Growing up poor in Arizona:
STATE POLICY AT A CROSSROADS

CHILDREN’S ACTION ALLIANCE
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STATE FISCAL ANALYSIS PROJECT

The State Fiscal Analysis Project translates the complex world of state fiscal policy into credible and timely information that is used by policymakers and community members.

This research was funded by the Annie E. Casey Foundation and the Ford Foundation. We thank them for their support but acknowledge that the findings and conclusions presented in this report are those of the authors alone, and do not necessarily reflect the opinions of these foundations.
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Arizona stands at a crossroads when it comes to budget policies for poor children. First, the state has abandoned most of the tools it once had to move families from welfare to work. Second, the state has also dramatically cut back on basic cash assistance to help poor families survive from day to day and month to month.

EXECUTIVE SUMMARY

Americans have long shared a goal of protecting the most vulnerable children from hunger and homelessness. Beginning in 1936 with Aid to Families with Dependent Children, and continuing in 1996 with Temporary Assistance for Needy Families, our nation has understood the value in providing cash assistance to keep a roof over children’s heads and clothes on their backs, while helping their parents find jobs to support their families.

Arizona stands at a crossroads when it comes to budget policies for poor children. First, the state has abandoned most of the tools it once had that were designed to move families from welfare to work. Today, very poor families are given a clear expectation that parents will work, but there are no policy strategies to help them find jobs, keep jobs, earn enough to support their children, or move their families out of poverty. Between 2009 and 2012, funding for jobs programs has been cut nearly in half and low-income working families have been shut out of child care assistance.

Second, the state has also dramatically cut back on basic cash assistance to help families survive from day to day and month to month. At the beginning of welfare reform, cash assistance was reaching more than half of families in poverty in Arizona. Today, fewer than 1 out of every 7 families in poverty receive cash assistance.1 State decision makers have shifted federal dollars away from cash assistance or work support for poor families and moved those dollars instead into the Child Protective Services and foster care systems.

Third, the state faces a shortfall next fiscal year of $10 to $29 million in federal block grant funds for poor children, called TANF Block Grants. This is due to three factors: 1) Carry-forward balances, that were as high as $92 million at one time, have been depleted; 2) The amount of
federal funds received each year was reduced by $24 million when a supplemental grant that fast-growing states had received from the inception of TANF was eliminated; and 3) A contingency fund that states can draw from during times of high demand has been depleted and its replenishment is subject to Congressional action. As a result of these factors, there is not enough money to support all the programs that now rely on federal TANF funding. The Arizona legislature has already acknowledged this funding problem by authorizing the use of a balance in the Long Term Care System Fund that has accumulated over several years in place of federal TANF dollars. This is a short-term solution and not an ongoing source of revenue.

The state legislature and Governor Brewer face critical budget decisions about policies for poor children and families in Arizona. They can choose to continue recent trends of turning away more and more poor children. Or they can reaffirm clear goals to protect children and help parents move up the economic ladder. The impact of their decisions will be profound. Budget policies will literally change the safety, stability, and health of thousands of individual children in long-lasting ways. And the collective impact will shape Arizona’s educational and economic success for years to come.

**RECOMMENDATIONS**

- Eliminate the competition for federal TANF funds between Child Protective Services and assistance to poor children by reducing CPS reliance on TANF dollars.
- Focus on the circumstances of parents with disabilities.
- Strengthen child care assistance for low-income working parents.
- Focus TANF jobs training and employment activities on high-demand jobs.
- Promote the availability of the diversion program as an alternative to cash assistance.
- Build work supports.
- Rebuild support for grandparents who are raising their grandchildren.
Americans have long shared a goal of protecting the most vulnerable children from hunger and homelessness. Beginning in 1936 with Aid to Families with Dependent Children, and continuing in 1996 with Temporary Assistance for Needy Families, our nation has understood the value in providing cash assistance to keep a roof over children’s heads and clothes on their backs, while helping their parents find jobs to support their families.

In 1994, the Arizona state legislature enacted major changes in welfare policies. Two years later, President Clinton signed into law the Personal Responsibility and Work Opportunity Act which mirrored many of those changes. The new federal law was designed to eliminate welfare “as we know it.” Work and independence would be emphasized, with job training and job supports the keys to making that transformation. The Temporary Assistance for Needy Families program, called TANF, was born.

