

The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements

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Gene Falk
Specialist in Social Policy

The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements

The Temporary Assistance for Needy Families (TANF) block grant provides federal grants to the 50 states, the District of Columbia, and the territories (collectively referred to as “states” in TANF), as well as American Indian tribes for a wide range of benefits, services, and activities. It was created in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA; P.L. 104-193). That law ended the cash assistance program for needy families with dependent children and several related programs, folding their funding into the broad-purpose TANF block grant. At the federal level, TANF is administered by the Department of Health and Human Services (HHS). Though PRWORA was enacted almost three decades ago, the legacy of the pre-TANF programs is still present in TANF’s funding and in current issues related to the block grant.

TANF is financed through both federal grants and state dollars. The basic federal grant amount and minimum state amounts are set by law, based on expenditures in the pre-TANF programs in the early- to mid-1990s, and have not been adjusted for inflation or other changes in circumstances. TANF has a basic federal block grant to states and tribes that totals \$16.5 billion. It also requires states to contribute non-federal dollars in what is known as a maintenance of effort (MOE) requirement based on spending in the pre-TANF programs in FY1994.

TANF is not a program per se; rather, it is a set of funding streams used at the state and local levels to provide a wide range of benefits, services, and activities with the general aim of ameliorating the effects, or address the root causes, of childhood economic disadvantage. The benefits, services, and activities funded by federal TANF and state MOE funds represent a broader set of activities, available to a wider population, than what was funded in the replaced cash assistance and related programs. TANF funds child care; refundable tax credits for families; services for children who experienced, or are at risk of, abuse and neglect; pre-kindergarten programs; programs for adolescents; and workforce development for needy adults and older youth, among other activities.

Most of the federal policy around TANF relates to when funds are spent on *assistance*. Federal TANF policy restricts assistance to families with children or families with a pregnant individual who are financially needy. Childless adults and couples are ineligible (unless they are pregnant), though noncustodial parents may be eligible for benefits and services. Assistance is often, but not exclusively, provided in the form of a monthly cash benefit.

The major requirements affecting families receiving assistance are the following:

- **work requirements**, most notably performance standards that *states* must meet, and a requirement that states sanction a family with a member who refuses to work or participate in activities;
- a **five-year time limit** on assistance paid from federal grants to families that have an adult or minor child head of household; and
- **child support requirements**, including assigning (i.e., legally turning over) support collected on behalf of a family receiving assistance, and requiring that the family cooperate in establishing paternity.

States that do not meet requirements related to providing assistance to families are at risk of being penalized through a reduction in their block grant.

Though assistance is limited to families that are financially needy, states and tribes determine the specific financial eligibility rules and benefit amounts. States and tribes also have flexibility in implementing how work requirements and time limits apply to individual recipients.

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Introduction

The Temporary Assistance for Needy Families (TANF) block grant provides federal grants for a wide range of benefits and activities. It was created in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193). That law ended the public assistance program for needy families with dependent children (Aid to Families with Dependent Children [AFDC]) and several related programs, folding their funding into the broad-purpose TANF block grant.

At the federal level, TANF is administered by the Department of Health and Human Services (HHS). TANF programs operate in all 50 states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands. American Samoa is eligible to operate a TANF program, but has not opted to do so.¹ The Social Security Act designates all these jurisdictions as “states,” and thus that term will be used for them in this report.² Federally recognized Indian tribes may also operate TANF programs. Tribal TANF programs are funded through allocations made from the TANF basic block grant to the state in which the tribe offers TANF benefits and services. It is the states and the tribes that provide TANF benefits and services to families and individuals.

This report provides an overview of TANF financing and rules for state programs, describing the following:

- federal TANF grants and state funds under a maintenance of effort (MOE) requirement;
- how federal TANF and state MOE funds may be used to help achieve the purpose and goals of the TANF block grant;
- rules that apply when TANF or MOE funds are used to provide assistance to needy families with children;
- how Indian tribes may operate their own programs; and
- certain accountability requirements, including requirements that states submit plans and report data to the federal government.

For data and statistics on the TANF block grant, see CRS Report RL32760, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions*. For the legislative history of TANF, see CRS Report R44668, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Legislative History*.

When PRWORA ended the AFDC cash assistance program for families with children, it also ended associated programs such as Emergency Assistance (EA), the Job Opportunities and Basic Skills (JOBS) Training program, and AFDC-related child care. Though TANF was created almost three decades ago, its funding is rooted in expenditures within those pre-TANF programs in the early- to-mid 1990s. Much of its policy reflects a response to prior debates over what impact providing cash assistance to needy families with children under the pre-TANF programs had on the behavior of parents vis-a-vis work and marriage. Some of the current controversies over TANF stem from the fact that the benefits, services, and activities funded by federal TANF and MOE funds represent a broader set of activities, available to a wider population, than what was funded in the replaced cash assistance and related programs.

¹ American Samoa was also eligible to operate AFDC, but did not have such a program.

² Section 1101(a)(1) of the Social Security Act.

TANF Funding Levels

As noted above, TANF funding is based on the expenditures made in the early-to-mid 1990s in the programs it replaced. These programs were matching grant programs, and the federal government reimbursed states for a share of the expenditures in them. The largest program, AFDC, reimbursed states for assistance benefits at the Medicaid matching rate, which varied by state and ranged from a statutory minimum 50% match rate for the states that had the highest per-capita incomes to a statutory maximum 83% match rate for states that had the lowest per-capita incomes. Thus, there were considerable state dollars spent in the pre-TANF programs. The matching grant for AFDC was open-ended; that is, there was no limit to federal AFDC funding for the 50 states and District of Columbia (there were limits for Puerto Rico, Guam, and the U.S. Virgin Islands).

Basic TANF Funding

The basic TANF block grant provided from federal funds to states and tribes is based on the federal share of expenditures in the pre-1996 programs. To prevent states from sharply reducing their own spending on needy children when TANF was created, the law added the MOE requirement for states to expend nonfederal funds. The minimum spending under the MOE requirement was based on the state share of expenditures in the pre-TANF programs. Neither the TANF basic block grant nor the MOE have subsequently been adjusted for inflation or other changes in national or state circumstances, such as population. Current basic TANF funding is based on expenditures in the early- and mid-1990s.

State Family Assistance Grant

The amount states receive in basic federal TANF block grant funding, known as the State Family Assistance Grant (SFAG), is established by a formula in federal law. The current formula for the SFAG sets the amount for each state based on its proportional share of SFAG funds in FY2002. The FY2002 grant, in turn, was based on a more complex formula enacted in PRWORA. The original PRWORA formula computed each state's grant based on the federal share of expenditures in its AFDC, EA, and JOBS programs between FY1992 and FY1995, with the SFAG computed as the peak expenditures during that period.³ The early- to mid-1990s represented the historical high for the number of families receiving AFDC assistance as well as for expenditures on AFDC and related programs. Starting with FY2017, the total basic SFAG funding amount is reduced by 0.33% to set aside funding for TANF-related research and evaluation.

Tribes operating a tribal TANF program within a state receive funding out of the state's SFAG (i.e., the tribal funding reduces the state's SFAG). The amount of the tribal grant is the amount spent in the area served by the tribe in FY1994. Tribes may opt at any time to seek to operate their own program and may also terminate a program at any time. Therefore, tribal grants and the amounts paid to states after reductions for tribal grants can change from year-to-year.

³ Under the original formula, the national total grant to states and each state's individual grant were based on the federal share of expenditures in the AFDC, EA, and JOBS programs. The formula entitled each state to the greatest of the average federal share of expenditures in these programs for FY1992 through FY1994; the federal share of expenditures for these programs in FY1994, adjusted for states that amended their EA programs in FY1994 or FY1995; or the federal share of expenditures for these programs in FY1995. The FY1994 adjustment for EA program amendments is the amount by which the federal share of EA expenditures in FY1995 exceeded that of FY1994.

Table 1 shows the SFAG by state, including the division of SFAG between the portion for tribes and the portion for the state, for FY2021 (the latest year for which data are publicly available). For more on tribal TANF, see the “Tribal TANF” section.

Note that grants paid to states and tribes are also reduced for any penalties assessed on them for violating a statutory TANF prohibition or failure to meet a requirement (such as the work participation standard requirement). The SFAG shown in **Table 1** is not reduced for any penalties taken in FY2021.

The appropriation for the SFAG is included in authorizing law, though in recent years it has typically been extended through continuing resolutions and in the final appropriation action for Congress during a year.⁴ The block grant is considered mandatory spending, as federal law entitles each state to a specific allocation. The SFAG is payable in quarterly installments to the states.

Table 1. State Family Assistance Grants by State, FY2021

(in millions of dollars)

State	State Family Assistance Grant	Tribal Family Assistance Grant	State Family Assistance Grant After Reductions for Tribal Grants
Alabama	\$93.007	\$0.000	\$93.007
Alaska	63.399	19.002	44.397
Arizona	221.686	22.279	199.407
Arkansas	56.546	0.000	56.546
California	3,721.496	87.180	3,634.316
Colorado	135.608	0.000	135.608
Connecticut	265.908	0.000	265.908
Delaware	32.184	0.000	32.184
District Of Columbia	92.304	0.000	92.304
Florida	560.484	0.000	560.484
Georgia	329.650	0.000	329.650
Hawaii	98.578	0.000	98.578
Idaho	31.833	1.525	30.307
Illinois	583.126	0.000	583.126
Indiana	206.117	0.000	206.117
Iowa	131.091	0.533	130.558
Kansas	101.595	0.117	101.478
Kentucky	180.689	0.000	180.689
Louisiana	163.431	0.000	163.431
Maine	77.863	0.000	77.863
Maryland	228.342	0.000	228.342

⁴ Recent extension of TANF funding in continuing resolutions and omnibus appropriations is chronicled in CRS Report R44668, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Legislative History*.

State	State Family Assistance Grant	Tribal Family Assistance Grant	State Family Assistance Grant After Reductions for Tribal Grants
Massachusetts	457.855	0.000	457.855
Michigan	772.794	0.000	772.794
Minnesota	267.101	7.531	259.569
Mississippi	86.481	0.000	86.481
Missouri	216.335	0.000	216.335
Montana	45.384	7.495	37.889
Nebraska	57.837	1.210	56.627
Nevada	43.832	0.069	43.762
New Hampshire	38.394	0.000	38.394
New Jersey	402.702	0.000	402.702
New Mexico	125.687	15.767	109.920
New York	2,434.869	0.000	2,434.869
North Carolina	301.242	0.805	300.438
North Dakota	26.313	0.000	26.313
Ohio	725.566	0.000	725.566
Oklahoma	147.525	9.517	138.008
Oregon	167.370	1.535	165.835
Pennsylvania	717.125	0.000	717.125
Rhode Island	94.708	0.000	94.708
South Carolina	99.638	0.000	99.638
South Dakota	21.821	0.614	21.207
Tennessee	190.892	0.000	190.892
Texas	484.652	0.000	484.652
Utah	76.576	1.220	75.356
Vermont	47.197	0.000	47.197
Virginia	157.763	0.000	157.763
Washington	402.997	24.010	378.988
West Virginia	109.813	0.000	109.813
Wisconsin	317.138	4.292	312.846
Wyoming	21.710	3.281	18.429
Puerto Rico	71.326	0.000	71.326
Guam	3.454	0.000	3.454
U.S. Virgin Islands	2.837	0.000	2.837
Totals	16,511.872	207.982	16,303.890

Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS), Administration for Children and Families, Office of Family Assistance.

