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Temporary Assistance for Needy Families: The Decline in Assistance Receipt Among Eligible Individuals

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Temporary Assistance for Needy Families: The Decline in Assistance Receipt Among Eligible Individuals

R47503

April 10, 2023

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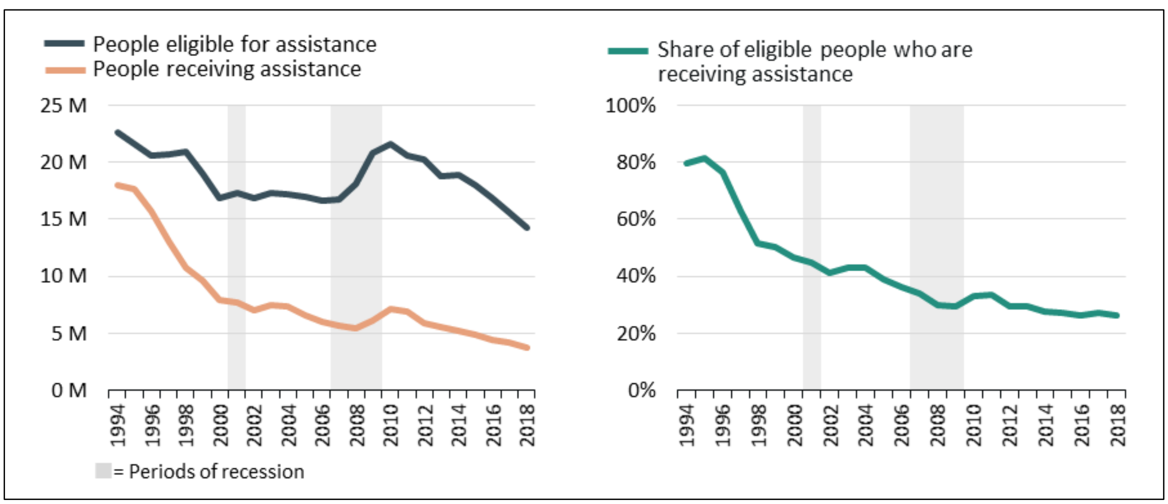
The decline in the number of people receiving family cash assistance is a distinctive characteristic of the period after enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, *1996 welfare reform law*; P.L. 104-193). In 1994, before PRWORA's enactment, the number of cash assistance recipients reached its historical peak: an estimated 18.0 million people (children, parents) received assistance at some point in that year. In 2018, an estimated 3.8 million people received assistance during the year.

PRWORA ended Aid to Families with Dependent Children (AFDC) and associated programs and folded the funding into a new, broad-purpose Temporary Assistance for Needy Families (TANF) block grant. Created in the wake of historically high levels of family cash assistance receipt, one of the statutory goals of TANF is to "end the dependence of needy parents on government benefits, through work, job preparation, and marriage."

Figure S.1 shows estimates of the number of people eligible for family cash assistance, number of people who received it, and receipt rate of the assistance among eligible people for 1994 through 2018, a time period that included three economic expansions and two recessions. It shows fluctuations in the number of people eligible for family cash assistance associated with the state of the economy over the years, and an almost continuous decline in the number of people receiving such assistance. The receipt rate among eligible individuals declined from 79% in 1994 to 26% in 2018.

Figure S.1. Estimated Numbers of People Eligible for and Receiving Family Cash Assistance, and Receipt Rate: 1994-2018



Source: CRS, based on data from the TRIM3 microsimulation model, primarily funded by the Department of Health and Human Services (HHS) and maintained at the Urban Institute.

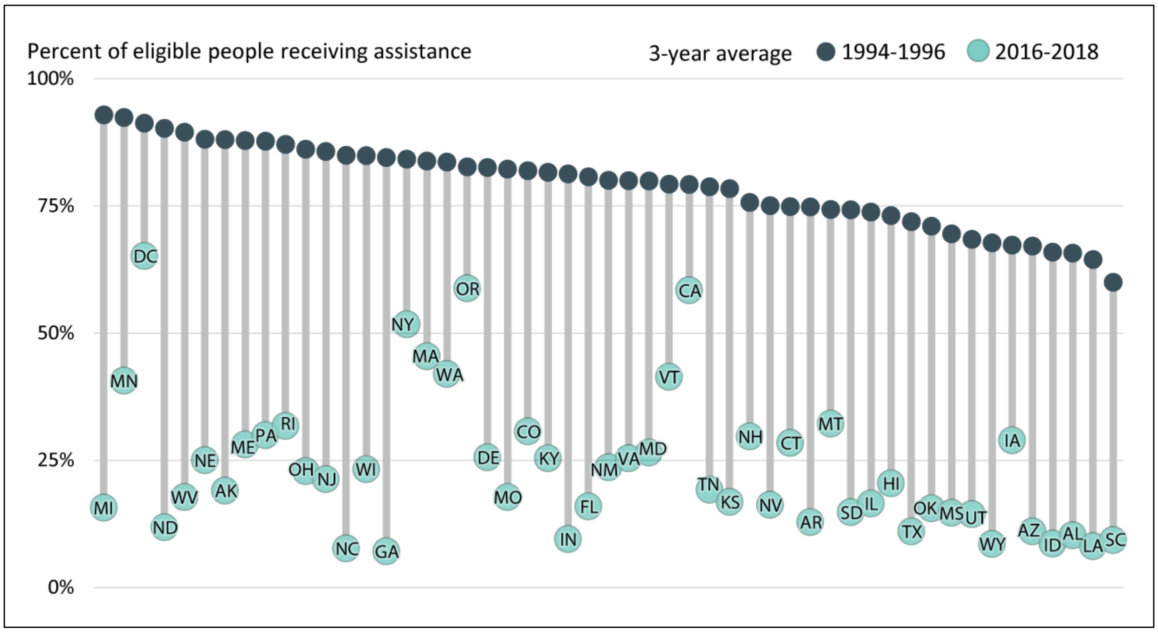
In the recessionary period associated with the 2008 global financial crisis, the estimated number of people eligible for assistance almost reached pre-PRWORA levels. However, the number of people receiving assistance remained well below pre-PRWORA levels. The increase in the number of people receiving assistance was about 30% of the increase in the number of eligible individuals.

State level differences in the provision of family cash assistance have existed since the beginnings of these programs. However, a series of federal administrative actions, legislation, and Supreme Court decisions resulted in AFDC family cash assistance becoming an entitlement to individuals—persons eligible based on state rules had legal protections of an entitlement to a benefit. PRWORA ended that entitlement, and gave states additional flexibility to set the terms of cash assistance receipt.

Figure S.2 shows estimates of the change in the receipt rate of family cash assistance among eligible individuals by state. (It uses three-year averages to make state-level estimates more reliable.) It shows that the estimated receipt rate declined in all 50 states and the District of Columbia. Further, it shows that the decline in the receipt rate varied by state, and that the 2016-2018 range of receipt rates was comparably larger than the 1994-1996 range. For 2016-2018, receipt rates were below 10% in seven jurisdictions and above 50% in four jurisdictions.

Figure 1.S. 2. Receipt Rates Among Eligible Individuals by State: Three-Year Average for 1994-1996 Compared with 2016-2018

(states ranked in order of 1994-1996 receipt rates)



Source: CRS, based on data from the TRIM3 microsimulation model, primarily funded by HHS and maintained at the Urban Institute.

