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Testimony

Before the Subcommittee on Income  
Security and Family Support, Committee  
on Ways and Means, House of  
Representatives

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# TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

## Implications of Changes in Participation Rates

Statement of Kay E. Brown, Director  
Education, Workforce, and Income Security



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Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to participate in today's discussion of the role of the Temporary Assistance for Needy Families (TANF) program in providing assistance to low-income families. My remarks to you are based on our report, released today, entitled *Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State*.<sup>1</sup> As you know, as a result of sweeping changes made to federal welfare policy in 1996 with the creation of TANF, welfare changed from a program entitling eligible families to monthly cash payments under Aid to Families with Dependent Children (AFDC) to a capped block grant that emphasized employment and work supports for most adult participants who receive such assistance. With the creation of TANF, the number of families who received cash assistance fell significantly, from 4.8 million families on average each month in 1995—just prior to the creation of TANF—to 1.7 million in 2008. During this time frame, poverty among all children initially fell, from about 21 percent in 1995 to about 16 percent in 2000, and then rose thereafter to 19 percent in 2008. Most families receiving cash assistance are single mothers with children, and children in such families have historically experienced high rates of poverty. Furthermore, the recession, which began in late 2007 and deepened nationally in 2008, put additional pressures on families living in poverty, especially families with children, who are particularly vulnerable.

Under the TANF block grant program, created by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), states receive federal funds to design and operate their own welfare programs within federal guidelines. The Department of Health and Human Services (HHS) administers the TANF program, which provides states with up to about \$16.5 billion each year in TANF block grant funds, and each state must contribute a specified level of its own funds to qualify for the grant. In addition, under TANF, states must involve a minimum percentage of their adult TANF cash assistance recipients in work activities for a required number of hours each week. They must also restrict most families to a lifetime limit of 60 months of federally funded TANF cash assistance. Within certain limitations, states set their own

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<sup>1</sup>GAO, *Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State*, [GAO-10-164](#) (Washington, D.C.: Feb. 23, 2010).

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eligibility limits and benefit levels for cash recipients. States also impose financial consequences, or sanctions, on families that do not comply with TANF work or other requirements, and many states have also implemented programs or strategies intended to divert families from cash assistance. To help states in an economic downturn, PRWORA created a TANF contingency fund of up to \$2 billion, and most recently, the American Recovery and Reinvestment Act of 2009 made an additional \$5 billion available to states for fiscal years 2009 and 2010 through a new Emergency Contingency Fund.

In light of these issues, my remarks today—based on our February 2010 report—will focus on the following issues: (1) the factors that have contributed to the decline in the number of families receiving TANF cash assistance since the 1990s; (2) the characteristics of participating and nonparticipating eligible families; (3) the impact of higher participation in TANF cash assistance on child poverty; and, more recently, (4) the changes states are experiencing in caseloads and TANF-related spending in the current recession.

To develop our findings for this report, we used multiple methodologies. These included using microsimulation analyses conducted for us by the Urban Institute using a model known as TRIM3; analyzing relevant federal laws and regulations; and reviewing relevant research on the factors affecting the decline in the number of cash recipient families.<sup>2</sup> When we conducted our work, 2005 was the most recent year of publicly available TRIM3 data. We also interviewed TANF officials in 21 selected states; analyzed federal data on cash assistance caseloads and spending; and interviewed researchers, federal officials at HHS, and other experts. We assessed the data we received from TRIM3 and from state agencies for data reliability and concluded that the data were sufficiently reliable for the purposes of our report.

We conducted our work from November 2008 to February 2010 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to

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<sup>2</sup>TRIM3 is maintained and developed at the Urban Institute under primary funding from HHS, Office of the Assistant Secretary for Planning and Evaluation. Using TRIM3 for these analyses required our input on assumptions and/or interpretations about economic behavior and the rules governing federal programs. Therefore, the conclusions presented in this testimony are attributable only to GAO.

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meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product.<sup>3</sup>

Because our report is now released, my written remarks today will be brief and very summarized.

