

June 3, 2015

TANF cuts: Is Arizona shortsighted in its dwindling support for poor families?

Thom Reilly

Keiran Vitek

Morrison Institute for Public Policy

Introduction

Arizona's recently adopted budget for fiscal year 2015-16 includes dramatic reductions in assistance to low-income families with children. On July 1, Arizona will become the first and only state to limit lifetime eligibility requirements for recipients of Temporary Assistance for Needy Families (TANF) to 12 months (federal law allows for eligibility time limits of 60 months). That means come June 30, 2016, many Arizona families no longer will receive TANF benefits even if they otherwise would be eligible under federal guidelines. This will result in savings of \$6 million to the state's \$9.1 billion annual budget.

TANF was designed to serve two explicit functions: to help poor adults with children move into the labor market, and to provide a safety net for families when they cannot work. It seems clear that Arizona has abandoned these two original functions and instead chosen to funnel TANF funds into an overburdened and underfunded child welfare system that has been plagued over the years by both structural and operational failures.

TANF is a federal block-grant program that, combined with state-required contributions called maintenance of effort (MOE), provides assistance to poor families with children. President Bill Clinton created the TANF block grant in 1996 with strong bipartisan support to replace the previous program, Aid to Families with Dependent Children (AFDC). The goal was to "end welfare as we know it."

The most important elements of this restructuring were (a) the devolution of major program components to the individual states; (b) the imposition of strict work requirements on recipients

in order to qualify for federal funds; and (c) lifetime limits on the number of years a recipient can receive federal funds (with some exceptions for individuals with disabilities).

Arizona's recent reduction in TANF would be a culmination of two major trends that have characterized the program since its inception: a decline over time in benefits and time limits, as well as a gradual shift of funds to uses that diverge from TANF's original purposes.

Nationwide trends in using TANF funds

Initially the bulk of TANF funds nationally supported programs to assist poor families with minor children in moving into the labor force with cash assistance, workforce preparation and childcare.

When TANF was implemented, it was a time of economic prosperity. States experienced a sharp decline in the number of low-income families with children receiving cash assistance. The number of single mothers working increased rapidly. As a result, states accumulated funds so many states capitalized on the flexibility of the block grants to fund other human service programs that had diverged from the original goals.

Since the block-grant goals are broad, states could use the funds in ways not necessarily confined to the initial goals to prepare and transition poor families to work. This flexibility contributed to a slow shift of funds over the past 15 years to other human services' needs. As a result, today there are fewer federal safety net resources available to families in poverty. And there may be additional unintended consequences.

Arizona's reduced benefits and time limits

Arizona has a history of providing relatively low assistance programs to families in poverty. In order to be eligible for TANF in Arizona, recipients cannot earn more than 36 percent of the 1992 Federal Poverty Level, or \$5,022 for a family of four.

In 1994-95, Arizona provided 55 out of 100 families in poverty with TANF benefits. In 2013, only nine out of 100 impoverished families with children received TANF basic assistance.

In 2005, there were a total of 45,000 TANF cases in Arizona. In 2014, approximately 29,000 families received TANF benefits in Arizona.

In February 2009 Arizona reduced the benefit level to receive TANF cash assistance by 20 percent, followed by a reduction in eligibility to 36 months in July 2010. Arizona legislators in 2011 further reduced TANF's lifetime limit to 24 months, and 3,500 families in Arizona lost TANF benefits. Arizona budget numbers indicate that the impending cut to further reduce lifetime TANF limits on June 30, 2016 is projected to leave more than 5,000 additional individuals without TANF services.

