

# **Temporary Assistance for Needy Families and Proposed COVID-19 Pandemic Economic Relief: In Brief**

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## Temporary Assistance for Needy Families and Proposed COVID-19 Pandemic Economic Relief: In Brief

The Temporary Assistance for Needy Families (TANF) block grant provides grants to states, territories, and American Indian tribes to help finance a wide range of benefits and services for needy families with children. On February 27, 2021, the House passed the American Rescue Plan Act of 2021 (H.R. 1319), an omnibus budget reconciliation bill that would, among other provisions, create a temporary \$1 billion TANF fund to provide non-recurrent short-term benefits. As of that date, the Senate had not yet moved to consider similar legislation as part of the budget reconciliation process for FY2021.

The primary TANF funding stream, the state family assistance block grant, provides states a set dollar amount determined by a formula established in law by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA; P.L. 104-193). This amount is not adjusted for inflation, population shifts, or any other changes that have transpired since the mid-1990s. States are required to expend a minimum amount of their own funds, known as the state maintenance-of-effort (MOE) requirement, on the TANF-related population and TANF-related programs. This amount also has not changed since the mid-1990s. In recent years, Congress has also appropriated funding to the TANF contingency fund, which was first established in 1996 as a source of additional funding in the event of an economic downturn and provides matching grants to states meeting certain requirements. In total, states expended \$30.9 billion in federal TANF grants to states and state MOE funds in FY2019. TANF funds can be used to provide a variety of benefits and services, including ongoing basic economic assistance; emergency, short-term aid; work, education, and training activities; child care and other work supports; and social services. States vary widely in how they use federal TANF grants and state MOE funds.

Under the House-passed bill, a temporary TANF grant would provide \$1 billion to states, territories, and tribes to supplement other TANF funding. Initial grants would be made to states up to a set allocation amount. The U.S. Department of Health and Human Services (HHS) would be given \$2 million for federal administration and to help provide technical assistance to states, territories, and tribes. After the amount for technical assistance is set aside, 7.5% of the remaining funds would be provided to the territories and Indian tribes and 92.5% of the remaining funds would be allotted to the 50 states and District of Columbia. The state funding would be initially allocated as follows: 50% would be allocated by each state's share of the total child population, and 50% would be allocated by each state's share of total FY2019 TANF expenditures on basic assistance, non-recurrent short-term benefits, and emergency assistance. States, territories, and tribes could only use this funding for *non-recurrent short-term benefits*. These short-term benefits address a specific crisis situation or episode of need and can be provided in cash or non-cash forms (e.g., payment vouchers for emergency housing or food aid). Non-recurrent short-term benefits are not subject to a number of provisions applicable to basic assistance under TANF (e.g., time limits, work requirements, child support requirements).

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## Introduction

The Temporary Assistance for Needy Families (TANF) block grant provides grants to states, territories, and American Indian tribes to help finance a wide range of benefits and services related to ameliorating the effects of, and addressing the root causes of, economic disadvantage among families with children. It is best known for providing ongoing economic assistance to families with children, but it also funds emergency, short-term aid; child care; employment and training programs for assistance recipients as well as other eligible parents or youth; and social services.

In 2020, five separate laws were enacted to address the economic fallout from the Coronavirus Disease 2019 (COVID-19) pandemic and provide economic relief.<sup>1</sup> No additional funding for TANF was provided in any of those measures, though the Department of Health and Human Services (HHS) announced it would provide relief from penalties under existing law to states that failed to meet TANF work participation standards.<sup>2</sup>

President Biden proposed \$1 billion in additional TANF funding to help finance additional cash assistance as part of his American Rescue Plan.<sup>3</sup> On February 27, 2021, the House passed the American Rescue Plan Act (H.R. 1319), an omnibus budget reconciliation bill to the House chamber. Title IX, Section 9201, of the American Rescue Plan Act of 2021 would create a \$1 billion temporary TANF grant to supplement other TANF funding.<sup>4</sup> As of that date, the Senate had not yet moved to consider similar legislation as part of the budget reconciliation process for FY2021.<sup>5</sup>

## TANF Funding

TANF was created in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193). Before PRWORA, economic assistance to needy families with children was provided through a federal-state matching grant program. Under that program (Aid to Families with Dependent Children [AFDC]), funding was not limited, and federal grants reimbursed states for a share of their expenditures. Those expenditures were determined by, and changed according to, the number of families receiving assistance and the benefit amounts they received.

