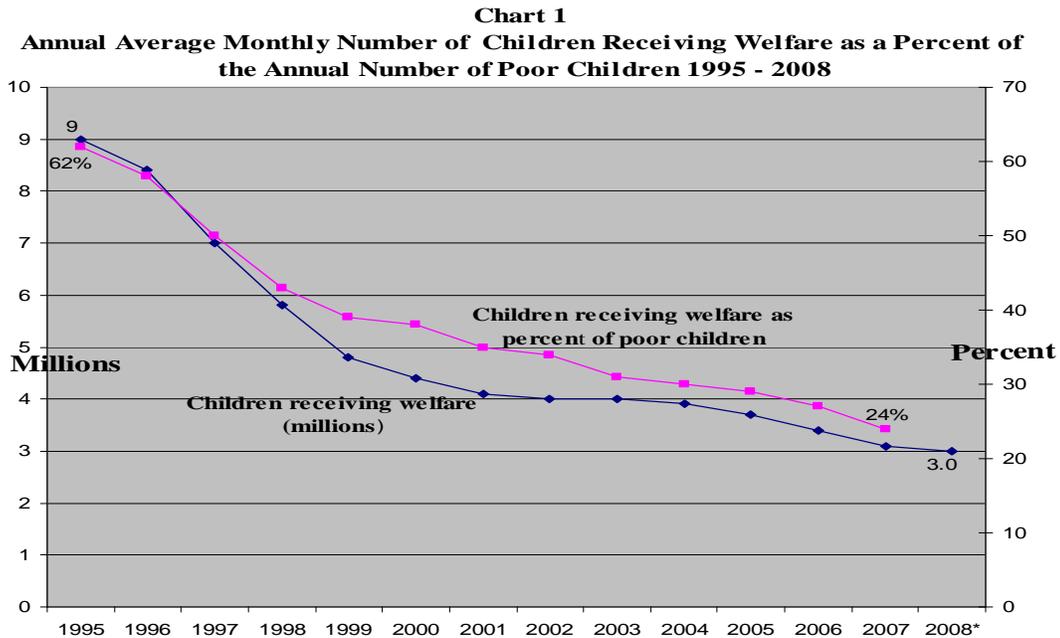


THE BITTER FRUIT OF WELFARE REFORM: A SHARP DROP IN THE PERCENTAGE OF ELIGIBLE WOMEN AND CHILDREN RECEIVING WELFARE

In 1996 the federal government enacted sweeping welfare reform legislation eliminating “welfare as we know it” by replacing Aid to Families with Dependent Children or “AFDC” with Temporary Assistance to Needy Families or “TANF” as the national welfare program for families with children. TANF offers a critically important safety net for single mothers as they experience an exceptionally high poverty rate of over thirty five per cent. About ninety per cent of parents receiving TANF are single mothers. Well over one million adult women receive TANF for their families.

Since 1996, the number of welfare recipients has declined by almost two thirds, falling from 4.8 million families with 9.0 million children in 1995 to 1.7 million families with 3.0 million children in 2008. This decline was largely due to a decrease in the enrollment of poor women and children. As shown in Chart 1, the percentage of poor children receiving welfare has declined continuously under TANF, falling from 62% in 1995 to 24% in 2007.¹ If the same 62% of poor children had received welfare in 2007 as in 1995, 8.0 million children would have received TANF in 2007, rather than the 3.1 million who actually did so.

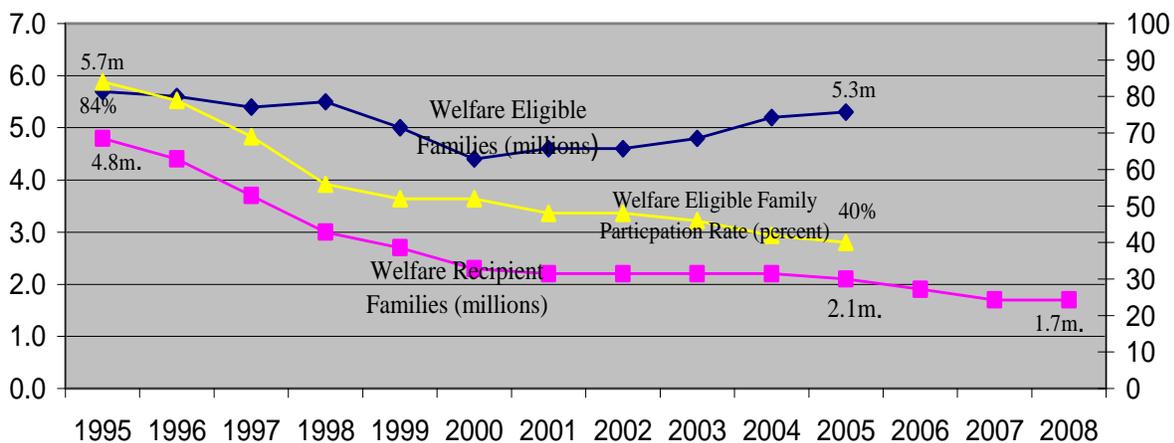


More restrictive eligibility policies, such as time limits, full family sanctions, and reduced financial eligibility standards may have contributed to the decrease in enrollment by

