

May 2010

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates



GAO

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Highlights of [GAO-10-525](#), a report to congressional requesters

Why GAO Did This Study

The Deficit Reduction Act of 2005 (DRA) reauthorized the Temporary Assistance for Needy Families (TANF) block grant and made modifications expected to strengthen work requirements for families receiving cash assistance through state TANF programs. Both the U.S. Department of Health and Human Services (HHS) and states were required to take steps to implement these changes. Work participation rates, or the proportion of families receiving TANF cash assistance that participated in work activities, are the key performance measure HHS uses to assess state TANF programs. In response to the economic recession that began in 2007, the American Recovery and Reinvestment Act of 2009 (Recovery Act), provided additional TANF funding to eligible states and made additional modifications to TANF. GAO examined (1) How did DRA affect state TANF programs, including work participation rates? (2) How has the recent economic recession affected state TANF programs? (3) How did the Recovery Act affect state TANF programs? To address these questions, GAO analyzed federal TANF data, as well as relevant federal laws, regulations, and guidance; interviewed HHS officials; surveyed all state TANF administrators; and conducted site visits to meet with state and local officials in Florida, Ohio, and Oregon. GAO is not making recommendations in this report.

[View GAO-10-525 or key components.](#)
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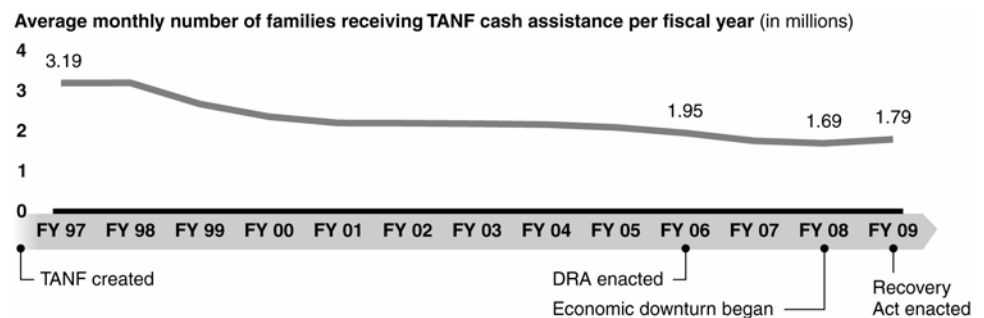
What GAO Found

Nationally, TANF work participation rates changed little after DRA was enacted, though states' rates reflect both recipients' work participation and states' policy choices. Although federal law generally requires that a minimum of 50 percent of families receiving TANF cash assistance in each state participate in work activities, both before and after DRA, about one-third of TANF families nationwide met their work requirements. However, after DRA, many states were able to meet federally required work participation rates because of additional factors. For example, 29 states funded cash assistance for certain families that may be less likely to meet the work requirements with state dollars unconnected to the TANF program, as this removed these families from the rate calculation. Further, DRA required other changes to state TANF programs, and states reported challenges with some of DRA's changes to the TANF work rules, such as verifying participants' actual work hours.

From the beginning of the economic recession, in December 2007, to September 2009, the number of families receiving TANF cash assistance, particularly two-parent families, increased in the majority of states but went down in others. At the same time, many states have faced budget deficits and difficult decisions about the use of state resources for TANF programs. Thirty-one states reported that budget constraints led to changes in local TANF service delivery, such as reductions in available services and the number of staff.

Forty-six states have applied for the Recovery Act's Emergency Contingency Fund for state TANF programs since it was made available in 2009. More states reported using these funds to maintain their TANF programs rather than expand or create programs and services. Some states reported challenges accessing the funds. For example, some expressed frustration with the amount of time it has taken to receive guidance and responses to questions from HHS, particularly related to qualifying subsidized employment and short-term, nonrecurrent benefit expenditures. State officials also expressed concern about the September 30, 2010, expiration date for the Recovery Act TANF funds.

Total TANF Recipients and Recent Legislative and Economic Changes



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Abbreviations

DRA	Deficit Reduction Act of 2005
HHS	U.S. Department of Health and Human Services
MOE	maintenance-of-effort
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
SNAP	Supplemental Nutrition Assistance Program
SSF	solely state funds
SSP	separate state program
TANF	Temporary Assistance for Needy Families
WIA	Workforce Investment Act of 1998

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United States Government Accountability Office
Washington, DC 20548

May 28, 2010

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate

The Honorable John Linder
Ranking Member
Subcommittee on Income Security and Family Support
Committee on Ways and Means
House of Representatives

The Temporary Assistance for Needy Families (TANF) block grant provided cash assistance to 1.8 million low-income families nationwide in September 2009. About half of those families included an adult or teen parent who was required to participate in work activities as a condition of benefit receipt, with the remaining families—often those in which only the children receive benefits—excluded from these requirements. TANF work requirements have been in place since the Congress, through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, imposed them and stated that one of the purposes of TANF was to end families' dependence on government benefits by promoting job preparation and work. Further, through the Deficit Reduction Act of 2005 (DRA), which reauthorized the TANF block grant, the Congress took steps that were generally expected to strengthen these work requirements by adding several provisions to improve the reliability of work participation data and program integrity and by modifying the credit provided to states for reducing the number of families receiving TANF. Both the U.S. Department of Health and Human Services (HHS), which oversees TANF at the federal level, and states administering TANF cash assistance programs, were required to take steps to implement the DRA changes.

In 2007 and 2008, the U.S. economy experienced a severe recession and, as a result, the Congress passed the American Recovery and Reinvestment Act of 2009 (Recovery Act), which included provisions affecting TANF. For example, the Recovery Act created the \$5 billion Emergency Contingency Fund for state TANF programs, which states qualify for based on increases in specific types of TANF expenditures or the number of families receiving TANF cash assistance.

As DRA and the Recovery Act both made changes to TANF rules in recent years, little research has examined how states' correspondingly modified their TANF programs. In response to your request, we answered the following questions: (1) How did DRA affect state TANF programs, including work participation rates? (2) How has the recent economic recession affected state TANF programs? (3) How did the Recovery Act affect state TANF programs?

As criteria for program implementation, we reviewed relevant federal laws, regulations, and agency guidance. To answer the questions, we collected and analyzed information through several methods. At the federal level, we interviewed HHS officials and reviewed the agency's TANF data, including the number of families receiving TANF cash assistance, work participation rates, and federal and state expenditures, as well as states' applications for the Emergency Contingency Fund. We determined that these data were sufficiently reliable for the purposes of this report. To gather information from states about changes to their TANF programs after DRA was enacted, the economic recession began, and the Recovery Act was enacted,¹ we surveyed state TANF administrators from the 50 states and the District of Columbia, and we conducted site visits in 3 states (Florida, Ohio, and Oregon). We administered our Web-based survey between November 2009 and January 2010, and all state TANF administrators responded. While we did not validate specific information that administrators reported through our survey, we reviewed their responses, and we conducted follow-up, as necessary, to determine that their responses were complete, reasonable, and sufficiently reliable for the purposes of this report. Our site visit states were selected because they made varied modifications to their TANF programs after DRA and the Recovery Act, and the number of families receiving TANF cash assistance in these states had increased since the economic recession began. These states were also selected because they varied in geographic location and selected TANF program characteristics, including the maximum amount of TANF cash assistance provided to each recipient family. Within each state, we interviewed state TANF administrators, as well as TANF officials from two to three local offices serving urban and rural areas. We cannot generalize our findings from the site visits beyond the states and localities we visited. To gather additional perspectives about changes to state TANF

¹From this point forward in the report, when we refer to changes that occurred after DRA or the Recovery Act, we are referring to changes made after those laws were enacted.

programs, we also interviewed researchers knowledgeable about TANF from a range of organizations.

We conducted this performance audit from August 2009 to May 2010, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. See appendix I for additional information on our objectives, scope, and methodology.

Background

Enactment of the TANF block grant in 1996 significantly changed federal welfare policy, as it both limited HHS's authority to regulate welfare programs and gave states more flexibility in designing and funding related programs. The TANF block grant is a \$16.5 billion per year fixed federal funding stream to states, which is coupled with a maintenance-of-effort (MOE) provision that requires states to maintain a significant portion of their historic financial commitment to their welfare programs.² TANF gave states flexibility in setting various welfare program aspects, such as cash assistance benefit levels and eligibility requirements, as well as in spending TANF funds. For example, when the number of families receiving cash assistance benefits declined after welfare reform, states were able to use available funds to enhance spending for noncash services, such as child care, work supports, and a range of other supports for low-income families. Due to these flexibilities, TANF programs differ substantially by state. Further, because of differences in state administration of the program, some state TANF programs also differ by local jurisdiction.

TANF Work Requirements Included in PRWORA

In creating the TANF block grant, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) set out to increase the flexibility of states in operating a program designed for the following four purposes:

²To meet the MOE requirement, each state must generally spend 75 or 80 percent of what it was spending in fiscal year 1994 on welfare-related programs, including: Aid to Families with Dependent Children, Job Opportunities and Basic Skills Training (JOBS), Emergency Assistance (EA), and AFDC-related child care programs.

-
1. providing assistance so that children could be cared for in their own homes or in the homes of relatives;
 2. ending families' dependence on government benefits by promoting job preparation, work, and marriage;
 3. preventing and reducing the incidence of out-of-wedlock pregnancies; and
 4. encouraging the formation and maintenance of two-parent families.

In line with the second purpose, PRWORA (1) established work participation rates as a requirement for states, which HHS uses to measure performance; (2) named 12 categories of work activities to be counted for the purpose of the measure;³ and (3) defined the average number of weekly hours that each family receiving TANF cash assistance must be engaged in an activity to count as participating.⁴ If TANF recipients engage in other activities provided or permitted under the state's TANF program, then those activities do not count toward meeting the federal work participation requirements. In addition, TANF recipients who engage in work activities for less than the minimum required number of hours each week generally do not count as being engaged in work for purposes of the requirements. PRWORA also excluded some families from these work requirements, such as those in which children alone receive the cash assistance benefits.⁵

PRWORA established separate annual work participation rates for all families and all two-parent families receiving TANF cash assistance in

³The 12 work activities are: unsubsidized employment, subsidized private sector employment, subsidized public sector employment, work experience (if sufficient private sector employment is not available), on-the-job training, job search and job readiness assistance, community service programs, vocational educational training, job skills training directly related to employment, education directly related to employment (for recipients who have not received a high school diploma or certificate of high school equivalency), satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalence (for recipients who have not completed secondary school or received such a certificate), and the provision of child care services to an individual who is participating in a community service program.

⁴Throughout this report, we refer to families receiving TANF cash assistance, for ease of reporting. However, this is a simplification of PRWORA, which actually refers to families receiving "assistance." Federal regulations define "assistance" as including cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs.

⁵However, families that include a minor child head-of-household are not excluded from these requirements.

each state.⁶ Although the required rates increased in the immediate years following TANF implementation, when they reached their maximums, the rates were set at 50 percent for all TANF families and 90 percent for two-parent TANF families. In short, these rate requirements mean that states are held accountable for ensuring that generally at least 50 percent of all families receiving TANF cash assistance participate in one or more of the 12 work activities for an average of 30 hours per week.⁷

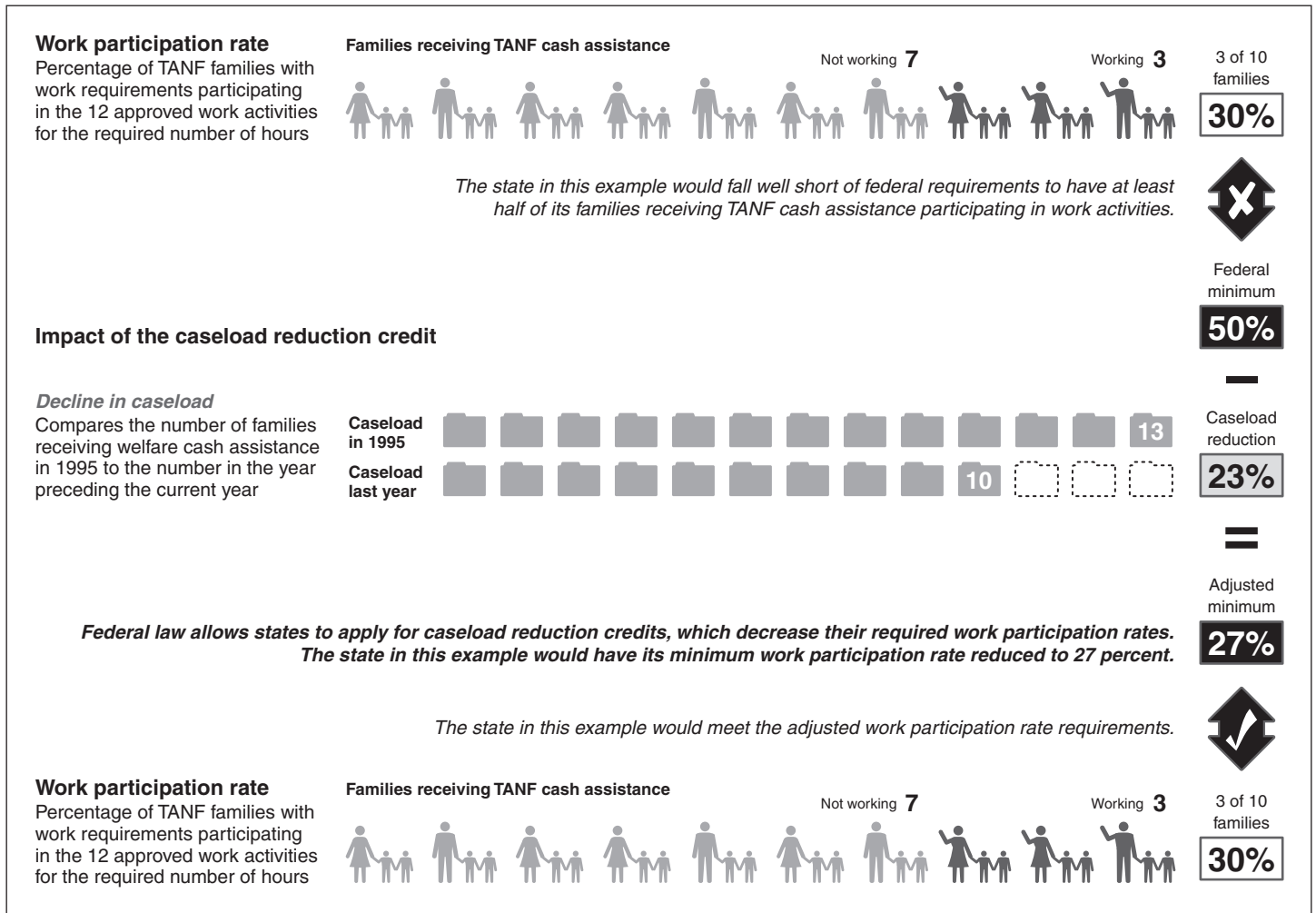
However, the act also allowed states to annually apply for a reduction to the required work participation rates through the caseload reduction credit. This credit was annually calculated by determining the change in caseload—or, the average number of families receiving cash assistance—in the state between fiscal year 1995 and the fiscal year preceding the current one.⁸ If a state's caseload has decreased, the credit allows the state to decrease its required work participation rate by the equivalent percentage. For example, if a state's caseload decreased by approximately 20 percent between fiscal year 1995 and the fiscal year preceding the current one, the state would receive a caseload reduction credit equal to 20 percent, which would result in the state having an adjusted work participation rate requirement of 30 percent for the current year. Because TANF caseloads significantly declined following TANF implementation, this credit enabled many states with fewer than 50 percent of their TANF families sufficiently engaged in countable work activities to still meet the federal work participation rates. (See fig. 1.)

⁶All families receiving assistance that include an adult or minor child head-of-household (e.g., teen parents) are included in the calculation of a state's all families' work participation rate. In contrast, only two-parent families receiving assistance are included in the calculation of a state's two-parent families' work participation rate.

⁷To be counted as engaging in work for a month, most TANF families are required to participate in work activities for an average of 30 hours per week in that month. However, PRWORA defined different weekly work hour requirements for teen parents attending school, single parents of children under age 6, and two-parent families.

⁸For the purposes of the caseload reduction credit, federal regulations define the total number of families receiving cash assistance in a state as families that receive cash assistance both in states' TANF programs and in separate state programs that are used by states to meet their MOE requirements. However, under federal TANF statutes, the credit calculation excludes caseload reductions required by federal law and reductions resulting from changes in states' eligibility criteria. Regulations also allow a state that spent in excess of its required MOE amount in the year preceding the current one to include only the pro rata share of the total number of families receiving MOE-funded cash assistance required to meet its basic MOE requirement.

Figure 1: How State Work Participation Rates Are Calculated



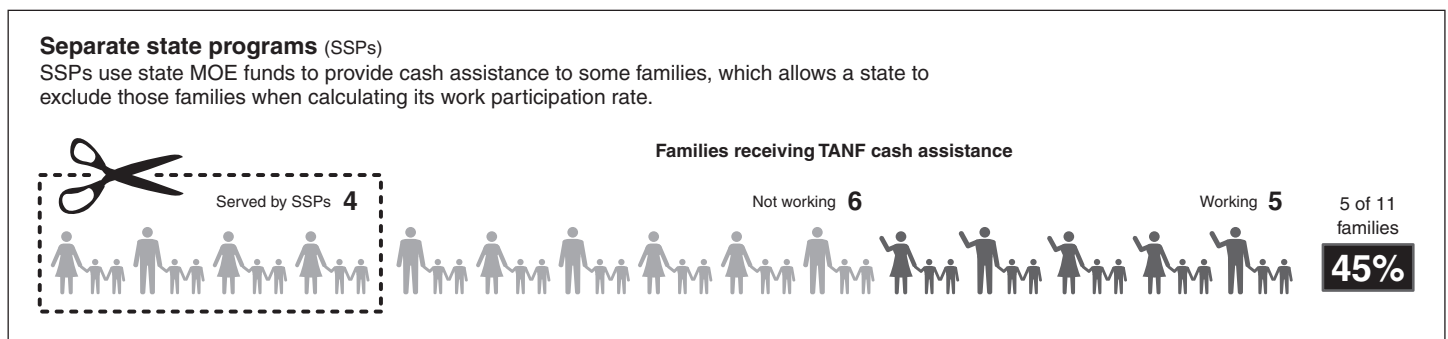
Source: GAO analysis of federal law and regulations.

