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# Temporary Assistance for Needy Families (TANF): Size of the Population Eligible for and Receiving Cash Assistance

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January 3, 2017

**Congressional Research Service**

7-5700

[www.crs.gov](http://www.crs.gov)

R44724

## Summary

The reduction of the number of families with children receiving cash assistance since the mid-1990s is perhaps the signature indicator used to propose that the 1996 welfare reform law was successful in reducing welfare dependency. The law ended the cash assistance program for needy families with children, Aid to Families with Dependent Children (AFDC), and replaced it with the Temporary Assistance for Needy Families (TANF) block grant. TANF is a broad-based block grant that helps fund state cash assistance programs for needy families with children, but it also funds a wide range of benefits and services addressing both the effects and root causes of child poverty.

The cash assistance caseload declined particularly rapidly in the years immediately following enactment of the 1996 welfare reform law. In 1995, an estimated 17.6 million people received AFDC cash at some time during the year; by 2000, the number of people receiving cash assistance had declined to 7.9 million. The period from 1995 to 2000 also saw declines in child poverty and increased work among single mothers (who had headed most AFDC families). Following 2000, child poverty increased and work among single mothers declined somewhat. However, the cash assistance caseload continued to decline, reaching 5.7 million people in 2007 and increasing only slightly in response to the recent recession to 5.8 million people in 2012.

The decline in the cash assistance caseload generally resulted from fewer eligible people taking up TANF benefits. In 1995, 82% of those eligible for AFDC received assistance. The share of those eligible for TANF who received it fell to 47% in 2000, 34% in 2007, and 28% in 2012. While there were almost 12 million fewer individuals who received TANF in 2012 than received AFDC in 1995, the size of the population estimated as eligible to receive TANF in 2012 was 1.4 million persons lower than the population eligible for AFDC in 1995 (20.2 million versus 21.6 million).

Most of those eligible but not receiving AFDC or TANF were poor, with some in deep poverty (family incomes less than half the poverty threshold). Over the 1995 to 2012 period, an increasing number of adults who failed to take up benefits were non-workers and had no other workers in their families. The decline in the share of people eligible for cash assistance also meant that TANF had a smaller impact in ameliorating poverty—particularly among children in deep poverty—than did AFDC. In 2012, there were 3.1 million children in deep poverty that met TANF eligibility criteria but did not receive TANF assistance. The comparable number of children in deep poverty eligible for but not receiving AFDC in 1995 was 0.5 million. In 2012, TANF reduced the rate of deep poverty among children from 9.5% to 8.4%. In 1995, AFDC reduced the rate of deep poverty among children from 11.3% to 6.5%.

This analysis raises several policy questions, the key one being whether caseload reduction per se is an indicator of the success of welfare reform. The drafters of the 1996 welfare reform law wanted TANF to be “temporary and provisional.” However, TANF assistance was increasingly forgone or otherwise not received by those eligible for it, even amongst the poorest of families. While low-income families receive other government benefits such as food assistance and (if they have earners) refundable tax credits, these benefits do not provide ongoing cash assistance to meet basic needs. TANF has a number of structural features that give states the incentive to have policies that seek to reduce caseloads. For example, its “work participation standards” can be met partially or wholly through caseload reduction rather than through engaging recipients in work or activities. TANF could be altered to lessen some of the incentives that states have to reduce caseloads. Policymakers might also look outside of TANF, to altering some existing programs or providing different forms of aid to provide ongoing support for needy families with children.

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## Introduction

The 1996 welfare law (the Personal Responsibility and Work Opportunity Reconciliation Act of 1996; P.L. 104-193) was enacted after decades of debate about the causes and effects of welfare receipt and concerns about “welfare dependency.”<sup>1</sup> It ended the cash assistance program Aid to Families with Dependent Children (AFDC) and replaced it with the Temporary Assistance for Needy Families (TANF) block grant. TANF is a broad-purpose block grant that funds a wide range of benefits and services to ameliorate the effects, and address the root causes, of childhood poverty. Ongoing cash assistance—sometimes called “welfare”—for needy families with children is only one such activity.

The enactment of the 1996 welfare law followed a period of rapid increases in the cash assistance caseload. One of the statutory goals of TANF is to “end dependence of needy parents on government benefits through work, job preparation, and marriage.” The reduction of the number of families with children receiving cash assistance since the mid-1990s is perhaps the signature indicator used to propose that the 1996 welfare reform law was successful in reducing welfare dependency. In 1995, an estimated 17.6 million people received AFDC cash benefits at some time during the year. In 2012, 5.6 million people received TANF at some point in the year.

Receipt of assistance and dependency on it are not necessarily synonymous.<sup>2</sup> However, growth of the cash assistance caseload has historically been seen as an indicator of a growing dependency, while the decline of the caseload has been seen as indicating reduced welfare dependency. On the other hand, continued declines in the number of families receiving cash assistance in the face of increasing child poverty since 2000 has led to concerns that TANF cash assistance programs are not meeting the needs of low-income families.

This report provides information on the size of the cash assistance caseload. It examines the number of people receiving cash assistance relative to the number of people who meet these programs’ eligibility criteria. It also estimates the impact of AFDC and TANF cash assistance on the child poverty rate and deep poverty rate. It is beyond the scope of this report to explain empirically the economic and policy factors that contributed to the caseload decline.<sup>3</sup>

The analysis of eligibility, benefit receipt, and the percentage of those eligible who receive benefits is a Congressional Research Service (CRS) analysis using data from the U.S. Census Bureau’s Annual Economic and Social Supplement (ASEC) to Current Population Survey (CPS), combined with information from the Transfer Income Model version 3 (TRIM3) microsimulation computer model funded by the Department of Health and Human Services (HHS) and maintained

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<sup>1</sup> For discussion, see CRS Report R44668, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Legislative History*.

<sup>2</sup> Whether or not an individual receives a government benefit is something that can be easily defined and understood, but whether or not that individual is “dependent” is a subjective judgement. “Welfare dependency” can be defined in a number of ways. Under the Welfare Indicators Act of 1994 (P.L. 103-432), HHS periodically publishes indicators of welfare dependence. These indicators were developed by an advisory board established under the act. The advisory board recommended that welfare dependence be measured as the proportion of individuals and families that receive more than half of their total family income in one year from TANF, Supplemental Security Income (SSI), or the Supplemental Nutrition Assistance Program (SNAP, the program formerly known as Food Stamps).

