

# **Work Requirements: The Temporary Assistance for Needy Families (TANF) Work Standard and How States Met It**

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# Work Requirements: The Temporary Assistance for Needy Families (TANF) Work Standard and How States Met It

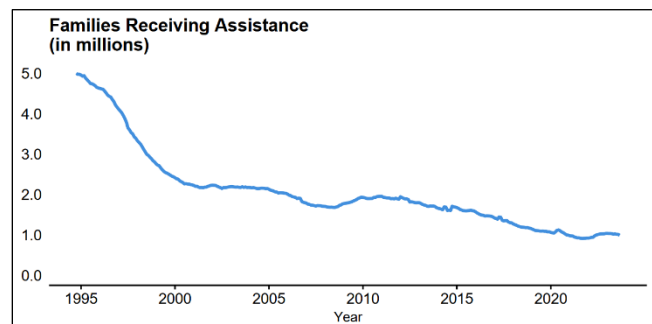
Temporary Assistance for Needy Families (TANF) helps states fund cash assistance programs for needy families with children. It was created in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA, P.L. 104-193) during a period of experimentation with different forms of *welfare-to-work* programs. Engagement of nonemployed cash assistance recipients (mostly single mothers) in job preparation activities, such as job search or education and training was the focus of the pre-PRWORA programs and experiments. PRWORA changed that focus in creating TANF.

The primary federal *work requirement* in TANF is a performance standard that *state governments*, not individual recipients, must meet. States that fail the performance standard are at risk of being penalized through a reduction in their block grant. Nominally, states are required to have 50% of all families and 90% of two-parent families engaged in work. However, the TANF work performance system allows states to meet TANF's standards through additional means besides engaging nonemployed recipients in welfare-to-work activities. Most prominently, states may reduce these percentages through reducing the number of families receiving assistance, which earns states a *caseload reduction credit*. The caseload reduction credit provides states with the incentive to reduce the number of families receiving assistance, regardless of whether families not receiving assistance are working or not. States may also meet their standards through "work," meaning TANF adult assistance recipients either (1) work in regular, unsubsidized jobs or (2) engage in job preparation activities (including subsidized employment). States may count engagement in job search and vocational educational training for a limited period. Work or participation has to be for a minimum number of hours for a family to count as being engaged in work, with those minimum hours varying by family composition.

Under TANF, states have generally met their work standards through reducing the number of families receiving assistance and assisting families with working members, not by engaging recipients without regular (unsubsidized) jobs in activities. The reduction in the number of families receiving assistance is a distinctive characteristic of the post-PRWORA period, declining from the historical peak of 5.1 million families in 1994 to 1 million in 2024. Further, one of the first policy changes states made after PRWORA was to enhance *earnings disregards*, incentivizing recipients to work but also effectively allowing those who got a job to stay on TANF at higher levels of earnings and/or for longer periods of time. In contrast, over the history of TANF, the share of adult recipients not employed in unsubsidized employment who participated in job preparation activities never exceeded 30%. States also engaged in other actions (e.g., accounting for two-parent families in separate programs not considered in the performance system) to help meet their standards.

## Decline in the Number of Cash Assistance Recipients

Caseload Reduction Was the Primary Way Many States Met TANF Work Standards



Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Service (HHS).

The Fiscal Responsibility Act of 2023 (P.L. 118-5) requires states to report employment outcome measures for former recipients, such as rates of job entries, measures of retaining jobs, and measure of wages. It also authorized a five-state pilot in which states would use such outcome measures as an alternative way to measure TANF performance. A TANF reauthorization bill (H.R. 3156/S. 1567) would, among other things, replace the current TANF work performance system with one based on employment outcomes and directly require participation in activities for most adult recipients. Such outcome measures are not necessarily immune from creating unintended behaviors to achieve performance goals. TANF would also continue to provide incentives outside of the work performance system (such as fixed funding) for further caseload reduction.

