Testimony of

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The Role of TANF as a Safety Net

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Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to discuss the Temporary Assistance for Needy Families (TANF) program and its role as part of the nation's safety net. I would like to take this opportunity to express my thanks to you, Mr. Chairman, for your leadership and to the Subcommittee for its efforts to strengthen programs serving low-income families.

It is fitting that my first hearing as Assistant Secretary for Children and Families be before your Subcommittee since you have shown such commitment to helping families in poverty, including support for the significant changes made to our programs by the American Recovery and Reinvestment Act of 2009 (Recovery Act). One of my highest priorities is to support low-income families in achieving economic success so that they can be full participants in, and contributing members of, our society. We work hard to assist these families in reaching economic self-sufficiency when the economy is strong and our work becomes even more difficult in times like these when the economy has faltered. I appreciate you holding this hearing today.

A number of programs under the Administration for Children and Families play a vital role in the American safety net, including the Temporary Assistance for Needy Families (TANF) program, child care, child support enforcement and child welfare. My testimony today will primarily focus on the TANF program and the impact it has had in helping low-income families and also more specifically on the Recovery Act provisions that are playing a major role in reinforcing the program. We are witnessing dramatic results from these provisions – the added funds for basic assistance and emergency and short-term needs have helped many struggling families make ends meet and, at the same time, States are using these funds to develop innovative subsidized employment programs that are giving thousands of out of work parents what they most want and need – a job. Unfortunately, unemployment remains high and the need for subsidized jobs as well as assistance to families remains high. Thus, the President's budget calls for a one year extension of the TANF Emergency Fund to ensure that States have the resources they need to continue to create jobs for struggling parents and provide a critical safety net for families as the economy begins to recover.

I want to thank the Chairman for introducing H.R. 4564 which provides a one year extension of the Emergency Fund and also makes some important improvements to the Fund based on the experience of the past year. This extension will provide a powerful tool for States to create jobs and reduce hardship until the economy is back on its feet.

I also would like to take this opportunity to discuss child care and child support, since they are key partners with TANF in supporting low-income families achieve, and maintain, economic success.

Temporary Assistance for Needy Families Program Background

The TANF program is one of the nation's primary safety net programs for low income families with children. Under this $16.5 billion block grant program, States have broad flexibility to design programs that promote work, personal responsibility and self-sufficiency, and strengthen families. Within certain Federal requirements, States can determine their own eligibility criteria, benefit levels, and the type of services and benefits available to TANF recipients.

The TANF program was intended to help families attain self-sufficiency. And, much progress has been made, particularly in the early years of implementation when child poverty fell and employment among single mothers rose. However, no single indicator can answer every question about effectiveness of the TANF program. For example, caseload decline is positive if it is accompanied by declines in poverty and increases in employment, but caseload decline that is accompanied by rising child poverty would not be a mark of success. Similarly, we are not only interested in reducing poverty, but in increasing employment among those able to work. Thus, I’d like to take a minute to describe the strengths and limitations of the TANF program to date and share with you some thoughts on how I think States and the Federal government can work together to improve outcomes for families – a goal I know we all share.

Between 1993 and 2000, the child poverty rate declined from 22.7 percent to 16.2 percent; the employment rate of single mothers rose from 58 percent to 73 percent and for single mothers with children under age three the employment rate increased from 36 percent to 60 percent; and TANF caseloads declined from about 5 million families to about 2.3 million families – a drop of 54 percent. What we witnessed during this period was welfare reform, aided by a strong economy, Earned Income Tax Credit expansions, expanded child care assistance, improved child support enforcement efforts, expanded health care coverage, and minimum wage increases, assisting families in their quest for self-sufficiency. This is not to say everything was perfect in these early years. But these indicators were moving in tandem and in a positive direction.

Unfortunately, since 2000 these positive trends have not been sustained. By 2008, and well before the recession had fully impacted the economy, the child poverty rate had risen to 19 percent and the employment rate of single mothers had dropped to 69 percent. However, the TANF caseload continued to fall to a 40-year low of 1.7 million cases.