<sup>3</sup> For a summary of the research explaining the caseload decline of the late 1990s, see Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis*, RAND, prepared for the Administration for Children and Families, U.S. Department of Health and Human Services, July 2002, pp. 45-76. See also Caroline Danielson and Jacob Alex Klerman, “Did Welfare Reform Cause the Caseload Decline?”, *Social Service Review*, vol. 82, no. 2 (December 2008), pp. 703-730.

at the Urban Institute.<sup>4</sup> TRIM3 is used because it has the ability to estimate the population eligible for assistance, and correct for the under-reporting of need-tested benefits on the ASEC. For a discussion of TRIM3, see Appendix A of CRS Report R44327, *Need-Tested Benefits: Estimated Eligibility and Benefit Receipt by Families and Individuals*.<sup>5</sup>

TANF, being a block grant to the states, has a great deal of state variation and potentially a different story to be told for each state. However, reliable state-level estimates cannot be made using the ASEC, which restricts the analysis in this report to that for the nation as a whole. State-by-state caseload trends are shown in CRS Report RL32760, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions*.

## Eligibility and Take-Up of TANF Assistance

In order to be eligible for TANF cash assistance, a family must have a dependent child and meet financial eligibility rules set by the state in which it resides. Federal TANF law requires that a family be “needy” to receive assistance, but it does not define need. States define need, and there is a significant amount of variation among them in what dollar amount defines need and makes a family whose income falls below that threshold financially eligible.

Most states require that family income be very low—often well below the poverty threshold—to come onto the benefit rolls. In July 2012, for a family headed by a single parent with two children, the maximum earnings that single parent could have ranged from \$269 per month in Alabama to \$1,740 per month in Hawaii.<sup>6</sup>

**Figure 1** maps the maximum earnings a single parent can have to enter the assistance rolls by state for July 2012. It expresses those eligibility thresholds as a percentage of the 2012 Federal Poverty Guidelines. This is done to facilitate comparison of the eligibility rules to the poverty level. There is no requirement in federal law that TANF eligibility thresholds have any relationship to poverty-level income. Additionally, most states set these thresholds without regard to the federal poverty level. The thresholds for initial eligibility were at or above the poverty level in only three states (Alaska, Hawaii, and Wisconsin). On the other hand, 24 states and the District of Columbia had initial income eligibility thresholds below 50% of poverty level income.

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<sup>4</sup> This report uses the same methods used by the Government Accountability Office (GAO) for a report published in 2010 on the TANF caseload decline. This report updates and extends the GAO findings. See U.S. Government Accountability Office, *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, February 2010.

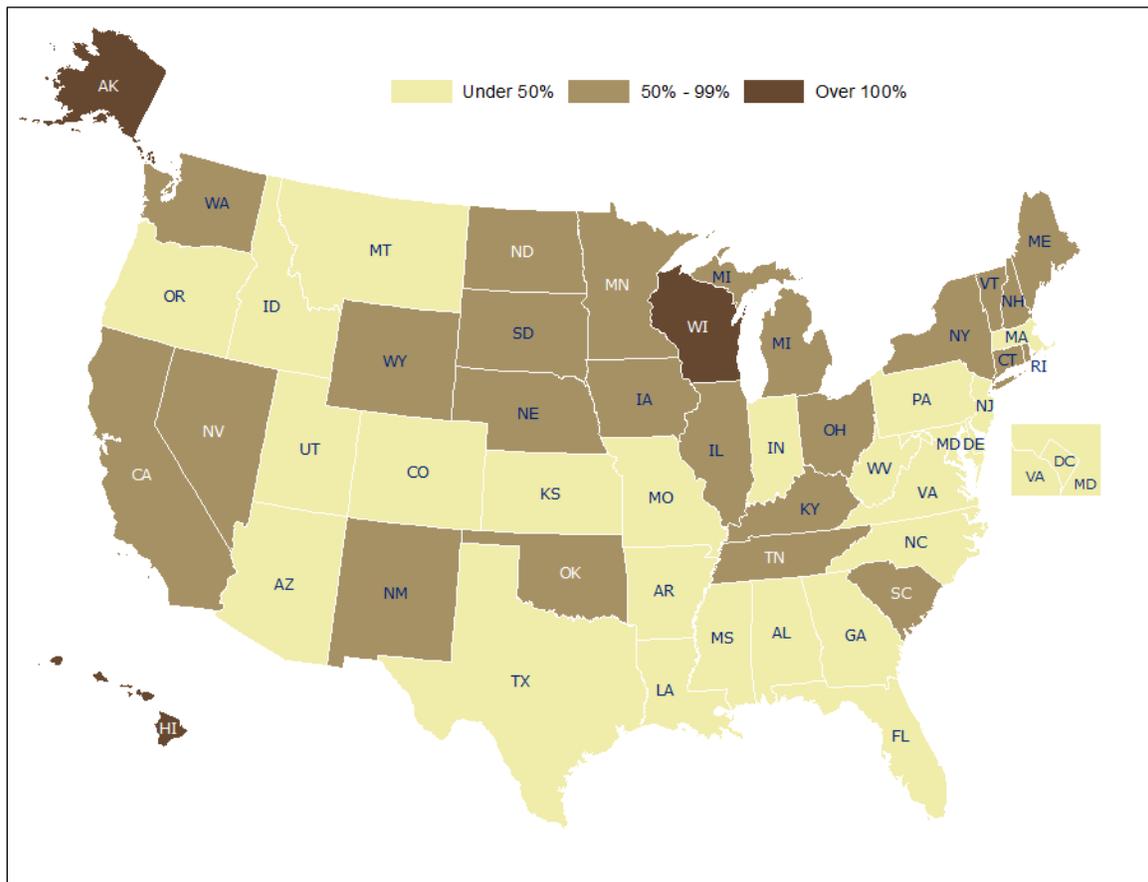
<sup>5</sup> This report examines trends for the 1995 to 2012 period. The latest ASEC data is for 2015. However, the publicly available TRIM data tend to be behind the release of the ASEC for a year. The HHS and the Urban Institute made available data based on the ASEC for 2013 in the fall of 2016. However, some technical issues with the 2013 data resulted in a decision to use 2012 as the end-point of this analysis. There was a change in the ASEC questionnaire for collecting the 2013 data, which resulted in the Census Bureau releasing two sets of poverty estimates for that year. These estimates—particularly the child poverty estimates—were different. Additionally, states have recently expanded the use of programs to provide TANF-funded benefits to low-income, working parents. Further analysis of these two issues will be undertaken before more current data will be used to analyze TANF receipt relative to those eligible and those in poverty.

