Introduction to the AFDC Program

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Abstract

This journal issue discusses the policy challenges of helping parents move from welfare to work. As a foundation, this introductory article explains the federal-state program of cash assistance called Aid to Families with Dependent Children (AFDC), to which the term *welfare* refers in most of these articles. While a number of other social programs are sometimes included under the umbrella of welfare—such as the Supplemental Security Income program for the disabled, food stamps, and Medicaid—the program that has drawn the most public scrutiny and negative attention, and the centerpiece of the 1996 welfare reform legislation, is AFDC. This article explains the basic structure of the AFDC program, including eligibility criteria and benefits; discusses the characteristics of families that have received AFDC; describes trends in the program's size and cost from the 1970s to 1996; and indicates the major ways in which the block grant established in the 1996 welfare reform legislation compares to the AFDC program that it replaced.

The Aid to Families with Dependent Children (AFDC) program was for 60 years the nation's most visible cash assistance program for the poor. As its name suggests, the program was created to aid children whose parents could not financially support them, and about two-thirds of AFDC recipients were children. In August 1996, Congress passed welfare reform legislation abolishing AFDC in favor of a Temporary Assistance to Needy Families (TANF) block grant that passes funds for cash assistance to the states to use in welfare programs they design themselves. Even though AFDC no longer formally exists, most of what is known about U.S. welfare policy and its effects on families and children has been learned by studying that program and efforts to modify it. The following pages explain what AFDC was intended to accomplish and examine data about the program's recipients, caseloads, and costs that challenge many widely held impressions. The article also outlines the structure of shared federal and state responsibility for AFDC and highlights the major changes to the nation's approach to cash assistance that the 1996 welfare reform legislation introduced.

The AFDC Program

AFDC was a federally mandated program that guaranteed cash assistance to families with needy children. Needy children were defined as having been "deprived of parental support or care because their father or mother is absent from the home continuously, is incapacitated, is deceased, or is unemployed."[1] The program was designed as a federal-state partnership in which both costs and rule-making authority were shared. Federal legislation required states to provide cash assistance to *all* eligible families. Working within federal limitations, the states administered the program, established the income level below which families qualified for assistance in that state, and set the level of benefits that eligible families would receive there. The federal government monitored the states' administration and matched state funds for the program.

Eligibility

Typically, only very poor families composed of single mothers and their children qualified for AFDC. This feature led some to argue that the program discouraged marriage and work. To be eligible for AFDC, a family had to include a dependent child who was under age 18, was a citizen or permanent legal resident, and could be considered deprived of parental support—usually because no father lived in the home. In 1992, some 48% of households receiving AFDC were headed by an unmarried adult, 23% had experienced a divorce or separation, 7% included two adults, and in 15% of the households, only the child was supported by AFDC (often living in a foster home).[2]

In addition, the states established income levels below which a family was considered entitled to cash assistance, and in many states these levels were lower than the federal poverty level—so conceivably, a family could be below the federal poverty level and still not qualify for AFDC.[3] Reflecting the program's emphasis on children, states factored in family size when computing eligibility standards. In 1994, a one-parent family of three could not earn more than $938 per month to be eligible for AFDC in a typical state.[4] Moreover, since most states did not routinely adjust their standards of need to keep up with inflation, a family in 1994 had to be considerably poorer to qualify for AFDC than a qualifying family was in 1970.

Cash Grants

AFDC provided a monthly cash grant to those families who could show that they met the eligibility criteria set in their state. Typically, state officials computed the size of a family's cash grant in a given month based on family size, earned income, and certain expenses. A large family with no income received the largest possible grant, and a small family with earnings that approached or exceeded the state standard of need received the smallest possible grant. While such a system reserved public funds for the most needy families, it clearly discouraged parents from working, since most of their earnings were offset by reductions in the family's AFDC grant.