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## Introduction

Temporary Assistance for Needy Families (TANF) is a broad-purpose block grant that funds a wide range of benefits and services to ameliorate the effects, and address the root causes, of childhood economic and social disadvantage. It is best known for helping states fund cash assistance for needy families with children; it also funds employment services and education, child care subsidies, short-term aid, benefits and services for families at risk of having children removed because of abuse or neglect, youth services, state-level tax credits for families with children, and activities to reduce out-of-wedlock pregnancies and promote two-parent families.<sup>1</sup>

TANF was created in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA, P.L. 104-193) and replaced the Aid to Families with Dependent Children (AFDC) cash assistance program, the Job Opportunities and Basic Skills (JOBS) Training program, and several other related programs.<sup>2</sup> TANF folded funding from the discontinued programs into its broad-purpose block grant. The block grant provides states with set amounts of funding each year. TANF is also partially funded by nonfederal (e.g., state) dollars, as a minimum amount of nonfederal dollars must be spent in a state each year under the TANF maintenance of effort (MOE) requirement. The federal grant and MOE amounts were set in PRWORA and have not been adjusted for changes in circumstances, such as inflation, population, or reductions in the number of assistance recipients.

## Work and the Origins of TANF

TANF was created during a period when states were experimenting with *welfare-to-work* programs that began in the 1980s. AFDC included a *participation requirement* for nonexempt adult recipients to participate in the JOBS program or have their family's benefit reduced. JOBS provided funded employment services including employment assessments, individualized plans, assisted job search, education and training, and case management. Under waivers of federal law, states experimented with programs of their own design (subject to federal approval).

The welfare-to-work experiments of the pre-PRWORA era, including those under JOBS and the state waivers, found that mandatory participation in a program of funded employment services increased employment and reduced receipt of assistance relative to a baseline where there was no mandate to participate in the program. Most of the increase in employment for individuals was in the short-term (e.g., the first several years), with impacts fading over time. The most consistent finding from these experiments was that mandated job search resulted in participants finding jobs sooner compared to a baseline where there was no such mandate.<sup>3</sup>

<sup>1</sup> For an overview of TANF, see CRS Report R48413, *Temporary Assistance for Needy Families (TANF) Block Grant: A Primer*.

<sup>2</sup> For a discussion of the legislative history of PRWORA, see CRS Report R44668, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Legislative History*.

<sup>3</sup> The history of these experiments and their findings are discussed in Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York, NY: Russell Sage Foundation, 1991); Daniel Friedlander and Gary Burtless, *Five Years After: The Long-Term Effects of Welfare-to-Work Programs* (New York, NY: Russell Sage Foundation, 1995); and Judith M. Gueron and Howard Rolston, *Fighting for Reliable Evidence* (New York, NY: Russell Sage Foundation, 2013).

### The National Evaluation of Welfare-to-Work Strategies (NEWWS)

NEWWS is one of the most cited studies that found evidence that participation in a welfare-to-work program could lead to increased employment and reduced receipt of assistance. The applicability of NEWWS findings to current work requirements and proposals for policy changes is best assessed in light of the interventions studied and the population that was affected.

NEWWS began as the evaluation of the JOBS employment and training program that was created under the Family Support Act of 1988. It was designed to test the mandate that nonemployed adult recipients of cash aid for needy families with children participate in that program or be subject to a financial sanction that reduced the family's benefit. This mandate was part of the pre-PRWORA AFDC program, not TANF. It was also consistent with pre-PRWORA federal policy and did not require a waiver of federal rules. It was explicitly designed to test alternative strategies to engage recipients in activities: either a *work-first* approach that focused on up-front job search or longer-term education and training. The findings generally were that mandated job search or longer-term education and training increased employment and reduced assistance receipt in many sites.<sup>4</sup>

The population studied in NEWWS was primarily single mothers receiving cash assistance, a group that was comparatively economically disadvantaged. In most sites, around 4 out of 10 participants lacked a high school diploma. Across all sites, less than 12% of participants were employed upon entering. The share who reported ever working in the past 12 months varied considerably across sites, with a number of sites having fewer than 30% reporting employment over the past year.<sup>5</sup>

The pre-PRWORA experiments found that the employment and earnings increase from requiring participation was not alone sufficient to raise incomes. On average, earnings increases were offset by decreases in assistance, leaving total incomes unchanged. However, a series of experiments that combined mandated participation with continued benefits to supplement earnings (through enhanced *earnings disregards*, compared with what was allowed under the law at the time) found that such programs increased total incomes of recipient families in the short-term.<sup>6</sup>

## TANF Requirements Related to Work

PRWORA established a number of policies for assistance to families with children. TANF's requirements related to work apply only to families that have adult recipients (or minors who are parents). Because TANF is a block grant, the requirements apply to *states* rather than individual recipients. It is the states that decide what requirements to apply to individuals.

