Family Economic Resources in the Post-Reform Era

Sheila Rafferty Zedlewski

SUMMARY

Aided by the longest economic expansion in U.S. history and other policy changes designed to make work pay, federal welfare reform legislation has spurred mothers to leave welfare at an unprecedented rate. The majority of mothers who left welfare are working, but most have jobs with low pay and limited benefits. This article discusses the relationship between economic resources and child well-being, and how family economic resources have changed under welfare reform. A survey of the research conducted since reform indicates the following:

- Families’ economic resources clearly matter to child well-being, but the connections are complex and vary by the age of the child.
- Without the benefit of supports designed to “make work pay,” many families working full time at the minimum wage have resources beneath the poverty line, and the poverty line itself falls substantially short of the needs of most working families.
- Although poverty overall has declined under welfare reform, a significant segment of families are worse off—in part because after leaving welfare, many families do not receive other government supports designed to help them.

Most states are still struggling to design more effective systems for delivering supports to help low-income working families move out of poverty. The author cautions that the evolving story of welfare reform will need to be monitored carefully to achieve long-term positive impacts on family economic resources and child well-being.

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Federal welfare reform legislation, passed in August 1996, ushered in a new era in U.S. history of providing support for vulnerable families with children. The law replaced entitlements to cash assistance with fixed block grants to states under a new program titled Temporary Assistance for Needy Families (TANF). (See the article by Greenberg and colleagues in this journal issue.) Aided by the longest economic expansion in U.S. history and other policy changes designed to make work pay, the new legislation hastened an already rapid decline in welfare caseloads and left states with considerable federal funds to use in new ways to help low-income working families.

It is not yet clear how federal welfare reform ultimately will affect family and child well-being. The majority of mothers who left welfare are working, but most have jobs with low pay and limited benefits. Proponents of reform argue that mothers who rely on work rather than welfare provide better role models for their children, achieve greater self-esteem, and, in time, are likely to move up the economic ladder. Opponents caution that children will fare worse unless working mothers can earn enough to support their families. Most families will need help paying for child care, transportation, housing, and health expenses.

Welfare reform is still evolving as families adjust to new expectations and new support packages, and as states adjust to their new responsibilities in setting the basic safety net for low-income families with children. This article examines the relationship between economic resources and child well-being, and how family economic resources are changing as a result of reform. A description of federal and state policies that help to make work pay is provided, followed by a summary of the research describing former welfare recipients' earnings, incomes, and government supports. A final section reviews state initiatives that provide new types of non-cash assistance for working poor families to help close the gap between the apparent benefits offered to these families and what they actually receive.

Economic Resources and Child Well-Being: What Is the Connection?

The preamble to the federal welfare reform bill focuses on the goals of marriage and responsible fatherhood and motherhood as integral to "successful child rearing and the well-being of children." Noticeably absent is a goal of reducing poverty or increasing the economic resources available to children. Part of the political debate surrounding how much and how long government assistance should be available to low-income families with children still focuses on whether the amount of economic resources available to families really makes a difference to child well-being. The research on this topic suggests that families' economic resources clearly matter to child well-being, but the connections are complex and vary by the age of the child.

Greater Income Related to Better Outcomes

It is well documented that children in families with greater incomes do better across a wide range of indicators. Economically secure children tend to be healthier and do better in school; they are less likely to be involved in criminal behavior and are more likely to graduate from high school and to earn higher incomes as adults. In contrast, poorer children tend to have fewer opportunities for success.
Economically secure children tend to be healthier and do better in school; they are less likely to be involved in criminal behavior and are more likely to graduate from high school and to earn higher incomes as adults.

Various studies have attempted to document the importance of income relative to other factors believed to affect child well-being. For example, one study comparing outcomes of children in single-parent versus two-parent families found that differences in income account for as much as half of the difference between these two groups of children in school achievement and early childbearing, and for a substantial portion of the difference in risk of dropping out of high school. Another study followed a cohort of children born in the late 1960s and found that, among several factors analyzed, income had the most significant effect on child well-being and achievement. Children in families with low income were less likely to graduate from high school and more likely to have children before age 25 when compared with children of the same demographic backgrounds with higher incomes.

Although greater income is clearly associated with better outcomes for children, the extent to which money matters and the pathways through which a family's economic resources affect child well-being remain unclear. Some researchers argue that income matters because it leads to richer learning environments—through better neighborhoods, better schools, and extracurricular activities—and because children who are exposed to a richer educational environment are less likely to repeat the barriers that lead to dependence on federal aid, such as low educational attainment, drug use, or teen pregnancy. Also, children may be more highly motivated to succeed when they know their parents can help pay for college.

Other researchers have questioned whether it is the lack of resources that poverty entails or something more integral to the structure or culture of poor families that affects outcomes for poor children. Critics of the conclusion that income matters argue that it is not money per se, but the values intrinsic in employment that are important to combating poverty. Thus, income derived from work is believed to have a greater beneficial effect on children than income derived from welfare. By watching their parents struggle to provide for the family rather than simply taking money from the government, children learn important lessons about self-sufficiency and hard work. Critics have asserted that “attempting to raise the family income artificially through welfare is very unlikely to do much to benefit the child, but it is likely to destroy the very values that are key to the child’s success.”

The evidence suggests that programs designed to increase family employment and economic resources can benefit children, but the effects vary by the age of the child. For example, a summary of findings from five large-scale demonstration projects concluded that programs that provided earnings supplements along with increased parental employment led to higher school achievement, fewer behavioral problems, increased positive social behavior, and sometimes improved health among preschool and school-age children. The higher incomes apparently helped purchase enriching experiences for these children at a time when it mattered most to their development. In contrast, the summary revealed some negative effects on adolescents' behavior and identified no effects on the very young. (See the article by Zaslow and colleagues in this journal issue.) Because policies that affect families' economic resources do not influence children's behavior and development directly, any effects—either positive or negative—most likely occur indirectly through changes in parents' employment and availability, the use and quality of child care and early education, and other family circumstances.

In sum, greater income clearly is linked to better outcomes for children, but the pathways connecting income to child well-being are unclear, and demonstration projects designed to increase families' economic resources have had varying effects on children. As a first step to promoting more effective programs, it would be helpful to know the minimally adequate level of resources sufficient to support positive outcomes.
The data suggest that the traditional poverty line measure falls substantially short of meeting the needs of a working mother or couple with children.

Measuring Poverty and Families’ Needs

Several benchmarks, including the poverty line, alternative measures of expenditure needs, and relative economic well-being measures, have been developed to assess income adequacy. Although none of these measures directly relate to child well-being, the data suggest that the traditional poverty line measure falls substantially short of meeting the needs of a working mother or couple with children.

Since the 1960s, the United States has used a measure of poverty to indicate the minimum level of cash income families need to obtain food and other goods and services. The poverty “line” was set at three times the cost of a healthy but minimal budget for food, based on the observation that the average family spent one-third of its budget on food in the mid-1950s.12 This poverty measure, updated each year to reflect the change in the consumer price index, is often used as a benchmark of income adequacy, child well-being, and the need for assistance from various government programs. However, a major study by the National Research Council of the National Academy of Sciences in 1995 concluded that this measure no longer provides an accurate picture of the differences in the extent of economic poverty in the United States nor of trends over time. The measure does not include in-kind economic resources available to families through the earned income tax credit (EITC) and food stamps, nor does it exclude taxes and out-of-pocket child care and health expenses. The panel proposed a new measure that would more accurately identify family resources and budget needs, and some research organizations, including the U.S. Census Bureau, have begun using this measure in surveys and other studies.

