

State Approaches to the TANF Block Grant

Welfare Is Not What You Think It Is

*Heather Hahn, Olivia Golden,
and Alexandra Stanczyk*

Working Families

Paper 20

August 2012



The Urban Institute

2100 M Street, NW

Washington, DC 20037

Copyright © August 2012. The Urban Institute. All rights reserved. Except for short quotes, no part of this paper may be reproduced in any form or used in any form by any means, electronic or mechanical, including photocopying, recording, or by information storage or retrieval system, without written permission from the Urban Institute.

This report is part of the Urban Institute's Low-Income Working Families project, a multiyear effort that focuses on the private- and public-sector contexts for families' success or failure. Both contexts offer opportunities for better helping families meet their needs. The Low-Income Working Families project is currently supported by The Annie E. Casey Foundation.

The authors are grateful to our funders for sponsoring this research. Research funding was provided by the Atlantic Philanthropies and The Annie E. Casey Foundation through the Georgetown Center on Poverty, Inequality, and Public Policy, and by The Annie E. Casey Foundation through the Low-Income Working Families Project. We are grateful to the state TANF and workforce directors, administrators, and staff, and other key state informants who took the time through phone interviews to help us understand the history, policies, and context for TANF in their states. We are grateful to Peter Edelman, faculty co-director of the Georgetown Center on Poverty, Inequality, and Public Policy, for his commitment to supporting rigorous research on TANF and for his intellectual contributions throughout the project. We also thank Sheila Zedlewski, Pam Loprest, and Margaret Simms for their insightful comments and helpful guidance throughout the project. We are grateful to David Kassabian, Will Monson, and Anne Whitesell for their key research assistance and to Serena Lei for her editorial contributions.

The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

CONTENTS

Executive Summary	v
Introduction	1
The National Context: Economic Trends and TANF Policies through 2010	2
The Five Study Sites	3
Methods	5
Organization of the Report	7
What Are State Programs Like, and How Do They Differ?	9
How Do States Characterize Their Mission and Goals for TANF?	9
States' TANF Cash Assistance Policies Reflect Their Goals and Economic Realities	11
Implications for State TANF Caseloads	17
How Are States Spending the TANF Block Grant?	23
California—Basic Assistance Is a Priority	25
Washington—Funding to Make Work Pay Is Challenged by Budget Crises	25
Michigan—Seeking Savings to the State	26
Florida—Child Care and Other State Priorities Receive the Bulk of TANF Funds	27
Texas—TANF Funds Used Extensively for Child Welfare Purposes and Only Minimally for Cash Assistance	27
How States Use TANF Resources for Purposes Other Than Traditional Assistance: Transfers to Child Welfare	27
How Have State TANF Programs Responded to Changing Conditions?	31
Deficit Reduction Act	31
The Great Recession and State Budget Crises	34
American Recovery and Reinvestment Act Funding	38
Conclusion	41
Policy Implications	42
Research Implications	43
Appendix. Selected State Policy Choices	45
Notes	49
References	51
About the Authors	53

EXECUTIVE SUMMARY

In the 15 years since welfare reform, the Temporary Assistance for Needy Families (TANF) block grant has evolved from a specific funding source for cash assistance to a broad funding stream for various programs supporting low-income families. The considerable flexibility of the TANF block grant has allowed states to make greatly divergent policy decisions with vastly different implications for each state's low-income families. This paper examines how state goals, policies, and expenditure decisions have contributed to the unique picture of TANF in five states: California, Florida, Michigan, Texas, and Washington—states chosen for their diversity, size, and the availability of past research on their TANF programs. This paper examines not only each state's TANF cash assistance programs, but also each state's approach to the TANF block grant as a whole. In addition, this paper studies how state TANF programs have changed over time, particularly in response to new federal requirements (the Deficit Reduction Act) and funding (the American Recovery and Reinvestment Act), as well as to reduced state budgets and greater need associated with the recession and its aftermath.

Through the study's in-depth, semistructured telephone interviews with key informants in the five states and review of documents and data, several themes emerged.

State goals for TANF are diverse. The goal for TANF cash assistance in all five states is to move families into work and self-sufficiency. However, each state has approached this broad goal from a different perspective and with a different focus. California has committed itself to providing a strong safety net for all children and generous opportunities for TANF adults. Washington has focused on policies that “make work pay” so former TANF recipients remain off assistance and other families can avoid TANF dependency. Michigan's mission of moving families into the workforce has included the understanding

that TANF would be there to help as long as a recipient “played by the rules,” but with an eye toward minimizing costs to this cash-strapped state. Florida’s approach has been that someone applying for TANF is literally applying for workforce assistance and that the “safety net” is a good job. In Texas, the mission is to move people immediately into jobs and to use TANF as a program of last resort, as a Texan is supposed to “pull yourself up by your bootstraps.” While the states differ in their goals for TANF cash assistance, they also have taken divergent approaches to using the TANF block grant as a whole, including how much to use for cash assistance and for other purposes.

State policy choices are similarly diverse and reflect differences in state goals. States’ policy choices for TANF cash assistance, such as eligibility rules, cash benefit amounts, and time limits, also generally affirm the themes of their stated missions. Consistent with their stated missions, California’s and Washington’s eligibility rules allow more working poor families to qualify for assistance than in Florida or Texas—although even in California and Washington, many poor families are not poor enough to qualify. Likewise, a family of three could receive much higher monthly TANF benefits in 2010 in California (\$694) and Washington (\$562) than in Florida (\$303) and Texas (\$260); Michigan’s 2010 maximum monthly benefit amount for a family of three was in the middle at \$492. However, maximum benefits even in the more generous states were far below the federal poverty level of \$1,525 a month for a family of three—and both California and Washington reduced their benefit levels in 2011.

Time-limit policies in 2010 further reflected the range of state TANF goals from safety net to program of last resort. California had no time limit on assistance for children and a five-year limit for adults, Washington and Michigan exempted from the time limits anyone complying with program rules, Florida limited families to four years of assistance, and Texas limited adults to one to three consecutive years of assistance before prohibiting them from receiving TANF for the next five years.

As a result of these differences, TANF reaches fewer poor families in some states than in others. The consequence of varying missions, spending, and policies is that families experience extraordinarily different programs in different states. The differences are clear when comparing the TANF caseloads of the five study states, in terms of both the types of families on the caseload and how many of the state’s poor families receive TANF cash assistance. Consistent with their missions, California, Washington, and Michigan have implemented TANF policies that allow relatively more of the poor in their states to receive cash assistance. All three states are above the national average on this dimension. In Florida and Texas, on the other hand, a much smaller share of poor families receives cash assistance, reflecting the numerous policy choices that restrict access to TANF.

In all the study states and the nation as a whole, the share of poor families receiving TANF has fallen sharply since TANF was implemented, and even then TANF served only about half of the nation’s poor families. In 1998, about 50 percent of poor families with children in the United States received TANF cash assistance, compared with 28 percent in 2010. The share of poor families with children receiving cash assistance in 2010 was 73 percent in California and 57 percent in Washington. Michigan served 29 percent of poor families with children in 2010, close to the national average of 28 percent. Only 15 percent of poor families with children in Florida and 7 percent in Texas received TANF cash assistance in 2010.

More than two out of five TANF cases are child-only. Child-only cases, where cash assistance is provided only for children and not their parents, accounted for about 43 percent of all TANF cases in 2010. Among the study states, child-only caseloads ranged from 27 percent in Michigan to 68 and 69 percent, respectively, in Texas and Florida. Child-only cases were 44 percent of the total TANF caseload in Cal-

ifornia and 37 percent in Washington. Despite the substantial share of child-only caseloads, state TANF officials we interviewed often did not seem to pay much attention to child-only caseloads because they were not subject to federal performance requirements.

States diverge greatly in the makeup of their child-only cases, which include children living with non-parental caregivers and children living with parents who are ineligible for TANF due to sanctions, Supplemental Security Income (SSI), citizenship status, or time limits.¹ In some cases, states took on child-only caseloads as a clear consequence of their state TANF mission, while other states' child-only caseloads were more likely accidents of history or policy. For example, California supports its mission of providing a safety net for children by continuing to provide benefits to children, as child-only cases, after the adults in the family are sanctioned or reach the federal time limit. Florida's large share of child-only cases has resulted partly from a 1998 policy decision to use TANF funds to pay relatives to care for children who otherwise would have entered the licensed foster care system, and partly as an artifact of the decreasing adult TANF caseload.

The TANF block grant has evolved from a specific funding source for welfare or work-focused cash assistance programs to a broad funding stream supporting various programs for low-income families, as well as diversion and emergency assistance strategies. How states spend the TANF block grant reflects the states' priorities and goals for their TANF programs, as well as their cultural, economic, and political circumstances. Each study state's largest category of spending differs from that of the other four states. California spends the majority of its TANF funds and required state maintenance-of-effort (MOE) spending on basic cash assistance,² reflecting the state's commitment to providing a safety net and treating cash assistance as an entitlement. Florida's largest spending category is child care, supporting families who have found employment. Michigan's is family support programs other than cash assistance, reportedly as a means of maximizing savings to the state, rather than reflecting a direct policy goal. Texas spends the majority of its funds on child welfare programs, reflecting its longstanding use of TANF funds for other purposes, with minimal spending on cash assistance. Reflecting Washington's goal of making work pay, that state historically has spent its TANF funds fairly evenly across basic assistance, work-related activities, and child care.

Most TANF funds are spent outside of traditional cash assistance. A major theme of state spending on TANF is that resources are transferred to other programs. In this paper we focus on transfers to child welfare (that is, services to abused and neglected children) as one of the largest examples of these shifts. Nationally, TANF makes up about 19 percent of federal spending on child welfare services, although variations are great between states and over time within the same state. Among the five study states, Texas uses TANF dollars for child welfare far more aggressively than the typical state, devoting more than half the state's TANF and MOE spending to child welfare. Michigan's child welfare program also relies heavily on TANF funds, with close to 40 percent of that state's federal funding for child welfare coming from TANF. The other states are more typical of national patterns. State decisions to transfer TANF funds to child welfare often reflect a mix of issues related to child welfare needs, federal child welfare funding, and TANF. A key conclusion from this study's interviews is that, although TANF and child welfare may coordinate operations or policy to some degree, the transfer of TANF funds to child welfare is a way to solve state budgetary issues and does not imply any policy connection between the two programs.

State TANF policies and spending choices have changed over time in response to the Deficit Reduction Act of 2005, recession-related pressure on state budgets, and temporary funding from the American Recovery and Reinvestment Act (ARRA). The Deficit Reduction Act (DRA)

and subsequent regulations changed the way state work participation requirements were calculated. States have always been required to engage at least 50 percent of their nonexempt TANF cases in work or work-related activities and have been given credit for families that leave the TANF caseload (“caseload-reduction credit”). However, the DRA introduced uniform definitions of the activities that count as work and effectively shrank the caseload-reduction credits that states could use to reduce their required work participation rate. Many states changed their work activity policies in response.

Budget pressures in recent years have led states to seek creative ways to use TANF funds to address their general budget shortfalls—in some cases, forcing TANF to compete with other services for its own funding. The severity of the state budget deficits coupled with the steady erosion in the purchasing power of the federal block grant, which has not been adjusted since it was implemented in 1997, have seriously challenged the ability of the relatively more generous states to maintain their approaches. Budget pressures led California, Washington, and Michigan in 2011 to shorten their time limits and/or end the time-limit exemptions for families complying with program rules.

The temporary resources available through ARRA prompted the development of new programs by states whose missions had previously precluded such activities (including Texas and Florida) and enabled the more generous states to maintain cash assistance while developing new strategies to respond to need.

INTRODUCTION

Each month in 2010, an average of about 1.5 percent of the U.S. national population received cash assistance through the Temporary Assistance for Needy Families (TANF) block grant. National debates about welfare before landmark reform in 1996 centered on the competing perspectives of welfare as a safety net and welfare as a work program. With welfare reform, the program's emphasis shifted from aiding families and children to promoting personal responsibility and work, as reflected in new requirements and the language of the new law. TANF replaced Aid to Families with Dependent Children (AFDC), but states had great flexibility to design their own programs consistent with the four purposes of TANF: (1) assisting needy families so children can be cared for in their own homes; (2) reducing the dependency of needy parents by promoting job preparation, work, and marriage; (3) preventing out-of-wedlock pregnancies; and (4) encouraging the formation and maintenance of two-parent families.

Since reform, states' welfare programs have diverged greatly in TANF policy choices and caseload patterns—differences examined at a 2009 roundtable organized by the Urban Institute.³ The roundtable discussion underlined the importance of funding choices, which in some states meant there was virtually no traditional welfare caseload of families receiving cash assistance checks. The TANF block grant has evolved from a specific funding source for welfare or work-focused cash assistance programs to a broad funding stream supporting various programs for low-income families, as well as diversion and emergency assistance strategies.

With these insights in mind, this study addresses the following three major research questions:

1. What do state TANF policies actually look like, 15 years after instituting the block grant?
 - How divergent are they?
 - What has driven states' choices?
 - What are the political, fiscal, and historical contexts for those choices?
 - How do states characterize their mission and goals for TANF—and how do those goals affect the policy choices states make?
 - What are the implications of state policy choices for TANF services and recipients?
2. How do states use TANF resources?
 - How does the use of TANF funds differ across states?
 - How do states choose to spend TANF funds aside from traditional cash assistance (monthly cash assistance to families headed mainly by potential workers)?
3. How have state TANF programs responded to changing policy and economic conditions?
 - How did the changes in federal requirements under the DRA affect states' policies?
 - How has having a fixed block grant—which has not increased since 1996—affected states' choices? And how have states coped with that capped funding in the face of greater need and shrinking state budgets brought on by the recession?
 - How have state choices been affected by the temporary availability of federal funds for specific purposes (cash assistance and employment) under ARRA?

The paper closes with a brief consideration of potential policy implications for the future. A companion policy brief explores these implications more fully (Hahn, Golden, and Edelman 2012).

The National Context: Economic Trends and TANF Policies through 2010

TANF was implemented during a strong economy that coupled with the new program rules to move large numbers of families off welfare, most—but far from all—of whom found work. Federal law requires each state to engage at least half of all TANF families with a work-eligible individual and at least 90 percent of two-parent TANF families with two work-eligible individuals in work or work-related activities for a minimum number of hours each month. A state that does not meet this “work participation rate” requirement may lose part of its TANF block grant. However, states can reduce their required work participation rates by reducing their caseloads or by claiming state maintenance-of-effort (MOE) expenditures above the required level. In the early years of TANF, large caseload reductions helped states meet their required work participation rates and allowed many states to use TANF funds for broader supports for low-income families.

The Deficit Reduction Act of 2005 reauthorized TANF and changed the way the federal government calculated states' work participation rates. First, it instructed the Department of Health and Human Services to establish uniform definitions of the activities that could count toward the work participation rate; activities that some states had been counting were no longer valid. Second, it effectively limited how much states' caseload reductions would reduce their required work participation rates. Before the DRA,

a state's required work participation rate was reduced by 1 percentage point for every percentage point reduction in caseloads since 1995, when caseloads were near their peak. Since the DRA, a given year's caseload has been compared with the state's caseload in fiscal year 2005, when caseloads were considerably lower, rendering the caseload-reduction credits much smaller. To address this challenge, some states have used the other source of caseload-reduction credits: states that spend more than the required amount of state MOE funds deduct from the caseload the number of cases that could have been funded with the excess MOE dollars. In many states, the DRA regulations escalated the tension between TANF's goals of providing support for the working poor and preserving assistance for the lowest-income, TANF-eligible population.

The TANF block grant is a flexible source of federal funding that states have used for a broad range of purposes. However, the block grant value has been fixed since 1997, is not designed to change as need rises, and has provided less flexibility as its value has eroded with inflation.⁴ Serious state budget problems caused by the Great Recession increased the competition for TANF funds as states began seeking creative ways to use the block grant to cover not only supports for low-income families, but also general budget shortfalls.

In 2009, the American Recovery and Reinvestment Act provided additional TANF funding for fiscal years 2009 and 2010. Among other changes to the TANF program, ARRA established the Emergency Contingency Fund for State TANF Programs (Emergency Fund), which provided up to \$5 billion to help states, territories, and tribes that had an increase in assistance caseloads and basic assistance expenditures, or expenditures related to short-term benefits or subsidized employment. ARRA funds were available to states only for expenses incurred through September 30, 2010. The window of opportunity was intentionally short to encourage states to spend the money immediately to help disadvantaged people and boost the economy. As a result, though, legislators and administrators in some states scrambled to devise and implement new or modified programs—and federal and state administrators scrambled to develop and adhere to new procedures for requesting and granting the funds. Some states were not able to fully draw down all the available funds before the time window elapsed.