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Table 1

Characteristics of AFDC Recipients upon First Enrollment, Overall and by Total Time on Welfare

Characteristics	All Adult Recipients	Adult Recipients Who Received		
		AFDC Less Than 25 Months	AFDC from 25 to 60 Months	AFDC for More Than 60 Months
Percentage of All AFDC Recipients	100	42	23	35
Percentage of All AFDC Recipients Who, Upon Enrollment,				
Had less than a high school education	47	35	45	63
Had no work during the previous year	39	30	37	50
Started AFDC while under age 25	53	44	52	64
Were never married	58	48	56	72
Had a youngest child less than 13 months old	52	44	57	59

Source: Adapted from Pavetti, L.A. Who is affected by time limits? In *Welfare reform: An analysis of the issues.* I.V. Sawhill, ed. Washington, DC: Urban Institute Press, 1996, pp. 31–34.

generous was Alaska's $923 per month. Despite these state-by-state differences, no state's grant level kept pace with inflation, and the median state grant declined in value by 47% between 1970 and 1994.[5]

Other Benefits

In addition to cash grants, many families enrolled in AFDC received other benefits such as Medicaid, child care assistance, food stamps, and subsidized housing through a variety of related programs. For example, families receiving AFDC were automatically eligible for Medicaid, the federal-state partnership program that pays the cost of health care services for individuals with low incomes. Beginning in 1988, child care subsidies were guaranteed for recipients who participated in work and training programs. (In this journal issue, the article by Moffit and Slade discusses Medicaid, and the article by Kisker and Ross discusses child care.)

Their low incomes qualified most families receiving AFDC for the federal Food Stamp Program, which provides coupons redeemable for food to all individuals whose incomes fall below a cutoff established by the federal government. In 1992, approximately 87% of AFDC families received food stamps, which added significantly to their purchasing power by reducing the portion of the cash grant that parents had to spend on food.[6] For a family of three in the median state in 1994, the maximum food stamp allotment was $295 per month, added to the maximum AFDC grant of $366 per month. However, even a family receiving both maximum benefits had a total income equaling only 69% of the federal poverty level.[7]

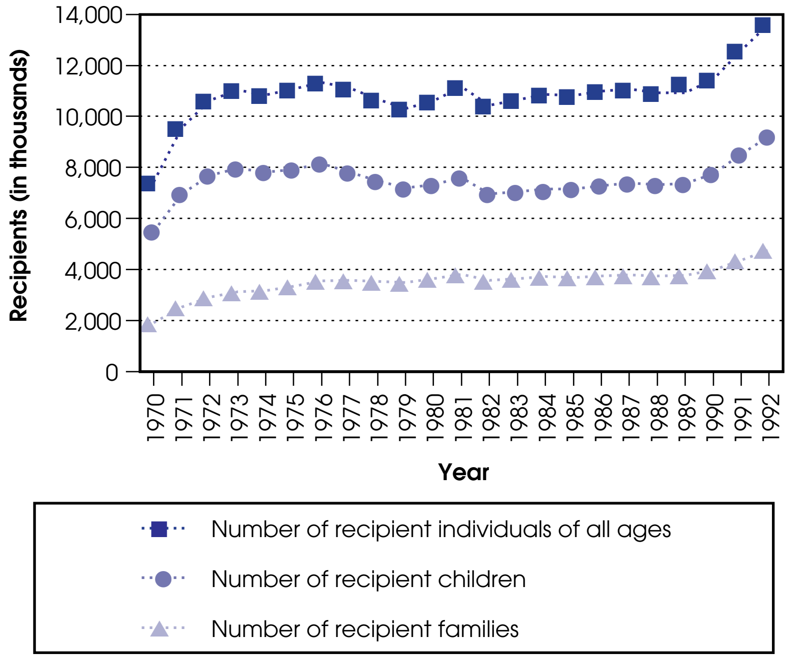
Government housing assistance is another benefit intended for poor families, but it is not guaranteed. In 1993, only 9% of AFDC recipients lived in public housing, and another 12% received federal rent subsidies.[8]

Characteristics of AFDC Families

The profile of the typical family receiving AFDC differs in many respects from the popular image of a welfare family. In 1992, some 39% of the parents who received AFDC were

