Metropolitan Policy Program
The Brookings Institution

"States now spend a majority of Temporary Assistance funds on benefits and services other than cash assistance, and the beneficiaries of these benefits and services include a substantial number of families who do not receive cash assistance."

New Goals and Outcomes for Temporary Assistance:
State Choices in the Decade after Enactment

Margy Waller and Shawn Fremstad

Findings

A review of spending decisions nationwide and in three states—Ohio, Pennsylvania, and Wisconsin—under the Temporary Assistance program since its enactment in 1996 finds that:

- **Nationwide, state officials have evolved from spending most Temporary Assistance funding on cash assistance to spending more on benefits and services to a large number of families who do not receive cash assistance.** In 1997 and 1998, state officials focused on retooling the previous program, and spent considerably less than was available under the federal block grant. From 1999 to 2001, state officials dramatically expanded spending on child care and services under the block grant, and reduced cash assistance expenditures. From 2001 to 2004, state spending on Temporary Assistance stabilized. States spend a substantial portion of the funds on "social services"; however, there is no uniform information available to national policymakers on these services. In 2004, spending on social services accounted for some 24 percent of national Temporary Assistance spending, and exceeded by more than $1.6 billion the amount of funding allocated to child care.

- **Overall spending levels on Temporary Assistance in the three states have diverged in recent years.** All three states built up reserves of unspent funds in the initial years of the program equal to half or more of their annual federal block grant allocation. Between 2001 and 2004, Temporary Assistance expenditures jumped in Pennsylvania, remained relatively stable in Wisconsin, and dropped back to their 1998 levels in Ohio. Meanwhile, Pennsylvania and Wisconsin had spent more than half their initial reserves by the end of 2004, while Ohio's reserve fund continued to grow.

- **All three states spend a majority of Temporary Assistance funds on benefits and services other than cash assistance.** Cash assistance accounted for between a quarter and a third of Temporary Assistance spending in the three states in 2004, far less than in 1998. Wisconsin spends 44 percent of its Temporary Assistance funds on child care, more than double the proportion in Ohio and Pennsylvania, where officials spend almost three out of 10 program dollars on social services.

- **As in the rest of the nation, each of the three states provides Temporary Assistance-funded benefits to a substantial number of low-wage workers who do not receive cash assistance.** For example, in 2001, Wisconsin officials provided more than 56,000 individuals not part of the cash assistance caseload with benefits and services funded by Temporary Assistance, such as child care, job training, and state earned income credit payments. Federal officials do not count these individuals in the program caseload since the policy only requires that state officials report *assistance* recipients.

Because most states now spend a majority of their Temporary Assistance funds on benefits and services other than cash assistance, they must demonstrate to federal policymakers and others that the program promotes more than "welfare to work." To do so, state and local officials should articulate goals and develop new program measures that reflect the reality of funding decisions, and thus promote the long-term viability of the federal block grant program.

Introduction and Methodology

State officials are spending Temporary Assistance funds quite differently from the early years after welfare reform.[1] States now spend a majority of Temporary Assistance funds on benefits and services other than cash assistance, and the beneficiaries of these benefits and services include a substantial number of families who do not receive cash assistance.

These trends have important policy implications. To learn more about these funding allocations and policy decisions, the Brookings Institution Metropolitan Policy Program commissioned reports from respected analysts at nonprofit organizations with expertise in budget and social policy in each of three states: Ohio, Pennsylvania, and Wisconsin.[2] After interviewing state officials, analysts from national and state organizations, and reviewing state demographics for about ten places across the country, Brookings staff choose these three states for an in-depth report because they represent three different models of program administration: Wisconsin delegates some decisions to county and local administrators, Ohio uses a mixed model of state and county administration, and Pennsylvania is a state-administered model.[3] However, in the final analysis, it appears that state level decisions were more influential in all three states for most outcomes.

In this brief, we provide an overview of officials' decisions for allocation of Temporary Assistance funds in 1998, 2001, and 2004 both at the national level and in the three states studied, discussing some of the policy and political implications of state spending of Temporary Assistance funds.

Findings

A. Nationwide, state officials have evolved from spending most Temporary Assistance funding on cash assistance to spending more on benefits and services to a large number of families who do not receive cash assistance.

State officials' spending decisions have evolved in three stages since Congress established the Temporary Assistance block grant in 1996.[4]

Stage One: Implementation

Most state legislatures passed legislation establishing state Temporary Assistance programs in 1997 and then implemented these programs in 1997 and 1998. Their focus in this period was largely on retooling the previous program—Aid to Families with Dependent Children—for compliance with the new federal law that established Temporary Assistance for Needy Families in 1996. During this stage, state officials spent significantly less than their available federal Temporary Assistance funds. At the end of FY 1998, some $6.1 billion in federal Temporary Assistance funds remained unspent.