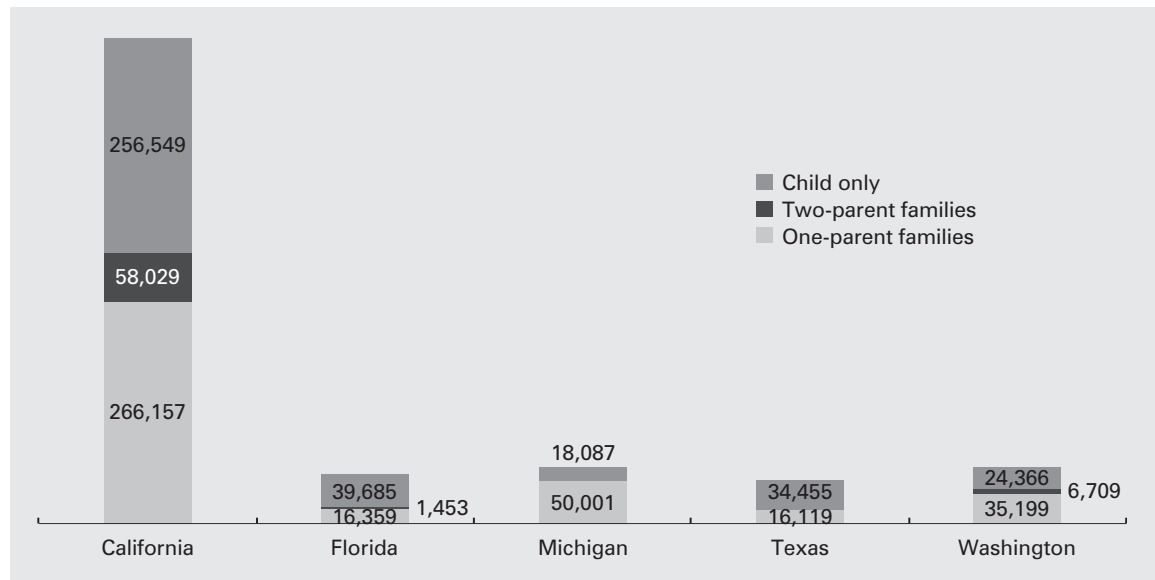
The Five Study States

The five states we chose to study—California, Florida, Michigan, Texas, and Washington—have diverse poverty rates and economic circumstances. Michigan's economy was struggling long before the Great Recession, and the state has faced a decade of budget cuts. California and Washington, hit hard by the recession, have struggled to make up multibillion-dollar budget deficits. Unemployment in Florida more than doubled. Texas did not face unemployment rates as high as many other states during the recession, but the state still struggled with budget shortfalls and high poverty rates.

The states in our study also have extremely diverse political climates. At the time of our interviews, three of the five study states had recently elected new governors, two of whom represented party changes in the governor's office (in California and in Michigan). Each state's government was under single-party control as of January 2011, with California and Washington having Democratic governors and state legislatures and Florida, Michigan, and Texas having Republican state governments. Also, California and Washington have historical commitments to public investments, while Texas and Florida have more limited public investments (for example, no state income tax).

Together, the five states account for one-third of the nation's poor families and 45 percent of the nation's families receiving TANF cash assistance. California alone represents about 30 percent of the national

FIGURE 1. Average Monthly Number of Families, by State and Family Type, 2010

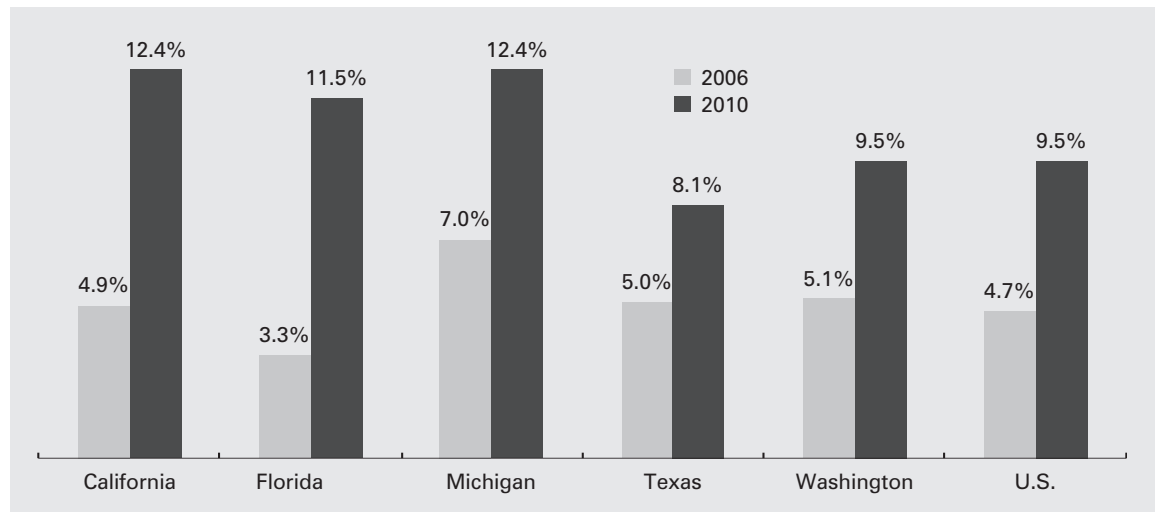


Source: Urban Institute analysis of ACF data.

TANF caseload, and Texas represents 10 percent of the nation's poor families. The size of the TANF caseload ranges broadly across the five states. Figure 1 shows the average monthly number of families receiving cash assistance funded by TANF or state MOE funds in each of the five study states in 2010, including the number in each type of family: single-parent families, two-parent families, and "child only," meaning that only the children in a family were receiving TANF cash assistance.

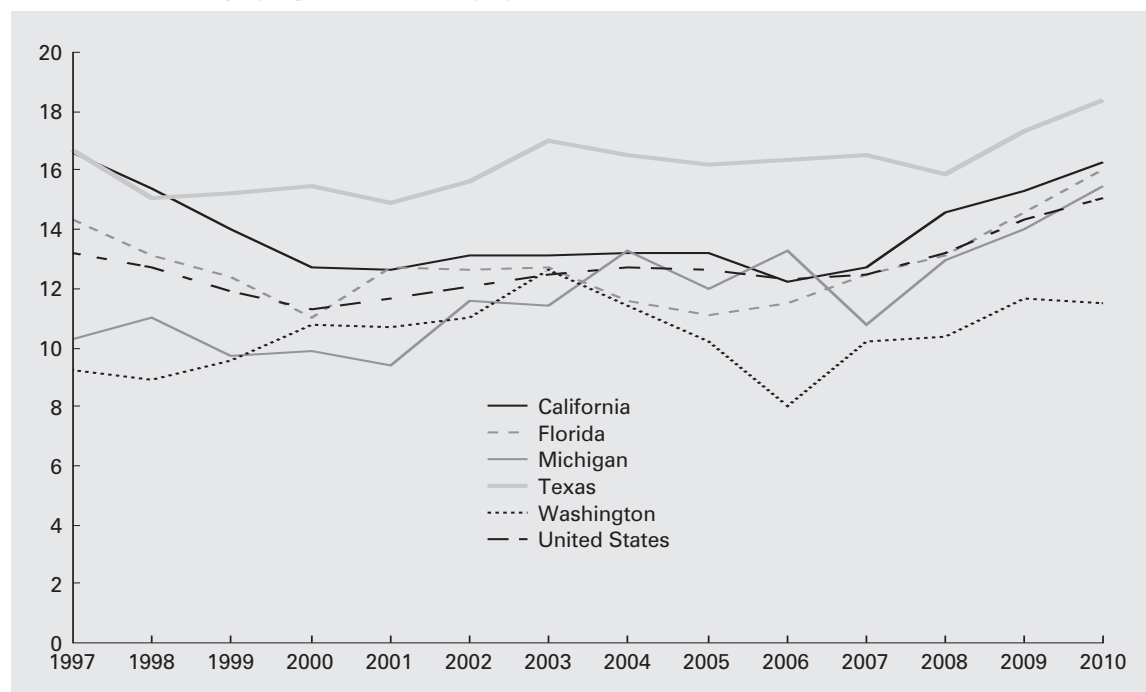
Figure 2 illustrates the changes in unemployment rates in the study states between July 2006 and July 2010. While the national unemployment rate doubled over this period, the unemployment rate surges

FIGURE 2. Change in Unemployment Rates by State, 2006 and 2010



Source: Urban Institute analysis of data from U.S. Department of Labor, Bureau of Labor Statistics.

FIGURE 3. *Percentage of Population in Poverty, by State, 1997–2010*



Source: Urban Institute analysis of U.S. Census Bureau data.

in the study states ranged from 68 percent in Texas to 248 percent in Florida. As of July 2010, unemployment rates in California (12.4 percent), Michigan (12.4 percent), and Florida (11.5 percent) were higher than the national average of 9.5 percent; Washington was in line with the average (9.5 percent), and Texas's rate was slightly less (8.1 percent).

Poverty has increased nationally and in each study state since the beginning of the recession, but figure 3 shows that the five study states otherwise have had quite different poverty rates and trajectories throughout the period since TANF was implemented. Texas has consistently held the spot for the highest poverty rate, hovering around 16 percent—except in 1998, when Texas was slightly eclipsed by California. California's poverty rate has remained higher than the national average but lower than in Texas. Florida's poverty rate generally has been slightly above the national average and has been steadily increasing for the past several years. Michigan started the period with poverty rates below the national average but ended slightly above average. Only Washington has had poverty rates below the national average throughout the period after welfare reform. Since the start of the recession, poverty rates have increased by about 12 percent in Texas and Washington, by about 25 percent in California and Florida, and by 36 percent in Michigan. These rapid increases in poverty have not only affected TANF, but more generally have put a strain on overall state budgets and economies.

Methods

This study focuses in depth on the TANF caseloads and policy choices in a set of five contrasting states to provide insights about the characteristics of state TANF choices and how those choices differ among states and over time. The study combines telephone interviews in 2010–11 with a document review illu-

minating state choices from 1997 to the present. The study methodology included analyses of state-reported data compiled by the U.S. Department of Health and Human Services' (HHS) Administration for Children and Families (ACF) for the period 1997–2010 and details about state policy choices as captured in the Urban Institute's HHS-funded Welfare Rules Database over the same period. Central to the study methodology were phone interviews with state-level TANF and workforce agency administrators, budget staff, local office directors, and key staff of advocacy organizations. The study team conducted approximately six interviews in each state. Because some interviews included multiple respondents, the data include information from 7 to 16 respondents from each state. The interviews included discussions of how state TANF goals and specific policies and fiscal choices had changed over time, the reasons for the change or stability, the consequences for families and for states, and lessons learned for TANF reauthorization. The interviews were conducted between December 2010 and May 2011.

The criteria for state selection included diversity in economic conditions (assessed through poverty rate, unemployment rate, and change in unemployment), diversity in political context and historical approach to TANF, and a history of Urban Institute research relationships, particularly through the Assessing the New Federalism (ANF) project. (See table 1 for a summary of the key state characteristics used in the state selection process.) Under ANF, Urban Institute researchers conducted in-depth case studies, surveyed households, and analyzed data in 13 states for almost a decade beginning in 1996/7. (See, for example, Loprest et al. 2007, Loprest and Zedlewski 2006, and Rowe and Giannarelli 2006.) Given our limited resources for the state research, we chose states that had participated in ANF to give us more historical context on the state's program and to ease the logistics of setting up new research. We also sought to include states that would be large enough to have national significance in themselves. After develop-

TABLE 1. *Summary of State Characteristics for Site Selection*

	CA	FL	MI	TX	WA
Economic conditions					
Unemployment rate, 2009	11.4	10.5	13.6	7.6	8.9
Percentage point change in unemployment rate, 2006–09	6.5	7.1	6.7	2.7	4
Percent change in poverty, 2006–09	20.1	30.4	10.8	17.5	29.1
Political context, 2009					
Governor's party	R ^a	R ^b	D ^a	R	D
State Senate	D	R	R	R	D
State House	D	R	D ^a	R	D
Historical approach to TANF					
Maximum earnings a family of three could receive and still be eligible for TANF assistance, \$2009	1,170	393	812	401	1,122
Lifetime limit (months)	60	48	48	60	No limit
Only adult benefits are subject to time limit	Yes	No	No	No	No limit
Percent poor on TANF, 2006	59.79	12.34	32.59	9.14	42.72
Percent change in TANF caseload, 2006–09	13.12	10.8	-21.25	-30.7	18.05
Percent child-only cases, 2009	45	69	33	70	36

a. New party in 2011.

b. New governor in 2011.

ing an initial list of states meeting this criterion and obtaining input from other national experts in TANF, we narrowed the list to the five states ultimately included in the study.

The study methodology had several limitations. First, in setting priorities within the resources available, there was clearly a trade-off between the number of states examined and the level of depth within each state. We concluded that the available evidence about the high level of variation among state programs (Zedlewski and Golden 2010) argued for examining as many states as possible with reasonable depth, in any case more than two or three states. As a result, we were limited to telephone interviews with state staff and outside observers and were not able to include site visits, in-person interviews, or interviews or focus groups with clients. To offset this limitation, we explicitly sought out interviewees with varying perspectives, including advocates with considerable experience of the needs of clients. We also carefully reviewed state expenditure reports and policy information on the Welfare Rules Database as a way to ground our interviews.

Second, the assessment of change over time does not come from contemporaneous interviews, where respondents talk about their observations at the same time changes are occurring, but from retrospective interviews. This means that respondents' memories could be colored by hindsight. The study was able to partially address this bias by grounding the interviews in review of contemporaneous documents (expenditure reports and policy choices as recorded at the time in the Welfare Rules Database), allowing interviewers to explore any differences between memory and documents. In addition, the interviews took place during the 2011 budget discussions and the later stages of decisionmaking about how to use ARRA resources, so those portions of the "over time" analysis do rely on respondents' current observations. Finally, given the extraordinary state diversity that we anticipated and confirmed, the particulars of state choices in these five states do not necessarily reflect the other 45 states. Given the choice of states to represent great diversity on relevant dimensions, however, we believe that they likely give a sense of the breadth of state choices.

Organization of the Report

This report is organized around the three major research questions identified earlier. The first section describes what state TANF programs look like, how divergent they are, and how their missions and policies vary across states. This section also explores how these variations affect the share of poor families receiving TANF and the types of families receiving assistance, including child-only cases.

Next, the report looks in more depth at how states spend TANF block grant funds. The full range of state policy and expenditure choices are not usually captured in summaries of TANF policies for cash assistance to families headed by adults. This report addresses in detail states' choices to use the TANF block grant to fund child welfare (services to abused and neglected children).

The third research question asks how state policies and expenditure choices have changed over time. This section focuses particularly on three externally driven changes: the Deficit Reduction Act of 2005, which changed the federal policy context; the squeeze on state budgets created by the convergence of fixed block grant funding over time and the recession-driven revenue crisis in many states; and the additional resources available under ARRA for cash assistance and employment activities.

The report concludes with policy and research implications of the findings.

WHAT ARE STATE PROGRAMS LIKE, AND HOW DO THEY DIFFER?

States' goals, policies, and spending decisions have contributed to the unique picture of TANF in each state. Differences across states' TANF missions are reflected in their spending and policy choices. This diversity has significant implications for poor families in each state in terms of TANF eligibility, requirements, and resources.

How Do States Characterize Their Mission and Goals for TANF?

Moving families to work and self-sufficiency is the clearly articulated goal for the TANF program in each study state. Scratch the surface, though, and it becomes clear that “moving people to work” means something different in each place. Within each state, the people interviewed gave remarkably consistent descriptions of their state’s mission for its TANF program.⁵ The differences across states, however, were striking. Within the federally defined purposes of the TANF block grant, states have broad flexibility to use funds to serve their own unique missions for TANF.⁶ The five states in this study have chosen widely divergent missions for their programs, reflecting the diversity of their cultural and economic circumstances.

*“Moving people to
work” means different
things in different
states*

California: A Strong Safety Net

The mission for TANF in California has been to move families to work and self-sufficiency through a work-first focus coupled with extensive education and training opportunities and a strong safety net for

all children. This mission has been consistent over time and throughout most of the state (with considerable variation among counties).⁷ When welfare reform was implemented in 1997, the Republican governor (Pete Wilson) and the Democratically controlled state legislature reportedly reached a consensus agreement that has been the foundation for California TANF policy ever since. Although caseload reductions were seen as a generally positive goal, they have never been a part of the state's core TANF mission and were never pursued for their own sake. The state further committed to "not sacrifice the interest of the individual participant on the altar of the federal work participation rate."⁸ Although the original agreement over TANF has been tested at times, "the most severe . . . proposals have never had serious traction," and the agreement has held. California advocates and officials alike noted that there have been few debates or disagreements over the TANF mission, and if not for the severe budget crisis, they would not be seeing cuts in the safety net now.

Washington: Make Work Pay

Like the other states in this study, Washington has emphasized a commitment to moving its TANF recipients into work. However, the focus of Washington's TANF policies goes beyond that goal to "make work pay," so former TANF recipients remain off assistance and other families can keep jobs and avoid TANF dependency. The motto for Washington's TANF program is "a job, a better job, a better life." Initially, Washington was committed to providing the education and training to put TANF recipients on the path to self-sufficiency. In addition, the state emphasized the safety net component of the program by not enforcing time limits and allowing program administrators to tailor TANF to recipients' needs. More recently, as changes made to TANF through the Deficit Reduction Act of 2005 made it more challenging for the state to meet its federal TANF work requirements and the serious budgetary constraints of the recent recession put additional pressure on the state's TANF program, Washington has focused efforts on balancing its mission of fully preparing recipients for self-sufficiency with the realities of these external pressures.

Michigan: Support for the "Deserving" Poor

Michigan's mission of moving people from welfare into the workforce has included the understanding that TANF will support recipients until they can work provided they "played by the rules." Much of the debate around TANF in Michigan has centered on who truly needs and deserves support and "how hard [to] ride them." Several people we interviewed expressed this sentiment, with one saying succinctly that TANF is to provide "a true safety net but not a hammock." According to the interviews, there is a strong suspicion of people "languishing on welfare" or "gaming the system." To ensure that TANF resources are going only to those truly in need, the state recently deployed 125 new agents in the field to verify that applicants are providing accurate information for determining eligibility. The concern about providing assistance only to those who need and deserve it is intertwined with Michigan's concerns about meeting the work participation rate requirement and keeping program costs low by reducing the TANF caseload.

Florida: The "Safety Net" Is Having a Good Job

Florida's TANF program has had a clear, consistent mission of moving people into work as quickly as possible, even before providing cash assistance. Florida's approach has been that someone applying for TANF is, by definition, applying for workforce assistance. In Florida, the "safety net" is having a good job. Florida advocates explained that while embracing the mission "to get people out of the program, the legislature completely rejected the notion of trying to get people out of poverty." With that said, however, a state official emphasized that Florida's philosophy also includes providing indefinite support

to people who are seen as legitimately unable to work, particularly those caring for disabled family members or for the children of relatives (although this policy reaches relatively few people). The state official also emphasized that Florida's approach to the TANF block grant goes beyond cash assistance and work requirements to deliberately encompass all four federally defined purposes of the block grant. The TANF block grant is an important funding source for child care and child protection in Florida.

