



TANF Turns Ten: Key points from the WCCF paper for The Brookings Institution

The following is a summary of the key points in the paper that the Wisconsin Council on Children and Families (WCCF) research director, Jon Peacock, wrote for The Brookings Institution. That paper and reports from two other states are being published by Brookings this week, in conjunction with the 10th anniversary (on August 22, 2006) of the law that created the Temporary Assistance to Needy Families (TANF) program. Additional information will be posted later this week on a new “TANF Turns Ten” portion of the WCCF website.

There has been a tremendous shift in TANF spending over the last decade. – In Wisconsin and nationally, there has been a dramatic shift in how TANF funds are spent by the states (see Figures 3 and 4 in the Wisconsin paper). Several trends vividly illustrate the shifts:

- Child care spending accounted for just 13.9 percent of Wisconsin’s total TANF spending in FY 1998, but that climbed to 43.9 percent in FY 2004 and it continues to grow.
- The state appropriation for W-2 cash assistance in FY 2007 is less than one third of the appropriation for that assistance in FY 1999.
- TANF appropriations for “other programs” (such as the state earned income tax credit, or EITC), which are outside the core components of W-2, increased from less than \$32 million in FY 1999 to more than \$86 million from 2001 through 2005, before falling slightly in the current budget (\$77 million in 2007).

The Wisconsin Works (W-2) cash caseload is about 90 percent lower than the comparable AFDC caseload in 1991. – In July 2006 there were fewer than 7,200 families receiving W-2 cash assistance, compared to enrollment in the Aid to Families with Dependent Children (AFDC) program of about 81,500 in 1991 and 35,000 in August 1997, the month before the W-2 program began to be implemented statewide. Even after subtracting from the 1991 AFDC caseload a rough estimate of the number of child-only cases (which are now separate from W-2, and total about 11,400 Kinship Care and Caretaker Supplement cases), the current W-2 enrollment represents roughly a 90 percent drop from the comparable AFDC figure 15 years ago.

Nationally and in Wisconsin, most of the beneficiaries of the TANF block grant are people who do not receive cash assistance. – Many people still think of TANF as primarily a source of funding for parents who are unable to obtain or keep unsubsidized employment, but that is no longer the case. The vast majority of current TANF beneficiaries do not receive cash assistance. In Wisconsin, TANF currently pays for only about 7,200 W-2 cash assistance cases and 11,400 child-only cases. TANF funds assisted an average of more than 31,000 Wisconsin families per month receiving child care subsidies, and about 214,000 who receive the state Earned Income Tax Credit (EITC).

The flexibility of the TANF block grant has made the Wisconsin Shares child care subsidy program available to far more families. – Governor Thompson and state legislators made a commitment in 1996 when they passed the W-2 legislation that they would fully fund the Wisconsin Shares child care subsidy for low-income working families, and not just for families who had previously received AFDC or W-2 assistance. Thanks to the flexibility of the TANF block grant and the sharp drop in spending for W-2, the state has been able to meet its commitment to the child care

subsidy program, which now serves an average of more than 54,500 children per month and their employed parents. Spending for the child care subsidies increased 185 percent from CY 1998 to 2005.

Wisconsin used about \$430 million of TANF funds from 1999 through June 2006 to replace state funding for the Earned Income Tax Credit. – In 1999, after many states had built up substantial TANF reserves, the federal government began allowing states to use TANF funds to pay for refundable earned income tax credits (EITCs). The objective was to encourage more states to adopt such credits. However, Wisconsin already had a refundable EITC and quickly began taking advantage of the policy change by replacing roughly \$50 million per year of state funds with TANF funds. Over the last 8 fiscal years (FY 1999 through 2006), Wisconsin taxpayers have saved about \$430 million from the use of TANF funds to replace state funding.

Wisconsin's TANF block grant for 2007 would be about \$91 million higher if funding had been adjusted for inflation each year. – The TANF block grant has been frozen since the program's inception a decade ago, but inflation has been about 29 percent over that period. If the TANF block grant allocations had been indexed to inflation, Wisconsin's allocation (\$314.5 million per year) would be about \$91 million higher in fiscal year 2007. In light of the frozen funding level and the continued growth in spending for child care subsidies, it will be difficult for the state to continue to use more than \$50 million a year of TANF funds for the EITC, unless substantial reductions are made in child care eligibility or other programs.

Wisconsin has been making significant cuts in TANF-funded programs. – Wisconsin has spent down virtually all of the TANF reserves that it built up in the 1990s, and the last several budget bills have made substantial cuts in many TANF-funded programs. The cutting was done to accommodate flat TANF funding, growing child care spending, and continued use of TANF funds for the state EITC. The many cuts, which are detailed in Table 2 (p. 12) of the Wisconsin paper, include – among many others – the elimination of all of the following annual appropriations: \$10 million for the Workforce Attachment program, \$7.5 million for the Early Childhood Education Initiative, about \$6.1 million for work-based learning programs, \$3.5 million for the Partnership for Full Employment, and \$1 million for substance abuse services. More cuts are likely in the next biennial budget if the state continues to fund most of the EITC with TANF dollars.

Better data is needed to assess the outcomes of W-2 and the performance of the local W-2 agencies. – All too often, caseload reduction has been the primary indicator that most politicians have used to gauge welfare reform's success. But more detailed analyses, such as the extensive report by the Legislative Audit Bureau in 2005, have shown that most former participants do not appear to be on their way to achieving self sufficiency.¹ Over most of the last decade, the state and W-2 agencies have not routinely collected data that would facilitate measuring whether former W-2 or participants are escaping poverty and moving toward self-sufficiency. However, the Department of Workforce Development included improved performance measures and incentives in the current contracts. Additional improvements are needed in this area, both to judge how well W-2 is working and to learn how to stretch the dollars further by determining which agency practices are most effective.

Summary: The nature of the TANF program has changed significantly over the past decade. What began as a cash assistance program has become a funding source for far-reaching programs that assist substantially more of Wisconsin's working families. However, Wisconsin has had to make significant cuts in TANF-funded programs in recent years; and if the federal and state funding sources remain frozen, many more cuts will probably have to be made in the coming years.

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¹ The LAB found that only 42 percent of those who left W-2 in 1999 earned more than the poverty level in 2003, even after adding in the value of state and federal tax credits.