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## Temporary Assistance for Needy Families: Update on Families Served and Work Participation

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*U. S. Government Accountability Office*

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# Temporary Assistance for Needy Families: Update on Families Served and Work Participation

## Abstract

[Excerpt] The Temporary Assistance for Needy Families (TANF) program, created in 1996, is one of the key federal funding streams provided to states to assist low-income families. A critical aspect of TANF has been its focus on employment and self-sufficiency, and the primary means to measure state efforts in this area has been TANF's work participation requirements. When the Deficit Reduction Act of 2005 (DRA) reauthorized TANF, it also made changes that were generally expected to strengthen these work requirements. Given the impending extension or reauthorization of TANF, this testimony primarily draws on previous GAO work to focus on (1) how the welfare caseload and related spending have changed since TANF was created and (2) how states have met work participation rates since DRA. To address these issues, in work conducted from August 2009 to May 2010, GAO analyzed state data reported to the Department of Health and Human Services (HHS); surveyed state TANF administrators in 50 states and the District of Columbia; conducted site visits to Florida, Ohio, and Oregon, selected to provide geographic diversity and variation in TANF program characteristics; and reviewed relevant federal laws, regulations, and research. In July 2011, GAO updated this work by analyzing state data reported to HHS since that time. In addition, GAO gathered information on caseload changes through its forthcoming work on TANF child-only cases.

## Keywords

Temporary Assistance for Needy Families, TANF, welfare, poverty, income

## Comments

### Suggested Citation

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GAO

Testimony

Before the Subcommittee on Human  
Resources, Committee on Ways and  
Means, House of Representatives

For Release on Delivery  
Expected at 2:00 p.m. EDT  
Thursday, September 8, 2011

# TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

## Update on Families Served and Work Participation

Statement of Kay E. Brown, Director  
Education, Workforce, and Income Security

U.S. Government Accountability Office

GAO 90

YEARS

1921-2011

ACCOUNTABILITY ★ INTEGRITY ★ RELIABILITY

Highlights of [GAO-11-880T](#), a testimony before the Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives

### Why GAO Did This Study

The Temporary Assistance for Needy Families (TANF) program, created in 1996, is one of the key federal funding streams provided to states to assist low-income families. A critical aspect of TANF has been its focus on employment and self-sufficiency, and the primary means to measure state efforts in this area has been TANF's work participation requirements. When the Deficit Reduction Act of 2005 (DRA) reauthorized TANF, it also made changes that were generally expected to strengthen these work requirements. Given the impending extension or reauthorization of TANF, this testimony primarily draws on previous GAO work to focus on (1) how the welfare caseload and related spending have changed since TANF was created and (2) how states have met work participation rates since DRA. To address these issues, in work conducted from August 2009 to May 2010, GAO analyzed state data reported to the Department of Health and Human Services (HHS); surveyed state TANF administrators in 50 states and the District of Columbia; conducted site visits to Florida, Ohio, and Oregon, selected to provide geographic diversity and variation in TANF program characteristics; and reviewed relevant federal laws, regulations, and research. In July 2011, GAO updated this work by analyzing state data reported to HHS since that time. In addition, GAO gathered information on caseload changes through its forthcoming work on TANF child-only cases.

View [GAO-11-880T](#) or key components. For more information, contact Kay E. Brown at (202) 512-7215 or [brownke@gao.gov](mailto:brownke@gao.gov).

September 8, 2011

## TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

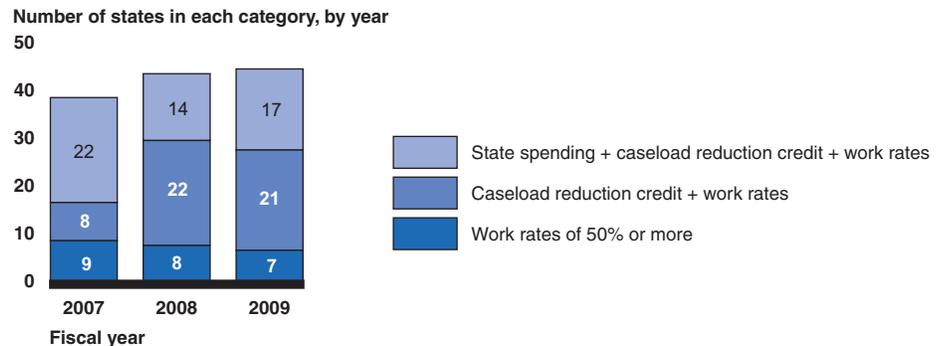
### Update on Families Served and Work Participation

### What GAO Found

Between fiscal years 1997 and 2008, the total number of families receiving welfare cash assistance decreased by almost 50 percent. At the same time, there have also been changes in the types of families receiving cash assistance. Specifically, child-only cases—in which the children alone receive benefits—increased from about 35 percent of the overall TANF caseload in 2000 to about half in 2008. As the number of families receiving TANF cash assistance declined, state spending shifted to support purposes other than cash assistance, which is allowed under the law. However, because states are primarily required to report data to HHS on families receiving cash assistance and not on families receiving other forms of aid funded by TANF, this shift in spending has left gaps in the information gathered at the federal level to understand who TANF funds are serving and ensure state accountability.

Nationally, the proportion of TANF families who met their work requirements changed little after DRA was enacted, and many states have been able to meet their work participation rate requirements because of various policy and funding options allowed in federal law and regulations. Although federal law generally requires that a minimum of 50 percent of families receiving TANF cash assistance in each state participate in work activities, both before and after DRA, about one-third of TANF families nationwide met these requirements. Nonetheless, many states have been able to meet their required work participation rates because of policy and funding options. For example, states receive a caseload reduction credit, which generally decreases each state's required work participation rate by the same percentage that state caseloads decreased over a specified time period. States can further add to their credits, and decrease their required work rates, by spending their own funds on TANF-related services beyond the amount that is required to receive federal TANF funds. In fiscal year 2009, 7 states met their rates because 50 percent or more of their TANF families participated in work activities for the required number of hours. However, when states' caseload decreases and additional spending were included in the calculation of state caseload reduction credits, 38 other states were also able to meet their required work participation rates in that year.

