United States Government Accountability Office

GAO

Testimony
Before the Senate Finance Committee

For Release on Delivery
Expected at 10:00 a.m. EDT
Tuesday, June 5, 2012

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Update on Program Performance

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

GAO
Accountability * Integrity * Reliability

GAO-12-812T

Chairman Baucus, Ranking Member Hatch, and Members of the Committee,

I am pleased to have the opportunity to participate in today's discussion on combating poverty and understanding new challenges for families. I will focus on the role of the Temporary Assistance for Needy Families (TANF) block grant in helping low-income families with children. As you know, the federal government significantly changed federal welfare policy in 1996 when it created TANF, a $16.5 billion annual block grant provided to states to operate their own welfare programs within federal guidelines.[1] States are also required to maintain a specified level of their own spending to receive TANF funds. Over the past 15 years, the federal government and states have spent a total of $406 billion for TANF, about 60 percent of which were federal funds. This federal-state partnership has undergone multiple program and fiscal changes, including a dramatic drop in the number of families receiving monthly cash assistance benefits, as well as two economic recessions. According to the Bureau of the Census, poverty among children fell from about 21 percent in 1995 to about 16 percent in 2000, rising again to 22 percent in 2010. Examining TANF's past performance can help shed light on the challenges facing low-income families and the role of the federal government in combating poverty.

My remarks today –based primarily on reports issued by GAO from 2010 to 2012 on TANF and related issues—will focus on TANF's performance in three areas: (1) as a cash safety net for families in need, (2) as a welfare-to-work program that promotes employment, and (3) as a funding source for various services that address families' needs. We used multiple methodologies to develop our findings for these reports. We reviewed and analyzed state TANF data reported to the Department of Health and Human Services (HHS); reported on microsimulation analyses conducted for us by the Urban Institute; reviewed relevant federal laws, regulations, and guidance and relevant research on the factors affecting the decline of cash recipient families; interviewed HHS officials; and collected information from TANF officials using different methods for different studies, including surveying and interviewing state TANF administrators and conducting site visits in selected states. We assessed the data we received for data reliability and concluded that the data were

[1] See Pub. L. No. 104-193, § 103(a)(1), 110 Stat. 2105, 2112.

sufficiently reliable for the purposes of this testimony. (See related reports cited throughout for more information on scope and methodology of our work.) We conducted our work in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, the federal-state TANF partnership makes significant resources available to address poverty in the lives of families with children. With these resources, TANF has provided a basic safety net to many families and helped many parents step into jobs. At the same time, there are questions about the strength and breadth of the TANF safety net. Many eligible families—some of whom have very low incomes—are not receiving TANF cash assistance. Regarding TANF as a welfare-to-work program, the emphasis on work participation rates as a measure of state program performance has helped change the culture of state welfare programs to focus on moving families into employment. However, features of the work participation rates as currently implemented undercut their effectiveness as a way to encourage states to engage parents, including those difficult to serve, and help them achieve self-sufficiency. Finally, states have used TANF funds to support a variety of programs other than cash assistance as allowed by law. Yet, we do not know enough about this spending or whether this flexibility is resulting in the most efficient and effective use of funds at this time.

Background

The TANF block grant was created by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)[2] and was designed to give states the flexibility to provide both traditional welfare cash assistance benefits as well as a variety of other benefits and services to meet the needs of low-income families and children. States have responsibility for designing, implementing, and administering their welfare programs to comply with federal guidelines, as defined by federal law and HHS that oversees state TANF programs at the federal level. Importantly, with the fixed federal funding stream, states assume greater fiscal risks in the event of a recession or increased program costs.

[2] Pub. L. No. 104-193, § 103(a), 110 Stat. 2105, 2112.

However, in acknowledgment of these risks, PRWORA also created a TANF Contingency Fund that states could access in times of economic distress.[3] Similarly, during the recent economic recession, Congress created a $5 billion Emergency Contingency Fund for state TANF programs through the American Recovery and Reinvestment Act of 2009, available in fiscal years 2009 and 2010.[4]

TANF's Cash Assistance Role Has Declined

The story of TANF's early years is well known. During a strong economy, increased federal support for work supports like child care, and the new TANF program's emphasis on work, welfare rolls were cut by more than half. Many former welfare recipients increased their income through employment, and employment rates among single parents increased. At the same time that some families worked more and had higher incomes, others had income that left them still eligible for TANF cash assistance. However, many of these eligible families were not participating in the program. According to our estimates in a previous report,[5] the vast majority—87 percent—of the caseload decline can be explained by the decline in eligible families participating in the program, in part because of changes to state welfare programs. These changes include mandatory work requirements, changes to application procedures, lower benefits, and policies such as lifetime limits on assistance, diversion policies, and sanctions for non-compliance, according to a review of the research. Among eligible families who did not participate, 11 percent did not work, did not receive means-tested disability benefits, and had very low incomes. While we have not updated this analysis, some research shows that this potentially vulnerable group may be growing.[6]