Figure 1

Number of AFDC Recipients in an Average Month, 1970 to 1992



Source: U.S. House of Representatives, Ways and Means Committee. *Overview of entitlement programs: 1994 green book.* Washington, DC: U.S. Government Printing Office, 1994, p. 395, Table 10-24.

white, 37% were black, and 18% were Hispanic. Most AFDC families were small; 43% included only one child. Concerns about teenage childbearing notwithstanding, only 8% of the mothers were under age 20, although another 25% were between 20 and 25 years of age, and many welfare recipients first bore children in their teen years.[9]

Creating a portrait of the "average" family who received AFDC is more problematic than it would seem at first glance, however, because families with different characteristics tended to rely on AFDC for different lengths of time. Table 1 shows how the education, work experience, age, and marital status of parents when they first received AFDC are related to the length of time they remained dependent on cash assistance. As this table illustrates, parents who received AFDC for long periods of time were most likely to be never-married young mothers with infants, no high school degree, and little work experience when they first enrolled. Parents enrolled for shorter periods of time tended to be older and to have work experience and more education. The first line in Table 1 shows that 42% of new AFDC recipients were likely to receive cash assistance for two years or less, while just over a third remained on the welfare roles for over five years.[10]

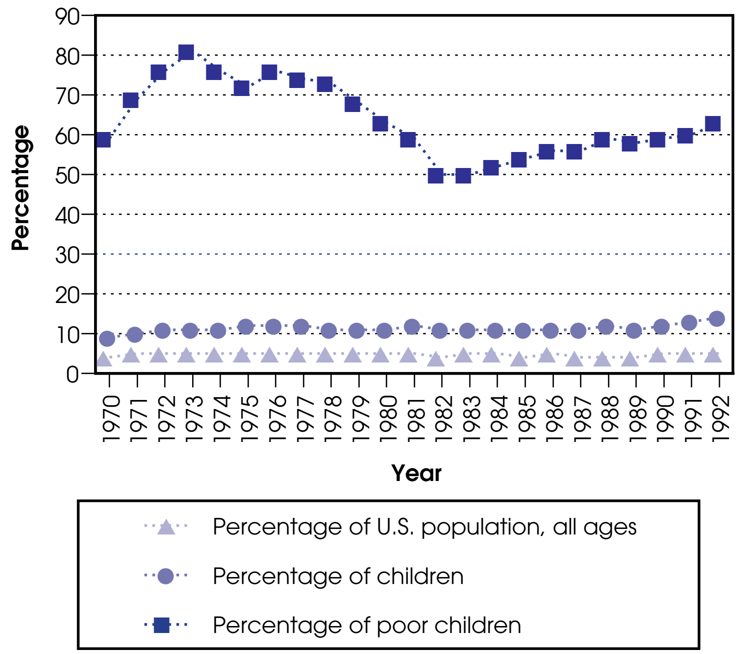
Most recipients began receiving AFDC when their family status changed. A 1983 study showed, for example, that 45% of new recipients had recently divorced or separated and another 30% were unmarried new mothers. Only 15% of new recipients enrolled in AFDC because the family's earnings decreased. Conversely, families typically left AFDC when they married or reconciled, or when their youngest child turned 18. Well less than half left because they became employed.[11] As these statistics make clear, movements onto and off the welfare rolls are more strongly influenced by changes in the makeup of individual families than they are by earnings.