Notes: SFAG payable to the state may be further reduced for any penalties for failure to meet a TANF requirement (see the “Enforcing Prohibitions and Requirements” section).

Maintenance of Effort Requirement

TANF’s MOE requirement, which states must meet or they receive a reduced block grant, sets a minimum amount of nonfederal expenditures for TANF-related populations and activities. Like federal SFAG funding, the state MOE requirement is based on historical expenditures and has not been adjusted for inflation or other changes in circumstances.⁵ The MOE threshold can change from year-to-year. For example, if a state contributes from its own funds to a tribe in the state operating a tribal TANF program, that contribution is subtracted from the FY1994 expenditures that determine the MOE threshold. Tribes may opt in and opt out of operating their programs at any time. However, most of the year-to-year differences in the MOE threshold depend on whether the state met its work participation standard. (For more information on the work participation standard, see the “Work Participation Standards” section) To meet the MOE requirement, state expenditures must be at least 80% of the state’s spending in AFDC, EA, JOBS, and AFDC-related child care programs in FY1994 (the spending in those programs is termed *historical state spending*). The percentage is lowered to 75% for states that achieved their work participation standards.

Table 2 shows MOE requirements by state for FY2021. It lists for each state what the minimum spending level would be at both the 80% and 75% levels of historical spending, and then the effective minimum state spending level based on whether or not the state met its TANF work participation standards. For example, the first four states did meet their work participation standards, so their MOE is based on 75% of historical state spending. California is the first state in the table not to meet its work standard (it failed the “two parent” standard) and hence its MOE is based on 80% of historical state spending. The sum of the minimum state spending levels for all states was approximately \$10.6 billion in FY2021.

Table 2. State Maintenance of Effort Thresholds, FY2021
(in millions of dollars)

State	At 80% of Historical State Spending	At 75% of Historical State Spending	State Met the FY2021 TANF Work Participation Standards?	Final MOE Requirement
Alabama	\$41.828	\$39.214	Yes	\$39.214
Alaska	36.559	34.274	Yes	34.274
Arizona	91.176	85.478	Yes	85.478
Arkansas	22.228	20.839	Yes	20.839
California	2,840.532	2,662.999	No	2,840.532
Colorado	88.396	82.871	Yes	82.871
Connecticut	195.649	183.421	Yes	183.421
Delaware	23.222	21.771	Yes	21.771
District Of Columbia	75.146	70.449	Yes	70.449

⁵ The only change to the SFAG was a reduction in the total and each state’s grant of 0.33% to fund research and evaluation activities. That change, made by P.L. 115-31, was effective beginning in FY2017.

State	At 80% of Historical State Spending	At 75% of Historical State Spending	State Met the FY2021 TANF Work Participation Standards?	Final MOE Requirement
Florida	392.921	368.363	No	392.921
Georgia	184.926	173.369	Yes	173.369
Hawaii	75.893	71.150	No	75.893
Idaho	13.891	13.023	Yes	13.023
Illinois	458.761	430.088	Yes	430.088
Indiana	121.094	113.526	Yes	113.526
Iowa	65.825	61.711	Yes	61.711
Kansas	65.790	61.678	Yes	61.678
Kentucky	71.913	67.418	Yes	67.418
Louisiana	59.109	55.415	Yes	55.415
Maine	40.026	37.524	Yes	37.524
Maryland	188.763	176.965	No	188.763
Massachusetts	382.877	358.948	Yes	358.948
Michigan	499.753	468.518	Yes	468.518
Minnesota	186.322	174.677	Yes	174.677
Mississippi	23.173	21.724	Yes	21.724
Missouri	128.129	120.121	Yes	120.121
Montana	13.995	13.121	Yes	13.121
Nebraska	29.899	28.031	Yes	28.031
Nevada	27.145	25.449	No	27.145
New Hampshire	34.256	32.115	Yes	32.115
New Jersey	320.171	300.160	Yes	300.160
New Mexico	34.839	32.661	No	34.839
New York	1,833.150	1,718.578	Yes	1,718.578
North Carolina	164.015	153.764	No	164.015
North Dakota	9.674	9.069	Yes	9.069
Ohio	416.887	390.831	Yes	390.831
Oklahoma	61.119	57.299	Yes	57.299
Oregon	97.503	91.409	No	97.503
Pennsylvania	434.267	407.126	Yes	407.126
Rhode Island	64.392	60.367	No	64.392
South Carolina	38.322	35.927	Yes	35.927
South Dakota	9.096	8.527	Yes	8.527
Tennessee	88.331	82.810	Yes	82.810
Texas	251.441	235.726	Yes	235.726

State	At 80% of Historical State Spending	At 75% of Historical State Spending	State Met the FY2021 TANF Work Participation Standards?	Final MOE Requirement
Utah	26.547	24.888	Yes	24.888
Vermont	27.253	25.550	Yes	25.550
Virginia	136.718	128.173	Yes	128.173
Washington	272.909	255.852	Yes	255.852
West Virginia	34.446	32.294	Yes	32.294
Wisconsin	178.067	166.938	Yes	166.938
Wyoming	9.657	9.054	No	9.657
Puerto Rico	22.598	21.185	Yes	21.185
Guam	0.947	0.888	No	0.947
U.S. Virgin Islands	0.628	0.589	Yes	0.589
Totals	11,012.175	10,323.914		10,567.452

Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS), Administration for Children and Families, Office of Family Assistance.

Notes: Historical state spending amounts include deductions for any state contributions to tribal programs.

Table 2 shows minimum funding levels. However, there are also incentives for states to expend funds in excess of the MOE requirement. Additional expenditures are required for states to draw TANF contingency funds (see the “TANF Contingency Fund” section) and a state may receive credit against its work participation standard (see the “Work Participation Standards” section) for spending extra funds.

Why are there different base years for the federal SFAG and the state TANF MOE?

Though both the TANF SFAG and the TANF MOE requirement amounts are based on historical expenditures in pre-TANF programs, they do differ in the base years used to determine them. The SFAG is based on the federal share of expenditures in FY1992 through FY1995, and the MOE is based on the state share of expenditures in FY1994. This difference has its origins in the legislative history of H.R. 4, from the 104th Congress in 1995. The House-passed version of H.R. 4 would have based the SFAG on peak expenditures in FY1992 through FY1994. The House-passed version of TANF in 1995 did not have an MOE requirement. When the bill was taken up in the Senate, the formula for the SFAG differed and was based entirely on FY1994 expenditures. The MOE requirement was added on the Senate floor and also used FY1994 expenditures. (Another amendment slightly modified the SFAG formula before Senate passage, to provide additional funds for certain states based on FY1995 expenditures.)

When the House and Senate versions of the bill were reconciled, the conference adopted the House SFAG formula, modified to use expenditure data for all states from FY1995. The conference also adopted the Senate MOE provision, which retained the FY1994 base for the MOE requirement.

H.R. 4, and a reconciliation bill that included much of its content (H.R. 2491), were vetoed by President Clinton. However, it formed the basis for the reconciliation bill that was taken up in 1996 (H.R. 3734), which was eventually enacted as PRWORA. For TANF's legislative history, see CRS Report R44668, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Legislative History*.

TANF Contingency Fund

The fixed basic grant under TANF led to concerns that funding might be inadequate during economic downturns. PRWORA established a \$2 billion TANF contingency fund to provide extra funding for economically needy states. The original \$2 billion in this fund was depleted in early FY2010.⁶ Since FY2010, Congress has provided appropriations that continue to fund the TANF contingency fund. Beginning in FY2017, the annual appropriation for the contingency fund has been \$608 million.

Contingency funds are only available to the 50 states and District of Columbia. Tribes and Puerto Rico, Guam, and the U.S. Virgin Islands are ineligible for contingency fund grants.

Qualifying for TANF Contingency Funds

To draw upon contingency funds, a state must meet two conditions:

1. be considered economically needy; and
2. meet a state spending requirement, separate from the state spending requirement under the regular TANF MOE.

Economically Needy

For purposes of the TANF contingency fund, a state meets the test of economic need if

- its seasonally adjusted unemployment rate averaged over the most recent three-month period is at least 6.5% *and* is at least 10% higher than its rate in the corresponding three-month period in either of the previous two years; *or*
- its number of Supplemental Nutrition Assistance Program (SNAP, formerly known as *food stamps*)⁷ participants over the most recent three-month period is at least 10% higher than the adjusted number of participants in the corresponding three-month period in FY1994 or FY1995. For this purpose, FY1994 and FY1995 participation numbers are adjusted by subtracting out an estimate of participants who would have been made ineligible for SNAP under PRWORA had it been in effect in those years. The major group made ineligible was noncitizens.

State Spending Requirement

To receive contingency funds, a state is required to expend within TANF at least 100% of what it spent in FY1994 on AFDC, EA, and JOBS. The expenditures that count toward the contingency fund state spending requirement are the same types of expenditures that count toward the TANF MOE, except for MOE expenditures on child care. The requirement that contingency fund MOE expenditures be within TANF means that MOE spending in Separate State Programs (SSPs) is not countable toward the contingency fund state spending requirement. (For a discussion of expenditures in SSPs, see the “Summing Up the Rules: Financing a Benefit, Service, or Activity” section).

⁶ For FY2009 and FY2010, states were able to draw additional TANF funds from a temporary emergency contingency fund.

⁷ For a description of SNAP, see CRS Report R42505, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits*.

Amount of Contingency Funds

The annual cap on contingency funds is limited to 20% of a state's basic block grant. The actual amount of contingency funds a state is entitled to for the year depends on (1) how much it spends in advance contingency funds and state funds in excess of the contingency fund state spending requirement, (2) its Medicaid matching rate, and (3) the number of months the state was eligible for contingency funds. For the purposes of determining the annual contingency fund entitlement, expenditures on child care do not count.

Given the annual limit on appropriations in recent years, the number of months contingency funds are paid is based on the number of states that seek to draw funds and the total appropriation to the fund. The \$608 million appropriated in recent years has not been sufficient to pay contingency funds for the states that received these grants for all 12 months in a year.

Pandemic Emergency Assistance Fund

The American Rescue Plan Act of 2021 (P.L. 117-2) established within TANF a temporary \$1 billion fund to help offset the economic impact of the COVID-19 pandemic. Allocations were made to states, tribes, and territories (including American Samoa and the Commonwealth of the Northern Mariana Islands) according to a statutory formula⁸ to help them finance short-term, nonrecurrent benefits. No additional spending for states or other grantees is required to receive pandemic funds. **Table 3** shows the initial allocations to the states under the Pandemic Emergency Assistance Fund.

Table 3. Allocations Under the TANF Pandemic Emergency Assistance Fund

State	Allocation (in millions)	Percentage of Total
Alabama	\$10.182	1.0%
Alaska	3.364	0.3
Arizona	14.546	1.5
Arkansas	4.715	0.5
California	203.819	20.4
Colorado	13.503	1.4
Connecticut	7.097	0.7
Delaware	2.076	0.2
District of Columbia	14.740	1.5
Florida	35.508	3.6
Georgia	22.014	2.2
Hawaii	4.217	0.4
Idaho	3.423	0.3

⁸ The law provides that \$2 million is set aside for federal administration, and of the remaining funds, 92.5% is allocated by formula to the 50 states and District of Columbia and 7.5% is set aside for the tribes and territories. After these set-asides, funds are allocated among the 50 states and the District of Columbia based on two formula factors with equal weights: (1) each jurisdiction's share of the child (under age 18) population and (2) each jurisdiction's share of total FY2019 TANF expenditures on basic assistance, nonrecurrent short-term benefits, and emergency assistance.

