



COVID-19: The Potential Role of TANF in Addressing the Economic Effects

Updated December 4, 2020

The Temporary Assistance for Needy Families (TANF) block grant provides grants to the 50 states, District of Columbia, American Indian tribes, and certain territories with the broad purpose of ameliorating and addressing root causes of childhood economic disadvantage. States may use TANF funds in any way they reasonably calculate could achieve the block grant's statutory purpose. Some of the flexibility the block grant affords to states, tribes, and territories was used to address the fallout from Hurricane Katrina and the deep economic recession of 2007-2009.

Overview of TANF

TANF was created by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193) and is best known as funding for state programs that provide monthly assistance to needy families with children. TANF assistance is need-tested, and eligibility levels and benefit amounts are determined by the states and [vary by state](#). The [number of families receiving TANF assistance](#) increased by 4.4% from December 2019 to June 2020 (the latest available data). It is estimated that the expiration of temporary relief measures (e.g., enhanced unemployment insurance) since June resulted in further increases in the number of families [eligible for TANF assistance](#) and other forms of need-tested aid. PRWORA placed work requirements on states and time limits on families that receive TANF assistance.

In addition to assistance, TANF funds a wide range of benefits and services. TANF *non-recurrent short-term benefits* are defined as aid that addresses a specific episode of need and does not exceed four months. The receipt of a nonrecurrent short-term benefit does not count toward a family's time limit, nor other requirements such as those related to work, assigning child support to the state, and state reporting of detailed characteristics. In crafting a response to [Hurricane Katrina in 2005](#), Congress enacted special temporary rules to permit states to tap an existing fund to pay nonrecurrent short-term benefits to families evacuated from their homes because of Hurricane Katrina.

In terms of addressing unemployment related to a recession, TANF can also fund employment services and subsidized employment. If an individual is in subsidized employment, the requirements of assistance (e.g., time limits) also do not count.

Congressional Research Service

<https://crsreports.congress.gov>

IN11241

TANF Funding

The basic TANF block grant provided to states was established in PRWORA in 1996 at \$16.5 billion, based on spending in its predecessor programs in the early 1990s. The basic block grant has not been adjusted for inflation or changes in other circumstances (e.g., population growths and shifts among the states). States are also required to expend from their own funds a total of \$10.4 billion.

PRWORA also contained a \$2 billion contingency fund for economic downturns. However, that fund was exhausted in the last recession. In recent years, Congress has provided appropriations of \$608 million per year to the TANF contingency fund.

Potential Legislation to Address the Effects of the COVID-19 Outbreak

The flexibility of states' use of TANF make it a possible source of funding for them to address the unknown and evolving needs of families resulting from the COVID-19 pandemic. However, states may not have funds to meet *unexpected* costs. Congress responded to the economic downturn of 2007-2009 by creating [a separate, temporary emergency fund](#). Such a fund to provide for increased benefits would be an option to address the immediate economic needs of families resulting from the COVID-19 pandemic. The emergency fund created for the 2007-2009 recession might be considered a model for such a fund.

Additionally, Congress might consider addressing TANF work participation standards and time limits that apply to families receiving assistance. The work standards are rules for *states*, not individuals, and states are penalized if they do not have a sufficient number of families participating for a minimum number of hours per week. Thus, they do help guide how states set work requirements for individual recipients. The U.S. Secretary of Health and Human Services may, but is not required to, provide a "reasonable cause" waiver of the penalty imposed on a state for failure to meet the TANF work requirements. The Department of Health and Human Services (HHS) has issued [guidance](#) to states to help them respond to the COVID-19 pandemic, noting that while it cannot waive TANF work rules, it can relieve states of penalties for states' failure to meet these standards and "will exercise this authority to the maximum extent possible."

Similarly, the TANF time limit prohibits *states* from using federal funds to provide assistance beyond five years to a family headed by an adult, though states may continue assistance through a hardship extension. The hardship extension is limited to 20% of a state's assistance caseload. States are penalized if more than 20% of their caseload has received assistance for more than five years.

Congress could waive TANF work rules and time limits on recipients, and ensure that no states are penalized for failing to meet these requirements, through legislation. House-passed H.R. 925 and H.R. 6800 (both entitled the Heroes Act) would do so, for example.

Author Information

Gene Falk
Specialist in Social Policy

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.