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for Needy Families Caseloads After
Passage of the Deficit Reduction Act of
2005**

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Contract Number:
C604-3071-08-4

MPR Reference Number:
6596-100

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Final Report

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UNDERSTANDING TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CASELOADS AFTER PASSAGE OF THE DEFICIT REDUCTION ACT OF 2005

Historically, public cash assistance caseloads have risen and fallen with changes in the economy and in response to federal and state policy changes. Researchers, policy makers, and program administrators track caseloads to better understand how people respond to policy and economic changes and to assess whether programs are reaching the people they are intended to serve. Under the Aid to Families with Dependent Children (AFDC) program, states had limited flexibility in how to design their programs, making it easy to track variations in state policies. In addition, the amount of funding a state received was based primarily on this caseload size making it easy to track the number of participants. The Temporary Assistance for Needy Families (TANF) block grant, created through the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA), provided states with substantial flexibility to decide how to best address the needs of families with children. Taking advantage of this flexibility and building on earlier demonstration efforts, states enacted policies that they determined would best help them to achieve their short- and long-term goals. This flexibility has made it harder to track state policies and to link them to caseload changes. The Deficit Reduction Act of 2005 (DRA) instructed the Department of Health and Human Services (HHS) to develop regulations for states in a set of areas in which they previously had flexibility to make their own decisions. Still, states have considerable flexibility to decide how to best assist low-income families with children through their TANF and related programs.

Widespread interest in the outcomes of the 1996 federal welfare reform law spawned numerous studies that aimed to examine variations in state policies and economic conditions to better understand their relative contributions to changes in public assistance caseloads and employment (Grogger et al. 2002). An accurate accounting of how many families receive assistance, who is included on the caseload, and the ability to classify policies in meaningful ways is critical to these and other similar studies. While considerable attention was paid to policy changes and their influence on caseloads after the passage of PRWORA, less attention has been paid to caseload changes associated with policy and structural changes that were implemented in response to the DRA.

In this paper, we examine how policy and structural changes states made in response to the DRA may influence the level and composition of the TANF caseload. This paper grew out of a 50-state survey Mathematica Policy Research conducted on diversion programs which revealed that states were providing cash assistance to some families with children outside of their TANF programs in order to meet the higher effective work participation rates established by the DRA (Rosenberg et al. 2008). This paper also draws on field visits Mathematica conducted to state and local welfare offices to study innovative strategies states were employing to increase the number of recipients participating in work activities (Pavetti et al. 2008). All analyses of caseload data rely on the official TANF caseload numbers published by the Administration for Children and Families. The audience for this paper includes researchers, policy makers, and program administrators who use TANF caseload data to assess the functioning of the program. The primary aim of the paper is to provide readers with background information that can improve their ability to interpret changes in the TANF caseload (or more broadly in the receipt of public cash assistance), especially during these challenging economic times and as policy makers consider the reauthorization of the program.

We start with a description of state cash assistance caseloads for families with children prior to the DRA, which provides important contextual information for understanding state responses to the DRA and their potential influence on TANF caseloads. In the second section, we describe the DRA

provisions directly related to TANF. In the third section, we describe policy and structural changes made in response to the DRA and discuss their influence on state TANF caseloads. The final section offers our conclusions.

A. The Structure of TANF Caseloads and Related Programs Prior to the DRA

Although PRWORA afforded states much more flexibility to decide how to provide assistance to low-income families with children than they had in the past, the legislation did impose some requirements on them. Of particular importance are work requirements and prohibitions from providing assistance to some families. These requirements, along with the funding structure of the TANF block grant, led most states to provide cash assistance to low-income families through three different means: (1) TANF assistance programs (TANF), (2) separate state programs (SSP), and (3) non-assistance programs. Understanding these three mechanisms for helping families and the number of families served through them prior to the DRA is important because some of the state responses to the DRA are directly related to the distinctions between them. States are required to report information to HHS on families receiving assistance from TANF and SSP, but not on families who receive nonassistance. Thus, the official TANF caseload numbers reported by HHS only include TANF and SSP recipients. To avoid confusion when talking about the different programs, throughout this paper, we use TANF/SSP to refer to the combined total of the TANF and SSP caseloads.

The funding structure of TANF has important implications for states' use of these three mechanisms for helping families. Each year, states receive, in the form of a block grant, a fixed amount of federal funding that reflects federal spending for the AFDC and AFDC-related programs prior to the passage of PRWORA. In order to receive a full block grant allocation, states have to meet a maintenance-of-effort (MOE) requirement in which they continue to spend 80 percent of state funds previously used for benefits and services for AFDC and AFDC-related programs. (This amount can be reduced to 75 percent if states meet required work participation rates.) A broad, but not unlimited, array of benefits and services for low-income families can count towards satisfying a state's MOE requirement. A state may spend its MOE dollars in three different ways: (1) comingled with Federal funds and expended in the TANF program; (2) segregated from Federal funds, but spent in the TANF program; and (3) in Separate State programs, operated outside of the TANF program. This funding structure is important because not all requirements that apply to TANF block grant funds apply to MOE funds. Comingled funds are the least flexible because they are subject to Federal funding restrictions, TANF requirements, and MOE limitations. Segregated funds are subject to some, but not all TANF requirements. Separate State programs have the fewest restrictions.