This report looks at how Arizona has moved away from supporting parents’ employment while at the same time denying very low-income children basic assistance. It examines Arizona’s TANF funding “cliff” and recommends ways to restore employment opportunities for parents and improve more stability and safety for children.
WHAT IS TANF?
The term “TANF” (Temporary Assistance for Needy Families) can refer to three related but different things.

- TANF Program is an umbrella term for all the programs and activities using federal TANF dollars.
- TANF Funds are the federal block grant. State funds are called TANF MOE (maintenance of effort) or simply MOE.
- TANF Cash Assistance is the monthly cash payment to qualified families with minor children. The payments may be funded by either state general fund dollars or federal TANF block grant funds or a combination of the two.

TANF HISTORY
The predecessor to TANF, Aid to Families with Dependent Children (AFDC), was an “entitlement” program. The federal government matched every dollar the state spent on AFDC. When state spending on AFDC increased as more families enrolled, federal funding increased as well. Likewise, when state spending shrank due to decreased need, federal funding also decreased.

TANF fundamentally changed that relationship. States no longer receive federal dollars to match state spending. Instead, they get a limited amount of federal funds each year, called a “block grant.” Block grants can have advantages for both federal and state governments. From a federal perspective, they are easier to budget — the annual payment to states each year is a set amount that does not fluctuate. For states, block grants provide flexibility: They have more latitude on how and when to spend the federal dollars. States can carry unspent federal block grant dollars forward to future years. This means that when the economy is doing well and the number of families needing help declines, block grant funds can be saved and used later when demand increases. But block grants have major drawbacks: notably, their inability to keep pace with rising need.

BLOCK GRANTS SHAPE WELFARE POLICY
TANF is one of the few publicly funded efforts in the United States for helping children living in poverty. Congress appropriates TANF block grant funds to the states. These funds can be used for four purposes:

- Assisting families in financial difficulties so that children can be cared for in their own homes.
- Reducing families’ dependence on long-term government assistance through work, job preparation, and marriage.
- Preventing out-of-wedlock pregnancies.
- Encouraging the formation and maintenance of two-parent families.

Block grants provide states with more flexibility than other types of federal funding. In addition to the four purposes of TANF listed above, states can also spend block grant dollars on child and family services that they had been funding with
Together, the legislature and the Governor can create new strategies for lifting Arizona’s poorest children out of poverty.

State decision makers have shifted federal dollars away from cash assistance or work support for poor families and moved those dollars instead into the Child Protective Services and foster care systems.
ARIZONA HAS ABANDONED WELFARE-TO-WORK

In the years immediately following welfare reform, Arizona more than doubled its investment in helping mothers move from welfare to work. New services were designed to promote and support work: donated vehicles were refurbished and given to parents who had difficulty getting to work; economic development was funded to create jobs in rural areas; parents continued to receive job training and support even after they became employed; and a mentoring program for young fathers was created.

Within a few years, however, many of those investments disappeared. For those that remained, funding was cut sharply. Arizona now offers just one employment program, down from ten, receiving $13 million in combined state and federal block grant funding, down from $45 million in 2001.

PARENTS CAN’T WORK WITHOUT AFFORDABLE CHILD CARE

Quality, affordable child care is critical to help low-income parents find and keep jobs. But Arizona policymakers froze child care participation for these families in February 2009. (Enrollment was briefly reopened in mid-2011 before closing again.) The number of low-income working families receiving child care assistance dropped by 71 percent between June 2008 and June 2012.

New applicants who otherwise qualify are now placed on a waiting list, with little likelihood that they will receive assistance. Ironically, the only ways to qualify for child care assistance in Arizona today are to quit your job and go on cash assistance, become involved with Child Protective Services, or be a teen parent.

Dependable child care helps low-income parents be reliable employees and keep their jobs. The current freeze on enrollment builds a barrier that blocks movement toward the very policy goal Arizonans want.
FEWER POOR MOTHERS AND CHILDREN GET CASH ASSISTANCE

When state revenue plunged because of the recession, Governor Brewer and the legislature changed eligibility requirements so families who previously qualified could no longer get help. Lawmakers also cut by 20 percent the amount of cash assistance a family could receive, to a maximum of $278 a month for a family of three. The lifetime limit for cash assistance was reduced from 60 months to 24 months.

