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AN INTRODUCTION TO TANF

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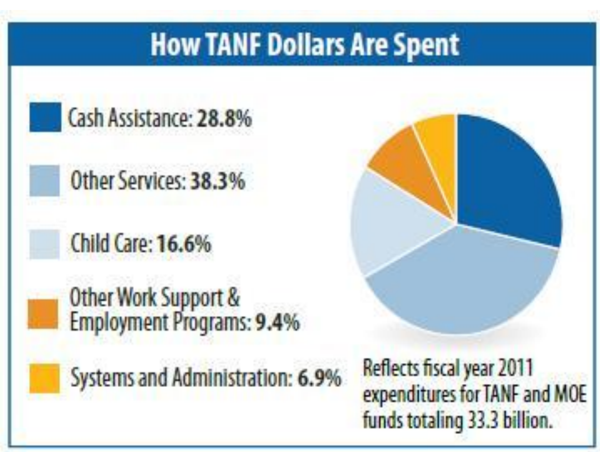
What Is TANF?

Congress created the Temporary Assistance for Needy Families (TANF) block grant through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, as part of a federal effort to "end welfare as we know it." TANF replaced Aid to Families with Dependent Children (AFDC), which had provided cash welfare to poor families with children since 1935.

Under TANF, the federal government provides a block grant to the states, which use these funds to operate their own programs. In order to receive federal funds, states must also spend some of their own dollars on programs for needy families (they face severe fiscal penalties if they fail to do so). This state spending requirement, known as the "maintenance of effort" (MOE) requirement, replaced the state match that AFDC had required.

States can use federal TANF and state MOE dollars to meet any of the four goals set out in the 1996 law: "(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families."



States have used their TANF funds for a variety of services and supports, including: income assistance (including wage supplements for working-poor families), child care, education and job training, transportation, aid to children at risk of abuse and neglect, and a variety of other services to help low-income families. Since the four TANF goals are extremely general, states can use TANF funds much more broadly than the core welfare reform areas of providing a safety net and connecting families to work; some states use a substantial share of funding for these other services and programs.

The 1996 law authorized TANF funding through federal fiscal year 2002. After several short-term extensions, Congress reauthorized TANF for another five years in the Deficit Reduction Act of 2005 and made some modifications to the program. Since October 2010, Congress has extended TANF several times and recently authorized it through March 27, 2013.

What TANF Funding Do States Receive?

The federal TANF block grant and state MOE contributions are the primary sources of funding for state TANF programs. The basic TANF block grant has been set at $16.5 billion each year since 1996; as a result, its real value has fallen by 30 percent due to inflation.

As noted above, states must spend state funds on programs for needy families as a condition of receiving the federal TANF block grant. The amount states must spend is set at 80 percent of their 1994 contribution to AFDC-related programs. (In some cases this requirement can be reduced to 75 percent.) In 2011 states spent roughly $15 billion in MOE funds (also referred to as state TANF funds). The amount states are required to spend (at the 80 percent level) in 2011 is about half of the amount they spent on AFDC-related programs in 1994, after adjusting for inflation.

Some additional federal funds are also available to some or all states for specific purposes:

- The Deficit Reduction Act provided $150 million per year to support programs designed to promote healthy marriages or responsible fatherhood.
- When Congress created TANF in 1996, it also created a $2 billion Contingency Fund to help states weather a recession. States did not use the fund much until the recent recession, but about half of the states have received contingency funds for one or more years since 2008. Since 2010, the Contingency Fund has been inadequately funded and has run out of money early in each fiscal year. As a result, states have received only a portion of the annual allocation for which they would otherwise qualify.
- The 1996 law also created supplemental grants for 17 states with high population growth or low block grant allocations relative to their needy population. Congress continued these supplemental grants each year until 2011, when it only partially funded them; in 2012 Congress provided *no* supplemental grant funding.
- In the 2009 Recovery Act (sometimes referred to as the "stimulus" bill), Congress created a temporary Emergency Fund to assist states that face increases in caseloads or certain program costs during the economic downturn. Congress appropriated $5 billion to the Emergency Fund for 2009 and 2010, which states fully used by the time the fund expired in September 2010.

Who Is Eligible for TANF?