TANF gives states incentives to reduce the number of people receiving benefits and flexibilities to act on those incentives. Lower levels of family cash assistance receipt was an objective of TANF's designers, and it has been met. TANF also has a statutory goal to "provide assistance to needy families so that children can live in their own homes or the homes of relatives," with the legislative history of PRWORA characterizing that assistance as "temporary and provisional." However, many people eligible for assistance—in many states, most eligible people—do not receive assistance at all, even on a temporary basis.

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Introduction

The decline in the number of families and individuals receiving family cash assistance is a distinctive characteristic of the period after enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193, PRWORA, also referred to as the *1996 welfare reform law*). PRWORA ended Aid to Families with Dependent Children (AFDC), a program that provided dedicated funding for cash assistance to needy families with children. The law folded funding for such assistance into a newly created, broad-purpose Temporary Assistance for Needy Families (TANF) block grant. The TANF block grant helps fund state-designed and state-run family cash assistance programs for needy families with children, but states may also use their funds for a wide range of benefits and services to address both the effects and root causes of childhood economic disadvantage.[1]

Family cash assistance, sometimes called *welfare*, is generally a benefit of last resort and provided only to families with very low or no cash income. Historically, family cash assistance was most often provided to families headed by a single mother, though in the post-PRWORA period an increased share of families receiving cash assistance represent those with nonparent relatives (e.g., grandparents, aunts, uncles).

In 1994, before PRWORA's enactment, the number of cash assistance recipients reached its historical peak. An estimated 18.0 million people (including children, parents, and nonparent caretakers) received assistance at some point in that year. In 2018, an estimated 3.8 million received assistance during the year. Research has found that this reduction resulted from both faster exits from state assistance programs and fewer entries into them.[2]

Previous CRS reports have examined the decline in the cash assistance caseload, putting it in the context of the estimated number of people eligible for assistance both pre- and post-PRWORA.[3] In 2018, the 3.8 million people who were estimated to receive benefits at some point in that year represented 26% of the estimated 14.3 million who were eligible for family cash assistance in that year. This report extends previous CRS analyses in two main ways. It examines

- the number of people eligible for and receiving assistance in each year from 1994 to 2018, highlighting the variation in the trends that are the result of cycles of economic growth and recession during this period; and
- the variation by state in the rate at which eligible individuals received benefits, and how this has changed from the mid-1990s.

This analysis is based on estimates from the Census Bureau's Annual Social and Economic Supplements (ASEC) to the Current Population Survey (CPS) and the Transfer Income Model version 3 (TRIM3).[4] TRIM3 is funded primarily by the U.S. Department of Health and Human Services (HHS), and maintained at the Urban Institute. For more technical details, see the

[1] For background on TANF, see CRS In Focus IF10036, *The Temporary Assistance for Needy Families (TANF) Block Grant*.

[2] For example, see Jeffrey J. Grogger, Steven J. Haider, and Jacob Klerman, "Why Did the Welfare Rolls Fall during the 1990s?," *American Economic Review Paper and Proceedings*, vol. 93, no. 2 (2003), pp. 288-292.

[3] For the most recent analysis, see CRS Report R44724, *Temporary Assistance for Needy Families (TANF): Size of the Population Eligible for and Receiving Cash Assistance*.

[4] The ASEC is a survey of the noninstitutionalized population in the 50 states and District of Columbia. It does not survey people in the territories. Hence, this report does not include estimates of family cash assistance eligibility or receipt in the three territories that operate TANF programs (Puerto Rico, Guam, and the U.S. Virgin Islands).

Appendix. The analysis shows eligibility and receipt through 2018. Comparable data are not available for the recent period that included the COVID-19 pandemic and its economic fallout.

Differing Rates of Receipt Among Need-Tested Programs

All major need-tested programs have receipt rates of less than 100%. Benefit receipt among eligible individuals is not automatic. Typically, an individual must apply for benefits and provide a government agency with information about their finances, family structure, and sometimes other circumstances. That information is taken in by the administering agency and then initial eligibility is determined and benefits authorized. This process usually must be repeated periodically as eligibility and benefits are recertified. Additionally, some programs might condition eligibility on certain behaviors, such as work or participation in job preparation activities. Recipients may be required to document such activity.

Economists have described an eligible individual's decision to receive benefits as one that weighs the costs versus the gains of that benefit receipt.[5] That is, does the benefit provided by a program outweigh the administrative burden (i.e., costs) of completing the application, certification, and recertification processes and remaining in and proving compliance with program rules? Additionally, lack of information, stigmas related to benefit receipt, and other factors may be important for influencing program participation.

Different programs have different receipt rates.[6] Medicaid and the State Children's Health Insurance Program (CHIP), as well as the Supplemental Nutrition Assistance Program (SNAP), tend to have comparatively high receipt rates: an estimated 75% of those eligible for Medicaid/CHIP and 63% of those eligible for SNAP in 2018. Medicaid and SNAP are entitlement programs, with those eligible for benefits being entitled to them, and have no explicit caps in federal funding of them.

Other programs, such as child care subsidies from the Child Care and Development Fund (CCDF) and housing subsidies, tend to have comparably low receipt rates among those eligible: 15% and 22%, respectively, in 2018. In addition to eligible individuals' choices in taking up benefits, the nature of federal funding also affects receipt rates, as some programs (including CCDF and housing subsidies) receive capped federal funding and sometimes have waiting lists for those eligible to receive benefits.

The 26% receipt rate among those eligible for family cash assistance under TANF tends to be on the low end of the range of rates for need-tested programs. It has also declined from the receipt rate for family cash assistance from AFDC before the enactment of PRWORA. In 1994, the receipt rate among eligible individuals for AFDC was 79%.

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[5] For example, see the discussion in Wonsik Ko and Robert A. Moffitt, "Take-Up of Social Benefits," *NBER Working Paper 30148*, June 2022.

[6] The comparison of the family cash assistance receipt rate with that of other programs can be found in Suzanne Macartney and Robin Ghertner, *Participation in the U.S. Social Safety Net: Coverage of Low-Income Families*, Office of the Assistance Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, November 2021, https://aspe.hhs.gov/sites/default/files/documents/9e9000cb7b1e4e30c2e616e547ed9bd9/program-eligibility-participation-brief-december-2021.pdf. That report also discusses some of the reasons for the differing receipt rates among programs. The 28% receipt rate for TANF shown in that report is based on the average monthly number of individuals eligible and receiving benefits. It differs from the 26% shown in this report, based on the number of individuals ever eligible and ever receiving benefits during the year.

PRWORA Ends AFDC and Creates TANF

The modern form of family cash assistance has its origins in the early 1900s, with state and locally run *mother's pensions* programs that provided aid to single mothers, usually widows. The Social Security Act of 1935—enacted in the midst of the Great Depression—provided federal funding for state family cash assistance by creating the Aid to Dependent Children (ADC) program, later renamed AFDC. AFDC's stated purpose was to provide aid to mothers of children whose family had lost the support of the father because of death, disability, or absence, so that the mother could stay at home and rear her children.[7] Family cash assistance was seen at the time as a way to keep children in their homes, and an alternative to placing children in institutional foster care.