Of concern, between 1995 and 2006, the percentage of poor children receiving assistance fell from 61.5 percent to 27 percent. The percentage of families that met the eligibility criteria for TANF assistance in their State and actually received that assistance fell from 84 percent to 40 percent between 1995 and 2005. The percentage of poor single mothers that did not work and did not receive assistance increased from 16 percent in 1995 to 35 percent in 2008. Well over half of the decline in the caseload since 1995 is due to a reduction in the proportion of poor families receiving assistance rather than a drop in the number of poor families with children.

Despite increased unemployment and economic hardship driven by the recession, the number of families receiving assistance has only risen slightly to 1.8 million cases by September 2009. The situation varies substantially by State, however. Some States have seen significant caseload increases in the past year, while others have seen virtually no caseload growth or continued caseload declines. The pattern suggests that more than the economy is at play here. Some States with some of the worst economic conditions are not seeing significant caseload increases while other similarly situated States have seen larger caseload increases. In my view, it is a very positive development when the TANF caseload is falling because families are working and fewer families are in need; but we must be certain that the program remains responsive and accessible to families when they are in need.

American Recovery and Reinvestment Act (Recovery Act)

On February 17, 2009, the President signed the American Recovery and Reinvestment Act of 2009 which included significant legislative provisions to bolster the safety net for low income children and families. This legislation impacted the TANF program in several key ways, including the establishment of a new $5 billion Emergency Contingency Fund for States, Territories and Tribes. This Emergency Fund was structured recognizing that there are multiple ways to help families during an economic downturn by expressly providing additional funding for basic assistance, short-term needs, and subsidized employment.

I would like to spend some time discussing in more detail the features of the TANF Emergency Fund given its importance in helping States respond to the needs of poor families during this downturn and the Administration's proposal to work with Congress to extend this Fund for another year until the economic recovery is more robust.

The TANF Emergency Fund

The TANF Emergency Fund provides up to $5 billion in FY 2009 and FY 2010 to reimburse States, Territories, and Tribes that have an increase in expenditures in any of three categories: (1) basic assistance (provided the State's caseload has increased); (2) non-recurrent, short-term benefits; and (3) subsidized employment. The Emergency Fund offsets 80 percent of an increase in expenditures in any of these categories over what the State spent in either 2007 or 2008.

Cumulative combined grants from the existing Contingency Fund and the Emergency Fund for the FY 2009-FY 2010 period cannot exceed 50 percent of a State's annual Federal TANF family assistance grant. States may apply up to one month before a quarter begins on the basis of estimated expenditures, so that emergency funds are available to the State before expenses are incurred.

As of March 5, 2010, 41 States and 12 Tribes have received emergency funds exceeding $1.5 billion. While it has taken almost a year to obligate these funds, we anticipate a much swifter expenditure rate during the remainder of this fiscal year based on the applications we now are receiving from States. In addition, in March States can begin to apply for funds for the third quarter of FY 2010, and we expect a large influx of new or updated applications based on our discussions with the States. It is noteworthy that of the 13 States initially indicating that they either would not apply or were uncertain about applying, 10 have since applied for TANF Emergency Funds.

Twenty-three States and 6 Tribes have already received funds for subsidized employment programs and another 6 States have submitted applications that we hope can be approved soon. This is unprecedented – State TANF programs have never made this much use of subsidized employment. As of January, more than 18,000 jobs have been established using these funds and estimates suggest that by the end of the fiscal year that number could grow to 120,000 low-income parents and youth in subsidized employment programs, based on a survey of States reported by the Center on Budget and Policy Priorities—making it the most extensive use of subsidized employment in the history of the TANF program.

It took a significant amount of time for many States to design their targeted efforts to assist families, and additional guidance was needed from the Assistant Secretary for Children and Families (ACF) regarding acceptable uses of funds and reporting requirements. Since the passage of the Recovery Act, we have worked diligently with States to explain the options available through the Fund.

