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For More Information, Contact:

Joy Margheim (503) 873-1201
Charles Sheketoff (503) 873-1201
Juan Carlos Ordóñez (503) 873-1201

Welfare Reform's Self-Sufficiency Goal Further Away in Oregon Poor families could lose assistance if tax measures are defeated

(Silverton) — The overhaul of the nation's welfare system 13 years ago was supposed to help set poor families on a path toward self-sufficiency, but that goal has moved further away for Oregon families currently served by the program, according to the Oregon Center for Public Policy.

Falling amid the deepest recession in a generation, the anniversary of reform draws attention to how changes to the welfare system have made it more difficult for states like Oregon to respond to increased economic need, said OCPP policy analyst Joy Margheim.

President Bill Clinton hailed the "end of welfare as we know it" on August 22, 1996, with the signing of the Personal Responsibility and Work Opportunity Reconciliation Act. That law created the Temporary Assistance to Needy Families (TANF) program to replace Aid to Families with Dependent Children, which had assisted poor families with children since 1935.

Oregon families today have to be much poorer to qualify for TANF, and its benefits don't go as far in meeting basic needs as when the program came into being, according Margheim.

To qualify for TANF in Oregon a family of three can earn no more than \$616 a month, the same as in 1996, Margheim said. Because of inflation's effect in eroding the purchasing power of money, families today must be significantly poorer in real terms to qualify for assistance than 13 years ago. Today, the \$616 limit reflects just 40 percent of the federal poverty income guidelines, down from 57 percent in 1996. Benefit levels have also fallen behind inflation.

With TANF's income eligibility level frozen, fewer needy families in Oregon can get in the door and a smaller share of those who receive benefits have earnings from work, the analyst said.

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“A relatively small paycheck disqualifies Oregon families from TANF,” said Margheim. “This creates a disincentive to work and undermines a key goal of welfare reform.”

In 1996, the breadwinner of a three-person family could work 30 hours a week at a minimum wage job and remain eligible for TANF, but today that same family would lose the cash assistance if the breadwinner worked more than 18 hours a week, according to Margheim. Both inflation and increases in Oregon's minimum wage since 1996 contribute to the decline.

Under the 1996 welfare law, the federal government provides a block grant to states, while previously states were entitled to matching funds under a formula similar to that used in the Medicaid program.

The change in federal funding set the stage for states' fiscal problems when the economy turns sour, as is the case now, according to Margheim.

“When the federal government moved the welfare system onto a block grant, federal support froze no matter what happened in a particular state's economy,” said Margheim. “States lost the ability to respond effectively to increased needs because states were no longer entitled to additional federal help as they step up to the plate to help families with dependent children.”

Case in point for Margheim is what has happened during this recession to the TANF program that serves two-parent families with dependent children in which both parents are unemployed or severely underemployed. Even though families have to be poorer to qualify for the program than in the past, caseloads have soared along with unemployment rates this recession. The caseload for the two-parent welfare program doubled from July 2008 to July 2009 and tripled from July 2007 to July of this year.

Yet the two-parent welfare program was on the 2009 Oregon legislature's chopping block as lawmakers sought to balance a budget in the midst of a fiscal crisis. Funds from the federal recovery package temporarily rescued the program.

The federal package provides \$4 for every \$1 that Oregon spends on increased assistance to families with dependent children up to a capped amount.

The state was able to continue providing assistance to two-parent families with the new stimulus dollars, but the extension will be in jeopardy if

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voters defeat the modest tax increases on profitable corporations and the richest Oregonians enacted by the legislature, said Margheim. Loss of the funds generated by the measures would necessitate significant further cuts to state programs such as TANF.

“Oregonians need to ensure the state maintains programs for Oregon’s poorest families by voting ‘yes’ on the tax measures if they make it to the ballot,” Margheim said. “If opponents of the revenue measures defeat them at the ballot box, some of Oregon’s poorest families could take a direct hit.”

The Oregon Center for Public Policy is a non-partisan research institute that does in-depth research and analysis on budget, tax and economic issues. The Center’s goal is to improve decision making and generate more opportunities for all Oregonians.