Note: Figure reflects fiscal year 1995 as the base year established in PRWORA. The DRA changed the base fiscal year to 2005, as discussed below.

In addition, states could modify the calculation of their work participation rates through funding decisions. Specifically, because PRWORA's work participation requirements only applied to families receiving cash assistance funded with TANF block grant dollars, states could opt to use

their MOE dollars to fund cash assistance for families less likely to meet their individual work participation requirements.⁹ By creating these MOE-funded separate state programs (SSP), states were able to remove selected families from the work participation rate calculation. (See fig. 2.)

Figure 2: How States' Choices to Fund Cash Assistance for Selected Families through SSPs Affected State Work Participation Rates



Source: GAO analysis of federal law and regulations.

Note: As discussed previously, states with 45 percent work participation likely also applied for a caseload reduction credit to decrease their required work participation rates. This figure represents rules established in PRWORA. The DRA changed the way SSPs affect the work participation rate calculation, as discussed below.

PRWORA established penalties for states that did not meet their required work participation rates and gave HHS the authority to make determinations regarding these penalties. When a state does not meet its required level of work participation, HHS will send the state a penalty notice. The state can accept the penalty, which reduces its annual block grant, or it can try to avoid the penalty. To do so, a state can opt to provide reasonable cause as to why it did not meet the work participation rate or submit a corrective compliance plan that will correct the violation and demonstrate how the state will comply with work participation requirements. In addition, if the state's failure to meet the work participation rate is due to circumstances that caused the state to become

⁹Although federal law does not impose work requirements on families, it poses the potential of a financial penalty on states that do not engage the requisite percentage of families in countable work activities for the required number of hours. Because of this statutory requirement, states require certain families receiving cash assistance to engage in these work activities for the required number of hours. We refer to these state-imposed requirements as families' "individual work requirements."

a “needy state”¹⁰ or extraordinary circumstances such as a natural disaster, HHS has the discretion to reduce a state’s penalty.

Modifications to TANF Work and Funding Requirements Included in DRA

In 2006, DRA reauthorized the TANF block grant through fiscal year 2010 and made several modifications that were generally expected to strengthen TANF work requirements intended to help more families’ attain self-sufficiency, and improve the reliability of work participation data and program integrity.¹¹ Specifically, DRA directed HHS to issue regulations by June 30, 2006, defining the 12 work activities, methods for reporting and verifying hours of work participation, and the circumstances under which a parent who resides with a child receiving assistance should be included in work participation rates. DRA also required (1) states to establish and maintain procedures consistent with the new regulations and (2) HHS to review these procedures to ensure they will provide an accurate measure of work participation. Further, DRA mandated that families receiving cash assistance through SSPs be included in the calculation of work participation rates, and it changed the caseload reduction credit by moving the base year for measuring caseload declines from 1995 to 2005.

In addition to the work requirement changes, DRA also added a provision allowing states to count a broader range of their own expenditures toward the TANF MOE requirement. Previously, states could claim as MOE their expenditures related to the four purposes of TANF that provided benefits or services only to financially needy families with children. However, DRA expanded states’ ability to count as MOE other expenditures on TANF purposes 3 and 4—the prevention and reduction of out-of-wedlock pregnancies and the formation and maintenance of two-parent families. Specifically, the act allowed states to count their total expenditures toward these purposes, regardless of the composition and financial need of the families benefiting from these expenditures.

¹⁰States qualify as “needy” based on criteria related to increases in unemployment or Supplemental Nutrition Assistance Program (SNAP) participation.

¹¹In our 2005 report on TANF work participation, we found differences in how states defined the 12 TANF work activities, which had resulted in some states counting activities that others did not count, and, therefore, an inconsistent measurement of work participation across states. We also found that some of the states in our review lacked internal controls over work participation data. See GAO, *Welfare Reform: HHS Should Exercise Oversight to Help Ensure TANF Work Participation Is Measured Consistently across States*, [GAO-05-821](#) (Washington, D.C.: Aug. 19, 2005).

HHS issued interim final regulations in response to DRA on June 29, 2006, which were generally applicable beginning in fiscal year 2007. These regulations addressed the changes related to work rules required by DRA, such as issuing federal definitions of the 12 work activities, and also required specific state actions. For example, in response to the DRA requirement that states establish procedures for counting, verifying, and reporting work participation, HHS required states to submit an interim Work Verification Plan to the agency by September 30, 2006, and have a final approved version in place by September 30, 2007. The interim regulations also addressed the DRA change to MOE spending on pro-family activities by clarifying that states could claim as MOE all spending reasonably calculated to address TANF purposes 3 and 4.

HHS issued the final DRA-related regulations on February 5, 2008, which were effective beginning in fiscal year 2009. Although the final regulations made some modifications to the work rules included in the interim final regulations, HHS officials reported that these modifications were generally minor. For example, HHS clarified that some activities not directly addressed in the interim final regulations fit within specific work activity definitions. In contrast, the final regulations made a significant change to the interim regulations related to allowable MOE expenditures on pro-family activities. Specifically, under the final regulations, states can count toward MOE their total spending on specific pro-family activities listed in the healthy marriage promotion and responsible fatherhood section of DRA, rather than their total spending on all pro-family activities under TANF purposes 3 and 4. For the specified activities alone, a state can count all of its expenditures toward MOE regardless of the family composition and financial need of the people benefiting from these activities.

TANF Modifications in the Recovery Act

In response to the economic recession that began in 2007, the Recovery Act made several additional changes to TANF, which generally did not affect the federal work rule changes required by DRA. Specifically, the Recovery Act created the \$5 billion Emergency Contingency Fund for state TANF programs, which states can qualify for based on increases in the number of families receiving cash assistance or in TANF and state MOE expenditures for short-term, nonrecurrent benefits and subsidized employment. States can apply for funds each quarter through the end of fiscal year 2010, and they are eligible to have 80 percent of their

expenditure increases reimbursed from the fund. In total, each state is eligible for a portion of the fund equal to up to half of its annual basic TANF block grant, as long as dollars remain.¹² Because these funds are afforded the same flexibilities as the TANF block grant, Emergency Contingency funds can be spent on any TANF-related purpose for TANF-eligible families. Before the creation of the Emergency Contingency Fund, PRWORA had originally created a TANF Contingency Fund of up to \$2 billion that states could access in times of economic distress. States have to meet criteria to qualify for the TANF Contingency Fund that differ from those for the Emergency Contingency Fund,¹³ and only a portion of the TANF Contingency Fund had been drawn down by the states when the recent economic recession began in 2007.

The Recovery Act also made two additional funding modifications to TANF, as well as a temporary modification to the caseload reduction credit. First, the Recovery Act extended TANF supplemental grants, which amounted to \$319 million, to qualified states through fiscal year 2010. Beginning with PRWORA, annual supplemental grants had been awarded to states that had historically low welfare spending per person and high population growth, but these grants were due to expire at the end of fiscal year 2009. In addition, the Recovery Act increased states' flexibility by permitting them to spend prior year TANF block grant funds on all TANF-allowable benefits and services. Prior to this modification, states had been permitted to spend prior year TANF block grant funds only on assistance—a category that includes cash benefits and supportive services for families receiving these benefits. Finally, the Recovery Act also modified the caseload reduction credit calculation for fiscal years 2009-2011, by allowing states the option to use the lower total number of cash assistance recipients in their state in fiscal year 2007 or fiscal year 2008 as the comparison caseload for calculating the credit. For example, if a state had 20,000 families receiving TANF cash assistance in fiscal year 2007, and 21,000 such families in fiscal year 2009, it could opt to use 20,000 for the purposes of calculating its fiscal year 2010 caseload reduction credit, resulting in a greater credit and a lower required work participation rate.

¹²However, if a state also receives funds from the TANF Contingency Fund created under PRWORA, the maximum amount payable to the state from both contingency funds together is equal to up to half of its annual basic TANF block grant.

¹³To qualify for the TANF Contingency Fund, states have to be defined as a “needy state” and submit a request to HHS. States qualify as “needy” based on criteria related to increases in unemployment or SNAP participation.

After DRA, States Changed Their TANF Programs, in Part to Affect Work Participation Rates

Since DRA, national TANF work participation rates have changed little, although the rates reflect both recipients' work participation and state policies that affected the work participation rate calculation. Specifically, the factors that influenced the calculation of a state's work participation rate included

- the number of families receiving TANF cash assistance who participated in work activities,
- changes in the number of families receiving TANF cash assistance,
- state spending on TANF-related programs in excess of what is required,
- state policies that keep working families in the rate calculation, and
- state policies that keep nonworking families out of the rate calculation.

In addition, in order to comply with DRA, states made other changes to their TANF programs, which may also have affected their work participation rates. Although HHS provided guidance to states after DRA, states reported differing opinions about the usefulness of this assistance, as well as continued challenges implementing certain aspects of DRA's changes to the TANF work requirements.

National Work Participation Rates Changed Little after DRA, and States' Rates Reflected Both Recipients' Work Participation and States' Policy Choices

Nationally, the proportion of families receiving TANF cash assistance who met their individual work requirements by participating in one of 12 work activities for a minimum number of hours each week¹⁴ changed little after DRA,¹⁵ as did the types of work activities in which they most frequently participated. In fiscal year 2007 and fiscal year 2008—the two years following DRA for which national data are available—between 29 and 30 percent of families receiving TANF cash assistance met their work requirements.¹⁶ Similarly, between 31 and 34 percent of families receiving TANF cash assistance met their work requirements in each year from fiscal year 2001 to fiscal year 2006. In other words, approximately 295,000 of the 875,000 families receiving TANF cash assistance who had work requirements in fiscal year 2005 met those requirements, and 243,000 of 816,000 families met their work requirements in fiscal year 2008.¹⁷ The small decrease in the proportion of families that met their requirements after DRA may be related, in part, to the federal work activity definitions and tightened work hour reporting and verification procedures states had to comply with after the act, as well as states' ability to make the required changes.¹⁸ The types of work activities in which families receiving TANF cash assistance most frequently participated were also similar before and

¹⁴To be counted as engaging in work, most TANF families are required to participate in one of 12 work activities for a minimum average of 30 hours each week. However, federal law defines different weekly work hour requirements for teen parents attending school, single parents of children under age 6, and two-parent families.

¹⁵The data in this section reflect families receiving TANF- or MOE-funded cash assistance who are required to participate in work activities as a condition of benefit receipt. Some families are excluded from work requirements, with the most significant group being certain child-only cases. In a child-only TANF family, the parent or nonparent caregivers receive the cash benefit on behalf of the child, but the adult's needs are not included in the calculation of the cash benefit.

¹⁶An additional 8 and 10 percent of TANF families in fiscal years 2007 and 2008, respectively, participated in work activities for less than the amount required to meet their individual work requirements. Further, some states reported TANF families participating in "other" work activities that do not count toward the federal work requirements, both before and after DRA.

¹⁷See appendix II for state by state information on work participation by families receiving TANF cash assistance.

¹⁸In our 2005 report on TANF work participation before DRA, we found differences in how states defined the 12 TANF work activities, which had resulted in some states counting activities that others did not count, and, therefore, an inconsistent measurement of work participation across states. We also found that some of the states in our review reported the hours recipients were scheduled to work, rather than those actually worked, as work participation. As a result, some states likely needed to make significant changes to their work definitions and procedures after DRA. See [GAO-05-821](#).

after DRA. For example, among families that met their work requirements, the majority participated in unsubsidized employment in the years both before and after DRA. In all of the years analyzed,¹⁹ the next most frequent work activities were job search and job readiness assistance, vocational educational training, and work experience.

While the national proportion of TANF families who were sufficiently engaged in countable work activities did not significantly change after DRA, fewer states met the required work participation rates for all TANF families and for two-parent TANF families. This is in part because other factors, including states' policy and funding decisions, affected states' ability to meet the required rates after DRA. Specifically, after DRA, in fiscal years 2007 and 2008, 13 and 10 states, respectively, did not meet at least one of the required rates,²⁰ compared with a maximum of 4 states that did not meet at least one of the rates in each year between fiscal years 2001 and 2006, according to HHS data (see table 1). States that do not meet the rates may receive a penalty reducing their annual block grants; however, HHS has not yet finalized state penalties for the two years following DRA.²¹

Table 1: Number of States That Did Not Meet the Required Work Participation Rates, in Fiscal Years 2001 through 2008

FY	Number of states not meeting the all-families work rate	Number of states not meeting the 2-parent family work rate	Total states not meeting at least one of the work rates
2001	0	4	4
2002	0	4	4
2003	1	3	4
2004	0	3	3
2005	1	1	2

¹⁹We analyzed states' work participation data reported to HHS for selected years. For more information, see appendix I.

²⁰While 13 states received penalty letters from HHS for not meeting the work participation rates in fiscal year 2007, one state, Vermont, submitted corrected data demonstrating that it had met the work participation rate. As a result, HHS notified Vermont that it was no longer subject to a penalty in December 2009.

²¹According to a senior HHS official, as of March 3, 2010, HHS had approved all corrective compliance plans submitted by states that did not meet the fiscal year 2007 rates but had not yet responded to states that submitted reasonable cause or needy state claims.

FY	Number of states not meeting the all-families work rate	Number of states not meeting the 2-parent family work rate	Total states not meeting at least one of the work rates
2006	1	2	3
2007	12	7	13
2008	7	5	10

Source: GAO summary of HHS data.

Role of Caseload Reductions in Meeting Work Participation Rates

Fewer states met the federally required work participation rates after DRA in part because of a modification that DRA made to the caseload reduction credit. Specifically, DRA changed the calculation of this credit, which adjusts the required work participation rates, so it now compares the change in the number of families receiving cash assistance in each state between the fiscal year 2005 base year and the comparison year. Before DRA, the credit's base year was fiscal year 1995 and states had larger caseload reduction credits because of the dramatic declines in the number of families receiving cash assistance after TANF implementation. For example, in fiscal year 2006, states' caseload reductions ranged from 11 to 91 percent, and 18 states had reductions that were at least 50 percent, which reduced their required work participation rates to 0. However, in part because of the base year change, caseload reductions had less of an effect on states' ability to meet the required work participation rates after DRA. Specifically, after DRA in fiscal year 2007, 3 states could not claim a credit related to caseload reduction, and other states had much smaller caseload reductions than they had before DRA. For example, 25 states had caseload reductions ranging from 1 to 5 percent, and the remaining 23 states had caseload reductions from 6 to 26 percent. As a result, only 8 states met the all families work participation rate in fiscal year 2007 solely because of their caseload reductions and the number of families who were sufficiently engaged in countable work activities, although 9 additional states met the rate solely because 50 percent or more of their families were sufficiently engaged in countable work activities.