State	Allocation (in millions)	Percentage of Total
Illinois	20.440	2.0
Indiana	10.709	1.1
Iowa	6.334	0.6
Kansas	5.142	0.5
Kentucky	17.411	1.7
Louisiana	7.906	0.8
Maine	3.851	0.4
Maryland	17.756	1.8
Massachusetts	27.853	2.8
Michigan	19.002	1.9
Minnesota	14.352	1.4
Mississippi	4.751	0.5
Missouri	14.531	1.5
Montana	2.734	0.3
Nebraska	4.439	0.4
Nevada	6.794	0.7
New Hampshire	4.145	0.4
New Jersey	17.254	1.7
New Mexico	6.385	0.6
New York	128.476	12.8
North Carolina	16.783	1.7
North Dakota	1.355	0.1
Ohio	33.946	3.4
Oklahoma	7.124	0.7
Oregon	12.226	1.2
Pennsylvania	26.444	2.6
Rhode Island	2.703	0.3
South Carolina	10.153	1.0
South Dakota	2.286	0.2
Tennessee	12.995	1.3
Texas	49.519	5.0
Utah	7.335	0.7
Vermont	1.617	0.2
Virginia	15.745	1.6
Washington	22.766	2.3
West Virginia	4.618	0.5

State	Allocation (in millions)	Percentage of Total
Wisconsin	14.523	1.5
Wyoming	1.545	0.2
Total, 50 states and District of Columbia	923.150	92.3
Puerto Rico	18.451	1.8
Guam	0.893	0.1
U.S. Virgin Islands	0.734	0.1
American Samoa	0.495	0.0
Northern Mariana Islands	0.486	0.0
Total, territories	21.059	2.1
Total, tribes	53.791	5.4
Technical assistance	2.000	0.2
Total	1,000.000	100.0

Source: Congressional Research Service (CRS), based on data in U.S. Department of Health and Human Services (HHS), Administration for Children and Families, U.S. Office of Family Assistance, *The Pandemic Emergency Assistance Fund*, TANF-ACF-PI-2021-02, April 9, 2021.

Nonrecurrent short-term benefits are defined as economic aid provided to families to help them address a specific episode of need, one not expected to exceed four months. Grantees may use up to 15% of their grant for the administrative expenses of providing these benefits.

Jurisdictions had until September 30, 2022, to expend their initial grant awards. Funds unused as of that date are to be reallocated among grantees that used their full initial grants and also applied for those additional funds.⁹

Additional TANF Funding in the Past

The Pandemic Emergency Assistance Fund was preceded by other additional TANF grants that were targeted toward meeting special needs. In 2009, a \$5 billion Emergency Contingency Fund was enacted to provide additional funding in response to the recession following the global financial crisis (see CRS Report R41078, *The TANF Emergency Contingency Fund*). Congress also responded to the economic dislocations along the Gulf Coast caused by Hurricanes Katrina and Rita by converting loans into grants and providing special access to the TANF contingency fund (see CRS Report RS22246, *Temporary Assistance for Needy Families (TANF): Its Role in Response to the Effects of Hurricane Katrina*).

Use of Federal TANF Grants and the Rules for Counting State MOE Expenditures

TANF is not a program per se; rather, it is a set of funding streams used at the state and local levels to provide a wide range of benefits, services, and activities with the general aim of ameliorating the effects, or address the root causes, of childhood economic disadvantage. Both TANF and state MOE expenditures can finance many of the same activities for the same

⁹ U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, *The Pandemic Emergency Assistance Fund*, TANF-ACF-PI-2021-01, April 9, 2021, <https://www.acf.hhs.gov/ofa/policy-guidance/tanf-acf-pi-2021-02>.

populations. However, the rules for how states may use TANF funds do differ in some aspects from the rules that govern whether or not states may count expenditures toward meeting the TANF MOE requirement.

Using Federal TANF Grants

Federal TANF grants may be used for a wide range of benefits and services for families with children. Grants may be used within state or tribal TANF-funded programs, or a portion may be transferred to either the Child Care and Development Block Grant (CCDBG) or the Social Services Block Grant (SSBG). Unused TANF funds can also be reserved (i.e., saved), without fiscal year limit.¹⁰

Achieving TANF Goals

TANF allows its basic block grant and contingency funds to be spent “in any manner that is reasonably calculated” to achieve its statutory purpose.¹¹ TANF’s purpose is to increase state flexibility to meet four statutory goals:¹²

1. provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives;
2. end dependence of needy parents on government benefits through work, job preparation, and marriage;
3. reduce the incidence of out-of-wedlock pregnancies; and
4. promote the formation and maintenance of two-parent families.

The authority to spend TANF grants to achieve its statutory purpose includes traditional cash assistance, but it also gives states the authority to spend TANF dollars on a broader set of activities available to a wider population than targeted cash assistance programs. TANF funds are used to help support work for low-income families through providing child care, transportation aid, and state versions of the Earned Income Tax Credit (EITC). The authority to provide assistance to care for children in the homes of relatives has been used to provide benefits and services to children, and families of children, who have been, or are at risk of, neglect or abuse and are placed in the care of a relative (e.g., grandparent, aunt, uncle).

Need-Tested and Not Need-Tested Use of Funds

TANF is usually associated with needy families, and some uses of it require that a family meet a test of financial need, but other uses do not. Spending to meet the first two statutory goals, providing assistance to needy parents and ending dependence of needy parents on government benefits, must be spent on those in financial need. On the other hand, federal TANF funds used on benefits, services, and activities that aim to reduce the incidence of out-of-wedlock pregnancies and promote the formation and maintenance of two-parent families need not be restricted to those in immediate need. The wording in the statute does not reference financial need for these two goals. Activities related to these goals can be seen as seeking to prevent financial need, and hence are available to the general population in a state.

¹⁰ Before the enactment of the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5), reserved funds could only be used for the purpose of providing “assistance”. The ARRA eliminated this restriction to the use of reserve funds, so that reserve funds can be used to provide any allowed TANF benefit or service.

¹¹ Section 404(a)(1) of the Social Security Act.

¹² The TANF purpose statement is in Section 401(a) of the Social Security Act.

Grandfathered Activities

In addition to using funds to promote the purpose and goals of TANF, federal law allows states to use TANF funds to carry out any program or activity that a state had conducted under its pre-1996 programs. This provision permits states to continue activities they undertook under the pre-TANF EA program to provide help for foster care, adoption assistance,¹³ and juvenile justice programs.

Transfers to Other Block Grants

Federal law allows up to 30% of the SFAG to be transferred to the CCDBG and SSBG combined, with a separate limit of 10% of the SFAG that may be transferred to SSBG.¹⁴ Funds transferred to these other block grants become subject to the rules of the receiving block grant and are not subject to TANF rules. However, TANF funds transferred to SSBG must be used for families with incomes below 200% of the poverty line. Funds from the TANF Contingency Fund or the Pandemic Emergency Assistance Fund may not be transferred.

Matching for Transportation Grants

The Transportation Equity Act for the 21st Century (P.L. 105-178,) established Job Access and Reverse Commuter Grants. These grants funded programs to provide transportation assistance for those who need to commute from inner city to suburban areas for their jobs. These programs were targeted to TANF assistance recipients and other low-income individuals. Federal law allowed federal TANF funds to be used as a state match for reverse commuter grants.

The Job Access and Reverse Commuter Grants have been repealed. However, the Department of Transportation's urbanized area formula grants and formula grants for rural areas can be used for activities previously funded by them.¹⁵ Through FY2021, states have continued to report some expenditures on job access and reverse commuter grants.¹⁶ If federal TANF funds are used for this purpose, it is counted against the state's 30% limit for transfers to CCDBG and SSBG; that is, it reduces the amount of federal TANF funds that could be transferred to those other block grants.

Prohibited Use of TANF Funds

Though states have broad authority to spend TANF funds, federal law prohibits them from using the funds in certain ways. Most TANF prohibitions are rules that disallow using federal TANF funds to provide assistance to certain populations (see the "Federal Eligibility Rules for Assistance" section). One prohibition applies more broadly: states cannot use federal TANF funds to provide medical services, though the funds can be used for pre-pregnancy family planning services.

¹³ These are foster care and adoption assistance cases that are ineligible for other federal financing from programs under Title IV-E of the Social Security Act.

¹⁴ PRWORA (P.L. 104-193), as modified by technical corrections in the Balanced Budget Act of 1997 (P.L. 105-33), set the limit on transfers from TANF to SSBG at 10% of the TANF block grant. The Transportation Equity Act for the 21st Century (P.L. 105-178) reduced funding for SSBG and the transfer authority from TANF to SSBG to 4.25%, effective FY2001. However, annual appropriation bills and temporary extension legislation (that continued TANF on the terms of previous years) have provided for a 10% transfer limit for FY2001 and each subsequent fiscal year.

¹⁵ See discussion on the U.S. Department of Transportation, Federal Transit Administration, website at <https://www.transit.dot.gov/funding/grants/grant-programs/job-access-and-reverse-commute-program-5316>.

¹⁶ See the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance website (Appendix F): https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2020_tanf_financial_data_table_092221.pdf.

TANF law penalizes states for misuse of TANF grants. Misuse of funds is determined through an audit conducted under the Single Audit Act. The penalty for misuse of funds equals the amount of TANF funding the audit determined was misused.

Using Federal Funds to Finance Pre-existing State Spending

TANF gives states the authority to spend federal funds to achieve TANF's statutory purpose, which is a broader set of activities available to a wider population than was targeted in the repealed cash assistance and associated programs. It includes the authority to spend TANF funds on activities that historically had been funded by states and localities themselves, rather than with federal funds. TANF did not include a requirement that federal funds be used to supplement rather than supplant existing spending. That is, it is legal for states to use federal TANF funds to finance activities that previously had been state and local responsibilities.¹⁷

Counting Expenditures Toward the MOE Requirement

In some respects, there is more flexibility in the expenditures a state may count toward the MOE than in the use of federal TANF grants, though there are a few cases where states have more flexibility in their use of federal TANF grants than in the expenditures that can be counted toward the MOE.

General Rules for Counting State Spending

States may count qualified expenditures toward the MOE. The main criteria for qualified expenditures is that they be for the following:

- **Eligible families**, which are defined as families that include a child and meet a test of low income. There is an exception to the requirement that the expenditure be for eligible families if it is for an activity related to either responsible fatherhood or healthy marriage.
- **TANF-related activities**, such as cash assistance, administration, child care, education and training (though not educational activities for the general population), and other activities that are reasonably calculated to further a TANF statutory goal.

The expenditure of funds in a state's localities can count toward the MOE as long as they meet the requirements of a qualified expenditure. Under certain circumstances, a state may count as MOE expenditures donations from nongovernmental third parties such as nonprofit organizations.¹⁸ This includes the value of in-kind contributions, such as volunteers' time. These

¹⁷ The Government Accountability Office (GAO) examined the degree to which TANF was used to supplant state funding in the early years of the block grant. GAO examined state budgets and found that "supplanting was a common budget practice." The degree of supplanting state funds with TANF funds varied across examined states. Moreover, the reasons—to provide fiscal relief or to more flexibly address the needs of low-income children—also varied. The study also found that overall, when looking broadly, states increased total funding for programs addressing TANF's focus on disadvantaged children, particularly in health care and child welfare services. See GAO, *Welfare Reform: Challenges in Maintaining a Federal-State Fiscal Partnership*, GAO-01-828, August 2001, p. 12.