1. TANF Assistance Programs

TANF programs are the primary means through which all 50 states, the District of Columbia and the territories provide cash assistance to low-income families with children (see figure 1). In FY 2005, the year prior the passage of the DRA, an average of 1.9 million families received cash assistance each month through a TANF program, accounting for 92 percent of all families receiving TANF/SSP benefits. For data reporting purposes, the TANF, SSP and TANF/SSP caseloads often are divided into three different groups: single-parent families, two-parent families, and child-only cases. In FY 2005, single-parent families accounted for 54 percent of the total TANF caseload, child-only cases accounted for 44 percent, and two-parent families accounted for about two percent.

Figure 1. The TANF Caseload in FY 2005 by Type of Case and Program Type



Source: Administration for Children and Families 2009

Families that participate in a TANF cash assistance program funded with Federal block grant funds or comingled MOE funds are subject to time limits, must cooperate with child support enforcement, and must assign any child support they receive to the state. (States have the option to “pass through” all or part of the child support collected on behalf of children in a TANF-funded program to the family owed that support, or may keep it to offset the cost of the family’s assistance. Until, October 1, 2008, states were required to send the federal government its share of its collections (based on the Medicaid match rate), even if the support was passed through. On October 1, 2008, the federal government began to waive its share of the collections if a state passes through and disregards for benefit calculation purposes some or all of child support collected, up to \$100 per month for one child and \$200 per month for two or more children.) States are prohibited from using federal TANF funds or comingled MOE funds to provide assistance to families in which an adult has already received assistance for 60 months during his or her lifetime (with an exception due to hardship for up to 20 percent of the TANF caseload), minor parents who are not living in an adult-supervised setting, most legal immigrants who have been in the United States for fewer than five years, and some recipients with criminal records, among others. If a family’s benefits are funded with segregated state MOE funds, they are subject to work requirements, but the time limits and other prohibitions do not apply.

To hold states accountable for moving families from welfare to work, the TANF legislation included work participation rates that states were required to achieve or risk losing a portion of their

allocation. In order to count toward the rates, single parents without a child under age six are required to participate in countable work activities for 30 hours each week, and two-parent families for a total of 35 hours if they don't receive federally funded child care assistance (55 hours if they do). Single-parent families with a child under the age of six can count toward the rates if they participate for 20 hours per week. States are required to impose a sanction (i.e., financial penalty) on families who do not comply with their work requirement without good cause; states decide how much of a penalty to impose. States can exclude sanctioned families from the work participation rate calculation for three months in a twelve-month period. They also can exclude families with a child under the age of one for a total of 12 months in their lifetime.

States are required to meet two different work participation rates—an all-family rate that applies to all families on the caseload and a separate rate that applies to two-parent families. The all-family rate started at 25 percent and gradually increased to 50 percent by 2002, at which point it held steady. The two-parent rate started at 75 percent and increased to 90 percent over the same time period. States were provided with a “caseload reduction credit” of one percentage point for every percentage point reduction in the TANF/SSP caseload after 1995. The credit excludes caseload declines due to eligibility changes made after the base year. The credit was designed to reward states that helped welfare recipients leave the rolls. However, states were not required to demonstrate that the reduction was due to their efforts and recipients who left did not have to be working or otherwise engaged in productive activities. If states do not meet the required work participation rate, they are subject to a 5 to 21 percent reduction in their TANF block grant (reduced based on the degree of noncompliance) and an 80 percent rather than 75 percent MOE requirement.

The caseload reduction credit proved to be an important component of the pre-DRA work participation rate requirements. In fiscal year (FY) 2005, the year prior to the passage of the DRA, the national average for the all families work participation rate was 33 percent (Administration for Children and Families 2009a). Because of significant caseload declines that occurred after 1995, the work participation rates that states were required to meet were substantially lower than the 50 percent rate set forth in the TANF legislation; only six states had an actual all-family work participation rate requirement that was over 20 percent. Only nine achieved an actual all-family work participation rate of 50 percent or more. After accounting for the caseload reduction credit, only one state and one territory, Indiana and Guam, did not meet their required rates.

The two-parent work participation requirement was more difficult to achieve because of the higher rate and because of the small number of families served by the program. Consequently, by FY 2005, more than half the states no longer served two-parent families in their TANF programs, opting instead to serve them through a SSP where they were not included in the calculation of the work participation rate. The 2005 national average two-parent family work participation rate was 42.6 percent. Only two states, Kansas and Rhode Island, met the 90 percent work participation rate.

2. Separate State Programs

PRWORA permitted states to use their MOE dollars to create SSPs for families not eligible for TANF benefits or who they felt could be better served by a program that was not bound by the same constraints. Some key federal policies that apply to families receiving TANF do not apply to those receiving assistance through an SSP. Examples include time limits and assignment of child support to the state. Importantly, prior to the passage of the DRA, federal work participation requirements also did not apply to SSPs.

In FY 2005, 32 states and the District of Columbia operated SSPs that provided assistance to recipients prohibited from receiving TANF assistance, two-parent families, participants in education programs that could not be counted towards the work requirement and other families that states thought were unlikely to meet their work participation requirements. Some states targeted their programs to just one group while others targeted them to multiple groups.

In FY 2005, an average of about 170,000 families received monthly benefits through SSPs (see figure 1). Nearly 70 percent of two-parent families receiving cash assistance did so through a SSP and they accounted for 44 percent of those receiving SSP benefits even though they accounted for only 5 percent of the total TANF/SSP caseload. Recipients in two of the most populated states, California and New York, accounted for 55 percent of families receiving SSP benefits. California's SSP served only two-parent families but New York's program served single-parent and two-parent families, many of whom had reached their time limit. Participation in an SSP is transparent to recipients. Except for those who are unable to work and those participating in education programs, recipients are generally subject to the exact same work requirements as TANF recipients. States are required to report the same information on recipients of SSPs as they are required to report on recipients of TANF.

