

# CRS Report for Congress

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

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

## Summary

The Temporary Assistance for Needy Families (TANF) block grant provides federal grants to states for a wide range of benefits, services, and activities. It is best known for helping states pay for cash welfare for needy families with children, but it funds a wide array of additional activities. TANF was created in the 1996 welfare reform law (P.L. 104-193). TANF funding and program authority were extended through FY2010 by the Deficit Reduction Act of 2005 (DRA, P.L. 109-171).

TANF provides a basic block grant of \$16.5 billion to the 50 states and District of Columbia, and \$0.1 billion to U.S. territories. Additionally, 17 states qualify for supplemental grants that total \$319 million. TANF also requires states to contribute from their own funds at least \$10.4 billion for benefits and services to needy families with children — this is known as the maintenance-of-effort (MOE) requirement.

States may use TANF and MOE funds in any manner “reasonably calculated” to achieve TANF’s statutory purpose. This purpose is to increase state flexibility to achieve four goals: (1) provide assistance to needy families with children so that they can live in their own homes or the homes of relatives; (2) end dependence of needy parents on government benefits through work, job preparation, and marriage; (3) reduce out-of-wedlock pregnancies; and (4) promote the formation and maintenance of two-parent families.

Though TANF is a block grant, there are some strings attached to states’ use of funds, particularly for families receiving “assistance” (essentially cash welfare). States must meet TANF work participation standards or be penalized by a reduction in their block grant. The law sets standards stipulating that at least 50% of all families and 90% of two-parent families must be participating, but these statutory standards are reduced for declines in the cash welfare caseload. (Some families are excluded from the participation rate calculation.) Activities creditable toward meeting these standards are focused on work or are intended to rapidly attach welfare recipients to the workforce; education and training is limited.

Federal TANF funds may not be used for a family with an adult that has received assistance for 60 months. This is the five-year time limit on welfare receipt. However, up to 20% of the caseload may be extended beyond the five years for reason of “hardship,” with hardship defined by the states. Additionally, states may use funds that they must spend to meet the TANF MOE to aid families beyond five years.

TANF work participation rules and time limits do not apply to families receiving benefits and services not considered “assistance.” Child care, transportation aid, state earned income tax credits for working families, activities to reduce out-of-wedlock pregnancies, activities to promote marriage and two-parent families, and activities to help families that have experienced or are “at risk” of child abuse and neglect are examples of such “nonassistance.” This report will be updated.

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

## Introduction

The Temporary Assistance for Needy Families (TANF) block grant provides federal grants to states for a wide range of benefits and activities. It is best known as the major source of funding for cash welfare for needy families with children. However, federal law allows TANF funds to be used for other benefits and services that provide economic help to low-income families with children and support the goals of reducing out-of-wedlock pregnancies and promoting two-parent families.

The TANF program was created in the 1996 welfare reform law (P.L. 104-193). Most recently, the Deficit Reduction Act of 2005 (DRA, P.L. 109-171), extended funding and authority for TANF program operations through FY2010.<sup>1</sup>

At the federal level, TANF is administered by the Department of Health and Human Services. However, benefits and services are provided by the states. TANF programs operate in all 50 states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. American Samoa is eligible to operate a TANF program, but has not opted to do so.<sup>2</sup>

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

- federal TANF grants and state funds under a “maintenance-of-effort” (MOE) requirement;
- how states may use federal TANF and state MOE funds to help achieve the purpose and goals of the TANF block grant;
- rules that apply to states when they use TANF or MOE funds to provide cash welfare to needy families with children;
- rules that apply to states when they use TANF or MOE funds for benefits and services *other* than cash welfare;

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<sup>1</sup> For a summary of changes made in the Deficit Reduction Act of 2005, see CRS Report RS22369, *TANF, Child Care, Marriage Promotion, and Responsible Fatherhood Provisions in the Deficit Reduction Act of 2005 (P.L. 109-171)*, by Gene Falk.

<sup>2</sup> American Samoa was also eligible to operate the pre-1996 program, Aid to Families with Dependent Children (AFDC), but did not have such a program.

- certain accountability requirements that apply to states, including requirements that states submit plans and report data to the federal government; and
- provisions of TANF law not directly related to grants to states, such as competitive grants for promoting healthy marriage and responsible fatherhood, tribal TANF provisions, and research funds.<sup>3</sup>

## Federal Grants and State Funds

Though TANF is called a block grant, it has a relatively complicated financing system. There are three TANF grants to states — basic block, supplemental, and contingency (recession-related) grants.<sup>4</sup> Additionally, states are required to spend a certain amount of their own funds on specified TANF-related activities for needy families with children. Therefore, the TANF financial “system” consists of both federal and state funds.

Additionally, there is funding for research, demonstrations, and technical assistance for “healthy marriage promotion,” and competitive grants for “responsible fatherhood” initiatives. These funds (which may go to other entities, as well as to states) are discussed in “Other TANF Provisions,” later in this report.

### Federal Grants to States

Federal TANF grants are *entitlements* to the states — the law entitles each state to a specified amount of funding. The DRA provided an appropriation in advance for the basic TANF block grant and contingency funds through fiscal year (FY) 2010, but provided funding for TANF supplemental grants through only FY2008. P.L. 110-275 extended funding for TANF supplemental grants through FY2009.

**Basic Block Grant.** The 1996 welfare reform law entitled states to a basic TANF block grant equal to peak expenditures for pre-TANF programs during the FY1992-to-FY1995 period.<sup>5</sup> The mid-1990s were a period when the cash welfare

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<sup>3</sup> For current 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*, by Gene Falk.

<sup>4</sup> Before enactment of the Deficit Reduction Act of 2005 (P.L. 109-171), TANF included two bonus funds. States competed for up to \$200 million per year in “high performance bonus” funds. A second TANF bonus totaling \$100 million per year was paid to the five states with the greatest reduction in out-of-wedlock birth ratios that also had a decline in abortions. Both of these bonuses were repealed by the Deficit Reduction Act of 2005, beginning with FY2006.

<sup>5</sup> Under the law, basic block grant amounts for each state are the same as provided for in the original 1996 welfare reform law (P.L. 104-193). The national total state grant and each state’s individual grant in the original TANF law is based on the federal share of expenditures in the pre-1996 AFDC, Emergency Assistance (EA), and Job Opportunities and Basic Skills (JOBS) training programs. The original formula entitled each state to the  
(continued...)

rolls were at their all-time high; the block grant amount is based on federal expenditures on the cash welfare, emergency aid, and job training programs for cash welfare families that existed in that period. The basic block grant is legislatively fixed — that is, it does not change when the cash assistance caseload decreases or increases, nor is it adjusted for inflation.