States have broad discretion to determine eligibility for TANF and benefits and services. In general, states must use TANF funds to serve needy families with children (initiatives to reduce nonmarital childbearing and promote marriage can provide some types of services to persons who are not needy or parents). A state can set different eligibility limits for different TANF programs or services; for example, it can limit TANF cash assistance to very poor families while providing TANF-funded child care or transportation assistance to working families with somewhat higher incomes.

Similarly, with regard to cash assistance programs, each state makes its own policy choices about criteria such as: benefit levels, how to determine financial need (treatment of income and assets), work-related activities required of applicants and recipients, sanctions imposed for failure to comply, and time limits.

While states can make their own choices on eligibility for cash assistance or their use of TANF and MOE funds, some restrictions flow from federal law. Key ones include:

- **Time limits.** While states can set their own time limit policies, they cannot provide cash assistance from federal TANF funds for longer than 60 months (consecutive or not) to a family that includes an adult recipient; however, states can exceed the 60 month limit for up to 20 percent of their caseload based on hardship. Federal law does not impose a time limit on families receiving assistance funded entirely with state MOE funds.

  Most states have set time limits of five years on TANF- and MOE-funded assistance, though time limits in about one-third of the states are shorter. States generally provide exceptions and exemptions for some groups of families meet specific criteria, allowing them to receive assistance beyond the time limit Some states continue benefits to the children in a family even after the parent reaches the time limit.

- **Immigrant eligibility.** Federal law bars states from using federal TANF dollars to assist most legal immigrants until they have been in the United States for at least five years. This restriction applies not only to cash assistance, but also to TANF-funded work supports and services such as child care, transportation, and job training. A substantial percentage of poor children have non-citizen parents who are ineligible for TANF benefits and services.

  States can use state MOE funds to provide benefits to recent immigrants who are subject to the five-year bar, but fewer than half do so. States can also choose whether to assist legal immigrants not subject the five-year bar (because they arrived before the 1996 law or have been in the country for at least five years) and nearly all states do so. Neither federal nor state TANF funds can be used for undocumented immigrants.

What Are TANF's Work Requirements?

States must require recipients to engage in work activities and must impose sanctions (by reducing or terminating benefits) if an individual refuses to participate. States can set their own sanction policies, and nearly all states have chosen to use "full-family" sanctions that terminate benefits to the entire family if a parent fails to meet the work requirements.

States can set their own policies on who must participate in work activities and what an individual must do. Their decisions, however, are heavily influenced by the federal TANF Work Participation Rates, which are measured in accordance with detailed provisions of federal law; states that do not meet the work rates face a fiscal penalty. While a state may choose to allow a family to participate in activities that do not count toward the federal work rates and can spend federal (or state) TANF funds to support activities that do not count toward the rates, states will be less likely to do so if it may prevent them from meeting the federal work rates.

For a state to meet the federal work rates, half of the families receiving TANF assistance must be engaged in a work activity for at least 30 hours a week (20 hours a week for single parents with young children). States also must have 90 percent of *two-parent* families engaged in work, generally for 35 hours per week. States can get credit against the 50 percent or 90 percent rates for recent declines in their assistance caseload; this is known as the "caseload reduction credit." Changes in the Deficit Reduction Act of 2005 (DRA) and subsequent federal regulations effectively increased states' work requirements and made it more difficult for states to meet the federal work rates.

The 1996 law sets forth 12 categories of work activities that can count toward the work rates; the parameters for each activity are shaped by definitions set by post-DRA federal rules. Nine of these 12 categories are core categories that can count toward any hours of participation; participation in the three non-core categories can only count if the individual also participates in core activities for at least 20 hours per week (30 hours for two-parent families).

The nine **core** activities are:

- Unsubsidized employment;
- Subsidized private-sector employment;
- Subsidized public-sector employment;
- Work experience;
- On-the-job training;
- Job search and job readiness assistance;
- Community service programs;
- Vocational educational training (for up to 12 months); and
- Providing child care services to an individual who is participating in a community service program.

The three **non-core** activities are:

- Job skills training directly related to employment;
- Education directly related to employment;
- Satisfactory attendance at secondary school or in a course of study leading to a GED.