3. Nonassistance Programs

The TANF regulations explicitly define what constitutes assistance and defines a second service category called nonassistance. Families receiving nonassistance are not subject to any of the federal requirements imposed upon families receiving assistance (although states can choose to make them subject to all requirements except child support) and the data reporting requirements do not apply. States can use either federal TANF or state MOE dollars funds to provide nonassistance. Multiple types of benefits are considered nonassistance, including the following: (1) nonrecurring short-term benefits that are designed to deal with a specific crisis situation or episode of need, are not intended to meet recurrent or ongoing needs, and will not extend beyond four months; (2) work subsidies paid to employers or other third parties to help cover employee wages and other related costs; (3) support services such as child care and transportation provided to families who are employed; (4) refundable earned income tax credits; (5) contributions to and distributions from Individual Development Accounts; (6) services such as counseling, case management and other employment-related services that do not provide basic income support; and (7) transportation benefits provided under special programs to an individual not receiving assistance.

Lump sum diversion payments are one form of nonassistance provided by most states to low-income families with children. In 2005, 35 states offered families applying for TANF the option of receiving a lump sum diversion payment instead of TANF (Rowe et al. 2006). These programs commonly provide applicants who are employed or have a job offer with a one-time cash payment that is equal to three times the monthly TANF benefit. Recipients then face a period of ineligibility for regular TANF benefits.

Because HHS lacks authority to require states to provide information on the number or characteristics of families receiving nonassistance, systematic data has never been available on the receipt of lump sum payments. In most states, the reach of these programs is generally small due to a narrowly defined target population. One report estimates that only 2.5 percent of applicants for TANF assistance received diversion payments instead of ongoing cash payments (London 2003).

Prior to passage of the DRA a few states established nonassistance programs that provided temporary support to TANF applicants while they looked for work. For example, in FY 2005, Minnesota implemented the Diversionary Work Program (DWP). This was designed to engage work-ready TANF applicants more quickly in job search activities and provide them with an opportunity to look for work without having the time count toward their 60-month time limit. For up to four months, recipients participate in job search activities and receive voucher payments to cover the cost of housing and utilities. Participants can also receive cash payments for any remaining needs. The combined voucher and cash assistance payments cannot exceed the value of the cash benefits they would have received through the TANF program. At the end of the four-month period if they have not found employment, they are required to submit a separate application to receive cash assistance through the state's TANF program.

B. Deficit Reduction Act of 2005

The DRA reauthorized TANF through 2010 and authorized changes that effectively increased the work participation rates states were required to achieve. The DRA maintained the same work participation rates and hours requirements that were originally enacted in 1996, but other changes effectively increased the work participation rate that states must achieve and modified what and how participation is counted in calculating the rate. The key changes included:

- updating the base year for calculating the caseload reduction credit from 1995 to 2005
- extending work participation requirements to most families with an adult receiving assistance in a SSP funded with state MOE dollars
- inclusion of two groups of child-only cases: (1) sanctioned families in which the parent's needs are removed from the grant (after three months in sanction status), and (2) families in which a parent is removed from the grant due to the 60-month time limit
- requiring HHS to develop definitions for the work-related activities listed in the statute

The final HHS regulations defined nine core work activities in which TANF recipients must participate for at least the first 20 hours to meet their work requirement and three noncore activities in which the recipient can participate for any additional required hours. In an effort to achieve comparability in work participation rates across states, HHS attempted to create definitions for the various work activities that do not overlap.

Many states had a significant gap to close in order to meet the requirements of the DRA. Because states experienced significant caseload declines between 1995 and 2005, but less so after 2005, the change in the base year for the caseload reduction credit substantially increased effective work participation rates for most states.

Largely due to differences in the design of their TANF programs and their approaches to implementing TANF work requirements prior to the DRA, states faced a range of challenges in implementing the DRA. The inclusion of some families who previously had been excluded from the work participation rate calculation substantially affected some states but had little effect on others. Those most affected by this change included: (1) states with partial sanction policies that reduce the TANF grant provided to a family by removing the parents' "needs" from the grant calculation when a parent does not comply with program requirements, (2) states that continue to provide TANF assistance to children when their parents reach the TANF time limit, and (3) states that operate

SSPs. Many states defined work activities more broadly than the definitions included in the final HHS regulations. In states that adopted broader definitions, some recipients that had counted as meeting the work requirement no longer could be considered under the definitions included in the regulations.

C. Selected State Responses to the DRA and Their Influence on the TANF Caseload

In response to the DRA, states re-evaluated their existing strategies for serving low-income families and considered whether new policies or programs were warranted. Acknowledging that a heterogeneous group of families turn to TANF for support, a critical component of these deliberations was assessing how best to allocate funds—TANF block grants, state funds used to meet MOE requirements, and state funds not used to meet the MOE requirement—to maximize their chances of meeting the required federal work participation rate requirement while continuing to give families the range of opportunities in place prior to the DRA.

Without a comprehensive survey of state responses to the DRA, it is impossible to capture all the changes states made. However, with information that is available it is possible to explore the potential impact of some potential key changes on the level and composition of the TANF caseload. In this section, we examine the impacts on the TANF caseload of four state responses: (1) creation of solely state-funded programs; (2) expanded use of nonassistance programs; (3) expansion of assistance for working families; and (4) changes in sanction policies. It is important to note that some states did not implement major policy or structural reforms but did change the way they implemented existing policies, including stepping up efforts to quickly move TANF recipients into paid employment (Pavetti et al. 2008). Information is not readily available on these and other operational changes so we do not address them here.