reducing the number of poor families eligible for assistance. For example, about 25,000 to 30,000 families a year lose eligibility due to TANF time limit policies,² cases closings due to full family sanctions exceeded 15,000 a month in 2006,³ and the average state financial eligibility standard has declined to but 29% of the official poverty level,⁴ or to about five dollars a day per person. However, while reduced eligibility may have contributed to the decline in welfare receipt, most of the decline has resulted from reduced participation by families who are eligible for enrollment.

Chart 2 shows the annual average monthly number of families receiving welfare and the annual average monthly number of families eligible to receive welfare from 1995 to 2005 as reported by the U.S. Department of Health and Human Services (HHS), the federal agency responsible for TANF.⁵ The participation rate for eligible families declined steadily from

Chart 2
Number and Percent of Eligible Families Receiving Welfare 1995 - 2008



84% in 1995 to 40% in 2005, the most recent year for which HHS has estimated the number of eligible families. If the same 84% of eligible families had received welfare in 2005 as in 1995, 4.4 million families would have received TANF in 2005, 2.3 million more than actually did so.

Predictably, the sharp decline in the TANF participation rate has led to a sharp increase in the number of single-mother families living in the most extreme poverty. One recent study found that in 2004 over 1.7 million single-mother families had a combined annual income from welfare and work of less than \$3,000, a 56% increase since 1995 in this measure of extreme poverty.⁶

Research on the reasons for the decline in the TANF participation rate has been very limited. However, based on the available information, both increased closings of eligible cases and increased access barriers have contributed to the decline.

In the late 1990's HHS funded fifteen state studies of families whose TANF cases had been closed. Twelve of the fifteen "welfare leaver" studies found that average earnings for employed leavers were less than the poverty level for a family of three.⁷ All fifteen studies found that a substantial fraction of the welfare leavers were unemployed, with the percent unemployed in the quarter after exit ranging from 32% to 53%.⁸ HHS' own national analysis found that the percentage of AFDC/TANF case closings associated with increased maternal earnings decreased from 55% (1993-1995) to 34% (2001-2003), and that the percentage of case closings associated with no specific grounds for ineligibility rose from 24% (1993-1995) to 37% (2001-2003).⁹ Both the state "welfare leaver" studies and the HHS national case closing analysis suggest that a substantial fraction of families remain eligible for benefits at the time their case is closed.

There is anecdotal evidence from advocacy organizations across the country that eligible families often encounter difficult access barriers when applying for TANF benefits. For example, one recent article reports that in order to discourage applications TANF staff in Georgia told some mothers that their children could be taken away from them if they applied, that they would have to be surgically sterilized, or that they could not get benefits if they did not work even if they were disabled.¹⁰ Recent studies by advocacy organizations of application denials in New York and Georgia also provide strong statistical support for the conclusion that increased access barriers have contributed to the decline in TANF participation. The Georgia study found that an 80% decline in Georgia's TANF caseload from 2004 to 2006 was linked to a revamped application process that cut the application approval rate in half by increasing denials for procedural reasons unrelated to family need.¹¹ The New York study found that a 24% decline in welfare cases in New York City from 2002 to 2007 was linked to a sharp increase in application denials for procedural reasons unrelated to family need.¹²

The stated purpose of the 1996 welfare reforms was to decrease dependence on public assistance through the increased employment of program participants, not to reduce the availability of welfare per se.¹³ Why then has welfare reform led to such a sharp erosion in safety net availability? There seem to be four main reasons. First, welfare administrators and

public officials appear to have increasingly defined and equated welfare reform with caseload reduction, without regard to the reasons for the reduction.

Second, the 1996 welfare reform law deregulated federal oversight of state welfare administration. Federal access protections in place under AFDC were repealed, including the statutory right to challenge restrictive policies in federal court, and authority was withdrawn from HHS to regulate state administration. Deregulation spawned a significant increase in state access barriers, and these barriers generally are both beyond challenge in federal court and beyond the authority of HHS to regulate.

Third, TANF is funded as a “block grant,” and the federal rules allow states to use federal TANF funds that are not used for welfare assistance for services such as child care and child welfare. Reducing the welfare caseload increases the funding available for services that typically have broader public support than welfare assistance. The ability to use “surplus” TANF funds for other purposes can incentivize caseload reduction.

