



The Impact of Investing TANF Dollars in Cash Transfers (Basic Cash Assistance)

Summary

Cash assistance for low income populations has positive impacts on multiple aspects of family well-being and economic mobility. Specifically, cash assistance has been shown to:

- Reduce child abuse and neglect and engagement with child welfare system
- Improve housing stability and help families meet basic needs
- Improve employment outcomes
- Have little to no impact on discouraging work
- Improve child well-being
- Improve parental well-being

“Studies demonstrate, over and over again, that poverty harms children’s development and that providing families with low incomes with financial resources can improve children’s development, including through increased birth weight, improved school achievement, reductions in juvenile crime and psychiatric disorders, and increased earnings and lower risk of heart attacks and strokes in adulthood” (Gennetian & Magnuson, 2022).

Background

Cash supports include direct monetary payment to eligible individuals or groups. Sometimes referred to as cash transfers, cash support can be conditional, meaning participants need to meet certain requirements, or non-conditional, where participants do not need to meet requirements in order to receive the support. Basic cash assistance provided through Temporary Assistance for Needy Families (TANF) is conditional on participation and meeting work requirements. Families benefit from additional forms of concrete support including food, housing, medical, subsidized childcare and other forms of support.

Research Findings

Cash Assistance Reduces Involvement in the Child Welfare System

- A review of 24 randomized control trial (RCT) studies concluded that cash and concrete supports improved outcomes for child safety and maltreatment, removal from home, child welfare outcomes, and child and adult wellbeing (Cusick et al., 2024).
- Public benefits effectively buffered the risk of child welfare investigations by 12% for neglect and 50% for abuse (Cai 2021).



- A 10% increase in TANF benefits reduced foster care placements by 8% (Paxson & Waldfogel, 2003).
- Economic supports were found to be a family stabilizer, reduced stress, and allowed parents to engage in other forms of support (Rostad et al., 2017).

Restrictions in Cash Assistance Increase Involvement in Child Welfare System

- States that implement a policy of full-family sanctions (removing the cash assistance benefit when work requirements are not met) see a nearly two-fold increase in instances of child abuse, neglect, and removal from the home (Ginther and Johnson-Motoyama, 2017).
- Implementing restrictive TANF policies (i.e. time limits, severe sanctions, work requirements, and drug testing) was associated with an increase of 50 children with substantiated neglect reports and 43 children entering foster care due to abuse or neglect (per 100,000 children) (Ginther & Johnson-Motoyama, 2022).
- A 10% reduction in TANF benefits led to a 2.3% increase in foster care rates due to abuse and neglect (Swann & Sylvester, 2006).

Cash Assistance Improves Housing Stability and Helps Families Meet Basic Needs

- Greater accessibility of cash assistance from TANF is associated with lower levels of family homelessness. The precipitous decline in cash assistance spending from TANF throughout recent decades has likely contributed to the observed rise in family homelessness (Parolin, 2021).
- The State of Washington developed a statistical model to predict family homelessness in conjunction with the Vulnerable Families Partnership. The model predicted that receipt of TANF cash assistance in the month prior to the index month reduces the odds of a new homeless spell by 56 percent (Washington State Department of Social & Health Services, 2015).
- A study by Freedman and Kim (2022) reviewed the impact of a substantial increase in the basic cash assistance benefit for low-income single parent families in New Hampshire. Researchers found that after the increase took place, average food expenditures by families on TANF increased by 23% (or \$31). In addition, food security increased by 18%.
- Respondents in a qualitative study on TANF recipients said the funds enabled them to pay bills, buy food, and take care of children's basic needs (Spencer et al., 2022).
- A Bureau of Labor Statistics analysis found food, housing and transportation account for 82.5% of expenditures for families receiving public assistance, compared to 66.2% of families not receiving assistance (2018).
- A meta analysis on temptation spending and cash transfers found that concerns about spending cash transfers on alcohol, tobacco and other "temptation goods" are unfounded (Evans & Popova, 2017).

