

The Basics: Alabama's Meager but Vital TANF Program

An ACPP Fact Sheet made possible by the Ford Foundation

July 10, 2014

The cost of living has increased in the last two decades, but federal money for temporary cash aid for very low-income families has not kept up. The federal government in 1997 froze its allocations for the Temporary Assistance for Needy Families (TANF) program, informally known as welfare. Since then, the number of families receiving benefits has plummeted in Alabama and nationwide, even as needs mounted during the Great Recession. Years of inflation also have eroded the buying power of Alabama's already meager benefits.

Fewer Alabama families are receiving TANF aid, and those benefits don't go nearly as far as they once did. This fact sheet details TANF's origins and structure, examines its eligibility requirements and considers how the program could do a better job of helping low-income Alabamians endure tough times.

How does TANF work?

TANF is a joint state and federal program for very poor children and their families. The Alabama Department of Human Resources (DHR) administers Alabama's TANF program. A 1996 federal law created TANF for the stated purposes of helping needy families care for their children; promoting job preparation, work and marriage; preventing out-of-wedlock pregnancies; and encouraging two-parent families. TANF replaced Aid to Families with Dependent Children (AFDC).

TANF is funded with both federal and state dollars. States must spend state money (called maintenance of effort, or MOE, funds) for TANF purposes to remain eligible for the federal match. The federal TANF funds are distributed to the states as a block grant based on the amount of each state's AFDC spending during the mid-1990s. Congress initially provided supplemental funds for 17 low-benefit states, including Alabama, but those grants were allowed to expire in 2011. Alabama's MOE in 2012 was \$80.2 million. In return, the state got \$93.3 million in federal TANF funding that year.

TANF is a block grant, not an entitlement, and that has huge implications for eligible families. TANF's predecessor, AFDC, was an entitlement program. That meant federal spending automatically increased to help cover growing enrollment and costs. (Other examples of entitlement programs are Medicaid, Medicare, Social

Numbers to know: Alabama's steadily eroding TANF benefits

\$93.3 million: Amount of Alabama's annual federal TANF block grant – unchanged since 1997.

▼ **12%:** Decline in the value of Alabama's TANF cash benefit since 1996, adjusted for inflation.

▼ **55%:** Decline in the number of Alabama families receiving TANF cash assistance since 1997.

▲ **40%:** Increase in the share of federal TANF funds used for purposes other than cash assistance in Alabama since 1997.

Security and the Supplemental Nutrition Assistance Program, or SNAP.) When TANF replaced AFDC, spending on low-income cash assistance was tied to a fixed funding amount that may not be enough to help everyone who is eligible. (Other block grants include Section 8 housing subsidies and the State Children's Health Insurance Program, known as ALL Kids in Alabama.) If a block-grant program's funding runs out, people may go on waiting lists, or benefits may be cut.

States can set nearly all the rules for a block-grant program. States may use the money to provide cash assistance to needy families, but they also can provide other TANF-funded services and programs that meet the federal purposes. Alabama spends some of its TANF grant money on pregnancy prevention, domestic violence prevention and fatherhood programs. The state also transfers some TANF funds to child welfare and child care programs. Alabama spends far more TANF money on "non-assistance" services than on direct, ongoing cash assistance. Alabama spent \$55.8 million of TANF funds on cash assistance in 2012, compared to the \$112.6 million spent on other services.

TANF cash assistance is delivered on an electronic benefits transfer (EBT) card, similar to a debit card, which can be used in most stores or to withdraw benefits as cash. If the family receives SNAP aid, those benefits also are stored on an EBT card but cannot be withdrawn as cash or used to buy non-food items.

Who is eligible for TANF benefits?

To be eligible for TANF cash assistance, families must have a monthly income lower than the maximum benefit for their family size. In Alabama, that amount is \$215 a month for a family of three. An eligible family must have a child under age 18 (or 19 if still in school) who is either an American citizen or a legally eligible immigrant. Under federal law, an adult can receive only five years of TANF assistance in his or her lifetime. Children, however, can continue to receive benefits as long as the family is eligible. Benefits received in childhood do not count against a person's five-year lifetime limit as an adult.

TANF recipients may be eligible for other aid as well. These programs include subsidized child care, SNAP benefits, Medicaid, job training, assistance with developing job skills and help with job-related expenses like uniforms and tools. TANF funds also can help pay for subsidized employment for both adults and youth in TANF households. In exchange for cash aid, TANF recipients must cooperate with child support collection, unless it would be dangerous to the recipient or child, and they must assign any support collected to the state.

Several categories of people are ineligible for TANF cash benefits in Alabama. People may not receive benefits if they are on strike, have a felony drug conviction, are violating a condition of probation or parole, or are felons who are avoiding jail or arrest. A bill to lift Alabama's lifetime ban on TANF and SNAP eligibility for people with a felony drug conviction cleared the Senate in 2014 but died without a House floor vote. The drug conviction rule does not apply to recipients of TANF-funded services, which can have their own eligibility and income guidelines.

Several 2014 state laws added more conditions to TANF eligibility and benefit use. Under one new law, TANF recipients are prohibited from spending benefits on alcohol, tobacco or lottery tickets. The law also forbids recipients to use their EBT card in a bar, liquor store, adult entertainment facility, tattoo or body piercing parlor, or psychic services facility. Businesses providing these services may not accept EBT cards. TANF recipients who violate this law can lose benefits, though the rest of the family can continue to receive assistance through a third party.

Another new law requires TANF applicants with a misdemeanor drug conviction in the last five years to pass a drug test. Applicants who fail multiple drug

tests can be denied benefits, though other family members still can receive benefits through a third party.

Another 2014 law requires TANF applicants to apply for three jobs before they can be approved for benefits. A TANF recipient who quits a job or refuses to accept a job without good cause can be permanently disqualified from TANF, though the rest of the family can continue to receive assistance through a third party. TANF recipients receive help preparing for and finding jobs, and they are required to take part in work preparation programs if they are able-bodied. Federal law requires states to keep a large percentage of recipients involved in work preparation activities.

TANF hasn't kept up with the times

Alabama has the nation's third lowest TANF cash benefits, behind only Arkansas and Mississippi. The maximum monthly assistance amount for a three-person family is \$215. For a family with 16 people, the monthly maximum is \$605. These amounts have not increased since 2002, despite higher costs for clothing, transportation and other necessities.

Participation in Alabama's TANF cash assistance program has declined dramatically since the late 1990s. More than 43,000 Alabama families received cash aid in 1996. By 2013, that number had shrunk to about 19,300. States have an incentive to reduce participation in the cash assistance program so they can keep their overall TANF spending within the granted amount. The federal government also rewards states that cut TANF caseloads by reducing those states' employment and training targets.

Under TANF, fewer dollars go toward direct cash assistance for low-income families than in the late 1960s, despite higher poverty rates and growing needs during the Great Recession. The share of TANF funds spent on cash assistance has declined nationally from 70 percent in 1997 to slightly under 30 percent in 2012. In Alabama, that share dropped from 58 percent to 35 percent during the same period, even as child poverty increased by more than 6 percentage points.

TANF has not met growing needs in recent years. Congress needs to fund TANF adequately in the future so the program can act as a true, meaningful safety net for low-income families struggling with tough times.

This fact sheet was prepared by policy analyst Carol Gundlach. It may be reproduced with acknowledgment of Arise Citizens' Policy Project, Box 1188, Montgomery, AL 36101; (800) 832-9060; arisecitizens.org.