**Supplemental Grants.** During consideration of legislation that led to the 1996 law, fixed funding based on historic expenditures was thought to disadvantage two groups of states: (1) those that had relatively high population growth and (2) those that had historically low welfare grants relative to poverty in the state. Therefore, additional funding in the form of supplemental grants was provided to states that met criteria of high population growth and/or low historic grants per poor person. A total of 17 states (shown in **Table 1**, below) qualify for supplemental grants.

**Table 1** shows the basic TANF block grant and supplemental grants to the states. The table separately shows the amount of each state's basic and supplemental grant combined, and the percent of the national total of the combined grants (basic plus supplemental grant) for each state.

**Table 1. Federal TANF State Family Assistance and Supplemental Grants, Annual Grant Amounts**  
(\$ in thousands)

State	State family assistance grant	Supplemental grant	Total	Percent of national total
Alabama	\$93,315	\$11,093	\$104,408	0.6%
Alaska	63,609	6,888	70,497	0.4
Arizona	222,420	23,925	246,345	1.5
Arkansas	56,733	6,218	62,951	0.4
California	3,733,818	0	3,733,818	22.2
Colorado	136,057	13,570	149,626	0.9
Connecticut	266,788	0	266,788	1.6
Delaware	32,291	0	32,291	0.2
District of Columbia	92,610	0	92,610	0.6
Florida	562,340	60,406	622,746	3.7
Georgia	330,742	37,283	368,025	2.2
Hawaii	98,905	0	98,905	0.6
Idaho	31,938	3,498	35,436	0.2

<sup>5</sup> (...continued)

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.

State	State family assistance grant	Supplemental grant	Total	Percent of national total
Illinois	585,057	0	585,057	3.5
Indiana	206,799	0	206,799	1.2
Iowa	131,525	0	131,525	0.8
Kansas	101,931	0	101,931	0.6
Kentucky	181,288	0	181,288	1.1
Louisiana	163,972	17,027	180,999	1.1
Maine	78,121	0	78,121	0.5
Maryland	229,098	0	229,098	1.4
Massachusetts	459,371	0	459,371	2.7
Michigan	775,353	0	775,353	4.6
Minnesota	267,985	0	267,985	1.6
Mississippi	86,768	9,036	95,803	0.6
Missouri	217,052	0	217,052	1.3
Montana	45,534	1,133	46,667	0.3
Nebraska	58,029	0	58,029	0.3
Nevada	43,977	3,734	47,710	0.3
New Hampshire	38,521	0	38,521	0.2
New Jersey	404,035	0	404,035	2.4
New Mexico	126,103	6,553	132,656	0.8
New York	2,442,931	0	2,442,931	14.5
North Carolina	302,240	36,110	338,350	2.0
North Dakota	26,400	0	26,400	0.2
Ohio	727,968	0	727,968	4.3
Oklahoma	148,014	0	148,014	0.9
Oregon	167,925	0	167,925	1.0
Pennsylvania	719,499	0	719,499	4.3
Rhode Island	95,022	0	95,022	0.6
South Carolina	99,968	0	99,968	0.6
South Dakota	21,894	0	21,894	0.1
Tennessee	191,524	21,565	213,089	1.3
Texas	486,257	52,708	538,965	3.2
Utah	76,829	8,704	85,534	0.5
Vermont	47,353	0	47,353	0.3
Virginia	158,285	0	158,285	0.9
Washington	404,332	0	404,332	2.4
West Virginia	110,176	0	110,176	0.7
Wisconsin	318,188	0	318,188	1.9
Wyoming	21,781	0	21,781	0.1
<b>Totals</b>	<b>\$16,488,667</b>	<b>\$319,450</b>	<b>\$16,808,117</b>	<b>100.0%</b>

**Source:** Table prepared by the Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS).

**Contingency Funds.** The fixed basic grant under TANF also led to concerns that funding might be inadequate during economic downturns. Thus, TANF includes additional *matching* contingency funds that can be used to provide additional funding during recessionary periods if certain conditions are met.<sup>6</sup> To draw upon contingency funds, a state must both (1) meet a test of economic “need” and (2) increase spending from its own funds above what the state spent in FY1994 on cash, emergency assistance, and job training in TANF’s predecessor programs.

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

- its seasonally adjusted unemployment rate averaged over the most recent three-month period is at least 6.5% *and* at least 10% higher than its rate in the corresponding three-month period in either of the previous two years; *or*
- its food stamp caseload over the most recent three-month period is at least 10% higher than the adjusted food stamp caseload in the corresponding three-month period in FY1994 or FY1995. For this purpose, FY1994 and FY1995 caseloads are adjusted by subtracting out an estimate of participants who would have been made ineligible for food stamps under the 1996 welfare law (e.g., noncitizens), had it been in effect in those years.

Monthly payments from the contingency fund are limited to one-twelfth of 20% of a state’s basic block grant, and states may receive these monthly payments on an advance basis. However, 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 over the FY1994 threshold, (2) its Medicaid matching rate, and (3) the number of months the state was eligible for contingency funds. A state’s annual entitlement to contingency funds is calculated as the Medicaid matching rate times the state’s extra spending (above FY1994 amounts) during the fiscal year, prorated by the number of months the state was eligible for contingency funds during the fiscal year.<sup>7</sup> A state that receives more in monthly advances from the contingency fund than it is entitled to for the year must remit overpayments to the federal treasury. A state may not receive more in contingency funds for the year than the total of its

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<sup>6</sup> P.L. 109-68, the TANF Emergency Response and Recovery Act of 2005, allowed states to draw upon the contingency fund to aid families evacuated from states damaged by Hurricane Katrina. States received 100% federal funding for families evacuated from a hurricane-damaged state to another host state. This was a temporary measure for the period September 2005 through August 2006. See CRS Report RS22246, *Temporary Assistance for Needy Families (TANF): Its Role in Response to the Effects of Hurricane Katrina*, by Gene Falk.