1. Creation of Solely State-Funded Programs

When HHS issued new rules indicating that families participating in SSPs would be subject to the same work requirements as families receiving assistance through TANF, rather than risk a penalty for not meeting the work participation rate, some states decided to use non-MOE state funds to create new solely state-funded (SSF) programs. Because there are no federal TANF or MOE funds used, states are free to operate these programs however they choose. The states are not accountable to HHS for how these state funds are used and are not required to report on the number of families served or their characteristics. In some cases, these new programs have different rules that are apparent to recipients; in others, the rules are the same. For these latter programs, the only difference is the source of funds that are used to pay for benefits. Through the creation of SSF programs, states can: (1) avoid financial penalties for serving families that might not be able to meet federal work participation rates, and (2) provide services to some families with more flexibility than under the rules adopted after DRA.

In most states, SSF programs serve three distinct populations: (1) two-parent families, (2) families with a household head with barriers to employment, and (3) families with a household head working toward a postsecondary degree. In a few instances, SSF programs are explicitly targeted to families that are not meeting their work participation requirement. Mathematica conducted a survey of states in 2008 and found that 26 states had implemented a solely state-funded program. (See Rosenberg et al. 2008 for a survey description.) A total of 24 states reported having a solely state-funded program for two-parent families, 14 had programs serving hard-to-employ families, and 7

had programs for college students. The target population often defines how SSF programs are structured and implemented.

- **Two-parent families.** SSF programs targeted to two-parent families operate the same as a state's TANF program and recipients are unaware they are participating in a different program. All states require SSF recipients to participate in the same work activities and for the same number of hours as TANF recipients. All other state policies such as earned income disregards, sanctions and time limits also apply.
- **College students.** SSF programs targeted to two- and four-year college students are voluntary and TANF applicants or recipients who meet the program requirements are offered the opportunity to participate by a caseworker. States typically establish a monitoring process to ensure that expectations for student participation are being met. The monitoring process verifies the students' status at the school, coursework progress, and enforces completion of a degree by an agreed-upon date.
- **Hard-to-employ.** SSF Programs for the hard-to-employ often are distinct programs that operate differently than state TANF programs. Some programs are targeted to applicants or recipients with an identified barrier to participation that cannot be solved in the short-term while others are targeted more narrowly to applicants or recipients living with a disability who are applying for SSI. Caseworkers screen TANF applicants or recipients to assess their eligibility for the program. Some of these programs provide assistance beyond what is available under TANF to better prepare participants for work; others place few expectations on recipients. In general, SSF programs for hard-to-employ populations allow participants to engage in activities that are tailored to their needs.

States maintain data on participation in SSF programs for their own purposes. Because these programs are funded with non-MOE state funds, these data are not submitted to HHS and are not included in the official TANF/SSP caseload statistics. In the federal data, a shift of recipients to an SSF program gives the appearance of a reduction in the number of families receiving cash assistance when all that may have changed is the funding source. The growth of SSF programs has resulted in a substantial reduction in the number of states operating SSPs, a steep decline in the number of two-parent families receiving TANF assistance, and, in at least one case, a steep decline in the full TANF/SSP caseload.

In some states, SSF programs replaced the SSPs states had previously created to avoid fiscal penalties for not meeting the 90 percent work participation rate for two-parent families. (States continued to operate SSP for other reasons such as serving families who cannot be served with TANF block grant funds.) In FY 2008, only 19 states continued to operate SSPs, down from 32 that operated them prior to the passage of the DRA; only 10 states continued to serve two-parent families through SSPs (see table 1). The number of families served in SSPs declined by almost two-thirds, from 169,691 cases in FY 2005 to only 64,782 cases in FY 2008. Whereas two-parent families accounted for 44 percent of families receiving benefits from SSPs in FY 2005, they accounted for only three percent of cases served in SSPs by FY 2008. For budgetary reasons, instead of creating an SSF, California moved its two-parent families from an SSP to their TANF caseload. Thus, they are still counted as TANF recipients.

Table 1. Families Served in Separate State Programs (SSPs) in FY 2005 and FY 2008

Type of case	FY 2005		FY 2008	
	Number of states	Number of cases	Number of states	Number of cases
Single-parent	22	78,425	17	59,565
Two-parent	31	74,417	10	2,097
Child-only	15	16,850	12	3,121
All cases	32	169,691	19	64,782

Source: Administration for Children and Families 2009

Between FY 2005 and FY 2008, the total two-parent TANF/SSP caseload declined by 42 percent, from 107,519 to 61,966 cases (see figure 2). The majority of the decline occurred between FY 2006 and FY 2007, when the DRA was first implemented. By FY 2008, 22 states no longer served any two-parent families in their TANF/SSP program—either through their regular TANF program or an SSP, up from just two states in 2005. In 12 states, the two-parent TANF/SSP caseload declined by 50 percent or more; some of these states opted to serve two-parent families meeting their work requirement through their TANF/SSP program and those not meeting the requirement through a SSF program.