In addition to issuing policy guidance and creating a mechanism to expedite applications, ACF has implemented strong, proactive outreach through the ACF Regional Office staff to maximize our contact with State leadership, answer questions, and help them explore areas of interest where the Emergency Fund might help. We also are actively engaged with key State Associations – specifically the American Public Human Service Association (APHSA), the National Conference of State Legislatures (NCSL), and the National Governors Association (NGA) – to ensure that States fully understood how the Emergency Fund worked and how it could be used to address the diverse needs of families struggling to make ends meet during a period of high unemployment. To that end, ACF has organized or taken an active part in regional meetings of State decision-makers and nationally broadcast technical assistance conferences.

On a more technical level, as States expand their thinking on program design, questions arise in programmatic and fiscal policy arenas. We are posting questions and answers related to the Emergency Fund on our website, along with lists of examples of programs we already have approved in other States. In addition, State-to-State Technical Assistance, facilitated by the

Welfare Reform Peer TA Network, is another tool available for States to reach out to one another and share their innovative approaches.

But to maximize the impact of this fund, we needed to go beyond our contacts with States and forge stronger, collaborative relationships with our Federal partners as well. ACF has issued joint guidance with the Substance Abuse and Mental Health Services Administration (SAMSHA) and separate guidance with the Family Violence Prevention and Services Program (FVPSP) encouraging States to explore using emergency funds to help TANF recipients with mental health, substance abuse or domestic violence issues.

Outside HHS, we are teaming up with other Federal agencies. We are working with the Department of Labor (DOL) to identify opportunities for States to use TANF emergency funds to develop and expand summer youth employment programs. We have a similar partnership with the U.S. Department of Agriculture (USDA) to help States understand the circumstances in which emergency funds can be used to supplement and complement their summer food service programs. ACF has issued joint guidance with both DOL and USDA to announce these opportunities. In addition, the Department of Labor issued helpful guidance (TEGL 12-09) in January of this year, to assist States seeking to implement subsidized work-based training programs for unemployed workers and ensure compliance with employment laws.

These collaborative efforts and close working relationships with States have led to numerous innovative State efforts to provide assistance to the most vulnerable children and families. Under the basic assistance category in the Emergency Fund, which includes cash payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs, 35 States and 7 Tribes have received almost $823 million to date. As assistance caseloads rose throughout FY 2009, the number of States that qualified for funding, and the amounts for which they qualified, increased steadily. We have heard from some States that if it had not been for the additional resources provided by the Emergency Fund, they would have been forced to reduce benefits, remove some families from their rolls, or make other sweeping cuts in programs that help low-income families. Going beyond simply providing cash assistance, some States have designed incentives by providing earnings supplements or bonuses for families that leave the regular cash assistance caseload for work. We note that caseload increases remain modest and concerns raised by some when the Recovery Act was enacted that States would simply build their caseloads have not come to pass.

Under non-recurrent, short-term benefits States have broad flexibility to determine the types of benefits and services funded. Examples of non-recurrent, short-term benefits include: employment/training bonuses, short-term education and training, work expenses (such as tools and uniforms), transportation support, emergency housing, assistance with utilities payments, one-time payments for a specific need (such as a back-to-school allowance), and domestic violence services. These benefits need not go only to families receiving cash assistance, but often serve a broader group of low-income families, such as those who may have seen a large drop in their earnings when one parent lost a job.

Many States, including Washington and Maryland, offer not just one short-term benefit but a wide variety of such non-recurrent, short-term benefits. A number of States provide one time, lump sum payments to help clients meet emergency needs such as car repairs, work readiness costs, utilities, rent or mortgage arrears, in order to help them avoid long-term cash assistance. States also provide other types of assistance in this category. Michigan, for instance, offers payments to emergency and domestic violence shelters, clothing allowance payments before the new school year, and refundable State Earned Income Tax Credit (EITC) payments. Maryland funds emergency and transitional housing, a crisis shelter program for homeless women, and a homeless counselors program. Alabama uses non-recurrent, short-term benefits to stabilize families during crisis periods with payments for such services as emergency shelter, clothing, food, transportation, car repairs, work supports, utilities, and household furnishings. Alabama also provides case management services as well as referral services to needy families related to child welfare activities, and short-term employment assistance.