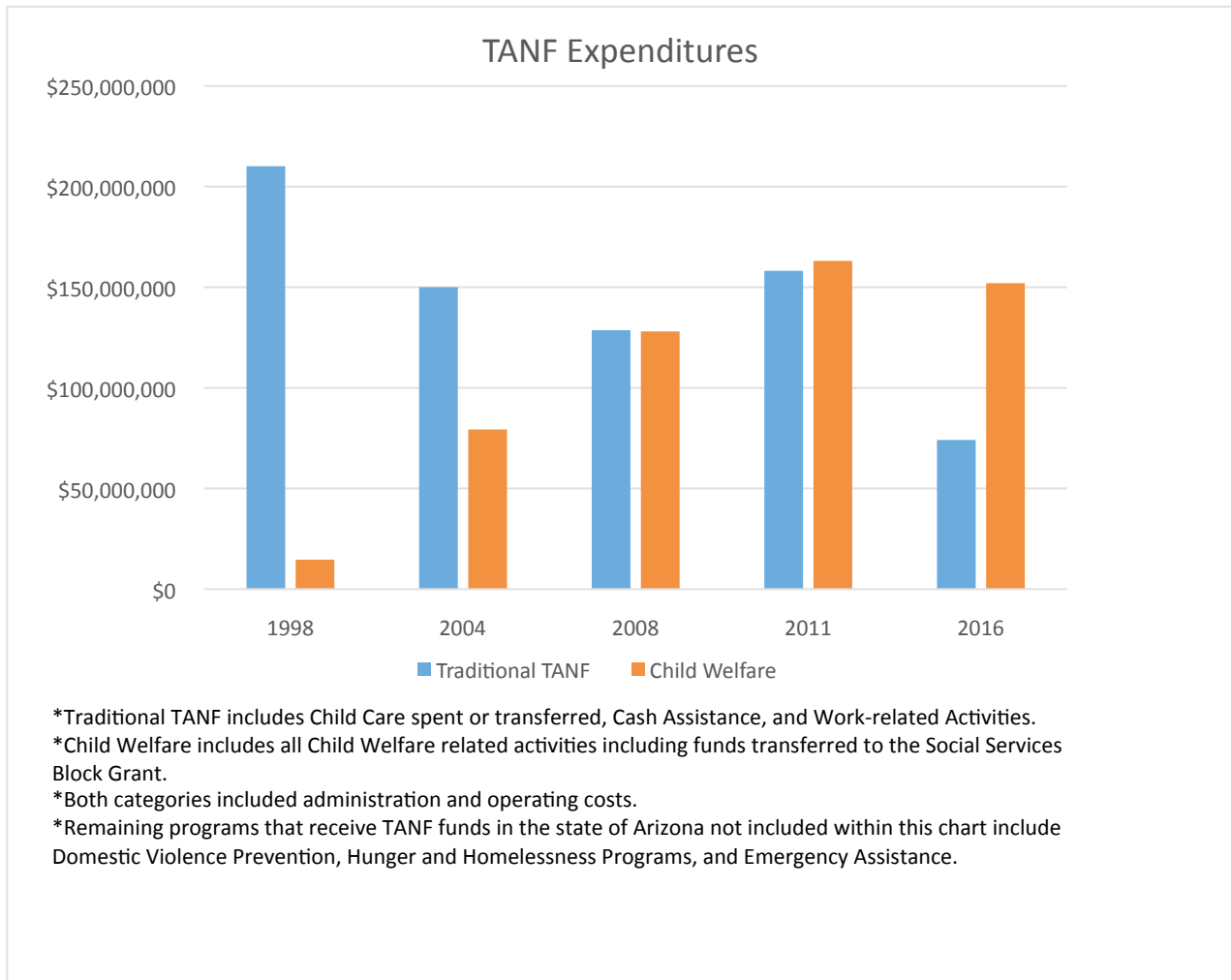
Shift in use of TANF funds to child welfare programs

