

January 6, 2015

The Temporary Assistance for Needy Families (TANF) Block Grant

Introduction

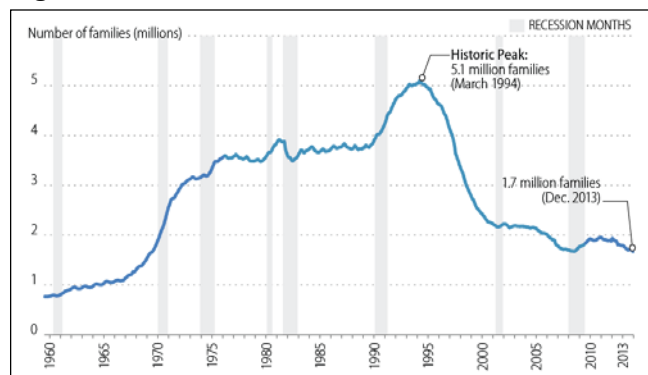
The Temporary Assistance for Needy Families (TANF) block grant was created in the 1996 welfare reform law (the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, P.L. 104-193). That law culminated a series of legislative changes that altered the rules for providing benefits and services to needy families with children.

Brief History

Public cash assistance to needy families with children has its origin in the early 1900s state and locally financed “mother’s pension” programs that aided single mothers (often widows) so that children could be raised in their own homes rather than institutionalized. The Social Security Act of 1935 provided federal funding for these programs with the explicit goal to aid mothers so they would not have to work and could stay home to raise their children.

Post-1935 changes altered the context in which programs for needy families with children operated. In 1939, survivors benefits were added to Social Security, providing benefits to widows and their children. Families with children whose father was alive but absent comprised more of the public cash assistance caseload. The caseload also became more nonwhite. The increase in labor force participation among married mothers altered views about whether government should aid single mothers to stay at home. Cash assistance to needy families with children became among the most controversial of social programs, particularly beginning in the late 1960s as the cash assistance caseload had its first large increase. “Welfare reform” was debated in four decades, ultimately leading to the 1996 welfare reform law.

Figure 1. The Cash Assistance Caseload, 1959-2013



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

The TANF Block Grant

The TANF block grant’s overall purpose is to “increase the flexibility of states” to meet four statutory goals: (1) provide assistance to needy families so that children may remain in their homes; (2) reduce dependency 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. The 1996 welfare reform law and the creation of TANF altered the federal rules that applied to states for their cash assistance programs. It also established a broad-based block grant that provides funds to states to address both the effects and root causes of childhood economic disadvantage.

Federal Grants and State Funds

The bulk of TANF funding is in a basic \$16.5 billion per year block grant to the states. Every year, each state receives a fixed grant based on how much it received in federal funding in the pre-1996 cash assistance and related programs during the early- and mid-1990s. The amount of the basic block grant—and its distribution among the states—has not been adjusted for changes since the 1990s, such as inflation, which erodes the purchasing power of the block grant; changes in the cash assistance caseload; or changes in the child poverty population. In addition to federal funding, states are required to expend a minimum amount of their own funds on the TANF-related population and TANF-related programs (a total \$10.4 billion per year). This amount too is based on historical expenditures in pre-TANF programs and is known as the “maintenance of effort” (MOE) requirement.

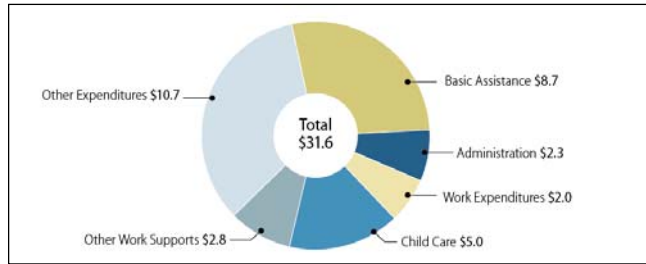
In addition to the basic block grant funds, states have received at times some additional federal grants (welfare-to-work grants, supplemental grants, and contingency funds). For FY2015, the only additional funding to states for TANF is through the TANF contingency fund.

Use of Federal Grants

States may use federal block grant and MOE funds in any manner that is “reasonably calculated” to achieve TANF’s statutory purpose and goals. States have used TANF funds for a wide range of benefits and services. In FY2013, TANF cash assistance totaled \$8.7 billion, 28% of total TANF federal block grant and MOE funds. In addition to cash assistance, TANF contributes to state funds used for child care, pre-kindergarten programs, and programs to provide services to children who have been abused and neglected or are at risk for it.