AFDC provided dedicated federal funding for cash assistance for needy families and was eventually considered an entitlement to individuals who were eligible for benefits under state-determined rules. The entitlement meant that those eligible had a legal right to AFDC benefits, and that procedural due process was required to terminate them.[8] Funding was provided on an open-ended, unlimited basis. That is, the federal government reimbursed states for a share of their expenditures on AFDC family cash assistance without limit.[9]

Support for the original view that single mothers should be permitted to stay home and out of the workforce eroded by the 1960s.[10] AFDC raised concerns that providing assistance without work reduced work effort and led to more children raised outside of married couple families. Research generally found that the pre-PRWORA system of need-tested aid did reduce work, but its impact on family composition was less clear.[11] Research also found that while many AFDC families received benefits for a short period of time (e.g., less than one year), some who received assistance did so for long periods of time.[12]

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[7] President Franklin Delano Roosevelt's Committee on Economic Security, which proposed the original social security bill, said:

> The very phrases "mothers' aid" and "mothers' pensions" place an emphasis equivalent to misconstruction of the intention of these laws. These are not primarily aids to mothers but defense measures for children. They are designed to release from the wage-earning role the person whose natural function is to give her children the physical and affectionate guardianship necessary not alone to keep them from falling into social misfortune, but more affirmatively to rear them into citizens capable of contributing to society.

Report of the Committee on Economic Security to the President, transmitted to the President on January 15, 1935.

[8] This was the holding of the U.S. Supreme Court in *Goldberg v. Kelly*, 62 U.S. (1970). The Court held that a pre-termination evidentiary hearing was required before benefits could be terminated.

[9] Prior to the enactment of PRWORA, states were reimbursed at the Medicaid matching rate (or Federal Medical Assistance Percentage [FMAP]) for AFDC family cash assistance expenditures. Before the enactment of Medicaid in 1965, and prior to state implementation of Medicaid, there was no overall cap on expenditures but states were reimbursed at a rate for each family receiving assistance; thus, there was a per-family cap on federal funding for AFDC cash assistance.

[10] For a discussion of views associated with AFDC, particularly from the 1960s to the early 1990s, see Steven M. Teles, *Whose Welfare?* (Lawrence, KS: University Press of Kansas, 1998).

[11] Robert Moffitt, "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature*, vol. 30 (March 1992), pp. 1-61.

[12] The literature on how long AFDC was received is summarized in CRS Report 94-539 EPW, *Welfare: A Review of Studies About Time Spent on Welfare*, December 16, 1994 (available to congressional clients from the author upon request).

Daniel Patrick Moynihan—a Department of Labor official during the Johnson Administration, an advisor to President Nixon, and later a U.S. Senator—argued that family cash assistance was about *dependence,* as distinguished from poverty.[13] Throughout the four-decade debate, the issue of dependence on assistance was raised and the term was used often—though it was rarely precisely defined. Historically, the number of people and families receiving assistance was viewed as the preeminent indicator of dependence, though mere receipt of benefits might not capture all that is meant or implied by the term.[14]

Proposals to end AFDC and replace it with a new system of family support were debated over four decades from the 1960s to the mid-1990s. A first set of proposals was presented in the 1960s during the first large increase in the number of families receiving AFDC assistance in the late 1960s and into the early 1970s.[15] These proposals were not enacted.

PWRORA was enacted in 1996 following then-candidate Bill Clinton's promise during the 1992 presidential campaign to "end welfare as we know it." That campaign occurred as the number of families receiving AFDC was increasing again, eventually reaching its all-time high in 1994.[16] It was the record number of families receiving AFDC in 1994 that helped set the stage for the 1995 and 1996 debates that led to the enactment of PRWORA.

In creating TANF, PWRORA ended dedicated and open-ended funding for family cash assistance, ended the entitlement of individuals to it, and time-limited family cash assistance from federal funds to 60 months for families with a head of household receiving benefits. The law also revised

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[13] According to Moynihan:

> The issue of welfare is the issue of dependency. It is different from poverty. To be poor is an objective condition; to be dependent, a subjective one as well. That the two circumstances interact is evident enough, and it is no secret that they are frequently combined. Yet a distinction must be made. Being poor is often associated with considerable personal qualities; being dependent rarely so. This is not to say that dependent people are not brave, resourceful, admirable, but simply that their situation is never enviable and rarely admired. It is an incomplete state in life: normal in a child, abnormal in an adult.

Daniel Patrick Moynihan, *The Politics of a Guaranteed Income. The Nixon Administration and the Family Assistance Plan* (New York: Vintage Books, 1972), p. 17. Note that Moynihan goes on to say that if American society valued child rearing as an economic activity, the receipt of welfare might not imply dependency.

[14] U.S. Department of Health and Human Services, *Indicators of Welfare Dependence and Well-Being*, Interim Report to Congress, October 1996, pp. I-2. The Welfare Indicators Act of 1994 (P.L. 103-432) required HHS to develop "indicators of the rate at which and, to the extent feasible, the degree to which, families depend on income from welfare programs and the duration of welfare receipt." The report cited above operationalized dependence as incorporating the degree of reliance on means-tested benefits, the duration of receipt, and the behavior of the recipient.

[15] For the trends in the number of families receiving cash assistance from July 1959 forward, see CRS Report RL32760, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions*.

[16] The first rise in the number of families receiving assistance in the 1960s and early 1970s has been attributed, at least partially, to an increase in the receipt rate among those eligible for AFDC. The estimate of this increase in AFDC receipt rates comes from TRIM3's predecessor, TRIM2. See Patricia Ruggles and Richard C. Michel, *Participation Rates in the Aid to Families with Dependent Children Program: Trends for 1967 through 1984*, Urban Institute, April 1987. The increase in the number of families receiving assistance in the 1988-1994 period was not, in large part, attributed to increases in the AFDC receipt, but to both demographic and economic factors. See Janice Peskin, *Forecasting AFDC Caseloads, With an Emphasis on Economic Factors*, Congressional Budget Office (CBO), CBO Staff Memorandum, July 1993, https://www.cbo.gov/sites/default/files/103rd-congress-1993-1994/reports/1993_07_forecasting.pdf. See also CRS Report 93-7, *Demographic Trends Affecting Aid to Families with Dependent (AFDC) Caseload Growth*, Thomas Gage, December 9, 1992 (available to congressional clients upon request); and Rebecca M. Blank, "What Causes Public Assistance Caseloads to Grow?," *The Journal of Human Resources*, vol. 36, no. 1 (Winter 2001), pp. 96-118.

the rules relating to work and participation in job preparation activities, altering requirements on *states* with respect to work participation, including allowing states to either partially or fully meet their work participation requirement through reducing the number of families receiving assistance (a *caseload reduction credit* against the state's work standard).[17] PRWORA also altered work participation requirements that apply to *individuals*, including allowing states to end benefits entirely to a family (rather than reducing benefits) if an individual in it refused to comply with the requirements.

A statutory goal of TANF is to "end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage."[18] Another of TANF's statutory goals, though, harkened back to the original goal of family cash assistance: "provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives."[19]

Declines in the Receipt Rate Among Individuals Eligible for Family Cash Assistance

The estimates of the number of people *eligible* for family cash assistance are based on those in families

- that meet family composition requirements (i.e., having a child); and
- have their incomes fall below state-specified income eligibility thresholds, and if applicable in their state, have estimated countable assets below a state-specified threshold.[20]

Figure 2 shows the estimated numbers of people eligible for and receiving assistance (left panel), as well as the receipt rate among those eligible (right panel), for each year from 1994 to 2018. The span from 1994 to 2018 covers three periods of economic growth and two recessions. As noted previously, the number of people receiving family cash assistance was at its all-time high in 1994.