The Size of AFDC

Concern that the number of families relying on AFDC was rising and that the program's budget was consuming ever more of the

Figure 2

AFDC Recipients as a Percentage of the U.S. Population, 1970 to 1992



Source: U.S. House of Representatives, Ways and Means Committee. *Overview of entitlement programs: 1994 green book.* Washington, DC: U.S. Government Printing Office, 1994, p. 399, Table 10-26.

nation's tax dollars contributed to the impetus for welfare reform. This perception was only partially accurate, however. AFDC caseloads have grown, but so has the size of the nation's population and the overall budget. From the mid-1970s on, the program served only one in twenty Americans,[12] and it did not consume more than 5% of the federal budget.[13]

Caseloads

The raw number of families and individuals receiving AFDC grew over the years. In 1992, 13.6 million individuals, including 9.2 million children, received AFDC nationwide. As Figure 1 shows, these numbers increased gradually from 1972 to 1989, then sharply from 1989 to 1992 during the nationwide recession.[14] Despite the rising number of recipients, however, Figure 2 shows that the percentage of the total U.S. population served by the AFDC program remained level at about 5%. Children were more likely than adults to receive AFDC assistance—14% of the nation's children received benefits in 1992. Nevertheless, one-third of children living below the poverty level received no help from AFDC in 1992,[12] because states set their eligibility limits so low that many poor families did not qualify for assistance.

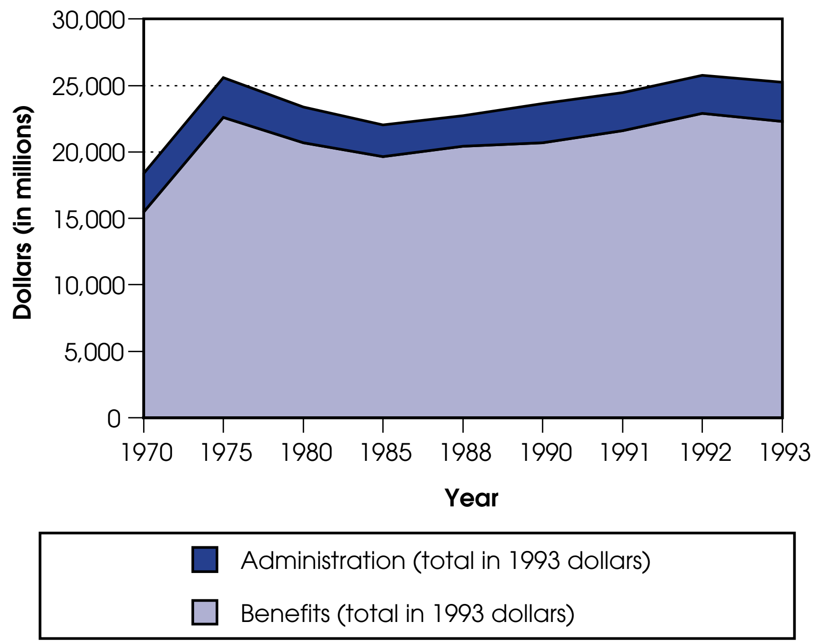
Budgets

As the number of families receiving AFDC assistance increased, the cost of the program grew as well. Since all eligible families were entitled to AFDC, program costs depended on the number of families enrolled at any given time.[15] As Figure 3 shows, total federal and state spending on AFDC benefits increased from $15.5 billion to $22.3 billion (adjusted for inflation) during the 23 years from 1970 to 1993. However, even though the number of recipients increased by 91%, costs increased by only 44%.[16] The growth in costs was restrained because the grants provided to each family declined in value. In constant dollars, the average monthly AFDC benefit per family shrank by almost half between 1970 and 1992.[17]

Political rhetoric notwithstanding, expenditures on AFDC were a very small portion of both state and federal budgets.

Figure 3

Federal Expenditures on AFDC Benefits and Administration from 1970 to 1993, Adjusted for Inflation



Source: U.S. House of Representatives, Ways and Means Committee. *Overview of entitlement programs: 1994 green book.* Washington, DC: U.S. Government Printing Office, 1994, p. 325, Table 10-1.

The pie chart in Figure 4 reveals that, in 1995, federal spending on AFDC, Supplemental Security Income for the disabled, and food stamps together constituted less than 4% of the federal budget, as it had for most of the preceding three decades.[13] In 1991, states spent just over 5% of their general funds on AFDC.[18] In other words, public concerns about the AFDC program reflected the program's lack of popularity and a general sense that it was not achieving desired goals, rather than disproportionate increases in demand or spending.

