



**Status Report on the Occasion of the 5th Anniversary of the
1996 Personal Responsibility Welfare-Reform Act**

**Thomas Gais
Richard Nathan
Nelson A. Rockefeller Institute of Government
August 17, 2001**

August 22, 2001 is the fifth anniversary of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This is an appropriate time to issue this Status Report, which is both a substantive comment on an important theme for re-authorization of the 1996 Act and an inventory of implementation studies underway at the Rockefeller Institute in the broad area of human service reforms.

“Mission Creep” for Welfare Systems — Aiding the Working Poor

We are increasingly impressed by a part of the welfare reform story that is not being highlighted enough — aiding the working poor. The 1996 Act ended AFDC (Aid for Families with Dependent Children), the entitlement to financial assistance for the poorest families with children and replaced it with a capped block grant to the states for TANF (Temporary Assistance for Needy Families).

There is no such thing as a “pure” unconditional block grant. Although it is a block grant, TANF funds are conditional, including work requirements for family heads, sanctions for family heads who don’t work, and time limits on how long families can receive federally-aided cash-assistance.

As is well known, welfare rolls have plummeted — over fifty percent nationwide — and employment has risen dramatically among low-income,

unmarried parents, the group targeted by the 1996 law. The media have paid considerable attention to this caseload decline, and also to sanctions, cuts in benefits, and what happens to families after they hit the time limit, as families in many states are beginning to do.

Much less attention has been paid to another development in state policies and practices — the expansion of benefits to working families, many of whom may be over the poverty line. One consequence of creating a welfare program that encourages work — particularly in a time when work could be found — was the transformation of the character of welfare into a funding stream for supporting work. Since states did not want to discourage work by giving benefits only to poorest families, (usually those who work the fewest hours), many states have expanded eligibility higher up the income scale for a variety of benefits, including child care assistance, state earned income tax credits, transportation services, health care, help in emergencies, and child support enforcement.

This tendency was encouraged by an unexpected and indeed inspired interpretation of the 1996 law by the federal agency responsible for administering the federal grants, the Administration for Children and Families in the Department of Health and Human Services. The new regulation — which was announced in 1999 — provides that some kinds of assistance to families were actually “nonassistance”. That is, support that can be provided to families without limits on time, as well as without the application of a number of other regulations and reporting requirements under TANF, the federal block grant. This means, for example, that states can provide certain short-term benefits (such as help with emergency needs, like car repair) or even long-term needs (such as child care assistance or education and training) if these are supports for employed families that help them keep their jobs and advance in the workforce.

Kinds of “Welfare Prevention”. Examples of “nonassistance” aid include “diversion” benefits that many states have created to prevent welfare dependency by providing short-term help for working families. Florida offers six types of diversion programs, each of which provides short-term benefits addressing a range of problems, including one-time payments to deal with work-related needs (such as transportation or aid for transitions between jobs) as well as help to deal with more complicated problems like domestic violence, and none of these programs are counted as welfare “cases” or included in the calculation of time limits. Wisconsin offers many services and benefits, funded under the TANF program, which go to people not on cash-assistance, such as subsidized child care, job services, and transportation assistance. Minnesota, like the federal government and many other states, established an earned income tax credit that rewards families who work — again, without any limits on time. West Virginia uses the “nonassistance” provision of the TANF regulations to provide children with school clothes every fall. Overall, the percentage of family heads who are receiving TANF cash-assistant payments and are working has risen from 7% in 1992 to 33% in 1999. Another important development for single-parent families is the increasing success of states in securing

and enforcing child support orders. In many states, such as New York, child support payments have increased especially among low-income families not on cash-assistance.

Area for Study. These developments involving aid and services for the working poor need to be studied much more closely. Helping working families is a popular political idea, even among states, such as Utah in our sample, which had been a fairly conservative state in the past in providing welfare benefits. Focusing only on TANF time limits, and other conditions attached to cash-assistance ignores the important, though piecemeal, construction of a new range of social supports for the working poor, which as noted, has a stronger political base than AFDC enjoyed.

If we continue to think of TANF as a welfare program in the traditional mold, a number of problems are likely to result. First, we will underestimate the range of families and needs being served by federal and state TANF funds, since official case counts represent only a part of the TANF picture. Caseload usually means families on cash-assistance, yet many states now spend less than half of their total federal and state funds on cash-assistance, and the proportion becomes even smaller when we include the child care block grant that was enacted at the same time as TANF.

Second, this changed situation of the new world of welfare suggests that the 1996 funding plan for TANF doesn't make sense. TANF funding was keyed to what was spent by the federal and state governments on AFDC and related welfare programs in the mid-1990s. It turned out that this funding level was generous for a welfare program, since welfare rolls peaked at that time, and states, as it turned out, have had plenty of money to serve the dwindling number of families on cash-assistance. However, as states begin transforming their TANF programs from welfare into work supports, a larger clientele becomes eligible for benefits.

