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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 Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, 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 social insurance 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. Proposals to replace or reform cash assistance for needy families were debated across four decades, ultimately leading to the enactment of PRWORA.

The TANF Block Grant

PRWORA and the creation of TANF altered the federal rules that applied to states for their cash assistance programs. It also consolidated federal funds for public assistance to needy families into a broad-purpose 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) end the 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.

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.

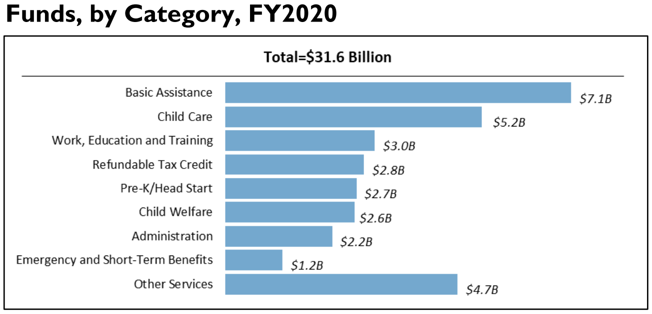
The TANF block grant has not been increased since the enactment of the 1996 welfare law. There has been no adjustment for inflation or population change. From 1997 to 2021, the basic TANF block grant has lost 40% of its value to inflation. During TANF's history, states have at times received TANF funds in addition to the basic block grant. Since 2011, some states have routinely tapped a "contingency fund," that was originally intended to provide extra funding during economic recessions.

In addition to federal funding, states are required to contribute a minimum amount of nonfederal 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. In FY2020, a total of $31.6 billion was spent by states from federal TANF and state MOE funds. TANF basic assistance, including monthly cash benefits to families with children, totaled $7.1 billion. 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 (e.g., youth activities, responsible fatherhood, healthy marriage promotion).

Figure 1. Uses of Federal TANF and State MOE Funds, by Category, FY2020



Source: CRS, based on data from the Department of Health and Human Services. Detail does not add to total because of rounding.

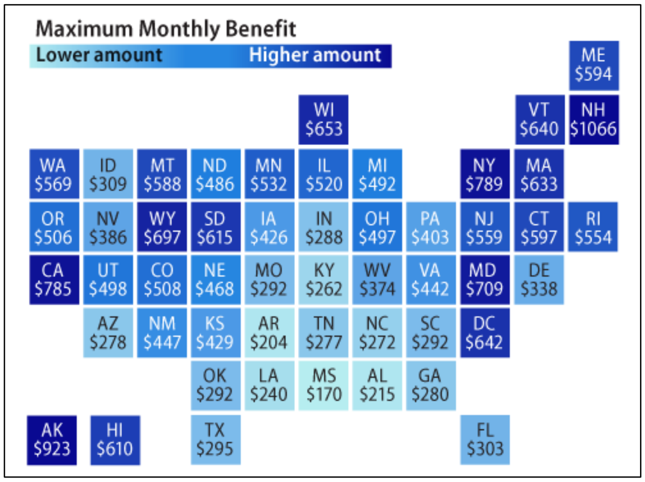
State TANF Cash Assistance Programs

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

States determine the TANF benefit amounts. In July 2019, the maximum monthly benefit for a single-parent family of three ranged from $1,066 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 2019

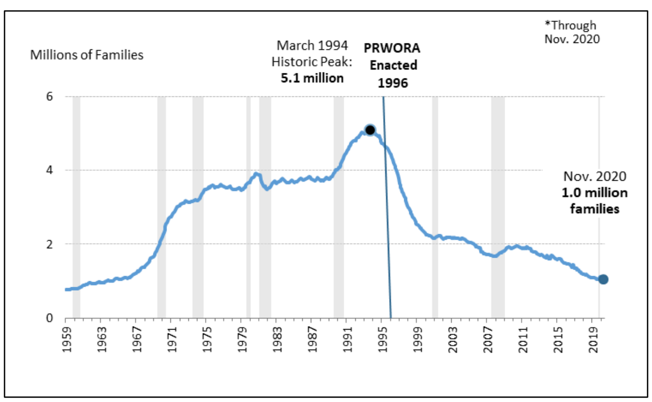
For a Single-Parent Family with Two Children



Source: CRS, based on data from the Urban Institute's Welfare Rules database.

In November 2020, a total of 1.0 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. Fewer families received TANF assistance in November 2020 than in November 2019, prior to the COVID-19 pandemic and its associated economic impact.

Figure 3. Number of Families Receiving Assistance, 1959-2020



Source: CRS, based on data from the Department of Health and Human Services. Shaded months denote economic recessions.

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 1994, an estimated 79% of individuals eligible for cash assistance actually received benefits; in 2017, an estimated 27% of persons in families that met states' eligibility requirements actually received benefits.

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 FY2020, all jurisdictions met the "all families" work standard and all but six met 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.

Issues

The number of families receiving TANF assistance showed little change in 2020, a year of disrupted economic activity because of the COVID-19 pandemic. However, Congress responded to the pandemic outside of TANF through a series of measures to provide cash to households: expanded unemployment insurance, economic impact payments, and an expanded child tax credit. With these measures expired, or scheduled to expire (the child tax credit expansions expire at the end of 2021), the question is whether more families will turn to TANF should the economic impact of the pandemic continue to be felt. The American Rescue Plan Act of 2021 (P.L. 117-2) provided an extra $1 billion in funding for "non-recurrent short-term" aid to families, which is available in FY2022 to address needs that might arise because of the pandemic.

Beyond issues related to the pandemic, issues that have been raised in recent discussions of TANF include whether to alter TANF funding levels or allocation of funds to the states to account for changed circumstances (e.g., inflation, poverty population), change work requirements to prompt states to engage additional unemployed recipients in activities, or make changes to increase the share of eligible families receiving assistance.

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