Figure 2. Use of TANF and MOE Funds, FY2013

In Billions of Dollars



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

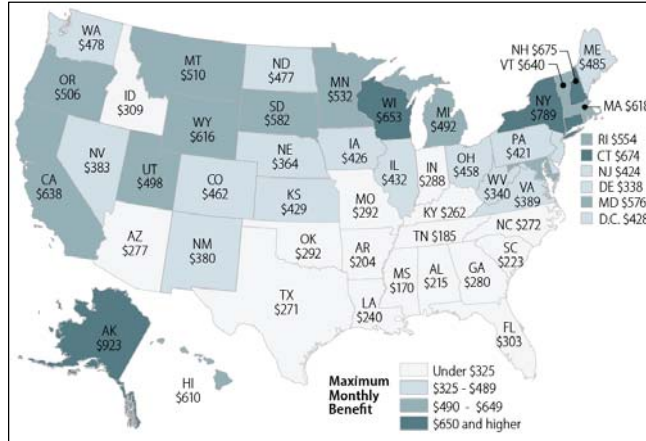
State TANF Cash Assistance Programs

Federal law sets certain rules for state TANF cash assistance programs. It requires that a family aided by TANF cash assistance have a dependent child. It also limits federally funded aid to five years.

Benefits

States set the rules for determining whether a family is “needy” and hence eligible for aid. States also determine the benefit amounts they will pay.

Figure 3. Maximum Monthly TANF Cash Assistance Benefits for a Single-Parent Family with Two Children, July 2013



Source: Congressional Research Service (CRS), based on data from the Urban Institute’s *Welfare Rules Database*.

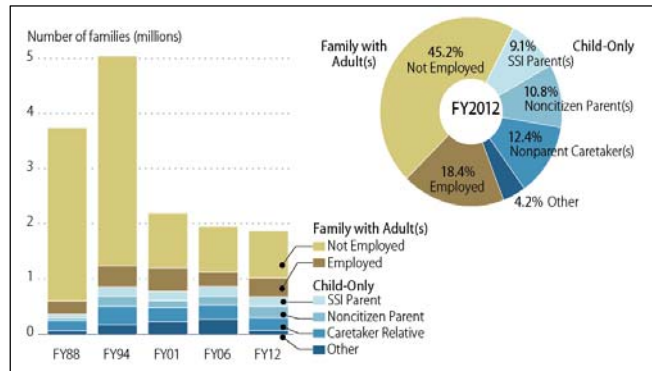
Work Requirements

States determine the work requirements that apply to individual recipients. However, a state must meet a performance measure that requires it to have a minimum percentage of its cash assistance caseload include adult recipients engaged in either work or job preparation activities (the work participation rate). Work activities creditable toward this measure are focused on rapid attachment to work activities, with limits on how much education and training are creditable toward the work participation rate.

Characteristics of the Caseload

Historically, families receiving cash assistance were headed by a single mother who was not employed. However, following the enactment of welfare reform and the decline of the caseload in the 1990s, the composition of the caseload changed and is currently more diverse. In FY2012, less than half of all cash assistance families had a non-employed adult. That year, 36% of the caseload was “child-only”—without an adult recipient. “Child-only” cases (shaded in blue on the figure below) are generally excluded from the work participation rate.

Figure 4. Characteristics of the TANF Cash Assistance Caseload, Selected Years FY1988-FY2012



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

Issues

TANF funding and authorization expires on September 30, 2015. Congress faces a decision to extend TANF beyond that date. TANF issues that have been raised include:

- Should TANF funding levels or allocation of funds among the states be altered?
- Should TANF dollars support the broad range of activities currently allowable or should they be focused on cash assistance and work activities; and should the rules be tightened for what expenditures states may count toward MOE requirements?
- Is a sufficient percentage of the caseload engaged in work activities? Do current rules provide sufficient incentive for states to innovate and adopt promising practices in moving cash assistance recipients to work?
- How should states address issues of potential substance abuse among cash assistance recipients?
- Should TANF performance measurement address issues in addition to work participation, including those for all TANF statutory goals?
- Should states be encouraged to integrate and coordinate TANF with other need-based programs?

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