**Factors That Helped States That Met Their Work Participation Rates in Fiscal Years 2007 through 2009**



Source: GAO analysis of HHS data.

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Chairman Davis, Ranking Member Doggett and Members of the Subcommittee:

I am pleased to have the opportunity to participate in today's discussion of the \$16.5 billion Temporary Assistance for Needy Families (TANF) block grant. As you know, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)<sup>1</sup> introduced sweeping changes to federal welfare policy. It ended Aid to Families with Dependent Children, which entitled eligible families to monthly cash payments, and created TANF, a capped block grant provided to states to operate their own welfare programs within federal guidelines.<sup>2</sup> Those guidelines, in part, emphasize employment and work supports, and as such, designate specific work participation requirements for many families who receive cash assistance.<sup>3</sup> For example, in December 2010, approximately 60 percent of the 1.9 million families receiving TANF cash assistance included an adult or teen parent who was required to participate in work activities as a condition of benefit receipt. The remaining families were excluded from the work requirements, often because those families included only children receiving benefits. Although the work requirements have been in place since TANF was created, Congress took steps through the Deficit Reduction Act of 2005 (DRA)<sup>4</sup> that were generally expected to strengthen these requirements, including adding several provisions to improve the reliability of work participation data.<sup>5</sup> Both the U.S. Department of Health and Human Services (HHS), which oversees TANF at the federal level, and states were required to take steps to implement the DRA changes beginning in fiscal year 2007.

My remarks today are primarily based on our past work, specifically our May 2010 report examining how DRA affected state TANF programs and work participation rates.<sup>6</sup> I will focus on (1) how the welfare caseload and

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<sup>1</sup>Pub. L. No. 104-193, 110 Stat. 2105.

<sup>2</sup>Id. § 103(a)(1), 110 Stat. 2112.

<sup>3</sup>42 U.S.C. § 607.

<sup>4</sup>Pub. L. No. 109-171, 120 Stat. 4 (2006).

<sup>5</sup>Id § 7102, 120 Stat. 136.

<sup>6</sup>GAO, *Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates*, [GAO-10-525](#) (Washington, D.C.: May 28, 2010).

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related spending have changed since TANF was created and (2) how states have met work participation rates since DRA. To develop our findings for our May 2010 report on work participation, we used multiple methodologies. We reviewed state TANF data reported to HHS, as well as relevant federal laws, regulations, and guidance; and interviewed HHS officials. We also surveyed state TANF administrators from the 50 states and Washington, D.C.; and conducted site visits to meet with state and local TANF officials in Florida, Ohio, and Oregon, selected because they made varied modifications to their TANF programs after DRA and varied in geographic location and selected TANF program characteristics. We conducted our work for that report from August 2009 to May 2010,<sup>7</sup> and in July 2011, we obtained more recent data on work participation from HHS to supplement our earlier work. This statement also draws from our February 2010 report on TANF caseloads,<sup>8</sup> as well as our recent work on TANF child-only cases, which examines cases in which the children alone receive benefits.<sup>9</sup> We determined that the data we obtained were sufficiently reliable for the purposes of this testimony. Our performance audit was conducted in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>7</sup>For more information on our methodology, see appendix I of [GAO-10-525](#).

<sup>8</sup>GAO, *Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State*, [GAO-10-164](#) (Washington, D.C.: Feb. 23, 2010). Also see GAO, *Temporary Assistance for Needy Families: Implications of Caseload and Program Changes for Families and Program Monitoring*, [GAO-10-815T](#) (Washington, DC: Sept. 21, 2010).

<sup>9</sup>We examined the (1) trends and composition of the child-only caseload; (2) characteristics of caregivers and children in non-parent child-only cases; (3) factors influencing the level of benefits and services for children with non-parent caregivers; and (4) coordination efforts between state TANF and child welfare programs. To address these objectives, we analyzed federal TANF and child welfare data; surveyed state TANF and child welfare administrators; interviewed HHS officials and researchers; and conducted site visits in Tennessee, Texas, and Washington.

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## Data Gaps Hinder Full Assessment of Families Being Assisted with TANF Funds

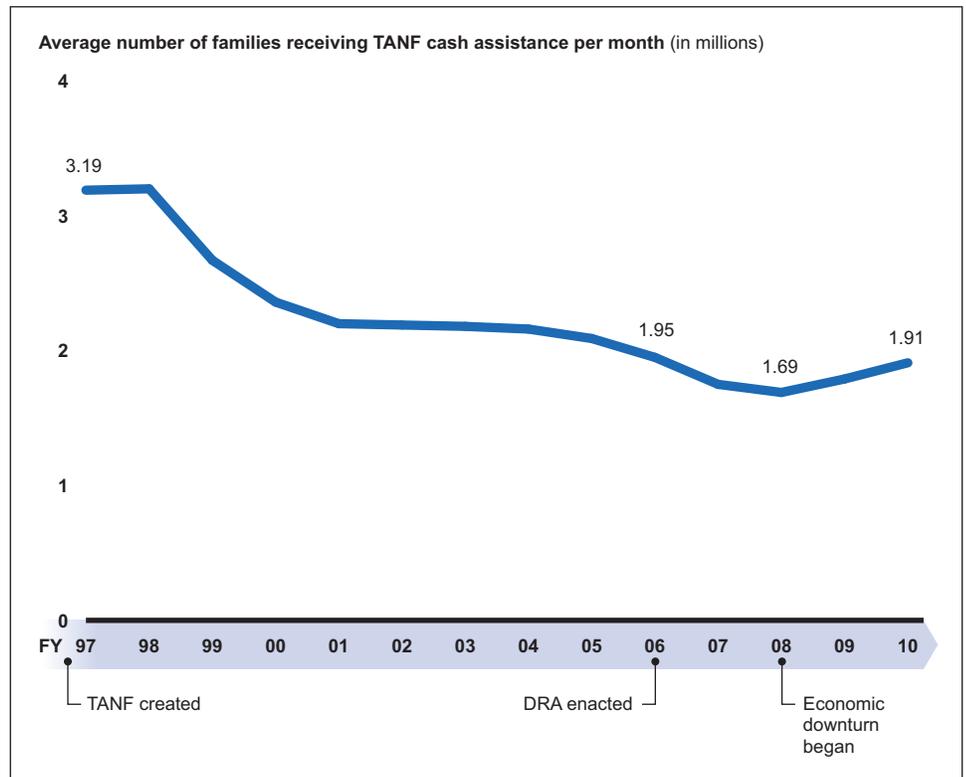
The number of families receiving welfare cash assistance fell significantly after the creation of TANF, decreasing by almost 50 percent from a monthly average of 3.2 million families in fiscal year 1997 to a low of 1.7 million families in fiscal year 2008 (see fig. 1). Several factors likely contributed to this caseload decline, such as the strong economy of the 1990s, declines in the number of eligible families participating, concurrent policy changes, and state implementation of TANF requirements, including those related to work participation.<sup>10</sup> However, since fiscal year 2008 and the beginning of the recent economic recession, the number of families receiving TANF cash assistance has increased by 13 percent to a monthly average of 1.9 million families in fiscal year 2010. Comparing the types of families that receive TANF cash assistance, the number of two-parent families increased at a faster rate than single-parent families or child-only cases, in which only the children receive benefits, during this time period.<sup>11</sup>