<sup>7</sup> For example, if a state was eligible for contingency funds for three months in a fiscal year, its proration factor would be one-fourth (three-twelfth). If it was eligible for contingency funds for six months in a fiscal year, its proration factor would be one-half (six-twelfth). A state eligible for contingency funds all year would not have its annual entitlement to funds prorated (i.e., it would receive the full amount).

monthly advance payments, under an annual cap on contingency funds of 20% of the state's basic block grant.

## **State Funds: the Maintenance-of-Effort, or MOE, Requirement**

TANF consolidated and replaced programs that provided matching grants to the states. Under the pre-TANF cash welfare program, federal funding was generally provided at the Medicaid matching rate (between 50% and 83%) to reimburse states for a share of their expenditures in the program.<sup>8</sup> This meant that there were considerable state dollars contributing to the pre-TANF programs. It also meant that the federal and state shares financing these programs varied by state, as the Medicaid matching rate is higher in states with lower per-capita incomes than higher per-capita incomes.

TANF requires states to maintain spending from their own funds on TANF or TANF-related activities. States are required in the aggregate to maintain at least \$10.4 billion in spending on specified activities for needy families with children. The \$10.4 billion, called the “maintenance-of-effort” (MOE) level, represents 75% of what was spent from state funds in FY1994 in TANF's predecessor programs of cash, emergency assistance, job training, and welfare-related child care spending.<sup>9</sup> States are required to maintain their own spending of at least that level, and the MOE requirement increases to 80% of FY1994 spending for states that fail to meet TANF work participation requirements (discussed below). State expenditures under this requirement are often referred to as state MOE funds.

A state's failure to meet the MOE requirement results in a penalty. The penalty is a reduction in a state's subsequent year's block grant by \$1 for each \$1 shortfall from the required spending level.

**Table 2** shows both federal TANF and state MOE funds. The MOE is shown at both the 75% and 80% rates for each state. Also shown is the percent of total federal and state funds in the TANF financial “system” that is accounted for by federal funds. This percentage varies because the Medicaid matching rate used in the pre-TANF programs varied by state. Mirroring the differences in federal shares

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<sup>8</sup> In the pre-1996 welfare law program, most administrative costs were reimbursed at a 50% rate (though some expenditures on data systems were reimbursed at a 90% rate). TANF also consolidated funding from two other programs: the Emergency Assistance program, which had a 50% matching rate, and the Job Opportunity and Basic Skills (JOBS) training program, which used the Medicaid matching rate but had a 60% (not 50%) minimum match.

<sup>9</sup> Some TANF MOE expenditures can also be counted toward meeting a separate child care “MOE” as part of the state spending requirements for the Child Care and Development Block Grant (CCDBG) matching grants. The maximum amount of funds that may be “double-counted” toward both the TANF and child care MOE requirements is \$888 million, equal to the greater of FY1994 or FY1995 state expenditures in the pre-1996 child care programs. Analysis of combined federal and state funding or expenditures under the TANF and child care block grants must recognize that some state spending can be double-counted or it will overstate the amount of funding available or the amount of spending from the two block grants. The minimum amount of TANF MOE funds that cannot be double-counted toward CCDBG matching requirements is \$9.5 billion.

under the pre-1996 programs, federal funds account for a greater share of total TANF funding in states with low per-capita income compared to those with higher per-capita income.

**Table 2. Federal TANF and State MOE Funding Levels**  
(\$ in thousands)

State	Federal funds	State MOE funds		Total federal and state MOE funds (at 75% rate)	Federal funds as a percent of total funds (at 75% MOE rate)
		75% rate	80% rate		
Alabama	\$104,408	\$39,214	\$41,828	\$143,623	72.7%
Alaska	70,497	48,942	52,205	119,439	59.0
Arizona	246,345	95,028	101,363	341,373	72.2
Arkansas	62,951	20,839	22,228	83,790	75.1
California	3,733,818	2,726,892	2,908,684	6,460,709	57.8
Colorado	149,626	82,871	88,396	232,497	64.4
Connecticut	266,788	183,421	195,649	450,209	59.3
Delaware	32,291	21,771	23,222	54,062	59.7
District of Columbia	92,610	70,449	75,146	163,059	56.8
Florida	622,746	370,919	395,647	993,665	62.7
Georgia	368,025	173,369	184,926	541,393	68.0
Hawaii	98,905	72,981	77,847	171,886	57.5
Idaho	35,436	13,679	14,591	49,115	72.1
Illinois	585,057	430,088	458,761	1,015,145	57.6
Indiana	206,799	113,526	121,094	320,325	64.6
Iowa	131,525	61,963	66,094	193,488	68.0
Kansas	101,931	61,750	65,866	163,681	62.3
Kentucky	181,288	67,418	71,913	248,706	72.9
Louisiana	180,999	55,415	59,109	236,414	76.6
Maine	78,121	37,524	40,026	115,645	67.6
Maryland	229,098	176,965	188,763	406,063	56.4
Massachusetts	459,371	358,948	382,877	818,319	56.1
Michigan	775,353	468,518	499,753	1,243,871	62.3
Minnesota	267,985	179,745	191,728	447,730	59.9
Mississippi	95,803	21,724	23,173	117,528	81.5
Missouri	217,052	120,121	128,129	337,173	64.4
Montana	46,667	15,716	16,764	62,383	74.8
Nebraska	58,029	28,629	30,538	86,658	67.0
Nevada	47,710	25,489	27,188	73,199	65.2
New Hampshire	38,521	32,115	34,256	70,636	54.5
New Jersey	404,035	300,160	320,171	704,195	57.4
New Mexico	132,656	37,346	39,836	170,002	78.0
New York	2,442,931	1,718,578	1,833,150	4,161,509	58.7
North Carolina	338,350	154,176	164,454	492,525	68.7
North Dakota	26,400	9,069	9,674	35,469	74.4
Ohio	727,968	390,831	416,887	1,118,800	65.1

