ASSISTING TODAY, THRIVING FOR A LIFETIME:

TANF IN COLORADO

DECEMBER 2018

Colorado Fiscal Institute

INTRODUCTION

Being able to put food on the table, see a doctor, and keep the heat on in the winter are things most of us don't think twice about, but for many families struggling to make ends meet, being able to afford the basics can be a challenge. In order to ensure everyone can maintain a basic standard of living, federal support programs like the Supplemental Nutrition Assistance Program (SNAP), the Low-Income Home Energy Assistance Program (LIHEAP), Medicare and Medicaid, and the Temporary Assistance for Needy Families (TANF) program were implemented as resources to help families who earn low incomes. These tools are key to sustaining overall family and economic well-being. Unfortunately, TANF has not been keeping up with economic trends and participation has been on a downward trajectory ever since it went through structural changes implemented in 1996 under President Clinton – despite periods of high unemployment and higher child poverty rates:

- Year-over-year TANF participation has decreased 7 percent on average since its introduction in 1996
- Total TANF participation is down 74 percent since 1996

In order to function more effectively as a vital tool for helping to lift families out of poverty, TANF should be updated to reflect the needs of families in the 21st century. Aside from just helping the poorest families by making investments that ensure TANF is working for the people who need it most, these changes would be an investment in Colorado.

This brief is part of a more comprehensive report detailing the expansive impact of social safety net programs, such as SNAP, LEAP, Medicaid and Medicare. These critical tools for lifting people out of poverty are too often discussed in the context of funding cuts. At their core, these programs represent vital public investments helping otherwise struggling families make ends meet.

If you want to do your part to protect these important tools, there are three things you can do:

1. Follow the Colorado Fiscal Institute on Facebook and Twitter and share this report with your friends and followers there (be sure to tag us when you do).
2. Contact your Congressional representatives to tell them these programs matter for Colorado families. They should protect them for Coloradans in need and for the health of our economy.
3. Find out when your member of Congress or your senators are holding a public forum where you can make your voice heard about this important issue.

HISTORY OF TANF/AFDC

In order to help counteract the devastation of the Great Depression, the Social Security Act of 1935 created several government programs aimed at providing relief to families. Among the many tools created during that time was Aid to Families with Dependent Children (AFDC). AFDC was a grant program that allowed states to support children in need through monthly cash payments to families.

In 1996, as a part of welfare reform signed into law by President Clinton, the Personal Responsibility and Work Opportunity Reconciliation Act (PROWRA) converted the AFDC into a block grant system and renamed the program Temporary Assistance for Needy Families (TANF) [1]. This change drastically reduced the monthly benefit to recipients and redefined eligibility criteria, severely impacting a crucial economic support for families. Changes in the law in 1996 also made it very difficult for immigrants with proper documentation to receive assistance, and undocumented Coloradans are completely ineligible for TANF benefits.

The historical trends between two poverty reduction tools – SNAP and TANF – and the national unemployment rate can help tell the story of TANF's diminishing reach. Figure 1 below shows the relationship between the historical participation in these programs compared to the overall national unemployment rate. SNAP participation tends to follow unemployment; in other words, as unemployment rises and falls, so does SNAP participation. AFDC participation was following the unemployment rate but the relationship between economic indicators and program participation changed when AFDC was converted to TANF. TANF appears to have no relationship with the unemployment rate and has been on a gradual decline regardless of what the unemployment rate is. The best example of this in Figure 1 is the continued decline in TANF participation even during the Great Recession following the 2008 financial crisis, when national unemployment rates rose to over 10 percent.