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<sup>10</sup>For more information on factors that led to the decline in TANF caseloads, see [GAO-10-164](#).

<sup>11</sup>While the number of two-parent families receiving cash assistance increased by 61 percent during this time period, this group is a small portion of all families receiving cash assistance. Specifically, in December 2010, two-parent families comprised 5 percent of all families receiving cash assistance nationwide.

**Figure 1: Changes in the Average Monthly Number of Families Receiving TANF Cash Assistance Since Fiscal Year 1997**

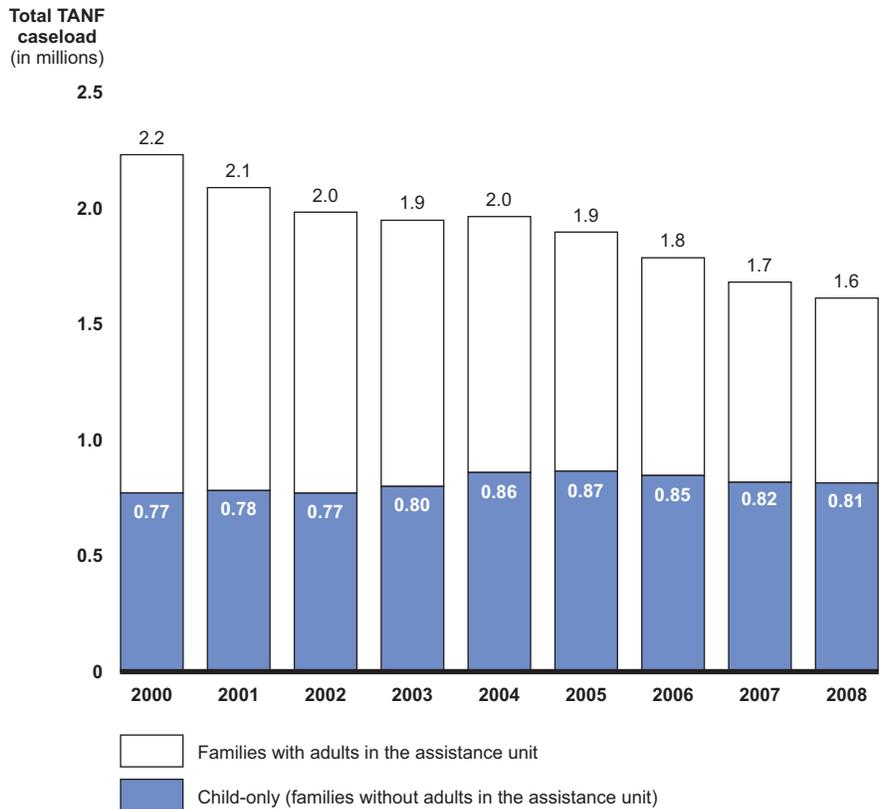


Source: GAO analysis of HHS data.

Note: The provisions of PRWORA that created TANF were not effective until fiscal year 1997.

The number of child-only cases has increased slightly from fiscal year 2000 to fiscal year 2008; however, these cases make up an increasing proportion of the total number of families receiving cash assistance because TANF cases with adults in the assistance unit have decreased substantially. Specifically, the number of TANF child-only cases increased from approximately 772,000 cases to approximately 815,000 cases, but the number of families with adults receiving assistance decreased from about 1.5 million to about 800,000 cases (fig. 2). As a result, the share of child-only cases in the overall TANF caseload increased from about 35 percent to about half.

**Figure 2: Number of TANF Cases with Adults in Assistance Unit and Number of TANF Child-Only Cases (Fiscal Years 2000-2008)**



Source: GAO analysis of HHS TANF administrative data.

Note: These data are national estimates produced from our analysis of HHS's TANF data and are subject to sampling error. See appendix II for the 95 percent confidence intervals associated with these estimates.

There are four main categories of “child-only” cases in which the caregiver (a parent or non-parent) does not receive TANF benefits: (1) the parent is receiving Supplemental Security Income;<sup>12</sup> (2) the parent is a noncitizen or a recent legal immigrant;<sup>13</sup> (3) the child is living with a

<sup>12</sup>Supplemental Security Income (SSI) is federally administered by the Social Security Administration and provides cash assistance to low-income aged, blind, and disabled individuals.

