State Safety Net Programs

By Sheila R. Zedlewski

States bear enormous responsibility for administering the nation's safety net programs. They are the first responders when unemployed workers apply for unemployment benefits, food assistance and welfare. The American Recovery and Reinvestment Act of 2009 expanded some safety net support, temporarily filling in some of the benefit gaps.

Safety Net Programs' Response to the Economic Downturn

States administer three key safety net programs designed to shore up income during an economic downturn: Unemployment Insurance, Supplemental Nutrition Assistance (known as SNAP, formerly called food stamps), and Temporary Assistance to Needy Families (called TANF). Unemployment insurance provides temporary benefits to eligible workers who are unemployed through no fault of their own. SNAP provides eligible low-income, low-asset families an electronic benefit card to purchase groceries. TANF provides cash and job search assistance to parents of dependent children with very low incomes and limited resources.

Other aspects of states' safety nets provide essential non-cash services to low-income families. States administer the Medicaid and the State Children's Health Insurance Program (commonly known as SCHIP) that insures more than 50 million people. They staff employment offices that help workers find jobs and sometimes train for new positions. They also help many low-income working families pay for child care. Many states also administer a General Assistance Program that provides cash benefits or vouchers that primarily help adults without children get by in an emergency.[1] All of the services together form a complex system with diverse eligibility rules and administrative structures.[2]

Much attention has focused on the three main income supports in the safety net during this recession. As families lose employment, states struggle to determine benefit eligibility fairly and efficiently and maintain program integrity. The discussion below describes how the primary income support programs have performed during the first year of this severe economic downturn.

Unemployment Insurance

Over the past two decades only about four in 10 unemployed workers received unemployment benefits, and only about two in 10 low-income (income below 200 percent of the federal poverty line) unemployed workers received benefits.[3] Eligibility for unemployment insurance requires workers to have sufficient wages and work hours in the 12-month period before being unemployed. Traditionally the eligibility period excludes the three months immediately before unemployment, although 19 states have recently adopted rules that allow consideration of higher earnings in the most recent three month period.

Workers file claims of eligibility usually through telephone or Internet contact with the state unemployment office. Former employers must verify that the unemployment spell was due to a layoff and not the fault of the worker. Workers that qualify must file weekly or biweekly claims and show evidence of active job search in order to continue benefits.

Most states limit the maximum length of unemployment insurance benefits to 26 weeks. In periods of high unemployment such as the 2008 recession, the federal government typically provides additional weeks of unemployment insurance coverage. During 2008, Congress enacted a 13-week extension in June and a 7-week extension in November (with 13 more weeks for workers in high-unemployment states). These extensions pushed the total weeks of unemployment insurance up to 46 weeks and 59 weeks for workers in high unemployment states.

Workers qualified for $295 per week on average in 2008 (about 70 percent of the federal poverty line for a family of four).[4] The amount is based on prior weekly earnings in covered work subject to a cap that varies by state. Regular unemployment insurance benefits are financed through an employer tax on wages that goes into a trust fund held by the U.S. Treasury. When trust fund balances get low, states must borrow from the federal government to continue paying benefits. While the cost of extended benefits typically is shared equally by states and the federal government, the emergency extended benefits are financed entirely by the federal government.

As the unemployment rate has risen, states have struggled to keep up with claims. Initial unemployment insurance claims across the U.S. increased by

42.3 percent in the 2008 fiscal year (Table A). Claims increased by more than 80 percent in 7 states (Alabama, Arizona, Hawaii, Louisiana, South Dakota, Texas and Utah). Many states saw their unemployment rates climb by 3 to nearly 5 percentage points during 2008.[5] Federal guidelines require timely processing of claims and appeals. This can be a challenging responsibility especially since more than one quarter of applicants has their rights to benefits challenged by former employers.[6]

While unemployment insurance plays an important role in providing safety net protection, it fails to cover the majority of unemployed workers. Many workers do not qualify because they do not meet the base period eligibility requirements due to part-time or short-tenured jobs. Some no longer qualify because their unemployment spells outlasted the period of benefit eligibility. Others do not qualify because they left their job for personal reasons such as the lack of child care, domestic violence or illness or they were fired due to misconduct or unexcused absences from work. Recent legislative proposals would provide incentive payments to states for adopting alternative base periods, compensation to otherwise eligible workers seeking part-time work and to those who leave jobs due to domestic violence, disability or illness of a family member.[7] These ideas are included in the recovery legislation as discussed below.