An alternative method proposed for assessing family needs is based on how much welfare recipients would need to earn to leave welfare for work.13 To develop this “self-reliant” measure, researchers examined low-income families’ expenditure patterns and the cost of their basic needs. The data showed that, in 1991, households consisting of mothers with two children in which the mother was paying for housing needed $1,000 per month, on average, to cover basic expenditures while on welfare, and $1,330 per month to maintain the same standard of living while working. The researchers estimated that a working mother needed to earn at least $8 per hour at a full-time job to reach this level of income. Mothers earning less per hour or working less than full-time would need other income sources (such as a partial welfare check, housing or child care subsidies, and the EITC) to make up the difference. In 1999, these estimates translated into a wage of $10 per hour for a full-time worker (or lower wages or hours supplemented by other in-kind or cash resources) to reach a monthly income of about $1,630.

Because TANF enforces strict work requirements for most single mothers, alternative measures of income adequacy have been proposed for working families. For example, one proposal recommends a basic needs or self-sufficiency budget based on estimates of the minimum income level required for a family to afford the necessities (food, housing, transportation, health care, child care, and taxes) without government aid.14 Others have suggested using one-half the median income as a benchmark to measure the adequacy of a working family’s income.15 This approach measures adequacy relative to the general population’s income. But by this measure, regardless of the country’s economic situation, one-fourth of the population will always be considered poor.

These measures of income adequacy roughly bracket an adequate level of resources for a family. (See Figure 1.) At the high end, the basic needs budget estimates that the average cost for the “basic necessities” for a working family of three is about two times the low-end federal poverty standard. The one-half median income approach also places a family’s needs significantly above the poverty line, but below the basic needs budget, as does the self-reliant measure.

Although the research does not point to a specific level of economic resources sufficient to support positive outcomes for children, data from experimental studies suggest that even fairly modest increases in income can
Economic Resources Post-Reform

have positive effects. For example, some programs that increased families’ economic resources by $1,200 to $4,000 per year over the level of resources previously received on welfare had positive effects on children in the preschool and elementary school years. If families’ resources were raised to the levels suggested by the poverty line alternatives depicted in Figure 1, the additional resources would be much greater—an additional $6,200 to $15,000 for a family of three—and could have dramatic effects on the well-being of children.

New Policies Designed to “Make Work Pay”

A major goal of welfare reform is to move families from welfare to work. Even when working, however, many low-income families have difficulty earning enough money to provide for their families’ needs. As a result, federal and state governments have developed several incentives and supports to increase the payoff from work, including minimum wage standards, tax credits, and policies that allow welfare recipients to earn more without losing benefits. Figure 2 summarizes the changes in policies that complement welfare reform’s goal of increasing work among TANF recipients.

Minimum Wage

Federal and state governments set minimum wage levels that employers must pay workers in jobs covered by the Fair Labor Standards Act (FLSA), which included 72% of wage and salary workers in 1999. The federal minimum wage was last increased from $4.25 per hour to $4.75 in 1996 and to $5.15 per hour in 1997, the first real increases in five years. The current level provides a full-time, full-year worker an income equal to $10,712 a year, about 80% of the poverty line for a family of three in 2000. Eleven states (including the District of Columbia) mandate higher wage floors, ranging from $5.25 per hour in Hawaii to $6.75 in Massachusetts. A full-time, full-year worker paid the minimum wage in Massachusetts would earn an income just around the federal poverty line for a family of three.

Wage rates are central to concerns about a low-skilled welfare population that is expected to move into paid employment. Because the minimum wage is not indexed to inflation, its real value and protection for low-wage workers erodes over time. During the continual debates over further increases to the minimum wage, objections focus on concerns that a higher minimum wage would primarily benefit teenagers not living in poor families, and that it could result in job cuts and increased unemployment. Although a disproportionate share of minimum wage workers are teenagers, poor parents make up a sizable share as well. In 1998, for example, over two million minimum wage workers were parents over age 25 living with minor children. In addition, although many minimum wage studies have focused on costs to employers and possible unemployment effects as employers reduce the number of
jobs to hold down costs, most of the studies find only slight, if any, negative employment effects resulting from an increase in the minimum wage. Thus, raising the minimum wage is an important tool available to the government for helping make work pay.

**Tax Policy**

The refundable federal EITC is currently the largest program supporting low-income families. The federal EITC increased substantially in 1993 as a major initiative by the Clinton administration to make work pay for lower-income families. The tax credit provided $30 billion in support to low-income families with children in 1997. The maximum federal EITC for a family with two children in 2000 was $3,888, available to families with earnings between $9,700 and $12,700 (92% of poverty).\(^{19}\) The credit is completely phased out when earned income reaches $31,152 (225% of poverty). The EITC helps more families escape poverty than any other federal program. Some 4.8 million people, including the families of 2.6 million children, are able to raise their income above the poverty line as a result of the federal EITC.\(^{20}\)
State EITCs, a more recent phenomenon, have been increasing in number and generosity since 1997. Fifteen states, including the District of Columbia, now offer EITCs. All but one are based on the federal credit, and most are refundable. TANF regulations issued in April 1999 specifically allow states to finance the refundable portion of their EITCs from federal TANF monies and to count credits for low-income families toward required levels of state expenditures under TANF. This ruling may increase the number of states to follow Wisconsin’s lead in using TANF funds to support refundable EITCs as part of a strategy to increase the net income of low-income families with children.

The high marginal tax rates created by EITCs have been getting increasing attention because the net pay-off from increased work falls precipitously once earnings reach the level at which the EITC is phased out. Although more generous EITCs obviously provide greater assistance to low-income working families, they also create an unavoidable tradeoff: With a more generous credit, more has to be taken away as income climbs. The common “piggybacking” of state EITCs onto the federal EITC means that state EITCs exacerbate the high marginal tax rates already generated by the federal credit.

In addition to the EITC, other federal and state tax credits also have been targeted to low-income families. For example, in 1998 the federal government implemented both a nonrefundable “child tax credit” and a refundable “additional child tax credit,” for a combined total of not more than $500 for each child. These credits were available to people with incomes higher than those qualifying for the EITC, but were refundable only for families with three or more children. More recently, the Tax Reform Act of 2001 increased the child credit to $600 (escalating up to $1,000 by 2010) and included a refundable component that will benefit all working families who have children and earn more than $10,000 per year.

TANF Policies

State TANF policies also have helped create incentives to work. For example, states typically disregard some amount of earnings before it affects a family’s benefit level. Benefits are reduced by an increasing percentage of earnings above the disregard until the benefit goes to zero. Under welfare reform, many states have expanded these earned income disregards to allow TANF recipients to keep more of what they earn in the paid labor market without losing benefits. As illustrated in Figure 2, between 1995 and 1999 the maximum income a family could earn without losing cash benefits increased from 57% to 70% of poverty level on average nationwide. By 1999 the earned income disregards in 32 states were more generous than those used under the Aid to Families with Dependent Children (AFDC) program, and 15 states allowed families to receive combined cash welfare and employment earnings that exceeded the poverty line. (For a state-by-state listing of these provisions, see Appendix 1 at the end of this article.)

At the same time, most states have held their TANF benefit levels constant since federal welfare reform legislation passed in 1996. On average, benefit levels nationwide actually decreased slightly (see Figure 2). When benefits do not increase to keep pace with inflation, the decline in real value makes welfare less attractive relative to work. But lower benefit levels also erode the value of income disregards: Given the same earned income disregards, TANF recipients can earn more in states with high benefit levels. In addition, in most states, families who receive reduced benefits along with employment earnings use up months that count
Policies designed to make work pay can play an important role in augmenting gains in low-income working families' economic resources.