State officials spent the majority of funds during this period on cash assistance. In FY 1998, they spent 58 percent of Temporary Assistance funds—almost $14 billion—on cash assistance. They used a relatively small amount—about $3.8 billion—to fund child care and other work-related activities. Officials spent about the same amount—$3.9 billion—for social services (including transfers to the Social Services Block Grant and spending categorized as "other").

Stage Two: Shifting from Cash Assistance to Child Care and Social Services

By 1999, federal officials noted that more than $6 billion in Temporary Assistance funds from 1997 and 1998 were unspent. In 1999, Nancy Johnson, chairperson of the House Ways and Means subcommittee with primary jurisdiction over Temporary Assistance, wrote governors urging them to use unspent block grant funds. According to Johnson, "The most surprising thing about the growing… reserves is that there are so many fruitful ways states should be spending this money."[5]

In FY 2000, state officials were still spending about $1 billion dollars below the annual funding level, but this changed quickly. Their spending jumped by $3 billion between FY 2000 and FY 2001. In both FY 2001 and FY 2002, state officials spent just over $18.5 billion in federal block grant funds, while the federal block grant was $16.8 billion for each of those years.

However, state officials did not increase the overall spending by funding additional cash assistance. In fact, spending on cash assistance fell by almost $3.8 billion between 1998 and 2001. Comparing spending in 1998 with spending in 2001 shows that increases were concentrated in three areas:

- Child care—from $2.2 billion in 1998 to $5.35 billion in 2001, a more than $3 billion increase;
- "Work-related activities"—from about $1.6 billion in 1998 to almost $2.7 billion in 2001, a more than $1 billion increase; and
- Social services—from $3.9 billion in 1998 to about $6.3 billion in 2001, a $2.4 billion increase.[6]

Stage Three: Stabilization and Retrenchment:

Unspent Temporary Assistance balances peaked at $7.1 billion in FY 2000. From 2001 through 2004, states drew on these unspent funds to spend in excess of their annual block grant. By 2004, unspent balances had dropped to $3.75 million. HHS has yet to release Temporary Assistance financial data for FY 2005, but we know from other federal sources that FY 2005 spending was only slightly above the annual block grant level.

The amount of Temporary Assistance funds allocated to cash assistance and child care in 2004 differed little from the amounts allocated to these areas in 2001. Spending on social services was about $500 million higher in 2004 than in 2001, while spending on work-related activities fell by almost $500 million.

These trends are striking for both the large increase in spending on social services and the large share of Temporary Assistance funds allocated by officials to this category of spending. In 2004, spending on social services accounted for some 24 percent of Temporary Assistance spending, and exceeded by more than $1.6 billion the amount of funding allocated to child care. Social services spending may fund, among other activities, transfers to the Social Services Block Grant (Title XX), juvenile justice, and child welfare. However, the federal government does not collect information from states on their specific uses of funds classified as social services spending.

B. Overall spending levels on Temporary Assistance in the three states have diverged in recent years.

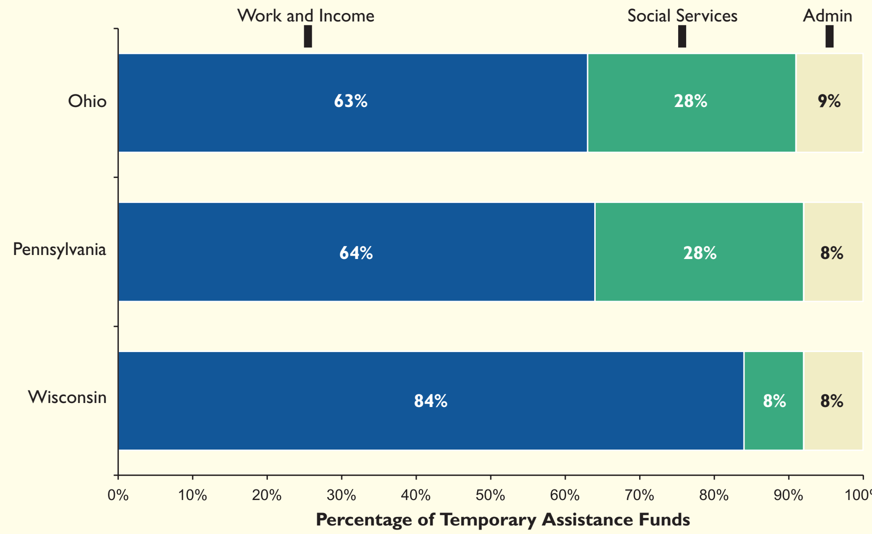
A focus on the three case study states—Ohio, Pennsylvania, and Wisconsin—permits a more nuanced view of how Temporary Assistance programs have evolved since federal welfare reform in 1996. Between 1994 and 2004, the number of families receiving cash assistance declined by more than 50 percent in all three states.[7] Notably, nearly half or more of the decline occurred *prior* to the implementation of Temporary Assistance by the states. This trend was most notable in Wisconsin, where more than 80 percent of the decline between 1994 and 2004 occurred before state officials implemented W-2 statewide in 1997.