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## Factors Contributing to the Decline in the Number of Poor Families Receiving Cash Assistance

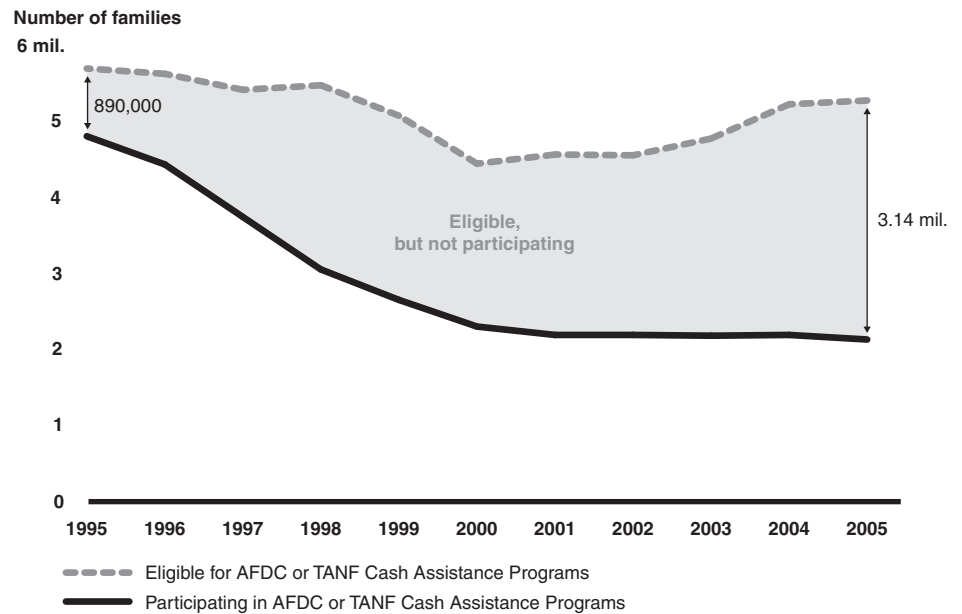
First, with regard to the decline in the number of poor families receiving cash assistance from 1995 to 2005, we found that the changes reflect declines on two fronts—both in the number of eligible families and in the number of eligible families who participated in the program. The strong economy of the 1990s, TANF’s focus on work, and other factors such as increases in the minimum wage and the Earned Income Tax Credit contributed to increased family incomes, which in turn led to a decline in the number of families eligible for TANF cash assistance. We also found that changes to eligibility rules, such as restrictions on immigrants and the 60-month time limit, had a small impact on the number of eligible families. In total, about 420,000 fewer families were eligible for cash assistance in 2005 than were eligible in 1995, according to HHS data. However, most of the decline in the cash assistance caseload—about 87 percent—resulted from fewer eligible families participating in the program. In 1995, about 84 percent of eligible families participated, but over the decade, participation in cash assistance fell dramatically, to about 40 percent of eligible families in 2005.<sup>4</sup> Correspondingly, the number of families who were eligible but not participating rose substantially in this time period to about 3.14 million in 2005. (See fig. 1.)

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<sup>3</sup>For more detailed information on our methodology, see appendix I of our report ([GAO-10-164](#)).

<sup>4</sup>This analysis of the share of eligible and participating families is based on trend data for an average month by calendar year in HHS’s *Indicators of Welfare Dependence: Annual Report to Congress, 2008* (Washington, D.C.: 2008), which uses TRIM3 to model estimates of the TANF participation rate. In reporting participants, the data includes families receiving cash assistance through both TANF and separate state programs (SSP) using state MOE funds. TRIM3 does not model certain aspects of program eligibility, such as sanctions from a family’s failure to comply with work rules or child support rules. It also does not model state diversion strategies such as the use of one-time, non-recurring benefits, or families’ behavioral responses to TANF program rules, such as staying off TANF to conserve eligibility for time-limited assistance.

**Figure 1: Families Estimated as Eligible for and Participating in These Cash Assistance Programs, Monthly Average, by Calendar Year, 1995 through 2005**



Source: GAO analysis of data from HHS's *Indicators of Welfare Dependence*, based on the TRIM3 model.

