

I. INTRODUCTION AND EXECUTIVE SUMMARY

In 1996, the Congress created the Temporary Assistance for Needy Families (TANF) program, which was enacted under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), replacing the Aid to Families with Dependent Children and related welfare programs. TANF is a \$16.5 billion a year block grant to the States. Promoting work was the key to the 1996 law, which required minimum levels of work participation and included bonuses for high performance. States were given significant flexibility in designing the eligibility criteria and benefit rules, which require work in exchange for time-limited benefits.

Since TANF's enactment, there have been dramatic increases in employment of current and former welfare recipients. Earnings for welfare recipients remaining on the rolls have increased, as have earnings for female-headed households. Child poverty rates are at their lowest levels in decades. Today, States are taking advantage of the flexibility built into the program to target an increasing portion of welfare dollars to help individuals retain and advance in their jobs.

This report highlights the status of the TANF caseloads, work participation rates, State expenditures, characteristics of TANF recipients, and other State policies.

Trends in Caseload and Expenditures

- By the end of FY 2001, States reported spending 92 percent of the nearly \$81 billion in Federal TANF funds distributed to them since the inception of the program. Of the total funds provided, 76 percent was expended directly through the State TANF programs, 10 percent was transferred to the Child Care and Development Fund and 6 percent was transferred to the Social Services Block Grant.
- TANF expenditures were \$25.5 billion (combined Federal and State Maintenance of Effort (MOE) funds) for FY 2001. Between transfers to the Child Care and Development Fund and direct child care spending in their Federal and State TANF programs, States invested \$5.2 billion in child care activities in FY 2001.
- In FY 2001, all States indicated they have met a 75 percent MOE requirement, spending nearly \$11 billion in State-only funds. States reported spending \$13.3 billion combined Federal TANF funds and State MOE funds on non-cash assistance services and programs.

Work Participation Rates

Analysis of all available sources of information shows that the employment rate of current and former TANF recipients increased significantly since TANF was enacted, but has leveled in

recent years and declined slightly between FY 2000 and FY 2001. In addition, the percent of adults for whom no hours of participation are reported has remained nearly 60 percent over the past three years.

All States met the overall participation rate standard in FY 2001, as did the District of Columbia and Puerto Rico. The overall work participation rate increased in 28 States and the two-parent families work participation rate increased in 20 States.

Work and Earnings

Eighty three percent of recipients who were working in FY 2001 were in paid employment; the remainder were in work experience, community service, and subsidized employment.

For most families, earnings are the primary source of income and economic viability. Current Population Survey (CPS) data reveal that earnings for female-headed families increased significantly between Calendar Year (CY) 1996 and CY 2000. State-reported data for welfare recipients show that the average monthly earnings of those employed increased from \$466 per month in FY 1996 to \$686 in FY 2001, a 49 percent increase.

High Performance Bonus (HPB)

A total of \$200 million was available in HPB funds for performance in FY 2000 (the most recent performance year). Under the TANF program, annual bonuses are awarded to "high performing" States. For the awards, State performance was scored and ranked on six work measures: job entry in FY 2000, changes in the job entry rate between FY 1999 and FY 2000, job retention in FY 2000, changes in job retention rates between FY 1999 and FY 2000, earnings gains in FY 2000, and changes in earnings gains between FY 1999 and FY 2000.

Forty-nine States and the District of Columbia (DC) submitted data to compete for the HPB for performance year 2000. HHS awarded bonuses for performance year 2000 to 26 States and DC. More than 931,000 adult welfare recipients went to work in the performance year 2000. The overall job entry rate has continued to increase, with 46 percent of unemployed adult welfare recipients entering the work force in FY 2000.

Child Poverty and Income

Between 2000 and 2001, the overall child poverty rate, as measured by the Census Bureau, moved up slightly from 16.1 percent in 2000 to 16.3 percent in 2001. It continued to drop in 2001 for African American children from 30.6 percent in 2000 to 30.2 percent in 2001, but held at 28 percent for Hispanic children.

