

Welfare Reform: TANF Reauthorization

GLOSSARY

Child Care and Development Block Grant (CCDBG)

Federal funding to the states for child-care assistance to low-income families. Along with Temporary Assistance for Needy Families (TANF) allocations, the CCDBG has become a primary source of additional funding for state child-care subsidies and is part of the TANF reauthorization debate.

Family Independence Program (FIP)

Michigan's Temporary Assistance for Needy Families (TANF) program.

Food Stamp Program (FSP)

Federal U.S. Department of Agriculture program that provides funding to help low-income people purchase food, often through ATM-like debit cards rather than paper coupons or stamps. Current funding for the FSP expires in September 2002 at the same time as Temporary Assistance for Needy Families (TANF) appropriations.

Michigan Family Independence Agency (FIA)

The state agency that administers the Family Independence Program (FIP) and related programs, including child daycare, food stamps, and child welfare; also determines eligibility for Medicaid.

BACKGROUND

In 1996, with the passage of the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), the system of public assistance for poor people living in the United States underwent dramatic change. Welfare reform marked a shift in public policy from federal programs administered under strict guidelines (notably Aid to Families with Dependent Children) to block grants that give states funding and authority to develop and administer their own programs with limited federal oversight.

Welfare reform at the state level is funded through the Temporary Assistance for Needy Families (TANF) block grant. TANF funding and provisions must receive federal reauthorization prior to September 30, 2002.

The overall goal of federal welfare reform was to move those dependent on public assistance into the work force, establish limits for most benefits, and end "entitlement" programs that guaranteed cash assistance to all eligible adults and children. TANF funding makes it possible for each state to create and manage programs with far less federal involvement than before. Flexibility, even if it meant reduced federal funding, was advocated by most governors. To gain more flexibility and authority, a few states obtained federal waivers to change their welfare system prior to enactment of federal reform.

Michigan was a forerunner in this arena. As early as 1992 the state began moving benefit recipients toward more work participation and greater personal responsibility for ending their dependence on public assistance. To Strengthen Michigan Families (TSMF), Michigan's 1992 welfare-reform initiative, tied eligibility for benefits to working, attending school or job training, or performing community service. The TSMF program became the basis for the state TANF program, and Michigan was among the first states to receive federal approval to implement its TANF plan following PRWORA's passage.

Welfare Reform in Michigan

In Michigan, as elsewhere across the country, the number of people receiving welfare assistance since 1996 has decreased by roughly half.

- In January 1997 Michigan had approximately 155,000 cases in the Family Independence Program (FIP), its TANF program.
- By February 2002 the caseload was 77,207 (comprising 214,436 recipients).

Despite the reduction, the number of applications for cash assistance (about 160,000 a year) has not changed much since 1992, when Michigan first began to tie work requirements to benefits. Applications for child-care subsidies, however, have increased 10-fold: In 1992 there were about 1,200 applications a month; today the monthly average approaches 10,500.

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Work participation, measured by the earned-income rate among FIP participants, currently stands at just under 28 percent. Almost 46,000 cases are deferred from work requirements and work-related activities, either because they are child-only cases or the clients are disabled or otherwise limited in their ability to meet program requirements. Michigan has no established time limits for FIP benefits, a distinct feature of the state's welfare program. While PRWORA limits federal funding of assistance to a lifetime maximum of five years, Michigan has not set a limit for state funding.

Applications for FIP and associated programs must be made at local Family Independence Agency (FIA) offices. FIP participants may be eligible for child care and food stamps (administered by the FIA), and Medicaid (administered by the Michigan Department of Community Health).

Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)

The federal law signed in 1996 that overhauled the nation's welfare system and established the Temporary Assistance for Needy Families (TANF) block grant.

Temporary Assistance for Needy Families (TANF)

The block-grant program created by the federal government in 1996 to replace existing welfare funding and give states more administrative/program flexibility to move people from welfare to work. The funding goes to states in the form of block grants, which they use to provide cash grants to eligible recipients and fund related state programs.

To Strengthen Michigan Families (TSMF)

The Michigan welfare-reform initiative, started in 1992, to encourage employment, give financial support to families, and require welfare recipients to assume personal responsibility for ending their dependence on welfare. After 1996 it evolved into the state plan required under PRWORA.

Work First

The work component of Michigan's TANF program; it is administered by the state Department of Career Development. Services are delivered through contract with local organizations, including nonprofit groups, for-profit companies, and public educational institutions.