Against their lifetime limit for benefit receipt. To ensure that these months will not count against the federal five-year time limit on assistance, four states (Delaware, Illinois, Maryland, and Rhode Island) move at least some families with employment earnings into state-funded TANF programs that are not subject to the same federal requirements.26

Many states have also increased allowable assets limits for TANF families, thereby increasing incentives for recipients to work. For example, the federal AFDC program placed a $1,500 limit on the value of an automobile that recipients could own, limiting job options for recipients without access to reliable public transportation. Under TANF, most states increased the vehicle exemption to more than $4,650, far exceeding the vehicle exemption under the food stamp program (see Appendix 1). Some 24 states now allow at least one car of any value per family.27 The AFDC program also placed significant limits on recipients' financial assets, reducing incentives to set aside money for emergencies and unexpected expenses. Under TANF, 39 states have increased allowable unrestricted assets (that is, savings that recipients can use for any purpose) from $1,000 to $2,000 or more; and 23 states substantially increased allowable restricted assets (that is, assets that recipients can set aside for particular purposes, such as home ownership, education, and business capitalization).28 For a state-by-state listing of these provisions, see Appendix 1 at the end of this article.

Other Support Policies

Other policies that provide significant support to low-income working families include the federal food stamp program, health insurance, child care subsidies, and child support enforcement.29 For example, the food stamp program offers assistance to all families with incomes below 130% of poverty and can be very valuable to working poor families. A single parent with two children and earnings at one-half the poverty level (about $590 per month) could receive $335 per month in food stamps in 2000, assuming no income beyond earnings.30

Government programs that provide health insurance coverage also are important to low-income families who often work in low-paying jobs with no employer-provided benefits. Some 31 states now cover children in families with incomes up to 200% of the federal poverty line (or higher) either through Medicaid or the State Children's Health Insurance Program (SCHIP).31 Medicaid is generally available to families on TANF, and to families leaving TANF for work, for up to a year if they are earning below 185% of the federal poverty line.32 SCHIP is available to children in families with income below 200% of the federal poverty line, at a minimum, and may be available to families with higher incomes, depending on the state's Medicaid income threshold. In New Jersey, for example, SCHIP is available to children in families with income up to 350% of poverty.33

Child care is an important element in the budget of most low-income working families, but the value of child care subsidies is less certain. Child care is not an entitlement, and benefits vary considerably across states, depending on whether a family is on welfare, leaving welfare, or not in the welfare system.

Similarly, states are required to implement programs to help all families receiving welfare and Medicaid assistance to secure child support payments from noncustodial parents and to help other families not on assistance who pay a small fee.34 But the amount of payments received, if any, varies widely by state and by individual family. States have adopted various guidelines for determining award amounts, resulting in wide differences across states in awards for families in similar circumstances, particularly at the lower income levels.35 In addition, many families never collect on their awards, or never have awards established in the first place.

Policies' Combined Impacts

The cumulative effect of policies designed to make work pay can play an important role in augmenting gains in low-income working families' economic resources. Figure 3 shows the gains achievable as work and wages increase for low-income families in Texas and California,
two states with distinctly different policies. In 1999, a mother with two children working full time at the minimum wage could exceed the poverty line in both states if she received the full package of benefits available to her. These figures also demonstrate how extra supports from food stamps and the EITC diminish as families move into higher-paying jobs. In California, for example, net family income actually decreases as families move from earning $7 to $10 per hour. The food stamp benefit is phased out, and the EITC becomes negligible. To soften the transition, some policymakers have suggested increasing the federal EITC to implement a slower phaseout, or using different phaseout schedules for states’ EITCs as a counterbalance.36,37

**Figure 3**

**Gains Achievable for Single-Parent Working Families in Texas and California**

<table>
<thead>
<tr>
<th>State</th>
<th>Net Monthly Income after Taxes and Transfers 1999 Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No Work</td>
</tr>
<tr>
<td>Texas</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$523</td>
</tr>
<tr>
<td>California</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$884</td>
</tr>
</tbody>
</table>

Thus, it appears that a family can be boosted over the poverty line if the full range of benefits are received. However, even with all available supports, families working full time at a minimum wage job do not come close to reaching the alternative measures of the resources required to meet their needs, as discussed earlier. And families often do not receive the full range of benefits available.

**Families’ Economic Resources since Reform**

Policies that increase work incentives and make work pay clearly have been enhanced since welfare reform, but the data suggest that not all low-income families have benefited from these changes. Two somewhat different pictures of family income in the TANF era have emerged so far. Studies that base their assessment solely on cash income conclude that poverty has declined as a result of welfare reform. Other studies, which base their assessment on total family income, including noncash benefits, conclude that a significant segment of families are worse off as a result of welfare reform. The potential of government supports to augment earnings and pull many working families out of poverty is not yet a reality.

An analysis of data from the Census Bureau’s Current Population Survey (CPS) found that between 1995 and 1997, disposable income increased for most single-mother families but not for those among the poorest income groups.38 (See Figure 4). Total resources declined by $814 annually for the lowest income group and by $319 for the second-lowest group. As Figure 4 shows, this decline occurred primarily because of a drop in the number of families receiving TANF and food stamps.

Other analyses of CPS data from 1976 to 1998 point in the same direction.39 They show that overall, recent welfare reforms increased family earnings and decreased poverty, but that the lowest-income families are worse off since welfare reform. For example, researchers found that, following the passage of the 1996 legislation, "poverty among female high school dropouts appears to have declined by 2 percentage points more than it would have in the absence of policy changes..."40

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**Figure 4**

*Changes in Annual Income among Poorest Single-Mother Families: 1995-1997*

<table>
<thead>
<tr>
<th>Year</th>
<th>Lowest Income Decile</th>
<th>Second-Lowest Income Decile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$5,687</td>
<td>$11,584</td>
</tr>
<tr>
<td>1997</td>
<td>$4,873</td>
<td>$11,265</td>
</tr>
</tbody>
</table>

**KEY:**
- Other Income
- TANF and Food Stamps
- EITC
- Earnings

Sources: Primus, W., Rawlings, L., Larin, K., and Porter, K. The initial impacts of welfare reform on the economic well-being of single mother families. Washington, DC: Center on Budget and Policy Priorities, August, 1999. Numbers are based on an analysis of data from the Current Population Survey and include adjustments for underreporting of welfare and food stamp benefits, which have been shown to worsen during this period.

4 Other income includes Social Security, veterans benefits, unemployment insurance, interest and dividends, and child support.
However, such analyses also revealed that income gains did not occur in the post-TANF era among less skilled mothers in the bottom fifth of the income distribution. The data showed a substantial decline in income for women in this group, although the effects were not precisely estimated. One study found an increase in deep poverty (below 50% of the federal poverty line) among children between 1995 and 1997.41

In short, the picture of actual incomes in the TANF era is mixed: Some families have gained as a result of welfare reform and other policies designed to make work pay, whereas others at the bottom of the income distribution seem to be worse off. These findings highlight the importance of increasing wages and resources for working poor families and making it easier for them to participate in government support programs. Strategies may also focus on increasing the number of hours of work among single-parent families by ensuring the availability of low-cost, high-quality child care.42

**Work Increasing, but at Low Wages**

Motivated by a strong economy and policies that help make work pay, many more single mothers are working now compared to earlier periods.43 Between 1995 and 1999, the labor force participation rate for single mothers with children under age 6 increased from 53% to over 68%, and rates for single mothers with older children rose from 67% to 83% (see Figure 5).44 Among welfare recipients, participation in the paid labor force increased from about 9% to 28% over the same period.45,46 Studies show that the proportion of families

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**Figure 5**


![Figure 5](image)

who are employed after leaving welfare has also increased. A nationally representative Urban Institute study found that 75% of families who left welfare between 1995 and 1997 included at least one employed adult, as did 79% of those who left between 1997 and 1999. In studies from eight states, employment rates among single-parent welfare leavers ranged from 50% to 64% in the first three months after leaving welfare.