Federal law includes additional rules on when certain activities can count toward the federal work rate. For example, an individual's participation in job search or job readiness activities can only count for six weeks in a year (12 weeks in hard economic times) and for four consecutive weeks. In addition, no more than 30 percent of the families that a state counts toward its federal work rates may do so through participation in vocational educational training or, for parents under age 20, school attendance or education directly related to employment. (Under a special rule, secondary or GED-related school attendance or education directly related to employment can count as participation for parents under age 20 even if it would otherwise be a noncore activity that can only count after 20 hours per week of core participation.)

How Has TANF Performed?

Some policymakers have pointed to TANF as a model for reforming other programs, but the facts suggest otherwise. TANF provides a greatly weakened safety net that does far less than AFDC did to alleviate poverty and hardship.

TANF's early years witnessed unprecedented declines in the number of families receiving cash assistance — and unprecedented *increases* in the share of single mothers working, especially those with less than a high school education. But since then, as the economy has weakened, nearly all of the employment gains have disappeared, and TANF caseloads have responded only modestly to increased need during the deep economic downturn that started in 2007.

The national TANF caseload has declined by 60 percent over the last 16 years, even as poverty and deep poverty (i.e., income below half the poverty line) have worsened. The poverty rate among families fell in the late 1990s, when the economy was booming and unemployment was extremely low, but started rising in 2000 and now exceeds its 1996 level. The increase in deep poverty has been especially large: the number of families in deep poverty rose by 13 percent between 1996 and 2009, from 2.7 million to 3 million.

Because TANF reaches so many fewer families than AFDC did, it provides substantially less protection against poverty and deep poverty. In 1996, 68 families received TANF for every 100 families in poverty; in 2011, only 27 families received TANF for every 100 families in poverty.

While employment rates improved significantly among single mothers in TANF's early years, they started declining more than a decade ago. The share of never-married mothers with a high school education or less who were employed jumped from 51 percent in 1992 to a high of 76 percent in 2000, but by 2011, it had fallen back to 54 percent, the same level as in 1997. And, although the sharp improvement in employment among single mothers in the 1990s is often attributed to welfare reform, research has shown that other factors — especially a very strong labor market (with unemployment as low as 4 percent) and the Earned Income Tax Credit (EITC) — were far more important.

In addition, while some of the families that left the TANF rolls went to work, many others left because they were terminated due to time limits or sanctions for failing to comply with program requirements. Research has shown that these families often have barriers to employment that can impede their ability to meet the state's expectations, such as: mental and physical impairments; substance abuse; domestic violence; low literacy or skill levels; learning disabilities; having a child with a disability; and problems with housing, child care, or transportation. TANF has, for the most part, failed this group of families — many of whom have become disconnected from both work and welfare — by providing them with neither a reliable safety net nor employment assistance that adequately addresses their employment barriers.

TANF's response to the recession demonstrated just how weak a safety net it has become. Caseloads rose by just 16 percent before peaking in December 2010, while the number of unemployed grew by 88 percent during the same time period. TANF caseloads then fell by 5 percent over the course of 2011 even though unemployment remained at or above 8.5 percent.

Looking Ahead

TANF is overdue for reauthorization, which will give Congress an opportunity to revisit and improve the TANF block grant. Key issues to address are:

- **Strengthening federal funding levels and the Contingency Fund.** As noted, the TANF block grant has been flat for 16 years and has shrunk 30 percent in real (inflation-adjusted) dollars. Moreover, supplemental grants for 17 mostly poor states, which were part of the original TANF deal, have not been funded since 2011. And the Contingency Fund, which Congress created to meet additional needs during hard economic times, is inadequately funded and poorly designed; for example, its complex requirements discourage many states that are facing significant hardships from using the fund..

- **Better targeting federal and state TANF funds.** Many states spend a substantial share of their state and federal TANF funds in areas outside of the core purposes of welfare reform. Given the constrained fiscal environment, Congress should take steps to ensure that TANF funds are targeted to promoting and supporting work and providing a safety net to needy families.

- **Making TANF a more effective work program.** Congress can help states improve their work programs, particularly by helping parents prepare for jobs that require more education or training than many TANF recipients now have. In addition, changes in federal law could encourage states to do more to help families with significant barriers to employment.

- **Making TANF a more effective safety net.** TANF's safety net role has weakened significantly over time. It does not have to be this way. Congress can take steps to encourage states to serve families in need, both by rewarding them for providing a strong safety net and by changing provisions that discourage states from serving families with the most significant employment needs who have the most to gain from the employment and support services that TANF is supposed to provide.