

EXECUTIVE SUMMARY

In 1996, Congress created the Temporary Assistance for Needy Families (TANF) program. This \$16.5 billion a year block grant was enacted under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which replaced Aid to Families with Dependent Children (AFDC) and other related welfare programs. Fostering self-sufficiency through work was the major goal of the 1996 reform, which required States to meet minimum levels of work participation. States have been given significant flexibility in designing their own eligibility criteria and benefit rules, which required work in exchange for time-limited assistance. The emphasis on work was strengthened with the reauthorization of the TANF program. The Deficit Reduction Act of 2005 (DRA) requires States to engage more TANF cases in productive work activities, increases funding for child care, and retains the five-year cumulative lifetime limit for Federal TANF cash assistance.

Since the enactment of TANF, millions of families have avoided dependence on welfare in favor of greater independence through work. Employment among low-income single mothers (incomes below 200 percent of poverty), reported in the U. S. Census Bureau's Current Population Survey (CPS) has increased significantly since 1996. Overall, earnings in female-headed families remain significantly higher than in 1996 despite the brief economic downturn. In addition, child poverty rates have declined substantially since the start of the program. States are using their flexibility to focus an increasing portion of welfare dollars on helping individuals retain jobs and advance in their employment.

This document reports on Fiscal Years 2004 through 2006 and describes the characteristics and financial circumstances of TANF recipients, and presents information regarding TANF caseloads and expenditures, work participation and earnings, State High Performance Bonus awards, child support collections, two-parent family formation and maintenance, out-of-wedlock births, and child poverty. In addition, it documents specific provisions of State programs, summarizes current TANF research and evaluation, and provides profiles for each State. Below is a short summary of each chapter in this report.

Caseload

The national TANF caseload continued to decline in FY 2006. Some States have moved TANF recipients who have reached the Federal time limit to Separate State Programs (SSPs), but the combined caseload still continued to decline in FY 2006. This decline has occurred as some States have modified their eligibility criteria to include more low-income families.

Child-only cases continue to comprise a large fraction of the total TANF caseload. These are cases where no adult is included in the benefit calculation and only the children are aided. In FY 2006, child-only cases represented 47.2 percent of the total TANF caseload.

The average length of TANF assistance received by families in FY 2006 was 35.4 months, up from 33.5 months in FY 2005 and 31.2 months in FY 2004. FY 2002 was the first year that families in each State could have reached the Federal five-year lifetime limit on assistance. Case closure data for 35 States show that less than one half of one percent of cases had been closed due to the five-year limitation during FY 2006. In addition, although up to 20 percent of the State caseload can be exempted from this limit, only 6.6 percent of families were receiving assistance beyond the 60-month limitation.

Expenditures and Balances

In FY 2006, combined Federal and State expenditures for the Temporary Assistance for Needy Families (TANF) program totaled \$25.6 billion. States spent \$10.5 billion, or 40.9 percent of their total expenditures on cash assistance. They also spent significant amounts on various non-cash services designed to promote work, stable families, or other TANF objectives, including work activities (\$2.4 billion), child care (\$3.5 billion), transportation and work supports (\$472 million), administrative and systems costs (\$2.4 billion), and a wide range of other benefits and services (\$6.3 billion). This latter category includes \$940 million in expenditures on activities designed to either reduce the incidence of out-of-wedlock pregnancies or encourage paternal involvement in the lives of their children – an 11.9 percent increase over FY 2005 levels. These expenditure patterns represent a significant shift since the enactment of TANF, when spending on cash assistance amounted to 73.1 percent of total expenditures.

In addition to these expenditures, States can also transfer up to 30 percent of their TANF block grant into the Child Care and Development Fund (CCDF) or the Social Services Block Grant (SSBG). In FY 2006, States transferred \$1.9 billion into the CCDF and \$974 million into the SSBG.

At the beginning of FY 2006, States had \$3.8 billion in unspent TANF funds – \$2.1 billion in unobligated funds and \$1.7 billion in unliquidated obligations. By the end of the year, the amount of unspent funds increased to \$4.0 billion – \$2.2 in unobligated funds and \$1.9 billion in unliquidated obligations.