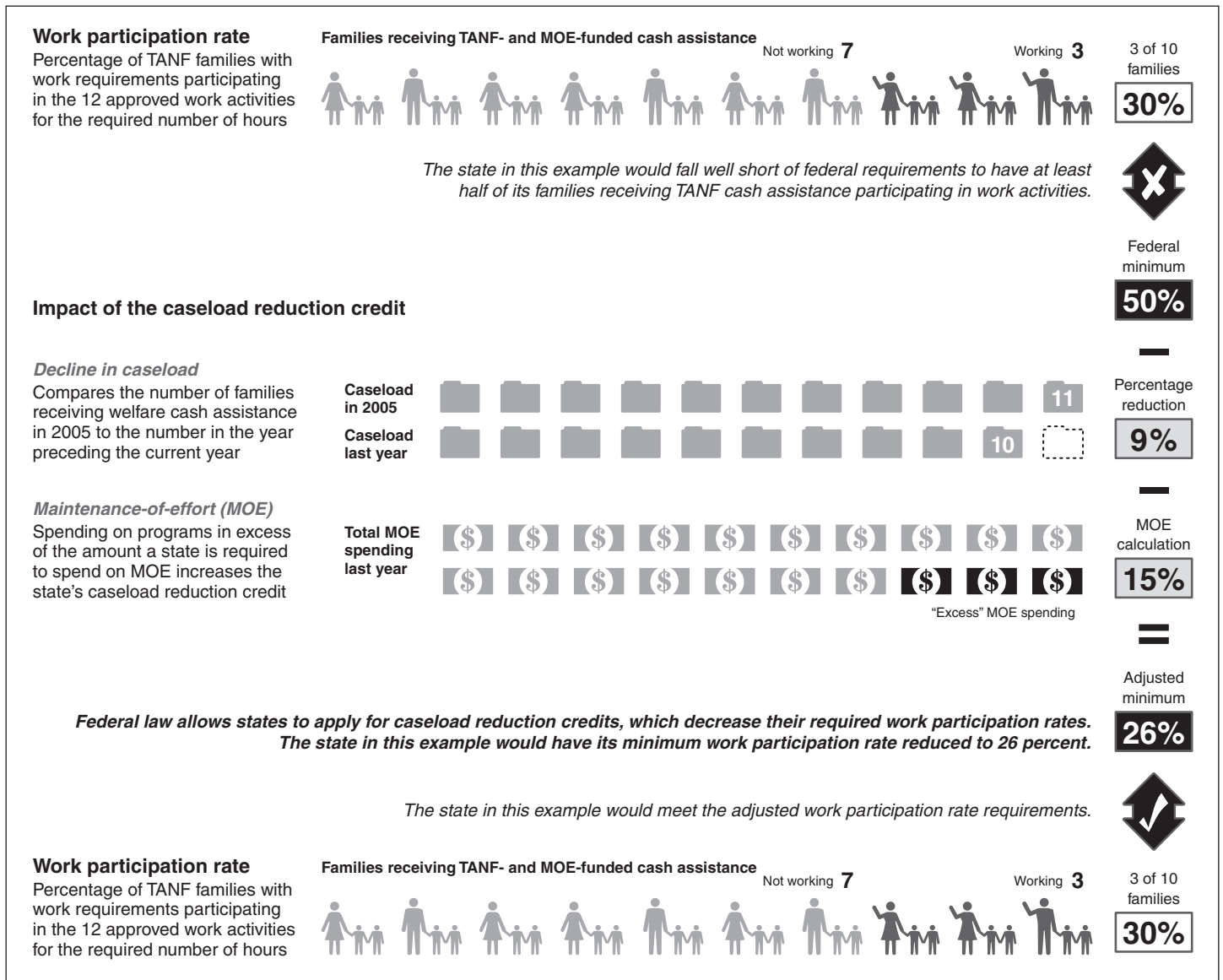
Role of Excess MOE Expenditures in Meeting Work Participation Rates

Although caseload reductions were significantly smaller after DRA, some states increased their caseload reduction credits and their ability to meet the federally required work participation rates by claiming excess MOE expenditures. Specifically, states are required to spend a certain amount of state MOE funds every year in order to receive their federal TANF block grants. However, if states spend in excess of the required amount, they are allowed to reduce the number of families included in the calculation of

their work participation rates through the caseload reduction credit calculation (see fig. 3).²² HHS officials told us that, prior to DRA, Delaware alone had claimed these expenditures toward its caseload reduction credit. In contrast, in fiscal year 2007, 32 states claimed excess MOE expenditures toward their caseload reduction credits. Further, of the 39 states that met the all-families work participation rate in fiscal year 2007, 28 claimed excess MOE expenditures toward their caseload reduction credits, and 22 would not have met their rates without claiming these expenditures (see fig. 4). Among the 22 states that needed to rely on excess MOE expenditures to meet their work participation rates, most relied on excess MOE expenditures to add between 1 and 20 percent to their caseload reduction credits, but 4 states relied on excess MOE expenditures to add between 25 and 35 percent to their credits. (See fig. 5.) In fiscal year 2008, 30 of the 44 states that met the all-families work participation rate claimed excess MOE expenditures toward their caseload reduction credits, and 14 would not have met their rates without claiming these expenditures.

²²Specifically, when calculating the caseload reduction credit, federal regulations allow a state that spent in excess of its required MOE amount in the year preceding the current one to include only the pro rata share of the total number of families receiving MOE-funded cash assistance required to meet the state's basic MOE requirement.

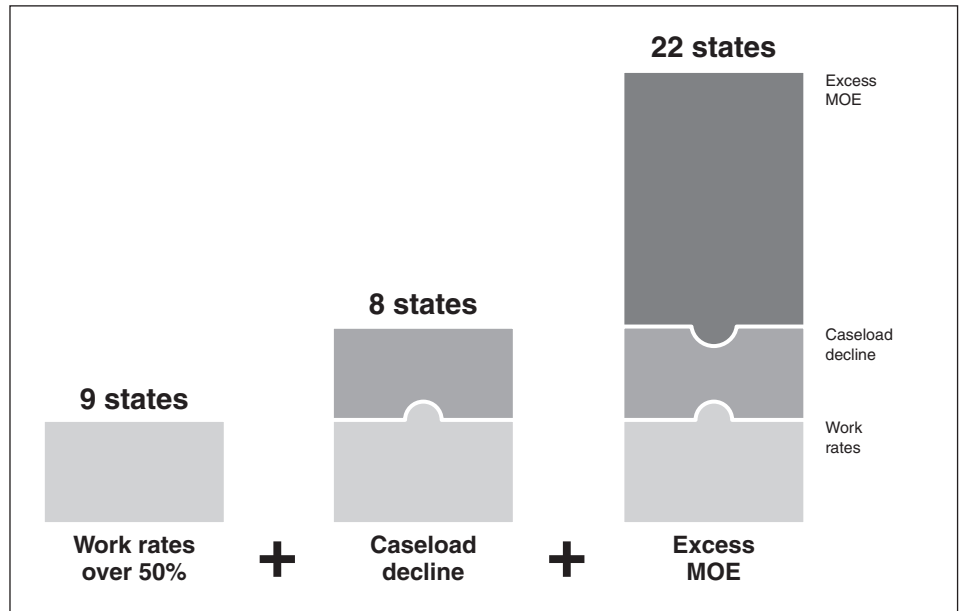
Figure 3: How a State's Work Participation Rates Are Calculated When It Claims Excess MOE Expenditures



Source: GAO analysis of federal law and regulations.

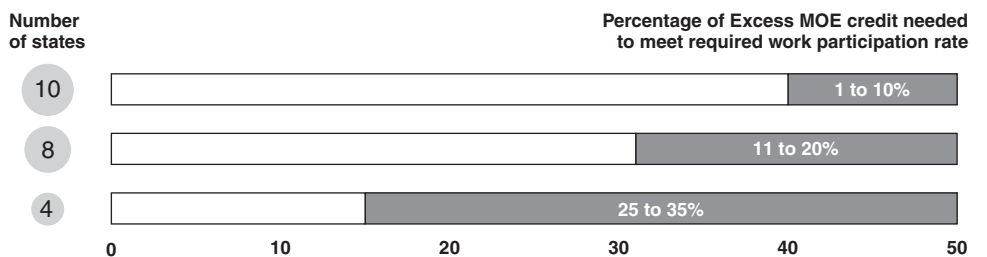
Note: In this figure, year refers to fiscal year.

Figure 4: Number of States That Met Their Fiscal Year 2007 All Families Work Participation Rates Because of Families Engaged in Work, Caseload Reductions, and Excess MOE Expenditures



Source: GAO analysis of HHS data.

Figure 5: Extent to Which the 22 States That Met Their Fiscal Year 2007 All Families Work Participation Rates in Part because of Excess MOE Expenditures Relied on Such Expenditures



Source: GAO analysis of HHS data.

Although the majority of states reported excess MOE expenditures after DRA, which helped some states to meet work participation rates, we did not determine whether these increases reflect new state spending or spending that had been occurring before DRA but was not reported as MOE. Specifically, we did not examine the totality of state expenditures on

TANF-related programs and services in the years before and after DRA, which would have provided this information. However, we did examine states' TANF and MOE expenditures reported to HHS before and after DRA to further understand these increases.²³ Total state MOE expenditures increased by almost \$2 billion between fiscal years 2006 and 2008, from \$12.0 to 13.7 billion, respectively. In addition, this increase appears to be related to state spending on programs and services referred to as pro-family by DRA—the prevention and reduction of out-of-wedlock pregnancies and the formation and maintenance of two-parent families (see table 2). Although federal regulations have allowed states to count spending on these types of programs and services as MOE since TANF was implemented, interim DRA regulations allowed states to count additional expenditures in this area as MOE for fiscal years 2007 and 2008, including those that were not directed at low-income families with children. For example, according to the National Conference of State Legislatures, some states counted a broad range of spending under these categories, including afterschool and pre-kindergarten programs and juvenile justice services. Although final DRA regulations modified states' ability to report all of these expenditures as MOE beginning in fiscal year 2009, state MOE expenditures on pro-family activities did not significantly decrease in that year.

Table 2: States' TANF and MOE Expenditures on Pro-Family Activities in Selected Years Before and After DRA

Dollars in billions

Fiscal year	Total Pro-Family TANF and MOE expenditures	Total Pro-Family expenditures as a percent of total TANF and MOE expenditures	Total Pro-Family MOE expenditures	Total Pro-Family MOE Expenditures as a Percent of total Pro-Family expenditures
2001	\$0.4	1	\$0.1	25
2005	0.8	3	0.4	49
2006	0.9	3	0.5	50
2007	2.1	7	1.5	72
2008	2.5	8	1.7	70
2009 ^a	2.5	8	1.5	61

Source: HHS data.

²³ We analyzed states' expenditures of federal TANF funds and related state MOE funds for selected fiscal years. For more information, see appendix I.

Note: DRA refers to pro-family expenditures as those related to TANF purposes 3 and 4—the prevention and reduction of out-of-wedlock pregnancies and the formation and maintenance of two-parent families.

^aWe used preliminary fiscal year 2009 expenditures data that HHS provided to us before its public release for this analysis.

Role of Policies on Working Families in Meeting Work Participation Rates

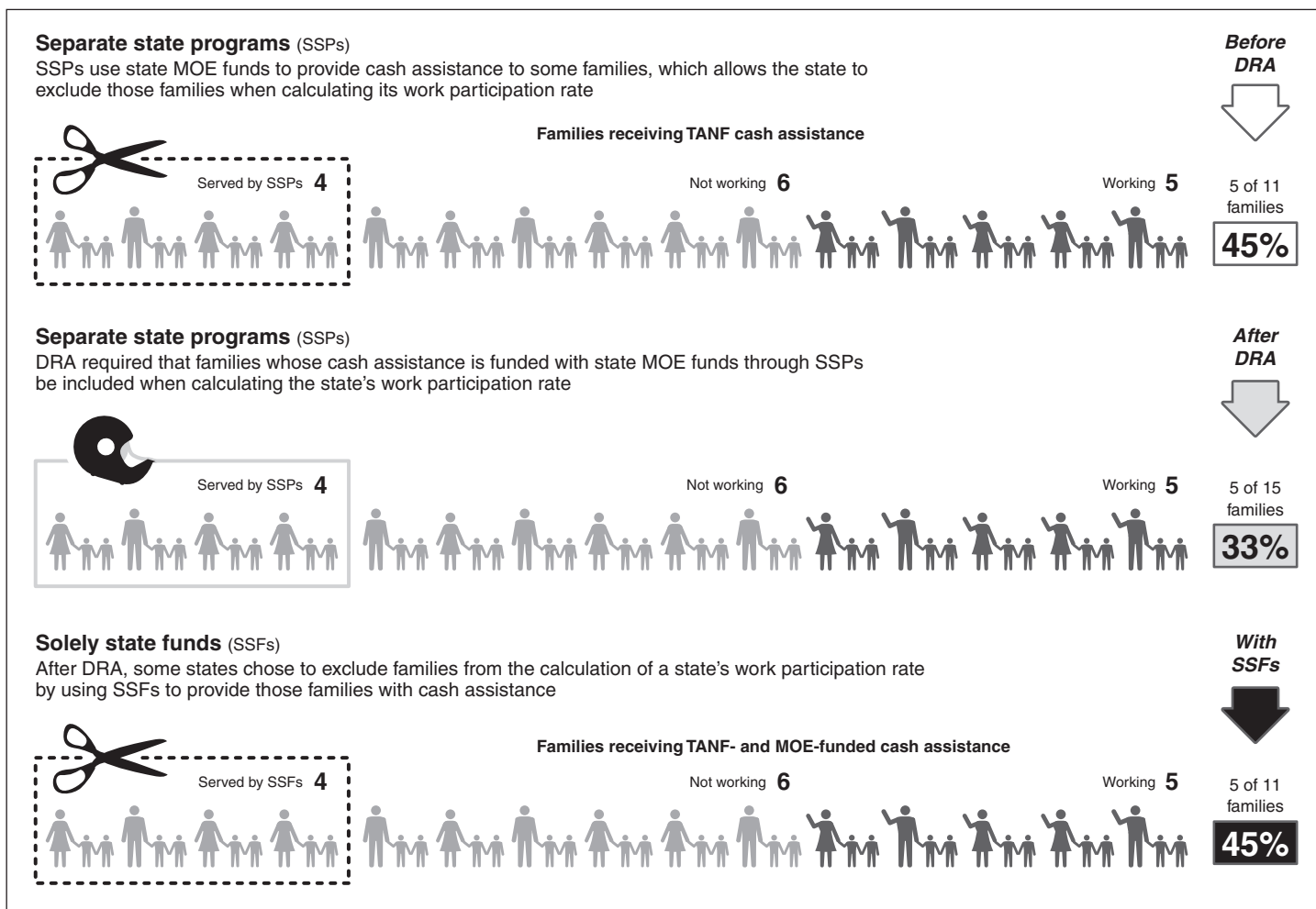
Some states made other policy changes to their TANF programs after DRA that may have affected their work participation rates. For example, many states use several types of policies to ensure that families complying with their individual work requirements are included in the calculation of the state's work participation rate, such as worker supplement and earned income disregard policies. Because these families are meeting their TANF work requirements, including them in the rate calculation can improve the state's rate. For instance, worker supplement programs are used by some states to provide monthly cash assistance to low-income working families who were previously on TANF or about to lose TANF eligibility because their incomes were too high. When states fund these programs with TANF or MOE dollars to help meet families' ongoing basic needs, families receiving these benefits are included in the calculation of the state's work participation rate. On our survey, 23 states reported that they provide worker supplement cash assistance programs, and 18 of these states implemented these programs since fiscal year 2006. In the majority of states with these programs (15), the average cash assistance benefit provided to each family in the worker supplement program is less than the average TANF cash assistance benefit. Further, states with these programs allow families to receive these benefits for a maximum of 1 to 60 months, with a median of 7.5 months. Like worker supplement programs, earned income disregards encourage families receiving TANF cash assistance to work. However, instead of providing additional cash benefits to working families, these policies disregard part of a family's earned income when the state determines the amount of monthly TANF cash assistance the family receives. Forty-nine states reported on our survey that they have earned income disregards, and 10 of these states have made changes to these policies since fiscal year 2006. Specifically, 9 states increased the amount of income disregarded, and 1 began indexing the amount disregarded on an annual basis. No states reported that they had decreased or eliminated their earned income disregards since fiscal year 2006.

Role of Policies on Nonworking Families in Meeting Work Participation Rates

In contrast, states also made policy changes to their TANF programs after DRA that removed certain families from the calculation of states' work participation rates. Specifically, some states opted to fund cash assistance for low-income families with state dollars not reported as MOE, known as solely state funds (SSF). While DRA required that the calculation of a

state's work participation rates include families receiving cash assistance funded with MOE dollars—a group that had previously been excluded—states are able to still exclude certain families from their rate calculations by using SSFs to serve them. (See fig. 6.)

Figure 6: States' Choices to Fund Cash Assistance for Selected Families through SSFs Can Affect Their Work Participation Rates



Source: GAO analysis of federal laws and regulations.

According to several state TANF administrators who responded to our survey and officials we interviewed during our Oregon site visit, families for whom states use SSFs to provide cash assistance are those that typically have the most difficulty meeting the TANF work requirements.

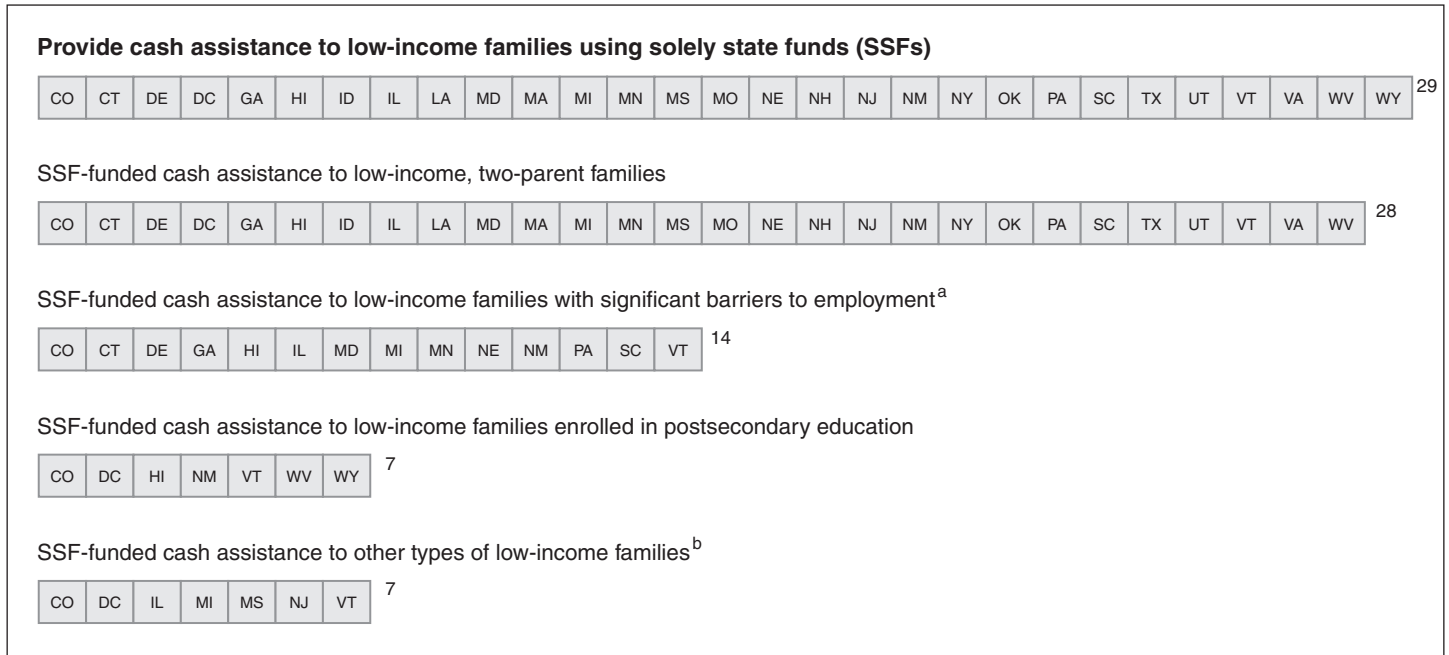
For instance, Oregon used SSFs to provide cash assistance to families applying for TANF that included a parent with disabilities.²⁴ Oregon officials said that parents with disabilities are often unable to meet their TANF work requirements, and, with this program, the state instead provides case management and assistance with applying for Supplemental Security Income.²⁵ Similarly, one state TANF administrator responding to our survey reported that they use SSFs to provide cash assistance to several types of low-income families, which is necessary both for the state to remain in compliance with TANF work participation rates and to maintain or try new policies that might otherwise negatively impact the state's rates. Further, another state TANF administrator responding to our survey reported that individual counties decide whether to use SSFs to provide cash assistance to families receiving such assistance in that state, and these staff take into account both families' needs and their ability to meet TANF work requirements when making that decision. In total, 29 states reported through our survey that they fund cash assistance for certain low-income families with SSFs, and almost all of these states first began using SSFs for this purpose after DRA.²⁶ Almost all of those states (28) use SSFs to provide cash assistance to low-income, two-parent families, and almost half (14) use SSFs to provide cash assistance to low-income families with significant barriers to employment, such as families with a disabled member or recent immigrants and refugees. Some states also use SSFs to provide cash assistance to families enrolled in postsecondary education and other types of families, such as those who have received 60 months of TANF-funded cash assistance and those with children under age 1 or 2. (See fig. 7.) Overall, states reported using SSFs to serve a range of less than 1 percent to 50 percent of their total number of families receiving cash assistance.