According to our research, the decline in participation reflected, among other things, families' responses to changes in state welfare programs, including mandatory work activities, declining cash benefit levels, and time limits as well as state diversion strategies and sanctions for non-compliance with work and other program requirements. According to a research synthesis conducted for HHS, mandated work activities may have caused declines in the caseload, as families chose not to apply rather than be expected to fulfill the requirement to work. Other families may have found it difficult to apply for or continue to participate in the program, especially those with poor mental or physical health or other characteristics that make employment difficult, as we noted in previous work.<sup>5</sup> A decline in average cash benefits may have contributed to the decline in participation. Average cash benefits under 2005 TANF rules were 17 percent lower than they were under 1995 AFDC rules, according to our TRIM3 estimates, as cash benefit levels in many states have not been updated or kept pace with inflation. Research also suggests that, in

<sup>5</sup>GAO, *Welfare Reform: Moving Hard-to-Employ Recipients into the Workforce*, GAO-01-368 (Washington, D. C. Mar. 15, 2001).

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response to lifetime limits on the amount of time a family can receive cash assistance, eligible families may hold off on applying for cash assistance and “bank” their time, a practice that could contribute to the decline in families’ use of cash assistance. In addition, fewer families may have applied or completed applications for TANF cash assistance because of state policies and practices for diverting applicants from cash assistance; nearly all states have at least one type of diversion strategy, such as the use of one-time nonrecurring benefits instead of monthly cash assistance. Finally, some studies and researchers noted that full sanctions for families’ noncompliance—those that cut off all benefits for a period of time—are associated with declines in the number of families receiving cash assistance, although more research is needed to validate this association. While there is a general consensus that these factors played a role in contributing to the decline in the number of families receiving cash assistance, there is not agreement on the relative weight of each factor, according to researchers and other experts we interviewed.

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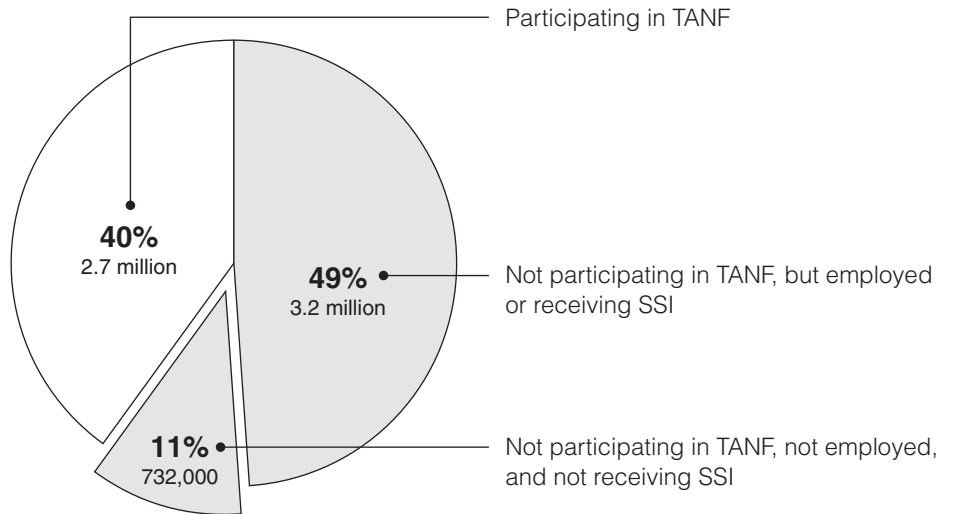
### Characteristics of Nonparticipating Eligible Families Compared with TANF Families

In examining the characteristics of eligible nonparticipants and TANF participants, we found that eligible families not participating in TANF had higher annual incomes on average than TANF participants in 2005, but that a small but distinct subgroup of non-participants had lower incomes than TANF participants.<sup>6</sup> While all families who were eligible to receive TANF cash assistance in 2005 had low incomes, eligible families who did not participate in TANF in any month in 2005 generally worked more and had relatively higher incomes and higher education levels than TANF families and were less likely to receive other public supports. However, a subgroup of families who were eligible but did not participate in TANF (732,000 families in 2005) did not work or receive Supplemental Security Income (SSI) benefits—a cash assistance program for low-income people with disabilities. This subgroup of more disadvantaged nonparticipants accounted for 11 percent of all families who were eligible for TANF cash assistance in 2005, according to our TRIM3 analysis. They had incomes lower than those of families participating in TANF—a median of \$7,020 compared to \$9,606—and a smaller portion of this subgroup received benefits from the Supplemental Nutrition Assistance Program (SNAP) and subsidized housing. (See fig. 2.)