State	State MOE funds			Total federal and state MOE funds (at 75% rate)	Federal funds as a percent of total funds (at 75% MOE rate)
	Federal funds	75% rate	80% rate		
Oklahoma	148,014	61,250	65,334	209,264	70.7
Oregon	167,925	92,255	98,405	260,179	64.5
Pennsylvania	719,499	407,126	434,267	1,126,625	63.9
Rhode Island	95,022	60,367	64,392	155,389	61.2
South Carolina	99,968	35,927	38,322	135,895	73.6
South Dakota	21,894	8,774	9,359	30,668	71.4
Tennessee	213,089	82,810	88,331	295,899	72.0
Texas	538,965	235,726	251,441	774,691	69.6
Utah	85,534	25,291	26,977	110,824	77.2
Vermont	47,353	25,550	27,253	72,903	65.0
Virginia	158,285	128,173	136,718	286,458	55.3
Washington	404,332	272,061	290,198	676,393	59.8
West Virginia	110,176	32,294	34,446	142,470	77.3
Wisconsin	318,188	169,229	180,511	487,417	65.3
Wyoming	21,781	10,665	11,376	32,447	67.1
<b>Totals</b>	<b>\$16,808,117</b>	<b>\$10,433,687</b>	<b>\$11,129,266</b>	<b>\$27,241,804</b>	<b>Average: 61.7%</b>

**Source:** Table prepared by CRS based on information from HHS.

## TANF Benefits, Services, and Activities

Congress decided that TANF was to be named a “block grant” program. In public finance lingo, a block grant is a grant-in-aid given to states and local governments to address “broad purposes.” Block grants also typically give governmental entities discretion in both defining problems and expending funds to address them.<sup>10</sup> In a general sense, TANF meets this definition of a block grant, but its financing is complex (discussed above), and it does attach some “strings” to a state’s use of TANF funds (discussed below).

### 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 a state TANF program or transferred to either the Child Care and Development Fund (CCDF, the “child care block grant”) or the Social Services Block Grant (SSBG).

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<sup>10</sup> See CRS Report RL30818, *Block Grants: An Overview*, by Eugene Boyd and Benjamin B. Canada.

**Achieving TANF Goals.** TANF allows states to expend funds “in any manner reasonably calculated” to achieve its statutory purpose within its state TANF program. TANF’s purpose is to increase state flexibility to meet specified goals. Its four statutory goals are to:

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 four goals of TANF encompass what is usually thought of as traditional cash welfare (assistance to families) and work activities for cash welfare families. However, the goals also provide authority for states to use funds for a wide variety of benefits and services for welfare families and other low-income families with children. States use TANF funds to help support work for low-income families through providing child care or transportation aid. The authority to provide assistance to care for children in the homes of relatives has been used by some states to provide financial help for “kinship care” for 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). Further, TANF funds have been used for programs and services aimed at accomplishing the “family formation” goals of TANF (goals three and four listed above, and ending dependence through marriage, which is a component of goal two).

**“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-1996 Emergency Assistance (EA) program to provide help for foster care, adoption assistance,<sup>11</sup> and juvenile justice programs.

**Transfers to Other Block Grants.** Federal law allows up to 30% of federal TANF grants (except contingency funds) to be transferred to the CCDF and SSBG combined, with a separate limit of 10% of TANF grants (except contingency funds) that may be transferred to SSBG.<sup>12</sup> Funds transferred to these other block grants

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<sup>11</sup> These would be foster care and adoption assistance cases that are ineligible for other federal financing from programs under Title IV-E of the Social Security Act.

<sup>12</sup> The original welfare reform law (P.L. 104-193) set the limit on transfers from TANF to SSBG at 10% of the TANF block grant. P.L. 105-178 (Transportation Equity Act for the 21<sup>st</sup> Century) reduced funding for SSBG and the transfer authority from TANF to SSBG to 4.25%, effective FY2001. However, annual appropriation bills through FY2005 provided for a 10% transfer limit. The Deficit Reduction Act of 2005 (DRA, P.L. 109-171) permanently reinstated the 10% transfer limit. DRA extended the funding for TANF through FY2010 on the terms in effect in FY2004. Because the FY2004 appropriation bill  
(continued...)

become subject to the rules of the receiving block grant (CCDBG or SSBG), 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.

**Matching for Reverse Commuter Grants.** Federal law also allows states to use federal TANF funds as a state match for reverse commuter grants. If a state makes use of federal TANF funds for this purpose, it is counted against the 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.

## Using State MOE Funds

Most, but not all, benefits, services, and activities that may be funded from federal TANF funds may also be financed by state MOE funds. States may count toward the MOE expenditures for *any* program that provides cash assistance, administration, child care, education, and training (though not educational activities for the general population), and other activities to further a TANF purpose. The major restrictions that apply to MOE (but not federal TANF) funds are

- for benefits, services, and activities that were not a part of the pre-1996 welfare law programs, expenditures count only to the extent that they exceed the FY1995 level of expenditure in the program; and
- expenditures on activities that were part of the pre-1996 welfare law programs that are not aimed to achieve a TANF goal (“grandfathered” activities) are not countable toward the MOE.

**Table 3** provides a brief summary of the types of benefits, services, and activities that may be funded by federal TANF funds and with state MOE funds.<sup>13</sup>

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<sup>12</sup> (...continued)

set the TANF transfer limit to SSBG at 10% for that fiscal year, the transfer limit to SSBG through FY2010 will be 10%. This is despite the fact that the Social Security Act provision for TANF transfers to SSBG continues to set the limit at 4.25%.

<sup>13</sup> Prior to the enactment of the Deficit Reduction Act of 2005 (DRA, P.L. 109-171) MOE funds used to achieve TANF’s family formation goals were restricted to expenditures on “needy” families with children. The DRA had a provision that allows a state’s total expenditure on activities to achieve these goals to be counted without regard to a family’s need. However, HHS regulations issued on February 5, 2008, limit MOE expenditures related to the family formation goals except for activities related to promoting healthy marriage and responsible fatherhood. (See **Appendix A**, “Families Considered ‘Engaged in Work’ (the Numerator of the Participation Rate)” later in this report for a listing of these activities. For a discussion of this regulatory provision, see *Federal Register*, vol. 73, no. 24, p. 6517-6318.

