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The Temporary Assistance for Needy Families (TANF) Block Grant

Introduction

The Temporary Assistance for Needy Families (TANF) block grant was created in the 1996 welfare reform law (the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, P.L. 104-193). That law was the culmination of a series of legislative changes that altered the rules for providing benefits and services to needy families with children.

Brief History

Public cash assistance to needy families with children has its origin in the early 1900s state and locally financed "mother's pension" programs that aided single mothers (often widows) so that children could be raised in their own homes rather than institutionalized. The Social Security Act of 1935 provided federal funding for these programs with the explicit goal to aid mothers so they would not have to work and could stay home to raise their children.

Post-1935 changes altered the context in which programs for needy families with children operated. In 1939, survivors' benefits were added to Social Security, providing benefits to widows and their children. The increase in labor force participation among married mothers altered views about whether government should aid single mothers to stay at home. Families with children whose fathers were alive but absent comprised more of the public cash assistance caseload. The caseload also became more nonwhite. Cash assistance to needy families with children became among the most controversial of social programs, particularly beginning in the late 1960s as the cash assistance caseload had its first large increase. "Welfare reform" was debated across four decades, ultimately leading to the 1996 welfare reform law.

The TANF Block Grant

The TANF block grant's overall purpose is to "increase the flexibility of states" to meet four statutory goals: (1) provide assistance to needy families so that children may remain in their homes; (2) reduce dependency 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 1996 welfare reform law and the creation of TANF altered the federal rules that applied to states for their cash assistance programs. It also established a broad-purpose block grant that provides funds to states to address both the effects and root causes of childhood economic disadvantage.

Federal Grants and State Funds

TANF provides grants to the 50 states, District of Columbia, Puerto Rico, Guam, and the Virgin Islands. American Indian tribes may also operate their own TANF programs with federal dollars. The bulk of TANF funding is in a basic block grant of $16.5 billion per year. Every year, each state receives a fixed grant based on how much it received in federal funding in the pre-1996 cash assistance and related programs during the early- and mid-1990s. Tribes also may receive grants based on mid-1990s expenditures.

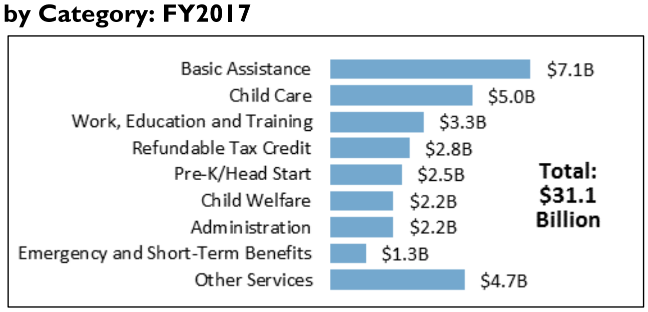
The TANF block grant has not been increased since the enactment of the 1996 welfare law. There has been no adjustment for inflation or population change. During TANF's history, states have at times received TANF funds in addition to the basic block grant. For FY2019, the only additional funding to states for TANF is through the TANF contingency fund.

In addition to federal funding, states are required to expend a minimum amount of their own funds on the TANF-related population and TANF-related programs (a total minimum of $10.3 billion per year.) This amount is also based on historical expenditures in pre-TANF programs and is known as the "maintenance of effort" (MOE) requirement. Some states spend more than the minimum.

Use of TANF Funds

States may use federal block grant and MOE funds in any manner that is "reasonably calculated" to achieve TANF's statutory purpose and goals. States have used TANF funds for a wide range of benefits and services. In FY2017, a total of $31.1 billion was spent by states from federal TANF and state MOE funds. TANF assistance, which includes the monthly cash benefits often called "welfare," totaled $7.1 billion, which was 23% of total TANF federal and state MOE funds. In addition to assistance, TANF contributes to state funds used for work and training programs, child care, pre-kindergarten programs, programs to provide services to children who have been abused and neglected or are at risk of it, and other services (youth activities, responsible fatherhood and healthy marriage promotion).