In the initial years of Temporary Assistance, officials in the three states did not spend all of the block grant funds in the years they received them. Between 1998 and 2001, total spending increased considerably in both Ohio and Wisconsin. The jump in spending for Ohio in 2001 was due in large part officials' decision to create the Prevention, Retention and Contingency-Development Reserve (PRC-DR), providing large allotments of flexible funding to counties—$100 million in 2000 and $200 million in 2001.

In Pennsylvania, total spending by officials was only slightly higher in 2001 than in 1998. Spending jumped in Pennsylvania between 2001 and 2004, while it fell in Ohio (almost returning to 1998 levels) and remained relatively stable in Wisconsin over the same period.

Officials in the three states built up reserves of unspent federal Temporary Assistance funds in the initial years of the program that were equal to half or more of their annual block grant allocations. Pennsylvania and Wisconsin leaders had spent more than half of their reserves by 2004. In 2004, total expenditures in both states were about 120 percent of the combined amount of the annual block grant and the minimum MOE contribution. Ohio leaders allowed the reserve to grow to $1 billion in 2004.

Figure 1. Allocation of Temporary Assistance Funds by Three Major Categories, Three States, 2004



Source: Analysis of HHS Fiscal Year 2004 TANF Financial Data

C. All three states spend a majority of Temporary Assistance funds on benefits and services other than cash assistance.

Figure 1 shows Temporary Assistance allocations in the three states across three broad programmatic categories: work and income supports, administration, and social services.[8]

- In Ohio, work and income support accounted for about 63 percent of total Temporary Assistance expenditures in 2004; administration accounted for 9 percent of total expenditures.
- In Pennsylvania, work and income support accounted for about 64 percent of Temporary Assistance expenditures in 2004, and administration for 8 percent. Pennsylvania spent more on work and income support in 2004 than in 1998. Spending on work and income support was $879 million in 2004 compared to $648 million in 1998.

- Wisconsin spent a larger proportion of its Temporary Assistance funds—84 percent—on work and income support than the other two states in 2004, and a similar proportion (8 percent) on administration.

Social Services

In Ohio and Pennsylvania, officials spent almost three out of every 10 dollars of Temporary Assistance funding on social services in 2004, somewhat greater than the national average of 24 percent. Leaders in both states spent a greater amount and share of funding on such services in 2004 than they did in 1998. By contrast, Wisconsin officials spent less than one out of every 10 Temporary Assistance dollars on such services in 2004.

Social services spending under Temporary Assistance programs now rivals the amount of Temporary Assistance funds spent on child care in some states. In Pennsylvania, spending in two areas categorized as social services in this report—"other" and social services "previously authorized" under AFDC—actually accounted for a larger share of Temporary Assistance spending in 2004 than spending on child care.[9] Ohio spent approximately the same amount in 2004 on these same two general social services categories as it did on child care. Wisconsin officials, however, spent considerably more on child care than on these other activities.