Work Participation Rates

All States (except Indiana) met the overall participation rate standard in FY 2006, as did the District of Columbia, the Virgin Islands, and Puerto Rico. An average of 32.5 percent of non-exempt TANF adults met Federal all-family work participation standards by averaging monthly participation in qualified work activities for at least 30 hours per week, or 20 hours per week if they had children under age six. This represents a 0.5 percentage point decline from FY 2005, when average participation was 33.0 percent. The FY 2006 rate remains above the 30.7 percent attained in FY 1997, but well below the 38.3 percent peak achieved in FY 1999. All-family work rates increased in 29 States and one Territory and declined in 21 States, the District of Columbia, and two Territories.

An additional 14.4 percent of TANF families required to participate had some hours of participation, but did not attain sufficient hours to qualify toward the work rate. States and

Territories reported zero hours of participation in qualified activities for 52.6 percent of families (although some likely participated in non-qualifying activities or were not reported as having any hours of participation, because they did not have sufficient hours to count toward the rate). This is 0.3 percentage points lower than in FY 2005.

In FY 2006, the all-family nominal minimum participation rate was 50 percent for single-parent families, and 90 percent for two-parent families. However, due to tremendous caseload reductions, the average (weighted) effective minimum work participation requirement in FY 2006 (because of the caseload reduction credit) was only 5.0 percent for all families and 18.7 percent for two-parent families. Seventeen States and two Territories had sufficient caseload reduction credits to reduce their effective required all-parent rate to zero, and only 21 States faced an effective minimum greater than ten percent.

Work and Earnings

In FY 2006, 57.7 percent of single mothers with children under 18 that had income below 200 percent of poverty were employed. Although the employment rate of those with children under 18 is below its peak of 60.8 in FY 2000, it is still 6 percentage points higher than in 1996 – a remarkable achievement, particularly because of the brief recession in 2001. Also, among those in this group with children under six, the employment rate increased from the FY 2005 level of 52.7 percent to 55.4 percent in FY 2006.

Overall, earnings in female-headed families remain significantly higher than in 1996. For the one-fifth of families with the lowest income, single mother families' earnings rose to an average of \$2,472 per year in 2005, remaining well above the average of \$1,979 in 1996 (in 2005 dollars); this reflects the increase in employment of lower income single mothers. For the next 20 percent, earnings remained well above their 1996 levels where the average was \$5,765; in 2005 the average earnings for the second quintile was \$9,888.

In FY 2006, 31.7 percent of adult recipients were working or engaged in work preparation activities, up slightly from 31.2 percent in FY 2005. Sixty-eight percent of recipients who were working were doing so in paid employment; the remainder were involved in work experience, community service, and subsidized employment. State-reported data for welfare recipients show that the average monthly earnings of those employed increased from \$599 per month in FY 1996 (in 2006 dollars) to \$707 in FY 2006, an 18 percent increase.

High Performance Bonus

The TANF High Performance Bonus (HPB) program provided cash awards to States for high relative achievement on certain measures related to the goals and purposes of the TANF program. The TANF program was reauthorized under the Deficit Deduction Act of 2005, and this statute eliminated the funding for HPB under Section 403(a)(4) of the Social Security Act (the Act). The last year for the HPB awards was for performance year FY 2004.

While performance awards are no longer authorized, the Department is still required under Section 413(d) of the Act to annually measure and rank State performance in moving TANF

recipients into private sector employment. We continue to use this data source for measuring State performance in moving TANF recipients into employment.

Child Support Collections

Single parents receiving TANF are required to cooperate with child support enforcement efforts. FY 2006 efforts produced a two percent increase in the percentage of current assistance cases that had orders established, and a two percent increase in the percentage of former assistance cases that had orders established. This means that over 56 percent of current assistance cases had orders established, and over 83 percent of former assistance cases had orders established.

In FY 2006, over \$23.9 billion was collected for children by the Child Support Enforcement Program, an increase of four percent from FY 2005, and a 19 percent increase since FY 2004. Total collections included almost \$1.6 billion in overdue child support intercepted from Federal tax refunds. In addition, the Passport Denial Program collected nearly \$22.6 million in calendar year (CY) 2006, an increase of \$5.7 million over the \$16.9 million collected in CY 2005. There were also over 1.7 million paternities established in FY 2006.

In FY 2006, 54 percent of the total child support cases had a collection. About 70 percent of the cases with orders established reported a collection, an increase over the 69 percent achieved in FY 2005. Nationally, about \$2,806 was collected per case for those with a collection. In FY 2006, States collected about \$4.58 in child support for every \$1 spent. Of the 15.8 million child support cases served by IV-D agencies, only 2.3 million are currently receiving public assistance, 6.2 million have never received assistance, and 7.3 million formerly received assistance.