**Table 3. Summary of Rules for the Use of Federal TANF and State MOE Funds**

May states use funds for ...	Federal TANF funds	MOE funds
Cash welfare, administration of cash welfare, and work programs?	Yes	Yes
Child care?	Yes, either through transfer to the Child Care and Development Fund, up to 30% of the grant, or within TANF.	Yes. States may not count child care funds spent for the state match for CCDBG matching funds, but may count up to \$888 million spent toward the CCDBG MOE and any additional child care spending.
Activities to help achieve TANF family formation goals?	Yes	Yes, though under regulations many of these expenditures are limited to families that meet a need-test. Only expenditures on activities that seek to promote healthy marriage or responsible fatherhood may be available to the general population without a need-test.
Other benefits and services to help achieve TANF goals?	Yes	If activity was not authorized in pre-1996 programs, expenditures in ongoing programs only count if above FY1995 levels.
Activities in the pre-1996 welfare programs that are not reasonably calculated to help achieve TANF goals (“Grandfathered” activities)?	Yes	No

**Source:** Table prepared by CRS.

## Requirements for States

As discussed above, TANF provides states with broad authority to spend federal and MOE funds on a wide range of benefits and services. Though TANF is a block grant, there are some strings attached to states' use of funds, particularly for families receiving "assistance" (essentially cash welfare). As discussed below, TANF funds used for benefits and services that are not considered assistance are generally free of most requirements.

### Rules When Funds Are Used to Provide Assistance

Federal law specified that most TANF requirements apply only with respect to families receiving *assistance*. Further, different TANF requirements apply to families receiving assistance within "the state TANF program" versus in "separate state programs." Separate state programs are state-funded programs with expenditures counted toward the TANF MOE, but the state has made a decision to consider as distinct from "the state TANF program."

**Definition of Assistance.** Federal TANF law does not define "assistance." However, the Department of Health and Human Services (HHS) defines assistance in regulation as payment to families to meet "ongoing basic needs" such as food, clothing, shelter, utilities, household goods, personal care items, and other personal expenses.<sup>14</sup> Generally, such payments correspond to what most call cash welfare. Further, the regulations define TANF assistance to *include* child care and transportation aid for *nonworking* persons. Child care and transportation for *working* parents are explicitly *excluded* from the definition of assistance.

**TANF Program and Separate State Programs.** As discussed above, states may count their expenditures *in any program* toward meeting the MOE requirement. Programs other than TANF that contribute toward the MOE are known as "separate state programs." **Table 4** summarizes the application of TANF requirements for assistance recipients based on whether a benefit was financed from federal funds, state funds within the "TANF program," or separate state programs. TANF requirements apply when assistance is financed via federal TANF grants. Before FY2007, the major distinction in the rules for using state MOE funds under TANF and separate state programs was that the TANF work participation standards and child support requirements did not apply to families in separate state programs. Beginning in FY2007, work participation standards do apply to families in a separate state program. This leaves the major distinction that child support requirements do not apply to states for families in separate state programs.

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<sup>14</sup> The regulatory definition of assistance is found at 45 C.F.R. § 260.31.

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

TANF requirement	Federal TANF funds	State funds expended in the “TANF program”	Separate state programs
Work participation rate requirements	Yes	Yes	Beginning in FY2007, yes
Time limit	Yes	No	No
Prohibition for noncitizens during the first five years in the country	Yes	No	No
Assignment of child support to the state	Yes	Yes	No

**Source:** Table prepared by CRS.

**Federal Eligibility Rules for Assistance.** TANF requires that a family have a dependent child to be eligible for assistance, including ongoing cash welfare. That is, childless individuals and couples are not eligible for TANF assistance. Additionally, a family receiving assistance must be *needy* — that is, having income below a specified level, though the level is determined by the state.

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

- families with an adult who has received federally funded aid for 60 months (see “The TANF Time Limit,” discussed later in this report);
- 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;
- noncitizens who arrived in the United States after August 22, 1996, for the first five years after arrival;<sup>15</sup>
- fugitive felons and parole violators; and
- persons convicted of a drug-related felony, unless the state affirmatively opts out of this provision.<sup>16</sup>

<sup>15</sup> This prohibition is not found in TANF law itself, but was enacted in Title IV of the 1996 welfare law (P.L. 104-193), which generally set rules for noncitizens’ access to publicly funded benefits.

<sup>16</sup> This prohibition is also not in TANF law itself, but was enacted in Section 115 of the 1996 welfare law (P.L. 104-193), and applies to both TANF and Food Stamps.

States that misuse federal TANF funds and aid such persons or families are penalized through a reduction in their block grant. However, states may provide assistance to these persons and families using MOE funds.

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 define eligibility for TANF cash 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.

**TANF Work Participation Standards.** TANF sets minimum work participation standards that a state must meet. The standards are performance measures computed in the aggregate for each state, which require that a specified percentage of families be considered engaged in specified activities for a minimum number of hours.

A state that fails to meet TANF work participation standards is penalized by a reduction in its block grant. The penalty is a 5% reduction in the block grant for the first year's failure to meet the standard, and increased by 2 percentage points each year (that is, a total reduction of 7% in the second year and 9% in the third year, etc.), up to a maximum penalty of 21%. However, the law requires that this penalty be based "on the degree of noncompliance"; hence, actual penalties may be lower than the amounts set in statute. Further, penalties may be reduced if a state is in recession (based on the contingency fund's indicators of an economically needy state; see "Contingency Funds," earlier in this report) or if the noncompliance was due to "extraordinary circumstances, such as a natural disaster or regional recession." Additionally, penalty relief is granted to a state that has failed to comply with participation standards because of waivers of program requirements provided to victims of domestic violence (see "Special Provisions for Victims of Domestic Violence," later in this report).

**Numerical Participation Standards.** To comply with TANF requirements, a state must meet two standards each year — the "all family" and the "two-parent" family participation standards. The standards are that (1) 50% of *all* families and (2) 90% of *two-parent* families must meet participation standards.

**Caseload Reduction Credits.** The above-mentioned TANF work participation standards are reduced by a caseload reduction credit. The caseload reduction credit reduces the 50% and 90% standards for a state by one percentage point for each percent decline in the cash assistance caseload from FY2005 levels.<sup>17</sup> States are not given a credit for caseload reduction attributable to more restrictive policy changes made since FY2005.

**State Participation Rates.** To determine compliance with TANF federal work standards, a state's effective participation standard (i.e., its numerical standard

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<sup>17</sup> Before FY2007, a state was given a caseload reduction credit of 1 percentage point for each percent decline in the TANF caseload that occurred from its FY1995 (pre-welfare reform) level.

minus its caseload reduction credit) is compared against its TANF work participation rate. The TANF work participation rate represents the percent of non-excluded families receiving assistance who participate in creditable activities for the requisite number of hours.

