



# **TANF, Child Care, Marriage Promotion, and Responsible Fatherhood Provisions in the Deficit Reduction Act of 2005 (P.L. 109-171)**

**(name redacted)**

Specialist in Social Policy

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## Summary

The Deficit Reduction Act of 2005 (DRA, P.L. 109-171) includes a scaled-back version of welfare reauthorization. More extensive versions were considered during the preceding four-year debate. (See CRS Report RL33418, *Welfare Reauthorization in the 109<sup>th</sup> Congress: An Overview*, by (name redacted), (name redacted), and (name redacted) for details.) The DRA extends funding at current levels for basic state grants under the Temporary Assistance for Needy Families (TANF) block grant through Fiscal Year (FY) 2010. It requires most states to either raise participation in work activities among families receiving cash welfare from TANF or further reduce the cash assistance rolls. DRA also required the Department of Health and Human Services (HHS) to issue regulations to define activities countable toward work participation standards and set rules for state enforcement and verification of participation in activities. These regulations were published on June 29, 2006. The DRA also extends Child Care and Development Fund (CCDF) mandatory funding through FY2010, increasing mandatory child care funding by \$200 million per year from previous levels (a total increase of \$1 billion over five years). The DRA further establishes \$100 million per year in TANF research and technical assistance funds for “healthy marriage promotion” initiatives and \$50 million per year for “responsible fatherhood initiatives.” This report will not be updated.

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## TANF Funding and Program Authority

The DRA continues the TANF block grant created in the 1996 welfare reform law through FY2010. In general, TANF funding levels, rules for use of funds, and program requirements continue unchanged through FY2010. With respect to funding, there are some exceptions:

- Supplemental grants paid to 17 states that have met criteria of low historic grants per poor person or high rates of population growth are continued at current levels only through FY2008.
- TANF bonuses totaling \$300 million to states are repealed.
- The DRA established new project and demonstration grants for promoting healthy marriages (\$100 million per year) and “responsible fatherhood” (\$50 million per year).

## TANF Work Participation Requirements

The DRA makes some significant changes to TANF work participation. These changes require most states to engage more of their caseloads in activities and/or reduce cash assistance caseloads from FY2005 levels.

### The Caseload Reduction Credit

As originally enacted and also under DRA, TANF sets minimum work participation standards that a state must meet or be penalized by a reduction in its block grant. The standards are performance measures computed in the aggregate for each state, which require that a specified percentage of families with an adult or minor head of household receiving assistance be considered engaged in specified activities for a minimum number of hours. A state must meet two standards each year: 50% of *all* families with an adult recipient or minor head-of-household recipient must have a work participant; and (2) 90% of *two-parent* families must meet participation rules.

However, the 1996 welfare reform law included a *caseload reduction credit*, which provided that the standards were reduced one percentage point for each 1% decline in the assistance caseload that had occurred since FY1995. States were *not* given credit for caseload declines that resulted from eligibility changes that had occurred since FY1995, the year before enactment of the federal welfare reform law (P.L. 104-193). After the federal and state welfare reforms of the mid-1990s, many states had large declines in their cash assistance caseloads. Though the rate of caseload decline varied among the states, most states received fairly substantial caseload reduction credits which reduced their effective (after-credit) TANF work participation standards well below 50%. In FY2004, caseload reduction credits were large enough to reduce to 0% the effective (after-credit) work participation standard for 18 states.

The DRA revises the caseload reduction credit, so that states will receive credit only for *future* caseload reductions. Effective in FY2007, states will only receive credit for caseload reductions that occur from FY2005 forward. The FY2007 credit will be based on caseload declines (if any) that occur from FY2005 to FY2006; the FY2008 credit will be based on caseload declines that occur from FY2005 to FY2007 and so on. As under prior law, states are *not* given credit for

caseload declines that occur because of eligibility changes that occurred from the base year for measuring caseload changes; the base year will be FY2005 under the DRA.

## **Separate State Programs**

The TANF program was created in 1996 by consolidating three programs that provided matching grants to states, with the federal government funding approximately 55% of expenditures made in these predecessor programs. TANF requires states to meet a maintenance of effort (MOE) requirement, which is to spend, from their own funds, at least 75% of what they had spent in FY1994.