Despite the decrease in the cash assistance caseload overall, the number of cases in which aid was provided only for the children in the household increased slightly, amounting to about half the cash assistance caseload. For these households, the adult is not included in the benefit calculation,

[3] Pub. L. No. 104-193, § 103(a)(1), 110 Stat. 2105, 2122.

[4] Pub. L. No. 111-5, § 2101(a)(1), 123 Stat. 115, 446.

[5] 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.: February 2010).

[6] Pamela Loprestand Austin Nichols. *The Dynamics of Disconnection for Low-Income Mothers,* Focus, Vol. 28, No. 2, (Fall/Winter 2011-12).

generally either because: (1) the parent is receiving cash support through the Supplemental Security Income program; (2) the parent is an immigrant who is ineligible; (3) the child is living with a nonparent caregiver; or (4) the parent has been sanctioned and removed from cash assistance for failing to comply with program requirements. Nationally, about one-third of these “child only” households are children living with non-parent caregivers.

We also know that during and after this recent significant recession, while caseloads increased in most states, the overall national increase totaled about 13 percent from fiscal years 2008 to 2011. This has been the first test of TANF—with its capped block grant structure—during severe economic times. This relatively modest increase—and decreases in some states—has raised questions about the responsiveness of TANF to changing economic conditions. We recently completed work on what was happening to people who had exhausted their unemployment insurance benefits after losing a job in the recession.[7] While almost 40 percent of near-poor households with children that had exhausted UI received aid through the Supplemental Nutrition Assistance Program (formerly known as food stamps), we estimated that less than 10 percent received TANF cash assistance.

TANF Emphasizes the Importance of Work but Its Work Performance Measure Falls Short

A key TANF goal is helping parents prepare for and find jobs. The primary means to measure state efforts in this area has been TANF’s work participation requirements. Generally, states are held accountable for ensuring that at least 50 percent of all families receiving TANF cash assistance and considered work-eligible participate in one or more of the federally defined allowable activities for the required number of hours each week. However, over the years, states have not typically engaged that many recipients in work activities on an annual basis—instead, states have engaged about one third of families in allowable work activities nationwide. Most states have relied on a combination of factors, including various policy and funding options in federal law and regulations, to meet the work participation requirements without reaching the specified 50 percent.[8]

[7] GAO, *Unemployment Insurance: Economic Circumstances of Individuals Who Exhausted Benefits,* GAO-12-408 (Washington, D.C.: February 2012).

[8] GAO-10-525.

Factors that influenced states' work participation rates included not only the number of families receiving TANF cash assistance who participated in work activities, but also:

- decreases in the number of families receiving TANF cash assistance (not due to program eligibility changes) that provide a state credit toward meeting its rates ,
- state spending on TANF-related services beyond what is required that also provides a state credit toward meeting its rates,
- state policies that allow working families to continue receiving TANF cash assistance, helping a state to increase its rate, and
- state policies that provide nonworking families cash assistance outside of the TANF program. For example, some states serve families with work barriers outside of state TANF because of concerns that they will not be able to meet work requirements.

Many states have cited challenges in meeting TANF work participation rates, such as requirements to verify participants' actual activity hours and certain limitations on the types and timing of activities that count toward meeting the requirements.

Because of the various factors that affect the calculation of states' work participation rates, the rate's usefulness as an indicator of a state's effort to help participants achieve self-sufficiency is limited. Further, the TANF work participation rates, as enacted, in combination with the flexibility provided, may not serve as an incentive for states to engage more families or to work with families with complex needs.

States Rely on TANF Flexibility to Provide a Broad Array of Services

While the focus is often on TANF's role in cash assistance, it plays a significant role in states' budgets for other programs and services for low-income families, as allowed under TANF. The substantial decline in traditional cash assistance caseloads combined with state spending flexibilities under the TANF block grant allowed states to broaden their use of TANF funds. As a result, TANF and state TANF-related dollars played an increasing role in state budgets outside of traditional cash assistance payments. In our 2006 report that reviewed state budgets in nine states,[9] we found that in the decade after Congress created TANF,

[9] GAO-06-414.

the states used their federal and state TANF-related funds to support a wide range of state priorities, such as child welfare services, mental health services, substance abuse services, prekindergarten, and refundable state earned income credits for the working poor, among others.