Figure 2. Two-Parent TANF/SSP Cases in FY 2005 and FY 2008



Source: Administration for Children and Families 2009

The District of Columbia caseload provides an illustration of the importance of considering participation in TANF and SSF programs to accurately track the number of families receiving cash assistance. According to the data reported by HHS, between FY 2005 and 2008 the District's TANF/SSP caseload declined by 69 percent, from 17,254 to 5,375 cases. Data maintained by the District on all of its cases show a decline of just 12 percent, to 15,171 cases in FY 2008 (see figure 3). The District employs a systematic strategy for assessing their caseload and assigning cases to different funding groups depending on their characteristics and their level of participation in work activities. This means that the number of families on the TANF/SSP caseload is dependent on the number of families meeting the work requirement in any given month, not on the number of families receiving assistance. While the federal TANF/SSP data show the District's caseload declining between FY 2007 and 2008, the local data show the caseload starting to increase.

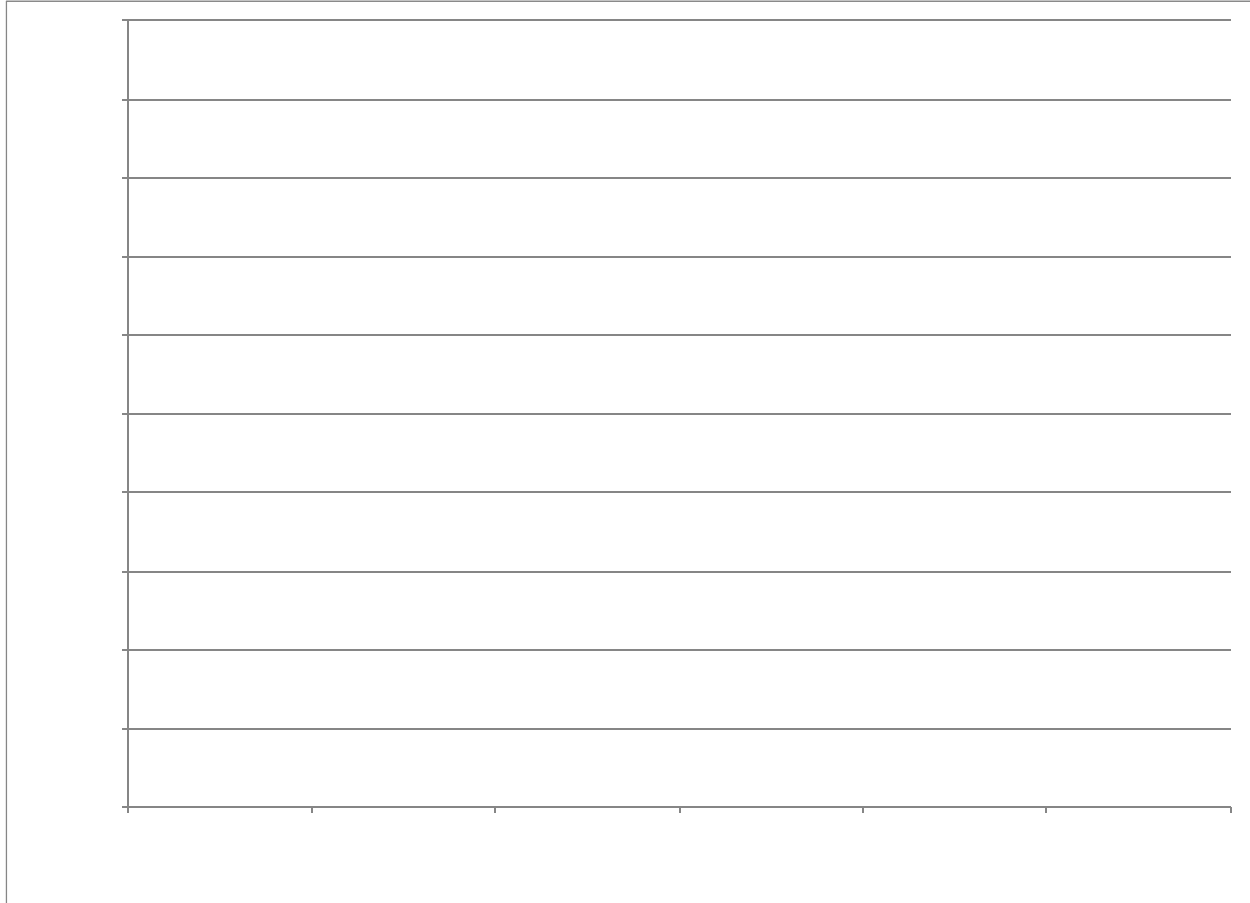
Data is not readily available on the size of state SSF programs and collecting it was beyond the scope of this paper. However, because most SSF programs focus on a narrowly defined portion of the TANF caseload, we expect that most SSF programs are not as large as the District of Columbia's, making the influence on TANF/SSP caseloads important, but more modest. For example, to better serve recipients living with a disability and not have them adversely affect the state's work participation rate, Oregon created a SSF for those applying for SSI or Social Security Disability Insurance (SSDI). When the program was first implemented in October 2007, 239 families received assistance through the new program. By April 2009, the number receiving assistance had risen to 1,061 families. Oregon also provides cash assistance with state funds to two-parent families who have not met their work requirements; those who have met their work requirements are included as part of the TANF/SSP caseload. In September 2008, Oregon's state data reports 1,323 two-parent cases whereas the federal TANF/SSP data reports only 504 cases. The cases served by both SSF programs in Oregon represent about seven percent of the state's total cash assistance caseload for families with children (State of Oregon, Department of Human Services 2009).