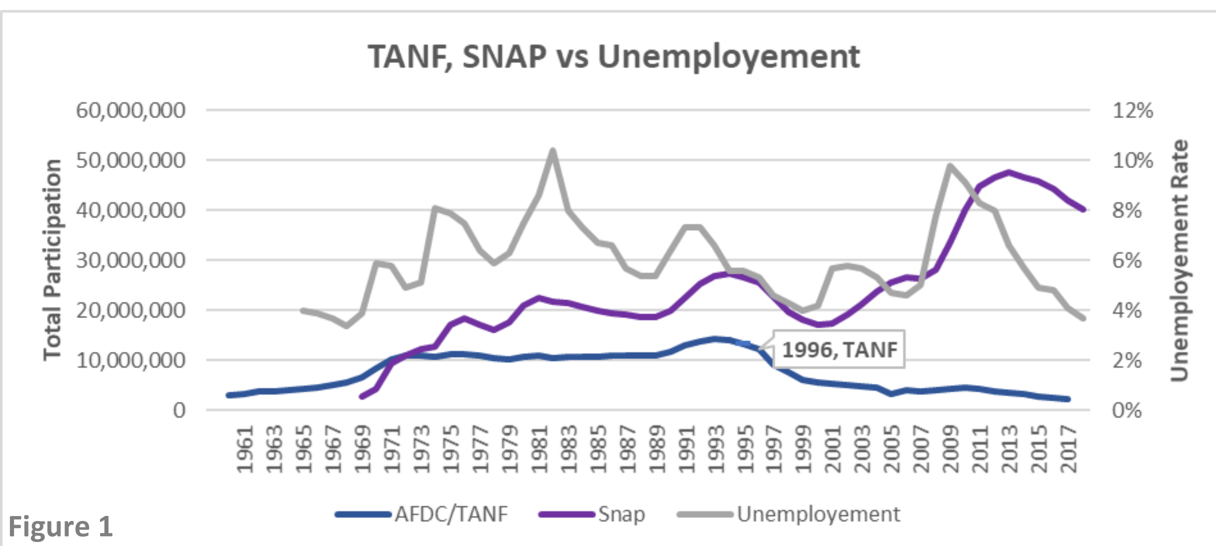


Figure 1

[1] https://aspe.hhs.gov/aid-families-dependent-children-afdc-and-temporary-assistance-needy-families-tanf-overview-0

Figure 2 shows the relationship between child poverty rates and TANF/AFDC participation. Like unemployment rates, national child poverty rates and AFDC/TANF followed the same pattern until TANF was introduced in 1996. After TANF was implemented, child poverty continued to rise while the number of people receiving TANF fell. The shift from AFDC to TANF was publicized as a way of moving people off benefits and into work so they can become self-sufficient. However, these trends show the opposite occurred.

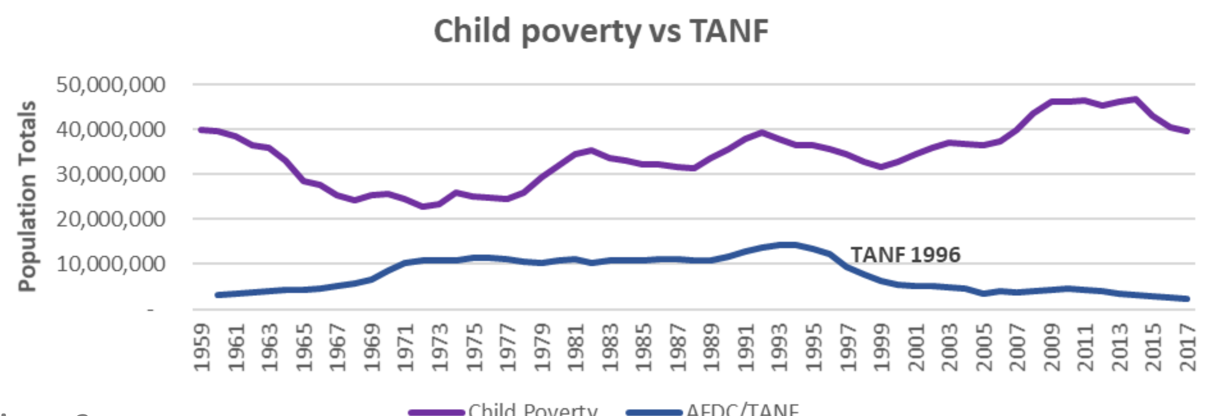


Figure 2

Today, TANF is operated by individual states. Colorado's TANF program, Colorado Works, provides basic cash assistance grants for work supports, education, and training to eligible state residents, as long as funding is available. Grants are available to dependent children under 18, parents or caregivers of dependent children, and pregnant women, among other groups. The purpose of the program is to give Colorado parents what they need to make ends meet so they can make sure their children have what they need to grow and learn.

FUNDING, COSTS, AND ADMINISTRATION

Prior to the creation of TANF, the federal government matched half or more of every dollar states provided to families, but when welfare changes went into effect in 1996, much of the funding and decisions about how to use TANF funds transferred to the states. These changes included shifting the funding to a block grant structure giving a fixed amount of money to each state, leaving little wiggle room for states to adjust during a recession or when needs within communities changed.

