Creating a Safety Net That Works 
When the Economy Doesn’t: 
The Role of the Food Stamp 
and TANF Programs—Summary

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Rising need during the recession tested the nation’s safety net programs. The Food Stamp program responded quickly, but Temporary Assistance for Needy Families (TANF) lagged far behind. Even with unemployment hitting near-record highs, welfare caseloads rose by only 10 percent—in some states, they actually declined. Food stamp enrollment, meanwhile, jumped up 37 percent. Both programs, though, play a crucial role supporting families in need and can be improved to better respond to changing economic conditions.

SUPPORTING LOW-INCOME FAMILIES

The Food Stamp program, recently renamed the Supplemental Nutrition Assistance Program, is broadly available to all households with very low incomes. Eligibility and benefit levels are, for the most part, the same across the country. During the early to mid-2000s, caseloads rose. The number of eligible households climbed from 14 million in 2000 to 18 million in 2005. Meanwhile, the participation rate among already-eligible households went from 50 percent in 2000 to 63 percent in 2006 as states and the federal government worked to boost enrollment.

TANF benefits, on the other hand, are available only to families with children. Cash grants and program rules vary widely across states. TANF is funded by a fixed block grant that does not increase with need. And the share of that block grant spent on cash assistance has shrunk. In fiscal year 2008, states spent only 30 percent of their $30 billion for this purpose. The remaining funds were used for child care, transportation, other work supports, and other services for families with children.

Over time, TANF has served a shrinking share of eligible families. In 1995, Aid to Families with Dependent Children—the program TANF replaced—served 84 percent of all eligible families; in 2005, TANF served only 40 percent (Crouse, Douglas, and Hauan 2007). As a result, TANF has become less effective at reducing deep poverty, where family income drops below 50 percent of the poverty level (Sherman 2009).

FOOD STAMPS AND TANF IN THE RECESSION

After unemployment insurance, Food Stamps has been the most responsive federal program during downturns—and this recession was no exception. National Food Stamp enrollment is at an all-time high. In September 2009, 16.9 million households (with 37.2 million people) were enrolled. Nationally, caseloads have gone up by 4.6 million households since the beginning of the downturn.

The American Recovery and Reinvestment Act temporarily boosted the maximum food stamp benefit by 13.6 percent in fiscal year 2009. ARRA also temporarily suspended the three-month limit on food stamps that most jobless workers face and gave states extra money for administrative costs to manage rising caseloads. The benefit increase was one of the most effective forms of economic stimulus because recipients often spent the money quickly, putting it back into the economy.

In most states, TANF did not respond well to growing need. Nationally, caseloads went up 10 percent.
In 10 states, caseloads actually declined or remained flat. The low take-up rate likely reflects the program’s difficult enrollment process, inflexible work requirement rules, and states’ emphasis on keeping welfare rolls low.

Congress included $5 billion in ARRA for a TANF Emergency Fund. We do not yet know how much of the money states will use and what the overall impact will be on poverty, but we do know the fund has made it possible for some states to meet increased demand and avoid significant cuts in cash assistance and services. The federal government also authorized funding to create or expand subsidized employment programs for 28 states, as of May 2010.

LESSONS LEARNED

Several features of the Food Stamp Program have enabled it to respond so effectively to the recession. First, because it is a federally funded entitlement, additional benefits to cover newly eligible applicants were available automatically, where they were needed. State budget crises did not hold back program growth. Second, the program is relatively the same in every state and almost all low-income households are eligible, making it easy to deliver increased benefits to families quickly. Finally, because the program reaches very low income households, the benefits they received were spent immediately—acting as effective economic stimulus and directly improving families’ circumstances. These advantages could inform improvements for other safety net programs.

More can be done, however, to help states manage higher caseloads. As states face mounting deficits and ARRA funds end, backlogs of new food stamp applications could get worse. One possible solution would be creating a trigger within the program where states would automatically qualify for additional administrative funding if their caseloads or their local unemployment rates rise dramatically.

TANF’s Emergency Fund expires on September 30. Without any assurance of new funds, states are likely to scale back cash assistance or eliminate subsidized employment programs. As unemployment is expected to remain high, these cuts will come as need is rising, not declining. Extending the Emergency Fund and specifying the amount a state can qualify for in 2011 will help states plan.

Policy changes are also needed to give states flexibility on work requirements when few jobs are available, while still preserving TANF’s emphasis on work. With TANF up for reauthorization soon, policymakers have an opportunity to retool this important safety net program. Congress could allow a higher share of welfare recipients to meet work requirements through training and suspend the one-year time limit on vocational education. Eliminating or extending the time limits on job searches would allow recipients to look for work longer and attend mental health counseling and other programs designed to lift work barriers.

Also, states need relief from the pressure to meet strict work participation rates so they can better deliver help during the recession and use limited resources effectively. Finally, relaxing the reporting requirements would remove a huge administrative burden. Policymakers could use reauthorization to shore up TANF and remove obstacles like these that have weakened its effectiveness as a safety net during recessions.

REFERENCES


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