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<sup>6</sup>The TRIM3 estimates in this analysis are based on annual data. In comparing the characteristics of cash recipients and eligible nonrecipients, differences are statistically significant at the 95 percent confidence level unless otherwise noted.

**Figure 2: Estimated Eligible Nonparticipating Families as a Share of Total Eligible Families in 2005, Annual Basis**



Source: GAO analysis of TRIM3 microsimulation model data.

## Impact of Participation on Child Poverty

With regard to child poverty, we found that if the percent of eligible families participating in TANF in 2005 was 84 percent—the rate of participation in AFDC in 1995—rather than about 40 percent, an estimated 3.3 million families would gain TANF benefits and experience an increase in their net income. According to our TRIM3 analysis, this higher participation would have resulted in 800,000 fewer children in extreme poverty—defined as those with incomes below half the federal poverty threshold.<sup>7</sup> However, some families would remain in extreme poverty even with TANF benefits, such as those with no earned income or with low earned incomes who receive the maximum cash benefit in their state. Higher participation also would not significantly change the number of children in poverty overall. This is partly because many children in poverty

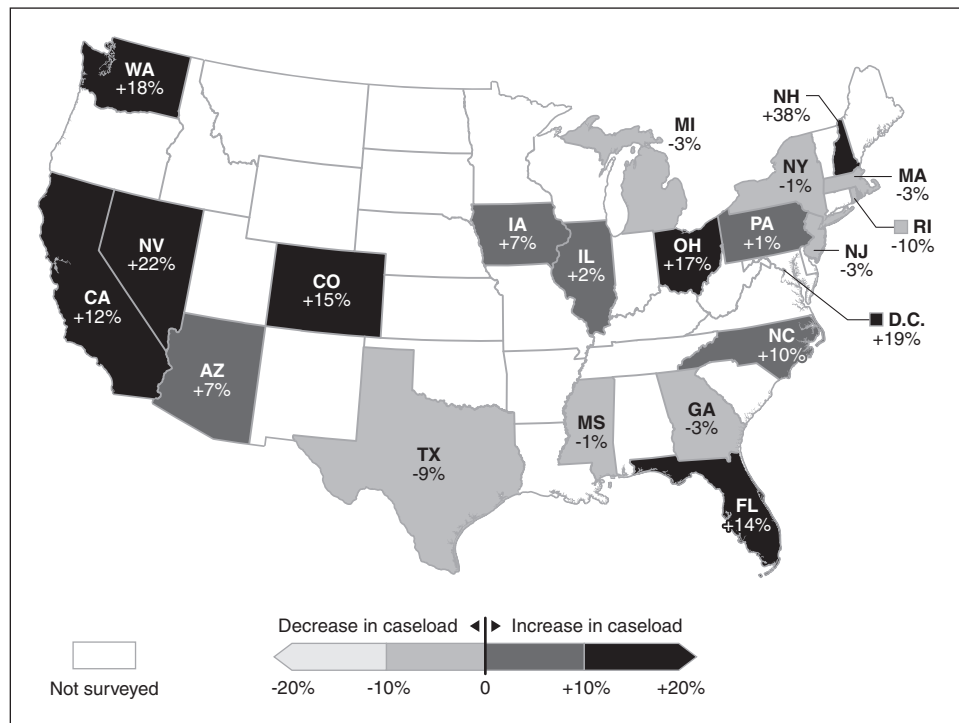
<sup>7</sup>Poverty is measured in the United States using the federal poverty threshold, which is calculated annually by the U.S. Census Bureau. Persons or families having income below this threshold amount are, for statistical purposes, considered to be living in poverty. The poverty threshold varies by family size and composition but does not vary by geographic location. Extreme or deep poverty is defined as income below 50 percent of the federal poverty threshold for a given family. Poverty is also measured through the poverty guidelines, which are published annually by HHS and are used by some federal programs in determining the income eligibility of individuals and families for need-based assistance. The poverty guidelines are a simplified version of the Census poverty thresholds.

are not poor enough to be eligible for TANF—since the majority of states set TANF eligibility standards at less than half of the federal poverty guidelines—and also TANF cash benefits are typically too low to raise the incomes of participating families above the federal poverty threshold.