²⁴Oregon provided cash assistance to these families with SSFs between the summer of 2007 and the summer of 2009. However, in 2009, the state began using TANF-related funds to provide cash assistance to these families.

²⁵Supplemental Security Income is federally administered by the Social Security Administration and provides cash assistance to the aged, blind, and disabled.

²⁶Three states indicated that they began funding cash assistance for certain low-income families with SSFs before fiscal year 2006. Other states reported that they funded cash assistance for certain low-income families through SSPs before fiscal year 2006 and changed to funding cash assistance for these families with SSFs after fiscal year 2006.

Figure 7: Majority of States Used SSFs to Fund Cash Assistance for Various Groups of Low-Income Families at the Time of Our Survey



Source: GAO survey of state TANF administrators.

^aIn our survey, we indicated that “families with significant barriers to employment” could include families with disabled members or recent immigrants and/or refugees.

^b“Other types of low-income families” include various subgroups, depending on the state, such as those who have received 60 months of TANF-funded cash assistance and those with children under age 1 or 2.

Because SSFs are not connected to the funds for states’ TANF programs, states can develop their own work participation rules for families served with SSFs. In addition, if families served through SSFs do not meet the work requirements established by the state, they do not affect the state’s TANF work participation rates. In all states that use SSFs to provide cash assistance to two-parent families, and in the majority of states that use SSFs to provide cash assistance to families enrolled in postsecondary education, work participation rules for families served through SSFs are generally the same as for families served through the state’s TANF program. In contrast, in 9 of the 14 states that provide cash assistance with SSFs to recipients with significant barriers to work, work participation rules are generally not the same for these families as for families in the state’s TANF program.

Through other policy choices, states can similarly exclude certain families from their work participation rates. For example, some states have diversion programs that can reduce the number of families included in the calculation of their rates. Because diversion programs provide eligible low-income families with short-term, nonrecurrent cash benefits and support services in lieu of TANF cash assistance, families participating in these programs are not included in states' work participation rates. Thirty-one states reported through our survey that they have a statewide diversion program,²⁷ and 14 states had made at least one change to these programs since fiscal year 2006. Of these 14 states, 11 made at least one change that may have expanded the use of diversion in their states since DRA, including implementing a program, significantly increasing the number of families receiving support, increasing the types of support provided through the program, or increasing the maximum amount of the cash benefit. Conversely, 6 made at least one change that may have reduced the use of diversion in their states. These changes included eliminating the program, significantly decreasing the number of families receiving support, and decreasing the maximum amount of the cash benefit.²⁸

Some states also made changes to their TANF sanction policies after DRA, which, like diversion programs, may reduce the number of families included in the calculation of states' work participation rates. Such policies reduce or remove a family's TANF cash assistance benefits when they are not complying with their individual work requirements. At the time of our survey, 27 states reported that they remove a family's entire cash assistance benefit the first time that the family does not comply with work requirements, and 4 of those states had changed to a full family sanction policy from one that sanctioned fewer family members, since fiscal year 2006. While a total of 13 states reported that they had made at least one change to their sanction policies since fiscal year 2006, a similar number of these states reported making changes toward a more strict sanctioning policy as did toward a less strict sanctioning policy. It is likely that many factors, including DRA and other state TANF program characteristics, influenced state changes to these policies after DRA.

²⁷Officials in 3 other states reported that they have no statewide diversion program, but one or more counties have a diversion program.

²⁸While we did not ask states to report the reasons for their policy changes on our survey, during our Ohio site visit, officials discussed recent cutbacks to funds for diversion programs that were made because of the economic recession.

Overall Effect on States' Work Participation Rates

As a result of the various factors that affect the calculation of states' work participation rates, the work participation rate does not allow for clear comparisons of state TANF programs. In short, each state's ability to meet the required work participation rates reflects not only the number of its TANF families sufficiently engaged in countable work activities but also changes in the number of families receiving TANF cash assistance in the state and the state's policy choices that (1) lower their required work participation rates, (2) keep working families in the calculation of their rates, and (3) remove certain families from the calculation of these rates.²⁹ In addition, these factors make it difficult to evaluate individual states' performance, or the influence of these individual factors, both before and after DRA.

After caseload reduction credits (including adjustments related to excess MOE expenditures) were subtracted from the federally required work participation rate of 50 percent for all families receiving TANF cash assistance, some states had to have a much greater proportion of families sufficiently engaged in countable work activities in order to meet their rates after DRA than before, while other states had the opposite outcome. Specifically, when comparing fiscal years 2006 and 2008, 28 states had higher adjusted work participation rate requirements after DRA than before, 15 had lower requirements, and 8 had 0 percent adjusted requirements in both years. For example, according to HHS data, Michigan needed to have 0 percent of its families receiving TANF cash assistance meeting their individual work requirements to meet its all-families work participation rate in fiscal year 2006, and 50 percent of its families meeting the work requirements to meet its rate in fiscal year 2008. This state was directly affected by DRA's change to the caseload reduction credit base year, as it had over a 50 percent decline in its TANF caseload before DRA but no decline since. In contrast, according to HHS data, Kansas needed to have 39 percent of its families receiving TANF cash assistance meeting their individual work requirements to meet its work participation rate in fiscal year 2006, and 0 percent of its families meeting work requirements to meet its rate in fiscal year 2008. While Kansas had a caseload reduction of 11 percent before DRA, after DRA, the state's caseload reduction credit was based on a 16 percent reduction in its TANF caseload after fiscal year 2005 and a significant amount of excess MOE expenditures.

²⁹See appendix III for state by state information on these factors.

States Made Other Changes to Their TANF Programs to Comply with DRA but Reported Challenges with the Act's Work Requirements

While some states were able to comply with DRA by making only minimal changes to their TANF programs' work policies and procedures, many had to make more extensive changes. Several aspects of state TANF programs' work-related policies and procedures were potentially affected by DRA because it required states to take certain steps to improve the reliability of work participation data and HHS to issue definitions of the 12 work activities. The extent to which each state had to make changes to its TANF program's work rules and related procedures to comply with DRA was therefore directly related to procedures the state had in place before DRA was passed when all states had significant flexibility over their work definitions, policies, and procedures.³⁰ Through our site visits and survey, many states reported making changes to their programs to comply with DRA and consequent HHS regulations, and they identified several of the changes as particularly challenging. Specifically, 41 states reported through our survey that they made moderate, great, or very great changes to their processes for reporting and verifying TANF families' reported hours of work participation to comply with DRA, and 40 reported that they made such changes to their internal controls over work participation data. (See fig. 8.) For example, officials in all three states we visited told us that, to comply with DRA, they needed to develop new processes to track and verify TANF families' hours of work participation. In addition, through our survey, one state reported that it created a monitoring process to track both internal staff and contractor activities to ensure the state accurately reported and verified work participation hours after DRA. Although still a majority, fewer states reported making moderate, great, or very great changes to their definitions of work activities after DRA. For example, two of the states we visited changed their definitions of the job search and job readiness work activity after DRA, as the definition in HHS regulations now requires these activities to be supervised. In a local office within one of these states, officials discussed how they no longer offer this activity to TANF families because staff are unable to provide the required supervision.

³⁰In our 2005 report on TANF work participation, we found differences in how states defined the 12 work activities, which resulted in some states counting specific types of activities toward families' work requirements that other states did not. We also found that some of the states in our review reported the hours recipients were scheduled to work, rather than those actually worked, as work participation. As a result, some states likely needed to make significant changes to their work definitions and procedures to comply with DRA. See [GAO-05-821](#).

Figure 8: Number of States That Had to Make Changes to Various Aspects of Their TANF Programs after DRA, by Extent of Change Reported

Number of states answering...	No degree	Some degree	Moderate degree	Great degree	Very great degree
Reporting hours of participation	2	7	14	17	10
Verifying hours of participation (including supervision)	3	6	11	19	11
Internal controls over work participation data	3	8	11	14	15
Definitions of work activities	7	14	16	8	5

Source: GAO survey of state TANF administrators.

Note: States answering “don’t know” are not charted.

The extent to which states had to make changes to comply with DRA work requirements may have affected whether some states met their work participation rates in the years immediately following DRA. For example, during our site visits, officials in Ohio and Oregon both discussed having to make extensive changes to their work rules and procedures after DRA to comply with the federal requirements, while Florida officials generally reported having to make few policy changes to comply. In fiscal years 2007 and 2008, both Ohio and Oregon did not meet their work participation rates for all families receiving TANF cash assistance, while Florida did meet the rate.

As required by DRA, HHS issued regulations and guidance that defined work activities and internal control requirements to standardize work participation measurement, but states reported divergent opinions on the extent to which they found HHS assistance useful in implementing the DRA changes. For example, 15 states reported that such assistance was of great or very great use, 20 states reported that it was of moderate use, and 13 states reported that it was of some or no use.³¹ Through both our survey and site visits, state officials provided additional information on areas in which guidance was helpful. For example, a few states noted that they appreciated HHS’s assistance after DRA with clarifying procedures states needed to have in place to comply. During our three site visits, the effect of such assistance was evident, as state and local officials we met with all had a clear understanding of the work-related policies and procedures

³¹In addition, 2 states reported that they did not know the extent to which HHS assistance was useful in implementing the DRA changes, and 1 state did not respond to this question.

required by DRA. In contrast, other states expressed frustrations with several aspects of HHS assistance since DRA, including the time frames allowed for initially completing their Work Verification Plans,³² changes the agency made between the interim and final regulations that affected MOE expenditures and work participation reporting, and the timeliness of HHS assistance when questions arose.

Although states and localities we visited seem to understand the work-related policies and procedures required since DRA, through our survey, states reported continued challenges implementing these requirements. (See fig. 9.) However, some of these continued challenges are not surprising, as some states had significantly different work definitions, policies, and procedures in place, and lacked internal controls over work participation data, prior to DRA.³³ For example, 38 states reported that they continued to experience a moderate, great, or very great degree of challenge implementing changes to computer systems or databases related to DRA. Some states reported that they continue to lack data systems that efficiently track and verify recipients' work hours. In all of our site visits, officials discussed related challenges. In Oregon, because the state needed to make various changes to its TANF work activity definitions in order to comply with the definitions in HHS regulations, these changes required significant data system programming.³⁴ After programming was complete, officials reported that the state used considerable resources to train staff to correctly code TANF families' work participation, in order to ensure accurate application of these changes.³⁵ Similarly, in Florida, officials reported that had to make significant changes to the work force data

³²Although HHS interim final regulations issued in June 2006 reiterated the timeframes states had to establish their Work Verification Plans, DRA initially imposed the requirement that states have work verification and related procedures in place by September 30, 2006.

³³As noted previously, prior to DRA, we found differences in how states defined the 12 work activities, which resulted in some states counting specific types of activities toward families' work requirements that other states did not, as well as a lack of internal controls over work participation data in some states. As a result, some states needed to make significant changes to comply with DRA, which likely took some time to implement. See [GAO-05-821](#).

³⁴Prior to the creation of TANF until June 30, 2003, Oregon had a waiver that allowed the state significant flexibility to design its TANF program. As part of those flexibilities, Oregon was able to define what types of work activities counted as work participation for families receiving TANF cash assistance.

³⁵Officials did not provide an estimate of the amount of financial resources the state used to make these changes.

system after DRA in order to capture additional information required by the state’s Work Verification Plan approved by HHS. In Ohio, local staff discussed how the state’s TANF data system is antiquated, slow, and unable to provide useful case management information at the local level. Further, the state is continually updating the system, but it often does not have all of the functions needed for local officials to effectively document information required by DRA within the system.

Figure 9: Number of States That Continue to Experience Challenges Implementing Various Aspects of the DRA Changes to TANF Work Requirements, by Extent of Challenge Reported

Number of states answering...	No degree	Some degree	Moderate degree	Great degree	Very great degree
Durational limits placed on countable work activities	7	6	14	13	11
Related changes to computer systems or databases	5	7	12	17	9
Verification of participants’ actual work hours	6	9	17	9	10
Daily supervision requirements	6	12	16	8	8
Classification of core/noncore work activities	9	13	16	10	2
Definitions of countable work activities	17	15	10	5	4
Definitions of work-eligible individuals	14	17	10	5	4

Source: GAO survey of state TANF administrators.

Note: States answering “don’t know” are not charted.

In addition, 36 states reported they continue to experience a moderate, great, or very great degree of challenge verifying participant’s actual work hours, and 32 states reported that they continue to experience the same degrees of challenge implementing daily supervision of work activities. For example, local officials in almost all of the offices we visited told us that verification of TANF families’ work participation requires significant time and collaboration between TANF staff and employers and other staff at work activity sites. Because of this, some noted that they have had to designate or hire specific staff to manage the tracking and verification of families’ work participation, and yet these activities also remain a routine part of all local TANF staff’s responsibilities. Further, some discussed how verification of TANF families’ hours spent in certain work activities is particularly difficult to obtain, such as community college classes for which professors and instructors need to verify attendance and substance abuse treatment for which multiple providers are frequently involved. In addition, one local office discussed how verifying work hours for job

search is particularly difficult, such as confirming whether a recipient interviewed for a job. Although the process of verifying work participation was consistently noted as a challenge by those we visited, federal data suggests that a significant group of families receiving TANF cash assistance are not spending any time participating in work activities, which limits the number of families for which staff are having to fulfill this role.³⁶ Concerning supervision, as previously mentioned, some local officials we met with discussed how the requirement to supervise job search activities is challenging because of the staff resources needed.

Over half of the states also reported that they continue to experience a moderate, great, or very great degree of challenge with the classification of core and noncore work activities.³⁷ In short, federal law limits the weekly hours that a TANF family can participate in 3 of the 12 work activities, which are commonly referred to as noncore activities. In the states we visited, local officials discussed how this distinction makes it more challenging to prepare TANF families for employment and help move them toward self-sufficiency. For example, a local official discussed how TANF adult recipients who lack a high school diploma or certificate of general equivalency face a significant barrier to work. However, the official noted that addressing this barrier is difficult, given the limit on the weekly amount of time they may spend in classes preparing them to obtain such a certificate and count toward their work requirements.

Similar to limits on families' participation in noncore activities, federal law imposes time limits on families' participation in two of the core work activities—vocational educational training and job search and job

³⁶Specifically, states reported that 57 and 56 percent of their families with work requirements had 0 hours of work participation in fiscal year 2007 and fiscal year 2008—the two years after DRA for which HHS data are available. While the challenges related to verifying participation may have some effect on these data, these data also suggest that a significant proportion of families receiving TANF cash assistance are not participating in work activities for any amount of time.

³⁷Federal regulations define the 12 work activities and reiterate the law in limiting the number of weekly hours that TANF families can participate in 3 activities, which are commonly referred to as noncore—education directly related to employment, job skills training directly related to employment, and satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalency—and have those hours count toward their work requirements. Specifically, for families generally, a maximum of 10 weekly hours in these activities count toward their minimum work requirements, and for two-parent families, a maximum of 5 weekly hours in these activities count toward their minimum work requirements.

readiness assistance—which states report are a challenge.³⁸ Specifically, 38 states reported that they experience a moderate, great, or very great degree of challenge implementing the time limits placed on certain work activities. Through our survey and site visits, officials reported that the 12-month lifetime limit on vocational educational training and the 6-week general limit on job search and job readiness assistance (with no more than 4 weeks consecutively) are challenging to implement. Although the limits on the amount of time that a state can count these activities as work participation for each family have been in federal law since TANF was created, several state and local officials reported that the time limit on job search and job readiness assistance is particularly challenging now. Specifically, one local official we met with noted that TANF families who have been out of the workforce for an extended period of time often need more than 6 weeks of time in job search and job readiness assistance to remove their barriers to work.³⁹ Further, another local official also noted that the 12-month lifetime limit on vocational educational training can be problematic because any length of class taken during a month counts as a full month against the TANF family’s eligibility for vocational educational training. For example, according to the official, if a TANF recipient took a 1-day class and no other vocational educational training activities in that month, the recipient would be counted as having 11-months of vocational educational training left for work participation purposes. Officials in two of the states we visited also discussed how, since DRA, local staff place certain families with significant barriers to work in other types of work activities that do not count toward the state’s work participation rate. They indicated that participation in these activities is sometimes necessary to ensure that families successfully overcome their barriers, in part because of limits on related activities included in the federal work activity definitions.