While some of this spending, such as that for child care assistance, relates directly to helping cash assistance recipients leave and stay off the welfare rolls, other spending is directed to a broader population that did not necessarily ever receive welfare payments. This is in keeping with the broad purposes of TANF specified in the law:

- providing assistance to needy families so that children could be cared for in their own homes or in the homes of relatives;
- ending needy families' dependence on government benefits by promoting job preparation, work, and marriage;
- preventing and reducing the incidence of out-of-wedlock pregnancies; and
- encouraging the formation and maintenance of two-parent families.

This trend away from cash assistance has continued. In fact, in fiscal year 2011, federal TANF and state expenditures for purposes other than cash assistance[10] totaled 71 percent of all expenditures. This stands in sharp contrast with 27 percent spent for purposes other than cash assistance in fiscal year 1997, when states first implemented TANF. Beyond the cash assistance rolls, the total number of families assisted is not known, as we have noted in our previous work.[11]

TANF funds can play an important role in some states' child welfare budgets. In our previous work,[12] Texas state officials told us that 30

[10] We refer to this category as cash assistance, although in federal law, regulations and expenditure reports it is referred to as "assistance" which includes cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs. In each of these years, the vast majority of the expenditures were for cash assistance.

[11] GAO, *Welfare Reform: States Provide TANF-Funded Services to Many Low-Income Families Who Do Not Receive Cash Assistance*, GAO-02-564 (Washington, D.C.: Apr. 5, 2002).

[12] GAO-12-2.

percent of the child welfare agency's budget was funded with TANF dollars in state fiscal year 2010. Many states have used TANF to fund child welfare services because, although TANF funding is a capped block grant, it is a relatively flexible funding source. However, some states may not be able to continue relying on TANF to fund child welfare services because they need to use TANF funds to address other program goals, such as promoting work. For example, Tennessee officials told us that they previously used some of their TANF grant to fund enhanced payments for children's relative caregivers and their Relative Caregiver Program, but that the state recently discontinued this practice due to budget constraints.

While states have devoted significant amounts of the block grant as well as state funds to these and other activities, little is known about the use of these funds. Existing TANF oversight mechanisms focus more on the cash assistance and welfare-to-work components of the block grant. For example, when states use TANF funds for some purposes, they are not required to report on funding levels for specific services and how those services fit into a strategy or approach for meeting TANF goals. In effect, there is little information on the numbers of people served by TANF-funded programs other than cash assistance, and there is no real measure of workload or of how services supported by TANF and state TANF-related funds meet the goals of welfare reform. This information gap hinders decision makers in considering the success of TANF and what trade offs might be involved in any changes to TANF when it is authorized.

Concluding Observations

The federal-state TANF partnership makes significant resources available to address poverty in the lives of families with children. With these resources, TANF has provided a basic safety net to many families, triggered a focus on work in the nation's welfare offices while helping many parents step into jobs, and provided states flexibility to help families in ways they believe will help prevent dependence on public assistance and improve the lives of children.

At the same time, it does raise questions about the strength and breadth of the TANF safety net. Are some eligible families falling through?

The emphasis on work participation rates as a measure of program performance has helped change the culture of state welfare programs to focus on moving families into employment, but weaknesses in the measure undercut its effectiveness. Are the work participation rates providing the right incentive to states to engage parents, including those difficult to serve, and help them achieve self-sufficiency?

The flexibility of the TANF block grant has allowed states to shift their spending away from cash assistance and toward other programs and services for low-income families, potentially expanding the ability of states to combat poverty in new ways. However, we do not have enough information about the use of these funds to determine whether this flexibility is resulting in the most efficient and effective strategies at this time of scarce government resources and great need among the nation's low-income families.

Chairman Baucus, Ranking Member Hatch, and Members of the Committee, this concludes my statement. I would be pleased to respond to any questions you may have.

GAO Contacts and Acknowledgments

For questions about this statement, please contact me at (202) 512-7215 or 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 testimony include Alexander G. Galuten, Gale C. Harris, Sara S. Kelly, Kathryn A. Larin, and Theresa Lo.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (www.gao.gov). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, http://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on Facebook, Flickr, Twitter, and YouTube. Subscribe to our RSS Feeds or E-mail Updates. Listen to our Podcasts. Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548