<sup>6</sup> The information on eligibility rules for TANF is from the Welfare Rules Database, funded by the Department of Health and Human Services (HHS) and maintained at the Urban Institute. For the 2012 rules, see Erika Huber, David Kassabain, and Elisa Cohen, *Welfare Rules Databook: State TANF Policies as of July 2013*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research and Evaluation, OPRE Report 2014-52, September 2014.

States generally do *not* adjust their TANF eligibility thresholds for price inflation. Because the federal poverty level is adjusted for inflation, over time the eligibility thresholds as a percentage of the poverty level have declined in most states. Note that this is not a result of the 1996 welfare reform law. There were some federal rules regarding financial eligibility under AFDC; however, states determined the income thresholds for defining whether a family was needy under AFDC as well. There was substantial variation in AFDC income thresholds, and they too were generally not adjusted for inflation and declined as a percentage of the federal poverty level.

**Figure 1. TANF Income Thresholds for Initial Eligibility for a Single Mother with Two Children as a Percentage of the Federal Poverty Threshold, July 2012**

(Assumes all income for a family is earnings)



**Source:** Congressional Research Service (CRS), based on data from the Urban Institute's Welfare Rules Database and the U.S. Census Bureau.

In addition to having a child and meeting federal financial eligibility rules, a family must also meet certain nonfinancial eligibility rules and comply with program requirements in order to be eligible for TANF assistance. For example, TANF federal funds may provide assistance to a family with an adult recipient for up to 60 months (five years). Thus, most states time-limit benefits for TANF families (though California and New York, the states with the two largest populations, provide benefits beyond five years). Under TANF, benefits may also be restricted for minor parents not living in adult-supervised settings and convicted drug felons. Additionally,

those applying for or receiving benefits must comply with program requirements, such as applicant job search or work participation requirements.

However, even if a family meets financial, nonfinancial, and program requirements, it does not mean that they receive benefits. Those who are eligible must apply for benefits before receiving them. Some of those who are eligible choose not to apply. There is some research on the factors that might cause an eligible individual to fail to apply for benefits. Economists tend to look at the costs of applying for benefits—transportation to the welfare office and time spent in the office applying for benefits and meeting with caseworkers—as factors that, if they outweigh the actual benefit, could cause an eligible person to fail to apply.<sup>7</sup> There are also factors such as individuals' reluctance to divulge personal information and the social stigma attached to receiving assistance that might divert an eligible individual from applying.

Further, work requirements could be seen as a deterrent to applying for benefits. Those eligible for assistance might determine that participating in an activity for 20 or 30 hours per week (the hour requirements for the federal TANF work participation standard) for a relatively small benefit is not worth it. The time commitment entailed by a work requirement may also deter eligible persons who are engaged in sporadic or off-the-books work from applying.

The size of the TANF cash assistance caseload is determined by both the size of the population eligible for assistance and the rate at which families “take up” that assistance. The take-up rate is the percentage of those eligible for assistance who actually receive it.

## Post Welfare Reform: Caseload Trends

**Table 1** shows the cash assistance caseload and selected indicators of child poverty and work among single mothers for selected years, 1995 to 2012. The decline of the cash assistance caseload since the mid-1990s can be divided into two eras: 1995 to 2000 and 2000 to 2012. The period from 1995 to 2000 saw rapid declines in the cash assistance caseload. Overall, there were 9.7 million fewer people receiving cash assistance in 2000 than in 1995. Over this period, the child poverty rate and the number of children in poverty (before assistance income is counted) also fell. The rate of employment of single mothers (who headed most AFDC families) increased almost 10 percentage points, from 73.0% to 82.7%.

After 2000, the caseload continued to decline. However, the child poverty rate and number of children in poverty (before assistance income is counted) increased. The increase in child poverty occurred even before the onset of the 2007 to 2009 recession. Moreover, the rate of employment for single mothers in 2007 was below the rate in 2000. Child poverty increased further during the 2007 to 2012 period, and the employment rate for single mothers fell.

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<sup>7</sup> For a discussion of the theory and empirical evidence on participation and non-participation in social programs, see Janet Currie, “The Take-up of Social Benefits,” in *Public Policy and the Income Distribution*, ed. Alan J. Auerbach, David Card, and John M. Quigley (New York: Russell Sage Foundation, 2006), pp. 80-148.

**Table I. Number of People Receiving Family Cash Assistance, and Indicators of Child Poverty and Work Among Single Mothers, Selected Years 1995 to 2012**

	1995	2000	2007	2012
<b>Cash Assistance Caseload (in millions)</b>				
Number of People in Families Receiving Cash Assistance	17.648	7.885	5.658	5.751
Adults	6.044	3.522	1.550	1.658
Children	11.503	5.051	4.088	4.081
<b>Child Poverty and Work Among Single Mothers</b>				
Pre-assistance Child Poverty Rate	21.6%	16.2%	17.8%	21.6%
Number of Pre-assistance Children in Poverty (millions)	15.219	11.627	13.188	15.892
Percentage of Single Mothers Employed	73.0%	82.7%	77.9%	74.1%

**Source:** Congressional Research Service (CRS) estimates using data from the Census Bureau's 1996, 2001, 2008, and 2013 Annual Social and Economic Supplements (ASEC) to the Current Population Survey (CPS), supplemented with estimates of program eligibility, receipt, and benefits from the TRIM3 microsimulation model. Percentage of single mothers employed are from CRS Report R41917, *Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987-2013*, by Thomas Gabe.

**Notes:** Caseload numbers differ from those published by the Department of Health and Human Services (HHS). They represent estimates from the TRIM3 microsimulation model of the number of people who received cash assistance from AFDC or TANF at any time during the year. The published HHS caseload data reflect monthly average caseloads. Pre-assistance poverty was determined by subtracting TANF from adjusted total income. Total income was adjusted to use TRIM3 estimates of SSI income rather than SSI income as reported on the ASEC.

