

Temporary Assistance for Needy Families (TANF) and Work Requirements

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The Fiscal Responsibility Act of 2023 (H.R. 3746), signed by President Biden on June 3, 2023, alters the work requirements that apply under Temporary Assistance for Needy Families (TANF). The TANF work requirement changes are part of budgetary and policy changes that accompany an increase in the national debt limit. 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.

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*. States can receive a caseload reduction credit of 1 percentage point for each percent decline in the caseload from the *base year*. Through FY2025, the *base year* for measuring caseload change for the credit is FY2005. Only caseload reductions not explicitly caused by policy changes count toward the credit.

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

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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. 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](#). 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 adult recipients working or in activities, [most states relied on counting families with adults working in an unsubsidized job](#) 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 expansion of eligibility 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 (*small checks*) 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.

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

Caseload Reduction Credit

H.R. 3746 changes the *base year* for measuring caseload change for the caseload reduction credit. Effective in FY2026, the base year is to be 2015. For FY2026 work standards, the caseload reduction credit is to be based on changes in the number of families receiving assistance from FY2015 to FY2025. For the FY2027 credit, the change in the number of families receiving assistance is to be FY2015 to FY2026, and so on. Based on currently available data (through FY2022), most states have experienced a reduction in the number of families receiving assistance since FY2015, though the magnitude of the changes varied by state.

Small Checks

H.R. 3746 curtails the practice of paying *small checks* in separate programs. It requires 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.

Pilot Programs and Outcome Reporting

H.R. 3746 gives 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 also requires 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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