<sup>13</sup>Under PRWORA, legal immigrants who entered the country after August 1996 must be in the United States for 5 years to be eligible for TANF. 8 U.S.C. § 1612(b).

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non-parent caregiver, often a relative; and (4) the parent has been sanctioned and removed from the assistance unit for failing to comply with program requirements, and the family's benefit has been correspondingly reduced. Families receiving child-only assistance are generally not subject to work requirements.<sup>14</sup>

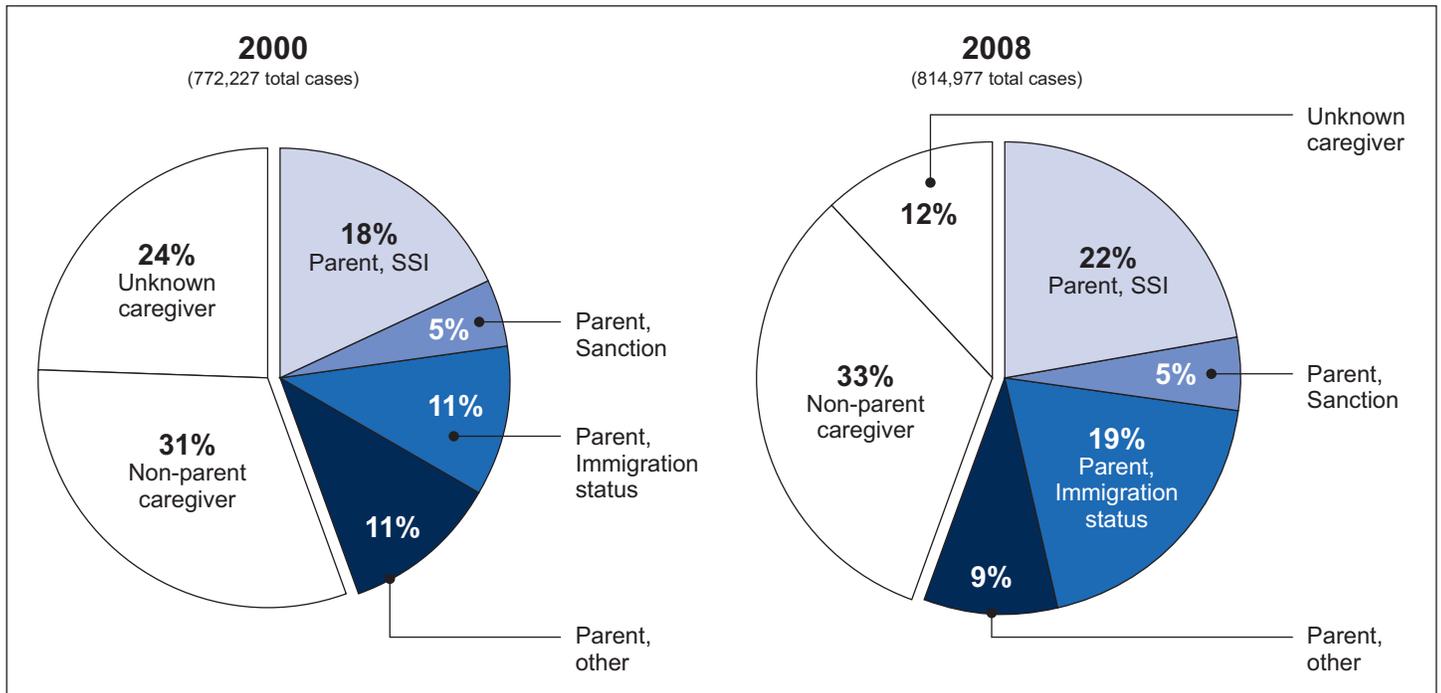
Between fiscal years 2000 and 2008, increases in two of the categories were statistically significant: children living with parents who were ineligible because they received SSI benefits and children living with parents who were ineligible because of their immigration status. Cases in which the parents were ineligible due to immigration status almost doubled and increased from 11 percent of the TANF child-only caseload in fiscal year 2000 to 19 percent in fiscal year 2008 (see fig. 3). This increase of 8 percentage points is statistically significant and represents an increase from about 83,000 in fiscal year 2000 to over 155,000 in fiscal year 2008, with the greatest increase occurring in California.<sup>15</sup> However, in some cases, the relationship between the child and the adult living in the family is not known. The number of these cases decreased significantly over the same period, and it is possible that some of the increase in cases with ineligible parents due to SSI receipt or immigration status resulted from better identification of previously unknown caregivers. However, given available data, we were unable to determine how much of the increase was due to better reporting versus an actual increase in the number of cases.

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<sup>14</sup>See 45 C.F.R. § 261.2(n).

<sup>15</sup>The 95 percent confidence interval for the estimate of 83,000 cases is 61,064 to 105,358 and for 155,000 cases is 127,595 to 183,880.

**Figure 3: Changes in Child-Only Cases by Type of Case, Fiscal Years 2000 and 2008**



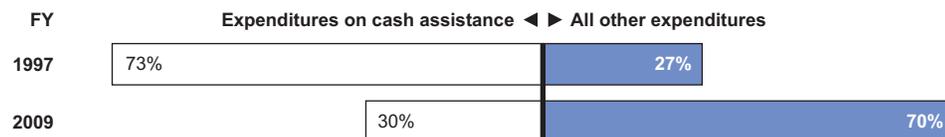
Source: GAO analysis of HHS TANF administrative data.

Note: These data are national estimates produced from our analysis of HHS's TANF data and are subject to sampling error. See appendix II for the 95 percent confidence intervals associated with these estimates.

Both the composition of the overall TANF caseload, as well as the composition of the TANF child-only caseload, varies by state. For example, in December 2010, 10 percent of TANF cases in Idaho were single-parent families, compared to almost 80 percent in Missouri. In both of these states, child-only cases comprised the rest of their TANF caseloads. Concerning the variation in child-only cases by state, almost 60 percent of TANF child-only cases in Tennessee included children living with non-parent caregivers, compared to 31 percent in Texas, according to state officials.