Supplemental Nutrition Assistance (SNAP/food stamps)[8]

Households with incomes near the poverty line and limited assets can qualify for SNAP. In 2008 the maximum SNAP benefit was an estimated $540 per month for a family of four (30 percent of the federal poverty threshold), providing a significant boost to family income. Over the last several years, many states have modernized their programs by taking advantage of new provisions that allow households to complete their initial eligibility assessment electronically, exclude the value of a vehicle in determining eligibility, and simplify the recertification process.[9] Many states also have reached out to families to explain the program and encourage participation. As a result, SNAP/food stamp participation rates (the number of enrolled households relative to the estimated number of eligible households) have increased from 54 percent to 67 percent between 2002 and 2006.[10]

SNAP caseloads also have increased as the economy deteriorated and more families qualified for new or higher benefits. At the end of the 2008 fiscal year, 12.7 million households received SNAP, an 8 percent increase since the 2007 fiscal year (Table A). Enrollment trends varied across the states. For example, Arizona, Florida, Louisiana and Nevada saw caseloads increase at double the national rate.

The federal government pays for all SNAP benefits and one-half the cost of administering the program. Several studies show that SNAP benefits stimulate states' economies, generating about $1.7 in economic activity for each $1 in benefits.[11]

States will have a difficult time keeping up with the demand for SNAP benefits as the recession continues. SNAP benefits are an entitlement for U.S. citizens and many legal immigrants except that benefits for able-bodied adults without dependents are time limited unless they live in high unemployment states awarded waivers from this provision. Caseloads likely will continue to grow as the recession continues. Some families will remain with low incomes and benefit eligibility for longer periods of time, more families will become eligible for benefits as they lose their jobs, and more may choose to participate as they see few other alternatives. Administrative systems will be challenged to process new applications, review recertifications and maintain the integrity of the program.

Temporary Assistance for Needy Families (TANF)

Reforms to welfare enacted in the mid-1990s have significantly curtailed the role that TANF has played in this recession so far. Reforms eliminated the individual entitlement to welfare and require states to meet strict work-participation rates for their caseloads. Despite the significant increase in unemployment, TANF caseloads declined by 3.4 percent between 2007 and 2008 (Table A). Individual state experiences varied. For example, TANF caseloads declined by 20 percent or more in Colorado, Illinois and Oklahoma and increased in 11 states (California, Delaware, Florida, Hawaii, Maryland, Massachusetts, Nevada, Ohio, Oregon, Washington and Wisconsin).

The variation in state caseload experience reflects diversity in state economies as well as state TANF policies. Some of the states with caseload increases experienced substantial increases in unemployment. (For example, unemployment rose by more than 3 percentage points in California, Florida and Nevada, three of the states with caseload increases.) However, the unemployment rate in Massachusetts, the state with the largest caseload increase, rose by just 2.6 percentage points. TANF policies that can also affect caseload trends include time limits, sanction and diversion policies. All else equal, states without time limits will see more upward pressure on caseloads when families find it more difficult to leave the rolls for employment.

It is likely that TANF caseloads will increase overall in 2009 or later if the recession deepens, and more families lose jobs and remain unemployed for an extended period of time. While the maximum TANF benefit for a family of three averaged only around $430 per month in 2008 (30 percent of the federal poverty threshold), many families affected by the recession will have no other source of cash income. (As noted earlier, only one in five low-income unemployed families qualified for unemployment insurance benefits in 2006.) Increased caseloads likely will strain state TANF programs. The program is funded through a fixed block grant from the federal government and maintenance of effort money from the state. TANF has a $2 billion contingency fund that states can tap into when unemployment is high, but the fund requires states to pay for one-half the cost of additional benefits. When state budgets are strained, it can be difficult if not impossible to meet this requirement.