Texas: Pull Yourself Up by Your Bootstraps

The primary mission of TANF in Texas is to move people immediately into employment. This view has been consistent over time and across the state. One interviewee described Texas as a "pull yourself up by your bootstraps state." In our interviews, many TANF administrators and advocates mentioned their view that a general stigma is associated with welfare and that TANF is a program of absolute last resort. Like Florida, Texas's approach to the TANF block grant has been to include the full range of federally defined purposes.

States' TANF Cash Assistance Policies Reflect Their Goals and Economic Realities

Like states' TANF spending decisions, their TANF cash assistance policies reflect state goals for the TANF program and economic circumstances. In this section, we examine the eligibility rules, cash benefit amounts, and time limits in the five study states. Although not every state policy is consistent with the state missions identified, on the whole the policies affirm the general themes of their stated missions.

Who Qualifies for TANF Cash Assistance, and How Much Can They Receive?

States have considerable flexibility to determine who is eligible to receive TANF cash assistance. They impose several types of eligibility tests for TANF applicants, including rules about family composition, citizenship status, and household income and assets.⁹ Table 2 lists the maximum amount of income that TANF applicants could have and still be eligible for TANF cash assistance in each of the five study states, as of July 2010. Consistent with their stated missions, California's and Washington's relatively higher income limits allowed more working poor families to qualify for assistance than those in Florida or Texas.

As a point of comparison, the federal poverty level (FPL) for a family of three in 2010 was equivalent to \$1,525 a month. This means that even in the most generous of the study states, some families with incomes below the poverty level still would have incomes too high to qualify for TANF cash assistance. In the less generous states, families with incomes considerably below the poverty level would not be poor

TABLE 2. Maximum Earnings a Family of Three Could Receive and Still Be Eligible for TANF Assistance, July 2010

State	Maximum monthly income
California	\$1,203
Washington	\$1,122
Michigan	\$815
Florida	\$393
Texas	\$401

Source: The Urban Institute's Welfare Rules Database, funded by HHS/ACF and HHS/ASPE.

TABLE 3. *Maximum Monthly Benefit for a Family of Three with No Income, 1996–2010 (July)*

	1996	2001	2006	2010
California	\$596	\$645	\$704	\$694
Washington	\$546	\$546	\$546	\$562
Michigan	\$459	\$459	\$489	\$492
Florida	\$303	\$303	\$303	\$303
Texas	\$188	\$201	\$223	\$260

Source: The Urban Institute's Welfare Rules Database, funded by HHS/ACF and HHS/ASPE.

enough to qualify for TANF. As illustrated later in this report, states' income eligibility rules directly affect how many poor families receive TANF cash assistance.

Each state also sets its own rules about how to determine cash assistance amounts for families and the maximum amount a family can receive. The amount can depend on a large number of factors, such as family size, amount of earnings and other income, whether the family pays rent or receives housing subsidies, and so on. Table 3 shows the maximum monthly cash assistance benefits for a family of three with no other income in each study state over time. Note, though, that families eligible for TANF are also eligible to receive assistance through the Supplemental Nutrition Assistance Program (SNAP; formerly Food Stamps). A family of three may receive up to about \$500 a month in nutrition assistance.

The maximum monthly benefit amounts in the study states fit the general patterns of California and Washington providing greater supports for low-income families, Florida and Texas providing minimal supports while families rely on jobs or are expected to be self-sufficient in improving their situations, and Michigan landing somewhere in the middle. None provided cash assistance grants that came near to meeting a family's cost of living. The maximum TANF benefit amounts for a family of three in California, Washington, and Michigan are enough to cover the fair-market rent for a one-bedroom apartment (but not much else) in only 30 to 40 percent of each state's metropolitan areas or nonmetropolitan counties. In Florida and Texas, the maximum TANF benefit is not enough to cover the fair-market rent for a one-bedroom apartment anywhere in the state. In addition, the maximum monthly benefit amounts are far below the 2010 FPL of \$1,525 a month for a family of three. Both California and Washington reduced their benefit amounts in 2011.

How Long Can Families Receive TANF Cash Assistance?

Time limits are an important but surprisingly complicated aspect of state TANF policy choices. Under federal law, families may receive federally funded TANF cash assistance for a maximum of five years.¹⁰ However, the federal law allows states to continue providing federally funded assistance longer than five years for up to 20 percent of their caseload and to use state funds to provide assistance to families who are no longer eligible for federally funded assistance.¹¹ States also may choose to set time limits shorter than five years.

Table 4 lists the lifetime limits on TANF eligibility in each study state for 2010. Beyond the policies shown in the table, however, are crucial details about the implementation of the states' time-limit policies that affect which poor families receive TANF cash assistance. For example, while Washington and Texas officially limited TANF cash assistance to five years for the full family unit, in fact no families in Washing-

TABLE 4. *State Lifetime Time Limit Policies, July 2010*

	Lifetime limit	Whose benefits are terminated?
California	60 months	Adult only
Washington	60 months	Entire family
Michigan	48 months	Entire family
Florida	48 months	Entire family
Texas	60 months	Entire family

Source: The Urban Institute's Welfare Rules Database, funded by HHS/ACF and HHS/ASPE.

ton lost TANF eligibility because of time limits until recently, and many TANF families in Texas received TANF for just one year in a six-year period. The details of each state's policies are described below.

- California's commitment to providing a safety net for all children is clearly evident in the state's policy of having no time limit for children's receipt of TANF. When a family reaches the TANF time limit, California uses state funds to continue providing the family with the child's portion of the TANF grant through the state's Safety Net program, an MOE-funded separate state program. The parents in these cases continue to be subject to work participation requirements. Although California's time limit for adults had been 60 months for at least the last several years, as of July 1, 2011, the time limit for adults was shortened to 48 consecutive months, as a cost-saving measure.
- Until February 2011, no TANF recipient in Washington who was meeting program requirements was cut off from assistance for hitting the time limit. Consistent with its goal of supporting working families, Washington continued to provide assistance beyond the federal 60-month time limit for all TANF families that were participating fully in required work and other activities, as well as recipients that were disabled, caring for a disabled family member, victims of domestic violence, involved with the child welfare system, or over age 55. Washington had always managed to serve all such families under the federal provision that states can grant hardship exemptions from the time limit for up to 20 percent of their caseloads. However, to address its budget crisis, Washington began enforcing the time limit on February 1, 2011, for families participating in work activities, terminating eligibility for an estimated 5,000 families. This is yet another example of Washington's mission confronting the challenge of the budget crisis.
- Michigan instituted a 48-month time limit in October 2007, meaning that families first began hitting that time limit in October 2011. For families reaching the federal 60-month time limit, Michigan's policy had been similar to Washington's in exempting all families that were meeting work and other requirements, using the 20 percent exemption allowed under federal law. This policy was consistent with Michigan's emphasis on providing support for families who play by the rules. However, a new law that took effect on October 1, 2011, tightened this exemption policy, largely as a cost-savings measure. The state budget assumed that 12,600 cases (15 percent of the caseload) would be closed as a result of the time-limit changes, saving the state \$65 million in the first year.
- Florida's 48-month time limit has been in effect since the implementation of TANF. One Florida official noted that the TANF program provides hardship exceptions from the time limits for recipients who are unable to work because they are caring for a disabled family member. In fact, he noted, a significant majority of long-term TANF recipients are caring for disabled family members. Local

workforce officials said that as hard-to-employ families reach the time limits, they often are granted hardship exemptions.

- Texas has a 60-month lifetime limit but does not allow families to receive TANF for 60 consecutive months. Rather, depending on the parents' education and work experience, families in Texas have time limits of 12, 24, and 36 consecutive months.¹² When these limits are reached, the children can continue to receive TANF assistance but the adults are prohibited from receiving TANF for five years. When the adults have received a cumulative total of 60 months of assistance, the lifetime limit is reached and the entire family loses assistance. The short time limits in Texas undoubtedly have contributed to the state's relatively small TANF caseload and relatively large proportion of child-only cases.

Work Requirements

Work requirements are a central feature of TANF. Recipients generally are required to engage in work or work-related activities as a condition of receiving cash assistance. Likewise, states face federal financial penalties if they do not engage at least 50 percent of their work-eligible cases in work or work-related activities for a minimum number of hours each month.¹³ Although federal regulations specify which activities can count toward a state's work participation rate requirement, states have flexibility to determine what they will require of their TANF recipients. States make a dizzying array of choices about the timing of work requirements, the allowable activities, the required hours of activities, and whether (and for how long) exemptions will be granted for recipients who are working, disabled, caring for disabled family members, pregnant, caring for young children, or above a certain age, just to name a few.¹⁴

In general, the states' work requirements reinforce the approaches and patterns seen throughout their TANF policies.

- California does not limit its recipients to the federally allowable work activities, although the specific activity requirements vary by county. TANF recipients in Los Angeles County are able to meet their engagement requirements by participating in activities that address their mental health, domestic violence, or substance abuse issues—even though those activities do not count toward the federal work participation rate. Beginning in January 2013, however, California TANF recipients will be limited to 24 months of assistance while participating in the broader set of state-allowed work activities; recipients may receive TANF for an additional 24 months while participating in federally allowable work activities.
- Washington's WorkFirst motto is "a job, a better job, a better life." The people we interviewed had differing opinions on the extent to which the state's policies have supported more than "a job." Nonetheless, Washington provides multiple options to engage TANF recipients across a wide range of skill levels and move them toward greater self-sufficiency. (One respondent described this skill range as being "from truly job ready and able to effectively independently job hunt to the level of not being able to get out of bed and function.") At the time of our interviews, Washington's workforce policies and programs were changing. An official from the Department of Commerce, which runs the subsidized employment and work experience programs, said he expected the new work programs would even better address the wide range of job readiness among the state's TANF clients.
- Michigan's emphasis on work begins even before TANF applicants can be approved to receive cash assistance. After applying for TANF at the local Department of Human Services office, applicants must attend the Michigan Works agency orientation and then engage in work-related activities before their applications for assistance will be approved.
- Florida literally puts into practice its philosophy that a family applying for TANF is applying for workforce assistance. Most families apply for TANF online, sometimes using the computers at the one-

stop career center, and are referred directly to the one-stop career center to begin engaging in work activities. The workforce offices are held accountable for meeting the TANF work participation rate. Florida requires TANF applicants to complete 30 hours of work activities before they receive cash assistance payments. TANF work activities are managed along with Work Investment Act (WIA), Wagner-Peyser, and Food Stamp Employment and Training work programs through the local Workforce Investment Boards. For those receiving TANF cash assistance, all federally allowable work activities are available to them, except postsecondary education (Kassabian 2011).

- In Texas, similarly, TANF recipients are provided work-related services through the Texas Workforce Commission's integrated one-stop service system that also serves other low-income people and those who have lost jobs. Because the one-stop center serves a range of clients, the stigma of using the center is minimized for TANF recipients. All federally countable work activities are allowed in Texas, although most clients are in unsubsidized employment or job-search activities.

The large number and complexity of states' policy choices make it difficult to draw simple comparisons among the five study states. Nonetheless, comparing the five states' approaches to education for TANF recipients provides one glimpse into how their policies again reinforce their varying missions.

Federal regulations generally allow TANF recipients' educational activities to count toward a state's work participation rate if the activities are directly related to employment or lead to a high school diploma or GED—and if the recipient also engages in other work-related activities for at least an average of 20 hours a week. The five study states, however, have established their own rules. California and Washington require their TANF participants to engage in work-related activities for at least 32 hours a week but do not limit the number of hours of educational activities that can count toward this total. In other words, educational activities alone can fulfill participants' work requirements. California, however, allows this only for recipients who were already enrolled in an undergraduate program when they began receiving TANF. Any hours beyond the federal limits that recipients spend in educational activities do not count toward the states' work participation rates.

Michigan, Florida, and Texas stick more closely to what counts federally, allowing recipients to participate in educational activities for up to 10 hours of their 30-hour work participation requirement. However, Florida does not allow recipients to count any hours in postsecondary education, and Texas does not allow recipients with children under age 6 to count any hours in educational activities. Once again, the pattern among the five study states is repeated: California and Washington have policies that are somewhat more permissive than federal regulations suggest and are aimed at helping recipients achieve long-term self-sufficiency; Florida and Texas have policies that are more restrictive than what federal regulations allow and are aimed at moving recipients immediately into the workforce; and Michigan falls in the middle.

Informal and Formal Diversion Practices—How Do States Steer Families Away from TANF?

Policies or practices that deter people from receiving ongoing cash assistance and becoming part of the TANF caseload are known as “diversion” and can be either formal or informal (Maloy et al. 1998). Formal diversion policies typically provide TANF applicants with a lump sum payment equivalent to a few months of cash assistance benefits and then restrict the applicant from receiving additional cash assistance for an extended period. In 2009, 34 states had formal diversion programs. The purpose of diversion payments, sometimes referred to as “short-term nonrecurring benefits,” is to help families weather a crisis and avoid the need for further assistance. In contrast, informal diversion practices dissuade people from completing the TANF application process, whether intentionally or not. Informal diversion occurs

when caseworkers encourage applicants to consider alternatives to cash assistance and when policies require applicants to participate in work-related activities before their applications are completed. More generally, informal diversion is the “hassle factor,” whereby receiving TANF assistance may not be worth the hassle for some potential applicants.

Each of the five study states had a formal diversion program, but they were rarely used anywhere except Washington, according to state officials and advocates. A California respondent explained that housing prices are so high that most applicants need ongoing assistance. Michigan and Texas limit diversion payments to the few applicants who meet strict criteria, such as having strong work histories and imminent job prospects. In Washington, on the other hand, formal diversion seems to be an integral part of the strategy to help families “make work pay,” and respondents touted Washington’s success in keeping 80 percent of diverted families from later receiving ongoing assistance. However, the payment amount recently shrank from \$1,500 to \$1,000, raising questions about whether the program’s success also will diminish.

Informal diversion varies widely across the five study states and reflects how much each state’s mission emphasizes caseload declines and the use of TANF as a last resort. Advocates in California actively guard against informal diversion practices, including pre-application requirements that could discourage eligible families from applying for or receiving cash assistance. Washington has not had policies deliberately intended to divert applicants, according to our interviews, but respondents shared some anecdotes of applicants receiving misinformation or discouragement from applying. According to a Washington advocate, the state’s emphasis on caseload reduction generally focused on job search strategies, not on pushing families off the caseload. One exception was a period around 2001 when the governor reportedly called for a 3 percent caseload reduction across the board, resulting in what the advocate called “mean-spirited” tactics in some local offices to push families off assistance.

The three other study states have embraced informal diversion practices as a deliberate strategy for limiting TANF caseloads and making TANF a program of last resort. In this sense, the states have formalized practices to deter TANF participation, although these are distinct from diversion payments. Michigan’s application procedures require families to attend the Michigan Works agency orientation and then engage in work-related activities before their applications are approved. For a brief period several years ago, TANF cases were opened before recipients attended the workforce orientation. When the policy switched back to requiring recipients to attend orientation first, caseloads fell slightly. An advocate said that having people go to the one-stop career center before receiving a grant kept caseloads down, as more people were likely to fall through the cracks as they went back and forth between the welfare office and the career center. A Michigan advocate also pointed out that personal barriers are assessed only after the case is opened and “you have to fill out a computer form about your barrier. If you miss something in the computer form . . . if you make mistakes in your application or barriers form or don’t show up for the appointment, there is no mechanism to show good cause.” However, others believed that the policy of attending the work orientation before opening a case ensured that only those who were willing to work would apply for assistance. As an official of a local one-stop career center said, “In any program, you want to work with the folks that want your help.”

Similarly, Florida requires applicants to complete 30 hours of work activities before they receive cash assistance. While the goal of this policy is to ensure that only people willing to work receive TANF, advocates argue that the policy prevents people with significant personal barriers from accessing assistance. Floridians with certain disabilities or other personal barriers reportedly also have difficulty navigating the technology-based application system. With relatively few physical offices remaining in the state, more than 90 percent of Florida’s TANF applications are submitted online. Further, in 2011, Florida enacted a new law requiring

all parents or caretakers to take drug tests when applying for TANF benefits and to pay for the costs of the tests. While individuals testing negative would be reimbursed later, some poor families could be deterred from applying for assistance because they cannot pay for the test (Schott 2011).¹⁵ In Texas, not only are applicants required to attend a workforce orientation, but caseworkers actively dissuade people from receiving TANF, according to several respondents. When people first apply for TANF and each time recipients recertify their eligibility, caseworkers emphasize the TANF time limits and encourage people to seek employment or other opportunities—stressing the strong cultural message in Texas of using TANF as a last resort.