As a result, even though unemployment remained high and poverty was increasing, the number of families participating in TANF cash assistance dropped by one-third between July 2010 and August 2011. The gap between families receiving cash assistance and the number of families with children in poverty is wider than it has been at any time since the mid-1990s. Fewer than one out of every seven poverty-stricken families receive cash assistance, compared to more than half at the beginning of welfare reform in 1995.2
BUDGET CUTS HAVE HIT GRANDPARENTS HARD

Policymakers also cut support for children being raised by their grandparents or other relatives. Previously, grandparents raising their grandchildren were able to receive TANF cash assistance on behalf of the child. The grandparents’ income and other resources were not included in determining eligibility and the normal time limits did not apply. In July 2010, eligibility for these “child only” cases was narrowed to include only children who are in the legal custody of the state and have been placed with the grandparents by Child Protective Services. The number of children receiving cash assistance as “child only” was cut in half in the two months after the new definition became effective. Grandparent caregivers are more likely to be poor, older, unemployed and have a disability than families with parents. This makes it especially difficult for grandparent caregivers to take on the extra costs for children. They often face severe hardships that accompany the unexpected responsibilities.

QUALIFYING FOR TANF CASH ASSISTANCE

The maximum benefit level for a family of 3 is $278 per month. The actual amount received is based on income and family size. Eligibility requirements for cash assistance are:

- Monthly family income after adjustments may not exceed 36% of the 1992 federal poverty level, reduced by 20%. (Family of 2 = $220; family of 3 = $278.) Adjustments to income include subtractions for rent and child care expenses, as well as disregarding a portion of earned income.
- Adults must sign a Personal Responsibility Agreement which includes preparing for and accepting a job; making sure children ages 6-15 attend school; keeping immunizations current; and cooperating with child support enforcement when required.
- U.S. citizen or lawfully residing in the U.S.
- Valid Social Security Number.
- Arizona resident.
- Cannot receive more than 24 months of assistance except in cases of hardship.
FEDERAL TANF FUNDS CAN’T SUPPORT ALL GOALS

For several years following the 1996 welfare overhaul, Arizona, like many other states, spent less than it received in federal TANF block grant money. By July 2000, Arizona had built up a reserve of $92 million. With so many states developing large balances, Congress considered cutting state block grant amounts. Arizona lawmakers began to reduce the state’s surplus by spending more than the state’s annual block grant allotment.

Part of this spending down of the surplus was achieved by using federal TANF dollars in place of general fund dollars to meet the increasing need within the Child Protective Services system, where the number of children living in foster care due to abuse or neglect doubled between March 2000 and September
Federal TANF funds can no longer simultaneously support the goals for cash assistance, work support and Child Protective Services.

AVAILABLE TANF FUNDING IS SHRINKING: By fiscal year 2015, available funding will be at its lowest point.

For Fiscal Year 2013, the legislature appropriated more federal TANF dollars than state general fund dollars for Child Protective Services, Foster Care and Adoption.

Source: Joint Legislative Budget Committee, FY 13 Appropriations Report

2012. This fiscal year, Child Protective Services, Foster Care and Adoption depend more on federal TANF funds than on state general fund dollars.

Arizona’s TANF funding was dealt a blow in June 2011, when Congress failed to renew supplemental grants to Arizona and 16 other high-growth states that had been receiving the money since the beginning of the welfare overhaul. Arizona lost $24 million a year. The continued receipt of $17-$19 million in TANF Contingency Funds is also uncertain as Congress continues to struggle with the federal budget. For state fiscal year 2013, Arizona will receive $219 million in TANF basic and contingency funds which, when combined with a $20 million carry forward from the prior year, provides $239 million to support all programs. In FY 2014, with no funds carrying forward from the prior year, Arizona’s available TANF funding is projected to be $200 to $219 million, depending on the availability of TANF contingency funds, while spending remains at $239 million.
Arizona policymakers have provided a temporary, partial fix for this gap by authorizing the use of the Long Term Care System Fund, normally restricted to programs for the developmentally disabled, in place of TANF dollars in Child Protective Services. Fund balances in excess of expenditures, plus one-time deposits, allowed the legislature to allocate Long Term Care System Fund dollars for other purposes, including replacing TANF funds in Child Protective Services. However, for fiscal year 2014, after the allocation to programs for the developmentally disabled, only $10 million of Long Term Care System Fund dollars will be available to replace TANF funds, leaving a shortfall of $10 to $29 million. By fiscal year 2015 few, if any, Long Term Care System Fund dollars will be available to support programs other than those for the developmentally disabled, leaving a $20 to $39 million hole that must be filled. It is clear that federal TANF funds can no longer simultaneously support the goals for cash assistance, work support and Child Protective Services.
Poverty affects every aspect of a child’s life — health, neighborhood and housing, safety, education, family stability — and creates many barriers to success. Poor children are more likely to have difficulty learning and suffer physical or mental health problems. They are less likely to complete high school or find consistent employment in early adulthood. Poor children are nearly 7 times more likely to experience child abuse and neglect, and 2 times more likely to experience violent crimes, including death. Poor males are twice as likely to be arrested and poor females are six times as likely to bear a child out of wedlock prior to age 21.