³⁸Specifically, the limits apply to the amount of time states can count each family’s participation in these two activities toward the work requirements. However, federal law does not prohibit states from spending TANF or MOE dollars to support families in these activities past the time limits.

³⁹While the time limit on job search and job readiness assistance is generally 6 weeks, states can extend this limit to 12 weeks during times of economic distress. Specifically, states qualify for the extended limit if they meet specific criteria related to increases in unemployment and SNAP participation.

Since the Economic Recession, the Number of TANF Recipients Has Increased, and Many States Reported Changes to Service Delivery

Subsequent to DRA, the economy weakened in 2007 and 2008, which affected the number of families receiving TANF cash assistance, as well as many state budgets. Specifically, the number of families receiving TANF cash assistance increased between December 2007 and September 2009, particularly those with two parents. In addition, state and local officials report that the economic recession has decreased TANF resources and challenged TANF service delivery.

The Number of Families Receiving TANF, Particularly Those with Two Parents, Has Increased Since the Economic Recession Began in 2007

Since the beginning of the economic recession in December 2007, 37 states had increases in the number of families receiving TANF- and MOE-funded cash assistance benefits, and 13 states had decreases, as of September 2009.⁴⁰ Nationwide, the total number of families receiving TANF cash assistance increased by 6 percent between December 2007 and September 2009.⁴¹ (See fig. 10.) Among states with changes in the number of families receiving TANF cash assistance, the degree of change varied, likely due to differences in states' TANF program characteristics, unemployment rates, and fiscal conditions.⁴² For instance, while Kentucky reported a 1 percent increase in families receiving TANF cash assistance between December 2007 and September 2009, Utah reported a 35 percent increase, and

⁴⁰We used HHS data for this analysis and excluded the U.S. territories of Guam, Puerto Rico, and the U.S. Virgin Islands. As of March 17, 2010, HHS had not published data for one state's September 2009 TANF- and MOE-funded cash assistance caseload—Michigan. Therefore, Michigan was excluded from this analysis.

⁴¹Throughout the remainder of this report, we use "TANF cash assistance" to represent TANF- and MOE-funded cash assistance. The data on the total number of families receiving TANF- and MOE-funded cash assistance nationwide are HHS data. As of March 17, 2010, HHS had not published data for all months of fiscal year 2009 for Guam and Michigan. See appendix 1 for more information. Further, these data only include families receiving cash assistance and not families solely receiving other programs and services funded with federal TANF and state MOE dollars.

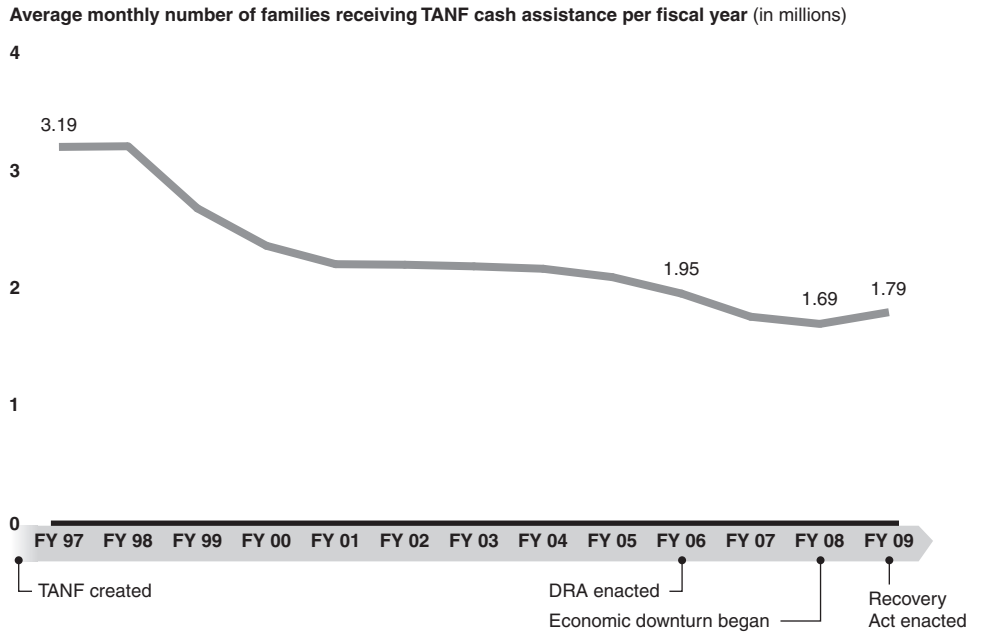
⁴²However, the increase in the total number of families receiving TANF cash assistance nationwide during the current economic recession has not followed the rise in unemployment rates the same way that other public assistance programs, such as SNAP, have. Specifically, the total number of SNAP recipients nationwide has increased at a similar rate to the increase in the national unemployment rate, while the increase in the number of TANF cash assistance recipients has been more moderate.

Oregon reported a 48 percent increase in such families.⁴³ In contrast, while four states reported a 1 percent decrease in families receiving TANF cash assistance during this time period, Texas reported a 16 percent decrease, and Vermont reported a 28 percent decrease. As previously discussed, the number of families receiving TANF cash assistance does not include all families receiving welfare cash assistance in every state, as some states provide such assistance through SSFs, and these families are not included in the federal data. States reported through our survey that approximately 82,000 families received cash assistance through SSFs in September 2009 in addition to the 1.8 million families that received TANF cash assistance. However, we did not collect data on changes in the numbers of families receiving cash assistance funded by SSFs, so we do not know the extent to which the total number of families receiving welfare cash assistance has changed during the economic recession.⁴⁴

⁴³The extent of Oregon's increase in the number of families receiving TANF cash assistance is partly related to a state funding change that occurred in July 2009. At that time, Oregon began funding certain families who had been receiving cash assistance funded with SSFs since the summer of 2007 with TANF and MOE funds. Because of this funding change, these families are now reported in the state's data to HHS. We gathered this information during our Oregon site visit; however, we did not gather information from all states on the extent to which they have made similar changes to how they fund cash assistance for low-income families during the economic recession. As a result, we do not know if other states' data have been similarly affected.

⁴⁴In our recent report that also addressed TANF changes during the current economic recession, we found that including families whose cash assistance was funded with SSFs provided a more accurate picture of increases or decreases in states' cash assistance caseloads during the recession. In some states, this resulted in greater increases or decreases, while in others, this lessened the extent of the change. See GAO, *Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State*, [GAO-10-164](#) (Washington, D.C.: Feb. 23, 2010).

Figure 10: Changes in the Average Monthly Number of Families Receiving TANF Cash Assistance Since TANF Was Created in Fiscal Year 1997

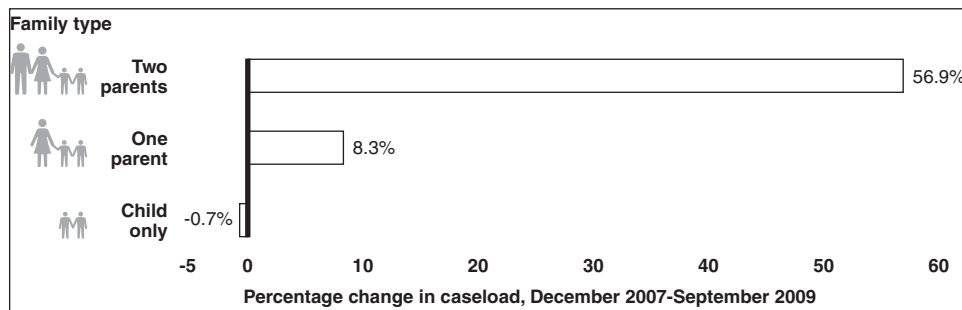


Although the total number of families receiving TANF cash assistance has increased slightly during the current economic recession, the number of two-parent families receiving these benefits has increased at a faster rate. For example, the number of two-parent families receiving TANF cash assistance nationwide increased by 57 percent between December 2007 and September 2009. In comparison, the number of one-parent and child-only families receiving TANF cash assistance nationwide increased by 8 percent and decreased by 1 percent, respectively, during the same time period.⁴⁵ (See fig. 11.) All three of our site visit states also experienced the most significant increases in their number of two-parent families receiving TANF cash assistance during the current economic recession. For example, Oregon officials reported that the number of two-parent families receiving TANF cash assistance had risen from 906 families in July 2007 to 2,703 families in September 2009, an increase of almost 200 percent.

⁴⁵In a child-only TANF family, the parent or nonparent caregivers receive the cash benefit on behalf of the child, but the adult's needs are not included in the calculation of the cash benefit.

Similarly, the number of two-parent families receiving TANF cash assistance in Florida increased by approximately 200 percent between December 2007 and December 2009. Local officials in Florida also noted that they have seen an increase in two-parent families receiving TANF who were previously composed of a stay-at-home mother and a working father who had been laid off or lost his business during the current economic recession.

Figure 11: Percentage Change in the Total Number of Families Receiving TANF Cash Assistance, by Type, between December 2007 and September 2009



Source: HHS data.

Note: While the number of two-parent families receiving TANF- and MOE-funded cash assistance increased by 57%, this group is a small portion of all families receiving cash assistance. Specifically, in September 2009, two-parent families comprised 5 percent of all families receiving cash assistance nationwide.

Local officials in all three states we visited also reported an increase in the number of TANF applicants who had never before applied for TANF cash assistance—many of whom have higher educational attainment and more job experience than families who applied before the current economic recession. Some of these officials noted that applicants with higher educational attainment and more job experience have been surprised to learn about the extent of the TANF program’s work requirements. For example, officials in one locality reported that because these new TANF recipients are hoping to quickly find new employment, some have resisted the idea of participating in certain available work activities when they did not view those activities as a means to that end. This situation may occur more frequently now, as states and localities cut programs and services, including those related to the 12 work activities, in response to budget constraints. Local officials in two of the three states we visited also reported that some new TANF applicants were former small business owners, who were applying for TANF cash assistance in part because they did not qualify for Unemployment Insurance. Officials in two of the three

states we visited said that they expect to see an increase in applicants for TANF cash assistance after the Unemployment Insurance extensions end.⁴⁶

State and Local Officials Reported That the Economic Recession Has Decreased TANF Resources and Challenged TANF Service Delivery

Due to the economic recession, many states have faced large budget deficits in 2009 and 2010 that have required states to make difficult budget decisions about the use of state resources for TANF programs. According to the National Governor's Association and the National Association of State Budget Officers' "Fiscal Survey of States," state revenues decreased in fiscal year 2009, with state revenue collections below expectations in 41 states in 2009, compared with 20 states in 2008. As a further indication of declining state fiscal conditions, the "Fiscal Survey of States" reported that in fiscal year 2009, state general fund expenditures declined for the first time since 1983. In our recent report, we found that when the number of families receiving TANF cash assistance rose during the current economic recession, some states decreased TANF spending on family and work supports, while others increased such spending.⁴⁷ States that increased this spending did so in part because they were able to draw from other funding streams, but they expressed concern about their ability to continue this as resources dwindle. This is consistent with our previous work, in which we found that when TANF spending for families receiving cash assistance increased, there was an associated contraction in TANF spending for other forms of aid and services in the states we reviewed.⁴⁸ Through their comments in our national survey and during our site visits,

⁴⁶In our recent report that also addressed TANF changes during the current economic recession, we reported that two experts we interviewed questioned the extent to which Unemployment Insurance has lessened or delayed the need for TANF cash assistance. Specifically, they explained that many TANF-eligible single-mothers likely do not meet state criteria for receipt of Unemployment Insurance. See [GAO-10-164](#).

⁴⁷In our recent report that also addressed TANF changes during the current economic recession, we surveyed 21 states about their changes to TANF spending during the recession. Of the 11 states that reported increased spending on cash assistance, 4 reduced spending for family and/or work supports to offset these increases. However, this report collected data from states through June 2009, so it, therefore, does not address changes states have made since that time. See [GAO-10-164](#).

⁴⁸TANF and MOE funds can be used to provide a range of programs and services for low-income families. Therefore, when a state's spending on TANF cash assistance increases, it has the option of shifting resources away from other programs and services currently funded with TANF and state MOE dollars. See GAO, *Welfare Reform: Better Information Needed to Understand Trends in States' Uses of the TANF Block Grant*, [GAO-06-414](#) (Washington, D.C.: Mar. 3, 2006).

state officials discussed how TANF programs and budgets are being affected by state budget constraints related to the economic recession. For instance, Oregon's state budget constraints have decreased the amount of cash payments available to families participating in the state's Post-TANF welfare transition program. This program provides a small amount of monthly cash payments, as well as access to TANF program resources, to TANF clients whose earned income has recently made them ineligible for TANF cash assistance. While the program originally provided recipients with \$150 per month in 2007, the payment was decreased to \$100 in July 2009 and will be reduced to \$50 in October 2010. In Florida, the state budget situation has reduced the TANF funds available to support workforce development services for TANF recipients at the same time that such recipients have increased. In one locality that we visited, the budget for these services was approximately \$452 per TANF recipient per month in 2007-2008, and it was expected to decrease to \$157 per recipient per month in 2010-2011, if recipient growth continues at the current rate.

Under federal law, states are permitted to retain unspent⁴⁹ federal TANF block grant funds for use in future years,⁵⁰ giving states the flexibility to draw upon these funds as needed. HHS data show that 33 states utilized unspent funds, as well as their annual TANF block grant allocations, to cover their TANF-related expenditures in fiscal year 2009.⁵¹ In contrast, 15 states increased their total amounts of unspent TANF funds in fiscal year 2009. While, in every year, an average of 22 states utilize their unspent TANF funds to cover current year expenditures, the number of states utilizing these funds seems to increase during and after economic recessions. For example, in each of the 3 years following the 2001 recession, 25 to 32 states used unspent TANF funds. Economic recessions

⁴⁹In this paragraph, unspent TANF funds refer to unobligated balances and unliquidated obligations reported by states to HHS. While the latter category implies that there is an underlying commitment on these funds, we reported in 2001 that it is difficult to tell from the states' reports whether these funds have actually been committed or whether they might be available to use in the future. See GAO, *Welfare Reform: Challenges Maintaining a Federal-State Fiscal Partnership*, [GAO-01-828](#) (Washington, D.C.: Aug. 10, 2001).

⁵⁰Since TANF was created in 1996, states have been permitted to spend prior year TANF block grant funds on assistance—a category that includes cash benefits and supportive services for families receiving these benefits. However, the Recovery Act increased states' flexibility to spend prior year TANF block grant funds on all TANF-allowable benefits and services.

⁵¹We used preliminary fiscal year 2009 expenditures data that HHS provided to us before its public release for this analysis.

also seem to affect the national unspent TANF fund balance. For instance, between fiscal years 2001 and 2004, the national total of unspent TANF funds decreased by 41 percent. Between fiscal years 2007 and 2009, the national total of unspent TANF funds decreased by 16 percent, though the total increased by 4 percent between fiscal years 2008 and 2009. A total of \$3.3 billion unspent TANF dollars remained at the end of fiscal year 2009. In addition, while some states have had significant reductions in their unspent TANF funds during the current economic recession, others have had significant increases. For example, while Ohio's unspent TANF funds decreased by \$541 million between fiscal years 2007 and 2009, New York's unspent funds increased by \$395 million during the same time period.⁵²

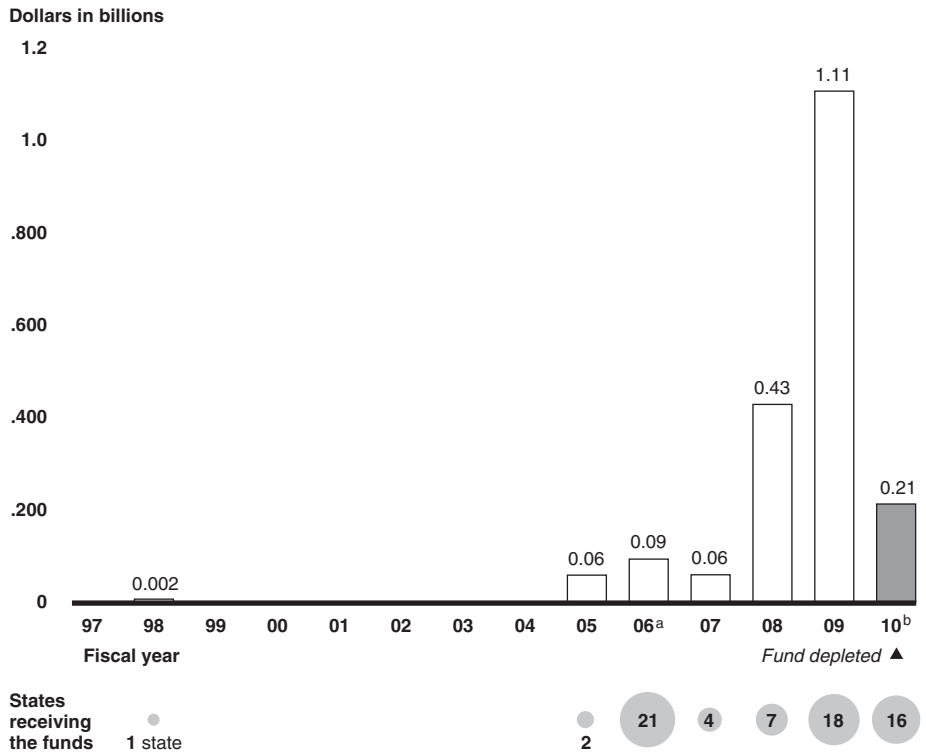
Through our national survey, state officials expressed concern about federal TANF resources, particularly the long-term viability of the TANF Contingency Fund⁵³ and the decreasing value of TANF block grant dollars. Specifically, state officials indicated their concerns that the Contingency Fund would be depleted before state economic situations improve, which has since occurred. Although a total of 3 states accessed Contingency Fund dollars between fiscal years 1998 and 2005, 19 states accessed these dollars in one or more years between fiscal years 2008 and 2010. (See fig. 12.) By December 2009, the Contingency Fund was depleted without additional appropriations having been made to the fund. While the President has proposed additional money for the Contingency Fund in the fiscal year 2011 budget, as of March 18, 2010, it is unknown if the Congress will approve the additional funds. States also expressed concern through our national survey about the fixed amount of the TANF block grant. The annual TANF block grant appropriation has remained constant since it was created in 1996, which states report has been particularly challenging in times of state budget deficits and increasing numbers of families applying for and receiving TANF cash assistance. In Oregon, state officials noted that it would require an additional estimated \$100 million to continue providing TANF services at current levels, assuming that the

⁵²According to New York state officials, this increase was partly related to a sizable TANF expenditure that the state was delayed in processing at the end of fiscal year 2009. New York processed this expenditure in the first quarter of fiscal year 2010, which reduced the state's unspent funds balance.