2. Expanded Use of Nonassistance Programs

One difficulty states face in achieving high work participation rates is engaging new TANF recipients in work activities quickly. Another issue is identifying families who may be better served by programs other than TANF. In an effort to address these issues, some states implemented new programs for TANF applicants that combined short-term emergency assistance with job search or other services to help families address current crises while seeking alternative sources of long-term support. There are two types of these programs, sometimes referred to as temporary support, precursor, or pre-TANF programs: (1) job search programs that aim to help applicants find employment quickly while providing temporary cash assistance or vouchers to meet their immediate needs, and (2) crisis stabilization programs that aim to help families meet their immediate needs while simultaneously developing an individualized long-term plan. In early 2008, five states had temporary support programs in place that emphasized rapid employment and four had programs that emphasized crisis stabilization (Rosenberg et al. 2008).

Regardless of the type of program, participation is short-term, restricted to 4 months in a 12-month period. Because they are short-term and are not intended to provide ongoing assistance, states deemed these programs nonassistance programs for the purposes of TANF. They contain two components, a job search or service component aimed at helping recipients to find alternative sources of support (e.g., employment for work-ready applicants and disability assistance for recipients unable to work) and an emergency cash assistance or voucher component that aims to help families meet their immediate needs while participating in the program.

Figure 3. Receipt of Cash Assistance for Families in the District of Columbia: Federal and District Perspectives



Source: Administration for Children and Families 2009; District of Columbia 2009

Nonassistance programs can be funded with either federal TANF or state MOE dollars. However, recipients of nonassistance are not considered TANF/SSP assistance recipients and, therefore, are not counted as part of the TANF/SSP caseload or included in the calculation of a state's work participation rate. (Many states, however, make them subject to the same work requirements as TANF recipients.) Should the recipients of these short-term benefits later become TANF assistance beneficiaries, the time spent in these programs does not count toward a family's lifetime TANF time limit. In May 2008, HHS provided guidance on short-term nonassistance assistance programs that may have caused some states to restructure or discontinue their programs. HHS reiterated the definition of nonassistance and instructed states to count program participants in their TANF or SSP if their program did not meet the definition.

These programs have the potential to reduce the TANF/SSP caseload through two different means. First, they remove families from the TANF/SSP caseload who would otherwise have been eligible and received TANF assistance. If all families who apply for TANF/SSP are first referred to a nonassistance program, this is the equivalent of removing all families who have received assistance for four months or less from the TANF caseload. Second, if these programs achieve their goals, many participants will never transition to the TANF/SSP caseload, potentially reducing the TANF/SSP caseload even further.

Nonassistance programs also have the potential to change the composition of the TANF caseload. If programs are successful in moving the most job-ready quickly into paid employment, the resulting TANF/SSP caseload will be more disadvantaged than it would have been in the absence of these programs. On the other hand, if programs discourage the most disadvantaged from participating in them (because the requirements are not consistent with their abilities) or are successful in helping them to obtain support through other means, the resulting TANF/SSP caseload will be less disadvantaged than it would have been in their absence.

Minnesota and Pennsylvania operate two of the largest nonassistance programs, both focused on rapid employment. Like Minnesota's Diversionary Work program (DWP), Pennsylvania's Work Support Component (WSC) is targeted to all work-ready applicants. Eligibility is limited to 60 days within a 12-month period and may be extended, if needed, for up to four months within the 12-month period. Minnesota's program was started prior to the DRA. Because it has been in operation longer, there is more data available on it. An average of 3,452 cases participated in Minnesota's DWP in FY 2008 (Minnesota Department of Human Services 2009). If these families were included in Minnesota's TANF/SSP caseload count, the TANF/SSP caseload would be 11 percent higher than the reported numbers. Similarly, in April 2009, 4,467 families participated in Pennsylvania's WSC (Pennsylvania Department of Public Welfare 2009). Including these families in Pennsylvania's caseload count would increase the TANF/SSP caseload by almost 15 percent.

3. Expansion of Assistance for Working Families

Building on their previous efforts to support employed recipients through their TANF programs, about 60 percent of the states provided additional financial assistance to working families to increase their chances of meeting the required work participation rates. (Before the DRA was enacted, the majority of TANF recipients that met their work requirement did so through paid work.) States used two different mechanisms to increase the number of working families receiving TANF assistance: (1) expansion of earned income disregards and (2) creation of new worker support programs. Both strategies help states meet the effectively higher work participation rates by keeping working families on the TANF/SSP caseload longer. The additional benefits also provide extra support to working families, many of whom earn low wages. While states may have considered multiple factors in designing their programs, many final decisions were driven by cost constraints.

- **Expansion of earned income disregards.** When TANF/SSP recipients find employment, earned income disregard policies that disregard a portion of a family's earned income when their eligibility for benefits is determined permit families to receive cash assistance for a longer period than they would in the absence of such policies. Many states used the flexibility PRWORA afforded them to expand their earned income disregards so they could help families make a more gradual transition to self-sufficiency. At least eight states implemented further expansions after the passage of the DRA. Some states extended the number of months for which recipients are eligible for the existing disregard while others increased the amount of the disregard. The latter strategy extends eligibility to some recipients who start out in better jobs and may not have been eligible for TANF benefits under the lower disregards whereas the former strategy keeps families who are already benefiting from the disregard on the caseload for a longer period. The amount of cash assistance a family receives is dependent on the amount they earn and other eligibility factors such as family size.

- **Worker Supplement Programs.** About 40 percent of the states opted to create new programs to provide additional TANF assistance to working families who were previously on TANF or were about to lose eligibility because their income was too high. Unlike earned income disregards that simply extend eligibility for TANF, worker supplement programs sometimes operate as stand-alone programs and offer specialized services to working families. They usually are targeted to working families whose earnings would make them ineligible for TANF under existing eligibility rules and who are meeting the TANF work requirement. These programs vary on several dimensions including (1) amount of cash assistance provided, (2) length of time for which assistance is provided, (3) whether any noncash assistance or services are provided, and (4) the mechanism through which the additional income and other support is delivered (e.g., Vermont provides working families with a special nutrition benefit and Washington state's program is operated by the state's labor department). Worker supplement programs usually provide a flat grant or a specified portion of the TANF grant for a specified period of time.