## The Rate of Receipt of TANF Cash among Eligible Persons

Was the caseload decline the result of stricter rules governing eligibility for TANF cash, or was it the result of a decline in the rate of take-up of benefits?<sup>8</sup> **Figure 2** shows both the estimated number of people eligible for TANF (AFDC in 1995) based on federal and state financial and non-financial eligibility criteria, and the estimated number of people who actually received cash assistance for the selected years. The full bar represents the total population eligible for TANF cash assistance, and is broken down into segments representing those who were eligible but did not receive cash assistance and those who did receive it.

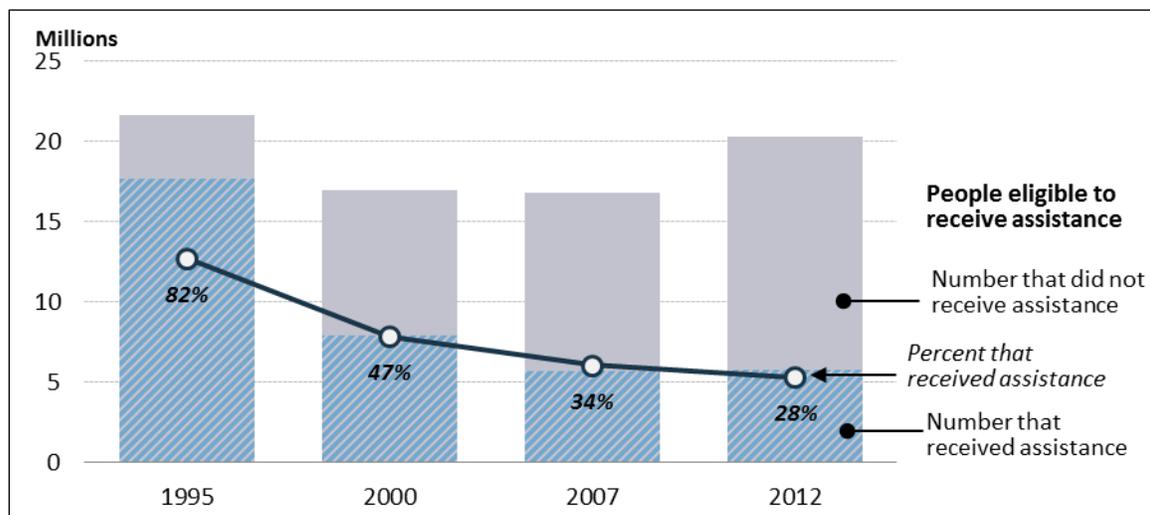
It shows that the number of people eligible for cash assistance fell from 1995 to 2000, was almost the same from 2000 to 2007, and then increased from 2007 to 2012. The number of people who received assistance fell during the first two periods (1995 to 2000 and 2000 to 2007), and then

<sup>8</sup> This report examines the size of the populations eligible for and actually receiving TANF using estimates from the TRIM3 microsimulation model. TRIM3 uses the rules of state AFDC and TANF programs as they are *on paper*, in policy documents and manuals, and applies them to the sample of the population found in the Census Bureau's ASEC survey. It then compares those who are determined to be eligible with the size of the AFDC and TANF benefit rolls. A change in the rate at which those eligible actually receive cash assistance can result from (1) a change in which the policies as they appear on paper are implemented; and (2) behavioral changes in the eligible population regarding their application and benefit receipt.

There are some limitations to the TRIM3 estimates of TANF eligibility. For example, the model does attempt to reduce the eligible population based on an estimate of the number of families affected by TANF time limits. However, the TRIM3 model cannot estimate the impact of the number of families that might have lost eligibility because they failed to comply with a state work or job preparation requirement.

increased slightly from 2007 to 2012. However, the share of those eligible for assistance who actually received it fell throughout the 1995 to 2012 period. In 1995, 82% of those eligible for AFDC received benefits. By 2012, 28% of those eligible for TANF received benefits.

**Figure 2. Estimated Number of People Eligible for and Receiving Cash Assistance from TANF and AFDC, Selected Years 1995 to 2012**



**Source:** Congressional Research Service (CRS) estimates using data from the Census Bureau's 1996, 2001, 2008, and 2013 Annual Social and Economic Supplements (ASEC) to the Current Population Survey, supplemented with estimates of program eligibility, receipt, and benefits from the TRIM3 microsimulation model.

## Adults Eligible and Not Receiving Benefits

AFDC and TANF benefits are paid on a monthly basis. Thus, it is possible that a person can be eligible for as little as one month in a year because of a temporary circumstance. Are those who are eligible but not receiving benefits not relatively disadvantaged economically? Has that changed over time?

**Table 2** shows selected characteristics of adults who were eligible for but did not receive cash assistance from AFDC in 1995 and TANF in 2000, 2007, and 2012. It shows that these adults tended to be poor, though over the period the poverty rate among adults eligible for but not receiving cash assistance changed little. However, over the time period examined on the table, an increasing share of adults who were eligible for and not receiving TANF assistance were in deep poverty—in families with pre-TANF income below 50% of the poverty threshold. Additionally, fewer of these adults either worked themselves or were in families where some member had earnings. In 1995, a relatively high proportion of adults eligible for but not receiving AFDC were married, about 60%. This percentage declined during the TANF years to 45.1%. Thus, adults who were eligible for cash assistance but not receiving it were relatively disadvantaged based on the measures shown on the table, and became more so (more like those who traditionally received cash assistance) over the 1995 to 2012 period

**Table 2. Selected Characteristics of Adults Estimated to Be Eligible for but Not Receiving Cash Assistance, Selected Years 1995-2012**

Characteristic	1995	2000	2007	2012
In Poverty	58.0%	56.8%	53.7%	58.5%
In Deep Poverty	17.4	23.5	29.7	32.9
Worked During the Year	78.3	70.9	59.8	54.3
In Families with Earned Income	96.6	90.1	80.6	77.4
Married	60.2	54.5	41.4	45.1

**Source:** Congressional Research Service (CRS) estimates using data from the Census Bureau's 1996, 2001, 2008, and 2013 Annual Social and Economic Supplements (ASEC) to the Current Population Survey, supplemented with estimates of program eligibility, receipt, and benefits from the TRIM3 microsimulation model.