Cash Assistance

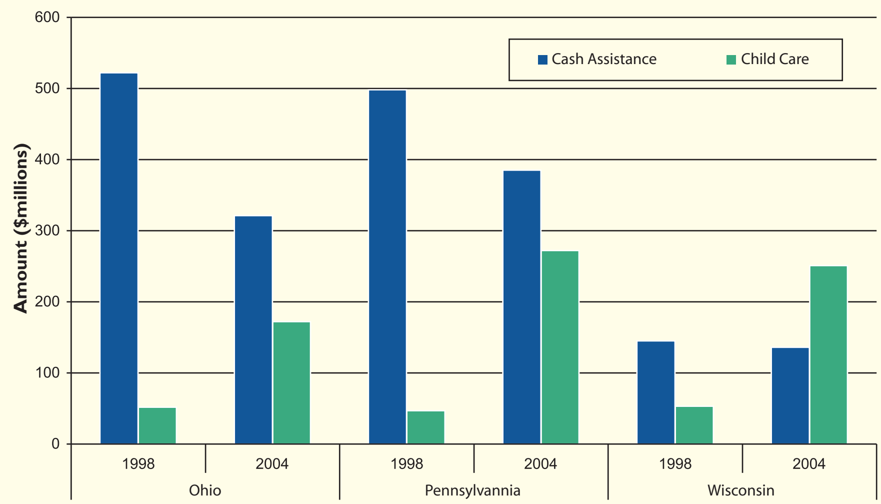
In all three states, expenditures on cash assistance accounted for between one-quarter and slightly more than one-third of Temporary Assistance spending in 2004. Leaders in the three states spent less on cash assistance in 2004 than in 1998, despite a weaker economy and increases in the number of children living in poverty (Figure 2).[10]

- In Ohio, expenditures on cash assistance declined from $522 million in 1998 to $321 million in 2004, a 39 percent decline before adjusting for inflation. In 2004, expenditures on cash assistance accounted for 35 percent of total Temporary Assistance expenditures.
- In Pennsylvania, expenditures on cash assistance declined from $498 million in 1998 to $385 million in 2004, a 23 percent decline. In 2004, expenditures on cash assistance accounted for 28 percent of total Temporary Assistance expenditures
- In Wisconsin, expenditures on cash assistance declined from $145 million in 1998 to $136 million in 2004, a 7 percent decline. In 2004, expenditures on cash assistance accounted for 24 percent of total Temporary Assistance expenditures.

In Ohio and Pennsylvania, officials allocated about 20 percent of Temporary Assistance expenditures in 2004 to child care; in Wisconsin, the share was much higher at 44 percent of total expenditures. In all three states, officials' Temporary Assistance expenditures on child care in 2004 were more than twice the level of such spending in 1998 (Figure 2).

- In Ohio, officials increased expenditures on child care from $52 million in 1998 to $172 million in 2004, a 231 percent increase. In 2004, officials' expenditures on child care accounted for 19 percent of total Temporary Assistance spending. About 90,000 Ohio children received child care assistance in April 2004.
- In Pennsylvania, officials increased expenditures on child care from $47 million in 1998 to $272 million in 2004, a 484 percent increase. In 2004, officials' expenditures on child care accounted for 20 percent of total Temporary Assistance expenditures. About 102,000 Pennsylvania children received child care assistance in 2004–2005.
- In Wisconsin, officials increased expenditures on child care from $53 million in 1998 to $251 million in 2004, a 375 percent

Figure 2. Trends in Use of Temporary Assistance Funds for Cash Assistance and Child Care in Three States, 1998 to 2004



Source: Analysis of HHS Fiscal Year 2004 TANF Financial Data increase. In 2004, officials' expenditures on child care accounted for 44 percent of total Temporary Assistance expenditures. About 52,000 Ohio children received child care assistance in state fiscal year 2005.

Officials' expenditures on "work-related activities"—including employment services and education and training—accounted for relatively modest shares of spending in the three states. In 2004, Ohio officials spent 7 percent of Temporary Assistance funds on such activities, Pennsylvania leaders spent 13 percent, and Wisconsin officials spent 6 percent.

D. As in the rest of the nation, each of the three states provides Temporary Assistance-funded benefits to a substantial number of low-wage workers who do not receive cash assistance.

In all three states and nationally the number of people who receive cash assistance through Temporary Assistance has declined by more than 50 percent over the last decade. However, this does not mean that the number of people receiving services funded by Temporary Assistance has declined by this magnitude. Many people who do not receive cash assistance receive other benefits or services funded through Temporary Assistance. These individuals are not reflected in the Temporary Assistance "caseload" numbers reported by states and the federal government. Federal officials require that state administrators report caseload numbers that include *only* people who receive cash assistance through Temporary Assistance.

All three study states use Temporary Assistance funds to provide benefits and services to families who do not necessarily receive cash assistance. For example, all three states use Temporary Assistance funds to provide child care assistance that is not linked to cash assistance receipt. Wisconsin also uses a portion of its funds to support its refundable state earned income tax credit (EITC).

In a 2002 report, the Government Accountability Office (GAO) estimated that the official Temporary Assistance caseload figures undercounted the number of people who receive benefits and services funded fully or in part through Temporary Assistance programs by at least 46 percent in FY 2000.[11] GAO researchers developed the estimate with a survey of 25 states including Ohio, Pennsylvania, and Wisconsin. Because of data limitations in nearly all of the states, GAO limited its survey to only one Temporary Assistance-funded program, typically child care, in 23 of the 25 states surveyed. As a result, even GAO's count clearly understates the number of families receiving services in Temporary Assistance-funded programs.