Figure 1. Uses of Federal TANF and State MOE Funds by Category: FY2017



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

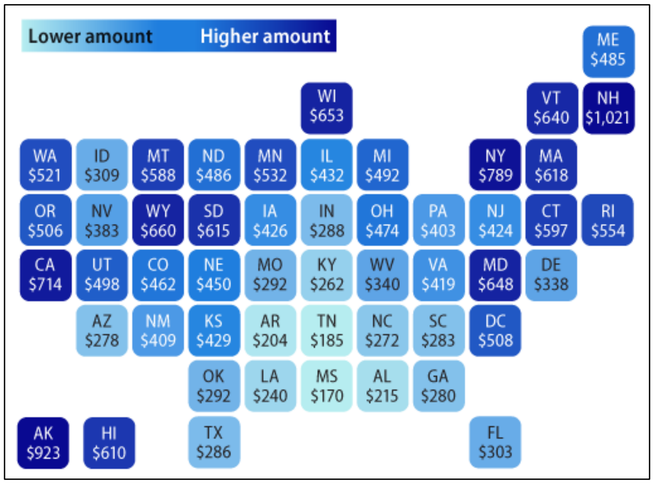
State TANF Cash Assistance Programs

Federal law requires that a family aided by TANF cash assistance have a dependent child, and limits federally funded aid to families with an adult recipient to five years. States set most TANF rules that apply to recipient families.

States determine the TANF benefit amounts. In July 2017, the maximum monthly benefit for a single-parent family of three ranged from $1,021 in New Hampshire to $170 in Mississippi. There is a regional pattern to these maximum benefits; they are lowest in the South.

Figure 2. Maximum Monthly TANF Cash Assistance Benefit by State, July 2017

For a Single-Parent Family with Two Children

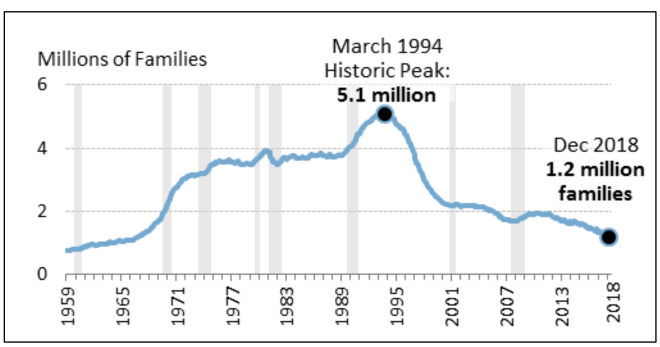


Source: Congressional Research Service (CRS), based on data from the Urban Institute's Welfare Rules database.

Trends in the Assistance Caseload

In December 2018, a total of 1.2 million families received TANF assistance. This compares with the historical peak in receipt of assistance under TANF's predecessor program in March 1994 of 5.1 million families. The number of families that received assistance in December 2018 is the lowest since February 1967.

Figure 3. Number of Families Receiving Assistance, 1959-2018



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

Most of the post-1994 decline in the cash assistance caseload resulted from a reduction in the share of eligible families receiving benefits, rather than a reduction in the number of families meeting states' definitions of being a needy family. In 1995, an estimated 82% of families eligible for cash assistance actually received benefits; in 2016, an estimated 27% of families that met states' eligibility requirements actually received benefits (See CRS In Focus IF10889, *Temporary Assistance for Needy Families: The Decline in the Cash Assistance Caseload*.)

Work Requirements

Current TANF rules for engagement of assistance recipients in work fall within the context of meeting the minimum work participation rate (WPR). The minimum WPR is a performance standard for the state; it does not apply directly to individual recipients. States that do not meet the minimum WPR are at risk of a reduction in their federal TANF funds.

To meet the current TANF work participation standard, states must have 50% of "all families" and 90% of families with two parents either working or engaged in activities. A state may lower these percentages by reducing its caseload. There are rules for what activities count, and minimum hours per week of participation required, for a family to be counted by the state toward meeting its minimum WPR. Work in an unsubsidized job and participation in job preparation activities count toward meeting the standard.

In FY2018, all but one jurisdiction (Montana) had a sufficient share of their caseload either working or engaged in activities to meet TANF's "all families" work standard. Seven jurisdictions failed the two-parent standard. States that met their work standard generally did so through caseload reduction and aiding families who were already working, rather than engaging unemployed recipients in activities. (See CRS In Focus IF10856, *Temporary Assistance for Needy Families: Work Requirements*.) TANF provides assistance to working families either in regular state assistance programs for those with earnings low enough to still qualify, or in special programs designed to provide "earnings supplements" to low-income working parents who have either left regular assistance programs or, in some states, to families without requiring a prior connection to TANF cash benefits.

Issues

Issues that have been raised in recent discussions of TANF include the following:

- Should TANF funding levels or allocation of funds to the states be altered to account for changed circumstances (e.g., inflation, population change)?
- Should TANF dollars support the broad range of activities currently allowable or should they be focused on cash assistance and supporting work?
- Is a sufficient percentage of the caseload engaged in work activities? Do current rules provide sufficient incentive for states to innovate and adopt promising practices in moving cash assistance recipients to work?
- Should states be encouraged to integrate and coordinate TANF with other need-based programs?

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