Under TANF, states must do the following:

- They must assess each recipient who is an adult (ages 18 or older) or has not completed high school and is not attending secondary school.<sup>7</sup> The assessment must be made within 90 days of determination of the recipient's eligibility for assistance. States have the option to develop an Individual Responsibility Plan (IRP), setting forth employment goals for the individual, the obligations of the

<sup>4</sup> Gayle B. Hamilton et al., *How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs*, U.S. Department of Health and Human Services (HHS) and U.S. Department of Education (ED), November 30, 2001, <https://aspe.hhs.gov/reports/how-effective-are-different-welfare-work-approaches-five-year-adult-child-impacts-eleven-programs-0>.

<sup>5</sup> For further discussion of how the welfare-to-work experiments differed from contemporary forms of work requirements, see Dan Bloom, *What Does MDRC's Research Really Say about Work Requirements*, MDRC, June 2023, <https://www.mdrc.org/work/publications/what-does-mdrcs-research-really-say-about-work-requirements>.

<sup>6</sup> Charles Michalopoulos, *Does Making Work Pay Still Pay: An Update on the Effects of Four Earnings Supplement Programs on Employment, Earnings, and Income*, MDRC, August 2005, [https://www.mdrc.org/sites/default/files/full\\_78.pdf](https://www.mdrc.org/sites/default/files/full_78.pdf).

<sup>7</sup> Section 408(b) of the Social Security Act.

- individual, and the services the state will provide the individual to enable them to obtain and keep employment.
- They must sanction individuals who refuse to comply with work requirements without good cause. States determine who is subject to work requirements, and to what extent, versus who is exempt or has good cause for not meeting them. States also determine the sanction amount; they can choose to reduce or end benefits for families with noncomplying individuals. They cannot sanction a single parent with a child under age six if he/she cannot find affordable child care.<sup>8</sup>
  - They must meet a numerical work participation standard for their caseload.

## The Numerical Work Participation Standard

The numerical work participation standard is often referred to as *the TANF work requirement*, though it applies to states rather than individuals. A state that fails to meet the standard is at risk of a financial penalty that would reduce its TANF block grant.

Statute sets nominal minimum work participation rates that states are required to achieve, expressed as a percentage of families: 50% of all families receiving assistance and 90% of two-parent families receiving assistance are required to be “engaged in work.”<sup>9</sup> As discussed below, not all families receiving assistance are included in the calculation that determines whether the 50% or 90% standards are met.

## Caseload Reduction Credit

In practice, the participation standards (50% and 90%) may be reduced in a state through the *caseload reduction credit*. The credit reduces these nominal standards by one percentage point for each percentage reduction in the number of families receiving assistance in the state from the base year to the immediately preceding fiscal year.

As enacted in PRWORA, the caseload reduction credit measured the change in the number of families receiving assistance from FY1995 to the preceding fiscal year and gave states credit for reductions. The Deficit Reduction Act of 2005 (DRA; P.L. 109-171) rebased the reference year (effective in FY2007), giving states credit for caseload reduction since FY2005.

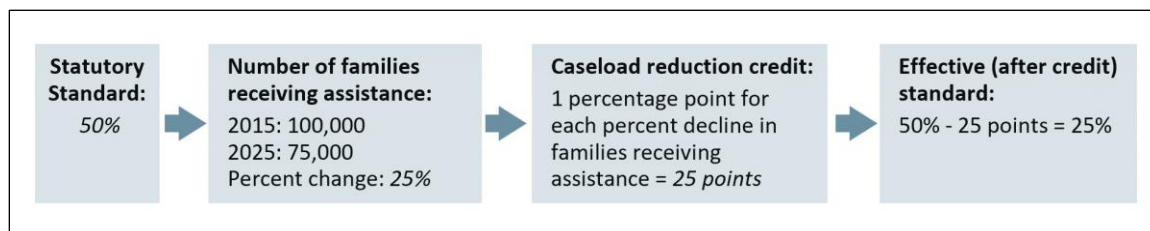
Beginning in FY2026, states receive credit for caseload reduction since FY2015.<sup>10</sup> **Figure 1** illustrates the calculation of the caseload reduction credit for a hypothetical state for FY2026.

<sup>8</sup> Section 407(e) of the Social Security Act.

<sup>9</sup> TANF’s numerical participation standards are in Section 407(a) of the Social Security Act.

<sup>10</sup> The Fiscal Responsibility Act of 2023 (P.L. 118-5) provided that the credit would measure the change in the number of families receiving assistance from FY2015 to the immediately preceding fiscal year, effective in FY2026.