States will face some difficult choices in their TANF programs. TANF rules designed to increase work such as earned income disregards and diversion policies that require up-front job search before enrollment are unlikely to bear fruit when unemployment is rising. Most parents that turn to welfare for assistance have multiple barriers to work such as mental and physical health disabilities, limited work experience and limited educations.[12] These individuals have a difficult time finding work when the economy is strong and likely will find a tougher road ahead. States may need to shift a larger share of TANF resources to cash assistance and away from social services for low-income families.

The American Recovery and Reinvestment Act of 2009 Increases Supports

The 2009 economic stimulus package enacted some significant expansions of these safety net programs. The expansions took effect in February 2009 and will phase out by the end of 2010. The expansions increase the administrative burden on state programs at least in the short term. Some of the benefit expansions are accompanied by additional administrative funds for the states.

This package extended the unemployment insurance emergency benefit program through Dec. 31, 2009. The emergency program, enacted in 2008 and discussed above, provides up to 33 weeks of extended unemployment benefits to workers exhausting their regular benefits. The bill also increases weekly unemployment benefits by $25 through 2009. The recovery legislation also offers one-time grants to encourage states to enact reforms that would increase unemployment insurance coverage among low-wage, part time and other jobless workers. As discussed earlier, such provisions would increase the share of unemployed workers that could qualify for benefits. The provisions would need to be financed in the longer run, presumably through an increase in the employer wage tax. The legislation includes $500 million to help states to offset the cost of administrating program expansions.

The ARRA provides a one-time increase in SNAP benefits of about 13.6 percent, and the increase phases out over two years. It also suspends time limits on eligibility for jobless adults without dependents through the 2010 fiscal year. The legislation also includes about $290 million for increases in states' administrative costs. These funds will be distributed based on relative caseload size and increases over the prior 12 months.

The economic recovery legislation also creates a temporary TANF Emergency Contingency Fund through the 2010 fiscal year capped at $5 billion.[13] The additional funds will go to states with increased costs for basic assistance, expanded subsidized employment programs, and short-term, non-recurrent aid to families. States with increased costs in these areas (relative to 2007 and 2008) will receive federal funding to cover 80 percent of the increase in expenditures. States must pay the other 20 percent by increasing their own spending or by cutting TANF-related funding from other areas such as child care. Also, recovery legislation prevents states' work participation rates from increasing during the recession.

Conclusions and Implications

States' safety nets will be challenged as the recession continues. State caseworkers will be delivering benefits to more families and for longer periods of time. States will need to finance some of the increased costs using their own funds. State economies, however, benefit when unemployed families have enough money to pay for the basics. Unemployed workers that qualify for unemployment insurance have a better chance to get by, especially if they enroll in SNAP to augment their unemployment benefit. Unemployed workers that do not qualify for unemployment insurance face a much more difficult challenge. Some will be eligible for TANF cash assistance but benefits are much lower than unemployment insurance.