PRWORA converted funding for AFDC and related programs into the TANF block grant, with the bulk of funding in the state family assistance grant. The state family assistance grant provides

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<sup>1</sup> For more information, see CRS Report R46460, *Fiscal Policy and Recovery from the COVID-19 Recession*.

<sup>2</sup> U.S. Department of Health and Human Services (HHS), Administration for Children and Families, Office of Family Assistance, *Questions and Answers about TANF and the Coronavirus Disease 2019 (COVID-19) Pandemic*, TANF-ACF-PI-2020-01, March 2020, <https://www.acf.hhs.gov/ofa/policy-guidance/tanf-acf-pi-2020-01-questions-and-answers-about-tanf-and-coronavirus-disease>.

<sup>3</sup> The White House, “President Biden Announces American Rescue Plan,” January 20, 2021, at <https://www.whitehouse.gov/briefing-room/legislation/2021/01/20/president-biden-announces-american-rescue-plan/>.

<sup>4</sup> The provision creating the TANF pandemic emergency assistance was ordered to be sent to the House Budget Committee from the House Committee on Ways and Means on February 10, 2021. The House Budget Committee included this legislative language in its reported version of H.R. 1319.

<sup>5</sup> For information on budget reconciliation, see CRS Report R44058, *The Budget Reconciliation Process: Stages of Consideration*. For information on the budget resolution for FY2021, which contains reconciliation directives, see CRS Report R46675, *S.Con.Res. 5: The Budget Resolution for FY2021*.

states a set dollar amount determined by a formula established in the law. It does not change according to the number of families receiving assistance or benefit amounts. Additionally, the funding levels for the state family assistance grant provided by PRWORA have not been increased for inflation, population, or other changes that have transpired since the mid-1990s. The state family assistance grant totaled \$16.5 billion in FY2019. In addition to expending federal TANF grants, TANF requires states to make expenditures from their own funds on TANF or TANF-related programs. This requirement, known as the state maintenance-of-effort (MOE) requirement, is also a set amount that has not been adjusted for changes since the mid-1990s.<sup>6</sup>

## How TANF Funds Are Used

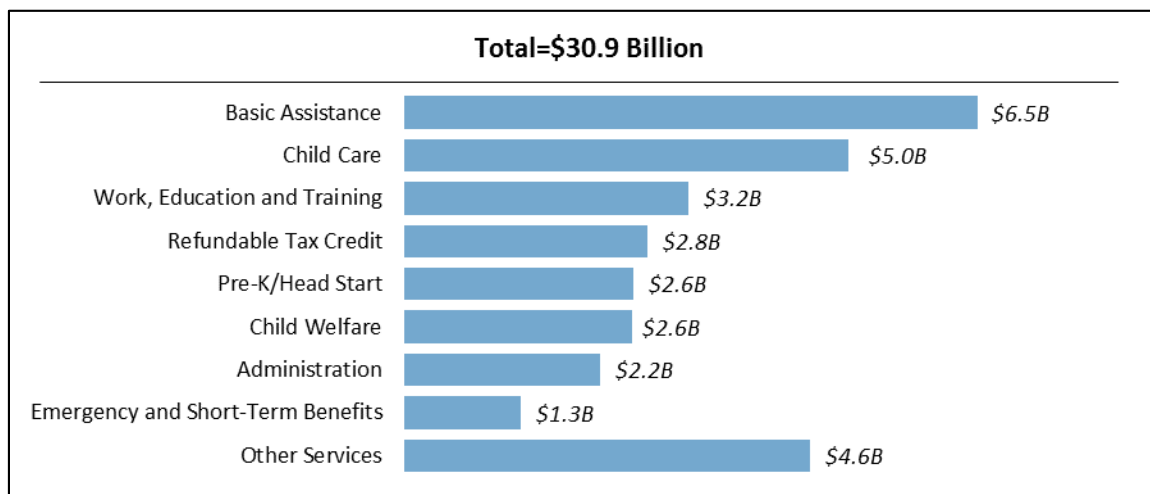
**Figure 1** shows how the \$30.9 billion in federal TANF grants to states and state MOE funds was expended, or transferred to other block grant programs, in FY2019. Ongoing basic economic assistance was the most common use, but it only represented 21% (\$6.5 billion) of total spending. Other common uses included child care, work and training programs, refundable tax credits, pre-kindergarten programs, programs to provide services to children who have been abused and neglected or are at risk of abuse or neglect, emergency and short-term benefits, and other services (youth, responsible fatherhood, and healthy marriage promotion activities).