Families that receive assistance through an expanded earned income disregard policy or through a newly created worker supplement program are counted as TANF recipients for federal reporting purposes. If program benefits are paid for with TANF block grant funds, recipients are subject to all the TANF program requirements including time limits and the assignment of child support rights. However, if program benefits are paid for with state MOE funds, these requirements do not apply. States decide which funding source to use.

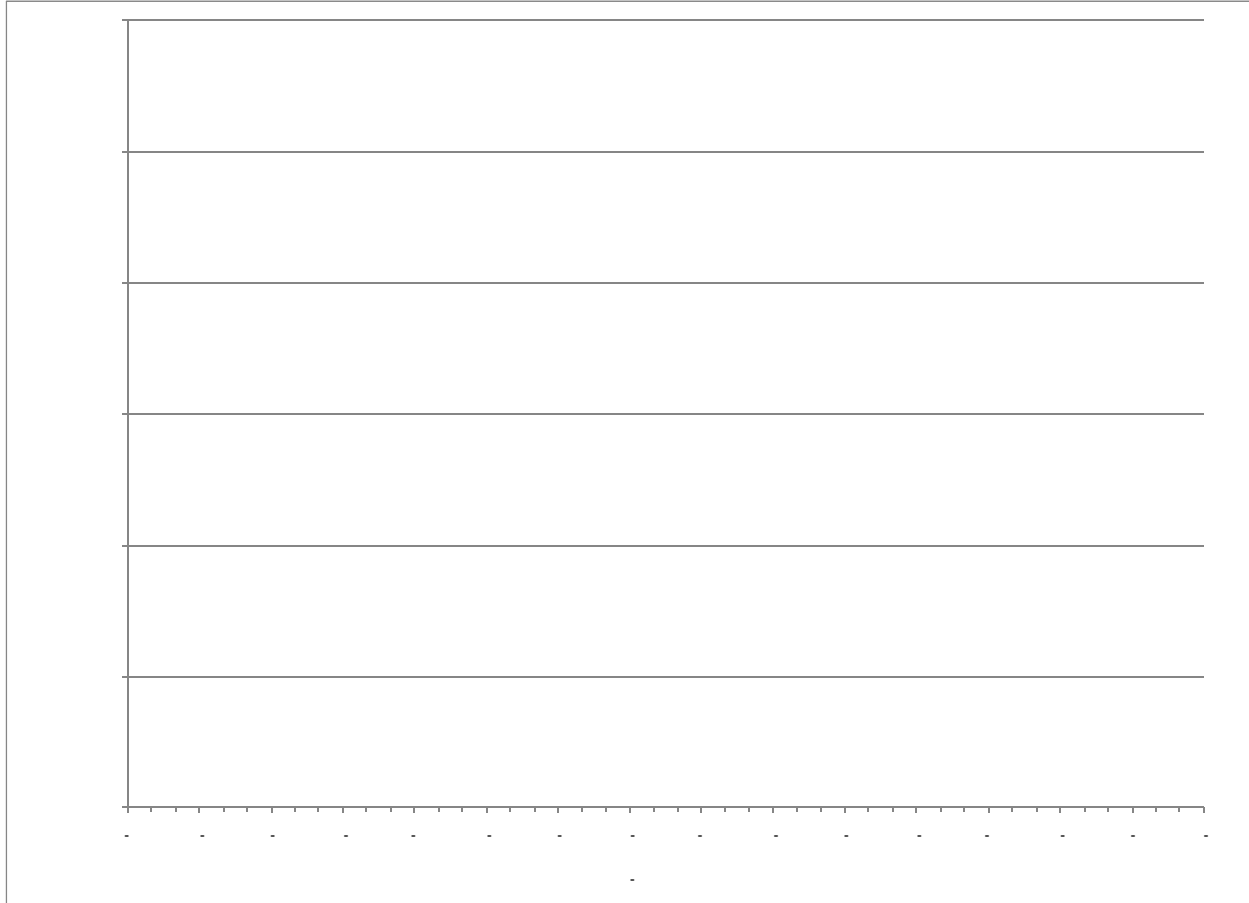
All else equal, providing additional assistance to working families will affect the TANF caseload in two ways. First, it will increase the overall caseload because it expands eligibility to families who would otherwise have lost eligibility. Second, it will increase the proportion of recipients who are employed. Any increase in the TANF caseload will affect a state's eligibility for a caseload reduction credit.

Data on the number of working families receiving assistance through these extended benefits are not always readily available. However, data from a few states illustrate the extent to which these expansions may have influenced the level and composition of the TANF caseload. Oregon implemented a new worker supplement of \$150 for employed families who were meeting their work requirement and who, because of excess earned income, no longer met the eligibility criteria for TANF benefits in October 2007. During the first month of implementation, 232 families received cash benefits from the program (see figure 4). Program participation increased steadily through October 2008 when 3,205 families received program benefits. Between October 2008 and April 2009, participation declined substantially, possibly due to the worsening economy since Oregon's regular TANF caseload has increased steadily during that time frame (State of Oregon, Department of Human Services 2009). Michigan also witnessed an increase in earned income cases after implementing a \$10 supplement for working families. Between 2005 and 2007, the number of TANF cases with earned income increased by 40 percent, from 14,442 to 20,166 cases. In March 2008, 23.7 percent of the caseload had earned income, the second highest percentage in seven years (Michigan Department of Human Services 2008).