State spending to meet the MOE need not be in the TANF program, but must be for needy families with children and for the same types of activities allowed under state TANF programs. Under the 1996 law, most TANF requirements, including the work participation standards, did not apply to families receiving assistance under separate state programs (SSPs): programs with expenditures countable toward the MOE but designated by the states as outside the TANF program. States used SSPs to, among other things, assist two-parent families, which freed them from the 90% standard applicable to that part of the caseload; operate “Parents as Scholars” programs for recipients attending college; and assist special populations such as families with a disabled member, permitting them to be exempted from work requirements without negatively affecting participation rates.

The DRA requires that states count families in SSPs in determining their work participation rates. The major impact of this change is that states will have to meet a 90% standard for the two-parent portion of its caseload. This change will also subject special populations to the TANF work participation standards and, together with the HHS regulations defining TANF work activities, affect states’ ability to allow recipients to attend college without negatively affecting work participation rates.

## **HHS Regulations**

Though the 1996 welfare reform law established TANF participation standards, minimum hours requirements, and a list of 12 categories of activities that count toward meeting the standards, much of the detail in operating and enforcing these standards was left to the states. The DRA required HHS to issue regulations to “ensure consistent measurement of work participation rates” by further defining TANF work activities beyond the current statutory list; requiring uniform methods for reporting hours of work; and determining the circumstances in which parents must be included in the work participation rate calculation. The HHS regulations were issued in interim, final form on June 29, 2006.

## ***Definition of Work Activities***

**Table 1**, at the end of this report, shows the specific work activities that may be included in each of the 12 federal statutory categories, as defined by HHS. These definitions prohibit states from counting participation in a four-year college degree program as vocational educational training. They also provide that activities such as substance abuse and mental health counseling may be counted as a “job readiness activity,” countable together with job search for up to six weeks (12 weeks under some circumstances) in a fiscal year. Additionally, the HHS regulations also include requirements that activities be “supervised,” many on a daily basis.

### ***State Work Verification Plans***

The DRA requires states to have procedures to verify recipients' work participation, which identify who is subject to or excluded from work standards, how recipients' activities represent countable TANF work activities, and how reported hours of work are verified. HHS regulations require states to submit a description of these procedures in a state work verification plan. Preliminary work verification plans were due to HHS on September 30, 2006; final plans are due on September 30, 2007.

### ***Families Included in the Participation Rate***

Under the 1996 welfare reform law, all *child-only* TANF families (families where there are no adult recipients) were excluded from the work participation calculation. The DRA required that the HHS regulations specify the types of families with parent caretakers that should be included in or excluded from the participation rate. HHS regulations specifically exclude from the participation rate immigrant parents who are ineligible for assistance (with citizen children eligible for assistance). It allows states to make a case-by-case determination of whether to include in the participation rate a parent receiving Supplemental Security Income (SSI). Other nonrecipient parents must be included in the participation rate, particularly affecting parents removed from the assistance unit because of a time limit or sanction. These regulations do not affect the status of non-recipient, nonparent caretakers, such as grandparents, aunts, and uncles caring for children, who are exempt from the work participation standards. The regulations also allow states to exclude parents caring for a disabled family member from the participation rate calculation.

### **Mandatory Child Care Funding**

From FY2002 through FY2005, mandatory child care funding for the Child Care and Development Block Grant has been set at \$2.717 billion per year. The DRA increases mandatory child care funding to \$2.917 billion per year for FY2006 through FY2010, an increase from current levels of \$200 million per year or \$1 billion over five years.

### **Healthy Marriage Promotion and Responsible Fatherhood Initiatives**

The DRA establishes new categorical grants within TANF for healthy marriage promotion and responsible fatherhood initiatives. As originally enacted and continuing under DRA, TANF law allows states to use block grant and MOE funds for activities to further any TANF purpose, including promotion of the formation and maintenance of two-parent families. However, state expenditures in this category have generally been small.

## Healthy Marriage Promotion

The healthy marriage promotion initiative is funded at approximately \$100 million per year,<sup>1</sup> to be spent through grants awarded by the Secretary of HHS to support research and demonstration projects by public or private entities; and technical assistance provided to states, Indian tribes and tribal organizations, and other entities. The activities supported by the healthy marriage promotion initiatives are programs to promote marriage to the general population, such as public advertising campaigns on the value of marriage and education in high schools on the value of marriage; education on “social skills” (e.g. marriage education, marriage skills, conflict resolution, and relationship skills) for engaged couples, those interested in marriage, or married couples; and programs that reduce the financial disincentive to marry, if combined with educational or other marriage promotion activities.