## Child Poverty

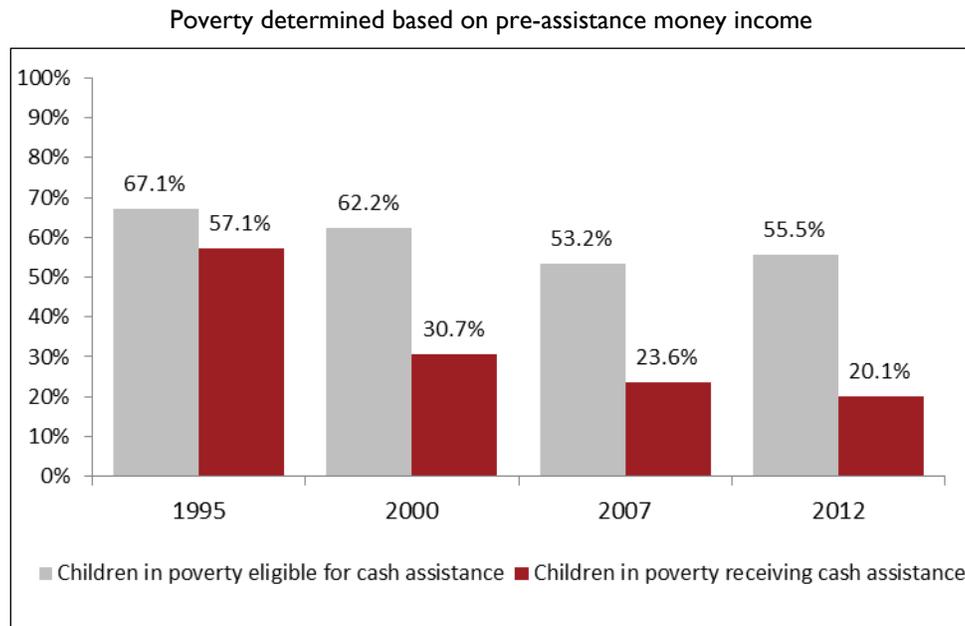
In 1995, there were 15.2 million children (21.6% of all children) living in families with pre-assistance money income below the poverty line;<sup>9</sup> in 2012, the number stood at 15.8 million, which was again 21.6% of all children. In contrast, the number of children estimated as having received AFDC during 1995 was 11.5 million; the number of children who received TANF in 2012 was 4.1 million.

**Figure 3** shows the percentage of poor children eligible for and receiving cash assistance for selected years from 1995 to 2012. As shown, in 1995 about two-thirds of all poor children were in families eligible for AFDC cash assistance. By 2012, the percentage of poor children eligible for TANF cash assistance had declined to 56%. The share of poor children in families actually receiving TANF fell faster than the share of poor children eligible for TANF cash. This is because the share of those eligible for benefits who actually received benefits fell over time. In 1995, 57% of poor children were in families receiving cash assistance from AFDC. In 2012, 20.1% of poor children were in families receiving cash assistance from TANF.

<sup>9</sup> Pre-assistance money income is all money income minus that estimated to come from AFDC or TANF income. The AFDC and TANF income is as estimated from the TRIM3 microsimulation model. Pre-assistance money income includes TRIM3 estimates for Supplemental Security Income (SSI). TRIM3's estimate of SSI income was substituted for the SSI income reported on the ASEC, to adjust for under-reporting of SSI income on the ASEC.

Pre-assistance money income is income before taxes. It also excludes the value of noncash benefits.

**Figure 3. Percentage of Poor Children Eligible for and Receiving Cash Assistance, Selected Years 1995 to 2012**



**Source:** Congressional Research Service (CRS) estimates using data from the Census Bureau's 1996, 2001, 2008, and 2013 Annual Social and Economic Supplements (ASEC) to the Current Population Survey, supplemented with estimates of program eligibility, receipt, and benefits from the TRIM3 microsimulation model.

**Table 3** shows the number of children whose families' pre-TANF (or in 1995, AFDC) income was below the poverty threshold divided into three groups: (1) those receiving cash assistance, (2) those eligible for cash assistance but not receiving it, and (3) those ineligible for cash assistance. It shows that over time, both the number of poor children ineligible for cash assistance and the number of poor children who were eligible but not receiving assistance increased. The number of poor children receiving benefits decreased. Despite an increase of 4.3 million in the number of children in poverty from 2000 to 2012, the number of these children receiving TANF was lower in 2012 than 2000.

**Table 3. Children in Poverty, by Eligibility for and Receipt of Cash Assistance, Selected Years 1995-2012**

Poverty status determined based on pre-assistance money income, numbers in millions

	1995	2000	2007	2012
Total Children in Poverty	15.219	11.627	13.188	15.892
Children in Poverty Receiving TANF Assistance	8.696	3.571	3.110	3.200
Children in Poverty Eligible for but Not Receiving TANF Assistance	1.515	3.659	3.910	5.627
Children in Poverty Ineligible for TANF Assistance	5.009	4.397	6.168	7.065

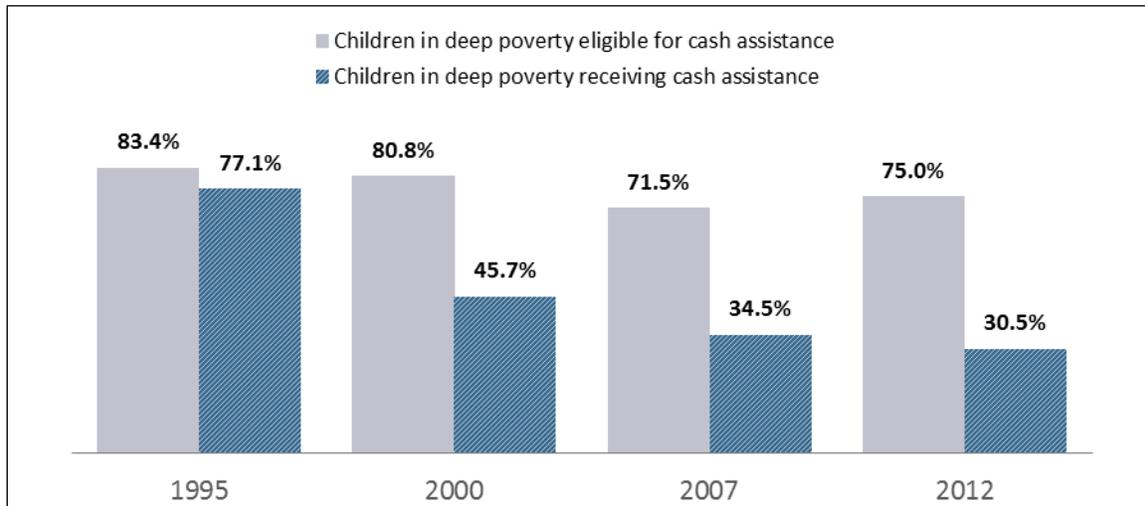
**Source:** Congressional Research Service (CRS) estimates using data from the Census Bureau's 1996, 2001, 2008, and 2013 Annual Social and Economic Supplements (ASEC) to the Current Population Survey, supplemented with estimates of program eligibility, receipt, and benefits from the TRIM3 microsimulation model.