Studies to date indicate that earnings for families leaving welfare are generally low, barely reaching the poverty line. The Urban Institute study of welfare leavers found that median monthly wages were $1,093 in 1999, just under the federal poverty level for a family of three. According to studies in eight states, average monthly earnings of former welfare recipients during the first three months after leaving welfare were even lower, generally ranging from $733 to $900. It is clear that many low-income working families do not earn enough to support a family of three.

In addition, few studies compare postwelfare income with the income families would have received if they had remained on aid. Based on individuals’ assessments of their family income, some studies suggest that one-half to two-thirds of families who leave welfare have higher incomes after leaving the rolls. A study in Wisconsin, however, estimated that more than half the families leaving welfare in that state have lower incomes than they would have if they had stayed on welfare. No studies have been able to provide information about changes in income for those who have never become welfare recipients because of new policies adopted since reform.

**Work Supports Often Not Received**

For families earning low wages, government supports such as the EITC, food stamps, health insurance, and subsidized child care are essential to maintaining sufficient economic resources. Studies show that participation in the EITC is generally strong. At least 85% of eligible families receive the EITC, according to rough estimates. But the same is not true of other programs intended to help make work pay. Studies show that a substantial number of families leaving welfare do not avail themselves of other, nontax supports to augment their earnings.

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**Figure 6**

**Food Stamp Program Participation Rates after Leaving Welfare, by Income Level (1999)**


* Sample taken from the Urban Institute’s 1999 National Survey of America’s Families. Includes families who received some TANF benefits since January 1997 but were not receiving TANF benefits when interviewed in 1999.
Figure 7

Health Insurance Coverage after Leaving Welfare (1997)

<table>
<thead>
<tr>
<th>Number of Months since Leaving Welfare</th>
<th>Private Insurance</th>
<th>Medicaid</th>
<th>Uninsured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 6 months</td>
<td>56%</td>
<td>34%</td>
<td>12%</td>
</tr>
<tr>
<td>6 to 11 months</td>
<td>35%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>One year or more</td>
<td>37%</td>
<td>35%</td>
<td>22%</td>
</tr>
</tbody>
</table>


Note: Totals by age group may not add to 100% due to rounding.

**Food Stamps**

For example, many families do not continue to receive food stamps once they leave welfare. One study found that 57% of families leaving welfare were not receiving food stamps, even though they were eligible. (See Figure 6.) More surprising, even half the families with incomes below 50% of poverty were not receiving food stamps. State studies that examine participation across government programs also confirm this result. Only about half the families leaving welfare used food stamps in the first three months after exit, and receipt was significantly lower in most states after families had been off the rolls for a year.

**Medicaid**

Recent studies indicate similar trends in Medicaid coverage. Although Medicaid offers a transitional benefit of 12 months’ coverage to adults who leave welfare for work, states report that continued coverage among this group varied from about 30% to 60% in the first three months after exit, and declined significantly after leavers were off welfare for a year. Data from the Urban Institute’s National Survey of America’s Families show that although more than half of welfare leavers had Medicaid coverage in the first six months of leaving the rolls, this rate of coverage dropped quickly. About half the mothers were uninsured one year after leaving welfare. (See Figure 7.)

**Child Care**

Child care is a critical issue for families’ economic resources; the cost of child care can be a significant strain on low-income families, consuming as much as...
20% of their income. At the same time, information about low-income families’ receipt of child care assistance is relatively scant, although it seems that help in paying for child care is infrequent. For example, in the Urban Institute study of families leaving welfare between 1995 and 1997, only 19% reported receiving government help in paying for child care after three months. This figure rose to 22% for families leaving welfare between 1997 and 1999. The recent expansion of child care funding through both TANF and the Child Care and Development Fund should help to expand assistance to low-income families, but many policy analysts argue that funding is not adequate. Rough estimates suggest that about 2 million children are served through current funding streams, although as many as 15 million children live in families that meet the federal eligibility standards. (For further discussion of child care and welfare reform, see the article by Fuller and colleagues in this journal issue.)

Child Support Enforcement

Stronger child support enforcement was a goal of welfare reform, as child support can be an important supplement to single-parent families’ income and help them move off welfare. One study found that among poor, nonwelfare families who received child support, it provided 35% of their income. Unfortunately, most poor children eligible for child support do not receive it. The Urban Institute study of families leaving welfare between 1995 and 1997 found that of those who stayed off welfare, only 34% received child support. Moreover, state studies report that only 13% to 36% of families leaving welfare receive child support. Although federal and state government policies devoted to strengthening child support enforcement over the last two decades have increased child support receipt significantly among both never-married and previously married single mothers, the poorest children have received only modest increases. It is difficult to expand child support for poor children because absent parents who do not pay support are, on average, more disadvantaged than absent parents who do pay. (See the article by McLanahan and Carlson in this journal issue.)

In sum, low participation rates are found across many government programs designed to support the working poor. Researchers conducting field studies attribute families’ lack of participation to a number of factors. Some blame states’ failure to develop effective administrative systems to deliver assistance to the working poor. State and local offices seldom get the word out about benefit eligibility to low-income families; administrative hurdles can be formidable, especially for working families, and many caseworkers do not understand the complex eligibility rules that vary across different benefit programs. Some critics argue that the low participation rates, especially the drop over time in Medicaid coverage, may be due to administrative complexities. Eligibility for the full 12 months of Medicaid benefits requires submitting information on earnings and child care costs in the 4th, 7th, and 10th months after leaving welfare. Stigma can also play a role; for most benefits, the point of entry is still the local welfare office. To ensure that stigma does not present a barrier to obtaining non-welfare assistance among working poor families, some states are developing alternative entry points, such as local health clinics and child care referral programs.

Meanwhile, the continuing demand for emergency food and shelter assistance, even among working families, emphasizes the critical need for income support programs. In a survey of city officials conducted in December 2000, it was estimated that 32% of adults requesting food, and 26% of those requesting shelter, were employed. Moreover, officials estimated that about 62% of those requesting emergency food and 36% of those requesting emergency shelter were families with children. Between 1995 and 2000, the proportion of families with children seeking such emergency assistance remained fairly constant, but a growing number of cities reported increased demand from families for these services.
New Types of Support Emerging under TANF

The 1996 law gives states the flexibility to use federal and state TANF funds to design new supports for working poor families, including those who have left—or who have never received—welfare. In addition, the final TANF regulations, effective in October 1999, clarified the types of assistance that were subject to the federal time limit and work requirements. Many supports were specifically excluded from these requirements, including child care; transportation; earmarked savings accounts (referred to as Individual Development Accounts, or IDAs); refunded portions of state-earned income tax credits; nonrecurrent, short-term benefits designed to deal with crisis situations; and case management. These regulations confirmed and increased states’ spending flexibility, providing an incentive to broaden benefits for low-income families with children and to experiment with innovative services. Two broad types of innovations in the use of TANF monies for working poor families—including families both on and off welfare—are highlighted below: extended case management, and direct supports such as transportation and housing subsidies.