The DRA requires applicants for marriage promotion grants to ensure that participation in such activities is voluntary and that domestic violence concerns be addressed, including through consultation with experts on domestic violence.

## Responsible Fatherhood Initiatives

Additionally, the DRA makes available up to \$50 million per year for responsible fatherhood initiatives. These initiatives will be funded through competitive grants made by HHS to states, territories, Indian tribes and tribal organizations, and public and nonprofit community organizations (including religious organizations). Responsible fatherhood initiatives are defined as including activities to promote marriage; teach parenting skills through counseling, mentoring, mediation, and dissemination of information; support employment and job training services, and develop and promote media campaigns and a national clearinghouse focused on responsible fatherhood. (See CRS Report RL31025, *Fatherhood Initiatives: Connecting Fathers to Their Children*, by (name redacted) for more on these initiatives.)

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<sup>1</sup> The DRA provides an appropriation of \$150 million for three sets of activities. Of this appropriation, up to \$2 million per year is set aside to test the effectiveness of tribal governments and consortia in coordinating child welfare services for abused and neglected children. Additionally, up to \$50 million per year is set aside for responsible fatherhood initiatives. If the full amount of these set-asides were used for these purposes, \$98 million per year is left for healthy marriage promotion activities.

**Table 1. Creditable TANF Work Activities and Their Definitions**

| <b>Activity</b>   | <b>Definition</b>  |
|---|--|
| Unsubsidized employment   | Means 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  | Means 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 a recipient.  |
| Subsidized public sector employment   | Means 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 a recipient.   |
| Job search and readiness<br>[Participation in this activity may be counted for six weeks (12 weeks in certain circumstances) in a fiscal year.]   | Means 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 for those who are otherwise employable. Such treatment or therapy must be determined to be necessary and certified by a qualified medical or mental health professional. Job search and job readiness assistance activities must be supervised by a TANF agency or other responsible party on an ongoing basis no less frequently than daily.   |
| Community service   | Means 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. Community service programs are designed to improve the employability of recipients not otherwise able to obtain employment and must be supervised on an ongoing basis no less frequently than daily. A state agency shall take into account, to the extent possible, the prior training, experience, and skills of a recipient in making appropriate community service assignments. |
| Work experience   | Means a work activity, performed in return for welfare, that provides an individual with an opportunity to acquire the general skills, training, 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 employment. The activity must be supervised by an employer, work site sponsor, or other responsible party on an ongoing basis no less frequently than daily.  |
| On-the-job training   | Means 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. On-the-job training must be supervised by an employer, work site sponsor, or other responsible party on an ongoing basis no less frequently than daily.  |
| Vocational educational training<br>[Participation in this activity is limited to 12 months in a lifetime.]  | Means organized educational programs that are directly related to the preparation of individuals for employment in current or emerging occupations that require training other than a baccalaureate or advanced degree. Vocational educational training must be supervised on an ongoing basis no less frequently than daily.  |
| Caring for a child of a recipient in community service  | Means providing child care to enable another TANF recipient to participate in a community services program. This activity must be supervised on an ongoing basis no less frequently than daily.  |
| The following activities are often creditable only in conjunction with participation in other activities (i.e. after a minimum number of hours per week of participation in the activities listed above). |  |
| Job skills training directly related to employment  | Means 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. Job skills training directly related to employment must be supervised on an ongoing basis no less frequently than daily.  |



| Activity  | Definition  |
|---|---|
| Education directly related to employment (for those without a high school or equivalent degree) | Means education related to a specific occupation, job, or job offer. Education directly related to employment must be supervised on an ongoing basis no less frequently than daily.   |
| 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. This activity must be supervised on an ongoing basis no less frequently than daily. |

**Source:** Table prepared by CRS based on HHS regulations. See *Federal Register*, Vol. 71, No. 125, June 29, 2006, pp. 37454-37483.

## Author Contact Information

(name redacted)  
Specialist in Social Policy  
/redacted/@crs.loc.gov, 7-....

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