The block grant structure followed the idea that states would free up funds once families transitioned from unemployment to the labor force. States would then be able to invest those funds in other programs, including work support and child care. However, the actual experience saw states begin to use surplus TANF funds from low caseloads during good economic times to pay for non-related purposes such as filling in budget holes. This had dire consequences when caseloads and needs increased, particularly during the Great Recession. Since 1996, the federal government has distributed block grant amounts averaging $16.5 billion each year. Today, states spend about half on TANF assistance what they used to spend on benefits under AFDC [2]. In large part due to this stagnant funding amount, the real value of TANF benefits has decreased nearly 40 percent when adjusting for inflation.

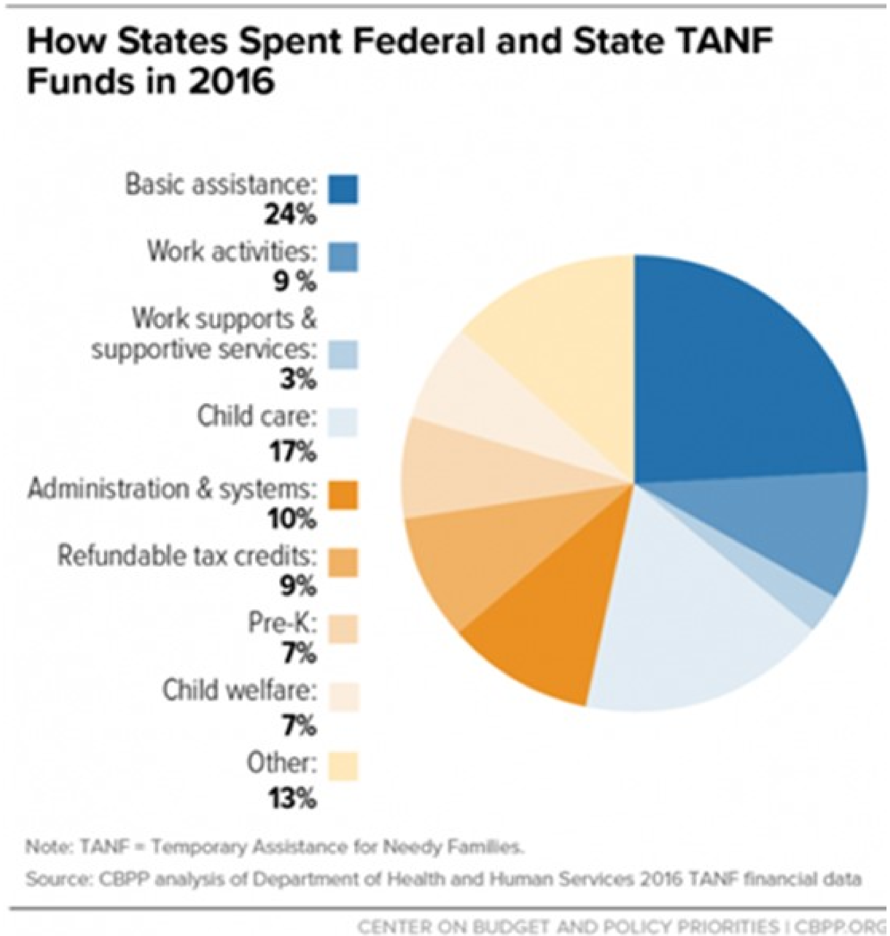
Today, in order to receive their block grants states must spend some of their own dollars on the TANF program. This state funding requirement is known as the “Maintenance of Effort” (MOE). The federal block grants and state MOEs are the primary sources of funding for TANF programs around the country.

States have the ability to use their TANF funds to support a variety of services that fall under one of TANF’s 4 goals:

1. “Providing assistance to needy families so kids may be cared for in their own homes or homes of relative;
2. Ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. Preventing and reducing the incidence of out of wedlock pregnancies and establishing annual numerical goals for preventing and reducing the incidence of these pregnancies;
4. Encouraging the formation and maintenance of 2 parent families [3].”

[2] https://www.cbpp.org/research/policy-basics-an-introduction-to-tanf
[3] Ibid

Because these goals are broad, states have used their funds to support a variety of benefits and services such as providing basic assistance in the forms of cash or vouchers to help recipients pay for basic needs, child care support, education, job training, and transportation, among many others.