Case Management, Information, and Referral Services

Families leaving welfare typically are employed in low-wage jobs that lack benefits and are often short-lived. Extended case management can provide such families with a network of services to help them stay employed and move ahead in their careers by addressing personal and work-related barriers, and to ensure they stay connected to benefits after leaving welfare. For example:

- Vermont has established a statewide network of 16 centers that provide early childhood and family supports, including home visiting, early childhood services, parent education, peer support for parents, and information and referral on resources for families.

- Maryland has established a network of 27 centers across the state to improve education, training, and job retention through intensive case management and service coordination.

- The Vocational Foundation, Inc. (VFI) in New York City provides follow-up services to help parents retain jobs and move ahead in their careers by addressing personal barriers; ensuring receipt of key work supports, including food stamps, Medicaid, child care subsidies, and the EITC; and offering career counseling. Case managers also assist in resolving conflicts at the workplace or in providing immediate reemployment services.

- The Workforce Information System of Texas (TWIST) has consolidated job training and employment services into one-stop centers to create a single intake for all clients, including welfare recipients. Case managers review all services clients have received and assist them in finding employment.

- In Rhode Island, caseworkers in employment retention services units work with TANF recipients and
A significant minority of families at the bottom of the income distribution seem to be worse off ... [due to] ... low wages and failure to benefit from various support programs.

employers. Case managers build relationships with recipients, including detailed assessments of barriers and supports needed to prevent potential problems on the job.

Washington’s Work First program was designed to give all low-wage workers, not just those leaving welfare, the supports they need to find a job, learn new skills, and move up the career ladder so they will be self-supporting for life.73 The state has mounted media campaigns to publicize the availability of child care and to encourage workers to take advantage of the EITC, and has set up a network of call centers to provide low-wage workers with information about benefit programs.

Direct Supports
All states use TANF monies to fund direct supports for low-income families, but more recently, states have begun to expand the types of supports offered and the populations served. For example, all states use at least some TANF funds to finance child care subsidies,74 and many use TANF funds for initiatives to enhance child care quality. But some states now have begun using TANF resources to increase child care capacity in a variety of ways.75 Iowa has used TANF funds to strengthen local child care capacity as part of a comprehensive approach to supporting child development. Florida has also used TANF funds to increase child care supply, and Washington has used TANF to provide incentives to improve pay at centers that accept subsidized child care payments.

Because transportation can be a significant barrier to employment, some states have begun to use TANF funds to expand transportation aid for low-income workers. Poor working families often do not live near job centers, have no easy public transportation, and cannot afford the cost of a car. To address these needs, New Mexico now allows families with incomes below poverty level to qualify for transportation aid funded by TANF.72 In Kansas, Michigan, Pennsylvania, and Virginia, car ownership is facilitated either by providing a down payment on the purchase of a car or, as in Kansas, by providing up to $5,000 toward the cost of purchasing a car. Tennessee uses TANF funds to offer low-income families no-interest, no-down-payment loans on high-quality used vehicles, as highlighted in Appendix 2 at the end of this article.

Some states also have begun to use TANF monies to expand housing assistance for low-income families. Most poor families do not receive federal housing assistance and have to pay the full cost of housing in the private market. They typically pay as much as half their income on housing or live in severely substandard structures.76 To help meet this essential need, several states have begun using TANF monies (alone or in combination with other funds) to establish programs providing housing assistance. New programs implemented in California, Connecticut, Kentucky, Maryland, Minnesota, New Jersey, and North Carolina vary in nature and in the populations targeted, and are generally modest in size, but they show how some states are reaching beyond the provision of cash assistance to help low-income families.77 Some programs provide rental assistance, whereas others focus on encouraging home ownership. Most pay housing costs in excess of some percentage of family income, ranging from 30% in Minnesota to 45% in New Jersey. (See Appendix 2 for highlights of the New Jersey program.)

Summary and Conclusions
Increasing families’ economic resources and child well-being were not the primary goals of welfare reform. The reform movement initially focused on the unprecedented declines in caseloads and the relative employment success of mothers who left welfare, and paid little attention to how families were getting by. The importance of families’ economic resources to child well-being is just beginning to be understood. Although the connections are complex and vary by the child’s age, research provides compelling evidence that higher incomes can help parents purchase enriching experiences for their preschool and school-age children, leading to positive impacts on their development.
More recently, attention has begun to focus on the ability of single mothers and other working poor families to support their families on wages alone. Federal and state policies designed to increase families’ resources by making work pay—including increasing the minimum wage, expanding the EITC, changing welfare rules to allow recipients to collect both a paycheck and some cash assistance, and maintaining food stamps for all low-income families—could effectively lift full-time workers earning the minimum wage out of poverty. However, many studies confirm that families who leave welfare also leave behind government assistance for food, health insurance, and child care.

Many families have gained economic resources as a result of welfare reform and other policies implemented by federal and state governments to make work pay, but a significant minority of families at the bottom of the income distribution seem to be worse off. Key factors contributing to the plight of this group are low wages and failure to benefit from various support programs. Many working families subsist on incomes below the poverty line. Moreover, even an income just above poverty is not sufficient to provide an adequate standard of living for families with children. Child care and housing costs can absorb large shares of their incomes, leaving little to cover other necessities. Many families need supports to help meet these needs as they transition to self-sufficiency. Families also need the support of both parents. Increased child support payments from noncustodial parents can play an important role in helping bolster the resources of single-parent working poor families.

But this is still an early picture of how families are faring in the post-reform period. Survey data showing changes in family resources lag behind policy changes by a year or two. Many states have begun to spend larger shares of their TANF block grants on new types of supports for low-income families. Some are stressing case management and outreach to low-income families, hoping to increase their knowledge of benefit eligibility and to maintain essential supports for them when they leave welfare. Others are providing direct assistance to families leaving welfare, such as housing and transportation. Such noncash assistance can make a big difference in families’ economic resources. Also, how states are coping with federal benefit time limits is only beginning to be revealed.

States’ TANF programs continue to evolve as it becomes clearer how the federal block grant monies can be spent, and states become more aware that many families who leave welfare do not receive other services. Most states are still struggling to design effective delivery systems that allow families outside the cash assistance system to navigate eligibility for supports more efficiently. Effective policies to inform low-income families of their benefit eligibility, systems that make it easier to retain eligibility, and broader support services in all states could change the post-TANF picture that has emerged thus far.

Newer data reflecting the post-reform period will be required to better understand how families’ economic resources have changed since TANF and how these changes are affecting children. The evolving story of welfare reform will need to be monitored carefully to achieve not only smaller caseloads, but also long-term positive impacts on family economic resources and child well-being.

The author wishes to thank Tracy Roberts, who provided expert research assistance; Greg Duncan, who reviewed this paper; and The David and Lucile Packard Foundation for a very insightful, anonymous review of the draft. This article was prepared as part of the Urban Institute’s Assessing the New Federalism project, with primary funding from the Annie E. Casey Foundation, the Ford Foundation, The W. K. Kellogg Foundation, The David and Lucile Packard Foundation, and the Robert Wood Johnson Foundation. The opinions represent those of the author and not the Urban Institute nor its sponsors.
The study did caution, however, that the improvements in child well-being were modest when considered in the context of these children’s high levels of disadvantage. The study also concluded that programs that increased parental employment without increasing income had few effects on children. (For a detailed analysis of these and other studies, see the article by Zadow and colleagues in this journal issue.)