Implications for State TANF Caseloads

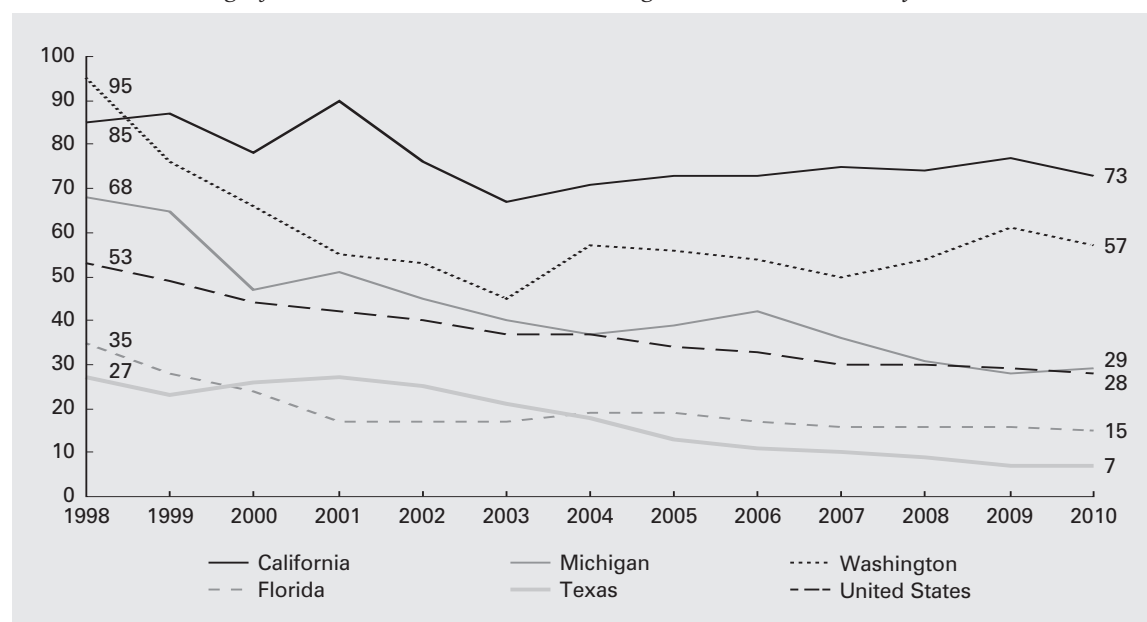
State's TANF goals and policy choices have important implications for poor families. As we have seen, a poor family living in California faces very different resources, requirements, and opportunities than that same family would in Texas or any of the other study states. As a result, the TANF caseloads of the five study states also look different, in terms of both how many of the state's poor families with children receive TANF cash assistance and the types of families on the caseload.

Many poor families do not receive TANF

Share of Poor Families with Children Receiving TANF Cash Assistance

Whether a poor family receives TANF cash assistance is almost entirely the result of TANF policies in the state where that family lives. In 2010, TANF reached 73 percent of poor families with children in California and 57 percent in Washington (figure 4). Consistent with their missions, California and Washington have implemented TANF policies that allow relatively more poor families

FIGURE 4. *Percentage of Poor Families with Children Receiving TANF Cash Assistance, by State, 1998–2010*



Source: Urban Institute analysis of U.S. Census Bureau data.

in their states to receive cash assistance. Michigan's TANF program provided cash assistance to 29 percent of the state's poor families with children, close to the national average of 28 percent. In Florida and Texas, on the other hand, a much smaller share of poor families with children received cash assistance—15 percent in Florida and 7 percent in Texas—reflecting numerous policy choices that restrict access to TANF. Over time, TANF has provided cash assistance to a shrinking minority of poor families nationally. In each of the five study states, the share of poor families with children receiving TANF also has fallen, even as the five study states generally have maintained the same relative positions.

The percentages of poor families receiving TANF cash assistance in the five study states are indicative of the range across the 50 states and the change over time. In 1998, California and Washington were among 13 states in which greater than 70 percent of poor families with children received TANF cash assistance. In 2004, only five states served this share of poor families. By 2010, California was one of only two states in which greater than 70 percent of poor families with children received TANF cash assistance. Likewise, in 1998, only two states—and none of the study states—provided TANF cash assistance to fewer than 20 percent of their poor families with children. In 2004, 10 states were in this category, including Texas and Florida. In 2010, Texas and Florida were among 18 states in which fewer than 20 percent of poor families with children received TANF cash assistance. Throughout the period from 1998 to 2010, about half of states nationwide provided TANF cash assistance to between 20 and 50 percent of poor families with children (see table 5).

Types of Families Receiving TANF Cash Assistance

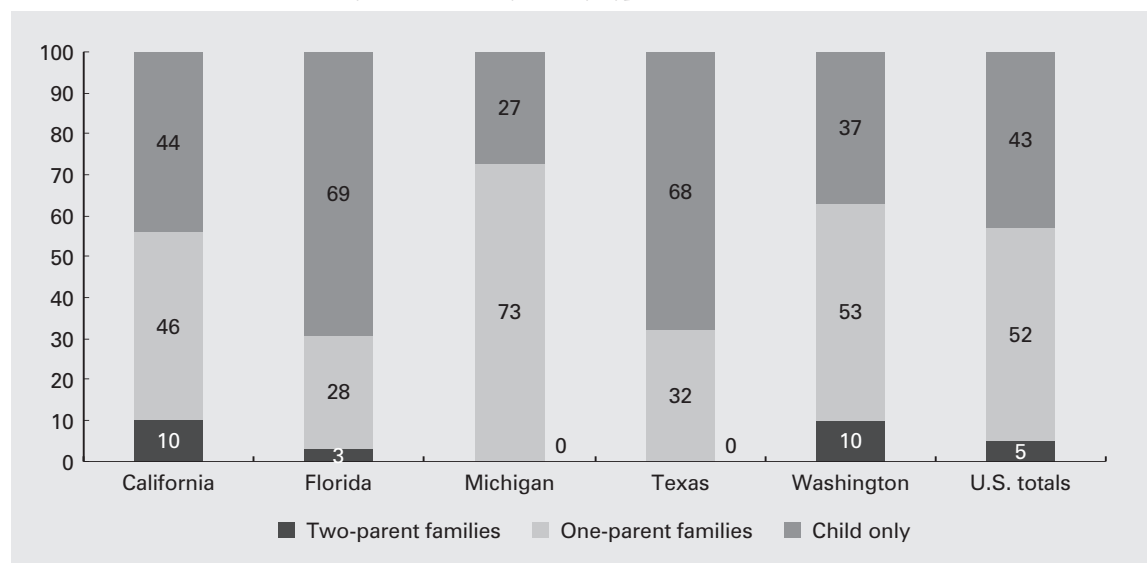
The types of families in the TANF caseload in each state reflect the state's demographic makeup and its policy choices, especially choices about whether to serve two-parent families with federal or state funds and whether to continue providing assistance to children or terminate the entire family's benefit as a result of sanctions or time limits. Figure 5 shows the types of families in the caseloads in percentage terms, to allow for clearer comparisons of their caseload compositions. Nationally, about half (52 percent) of the families receiving TANF in 2010 were single-parent families and about 5 percent were two-parent families, with the remaining 43 percent of TANF cases being child-only. While two-parent families made up a small percentage of the caseloads in the study states as well as the national caseload, Michigan and Texas had no two-parent families on their TANF caseloads. Both states chose to use only state funds to serve two-parent families, to avoid the high federal work-participation rate requirements for two-parent families receiving TANF funds.

Among the study states, Florida and Texas had relatively high percentages of child-only cases (69 and 68 percent, respectively). Child-only cases were 44 percent of the total TANF caseload in California,

TABLE 5. *Number of States Providing TANF Cash Assistance to Various Shares of Poor Families with Children, Selected Years*

Share receiving TANF	1998	2004	2010
Greater than 70%	13	5	2
Between 50% and 70%	9	6	4
Between 20% and 50%	27	30	27
Fewer than 20%	2	10	18

FIGURE 5. *Percent Distribution of TANF Cases by Family Type, 2010*



Source: Urban Institute analysis of ACF data.

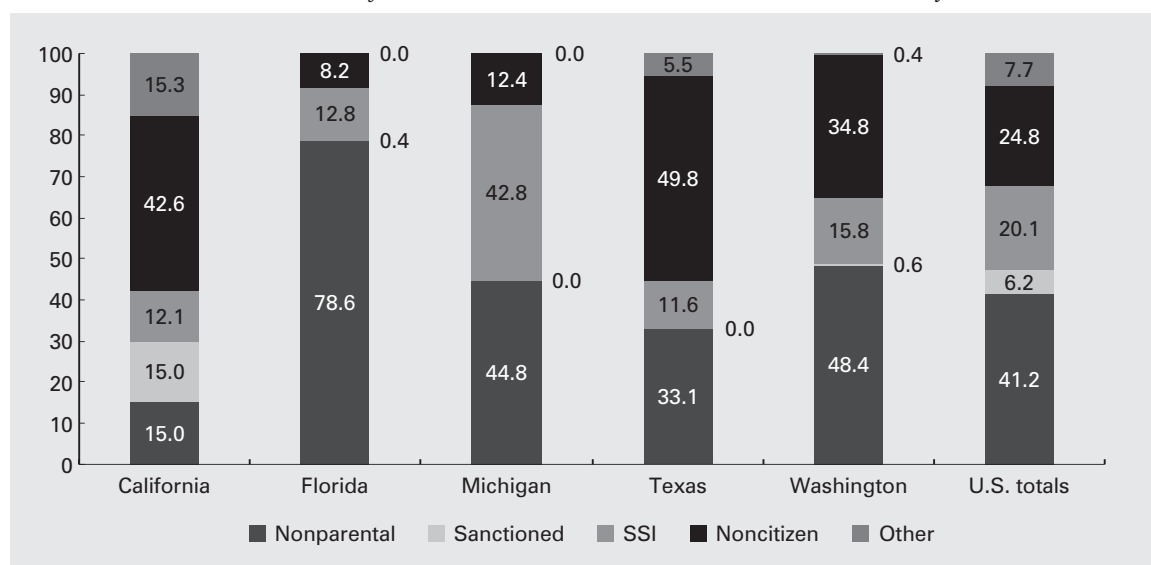
37 percent in Washington, and 27 percent in Michigan in 2010, according to HHS data. The relatively large share of child-only cases in Texas may be partly due to the policy of allowing children to continue receiving cash assistance after parents have exhausted their one-, two-, or three-year interim time limits. Differences in child-only caseloads across states also may reflect differences in state child welfare policies, including specific rules regarding children being cared for by nonparent relatives. For example, Florida's large share of child-only cases has resulted, in part, from a 1998 policy decision to use TANF funds to pay relatives to care for children who otherwise would have entered the licensed foster care system. Over time, the numbers of children in child-only cases has remained fairly steady in Florida, while the overall TANF caseload dropped, increasing the proportion of child-only cases. In the next section of this report, we examine child-only cases more closely.

Child-Only TANF Cases. Child-only TANF cases make up about 40 percent of the overall TANF caseload nationally and fully two-thirds in two study states (Texas and Florida), but the respondents in this study had less to say about child-only cases than about other aspects of their TANF programs. With each state focused first and foremost on moving TANF adults into work and self-sufficiency, cases without adults tend to receive less attention in policy debates, even though the limited research evidence available suggests considerable reason to worry about these families and particularly about the children's well-being (see Golden and Hawkins 2011 for a summary of the research). Child-only cases include nonparental cases—where a child or children live with a relative or nonrelative caregiver—and parental cases—where the child's parents are ineligible for TANF because of sanctions, SSI recipient status, citizenship or immigration status, time limits, or other reasons. These categories are extremely different from each other and probably do not make sense to consider as a single policy issue (Golden and Hawkins 2011).

Child-only cases make up about 40 percent of the TANF caseload nationally

States diverge greatly in the makeup of their child-only cases among these categories, for reasons that have not been systematically explored or explained by researchers. Consistent with this general finding,

FIGURE 6. *Percent Distribution of TANF Families with No Adults in the Assistance Unit, by Reason, FY 2009*



Source: Urban Institute analysis of ACF data.

the study states differ greatly in the proportion of the child-only caseload in each of these categories (figure 6).

Nonparental Caregivers. Nationally, about 40 percent of child-only TANF cases include children living with nonparental caregivers. The figures for our study states range from 15 percent in California to nearly 80 percent in Florida. The policy context for these nonparental child-only cases includes state TANF policy and state and federal child welfare policy. This is because child welfare policy (as well as actual local office practice) can affect whether relatives and other nonparental caregivers are formal foster parents or are providing care informally through TANF (Golden and Hawkins 2011).

In the study states, we explored these issues with respondents from each state, including advocates and TANF agency staff. Our interviewees did not include child welfare agency staff.

Although many respondents saw nonparental child-only grants as a positive way to provide support for kinship care, others expressed concerns about the well-being of children in these families. In Michigan, one respondent reported, nonparent child-only grants started off as ad hoc arrangements; caseworkers placed children with relatives to avoid foster care and organized to get these families child-only TANF benefits. Due to a lawsuit, the child welfare agency is now required to have more continued contact and follow-up with these families. A Washington advocate discussed this issue in depth, reporting that nonparental child-only cases in Washington have varied levels of involvement with the child welfare system. The advocate expressed concern that, as a result, children receiving child-only TANF benefits do not have the same supports or services available to children in foster care, although they may have many of the same needs. For example, in some cases the child is in kinship care while the parents work through a child-welfare service plan to have the child reinstated; in others, a Child Protective Services (CPS) investigation led to the kinship care arrangement, but the family has no ongoing contact with child welfare. In other cases, the family has no history of involvement with child welfare and arranged the kinship care informally. More broadly, the respondent expressed concerns that states may look at non-

parental child-only cases as a less expensive alternative to foster care and may not be doing enough to assess and address the mental health and other developmental needs of TANF recipient children, including children in child-only cases.

The most formal examples of programs intended to support nonparental caregivers through TANF were in Florida and California. Florida provides TANF benefits to relative caregivers of children who would have otherwise entered licensed foster care. Florida respondents indicated that the goal of this Relative Caregiver Program, developed in the late 1990s, was to support relatives' care of children in the child welfare system—and that these kinship-care cases make up the majority of the state's child-only caseload. California also provides child-only TANF benefits to relative caregivers through a formal kinship-care program, the Kinship Guardianship Assistance Payment Program, which provides benefits to relative guardians of children exiting the foster care system.

Texas, Michigan, and Washington had no formal kinship-care programs, although relative or nonrelative caregiver families made up a portion of each state's child-only caseload. Roughly one-third of the Texas child-only caseload is composed of nonparental caregiver families. Texas offers a one-time \$1,000 benefit to caregiver grandparents. Other researchers have explored how changes in child welfare policy in Texas could affect the TANF caseload: the U.S. Government Accountability Office (GAO) reported in 2011 that caseworkers reported encouraging kin caregivers to become formally licensed as foster parents so they could qualify for long-term subsidized guardianship (whereas previously the child welfare system had discouraged them) (GAO 2011). This could affect Texas's child-only TANF caseload down the road. In Michigan and Washington, nearly half of each state's child-only cases are relative-caregiver cases in a wide range of circumstances, as described above. Legislation enacted in 2011 will make these benefits means-tested in Washington.¹⁶

Parental Child-Only Cases: Sanctioned Parents. Only California offers child-only grants when a case is sanctioned.¹⁷ Florida, Michigan, Texas, and Washington all have full-family sanctions. A Texas advocate mentioned that the state's full-family sanction policy was implemented in a different political and economic climate than the more lenient policy of providing child-only grants to families that have reached the state time limit. A Washington advocate mentioned that before the current governor implemented the full-family sanction, the state's sanction policies were graduated and allowed for child-only grants.

Parental Child-Only Cases: SSI Recipient Parents. In these cases, the parents are ineligible to receive TANF cash assistance because of the disability income they receive through SSI, but the children remain eligible for TANF. Child-only grants to the children of SSI recipient parents make up 12 to 15 percent of the child-only caseloads in each study state except Michigan, where they account for about 43 percent of child-only cases. The high percentage of cases in Michigan may be an artifact of the relatively small share of the state's caseload that is child-only and the limited number of other types of child-only cases in the state.

Parental Child-Only Cases: Noncitizen/Ineligible Immigrant Parents. Nationally, about one-quarter of child-only TANF cases include children of ineligible immigrant parents. Among our study states, the figures range from 8 percent in Florida to almost 50 percent in Texas. Most adult immigrants are barred from receiving TANF during their first five years in the United States, although their U.S.-born children are citizens and are eligible for TANF if the family meets the other eligibility criteria. Citizen children of undocumented parents may also be eligible to receive TANF as child-only cases. A Florida advocate noted that the percentage of child-only cases with ineligible immigrant parents is low because of very

low income limits, which immigrant parents usually exceed. In Texas, however, respondents reported that roughly half the state's child-only caseload is composed of children of ineligible immigrants, reflecting the large immigrant population in the state. Despite the respondents' explanations, the divergence between Texas and Florida in the prevalence of this type of child-only case is surprising. In Washington, legislation enacted in 2011 will impose time limits on child-only cases living with ineligible parents, including ineligible immigrants (Schott 2011).

Parental Child-Only Cases: Time-Limited Parents. California and Texas provide child-only benefits after the family has reached a time limit. Through a program called the Safety Net program, California provides child-only benefits to children in families reaching the federal 60-month time limit.¹⁸ Texas provides child-only grants to families that have reached state limits. Texas has tiered state time limits ranging from 12 to 36 months depending on the adults' employment and education history. Texas families receive child-only benefits after the adult has reached the state time limit, as long as they remain income eligible. When the family reaches the 60-month federal time limit, all benefits stop. Advocates report that only a small portion of the state's child-only caseload falls in this category.

HOW ARE STATES SPENDING THE TANF BLOCK GRANT?