¹⁸ This is not a statutory or regulatory rule specific to TANF. Under the so-called *common-rule* for federal grant programs, a cost-sharing requirement may be met in whole or in part by third-party contributions. HHS has determined that the TANF MOE is a cost-sharing rule; hence, third party contributions may count toward meeting that requirement. See U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, *Clarification that third party cash or in-kind may count toward a State's or Territory's maintenance-of-*

third-party contributions must be providing benefits, services, or activities that usually count toward the MOE and also must benefit eligible families.

In general, state dollars that are used to meet a cost sharing requirement or a matching requirement for other programs—such as Medicaid—cannot be counted as a MOE expenditure. However, there are special rules for child care expenditures because of interactions between the TANF MOE and various state spending requirements related to the Child Care and Development Fund (CCDF).¹⁹

Counting MOE Expenditures vs. Use of Federal TANF Funds

Most, but not all, benefits, services, and activities that may be funded from federal TANF funds may also be financed by MOE funds. States have additional flexibility in the populations that may be provided assistance with MOE funds. In addition to assisting families eligible for federally funded benefits, services, and activities, states may use MOE dollars to assist two additional groups:

- families that have exceeded TANF’s five-year time limit; and
- noncitizens who were made ineligible for federally funded benefits in PRWORA.²⁰

Conversely, some benefits, services, and activities that can be financed by federal funds cannot be financed by MOE funding. The major restrictions that apply to MOE (but not federal TANF) funds are as follows:

- **There is a new spending test for certain expenditures.** The new spending test applies to expenditures for benefits, services, and activities that were *not* authorized under TANF’s predecessor programs (AFDC, EA, JOBS, and AFDC-related child care). If a current state or local program operated in FY1995 for activities that meet the definition of *qualified expenditures* but were *not* authorized under TANF’s predecessor programs, then the state may only count expenditures for that program that exceed the FY1995 level. Expenditures for activities authorized under the predecessor programs can be counted without regard to the new spending test.
- **Expenditures on grandfathered activities are not countable.** Expenditures on activities that were part of the pre-1996 programs that are not aimed to achieve a TANF goal—grandfathered as an allowable use of TANF grants—are not countable toward the MOE.

effort (MOE), TANF-ACF-PA-2004-01, <https://www.acf.hhs.gov/ofa/policy-guidance/tanf-acf-pa-2004-01-clarification-third-party-cash-or-kind-may-count-toward>.

¹⁹ Funding for the CCDF is fairly complex, with a series of federal and state funding streams that finance subsidized child care for low-income families (see CRS In Focus IF10511, *Child Care Entitlement to States: An Overview*). One of the funding streams is the CCDF matching grant that requires child care expenditures to meet a MOE requirement (i.e., be at least what they were in FY1994 or FY1995, whichever is higher) and then additional state expenditures to match federal funds up to a maximum. States may count for the purpose of the TANF MOE state child care expenditures up to the MOE threshold (i.e., the amount of expenditures made in FY1994 or FY1995) and state child care expenditures made in excess of state expenditures needed to draw the maximum federal match for CCDF matching grants.

²⁰ For more information, see CRS Report RL33809, *Noncitizen Eligibility for Federal Public Assistance: Policy Overview*.

- **Expenditures on activities to address TANF goals of reducing out-of-wedlock pregnancies and promoting two-parent families must be need-tested and for eligible families, except if they are for responsible fatherhood or healthy marriage activities.** Federal TANF funds spent on activities that seek to achieve the goals of reducing out-of-wedlock pregnancies and promoting two-parent families can be available for the general population, not just for families meeting a test of financial need. HHS regulations limit the counting of non-need-tested activities toward the MOE requirement to activities that are described in statute as being for responsible fatherhood and healthy marriage activities.²¹

Counting MOE Expenditures: Either Comingled with Federal Funds or Separate from Federal Funds

A state's MOE expenditures can be combined (i.e., comingled) with federal funds to finance benefits, services, or activities. For example, a state may choose to have one assistance program (monthly benefit checks) and use both federal and MOE dollars to finance it. Conversely, a state's MOE expenditures can be expended separately from federal dollars in either a separate program or accounted for separately.

In the case of MOE expenditures comingled with federal dollars, the requirements and prohibitions that apply to federal dollars apply to those state MOE expenditures as well. In the case where a benefit, service, or activity is separated from federal dollars, the requirements and prohibitions that apply to it depend on whether the state chooses to count that MOE expenditure in TANF or in an SSP.

Counting MOE Expenditures: In TANF or In Separate State Programs

To meet the MOE requirements, the TANF statute allows states to count spending in any program that meets the general rules as qualified expenditures. Thus, the MOE expenditures may be counted in TANF or in an SSP. There are two main implications for counting expenditures in TANF or in an SSP:

- for assistance, some rules do not apply in an SSP that apply if that MOE spending is counted in TANF; and
- dollars spent in SSPs do not count toward the TANF contingency fund state spending requirement.

Summing Up the Rules: Financing a Benefit, Service, or Activity

The different rules for using federal grants and counting TANF MOE expenditures provide both complication and flexibility when a state decides how to finance a TANF benefit or service.

- Federal funds can be either transferred to the other block grants or spent within TANF.
- Federal TANF grants and state MOE dollars can be comingled or accounted for separately. If dollars are comingled, in general, the rules that apply to both

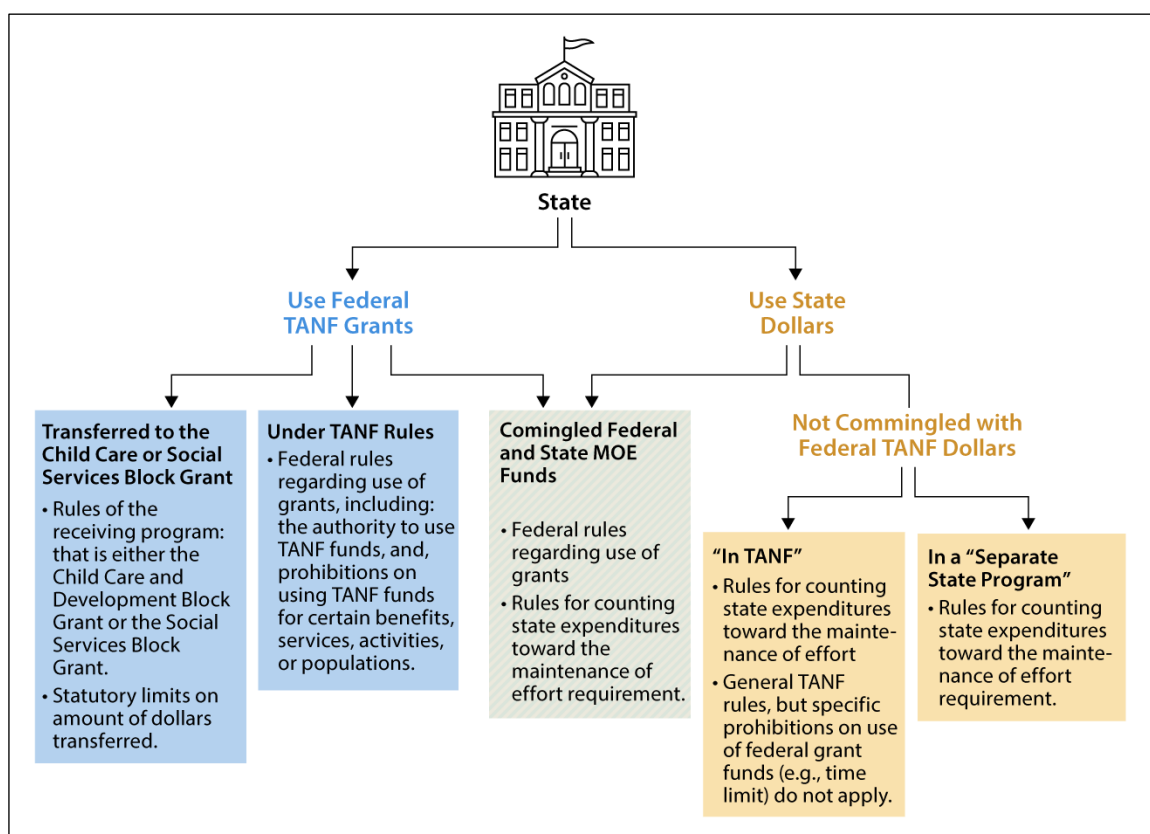
²¹ The Deficit Reduction Act of 2005 (P.L. 109-171) amended TANF law to provide that states could count expenditures related to reducing out-of-wedlock pregnancies and promoting two-parent families toward the MOE requirement. HHS interpreted that provision so that these expenditures would still be required to be spent on behalf of eligible families unless they were spent on activities related to responsible fatherhood and healthy marriage enumerated in Section 403(a)(2) of the Social Security Act.

federal TANF dollars and state MOE dollars apply to the comingled state dollars. For federal grant dollars accounted for separately, only federal rules apply. For state MOE dollars accounted for separately, only rules for counting expenditures toward the MOE requirement apply.

- State MOE dollars accounted for separately from federal TANF dollars can either be counted in TANF or in SSPs.

Figure 1 summarizes some of the choices states have in using the federal funding stream or MOE expenditure funding streams to finance a TANF benefit, service, or activity. Depending on these choices, different rules apply. Though the rules are complex, they do give states flexibility. Note that these are only the general rules regarding funding streams—there is an additional layer of complexity for expenditures on assistance. Further detail on how federal dollars and state dollars are classified when providing assistance to families is shown in **Table 4**.

Figure 1. Summary of Rules Associated with Using TANF Funds and Counting MOE Funds



Source: Congressional Research Service (CRS).

Note: Carried over (from previous fiscal year) federal TANF grants cannot be transferred to the Child Care Development Block Grant or Social Services Block Grant.

Enforcing Prohibitions and Requirements

The prohibitions and requirements for using TANF and counting MOE funds are generally enforced through *penalties*. These penalties put a state at risk of receiving a reduced block grant, with the maximum penalty generally specified in statute. Many penalties are expressed as a

percentage of the state's block grant, with the calculation specified in regulation as a percentage of the state's *adjusted* SFAG. The adjusted SFAG is the state's basic block grant allocation minus payments to tribes and transfers to CCDBG and SSBG.

By statute, a state's block grant amount cannot be reduced by more than 25% of its adjusted SFAG. If the total penalties exceed the 25% cap, the excess penalties must be paid out of subsequent years' grants. If a state's block grant is reduced by a penalty, it is required to replace the penalized federal funds with state dollars.

Many penalties on the state can be waived if the state can establish reasonable cause for not complying with a prohibition or requirement. States can also avoid many of these penalties by entering into a corrective compliance plan and subsequently come into compliance with the law. The penalties that are not subject to reasonable cause and corrective compliance are those that relate to funding. For a detailed list of TANF penalties, see **Appendix B**.

Limits on Federal Regulation

Federal law limits the ability of HHS to regulate the conduct of states with respect to TANF:

No officer or employee of the Federal Government may regulate the conduct of States under this part or enforce any provision of this part [Part A, Title IV of the Social Security Act, or TANF] except to the extent expressly provided in this part [TANF].²²

HHS, in promulgating regulations, interpreted the statute as allowing regulation (1) where Congress explicitly directed HHS to issue regulations and (2) where HHS was charged with enforcing penalties.²³ As noted above, many of the penalties relate to policies around providing *assistance* to families.

HHS has noted that some cross-cutting laws do apply to TANF and MOE activities regardless of this limitation of regulation. For example, civil rights laws, the Fair Labor Standards Act, and the Cash Management Improvement Act (CMIA) apply to TANF.