Child poverty has a huge impact on the nation’s economy. Economists estimate that child poverty costs the nation $500 billion a year in lost productivity as well as spending on health care and the criminal justice system. It leads to a less prepared, less stable, less productive workforce as well as expensive crisis intervention.

State policies can help in several ways. One key to preventing child poverty is reducing the teen birthrate and increasing the number of children raised in two-parent families. States can remove barriers to work and help parents find and keep jobs, and move up the economic ladder. In those families that remain poor despite work, income supports can help parents care for their children. States policies can also connect poor children with health care, quality child care and preschool, good nutrition, safe places to play, and neighborhood support to improve their chances for success.
Arizona has been doing less and less for poor children and less and less to support parents as they move from welfare to work. As surplus and other supplemental TANF funds diminish, lawmakers face tough decisions about how to spend scarce dollars. This is the time to refocus on the core goals of TANF funds -- to provide support to poor families with children who are transitioning from welfare to work and to help keep those families intact.

As lawmakers develop budgets for the coming years, they should incorporate the following recommendations:

**Eliminate the competition for federal TANF funds between Child Protective Services and assistance to poor children by reducing CPS reliance on TANF dollars.** New funding needs to be identified to replace the TANF and Long Term Care System Fund dollars that will not be available in the next fiscal years. While some funds can remain in Child Protective Services, federal TANF dollars should not be relied on as a primary funding source.

**Focus on the circumstances of parents with disabilities.** A high proportion of parents participating in TANF cash assistance have physical or mental impairments\(^\text{11}\) and often face multiple barriers to work, such as the need for accessible transportation, specialized job training and workplace supports. In Arizona, four out of every ten requests to extend cash assistance beyond the time limits are because the caregiver is disabled.\(^\text{12}\) Caseworkers need to use appropriate diagnostic tools to screen applicants when they first apply for assistance so that disabled parents receive the training and support they need to allow them to get a job. If the assessment indicates employment is unlikely, these individuals should get help qualifying for other services, such as Social Security, that will provide a more permanent source of income.

**Strengthen child care assistance for low-income working parents.** The cost of high quality, reliable child care is often out of reach for low-income
working parents. Without it, parents can’t be reliable employees and their children can’t get the early learning opportunities that will help them succeed later in life. Child care assistance can help Arizona reach its goals for third-grade reading, science and math education, and increased high school graduation rates.

Focus TANF job training and employment activities on high-demand jobs. Moving a parent from cash assistance to a minimum wage job with no benefits and no possibility for advancement will not help the family achieve and maintain self-sufficiency. The Jobs Program must focus on high-demand jobs that provide benefits and, ideally, opportunities for advancement. Other states have programs that encourage parents to obtain training and education as part of their TANF programs. Oregon operates Parents As Scholars for parents pursuing a two- or four-year degree. Utah makes up to $4,000 available in an Individual Training and Support Services account to finance training. New Mexico operates an Education Works Program, which provides up to 24 months of non-TANF cash assistance to parents pursuing a college education and degree.

Promote the availability of the diversion program as an alternative to cash assistance. Some parents don’t need ongoing cash assistance or job training to be able to support their families; they already have a job or are likely to be employed within a short period of time. Instead, they need to have a car repaired, buy tools, or other one-time expenses. For families like these, Arizona provides a single payment equal to or less than the amount the family would have received in three months of cash assistance. This program has been identified as being a success - in its TANF State Plan Report dated October 2011, the Department of Economic Security reported that 80% of the cases that chose diversion had not returned for additional cash assistance over an 18-month period. However, budget reductions have changed the way the program is administered and the number of cases receiving diversion has fallen from 2,567 in June 2011 to 642 in June 2012.