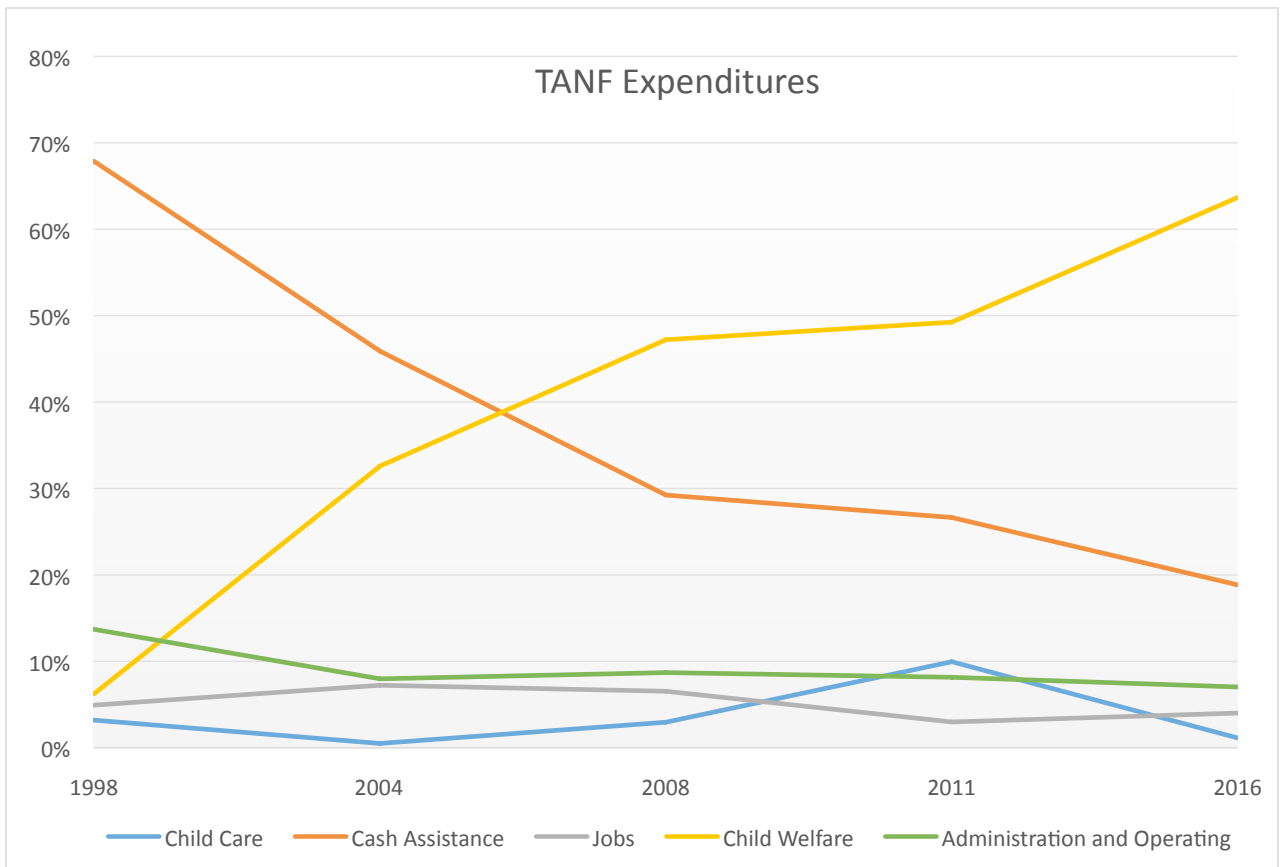
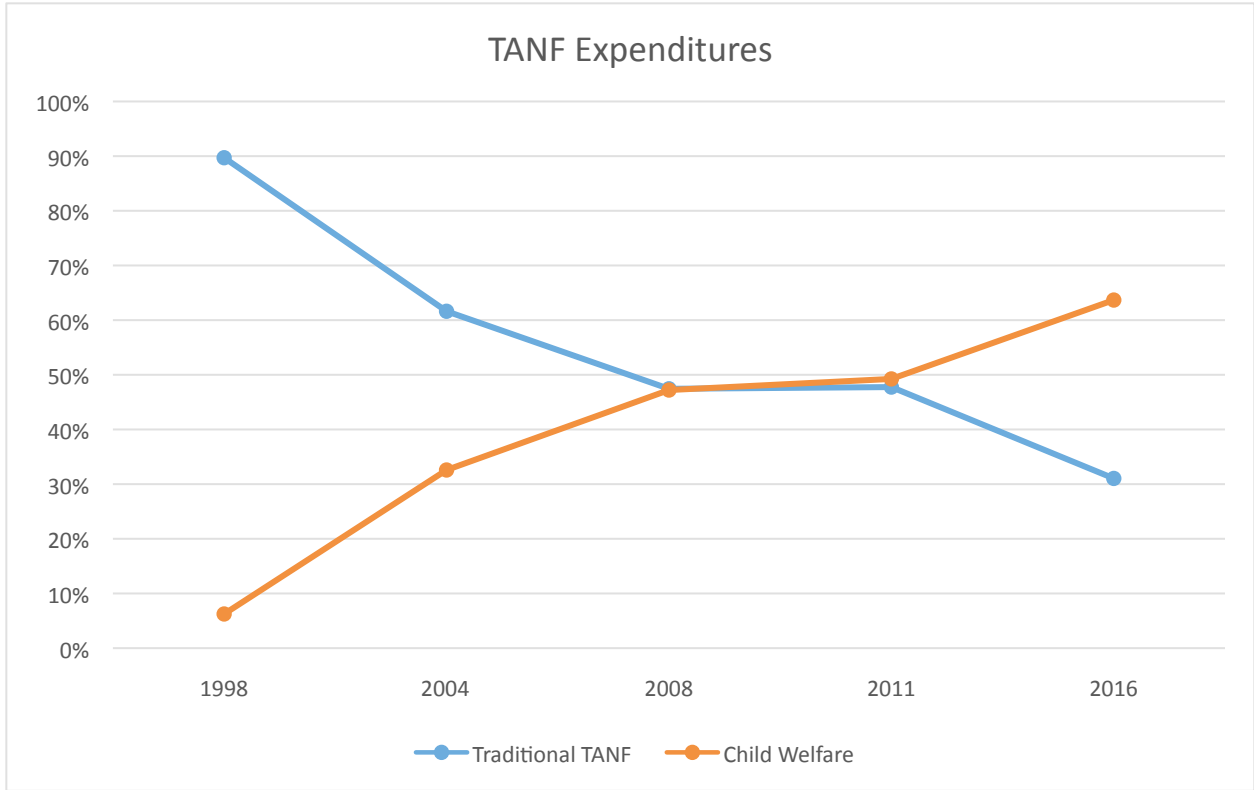
Additionally, Arizona has steadily decreased both federal and state funds targeted towards moving families from welfare to the workforce through job training, child care and cash/work-