⁵³When it was enacted in 1996, PRWORA established a TANF Contingency Fund of up to \$2 billion, which states could access in times of economic distress, after meeting the required criteria for eligibility. To qualify for this fund, states had to be defined as a "needy state" and submit a request to HHS. States qualified as "needy" based on criteria related to increases in unemployment or SNAP participation.

number of families applying for TANF cash assistance in the state continues to rise at the current rate.

Figure 12: Dollars Accessed, as Well as the Number of States Accessing, the TANF Contingency Fund Since Fiscal Year 1997



Source: HHS data.

^aBoth the dollars accessed and the number of states accessing the Contingency Fund in fiscal year 2006 reflect states that received reimbursements for the costs of providing short-term, nonrecurrent benefits to families that traveled from the Hurricane Katrina impacted states of Louisiana, Mississippi, and Alabama. In addition, two states (South Carolina and Tennessee) accessed \$58.3 million in fiscal year 2006 after HHS determined that they met the fund's required eligibility criteria.

^bThe TANF Contingency Fund was given a maximum appropriation of \$2 billion when PRWORA was enacted in 1996. However, the Adoption and Safe Families Act of 1997 reduced the appropriation for the Contingency Fund by \$40 million and simultaneously increased funds going to states in other non-TANF areas. These funds are not shown in the above figure.

In addition to its effects on state budgets and funds for TANF programs, the economic recession has also caused changes to local TANF service delivery in some states. A majority of state TANF officials nationwide, as well as TANF officials from all eight localities we visited, reported that they made changes in local offices' TANF service delivery because of the economic recession. Specifically, of the 31 states reporting such changes

through our survey, 22 had reduced the number of TANF staff, 11 had reduced work hours at offices, and 7 had reduced the number of offices. In contrast, 5 states reported that they had increased the number of TANF staff, 4 had increased work hours at offices, and 1 had increased the number of offices.⁵⁴ During our site visits, officials discussed how TANF staff had been reduced through employee attrition without replacement hires, or due to staff transfers from TANF to SNAP. For instance, in one local office in an urban area, 40 staff vacancies remained unfilled, which, combined with increased numbers of TANF applicants, meant that applications took longer to process and were often delayed. In Oregon, although both TANF and SNAP caseloads have increased during the current economic recession, because SNAP increases have been greater, some local TANF staff were temporarily moved to process SNAP applications.

Officials in all three states we visited also reported that local TANF caseworkers are now managing an increased number of TANF cash assistance families per person. For instance, in one local office in Florida, officials explained that they hoped to restructure their TANF service delivery model soon, as the increasing number of TANF cash assistance recipients has made their one-on-one caseworker to recipient model difficult to sustain. Under this model, a TANF family is served by the same caseworker for all TANF-related support service needs and self-sufficiency planning. According to the local officials, the one-on-one model was possible when the caseload averaged 58 recipients per caseworker, but it was not designed for the current caseload average of 160 recipients per caseworker. In addition, local officials in one Ohio county reported that their caseworkers' overall workload has increased because increases in TANF and other public assistance applications have occurred at the same time that staff have left and not been replaced. At present, the county is serving 422 TANF families with a staff of 16 caseworkers. Ten of these caseworkers determine eligibility for TANF, SNAP, and Medicaid, and the remaining 6 are responsible for supporting TANF families' efforts to meet their work requirements and tracking families' participation in work activities.

⁵⁴Twelve states also reported making other changes to local service delivery in response to the economic recession. These changes included providing TANF services online or over the phone, reducing support service contracts, imposing mandatory furloughs on staff, and increasing staff overtime authorizations.

In light of the increased numbers of families receiving TANF cash assistance, state budget deficits, and staff reductions, peer collaboration may help localities address current TANF challenges. Local officials in two of the three states we visited cited their participation in the HHS Rural Communities and Urban Partnership Initiatives as examples of effective peer collaboration. Through these initiatives, the officials participated in facilitated collaboration and idea sharing sessions, online and in-person, among TANF officials operating their programs in similar local areas nationwide, and also received technical assistance from HHS. These officials reported that the sessions were very useful, and one noted that additional sessions would be particularly useful now to exchange ideas and strategies for delivering TANF services in the current economic environment. For instance, one local official is currently working with a new FedEx branch in her district to coordinate subsidized employment positions for TANF clients, based on an idea gleaned from another Urban Partnership participant.

As a result, local officials in all three of the states we visited expressed their concerns that, as state and local resources tighten and caseloads continue to rise, staff are less able to provide services to meet TANF cash assistance families' needs and move them toward self-sufficiency. According to local officials in Oregon, caseload increases and staff reductions sometimes result in prioritization of TANF services. For example, one district diverted caseworkers to process new applications, leaving fewer staff available to work directly with TANF recipients. Before the recession, all families receiving TANF cash assistance worked with a caseworker to develop and implement a self-sufficiency plan. However, due to budget constraints, the district prioritized the TANF families that receive direct caseworker support, focusing on new TANF families, families who are actively participating in the program, and families in crisis situations. Local officials in all three states we visited also reported that caseworkers' abilities to provide families with the supports they need to move toward self-sufficiency has been further challenged by reductions to TANF support services, such as domestic violence programs and transportation assistance. Officials noted that such cuts to services have particularly challenged their abilities to serve clients with significant barriers to work. While officials in one Oregon locality noted that they have been able to maintain some of their support services through local partnerships, officials from another locality in that state have had to reduce mental health and substance abuse support services. These officials noted that this was a difficult cut to make, as reductions in these services can lead to challenging and potentially deadly outcomes in the current economic environment, as unemployed families may be more likely to leave mental health and substance abuse issues untreated.

Additionally, some TANF officials stated that certain characteristics of the TANF work activity definitions and work participation verification requirements limit their flexibility to help TANF recipients reach self-sufficiency in the current economy. During our three site visits, local officials indicated that, in their experience, the current time limits on vocational educational training and job search and job readiness assistance are too short to prepare workers for new industries and careers, which may be necessary in the current economy.⁵⁵ With national unemployment at 9.7 percent as of January 2010, officials commented

⁵⁵However, as noted previously, while the time limit on job search and job readiness assistance is generally 6 weeks, states can extend this limit to 12 weeks during times of economic distress. Specifically, states qualify for the extended limit if they meet specific criteria related to increases in unemployment and SNAP participation.

through our site visits and survey that TANF recipients are encountering increased competition for all jobs, including low-wage, low-skill positions previously held by some TANF recipients. This increased job competition poses a particular challenge as states try to meet their work participation rates in the current economy, as unsubsidized employment has consistently been the most frequently reported work activity for TANF recipients. In addition, state and local officials reported that the work participation verification procedures required by DRA have been particularly challenging recently, due to the increased workloads of TANF staff.

Recovery Act TANF Funds Have Helped Many States Maintain Their Programs, Though Some Reported Challenges Accessing Funds

In response to the economic recession, the Recovery Act authorized additional federal funding for state TANF programs, which most states had applied for as of March 2010. States reported primarily using these funds to cover increased cash assistance costs and to maintain their TANF programs. However, states report some challenges applying for Recovery Act TANF funds, as well as concern about their TANF programs after the funds run out.

Most States Have Applied for Recovery Act TANF Funds, Which They Are Using Primarily to Maintain Their Programs

In response to the recent economic recession, the Recovery Act's \$5 billion Emergency Contingency Fund for state TANF programs has provided additional federal funding to qualifying state TANF programs that have had increases in the number of families receiving cash assistance or in two specific types of expenditures. As of March 12, 2010, 46 states, including the District of Columbia, had applied for the Recovery Act's Emergency Contingency Fund since it was created in February 2009.⁵⁶ In addition, almost all states reported through our survey that they plan to apply for the fund in the future. As of March 18, 2010, HHS had awarded \$1.8 billion of this fund to 42 of the states that applied, with almost half of this amount awarded to 36 states because of increases in families

⁵⁶Each of these states has applied for the Emergency Contingency Fund at least once. States may choose to apply in each quarter that they have qualifying increases, or apply once for multiple quarters. Therefore, while some states have applied for these funds once, others have applied multiple times. States are generally eligible to receive a maximum amount of the Emergency Contingency Fund equal to one-half of each state's annual TANF block grant.

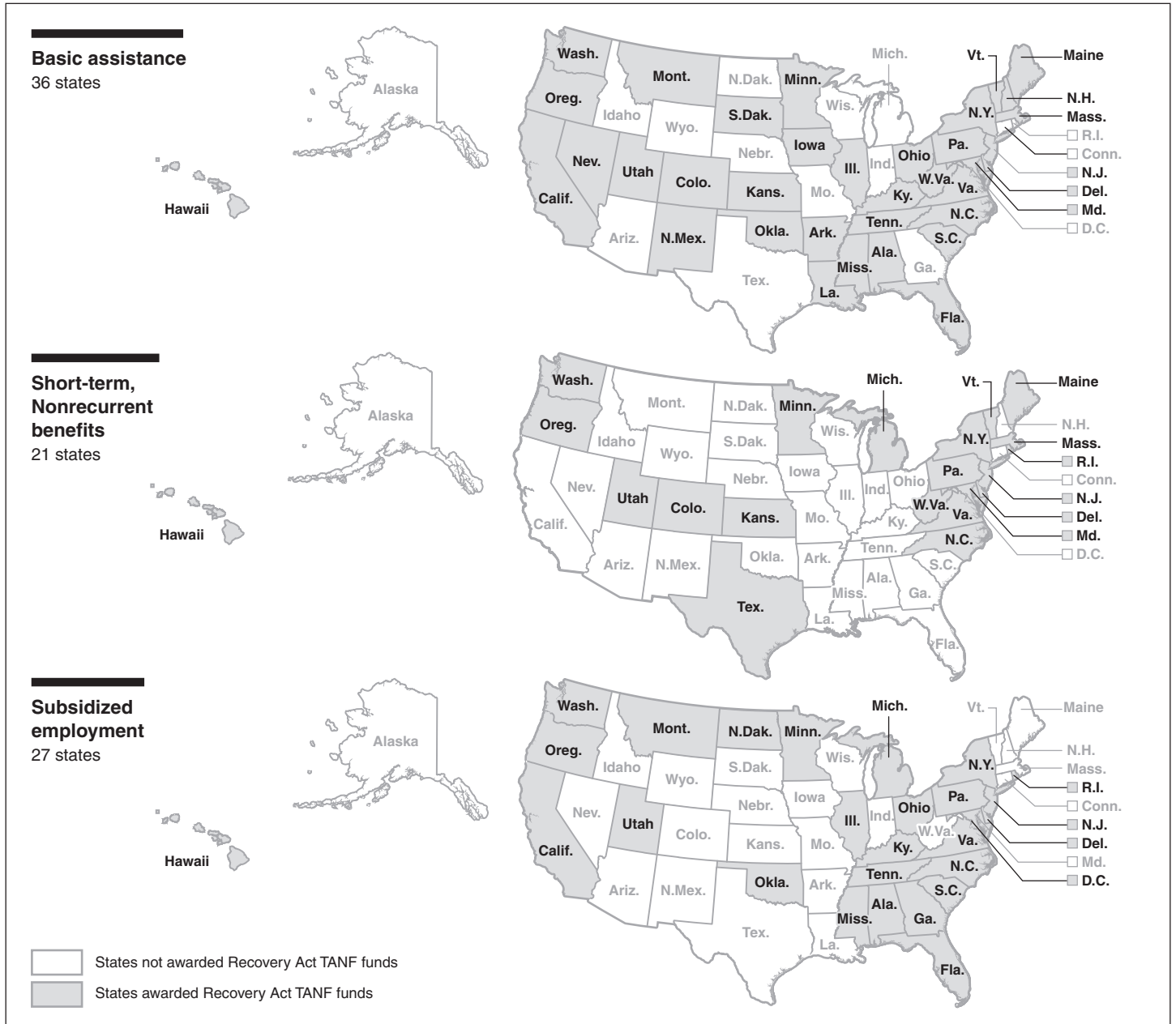
receiving cash assistance. States also have been applying for and receiving funds related to the two types of expenditure increases that qualify for the fund. Specifically, 40 percent of the total funds awarded to date were provided to 21 states because of their increases in short-term, nonrecurrent benefit expenditures, and 13 percent of all awarded funds were provided to 27 states because of their increases in subsidized employment expenditures.⁵⁷ (See fig. 13.) Further, 11 states had received Recovery Act TANF funds⁵⁸ related to expenditure increases in all three areas. Almost half of the Recovery Act TANF funds already awarded have been expended by states.⁵⁹

⁵⁷While states' applications for the Emergency Contingency Fund include qualitative information on the types of programs and services funded with their expenditures for short-term non-recurrent benefits and subsidized employment, as well what the related expenditure increases are due to, states are not required to report the number of people benefiting from these expenditures. According to a senior HHS official, as of April 27, 2010, HHS was not collecting national data on the total number of people that have benefited from these funds, such as those who have received related subsidized jobs.

⁵⁸Throughout this report, we periodically use the phrase Recovery Act TANF funds in place of the Emergency Contingency Fund for state TANF programs.

⁵⁹We obtained data on outlays of the Recovery Act's Emergency Contingency Fund for state TANF programs from www.recovery.gov. The most recent data available at the time of our analysis were from March 5, 2010. These data also include some outlays to tribes administering their own TANF programs. Because Recovery Act TANF funds can be expended for any TANF-allowable purpose, we do not know the extent to which states' expenditures of these funds have been directed to the areas for which they qualified for the funds.

Figure 13: States That Had Been Awarded Emergency Contingency Funds for TANF, as of March 18, 2010, by Qualifying Increase



Sources: HHS (data); National Atlas of the United States (base map).

States report that they have used Recovery Act TANF funds primarily to maintain their programs and cover increased cash assistance recipients, in part because many states' budgets have been stretched during the recent economic recession. For example, of the states that applied for these funds, 24 reported through our survey that they are using the funds to cover increased cash assistance costs, and 18 reported using them to fill TANF budget gaps caused by the recent economic recession, such as those for noncash services. Seventeen of these states reported using them for both purposes. In addition, other states reported that they were considering using the funds for these purposes at the time of our survey. (See table 3.) During each of our three site visits, state officials discussed how Recovery Act TANF funds were allowing them to pay for increased cash assistance costs and maintain their TANF programs. For example, in Florida, these funds allowed the state to avoid certain TANF program budget cuts to services other than cash assistance that had been under consideration before the Recovery Act was enacted. The state had been considering such cuts because of the need to direct more of its TANF funds to pay for the increasing number of families receiving cash assistance benefits—a number that increased by 28 percent between December 2007 and December 2009. Similarly, Oregon officials discussed how these funds had allowed their state to avoid additional TANF program cuts that had been under consideration. These proposed cuts were to several supports aimed at helping TANF families move toward self-sufficiency, including a \$10 million decrease in the state's workforce development services for TANF recipients and eliminating the state's case management program for TANF families at risk of entering the child welfare system.

Table 3: Purposes for Which States Had Used, or Were Considering Using, Recovery Act TANF Funds, at the Time of Our Survey

Purpose	Number of states that had used funds for this purpose	Number of states that were considering using funds for this purpose
Cover increased cash assistance costs	24	6
Fill TANF budget gaps caused by the economic recession	18	7
Expand existing programs and supports, other than TANF cash assistance, for low-income families	10	10
Create new programs and supports for low-income families	10	8

Source: GAO Survey of state TANF administrators.

Some states have also used Recovery Act TANF funds to expand existing or create new programs or services for low-income families, including

short-term, nonrecurrent benefits and subsidized employment positions. Specifically, 10 states reported through our survey that they are using these funds to expand existing programs, and 10 states also reported using the funds to create new programs. Additional states reported that they were considering using the funds for these purposes at the time of our survey. (See table 3.) Two of the three states we visited were considering expanding or creating new programs or services for low-income families at the time of our visits. Although Recovery Act TANF funds can be used for any TANF-eligible program or service, these two states were focusing on one of the areas specifically targeted by Recovery Act TANF funds—subsidized employment. For example, Florida officials were in the process of working with the state’s regional workforce boards to create new subsidized employment opportunities for low-income families across the state. We visited one such work site in Marion County, at which low-income parents were processing SNAP applications at a call center. This center was established in direct response to the economic recession, both in its location and its type of employment. Specifically, Marion County has one of Florida’s highest unemployment rates, and the center was created shortly after the closure of a mortgage-processing firm that employed call agents in the area. Further, the center provided needed assistance with processing new SNAP applications, a program that has seen a 183 percent increase in the number of households receiving these benefits in Florida during the recent economic recession.

