6]

The value of TANF has eroded over time

Figure 2: Between 1996 and today, the real value of TANF has decreased while the costs basic expenses rise



Source: Analysis of Bureau of Labor Statistics Consumer Price Index (CPI-U) for 1996 and 2016

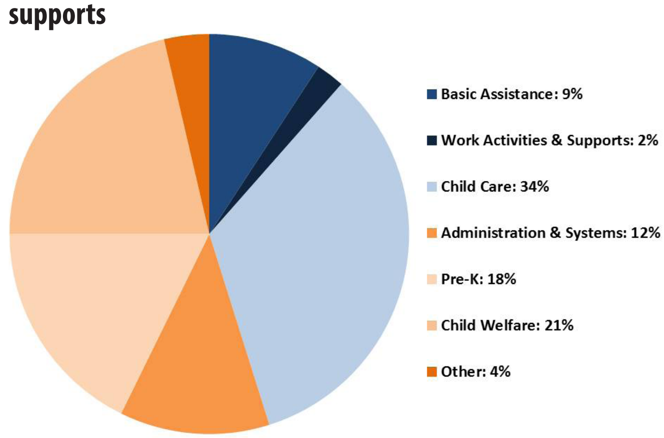
Like many other block granted programs, the value of TANF's funding has significantly shrunk overtime. Today, North Carolina receives the same amount of federal funding as it received in 1996, even though the cost of living, education and skills training, and health care and programming has grown.

WorkFirst benefits are too low to move a family out of poverty, let alone provide for even one of the basics in a household budget each month. In 1996, a family of three received $272 in cash assistance each month. Today, a family of three still receives only $272. After adjusting for inflation, families in need are receiving more than a third less in supports than they were in 1996. [7] While the benefits families receive have stayed the same over the past 20 years, the basic everyday expenses they incur have not. From 1996 to today, food and housing costs have both increased by more than 60 percent. In that same time period, health care costs have more than doubled.

According to the Living Income Standard, a family of three in North Carolina needs to earn $4,120 a month in order to afford the basics such as rent, childcare, and transportation. [8] TANF benefits account for only 7 percent of a family's budget — that's not even enough to cover a month's worth of groceries. A parent working full-time at minimum wage with TANF and SNAP benefits will not make enough to make ends meet. In states with large population growth, including North Carolina, the value of TANF has eroded even quicker. Since 1997, on spending per-poor-child bases, North Carolina's TANF dollars have lost 66 percent of its value. [9] In addition to a fixed federal support, North Carolina lawmakers have been unwilling to increase the amount of state dollars supporting TANF families.

TANF spending does not reflect its goals

Figure 3: Only 2% of NC's WorkFirst funding goes to work supports



Source: CBPP analysis of HHS 2015 TANF data

The TANF block grant lacks alignment between where it allows spending to occur and what it seeks to achieve in terms of moving people sustainably out of poverty. As a result, most states spend a majority of TANF dollars on programs other than those that help families find and keep jobs or provide basic assistance to lessen the harm of living in poverty. North Carolina spends only 2 percent of total TANF spending on programs such as job training, job search assistance, and other work supports, and only 9 percent of funding on basic assistance. This failure to fund the major programs and services that can stabilize households and connect them to greater economic opportunity is in direct conflict with the program's goals to provide basic assistance and promote work.

Despite being championed as a law designed to move people from "welfare to work", 55 percent of TANF dollars are spent on programs that neither help struggling families get by nor help them find work. A majority of North Carolina's TANF dollars go to case management, child protective services, pregnancy prevention and efforts to promote marriage and educate parents. [10] While these programs are important, they are divergent from TANF's central goals. Rather than giving families the direct assistance they need, these programs, at best, address the symptoms of deep and prolonged poverty. Additionally, when TANF dollars are used on non-core programming, they supplant existing state commitments to programs such as pre-K and child abuse prevention for which prior funding was made available at the state level. Rather than fulfilling its promises, North Carolina, like many states, has used TANF funding to replace shortfalls in other parts of the state's budget.

Lessons from TANF are important for today's federal debate

TANF and WorkFirst are prime examples of why block grants do not allow North Carolina to more effectively or efficiently support families.Despite living in extreme poverty, poor families and children are not guaranteed access to basic, yet life-preserving, help. We cannot expect our state's most impoverished families to become self-sufficient and prosperous while they struggle to stay afloat. If we want an economy that works for all, and a state where every person, child, and family has the opportunity to do better, we must support our most vulnerable.

1. Floyd, Ife, LaDonna Pavetti, and Liz Schott. TANF Continues to Weaken as a Safety Net. Center on Budget and Policy Priorities, Washington D.C. 2015. Available here: http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net
2. Special data request to CBPP
3. Note: Data reflects 2-year averages.
4. NC Department of Health and Human Services. "North Carolina's Temporary Assistance for Needy Families State Plan." Available here: http://www.ncdhhs.gov/document/temporary-assistance-needy-families-state-plan
5. Special Data Request to CBPP
6. Schott, Liz. Lessons from TANF: Block-Granting a Safety-Net Program Has Significantly Reduced Its Effectiveness. Center on Budget and Policy Priorities, Washington D.C. 2017. Available here: http://www.cbpp.org/research/family-income-support/lessons-from-tanf-block-granting-a-safety-net-program-has
7. Stanley, Megan, Ife Floyd, and Misha Hill. TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode. Center on Budget and Policy Priorities, Washington D.C. 2016. Available here: http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states
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10. NC Department of Health and Human Services. "North Carolina's Temporary Assistance for Needy Families State Plan." Available here: http://www.ncdhhs.gov/document/temporary-assistance-needy-families-state-plan