**Figure 4** examines children in deep poverty in 1995, 2000, 2007, and 2012. Deep poverty is defined as being in families with (pre-cash assistance) incomes below 50% of the poverty threshold. While most children in deep poverty are in families who are eligible for TANF

assistance, not all children are eligible. In 1995, 83.4% of all children in deep poverty were eligible for AFDC; in 2012, 75% of children in deep poverty were eligible for TANF. However, the percentage of children in deep poverty who were in families that actually received cash assistance fell from 77.1% in 1995 to 45.7% in 2000. It fell further after 2000, reaching 30.5% in 2012.

**Figure 4. Percentage of Children in Deep Poverty Eligible for and Receiving Cash Assistance, Selected Years 1995 to 2012**

Deep poverty is based on assistance money income less than half the poverty threshold



**Source:** Congressional Research Service (CRS) estimates using data from the Census Bureau's 1996, 2001, 2008, and 2013 Annual Social and Economic Supplements (ASEC) to the Current Population Survey, supplemented with estimates of program eligibility, receipt, and benefits from the TRIM3 microsimulation model.

The number of children in families with pre-TANF incomes in deep poverty fell from 1995 to 2000, and then increased thereafter. However, the rise in the number of children living in families with pre-TANF income in deep poverty over the 2000 to 2012 period did not fully offset the 1995 to 2000 decline; there were an estimated 1 million fewer children in families with pre-TANF income in deep poverty in 2012 than there were in 1995.

Still, as shown in **Table 4**, the decline in the percentage of children in TANF-eligible families who actually received benefits meant that an increasing number of children in deep poverty were in families without cash assistance. In 1995, the number of children in deep poverty who were eligible but not receiving cash assistance was 0.5 million. This number increased to 1.7 million in 2000, 2.1 million in 2007, and 3.1 million in 2012.

**Table 4. Children in Deep Poverty, by Eligibility for and Receipt of Cash Assistance, Selected Years 1995-2012**

Poverty status determined based on pre-assistance money income, numbers in millions

	1995	2000	2007	2012
Total Children in Deep Poverty	7.967	4.956	5.541	6.969
Children in Deep Poverty Receiving Cash Assistance	6.146	2.264	1.911	2.125
Children in Deep Poverty Eligible for but Not Receiving Cash Assistance	0.518	1.738	2.051	3.103
Children in Deep poverty Ineligible for Cash Assistance	1.303	0.953	1.580	1.741

**Source:** Congressional Research Service (CRS) estimates using data from the Census Bureau's 1996, 2001, 2008, and 2013 Annual Social and Economic Supplements (ASEC) to the Current Population Survey, supplemented with estimates of program eligibility, receipt, and benefits from the TRIM3 microsimulation model.

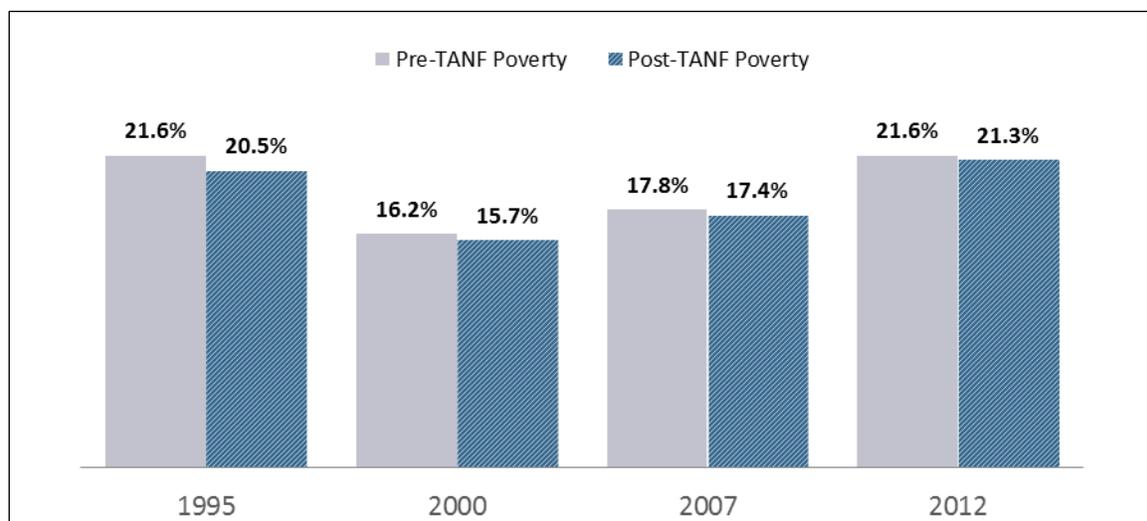
## Anti-poverty Effectiveness of TANF Cash Assistance Programs

How has the decline in the number of families with children receiving TANF cash assistance influenced the trend in the child poverty rate? This section looks at the impact that TANF cash assistance had on the overall child poverty rate and the rate of deep poverty among children in 1995, 2000, 2007, and 2012. It does so by comparing child poverty rates based on money income that excludes TANF cash with money income that includes TANF cash (i.e., comparing pre-TANF poverty rates and post-TANF poverty rates among children).

The pre-TANF poverty rate should not be strictly interpreted as what the poverty rate would be in the absence of cash assistance. If TANF did not exist, people's behavior might be different (e.g., they might work more, leading to lower rates of pre-TANF poverty). Thus, when the "effect" or "impact" of TANF on poverty is discussed, it simply means how much the poverty rate changes if transfers are subtracted from total money income. It is not a statement of how much transfer programs "reduced" poverty, because the behavioral impacts are not considered.