In Colorado, the responsibility of operating TANF programs was transferred to counties. County departments of human and social services administer the programs, which means benefit amounts and services can vary across the state. The state's TANF program, Colorado Works, provides basic cash assistance grants for work supports, education, and training to eligible Colorado residents, as long as funding is available. In 2016, Colorado spent approximately $380 million in federal dollars and state MOEs on core TANF benefits, with most of the funds going to help families pay for basic needs and child care support [4].

[4] https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_co.pdf

ELIGIBILITY

States have broad flexibility to determine eligibility criteria for TANF benefits. Each state sets their own policies for deciding benefit levels, work requirements, income levels, treatment of assets, time limits, and penalties for failure to comply. Although states hold much of the power for determining TANF eligibility, the federal government set restrictions for time limits and immigrant eligibility states must comply with. States cannot provide TANF benefits to a recipient for longer than 5 years. Similar to other public assistance programs, immigrants with proper documentation are barred from receiving benefits for their first 5 years in the U.S. and undocumented immigrants are ineligible to receive benefits. These stringent requirements have contributed to a steep drop in the number of Coloradans receiving TANF benefits. In 2016, for every 100 poor Colorado families, only 26 received TANF benefits [5].

Work requirements are another important necessity for eligible recipients to meet. Most states follow the federal government's set work rates, which require half of all families receiving cash benefits to work at least 30 hours a week. This increases to 90 percent for two-parent households, who must work at least 35 hours per week. Most states have also set "fully-family" sanctions, meaning an entire family can lose benefits if a parent is found to be in violation of the state's work requirements. To receive benefits through Colorado Works, applicants must fall under one of the following groups:

- a dependent child under the age of 18
- a dependent child between 18-19 who is a full-time student in high school, vocational school, or receiving their GED
- a pregnant woman
- a parent of a dependent child
- a minor parent under age 18
- a non-custodial parent
- a member of an Indian Tribe

Income eligibility varies, but each county will disregard $90 of earned income to verify an applicant's income level. If an applicant is determined to be eligible, two-thirds of their income will always be disregarded in order to calculate their monthly benefit amount [6].

[5] Ibid
[6] https://cclponline.org/wp-content/uploads/2013/11/Colorado-Works-Handbook_DOC-8.9.13.pdf

For TANF, the trend of decreasing caseloads carries over to the average amount of benefits per case. Figure 3 below shows the average amount each TANF recipient receives per month. On average, TANF cases have seen a gradual decrease in benefits from an average amount of just above $320 in 2010 to an average amount of just above $260 in 2017. Even at the state level, TANF has a gradual decline. These benefit levels are average amounts per case which could include one child only households.

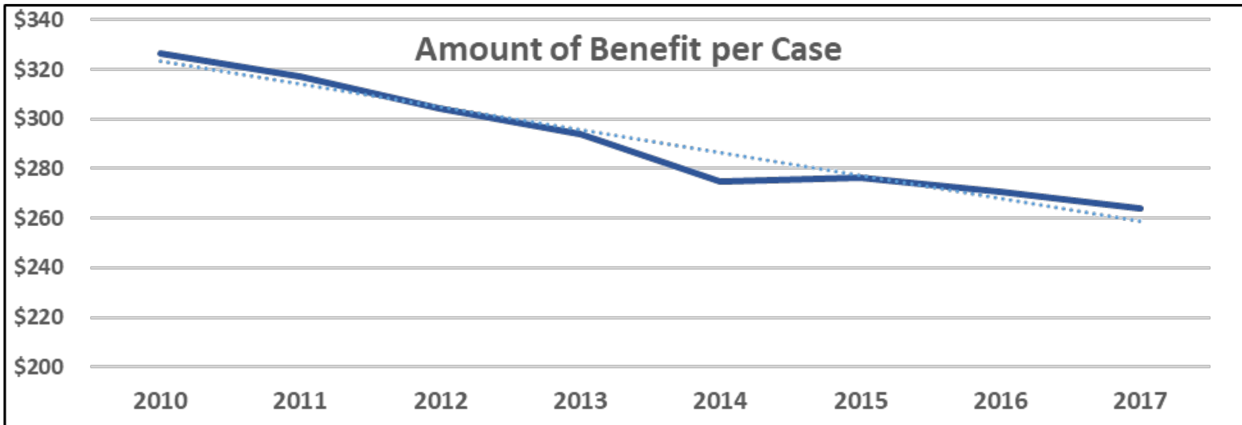


Figure 3

As of June 2018, 36,129 Coloradans receive some form of TANF assistance through Colorado Works [7]. This assistance comes in the form of a small cash benefit, deposited into a recipient's EBT account each month. In September 2018, community and advocates came to together to testify in support of a modest increase in TANF benefits. The Colorado Department of Human Services championed the proposal and the State Board of Human Services agreed to a 10 percent increase, or an additional $46 more a month to recipients, raising the monthly benefit from $462 to about $508 for a family of three [8]. This is the first increase in benefits struggling Colorado families have seen in nearly a decade.