### Changes in State Caseload and TANF-Related Spending in the Current Recession

In terms of more recent TANF trends, the number of families receiving TANF cash assistance increased in 12 of the 21 states we reviewed between June 2008 and June 2009, although the recession’s impact on cash assistance caseloads varied widely by state, according to state-provided data. For instance, over this time period, the number of families receiving TANF cash assistance increased by 22 percent in Nevada and decreased by 9 percent in Texas. (See fig. 3.)

**Figure 3: Percent Change in the Number of Families Receiving TANF Cash Assistance, by State, June 2008 through June 2009**



Sources: GAO analysis of state-provided data, U.S. National Atlas (map).



We found no clear association between the change in the number of families receiving cash assistance in a state and its unemployment rate in this time frame, although the impact of expiring extensions of unemployment insurance (UI) on state caseloads is hard to predict. For example, although Illinois, Florida, Georgia, and the District of Columbia all had similar unemployment rates of between 10 and 11 percent in June 2009, cash assistance caseloads rose to varying degrees in three of these states while falling in Georgia. (See table 1.) Unemployment is one of many factors—including the state’s eligibility and asset limits, the state’s application process, and other state-specific program characteristics—that may affect a state’s caseload. Officials from eight states believed that the number of families receiving cash assistance in their states had not increased, or had not increased as much as might have been expected, because families were still collecting UI benefits. If jobs are still not available when UI benefits end, these families may turn to TANF for cash assistance. However, two experts we interviewed said that many TANF-eligible single mothers would not likely meet state criteria for UI receipt.

**Table 1: Cash Assistance Caseload Changes and Unemployment Information in Selected States, June 2008 through June 2009**

|                      | Percent change in caseload, June 2008 to June 2009 | Unemployment rate June 2009 | Change in unemployment rate June 2008 to June 2009 |
|----------------------|--|-----------------------------|--|
| Arizona              | 7.25   | 8.7                         | 3.2  |
| California           | 11.51  | 11.6                        | 4.5  |
| Colorado             | 33.29  | 7.6                         | 2.8  |
| District of Columbia | 8.44   | 10.9                        | 4.1  |
| Florida              | 14.25  | 10.7                        | 4.7  |
| Georgia              | -2.50  | 10.1                        | 4.0  |
| Illinois             | 3.82   | 10.3                        | 3.7  |
| Iowa                 | 6.65   | 6.2                         | 2.1  |
| Massachusetts        | -1.91  | 8.6                         | 3.5  |
| Michigan             | -1.71  | 15.2                        | 7.1  |
| Mississippi          | -0.83  | 9.1                         | 2.2  |
| Nevada               | 21.66  | 11.9                        | 5.5  |
| New Hampshire        | 23.39  | 6.8                         | 3.1  |
| New Jersey           | -2.61  | 9.2                         | 4.0  |
| New York             | -0.28  | 8.7                         | 3.4  |
| North Carolina       | 9.96   | 11.0                        | 4.9  |
| Ohio                 | 16.54  | 11.1                        | 4.7  |

|              | Percent change in caseload, June 2008 to June 2009 | Unemployment rate June 2009 | Change in unemployment rate June 2008 to June 2009 |
|--------------|--|-----------------------------|--|
| Pennsylvania | 0.68   | 8.4                         | 3.1  |
| Rhode Island | -21.27   | 12.4                        | 4.7  |
| Texas        | -8.51  | 7.5                         | 2.7  |
| Washington   | 17.76  | 9.2                         | 4.0  |

Source: GAO analysis of state-provided data and data from U.S. Bureau of Labor Statistics.