GAO officials reported the number of low-income families who did not receive cash assistance, but who received child care assistance through programs funded fully or in part (at least 30 percent) with Temporary Assistance funds was equal to:

- 50 percent of the number of families receiving cash assistance in Ohio;
- 34 percent of the number of families receiving cash assistance in Pennsylvania; and
- 97 percent of the number of families receiving cash assistance in Wisconsin.

More complete data available from Wisconsin suggests that the number of "uncounted" families receiving Temporary Assistance funded benefits and services is even higher than the GAO estimate. GAO researchers determined that only two of the 25 states were able to provide unduplicated counts of participants across more than one Temporary Assistance-funded program. Wisconsin is one of these states and researchers found that about 43,000 individuals received Temporary Assistance-funded cash assistance in an average month in the fall of 2001. At the same time, state officials pro-

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vided more than 56,000 additional individuals with services funded by Temporary Assistance, but not counted in the officially reported caseload, based on federal requirements.[12] Even this number (56,000) underestimates the total because it does not include all of the families who receive services funded fully or in part with Temporary Assistance funds, including families who receive the state's earned income tax credit.

Discussion and Policy Implications

Analysts and policymakers sometimes describe Temporary Assistance as a "welfare" or "welfare-to-work" block grant. But officials' spending decisions in all three states reflect a much different reality; they have decided to fund a variety of benefits and services, and the beneficiaries include a substantial number of low-wage workers who do not receive cash assistance. Both nationally and in the three study states, state officials:

- Spend a majority of Temporary Assistance funds on benefits and services other than cash assistance.
- Provide Temporary Assistance-funded benefits and services to a substantial number of low-wage workers who do not receive cash assistance.
- Spend a substantial portion of Temporary Assistance funds on social services.

These trends have important implications for the political sustainability of Temporary Assistance block grant funds. Scholars and government analysts studying the implementation and funding of block grants find that: (1) over time, Congress added restrictions and requirements to the block grants; (2) as state officials blended federal block grant funds with state money, block grants lost their federal identity and support from federal officials; and (3) funding for social services block grants did not keep pace with general inflation, resulting in a loss of purchasing power over time.[13]

If policymakers perceive Temporary Assistance to be little more than a funding stream for state officials to use to pay for a diffuse array of social services, it will lose support from federal officials over time. To some extent, this is already happening. If Temporary Assistance had been adjusted annually for inflation, states would have received almost 30 percent more in funds this year.

Temporary Assistance may fare no better if officials view it solely as a "welfare to work" program for non-working recipients of cash assistance with little connection to the labor market. Some 25 to 35 percent of adults receiving Temporary Assistance are employed, and approximately 4 out of every 5 adults receiving Temporary Assistance have worked more than half their adult lives.[14] Yet, much of the rhetoric that accompanies policy debates about Temporary Assistance is still framed in ways that imply adults receiving Temporary Assistance are somehow distinct from the "working poor."[15]

State and local officials must establish clear goals and performance measures for Temporary Assistance. They must do so in order to avoid the pitfalls that have befallen other block grants. State and local officials, advocates, and others should work to clarify the goals of Temporary Assistance as a work- and advancement-support program designed to help make the economy work better for low-wage workers, rather than a more limited "welfare to work" program.

State and local officials will implement changes in the federal block grant imposed as part of the reauthorization of Temporary Assistance. As they make these choices and refine them in years to come, policymakers should:

1. Collect and publicly report accurate state-level data on the number of individuals who receive Temporary Assistance-funded benefits and services, and how these benefits and services relate to core objectives of the program.

It is particularly important for state officials to do a better job of explaining how the use of Temporary Assistance funds for social services relates to the core objectives of Temporary Assistance. As an example, in both Ohio and Pennsylvania, officials reported spending about three out of every ten Temporary Assistance block grant dollars in 2004 on "other nonassistance" and "activities previously authorized under federal law."

It is in state officials' interest to report the total number of individuals served with Temporary Assistance block grant funds, and to show that state and local policymakers funding decisions' are consistent with key objectives for the federal block grant. Congressional support for the Temporary Assistance block grant is likely to decline over time without access to these data. Federal officials find that "continued congressional support for block-granted programs has historically rested on sufficient information and assurances that the funds are being well managed and used to support national objectives."[16]

To ensure that national decision-makers have necessary data, federal officials, in consultation with state and local officials, should develop enhanced uniform information requirements that apply to all states. These requirements would make it possible for policymakers at all levels of government to "aggregate states' experiences and speak from a national perspective" on the activities funded through Temporary Assistance.[17] State and local officials should promote a system for tracking all Temporary Assistance spending in order to assess the relationship between state and national objectives.