[7] https://www.acf.hhs.gov/ofa/resource/tanf-caseload-data-2018
[8] https://cclponline.org/cclp_blog/how-we-work-a-cclp-success-story/

TANF IN COLORADO AND ITS ECONOMIC IMPACT

When it was first created in 1935, AFDC served as a social insurance program providing cash assistance to low-income Coloradans. As with other programs that help families make ends meet, AFDC was intended to bolster monthly incomes to help families pay for basic needs, which results in long-term benefits for children in families who are struggling financially. Studies published by the Center on Budget and Policy Priorities, *Social Policy Report*, *Child Development,* and the *American Economic Review* find clear links between social insurance and improved academic and health outcomes for children in families earning low incomes.

Proponents of welfare reform tout the creation of TANF as a block grant program as a success and a model design for the reform of other support programs. However, analysis of TANF and its impact since 1996 shows this is not the case. A 2012 study by the Center on Budget and Policy Priorities found TANF reached 68 families out of 100 experiencing poverty in 1996, a number that decreased to 27 in 2010, and its reach has only continued to decline since. This national trend rings true for all 50 states, with some experiencing harsher declines than others, leading TANF to lose its essential function as a tool for helping to lift families out of poverty.

Several studies point to changes in policies as a determining factor in the decline in TANF caseloads nationally and in Colorado. Many cite the Earned Income Tax Credit (EITC) as a reason for the decline in caseload, as the EITC is a proven method of lifting people out of poverty. However, a big part of the policy change came with the implementation of TANF in 1997. The block grant funding method, as well as the 5-year lifetime limit and sanctions imposed, have all played a role in the declining number of caseloads. The flexibility states and counties have in administering the program has also affected caseload numbers. Between fiscal year 1997 and fiscal year 2010, the state caseload dropped 61.5 percent [9].

Unlike other poverty-reduction programs, most notably SNAP, where the impacts of benefits are felt by both recipients and the state economy, TANF's weakening support does little to pull families and children out of poverty. During the same time caseloads decreased in Colorado, the number of Colorado families with children in poverty more than doubled. Research on the long-term impacts the shrinking power of TANF is having on children shows they are less productive in school and have lower earnings as adults [10]. If policymakers do not enact more thoughtful ways to ensure TANF regains its power to combat poverty, this trend will continue and fewer Colorado families and children will receive benefits from the program.

[9] https://www.urban.org/sites/default/files/publication/25386/412565-How-Has-the-TANF-Caseload-Changed-Over-Time-.PDF
[10] https://www.cbpp.org/research/tanf-weakening-as-a-safety-net-for-poor-families?fa=view&id=3700

CONCLUSION

Poverty-reduction programs like TANF are crucial. Its intended purpose was to provide essential resources to help families meet basic needs and move out of poverty. However, as it is currently structured, TANF is not meeting this purpose. Year-over-year TANF participation has decreased 7 percent on average since its introduction in 1996 and participation is down 74 percent since its initiation, but child poverty rates have continued to increase and data show participation does not increase when unemployment rises (as it did during the Great Recession). So while proponents of welfare reform argue TANF is doing what it was intended to do, research from local and national poverty experts shows otherwise. For TANF to be a true poverty-reduction tool – one that provides the services families need to make ends meet – the program needs to be restructured to address the varying needs of Colorado's communities and economy.

If you want to do your part to protect these important tools, there are three things you can do:

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The Colorado Fiscal Institute provides credible, independent and accessible information and analysis of fiscal and economic issues facing Colorado. We work for a Colorado where responsible fiscal and budget policies advance equity and widespread economic prosperity.

Contact us 720.379.3019 or visit www.coloradofiscal.org. Our offices are located at 1905 Sherman St., Suite 225, Denver, CO, 80203.