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# Temporary Assistance for Needy Families and Related Programs: The President's FY2017 Budget Proposal

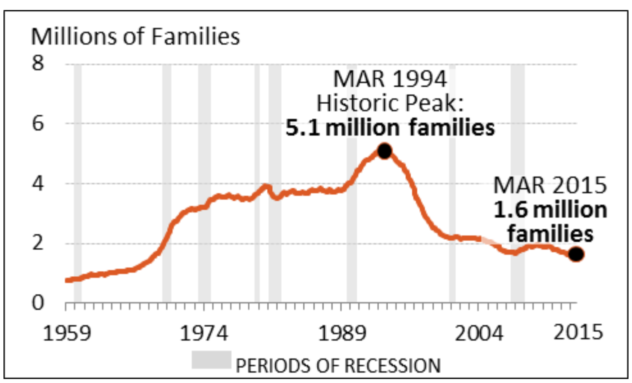
## Introduction

Temporary Assistance for Needy Families (TANF) is a broad-purpose block grant to states, Indian tribes, and certain territories to address the effects and root causes of child economic and social disadvantage. It was created in the 1996 welfare reform law and is best known for helping states finance their cash assistance programs for low-income families with children, but there is broad discretion in how funds are spent. President Obama's Fiscal Year (FY) 2017 budget proposes an increase in TANF funding from current levels and a number of other policy changes. This report provides some background on TANF and a description of the President's FY2017 budget proposals for TANF and related programs.

## Background

The debates preceding the 1996 law focused on whether providing cash assistance, mostly to single mothers, created "welfare dependency," lessened work effort, and led to an increase in the number of children living in single parent families. (Research generally confirmed lessened work effort; results were more mixed for the impact of welfare on family structure). In March of 1994, the cash assistance rolls had reached their historic peak of 5.1 million families. Following the enactment of the 1996 law, the cash assistance caseload declined rapidly, reaching levels that had not been seen since the 1960s (see **Figure 1**). The caseload rose slightly in response to the recession, but then fell to stand at 1.6 million families in March 2015.

**Figure 1. Number of Families Receiving Cash Assistance: 1959-2015**




**Source:** Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).
**Notes:** Shaded months denote periods of recession.

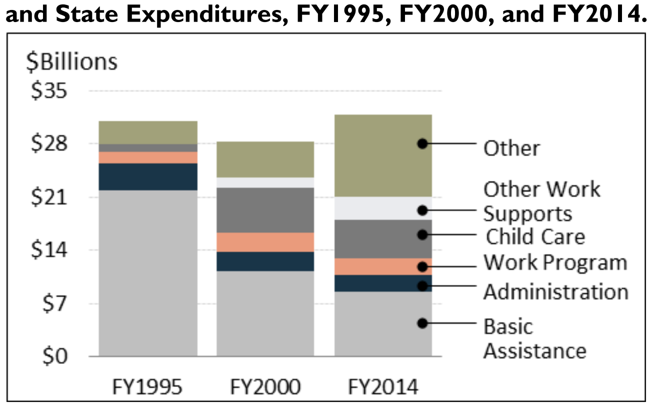
The decline in the caseloads in the late 1990s occurred during a period of declining child poverty. Child poverty began to increase after 2000 (even before the 2007-2009 recession). Despite this, the cash assistance caseload continued to fall.

### TANF Financing

The 1996 welfare reform law "froze" federal and state funding for TANF. The federal block grant is based on federal funding for TANF's predecessor programs in the early to mid-1990s and totals $16.5 billion per year for the 50 states and the District of Columbia; the required minimum amount of state spending, under what is known as the "maintenance of effort" (MOE) provision, is 75% of what states spent in FY1994. The minimum state MOE dollar amount is $10.4 billion per year. The 1996 law also established a "contingency fund" to provide extra funding in the event of a recession. Basic TANF funding has not been adjusted for changes in circumstances (inflation, child poverty, cash assistance caseload) that have occurred since the enactment of the 1996 law. Further, the contingency fund has not always responded to changes in economic conditions. (See CRS Report R44188, *Temporary Assistance for Needy Families (TANF): Financing Issues*.)

In the years after welfare reform, states shifted TANF funding from cash assistance to other types of benefits and services (**Figure 2**). From FY1995 to FY2014, the share of expenditures on basic (cash) assistance fell from $22.8 billion (71% of the total) to $8 billion (26% of the total). Some expenditures were shifted to increase the amount spent on child care and work activities and supports. However, in FY2014, $11 billion (34% of total expenditures) were in the broad "other" category which included services such as pre-kindergarten programs; programs for disadvantaged youth; and benefits and services for families with children who have suffered, or are at risk of, abuse and neglect.