- Since 1996 Michigan's annual child-care funding has more than tripled—from \$128 million to more than \$450 million, and the child-care caseload has increased accordingly. Child care for FIP participants is fully subsidized. When a family leaves welfare, the state helps to pay for child care while the family income is below a certain level, but a co-payment is required.
- FIP participants also are eligible to receive food stamps. The number of Michigan families receiving them had decreased about 24 percent since welfare reform was implemented, but the FIA reports that in December 2000 the caseload began to increase rapidly and is up 30 percent since then.
- Medicaid, which provides health care coverage for eligible low-income people, is another benefit that most FIP participants use. Although the FIA qualifies FIP participants for Medicaid coverage, the program is administered through the Michigan Department of Community Health.

Work First, Michigan's TANF work program, is administered by the Michigan Department of Career Development. Work First funding is allocated to the 25 regional workforce development boards that contract with local organizations to deliver services. Although Michigan work-requirement policies do allow for training and education, Work First focuses primarily on job search and employment. FIP participants attend a Work First session when they first qualify for benefits, to learn the rules and regulations that govern cash assistance. If FIP participants do not meet Work First requirements, they are subject to sanctions that can terminate cash benefits and reduce food stamps. In the first five months of 2000, for example, more than 4,000 FIP cases were closed for non-compliance. Policies that will be implemented in April 2002 make it possible for recipients and their families to be terminated from FIP in as few as 20 days for not complying with Work First requirements.

FIA Perspective on TANF Reauthorization

The Michigan FIA director has testified in Washington on issues related to TANF reauthorization. Based on Michigan's experience with welfare reform, he calls for

- funding to remain at the same level, to pay benefits and provide support services;
- more flexibility, to allow states to be more innovative;
- simplifying programs related to welfare, such as food stamps, to reduce the administrative burden on the states; and
- addressing broader issues related to welfare reform, especially family formation and poverty reduction.

DISCUSSION

In 1996 federal welfare reform sparked heated debate across the political spectrum—about society's obligation to the poor, the excesses of "welfare queens," the disintegration of the family, the cycle of poverty, and the economic limitations of government. More than five years later, the political heat has largely cooled. Caseloads have declined nationwide, federal expenditures for cash assistance have declined, and overall poverty rates have fallen. Parties on both sides of the debate disagree about which force deserves credit—welfare policy changes or the economic boom of the late 1990s. But even those who opposed welfare reform and continue to oppose its limitations and the burdens it places on poor people admit that their worst fears for families and children in the immediate aftermath of welfare reform were not fully realized.

TANF Reauthorization Issues

Despite the apparent short-term success of welfare reform, there are many questions about the long-term effects, and TANF reauthorization is providing a platform for raising its more complicated dimensions. These questions pertain not only to federal reauthorization but also to state policies about how, what, and to what end public assistance shall be provided.

- Many people have left welfare only to join the ranks of the working poor. If, in leaving welfare, one can get only a minimum-wage paycheck, it puts health care coverage, child care, and transportation beyond reach. Many former recipients are working in low-wage jobs and have no opportunity to acquire the skills they need to move beyond transient or entry-level employment. To what extent should government provide the support that low-income families need to become economically self-sufficient? How closely should federal TANF funding be tied to how well a state performs in reducing poverty as opposed to reducing caseload? Debate on such questions will affect matters such as the time limits imposed on public assistance, programs to help the working poor, and the extent to which states' flexibility should be increased to allow them to meet their population's specific needs.
- As caseloads have fallen, welfare-reform critics charge that access to welfare-related services (e.g., food stamps, child care, health care) has plummeted, often due to how states, including Michigan, implement welfare programs. In some cases, policy changes have been confusing to recipients with the result that otherwise eligible people unnecessarily lost food stamps and Medicaid coverage. In some states, TANF

funds are being used in place of state funding to support existing programs and balance the state budget. In states facing budget shortfalls, program administrators may have little incentive to spend more TANF funds on lowering barriers to access. Some observers see shrinking federal oversight and the focus on flexibility as leading to insufficient accountability, making access problems more probable.

- The proportion of births to unmarried women, including teens, remains high. Many believe that the authorization should continue TANF's family-building provisions with the object of reducing long-term demand for public assistance, and a likely subject of the reauthorization debate will be "family formation" issues. This raises the question of the extent to which state welfare programs may be required to use their federal funds to promote marriage and other value-related objectives.

Conclusion

The TANF reauthorization process is prompting an examination of welfare reform and its effects on people and the state human-services infrastructure. The most controversial elements of welfare reform—work requirements and time limits on benefits—now are firmly established in public policy. Thus, most analysts believe the current reauthorization debate will center on funding for work-support programs and giving states the flexibility they wish to set related program requirements.

See also Career Development; Child Care; Health Care Access, Medicaid, and Medicare; Immigrants: Human Services Benefits; Youth at Risk.

FOR ADDITIONAL INFORMATION

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