The figure shows a general pattern of fluctuation in the number of people eligible for family cash assistance, associated with the differences in the state of the national economy over the years. It also shows an almost continuous decline in the number of people actually receiving benefits. Thus, the receipt rate among those eligible generally declined since 1994.

Particularly notable is the period of recession associated with the 2008 global financial crisis (the Great Recession). The number of people eligible for family cash assistance increased, almost reaching pre-PRWORA levels. The number of people receiving family cash assistance also increased, but that increase was a fraction (about 30%) of the increase in the number of eligible people in this period. In 2009, the number of people eligible for assistance but not receiving it

[17] The TANF caseload reduction credit provides a state with a 1 percentage point reduction of the work standard for each percent decline in families receiving assistance since FY2005 that is not attributable to policy change.

[18] Section 401(a)(2) of the Social Security Act.

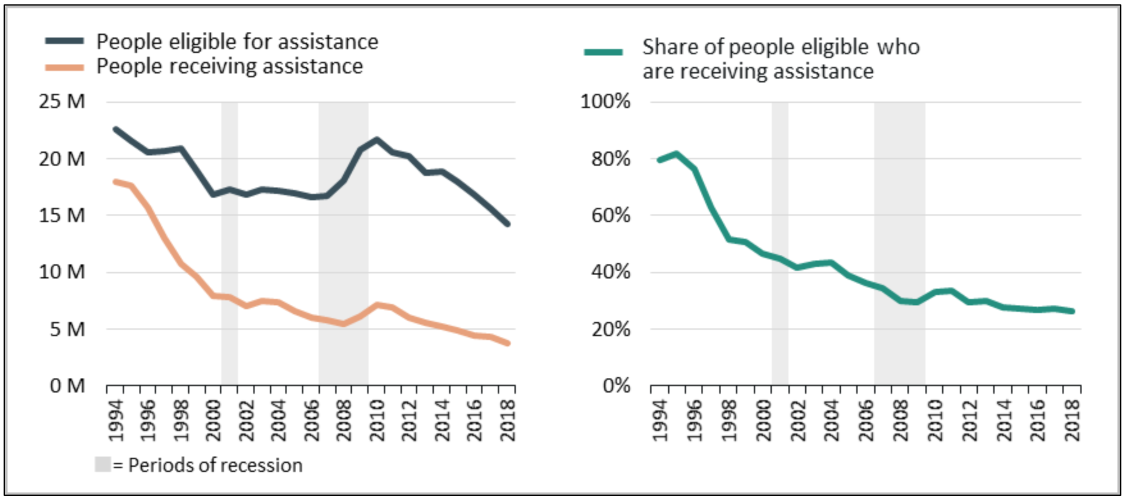
[19] Section 401(a)(1) of the Social Security Act.

[20] Under TANF, the estimate of those eligible includes a downward adjustment for the number of families that exceeded the time limit. It does not, however, make ineligible families that have been sanctioned off the assistance program because of failure to comply with various TANF requirements, including its work and participation requirements Such individuals would be considered eligible in these estimates because they met family compositional and state-determined tests of financial need.

was at its highest level for the 1994-2018 period. In that year, 14.7 million individuals were in families estimated to be eligible for assistance but did not receive it.

During the long period of economic growth that began in 2009, the numbers of people eligible for and receiving assistance declined. The receipt rate also declined during this period, albeit at a slower rate than during the previous economic expansions. By 2018, the receipt rate had fallen to 26%—and the number of people eligible for assistance at some point in the year but not receiving it totaled 10.5 million.[21]

Figure 2. Estimated Numbers of People Eligible For and Receiving Family Cash Assistance, and Receipt Rate: 1994-2018



Source: Congressional Research Service (CRS), based on data from the U.S. Census Bureau's Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS) and the TRIM3 microsimulation model.

Comparable information is not available for the recent period that included the economic effects of the COVID-19 pandemic. However, the number of people receiving cash assistance did not increase during 2020 or 2021.

State Variations in Assistance Receipt Rates Among Eligible Individuals

The only federal eligibility rules for TANF-funded family cash assistance are that there be a child present in the family and that the state apply a test of financial need to the family to qualify it for benefits. Other rules, including the specific test of financial need, are determined by the states.

[21] A study that used similar methods and data as this report used methods to measure the relative contribution of changes in (1) participation; (2) need; and (3) declining benefit levels to the total decline in receipt of family cash assistance. It found that declining participation explained 52% of the total decline in receipt of family cash assistance, with a reduction in need explaining 21% and declining benefit levels explaining 27%. See Zachary Parolin, "Decomposing the Decline of Cash Assistance in the United States, 1993 to 2016," *Demography*, vol. 58, no. 3 (April 21, 2021), pp. 1119-1141.

Earlier research on the decline in cash assistance focused on the relative contribution of the economy versus policy changes. This is summarized in James P. Ziliak, *Temporary Assistance for Needy Families*, University of Kentucky Center for Poverty Research, Research Discussion Paper Series, 119, September 2015, https://uknowledge.uky.edu/ukcpr_papers/119/.

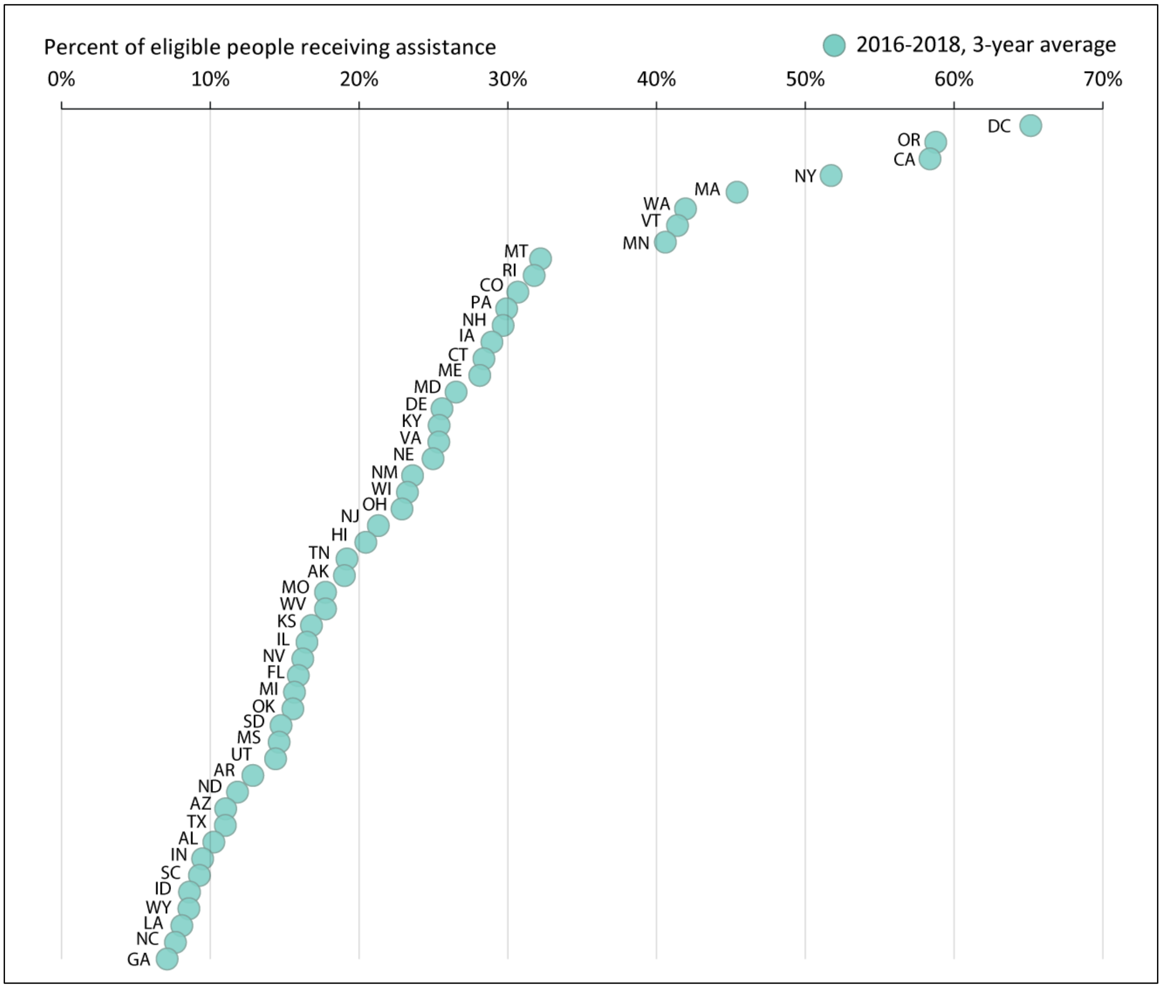
States also set additional conditions for receipt of benefits, such as the work requirements that apply to individuals and the sanctions for failure to comply with them.

