

November 3, 2015

## **TANF Reauthorization: House Ways and Means Committee Discussion Draft of July 10, 2015**

The Temporary Assistance for Needy Families (TANF) block grant provides grants to states, tribes, and the territories for a wide range of benefits and services that seek to address the effects of and root causes of child poverty and economic disadvantage. It and related programs providing mandatory child care funding and responsible fatherhood and healthy marriage grants have been operating on annual “temporary extensions” since 2010.

On July 10, 2015, the House Ways and Means Committee released a “discussion draft” bill that would fund TANF and certain related programs through FY2020. It would also make other changes to TANF policies.

### **TANF Purpose and Goals**

Under current law, TANF’s purpose is to increase state flexibility to achieve four statutory goals: (1) provide assistance for needy families so that children may remain in their own homes; (2) end dependence of needy parents on government benefits through work, job preparation, and marriage; (3) reduce out-of-wedlock pregnancies; and (4) promote the formation and maintenance of two-parent families. The discussion draft would add a fifth statutory goal: reduce poverty by increasing employment entry, retention, and advancement.

### **TANF Funding**

For FY2015, TANF provides grants to states in its basic block grant (national total \$16.5 billion) and contingency funds (\$583 million). In addition to federal funds, TANF requires states to spend a minimum of \$10.4 billion per year in their own funds on TANF or TANF-related programs. This is known as the state maintenance of effort requirement (MOE).

The discussion draft would extend the TANF basic block grant through FY2020. The grants to states would be reduced slightly to reserve funding for TANF research and technical assistance. In addition, beginning in FY2018 a portion of each state’s grant would be reserved, and paid only if the state met certain employment outcome performance standards. The discussion draft would end the TANF contingency fund, replacing it with an Opportunity Fund (discussed below). The MOE requirement would be maintained under the discussion draft.

### **Uses of TANF Funds**

States have broad leeway in determining how they use federal TANF funds and what state expenditures may count toward the MOE requirement. States determine which families are “needy” for purposes of both their TANF cash assistance programs and the other TANF benefits and services. Further, TANF may fund activities related to the

statutory goals to reduce out-of-wedlock pregnancies and promote two-parent families without a needs-test.

The discussion draft would impose a needs-test for all TANF funds, set at 200% of the federal poverty level. It would phase-in a prohibition on counting toward the MOE donated third-party expenditures (i.e., the value of TANF-related expenditures made by non-governmental entities in a state). The discussion draft leaves further restrictions on TANF’s use of funds as an open issue.

Current law permits states to transfer up to 30% of TANF funding to the Child Care and Development Block Grant (CCDBG) and the Social Services Block Grant (SSBG). The discussion draft would also allow states to transfer up to 10% of TANF funds to child welfare services provided under Title IV-B of the Social Security Act, while maintaining the total transfer limit for all three programs at 30% of the total block grant. Under current law, individuals served by TANF funds transferred to the SSBG must have incomes below 200% of poverty. The draft would expand this restriction to children and families served by TANF transfers to the CCDBG, but would not similarly restrict TANF transfers to child welfare programs.

### **Work Requirements**

Because TANF is a block grant, federal TANF requirements apply to states rather than individual recipients. Most TANF debates on work requirements focus on performance measures that apply to states. Under current law, state performance is measured based on the percentage of their cash assistance families on the rolls who are engaged in work or work-related activities. The discussion draft would revise these rules for measuring engagement in activities for those on the rolls, and would also establish a new performance system to measure work and earnings after families have left the rolls.

Current law requires that states have a specified percentage of their families on the rolls engaged in work or work-related activities, with the statute setting target standards of 50% for all families and 90% for two-parent families. However, these targets are reduced by credits for (1) caseload reduction; and (2) families aided by state spending beyond what is required under the MOE. In FY2012, the effective, after-credit target standards ranged from 0% (4 states) to 50% (10 states and Guam). A state’s effective target standard is compared with its actual work participation rate (WPR). A state’s WPR represents the percentage of its cash assistance families engaged in work or job preparation activities for at least a minimum number of hours per week. The rules for computing the WPR emphasize work or participation in work-related activities;

participation in pre-employment activities such as education and training, job search, and job readiness is limited. A state with a WPR that does not meet or exceed its effective (after-credit) target is at risk of a reduction in its TANF block grant.