TANF's Definition of Family

The concept of family naturally is central to a block grant called Temporary Assistance for Needy Families. Yet the term *family*—like many terms used in TANF—is left undefined in statute. While HHS defined some terms in regulation, it explicitly gave states the freedom to come up with their own definition of family. For example, states have the flexibility whether to include noncustodial parents in a family. Note that specific definitions of family are used for specific purpose (e.g., the requirement that TANF MOE funds be spent on eligible families and what constitutes a two-parent family for the purpose of the TANF work standards). However, for general purposes, the definition of family is left to the states.

In promulgating regulations, HHS said it defined only specific terms because “excessive definition of terms could unduly and unintentionally limit State flexibility in designing programs that best serve their needs” (see U.S. Department of Health and Human Services, “Temporary Assistance for Needy Families Program,” 62 *Federal Register* 62131, November 20, 1997).

²² Section 417 of the Social Security Act.

²³ U.S. Department of Health and Human Services, “Temporary Assistance for Needy Families Program (TANF); Final Rule,” 64 *Federal Register* 17725, April 12, 1999.

TANF Requirements for States When Funds Are Used to Provide Assistance

The TANF statute applies most of its specific requirements to funds that are used to provide assistance to needy families with children. Assistance provided to families triggers TANF's work requirements, time limits, child support requirements, and most of its data reporting requirements. Yet the TANF statute itself does not define the term *assistance*. Given the central role that assistance plays in TANF's policies, HHS did define the term in regulation.

Definition of Assistance

HHS, in regulation, defined *assistance* as follows:

The term “assistance” includes cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses).²⁴

A benefit that meets the above definition that is paid in cash or a voucher is considered assistance. Additionally, a benefit that meets the above definition that is paid either directly to the family or to a third party on behalf of that family is considered assistance. Child care assistance and transportation for nonworking parents is also considered assistance.

The definition of assistance encompasses the traditional cash assistance as was paid under AFDC. However, it also includes benefits that go beyond traditional cash assistance. For example, states have used MOE funds to provide SNAP benefits to noncitizens made ineligible by PRWORA as allowed by law. Such benefits are considered assistance.

States have also created *work supplement* benefits. These are sometimes comparatively small benefits (e.g., \$10) paid as nutrition assistance for parents who receive SNAP, have earnings, and meet TANF rules for being engaged in work. Such benefits are also considered assistance. Funding these benefits from TANF as assistance helps some states meet their work participation standards. (For the rules regarding being engaged in work, see a summary in the “Work Participation Standards” section or more detail in **Appendix A**.)

What is Not Considered Assistance?

The regulation also lists benefits and activities that are *not* considered assistance. Explicitly excluded from the definition of assistance are nonrecurrent short-term aid for an episode of need expected to last four months or less; employment subsidies; child care and transportation for a working parent; refundable earned income tax credits; contributions to Individual Development Accounts; and counseling, case management, peer support and similar services.

States may explicitly design a TANF benefit in a way that does not meet the definition of assistance and hence does not trigger the TANF work requirements, time limits, child support enforcement requirements, and most reporting requirements. For example, a state may use TANF funds to provide temporary help in paying rent for a family that is homeless or at risk of homelessness.²⁵ If the state limits that type of help to four months or less, the benefit would be

²⁴ 45 C.F.R. §260.31(a)(1).

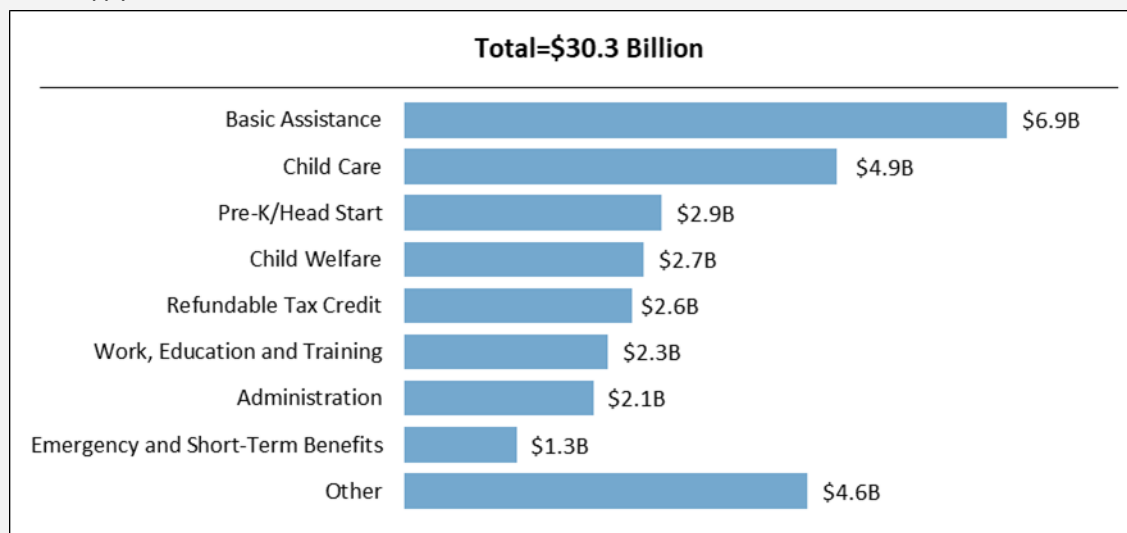
²⁵ Lauren Dunton and Cara Sierks, *Approaches to Assisting Families Experiencing or At Risk of Homelessness with TANF Funds*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of

considered a nonrecurrent short-term benefit and hence *not* be considered assistance and not trigger TANF requirements.

A wide range of other TANF- and MOE-funded activities that do not provide ongoing economic support are also considered not to be assistance. This includes employment services, services for families where children are at risk of abuse and neglect, funding for activities for youth, and most activities to promote responsible fatherhood and healthy marriage. These activities are also not subject to the rules triggered when a family is provided assistance.

TANF Expenditures on Assistance and Other Benefits and Services: FY2021

Though most TANF policy relates to when funds are spent on assistance for families with children, that assistance accounts for only a fraction of how federal TANF and state MOE dollars are spent. Among all categories of spending, basic assistance (the category that most closely corresponds to spending on cash assistance programs) was the largest category. However, the \$6.9 billion in federal and MOE funds spent on basic assistance accounted for about 22.6% of the total \$30.3 billion in total expenditures. TANF funded a wide range of benefits, services, and activities other than assistance—child care subsidies; work, education, and training (for both recipients of assistance and others); child welfare related to children at risk of, or who have been victims of, abuse and neglect; and emergency and short-term benefits. In general, the TANF rules that apply when funds are used for assistance do not apply when funds are used for these other activities.



Source: Congressional Research Service (CRS), based on data from the Office of Family Assistance, U.S. Department of Health and Human Services.

Federal Eligibility Rules for Assistance

TANF requires that a family have a child or a pregnant individual to be eligible for assistance, and federal TANF funds cannot be used unless the family includes such individuals. The law defines *minor child* as a person under age 18 or age 18 and still in school. TANF MOE funds may be used to assist families with a pregnant individual or who have a child living with a custodial parent or other caretaker. In defining *child* for the purpose of MOE expenditures, a state may use the federal definition of minor child or use another definition under state law.²⁶ A state must also

Planning, Research, and Evaluation, OPRE Report 2021-192, <https://www.acf.hhs.gov/sites/default/files/documents/opre/tanf-assisting-families-experiencing-homelessness-oct-2021.pdf>.

²⁶ U.S. Department of Health and Human Services, "Temporary Assistance for Needy Families Program (TANF): Final Rule," 64 *Federal Register* 17817, April 12, 1999.

impose a financial need test for assistance, and require that family income be below a specified level, though the level is determined by the state.

Federal law also prohibits states from using federal TANF funds to provide assistance to the following persons and families:

- families with an adult or minor child head of household who has received federally funded aid for 60 months (see the “The TANF Time Limit” section);
- unwed teen parents, unless living in an adult-supervised setting;
- teens who have not completed high school, unless they are making satisfactory progress toward achieving a high school or equivalent credential or in an alternative training program;
- noncitizens who arrived in the United States after August 22, 1996, for the first five years after arrival²⁷; and
- fugitive felons and parole violators.

States may use MOE funds to assist these families and individuals. Additionally, PRWORA provides that persons convicted of a drug-related felony may be denied assistance under TANF, unless the state affirmatively opts out of this provision.²⁸

Aside from the requirement that TANF assistance be restricted to needy families with children and the listed statutory prohibitions on the use of federal funds, states have broad leeway to set eligibility rules for the assistance. States determine actual income eligibility standards (to determine whether a family is needy) and can determine other conditions and criteria for eligibility. States also determine benefit amounts paid to families.²⁹

TANF Work Requirements

With respect to families receiving assistance, TANF requires *states* to meet work participation standards; assess the employability of adult recipients and those under 18 who do not have a high school diploma and are not in school, engage parents and caretakers in work or activities within 24 months, and sanction families with a member who refuses without good cause to engage in work or activities. States have considerable latitude when implementing these requirements.

Work Participation Standards

The TANF work participation standards are numerical performance measures, computed in the aggregate for each state, which require that a specified percentage of families receiving assistance with a work-eligible individual³⁰ be considered engaged in specified activities for a minimum number of hours.³¹ The participation standards encompass those families in TANF and SSPs.

²⁷ These prohibitions are generally found in Title IV of PRWORA.

²⁸ This provision is not in TANF law, but is in Section 115 of PRWORA.

²⁹ For detail on state rules, see Ilham Dehry, Sarah Knowles, and Katie Shantz et al., *Welfare Rules Databook: State TANF Policies as of July 2020*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation, OPRE Report 2021-147, January 2022, [https://wrd.urban.org/wrd/Data/databooks/2020%20Welfare%20Rules%20Databook%20\(final%2002%2023%202022\).pdf](https://wrd.urban.org/wrd/Data/databooks/2020%20Welfare%20Rules%20Databook%20(final%2002%2023%202022).pdf).

³⁰ For the definition of who is a *work-eligible individual*, see **Appendix A**.

³¹ Section 407(a) of the Social Security Act.

Statute sets nominal standards that specify numerical targets of 50% of all families and 90% of two-parent families be either working or engaged in specified activities for a specified minimum hours of work per week. However, those targets are reduced by caseload reduction credits, where a state gets a credit toward its work standard by reductions in the number of families receiving assistance since FY2005. Caseload reductions caused by policy changes are not counted toward this credit. In addition to receiving credit toward its work standard for fewer families receiving assistance, under a regulatory provision a state can count as caseload reduction spending in excess of that state's MOE requirement.³²

The Caseload Reduction Credit and Effective (After-Credit) Standards in FY2021

The caseload reduction credit reduced the 50% all family standard for all but six jurisdictions in FY2021. The credits reduced that all family standard to 0% for 32 jurisdictions, effectively permitting them to have no families engaged in work or activities but still be in compliance with their work participation standard. The effective standard was less than 25% in 47 states.

Understanding the effective standards for two-parent families is more complex. Only two states (Alabama and Pennsylvania) had a caseload reduction credit of 90% that itself reduced the standard to 0%. However, 26 jurisdictions reported no two-parent families in TANF or SSP-MOE programs. Such states often aid families in solely state funded (SSF) programs (discussed in the "Choice of Funding Stream and Rules for Assistance" section) and effectively avoided the two-parent standard through that means.