Most families with an adult recipient receiving assistance are included in the participation rate calculation — that is, in the denominator of the participation rate — but certain families are excluded. A family is considered “engaged in work” — and counted in the numerator of the participation rate — if a member is participating in creditable activities for a minimum number of hours. Federal law lists 12 categories of activities that count toward meeting the participation standards, with regulations defining which specific activities count in each of the categories. Federal law also sets the minimum number of hours of participation required for a family to be considered “engaged in work.” For a detailed discussion of the calculation of participation rates for the purpose of determining whether states have met TANF work participation standards, see **Appendix A**.

***Verifying Work Participation.*** 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. Additionally, the HHS regulations also include requirements that activities be “supervised,” many on a daily basis.

***Other Work-Related Requirements that Apply to Recipients of Assistance.*** In addition to the TANF work participation standards (aggregate performance measures), there are three work-related requirements that apply to each adult or teen parent recipient: assessment, sanction for refusal to comply with work requirements, and a requirement that all parents and caretakers be engaged in work within 24 months.

***Employability Assessment.*** States are required to assess each adult recipient’s or teen parent’s skills, work experience, and employability. The assessment is required to be made within 90 days of determination of the recipient’s eligibility for assistance. States may use this assessment to develop an Individual Responsibility Plan (IRP) that sets forth employment goals and obligations of the recipient and describes the services the state will provide the individual. The IRP is an option to the states; it is not required by federal law. States may sanction families for failure to comply with IRPs.

***Sanctions for Failure to Comply with Work Requirements.*** 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 (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 she cannot find affordable child care. The parent must demonstrate to a state that the inability to find affordable child care is because (1) appropriate child care within a reasonable distance from the parent's work or home is unavailable; (2) informal child care by a relative or other arrangement is unavailable or unsuitable; and (3) appropriate and affordable child care is otherwise unavailable.

**Work Within Two Years.** States are required to engage each parent or caretaker adult in "work," as defined by the state, within 24 months of his or her coming on the rolls. For this requirement, the state is free to determine what constitutes being engaged in work; it need not follow the federal rules for the activities and hours that determine whether the family is counted as a participant toward the work participation performance standard. 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.

**The TANF Time Limit.** States may not use federal TANF funds to provide assistance to a family containing an adult who has received five years (60 months) of assistance. 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 welfare. How time limits affect families is determined by states, which have wide latitude in implementing them.

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.

TANF penalizes states that have more than 20% of their caseload on the rolls for more than five years. The penalty is a 5% reduction in the block grant. However, it is unlikely that a state will breach the 20% limit of families because of its ability to assist families beyond five years with state MOE funds.

Many states have adopted the five-year limit as their own; others have shorter time limits. Some states effectively do not limit the amount of time a family may receive assistance (using state funds or the 20% hardship exception). The time limit does not apply to families without an adult recipient, known as "child-only" cases.

**Child Support Enforcement Requirements.** The majority of families receiving cash assistance are in families headed by a single mother. In most of these families, there is a noncustodial parent who is also likely to be financially responsible for the children's economic well-being.

Families receiving TANF assistance must cooperate with certain child support enforcement requirements. They 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. 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 (legally turn over) any child support they receive from noncustodial parents to their state as a reimbursement for welfare costs. 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, but until October 1, 2008, must pay for it (e.g., from the state's share of assigned child support). Beginning on October 1, 2008, the federal government will share 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.<sup>18</sup> State expenditures from the pass-through of child support, if disregarded in determining a welfare family's benefit, are countable toward the TANF MOE.

**Special Provisions for Victims of Domestic Violence.** 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. The program requirements that may be waived include work requirements, the time limit, and cooperation with child support enforcement rules.

Though the 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 from 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 a federally recognized good cause domestic violence waiver, and provides that a state would have "good cause" for failing the requirements if that failure was due to providing such waivers.<sup>19</sup>

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.

## **Rules When TANF or MOE Funds Are Used for Benefits and Services Other Than "Assistance"**

As previously discussed, most TANF federal requirements relate to "assistance." However, TANF gives states permission to spend federal funds and count state spending toward the MOE on a wide range of benefits and services other than assistance. Essentially, TANF and MOE funds may be spent on benefits, services, or activities aimed to achieve any of the goals of TANF. Examples of such benefits

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<sup>18</sup> The amount of the pass-through that the federal government will share the cost of is limited to \$100 for a family with one child and \$200 for families with two or more children. This is a provision of the Deficit Reduction Act of 2005. See CRS Report RS22377, *Child Support Provisions in the Deficit Reduction Act of 2005 (P.L. 109-171)*, by Carmen Solomon-Fears.

<sup>19</sup> See regulations at 45 C.F.R. §§ 260.50-260.59.

and services include short-term, non-recurring aid,<sup>20</sup> child care for families with working members, transportation aid for families with working members, refundable tax credits for working families with children,<sup>21</sup> funding of Individual Development Accounts (IDAs), education and training for low-income parents, and activities that seek to achieve the family formation goals (goals three and four) of TANF. Such benefits and services may be provided to families receiving assistance, but also might be provided to other families who have no connection to the cash welfare rolls.

## State Accountability

Federal law gives states broad flexibility in designing and implementing state programs operated with TANF and MOE funds. It also requires states to develop plans that outline their intended use of funds and report data on families receiving assistance.

**TANF State Plans.** States are required to submit state plans every three years as a condition of receiving TANF block grant funds. The bulk of these plans are an “outline” of the program the state “intends” to operate. The Secretary of HHS 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.

State plans are not required to have — and often do not have — information on basic financial and nonfinancial eligibility rules for TANF assistance. For example, a state is not required to provide information on income eligibility rules, treatment of earnings, or information on its time limit in the state plan. Some eligibility information is collected for programs funded with MOE dollars in annual program reports, but it is not of the detail necessary to describe, for example, the maximum amount of earnings a family may have and still remain eligible for TANF assistance.

**Data Reporting.** TANF law and regulations require states to provide information on families receiving assistance. States must provide both caseload counts and family- and recipient-level information on families receiving assistance. 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

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<sup>20</sup> HHS regulations define short-term, nonrecurring benefits as meeting the following criteria:

- paid once in a 12-month period;
- paid within 30 days; and
- cover needs that do not extend beyond a 90-day period.