The discussion draft would eliminate the 90% two-parent standard. It would also eliminate the credits states may receive that reduce their target standards, which would raise the effective all-family standard to 50% for all states regardless of their caseload reduction or excess state spending. The discussion draft would also ease some restrictions on counting pre-employment job preparation activities in computing the WPR, particularly by expanding the ability of states to count education, training, job search, rehabilitative, and “soft skills” activities. It would provide partial credit to states for families engaged in activities for fewer hours than required for full credit.

The discussion draft would require states to track the employment and earnings of those who left TANF for one year after exit. It would measure the percentage of TANF leavers employed at two and four calendar quarters after exit, as well as the earnings change between those two quarters. States would negotiate the performance standards for these measures with the Department of Health and Human Services (HHS). A portion of the state’s basic block grant would be reserved beginning in FY2018, and paid only if the state met these negotiated performance measures.

In addition to changing performance measures, the discussion draft would require states to have an individualized opportunity plan in place for its adult recipients and periodically review progress under that plan. Under current law, the development of an individualized plan is a state option.

## Demonstration Projects

Under current law, states may conduct demonstration projects and have certain federal requirements waived to conduct them. In July 2012, HHS said it would consider state applications for waivers of the TANF work participation performance measures to conduct such demonstrations. The discussion draft would prohibit HHS from waiving federal requirements with respect to the work participation performance measures.

The discussion draft would establish specific demonstration projects within a new Opportunity Fund (totaling \$608 million per year). Under the discussion draft, states could conduct demonstrations on intensive case management for TANF cash assistance recipients; subsidized employment; social impact partnerships; two-generation interventions; and training for in-demand jobs.

## Responsible Fatherhood and Healthy Marriage

In addition to basic TANF funds, current law authorizes competitive grants (mostly to community-based organizations) to promote healthy marriage and responsible fatherhood initiatives. The Healthy Marriage Promotion and Responsible Fatherhood grants program was established in 2006, with about \$100 million annually for healthy marriage promotion and \$50 million annually for responsible fatherhood activities (for each of FY2006-FY2010). Beginning with FY2011, federal law has specified that the \$150 million in annual funding for the grants be split equally between healthy marriage and responsible fatherhood activities.

The discussion draft would extend funding for the grants through FY2020. It would expand the definitions of healthy marriage and responsible fatherhood activities and require that an increasing percentage of total grant funding be used on the development and implementation of evidence-based healthy marriage promotion and responsible fatherhood programs. Like current law, the \$150 million annual appropriation would be divided equally between healthy marriage and responsible fatherhood activities.

## Child Care

In addition to basic TANF funds, current law separately authorizes and directly appropriates mandatory funding for the Child Care Entitlement to States (CCES). The CCES was last reauthorized by the Deficit Reduction Act of 2005 (P.L. 106-171), which established an annual funding level of \$2.9 billion through FY2010. Since then, the CCES has been funded at the same level by a series of short-term extensions. The discussion draft would extend CCES funding at \$2.9 billion through FY2020.

Current law requires CCES grants to be integrated, at the state level, with discretionary allotments from the CCDBG and to be spent according to CCDBG act rules. The CCDBG was reauthorized through FY2020 by the CCDBG Act of 2014 (P.L. 113-186). Among many other changes, the 2014 reauthorization law amended the CCDBG allocation formula by establishing new reservations for training and technical assistance, as well as research, demonstrations, and evaluation. The reauthorization law also allowed for increases in the reservation for tribes and tribal organizations under certain circumstances. The discussion draft includes no such revisions to the CCES allocation formula.

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