10. Two of the experimental programs that increased parental work and economic resources increased both adolescent problem behaviors and decreased adolescent school achievement. One possible reason for these findings is that adolescent development may be more strongly influenced by the affection, supervision, role modeling, and mentoring from parents than by increased economic resources. But some researchers question whether outcomes would have been positive for adolescents if more age-appropriate enrichment activities had been available. See Duncan, G., and Chase-Lansdale, P.L. Welfare reform and children’s well-being. In The new world of welfare. R.M. Blank and R. Haskins, eds. Washington, DC: Brookings Institution Press, 2001, pp. 391–417.

11. Only one experimental study has assessed the impacts on very young children of programs that increased parental employment and economic resources. In this study, the program showed no effects on achievement and behavior for children ages three to five. See Morris, P., and Michalopoulos, C. The Self-Sufficiency Project at 36 months: Effects on children of a program that increased parental employment and income. Ottawa, Ontario: Social Research and Demonstration Corp., 2000. Other studies have shown that very young children may be more vulnerable than older children to negative effects from employment-induced separation from their mother. See note 10, Duncan and Chase-Lansdale.


15. This idea originated with Victor Fuchs in the 1960s and has been used as an alternative measure of income adequacy since then. See Fuchs, V.R. Redefining poverty and redistributing income. The Public Interest (Summer 1967) 8:88–95.


17. The 10 states with higher minimum wages are Alaska, California, Connecticut, Delaware, Hawaii, Massachusetts, Oregon, Rhode Island, Vermont, and Washington.

19. The percent relative to poverty uses a poverty threshold for a single parent with two children. The amount of credit a family is eligible for does not depend on marital status, which leads to potential “marriage penalties” for people who would each qualify for the EITC while single but qualify for only one credit as a couple if they marry. See Wheaton, L. Low-income families and the marriage tax. Policy brief. Washington, DC: Urban Institute, September 1998.


21. Ten states (Colorado, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Vermont, and Wisconsin) and the District of Columbia offer refundable EITCs ranging from 10% to 34% of the federal credit (for a family of two), with most falling at the low end of this range. Four states have EITCs that are not refundable (Illinois, Iowa, Oregon, and Rhode Island). These nonrefundable credits also tend to be less generous, falling around 5% of the federal credit in all states except Rhode Island, which has a 26% credit. For an in-depth discussion of state EITCs, see Maag, E., and Rogers, D. The new federalism and state tax policies toward the working poor. Assessing the New Federalism Occasional Paper No. 38. Washington, DC: Urban Institute, 2000.

22. States must maintain specific levels of funding for their TANF programs under a state maintenance-of-effort (MOE) requirement. For more details, see the article by Greenberg and colleagues in this journal issue.


25. Four states (Idaho, Illinois, Oklahoma, and Wyoming) and the District of Columbia reduced maximum TANF benefit levels between 1996 and 1999, and 12 states (Maine, Maryland, Mississippi, Montana, Nebraska, New Mexico, North Dakota, Oregon, Utah, Vermont, West Virginia, and Wisconsin) increased their maximum benefit levels. See note 24, Rowe.


27. See note 24, Rowe, table L.1, p. 46.

28. Restricted assets include Individual Development Accounts (IDAs), authorized by federal welfare legislation that allows states to create community-based IDA programs with TANF block grant funds and to disregard all money saved in IDAs in determining eligibility for all means-tested government assistance. All deposits into IDAs are limited to earned income. See Sherraden, M., Johnson, L., Clancy, M., et al. Saving patterns in IDA programs Downpayments on the American Dream Policy Demonstration—A national demonstration of Individual Development Accounts St. Louis Center for Social Development, Washington University, January 2000.

29. See the article by Greenberg and colleagues in this journal issue for a detailed discussion of how federal welfare reform legislation changed these programs.

30. This calculation assumes the maximum child care cost deduction for children older than age two, and no excess shelter costs. For a full description of the food stamp program, see Zedlewski, S.R. Former welfare families continue to leave the food stamp program. Assessing the New Federalism Discussion Paper 01-05. Washington, DC: Urban Institute, March 2001.


32. Technically, these two programs were “delinked” by federal welfare reform, but states have generally maintained eligibility for adults on TANF.

33. The basic rule is that states can set a SCHIP eligibility threshold that is 50 percentage points above the level used in their Medicaid program. See note 31, U.S. House of Representatives, Committee on Ways and Means, p. 931.

34. See note 31, U.S. House of Representatives, Committee on Ways and Means, p. 464.


36. For example, some members of the Democratic Leadership Council have advocated providing the EITC to all taxpayers, regardless of their income.

37. In Minnesota, for example, the state EITC plateaus at two income levels to soften the effect of the federal credit phaseout. For families with two or more children, the credit rises from $840 (22% of the federal) to $1,222 (41% of the federal) when earnings increase from $14,600 to $17,600, and is completely phased out once a family’s earnings reach $30,600. See note 21, Maag and Rogers, for a complete description of how state EITCs work.


39. These analyses used three alternative methods (difference-in-difference, regression models, and residual analyses) to assess changes in income. Results are not directly comparable with those of the Center on Budget and Policy Priorities and others because they use a cash income measure of poverty. See Schoeni, R., and Blank, R. What has welfare reform accomplished? Impacts on welfare participation, employment, income, poverty, and family structure. Santa Monica, CA: RAND and the Gerald R. Ford School of Public Policy, University of Michigan, February 2000.


42. Most low-income single parents who are employed already work
a substantial amount. For example, 68% of former welfare recipients who were working in 1999 worked full-time (35 hours per week or more). See Loprest, P. How are families that left welfare doing? A comparison of early and recent welfare leavers. Assessing the New Federalism, Policy Brief No. B-36. Washington, DC: Urban Institute, 2001.

43. The relative contributions of a strong economy, welfare reform, and other federal policies to the increase in single mothers’ work and earnings are as yet unclear. However, the evidence to date suggests that all three factors matter. For example, one study attributed one-third of the increase in employment of single mothers between 1992 and 1996 to the expansion of the federal EITC. See Council of Economic Advisors. The economic report of the president. Washington, DC: U.S. Government Printing Office, February 1999. See also note 39, Schoen, and Blank. They provide the first study designed to estimate the direct impact of welfare policy changes on work behavior, earnings levels, and income. The authors found that welfare waivers increased labor market involvement among less-skilled women, but the 1996 federal reforms had little additional impact on work behavior after controlling for economic forces. That is, ongoing increases in work in the post-1995 period were driven by the economic expansion.


49. See note 47, Loprest, and note 42, Loprest. As Loprest points out, however, we can only estimate how monthly earnings translate into annual income. Some adults may work fewer hours over the year or work only a portion of the months in a year, leading to lower annual income than the monthly levels suggest.

50. This is due in part to the fact that, unlike the Urban Institute study, the states included only the earnings of the former recipients themselves, excluding earnings from other adults in the household.


52. Eligibility is estimated from surveys including all families, whether or not they file income taxes, compared to families who did claim this tax credit.


54. The IRS worries more about families who are not eligible receiving tax credits than about nonparticipation. A variety of studies place the error rate in the EITC around 15% to 33%. See Liebman, J. Who are the ineligible EITC recipients? Cambridge, MA: Harvard University Press, October, 1995.

55. See note 30, Zedlewski.

56. See note 48, Acs and Loprest, table v.3.


59. See note 47, Loprest.


63. About 70% of poor children eligible for child support were not receiving it in 1996. See note 62, Sorensen and Zibman, p. 4.


