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## Tennessee Should Use Its TANF Funds to Lessen Child Poverty

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With more than \$700 million in unspent federal Temporary Assistance for Needy Families (TANF) funds, Tennessee has a unique opportunity to make a substantial long-term contribution to the lives of children living in families with the lowest incomes. But to do so, the state must ensure that both now and going forward, it uses a substantial portion of its TANF funds to boost the incomes of families struggling the most to afford the basics. Families need cash to pay their rent and utilities and other basic expenses such as food, clothes, transportation, diapers and personal care products.

Studies show that income matters: financial stability gives children a better chance of growing up healthy and with the opportunity to thrive. As a recent study by a bipartisan National Academy of Sciences committee explained, “the weight of the causal evidence does indeed indicate that income poverty itself causes negative child outcomes, especially when poverty occurs in early childhood or persists throughout a large portion of childhood.”<sup>i</sup>

This finding is highly relevant to discussions in Tennessee about how to allocate the unspent and annual federal TANF funds. More than a quarter of the state’s children under age 6 live in families with incomes below the federal poverty line (FPL), and 13 percent live in families below *half* of the FPL, often referred to as “deep poverty.” (The FPL for a family of three is \$21,330.) Tennessee has the nation’s sixth-highest poverty rate, and eighth-highest deep poverty rate, for children under age 6. Also, 40 percent of all Black children in the state live in families with incomes below the FPL. These statistics reflect the lack of investment in many communities — both urban and rural — across the state as well as the long-term impact of structural racism. Given Tennessee’s available TANF resources, it can make a long-term difference in the lives of children living in families that do not have enough income to afford the basics.

There are many ways Tennessee can get more income directly to families receiving cash benefits through Tennessee’s TANF program (known as Families First) or have very low incomes. They include:

- **Increase the Families First monthly cash benefit to 25 percent of the FPL.** In December 2018, Tennessee increased its TANF benefit to \$277 for a family of three. Still, the benefit is just 15.6 percent of the FPL — the seventh lowest in the country — and covers less than one-third of the fair market rent for a two-bedroom apartment. Raising it to 25 percent of the FPL would provide 20,000 of the state’s poorest families with additional resources to pay their rent and utilities as well as to cover other necessities including transportation, diapers, clothes, and personal care items such as soap, toothpaste and laundry detergent. This increase would cost \$40 million per year and could be completely paid for with the annual federal TANF funding the state has left unspent nearly every year

over the last decade. Even with a caseload increase, the state could afford to provide this level of assistance. For example, if the caseload increased by 10 percent, the total cost to provide monthly cash grants to families would increase by roughly \$10 million.