The economic recovery legislation will help states

Table A: Trends in State Safety Net Caseloads

State or other jurisdiction	Unemployment insurance— first payments: Oct. 2008	Unemployment insurance— first payments: Percent change from Oct. 2007	SNAP households (a): FY2008	SNAP households (a): Percent change from FY2007	TANF families (b): FY2008	TANF families (b): Percent change from FY2007
U.S. Totals	821,240	42.3%	12,728,248	8.0%	1,702,810	-3.4%
Alabama	12,815	80.9	231,740	4.9	17,736	-3.9
Alaska	1,992	-41.0	21,976	3.1	3,058	-5.8
Arizona	11,943	83.8	258,517	16.3	36,249	0.0
Arkansas	12,224	56.1	157,871	-0.1	8,513	-1.0
California	119,823	45.2	914,161	10.5	486,066	3.0
Colorado	8,315	60.0	109,405	2.3	8,816	-19.7
Connecticut	11,713	51.7	120,573	6.5	19,091	-8.7
Delaware	2,479	38.8	32,512	11.7	4,372	6.2
Florida	53,291	57.8	745,847	18.8	48,702	1.8
Georgia	30,452	61.9	417,427	7.8	22,158	-10.9
Hawaii	3,915	98.8	48,824	7.6	6,452	1.6
Idaho	4,570	59.5	40,835	13.5	1,492	-7.8
Illinois	31,947	13.9	595,832	4.7	19,846	-34.7
Indiana	18,354	14.8	267,802	5.5	41,047	-1.1
Iowa	7,220	36.1	116,899	8.1	19,059	-5.0
Kansas	5,887	34.5	85,784	3.5	12,496	-15.3
Kentucky	11,778	19.8	283,752	6.4	29,144	-3.1
Louisiana	10,350	83.4	324,887	22.1	10,465	-4.8
Maine	2,412	34.4	86,459	5.7	12,311	-2.1
Maryland	12,066	44.4	167,174	13.6	19,994	2.3
Massachusetts	18,397	35.6	266,430	11.1	56,621	25.6
Michigan	36,231	29.3	590,930	6.3	66,554	-9.1
Minnesota	9,505	33.5	140,423	6.6	23,057	-13.1
Mississippi	5,736	39.1	188,498	5.4	11,268	-2.9
Missouri	12,372	20.3	314,012	4.2	37,607	-5.0
Montana	2,115	49.2	35,494	1.9	3,122	-2.2
Nebraska	2,661	28.0	52,082	0.5	7,548	-1.2
Nevada	11,402	64.2	67,380	18.2	7,194	7.3
New Hampshire	2,469	50.2	31,244	8.3	4,463	-13.4
New Jersey	29,554	28.5	210,867	6.1	33,468	-4.6
New Mexico	3,113	41.6	95,769	4.0	12,983	-7.8
New York	42,399	29.1	1,036,676	8.9	153,817	-3.8
North Carolina	29,865	59.4	419,127	7.2	24,124	-6.8
North Dakota	424	28.9	21,825	7.0	2,023	-3.1
Ohio	24,537	31.6	526,800	6.9	80,796	3.1
Oklahoma	4,432	46.1	176,483	0.1	8,198	-55.9
Oregon	15,963	39.6	243,257	7.4	20,536	10.5
Pennsylvania	41,490	34.3	558,939	5.4	52,102	-18.5
Rhode Island	2,915	18.0	41,548	13.4	8,310	-1.3
South Carolina	14,147	44.5	255,702	9.6	14,933	-3.8
South Dakota	516	86.3	26,189	5.8	2,848	-1.1
Tennessee	15,594	51.9	410,458	5.9	53,831	-13.6
Texas	49,260	95.5	994,786	5.0	53,536	-14.5
Utah	3,665	82.5	53,715	5.8	5,025	-4.1
Vermont	1,648	50.5	27,642	6.1	3,620	-18.8
Virginia	12,228	51.0	5,036	5.8	31,141	-1.7
Washington	18,955	53.3	292,515	7.3	52,759	2.6
West Virginia	2,704	10.0	124,183	3.4	8,681	-11.7
Wisconsin	20,084	24.3	180,792	11.5	17,656	1.6
Wyoming	972	49.5	9,564	0.7	266	-1.4
Dist. of Columbia	1,842	25.0	47,721	5.7	5,375	-13.0

Source: TANF caseload data are from the Department of Health and Human Services, DHHS (*http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/caseload_current.htm*). SNAP caseload data are from Food and Nutrition Service (*http://www.fns.usda.gov/pd/snapmain.htm*). The Unemployment Insurance First Payments data are from Employment and Training Administration (*http://workforcesecurity.doleta.gov/unemploy/finance.asp*).