66. Between 1993 and 1999, child support for single mothers in the bottom fifth of the income distribution increased, on average, only from $253 to $365 (both figures measured in 1999 dollars). See note 41, Haskins.


74. Child care subsidies are funded either as direct TANF or MOE expenditures or through allowable transfers from the TANF block grant to the Child Care Development Fund. See the article by Greenberg and colleagues in this journal issue for further details.


76. In 1995, on average, households with incomes below 50% of the area median income spent more than half of their income on housing or lived in severely substandard housing. See U.S. Department of Housing and Urban Development. Rental housing assistance—the crisis continues. The 1997 report to Congress on worst case housing needs. Washington, DC: DH U D, 1998.

77. In six states (Connecticut, Kentucky, Maryland, Minnesota, New Jersey, and North Carolina), the programs are statewide, but in California, the programs are located in just two counties: Los Angeles and San Mateo. In Connecticut, the program is limited to working families that lose TANF benefits due to the state’s 21-month time limit. See Sard, B., and Lubell, J. The increasing use of TANF and state matching funds to provide housing assistance to families moving from welfare to work. Washington, DC: Center on Budget and Policy Priorities, February 2000.
## Appendix 1

State TANF Policies Affecting Family Economic Resources (as of 1999)

<table>
<thead>
<tr>
<th>State</th>
<th>Maximum income disregards relative to poverty</th>
<th>Maximum benefit levels relative to poverty</th>
<th>Combined disregards and benefit levels relative to poverty</th>
<th>Unrestricted asset levels</th>
<th>Restricted asset levels</th>
<th>Vehicle exemption limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>18.3%</td>
<td>14.7%</td>
<td>33.0%</td>
<td>$2,000</td>
<td>—</td>
<td>One vehicle per driver</td>
</tr>
<tr>
<td>Alaska</td>
<td>143.6%</td>
<td>82.5%</td>
<td>179.4%</td>
<td>$1,000</td>
<td>—</td>
<td>One vehicle per driver</td>
</tr>
<tr>
<td>Arizona</td>
<td>52.4%</td>
<td>31.0%</td>
<td>52.4%</td>
<td>$2,000</td>
<td>$9,000</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Arkansas</td>
<td>39.9%</td>
<td>18.2%</td>
<td>58.1%</td>
<td>$3,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>California</td>
<td>129.4%</td>
<td>54.6%</td>
<td>155.4%</td>
<td>$2,000</td>
<td>$5,000</td>
<td>$4,650</td>
</tr>
<tr>
<td>Colorado</td>
<td>45.7%</td>
<td>31.9%</td>
<td>60.0%</td>
<td>$2,000</td>
<td>Determined by county</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Connecticut</td>
<td>103.4%</td>
<td>48.5%</td>
<td>152.0%</td>
<td>$3,000</td>
<td>No limit</td>
<td>$9,500</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>42.8%</td>
<td>33.9%</td>
<td>59.8%</td>
<td>$2,000</td>
<td>—</td>
<td>$1,500</td>
</tr>
<tr>
<td>Delaware</td>
<td>80.5%</td>
<td>30.2%</td>
<td>110.8%</td>
<td>$1,000</td>
<td>$5,000</td>
<td>$4,650</td>
</tr>
<tr>
<td>Florida</td>
<td>72.1%</td>
<td>27.1%</td>
<td>90.5%</td>
<td>$2,000</td>
<td>$5,000</td>
<td>$8,500</td>
</tr>
<tr>
<td>Georgia</td>
<td>46.0%</td>
<td>25.0%</td>
<td>60.3%</td>
<td>$1,000</td>
<td>$5,000</td>
<td>$4,650</td>
</tr>
<tr>
<td>Hawaii</td>
<td>146.7%</td>
<td>63.7%</td>
<td>146.7%</td>
<td>$5,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Idaho</td>
<td>56.9%</td>
<td>24.7%</td>
<td>56.9%</td>
<td>$2,000</td>
<td>—</td>
<td>$4,650</td>
</tr>
<tr>
<td>Illinois</td>
<td>101.2%</td>
<td>33.7%</td>
<td>121.0%</td>
<td>$2,000</td>
<td>No limit</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Indiana</td>
<td>33.8%</td>
<td>25.7%</td>
<td>42.3%</td>
<td>$1,000</td>
<td>—</td>
<td>$5,000</td>
</tr>
<tr>
<td>Iowa</td>
<td>76.2%</td>
<td>38.1%</td>
<td>76.2%</td>
<td>$2,000</td>
<td>All deposits and interest</td>
<td>$3,916</td>
</tr>
<tr>
<td>Kansas</td>
<td>72.0%</td>
<td>38.4%</td>
<td>87.3%</td>
<td>$2,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Kentucky</td>
<td>55.1%</td>
<td>23.4%</td>
<td>55.1%</td>
<td>$2,000</td>
<td>$5,000</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Louisiana</td>
<td>27.7%</td>
<td>17.0%</td>
<td>44.7%</td>
<td>$2,000</td>
<td>$6,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Maine</td>
<td>91.5%</td>
<td>41.2%</td>
<td>103.3%</td>
<td>$2,000</td>
<td>$10,000</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Maryland</td>
<td>54.9%</td>
<td>35.7%</td>
<td>61.6%</td>
<td>$2,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>93.4%</td>
<td>50.5%</td>
<td>120.1%</td>
<td>$2,500</td>
<td>—</td>
<td>$5,000</td>
</tr>
<tr>
<td>Michigan</td>
<td>69.2%</td>
<td>41.0%</td>
<td>69.2%</td>
<td>$3,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Minnesota</td>
<td>112.9%</td>
<td>47.6%</td>
<td>130.0%</td>
<td>$2,000</td>
<td>—</td>
<td>$7,500</td>
</tr>
<tr>
<td>Mississippi</td>
<td>40.9%</td>
<td>15.2%</td>
<td>49.0%</td>
<td>$2,000</td>
<td>—</td>
<td>$4,650</td>
</tr>
<tr>
<td>Missouri</td>
<td>34.2%</td>
<td>26.1%</td>
<td>34.2%</td>
<td>$1,000</td>
<td>No limit</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Montana</td>
<td>71.3%</td>
<td>41.9%</td>
<td>73.1%</td>
<td>$3,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Nebraska</td>
<td>59.7%</td>
<td>47.8%</td>
<td>59.8%</td>
<td>$4,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>State</td>
<td>Maximum income disregards relative to poverty&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Maximum benefit levels relative to poverty&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Combined disregards and benefit levels relative to poverty&lt;sup&gt;c&lt;/sup&gt;</td>
<td>Unrestricted asset levels&lt;sup&gt;d&lt;/sup&gt;</td>
<td>Restricted asset levels&lt;sup&gt;e&lt;/sup&gt;</td>
<td>Vehicle exemption limits</td>
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<td>----------------</td>
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<td>------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
<td>--------------------------------------</td>
<td>-----------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Nevada</td>
<td>38.9%</td>
<td>31.1%</td>
<td>38.9%</td>
<td>$2,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>98.3%</td>
<td>49.2%</td>
<td>116.8%</td>
<td>$1,000</td>
<td>No limit</td>
<td>One vehicle per driver</td>
</tr>
<tr>
<td>New Jersey</td>
<td>75.8%</td>
<td>37.9%</td>
<td>85.3%</td>
<td>$2,000</td>
<td>—</td>
<td>$9,500</td>
</tr>
<tr>
<td>New Mexico</td>
<td>34.8%</td>
<td>43.7%</td>
<td>67.9%</td>
<td>$3,500</td>
<td>No limit</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>New York</td>
<td>95.4%</td>
<td>51.6%</td>
<td>118.6%</td>
<td>$2,000</td>
<td>No limit</td>
<td>$4,650</td>
</tr>
<tr>
<td>North Carolina</td>
<td>56.7%</td>
<td>24.3%</td>
<td>56.7%</td>
<td>$3,000</td>
<td>—</td>
<td>One vehicle per adult</td>
</tr>
<tr>
<td>North Dakota</td>
<td>80.6%</td>
<td>66.2%</td>
<td>93.0%</td>
<td>$5,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Ohio</td>
<td>86.9%</td>
<td>32.4%</td>
<td>102.3%</td>
<td>No limit</td>
<td>—</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>62.9%</td>
<td>26.1%</td>
<td>62.9%</td>
<td>$1,000</td>
<td>$2,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Oregon</td>
<td>49.2%</td>
<td>41.1%</td>
<td>64.6%</td>
<td>$2,500</td>
<td>No limit</td>
<td>$10,000</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>72.1%</td>
<td>36.0%</td>
<td>77.8%</td>
<td>$1,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>114.3%</td>
<td>49.5%</td>
<td>114.3%</td>
<td>$1,000</td>
<td>—</td>
<td>$4,650</td>
</tr>
<tr>
<td>South Carolina</td>
<td>58.6%</td>
<td>18.0%</td>
<td>76.5%</td>
<td>$2,500</td>
<td>$10,000</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>South Dakota</td>
<td>56.0%</td>
<td>38.4%</td>
<td>56.1%</td>
<td>$2,000</td>
<td>—</td>
<td>$4,650</td>
</tr>
<tr>
<td>Tennessee</td>
<td>84.8%</td>
<td>16.5%</td>
<td>84.8%</td>
<td>$2,000</td>
<td>$5,000</td>
<td>$4,600</td>
</tr>
<tr>
<td>Texas</td>
<td>24.8%</td>
<td>16.8%</td>
<td>24.9%</td>
<td>$2,000</td>
<td>No limit</td>
<td>$4,650</td>
</tr>
<tr>
<td>Utah</td>
<td>59.7%</td>
<td>40.3%</td>
<td>59.8%</td>
<td>$2,000</td>
<td>—</td>
<td>$8,000</td>
</tr>
<tr>
<td>Vermont</td>
<td>87.5%</td>
<td>59.1%</td>
<td>87.5%</td>
<td>$1,000</td>
<td>90% of earnings</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Virginia</td>
<td>103.4%</td>
<td>26.0%</td>
<td>129.4%</td>
<td>$1,000</td>
<td>$5,000</td>
<td>$7,500</td>
</tr>
<tr>
<td>Washington</td>
<td>48.8%</td>
<td>48.8%</td>
<td>73.2%</td>
<td>$1,000</td>
<td>No limit</td>
<td>$5,000</td>
</tr>
<tr>
<td>West Virginia</td>
<td>45.0%</td>
<td>27.1%</td>
<td>45.1%</td>
<td>$2,000</td>
<td>—</td>
<td>One vehicle per household</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>119.0%</td>
<td>56.1%</td>
<td>175.1%</td>
<td>$2,500</td>
<td>—</td>
<td>$10,000</td>
</tr>
<tr>
<td>Wyoming</td>
<td>48.3%</td>
<td>30.4%</td>
<td>48.3%</td>
<td>$2,500</td>
<td>—</td>
<td>$12,000</td>
</tr>
</tbody>
</table>