Figure 3 shows the receipt rate among those eligible for family cash assistance for the 50 states and District of Columbia. The figure shows states ranked from the highest to the lowest percentage of receipt among eligible individuals. It shows this percentage for the three-year average from 2016 to 2018.

A three-year average is used to provide more reliable estimates of the TANF receipt rate at the state level than is possible with a single year's data. The sampling error associated with these estimates is larger in small population jurisdictions than in states with larger populations even with three years of data. Additionally, some of the simplifying assumptions needed to model eligibility and receipt might affect some states more than others.

The figure shows that the estimated rate of receipt among eligible individuals was over 50% in four jurisdictions: California, the District of Columbia, New York, and Oregon. The estimated rate was below 10% in seven states: Georgia, Idaho, Indiana, Louisiana, North Carolina, South Carolina, and Wyoming.

Figure 3. Estimated TANF Receipt Rates Among Eligible Individuals by State: Three-Year Average, 2016-2018



Source: Congressional Research Service (CRS), based on data from the U.S. Census Bureau's Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS) and the TRIM3 microsimulation model.

Notes: Estimates for larger population states tends to be more reliable than those for the smaller states.

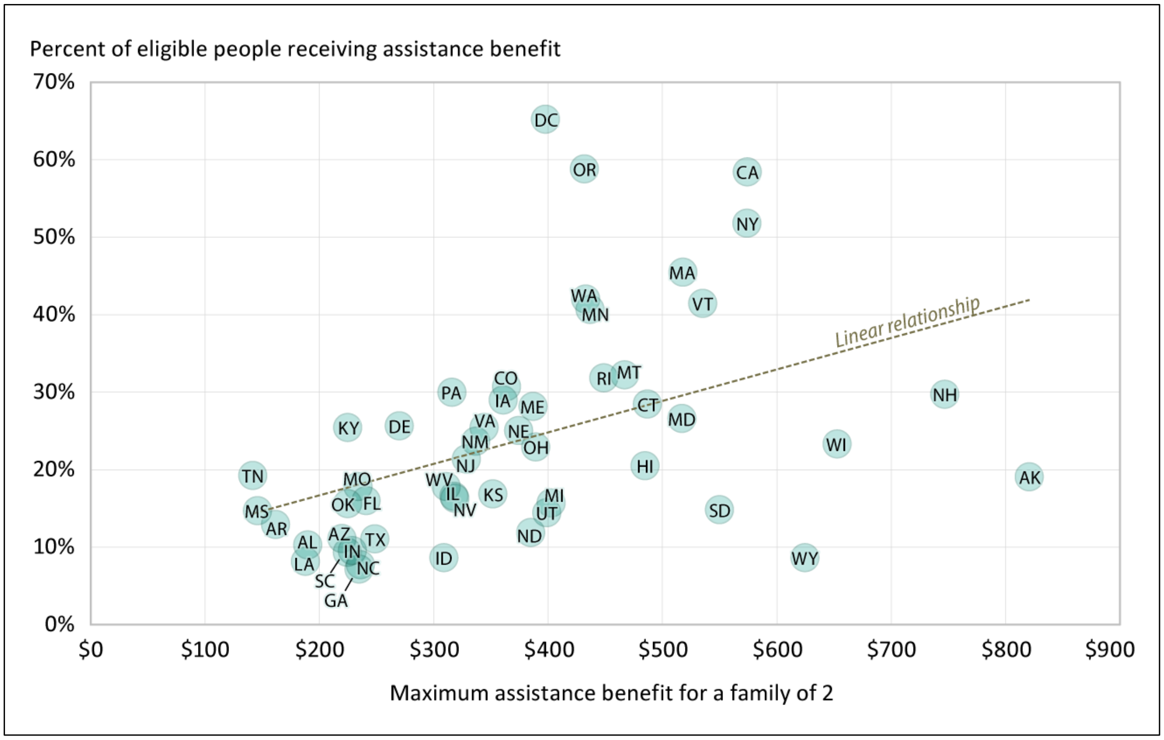
States' Benefit Amounts Influence Assistance Receipt Rates

In addition to determining eligibility thresholds for family cash assistance, states also determine the amount of benefits a family is eligible to receive. The benefit amounts vary by state.

Figure 4 shows the relationship between the estimated receipt rate among people eligible for family cash assistance and the TANF maximum benefit for a family of two. It is based on the three-year average from 2016 to 2018. The dashed line in the figure summarizes the statistical relationship between the receipt rate and maximum benefit. It shows, with a few exceptions, that states with lower maximum benefits tend to have lower receipt rates, and those with higher maximum benefits tend to have higher receipt rates. This suggests that in lower benefit states, families are more likely to consider that the costs of applying for and continuing to receive assistance outweighs the economic benefit of doing so. Conversely, in higher benefit states the higher benefits counter-balance the costs of applying for and receiving benefits. However, at higher benefit amounts there are larger differences among the states in receipt rates. The variation in benefit amounts is associated with some – but not all – of the variation in the rate at which eligible individuals receive benefits.[22]

Figure 4. Relationship Between States' Maximum Benefit Levels and the Rate at Which Eligible Individuals Receive Assistance

Receipt Rates and Maximum Benefits Are Averages for 2016 to 2018



Source: CRS analysis of the U.S. Census Bureau's Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS) and the TRIM3 microsimulation model.

Differences by State in Declining Receipt Rates Among Eligible Individuals

The intent of the 1935 legislation to permit single mothers to stay out of the workforce to raise their children clashed with the reality that many single mothers did work, even at that time. This was particularly true for African-American women.[23] That goal was met with resistance in some states. Multiple states, particularly in the South, adopted policies barring aid to certain families: those with children born out of wedlock and households where a man was present. Some states

[22] The correlation coefficient between the family assistance receipt rate among eligible individuals and the maximum TANF benefit for a family of two is 0.44. Little research has been conducted on the differences across states in the reduction in families receiving assistance compared to the amount conducted on explaining the reduction over time nationally. See Andrea Hetling, Jinwoo Kwon, and Correne Saunders, "The Relationship Between State Welfare Rules and Economic Disconnection among Low-Income Single Mothers," *Social Services Review*, December 2015, pp. 653-685; and Julia Shu-Huah Wang, "State TANF Time Limit and Work Sanction Stringencies and Long-Term Trajectories of Welfare Use, Labor Supply, and Income," *Journal of Family and Economic Issues*, vol. 42 (2021), pp. 650-96.