As the overall number of families receiving TANF cash assistance has declined, so has state spending of TANF funds on cash assistance.<sup>16</sup> TANF expenditures for cash assistance declined from about 73 percent of all expenditures in fiscal year 1997 to 30 percent in fiscal year 2009 (see fig. 4) as states shifted spending to purposes other than cash assistance, which is allowed under the law.<sup>17</sup> States may use TANF funds to provide cash assistance as well as a wide range of services that further the program’s goals, including child care and transportation assistance, employment programs, and child welfare services. While some of this spending, such as that for child care assistance, relates directly to helping current and former TANF cash assistance recipients work and move toward self-sufficiency, other spending is directed to a broader population that did not ever receive TANF cash assistance.

**Figure 4: TANF Expenditures for Cash Assistance and Other Purposes, Fiscal Years 1997 and 2009**



Source: GAO analysis of HHS data.

Note: We use the term cash assistance in this figure, although HHS uses the term “basic assistance.” The cash assistance category includes benefits designed to meet ongoing basic needs, including cash, payments, or vouchers.

Tracking the number of families receiving monthly cash assistance—the traditional welfare caseload—no longer captures the full picture of families being assisted with TANF funds. As states began providing a range of services beyond cash assistance to other low-income families, data collection efforts did not keep pace with the evolving program. Because states are primarily required to report data to HHS on families receiving TANF cash assistance but not other forms of assistance, gaps exist in the information gathered at the federal level to understand who TANF funds are serving and services provided, and to ensure state accountability. For example, with the flexibility allowed under TANF, states have used a

<sup>16</sup>TANF funds include both federal TANF funds and the funds that states are required to spend to receive their federal TANF block grants.

<sup>17</sup>42 U.S.C. § 604(a).

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significant portion of their TANF funds to augment their child care subsidy programs. However, states are not required to report on all families provided TANF-funded child care, leaving an incomplete picture of the number of children receiving federally funded child care subsidies. Overall, data on the total numbers of families served with TANF funds and how states use TANF funds to help families and achieve program goals in ways beyond their welfare-to-work programs is generally unavailable. When we first reported on these data limitations to this Subcommittee in 2002,<sup>18</sup> we noted that state flexibility to use TANF funds in creative ways to help low-income families has resulted in many families being served who are not captured in the data reported to the federal government. At that time, it was impossible to produce a full count of all families served with TANF funds, and that data limitation continues today.

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<sup>18</sup>GAO, *Welfare Reform: States Provide TANF-Funded Services to Many Low-Income Families Who Do Not Receive Cash Assistance*, [GAO-02-564](#) (Washington, D.C.: Apr. 5, 2002).

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## National Work Participation Rates Changed Little after DRA, and States' Rates Reflected Both Recipients' Work Participation and States' Policy Choices

Because job preparation and employment are key goals of TANF,<sup>19</sup> one of the federal measures of state TANF programs' performance is the proportion of TANF cash assistance recipients engaged in allowable work activities.<sup>20</sup> Generally, states are held accountable for ensuring that at least 50 percent of all families receiving TANF cash assistance participate in one or more of the 12 specified work activities for an average of 30 hours per week.<sup>21</sup> However, before DRA, concerns had been raised about the consistency and comparability of states' work participation rates and the underlying data on TANF families participating in work activities. Although DRA was generally expected to strengthen TANF work requirements and improve the reliability of work participation data and program integrity by implementing federal definitions of work activities and participation verification requirements, the proportion of families receiving TANF cash assistance who participated in work activities for the required number of hours each week changed little after DRA, as did the types of work activities in which they most frequently participated. Specifically, in fiscal years 2007 through 2009, from 29 to 30 percent of TANF families participated in work activities for the required number of hours, which is similar to the 31 to 34 percent of families who did so in each year from fiscal years 2001 through 2006. Among families that met their work requirements both before and after DRA, the majority participated in unsubsidized employment. The next most frequent work

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<sup>19</sup>42 U.S.C. § 601(a)(2).

<sup>20</sup>42 U.S.C. § 607. The 12 work activities are: unsubsidized employment, subsidized private sector employment, subsidized public sector employment, work experience (if sufficient private sector employment is not available), on-the-job training, job search and job readiness assistance, community service programs, vocational educational training, job skills training directly related to employment, education directly related to employment (for recipients who have not received a high school diploma or certificate of high school equivalency), satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalency (for recipients who have not completed secondary school or received such a certificate), and the provision of child care services to an individual who is participating in a community service program. 42 U.S.C. § 607(d).

<sup>21</sup>To be counted as engaging in work for a month, most TANF families are required to participate in work activities for an average of 30 hours per week in that month. However, PRWORA defined different weekly work hour requirements for teen parents attending school, single parents of children under age 6, and two-parent families. Further, certain families are not included in the calculation of state work participation rates, such as child-only families and, at state option, single parents of children under age 1. In fiscal year 2009, about 130,000 families were excluded from the calculation of the all families work participation rate.

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activities were job search and job readiness assistance, vocational educational training, and work experience.

Although fewer than 50 percent of all families receiving TANF cash assistance participated in work activities for the required number of hours both before and after DRA, many states have been able to meet their work participation rate requirements because of various policy and funding options allowed in federal law and regulations. Specifically, factors that influenced states' work participation rates included not only the number of families receiving TANF cash assistance who participated in work activities, but also

1. decreases in the number of families receiving TANF cash assistance,
2. state spending on TANF-related services beyond what is required,<sup>22</sup>
3. state policies that allow working families to continue receiving TANF cash assistance, and
4. state policies that provide nonworking families cash assistance outside of the TANF program.