To date, 20 States and 5 Tribes received more than $589 million to support non-recurrent short-term benefits for families struggling during this difficult economic period, and we expect that number to continue to grow over the course of this year.

Finally, the most exciting category from a job creation perspective is subsidized employment, which represents payments to employers or third parties to help cover the costs of employee wages, benefits, supervision, and training. Subsidized jobs may be in the private or public sector and, as with non-recurrent, short-term benefits, States may choose broader eligibility criteria than for cash assistance. Although the specific features of these programs vary from State to State, they generally subsidize anywhere from 50 to 100 percent of an employee's wage (and sometimes fringe benefits) for a period of 4 to 12 months. The average wage generally ranges from $8 to $12 per hour and most positions are full-time jobs. The subsidized employment programs are subject to non-displacement provisions to keep employers from laying off workers in order to hire individuals that come with a wage subsidy.

San Francisco's subsidized employment program, JobsNow!, has been expanding since receiving TANF emergency funds. Due to the positive response received from potential employers and employees, its original goal of 1,000 placements has been increased to 2,000. Through the end of February 2010, San Francisco had placed over 1,800 people into jobs in the public, non-profit and private sectors, with one-half of the placements representing TANF cash aid recipients. Average hourly wages are $20.87 in the private for-profit sector, $14.10 for employment with a non- profit organization, and $12.21 in public sector positions. The program uses the TANF emergency funds to reimburse employers for 100 percent of the wages paid, but requires employers to pay wage-related costs, such as payroll taxes and workers comp. Eligible clients are recruited through the TANF program offices and through the Workforce Investment Act (WIA) One Stop Centers.

Florida is making some exciting moves with subsidized employment. In October, the State's Department of Children and Families hired 75 temporary workers from their TANF-eligible caseload to serve as call agents in a new call center the State set up to handle the increased volume of public assistance inquiries. Florida is subsidizing 100 percent of wages with TANF emergency funds through September 20, 2010. Due to the great success of this program and interest it generated among employers, the State is about to expand the subsidized jobs initiative to a broad spectrum of both public and private businesses and organizations. Working through its Regional Workforce Boards, Florida expects to have agreements with at least 850 employers to provide over 9,800 subsidized positions. ACF currently is working with the State on this broad application for funds.

With the weather we have had this winter it is hard to think of summer yet, but States already are planning for summer jobs programs for young people. TANF agencies are exploring ways to join forces with their local WIA agencies and the Emergency Fund will likely represent a linchpin for that effort. As in subsidized employment generally, some States intend to target underserved populations. For example, Georgia will subsidize 100 percent of the wages in its Teen Work Program, which provides summer job opportunities for youth 16-21 who are in foster care, are developmentally disabled, or are part of the State's Grandparents Raising Grandchildren program.

As of March 5, nearly $158 million has been awarded for subsidized employment programs and we expect this amount to grow rapidly in the coming months. In the past, few States operated subsidized employment programs and those that did tended to have small programs. Therefore, it has taken time to develop work sites, enlist employers, and get their programs off the ground. We think that States' experiences in operating subsidized jobs programs may form an important knowledge base for future welfare reform efforts. States are gaining experience in how to operate these programs. When the labor market strengthens, this experience may help them make better use of subsidized employment for those parents who, even during better times, have difficulty securing employment.

TANF Legislative Proposals

Given the difficult fiscal choices States are facing in an economy that still has high unemployment, and the recent extremely positive activity by States, the Administration strongly urges Congress to take action so that all States can access the Emergency Fund in 2011 when, unfortunately, unemployment and poverty are likely to remain elevated in the aftermath of the recession. By extending availability of the Emergency Fund through FY 2011 and providing an additional $2.5 billion, States can continue their innovative efforts to strengthen the safety net so desperately needed by many low-income children and families.