To determine whether a state meets the work participation standards, two work participation rates (WPRs) are calculated: one for all families and another for two-parent families. The WPR for all families is the fraction of families with work eligible individuals who meet the criteria of having such individuals engaged in work. States that have a WPR at or above their effective (after-credit) standard meet the standard. States with a WPR that falls short of the standard are considered not to have met their minimum work rate and are at risk of being penalized. A separate WPR is calculated for the fraction of two-parent families with work-eligible individuals who meet engaged in work criteria.

The law specifies the activities that count toward being engaged in work, which include unsubsidized employment (i.e., work in a regular job); subsidized employment (i.e., work in a job subsidized by TANF or other governmental funds); work experience and community service programs; and pre-employment activities such as job search and job readiness assistance, vocational educational training, and other forms of education and training. There are time limits for how long job search and readiness assistance and vocational educational training may be counted toward the standard. There are also limits to the circumstances for which participation in other educational activities is counted. In addition, federal law sets minimum hours by family type. (Details of the TANF work participation standards are provided in **Appendix A**). States are also required to have systems in place to verify work participation of individual recipients.³³

A state that does not meet both of its numerical performance standards is at risk of being penalized by a reduction in its block grant. The penalty for not meeting the performance standards can be waived for reasonable cause, and states can also avoid the penalty if they come into compliance with the standard through a corrective compliance plan. However, a state that does not meet one or both of the work standards is subject to a MOE nonfederal spending requirement at 80% of the historical level of spending, rather than at 75% of the historical level of spending (see the "Maintenance of Effort Requirement" section).

³² 45 C.F.R. §261.43(b).

³³ Section 407(i) of the Social Security Act.

States have flexibility in how to meet the work participation standard. The work and participation requirements that apply to individual recipients and families are determined by the states.

Employability Assessments

States are required to assess each recipient who is an adult (age 18 or older) or has not completed high school and is not attending secondary school. The assessment is required to be made within 90 days of determination of the recipient's eligibility for assistance.³⁴ States have the option to develop an Individual Responsibility Plan (IRP) setting forth employment goals for the individual, the obligations of the individual, and the services the state will provide the individual to be able to obtain and keep employment.

Engagement Within Two Years

States are required to engage each parent or caretaker adult in *work*, as defined by the state, within 24 months. For this requirement, the state is free to determine what constitutes being engaged in work.³⁵

Sanctions for Refusing to Engage in Work or Activities

States are required to sanction a family with a member who refuses to comply with its work requirements without good cause. States are free to determine the sanction amount, and whether to reduce benefits or terminate benefits for families that fail to comply with work requirements (i.e., a full-family sanction). States also determine what constitutes *good cause* for not complying with work requirements. States are prohibited from sanctioning a family with a single parent with a child under the age of six if he or she refuses to comply with work requirements because he or she cannot find affordable child care.³⁶

Non-displacement Requirement

An individual in a federally funded TANF work activity cannot displace a regular employee. That is, a participant cannot be placed in federally funded work activity to fill a vacancy that exists because (1) another person is on layoff from the same or equivalent job, (2) of an involuntary reduction in the employer's workforce, or (3) of firing another employee for the purpose of filling the vacancy with a TANF participant. States are required to maintain a grievance procedure for resolving complaints of regular employees.

The TANF Time Limit

States may not use federal TANF funds to provide assistance to a family containing an adult or minor child household head who has received five years (60 months) of federally funded assistance.³⁷ The federal five-year time limit is a prohibition on states' use of federal TANF funds, not a direct limitation on how long a particular family may receive assistance.

³⁴ Section 408(b)(1) of the Social Security Act.

³⁵ Section 402(a)(1)(A)(ii) of the Social Security Act. This requirement is a part of the TANF state plan, and there is no specific penalty for a state that fails to engage a parent or caretaker in work by the 24-month deadline.

³⁶ Section 407(e) of the Social Security Act.

³⁷ Section 408(a)(7) of the Social Security Act. Note that this prohibition on use of federal funds also would apply to assistance paid using comingled state MOE funds.

Federal law provides a hardship exception to the time limit, allowing federal funds to be used in cases of hardship for up to 20% of the caseload beyond the five-year limit. Further, federal law explicitly allows a state to use state MOE funds to aid a family beyond the time limit. States that do not comply with the time limit (e.g., exceed the 20% cap) would be subject to a penalty of up to 5% of their adjusted SFAG.³⁸

States have flexibility in how they implement the time limit as it applies to individual recipients and families. Many states have adopted the five-year limit as their own; others have shorter time limits and, thus, in practice must track time as it accrues to both the federal and state time limits. A few states effectively do not limit the amount of time a family may receive assistance, either providing aid to families beyond five years using state funds (e.g., New York) or eliminating assistance paid on behalf of the family's adults after a time limit and continuing benefits indefinitely only on behalf of the children (e.g., California).

Child Support Enforcement Requirements

In single-parent families receiving cash assistance, such as those headed by a single mother, there may also be a noncustodial parent who is also likely to be financially responsible for the children's economic well-being. TANF has requirements that assistance recipients cooperate with child support enforcement and assign their child support to the state as a condition of receiving assistance within the TANF program. These requirements do not apply if assistance is provided through an SSP (see the "Choice of Funding Stream and Rules for Assistance" section).

Families receiving TANF assistance must cooperate with the state in establishing the paternity of a child and in establishing, modifying, or enforcing orders that the noncustodial parent pay child support.³⁹ Federal law requires states to penalize families who do not cooperate with child support enforcement requirements by cutting their benefits at least 25%. States could penalize families by more, and even end assistance for failure to cooperate with child support enforcement requirements.

Families receiving TANF assistance must assign (i.e., legally turn over) any child support they receive from noncustodial parents to their state as a reimbursement for assistance costs.⁴⁰ The federal government and the states split the receipts from assigned child support. A state has the option of passing through assigned child support to TANF families. The federal government shares in the cost of passing through child support paid to TANF families as long as the child support is also disregarded in determining TANF eligibility and benefit amounts.⁴¹ State expenditures from the pass through of child support, if disregarded in determining a family's assistance benefit, are countable toward the MOE requirement.

Special Provisions for Victims of Sexual Harassment and Domestic Violence

Federal law requires states to certify that applicants and recipients of TANF assistance are notified of help available to victims of sexual harassment and survivors of domestic violence, sexual assault, and stalking. States must also certify that caseworkers and TANF administrators

³⁸ Section 409(a)(9) of the Social Security Act.

³⁹ Section 408(a)(2) of the Social Security Act.

⁴⁰ Section 408(a)(3) of the Social Security Act.

⁴¹ The amount of the pass-through that the federal government will share the cost of is limited to \$100 for families with one child and \$200 for families with two or more children.

are trained in understanding the nature of sexual harassment, domestic violence, and sexual assault; state standards and procedures relating to the prevention of help for victims and survivors; and methods for ascertaining and keeping confidential personal information and documentation of those who have provided notice of their experiences with sexual harassment, domestic violence, sexual assault, and stalking.

Federal law provides for an optional certification that a state has procedures in place to screen for and identify victims of domestic violence, refer such victims to supportive services, and waive certain program requirements.⁴² The program requirements that may be waived include work requirements, the time limit, and cooperation with child support enforcement rules.

Though a state may waive certain program requirements for victims of domestic violence, federal law does not exclude them from the TANF work participation rate standard calculation or the 20% limit on hardship cases that exceed the five-year time limit. However, HHS regulations allow a state to provide victims of domestic violence with a federally recognized good cause domestic violence waiver, and provide that a state would have reasonable cause for failing the requirements if that failure was due to providing such waivers.⁴³

A federally recognized domestic violence waiver must identify program requirements that are being waived, be granted based on an individualized assessment, and be accompanied by a services plan. These waivers must be reassessed at least every six months.

Restrictions on Cash Withdrawals at Certain Establishments

States generally pay assistance benefits by placing funds on Electronic Benefits Transaction (EBT) cards to be used by recipients making withdrawals from Automated Teller Machines (ATMs) or making purchases at point-of-sale terminals. Federal law requires states to maintain policies and practices to prevent TANF assistance funds from being used in an EBT transaction in liquor stores, casinos or gaming establishments, and strip clubs.⁴⁴ States must prevent TANF cash withdrawals at ATMs in such establishments, and prevent purchases using TANF assistance on EBT cards at point-of-sale terminals in such establishments.

Additionally, TANF state plans are required to ensure that recipients (1) would have adequate access to their benefits; (2) would have access to their benefits at minimal fees or charges, including free access; and (3) are provided information on applicable fees and charges.

Choice of Funding Stream and Rules for Assistance

As discussed previously, a state may use federal TANF dollars or state MOE dollars in several ways. With respect to *assistance*, this report discusses an additional option: using state funds on TANF-related populations and *not* counting those funds toward the MOE requirement. These types of expenditures are classified as Solely State Funded (SSF) programs. Families assisted in SSFs are not subject to any of TANF's requirements or prohibitions. The most common use of SSFs is to provide assistance to two-parent families, and hence avoid the higher two-parent work participation standard. Moreover, TANF funds can be used to indirectly finance SSFs.

⁴² Section 402(a)(7) of the Social Security Act.

⁴³ See regulations at 45 C.F.R. §§260.50-260.59.

⁴⁴ Section 408(a)(12) of the Social Security Act.

How TANF Funds Can Indirectly Finance Solely State-Funded Programs

When a state decides to assist a family in an SSF—using only state dollars—it nominally chooses to bear the cost of that assistance within the state budget. However, TANF dollars can indirectly finance SSF programs. One way is that the state finds other expenditures in its budget that meet the broad definition of *qualified expenditure* (including certain expenditures above the FY1995 spending level) and use those dollars to meet the MOE requirement, effectively replacing dollars that otherwise would be counted by the SSF.

Federal TANF dollars can be used on a wide range of benefits and services related to children—including benefits and services that historically have been funded by states. While certain MOE dollars are subject to a new spending test (spending above FY1995 levels), this is not the case for federal TANF funds. TANF does not include a requirement that federal funds cannot be used to finance existing state spending, so a state can legally use federal TANF dollars to reduce state costs, as long as those state costs reflect an activity that states may use TANF grants to finance. That is, the cost of serving families in SSFs can be offset by having TANF funds pay for other benefits and services that the state historically paid for by itself. Hence, TANF is indirectly funding that SSF program.

Table 4 summarizes the application of TANF requirements for assistance recipients based on whether a benefit was financed from federal funds, MOE funds, or SSFs.

Table 4. Summary of TANF Requirements that Apply to Recipients of Assistance, by Funding Source of the Benefit

TANF Prohibition or Requirement	Federal TANF Funds	State MOE Dollars			Solely State-Funded Programs (SSFs) Not Counted as MOE
		State Funds Comingled with Federal Dollars	State MOE Funds Not Comingled with Federal Dollars but Expended In TANF	Separate State Programs (SSPs)	
Work participation standards	Yes	Yes	Yes	Yes	No
Time limit on assistance	Yes	Yes	No	No	No
Prohibition on providing assistance to a family without a minor child (<i>minor child</i> defined as under age 18 or age 18 and still in school)	Yes	Yes	No (children must live with a custodial parent or other caretaker but no explicit age limit)	No (children must live with a custodial parent or other caretaker but no explicit age limit)	No
Requirement that families receiving assistance assign their rights to child support to the state and requirements to penalize families that do not cooperate with child support requirements	Yes	Yes	Yes	No	No
Prohibition on providing assistance to unwed teen parents, unless living in an adult-supervised setting	Yes	Yes	Yes	No	No

TANF Prohibition or Requirement	Federal TANF Funds	State MOE Dollars			
		State Funds Comingled with Federal Dollars	State MOE Funds Not Comingled with Federal Dollars but Expended In TANF	Separate State Programs (SSPs)	Solely State-Funded Programs (SSFs) Not Counted as MOE
Prohibition on providing assistance to teens (i.e., under age 20) who have not completed high school, unless they are making satisfactory progress toward achieving a high school or equivalent credential or in an alternative training program	Yes	Yes	No	No	No
Prohibition on providing assistance to fugitive felons and parole violators	Yes	Yes	No	No	No

Source: Table prepared by the Congressional Research Service (CRS).