<sup>21</sup> HHS regulations provide that refundable state earned income tax credits are not considered assistance. It should be noted that only the “refundable” portion of a state tax credit may be financed through either federal TANF or MOE funds. That is, the portion of the tax credit that exceeds a family’s state tax liability and requires a payment (expenditure) from the state treasury may be financed via TANF. Tax credits that reduce a family’s tax liability are not allowable uses of federal TANF funds nor are they countable toward the MOE.

caseload counts nor characteristic information is required to be reported for families receiving TANF-funded benefits and services that are not considered assistance.

## Other TANF Provisions

### Healthy Marriage and Responsible Fatherhood

The Deficit Reduction Act of 2005 created new TANF funding for healthy marriage promotion, Indian child welfare, and responsible fatherhood initiatives. An appropriation of \$150 million per year is provided for each of five years (FY2006 through FY2010) for the following initiatives:

- up to \$50 million per year may be used to fund responsible fatherhood initiatives (see below);
- up to \$2 million per year may be used to fund demonstration projects to test the effectiveness of Indian tribal governments in coordinating child welfare services to children at risk of abuse and neglect; and
- the remainder (a minimum of \$98 million per year) is for demonstration projects and technical assistance on healthy marriage promotion initiatives (see below).

**Healthy Marriage Promotion Initiatives.** The healthy marriage promotion initiative funds (1) awards by HHS to public or private entities to conduct research and demonstration projects; and (2) technical assistance to states, Indian tribes and tribal organizations, and other entities. The activities supported by these initiatives include

- programs to promote marriage in the general population, such as public advertising campaigns on the value of marriage and education in high schools on the value of marriage;
- education in “social skills” (e.g., marriage education, marriage skills, conflict resolution, and relationship skills) for engaged couples, those interested in marriage, and married couples; and
- programs that reduce the financial disincentives to marry, if combined with educational or other marriage promotion activities.

Applicants for marriage promotion grants must ensure that participation in such activities is voluntary and that domestic violence concerns are addressed (e.g., through consultations with experts on domestic violence).

**Responsible Fatherhood Initiatives.** Up to \$50 million per year (for FY2006 through FY2010) is available for competitive grants made by HHS to states, territories, Indian tribes, tribal organizations, and public and nonprofit community organizations (including religious organizations) for responsible fatherhood initiatives. Allowable activities under such initiatives include those to promote marriage; teach parenting skills through counseling; mentoring, mediation, and dissemination of information; employment and job training services; media campaigns; and development of a national clearinghouse focused on responsible fatherhood.

## **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. 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 Secretary of HHS for approval. The Secretary of HHS — 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.

## **Research and Demonstration Funds**

TANF law appropriates \$15 million per year for research and evaluation activities for state TANF programs. (Before FY2002, these funds were annually rescinded in appropriations acts, with welfare-related research funded through another HHS research and evaluation account.) Half of these funds must be used for state-initiated research projects; the remainder is to be used for federally initiated projects.

## **Census Bureau Funds**

TANF law also appropriates \$10 million per year to the U.S. Census Bureau to fund a longitudinal survey of a representative sample of households to examine the effects of welfare reform. This survey is known as the Survey of Program Dynamics, and includes information on the sample for a 10-year period spanning 1992-2003.

## **Appendix A: Details of TANF Work Participation Rate Calculations**

### **Introduction**

TANF work participation standards are numerical performance measures that each state must meet or be subject to a financial penalty (a reduction in a state's block grant). The standards themselves set a target participation rate for a state to meet. The participation rate itself is expressed as a percentage: the number of families considered engaged in work (the numerator) is divided by the total number of families included in the participation calculation (the denominator). The percent of families meeting participation requirements is computed monthly, and for the fiscal year, the annual participation rate is the average of the participation rates for each month over the year.

This appendix provides the details of the TANF work participation rate calculation. It first describes the total number of families included in the work participation calculation, and then discusses the rules for a family to be considered "engaged in work."

### **Families Included in the Participation Rate Calculation (the Denominator of the Participation Rate)**

Most families receiving assistance from federal TANF or state MOE funds are included in the participation rate calculation. However, certain families are excluded either by statute or regulation. Such families may be exempted from TANF work requirements without creating the potential that their nonparticipation would result in a lower participation rate.

The families excluded from the participation rate are

- certain families without an adult recipient. This category includes families with adult nonrecipients who are (a) non-parent caretakers (e.g., grandparent, aunt, uncle), (b) ineligible noncitizen parents, (c) and, at state option, adults receiving Supplemental Security Income (SSI);<sup>22</sup>
- at state option, families 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;

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<sup>22</sup> Before October 1, 2006, all families without an adult recipient were excluded from the work participation rate calculation. The Deficit Reduction Act of 2005 (P.L. 109-171) required HHS to issue regulations to determine the circumstances under which a family with a non-recipient parent must be included in the work participation rate calculation. The HHS regulations generally require that states *include* the following types of families without an adult recipient in the work participation rate calculation: (1) except for three months in a 12-month period, families subject to a sanction that removes the adult from the TANF assistance unit; and (2) families that reach state time limits that remove the adult from the TANF assistance unit but continue aid on behalf of the family's children.

- families with adults who are needed in the home to care for disabled family members;
- at state option, families with adult Social Security Disability (SSDI) recipients;
- at state option, families with an adult that became eligible for SSI during the fiscal year;
- at state option, families participating in a tribal TANF or tribal work program; and
- families under a sanction for refusal to comply with work requirements, for up to three months in a 12-month period.

### **Families Considered “Engaged in Work” (the Numerator of the Participation Rate)**

For a family to be considered “engaged in work” it must have members who participate in creditable activities for at least a minimum number of hours. The rules emphasize that recipients get a job quickly; education and training are limited.

**Creditable Activities.** Federal law lists 12 categories of activities creditable toward meeting TANF work participation standards. HHS regulations define what specific types of activities count under each of the 12 categories. **Table A1** lists the 12 creditable categories of activities and the HHS regulatory definition for each.

**Table A1. Creditable TANF Work Activities and Their Definitions**

<b>Activity</b>	<b>Definition</b>
<i>Unsubsidized employment</i>	Means full- or part-time employment in the public or private sector that is not subsidized by TANF or any other public program.
<i>Subsidized private sector employment</i>	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 an individual.
<i>Subsidized public sector employment</i>	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 an individual.
<i>Job search and readiness</i>  <i>Participation in this activity may be counted for six weeks (12 weeks in certain circumstances) in a fiscal year.</i>	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. Such treatment or therapy must be determined to be necessary and documented by a qualified medical, substance abuse, or mental health professional.