How states choose to spend their TANF block grant funds reflects their priorities and goals for their TANF programs and their overall state budgets. Each state receives an annual TANF block grant. In addition, some states have received further TANF funds through Supplemental Grants (Florida and Texas, among the five study states),¹⁹ Contingency Funds, and, until 2005, High Performance Bonuses. As a condition of receiving federal TANF funds, states also must spend at least a certain minimum amount of state funds for TANF purposes—the MOE requirement.²⁰

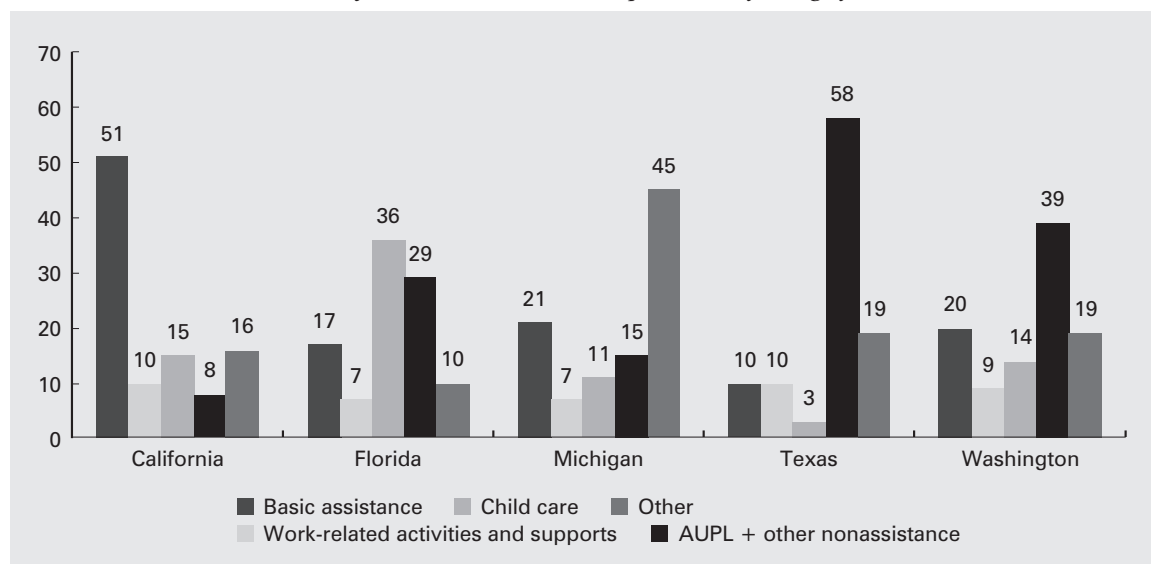
States are allowed to use the TANF block grant for any of the four purposes of TANF: providing assistance for needy families; promoting job preparation, work, and marriage; preventing and reducing out-of-wedlock pregnancies; and encouraging the formation and maintenance of two-parent families. States are also allowed to use TANF funds for some purposes that were previously authorized under Aid to Families with Dependent Children, even though they do not necessarily fulfill the purposes of TANF. States must report to the federal government how much of their TANF funds they use for various types of activities. Figure 7 summarizes how the five study states spent their federal TANF and state MOE funds. For ease of illustration, state TANF spending is grouped into the following categories:

- “Basic assistance” refers to basic cash assistance (or voucher) payments.
- “Work-related activities and supports” includes work subsidies, education and training, other work activities/expenses, transportation, and individual development accounts.
- “Child care” includes the use of TANF funds for child care for TANF recipients and others, either directly or through transfers of TANF funds to the Child Care and Development Fund.

- “Other” includes administration systems, refundable earned income tax credit, other refundable tax credits, nonrecurrent short-term benefits, pregnancy prevention, two-parent family formation and maintenance, and TANF funds transferred to the Social Services Block Grant.
- “AUPL (authorized solely under prior law) and other nonassistance” includes three subcategories of TANF expenditures (Derr et al. 2009):
 - Assistance authorized solely under prior law. These expenditures were previously authorized under AFDC and cover expenses for such services as juvenile justice or state foster care.
 - Nonassistance AUPL. These expenditures were previously authorized under AFDC but do not fulfill the purposes of TANF and do not meet the federal definition of assistance.²¹ These expenditures are allowed even though they do not fulfill the purposes of TANF.
 - Nonassistance “other.” These expenditures do not meet the definition of assistance and do not fit into any of the other prescribed categories. Examples include parenting training, substance abuse treatment, and domestic violence services. “Other” expenditures must fulfill at least one of the four purposes of TANF.

Figure 7 shows the extraordinary variation in state TANF and MOE spending decisions in 2009.²² Nearly every study state’s largest category of spending was different from the other states. For example, while California spent the majority of its combined TANF and MOE funds on basic assistance, Florida’s largest spending category was child care. Michigan spent nearly half its funds on other activities, including most notably pregnancy-prevention activities. For Texas and Washington, the largest spending category in 2009 included spending that did not fit within any other TANF spending category or spending that did not fit within the purposes of TANF (AUPL and other nonassistance). In Texas, this practice reflects the long-standing use of TANF funds for child welfare programs, while in Washington it reflects a successful effort in 2009 to identify state spending that would qualify as MOE spending in this category. Washington is the only one of these states whose 2009 spending differed remarkably from its spending in recent prior years.

FIGURE 7. *Percent Distribution of State TANF and MOE Expenditures by Category, 2009*



Source: Urban Institute analysis of ACF and Center on Budget and Policy Priorities data.

The range of spending decisions among the five study states is illustrative of the range across all states. For example, California's share of spending on basic assistance was the second-highest in the nation, behind Maine, in 2009, while Texas's spending on basic assistance was the third-lowest in the nation, ahead of Illinois and Oklahoma. Most states spent between 70 and 90 percent of combined TANF and MOE funds on purposes *other than* basic assistance in 2009.

While each state's allocation of TANF and MOE funds across spending categories has shifted over the years, some features have remained fairly consistent. For example, for most of TANF's history, relatively large fund shares have been used for basic assistance in California, activities authorized solely under prior law in Texas, and child care in Florida. Interviews with TANF officials and advocates in each study state provided some context for understanding the spending data.

*Most of the TANF
block grant is used for
purposes other than
cash assistance*

California—Basic Assistance Is a Priority

California allocates a far greater share of its TANF block grant to basic assistance than any other study state and more than nearly any other state in the nation. California respondents noted that this allocation has been in keeping with the state's commitment to using TANF block grant funds within the TANF program and to providing a strong safety net. Cash assistance is treated as an entitlement in California, so its costs are given priority. As caseloads increase and more funds are needed for cash assistance, fewer state funds are available for supportive services. As California respondents pointed out, given the 20 percent caseload increase since the beginning of the recession, relatively little of the block grant is left for other purposes. The state covers 97.5 percent of the cash assistance cost for the counties and gives each county an additional allocation, roughly proportional to caseload size, to cover the administration and services costs.

Despite the broad support in California for the TANF program, there is not a willingness to spend any state general funds beyond the required MOE amount, according to California respondents. If a state program or activity meets one of the broad TANF purposes, such as child care or certain community college costs do, the state can use some of its required MOE funding to pay for the program or activity, rather than pulling from the general fund. In this way, the state attempts to free up general funds by maximizing spending that is counted as MOE. State budget advocates explained that this occurs on a small scale as a routine part of the state's budgeting and accounting processes.

Year-to-year variations in spending allocations usually reflect these attempts to minimize the use of state general funds, respondents explained, rather than being driven by direct policy decisions. For example, a change in the percentage of TANF or MOE funds used for child care is likely the result of shifting whether the child care costs are paid through TANF, MOE, or state general funds, rather than a policy decision to provide more or less support to child care. A budget advocate emphasized that these funding shifts are an attempt to keep the TANF program "whole" while minimizing use of the general fund.

Washington—Funding to Make Work Pay Is Challenged by Budget Crisis

The allocation of TANF funds in Washington had been fairly consistent over the years until very recently. Reflecting the state's goal of making work pay and supporting the working poor, basic assistance and child care generally were the two largest spending categories, with work-related activities the third-largest

category. Washington had used the TANF block grant primarily for basic cash assistance (46 percent), work-related activities (16 percent), and child care (23 percent).²³

Unlike most states, where the state legislature makes TANF funding decisions, in Washington the governor makes TANF funding decisions. When TANF was implemented in 1997, the Republican-controlled legislature gave the Democratic governor, Gary Locke, control of the TANF block grant with the understanding that the governor was not to ask for additional funds from the legislature. As one person we interviewed said, “It was a gotcha move on the Republican legislature’s part.” TANF funding became known as “the TANF box,” with all the funding intended to support WorkFirst. On rare occasions, the state has allocated general funds to the program and has transferred TANF funds to other programs. A notable example, at one point when the TANF funds far exceeded the basic assistance costs, the state began transferring funds to the child welfare program—and that allocation has continued ever since. Although, in the current budget crisis, it has been tempting to pull the funds back, the child welfare system also is in need of funds, and few people have been willing to argue for cutting the TANF funding for child welfare.

As the caseload dropped over the years, funds were used in other ways to support low-income families. According to Washington officials and advocates, the work supports were about trying to get the families to the point where they needed child care. It was reportedly “a very proud day in the Locke administration when [Washington] started spending more on child care than [on cash assistance] grants.” Work supports have included helping people fix cars, providing bus passes, paying for education and training, paying for dental work, and offering other supports to help people become employable. Washington provided supports not only to families receiving TANF cash assistance, but also to families who could avoid receiving cash assistance if they received one-time payments to address their needs.

The spending pattern shifted dramatically in 2009, when the state’s spending in the “AUPL and other nonassistance” category jumped to 39 percent of its total TANF spending, up from just 3 percent the year before. The change resulted primarily because the state was able to identify substantial state spending that could count as MOE spending in the “other nonassistance” category. In 2008, Washington counted \$11.8 million of state spending in “other nonassistance” as MOE spending, compared with \$577.7 million in 2009.

Michigan—Seeking Savings to the State

Michigan spent its TANF funds across a wide range of categories and is one of the few states nationally to use TANF funds for a state earned income tax credit (EITC). State budget staff noted that the use of TANF funds has shifted over time to get the most out of federal TANF funds and state MOE dollars. Michigan TANF officials and advocates report that TANF budgeting decisions generally are focused on “savings to the state,” not necessarily programmatic impact or furthering their goal of providing support for the “deserving” poor. For example, although the largest single spending category in 2009 was “pregnancy prevention and two-parent family formation and maintenance,” these activities were not highlighted in the Michigan interviews. In addition, workforce officials noted that Michigan reduced its workforce program allocation by about one-third between 2006 and 2010, a time of poor economic conditions when the number of people in the workforce programs increased. More so than other states, Michigan uses state MOE funds to cover most of its cash assistance costs. According to Michigan officials, this allocation makes it abundantly clear that the state spending meets the criteria for MOE spending. The state then uses the federal TANF funds for other TANF purposes.

Florida—Child Care and Other State Priorities Receive the Bulk of TANF Funds

Florida's use of the TANF block grant has deliberately encompassed all the TANF purposes, according to Florida officials. In 2009 and for several years prior, child care was the largest spending category. Florida used TANF funds to support child care for working TANF recipients and former recipients as well as other families with incomes up to 200 percent of FPL, both through direct TANF spending and through transfers to the Child Care and Development Fund and the Social Services Block Grant. Some TANF child care funds supported the state prekindergarten program. The smallest spending category was work-related activities, despite Florida's ideological emphasis on work. Florida appears to support work indirectly, through child care and other nonassistance spending, rather than through direct spending on work and work-related activities.

Texas—TANF Funds Used Extensively for Child Welfare, Only Minimally for Cash Assistance

More than half of federal TANF funding in Texas is distributed to the Texas Department of Family and Protective Services for child welfare purposes (Legislative Budget Board 2010). This allocation of TANF funds is based largely on historical expenditures for child welfare before the implementation of TANF (so they appear in the AUPL category). However, the allocation of TANF funds for child welfare increased further over the years as TANF caseloads fell and the state legislature found the funding needs for child welfare were greater than the needs for cash assistance and other TANF purposes. Spending on basic assistance, work-related activities, and child care combined in Texas in 2009 accounted for about 23 percent of total TANF and MOE spending, the lowest percentage of any of the study states and a reflection of Texas's "pull yourselves up by your bootstraps" approach.

How States Use TANF Resources for Purposes Other Than Traditional Assistance: Transfers to Child Welfare

A major theme of state spending on TANF is that resources are transferred to other programs, particularly child care and child welfare (services to abused and neglected children). They may also be used to fund targeted programs such as Michigan's EITC or to fill gaps broadly in state budgets. Because limited time and resources made it impossible to look at all these transfers, we have focused on transfers to child welfare as one of the largest examples of these shifts. The information available to study transfers to child welfare is particularly rich because state surveys by the Urban Institute and Child Trends have tracked local, state, and federal child welfare funding, including TANF, since state fiscal year 1996 (DeVooght, Allen, and Geen 2008).

States are allowed to use TANF resources for child welfare purposes under two different circumstances. First, states may use TANF for activities that were in the state's AFDC plan on September 30, 1995, or August 21, 1996—and some states' AFDC plans included considerable spending for child welfare purposes. Second, states may use TANF for any supports and services that fulfill one of TANF's four purposes—and child welfare expenditures can fall under those directives. For example, states could approve child welfare expenditures to fulfill the TANF purpose of providing assistance to needy families so children may be cared for in their own homes or in the homes of relatives (42 USC 601). Nationally, TANF makes up about 19 percent of federal spending on child welfare services, down from about 20 percent in 2004 (DeVooght et al. 2008). However, there are enormous variations between states in a given year, and there is also great volatility over time within the same state.

The diversity among states is evident from the TANF perspective as articulated by officials and stakeholders in the five study states. While respondents from all five study states reported that their state allocates a portion of its TANF or MOE spending to the state child welfare agency (as do all but nine states), they described considerable variation in the scale of the allocation. At one end of the spectrum is Texas, which uses TANF dollars for child welfare far more aggressively than the typical state. TANF respondents in Texas and HHS expenditure reports indicated that the state devotes more than half of the state's TANF and MOE spending to child welfare, under the provision allowing spending for foster care and CPS as "authorized under prior law." Consistent with this perspective from the TANF side, the child welfare fiscal survey shows Texas far above the national average in the share of child welfare spending that is federal and in the proportion of federal spending that is specifically from TANF (more than one-third, compared with the national average of less than one-fifth).²⁴

Michigan also comes in above the national average in its use of federal spending for child welfare and ranks among the highest in the proportion of federal spending that is specifically from TANF (close to 40 percent). However, this high use of TANF for child welfare was not as evident to the TANF respondents as in Texas. A Michigan respondent reported that the allocation of TANF funds to child welfare, partially as assistance under prior law, has been steady for several years and that because the allocation consists of federal and not state funds, the issue has created little political debate in the state.

The other states are more typical of national patterns. A California budget advocate reported that the state transfers "some, but not a lot" of TANF funds to child welfare. In Florida, respondents reported, the transfer of TANF and MOE funds is a very important revenue source for the state's child welfare agency. Florida ranks in the middle of the pack in the share of its child welfare funding that comes from federal sources but ranks high in the share of those federal funds that comes from TANF (DeVooght et al. 2008).

Context, History, and Reasons for TANF Allocations to Child Welfare

When a state chooses to transfer TANF funds to another program, it usually means the state sees a need for more spending on the program receiving the transfer, that other federal funds for that program are insufficient or less convenient, and that TANF is a convenient source at that moment. Thus, transfers to child welfare can be explained by child welfare needs, federal child welfare funding, and TANF.

In the interviews, respondents from Texas, Washington, and Michigan noted that lawsuits and other highly publicized child welfare system failures contributed to the prioritization of child welfare and the transfer of TANF funds. A Michigan advocate reported that the state's new governor, Rick Snyder, has made child welfare a priority and that the governor's proposed budget would grant more internal budgetary discretion to the Michigan Department of Human Services—the agency that administers both TANF and child welfare for Michigan—increasing the department's ability to transfer TANF funds to child welfare. In Texas and Washington, the courts played a role, mandating greater child welfare funding. In Texas, after several child deaths, a judge petitioned then-governor George Bush to increase spending on child welfare. In Washington, highly publicized child injuries led to a lawsuit mandating a higher ratio of child welfare caseworkers to active cases. A Washington respondent predicted that this funding structure would remain intact due to the "importance of the adequacy of the child welfare system to the DHS secretary."

Other factors in a state's choice to use TANF funds are the comparison between TANF and other possible sources of funding for child welfare and the convenience and availability of TANF itself. State respondents in Texas and Washington reported that relative TANF budget surpluses in the 1990s due

to falling caseloads (along with the lawsuits described above) led to the transfer of funds from TANF to child welfare that has remained steady into the present. Nationally, in the first two years after welfare reform, TANF expenditures on child welfare dropped from the baseline level provided under AFDC because states were unsure what would be allowed under the forthcoming TANF regulations (Scarcella et al. 2006). However, TANF's role grew rapidly when the rules became clear and states had TANF surpluses, only to fall nationally after 2002 as state TANF allocations became tighter (DeVooght et al. 2008; Scarcella et al. 2006). Somewhat different from the national picture, no respondents in the study states reported decreases as a result of the most recent crunch on TANF dollars.

From both the child welfare and TANF perspectives, transferred funding has advantages and disadvantages. DeVooght and colleagues (2008) point out the fragility of child welfare funding and the risks posed by sharp changes in funding sources from year to year. National child welfare policy advocates have consistently argued for improvements to the dedicated streams of federal child welfare funding that would strengthen the role of federal funding and reduce states' need to go to other sources. TANF advocates from the study states offered state-specific versions of these challenges. In Texas, an advocate said that by using federal TANF funds instead of state funds (presumably, for purposes that could be covered by Title IV-E), the state loses eligibility for a federal match. Additionally, Texas and Washington advocates worried that the fixed block-grant structure of TANF is a poor match for growing child welfare spending. An obvious disadvantage: TANF resources transferred to child welfare are not available for other uses. However, advocates in both Texas and Washington, citing the importance of child welfare activities, hesitated to support an end to the fund transfer, agreeing that the major advantage of these transfers is that they provide much-needed funding to child welfare agencies.

Transferring TANF funds to child welfare is a way to solve state budgetary issues; it does not imply any policy connection between the two programs

Finally, a key conclusion from the interviews was that, although TANF and child welfare may coordinate operations or policy to some degree, the transfer of TANF funds to child welfare is a way to solve state budgetary issues and does not imply any policy connection between the two programs. As illustrated in the discussion of child-only cases, whose circumstances ought to concern both agencies, the TANF and child welfare worlds are often separate, even when their concerns overlap.

HOW HAVE STATE TANF PROGRAMS RESPONDED TO CHANGING CONDITIONS?