States have broad discretion within TANF, and their use of federal TANF grants and state MOE funds varies considerably. For example, the share of total expenditures devoted to basic assistance ranged from a low of 3.6% (Indiana) to a high of 69.3% (Kentucky) in FY2019. Work, education, and training expenditures varied from a low of 0.2% (Arizona) to a high of 26.9% (California). Eight states and the District of Columbia reported no TANF expenditures on child welfare, while three states (Arizona, Georgia, and North Dakota) allocated more than half their federal TANF grant and state MOE funds to this purpose.<sup>7</sup>

<sup>6</sup> For additional details on TANF financing, see CRS Report RL32748, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements*.

<sup>7</sup> For data on FY2019 TANF expenditures by category and state, see Table B-1 and Table B-2 in CRS Report RL32760, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions*.

**Figure 1. Uses of TANF Funds by Spending Category, FY2019**  
(Dollars in billions)



**Source:** Congressional Research Service (CRS), based on data posted to the U.S. Department of Health and Human Services (HHS) website on October 22, 2020.

**Notes:** Categories may not add to total because of rounding. Excludes TANF funds used in the territories and in tribal TANF programs.

## TANF and Economic Downturns

To provide states with additional funding in the event of an economic downturn, PRWORA established a \$2 billion TANF contingency fund. This fund provides matching grants to states if they meet certain requirements related to extra state spending, high and increasing unemployment, or high and increasing caseloads in the Supplemental Nutrition Assistance Program (SNAP). The contingency fund allows grants to be used for any TANF benefit or service.

The original \$2 billion appropriation to the TANF contingency fund was exhausted during the period of high unemployment associated with the 2007-2009 recession. Since then, Congress has funded the contingency fund with annual appropriations. The FY2021 appropriation to the contingency fund is \$608 million, an amount expected to be exhausted in spring 2021.<sup>8</sup>

In 2009, facing the exhaustion of the contingency fund and other concerns about its eligibility criteria and uses, Congress established the Emergency Contingency Fund (ECF) in the American Recovery and Reinvestment Act (ARRA, P.L. 111-5).<sup>9</sup> The ECF was a \$5 billion fund to help states, territories, and tribes finance increased expenditures for basic assistance, non-recurrent short-term aid, and subsidized employment. The ECF expired on September 30, 2010. It was not reauthorized, nor has it received additional funding.

<sup>8</sup> As of February 3, 2021, states received cumulative FY2021 contingency fund grants of \$384.9 million from the FY2021 appropriation of \$608 million. Grants are being made at a rate of \$77 million per month. At this rate, the FY2021 appropriation to the contingency fund will be exhausted in May 2021.

<sup>9</sup> For a discussion of the 2009 TANF Emergency Contingency Fund, see CRS Report R41078, *The TANF Emergency Contingency Fund*.

## Proposed TANF Pandemic Emergency Assistance

The House-passed bill would create a temporary TANF grant. It would provide \$1 billion to help states, territories, and tribes finance non-recurrent short-term benefits. The legislation would make eligible for funds the 50 states, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), and Indian tribes.<sup>10</sup> American Samoa and CNMI do not operate regular TANF programs. Their funds would be directed to the agency that administers most of the local human services programs in those territories.

### Funding Allocation

Under the House-passed legislation, initial grants would be made to states up to a set allocation amount. HHS would be given \$2 million for federal administration and to help provide technical assistance to states, territories, and tribes. After the amount for technical assistance is set aside, 7.5% of the remaining funds would be provided to the territories and Indian tribes and 92.5% of the remaining funds would be allotted to the 50 states and the District of Columbia.<sup>11</sup>

Funds to the 50 states and District of Columbia (\$923.150 million) would be allocated as follows:

- 50% of funds would be allocated based on each state's total child (under age 18) population as a percentage of the total child population of the 50 states and District of Columbia; and
- 50% of funds would be allocated based on each state's FY2019 expenditures on basic assistance, non-recurrent short-term benefits, and emergency assistance as a percentage of the total expenditures for these categories in the 50 states and District of Columbia.<sup>12</sup>

Under the proposed grant, monies that are not used by a state would be reallocated to other states. Thus, after the reallocation of unused funds, the actual amounts received by some states might differ from the estimated allotments.