Formation and Maintenance of Married Two-Parent Families

In May 2006, the Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Family Assistance (OFA) announced the availability of funds for both Healthy Marriage Demonstration and Promoting Responsible Fatherhood Grants.

Healthy marriage and responsible fatherhood grants were open to all levels of State governments, public institutions of education, Native American Tribal organizations, profit and non-profit organizations, small businesses, private institutions of higher education and faith-based groups. Applicants for either grant were also required to make themselves available to ACF evaluations, attend entrance and annual peer meetings and partner with on-site ACF sponsored technical assistance personnel. Approximately 1,650 marriage and fatherhood applications were received and 226 total grants (126 healthy marriage; 100 responsible fatherhood) were awarded.

The National Healthy Marriage Resource Center (NHMRC) provides a wealth of information for policymakers, State and community stakeholders, and the public at large. The NHMRC seeks to effectively disseminate information by improving practice through research and education, building and sustaining the capacity of the field, and fostering coalitions and partnerships. The NHMRC supports the field - specifically, ACF-funded grantees - through proven technical assistance strategies and methodologies. By putting research into practice, the NHMRC strengthens States and communities, as well as the overall field. Further, the NHMRC highlights

marriage preparation, strategies for strengthening marriages and promoting healthy relationships, all of which are useful for the field and for the public at large.

The National Responsible Fatherhood Clearinghouse (NRFC) is charged with carrying out ACF's mission of assisting States and communities to promote and support responsible fatherhood and healthy marriages. The NRFC seeks to improve practice through research and education, building and sustaining the capacity of the field, fostering coalitions and partnerships, and effectively disseminating information. The NRFC supports the field - specifically, ACF-funded grantees - through proven technical assistance strategies and methodologies. The NRFC also includes the promotion and distribution of a national media campaign to elevate public concerns surrounding father absence and offers strategies to strengthen responsible fatherhood.

OFA has invested in the creation and management of the National Responsible Fatherhood Capacity-Building Initiative (NRFCBI). The NRFCBI is identifying and providing assistance to local community-based fatherhood organizations to expand their programs in four critical areas including: (1) leadership development, (2) organizational development, (3) program development, and (4) community engagement. These activities are expected to increase an organization's sustainability and effectiveness, enhance its ability to provide responsible fatherhood services, reach underserved and fragile populations, and create collaborations to better serve those most in need.

OFA also has invested in further promoting responsible fatherhood by creating the Fatherhood Community Access (FCA) Program. The purpose of the FCA is to promote responsible fatherhood by funding programs that support healthy marriage activities, promote responsible parenting, and foster economic stability. Different from the other programs, the FCA focuses on awarding grants to State agencies or other large organizations that have the capacity to ensure the delivery of services by developing and supporting faith-based and community organizations that promote responsible fatherhood at the local community level. These organizations serve as the lead for a network of faith-based and community organizations, who formally work together to coordinate the development and implementation of services at the grass-roots level. Furthermore, the lead organization provides technical and financial support through a collaborative approach with grass roots organizations and the Federal government, to support the development of a fatherhood service delivery network capable of expanding new and existing programs and services at the local level.

Out-of-Wedlock Births

PRWORA required the Department to rank States based on a ratio of the total number of out-of-wedlock births in TANF families to the total number of births in TANF families and to show the net changes in the ratios between the current year and the previous year. The proportion of all births that were out-of-wedlock rose to 35.8 percent in 2004, compared with 34.6 in 2003. Since 1996, the proportion has increased 3.4 percentage points from 32.4 to 35.8 in 2004.

Child Poverty and TANF

The 2006 child poverty rate stood at 17.4 percent, down 0.2 percentage points from the prior

year, well below the 1996 level of 20.5 percent and the 1993 peak of 22.7 percent. The reduction in poverty since 1996 is even more marked for specific groups: the African American child poverty rate was 33.0 percent in 2006 compared with 39.9 percent in 1996 and the Hispanic child poverty rate was 26.9 percent in 2006 down from 40.3 percent in 1996. There are also significant differences in the child poverty rate by marital status. Children in married, two-parent families are more than one-fifth less likely to be poor as children in female-headed, single-parent families (6.4 percent vs. 36.5 percent).

