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Received through the CRS Web

The New Welfare Law: Temporary Assistance for Needy Families

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Temporary Assistance to Needy Families (TANF) is a fixed block grant for state-designed programs of time-limited and work-conditioned aid to families with children. Effective July 1, 1997 (earlier in most states, by their choice) TANF replaced Aid to Families with Dependent Children (AFDC), Emergency Assistance for Needy Families, and the education, work and training program for AFDC recipients, known as the Job Opportunities and Basic Skills Training (JOBS) program. The TANF law (P.L. 104-193) combines recent peak federal funding levels for each state (generally those of FY1994-95) for these three programs into a single block. Nationally the block grant is \$16.5 billion annually through FY2002. The 1996 welfare law provides TANF grants for outlying areas; it also permits Indian tribes to operate their own TANF programs. Further, the law provides an average of \$2.3 billion annually in a new child care block grant (about double the recent federal funding level for AFDC-related child care). Supplementing the basic TANF block grant for qualifying states are funds of five kinds (see chart on reverse page), including welfare-to-work grants enacted in 1997.

TANF has greatly enlarged state discretion in operating family welfare, and it has ended the entitlement of individual families to benefits. States decide what categories of needy families to help (AFDC law defined eligible classes and required states to aid families in these classes if their income were below state-set limits). States decide whether to adopt financial rewards/penalties to induce work and other desired behavior. They set asset limits (AFDC law imposed an outer limit). Moreover, states continue to set benefit levels. TANF explicitly permits states to administer benefits and provide services through contracts with charitable, religious, or private organizations.

Attached to the TANF block grant are some federal conditions. For instance, to receive full grants, states must achieve minimum work participation rates and spend a certain sum of their own funds on behalf of eligible families ("maintenance-of-effort" rule). Moreover, states must impose a general 5-year time limit on TANF-funded benefits and require unwed mothers under 18 to live in an adult-supervised setting (and attend school unless they already have a high school diploma) in order to receive aid. In their TANF plans, at least one-third of the states said they would extend aid to two-parent families with full-time jobs (working poor families). More than one-third said that in lieu of TANF benefits, they would make "diversion" payments, generally one-

time payments for immediate needs. Some plan to continue aid for children with state funds after their parents lose eligibility because of the time limit.

For full state grants, TANF requires participation in specified “work activities” by 30% of *all* beneficiary families in FY1998 (rising to 50% by FY2002). These required rates are to be reduced if a state's caseload is smaller than in FY1995 (the case in almost all states). For two-parent families, higher minimums apply (75% now, rising to 90% in FY1999). Work activities credited toward a state's participation requirement exclude education, except for high school dropouts, but TANF allows limited use of vocational educational *training*). See CRS Report 96-720, *New Welfare Law: Comparison of the New Block Grant Program with Aid to Families with Dependent Children*, by Vee Burke.

SOME KEY DIFFERENCES: AFDC/EA/JOBS AND TANF

	AFDC/EA/JOBS (Old Law)	TANF (New Law)
Federal funding	Unlimited for AFDC and EA. Capped entitlement for JOBS. (Federal share of AFDC and JOBS costs varies inversely with state per capita income.)	Fixed grant, plus extras (for population growth/low federal spending per poor person, loan funds, contingency funds, performance bonuses, bonuses for reducing out-of-wedlock births); and welfare-to-work grants .
State funding	Matching required for each federal dollar.	States must spend 75% of “historic” level (100% for contingency funds) and must provide matching for contingency funds, most welfare-to-work grants—and some child care funds.
Categories eligible	Children with one parent or with an incapacitated or unemployed second parent.	Set by state
Income limits	Set by state	Set by state
Benefit levels	Set by state	Set by state
Entitlement	All families eligible under state standards must be aided.	TANF expressly denies entitlement.
Exemptions from work requirement	Parents (chiefly mothers) with child under age 3 (under age 1, at state option)	None, but states may exempt single parents caring for child under 1.
Work trigger	None	Work required after maximum of 2 years of benefits
Time limit for benefits	None	5-year limit (20% hardship exceptions allowed)