**Figure 1. Hypothetical Example of How the Caseload Reduction Credit Would Reduce a State's Work Participation Standard: FY2026**



**Source:** Created by CRS.

Under regulations promulgated by the U.S. Department of Health and Human Services (HHS) in 1999, states can receive credit against their work participation standard for spending in excess of the required minimum amount under the TANF MOE; this is known as the *excess MOE credit*.<sup>11</sup> The excess MOE credit is added to the credit for caseload reduction and further reduces the effective work standard that a state must meet.<sup>12</sup>

## The Work Participation Rate

The effective (after-credit) standards are then compared with the *work participation rate* (WPR). The WPR is a percentage that compares the number of families that meet the criteria of being engaged in work to the total number of families included in the calculation.

The families included in the WPR calculation are those with a *work-eligible individual*. Generally, work-eligible individuals are parents of child recipients or teen heads of households. Child recipients are not work-eligible, and thus families where only the child or children are eligible for TANF assistance are generally excluded.<sup>13</sup> Additionally, the statute allows certain families with a work-eligible individual to be excluded from the calculation. For example, states have the option to exclude single parents caring for an infant (limited to 12 months in a lifetime). In FY2023, out of 1 million TANF assistance families, 617,000 were included in the all-family rate.

Federal law has detailed rules for which families count as “engaged in work.”<sup>14</sup> The rules for determining whether an individual is engaged in work are *not* requirements that apply directly to individual recipients; they are rules for determining who may count toward a state meeting TANF’s performance standard. The rules may help shape states’ decisions regarding what to require of individual recipients, but states have the flexibility to determine the requirements that apply to individual recipients.

<sup>11</sup> Regulations are at 45 C.F.R. §261.43(b).

<sup>12</sup> A state’s excess MOE credit is determined by a formula in regulation that converts a state’s extra MOE spending in the previous year (above required levels) into a number of families. That number of families is then subtracted from the number of families receiving assistance in the previous year when calculating the overall caseload reduction credit. For the formula, see the regulation at 45 C.F.R. §261.43(b).

<sup>13</sup> These child-only families include those where nonparent relatives (e.g., grandparents, aunts, uncles) care for children and do not receive benefits on their own behalf, but only on behalf of the children in their care. In many states, disabled parents receiving Supplemental Security Income (SSI) are ineligible. States may exclude families where the only adults receive SSI or other disability benefits. They may also exclude those caring for a disabled child from the calculation. Ineligible noncitizen parents who are caring for eligible (usually citizen) children are excluded from the calculation.

<sup>14</sup> Section 407(c) of the Social Security Act.



## Activities That Count

A family must have an individual who is either employed or participating in specified activities for a minimum number of hours per week. TANF statute lists 12 activities that recipients may engage in and states may count toward their work standard. As shown in **Table 1**, some activities count in most circumstances while other activities count only in specified circumstances. States may only count engagement in job search and readiness and vocational educational training for a limited period. Three activities related to education can only be counted if the recipient engages in other activities for a minimum number of hours per week in a month and are thus labeled “supplemental work activities” (see the “Minimum Number of Hours” section). The other activities are labeled “core work activities.”

**Table 1. TANF Work Activities**

Activities That Count without Limit (Core Work Activities)	Activities That Count for a Limited Period of Time (Core Work Activities)	Activities That Count Only in Conjunction with Engagement in Other Activities (Supplemental Work Activities)
Unsubsidized employment	Job search and readiness (not to exceed 12 weeks in a 24-month period) <sup>a</sup>	Jobs skills training directly related to employment
Subsidized private sector employment		Education directly related to employment (for those who have not received a high school diploma or its equivalent)
Subsidized public sector employment	Vocational educational training (not to exceed 12 months in a lifetime)	Satisfactory attendance at secondary school (for those who have not received a high school diploma or its equivalent)
Work experience		
On-the-job training		
Community service		
Provision of child care services to an individual in a community service program		

**Source:** CRS, based on statutory language in Section 407 of the Social Security Act.

- a. The job search and readiness limit of 12 weeks is for states that are “economically needy” based on their unemployment rate and number of participants in their Supplemental Nutrition Assistance Program (SNAP). States that do not meet the economically needy criteria may count engagement in job search and readiness for up to six weeks in a 12-month period. This report is using the 12-week limit for job search and readiness because, in recent years, most states were economically needy based on their number of participants in SNAP. However, P.L. 119-21, a 2025 reconciliation bill, made changes in SNAP that the Congressional Budget Office (CBO) estimates will reduce participation in that program. Therefore, in the future some states may not meet the criteria of being economically needy and will be subject to the six-week limit on job search and readiness.