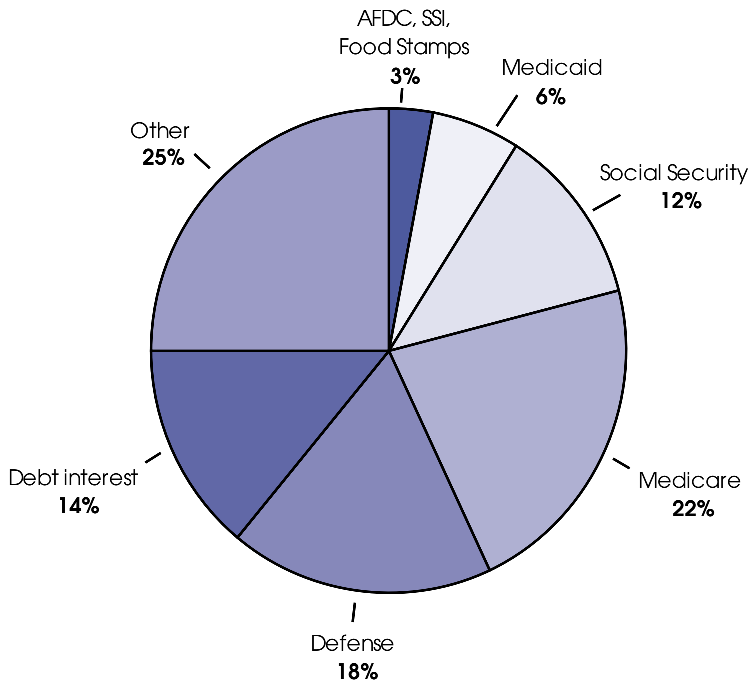
From AFDC to the TANF Block Grant

As noted earlier, the federal government and the states shared the costs and rule-making authority over the AFDC program, although states have exerted increasing influence over welfare policy and program design in recent years. An early sign of the shift of authority from the federal government to the states came in the increased use of legislative provisions allowing states to request waivers of specific federal program requirements to carry out welfare demonstration projects. Waiver applications from 44 states had been approved by the federal government by mid-1996.[19] (See the Appendix to this journal issue for more details.)

The fundamental balance in the federal-state partnership changed with passage of legislation authorizing the Temporary Assistance for Needy Families (TANF) program in 1996, which ended the entitlement to AFDC and replaced it with federal block grants to states. Under this legislation, instead of matching state payments to all families enrolled in AFDC, the federal government provides an annual lump sum to each state, regardless of its number of AFDC recipients. The size of each state's block grant is based on recent federal spending for specific welfare programs in that state. Funding is expected to remain level through fiscal year 2002, although a small federal contingency fund may offer supplements to states that suffer economic downturns. States are not required to spend their own matching funds in order to receive federal TANF funds, although federal penalties may

Figure 4

Spending on AFDC, Supplemental Security Income, and Food Stamps as a Percentage of the Federal Budget, 1995



Source: U.S. House of Representatives, Ways and Means Committee. *Overview of entitlement programs: 1994 green book.* Washington, DC: U.S. Government Printing Office, 1994, p. 1255, Table J-6.

be imposed on states that significantly reduce their own welfare expenditures from current levels.[20]

A number of constraints accompany the use of federal funds: States must require adult recipients to work or do community service, and no family may receive federal TANF assistance for more than five years. States may exempt up to 20% of their caseloads from the time limit, and they can impose stricter time limits. States that reduce their welfare caseloads will be rewarded with bonus federal funds, and those that fail to move set percentages of recipients into employment (not education or job training) will be penalized. No federal funds can be used to provide assistance to immigrants or to teen parents who live independently.