Although there are encouraging signs that an economic recovery is underway, serious challenges to sustain employment both within and outside of the TANF program remain a reality and it is likely that the need for basic assistance, short-term aid to see a family through difficulties, and subsidized employment will remain high. We must continue to spur innovation and increase the knowledge base of effective approaches to assisting families achieve self-sufficiency. Without some assurance that additional funds will be available, States will soon begin to scale back their subsidized employment, assistance, and short-term benefit programs.

The need for an extension of the Emergency Fund soon is most acute for States operating subsidized employment programs because of the time commitment involved in creating subsidized jobs. Most subsidized employment programs offer employers a wage subsidy for a minimum of six months. Therefore, States may be unwilling to extend programs, or worse, even initiate programs, without some assurance that the Emergency Fund will continue beyond the end of the fiscal year. Most States have indicated that they would have to scale back their programs as well, unless funds are guaranteed. Given the time it has taken for States to establish such programs and the widespread view that these programs are making a difference, this would be very unfortunate. Extending the Emergency Fund for one year will give States and employers the assurances they need to continue to create jobs, support needy families, and help jumpstart the economy.

Further, our legislative proposal would strengthen the Emergency Fund's focus on employment by adding a new category for employment services. Rising unemployment and assistance caseloads have increased the need for work activities to help move families from welfare to work. Our proposal ensures that these important employment-related services can be covered.

The President's proposal also raises the reimbursement for subsidized employment expenditure increases to 100 percent. The reimbursement rate for basic assistance, non-recurrent short-term benefits, and the new employment services category will remain at the current 80 percent level. This change would sharpen the focus of the Emergency Fund on work and encourage greater job creation.

Finally, under our proposal States could use FY 2009 as the base year from which to calculate expenditure increases. This would allow States whose expenditures dropped in FY 2009 to access the Emergency Fund and respond to the economic crisis.

Now, I would like to move on to a discussion of our legislative proposals for FY 2011 which would provide additional targeted support to States to fund innovative, effective efforts to help fathers and mothers succeed both in the labor force and as parents. First, the President's budget calls for the creation of a Fatherhood, Marriage, and Families Innovation Fund, a one-year, $500 million investment to encourage and rigorously evaluate demonstrations of proven and promising strategies. Specifically, the Fund would create new and equal funding streams to support two closely interrelated objectives: (1) State-initiated comprehensive responsible fatherhood initiatives, including those with a marriage component, that rely on strong partnerships with community-based organizations; and, (2) State-initiated comprehensive family self-sufficiency demonstrations that seek to improve child and family outcomes by addressing the employment and self-sufficiency needs of custodial parents who face serious barriers to achieving these outcomes. The Fund would serve as a catalyst for innovative service models that integrate a variety of service streams with the goal of building a stronger evidence base about what programs work to remove barriers to employment and increase family functioning and parenting capacity that could be replicated within TANF, Child Support Enforcement, and other State and community-based programs. I appreciate the subcommittee's work in supporting responsible fatherhood efforts and particularly the leadership of Congressman Davis on this important issue.

In addition, we are proposing to extend TANF programs for one year, providing $319 million to continue Supplemental Grants for Population Increases and $1.9 billion for the Contingency Fund. The obligations from the Contingency Fund would be limited to 20 percent of the budget authority in FY 2011.

I now would like to briefly discuss two additional supports that work in tandem with TANF in assisting vulnerable families – child care and child support.

Child Care

The Child Care and Development Fund (CCDF) provides formula grant funding to States, Territories, and Tribes to improve the availability, accessibility, and affordability of child care. In FY 2010, funding for CCDF is $5 billion ($2.1 billion in discretionary funds appropriated annually by Congress and $2.9 billion in entitlement funds appropriated pursuant to the Social Security Act). In addition, the Recovery Act provided $2 billion for States to obligate over fiscal years 2009 and 2010.

