

# Temporary Assistance for Needy Families (TANF) and Work Requirements

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The Fiscal Responsibility Act of 2023 (H.R. 3746), which embodies an agreement between President Biden and House Speaker McCarthy of budgetary and policy changes to accompany an increase in the debt limit, would alter the work requirements that apply under Temporary Assistance for Needy Families (TANF). TANF is a [broad purpose block grant](#), which is best known for helping to fund states' family cash assistance (sometimes called *welfare*) programs.

TANF was created by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (also known as the *1996 welfare reform law*; P.L. 104-193) and is associated with policies that sought to increase work. The statutory purpose of the TANF block grant is to “increase the flexibility of states” to meet certain goals, including ending the dependence of needy parents on government benefits through work, job preparation, and marriage.

## TANF's Mandatory Work Participation Standards and Caseload Reduction Credit

The main TANF work requirements are numerical performance standards that states must meet. The law says that a state must have 50% of all families and 90% of two-parent families receiving assistance engaged in either work or activities. In turn, it is the *states that determine the work participation requirements that apply to individual recipients*. States have flexibility in setting work rules for individuals ([see state rules here](#)), though many have based their requirements for individuals on the federal rules for what counts as being engaged in work.

A state can meet its *mandatory work participation* standard either partially or wholly through reducing the number of families receiving cash assistance, and thus receiving a *caseload reduction credit*. Under current law, states can receive a caseload reduction credit of 1 percentage point for each percent decline in the caseload not explicitly caused by policy changes that have occurred since FY2005. If a state reduced the number of families receiving assistance since 2005 by half (50%) or more, it reduced its 50% work standard to 0%. In FY2021, [32 jurisdictions had a 0% after-credit work standard](#).

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## Historical Context

Most states were never required to meet TANF's 50% or 90% participation standards. The standards, particularly the 50% standard that applies to all families, are round numbers that straddle sending signals of high expectations and allowing flexibility. Pre-1996 welfare-to-work experiments, [sometimes used today](#) as evidence of the impact of work requirements, [did not achieve these participation rates](#). The single national standard also does not take into account the differing characteristics of families in state assistance programs.

The Congressional Budget Office (CBO), [writing in 1996](#), said about the standards:

Most states will be unlikely to satisfy this requirement [TANF work participation standards] for several reasons. The cost of administering such a large scale work and training program will be high, and federal funding will be frozen at historical levels.... Some states may technically meet the required participation requirement without increasing the number of recipients working.

Most jurisdictions either fully or partially met their TANF work standards through reductions in the number of families receiving assistance via the caseload reduction credit. Some of the reduction in families receiving TANF assistance was a result of fewer people being eligible for benefits, while a comparatively larger share of the decline was due to [a lower rate of receipt of assistance among those eligible](#).

In terms of the percentage of families engaged in work or activities, [most states relied on counting families engaged in work at an unsubsidized job](#) to meet their standards rather than engaging non-employed recipients in activities to meet their standard. Under TANF, as compared with prior law, many states expanded eligibility to working families. This policy change was in part to provide a financial incentive to adult recipients to get a job (they lost less assistance when going to work than under prior policies) and in part for states to be able to count such families toward their work standards. In recent years, some states have created separate programs that provide comparatively small TANF-funded benefits to parents receiving assistance in the Supplemental Nutrition Assistance Program (SNAP) who are already working. Funding this small benefit from TANF permits states to count these families as *working TANF families*, hence helping them meet their TANF work standard.

## House-Passed Limit, Save, Grow Act of 2023 (H.R. 2811)

As passed by the House on April 26, H.R. 2811 would make changes to the TANF work requirements, including resetting the caseload reduction credit to measure only future caseload reductions from FY2022 forward, eliminating the ability of states to use *small benefits* targeted to working families, and eliminating a credit against the TANF work standards for state spending on TANF-related populations and activities in excess of what they are required to spend under TANF's state spending (maintenance of effort, or MOE) requirement. The House passed bill would also require states to collect data on employment outcomes.

## Fiscal Responsibility Act of 2023 (H.R. 3746)

As introduced in the House on May 29, changes made by H.R. 3746 to the TANF work standard would differ from those that were included in the House-passed H.R. 2811.

### Caseload Reduction Credit

H.R. 3746 would give states credit against their work standards for caseload reductions from FY2015 forward. Thus, unlike the House-passed H.R. 2811, states would receive credit against their work

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standard for some past caseload reduction. Most states experienced a reduction in the number of families receiving assistance since FY2015. Caseload declines from FY2015 to FY2021 have varied by state.

### Small Checks

H.R. 3746 would curtail, but not end, the practice of paying *small checks* in separate programs. It would require that the state pay a benefit of at least \$35 per month to a working family in a separate program in order for that family to be counted toward meeting the TANF work standard.

### Excess MOE

H.R. 3746 would *not* change the credit toward the TANF work standards that states receive for spending *excess* state dollars on TANF-related populations and activities.

### Pilot Programs and Outcome Reporting

H.R. 3746 would give the Department of Health and Human Services (HHS) the option to allow up to five states to operate a pilot program that would test an alternative performance system for state TANF work programs. States in the pilot would not be required to operate their work program under the usual work standards. Instead, they would be held accountable through a negotiated set of employment outcomes (including employment rates and median wages for those leaving assistance), and other measures of family stability and well-being. The pilots would operate for a period of six years. A performance measure based on outcomes was proposed in a 2018 bill that was approved by the House Ways and Means Committee (H.R. 5861). That bill was never acted on by the full House.

H.R. 3746 would also require all states to report on employment outcome measures similar to those used to measure performance under the [Workforce Innovation and Opportunity Act](#).

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