## Minimum Number of Hours

In order for an activity to count toward the TANF participation standard, an individual must participate for a minimum number of hours. For two-parent families, states may combine the hours of both parents to meet the standard. The minimum number of hours required to be counted toward the standard varies by family composition. **Table 2** summarizes the hours requirement by family type.

**Table 2. Minimum Number of Hours Required to be Counted as Engaged in Work**

	All-Family Rate		Two-Parent Family Rate (parents may combine hours)	
	Single-Parent Families with a Child Under Age Six	Other Families	Two-Parent Families Receiving Federally Funded Child Care	Two-Parent Families Not Receiving Federally Funded Child Care
Total hours requirement	An average of 20 hours per week during the month	An average of 30 hours per week during the month	An average of 55 hours per week during the month	An average of 35 hours per week during the month
Required hours in core activities	An average of 20 hours per week during the month	An average of 20 hours per week during the month	An average of 50 hours per week during the month	An average of 30 hours per week during the month
Allowable hours in supplemental activities	Not applicable	An average of 10 hours per week during the month	An average of 5 hours per week during the month	An average of 5 hours per week during the month

**Source:** CRS, based on statutory language in Section 407 of the Social Security Act.

For adults ages 20 and older, participation in the activities that would lead to a high school diploma or GED is limited to those who lack that credential and applies only if combined with a minimum number of hours in core work activities. For a single parent with a child under age six, the states receive no credit for engagement leading to a high school diploma or GED because hours required in core work activities equal the total hour requirement. Those who are age 19 or younger and lack a high school diploma may be deemed engaged in work through completion of secondary school or education directly related to employment.

## Work Verification

States are required to submit to HHS plans to verify hours of work or participation in job preparation activities. For employed individuals, documentation may include pay stubs, employer reports, or time and attendance records. For those who are self-employed, self-reporting is not considered sufficient; additional documentation is required. For those in job preparation activities, documentation may include time sheets, service provider attendance records, or school attendance records.<sup>15</sup>

## Financial Penalty

A state that does not meet both of its numerical performance standards is at risk of being penalized by a reduction in its block grant.<sup>16</sup> The penalty for not meeting the performance standards can be waived for reasonable cause, and states can also avoid the penalty if they come into compliance with the standards through a corrective compliance plan.

<sup>15</sup> 45 C.F.R. §261.61.

<sup>16</sup> The statutory penalty for failing to meet the work standard is 5% of the state family assistance grant payable to the state for the first year that the standard is not met. The penalty escalates for each subsequent year the standard is not met, to a maximum of 21%; however, HHS may reduce the penalty based on the “degree of noncompliance.” Section 409(a)(3) of the Social Security Act.

## How have states met the TANF work standard?

As discussed in the “Work and the Origins of TANF” section, the pre-TANF JOBS participation requirement and the *welfare-to-work* experiments were focused on requiring participation in job preparation activities (e.g., job search, education and training) for assistance recipients. The work requirements under AFDC and the welfare-to-work experiments did not achieve participation rates comparable to what was envisioned for TANF. The Congressional Budget Office (CBO) predicted states would not meet the participation standards and thus take the penalties for failing to achieve them.<sup>17</sup>

PRWORA changed the focus to meeting the *work standard* from the pre-TANF emphasis on engagement in job preparation activities by substantially broadening ways in which the standard can be met. States have flexibility in how they choose to achieve the standard and determine what specific requirements to apply to individual recipients.

There is close to 30 years of data with which to evaluate states’ responses to this type of work requirement. This section provides an examination of how states met the work standard and the implications for the amount of employment and participation in job preparation activities among recipients of assistance

## The Caseload Reduction Credit

States can fully or partially meet their work standard through caseload reduction. The caseload reduction credit provides states with the incentive to reduce the number of families receiving assistance, regardless of whether families not receiving assistance are working or not.