- **Provide transportation assistance to working parents earning low wages and Families First parents participating in work activities.** Lack of transportation is a significant barrier to obtaining education or employment for many parents living in states like Tennessee with large rural populations, where public transportation options are limited. One way to support working parents with very low incomes is to provide them with transportation assistance. Such a program could be modeled after a highly successful program in Mississippi that provides an average monthly stipend of \$200 to TANF parents participating in work activities and parents who leave TANF for work. The stipend could be expanded to include working parents with very low incomes who are not receiving TANF. Mississippi's transportation subsidy, provided as a supplement to the monthly TANF cash grant, ranges from \$120 to \$300, depending on the number of hours of work or program participation. A Tennessee subsidy averaging \$200 per month and provided to 5,000 families per year would cost \$12 million per year, or only about 6 percent of the state's federal TANF block grant allocation.
- **Provide a housing stipend to Families First families with high housing costs.** As noted, Tennessee's TANF benefit covers less than a third of the fair market rent for a two-bedroom apartment. To better support families with high housing costs, the state could provide a housing subsidy to Families First families with high housing costs. Similar programs in Maine and Minnesota have helped many families in need. For example, Maine provides a special needs allowance of up to \$300 a month to TANF families whose housing costs equal or exceed 50 percent of their countable income; Minnesota provides a \$110 monthly housing supplement for TANF families not receiving any other housing assistance.
- **Provide emergency assistance to families with low incomes experiencing a financial crisis that will affect a parent's ability to continue working or look for work if left unresolved.** Many Tennessee families with the lowest incomes work but are paid too little to make ends meet. (Someone living in a family of three working full-time, year-round at the \$7.25 minimum wage will earn only about 70 percent of the FPL.) Many parents in low-wage jobs have variable and unpredictable schedules or risk losing their jobs due to changes in the economy or childcare or transportation issues. An emergency assistance program could help families facing sudden changes in their circumstances to pay for housing, utilities, transportation, and other personal needs. It could also help them avert evictions and possible homelessness. A program providing one-time payments averaging \$1,500 to 10,000 families per year would cost \$15 million, or only about 8 percent of Tennessee's annual federal block grant allocation.
- **Help families who are homeless or experiencing a housing crisis move to stable housing.** While some families need help with ongoing housing costs, other families are homeless or in such a precarious living situation that they need help obtaining stable housing. Programs such as Utah's Family Housing Program help families with upfront costs such as the housing application fees, first and last months' rent, security deposits, and utility setups and deposits. They also provide rental payments for the first four months and case management to support families through their housing search. In addition, a family housing employment specialist helps families secure employment that will allow them to maintain their housing moving forward. Such a program could be scaled to serve as many families as funds allow.
- **Create a subsidized employment program for unemployed parents.** Subsidized employment programs help participants gain work experience by providing them with a guaranteed job that pays at least the minimum wage and offers 20 to 40 hours per week of employment. There are many examples of subsidized employment programs; their structure depends on the goals, target population, and administration. These programs are an effective way to increase income for families who have difficulty finding employment even when the economy is strong, who live in areas where jobs are

limited, or who are attending school or training for programs that improve their employment prospects. Kentucky has a well-regarded program that targets TANF recipients attending community college, and Mississippi operated an effective subsidized program during the recession. Other states including California, New York, Oregon, Texas and Washington have operated subsidized employment programs for TANF recipients for many years, including some since 1996 when TANF was first created.

- **Replication of effective training programs that adequately support parents.** For many families, the best path out of poverty is for parents to obtain the education and skills that will prepare them for higher-paying jobs. Rigorous studies in recent years have highlighted several training programs that have had large impacts on program completion and long-term earnings for individuals with low incomes. Key features of these programs include a focus on skills training for in-demand jobs and intensive personal support and financial resources to help people address personal and family crises that would otherwise cause them to drop out. Programs worthy of replication include:
  - Project QUEST helps adults earn post-secondary credentials and access well-paying jobs in strong sectors of the economy. It also provides extensive supports (including financial help when needed) to program participants.
  - The Valley Initiative for Development and Advancement (VIDA) aims to help students graduate with an associate degree or industry-recognized certification in a high-demand occupation. VIDA supports full-time enrollment at local colleges. The program requires attendance at weekly intensive counseling sessions and provides substantial financial assistance for participants.
  - WorkAdvance is a training program that helps participants prepare for and enter quality jobs in specific sectors with opportunities for career growth. Once placed in these jobs, participants receive further assistance to help them continue and maintain career advancement.
  - YEAR UP, a training program for urban adults ages 18-24, provides six months of full-time training in the IT and financial services sectors, followed by six-month internships. The program provides extensive supports for participants, including weekly stipends.

Even if Tennessee instituted all of these policies, it would still have significant resources left to fill other important service gaps, such as child care for low-income working families, mental health and substance use services for families experiencing severe depression or opioid addiction, home visiting to ensure all children have a healthy start in life, and pre-kindergarten and afterschool programs to help children excel academically.

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<sup>i</sup> National Academies of Sciences, Engineering, and Medicine, *A Roadmap to Reducing Child Poverty*, National Academies Press, 2019, <https://doi.org/10.17226/25246>.