Between 1996 and 2001, the overall child poverty rate dropped 20 percent. In that same time period, the African American child poverty rate dropped from 39.9 percent to 30.2 percent, the lowest rate on record; the Hispanic child poverty rate dropped from 40.3 percent to 28.0 percent, the largest five-year drop on record. In married two-parent families (in 2000), about one child in

12 (or eight percent) is poor, while about 39 percent of the children living in a female-headed, single parent family are poor.

Child Support

In FY 2001, the Child Support Enforcement (CSE) program collected almost \$19 billion for children, an increase of 6 percent from FY 2000, and a 42 percent increase since FY 1997. Nearly 1.6 million paternities were established in FY 2001. The Federal government collected almost \$1.6 billion in overdue child support from Federal tax refunds and the Passport Denial Program collected over \$5 million in CY 2001.

Formation and Maintenance of Two Parent Families

Many States are now implementing new programs to directly help families form and strengthen healthy marriages by making support services available to their clients who want and might benefit from them. Arizona, Michigan, New Mexico, Oklahoma, and Utah are among the States that have used TANF funds for strengthening marriage. Nationally, States and localities are developing a variety of initiatives that seek to involve fathers in the lives of their children and families.

Out-of-Wedlock Births

Annual bonuses are awarded to up to five States, and three Territories if eligible, that experience the largest decreases in the ratio of out-of-wedlock births to all live births and that also succeed in reducing the ratio of abortions to live births. During 2001, only three States experienced a decrease in their out-of-wedlock birth rates. The birth rate for unmarried women ages 15-44 years declined slightly in 2001. The actual number of out-of-wedlock births rose less than one percent in 2001, following a seven percent rise during 1997-2000, with most of the increase associated with the rising number of unmarried women of childbearing age.

Characteristics and Financial Circumstances of TANF Recipients

For FY 2001, the average monthly number of TANF families was 2,120,500 which included 787,000 child-only cases. Child-only cases were 37.2 percent of the total caseload. Ninety-nine percent of TANF families received cash and cash equivalents assistance with the average monthly amount of \$351. Monthly cash payments to the TANF families averaged \$288 for one child, \$362 for two children, \$423 for three children, and \$519 for four children or more.

Tribal TANF

Each eligible Indian Tribe may elect to operate its own TANF program. As of September 30, 2001, 34 Tribal TANF plans were approved, covering 172 Tribes and Alaska Native villages and serving approximately 17,000 families. In FY 2001 grants to all Tribes totaled over \$50 million.

Indian families not served by the Tribal TANF program continue to be served by State TANF programs. Under PRWORA, the Native Employment Works (NEW) program replaced the Tribal Job Opportunities and Basic Skills Training Program. The NEW grants totaled \$7.6 million in FY 2001. The program is designed to make work activities available to grantee service populations. As of June 30, 2002, there are 78 NEW grantees.

Specific Provisions of State Programs

The tables in Chapter XII were derived from information from each State's TANF plan and amendments and have been reviewed by each State prior to submission of the report. They generally show little change in State policy from the prior year's report.

TANF Research and Evaluation

HHS undertakes several research and evaluation initiatives each year. Major new research reports include: a study by RAND synthesizing the current state of knowledge about the net effects of TANF; a comprehensive summary of what has been learned to date about time limits; and the National Evaluation of Welfare-to-Work Strategies (NEWWS, formerly known as the JOBS Evaluation) which studied the effectiveness of 11 mandatory welfare-to-work programs.

Additional research and evaluation efforts include evaluating State TANF programs (e.g. Wisconsin, Connecticut, Florida), changes in urban areas, efforts to promote healthy marriage and responsible fatherhood, employment retention and advancement, effective strategies for serving the hard-to-employ, rural welfare-to-work strategies, and addressing the needs of other special populations.