Beyond families' participation in the 12 work activities, the factor that states have commonly relied on to help them meet their required work participation rates is the caseload reduction credit. Specifically, decreases in the numbers of families receiving TANF cash assistance over a specified time period are accounted for in each state's caseload reduction credit, which essentially then lowers the states' required work participation rate from 50 percent.<sup>23</sup> For example, if a state's caseload decreases by 20 percent during the relevant time period, the state receives a caseload reduction credit equal to 20 percentage points, which results in the state work participation rate requirement being adjusted from 50 to 30 percent. While state caseload declines have generally been smaller after DRA because the act changed the base year for the

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<sup>22</sup>42 U.S.C. § 609(a)(7). To receive its annual federal TANF block grant, each state is generally required to spend 75 or 80 percent of what it was spending in fiscal year 1994 on welfare-related programs, including Aid to Families with Dependent Children, Job Opportunities and Basic Skills Training, Emergency Assistance, and welfare-related child care programs.

<sup>23</sup>42 U.S.C. § 607(b)(3).

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comparison from fiscal year 1995 to fiscal year 2005,<sup>24</sup> many states are still able to use caseload declines to help them lower their required work participation rates. For example, in fiscal year 2009, 38 of the 45 states that met their required work participation rates for all TANF families did so in part because of their caseload declines (see fig.5).

However, while states' caseload reduction credits before DRA were based primarily on their caseload declines, after DRA, states' spending of their own funds on TANF-related services also became a factor in some states' credits. Specifically, states are required to spend a certain amount of their funds every year in order to receive their federal TANF block grants. However, if states spend in excess of the required amount, they are allowed to correspondingly increase their caseload reduction credits.<sup>25</sup> In fiscal year 2009, 32 of the 45 states that met their required work participation rates for all families receiving cash assistance claimed state spending beyond what is required toward their caseload reduction credits. In addition, 17 states would not have met their rates without claiming these expenditures (see fig. 5).<sup>26</sup> Among the states that needed to rely on excess state spending to meet their work participation rates, most relied on these expenditures to add between 1 and 20 percentage points to their caseload reduction credits (see fig. 6).

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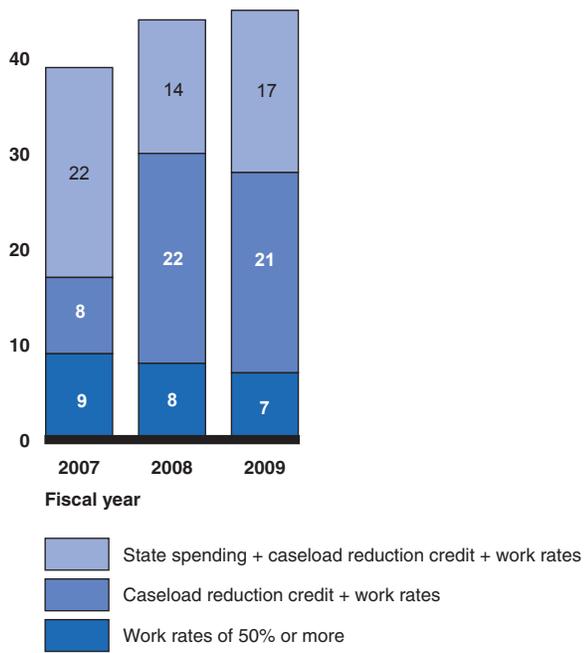
<sup>24</sup>For example, in fiscal year 2006 before the DRA changes were implemented, states' caseload declines ranged from 11 to 91 percent, and 18 states had declines that were at least 50 percent, which reduced their required work participation rates to 0. However, in fiscal year 2007, following the implementation of the DRA changes, 3 states did not have caseload declines, and the declines in the remaining states ranged from 1 to 26 percent.

<sup>25</sup>45 C.F.R. § 261.43. When calculating the caseload reduction credit, federal regulations allow a state that spent in excess of its required amount in the year preceding the current one to include only the pro rata share of the total number of families receiving state-funded cash assistance required to meet the state's basic requirement. For an illustration of how these excess state expenditures are factored into a state's caseload reduction credit and its work participation rate, see appendix I.

<sup>26</sup>Although the majority of states reported excess state expenditures after DRA, which helped some states to meet work participation rates, we did not determine whether these increases reflect new state spending or spending that had been occurring before DRA but was not reported as state TANF spending at that time.

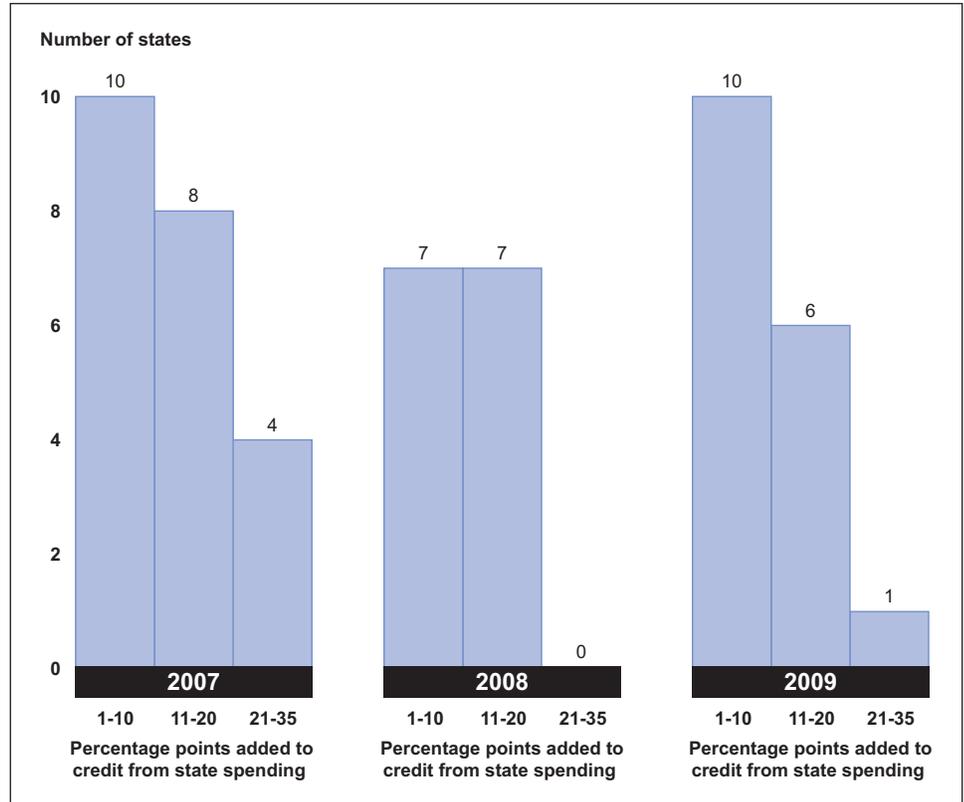
**Figure 5: Factors That Helped States That Met Their Work Participation Rates for All TANF Families in Fiscal Years 2007 through 2009**

Number of states in each category, by year



Source: GAO analysis of HHS data.