<sup>a</sup> Figures based on policies for earned income disregards after one year on welfare to reflect the longer-run work incentive. (In many states the earned income disregards are more generous in the first through the fourth months on cash assistance.) Amount of disregard expressed as a percentage relative to the poverty line.

<sup>b</sup> Amount of benefit expressed as a percentage relative to the poverty line.

<sup>c</sup> Maximum earnings plus benefits that could be received in 1999.

<sup>d</sup> Unrestricted assets may be used for any purpose.

<sup>e</sup> Restricted assets may be set aside for particular purposes, such as home ownership, education, and business capitalization.
Appendix 2

Innovative Uses of TANF Funds for Programs to Support Working Families

These program profiles were prepared by Kate Boyer, Ph.D., senior researcher, and Catherine Lawrence, C.S.W., research associate, of the Rockefeller Institute of Government as part of the Institute’s project, “Beyond Symbolic Politics.”

Program name: First Wheels Program
State: Tennessee
Coverage: Statewide
Program goals: Enable low-income parents to get to work
Service population: Participants in Families First, Tennessee’s TANF program
Funding sources: TANF

Description: This program addresses the mismatch between where most low-income people live and where most jobs are located. In addition to offering grants of up to $6 a day to participants in Families First for their transportation needs, the state established First Wheels, a program that offers low-income families no-interest loans to purchase cars. Participants repay the loans based on their income level, and repaid funds are re-loaned to others. The program shields participants from damage to their credit history. Also, the cars are inspected and approved before purchase. Both the one-time grants and the First Wheels program were designed and implemented through the combined efforts of a coalition of low-income and welfare recipient advocates working with the Tennessee Department of Human Services.

Results: Since the First Wheels program began in 1999, 168 loans have been made, and the payback rate has been over 98%. No evaluation has been conducted for this program.

For further information: See the Tennessee Department of Human Services Web site at http://www.state.tn.us/humanserv/.
**Program name:** Work First Housing Assistance Program  
**State:** New Jersey  
**Coverage:** Asbury Park, Camden, Elizabeth, New Brunswick, and Trenton  
**Program goals:** Increase residential stability for low-income families  
**Service population:** Families leaving TANF for paid employment  
**Funding sources:** TANF  

**Description:** This program offers rent subsidies to families for three years after leaving TANF. In the first year, 55% of the rent amount is subsidized; in the second year, 45%; and in the third year, 35%. The amount of money by which rent subsidies decrease from one year to the next is used to create an interest-bearing savings account for participating families. The program also offers services to enable low-income families to purchase a home by providing counseling to potential homeowners and mortgages with no down payments.

**Results:** Since 1998, the program has provided secure housing for 350 families transitioning from welfare to work. As of October 2001, about half of the families had left the program, moving either into a home-ownership program sponsored by the Department of Housing and Urban Development or into market-rate housing.

**For further information:** See the New Jersey Department of Human Services Web site at http://www.state.nj.us/humanservices/dfd/post-tanf.html.

**Program name:** School Clothing Allowance  
**State:** West Virginia  
**Coverage:** Statewide  
**Program goals:** Allow poor parents to purchase new clothing for their children  
**Service population:** Families at or below the federal poverty guidelines and with less than $2,000 in assets  
**Funding sources:** TANF  

**Description:** West Virginia’s clothing allowance program provides poor families with vouchers of $150 per child for the purchase of new clothes each fall. The program has been in operation since the 1970s, but prior to 1998 it was limited to families receiving cash assistance. Beginning in 1998, however, TANF funds were used to greatly expand the program so that it now reaches a much larger number of poor families. Because the School Clothing Allowance does not count as TANF assistance, these benefits are not time-limited.

**Results:** In 2000, the School Clothing Allowance program helped nearly 55,000 poor children, mostly from working poor families. About 75% of those served were not receiving TANF cash assistance.

**For further information:** See the West Virginia Department of Health and Human Resources Web site at http://www.wvdhhr.org/ofsh.