**Figure 5** shows the pre- and post-cash assistance poverty rates for each of 1995, 2000, 2007, and 2012. It shows that even before welfare reform, AFDC cash assistance had a relatively small impact on the child poverty rate. In 1995, the pre-AFDC income poverty rate was 21.6%, and the poverty rate when AFDC income was counted was 1.1% lower, at 20.5%. This is because in 1995 the AFDC benefit was usually insufficient to raise family money incomes above the poverty threshold. Since 1995, states generally have not raised benefits to compensate for inflation, thus the impact of TANF on the poverty rates has remained small. In 2012, the pre-TANF poverty rate was also 21.6%, and the poverty rate after TANF income was counted was only 0.3% lower, at 21.3%.

**Figure 5. Poverty Rates for Children Under Age 18, Based on Pre-TANF and Post-TANF Income, Selected Years 1995-2012**

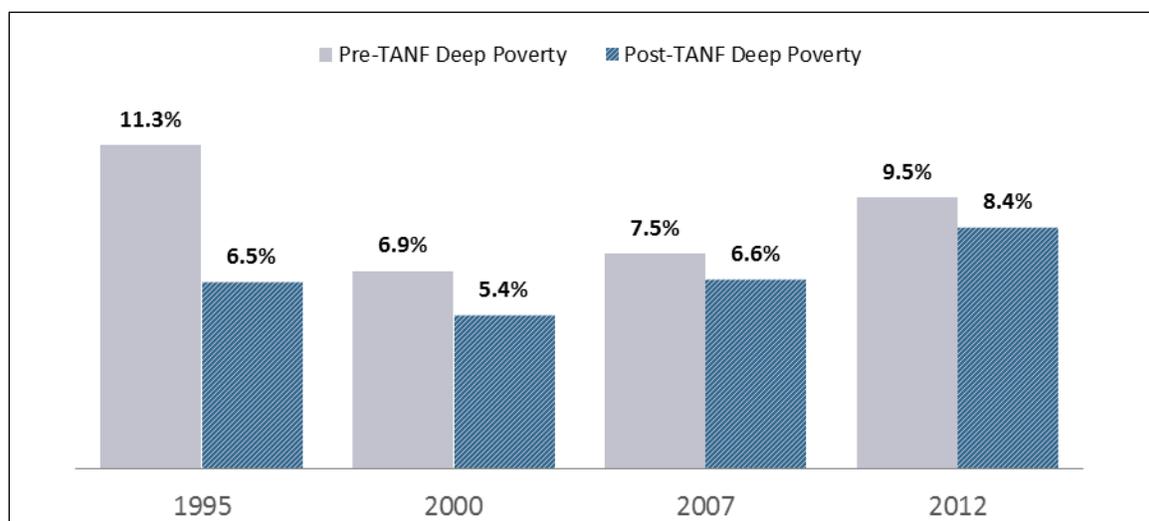


**Source:** Congressional Research Service (CRS) estimates using data from the Census Bureau's 1996, 2001, 2008, and 2013 Annual Social and Economic Supplements (ASEC) to the Current Population Survey, supplemented with estimates of program eligibility, receipt, and benefits from the TRIM3 microsimulation model.

## Deep Poverty

**Figure 6** shows pre- and post-TANF deep poverty rates for each of 1995, 2000, 2007, and 2012. AFDC had a much larger impact on the child deep poverty rate than it did on the overall poverty rate in 1995. The pre-AFDC deep poverty rate for children in 1995 was 11.3%; after AFDC income was counted it was 6.5%. This represented 3.4 million, or 43%, fewer children in deep poverty when AFDC cash was counted. However, with the decline in the number of children in deep poverty receiving cash assistance, the impact of TANF on deep poverty has diminished over time. In 2012, the pre-TANF deep poverty rate for children was 9.5%; after TANF cash income was counted, it was 8.4%. This represented 0.5 million, or 12%, fewer children in families when TANF cash was counted.

**Figure 6. Deep Poverty Rates for Children Under Age 18, Based on Pre-TANF and Post-TANF Income, Selected Years 1995-2012**



**Source:** Congressional Research Service (CRS) estimates using data from the Census Bureau's 1996, 2001, 2008, and 2013 Annual Social and Economic Supplements (ASEC) to the Current Population Survey, supplemented with estimates of program eligibility, receipt, and benefits from the TRIM3 microsimulation model.

## Other Benefits Received by TANF-Eligible Families

The poverty and deep poverty rates discussed in this report are based only on a family's money income. In addition to TANF, families with children and earnings may benefit from two refundable tax credits: the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC, the refundable portion of the child tax credit). They may also benefit from noncash assistance programs, such as the Supplemental Nutrition Assistance Program (SNAP) and subsidized or public housing.

**Table 5** shows estimates of the receipt of refundable tax credits and selected noncash benefits by TANF-eligible persons in 1995, 2000, 2007, and 2012. It divides TANF eligible persons into those who were eligible but did not receive TANF and those who did receive it. Among both groups, receipt of other government benefits through the refundable tax credits and noncash benefits was fairly common.

In examining those eligible for but not receiving TANF, a majority received the refundable tax credits and SNAP: 61.7% received the EITC, 54.4% received the ACTC, and 77.3% received

SNAP. However, a relatively small share of this population (12.0%) received assisted or public housing support.

A couple of trends stand out when examining the receipt of other government benefits for the population eligible for but not receiving TANF. First, receipt of the EITC has diminished over time among this group. This is the result of fewer families eligible for but not receiving cash assistance having earnings, as indicated on **Table 2**. The second trend is the increasing rate at which food assistance is received via SNAP. In contrast, the rate of receipt of housing assistance changed little over the period.

