



December 11, 2018

TANF Reauthorization: Senate Finance Committee Discussion Draft of November 19, 2018

Introduction

The Temporary Assistance for Needy Families (TANF) block grant provides grants to states, tribes, and the territories for a wide range of benefits and services that seek to address the effects and root causes of child poverty and economic disadvantage. Funding for TANF and related programs is set to expire on December 22, 2018.

On November 19, 2018, Senate Finance Committee Chairman Senator Hatch and ranking member Senator Ron Wyden released a “discussion draft” bill that would make policy changes and extend funding for TANF through FY2021.

The release of this Senate Finance Committee discussion draft follows action earlier in the 115th Congress, when the House Ways and Means Committee reported legislation (H.R. 5861) that would have reauthorized and restructured the block grant through FY2023. For a discussion of the reported bill, see CRS In Focus IF10892, *TANF Reauthorization: H.R. 5861*.

TANF Purpose and Goals

Under current law, TANF’s purpose is to increase state flexibility to achieve four statutory goals: (1) provide assistance for needy families so that children may remain in their own homes; (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. The discussion draft would maintain these goals for the TANF program.

TANF Financing

For FY2018, TANF provided grants to states through its basic block grant (\$16.5 billion total) and contingency funds (\$608 million). TANF also awards competitive grants (to states and community-based organizations) to operate programs to promote responsible fatherhood and healthy marriage. These are funded at \$150 million per year. The TANF statute also provides mandatory funds for child care at \$2.917 billion per year. These child care funds are combined at the state level with discretionary funds received under the Child Care and Development Block Grant (CCDBG). TANF research and evaluation activities are funded at \$55 million per year.

The Senate Finance Committee discussion draft would reauthorize and provide funding for TANF, the contingency fund, responsible fatherhood and healthy marriage programs, mandatory child care, and research and evaluation at current levels through FY2021. H.R. 5861 would extend most TANF and related funding at current

levels through FY2023. In contrast to the Senate Finance Committee discussion draft, H.R. 5861 would eliminate the TANF contingency fund and re-direct those funds to mandatory child care.

In addition to federal funds, TANF requires states to spend a minimum total of \$10.3 billion per year of their own funds on TANF or TANF-related programs. This is known as the maintenance of effort (MOE) requirement. Both the Senate Finance Committee discussion draft and H.R. 5861 would extend the state spending requirement at current levels.

Use of Funds

States may use their TANF funds “in any manner that is reasonably calculated” to accomplish the block grant’s purpose and goals. There are no requirements that states spend a proportion of their funds in specified activities. Additionally, though funds expended to further the TANF goals of providing assistance and ending dependence must be spent on needy families, states themselves define what “needy families” means. Benefits, services, and activities spent to further TANF goals of reducing out-of-wedlock pregnancies and promoting the formation of two-parent families are not required to be limited to needy or low-income families.

H.R. 5861 would require states to spend a specified minimum amount of TANF funds on “core” activities (assistance and work), as well as prohibit states from spending TANF dollars on families whose income exceeds 200% of the federal poverty level (FPL). The Senate Finance Committee discussion draft does not include these restrictions. However, it would require states to report on the share of TANF dollars spent on families receiving assistance with incomes below 100% of the FPL, with incomes below 200% of the FPL, and, consequently, the share spent on families with incomes above 200% of the FPL.

Work Requirements

Current TANF work requirements are focused on a requirement that a state meet a minimum work participation rate (WPR). The WPR is the share of families with a work-eligible individual who is either working or engaged in activities. The minimum WPR is a performance standard for the state; it does not apply directly to individual recipients. A state that does not meet the WPR is at risk of a reduction in its federal TANF funds.

In order for a state to meet the current TANF work participation standard, a work-eligible individual in 50% of “all families,” and 90% of families with two parents, that

have such an individual must be either working or engaged in activities. A state may lower these percentages by reducing its caseload. There are rules for what activities count and the minimum hours per week of participation required for a family to be counted by the state toward meeting its minimum WPR. Work in an unsubsidized job and participation in job preparation activities count toward meeting the standard.