### Caseload Reduction

**Figure 2** shows caseload reduction from AFDC to TANF. The reduction in the number of families receiving benefits is a distinctive characteristic of the post-PRWORA era. It resulted from both a decline in the number of families eligible for assistance and a decline in the share of eligible families who received assistance.<sup>18</sup> States receive credit for caseload declines regardless of whether families exiting or otherwise outside the assistance caseload are employed. Under TANF, states have earned caseload reductions in many years that have reduced their effective work participation standard for all families to zero. For FY2023, for example, 41 jurisdictions had a zero effective work participation standard. (The number of states with zero effective work standards might be reduced for FY2026, when the modification to the credit under the Fiscal Responsibility Act of 2023 [P.L. 118-5], measuring caseload reduction from FY2015 forward, is effective.)

The caseload reduction credit itself is based on the *percentage change* in the number of families receiving assistance, not the reduction of the absolute number of families receiving assistance. In order to achieve a 50% change from the approximately 5 million families receiving AFDC in 1995, states needed to reduce the number of families receiving assistance by 2.5 million; this was achieved at the national level. In 2023, the number of families receiving assistance stands at

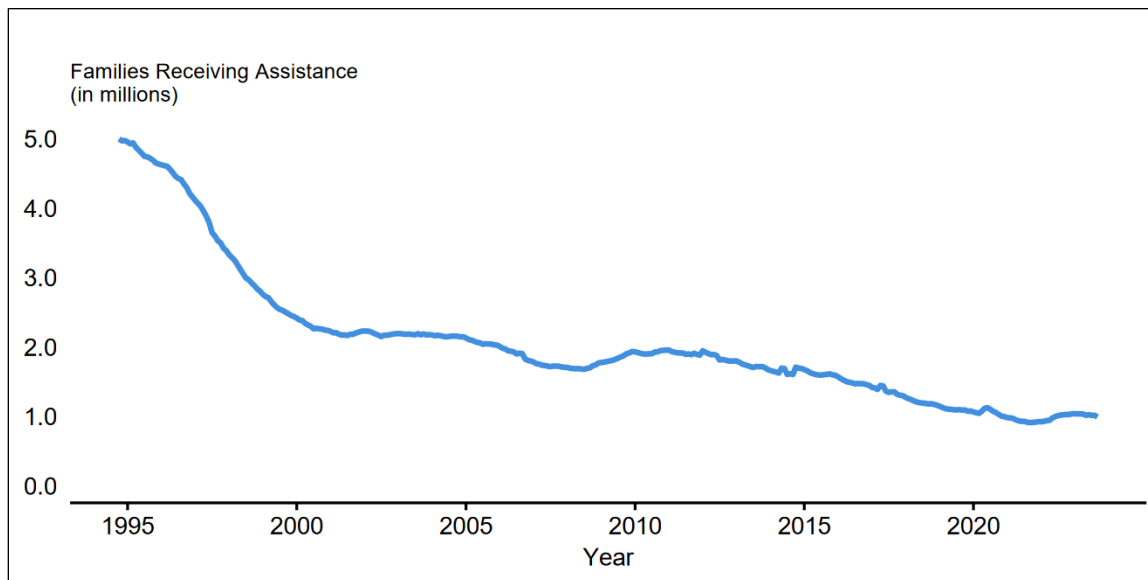
<sup>17</sup> CBO, *Federal Budgetary Implications of the Personal Responsibility and Work Opportunity Reconciliation Act*, CBO Memorandum, December 1996, p. 12, <https://www.cbo.gov/sites/default/files/104th-congress-1995-1996/reports/1996doc32.pdf>.

<sup>18</sup> For a discussion of the decline in the number of families receiving assistance, see CRS Report R47503, *Temporary Assistance for Needy Families: The Decline in Assistance Receipt Among Eligible Individuals*.

approximately 1 million. To achieve a 50% reduction, states would have to reduce the number of families by 0.5 million.

**Figure 2. Meeting TANF Work Standard: Caseload Reduction**

Families Receiving Assistance Under AFDC and TANF, 1995 to 2023



**Source:** CRS, based on data from HHS.

### The Excess MOE Credit

The excess MOE credit was little used until the changes in the overall caseload reduction credit made by the DRA. However, once the DRA change to rebase the caseload reduction credit to measure change from 2005 rather than 1995 was effective, more states used the excess MOE credit to meet the TANF work standard. According to a Government Accountability Office (GAO) report, in FY2007, 22 jurisdictions relied on the excess MOE credit to meet their work standard. By 2020, that number had dropped to two jurisdictions. Continued decline in the number of families receiving TANF assistance, and larger credits from caseload reduction alone, lessened the number of states that relied on the excess MOE credit to meet the work standard.