[23] Claudia Goldin, "Female Labor Force Participation: The Origin of Black and White Differences, 1870 and 1880," *Journal of Economic History*, vol. 37, no. 1 (1977).

also adopted so-called "farm policies," requiring able-bodied mothers and children over a certain (state-defined) age to work in seasonal agricultural employment.[24]

A series of federal administrative, legislative, and U.S. Supreme Court decisions ended some of the state practices that removed families from cash assistance.[25] On the eve of PRWORA's enactment, family cash assistance was generally considered an entitlement to individuals—those persons eligible based on state rules had legal protections of an entitlement to a benefit.

Figure 5 compares the family cash assistance receipt rates among eligible recipients pre- and post-PRWORA by comparing three-year averages for 1994 to 1996 and 2016 to 2018. The receipt rate declined in all jurisdictions. [26]

Before PRWORA, there was variation in the AFDC receipt rates among the states. However, the range of these rates was narrower under AFDC than under TANF. In the three years from 1994 to 1996, estimated receipt rates varied by 33 percentage points between the state with the highest rate and the state with the lowest. This compares with the 2016-2018 range of 58 percentage points between the state with the highest rate and the state with the lowest.

Some states that had relatively high receipt rates among eligible individuals in 1994-1996 experienced some of the largest declines in rates since then. Michigan's receipt rate in 2016-2018 was 77 percentage points lower than it was in 1994-1996. In 1994-1996, it was ranked at the top, with an estimated receipt rate among eligible individuals at 93%. In 2016, it had a receipt rate of 16%, dropping it to the middle of the receipt rate distribution among the states (see **Figure 3**).

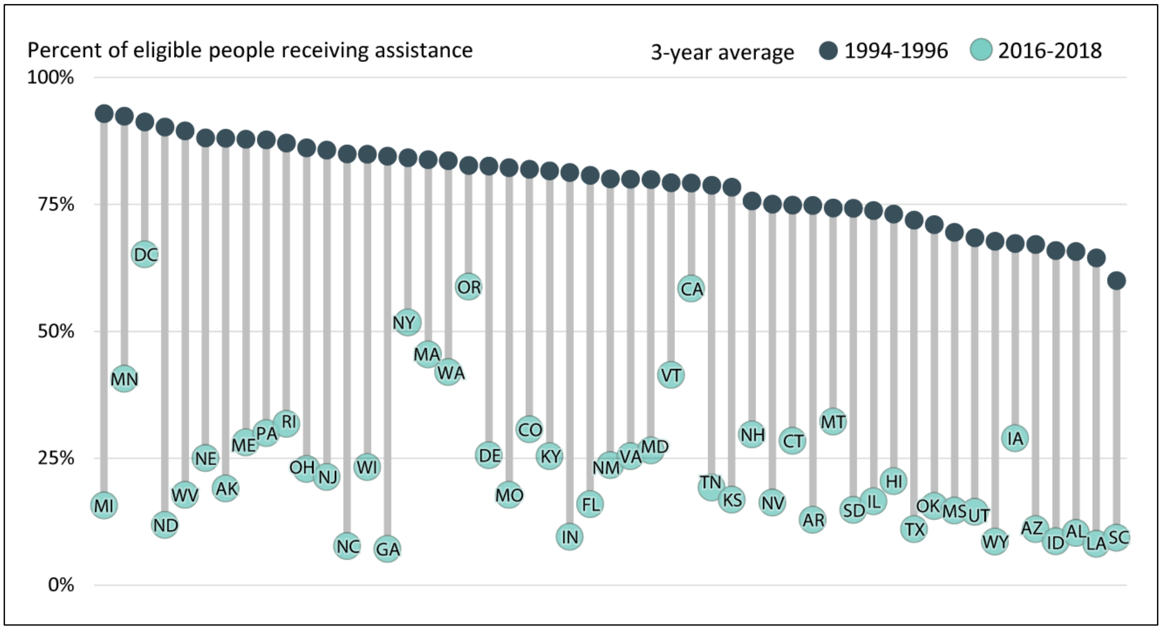
[24] See Winifred Bell, *Aid to Dependent Children* (New York and London: Columbia University Press, 1965) for a discussion of these policies. The book focuses on the "suitable home" requirement that made ineligible for benefits families with children born out-of-wedlock. In terms of the disproportionate impact on African-American families, Bell reports that when Louisiana adopted a "suitable home" requirement barring families with children born out-of-wedlock in 1960, 95% of the children affected were African American. This compares with 66% of all children in families receiving assistance being African-American.

[25] A summary of these changes can be found in Irene Lurie, "Major Changes in the Structure of the AFDC Program Since 1935," *Cornell Law Review*, vol. 59, no. 5 (June 1974).

[26] As discussed in a previous section of this report, three-year averages are used to provide more reliable estimates of receipt rates at the state level than is possible with a single year's data. The sampling error associated with these estimates is larger in small population jurisdictions than in states with larger populations even with three years of data. Additionally, some of the simplifying assumptions needed to model eligibility and receipt might affect some states more than others and more than the national estimates.

Figure 5. Receipt Rates Among Eligible Individuals by State: Three-Year Average for 1994-1996 Compared with 2016-2018

(states ranked in the order of their 1994-1996 receipt rates)



Source: Congressional Research Service (CRS), based on data from the U.S. Census Bureau's Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS) and the TRIM3 microsimulation model.

Policy Implications

TANF policy currently gives states incentives to reduce the number of people receiving assistance, whether or not they improve the financial circumstances of individuals who meet the eligibility criteria for family cash assistance. TANF also affords states the flexibility to act on these incentives.

TANF's incentives to reduce the number of families receiving assistance include the following:

- **The ability to use savings from fewer families receiving assistance to fund a wide range of other activities.** In FY2021, *basic assistance* accounted for 22.6% of all TANF and MOE funds used; this was a decline from 70.7% of AFDC and related spending used for basic assistance in FY1995. Much of the remainder of TANF and MOE funding was spent on a wide range of activities, such as child care, pre-Kindergarten services, and services for families where children are at risk of removal from their homes because of neglect or abuse. These activities also served a broader range of families than did family cash assistance.
- **Permitting states to meet their work requirement through fewer families receiving assistance**. For FY2020, 26 states achieved their main work requirement solely through reducing the number of families receiving assistance.[27] They did not need to engage a single work-eligible member of a

[27] These 26 states had experienced a decline of 50% or more in the number of families receiving assistance, fully reducing the statutory all-family participation standard from 50% to 0%. Note that the 26 states do not include those that achieved the full 50% credit with the help of the *excess MOE* portion of the caseload reduction credit. Under a

> family receiving assistance in either work or job preparation to meet their standard.

Is TANF Meeting Its Goals?

TANF's statute explicitly defines its overall purpose as "increasing state flexibility" to meet four goals. One of the goals is ending dependence on assistance; another is providing assistance so that children may remain in their homes.[28] The tension between these two goals has played out differently in different states, though in all states the number of families receiving assistance and the receipt rate among individuals eligible for TANF was lower in 2018 than in 1994.

