

# CENTER FOR FAMILY POLICY AND PRACTICE

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## POLICY BRIEFING

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### **A Closer Look at Results for TANF Families at 10-Year Mark**

Last month, the Temporary Assistance to Needy Families (TANF) program reached its tenth year. The program has been widely cited for its reduction of welfare rolls and increase in employment among the poor. A recent report from the Center on Budget and Policy Priorities looks at some of the other trends that suggest increased hardship and poverty for many families. Some of the key points:

- More than half (57%) of the decline in TANF caseloads since 1996 can be attributed to families who were poor enough to qualify for the program under state eligibility rules. In the early 1990's, welfare assistance was provided to 80% of families who were poor enough to be eligible; TANF provided assistance to just 48% of these families in 2002.
- Between 2000 and 2004, the number of children living below *half* of the poverty line increased by 774,000. During this same time period, the number of children receiving any assistance from TANF fell by 559,000. In addition, more than 1.4 million children fell into poverty from 2000 to 2004. When the poverty rate increased over these four years, other assistance programs such as Food Stamps and Medicaid experienced a rise in the number of families receiving assistance. TANF caseloads did not grow, however, suggesting that the program has lost its ability to respond to a slowing economy by providing increased assistance.
- The number of single mothers who were not working or receiving TANF assistance was roughly 1 million per month in 2003. This is an increase of more than 400,000 since 1996. So, while the TANF caseload dropped by 2 million between fiscal years 1996 and 2004, employment among single mothers rose by just 1 million, leaving 1 million without work or government assistance.

The authors warn that many aspects of the Deficit Reduction Act (DRA), which is the welfare reauthorization legislation that passed last year, will exacerbate some of these trends. The DRA raises states' work participation requirements while limiting the number of welfare-to-work activities that can be counted toward meeting those requirements. This gives states a strong incentive to assist fewer families.

The report, *TANF at 10: Program Results are More Mixed Than Often Understood*, can be found at [www.cbpp.org](http://www.cbpp.org).

### **Senators Bayh and Obama Introduce Fatherhood Bill**

U.S. Senators Evan Bayh (D-IN) and Barack Obama (D-IL) introduced the *Responsible Fatherhood and Healthy Families Act of 2006* (S. 3607), on June 29. According to comments made by Senator Obama upon introducing the bill, it will "provide support for fathers who are

trying to do the right thing in making child-support payments by providing them with job training and job opportunities and expanding the Earned Income Tax Credit. It also stops penalizing marriage in the tax code, and makes sure that children and families, not the government, receive every penny of child support." The bill would:

- Increase federal funding for responsible fatherhood programs from \$50 million to \$100 million per year.
- Eliminate separate work participation rates for two-parent families.
- Ban the recovery of birth costs for Medicare recipients.
- Require that the full amount of child support paid on behalf of children receiving TANF be paid by the state to the family.
- Prohibit states from conditioning eligibility for TANF benefits on the assignment of child support rights to the state.
- Require states to treat child support payments in the same way as earned income in determining the amount disregarded when calculating the amount and type of TANF assistance.
- Prohibits states from considering any part of a period of incarceration as voluntary unemployment that would disqualify the parent from obtaining a review and adjustment of the child support obligation.
- Temporarily suspend a support obligation, its enforcement and any interest that would accrue during a period of incarceration. Custodial parents would be given notice and opportunity to challenge the suspension.
- Award grants to states to:
- Establish court- or child support agency-supervised programs of employment for noncustodial parents with barriers to employment (programs are required to offer the services prior to the establishment of a contempt order for child support nonpayment).
- Provide transitional jobs, with a required minimum of 20% and maximum of 50% of weekly hours spent in educational or other activities designed to address employment barriers.
- Increase the Earned Income Tax Credit income eligibility limit for individuals with no qualifying children from \$5,280 to \$10,712 per year, with cost-of-living adjustments each year.

Text of the bill and its status in the Senate is available at <http://thomas.loc.gov/>.

### **GAO Investigates Equal Treatment Safeguards of Faith-Based Initiative**

A recent Government Accountability Office (GAO) report compared five federal agencies' faith-based and community initiatives; looked at grant award procedures to determine if they were the same for all grant applicants, including faith-based organizations; investigated the extent to which federal and state agencies provide information on and ensure compliance with safeguards, and looked into the federal government's measure of the progress of the initiative.

The report found that:

- Only 4 of the 26 Faith-Based Organizations (FBOs) that were visited for the report provided a statement on nondiscrimination by beneficiaries and only 3 provided information on permissible hiring by the FBOs.
- Four of the thirteen FBOs that provided voluntary religious activities, such as prayer or worship, did not appear to understand the requirement to separate in time or location these activities from federally funded program activities.
- Only half of the 26 FBOs that were visited correctly understood whether they could take religion into consideration in hiring staff.
- Federal and state program offices are not required to monitor for compliance with equal treatment safeguards, and few programs in the review implemented this type of review.

- The government has not established criteria for what constitutes a faith-based organization that all federal agencies must use, and federal agencies do not require organizations to self-identify as faith-based.

The report recommends that the Office of Management and Budget (OMB) ensure that all federal agencies and state agencies provide better information to FBOs on equal treatment safeguards and improve monitoring of the safeguards, and develop a consistently applied method for determining which organizations are faith-based.

The report is available at: <http://www.gao.gov/new.items/d06616.pdf>.

### **H & R Block and the Tax Refund Anticipation Loan Industry Held to Account for Unfair Practices**

Refund Anticipation Loans (RALs) are high cost loans marketed to individuals who are expecting a tax refund from the IRS. The RAL customer pays a fee to the tax preparer to receive immediate payment of the expected tax refund, and the loan is repaid to the tax preparer in 7-14 days by direct deposit of the tax refund to the tax preparer's account. RALs are targeted at the working poor, particularly those who receive the Earned Income Tax Credit (EITC); they almost always result in unnecessary costs for these families.

The National Consumer Law Center reported recently on RALs, providing the following information:

- In 2004, more than \$1.24 billion in loan fees, plus approximately \$360 million in other fees were paid by more than 12 million customers for tax refund anticipation loans. The annualized interest rate for these loans can range from 40% to over 700%.
- Seventy-nine percent of all RAL consumers in 2003 had incomes of \$35,000 or less. Over half of RAL consumers are recipients of the Earned Income Tax Credit.
- Tax refunds are getting returned at a faster rate by the IRS. The report warns of a new product, "pay stub loans," being marketed by the industry. Pay stub loans are sold to consumers before tax preparation season begins.

H & R Block, Inc. has been the subject of a recently-settled lawsuit and pressure from pension officials in three states for its practices with regard to offering RALs to its tax preparation clients.

The report, *Picking Taxpayers' Pockets, Draining Tax Relief Dollars: Refund Anticipation Loans Still Slicing into Low-Income Americans' Hard-Earned Tax Refunds*, is available at [www.consumerlaw.org](http://www.consumerlaw.org).

*Don't Pay to Borrow Your Own Money* is a brochure prepared by the National Consumer Law Center that explains the costs of RALs and suggests ways to avoid costs often incurred unnecessarily at tax time. The brochure is available at [http://www.consumerlaw.org/initiatives/refund\\_anticipation/content/RALBrochure.pdf](http://www.consumerlaw.org/initiatives/refund_anticipation/content/RALBrochure.pdf).