Tribal TANF

Federally recognized Indian tribes and certain Alaskan Native organizations have the option to operate their own TANF programs for needy families with children.⁴⁵ Tribes are entitled to receive a grant equal to the amount of FY1994 federal expenditures in pre-TANF programs attributable to Indian families residing in the area to be served by the tribal program. This is financed by a reduction in the state's block grant amount. States may, but are not required to, provide tribes with MOE funds.

Tribes seeking to operate TANF programs must submit plans to the HHS Secretary for approval. The HHS Secretary, with the participation of the tribes, establishes work requirements and time limits for each tribe operating its own TANF program.

Additionally, tribes that operated pre-TANF work and education programs are provided grants to operate tribal work programs that total \$7.6 million per year. The amount of each grant equals what the tribe received in FY1994 under pre-TANF programs.

TANF State Plans

States are required to submit state plans every three years as a condition of receiving TANF block grant funds.⁴⁶ The bulk of these plans is an outline of the program the state intends to operate. The HHS Secretary cannot disapprove a state plan based on its content. Rather, the role of the Secretary is to determine whether the state has included information on all required elements of the plan. State plans have no set format, and vary greatly in their content and detail.

States may submit their TANF state plan either separately or as part of a combined state plan under the Workforce Innovation and Opportunity Act (WIOA). WIOA is a federal grant program to state and localities for workforce services. The WIOA state plan is intended to outline a state's

⁴⁵ Section 412 of the Social Security Act.

⁴⁶ Section 402 of the Social Security Act.

four-year strategy for workforce development. Submission of the TANF plan as part of the WIOA combined plan does not alter the statutory requirements for the TANF state plan, and HHS must still determine that the TANF portion of the plan is complete for the state to receive TANF grants.

Data Reporting

TANF law and regulations require states to provide information on families receiving assistance.⁴⁷ States must provide both caseload counts and family- and recipient-level information on families receiving assistance. The family- and individual-level information that states must report includes basic demographic information, the work activities hours of adults, and the financial circumstances of families and individual recipients receiving assistance. Neither caseload counts nor characteristic information is required to be reported for families receiving TANF-funded benefits and services that are not considered assistance.

P.L. 112-96 requires the HHS Secretary to issue a rule to create standards for data required to be reported under TANF to better facilitate its exchange with other data systems. As of March 2023, no such rule has been promulgated, but HHS does have an Interoperability Initiative.⁴⁸

⁴⁷ Section 411 of the Social Security Act.

⁴⁸ For more information, see <https://www.acf.hhs.gov/opre/project/acf-interoperability-initiative>.

Appendix A. The TANF Work Participation Standard

This appendix describes the detailed rules of the TANF work participation standard.

TANF Work Participation: Glossary of Terms

The language of TANF work requirements and the work participation standard has its own nomenclature. The following are some of the key terms used in discussions of TANF work participation.

- **Work-eligible individual:** generally a parent (either a recipient or nonrecipient) of recipient children and nonparent caretakers of recipient children who themselves are recipients of TANF. Certain parents (discussed in detail below) are excluded from the definition of work-eligible individual. Nonrecipient, nonparent caretakers are *not* considered work-eligible individuals.
- **TANF work participation standard:** the official assessment of state work programs under TANF. It comprises (1) a statutory target rate of work participation, (2) the caseload reduction credit that reduces the statutory target rate to an effective target rate, (3) a list of activities countable in the work participation rate, and (4) the average minimum number of hours per week of participation required in a month for counting activities toward the work participation rate.
- **Caseload reduction credit:** a reduction in the target rate of work participation granted for reducing the cash assistance rolls since FY2005, not counting caseload reduction due to federal or state eligibility changes since that year. States can also count as caseload reduction families aided by state spending in excess of the MOE requirement.
- **Countable activities:** a list of 12 activities (listed in law, defined in HHS regulations) that a work-eligible individual may engage in to have her or his participation counted toward the TANF work participation standard. Some activities are subject to certain limits in terms of how long and under what circumstances they may be counted.
- **Engaged in work:** a family with work-eligible individuals participating in countable activities for at least the minimum number of hours.
- **Family included in the TANF work participation rate:** a family with at least one work-eligible individual who is not disregarded from the participation rate. The statute provides that certain families with a work-eligible individual are or may be disregarded.
- **Work participation rate:** a fraction (expressed as a percentage) derived by dividing the number of families considered engaged in work by the number of families included in the participation rate. It is the work participation rate that is compared to the target rate of work participation that determines whether a state has met the TANF work participation standard.

The Numerical Participation Standard

TANF sets a minimum work participation standard that a state must meet or risk being penalized through a reduction in its block grant. The standard includes performance measures that apply in the aggregate for each state.

The TANF statute stipulates that 50% of all families and 90% of two-parent families included in the WPR calculation must be engaged in work to meet the standard. Included in the calculation are families with a work-eligible individual (in the case of a two-parent family, families with two work-eligible individuals) minus families disregarded from the calculation by statute (discussed later in this Appendix). The WPR itself is calculated as the percentage of such families engaged in work. This percentage is determined each month, and the WPR for a fiscal year is the simple average of the WPR in each month.

However, few states have ever had to meet the full standard because the percentages are reduced for caseload reduction or state spending in excess of what is required under the TANF MOE. The caseload reduction credit lowers a state's 50% and 90% standards based on caseload reduction

measured from FY2005, not counting caseload reduction due to federal or state eligibility changes since that year.

Additionally, under HHS regulations promulgated in 1999, states may also receive credits for spending in excess of what they are required to spend under the MOE requirement.⁴⁹ States may consider families assisted by spending in excess of MOE as caseload reduction, and hence receive extra caseload reduction credits for such families. Regulations promulgated in 2008 established a formula for determining this *excess MOE* portion of the caseload reduction credit; before those regulations, states had used different methods.⁵⁰

The caseload reduction credit reduces a state's work participation standards by one percentage point for each percentage point in the credit. For example, if a state has a caseload reduction credit (including the effect of caseload reduction from excess MOE) of 25%, the state's work participation standard for the all-family standard is reduced by 25 percentage points—from 50% to 25%. If a state has a caseload reduction credit of 50%, its all-family standard is reduced by 50 percentage points—from 50% to 0%. A similar calculation applies for the two-parent standard. In determining the effective (after-credit) two-parent standard, the state has a choice of using the two-parent caseload reduction calculation or the calculation used for the all-family standard.

Definition of Work-Eligible Individual⁵¹

A TANF work-eligible individual is a recipient of assistance who is an adult (age 18 or older) or a minor head of household. Some assistance recipients are excluded from that definition:

- a minor parent (under age 18) who is not the head of a household;
- at state option, and on a case-by-case basis, (1) a parent who is a recipient of Social Security Disability Insurance (SSDI) benefits; (2) a parent who is a recipient of Supplemental Security Income (SSI, public assistance for those who are age 65 or older, have a disability, or have blindness); or (3) a parent who became eligible for SSI during the year (excluded retroactively); and
- a parent needed to care for a disabled family member, provided there is medical documentation to support that need.

Household members living with assistance recipients who are not parents and not recipients themselves are not considered TANF work-eligible individuals. This generally includes nonrecipient, nonparent relatives caring for children; noncitizens who are ineligible for TANF assistance because of their immigration status, and SSI recipients (parents and other relatives).

The definition of *work-eligible individual* includes some nonrecipient parents living with a child receiving assistance. For example, parents sanctioned off of benefits for failure to meet a program requirement or parents who (under state policy) ceased receiving benefits because of a time limit while benefits were continued for the children are considered work-eligible individuals.

⁴⁹ These regulations are at 45 C.F.R. §261.43.

⁵⁰ U.S. Department of Health and Human Services, Administration for Children and Families, "Reauthorization of the Temporary Assistance for Needy Families Program," 73 *Federal Register* 6807-6808, February 5, 2008. Note that the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) effectively delayed the implementation of these rules until FY2012.

⁵¹ The definition of *work-eligible individual* is found in regulation at 45 C.F.R. §261.2(n).

Families Included in the TANF Work Participation Rate

Only families receiving assistance from federal TANF or state MOE funds that include a work-eligible individual are included in the participation rate calculation. However, some such families are or may be excluded by statute. Excluding these families means the state may exempt them from work requirements without creating the potential for their nonparticipation to result in a lower participation rate.

The families excluded from the participation rate are those

- (at state option) with a single parent caring for a child under the age of one—this exclusion is limited to a maximum of 12 months in a lifetime for the family;
- (at state option) participating in a tribal TANF or tribal work program; or
- subject to a sanction for refusal to comply with work requirements, for up to 3 months in a 12-month period.⁵²

Engaged in Work

Work-eligible individuals must participate in specific activities during a month to be considered engaged in work. Work-eligible individuals must also participate in activities for a minimum number of hours per week in a month to be considered engaged in work.

Activities That Are Countable

Federal law lists 12 categories of activities creditable toward meeting the TANF work participation standard. HHS regulations define what specific types of activities count under each of the 12 categories. **Table A-1** lists the 12 creditable categories of activities and the HHS regulatory definition for each. As shown in the table, the specific activities included in the 12 categories are fairly comprehensive, and include education (including attendance at four-year colleges) and rehabilitative activities. However, as will be discussed below, the pre-employment activities of job search and readiness assistance and education activities are limited in terms of how long or under what circumstances they can be counted toward the official participation standard.

Table A-1. TANF Work Activities and Their Definitions

Activity	Definition
Unsubsidized employment	Full- or part-time employment in the public or private sector that is not subsidized by TANF or any other public program.
Subsidized private sector employment	Employment in the private sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing an individual.

⁵² Guidance from HHS notes that a family is not subject to a sanction until the sanction is actually imposed. The state may not disregard the family from the WPR during the period of time after which notice is given that the family is not in compliance or during a period of conciliation, but before the financial sanction is imposed. U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, *Policy on "subject to a penalty" for refusing to participate in work activities*, TANF-ACF-PI-2007-05, October 1, 2007, <https://www.acf.hhs.gov/ofa/policy-guidance/tanf-acf-pi-2007-05-policy-subject-penalty-refusing-participate-work-activities>.