**Table 1** provides the Congressional Research Service's estimates of the initial allocation of the proposed TANF grant. These estimates are provided solely to assist in comparisons of the relative impact of funding levels and alternative formulas in the legislative process. The data used in providing the allocation estimates are discussed in the note to **Table 1**.<sup>13</sup> Should HHS use different data, the allocations to the states would likely also differ.

The table shows these estimates relative to the TANF state family assistance grant. Its final column shows how much pandemic emergency assistance grants would increase TANF funding above the amount provided by the state family assistance grant.

<sup>10</sup> The funds provided to Puerto Rico, Guam, and the U.S. Virgin Islands would be excluded from the statutory (Section 1108 of the Social Security Act) limits on public assistance funding provided to these jurisdictions.

<sup>11</sup> Funding to territories and tribes would be allocated as the HHS Secretary deems appropriate based on the needs of the territory or tribe involved.

<sup>12</sup> Non-recurrent short-term benefits and emergency assistance comprise most of the CRS-tabulated category "Emergency and Short-Term Benefits" shown in **Figure 1**.

<sup>13</sup> This table is a revision of allocation estimates shown in an earlier version of this report. The previous version had allocated 50% of funds based on FY2019 expenditures that included "emergency services" in addition to emergency assistance.

**Table 1. Estimated Initial Allocations for a Proposed Temporary Assistance for Needy Families (TANF) Grant to Provide Pandemic Emergency Assistance**

State	SFAG Payable to the State (millions of \$)	Pandemic Emergency Assistance Allocation (millions of \$)	Pandemic Emergency Assistance as a Percentage of SFAG Payable to the State
Alabama	\$93.007	\$10.181	10.9%
Alaska	44.397	3.370	7.6
Arizona	199.407	14.536	7.3
Arkansas	56.546	4.717	8.3
California	3,635.563	203.700	5.6
Colorado	135.608	13.522	10.0
Connecticut	265.908	7.088	2.7
Delaware	32.184	2.070	6.4
District of Columbia	92.304	14.731	16.0
Florida	560.484	35.451	6.3
Georgia	329.650	21.994	6.7
Hawaii	98.578	4.211	4.3
Idaho	30.307	3.410	11.3
Illinois	583.126	20.423	3.5
Indiana	206.117	10.678	5.2
Iowa	130.558	6.361	4.9
Kansas	101.478	5.133	5.1
Kentucky	180.689	17.408	9.6
Louisiana	163.431	7.908	4.8
Maine	76.847	3.862	5.0
Maryland	228.342	17.756	7.8
Massachusetts	457.855	27.840	6.1
Michigan	772.794	19.000	2.5
Minnesota	259.569	14.322	5.5
Mississippi	86.481	4.744	5.5
Missouri	216.335	14.519	6.7
Montana	37.889	2.738	7.2
Nebraska	56.627	4.446	7.9
Nevada	43.762	6.798	15.5
New Hampshire	38.394	4.131	10.8
New Jersey	402.702	17.244	4.3



State	SFAG Payable to the State (millions of \$)	Pandemic Emergency Assistance Allocation (millions of \$)	Pandemic Emergency Assistance as a Percentage of SFAG Payable to the State
New Mexico	109.920	6.391	5.8
New York	2,434.869	127.154	5.2
North Carolina	300.438	16.802	5.6
North Dakota	26.313	1.371	5.2
Ohio	725.566	33.945	4.7
Oklahoma	144.793	7.125	4.9
Oregon	165.835	12.235	7.4
Pennsylvania	717.125	26.456	3.7
Rhode Island	94.292	4.362	4.6
South Carolina	99.638	10.145	10.2
South Dakota	21.207	2.294	10.8
Tennessee	190.892	12.972	6.8
Texas	484.652	49.467	10.2
Utah	75.356	7.333	9.7
Vermont	47.197	1.622	3.4
Virginia	157.763	15.749	10.0
Washington	379.058	22.749	6.0
West Virginia	109.813	4.613	4.2
Wisconsin	312.846	14.534	4.6
Wyoming	18.429	1.536	8.3
Subtotal, 50 States and District of Columbia	16,232.943	923.150	5.7
Territories and Tribal Set-Aside	277.497	74.850	27.0
Technical Assistance		2.000	
Totals	16,510.439	1,000.000	6.1