2. Develop state-level objectives for Temporary Assistance that are used to set priorities for the use of Temporary Assistance funds, and that place a much greater emphasis on "making work pay" and on helping low-wage workers obtain education and training for advancement in the local economy.

States should develop long-term strategic plans for Temporary Assistance that set out a limited set of state-level objectives that are measurable and that help establish a coherent "identity" for the program. In our view, these objectives and plans should focus on the role of Temporary Assistance as a work- and advancement-support program that is designed to help make the economy work better for low-wage workers. Such plans could include measurable performance goals and objectives in the areas of placement into "good jobs," earnings progression, skills/educational attainment, and the extension of income supplements, and other work supports to eligible low-wage workers.

The recent enactment of federal legislation that reauthorizes Temporary Assistance and requires most states to increase the number of parents receiving cash assistance who have jobs or are in training provides an impetus for states to reprioritize the use of funds in ways that not only meet these higher participation requirements but also promote better long-term outcomes for low-wage workers.[18]

Since the vast majority of Temporary Assistance parents have considerable low-wage work experience, officials should emphasize advancement by extending education and training opportunities to parents. In February 2006, HHS Secretary Mike Leavitt urged states to "go the next step and help [parents] climb the job ladder by creating more opportunities [in TANF] for education and job training."[19] State officials should heed Secretary Leavitt's strong "signal" to expand education and training opportunities.

At the federal level, serious consideration should be given to the proposal of the American Public Human Services Association (APHSA) to give states the option to replace the current Temporary Assistance block grant work participation rate structure with results-based accountability measures. According to APHSA: "This option would replace process measures such as participation rates and prescriptive hours and work activities. Measuring job placement, job retention, and earnings progression reflects standards established under the high-performance bonus and also simplifies state coordination efforts between their Temporary Assistance and WIA programs, which incorporate similar measures."[20]

3. Establish that cash assistance provided through Temporary Assistance as a work support has more in common with the Earned Income Tax Credit and unemployment compensation than it does with "welfare."

The recent reauthorization debate illustrates how cash assistance provided through Temporary Assistance is still largely viewed as a form of "welfare" for destitute individuals who have little connection to the world of work. Other forms of cash assistance, including the Earned Income Tax Credit and unemployment compensation, are generally not thought of as welfare in large part because the beneficiaries of these forms of cash assistance are viewed as workers.

Cash assistance provided through Temporary Assistance should be viewed in much the same light: as a work support for low-wage workers. A substantial portion of cash assistance now goes to employed families earning low wages, rather than unemployed and destitute families. According to HHS data, between 25 and 34 percent of adults receiving cash assistance through Temporary Assistance are employed.[21] For these adults, Temporary Assistance cash assistance has

"Cash assistance provided through Temporary Assistance should be viewed as a work support for low-wage workers."

more in common with the Earned Income Tax Credit (EITC) than it does with either traditional welfare or even unemployment compensation.

Moreover, most individuals who receive cash assistance through Temporary Assistance in a typical month live in families that include adults who are either working during that month, or are working at some point during the year. According to HHS data, on an average monthly basis, 60 percent of individuals (children and adults) who received cash assistance in 2002 lived in a family with at least one person in the labor force (not necessarily an adult receiving assistance). And some 34 percent of the individuals who received cash assistance lived in a family with a *full-time* worker.[22] In other words, in a typical month in 2004, one-third of individuals who received cash assistance lived in a family that included someone working full-time.

While many families who receive cash assistance are unemployed at the time they receive it, this does not mean that they have little or no connection to the labor market. A recent HHS study of cash assistance recipients in six states find that nearly 4 in 5 have worked at least half their adult years.[23] Moreover, the most recent data on "spells" of receipt of cash assistance—from the late 1990s—show that nearly half of such spells lasted four months or less, and three-fourths lasted one year or less. For the vast majority of families, Temporary Assistance is, in fact, temporary.

Conclusion

State and local officials have established Temporary Assistance as a different program "on the ground" than most observers predicted. State officials now spend a majority of Temporary Assistance funds on benefits and services other than cash assistance, and the beneficiaries include a substantial number of low-wage workers who do not receive cash assistance. The challenge facing officials is two-fold. First, demonstrate to federal policymakers and others that the program is more than a "welfare to work" program. Second, highlight the positive identity of Temporary Assistance with new goals and performance measures that reflect the reality of funding decisions in order to attract the political support needed for long-term stability.