In addition to Recovery Act TANF funds, local officials we met with during our three site visits reported that Recovery Act funds directed to certain other federal programs have also benefited families applying for and receiving TANF cash assistance. Specifically, the Recovery Act allocated almost \$300 million to states to help cover administrative costs associated with the increased numbers of SNAP applicants and recipients. In localities where determination of a family’s eligibility for SNAP and TANF are handled by the same case workers, as they are in Florida, these funds have helped localities manage the increased numbers of applicants and recipients for both programs through the employment of temporary staff, overtime pay, and other staffing options. The Recovery Act also allocated \$1.2 billion for Workforce Investment Act of 1998 (WIA) youth activities, including summer employment. These funds are directed toward providing work experience opportunities to low-income youth age 24 and under, and they can also be used by localities for activities such as tutoring and study skills training, occupational skills training, and support services. In two of the states we visited, local officials discussed how the Recovery Act WIA funds used for summer employment had benefited some of their TANF

recipients by providing opportunities for these recipients to gain work experience and fulfill their TANF work requirements.

In addition to creating the Emergency Contingency Fund, the Recovery Act also extended TANF supplemental grants to states through fiscal year 2010 and increased states' flexibility to spend prior year TANF block grant funds. However, state officials we surveyed and interviewed did not mention modifying their programs in response to these changes. Further, although the Recovery Act also modified the caseload reduction credit calculation for fiscal years 2009-2011, because those credits have yet to be determined by HHS, the effect of that change is currently unknown.

States Reported Some Challenges Applying for Recovery Act TANF Funds and Concern about the Fund's Expiration Date

Although HHS has provided ongoing guidance since April 2009 to help states access and utilize Recovery Act TANF funds, some states reported being challenged by a lack of guidance in certain areas. HHS issued initial implementation guidance shortly following the creation of the Emergency Contingency Fund and then continued to issue multiple program instructions and other types of guidance, such as a new data collection form, throughout 2009 and into 2010. Further, HHS officials provided related technical assistance directly to states through conference presentations, teleconferences, and one-on-one phone calls. While most states reported that HHS assistance with applying for and utilizing Recovery Act TANF funds had been useful, some expressed frustration with the amount of time it had taken to receive guidance and responses to questions. For example, throughout the beginning of 2009, HHS had provided states with limited guidance on allowable short-term, nonrecurrent benefit and subsidized employment expenditures. A senior HHS official explained that the department had not anticipated the range of questions states would have about qualifying subsidized employment and short-term, nonrecurrent benefit expenditures, and therefore it took several months to work with the department's lawyers to ensure an accurate and consistent response was provided to all states. When completing our survey, two states mentioned that examples of allowable expenditures would be helpful, and Florida officials we met with during our site visit discussed how the lack of early guidance on subsidized employment was a challenge. Specifically, Florida state officials participated in HHS-initiated conference calls about subsidized employment expenditures and submitted questions directly to HHS, but the department took longer than anticipated to respond. As a result, Florida moved forward with its Marion County subsidized employment project in October, though the state was not assured that the project qualified for Recovery Act TANF funds until December. However, in

November and December 2009, HHS issued examples of allowable short-term, nonrecurrent benefit expenditures and additional guidance on allowable subsidized employment expenditures, and during our site visit, Florida officials indicated that the new subsidized employment guidance had been particularly helpful.

States have also been challenged by certain requirements related to accessing the Emergency Contingency Fund. For example, a few states reported through our survey that the requirements for qualifying for the fund should be more flexible. For example, some states may be challenged by the requirement that they can qualify for the fund only after increases in the number of families receiving cash assistance or in expenditures on short-term, nonrecurrent benefits or subsidized employment.⁶⁰ While over two-thirds of states have experienced increases in the numbers of families receiving TANF cash assistance during the economic recession, due to various factors,⁶¹ some of these increases have been relatively small, and other states have experienced no increase. In addition, states had limited experience with short-term, nonrecurrent benefits and subsidized employment prior to 2009, which clarifies why they had questions for HHS about allowable expenditures in these areas. Specifically, 1 to 2 percent of all TANF expenditures were directed to short-term, nonrecurrent benefits, and less than 1 percent to work subsidies, in the fiscal years we analyzed between 2001 and 2008.⁶² Further, less than 1 percent of all work-eligible TANF cash assistance recipients participated in subsidized employment in

⁶⁰In contrast, other Recovery Act funds for public assistance programs were provided directly to states without restriction, such as Child Care and Development Block Grant and SNAP funds.

⁶¹As previously discussed, factors such as a state's unemployment rate, TANF eligibility and asset requirements, TANF application process, and other TANF program characteristics affect the number of families receiving TANF cash assistance. In addition, states' choices to provide certain families with welfare cash assistance outside of the TANF program through SSFs may affect these numbers.

⁶²We analyzed states' expenditures of federal TANF funds and related state MOE funds for selected fiscal years. For more information, see appendix I. These expenditures include states' total reported spending on TANF-allowable programs and services, which includes expenditures beyond those for families receiving cash assistance.

fiscal years 2007 and 2008—the two most recent years for which data are available.⁶³

Some states also report that the Emergency Contingency Fund's reimbursement level is a challenge in the current economic environment. Specifically, states are reimbursed for 80 percent of allowable expenditure increases from the fund.⁶⁴ Two of the states we visited, and a few states through our survey, reported that this reimbursement level is challenging because of current state budget constraints caused by the economic recession. For example, officials from two of the states we visited reported that, while they would like to access the Recovery Act TANF funds to provide subsidized employment opportunities and believe those would benefit low-income families in their states, their current state budgets are so tight that the funds for 20 percent of these expenditure increases are unavailable. As previously discussed, while some states continue to have unspent federal TANF funds that they could potentially use to fund 20 percent of the expenditure increases in these areas, other states have had significant decreases in their unspent fund balances. At the time of our visits, officials in these two states were pursuing outside funding sources, such as local governments and private entities, to help fund subsidized employment positions. According to HHS officials, the department has been working with states to improve their understanding of the various potential sources of funding they can use to qualify for Recovery Act TANF funds.

Finally, states also reported concerns about the expiration date for the Emergency Contingency Fund, which is currently September 30, 2010. For example, some officials expressed concerns about the start-up time associated with creating new short-term, nonrecurrent benefit programs

⁶³In these two years, states may have also funded subsidized employment positions for TANF-eligible families who were not receiving cash assistance. However, federal data is only available on the numbers of families receiving cash assistance who participated in subsidized employment.

⁶⁴For the purposes of the Emergency Contingency Fund for state TANF programs, allowable expenditure increases are the same as allowable expenditures under TANF. As such, allowable expenditures include state spending of (1) state funds that are counted as MOE, (2) qualifying third-party funds that are counted as MOE, and (3) federal TANF dollars—including block grant, Contingency fund, and Emergency Contingency Fund. In 2009, HHS provided guidance to states on how third-party funds can qualify as state spending for the purposes of the Emergency Contingency Fund, and the agency also provided a policy announcement on the use of these funds for TANF purposes generally in 2004.

and subsidized employment positions and questioned whether there would be time left to draw down Recovery Act TANF funds for those supports once they were created. In addition, states that have been relying on these funds to maintain their TANF programs likely have concerns about the effect on their TANF programs when the Recovery Act TANF funds are no longer available. As previously noted, all three of the states we visited, as well as many states nationwide, have used these funds to avoid cuts and related policy changes to their programs. For example, according to state officials, when the Oregon state legislature passed its current biennial budget in the summer of 2009, it assumed that the state would be able to access most of the Recovery Act TANF funds available to the state, to avoid making further cuts to the state's TANF program. Because these funds are set to expire, however, they are a temporary solution, and states will likely still face these budget deficits in future years. During our site visits and through our survey, several TANF officials expressed their hopes that the federal government will modify the expiration date for the Emergency Contingency Fund and allow states to access any remaining funds through fiscal year 2011. Related to this, the President's fiscal year 2011 budget request recommends extending the fund's expiration date to September 30, 2011, and the House of Representatives approved a bill in March 2010 that included this extension.⁶⁵ The budget request also addressed several other state concerns by proposing adding \$2.5 billion to the fund, counting new types of expenditure increases for which states can qualify for the fund, and allowing states to be reimbursed for 100 percent of their subsidized employment expenditure increases.

Concluding Observations

States have taken advantage of the various policy and funding options available to adjust their TANF work participation rates since DRA. As a result, while measuring work participation of TANF recipients is key to understanding the success of state programs in meeting one of the federal purposes of TANF, whether states met federal work participation rates after DRA provides only a partial picture of state TANF programs' effort and success in engaging recipients in work activities. Although the DRA changes to TANF work requirements were expected to strengthen the work participation rate as a performance measure and move more families toward self-sufficiency, states' use of the modifications currently allowed

⁶⁵The House of Representatives passed the Small Business and Infrastructure Jobs Tax Act of 2010 on March 24, 2010, which includes a one-year extension of the TANF Emergency Contingency Fund. The bill was then referred to the Senate Committee on Finance, which had not taken action on it as of April 20, 2010.

in federal law and regulations, as well as states' policy choices, have diminished the rate's usefulness as the national performance measure for TANF.

In addition, state and local officials have found the work participation rate measure particularly challenging during the recent economic recession, as opportunities for employment have become less available, and more families seek assistance from TANF. As many state and local officials face resource constraints during the economic recession, some are making choices to fund basic cash assistance instead of services that may help address families' movement toward work and long-term self-sufficiency. Given the block grant structure of TANF, its design has not supported significant program expansion during the recent recession; however, Recovery Act TANF funds appear to be helping many states maintain their programs and avoid further funding cuts. Nonetheless, the original TANF Contingency Fund was recently depleted, and states will likely face even more difficult decisions about the future of their TANF programs after the Recovery Act TANF funds expire or run out. It remains to be seen what decisions states will make and how those will affect their programs, as well as how federally defined goals for TANF will be affected, if at all, by the next reauthorization of the TANF block grant.

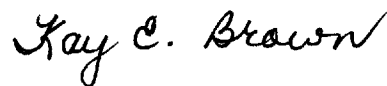
Agency Comments and Our Evaluation

We provided a draft of this report to HHS for review and comment, and a copy of the agency's written response is in appendix IV. In its comments, HHS did not disagree with our findings and said that the department appreciated our analysis of developments in state TANF programs following DRA and the Recovery Act, as well as the economic context in which states are now operating their TANF programs. However, HHS also suggested that it is incomplete to say that states' work participation rates after DRA reflect both recipients' work participation and states' policy choices, without acknowledging that federal law changed in a number of ways after DRA. We agree, and we believe that the report appropriately acknowledges the DRA changes to TANF, the extent to which states reported having to make changes to their programs to comply with DRA, and the extent to which states reported continuing to be challenged by the DRA changes. Further, the report also directly acknowledges that the extent to which states had to make changes to comply with DRA may have affected whether some met their work participation rates in the years immediately following DRA. HHS also indicated that more inquiry is needed to discern whether states believe that the DRA requirements enhanced their ability to run more effective programs. While we did not directly ask states this question through our state survey, we agree that

this would be interesting to know. Finally, HHS also indicated that they have undertaken a major technical assistance effort to help states understand how to access and use the Recovery Act TANF funds. In our interactions with the department during this study, we saw the extent of those efforts, and we agree. As such, while the relevant section of our report is focused more on state TANF programs' responses to the Recovery Act, it also acknowledges related HHS assistance to states and notes that most states reported finding this assistance useful. However, our findings in this section also address areas in which states continue to be challenged in utilizing the Recovery Act TANF funds, which may help HHS target its assistance efforts moving forward. HHS also provided technical comments on the draft report, which we have incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to appropriate congressional committees and to the Secretary of Health and Human Services. The report also will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-7215 or brownke@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix V.



Kay E. Brown
Director, Education, Workforce,
and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

To obtain information about changes to state Temporary Assistance for Needy Families (TANF) programs after the Deficit Reduction Act of 2005 (DRA), economic recession, and the American Recovery and Reinvestment Act of 2009 (Recovery Act), we

- reviewed available TANF data from the U.S. Department of Health and Human Services (HHS), including the number of families receiving TANF cash assistance, work participation rates, federal and state expenditures, and states' applications for the Emergency Contingency Fund for state TANF programs;
- conducted a nationwide survey of state TANF administrators;
- visited three states and selected localities within each state and interviewed officials administering TANF;
- interviewed officials from HHS and reviewed pertinent federal laws, regulations, and agency guidance; and
- interviewed researchers knowledgeable about TANF from a range of organizations.¹

We conducted our work from August 2009 to May 2010, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Review of TANF Data from HHS

Because HHS is responsible for collecting state TANF data and reporting on state TANF programs nationally, we reviewed relevant TANF data compiled by that agency. Specifically, we reviewed published data on (1) the number and types of families receiving TANF cash assistance between fiscal years 1997 and 2009, (2) work participation in fiscal years 2001 and 2005-2008, (3) states that did not meet the work participation rates between fiscal years 2001 and 2008, (4) states' TANF block grant and maintenance-of-effort (MOE) expenditures in fiscal years 2001 and 2005-

¹We interviewed selected researchers from the Brookings Institution, Center on Budget and Policy Priorities, Mathematica Policy Research, Inc., Center for Law and Social Policy, University of Maryland, and Congressional Research Service.

2009, and (5) states' unspent TANF funds in fiscal years 1997-2009. Because the scope of our work extended to the 50 states and Washington, D.C., we excluded data for the U.S. territories from our analysis. The years of work participation and expenditure data analyzed were selected for two reasons. First, we chose to analyze work participation and expenditure data from fiscal year 2001 because it is an approximate base year between both initial TANF implementation and the enactment of DRA. In addition, we chose to analyze the years immediately preceding and following DRA implementation. In all cases, we analyzed the most recent data available, including preliminary fiscal year 2009 expenditures data HHS provided to us before its public release. While we interviewed HHS officials to gather information on the processes they use to ensure the completeness and accuracy of the TANF caseload, work participation, and expenditures data, we did not independently verify these data with states. In addition, although HHS does not perform on-site reviews of states' TANF data, auditors in each state periodically review state TANF programs, including administrative data, to comply with the Single Audit Act of 1984. Because of these reviews, as well as the steps taken by HHS officials to ensure the completeness and accuracy of these data, we determined that they were sufficiently reliable for the purposes of this report.

We also reviewed selected documents submitted by states to HHS, which the agency does not publish. These included states' (1) caseload reduction credit reports for fiscal years 2007 and 2008 that had been approved by HHS and (2) applications for the Emergency Contingency Fund for state TANF programs through March 12, 2010. Specifically, we reviewed caseload reduction credit reports to analyze state application of excess MOE expenditures toward their credits after DRA.

Survey of States

To better understand recent changes in state TANF programs, we conducted a Web-based survey of state TANF administrators in all 50 states and the District of Columbia. The survey was conducted between November 2009 and January 2010 with administrators from every state and the District of Columbia responding. The survey included questions about: changes made to TANF programs and policies since DRA, challenges related to complying with DRA, cash assistance programs funded with solely state funds, use of the Emergency Contingency Fund for state TANF programs, changes to TANF service delivery related to the economic recession, and HHS assistance to states after DRA and the Recovery Act.

Because this was not a sample survey, there are no sampling errors. However, the practical difficulties of conducting any survey may introduce

nonsampling errors, such as variations in how respondents interpret questions and their willingness to offer accurate responses. We took steps to minimize nonsampling errors, including pretesting draft instruments and using a Web-based administration system. Specifically, during survey development, we pretested draft instruments with TANF administrators from four states (Connecticut, Maryland, Minnesota, and Ohio) in October 2009. We selected the pretest states to provide variation in selected state TANF program characteristics and geographic location. In the pretests, we were generally interested in the clarity, precision, and objectivity of the questions, as well as the flow and layout of the survey. For example, we wanted to ensure definitions used in the surveys were clear and known to the respondents, categories provided in closed-ended questions were complete and exclusive, and the ordering of survey sections and the questions within each section was appropriate. We revised the final survey based on pretest results. Another step we took to minimize nonsampling errors was using a Web-based survey. Allowing respondents to enter their responses directly into an electronic instrument created a record for each respondent in a data file and eliminated the need for and the errors associated with a manual data entry process. To further minimize errors, programs used to analyze the survey data and make estimations were independently verified to ensure the accuracy of this work.

While we did not fully validate specific information that states reported through our survey, we took several steps to ensure that the information was sufficiently reliable for the purposes of this report. For example, we reviewed the responses and identified those that required further clarification and, subsequently, conducted follow-up interviews with those respondents to ensure the information they provided was reasonable and reliable. In our review of the data, we also identified and logically fixed skip pattern errors for questions that respondents should have skipped but did not. In addition, we compared our findings on recent policy changes with information contained in the Urban Institute's Welfare Rules Database² and found that our results were consistent. On the basis of these checks, we believe our survey data are sufficiently reliable for the purposes of our work.

²The Urban Institute's Welfare Rules Database, provides information from 1996-2008 about states' TANF cash assistance programs, including the policies and rules governing their programs.