States' TANF policies and spending choices have changed over time in response to new federal regulations, pressure on state budgets, and a temporary influx of money designed to help states weather the Great Recession. How states' TANF programs have changed also reflects each state's mission and its perspective on how TANF should be used.

Deficit Reduction Act

The Deficit Reduction Act of 2005 reauthorized TANF and made the first major changes to federal program rules. The changes were particularly important for how states meet their required work participation rates. In general, states face federal financial penalties if they do not engage at least 50 percent of their work-eligible cases in specific work or work-related activities for a minimum number of hours each month, although states can reduce the required rate below 50 percent by reducing their caseloads or spending more than the required amount of state MOE funds. The DRA and subsequent regulations established uniform definitions of the activities that could count toward the work participation rate, which in some cases were narrower than the activities that states had been counting, and effectively shrank the caseload-reduction credits that states used to reduce their work participation rate. Many states changed their work activity policies as a result.²⁵

Before implementation of the DRA, all 50 states and the District of Columbia met the 50 percent work participation rate requirement, although most states did so through a combination of work participation and caseload-reduction credits. Since the DRA, several states have failed to meet their work participation rate requirements in at least some years, including both Michigan and California. So far, these states have avoided financial penalties by working with HHS to develop corrective compliance plans.

California

Work requirements in California became much more serious after the DRA, when the state could no longer rely as heavily on its prior caseload reductions to meet its work participation rate requirement. In fiscal year 2006, just before implementation of the DRA changes, California had a required work participation rate of 5 percent, after credits were applied; in 2007, the required rate jumped to more than 32 percent. The state failed to meet its required participation rate each year between 2007 and 2009, the latest year for which participation rate information is available. In fiscal year 2009, California's participation rate was 27 percent, falling short of its required rate of 29 percent.

According to our interviews, the state government, with input from advocates, made a deliberate decision to avoid reducing the caseload to meet the tightened work participation requirement after the DRA. Instead, the state's strategy was to boost the engagement of TANF recipients, particularly those who had been sanctioned for not complying with work requirements. To raise these parents' engagement, the state provided counties with an additional \$90 million to target families as soon they began to slip out of compliance with their activity requirements. As a result of this proactive approach, which included home visits in some counties, about two-thirds of the families came into compliance, including many who were discovered to qualify for disability exemptions. At the same time, the state got rid of durational sanctions, through which sanctioned families would be removed from the caseload for three months. This further focused attention on engaging sanctioned families in work-related activities.

Washington

Washington has met its work participation rate requirement every year, both before and since the DRA. Washington has had relatively low work participation rate requirements throughout the period, with a required rate of just under 11 percent in fiscal year 2006 and required rates ranging from 11 to 0 percent in the subsequent years. In fiscal year 2009, Washington had a 23 percent work participation rate but had reduced its required rate to 0. The state was able to reduce its required rate partly through credits it received for excess MOE spending. As such, Washington has been under less pressure than some other states to ensure that its TANF recipients are participating in countable work activities. As one person we interviewed said, "The sort of dirty secret about Washington is that if we really had a 50 percent participation rate [requirement], we would never make it because there are so many people in barrier removal activities that don't count or only count for a short amount of time."

Nonetheless, Washington respondents also reported that DRA changes to the caseload-reduction credit fundamentally shifted the focus of the WorkFirst program. Rather than focusing on engaging families in whatever activities best meet the families' needs, the state has increasingly focused on placing families in activities that count in the state's work participation rate. In addition, a full-family sanction was introduced shortly after the DRA, in part to motivate families and to give the agency some leverage to ensure that families were participating in work-related activities. As explained during our interviews, although the state has been able to reduce its required rate through the use of credits so far, Washington worries that at some point it will no longer be able to rely on credits and will need to have more families actually engaged in countable activities.

Michigan

Meeting the work participation requirement became a formidable challenge for Michigan after the DRA. Because caseloads had already fallen so far before 2005, Michigan went from having an effective

work participation rate requirement of 0 in fiscal year 2006 to a 30.5 percent requirement in 2007 and a 50 percent requirement in 2008. The state failed to meet its required rates in 2007 and 2008 but was able to meet its rate in 2009, when both its required and actual participation rates were 28 percent. Those we interviewed reported there was “no way” and “no chance whatsoever” that Michigan could achieve a 50 percent work participation rate, given the unemployment and economic situations in the state. As one strategy to improve its work participation rate, Michigan began serving two-parent families using solely state funds, to keep them out of the federal work participation rate calculation.

While Michigan allows recipients to engage in all federally countable work activities and makes efforts to support clients with a range of skills and barriers, clients are steered toward activities that will help the state meet its required work participation rate. Job search and job-readiness activities are used most often. Workforce officials also said that funding is too limited for subsidized employment to be a viable option, so recipients are steered into work experience and community service activities. Local offices have become creative in combining activities. A local official reported finding that the creative combination of activities for clients is very effective, but “the case management time that it takes to juggle and enter the hours, wow, a lot of extra case management time taken away from working with participants.”

Florida

Florida has had very low work participation rate requirements both before and since the DRA. Between fiscal years 2006 and 2007, the state’s work participation requirement increased from 0 to 2.4 percent, before returning to 0 for both 2008 and 2009. The state’s actual participation rate in fiscal year 2009 was 40 percent. The state made few changes as a result of the DRA, except to comply with the clarified work activity definitions and reporting requirements, according to the officials and advocates we interviewed. Nonetheless, workforce officials expressed frustration with work participation requirements. One workforce official, echoing the point made in other states about the added challenge of these requirements, said: “As you look at services to TANF customers and eligibility requirements and reporting requirements, it seems to be exceedingly complicated to the extent that it interferes with actually providing service. . . . It seems like the caseworkers, you have to have a Ph.D. in TANF and reporting in order to do your job, which should primarily be focused on employment and training, but instead it is focused on details of reporting and eligibility that are not focused on getting people jobs.”

This and other Florida workforce officials we interviewed expressed frustration more generally that workforce offices are held accountable for meeting the TANF work participation rate and are responsible for engaging all TANF recipients in work activities. Although the DRA increased the challenge of meeting the work participation rate, those interviewed said the frustration has been particularly heightened as the workforce budget has been reduced sharply in the past several years. They reported a lack of sufficient resources for addressing their customers’ barriers to employment, including substance abuse, mental health issues, and profound disabilities. As one local workforce director said: “My focus is on work. I don’t have a staff of social workers. . . . We are not equipped or funded to be a social services system.”

Texas

The DRA had little effect on Texas’s TANF program, according to officials from both the Health and Human Services Commission and the Texas Workforce Commission. Texas had a well-defined list of allowable activities before the DRA, so the state did not need to make any major changes to comply. It

is somewhat surprising that Texas respondents reported little effect of the DRA because the state's work participation requirement increased from 0 in fiscal year 2006 to 31.2 percent in 2007, a jump even larger than in Michigan. Nonetheless, Texas was able to meet the required rate every year. One strategy Texas used to meet the increased requirement was to change the way it funds two-parent families so these families are not considered in the calculation of the work participation rate. Before the DRA, Texas served two-parent families using TANF federal funds and state MOE funds. After the DRA, Texas chose to serve two-parent low-income families through a solely state-funded program, using funds that it no longer counted toward the TANF maintenance of effort. From the perspective of clients and workers, the funding change did not affect services; rather, workers just use a different code for two-parent families than for TANF-funded families. In fiscal year 2009, Texas had a 34 percent work participation rate, which was more than enough to meet its 0.9 percent requirement.

The Great Recession and State Budget Crises

The Great Recession and related budget crises have put new pressures on state TANF programs, as the needs of the population increased at the same time that state financial resources were reduced. States are still struggling to manage the Great Recession's effects on their populations and their budgets. Unemployment rates shot up from 2006 to 2010 and poverty rates followed, but circumstances varied among states. Michigan's economy had already been in recession for years before the nation followed suit in 2007. Yet, a local workforce official reported that unemployment has been even more intense since the Great Recession and the job opportunities even less abundant than they once were. Texas had the lowest unemployment rate of the five study states, but budget pressures have affected TANF funds. For many years Texas had TANF funding available from prior federal fiscal years; however, the state has been spending down that balance and now faces a reduction in state appropriations of TANF funds. In Washington, the combined effect of the state's budget shortfall and a rising TANF caseload led the state to completely revise its TANF program. The state is making extensive changes to its TANF policies to reduce costs.

Recession-Related Changes to TANF Policies and TANF Block Grant Spending

In response to budget shortfalls in the wake of the Great Recession, some states changed their TANF program policies and TANF block grant spending. As mentioned earlier, the flexibility of the TANF block grant has allowed states to use the funds for a broad range of purposes—in some cases forcing TANF to compete for its own funding with other services, particularly as inflation has eroded the value of the fixed grant over time.

In the late 1990s, when the block grant was new and caseloads were falling, states had far more TANF funds than they needed to cover the costs of basic cash assistance and work-related services. States used the surplus TANF funds to support existing related programs, to create innovative new programs, and to support other state needs, within the limits of the law. California used TANF funds for adult education and community colleges to prevent teen pregnancies and for labor and employment development programs to expand job creation. Florida and Michigan each used TANF funds for college scholarships for children in low-income families. Texas and Washington used considerable TANF funds to support child welfare services. A Florida TANF official we interviewed reminisced about receiving dozens of calls from people representing various causes, inquiring about using TANF funds for their programs. A Michigan TANF official remembered people within the state's human services department complaining about other departments "stealing *our* funds." The official emphasized, however, that TANF is a block grant to the state, not to any particular department. She defended Michigan's use of

TANF funds not only for programs in the human services department, but also for the workforce department, community housing, the treasury department (the scholarship program is included in the tax code), and other departments.

As state budgets tightened during the 2001 recession, states began to feel the squeeze on their cash assistance programs. The Michigan official noted that using TANF funds in so many different departments created tougher choices within the human services department about how much TANF funding should be used for cash assistance, child care, child welfare, and other programs within the department's purview. In Texas and Washington, cash assistance programs faced tight budgets, but the states were reluctant to reduce the amount of TANF funds being used for child welfare services.

Now, with budget crises stemming from the 2007 recession, cash assistance programs are competing for funds not only with other programs supporting low-income families, but also with shortfalls in the states' general funds. States have been seeking creative ways to use TANF funds to address their general budget shortfalls. A Washington advocate commented that while in the past funds were shifted to programs that clearly served TANF purposes, "now, no one is pretending that it is for a TANF purpose." A Michigan official said the legislature has reframed existing programs so they meet TANF purposes, allowing the state to fund those programs with the TANF block grant and saving the general funds that would have been used. Michigan is cutting its TANF-funded state EITC program so those funds can be used for other state-funded programs within the TANF purposes, freeing up state general funds. In California, policy changes are expected to reduce TANF expenses by \$800 million, allowing the state to use \$800 million of its required MOE spending to pay for higher education grants—and freeing up the general funds currently used for these grants.

States have been seeking creative ways to use TANF funds to address their general budget shortfalls

Out of the five study states, Washington went through the most significant change in TANF block grant spending. We will take a closer look at the study states' responses to the budget squeeze. (Some states may have made additional changes after the work on this paper was completed.)

California. Severe budget shortfalls in California have not changed the basic principles or processes related to the allocation of TANF funds, but they have led to a squeezing of the budget. While budget squeezes have been common throughout the history of CalWorks, they have reached unprecedented levels. At the same time, between 2007 and 2010, the California TANF caseload grew by nearly 277,000 recipients. In response, the state cut funding by \$369 million for services that counties provide to help parents transition from welfare to work—such as job training, job search assistance, and subsidized child care. California also extended a temporary policy of exempting recipients with a child under age 2, rather than under age 12 months, partly to reduce costs for subsidized child care and welfare-to-work activities (Schott 2011). On July 1, 2011, California's TANF benefits were cut by 8 percent, reducing the maximum benefit for a family of three to \$638 a month, the lowest level since before 2001.

Summarizing the state's response to limited budgets, one respondent described a continuum from "the big squeeze" to "the big cuts." First, state agencies were asked to do more with less money. When that became untenable, the state sought budgeting gimmicks. Now the state is pursuing deep cuts in TANF

and other programs. California respondents spoke of needing to turn over every stone in a desperate attempt to meet their core mission.

Washington. Of all the study states, Washington has made the most extensive changes to its TANF program to address serious budget concerns. During 2010, the state formally redesigned its TANF program, resulting in numerous policy changes. In February 2011, to save money, Washington began enforcing time limits for the first time for families complying with program rules, cutting 5,000 families from the rolls. Washington also reduced its TANF grants by 15 percent on February 1, 2011, dropping the maximum benefit for a family of three to about \$478 a month—and making Washington’s maximum benefit lower than Michigan’s for the first time. Further, the state reduced diversion payments and reduced or eliminated TANF benefits for child-only cases when the child was living with nonparental caregivers who had incomes more than 200 percent of FPL. In addition, the state made a number of cost-saving changes to its work programs, including eliminating several support services and limiting eligibility for child care subsidies to only TANF-eligible families. For those leaving TANF, eligibility for transitional child care subsidies was reduced from 200 percent to 175 percent of FPL, ending child care subsidies for some 2,500 families. The state also capped the number of families receiving child care subsidies, resulting in a waiting list of 3,000 families where no waiting list had existed before.

Describing the extensive changes in Washington’s TANF program, one advocate said, “It’s like drama city, and people are getting cut off left and right.” Another advocate argued that these changes, while perhaps financially necessary, work against the state’s mission of making work pay and supporting the working poor.

Michigan. Michigan has shifted state general funds out of the TANF program whenever possible, according to a Michigan budget advocate, but now finds itself in the position of needing more money for TANF and yet also having a substantial general fund deficit. To help address this issue in the future, Michigan reduced the state EITC in 2011 from 20 percent to 6 percent of the federal EITC, reportedly to put those funds into the TANF program instead. Although this plan solves one funding problem, it may create another. A TANF official noted that people would not be getting the benefit of a higher state EITC and the state would not be able to count as much state EITC spending for MOE.

As the recession began, Michigan’s caseload continued to fall at first, only slightly increasing between 2009 and 2010. When asked why caseloads had not increased more during the recession, a Michigan advocate credited the strict eligibility criteria (very low earnings and strict enforcement of work requirements) and the availability of extended unemployment insurance. Looking to the future, a recent increase in the earned income disregard would allow families with higher earnings to receive assistance, potentially increasing the caseload. At the same time, the new governor hopes to increase the availability of jobs in Michigan, reducing the need for TANF cash assistance. Several other recent policy changes are expected to further reduce the TANF caseload, downsize the program, and save money. Michigan passed new legislation to permanently disqualify TANF cases with repeated sanctions and to tighten exemptions to the 48-month time limit, a change expected to cut more than 12,000 TANF cases. The state also added 125 new agents to verify that those applying for assistance are indeed eligible.

A Michigan advocate commented that with changes to TANF and other programs, “the safety net is stretched and thinning.” A Michigan state official said that they are “hoping people can find a way to survive without the safety net and become more self-sufficient.” These changes seem in keeping with Michigan’s approach of ensuring that TANF reaches only the most “deserving poor” families, while maximizing savings to the state.

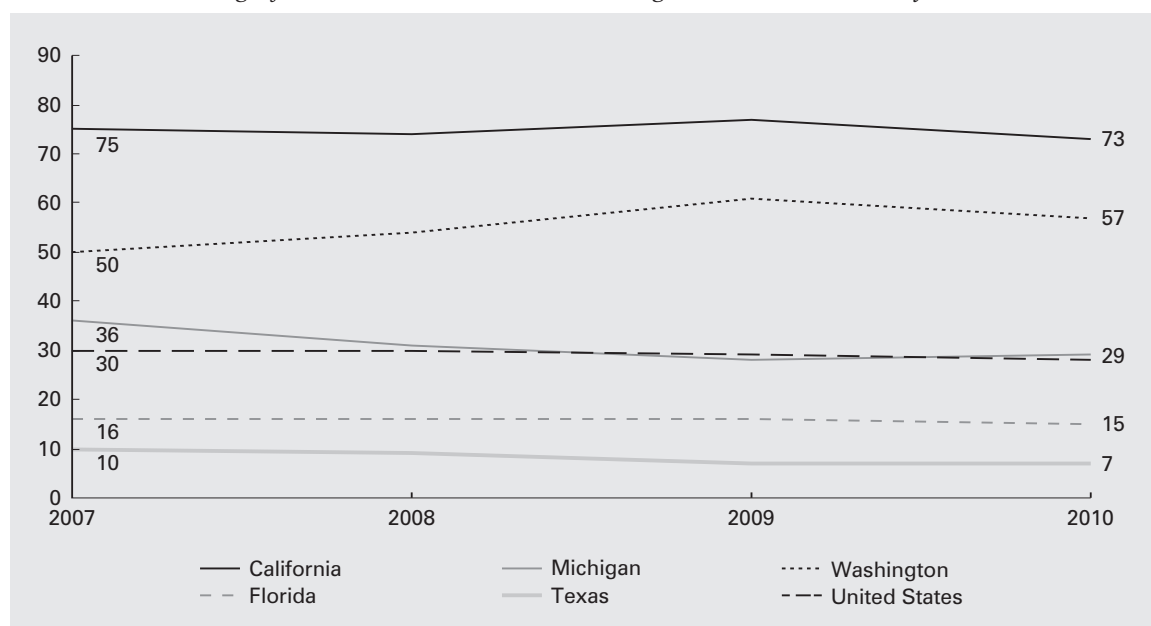
Florida. Florida's TANF caseload grew at a faster pace than TANF caseloads nationally at the beginning of the recession. This was particularly surprising, given that historically in Florida relatively few poor families receive TANF. Florida officials and advocates we interviewed offered some explanations for the rapid caseload increases. First, they noted the dramatic increase in unemployment leading to a large increase in the number of families eligible for TANF. Second, they noted Florida's web-based application process. More than 90 percent of Florida's applications for TANF are submitted electronically through personal computers or those available at one-stop centers or through the state's network of food banks, libraries, and other community partners. Some advocates have argued that while the online application system can be a challenge for a typical low-skilled TANF applicant, the newly poor Floridians of the recent recession had the technological savvy, work experience, and education levels that allowed them to more easily navigate the online application and the other requirements for obtaining cash assistance. Respondents also noted mitigating factors that kept the caseload from increasing even more than it did. Several respondents mentioned the role of extended unemployment insurance in keeping some Floridians financially afloat. Another noted that Florida's exceptionally low benefit levels (about 20 percent of FPL) require families to be in extreme poverty to be financially eligible for TANF.