**Table 5. Refundable Tax Credits and Selected Non-cash Benefits Received by TANF-Eligible Persons, 1995, 2000, 2007, and 2012**

	1995	2000	2007	2012
<b>Eligible for but Not Receiving TANF</b>				
Earned Income Tax Credit (EITC)	85.3%	70.3%	61.3%	61.7%
Additional Child Tax Credit (ACTC)	NA	6.0	36.2	54.4
Supplemental Nutrition Assistance Program (SNAP)	37.2	39.9	62.9	77.3
Subsidized or Public Housing	10.0	14.3	11.5	12.0
<b>Receiving TANF</b>				
Earned Income Tax Credit (EITC)	55.4	64.2	60.4	57.5
Additional Child Tax Credit (ACTC)	NA	1.1	27.5	47.8
Supplemental Nutrition Assistance Program (SNAP)	92.3	90.2	90.6	93.2
Subsidized or Public Housing	22.7	26.4	24.8	25.4

**Source:** Congressional Research Service (CRS) estimates using data from the Census Bureau's 1996, 2001, 2008, and 2013 Annual Social and Economic Supplements (ASEC) to the Current Population Survey, supplemented with estimates of program eligibility, receipt, and benefits from the TRIM3 microsimulation model.

In terms of assessing family economic well-being, the refundable tax credits and noncash benefits do benefit families. However, the refundable tax credits have their limitations. For example, they are paid only once a year, in the following year, as a lump sum in the form of a tax refund. The families shown on **Table 5** that earned EITC and ACTC in 2012 would actually receive the benefits in early 2013, and not have them available for ongoing basic needs in 2012. The noncash benefits are available only for a specific good or service. Thus, these benefits differ from, and serve different roles in providing economic security than, ongoing cash income.

## Conclusion

In 1995, the House Ways and Means Committee reported legislation with the following intent:

Destroying the narcotic effect of welfare while preserving its function as a safety net for families experiencing temporary financial problems is the major intent of the committee bill. Based on the fact that it is precisely the permanent guarantee of benefits that induces dependency, the Committee fundamentally alters the nature of the AFDC program by making its benefits temporary and provisional.<sup>10</sup>

<sup>10</sup> U.S. Congress, House Committee on Ways and Means, *Welfare Transformation Act of 1995*, Report together with Dissenting Views to accompany H.R. 1157, 104<sup>th</sup> Cong., 1<sup>st</sup> sess., March 15, 1995, p. 6.

This is echoed by two of the statutory goals of TANF: providing assistance so that needy children can live in the homes of their parents or other relatives; and ending dependence on government benefits of parents through work, job preparation, and marriage.

The decline in the caseload was seen as an indicator that progress was being made toward the goal of ending dependence. President Clinton, speaking in December 2000, said:

Today, I am pleased to announce that over the past 8 years we've cut welfare caseloads by more than 8 million people. Last year alone, 1.2 million parents on welfare went to work, determined to build better lives. Nationwide over the last 8 years, welfare rolls have dropped nearly 60 percent and now are to the lowest in more than 30 years.

We've been able to sustain this progress year after year because Government, the private sector, and welfare recipients themselves all have done their parts. Together, we are finally breaking the cycle of dependence that has long crippled the hopes of too many families.<sup>11</sup>

From the vantage point of 2000, the caseloads had declined and so had child poverty. Employment among single mothers increased. It was generally known in that year that the caseload was declining faster than child poverty. However, it appeared that some of the caseload decline was attributable to the improved economic conditions among families with children. The number of children living in families with pre-assistance incomes of less than half the poverty threshold fell from 8 million in 1995 to 5 million in 2000.

The environment after 2000 differed from that of the late 1990s. Child poverty increased, but the number of families receiving TANF cash assistance continued to decline. While much of the increasing need after 2000 was attributable to the 2007 to 2009 recession, increasing poverty and cash assistance reaching a smaller share of the poor was not a phenomenon limited to the recession. The number of children in deep poverty (before counting cash assistance) rose from 2000 to 2007, with a smaller share of these children assisted by TANF cash even before the onset of the recession.

The declines in the caseload following 2000 raise a question about whether a goal of TANF should be caseload reduction per se, regardless of whether or not the size of the population in need is growing. The drafters of the 1996 welfare reform law wanted TANF to be “temporary and provisional.” However, TANF assistance was increasingly forgone or otherwise not received by those eligible for it, even amongst the poorest of families.

TANF has a number of structural features that give states the incentive to have policies that seek to reduce caseloads, including the following:

- Funding through a fixed block grant that provides each state a set amount of federal dollars each year, and the ability to use those funds on a wide range of benefits and services. Thus, states may use the savings from caseload reductions on other benefits and services for populations among families with children other than those eligible for and receiving cash assistance.
- A sole performance measure, the “work participation standard,” that may be met either partially or fully through caseload reduction. The TANF work participation standard sets a numerical goal of having 50% of families with a member either working or engaged in welfare-to-work activities, but it also provides credits that reduce the numerical goal for a state, including one for caseload reduction. For

<sup>11</sup> U.S. President (William J. Clinton), “The President’s Radio Address,” *Public Papers of the Presidents of the United States: Administration of William J. Clinton, 2000*, vol. III (Washington: GPO, 2002), p. 2717.

each decline in the TANF cash assistance caseload of 1%, the work participation standard's numerical goal is reduced by 1%.

TANF also gives states the legal ability to reduce the caseloads. It ended an individual entitlement to benefits for people in needy families with children, potentially affecting the rights of individuals to receive legal redress if their benefits are reduced, denied, or ended by state actions. It allows states to end benefits for an entire family if its adult member refuses to comply with state work participation requirements.

If policymakers conclude that there is unmet need for ongoing cash assistance for needy families with children, there are a number of policy options available. TANF could be altered to lessen some of the incentives that states have to reduce caseloads. For example, states could be required to meet work participation standards through engaging recipients in work or activities, rather than permitting states to meet their standard either partially or fully through caseload reduction. Policymakers might also look outside of TANF, to altering existing programs. For example, the child tax credit could be fully refundable and advance-payable. Alternatively, policymakers could look at different forms of aid, such as unconditional children's allowances or subsidized jobs, to provide ongoing support for needy families with children.

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## **Acknowledgments**

LaTiesha Cooper, formerly of CRS's Domestic Social Policy Division, provided research assistance and contributed to the data analysis of this report. Clarissa Gregory and Soren Dudley also provided research assistance. Calvin DeSouza, a Geospatial Information Systems Analyst with CRS's Knowledge Services Group, produced the map that is figure 1 of this report. Amber Wilhelm, CRS Visual Information Specialist, produced the graphics in this report. This report also benefitted from the contributions of Karen Spar, Maggie McCarty, Libby Perl, and Carmen Solomon-Fears of CRS's Domestic Social Policy Division.