Activity	Definition
Subsidized public sector employment	Employment in the public sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing an individual.
Job search and readiness assistance (participation in this activity may be counted for six weeks, or 12 weeks in certain circumstances, in a 12-month period)	The act of seeking or obtaining employment, or preparation to seek or obtain employment, including life-skills training and substance abuse treatment, mental health treatment, or rehabilitation activities. Such treatment or therapy must be determined to be necessary and documented by a qualified medical, substance abuse, or mental health professional.
Community service	Structured programs and embedded activities in which TANF recipients perform work for the direct benefit of the community under the auspices of public or nonprofit organizations. Community service programs must be limited to projects that serve a useful community purpose in fields such as health, social service, environmental protection, education, urban and rural redevelopment, welfare, recreation, public facilities, public safety, and child care. A state agency shall take into account, to the extent possible, the prior training, experience, and skills of an individual in making appropriate community service assignments.
Work experience	A work activity, performed in return for assistance that provides an individual with an opportunity to acquire the general skills, knowledge, and work habits necessary to obtain employment. The purpose of work experience is to improve the employability of an individual who cannot find unsubsidized full-time employment.
On-the-job training	Training in the public or private sector that is given to a paid employee while he or she is engaged in productive work, and that provides knowledge and skills essential to the full and adequate performance of the job.
Vocational educational training (participation in this activity is limited to 12 months in a lifetime)	Organized educational programs that are directly related to the preparation of individuals for employment in current or emerging occupations.
Caring for a child of a recipient in community service	Providing child care to enable another cash assistant recipient to participate in a community services program. This is an unpaid activity and must be a structured program to improve the employability of participating individuals.
Job skills training directly related to employment	Training or education for job skills required by an employer to provide an individual with the ability to obtain employment or to advance or adapt to the changing demands of the workplace.
Education directly related to employment (for those without a high school or equivalent degree)	Education related to a specific occupation, job, or job offer.
Completion of a secondary school program (for those without a high school or equivalent degree)	In the case of a recipient who has not completed secondary school or received such a certificate, this means regular attendance, in accordance with the requirements of a secondary school or course of study, at a secondary school or in a course of study leading to a certificate of general equivalence.

Source: Table prepared by the Congressional Research Service (CRS) based on U.S. Department of Health and Human Services (HHS) regulations. See *Federal Register*, vol. 73, no. 24, February 5, 2008, pp. 6772-6828.

Engaged in Work: Hours of Participation

To be considered a participant and counted by a state toward meeting its work participation standard, a family member or members must be engaged in work activities for a minimum number of hours per week in a month. The required minimums vary by the family's composition.

Table A-2 outlines the TANF work participation hours standard. For meeting the all family standard, the hours requirement varies depending on family type and the age of the youngest child. The general hours requirement is an average of at least 30 hours per week during the month. However, for single parents caring for a child under the age of 6, an average of 20 hours per week during the month is needed in work activities for a state to deem them participants. More hours are required for two-parent families to meet the standard. For these families, the combined hours of both parents are considered in determining whether they can be considered participant families.

Table A-2 shows that certain hours of participation must be in core activities, while remaining hours may be in supplemental activities. The core activities are (1) unsubsidized employment, (2) subsidized private sector employment, (3) subsidized public sector employment, (4) job search and readiness, (5) community service, (6) work experience, (7) on-the-job-training, (8) vocational educational training, and (9) providing child care to a recipient in community service. The supplemental activities are (1) job skills training directly related to employment, (2) education directly related to employment, and (3) completion of a secondary school program.

Note that the effect of these rules on single parents with a child under 6 effectively narrows the number of countable activities from the full 12 to the 9 core activities for the purposes of meeting the work standards. That is, to meet the 20-hour per week requirement, only core activities count for single parent families with a child under 6.

Table A-2. TANF Hours Requirements for the All-Family Rate and the Two-Parent Family Rate, by Family Type

(Excludes special rule for teen parents)

	All-Family Rate		Two-Parent Family Rate (parents may combine hours)	
	Single-Parent Families with a Child Under Age 6	Other Families	Two-Parent Families Receiving Federally Funded Child Care	Two-Parent Families Not Receiving Federally Funded Child Care
Total hours requirement	An average of 20 hours per week during the month	An average of 30 hours per week during the month	An average of 55 hours per week during the month	An average of 35 hours per week during the month
Required hours in core activities	An average of 20 hours per week during the month	An average of 20 hours per week during the month	An average of 50 hours per week during the month	An average of 30 hours per week during the month
Allowable hours in supplemental activities	Not applicable	An average of 10 hours per week during the month	An average of 5 hours per week during the month	An average of 5 hours per week during the month

Source: Table prepared by the Congressional Research Service (CRS).

HHS regulations clarify that only actual hours of participation count toward meeting the work participation standard; however, there is an excused absence policy. For paid activities, states are credited for all hours for which an individual is paid, including any holidays or paid leave (e.g.,

paid sick leave). For unpaid activities, the regulations allow for up to 10 holidays plus 80 hours of other excused absences over a year.

The regulations require that hours in unpaid activities be supervised on a daily basis. The daily supervision requirement means that a responsible party has daily oversight of an individual's participation, not necessarily daily in-person contact with the participant.

Special Rules for Teen Parents Without a High School Diploma

Teen parents who are included in the TANF work participation rate calculation have a special rule for determining whether they are engaged in work. A state may deem a teen parent who lacks a high school diploma as engaged in work if she or he is participating in education directly related to employment for an average of at least 20 hours per week during the month or is making satisfactory progress toward completion of a secondary school program, including a program leading to a General Educational Development diploma. However, such participation of a teen parent may not count toward the participation standard if a state exceeds a cap on participation in education. The education cap requires that no more than 30% of those considered engaged in work may be individuals in vocational educational training and teen parents deemed engaged in work through education.

Verifying Work Participation⁵³

States are required to have procedures to verify recipients' work participation: identifying who is subject to or excluded from work standards, how a recipient's activities represent countable TANF work activities, and how to count and verify reported hours of work. HHS regulations require that descriptions of these procedures be included in a state work verification plan. States that fail to comply with these work verification requirements are subject to a penalty of between 1% and 5% of the state's block grant.

⁵³ Section 407(i) of the Social Security Act.

Appendix B. Detail on Penalties for Failure to Meet TANF Requirements

Table B-I. TANF Penalties on States

(Statutory references are to sections of the Social Security Act)

Penalized Action	Description	Penalty	Subject to Corrective Compliance and Reasonable Cause Exception?
Misuse of TANF grant (Section 409(a)(1))	Based on an audit, the state used a grant in violation of TANF rules.	Equal to the amount of TANF funds misused. If the violation is found to be intentional, an additional penalty equal to 5% of the state's adjusted SFAG is assessed (adjusted SFAG is the amount of the basic block grant allocated to the state minus payments to tribes minus transfers to the Child Care and Development Block Grant and the Social Services Block Grant).	Yes
Failure to submit required reports (Section 409(a)(2))	The state failed to submit the quarterly report on families receiving assistance by the filing deadline.	TANF SFAG block grant is reduced by an amount equal to 4% of the state's adjusted SFAG.	Yes. Additionally, the penalty is rescinded if the state files the report by the end of the fiscal quarter following the fiscal quarter in which it was due.

Penalized Action	Description	Penalty	Subject to Corrective Compliance and Reasonable Cause Exception?
Failure to satisfy minimum work participation rates (Section 409(a)(3))	The state has not achieved minimum work participation rates for families receiving assistance.	For the first year of falling short on participation standards, a state's adjusted SFAG is reduced by a maximum of 5%. For each subsequent year of falling short of the standard, the penalty is increased by 2 percentage points. The penalty is based on the degree of noncompliance. For example, if a state fails to meet the two-parent standard only, the maximum penalty is pro-rated based on the percentage of two-parent cases receiving assistance as a share of the total caseload (42 C.F.R. §261.5). Maximum penalty is 21% of the state's adjusted SFAG.	Yes
Failure to participate in the Income Eligibility Verification System (IEVS) (Section 409(a)(4))	The state failed to participate in IEVS. IEVS requires states to operate a computer matching system to verify income eligibility for selected federal and state programs.	The state's SFAG is reduced by a maximum of 2% of its adjusted SFAG.	Yes
Failure to comply with paternity establishment and child support enforcement requirements (Section 409(a)(5))	The state did not comply with child support requirements. States must require that families receiving assistance cooperate with establishing the paternity of dependent children. They also must enforce penalties on TANF assistance recipients who do not cooperate.	The state's SFAG is reduced by a maximum of 5% of its adjusted SFAG.	Yes

Penalized Action	Description	Penalty	Subject to Corrective Compliance and Reasonable Cause Exception?
Failure to repay in a timely way a loan (Section 409(a)(6))	The state did not repay loans from the TANF loan fund based on the terms of its loan. TANF allows states to take out loans to help finance unanticipated costs. These loans must be repaid with interest, within a maximum of three years.	The state's SFAG is reduced by the amount of the outstanding loan plus interest.	No
Failure to meet the TANF maintenance of effort (MOE) requirement (Section 409(a)(7))	The state failed to meet the requirement that nonfederal spending in the state on TANF-eligible families be a specified percentage of historical (FY1994) spending.	The state's SFAG is reduced dollar-for-dollar by the amount of the shortfall between required spending and actual nonfederal spending.	No
Failure to achieve certain performance levels and other requirements in the Child Support Enforcement (CSE) program, Title IV-D of the Social Security Act (Section 409(a)(8))	The CSE program establishes certain performance measures in terms of paternity establishment, and has other requirements. Failure to meet the performance measures, submitting unreliable data to evaluate performance, or not complying with other CSE requirements is enforced through a penalty in TANF.	For the first year of noncompliance, the state's SFAG is reduced by not less than 1% and not more than 2% of the state's adjusted SFAG. This penalty is increased to not less than 2% nor more than 3% for the second consecutive year of noncompliance, and to not less than 3% nor more than 5% for the third or subsequent years of noncompliance.	Yes
Failure to comply with the five-year time limit (Section 409(a)(9))	The number of families that include the head of household receiving assistance in the state beyond 60 months exceeds 20% of the total number of families receiving assistance.	The state's SFAG is reduced by 5% of the state's adjusted SFAG.	Yes
Failure to meet the 100% of historical state spending requirement for TANF contingency funds (Section 409(a)(10))	The state received TANF contingency funds but nonfederal funds spent on eligible families in the state (on activities other than child care) were less than 100% of historical state spending (on activities other than child care).	The state is required to return all TANF contingency funds it has received.	No

Penalized Action	Description	Penalty	Subject to Corrective Compliance and Reasonable Cause Exception?
Failure to maintain assistance for a family with a single parent and child under age 6 who cannot obtain affordable child care (Section 409(a)(11))	The state is prohibited from sanctioning a single parent family with a preschool (under age 6) child who receives assistance for not complying with work requirements if the family cannot obtain affordable child care.	The state's SFAG is reduced by a maximum of 5% of the state's adjusted SFAG.	Yes
Failure to replace penalized funds (Section 409(a)(12))	States are required to replace penalties levied on federal funds with state funds. A state that does not do this is subject to an additional penalty.	The state's SFAG is reduced by the amount the state was required to replace plus a maximum of 2% of the state's adjusted SFAG.	No
Failure to sanction families for recipients who refuse without good cause to work (Section 409(a)(14))	States are required to sanction families receiving assistance if a member refuses without good cause to work or engage in job preparation activities. States that are found in violation of this requirement are penalized.	The state's SFAG is reduced by not less than 1% but not more than 5% of its adjusted SFAG.	Yes
Failure to establish or comply with work verification procedures (Section 409(a)(15))	The state has not submitted a plan, or is not complying with the requirement that it submit a plan, to verify work participation of assistance recipients.	The state's SFAG is reduced by not less than 1% but not more than 5% of its adjusted SFAG.	Yes
Failure to enforce prohibition on withdrawals of TANF cash assistance in certain establishments (Section 409(a)(16))	States must maintain policies and practices to prevent TANF cash assistance funds from being used in an EBT transaction in liquor stores, casinos or gaming establishments, and strip clubs.	The state's SFAG is reduced by a maximum of 5% of its adjusted SFAG.	Yes

Source: Congressional Research Service (CRS), based on Section 409 of the Social Security Act and applicable regulations.

Note: Penalties expressed as “a maximum of” indicate a penalty that may be reduced by the severity of the violation.

Author Information

Gene Falk
Specialist in Social Policy

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