**Figure 6: Extent to Which States' Caseload Reduction Credits Increased because of State Spending beyond What Is Required (for Those States That Relied on Such Spending to Meet Their Work Participation Rates for All TANF Families)**



Source: GAO analysis of HHS data.

Certain policy changes states made to their TANF programs in recent years, which ensure families complying with the work requirements continue to receive TANF cash assistance, are another factor that have helped some states meet their required rates. For example, some states reported that they implemented or modified worker supplement programs and earned income disregard policies after DRA. Worker supplement programs provide monthly cash assistance to low-income working families previously on TANF or about to lose TANF eligibility due to increases in their incomes, which can result in these families being included in the calculation of states' work participation rates. On our survey of states conducted between November 2009 and January 2010, 23 states reported that they had worker supplement programs, and 18 of these states had implemented their programs since fiscal year 2006. Further, 49 states reported having policies that disregard part of a family's

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earned income when determining the family's monthly cash assistance benefit, and 9 states reported that they had increased the amount of income disregarded since fiscal year 2006.<sup>27</sup> Disregarding more earned income allows a family to continue receiving cash assistance longer as their income grows.

States reported that they also made policy changes to their TANF programs after DRA to provide nonworking families with cash assistance outside of the TANF program, as providing TANF assistance to such families would lower states' work participation rates. Specifically, some states opted to fund cash assistance for certain types of low-income families completely outside of their TANF programs. Because such state spending is not connected to the TANF program, states are able to exclude families provided cash assistance through these funds from their work participation rate calculations. According to several state TANF administrators who responded to our survey and officials we interviewed during a site visit, states typically use this approach to provide cash assistance to those families who have the most difficulty meeting the TANF work requirements. Through our survey, 29 states reported that they funded cash assistance in this way for certain types of families, such as two-parent families, families with significant barriers to employment, families enrolled in postsecondary education, and others. Almost all of those states (28) used this approach to provide cash assistance to low-income, two-parent families, likely because the higher work participation rate required for TANF families in that group can be difficult to meet.<sup>28</sup>

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## Concluding Observations

As traditional cash assistance caseloads declined and states broadened the types of services provided and the number of families served, existing data collection efforts resulted in an incomplete picture of the TANF program at the national level. In effect, there is little information on the numbers of people served by TANF funds other than cash assistance and no real measure of how services supported by TANF funds meet the goals of welfare reform. This leaves the federal government with

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<sup>27</sup> Another state reported that it had begun indexing the amount disregarded on an annual basis since fiscal year 2006. No states reported that they had decreased or eliminated their earned income disregards since fiscal year 2006.

<sup>28</sup> States are generally held accountable for ensuring that one or both adults in at least 90 percent of all two-parent families receiving TANF cash assistance participate in one or more of the 12 work activities for a minimum number of hours per week.

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underestimates of the numbers served and potentially understated results from these funds.

In addition, as before DRA, states have continued to take advantage of the various policy and funding options available to increase their TANF work participation rates. As a result, while measuring work participation of TANF recipients is key to understanding the success of state programs in meeting one of the federal purposes of TANF, whether states met the required work participation rates provides only a partial picture of state TANF programs' effort and success in engaging recipients in work activities. Although the DRA changes to TANF work requirements were expected to strengthen the work participation rate as a performance measure and move more families toward self-sufficiency, the proportion of TANF recipients engaged in work activities remains unchanged. States' use of the modifications currently allowed in federal law and regulations, as well as states' policy choices, have diminished the rate's usefulness as the national performance measure for TANF, and shown it to be limited as an incentive for states to engage more families in work.

Lack of complete information on how states use funds to aid families and to measure work participation hinders decision makers in considering the success of TANF and what trade-offs might be involved in any changes to program requirements. In addressing these issues, care must be taken to ensure that data requirements are well thought out and do not present an unreasonable burden on state programs.

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We provided drafts of the reports we drew on for this testimony to HHS for its review, and copies of the agency's written responses can be found in the appendices of the relevant reports. We also provided HHS a draft of this testimony for technical comments on the new information on child-only TANF cases and updated TANF work participation data. HHS had no technical comments.