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

**Notes:** These estimates are based on specific sources of information. If the HHS uses different data, the allocations to the states would likely also differ. The “state family assistance grant” shown in the table for the 50 states and the District of Columbia reflects the state family assistance grant minus the amount used for tribal TANF grants in FY2019 (the last year for which actual data are available) and are taken from HHS, Administration for Children and Families, FY2021 Justification of Estimates for Appropriations Committees. The expenditure information used to calculate pandemic emergency assistance estimates is from the FY2019 expenditure data reported to HHS under Section 411 of the Social Security Act and posted to the HHS website on October 22, 2020. The expenditure categories are based on form ACF-196-R, and the expenditures used were the sum of the following reported categories: (1) basic assistance, (2) non-recurrent short-term benefits, and (3) emergency assistance authorized solely under prior law. (Prior law refers to the legal context before PRWORA was enacted.) The child population data used to calculate Pandemic Emergency Assistance Fund estimates are the state resident population estimates for July 1, 2019, released in June 2020.

## Use of Funds

States, territories, and tribes may use funds provided under the House-passed legislation only for non-recurrent short-term benefits and the administrative costs of providing them. Non-recurrent short-term benefits are defined in OMB-approved Form ACF-196R.<sup>14</sup> This form's instructions define the benefits as short-term benefits being made:

To families in the form of cash, vouchers, subsidies, or similar form of payment to deal with a specific crisis situation or episode of need and excluded from the definition of assistance on that basis. This category includes [state] expenditures such as emergency assistance and diversion payments, emergency housing and short-term homelessness assistance, emergency food aid, short-term utilities payments, burial assistance, clothing allowances, and back-to-school payments.<sup>15</sup>

In FY2019, states spent more than \$955 million in total on non-recurrent short-term benefits using federal TANF and state MOE funding. Non-recurrent short-term benefits are sometimes provided in lieu of basic assistance, though states may provide such benefits to recipients in addition to ongoing basic assistance. As with ongoing basic assistance, states determine whether a family qualifies as financially needy and the amount of non-recurrent short-term assistance.

The exclusion of non-recurrent short-term benefits from the definition of assistance means these benefits are not subject to a number of provisions applicable to basic assistance under TANF. For example,

- the federal TANF time limit on assistance does not apply to non-recurrent short-term benefits (the time limit generally bars states from using federal TANF funds to provide assistance to a family containing an adult who has already received five years of assistance);
- recipients of non-recurrent short-term benefits do not count toward the federal TANF work requirement, under which states must assess, engage, sanction, and meet numerical work activity participation rates for families receiving assistance;
- recipients of non-recurrent short-term benefits are not required to cooperate with child support enforcement and assign (i.e., legally turn over) their child support to the state, as is generally required for families receiving TANF assistance;
- TANF prohibitions on providing assistance to unwed teenaged parents who are not living in an adult-supervised setting, teenagers who have not completed high school and are not making satisfactory progress toward doing so, individuals who have been convicted of a felony drug offense, and fugitive felons and parole violators do not apply to non-recurrent short-term benefits; however, lawful permanent residents who entered the United States within the past five years, nonimmigrants, and unauthorized aliens are ineligible for these and other TANF benefits; and
- states are not required to provide the federal government with certain information on recipients of non-recurrent short-term benefits, including caseload counts and recipient-level information, such as demographics, work activity hours, and financial circumstances, on families receiving assistance.

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<sup>14</sup> There is also a regulatory definition of non-recurrent short-term benefits at 45 C.F.R. §260.31(b)(1). That definition is similar, but not identical, to the definition on the ACF-196R. The legislation specifies that the definition on the ACF-196R be used to administer the Pandemic Emergency Assistance Fund.

<sup>15</sup> Diversion in this context typically refers to a lump-sum payment offered to families in lieu of ongoing basic TANF assistance.

States would be limited to using no more than 15% of the allocations from the proposed grant for administrative costs. Tribes and territories would be exempt from this limit.

## **Other Rules Related to the Pandemic Emergency Assistance**

To receive their full allotment of funds, states and tribes would be required to inform HHS whether they intend to use their full allotments. States would be required to expend grants from their initial allocation by September 30, 2022. Funds received through the allotment of unused funds would have to be spent within a year. The House-passed legislation includes language requiring that the pandemic emergency assistance funds be used to supplement, not supplant, existing federal and state funds used to provide TANF benefits and services. HHS is authorized to collect data on expenditures made from the funds.

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