Site Visits

To gather additional information about changes to state TANF programs after DRA, the economic recession, and the Recovery Act, we conducted site visits to Florida, Ohio, and Oregon, and selected localities in those states, between September 2009 and December 2009. Specifically, we met with state officials in each state and visited Hillsborough, Marion, and Leon counties in Florida; Franklin and Pike counties in Ohio; and Districts 2, 3, and 4 in Oregon. These three Oregon districts are responsible for TANF administration in the Portland metropolitan area, as well as Benton, Lincoln, Linn, Marion, Polk, and Yamhill counties. We selected these three states because they made varied modifications to their TANF programs after DRA and the Recovery Act, and the number of families receiving TANF cash assistance in these states had increased since the economic recession began. In addition, these states were selected because they varied in geographic location and selected TANF program characteristics, including the maximum amount of TANF cash assistance provided to each recipient family. We worked with the states to select localities that were located in both urban and rural areas to ensure that we captured any related differences in TANF program implementation and work participation.

During the site visits, we interviewed state and local administering agency officials. Through these interviews, we collected information on changes to TANF programs, policies, and procedures since DRA and the recession in the economy, strategies employed to comply with DRA, use of funds received from the Emergency Contingency Fund for state TANF programs, challenges related to implementing the TANF program since DRA, and HHS assistance since DRA and the Recovery Act. We cannot generalize our findings beyond the states and localities we visited.

Appendix II: Numbers of TANF Families Meeting Work Requirements in Recent Years

State	Before DRA				After DRA			
	FY 2005		FY 2006		FY 2007		FY 2008	
	TANF families with work requirements	TANF families who met work requirements	TANF families with work requirements	TANF families who met work requirements	TANF families with work requirements	TANF families who met work requirements	TANF families with work requirements	TANF families who met work requirements
United States	874,798	295,294	807,710	269,679	870,140	263,092	815,877	243,026
<i>Percentage</i>		<i>33.8%</i>		<i>33.4%</i>		<i>30.2%</i>		<i>29.8%</i>
Alabama	8,383	3,235	7,829	3,260	8,317	2,830	7,302	2,727
Alaska	2,549	1,165	2,158	982	1,873	878	1,713	735
Arizona	21,993	6,645	18,349	5,475	16,065	4,854	15,473	4,273
Arkansas	2,967	913	2,885	839	3,489	1,239	3,515	1,361
California	179,908	47,037	169,333	37,244	282,016	62,813	279,288	70,334
Colorado	9,067	2,341	8,145	2,451	5,303	1,435	3,893	1,255
Connecticut	9,262	3,154	7,913	2,446	10,443	3,014	8,667	2,187
Delaware	2,896	654	2,768	700	1,397	446	1,044	508
Dist. Of Col.	8,323	1,937	7,859	1,349	2,042	715	1,337	663
Florida	15,163	6,082	10,855	4,859	15,105	9,749	7,651	3,321
Georgia	13,142	7,303	5,875	3,808	3,189	1,735	2,343	1,364
Hawaii	4,553	1,616	3,647	1,360	3,208	920	3,686	1,268
Idaho	476	211	355	161	156	83	87	52
Illinois	12,127	5,366	11,738	6,911	8,583	4,885	3,865	1,644
Indiana	21,203	6,559	19,451	5,191	27,446	7,554	18,570	5,450
Iowa	10,955	5,243	9,780	3,817	10,961	4,407	10,440	4,295
Kansas	11,732	10,168	11,321	8,746	8,698	1,131	7,012	1,423
Kentucky	14,962	6,827	13,183	6,401	10,123	3,884	9,319	3,540
Louisiana	5,111	2,024	3,215	1,345	2,641	1,110	2,303	925
Maine	6,800	1,927	6,574	1,748	10,334	2,268	9,636	1,096
Maryland	12,235	2,544	9,228	3,978	5,949	2,776	7,207	2,653
Massachusetts	11,061	6,624	23,699	3,818	21,616	4,110	31,740	14,326
Michigan	44,638	9,864	47,639	10,299	38,604	10,828	35,196	11,835
Minnesota	15,645	4,673	14,255	4,346	13,142	3,749	9,922	2,984
Mississippi	6,736	1,381	4,486	1,575	3,213	1,989	3,695	2,332
Missouri	24,095	5,943	23,915	5,057	26,010	3,644	23,835	3,386
Montana	3,102	2,581	2,532	2,008	1,461	681	1,206	534
Nebraska	6,233	2,182	6,555	2,206	3,589	795	3,562	1,822
Nevada	2,516	1,054	1,649	792	2,897	1,002	3,509	1,479

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	TANF families with work requirements	TANF families who met work requirements	TANF families with work requirements	TANF families who met work requirements	TANF families with work requirements	TANF families who met work requirements	TANF families with work requirements	TANF families who met work requirements
New Hampshire	3,407	839	3,269	787	2,292	947	1,662	780
New Jersey	25,427	7,460	24,440	7,150	20,486	6,766	19,625	3,702
New Mexico	9,694	4,061	9,005	3,827	7,022	2,568	6,668	2,473
New York	70,344	24,814	66,820	25,251	87,185	33,168	80,691	30,090
North Carolina	11,846	3,734	9,377	3,522	7,013	2,277	7,383	1,823
North Dakota	1,585	511	1,745	903	1,294	763	888	447
Ohio	36,189	21,117	33,722	18,533	30,632	7,253	30,649	7,508
Oklahoma	4,427	1,506	3,140	1,030	2,289	986	1,939	881
Oregon	8,492	1,267	8,109	1,229	8,782	1,315	10,848	2,659
Pennsylvania	65,832	10,003	62,396	17,258	26,388	13,286	21,550	8,897
Rhode Island	6,564	1,589	5,748	1,438	4,708	1,289	4,809	845
South Carolina	6,692	3,643	6,304	3,109	7,484	3,962	7,807	4,025
South Dakota	785	449	793	458	708	377	631	392
Tennessee	39,259	20,449	36,985	21,134	36,599	16,887	31,995	8,029
Texas	35,275	13,667	24,145	10,091	24,057	8,218	16,791	4,969
Utah	5,845	1,818	4,368	1,844	2,116	1,057	2,079	781
Vermont	3,047	683	2,837	631	2,806	628	1,947	419
Virginia	9,916	4,588	9,148	4,923	16,176	7,041	16,740	7,538
Washington	30,219	11,663	28,872	10,431	26,468	6,723	27,417	5,027
West Virginia	5,296	1,031	4,388	1,162	3,815	592	2,835	504
Wisconsin	6,779	3,112	4,868	1,765	3,914	1,441	3,857	1,439
Wyoming	45	37	40	31	36	24	50	26

Source: HHS data.

Note: Numbers are average monthly numbers for families receiving TANF cash assistance.

Appendix III: Factors Affecting States' Ability to Meet Work Participation Rates

As discussed in this report, each state's ability to meet the required work participation rates reflects not only the number of its TANF families sufficiently engaged in countable work activities, but also changes in the number of families receiving TANF cash assistance in the state, and the state's policy choices that (1) lower their required work participation rates, (2) keep working families in the calculation of their rates, and (3) remove certain families from the calculation of these rates. See tables 4 and 5 for information on factors that may have affected each state's ability to meet the all-families work participation rate in fiscal year 2007.

Table 4: For States That Met Their All-Families Work Participation Rates in FY 2007, Various Factors May Have Affected This Outcome

States that met FY 2007 all-families work participation rate ^a	Factors that increased states' caseload reduction credits ^b		Factors that may have affected states' rates by keeping working families in the rate calculation ^c		Factors that may have affected states' rates by removing nonworking families from the rate calculation ^c	
	Caseload reductions	Excess MOE spending (*=relied on this spending to meet their rates)	Had a worker supplement program in FY 2007 (*=implemented FY 2006-2007)	Had earned income disregards in FY 2007 (*=expanded since FY 2006)	Provided cash assistance to certain families with solely state funds in FY 2007	Had a diversion program in FY 2007 (*=expanded since FY 2006)
Alabama	X	X*		X*		
Alaska	X		X	X		X
Arizona	X	X*		X		X*
Arkansas	X	X*	X*	X		X
Colorado	X	X*		X		
Connecticut	X	X*		X		X
Delaware	X	X*		X	X	X*
D.C.	X	X*		X	X	X*
Florida				X		X
Georgia				X	X	X*
Hawaii	X	X*	X	X*	X	
Idaho					X	X
Illinois				X		X
Iowa	X	X*		X*		
Kansas	X	X*		X*		
Louisiana	X			X	X	
Maryland	X	X		X	X	X
Massachusetts	X	X*		X		
Mississippi				X	X	

**Appendix III: Factors
Affecting States' Ability to
Meet Work Participation
Rates**

States that met FY 2007 all- families work participation rate ^a	Factors that increased states' caseload reduction credits ^b		Factors that may have affected states' rates by keeping working families in the rate calculation ^c		Factors that may have affected states' rates by removing nonworking families from the rate calculation ^c	
	Caseload reductions	Excess MOE spending (*relied on this spending to meet their rates)	Had a worker supplement program in FY 2007 (*implemented FY 2006-2007)	Had earned income disregards in FY 2007 (*expanded since FY 2006)	Provided cash assistance to certain families with solely state funds in FY 2007	Had a diversion program in FY 2007 (*expanded since FY 2006)
Missouri	X	X*		X	X	
Montana	X	X		X		
Nebraska	X	X*	X	X	X	
New Hampshire	X	X*		X	X	
New Jersey	X	X*		X*	X	X
New York	X	X*		X*	X	
North Carolina	X	X*		X		X
North Dakota				X		X*
Oklahoma	X			X*	X	X
Pennsylvania	X	X		X	X	X*
Rhode Island	X	X*	X	X		X
South Carolina				X	X	
South Dakota				X		X
Tennessee	X	X*		X*		X*
Texas	X			X	X	X
Utah	X		X*	X	X	X
Virginia	X	X*	X*	X	X	X
Washington	X	X*	X*	X		X
Wisconsin	X	X*				
Wyoming				X	X	

^aSource: HHS data.

^bSource: HHS data. States that have cells shaded in these columns had at least 50 percent of their TANF families with work requirements participating in work activities in FY 2007. Some of these states still applied for caseload reduction credits, but they did not need those credits to meet their work participation rates.

^cOur survey data was used for this analysis. We did not collect information on states that had each of these policies in FY 2007 but had eliminated them by the time they were completing our survey in late 2009. Therefore, some states may be missing checks in the table above.

**Appendix III: Factors
Affecting States' Ability to
Meet Work Participation
Rates**

Table 5: For States that Did Not Meet Their All-Families Work Participation Rates in FY 2007, Various Factors May Have Affected This Outcome

States that did not meet the FY 2007 all-families work participation rate ^a	Factors that increased states' caseload reduction credits for FY 2007		Factors that may have affected states' rates by keeping working families in the rate calculation ^b		Factors that may have affected states' rates by removing nonworking families from the rate calculation ^b	
	Caseload reductions	Excess MOE spending	Had a worker supplement program in FY 2007 (*=implemented FY 2006-2007)	Had earned income disregards in FY 2007 (*=expanded since FY 2006)	Provided cash assistance to certain families with solely state funds in FY 2007	Had a diversion program in FY 2007 (*=expanded since FY2006)
California	X			X		X
Indiana	X			X		
Kentucky	X	X	X	X		X
Maine	X	X		X		X
Michigan		X	X*	X	X	
Minnesota	X			X	X	X
Nevada	X			X*		
New Mexico	X			X	X	X*
Ohio	X			X		
Oregon	X			X		
Vermont	X	X		X*	X	
West Virginia	X			X		X

^aSource: HHS data.

^bOur survey data was used for this analysis. We did not collect information on states that had each of these policies in FY 2007 but had eliminated them by the time they were completing our survey in late 2009. Therefore, some states may be missing checks in the table above.

Appendix IV: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation
Washington, DC 20201

MAY 4 2010

Kay E. Brown, Director
Education, Workforce,
and Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Brown:

Enclosed are the Departments comments on the U.S. Government Accountability Office's (GAO) draft report entitled: "Temporary Assistance For Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates" (GAO-10-525).

The Department appreciates the opportunity to comment on this report before its publication.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrea Palm", written over a horizontal line.

Andrea Palm
Acting Assistant Secretary for Legislation

Enclosure

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "TEMPORARY ASSISTANCE FOR NEEDY FAMILIES: IMPLICATIONS OF RECENT LEGISLATIVE AND ECONOMIC CHANGES FOR STATE PROGRAMS AND WORK PARTICIPATION RATES" (GAO-10-525)

The Department appreciates the opportunity to comment on this draft GAO report.

We appreciate GAO's analysis of developments in State TANF programs following implementation of the Deficit Reduction Act (DRA) TANF regulations and enactment of ARRA, as well as the economic context in which States now operate their programs. We are encouraged by the ways in which ARRA funds have helped States to forestall reductions in benefits and services and have spurred innovative efforts in States. We note that the President's FY2011 Budget contains a proposal for a one-year extension of the TANF Emergency Contingency Fund.

We were, of course, aware prior to this report that State participation rates since adoption of the DRA regulations have, in the aggregate, changed little from their pre-ARRA levels, though the aggregate total does not reflect that changes for some individual States have been quite dramatic. However, we believe that it is incomplete to simply say that States' rates reflected both recipients' work participation and States' policy choices. A crucial third factor was that Federal law changed in a number of important ways in and after enactment of DRA. DRA required States to include their participants in "separate state programs" when calculating the rates. DRA provided for a Federal definition of "work-eligible individual" and precluded States from certain practices under which families were excluded from the rates. HHS' regulations under the DRA provided explicit definitions of work activities in ways that often narrowed countable activities beyond what States had previously counted. And, the regulations provided for new and stringent work verification procedures that further limited States' abilities to count certain previously countable participants.

It remains unclear what the relative impact of this set of Federal changes was in the context of State policies and efforts, but we believe it is essential to recognize that a set of Federal changes restricted States' ability to exclude families from the rates and restricted the ability to count a range of activities, and this surely is a relevant factor in understanding the overall change that has occurred since DRA. The report notes that "41 states reported through our survey that they made moderate, great or very great changes to their processes for reporting and verifying TANF families' reported hours of work participation to comply with DRA..." This point should be incorporated in the overall discussion of factors affecting the rates attained by States.

We note that the survey of States sought information from States about the challenges and issues faced in complying with the new requirements and the degree of difficulty in doing so. It does not appear that the survey invited States to offer their views as to whether the new requirements had enhanced their ability to run more effective programs in connecting families with employment. This is an important question for further inquiry. For example, according to the survey, officials reported that the 12-month

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "TEMPORARY ASSISTANCE FOR NEEDY FAMILIES: IMPLICATIONS OF RECENT LEGISLATIVE AND ECONOMIC CHANGES FOR STATE PROGRAMS AND WORK PARTICIPATION RATES" (GAO-10-525)

lifetime limit on vocational educational training and the 6-week general limit on job search and job readiness (presumably, as defined in the DRA regulations) were "challenging to implement," but it would also be helpful to ask if States believe that such restrictions improve the effectiveness of their programs.

We are greatly encouraged by the range of ways in which States have been able to use TANF Recovery Act funds to address increased needs, sustain services at a time of great budgetary cutbacks, and to innovate in areas such as the adoption of subsidized jobs programs. In discussing Recovery Act funds, the draft report notes that "Recovery Act TANF Funds Have Helped Many States Maintain Their Programs, Though Some Reported Challenges Accessing Funds." ACF has engaged in a major technical assistance effort with States and others to help ensure that jurisdictions understand the rules governing the Recovery Act funding, allowable uses, and opportunities presented. We think it is important to clarify that in a set of instances, State applications have gone beyond straightforward requests to reimburse basic assistance, and have sometimes presented previously unaddressed policy or grants management issues. States also have asked hundreds of policy-related questions regarding the definitions of activities and allowable uses of funds. In some instances, it has taken time to resolve highly technical and legal policy questions, but doing so is important to ensure the integrity of the process and the TANF program, and the proper use of the funds under law and regulation. When faced with such obstacles, we have tried to find viable alternatives, instead of simply denying a request for funding. In these instances, it necessarily takes longer to review an application to ensure full compliance with Federal law. ACF has been working hard to address questions and to respond to proposals submitted by States in a timely manner. Our office has received repeated statements of appreciation from our State partners for the efforts that have been made to help States access the Emergency Contingency Fund in accordance with law.

In the Florida example, aspects of the State's subsidized employment program were initially structured in a non-compliant manner. As a result, HHS was required to invest additional efforts and time in developing an alternative approach to address the State's needs.

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Kay E. Brown, (202) 512-7215, or brownke@gao.gov

Staff Acknowledgments

Heather McCallum Hahn, Assistant Director, and Rachel Frisk, Analyst-in-Charge, managed this assignment and made significant contributions to all aspects of this report. Karen Febey, Maria Gaona, Jean McSween, and Betty Ward-Zukerman also made important contributions to this report. Susan Aschoff, James Bennett, and Jessica Orr provided writing and graphics assistance, and Alex Galuten provided legal assistance.

Related GAO Products

Temporary Assistance for Needy Families: Implications of Changes in Participation Rates. [GAO-10-495T](#). Washington, D.C.: March 11, 2010.

Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State. [GAO-10-164](#). Washington, D.C.: February 23, 2010.

Support for Low-Income Individuals and Families: A Review of Recent GAO Work. [GAO-10-342R](#). Washington, D.C.: February 22, 2010.

Healthy Marriage and Responsible Fatherhood Initiative: Further Progress Is Needed in Developing a Risk-Based Monitoring Approach to Help HHS Improve Program Oversight. [GAO-08-1002](#). Washington, D.C.: September 26, 2008.

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Related GAO Products

Welfare Reform: With TANF Flexibility, States Vary in How They Implement Work Requirements and Time Limits. [GAO-02-770](#).
Washington, D.C.: July 5, 2002.

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