In 2008, an estimated 1.6 million children received CCDF assistance in an average month. With additional funding from TANF and the Social Services Block Grant (SSBG), the total estimated average monthly number of children served in 2008 was 2.5 million. CCDF also provides funding for a broad array of activities designed to improve the quality of child care, including training and monitoring of child care providers.

Child care funding included in the Recovery Act is helping meet the needs of low-income families during the recession, when many families have seen their earnings fall and need help paying for child care while they work at low wage jobs, look for work, or upgrade their skills. At a time when States are facing severe budget difficulties, these funds also have helped maintain and expand child care assistance, extend child care assistance for periods of job search, reduce or avoid increases in family co-payments and raise provider reimbursement rates, invest in data systems, implement Quality Rating and Improvement Systems (QRIS) that provide quality benchmarks for providers and critical information about quality to parents, and make other critical investments in the quality of care.

To sustain these efforts, the President's budget request for FY 2011 includes a $1.6 billion increase for the Child Care and Development Fund (CCDF) program -- $800 million for the Child Care and Development Block Grant on the discretionary side of the budget and $800 million for the Child Care Entitlement. This budget supports the Administration's intent to work with Congress to reauthorize the child care program—proposing a five-year, $5 billion increase in mandatory funding and supporting a strong focus on strengthening quality. Child care is a critical part of the social safety net. Access to high quality child care promotes self-sufficiency for low-income families, including families receiving TANF assistance or transitioning off TANF and those for whom child care assistance can ensure that they do not need to turn to TANF at all.

Child Support

The Child Support Enforcement Program is another critical component of the safety net that leverages private resources from non-custodial parents to help support their children. This program serves 17 million children overall, and half of all poor children. Most families in the program are low-income working families and the majority of children are born outside of marriage. Forty-five percent of these families formerly received TANF and 13 percent are currently in the TANF program.

In FY 2008, the Child Support Enforcement Program collected $26.6 billion in child support, while the total federal contribution to costs was $4.1 billion. By securing support from non-custodial parents, the Child Support Enforcement Program lifts a million people out of poverty every year and helps families avoid the need for public assistance. Child support provides about 30 percent of income for the poor families who receive it, and over 90 percent of the child support money collected by the program is distributed directly to children and families.

The Recovery Act temporarily restored federal matching funds for State expenditures made with child support incentive payments – a long-standing policy that was suspended by the Deficit Reduction Act of 2005. In the past, State programs relied heavily on this authority to fund operations and we estimate that program expenditures would be cut by over 10 percent without the continued matching funds since it is unlikely that States could afford to make up the reduction in Federal funding. The President's FY 2011 budget requests a total of $4.3 billion for the Child Support Enforcement Program and includes several legislative proposals, the most significant being a one-year continuation of the Recovery Act provision.

Conclusion

States continue to face budget shortfalls and the impact of high unemployment rates. The Recovery Act took important steps to shore up the economy, provide aid to those who have borne the harshest impacts of the recession, and help States maintain critical services. But, the job is not finished – too many people remain out of work and too many families struggle to make ends meet.

I look forward to working with this subcommittee as we continue to find ways to create jobs and ensure that children do not fall through the cracks as the economy begins to recover. Together I am confident that we can ensure that States can continue their innovative subsidized jobs programs and that we can strengthen TANF, child care, and child support efforts.

As the economy recovers, States will be better prepared to engage in a more comprehensive updating of the TANF and child support programs focusing on improving child outcomes by helping parents succeed in the labor force and provide for their children's basic needs. Over the next year we will engage in a more comprehensive examination of the TANF and child support enforcement programs in preparation for a full reauthorization of welfare reform. As part of that process, we will examine ways to better help more TANF recipients get jobs, particularly jobs that support a family, reach more poor families in need of aid, measure State performance in TANF, and build stronger families.

Again, Mr. Chairman, thank you for the opportunity to participate in this important discussion of American's safety net. I would be happy to answer any questions you may have.