Note: In addition to TANF block grant funds, caseload data here include two kinds of cash assistance provided by states—funds that count towards state contributions that are required to qualify for the TANF grant and funds that states provided through solely state-funded programs.

Finally, to offset higher costs of cash assistance, few states reported reducing TANF-related spending on family and/or work supports during this time period, but instead used funding sources such as the Emergency Contingency Fund that was created by the American Recovery and Reinvestment Act of 2009. According to HHS data, as of October 2009, all 21 surveyed states had applied for funds from the temporary Emergency Contingency Fund to respond to rising caseloads and/or to establish or expand subsidized employment programs. Since June 2009, state and local fiscal conditions have continued to deteriorate, and the effect of the changes in the economic climate on TANF cash assistance programs is unknown.

We provided a draft of the report we released today to HHS for its review, and a copy of the agency’s written response is in appendix II of the report. In its comments, HHS said that the report was informative and the department did not disagree with our findings. HHS also provided technical comments on the draft report; in response to the comments, we made changes where appropriate.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions you or other Members of the Subcommittee may have.

## GAO Contacts and Acknowledgments

For questions about this statement, please contact Kay E. Brown at (202) 512-7215 or [brownke@gao.gov](mailto:brownke@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this statement include Alexander G. Galuten, Kathryn A. Larin, Deborah A. Signer, Shana B. Wallace, and Monique B. Williams.

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# Related GAO Products

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*Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State.* [GAO-10-164](#). Washington, D.C.: February 23, 2010.

*Poverty in America: Consequences for Individuals and the Economy.* [GAO-07-343T](#). Washington, D.C.: January 24, 2007.

*Welfare Reform: Better Information Needed to Understand Trends in States' Uses of the TANF Block Grant.* [GAO-06-414](#). Washington, D.C.: March 3, 2006.

*Welfare Reform: More Information Needed to Assess Promising Strategies to Increase Parents' Incomes.* [GAO-06-108](#). Washington, D.C.: December 2, 2005.

*Welfare Reform: HHS Should Exercise Oversight to Help Ensure TANF Work Participation Is Measured Consistently across States.* [GAO-05-821](#). Washington, D.C.: August 19, 2005.

*Means-Tested Programs: Information on Program Access Can Be an Important Management Tool.* [GAO-05-221](#). Washington, D.C.: April 11, 2005.

*TANF AND SSI: Opportunities Exist to Help People with Impairments Become More Self-Sufficient.* [GAO-04-878](#). Washington, D.C.: September 15, 2004.

*Welfare Reform: Information on Changing Labor Market and State Fiscal Conditions.* [GAO-03-977](#). Washington, D.C.: July 15, 2003.

*Welfare Reform: Former TANF Recipients with Impairments Less Likely to Be Employed and More Likely to Receive Federal Supports.* [GAO-03-210](#). Washington, D.C.: December 6, 2002.

*Welfare Reform: Outcomes for TANF Recipients with Impairments.* [GAO-02-884](#). Washington, D.C.: July 8, 2002.

*Welfare Reform: With TANF Flexibility, States Vary in How They Implement Work Requirements and Time Limits.* [GAO-02-770](#). Washington, D.C.: July 5, 2002.

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*Welfare Reform: States Provide TANF-Funded Work Support Services to Many Low-Income Families Who Do Not Receive Cash Assistance.*  
[GAO-02-615T](#). Washington, D.C.: April 10, 2002.

*Welfare Reform: States Are Using TANF Flexibility to Adapt Work Requirements and Time Limits to Meet State and Local Needs.*  
[GAO-02-501T](#). Washington, D.C.: March 7, 2002.

*Welfare Reform: Progress in Meeting Work-Focused TANF Goals.*  
[GAO-01-522T](#). Washington, D.C.: March 15, 2001.

*Welfare Reform: Moving Hard-to-Employ Recipients into the Workforce.*  
[GAO-01-368](#). Washington, D.C.: March 15, 2001.

*Unemployment Insurance: Role as Safety Net for Low-Wage Workers Is Limited.* [GAO-01-181](#). Washington, D.C.: December 29, 2000.

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