A number of states are beginning to see their cash-assistance caseloads increase as the economy weakens. That trend may put states in a difficult financial position as demands for cash-assistance make it harder to provide the child care, diversion benefits, state income tax credits, and job and transportation assistance, etc. to people who are not "on welfare," meaning that they are not receiving monthly cash-assistance welfare benefits. Should states scrap the emerging work-support systems, or should they turn away some of the neediest families? To avoid such a difficult choice, federal as well as state funding for TANF and related programs should recognize the greater range of needs and people that states are now serving.

Research in Progress

Looking across the Rockefeller Institute's expanded program of implementation studies, they afford an opportunity, as we go forward, to gauge the character and scope of the new welfare in terms of the ways in which, and the degree to which, it engages (or doesn't engage) the working poor. We will be in the field soon to conduct a third round of data collection on TANF, and this is a subject we are stressing. The aim of this third round of field-data collection goes beyond re-authorization to study the "maturation" (to the extent it has occurred) of the institutional machinery of the new welfare, with special emphasis on the meaning for American federalism of the new block grant.

Related research is being conducted by Mark Ragan, Rockefeller Institute Senior Fellow, in conjunction with the Annie E. Casey Foundation on service integration. This study will concentrate both on service integration and the application of information technology to achieve this goal. It is an outgrowth of the Institute's collaboration in this subject area with the U.S. General Accounting Office.

Closely tied to the third-round systems' research and the Institute's project on service integration, this year we will publish a report on the front-line worker study. One thousand cases have been examined in this project directed by SUNY (University at Albany) Professor Irene Lurie, and funded by the U.S. Department of Health and Human Services. How has the new work focus played out (if it has) at the ground level? This is our most pathbreaking current study in methodological terms.

Also funded by the U.S. Department of Health and Human Services and also being conducted collaboratively with the General Accounting Office, Donald Boyd, Rockefeller Institute Deputy Director and Philip Dearborn (Brookings) are studying the fiscal effects of PRWORA in thirteen states. The aim is to look broadly at the effect of the new law and the new welfare on social spending and the program mix of state government and local governments, which includes substantial activity by a range of private nonprofit and for-profit organizations. This subject will be central to on re-authorization. The first report on this research by Deborah Ellwood and Donald Boyd is available on our website.

A related new project headed by David Wright, head of Urban Programs, at the Rockefeller Institute, working cooperatively with the Religion Program of the Pew Charitable Trusts, examines the role of church and faith-based groups in the delivery of social programs. Growing out of Section 104 ("the Charitable Choice" section) of the 1996 national welfare reform act, this has become a major topic of debate among experts and practitioners in the field of human services. Our aim in this area is to get beyond the rhetoric and find out what is really happening. Many church-related groups operating under IRS-code Section 501 (C) (3) have been working in this field for a long time. What is new? How is the field changing? What is the potential for innovation and expanded activity by faith-based

organizations to aid poor families? Richard Roper, JoAnn Rock, and Michael Owens will be participants with David Wright in the project.

Also under David Wright, we expect soon to begin an eight-state study of the implementation of the Workforce Investment Act (WIA). Sponsored by the U.S. Department of Labor, the leading scholars from the field for this study will be Burt Barnow (Johns Hopkins) and Christopher King (University of Texas). The WIA expires in 2003. This law in many states operates in close coordination with the TANF welfare block grant.

Two studies focused on programs closely tied to TANF are also underway. One headed by Professor James W. Fossett of SUNY (University at Albany) is examining the “take-up” of Medicaid in relation to TANF. This research, funded by the Robert Wood Johnson Foundation, is linked to Fossett’s research on Medicaid managed care. Under a cooperative agreement with the U.S. Department of Agriculture, the Institute is conducting a similar study of the operations of the Food Stamp program in relation to TANF.

Also underway currently is a field study of the provisions of the 1996 act to promote marriage and prevent out-of-wedlock and teen pregnancies. Headed by two field researchers, Malcolm Goggin (Michigan State) and Deborah Orth (Grand Valley State University), this study is now in the field. It involves a subject of intense and emotional debate. Again, our aim is to go beyond rhetoric into practice. We will be producing a series of publications on this work next year.

Thomas Gais directs the implementation research by the Rockefeller Institute of Government on PRWORA. Richard Nathan is director of the Institute, the public policy research arm of the State University of New York.

For more information and reports, see our website at www.rockinst.org.

The Rockefeller Institute of Government
411 State Street
Albany, NY 12203-1003
518-443-5522
Contact: Irene Pavone
518-443-5113