related assistance. This reduction has been motivated by the need to instead plug state budget gaps and to fund child protection, foster care and adoption services.

The full repercussions of the new 12-month lifetime limit have yet to be seen. Arizona's recent budget also cut \$4 million from the Child Care Subsidy Program, making it even more difficult for parents to find and maintain work. However, families who are unable to find employment even after reaching the TANF cash benefits time limit continue to rely on Medicaid, SNAP (food stamps) and other assistance.

To underscore the magnitude of the diversion of TANF funds to backfill budget holes, predominantly in areas of child welfare, consider the following three charts:





In 1998, 90 percent of TANF funds were targeted towards activities such as cash assistance, job preparation and childcare assistance to assist in moving poor families with children out of poverty and into employment. In 2015, around 30 percent of TANF funds are targeted to these activities.

During this same time frame, TANF funds allocated to support child welfare programs grew from 6 percent to over 64 percent.

This shift has been quite dramatic during the last several years. In 2013, about 58 percent of all TANF funds were allocated to the Department of Economic Security (DES), the agency responsible for job training, childcare subsidies and cash assistance.

In fiscal year 2014, the state spent \$40.5 million on basic cash-assistance – down 14 percent from the previous year. In the same year, 4 percent of total TANF spending went to the JOBS program, a mandatory program for cash-assistance recipients that engages individuals in work-related activities and aims to remove barriers to employment. Around 1 percent of TANF funds in 2014 went to childcare subsidies.

What does reduced benefits to poor families with children and the shifting of TANF funds to child welfare functions mean for Arizona?

Arizona has been a national leader in reducing benefits for low-income families with children. While a large portion of TANF now funds child welfare via the Department of Child Safety, TANF's original goals — workforce training, child care and cash assistance — have received considerably less over the years.

In addition shifting of federal TANF dollars child welfare programs, Arizona has stripped much of the state general fund contribution out of traditional TANF programs such as cash assistance, child care and employment programs.

However, could Arizona's reduced funding and minimal support for poor families actually be contributing to out-of-home placements for children, resulting in increased child welfare costs in the process?

The decision to reduce the time limit to one year resulted in saving \$6 million out of a \$9.1 billion budget – comparatively not a substantial amount of state dollars. But diverting TANF funds to the state's child welfare system allowed Arizona to address the growing demands in child welfare without having to find more general-fund dollars.

Could both the reduction in benefits to poor families and this shift in the use of TANF dollars be having the opposite effect and instead actually be a contributing factor into the rising costs of child welfare in Arizona?

While current child welfare policy only justifies state interventions in cases of child maltreatment, it is difficult to ignore the plight of children whose families lack the economic

means to care for them. During the past decade, Arizona has had one of the greatest increases in the nation in child removals from their homes and, by a wide margin, the largest percentage change in the number of children placed in foster care. And it is neglect cases that have made up the staggering increase in child removals.

Prioritizing the competing demands of moving parents into the workforce, preserving families and protecting children is not an easy balance for states, especially ones facing fiscal constraints like Arizona. However, these competing demands are interrelated. Such policy and fiscal decisions are making it more challenging for poor families with children to enter the workforce.

So, what on the surface may seem to be a solution for the state's underfunded and underperforming child welfare system – cutting benefits to poor families and shifting TANF funds to the child welfare system – may very well be exacerbating Arizona's child welfare problem.

Dr. Thom Reilly is a professor in the Arizona State University School of Public Affairs and director of Morrison Institute for Public Policy.

Keiran Vitek is a graduate student in the ASU College of Public Service & Community Solutions and an intern at Morrison Institute for Public Policy.

•

June 2015 / Established in 1982, Morrison Institute for Public Policy is a leader in examining critical Arizona and regional issues, and is a catalyst for public dialogue. An Arizona State University resource and part of the ASU College of Public Service and Community Solutions, Morrison Institute uses nonpartisan research and communication outreach to help improve the state's quality of life.

MorrisonInstitute.asu.edu