### Unsubsidized Employment

States that do not fully meet their work standard through caseload reduction must engage a sufficient percentage of their families receiving assistance in either work or job preparation activities. Work, in TANF, includes providing assistance to families where an adult is working in a regular job in the economy. This is called “unsubsidized employment” in TANF, as the job was not created and funded by the government to help the assistance recipient meet the TANF work standard.

### Enhanced Earnings Disregards

Under AFDC, few adult recipients were working. This was at least in part because of policies that limited benefits for families with workers; federal law limited the earnings disregard in AFDC so that many who got a job while on the rolls became ineligible for assistance either immediately or

soon thereafter.<sup>19</sup> Those federal rules were eliminated when TANF was enacted and states were given the discretion to determine earnings disregards under the block grant. Under TANF, most states expanded aid to families in which individuals got a job while receiving aid. These expanded earnings were shown in the welfare-to-work experiments to provide an incentive to work and raise incomes, *and* can help states meet their work participation standard because unsubsidized employment is an activity that counts toward it.

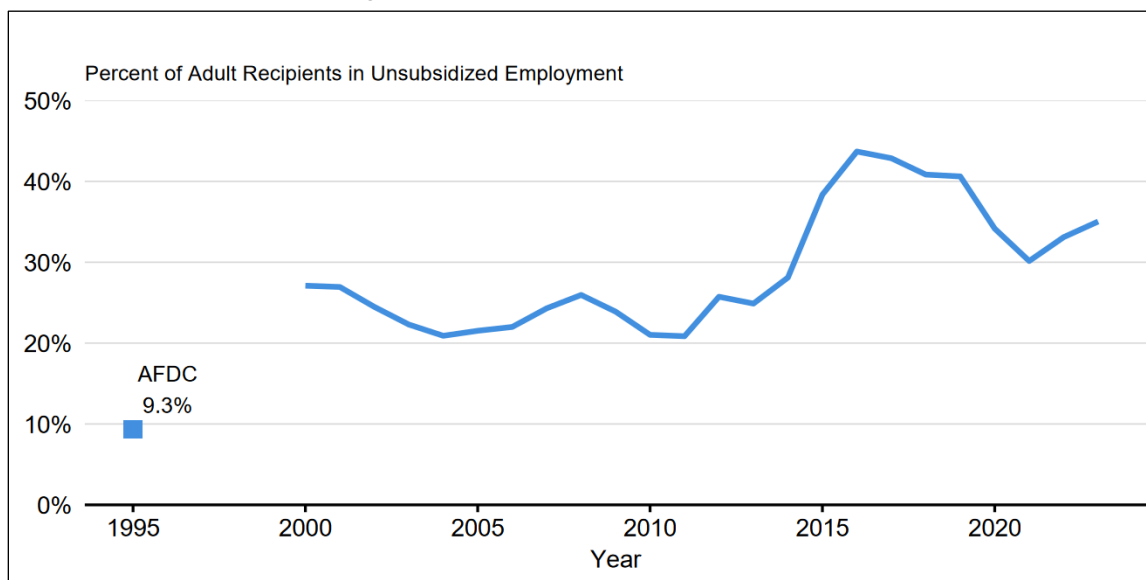
## Earnings Supplement Programs

A more recent development (particularly following DRA's amendments in 2005) was that states began to provide small amounts of assistance to working parents without a necessary connection to TANF assistance programs. For example, some states used TANF MOE dollars to provide assistance to working parents in SNAP because it also helped them meet the TANF work standard, providing as little as \$1 in extra SNAP to such parents. Because these benefits are technically *assistance*, states may count families receiving them toward the TANF work standard. The Fiscal Responsibility Act of 2023 (FRA2023, P.L. 118-5), set a limitation that a family receiving such a benefit cannot be counted toward meeting the TANF work standard unless the benefit was at least \$35 per month.

**Figure 3** shows the percentage of adult recipients of assistance who were employed from FY1995 (under AFDC) to FY2023. In FY1995, with the limited earnings disregards of AFDC, 9% of adult recipients were employed. Under TANF, states expanded earnings disregards and from FY2000 through FY2013, the employment rate of adult recipients fluctuated in the 20% to 25% range. The employment rate sharply increased in FY2015: in that year, California's earnings supplement program—providing \$10 of TANF-funded assistance to families of working parents in the SNAP program in the state—boosted the share of national adults who were employed to 38%. California, and other states' earnings supplement programs, kept that rate above 30% from FY2015 through FY2023. California is the state with the greatest number of TANF families and recipients and has the largest earnings supplement program.