Endnotes

1. As used in this policy brief, the term "Temporary Assistance funds" includes state and federal funds spent as part of the Temporary Assistance for Needy Families (TANF) program—the federal funds are the block grant funds made available to states and the state funds are the "maintenance-of-effort" expenditures that states are required to spend to receive the federal funds.

2. These reports are published as Metropolitan Policy Program discussion papers, available at **www.brookings.edu/metro**.

3. At the time of the research, the three state organizations were part of the State Fiscal Analysis Initiative, see **www.cbpp.org/sfai.htm**

4. The data presented in this section are based on the authors' analysis of TANF financial data reported to HHS by states. The underlying data are available on the internet at: **www.acf.hhs.gov/programs/ofs/data/index.html**

5. A copy of the letter is available at **www.fiscalpolicy.org/johnson99.htm**.

6. As used in this brief, "social services" includes transfers to the Social Services Block Grant, as well as spending on social services and child-welfare activities that were "previously authorized" under the previous law, Aid to Families for Dependent Children (AFDC), and spending categorized as "other" under the 1996 law.

7. The data presented in this section are based on the authors' analysis of TANF financial data reported to HHS by states and on spreadsheets prepared by Zoë Neuberger and Bradley Hardy of the Center on Budget and Policy Priorities that consolidate federal TANF spending data and state MOE spending data (on the HHS website, federal TANF spending data and state MOE spending data are provided in separate spreadsheets). We recommend that HHS make such consolidated spending data—a single spreadsheet for each fiscal year that provides total federal TANF plus MOE spending by category—available to the public on the department website. Providing data to the public in this form would increase the transparency of spending decisions made by states under the Temporary Assistance program.

8. Work and income support includes cash assistance, child care, work-related activities, tax credits, and transportation and other work support services. Administration includes state and local administration and spending on computer systems. Other social services includes spending transfers to the Social Services Block Grant, juvenile justice activities, child welfare activities authorized under AFDC, and activities identified by state officials simply as "other."

9. Social services that were "previously authorized" under AFDC include juvenile justice-related and child-welfare related activities. This spending is not necessarily consistent with the purposes of Temporary Assistance, but is allowable because of an exception in the law.

10. Nationally, employment rates of single mothers fell by 3.2 percentage points between 2000 and 2003, a larger decline than among other parents or the population overall. See Arloc Sherman and Shawn Fremstad, "Employment Rates for Single Mothers Fell Substantially During Recent Period of Labor Market Weakness" (Washington: Center on Budget and Policy Priorities, 2004). In a forthcoming paper, Sherman and Fremstad show that the decline in employment was accompanied by a rise in child poverty and a continued decline in the number of families receiving Temporary Assistance. Shawn Fremstad and Arloc Sherman, "Poor Relief: Despite Increased Poverty, Fewer Poor Families are Receiving are Receiving TANF Income Supplements" (Washington: Center on Budget and Policy Priorities, forthcoming 2006).

11. "Welfare Reform: States Provide TANF-Funded Work Support Services to Many Low-Income Families Who Do Not Receive Cash Assistance." GAO-02-615T (Washington, 2002).

12. According to additional data obtained from GAO, this unduplicated count of individuals receiving services in programs funded with Temporary Assistance, but not counted in the Temporary Assistance caseload, included: 41,779 individuals receiving child care; and 14,536 individuals participating in one of three programs that provide employment and other services to various populations: Children First (an employment program operated in conjunction with the court system for non-custodial parents who have failed to make child support payments); W-2 Case Management-Only (W-2 employment and case management services for families not receiving cash assistance); and the Wisconsin Workforce Attachment and Advancement program (an employment program for low-income families, including non-custodial parents, with incomes below 200 percent of poverty). Shawn Fremstad and Zoe Neuberger, "TANF's 'Uncounted' Cases: More than One Million Working Families Receiving TANF-Funded Services Not Counted in TANF Caseload" (Washington: Center on Budget and Policy Priorities, 2002).

13. See Margy Waller, "Block Grants: Flexibility vs. Stability in Social Services" (Washington: Brookings Institution, 2005).