Florida respondents noted that as caseloads have risen and TANF dollars have become increasingly tight in Florida in recent years, competition for assistance funds has risen among the needs for basic assistance, workforce services, and subsidized child care. The workforce system in particular has experienced significant funding cuts. However, in contrast to the major changes made to TANF programs in the other study states, Florida is not making major policy changes at this time. Florida's largest change was the introduction of drug testing for all TANF applicants.²⁶ Because Florida already provides TANF to a small share of their poor families and spends relatively little of the TANF block grant directly on TANF cash assistance and related programs, the state has little to gain from further program cuts.

Texas. Texas also is not making major TANF policy changes at this time. The TANF caseload in Texas fell during the recession, increasing only in 2010. With poor families already encouraged to rely on their own efforts rather than a state safety net, state budget constraints have less direct impact on the TANF program in Texas.

The greatest change to the TANF program and caseload in Texas, according to our interviews, came not from the DRA or the recession, but from a change in the state's sanction policy. In 2003, Texas implemented a full-family sanction, referred to as "pay for performance." If parents do not fulfill their personal responsibility requirements—including not only work requirements but also those related to children's school attendance, immunizations, and cooperation with child support enforcement—the entire family loses one month of benefits. If they fix the sanction by the end of the second month, their case is reinstated. If they do not fix it by then, the family must reapply and demonstrate compliance during a 30-day probation period before the case is certified. If the family does not comply during those 30 days, the application is denied and they have to apply and start the clock over again. A Texas official noted that since implementation of the full-family sanction, the percentage of cases sanctioned has declined because clients understand what is required of them and they comply with those requirements. Nonetheless, nearly everyone we interviewed in Texas mentioned the drastic effect the full-family sanction had on the caseload. After hovering around 130,000 families for several years leading up to 2003, the Texas TANF caseload fell to just over 100,000 in 2004 and about 80,000 in 2005. More than two-thirds of the remaining cases are child-only cases.

FIGURE 8. *Percentage of Poor Families with Children Receiving TANF Cash Assistance, by State, 2007–10*



Source: Urban Institute analysis of data from HHS and the U.S. Census Bureau.

TANF Caseloads during the Recession. During the recession, the national poverty rate rose while the share of poor families with children who received TANF cash assistance declined nationally and in each of the study states except Washington (see figure 8). In general, the number of families receiving TANF increased but did not keep pace with the rising number of families in poverty.

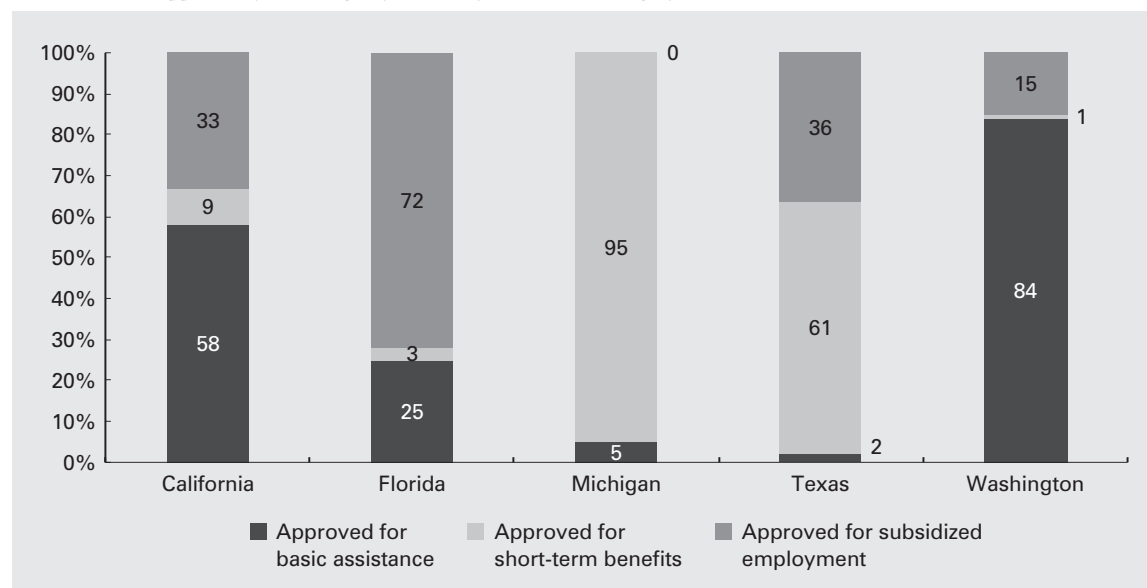
American Recovery and Reinvestment Act Funding

In response to the pressures of the Great Recession, ARRA created the TANF Emergency Fund, which provided extra money to states in fiscal years 2009 and 2010. Among the five study states, Michigan, Texas, and Washington each applied for the maximum amount of emergency funds allowed. California, on the other hand, applied for only 69 percent of its maximum allowable funds, and Florida applied for 64 percent. Respondents in California and Florida explained that they drew less than the maximum only because time ran out before the states could spend additional funds. A California respondent likened the experience of 54 counties trying to spend millions in new funds as an attempt to drain a swimming pool with 54 straws.

All five study states reported that the Emergency Fund was a great help, although they took various approaches to using the funds. Figure 9 shows that California and Washington received the majority of their emergency fund payments for basic assistance spending increases, Michigan and Texas for expenditures related to short-term benefits, and Florida for expenditures related to subsidized employment.

The states also differed in whether they created new programs to qualify for the funds. While California, Texas, and Florida created new programs specifically designed to meet the requirements of the Emergency Fund, Michigan and Washington did not. Regardless of whether they created new programs, each study state applied for emergency fund payments for increased basic assistance expenditures and for qualifying expenditures related to its existing programs. Michigan chose to use funds only for exist-

FIGURE 9. Approvals for Emergency Fund, by State and Category



Source: Urban Institute analysis of ACF data.

ing programs and avoid any time delays in establishing new programs, as a strategy for accessing the maximum available funds, according to our interviews. While Michigan did not make programmatic changes, many interviewees commented that without ARRA, things would have been much worse, as the available funds “plugged holes to keep things going.” Similarly, Washington’s goal was to maximize its use of the emergency fund to lessen the state’s budget deficit. Washington did not implement new programs but used the money to pay for caseload increases and expenditures for an existing subsidized employment program. The subsidized employment program was expanded to serve 5,500 people a year, up from 2,000 people—an expansion they reported would not have been possible without the emergency fund.

Texas used ARRA funds for a new summer food program, new subsidized employment programs for adults and for youth, and a one-time increase in the back-to-school grant from \$30 to \$150 per child, in addition to basic assistance and other existing program expenditures for short-term nonrecurring benefits. Given the time it took to receive federal approval and start up the new programs, respondents said it felt like the programs were barely up and running when they ended. The summer youth employment program subsidized 100 percent of wages for TANF and non-TANF youth in private- and public-sector jobs and served more than 24,000 youth for four to eight weeks. The work subsidy program for adults was funded with a combination of ARRA funds and unemployment insurance benefits. The state built off an existing program for unemployment insurance claimants, but in the new program, only claimants with families could participate. The program subsidized private-sector jobs and offered a fixed wage subsidy of \$2,000 quarterly, targeting first-time claimants who had been making at least \$15 an hour. Although the subsidized employment program ended when ARRA funding expired, one person we interviewed reported that 78 percent of the participating adults continued to work in the quarter after the subsidies ended, with claimants capturing 92 percent of their prior wages. Also, one person said the state learned from the ARRA experience that subsidized employment works and can be affordable with an allocation of \$2,000 over four months.

California used a phased approach to accessing the funds, beginning with funds to cover the costs of the increased cash assistance caseload. Because cash assistance is handled at the state level, this process was fairly straightforward and accounted for the lion's share of California's use of emergency funds. Next, the state drew down funds for county-level subsidized employment programs. Nearly all the counties used the funds for subsidized employment programs. Some created new programs, and others built on existing programs; some served only TANF families, and others served all families with incomes up to 200 percent of FPL. For example, Los Angeles County already had contracts with a number of its WIA one-stop centers as part of a very successful small-scale subsidized employment program. The existing infrastructure allowed the county to take advantage of the TANF Emergency Fund, placing 11,000 TANF parents in subsidized employment and an additional 18,000 low-income youth in summer jobs. In addition, in an effort to help young, unemployed workers, California created a youth summer camp in 24 counties for youth age 14 to 24. The camp targeted foster youth living in needy families and recent high school graduates who could not find work. Finally, the state drew on the emergency fund for county-level use of nonrecurring short-term benefits. Los Angeles County used these funds for housing and homelessness prevention.

Although the initiatives created through the emergency fund ended with fiscal year 2010, California respondents noted a few carryover benefits. For example, the ARRA-funded subsidized employment program brought in new private-sector employers that previously would not have considered hiring TANF recipients but may be more likely to hire TANF recipients in the future. In addition, some public-sector employers that provided unpaid work experience to TANF recipients in the past noticed a dramatic improvement in workers' attendance and attitude when they were paid for their work—a useful lesson for future policy decisions. California's experience of quickly developing an infrastructure to access the emergency fund could make it easier for the state to respond to future opportunities. In addition, California's legislature made changes to its subsidized jobs statute (that had predated ARRA) intended to make it work better for counties and provide them more state funding for subsidized jobs (Schott 2011).

Florida used the emergency fund for a new work subsidy program. Unlike existing TANF work programs, the new program focused on the private sector and expanded eligibility for adults up to 200 percent of FPL. Florida did not create a summer youth project, reportedly because it thought the greatest need was to get adults working. As in the other states, Florida's new work subsidy program ended with the emergency fund, but workforce officials said they believe subsidizing employment is something that works for the general TANF population, given enough time and funding. It also reported that 41 percent of participants retained jobs after the funding ended, indicating that the emergency fund had lingering effects for Florida.

CONCLUSION

The picture of TANF painted by this paper's detailed case studies is very different from "welfare" as most Americans think of it. For one thing, there is no national TANF program but rather a different program in each state. As a result of distinct missions for TANF in the five study states, combined with different budget constraints and different histories of funding for other state programs such as child welfare and child care, welfare on the ground in Texas has little in common with welfare on the ground in California, and neither is much like welfare in Michigan, Florida, or Washington. These differences are evident in the ways states spend their money, with nearly every state's largest category of spending different from the other states'. California spent the majority of its combined TANF and MOE funds on basic assistance, while Florida's largest spending category was child care, Michigan spent nearly half on "other" activities such as pregnancy prevention, and Texas's largest category was child welfare programs. The program differences are also evident in dramatic differences in the share of poor families receiving welfare benefits (7 percent in Texas, 73 percent in California), in the share of child-only cases (two-thirds of cases in Florida and Texas are child-only, compared with about one-quarter in Michigan), and in whether the program responded with caseload increases as unemployment grew during the 2008–09 recession.

Even within each state, TANF is not a single program, and in particular, not a cash welfare program. In every study state except California, the majority of TANF resources are used for purposes other than cash assistance to families. These purposes include child care and child welfare programs, as well as a catch-all group of other programs that meet the purposes of the TANF law. In some states, most notably Washington, the pressure on state budgets during the recession changed past expenditure patterns sharply, as the state scoured its budget for programs that could appropriately be billed to TANF. Thus, in some states, TANF may serve more as a funding stream, analogous to the Social Services Block Grant, than as a program.

At the same time, the differences among state programs do not mean that the federal government has not played an important role in TANF's development since 1996. The interviews conducted for this paper suggest at least four ways that federal law, policy, and funding decisions have influenced state outcomes. First is the frozen appropriation for TANF, meaning block grants for states that did not change from the program's enactment in 1996 until extra resources under ARRA became available in 2009. In California and Washington in particular, the program's history, as recalled by those interviewed and as mapped through year-by-year expenditures, reflects constant cuts and trade-offs to maintain each state's underlying mission. In Washington, interviewees reported that those trade-offs, coupled with a gradually shrinking budget, led to less flexibility for innovation and fewer new investments in workforce development and job preparation.

The second avenue of federal influence highlighted by the study is the passage and implementation of the Deficit Reduction Act of 2005, particularly the new expectations for participation rates. States' responses to the DRA varied depending on their mission and their circumstances. California, with its mission of a strong safety net, decided not to reduce caseloads but rather to provide \$90 million to the counties to boost the engagement of families in work activities. Michigan and Texas moved two-parent cases to state-only programs so as not to count them. And Washington implemented a full-family sanction shortly after the DRA to create more leverage with families, according to interviewees.

Third, and much less discussed, federal funding and policy choices in nonwelfare programs have likely shaped state TANF spending because they affect the options available to states for financing critical human services programs. While several examples would be worth exploring in detail, including federal spending on child care and on human services block grants, this paper looked carefully at the example of child welfare. In this case, the federal funding sources dedicated to child welfare have declined as a share of total expenditures, while federal expenditures from TANF and Medicaid have increased, as have state and local expenditures from their own sources. While each state's pattern of child welfare spending is unique, most states are responding to the overall context of greater child welfare need and limited availability of resources from the dedicated federal funding sources.

Finally, the additional resources available to states under ARRA had substantial and sometimes surprising effects on state spending. All the states reported that the resources were useful, most applied for all the money available (and all for at least two-thirds) despite the tight timetable for spending, and three of the five states developed new programs with the money. Texas and Florida are most striking because their choices under ARRA represent such a contrast to the restricted spending and narrow mission definitions that they have applied to regular TANF grants. Texas, a state that spends a very small proportion of its regular TANF on assistance and even less on workforce, used ARRA funds for a new summer food program, new subsidized employment programs for adults and for youth, and a one-time increase in the back-to-school grant from \$30 to \$150 a child. These temporary resources were available for basic assistance and subsidized employment. One potential lesson from the ARRA experience, therefore, is that new federal resources tied to specific purposes can have an important effect on state TANF spending, squeezed as it has been by a capped block grant and state budget pressures.

Policy Implications

These findings suggest three major policy issues and implications. We sketch the issues briefly here and explore the implications and options in more detail in a separate policy brief (Hahn, Golden, et al. 2012).

The first issue is about consistency and equity. How much state variation in the goals, design, and reach of TANF is a good thing, and how much is too much? Does it make a difference that some part of the variation arises from state fiscal constraints—so states with greater family need may also have less capacity to respond—rather than just from state creativity and innovation? The fact that ARRA led to more similar programs than the underlying TANF block grant may point to the value of new federal money as well as clearer definition of purposes.

The second, closely related, question is about goals. State officials argue that the problem with TANF is not so much inconsistent goals among different states as inconsistent federal messages about goals sent to every state (Hahn and Loprest 2011; Zedlewski and Golden 2010). If federal law sends the signal that reducing caseloads is desirable, how can that be consistent with maintaining a strong safety net during a recession? If engaging the hardest to serve rather than forcing them out of TANF is desirable, how can that be consistent with narrow participation measures and capped funding? The findings of this study underline the need for a clearer vision of TANF's roles as a preparation and support for work, as a component of the national safety net, and as a source of services to vulnerable families and children. The challenge is to identify operationally and politically doable steps to move toward that vision.

The third issue is TANF's role in a recession. Its capped block grant structure meant that federal funding did not go up with the increase in need as it did for SNAP and Medicaid. States, caught in a deep fiscal hole, were not able to increase their resources in response to need.²⁷ As a result, as the case studies make clear, states were forced to retrench in their TANF policies just at the point the recession was increasing family need, which is the opposite of a countercyclical response to economic downturn. While the TANF resources available in ARRA ameliorated this problem, states and families had to wait for congressional action and experienced the program as an ad hoc and short-term response. Congress could draw on the lessons from ARRA to enact a comparable provision for the future, so the enhanced funding and program design could be triggered by high unemployment.²⁸

Research Implications

This in-depth look at five states raised many new questions for future research. We highlight four as particularly important. First, these case studies do not get to the implications for families when TANF programs are as different as the five we studied here. Future research should target family outcomes, using multiple sources (administrative data, surveys, interviews) to understand the implications of various TANF policies, and of participation in TANF programs, for immediate and longer-term outcomes.

Second, future research should focus in on state variation. TANF is not a national program, and we should not study it as though it were. Rather, we should study policies, programs, and families in ways that illuminate as much as possible the differences among states, the reasons for those differences, and, above all, the results of those differences. Contrasts as great as those between California and Texas, or Washington and Florida, offer great opportunities to build information about the implications of policy choices.

Third, future research should explore program design and funding choices across several programs, not TANF alone. Useful studies could be designed at both the state and the federal levels to document policy and financing choices and explore their implications across several programs. For example, a future study could build on the 50-state child welfare survey by adding a 50-state TANF component and exploring unanswered questions about how financing decisions in the two programs interact.

Understanding federal and state child care funding decisions as they interact with TANF would also be very useful.

Finally, future research should focus in detail on the components of TANF other than cash assistance for families with adults. Because that one component is what most people think of as welfare, it gets the lion's share of the research attention. But in reality, child-only cases account for nearly half the cash assistance, and cash assistance was not the majority of spending in four of the five study states. In this paper, we have drawn a broad-brush picture of these states' TANF programs, but truly homing in on specific spending and policy choices, such as diversion spending, would be extremely helpful. It would also be extremely useful to understand spending on workforce development in detail—not because it is large but because it is so small. To understand how serious the gap in workforce spending really is, research needs to illuminate for policymakers to what degree there is simply no spending on workforce programs for TANF families and to what degree these families are able to gain access to programs funded by other sources.