If the State experiences an increase in its child poverty rate of five percent or more as a result of the TANF program(s) in the State, it must submit and implement a corrective action plan to reduce the State's child poverty rate. To date, based on child poverty rates for 1996 through 2005, no State has been required to submit a corrective action plan or any additional information for these child poverty assessment periods.

Characteristics and Financial Circumstances of TANF Recipients

The average monthly number of TANF families was 1,802,600 in FY 2006. The estimated average monthly number of TANF recipients was 996,300 adults and 3,203,600 children. The average monthly number of TANF families decreased in 50 States and reflects an overall 6 percent decrease from 1,914,000 families in FY 2005.

There has been little change in the racial composition of TANF families since FY 2005. African-American families comprised 36 percent of TANF families, white families comprised 33 percent, and 26 percent were Hispanic.

Eighty percent of TANF families received Food Stamp assistance, which is consistent with previous levels. These families received average monthly Food Stamp assistance of \$275. Of closed-case families, about 79 percent received Food Stamp assistance in the month of closure. In addition, almost every TANF family was eligible to receive medical assistance under the State plan approved under Title XIX of the Social Security Act.

On average, TANF families received cash and cash equivalent assistance, with an average monthly amount of \$372. Monthly cash payments to TANF families averaged \$314 for one child, \$390 for two children, \$465 for three children, and \$558 for four or more children. Some TANF families who were not employed received other forms of assistance such as child care, transportation and other supportive services.

In FY 2006, less than one in every five TANF families had non-TANF income. The average monthly amount of non-TANF income was \$587 per family. Ten percent of the TANF families had earned income with an average monthly amount of \$707, while seven percent of the TANF families had unearned income with an average monthly amount of \$351. Of all closed-case families, 33 percent had non-TANF income with an average monthly amount of \$915.

Of TANF recipient adults, 20 percent had earned income with an average monthly amount of \$703. Six percent of adult recipients had unearned income averaging about \$352 per month. Three percent of recipient children had unearned income with an average monthly amount of \$294.

Tribal TANF

By the close of FY 2006, 52 Tribal TANF plans were approved to operate on behalf of 236 Tribes and Alaska Native villages. American Indian and Alaska Native families not served by Tribal TANF programs continue to be served by State TANF programs. State governments in FY 2006 served about 24,000 American Indian families. Of the 11,198 Tribal TANF families reported, 6,989 (62.4 percent) were single parent families and 2,615 (23.4 percent) were child-only cases.

The full-year (not prorated) amount of grants approved/awarded to the 52 approved programs was \$166,763,960. The amount of the approved grants is based on American Indian families served under State AFDC programs in FY 1994 in the Tribal grantee's service area.

Seventy-eight Indian Tribes, Alaska Native organizations, and Tribal consortia operated Native Employment Works (NEW) programs during Program Year (PY) 2005-2006 (July 1, 2005 – June 30, 2006). The most frequently provided NEW program activities were classroom training, job search, and work experience. The most frequently provided supportive and job retention service was transportation.

NEW programs coordinated education, training, work experience, job search, and job referral with other Tribal programs and with local educational institutions and employers. They provided intensive case management, behavioral, health, and financial management counseling, and life skills training. Many Tribes with NEW programs located training, employment, and social services in “one-stop” centers where staff assessed clients’ needs and then provided targeted activities and services to meet those needs. Information/resource/technology centers and learning centers containing resource materials, classrooms, and computer labs provided job preparation and job search services, including individual needs assessments, case management, and classroom instruction.

Specific Provisions of State Programs

The tables in Chapter XII were derived from information collected in the Welfare Rules Databook. These tables include State-by-State information on benefit levels, work requirements, waiver rules, eligibility and benefit determination, Individual Development Accounts, sanction policies, cash diversion programs, time limits, domestic violence provisions, and family cap policies.

TANF Research and Evaluation

HHS undertakes several research and evaluation initiatives each year. This chapter summarizes recent research and evaluation findings and provides an overview of additional research and evaluation initiatives related to the TANF program undertaken by HHS. Major new reports include new research regarding the Employment Retention and Advancement Project, an updated report on the composition of the TANF caseload and TANF leavers, and an evaluation of marriage and relationship education programs.

State Profiles

This chapter contains individual TANF profiles for each State and the District of Columbia. These TANF profiles contain information on program administration, funding, expenditures, caseload, benefit structure, and participation rates.