The creators of TANF envisioned a reduced role for family cash assistance. As noted above, one of TANF's statutory goals is to "end dependence on government benefits." Additionally, a committee report that is part of TANF's legislative history, supporting the idea that a state could meet its work requirements through fewer people receiving family cash assistance, said:

> This provision, in effect, provides States with the ability, and in fact the incentive, to do away with the concept of measuring participation rates, (which is by and large a "process" measurement), and move toward having their performance based on a true outcome—a reduction in welfare dependency, a goal in which no one can argue.[29]

The decline in the number of families receiving assistance after PRWORA was used repeatedly as an indicator of the success of that law.[30] However, over time, there was an increase in receipt of need-tested aid from programs other than family cash assistance. CRS estimates that in 2017, 57% of children were in families that received some form of need-tested aid (commonly, medical care from Medicaid or the State Children's Health Insurance Program, nutrition assistance from SNAP, or refundable tax credits).[31] Of children receiving benefits, 38 million out of 42 million were in families with an adult worker. The high rate of receipt of need-tested benefits, though not family cash assistance, by families with children raises questions about whether or not the goal of ending dependence on *government* benefits is being achieved. It also points to the vague nature of the term *dependence*, as much of the help received supplements earnings.

Another statutory goal of TANF is to provide assistance to needy families. The legislative history of TANF includes the following statement:

> 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

provision in regulation, states may count as caseload reduction those families who receive assistance funded by state dollars above what states are required to spend under the TANF MOE requirement. Data separating caseload reduction from the excess MOE portion of the credit were obtained by CRS from the U.S. Department of Health and Human Services (HHS).

[28] The third and fourth statutory goals are to prevent and reduce the incidence of out-of-wedlock pregnancies and to encourage the formation and maintenance of two-parent families; §401(a) of the Social Security Act.

[29] U.S. Congress, House Committee on Economic and Educational Opportunities, *Welfare Reform Consolidation Act of 1995*, Report together with Minority and Dissenting Views to Accompany H.R. 999, 104th Cong., 1st sess., March 10, 1995, H.Rept. 104-75, Part I (Washington, DC: GPO, 1995), p. 45.

[30] See, for example, U.S. President (Clinton), "Address Before a Joint Session of the Congress on the State of the Union," *Public Papers of the Presidents of the United States: William J. Clinton, 1990*, p. 112; U.S. President (Clinton), "Address Before a Joint Session of Congress on the State of the Union, January 19,1999," *Public Papers of the Presidents of the United States: William J. Clinton, 1999*, p. 62; and U.S. President (Clinton), "Address Before a Joint Session of the Congress on the State of the Union, January 27, 2000," *Public Papers of the Presidents of the United States: William J. Clinton, 2000*, p. 129.

[31] For more information, see CRS Report R46823, *Need-Tested Benefits: Who Receives Assistance?*

> 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.[32]

However, many people eligible for assistance—in many states, most eligible people—do not receive assistance at all, even on a temporary basis.

The Broader Context Related to Child Poverty

There is a broader context for the diminished role of family cash assistance. In 1994, the child poverty rate, when measured inclusive of taxes and noncash benefits and anchored to a fixed standard of living, was 25%.[33] In 2009, when the gap between the number of people eligible for family cash assistance and those receiving it was at its greatest, the child poverty rate was 16.5%—still below the 1994 rate. In 2018 (the last year for which data are shown in this report), the child poverty rate inclusive of noncash benefits and taxes was 13%—half the 1994 rate. The decline in absolute child poverty may address one potential concern regarding the decline in family cash assistance, though other concerns have also been raised.

The Shift Away from Ongoing Cash Assistance

Both before and after enactment of PRWORA, a series of legislative changes transformed need-tested aid for families with children. These changes expanded benefits mostly for families with children and working adults. Need-tested benefits have a comparatively large role in reducing child poverty relative to other demographic groups, with much of that reduction occurring among families with earnings.[34] The biggest impacts come from noncash benefits (particularly nutrition assistance) and the refundable tax credits. The refundable tax credits—the Earned Income Tax Credit and the Child Tax Credit—are explicitly tied to earnings. Though they are cash benefits, the tax credits are not paid on an ongoing basis during the year; instead, they are received the following year in a lump sum when federal income tax returns are filed.

The 2018 child poverty rate of 13% is based on an income concept that counts—in a manner equivalent to ongoing cash—the refundable tax credits (that would actually be paid in 2019) as well as noncash benefits. These two forms of benefits play different roles in family budgets than ongoing cash benefits. Families have less flexibility in the use of these benefits than they do in the use of ongoing cash income. Because the refundable tax credits are paid in a lump sum once a year, they may not be timed to maintain incomes when needs occur. Noncash benefits such as SNAP might be available to address those needs, but only partially because they can only be used to purchase certain items.

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[32] U.S. Congress, House Committee on Ways and Means, *Welfare Transformation Act of 1995*, Report together with Dissenting Views to accompany H.R. 1157, 104th Cong., 1st sess., March 15, 1195, p. 6.

[33] The child poverty rates in this section use estimates of historical child poverty using the concepts of the Supplemental Poverty Measure (SPM) from Chris Wimer, Liana Fox, Irwin Garfinkel, Neeraj Kaushal, Jennifer Laird, Jaehyun Nam, Laura Nolan, Jessica Pac, and Jane Waldfogel, "Historical Supplemental Poverty Measure Data 1967-2020," Center on Poverty and Social Policy, Columbia University, 2022, https://www.povertycenter.columbia.edu. They use the *anchored* SPM, which bases the poverty thresholds in 2012 and then adjusts them for inflation in prior and subsequent years using the Consumer Price Index Retroactive Series (R-CPI-U-RS). For a discussion of the SPM, see CRS Report R45031, *The Supplemental Poverty Measure: Its Core Concepts, Development, and Use*. While the Official Poverty Measure takes into account several cash benefits, the SPM additionally takes into account a number of tax and noncash benefits.

[34] For more information, see CRS Report R46825, *Need-Tested Benefits: Impact of Assistance on Poverty Experienced by Low-Income Families and Individuals*; and CRS Report R46922, *Need-Tested Benefits: Children and Poverty*.

Responding to Recessions

Typically during economic recessions, income from work falls as unemployment increases. Some programs usually respond to aggregate changes in earnings, as more people become eligible for benefits and receive them. Examples of such programs include unemployment insurance and SNAP.[35] Trends in receipt of family cash assistance have not always tracked economic cycles, even under AFDC, but the caseload rise that occurred from 1989 through 1994 was in part attributable to the 1990-1991 recession.

As noted previously, during the Great Recession there was an increase in the number of people receiving benefits, but that was only a fraction of the increase in the number of people who were eligible for family cash assistance. This led to the peak of 14.7 million people eligible but not receiving benefits in 2009, compared with 6.1 million people receiving family cash assistance at some time during that year. Yet in 2009, the absolute child poverty rate (inclusive of noncash benefits and taxes) was 16.5%—still below the 1994 rate.