14. We discuss these figures further and provide sources for them below.

15. For example, the administration stated in 2002 that, "…almost 1 million of the 1.6 million adults presently on TANF are not engaged in any activity leading toward self-sufficiency…." and went on to say that these families cannot be "left behind." White House, "Working Toward Independence" (2002), available at **www.whitehouse.gov/news/releases/2002/02/welfare-book-04.html** [July 2006]. This statement is problematic for at least two reasons. First, as a point-in-time measure of the number of families engaged in "any activity leading toward self-sufficiency," the assertion that almost 1 million are not engaged in any activity is not supported by the evidence. According to a survey of states conducted by the National Governor's Association (NGA) and the American Public Human Services Association (APHSA), an average of about 60 percent of adult Temporary Assistance beneficiaries were working or doing some other required activity, such as job training, each month in 2002. See American Public Human Services Association and National Governors Association, "Welfare Reform Reauthorization: State Impact of Proposed Changes in Work Requirements, April 2002 Survey Results," available at **http://inclusionist.org/files/NGA.pdf** [July 2006]. This would imply that the Administration overestimated the number of adults who were not engaged in any activities by some 400,000. Second, short "spells" of receipt of Temporary Assistance account for about half of all Temporary Assistance spells. Department of Health and Human Services, "Indicators of Welfare Dependence: Annual Report to Congress, 2004," pp.

II-28. For these families, many of whom likely rely on Temporary Assistance during brief periods of unemployment, it is not clear that not being engaged in a program activity is an indication that they have been "left behind."

16. "Block Grants: Issues in Designing Accountability Provisions." GAO Report to Chairman, Committee on Finance (Washington, 1995), available at **www.gao.gov/archive/1995/ai95226.pdf** [July 2006]; see also Waller, "Block Grants: Flexibility vs. Stability in Social Services."

17. "Welfare Reform: Data Available to Assess TANF's Progress." GAO-01-298 (Washington, 2001), available at **www.gao.gov/new.items/d01298.pdf** [July 2006].

18. For recommendations on how states can meet higher TANF participation rates, see Shawn Fremstad and Jason Walsh, "Taking the High Road: How States Should Meet TANF's New Participation Standards" (Washington: The Workforce Alliance, 2006), available at **www.workforcealliance.org**; and Shawn Fremstad, Rachel Gragg, and Margy Waller, "Initial Thoughts on State-Level Implementation of TANF" (Washington: Center for Community Change, 2006), available at **http://inclusionist.org/files/TANF%20state%20implementation-1-9-06.pdf** [July 2006].

19. "Welfare Reform Reauthorized." Department of Health and Human Services News Release, February 8, 2006, available at **www.hhs.gov/news/press/2006pres/20060208.html** [July 2006]. Similarly, Doug Besharov of the conservative American Enterprise Institute has noted, "few states have made a concerted effort to involve [mothers with poor education or low skills] in activities that build human capital and specific job skills." Douglas Besharov and Peter Germanis, "Toughening TANF: How Much? And How Attainable?" (College Park, MD: University of Maryland Welfare Reform Academy, 2004), page 43, available at **www.welfareacademy.org/pubs/welfare/toughening_tanf.pdf** [July 2006].

20. American Public Human Services Association, *Crossroads II: New Directions in Social Policy* (Washington, 2005).

21. According to official TANF "participation rate" calculations, about 26 percent of adult TANF beneficiaries were working in 2003. However, HHS officials have recently suggested the participation rate data may not capture the full extent of work among TANF beneficiaries. Alternative data from the National Directory of New Hires suggest that the actual share of working adult beneficiaries may be as high as 35 percent. See Testimony of Wade F. Horn, Assistant Secretary for Children and Families, U.S. Department of Health and Human Services, Subcommittee on Human Resources of the House Committee on Ways and Means, July 14, 2004.

22. *Indicators of Welfare Dependence: Annual Report to Congress* (Department of Health and Human Services, 2005), Figure IND 2.

23. Susan Hauan and Sarah Douglas, *Potential Employment Liabilities Among TANF Recipients: A Synthesis of Data from Six State TANF Caseload Studies* (Department of Health and Human Services, 2004).

Acknowledgments

The Brookings Institution Metropolitan Policy Program would like to thank the Joyce Foundation for its support of the program's research and policy analysis on the place-based nature of temporary assistance and low-wage work policy. The authors would also like to thank Zoe Neuberger and Bradley Hardy of the Center on Budget and Policy Priorities for their help with TANF financial data analysis and Alan Berube of Brookings for his helpful comments. Finally, they wish to recognize the important input of numerous organizations, individuals, and officials in Ohio, Pennsylvania, and Wisconsin, and thank particularly the authors of the state papers, John Corlett, Anne Mentzer, Jon Peacock, and Richard Weishaupt, for their scholarship and commitment to this project.

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