Finally, the federal “caseload reduction credit” allowed states to avoid financial penalties for failing to meet work program participation quotas by reducing their welfare caseload. State administrators treat the avoidance of these penalties as a high priority, as a penalty not only reduces federal funding, but can create the perception that a state is too “soft” on work.

What can be done to address these and other harmful inadequacies in the TANF program? Congress must reauthorize TANF by September 30, 2010. Reauthorization offers a fresh opportunity for advocates to press Congress for measures to make TANF responsive to the mothers and children the program is intended to serve. President Obama campaigned on a platform promising to cut poverty in half over the next decade, and the new Congress appears more sympathetic to real reform. Importantly, in the midst of the most severe recession in decades, the need for a meaningful safety net for the poorest Americans in the worst of times is clearer than ever, offering an opportunity for increased support for change from the public and policy makers.

However, there remains a real concern that entrenched animus toward TANF and its recipients may nevertheless block these efforts. The federal economic stimulus legislation, the American Recovery and Reinvestment Act, increased benefits for Food Stamp, Social Security, SSI and Unemployment Compensation recipients, but did not increase benefits for TANF recipients even though no group was more needy or had such a large share of children, and no group was more likely to spend benefit increases quickly, one of the Act's underlying stimulus

goals. Although the Act did make additional federal TANF funding available to states with rising TANF caseloads, Congress and the Administration declined to suspend TANF time limits until the economy stabilized.

Real change will require a strong, focused and unwavering effort by the advocacy community. Legal Momentum has established the EndPovertyNow coalition and list serve to identify and promote targeted changes to the TANF program that will make it a meaningful safety net and a true stepping stone to economic security. You can sign up for the EndPovertyNow list serve by sending an email with “join” in the subject line to tcasey@legalmomentum.org.

(June 2009. Contact Timothy Casey, tcasey@legalmomentum.org, for further information.)

¹ Sources for Chart 1: for years 1995 to 2006, HHS, “Indicators of Welfare Dependence Annual Report to Congress 2008” at Table TANF 2, p.A-9, available at <http://aspe.hhs.gov/hsp/indicators08/index.shtml>; for 2007 and 2008, the TANF participation numbers reported by HHS at <http://www.acf.hhs.gov/programs/ofa/data-reports/index.htm>, and the children in poverty number reported for 2007 by the Census Bureau at http://www.census.gov/hhes/www/macro/032008/pov/new01_100_01.htm. For 2008, the participation numbers are the average for the first nine months of the year.

² Committee on Ways and Means U.S. House of Representatives, “Background Material and Data on the Programs within the Jurisdiction of the Committee on Ways and Means 2008” (popular name “Greenbook 2008”), at 7-83 (2008), available at <http://waysandmeans.house.gov/Documents.asp?section=2168>.

³ “Greenbook 2008,” note 2 *supra*, at 7-79.

⁴ “Greenbook 2008,” note 2 *supra*, at 7-48.

⁵ Sources for Chart 2: for years 1995 to 2005, “Indicators of Welfare Dependence Annual Report to Congress 2008,” note 1 *supra*, at Table IND 4a, page II-18; for years 2006 to 2008, the TANF participation numbers reported by HHS at <http://www.acf.hhs.gov/programs/ofa/data-reports/index.htm>. For 2008, the participation numbers are the average for the first nine months of the year.

⁶ Rebecca Blank, “Improving the Safety Net for Single Mothers Who Face Serious Barriers to Work,” 17 *The Future of Children* 183-197 (Fall 2007), available at http://www.futureofchildren.org/usr_doc/7_09_Blank.pdf

⁷ For a summary of the key findings of the “welfare leaver” studies, see “Greenbook 2008,” note 2 *supra*, at 7-84 – 7-86.

⁸ *Id.* At 7-85.

⁹ “Indicators of Welfare Dependence Annual Report to Congress 2008,” note 1 *supra*, at Table IND 10a, page II-32

¹⁰ Stephanie Mencimer, “Brave New Welfare,” *Mother Jones*, January/February 2009, available at <http://www.motherjones.com/politics/2009/01/brave-new-welfare>.

¹¹ Liz Schott, “Georgia’s Increased TANF Work Participation Rate Is Driven By Sharp Caseload Decline,” (Center on Budget and Policy Priorities, March 7, 2007), available at <http://www.cbpp.org/files/3-6-07tanf.pdf>.

¹² Federation of Protestant Welfare Agencies, “The State Of New York’s Social Safety Net For Today’s Hard Times” (2009), available at http://www.fpwa.org/binary-data/FPWA_BINARY/file/000/000/127-2.pdf.

¹³ See 42 U.S.C. § 601(a)(2), as added by P.L. 104-193 (1996), providing that a purpose of TANF is to “end the dependence of needy parents on government benefits by promoting job preparation [and] work.”