Congress and the President responded to the Great Recession with temporary legislative enhancements to existing programs, including changes targeted to the low-income population. Provisions were added to unemployment insurance to give states incentives to expand eligibility for benefits for workers who otherwise would not have been eligible for them.[36] SNAP benefits were increased by 15%.[37] This approach offset, at least partially, the reduced role of TANF assistance in maintaining incomes for families with children. TANF itself was provided extra funding to respond to the recession. A temporary $5 billion fund was established that helped finance the increase in family cash assistance, but it was also used to pay TANF emergency short-term assistance as well as subsidized employment. The substantial ad-hoc legislative response to the economic downturn raises the question of how families with children would fare, given the lower post-PRWORA receipt rates of family cash assistance, should Congress's response to a future economic downturn not include similar temporary legislative changes.

The Federal Interest in Child Economic Well-Being

Family cash assistance originated with state and local programs (although these programs did not serve all families or all single-parent families). Even when federal funding was provided, states retained a great deal of discretion in the design of these programs. The brief history of family cash assistance provided in this report notes how federal actions—administrative actions, legislation, and U.S. Supreme Court decisions—ultimately created a federal entitlement to benefits for eligible families. This was reversed by PRWORA, which ended the individual entitlement to benefits and had an explicit purpose of increasing state flexibility.

PRWORA ushered in an era of greater state differences in family cash assistance than what prevailed in the later years of AFDC. In addition to historical differences in eligibility levels and benefit amounts, and new flexibility in terms of services provided, there was an increase in

[35] For a discussion of automatic stabilizers, see Congressional Budget Office (CBO), *Automatic Stabilizers in the Federal Budget: 2022 to 2032*, October 2022, https://www.cbo.gov/system/files/2022-10/58495-automatic-stabilizers.pdf.

[36] For discussion, see CRS Report R46472, *Comparing the Congressional Response to the Great Recession and the COVID-19-Related Recession: Unemployment Insurance (UI) Provisions*. Note that report also discusses expansions to the unemployment insurance program in response to the recession associated with the COVID-19 pandemic.

[37] For more information, see CRS Report R41374, *Reducing SNAP (Food Stamp) Benefits Provided by the ARRA: P.L. 111-226 and P.L. 111-296*. In response to the recession associated with the COVID-19 pandemic, a similar 15% increase was enacted for SNAP, and SNAP emergency allotments further increased benefits. For more information, see CRS Report R46681, *USDA Nutrition Assistance Programs: Response to the COVID-19 Pandemic*.

differences among states in accessing family cash assistance. In the meantime, as discussed above, federal policy had much to do with an overall decline in child poverty, attributable in part to 100% federally financed SNAP benefits and 100% federally financed refundable tax credits. For families with children, a large share of these benefits redistributed income to parents with low earnings. However, the role of family cash assistance—dealing with earnings loss associated with childbirth, as well as misfortunes associated with loss of earnings to a family through unemployment, the onset of an illness or disability, an earner leaving the family, or an earner never joining the family—is under the control of the states, and how they deal with it varies considerably among them.

Appendix. Methods

The estimates of family cash assistance eligibility in this report are from the TRIM3 microsimulation model based on data from the Census Bureau's ASEC survey. Estimates of the receipt of family cash assistance represent a combination of receipt reported by respondents of the ASEC and estimates from TRIM3. Benefit receipt is under-reported on household surveys, and the TRIM3 estimates impute benefit receipt for additional persons to address that under-reporting. The TRIM3 estimates bring, as closely as possible, the total number of families and individuals receiving family cash assistance up to totals as reported by administrative data. TRIM3 also matches, as closely as possible, the characteristics of those in its estimates to those reported in the administration data.

Estimates in recent years on TANF cash assistance receipt include those from federally funded TANF, state dollars expended to meet the TANF MOE requirement, and solely state funded programs (SSFs). SSFs are state-funded programs with expenditures that are *not* counted toward the TANF MOE, but that serve TANF-related populations. States primarily use SSFs to fund assistance for two-parent families so they do not have to meet the two-parent TANF work participation standard. The estimates on family cash assistance receipt are for assistance under traditional assistance programs and *exclude* those receiving TANF benefits that are technically considered assistance but paid outside the traditional program only to those with earnings.

The estimates are subject to error. Two main categories of errors are modeling error (TRIM3 assigning eligibility or benefit receipt to the wrong people) and sampling error. Sampling error is quantifiable.

The ASEC provides a sufficient sample to make reliable national-level estimates. However, it does not have a big enough sample in all states to make reliable state-level inferences using a single year of data. The Census Bureau recommends pooling three years of data to make state-level estimates; thus, the state-level information uses such pooled three-year data. However, this still produces estimates in smaller population states that have a comparatively larger sampling margin of error than estimates in larger population states (larger population states have larger samples than do smaller population states). **Table A-1** shows the estimated average family assistance receipt rate among eligible individuals for 2016-2018 and the margin of error (at the 90% confidence level) by state. While margins of error based on a comparable methodology are not possible for the 1994-1996 estimates, the pattern (more precise estimates for larger states with larger samples) is likely repeated for them as well.

Table A-1. Estimated Average Family Assistance Receipt Rate Among Eligible Individuals and Sampling Error, by State

Three-Year Average, 2016-2018

State	Estimated Average Family Cash Assistance Receipt Rate Among Eligible Individuals (2016-2018)	Margin of Error (+/- 90% confidence intervals; in percentage points)
Alabama	10.3%	3.4
Alaska	19.1	6.7
Arizona	11.1	5.2

State	Estimated Average Family Cash Assistance Receipt Rate Among Eligible Individuals (2016-2018)	Margin of Error (+/- 90% confidence intervals; in percentage points)
Arkansas	12.9	7.2
California	58.4	2.9
Colorado	30.7	10.8
Connecticut	28.4	10.8
Delaware	25.6	9.0
D.C.	65.2	7.5
Florida	15.9	4.0
Georgia	7.1	4.1
Hawaii	20.5	6.9
Idaho	8.6	4.8
Illinois	16.5	4.8
Indiana	9.5	4.7
Iowa	29.0	8.9
Kansas	16.8	7.8
Kentucky	25.4	8.6
Louisiana	8.1	4.4
Maine	28.1	11.6
Maryland	26.5	8.9
Massachusetts	45.4	8.8
Michigan	15.7	6.1
Minnesota	40.6	11.4
Mississippi	14.7	4.4
Missouri	17.8	7.6
Montana	32.2	8.4
Nebraska	25.0	7.5
Nevada	16.2	5.9
New Hampshire	29.7	11.8
New Jersey	21.3	7.4
New Mexico	23.6	5.8
New York	51.7	5.4
North Carolina	7.7	2.7
North Dakota	11.9	6.2
Ohio	22.9	5.2
Oklahoma	15.6	7.0

State	Estimated Average Family Cash Assistance Receipt Rate Among Eligible Individuals (2016-2018)	Margin of Error (+/- 90% confidence intervals; in percentage points)
Oregon	58.8	9.1
Pennsylvania	30.0	6.5
Rhode Island	31.8	11.9
South Carolina	9.3	3.5
South Dakota	14.8	6.6
Tennessee	19.2	6.0
Texas	11.0	3.0
Utah	14.4	7.3
Vermont	41.4	12.1
Virginia	25.4	8.4
Washington	42.0	7.2
West Virginia	17.8	4.8
Wisconsin	23.3	8.1
Wyoming	8.6	5.8

Source: Congressional Research Service (CRS), based on data from the U.S. Census Bureau's Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS) and the TRIM3 microsimulation model.

Notes: Estimated sampling error computed using the *Jackknife* method using the replicate weights provided by the Census Bureau, adjusted to account for TRIM3 methodologies.

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