**Figure 2. TANF and Predecessor Program Federal and State Expenditures, FY1995, FY2000, and FY2014.**




**Source:** Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS).

### TANF and the Federal Budget

In FY2015, federal outlays for TANF totaled $16.7 billion, or 0.5% of total federal outlays. Under federal budget rules, TANF is a mandatory spending program. Federal authorizing law entitles states to a specific grant based on a formula in law. (TANF is not an entitlement to individuals or families.)

As a mandatory spending program, TANF is subject to "pay as you go" rules. Spending increases or decreases are measured from a budget "baseline." For TANF, this baseline represents the dollar amount of the basic block grant plus the current year's funding for the contingency fund. Like the block grant itself, the baseline for TANF contemplates no increases for inflation, caseloads, population growth, etc. The "pay as you go" rules require any proposed increases in TANF spending beyond the baseline to be offset by corresponding reductions in other mandatory spending and/or increases in federal revenues. Those costs are measured over a 5-year and 10-year period for the purposes of those rules.

## The President's FY2017 Budget Proposal

President Obama's FY2017 budget proposes to (1) increase funding for the basic block grant; (2) create a new "TANF economic response" fund to provide counter-cyclical funding in the event of a future recession; (3) re-purpose some existing funds to provide TANF grants for subsidized employment programs and two-generation demonstration grant programs; and (4) make policy changes to TANF.

### Basic Block Grant Funding

The President's budget proposes what would be the first increase in basic TANF block grant funding in 20 years. For FY2017, funding for basic block grants would be increased by $750 million. Funding would incrementally increase through FY2021, when it would be $2.250 billion above current levels in that year. Based on budget documents, this increase would be temporary and in FY2022 grants would revert to their current policy level. The Administration estimates the cost of the increase in the basic block grant at $8 billion over the 10-year budget window, FY2017 to FY2026 ($7.2 billion in the first five years).

How much each state would receive from these funding increases would depend on the allocation of funds among the states. The Administration does not specify a formula for allocating new funds, saying it hopes to work with Congress on this. Required state spending under the TANF MOE would increase along with federal block grant funds. Indian tribes, whose funding comes out of state allocations, would also see their grants increase in proportion with the increase in state allocations.

### Economic Response Funds

The FY2017 budget proposes a "TANF economic response fund" of $2 billion. The fund would be available to states with high rates of unemployment, and would be based on expenditure increases for basic assistance, non-recurrent short-term benefits, and subsidized employment. This is essentially patterned after the temporary "Emergency Contingency Fund" that was in place for FY2009 and FY2010. (See CRS Report R41078, *The TANF Emergency Contingency Fund*.) The President's budget estimates spending increases from this proposal would total $636 million over 10 years, all of which would be in the first five years. However, in the event of an economic downturn, all $2 billion would be available to states.

### Subsidized Employment and Two-Generation Demonstration

The budget proposes to fund new "pathways to employment" grants to states to operate subsidized employment programs ($473 million per year); and a demonstration project to test "two-generation initiatives" that provide services to both parents and children ($100 million per year). The cost of these initiatives would be offset by repealing the current contingency fund.

### Policy Changes

The President's budget also proposes a number of TANF policy changes, many of which were subject to discussion during bipartisan negotiations leading to the release of draft legislation by the House Ways and Means Committee in the summer of 2015. (See CRS In Focus IF10315, *TANF Reauthorization: House Ways and Means Committee Discussion Draft of July 10, 2015*.) The committee and Congress have not acted on these proposals as of the date of this report. The policy changes that the Administration proposes include requiring a minimum amount of TANF and MOE funds to be spent on "core activities" (basic assistance, work activities, and child care); prohibiting states from counting donated "third party" (non-state) expenditures toward the TANF MOE; requiring that all TANF funds be spent on families with incomes of 200% of poverty or below; altering TANF performance measurement related to welfare-to-work activities; providing states with the flexibility to create individualized approaches with families; giving states the flexibility to coordinate with programs under the Workforce Investment and Opportunity Act (WIOA); and extending the health and safety requirements of the Child Care and Development Block Grant to TANF-funded child care.

### Related Programs and Initiatives

The President's budget also proposes $2 billion over 5 years to fund pilot programs testing strategies that provide emergency aid to families facing an economic distress. These strategies may include short-term financial assistance and connection to longer-term supports. In addition to the proposals discussed above, the President's FY2017 budget would increase funding for state child care programs, with additional dollars targeted to children aged 0-4; reauthorize the Assets for Independence Program (AFI), a demonstration that tests initiatives to provide individual development accounts to low-income families, with some new pilot programs such as child savings accounts; establish a pilot program to provide low-income families assistance in purchasing diapers; and expand the Earned Income Tax Credit (EITC) for "childless" workers, including noncustodial parents.

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