As the nation emerges from the Great Recession and moves forward to redefine its work, education, economic development, and safety net programs, we hope this paper has contributed by illuminating the extraordinarily complex reality of TANF programs and spending in the states. Understanding “what welfare is now” can help inform and shape what welfare will become in the future.

APPENDIX.

SELECTED STATE POLICY CHOICES

TABLE A1. *Income and Asset Eligibility Rules for TANF Applicants (Family of Three), July 2010*

	Maximum monthly income ^a	Assets	Vehicle exemption
California	\$1,203	\$2,000 ^b	\$4,650 ^F /one vehicle per licensed driver ^c
Washington	\$1,122	\$1,000	\$5,000 ^{cE}
Michigan	\$815	\$3,000	All vehicles owned by household
Florida	\$393	\$2,000	\$8,500 ^E
Texas	\$401	\$1,000	\$4,650 of all vehicles owned by household ^{dF}

Source: The Urban Institute's Welfare Rules Database, funded by HHS/ACF and HHS/ASPE.

Notes: Initial eligibility is calculated assuming that the unit is employed at application, has only earned income, has no child care expenses, contains one adult and no children subject to a family cap, has no special needs, pays for shelter, and lives in the most populated area of the state. Many states have separate policies regarding different types of vehicles, such as income-producing vehicles, recreational vehicles, and vehicles that are used as homes. See the Welfare Rules Database for more information on these policies.

^E Equity value of the vehicle.

^F Fair-market value of the vehicle.

a. Maximum earnings a family can receive and still be eligible for assistance.

b. Units including an elderly person may exempt \$3,000; all other units exempt \$2,000.

c. All licensed vehicles used for transporting a disabled household member are exempt.

d. The entire equity value of a vehicle used to transport a disabled household member is also exempt.

TABLE A2. *Work-Related Activity Requirements for Single-Parent Head of Unit, July 2010*

	Timing of requirement to benefit receipt	Allowable activities listed ^a	Minimum hour requirement	Limit on hours allowed for education and training
California	After assessment	All ^b	32	N.A. ^c
Florida	Immediately	All except postsecondary education	30 ^d	10
Michigan	Immediately	All	30 ^e	10
Texas	After orientation	All ^b	30 ^e	10 ^f
Washington	Immediately	All	32	N.A.

Source: The Urban Institute's Welfare Rules Database, funded by HHS/ACF and HHS/ASPE.

a. All possible activities are as follows:

Job-related activities include one or more of the following: job skills training, job readiness activities, job development and placement, job search.

Education and training activities include one or more of the following: basic or remedial education, high school/GED, English as a second language, postsecondary education, on-the-job training.

Employment activities include one or more of the following: unsubsidized job, work supplement/subsidized job, community/alternative work experience, community service.

b. Recipients move from one set of activities to another after a set period. Generally, they begin with job-related activities and end with employment; see the Welfare Rules Database for details.

c. Nonexempt recipients who are already enrolled in an undergraduate program can participate in education for their entire requirement if it leads to self-supporting employment. Hourly limitations apply to other programs.

d. On-the-job training and work supplementation require a full-time (32- to 40-hour/week) commitment.

e. The hours apply to recipients with children age 6 or older. Recipients with children under 6 years old are required to work 20 hours.

f. These hours apply to recipients with children age 6 or older. Recipients with children under 6 years old must spend all required hours in noneducation-related activities.

TABLE A3. *Work-Related Activity Exemptions for Single-Parent Head of Unit, July 2010*

	Unit Head Exempt if:					
	Working in unsubsidized job for (hours)	Ill or incapacitated	Caring for an ill or incapacitated person	Age (or older) (years)	In which month of pregnancy (or later)	Caring for child under age (months)
California ^a	No exemption	Yes ^b	Yes ^b	60 ^b	No exemption ^c	12 ^d
Florida	No exemption	No	Yes	No exemption	No exemption	3 ^e
Michigan	40 ^f	Yes ^g	Yes	65	No exemption	3 ^h
Texas	No exemption	Yes ⁱ	Yes ⁱ	60	No exemption ^c	12
Washington	No exemption	Yes	Yes	55	No exemption ^j	12 ^k

Source: The Urban Institute's Welfare Rules Database, funded by HHS/ACF and HHS/ASPE.

a. Counties have the option to vary some activities exemptions. Statewide exemptions are noted; all other exemptions apply to Los Angeles County only.

b. Statewide exemption.

c. A pregnant woman may qualify for an exemption if the pregnancy is disabling and prohibits her from participating in work or training programs.

d. The recipient may receive this exemption only once, but he or she may also receive a limited exemption for a second or subsequent child under 6 months old.

e. The recipient may be required to attend classes or other activities.

f. To be exempt, the job must pay minimum wage or higher.

g. Individuals with a mental or physical illness, limitation, or incapacity that is expected to last more than 90 days and that prevents participation in employment activities may be asked to consult with Michigan Rehabilitation Services or the Michigan Commission for the Blind. If either organization determines that the individual is able to work, then the individual is referred to the work program. If the individual indicates that he or she is unable to work, then the individual is required to undergo medical review in three months. After the medical review, the individual may be determined disabled and required to apply for SSI or Retirement and Survivors Disability Insurance, work ready with limitations and referred to the work program, or work ready and referred to the work program.

h. Women are exempt from activities requirements for three months after giving birth when the newborn is in the home or for postpartum recovery when the newborn is not in the home.

i. To qualify for this exemption, the incapacity must be expected to last a minimum of 180 days.

j. Women in the third trimester of pregnancy may participate in work activities on a voluntary basis unless assessment indicates a mental health or substance abuse issue. If necessary, pregnant women may be required to participate in mental health and/or alcohol or drug treatment.

k. The exemption is limited to 12 cumulative months in the recipient's lifetime.

TABLE A4. Sanction Policies for Noncompliance with Work Requirements for Single-Parent Head of Unit, July 2010

	Initial Sanction		Most Severe Sanction	
	Reduction in benefit	Length of sanction (months)	Reduction in benefit	Length of sanction (months)
California	Adult portion of benefit	Until compliance	Adult portion of benefit	Until compliance
Florida	Entire benefit	10 days ^a	Entire benefit ^b	3 months ^a
Michigan	Case is closed	3 months	Case is closed	12 months
Texas	Entire benefit	1 month ^a	Case is closed	Must reapply and comply for 30 days
Washington	Adult portion of benefit or 40% (whichever is greater)	Until in compliance for 4 weeks ^c	Case is closed	Must reapply and be in compliance for 4 weeks ^c

Source: The Urban Institute's Welfare Rules Database, funded by HHS/ACF and HHS/ASPE.

Note: "Adult portion of benefit" describes the portion of the benefit the sanctioned individual would have received. Because the table represents sanctions only for single-parent adults, in all cases the sanctioned individual is an adult.

a. The unit is sanctioned for the specified number of months or until the sanctioned individual complies with the activity requirements, whichever is longer.

b. Cash assistance may still be provided to the children in the unit who are under age 16; these benefits are issued to a protective payee.

c. The sanction remains in effect until the individual is compliant for four weeks; after four weeks of compliance, benefits are restored to their presanction level. If after six months the individual is still in sanction, the case is closed. If the individual reapplies within six months of termination, sanctions will continue where they left off; if the individual reapplies more than six months after termination, there is no sanction.

NOTES

1. When children are living with their parents, a “child-only” benefit is a smaller benefit than the family would receive if the parents were included in the TANF assistance unit.
2. As a condition of receiving federal TANF funds, each state is required to spend a certain minimum amount of its own money every fiscal year to help eligible families in ways consistent with the TANF program. This is referred to as maintenance of effort, or MOE. States that have met their required work participation rates must spend 75 percent of what they were spending in fiscal year 1994 on welfare-related programs. All other states have MOE requirements of 80 percent. States may spend more than their required amounts.
3. The roundtable included experts from federal and state governments and key research and advocacy organizations (Zedlewski and Golden 2010).
4. States generally are allowed to carry over TANF block grant funds from year to year, so they may accumulate reserves to spend in a different year.
5. In each state, our interviews included 7 to 16 individuals in various key roles related to TANF. Their opinions and perspectives do not necessarily represent the views of others in their states.
6. The four purposes of the TANF block grant defined in federal statute are assisting needy families so that children can be cared for in their own homes; reducing the dependency of needy parents by promoting job preparation, work, and marriage; preventing out-of-wedlock pregnancies; and encouraging the formation and maintenance of two-parent families.
7. California has a state-supervised, county-administered TANF program in which counties make some TANF policy decisions, particularly about work activities, exemptions, and sanctions.
8. All quotes not otherwise identified are from interviews.
9. For example, Texas has chosen to deny TANF eligibility to nearly all legal noncitizens, while the other study states allow nearly all legal noncitizens to receive TANF benefits after they have met the federal requirement of residing legally in the United States for at least five years. For complete information on state eligibility rules, see the Urban Institute’s Welfare Rules Database.

-
10. Federal time limits do not apply to child-only cases.
 11. Social Services Block Grant funds may also be used for this purpose.
 12. According to the Welfare Rules Database, the 12-month limit in Texas applies to nonexempt recipients who (1) did not complete the 11th grade and have 18 months or more of recent work experience or (2) have a high school diploma or GED, a certificate from postsecondary school, or a certificate or degree from vocational or technical school, and any work experience. The 24-month limit applies to nonexempt recipients who (1) have not completed the 11th grade and have between 6 and 17 months of recent work experience or (2) have completed the 11th grade but not the 12th grade or have a GED and have completed 17 or fewer months of work experience. The 36-month limit applies to nonexempt recipients who (1) have less than six months of recent work experience and (2) have not completed the 11th grade.
 13. Federal law requires each state to engage at least half of all TANF families with a work-eligible individual and at least 90 percent of two-parent TANF families with two work-eligible individuals in work or work-related activities for a minimum number of hours each month (45 CFR 261). See Hahn, Kassabian, and Zedlewski (2012) for a summary of TANF work requirements and state strategies to fulfill them.
 14. The appendix includes information on the five study states' 2010 policy choices. See the Welfare Rules Database for the details of all states' choices.
 15. In October 2011, a federal judge issued a temporary injunction blocking Florida's drug-testing law.
 16. Generally, children's eligibility for TANF does not depend on the income of the nonparental caregivers. However, Washington has enacted a provision mandating the agency to consider the income of the nonparent relatives residing with and caring for child-only TANF cases (where no parent is in the home and the child is not in foster care). If the relatives' income is more than 300 percent of FPL, the child-only case is ineligible for TANF. If their income is between 200 and 300 percent of FPL, benefits are based on a sliding scale established by the department. Children living with relatives with income below 200 percent of FPL will not receive reduced benefits (Schott 2011).
 17. Beginning with the U.S. Department of Health and Human Services' *TANF Sixth Annual Report to Congress* (2004), the definition of child-only cases excludes TANF child-only cases due to a sanction for fiscal year 2000 and beyond. We include these cases because they have generated considerable policy and legislative attention, and some relevant research includes them.
 18. Federal regulations indicate that states cannot convert an assistance unit to a child-only care after reaching the 60-month limit but could convert the case before that time (TANF, Final Rule. *Fed. Reg.* 64, 17719–68 (April 12, 1999)).
 19. Supplemental Grants expired in 2011.
 20. To meet the MOE requirement, each state must spend 75 or 80 percent of what it was spending in fiscal year 1994 on welfare-related programs. States that have met their required work participation rates have MOE requirements of 75 percent. All other states have MOE requirements of 80 percent.
 21. TANF regulations define "assistance" to include cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses), as well as supportive services such as transportation and child care provided to families that are not employed (45 CFR 260.31(a)).
 22. For updated and comprehensive information about state TANF spending decisions, see Schott, Pavetti, and Finch (2012).
 23. Percentages represent the average spending in these categories between 1997 and 2007.
 24. All facts on child welfare spending are from DeVooght, Allen, and Geen (2008), unless otherwise noted.
 25. For additional information on how the DRA affected state TANF programs, see GAO (2010).
 26. Drug testing of TANF applicants was suspended after a federal judge issued a temporary injunction blocking the new law.
 27. The original TANF law provides a \$2 billion Contingency Fund, which allows states meeting economic triggers to draw additional funds based upon high levels of state MOE spending. During the recession these funds continued to be available in addition to funds provided through ARRA, although each state was allowed to receive no more than 50 percent of its annual block grant from the combination of the ARRA funding and the Contingency Fund (Lower-Basch 2009).
 28. A similar proposal is included in Edelman, Golden, and Holzer (2010).

REFERENCES

- Derr, Michelle K., Tara Anderson, LaDonna Pavetti, and Elizabeth Schott. 2009. *Understanding Two Categories of TANF Spending: 'Other' and 'Authorized Under Prior Law.'* Washington, DC: Mathematica Policy Research, Inc.
- DeVooght, Kerry, Tiffany Allen, and Rob Geen. 2008. *Federal, State, and Local Spending to Address Child Abuse and Neglect in SFY 2006.* Washington, DC: The Urban Institute and Child Trends.
- Edelman, Peter B., Olivia A. Golden, and Harry J. Holzer. 2010. *Reducing Poverty and Economic Distress after ARRA: Next Steps for Short-Term Recovery and Long-Term Economic Security.* Washington, DC: The Urban Institute.
- Golden, Olivia, and Amelia Hawkins. 2011. *TANF Child-Only Cases.* Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families. http://www.acf.hhs.gov/programs/opre/other_resrch/tanf_ccdf/reports/child_only.pdf.
- Hahn, Heather, Olivia A. Golden, and Peter B. Edelman. 2012. *Srrengthening TANF for States and Needy Families.* Washington, DC: The Urban Institute.
- Hahn, Heather, and Pamela Loprest. 2011. *Improving State TANF Performance Measures.* Washington, DC: The Urban Institute. <http://www.urban.org/url.cfm?ID=412447>.
- Hahn, Heather, David Kassabian, and Sheila Zedlewski. 2012. "TANF Work Requirements and State Strategies to Fulfill Them." Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families.
- Kassabian, David, Tracy Vericker, David Searle, and Mary Murphy. 2011. *Welfare Rules Databook: State TANF Policies as of July 2010.* Washington, DC: The Urban Institute.
- Legislative Budget Board. 2010. "Top 100 Federal Funding Sources in the Texas State Budget." Austin, TX: Legislative Budget Board. http://www.lbb.state.tx.us/Federal_Funds/Other_Publications/Top_Federal_Funding_Sources.pdf.
- Loprest, Pamela J., and Sheila R. Zedlewski. 2006. *The Changing Role of Welfare in the Lives of Low-Income Families with Children.* Washington, DC: The Urban Institute.

-
- Loprest, Pamela J., Pamela A. Holcomb, Karin Martinson, and Sheila R. Zedlewski. 2007. *TANF Policies for the Hard to Employ: Understanding State Approaches and Future Directions*. Washington, DC: The Urban Institute.
- Lower-Basch, Elizabeth. 2009. *Questions and Answers about the TANF Emergency Fund*. Washington, DC: CLASP. <http://www.clasp.org/admin/site/publications/files/TANF-EFC-Q-Nov-2.pdf>.
- Maloy, Kathleen A., LaDonna A. Pavetti, Peter Shin, Julie Darnell, and Lea Scarpulla-Nolan. 1998. *Description and Assessment of State Approaches to Diversion Programs and Activities under Welfare Reform. An Interim Report of the Findings of the First Phase of the Research*. Washington, DC: The George Washington University Center for Health Policy Research. <http://aspe.hhs.gov/hsp/isp/diverzn/index.htm>.
- Rowe, Gretchen, and Linda Giannarelli. 2006. *Getting On, Staying On, and Getting Off Welfare*. Washington, DC: The Urban Institute.
- Scarcella, Cynthia Andrews, Roseana Bess, Erica Hecht Zielewski, and Rob Geen. 2006. *The Cost of Protecting Vulnerable Children V: Understanding State Variation in Child Welfare Financing*. Washington, DC: The Urban Institute.
- Schott, Liz. 2011. "Wrap-Up: 2011 State Legislative Sessions and TANF-Related Actions." (Memo.) Washington, DC: Center on Budget and Policy Priorities.
- Schott, Liz, LaDonna Pavetti, and Ife Finch. 2012. "How States Have Spent Federal and State Funds under the TANF Block Grant." Washington, DC: Center on Budget and Policy Priorities.
- U.S. Department of Health and Human Services, Administration for Children and Families. 2009. *Temporary Assistance for Needy Families (TANF) Eighth Annual Report to Congress, Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2009*. Washington, DC: Administration for Children and Families.
- U.S. Government Accountability Office. 2010. *Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates*. GAO-10-525. Washington, DC: U.S. Government Accountability Office. <http://www.gao.gov/new.items/d10525.pdf>.
- . 2011. *TANF and Child Welfare Programs: Increased Data Sharing Could Improve Access to Benefits and Services*. GAO-12-2. Washington, DC: U.S. Government Accountability Office.
- Zedlewski, Sheila, and Olivia Golden. 2010. *Next Steps for Temporary Assistance for Needy Families*. Washington, DC: The Urban Institute.

ABOUT THE AUTHORS

Heather Hahn is a senior research associate in the Urban Institute's Center on Labor, Human Services, and Population. Her research focuses on safety net and work support programs for low-income families, with a special emphasis on TANF.

Olivia Golden is an Institute fellow at the Urban Institute. She is an expert in federal, state, and local child and family programs with a special interest in the way services are delivered on the front lines.

Alexandra Stanczyk is a former research assistant in the Urban Institute's Center on Labor, Human Services, and Population. She worked on projects investigating workforce development, work support, child care, and housing policies.