4. Shift to Full-Family Sanctions

In anticipation of having to meet higher work participation rates, between 2003 and 2007, six states implemented more stringent sanction policies, moving from a partial sanction in which the

Figure 4. Oregon Regular TANF/SSP and Post-TANF/SSP Worker Supplement Cases, July 2005 Through April 2009



Source: State of Oregon, Department of Human Services 2009

TANF grant was reduced to a full family sanction in which a family’s entire grant is eliminated. More stringent sanctions may help states to meet their work participation through two different means. First, more stringent sanctions may encourage more recipients to participate in program activities. Second, when full family sanctions are imposed, non-participating recipients are removed from the caseload, sometimes immediately and almost always within three months. When noncompliant families are removed from the TANF caseload, they cause the TANF caseload to decline. Greater financial penalties also may cause the caseload to decline by encouraging recipients to find employment sooner than they might have in the absence of such penalties (Hofferth, Stanhope and Harris 2000).

No post-DRA studies have looked at how the shift from a partial to a full family sanction has influenced the TANF caseload, however, a study of this policy change in Texas prior to the DRA offers some insight into the changes one might expect. Between FY 2003 and FY 2004 when Texas implemented its new sanction policy, its TANF caseload declined by 22 percent after having increased between 2 and 4 percent in each of the three previous years. Texas’ caseload then continued to decline by between 14 and 19 percent in each year for the next four years. A comparison of two cohorts of recipients, one prior to and one after the implementation of the new sanction policy found that 56 percent of single parents were off TANF within 12 months when the

partial sanction was in place compared to 76 percent when the full family sanction was in place (Kauff et al. 2007).

A second way to examine caseload changes resulting from the shift from a partial to a full family sanction is to examine the change in the child-only caseload in states that reduced a family's grant by removing the adult's needs from the TANF grant. In some of these states, sanctioned cases were treated as child-only cases, a part of the caseload that has been more stable over time than either the two-parent or single-parent caseload. Rhode Island provides such an example. The state implemented its full-family sanction policy beginning in FY 2006, and between 2006 and 2007, Rhode Island's child-only TANF caseload declined by 38 percent. In the previous five years, each year the child-only caseload had increased. It is important to note, however, that not all declines in the child-only caseload are attributable to sanction policy changes. The child-only caseload also has declined substantially in some states that continue to impose partial sanctions by removing the adult's needs from the grant. Because these cases are now included in the work participation rate, these states may have decided to count them in their single-parent or two-parent caseload. The child-only caseload in the District of Columbia declined by 67 percent between FY 2006 and 2008 and Maine's child-only caseload declined by 29 percent over the same period (Administration for Children and Families 2009).

D. Summary and Conclusion

Between 2005 and 2008, the TANF/SSP caseload declined by 18.5 percent, following a four-year period in which the caseload had been relatively stable (see figure 5). While all components of the total TANF/SSP caseload declined, they did not decline at the same rate. With a 42 percent decline, the two-parent portion of the caseload experienced the greatest change in the number of families receiving cash benefits through the TANF/SSP program. The single-parent caseload followed with an 18.5 percent decline. The decline in the child-only caseload was relatively modest at 9.5 percent, but the decline followed a period of slightly increasing caseloads. As has been true in the past, these changes in the total TANF/SSP caseload are likely attributable to a number of factors which are not easy to disentangle. In an effort to meet higher work participation rates, many states stepped up their efforts to move recipients into jobs more quickly which could have led to a decline in the total TANF/SSP caseload. Policy changes that the states enacted pulled in both directions – expansions for working families would have increased the total TANF caseload while a shift to full family sanctions would have reduced it. The higher work participation rates for two-parent families led states to serve many two-parent families outside of the TANF system, reducing the two-parent TANF/SSP caseload substantially, but not necessarily reducing the number of two-parent families receiving cash assistance. The shift from partial to full-family sanctions led to reductions in the child-only caseload and the inclusion of all families with a parent in the household in the work participation calculations meant that some families previously on the child-only caseload were shifted to the single-parent caseload. The expansion of nonassistance programs resulted in caseload reductions because families were served outside of the TANF/SSP caseload for a period of time and then many families who participated in them never transitioned to the TANF/SSP caseload.

The current economic downturn began shortly after states made adjustments to their TANF policies and procedures in response to the DRA. The close timing of these events and the complex nature of the changes states made in response to the DRA will make it extremely difficult to assess the extent to which TANF/SSP is responsive to changes in the economy. Given that TANF/SSP has historically been a key component of the safety net for families with children during economic

Figure 5. TANF/SSP Caseload, 2000-2008




Source: Administration for Children and Families 2009

downturns, this is an issue that is of great concern to policy makers, program administrators and advocates for low-income families.

The DRA provides a specific set of policy reforms around which one can examine explicit state responses and their relationship to changes in the TANF/SSP caseload. However, the complexities involved in trying to fully understand the nature and extent of those responses are not unique to the DRA. Rather, they highlight the challenge of tracking and assessing state activities in a block grant environment. As states shift caseloads among funding sources with varying levels of reporting requirements and expand the ways in which assistance is provided, the TANF caseload provides an increasingly incomplete picture of the number and characteristics of low-income families served. This makes it difficult to assess critical gaps in service and to examine the effectiveness of state policy choices.

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