Key:

(a) SNAP caseloads are the average monthly number of households participating in the Food Stamps/SNAP Program.

(b) TANF caseloads are the average monthly number of families receiving assistance under the TANF program and the State Separate Programs (SSP-MOE).

by extending unemployment insurance benefits, increasing SNAP, and offering additional TANF dollars. States still will need to help families find new jobs. Their employment service offices are likely to be stretched to their limits. Those states that benefit from new infrastructure investments in the recovery legislation should be able to direct some of the unemployed into the newly created jobs. However, many unemployed workers, especially those that turn to TANF assistance, will not have the skills required for these jobs. It will be important for states to offer education and training services to more unemployed adults, and the recovery legislation offers states more money to train dislocated workers for jobs in high growth and emerging industry sectors. In the most optimistic scenario, many low-wage workers that experience unemployment will emerge with new skills and good prospects for employment in the longer run.

Notes

[1]In 2006 (the latest data available), 25 states had General Assistance Programs that provided cash payments to disabled, elderly and unemployable individuals and 7 other states provided vouchers to pay for some basic needs. Some states also provide GA to families with children that do not qualify for other assistance; a handful provides assistance to able-bodied adults without children. See Sheila Zedlewski and Brendan Hill, Urban Institute unpublished memorandum dated December 21, 2006.

[2]Sheila Zedlewski, Gina Adams, Lisa Dubay and Genevieve Kenney provide a discussion of the organization of safety net programs, including their incentives and behavioral effects in "Is There a System Supporting Low-Income Working Families?" (Washington, D.C.: The Urban Institute, February 2006).

[3]See Margaret Simms and Daniel Kuehn, "Unemployment Insurance during a Recession," (Washington, D.C.: The Urban Institute, December 2008).

[4]The National Employment Law Center (NELP), "Responding to Recession: Strengthen State UI Programs (January 2009).

[5]"Regional and State Employment and Unemployment," Bureau of Labor Statistics, *www.bls.gov/news.release/laus.nr0.htm*.

[6]Commentary from Wayne Vroman, the Urban Institute in "More Employers Fighting Unemployment Benefits," *The Washington Post*, February 12, 2009.

[7]See Margaret Simms, "Weathering Job Loss," The New Safety Net (July 2008), Washington, D.C.: The Urban Institute for a summary of these provisions.

[8]The 2008 Farm Bill changed the name of the Food Stamp Program to the Supplemental Nutrition Assistance Program (SNAP) to reduce the stigma associated with the former program.

[9]See Kenneth Finegold, "Food Stamps, Federalism and Working Families," Perspectives on Low-Income Working Families," (Washington, D.C.: The Urban Institute, September 2008).

[10]See "Reaching Those in Need: State Food Stamp Participation Rates in 2006," Office of Research and Analysis, (Washington, D.C.: USDA, November 2008).

[11]See Mark Zandi, "The Economic Impact of the American Recovery and Reinvestment Act," Moody's Economy.com, January 21, 2009.

[12]Pamela Loprest and Sheila Zedlewski report that 80 percent of TANF parents had at least one barrier to work in 2002 in The Changing Role of Welfare in the Lives of Low-Income Families with Children, Assessing the New Federalism Occasional Paper Number 73, (Washington, D.C.: The Urban Institute, August 2006).

[13]While the appropriation is capped at $5 billion total for two years, the Congressional Budget Office (CBO) estimates that this amount is double what states will draw down. Sharon Parrott and Liz Schott provide an overview of the TANF provisions in the Economic Recovery Act in "Overview of the TANF Provisions in the Economic Recovery Act" (Washington, D.C.: Center on Budget and Policy Priorities, February 2009).

About the Author

Sheila Zedlewski is the director of the Income and Benefits Policy Center at the Urban Institute, a nonpartisan think tank in Washington, D.C. Her recent work focuses on improvements to safety net programs and poverty measurement. She has written extensively about the TANF program with a focus on families unable to move from welfare to work.