Activity	Definition
<b><i>Community service</i></b>	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. 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.
<b><i>Work experience</i></b>	Means a work activity, performed in return for welfare, 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.
<b><i>On-the-job training</i></b>	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.
<b><i>Vocational educational training</i></b>  <i>Participation in this activity is limited to 12 months in a lifetime.</i>	Means organized educational programs that are directly related to the preparation of individuals for employment in current or emerging occupations.
<b><i>Caring for a child of a recipient in community service</i></b>	Means providing child care to enable another cash welfare 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.
<b><i>Job skills training directly related to employment</i></b>	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.
<b><i>Education directly related to employment (for those without a high school or equivalent degree</i></b>	Means education related to a specific occupation, job, or job offer.

Activity	Definition
<i>Completion of a secondary school program (for those without a high school or equivalent degree)</i>	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 CRS based on HHS regulations. See *Federal Register*, vol. 73, no. 24, February 5, 2008, pp. 6772-6828.

**Minimum Required Hours in Work or Job Preparation Activities.** To be considered a “participant” and counted by a state toward meeting its standard, a family member or members must also be engaged in these activities for a minimum number of hours per week in a month. **Table A2** outlines the TANF work participation hours standards. 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 six (about half the caseload of families with an adult recipient), an average of 20 hours per week during the month is needed in work activities for a state to deem them as participants. Higher hours are required for two-parent families to meet the standard. In two-parent families, the combined hours of both parents are considered in determining whether a family can be considered a participant family.

**Table A2** shows that certain hours of participation must be in “core” activities, while remaining hours may be in “supplemental” activities. The concepts of core and supplemental activities are discussed below.

**Table A2. TANF Hours Requirements for the All-Family Rate and the Two-Parent Family Rate (Excludes Special Rule for Teen Parents), by Family Type**

	All-family rate		Two-parent family rate	
	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	Up to an average of 10 hours per week during the month	Up to an average of 5 hours per week during the month	Up to an average of 5 hours per week during the month

**Source:** Table prepared by CRS.

**Table A3** lists the 12 activities, classifying them as either “core” or “supplemental.” In general, participation in a core activity may be a recipient’s sole or primary activity used to fully satisfy TANF participation requirements. On the other hand, participation in supplemental activities often must be done only in conjunction with participation in core activities, with hours that count only after the core requirement is met.

Most of the core activities focus on work or activities designed to move a family quickly into work. The notable exception is vocational educational training, which is creditable for 12 months in an individual’s lifetime as a sole or primary TANF activity. All supplemental activities are education-related.

**Table A3. TANF “Core” and “Supplemental” Work Activities**

<b>“Core” activities</b>	<ul style="list-style-type: none"> <li>— Unsubsidized employment;</li> <li>— Subsidized private sector employment;</li> <li>— Subsidized public sector employment;</li> <li>— Job search and readiness (usual limit of six weeks in a fiscal year.  <sup>a</sup> This limit is converted to an “hourly equivalent” basis, see below );</li> <li>— Community service;</li> <li>— Work experience;</li> <li>— On-the-job training;</li> <li>— Vocational educational training (limited to 12 months in an individual’s lifetime); and</li> <li>— Caring for a child of a recipient in community service.</li> </ul>
<b>“Supplemental” activities</b>	<ul style="list-style-type: none"> <li>— Job skills training directly related to employment;</li> <li>— Education directly related to employment (for those without a high school or equivalent degree); and</li> <li>— Completion of a secondary school program (for those without a high school or equivalent degree).</li> </ul>

**Source:** Table prepared by CRS.

- a. The limit on job search and readiness is increased to 12 weeks for a state that has an unemployment rate at least 50% above the national average unemployment rate or meets the “economic need” criteria for contingency funds (see “Contingency Funds,” earlier in this report).

HHS regulations clarify that only actual hours of participation count toward meeting these standards. However, they also created 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.

***Limit on Job Search and Readiness.*** HHS regulations also provide that the 6- (or sometimes 12-) week limit on participation in job search and readiness be expressed in terms of hours over a calendar year. For a single parent caring for a pre-school child with a minimum 20 hours per week participation requirement, the 6-week limit on job search and readiness is converted to a 120-hour per year limit. For others, the limit is converted to 180 hours per year.

Under the statute, the 6-week limit on job search and readiness is increased to 12 weeks, on the basis of conditions in the state (rather than the characteristics of the individual). The limit rises if the state’s unemployment rate is at least 50% greater than the national average unemployment rate or the state is considered an economically “needy” state for the purposes of the TANF contingency fund (see

“Contingency Fund” section earlier in this report). Those in states that meet either of these criteria may exceed the usual limits, up to 240 hours per year for single parents families with a pre-school child or 360 hours per year for others.

**Teen Parents.** Teen parents have a special rule for determining their participation. A state may deem a teen parent 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.

**Limitation on Participation in Education.** There is a cap on participation in education activities. A maximum of 30% of *families considered participating* may be participating by virtue of vocational educational training or by being a teen parent deemed to be participating through education directly related to employment or satisfactory progress in a program of secondary school education.

**Deeming Hours of Participation in Workfare.** Participation in work experience or community service is sometimes called “workfare” because recipients are effectively working off their welfare grant. Guidance issued by the U.S. Department of Labor in May 1997 directed that states must comply with minimum wage rules for participants of work experience or community service if a specific activity comes under the Fair Labor Standards Act’s (FLSA) definition of employment.

For activities covered by minimum wage rules, the maximum number of hours of participation allowed would be the grant divided by the minimum wage. In some cases, this could result in fewer hours than required to meet TANF participation standards. States determine TANF benefit amounts, which also often vary by family size. Moreover, most states reduce TANF benefits for other income (e.g., Social Security and unemployment insurance). The reduced benefit may be smaller than needed to comply with both minimum wage requirements and TANF participation standards.

The May 1997 DOL guidance provided that if a state has a Food Stamp workfare program, the state may count the value of both TANF and food stamp benefits received by a family when determining the maximum number of workfare hours. The HHS regulations issued on February 5, 2008, provide that a workfare recipient may be deemed to meet the core TANF work participation hours standard if the state has a Simplified Food Stamp program that aligns food stamp and TANF work rules *and* if the maximum number of workfare hours based on both TANF and Food Stamp benefits is still below that required to comply with TANF work participation standards.