Cash Assistance Improves Employment Outcomes

- Increasing cash assistance leads to positive employment outcomes. From 2020-2022, the Division of Economic and Workforce Support (DEWS) within the Colorado Department of Human Services reviewed case data to see whether receiving a supportive payment (on top of basic cash assistance) had an impact on whether or not clients attained employment. DEWS used

Propensity Score Matching to create two similar groups: a treatment group of those who received a supportive payment and a comparison group of those who did not but who were similar to the treatment group. Analysis revealed that those who received a supportive payment were more likely to enter employment (72.6% of the treatment group entered employment compared to 61.2% of the comparison group). Analysis also revealed that those who received a supportive payment were more likely to have stable employment (45.7% of the treatment group attained stable employment compared to 32.2% of the comparison group).

- Several pre-1996 welfare-to-work experiments demonstrated that supplemental payments provided to single mothers were a key piece in improving their employment outcomes (Congressional Research Service, 2018).
- A study of the guaranteed income program in Stockton, California found that recipients experienced improved employment: while 28% had full-time jobs at the start of the program, a year later 40% had full-time jobs (West, 2021).
- Studies on conditional cash assistance programs found that employment for parents facing work requirements rose modestly in the first two years after leaving TANF, but by the fifth year, at least three quarters of leavers worked regardless of whether they faced work requirements (Pavetti, 2016).
- A review of research studies that address the potential for negative impact from cash transfers on recipients' employment find no systematic evidence that cash transfer programs discourage work (Banerjee et al., 2015).

Improves Child Well-Being

- A study examining the impact of an annual supplement of \$3,000 during the child's early years found that children experienced 19% higher earnings in adulthood (Coventry, 2016).
- Increasing cash assistance leads to positive outcomes for child cognitive functioning, regulation, and school achievement. A randomized controlled trial of the Baby's First Years program, which provided \$333 monthly income supplements to 1,000 low-income mothers with newborns, found that one-year-olds whose mothers received the monthly income supplements had brain activity associated with higher cognitive functioning (Troller-Renfree, 2022).
- Cash interventions resulted in almost six times larger gains in children's school achievement than interventions that included investments in the educational programs (Whitehurst, 2016).
- Cash assistance of \$4,000 per year reduced prevalence in behavioral and emotional disorders among children (Coventry, 2016).
- The Alaska Permanent Fund Dividend study found that each additional \$1,000 provided to families led to an increase in child birthweight of 17.7 grams (Prenatal-To-3 Policy Impact Center, 2024).
- After looking at data on seven million people in 37 countries, researchers found that cash grants were associated with an eight percent reduction in mortality for children under five years old (Richterman et al., 2023).
- Children from tribal families who received an annual income supplement of approximately \$5,000 from casino profits had improved mental health, physical health and financial well-being as adults as well as improved educational attainment (Copeland, 2022).

Colorado Leavers Survey Findings



In an open ended question on expectations on what Colorado's Temporary Assistance for Needy Families program (Colorado Works) would do to help, thirty-one percent volunteered they were looking for financial support. Over three-quarters of Colorado Works Leavers report the support provided added financial stability to their families' lives (*Colorado Works Leavers Survey 2023-2024 Annual Report*, 2024).

Policy Implications

The Center for Budget Policy and Priorities (CBPP, 2022) recommends that TANF should do more to help families meet basic needs, particularly since TANF is the only assistance program that provides support for diverse basic needs. Specifically, CBPP recommends states and federal policy:

- Remove barriers to access for those seeking cash assistance.
- Stop cutting off families who are struggling to meet their basic needs.
- Lift income thresholds and asset tests for applicants.
- Hold states accountable to serving families in need.
- Given that stronger cash assistance to eligible families improves child outcomes, and given that TANF dollars can be used flexibly across various program services, the CBPP recommends that states be required to hold a certain share of the TANF block grant to be provided to families in the form of cash assistance.
- Provide more resources for states to provide cash assistance (Shrivastava & Azito Thompson, 2022).

Limitations

Cash transfers and other forms of concrete support are offered across the world and are the subject of robust research studies. TANF cash support, as well as other aspects of TANF, have only limited research on impact. This is due to the nature of TANF, which is a block grant from the federal government to states, with substantial flexibility provided for implementation. As a result, TANF programs vary greatly from state to state, making it difficult to generalize the impact of the program overall.

References

References for all research generated by the CDHS research team is accessible at this address:
<https://docs.google.com/document/d/11fW0jz1dnztj84JnqintV7TddMApn35NikXKU6wA5KA/edit?tab=t.0>