States have historically met their minimum WPR through either caseload reduction or by having parents in families receiving assistance work in unsubsidized jobs. In FY2016, less than a quarter of all non-employed, work-eligible individuals were engaged in activities in a typical month (see CRS In Focus IF10856, *Temporary Assistance for Needy Families: Work Requirements*).

In contrast to H.R. 5861, which would eliminate the WPR standard and replace it with a new performance system based on employment outcomes, the Senate Finance Committee discussion draft would retain the WPR standard, and make the following changes to it:

- eliminate the separate and higher work participation requirement for two-parent families, making all families subject to the same minimum WPR requirement, regardless of whether they are headed by one or two parents;
- set a floor on the minimum WPR standard of 10% in FY2020 and 20% from FY2021 onward, such that the caseload reduction credit would no longer allow states to reduce their work participation standards to 0%;
- allow states to receive partial credit for participation in activities for less than the full hour standard;
- provide some additional flexibility for states to count substance abuse treatment and rehabilitative activities toward meeting the WPR; and
- permit states to “deem” individuals who are engaged in activities with entities that the state has contracted with to place or employ individuals at the end of their participation as meeting the standard’s requirements without the usual counting of hours.

Though the Senate Finance Committee discussion draft would not replace the WPR with employment outcome measures, it would require states to begin to report employment outcome measures to the Department of Health and Human Services (HHS). The employment outcome measures include those that would be the basis for the new performance system in H.R. 5861.

Individual Opportunity Plans

Under current law, states must assess the employability of adult TANF recipients. States have the option of developing an individual responsibility plan (IRP) that sets forth an employment goal, obligations of the individual, and the services the state will provide. Currently, 37 states and the District of Columbia have an IRP requirement.

The Senate Finance Committee discussion draft would replace the optional IRP with a mandatory Individual

Opportunity Plan (IOP) developed within 60 days of an individual becoming eligible for assistance. It would require the IOP to include an agreement in which the individual acknowledges receipt of publicly funded benefits, establish an employment goal and planned actions to achieve the goal, set forth the obligation of the individual, describe the job counseling and other services the state will provide, and direct the individual to undergo appropriate treatment for substance abuse if necessary to obtain and maintain employment. It would also require states to plan to meet with the recipient and review progress under the IOP every 90 days. H.R. 5861 would similarly require that states establish an IOP for individuals.

Employment and Training Demonstration Projects

The Senate Finance Committee discussion draft would establish employment and training demonstration projects within TANF. HHS would be required to award grants to up to 10 states and three Indian tribes to develop and evaluate demonstration projects to evaluate the impact of alternative engagement strategies in state TANF programs on employment, earnings, family stability, and other outcomes for individuals who receive assistance under such programs. Regular TANF requirements would be suspended for individuals in the demonstrations. Projects would be permitted to run for five years, and would be required to be evaluated using the random assignment method of conducting experiments. Evaluations of the demonstrations would be financed by existing TANF research and evaluation funds. H.R. 5861 would not authorize states to operate employment and training pilots.

Marriage

When individuals marry, they could lose a portion or all of their need-tested benefits if their new spouse brings enough income into the family. This is referred to as the “marriage penalty.” (Note that if a new spouse brings additional “needs” into the household without offsetting income, a family’s need-tested benefits could also increase.)

The Senate Finance Committee discussion draft would address the “marriage penalty.” It would require the new spouse’s income to be disregarded for at least one year in determining a family’s TANF assistance eligibility. Further, the draft would order states to submit a report to HHS that describes the eligibility criteria for two-parent families to receive TANF assistance. This plan would be submitted by October 2020. The report would also describe the state’s actions to ensure that eligibility rules do not disadvantage two-parent families.

H.R. 5861 would not require states to disregard the income of a new spouse. However, it would require states to include as part of their TANF plan how the state promotes marriage, including through temporary disregards of income from a new spouse.

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