Some of the more complex aspects of the new legislation concern the interface between the TANF cash assistance program and the other benefits that welfare recipients have typically received. States may offer child care assistance to parents participating in work activities, although such assistance is no longer guaranteed. States may not penalize parents with children under six who fail to work because they lack child care, although these families will still face the time limits on receipt of TANF assistance.[21] Eligibility for Medicaid is not linked to TANF eligibility, as it was to AFDC, although states are required to provide Medicaid to families who meet the state's 1996 AFDC eligibility guidelines. Food stamps will continue to be provided by the federal government to those who meet nationwide income criteria, although significant funding cuts were made in the Food Stamp Program.[20]

Conclusion

The cash assistance and eligibility for additional benefits that AFDC offered to poor families with children lifted few poor children out of poverty, yet the program did provide a guarantee of minimal income to those families who qualified for it. Public perceptions to the contrary, the program was used by a small fraction of the nation's population and constituted an even smaller proportion of federal and state budgets. Nevertheless, it fell into disfavor, and authority to design welfare programs was passed to the states.

How states will use this new authority will not be clear for some time. Some are likely to maintain innovative welfare-to-work programs they have already launched, while others may continue providing basic cash assistance as they did under AFDC. States also have the opportunity to seize on the relaxed federal mandates either to establish welfare policies with more stringent eligibility criteria and decreased benefit levels or to provide incentives and supports designed to promote family independence. Whatever direction they choose, as states reinvent their welfare programs, they will draw on the lessons that policymakers derive from 35 years of experience with the AFDC program and the welfare-to-work initiatives conducted under its umbrella.

1. U.S. House of Representatives, Ways and Means Committee. *Overview of entitlement programs: 1994 green book.* Washington, DC: U.S. Government Printing Office, 1994, p. 324.
2. See note no. 1, U. S. House of Representatives, p. 409, Table 10-31.
3. Larin, K.A., and Porter, K.H. *Enough to live on: Setting an appropriate AFDC need standard.* Washington, DC: Center on Budget and Policy Priorities, 1992.
4. See note no. 1, U.S. House of Representatives, pp. 366–67, Table 10-11.
5. See note no. 1, U.S. House of Representatives, pp. 375–77, Table 10-14.
6. See note no. 1, U.S. House of Representatives, p. 415, Table 10-33.
7. See note no. 1, U.S. House of Representatives, pp. 366–67, Table 10-11.
8. See note no. 1, U.S. House of Representatives, p. 416, Table 10-34.
9. See note no. 1, U.S. House of Representatives, p. 401, Table 10-27.
10. Pavetti, L.A. Who is affected by time limits? In *Welfare reform: An analysis of the issues.* I.V. Sawhill, ed. Washington, DC: Urban Institute Press, 1996, pp. 31–34.
11. See note no. 1, U.S. House of Representatives, pp. 450–51, Table 10-50.
12. See note no. 1, U.S. House of Representatives, p. 399, Table 10-26.
13. See note no. 1, U.S. House of Representatives, p. 1255, Table J-6.
14. Caseloads in many states have fallen since 1994, significantly in some instances, reflecting the effects of the economic recovery and perhaps the impact of state welfare reforms. See R. Pear. Most states find welfare targets well within reach. *New York Times*, September 23, 1996, at A1.
15. The federal government and the states shared the costs of the AFDC program according to a formula that increased federal funds to states with low per capita incomes. The federal share ranged from 80% to 50%.
16. See note no. 1, U.S. House of Representatives, pp. 324–25, Table 10-1.
17. See note no. 1, U.S. House of Representatives, p. 378, Table 10-15.
18. Ritchie, S. *Welfare spending in state budgets.* Albany, NY: Center for the Study of the States, Rockefeller Institute of Government, April 1995, p. 24.
19. Hernandez, R. For states, complications only begin when the welfare bill is signed. *New York Times*, August 22, 1996, at B1.
20. Super, D.A., Parrott, S., Steinmetz, S., and Mann, C. *The new welfare law.* Washington, DC: Center on Budget and Policy Priorities, August 14, 1996.
21. Center for Law and Social Policy. *A summary of key child care provisions of H.R. 3734: The Personal Responsibility and Work Opportunity Reconciliation Act of 1996.* Washington, DC: Center for Law and Social Policy, August 1996.