Build work supports. Getting a job often doesn’t end the need for help. Mentoring, coaching and post-employment training can mean the difference between continued success and losing a job. Partnerships with community colleges and community organizations should be explored to help families get such assistance as they move from welfare to work.

Rebuild support for grandparents who are raising their grandchildren. Arizona should provide monthly stipends for grandparents and other relatives raising children. Many are struggling with housing, health problems, and lack of child care and after-school care. A $75 per month stipend keeps families together at one-tenth the cost of licensed foster care.
APPENDIX 1

THE TYPES OF FEDERAL TANF FUNDING

BASIC GRANT
Each state receives a basic TANF block grant based on state spending under TANF’s predecessor, Aid to Families with Dependent Children (AFDC). Arizona’s basic grant, $200 million, has remained the same since the beginning of TANF in 1996.

SUPPLEMENTAL GRANT
When Congress created the basic TANF block grant, it also created the TANF Supplemental Grant. This provided additional funds for Arizona and 16 other states that were experiencing high population growth or that had historically provided relatively small cash grants. Like the basic TANF grant, the Supplemental Grant remained unchanged until it was discontinued in 2011. Arizona had received $24 million per year.

CONTINGENCY GRANT
Congress created this grant in 1996, putting aside $2 billion for states to use during bad economic times when more families may turn to TANF cash assistance. The original $2 billion was exhausted as of December 2009. Since then, Congress has provided additional funding for the Contingency Grant, but the demand for the dollars exceeds the amount available. The continuation budget for federal fiscal year 2013 provides partial funding for the Contingency Grant. Arizona received a total of $108 million in Contingency Grant funds between 2008 and 2012.

EMERGENCY CONTINGENCY GRANT
This second contingency grant was authorized under the American Recovery and Reinvestment Act of 2009 to help states cope with bigger demand for TANF during the recession. It expired on September 30, 2010. Each state was eligible for up to 50% of its basic TANF block grant, subject to availability of funds. Arizona qualified for $4.4 million in Emergency Contingency funds.

HIGH PERFORMANCE BONUS
Arizona received $6.3 million in 2001 for success in job retention and earnings of TANF clients. These types of bonuses are no longer offered.

MAINTENANCE OF EFFORT
States are required to maintain a certain level of state spending on TANF services each year. The amount is based on what the state was spending prior to 1994 on Aid to Families with Dependent Children. Failure to meet MOE requirements results in a reduction to the federal TANF block grant. Arizona’s MOE requirement is $86 million each year. Arizona has been counting local and private dollars spent by the state’s food banks as well as the general fund dollars appropriated to DES to meet its MOE requirement.
APPENDIX 2

THE ARIZONA TANF STABILIZATION FUND

The Arizona TANF Stabilization Fund was state money set aside to supplement state spending when TANF caseloads exceeded projections. The fund, created in state fiscal year 1998, was eliminated at the end of state fiscal year 2001. According to the FY 2000 and 2001 Appropriations Report, Supplemental Adjustments, the fund was eliminated “because the state has a significant amount of unused federal TANF Block Grant monies that can be used if caseloads increase.”

THE CHILD CARE BLOCK GRANT – COMPANION TO TANF

The 1996 Personal Responsibility and Work Opportunity Act also created a block grant for child care assistance. These funds provide scholarships for children while parents are receiving TANF cash assistance and are looking for work or engaged in education and training programs and continue for up to two years after the family leaves the cash assistance program. Scholarships are also provided for families who are referred by Child Protective Services. The scholarships for children whose parents are receiving TANF cash assistance and for families referred by Child Protective Services are considered to be mandatory programs. In addition, Child Care Block Grant funds may be used to provide scholarships for children of low-income working parents who are neither part of the TANF cash assistance nor CPS programs.

Arizona’s legislature has removed all state general fund dollars from the child care programs, leaving only Child Care Block Grant and a small amount of federal TANF funds. As a result, enrollment for children of low-income working parents has been frozen since February 2009. Children who were receiving scholarships at the time enrollment was frozen can continue to receive the scholarships, provided they still meet eligibility requirements. However, as referrals from CPS continue to climb, the Department of Economic Security may have to resort to cutting scholarships to children of low-income families in order to meet the increased need for the mandatory programs.
REFERENCES


2. Ibid.