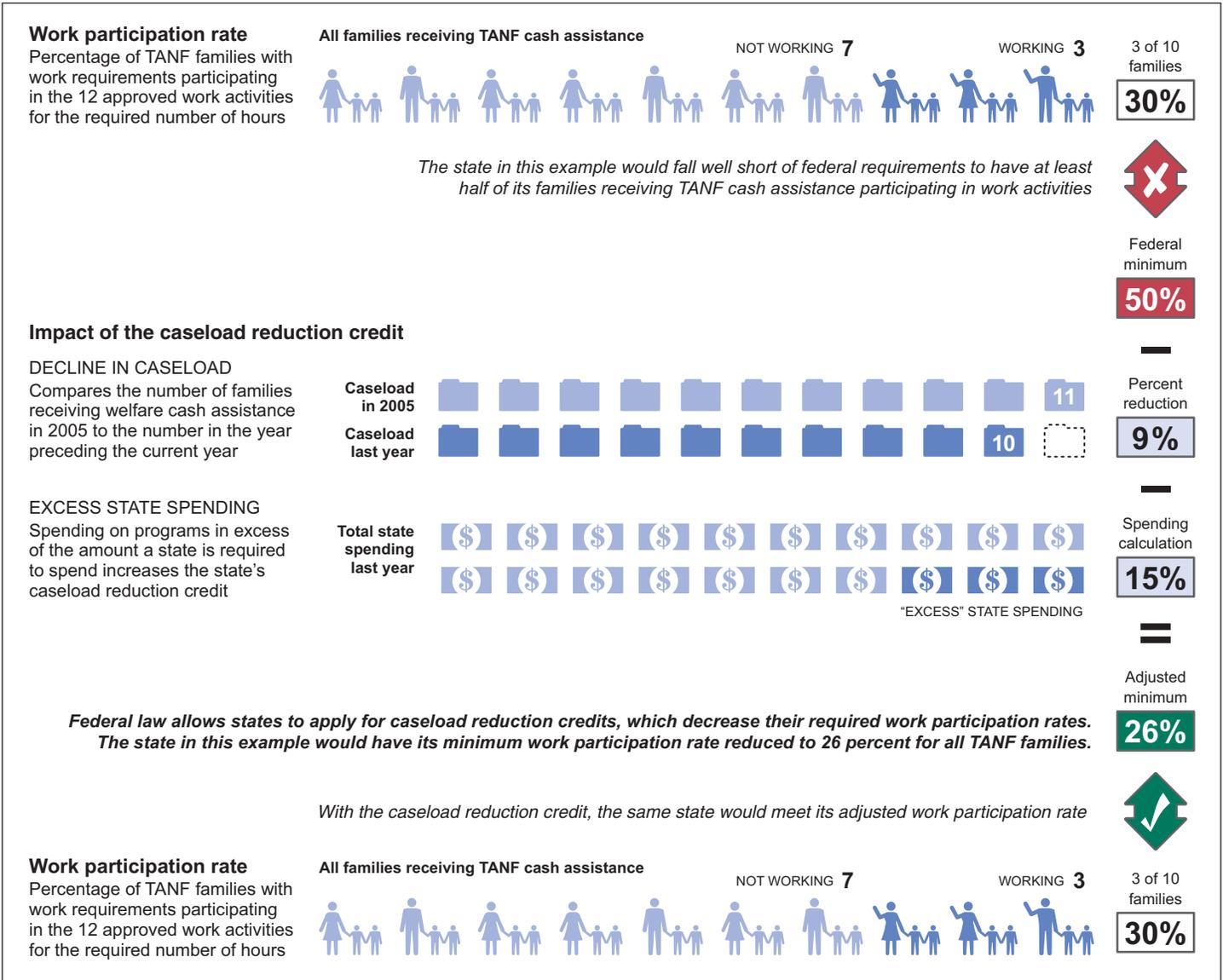
Chairman Davis and Ranking Member Doggett, and Members of the Subcommittee, this concludes my statement. I would be pleased to respond to any questions you may have.

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## GAO Contacts and Acknowledgments

For questions about this statement, please contact Kay E. Brown at (202) 512-7215 or [brownke@gao.gov](mailto:brownke@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this statement include James Bennett, Rachel Frisk, Alex Galuten, Gale Harris, Jean McSween, and Cathy Roark.

# Appendix I: How a State's Work Participation Rate Is Calculated When It Claims State Expenditures in Excess of Its Requirement



Source: GAO analysis of 42 U.S.C. § 607 and 45 C.F.R. § 261.43.

# Appendix II: TANF Child-Only Caseload Estimates and 95 Percent Confidence Intervals

The following tables provide the estimates and 95 percent confidence intervals for the data we present in figures 2 and 3:

**Table 1: Data for Figure 2: Number of TANF Cases with Adults and Number of Child-Only Cases, Fiscal Years 2000-2008**

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number of TANF cases	2,232,570 (2,229,148-2,235,992)	2,090,024 (2,087,255-2,092,793)	1,983,862 (1,970,328-1,997,396)	1,948,820 (1,939,976-1,957,664)	1,965,713 (1,963,769-1,967,657)	1,898,118 (1,895,362-1,900,874)	1,786,245 (1,784,557-1,787,933)	1,682,143 (1,680,459-1,683,827)	1,613,032 (1,611,315-1,614,749)
Number of child-only cases	772,227 (731,702-812,751)	781,677 (743,671-819,684)	771,031 (736,694-805,367)	799,506 (765,729-833,282)	860,317 (825,456-895,178)	866,378 (831,273-901,483)	846,523 (813,218-879,827)	818,289 (782,715-853,864)	814,977 (779,313-850,642)
Percent of TANF cases that were child-only	34.6 (32.8-36.4)	37.4 (35.6-39.2)	38.9 (37.1-40.6)	41.0 (39.3-42.8)	43.8 (42.0-45.5)	45.6 (43.8-47.5)	47.4 (45.5-49.3)	48.6 (46.5-50.8)	50.5 (48.3-52.7)

Source: GAO analysis of HHS administrative data.

**Table 2: Data for Figure 3: Composition of TANF Child-Only Caseload in Fiscal Years 2000 and 2008 (Percentage of Each Type of Case)**

Type of child-only case	2000 estimate	95 percent confidence interval	2008 estimate	95 percent confidence interval
Non-parent caregiver	31.1	28.3-33.9	32.5	29.8-35.2
Parent ineligible due to immigration status	10.8	8.1-13.5	19.1	15.9-22.3
Parent ineligible due to receipt of SSI	18.2	15.8-20.5	22.4	19.9-25.0
Parent ineligible due to sanction	4.6	2.7-6.5	4.9	2.8-7.0
Parent, other	11.0	9.2-12.8	9.3	6.8-11.9
Unknown caregiver	24.3	21.6-26.9	11.7	10.8-12.6

Source: GAO analysis of HHS administrative data.

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