<sup>19</sup> In AFDC, for the first four months on the job states were required to disregard the first \$120 plus one-third of remaining earnings for each month. From months 4 to 11 on the job, \$120 in monthly earnings was disregarded. After 12 months on the job, states were required to disregard \$90 of earnings per month. After 12 months, all earnings in excess of \$90 per month reduced AFDC benefits dollar-for-dollar. The limited earnings disregard was put into law by the Omnibus Budget Reconciliation Act of 1981 (OBRA81; P.L. 97-35). Before OBRA81, federal law required states to disregard the first \$30 of earnings and one-third of the remainder indefinitely. OBRA81 consolidated a separate work expense deduction into the overall earnings disregard and set time limits to the disregard of one-third of earnings. A study of the effect of the OBRA81 changes concluded that those who had earnings at implementation were less likely to receive AFDC one year later, but the changes had little effect on families that did not have earnings at implementation. See Research Triangle Institute, *Evaluation of the 1981 AFDC Amendments*, Final Report, April 15, 1983.

**Figure 3. Employment Rate Among Assistance Recipients**  
Adults Receiving Assistance Under AFDC and TANF, FY1995 to FY203



**Source:** CRS tabulations of the TANF National Data files and data from HHS.

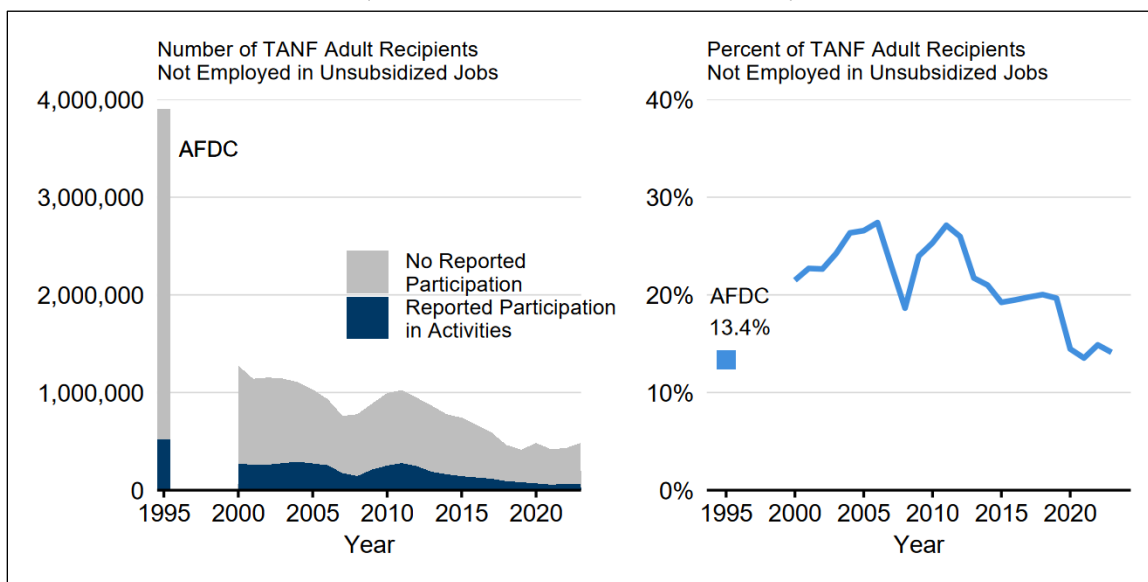
**Notes:** Adult recipients are all adults and heads of households under age 18, as well as those age 65 and older or with disabilities if receiving TANF assistance.

## Job Preparation Activities

As discussed previously, the focus of the pre-PRWORA AFDC requirements was mandated participation in the JOBS employment and training program. TANF changed that, with the shift toward states meeting performance standards that also allowed credit for caseload reduction and unsubsidized employment among assisted families. TANF also ended individual entitlements, so recipients were not guaranteed support in meeting the state work requirements through funded employment, education, or training slots.

**Figure 4** shows the number of TANF adult assistance recipients who were *not* employed in regular (unsubsidized) jobs and their engagement in job preparation activities. Job preparation activities include job search and readiness assistance, education, unpaid community service or work experience, and subsidized employment. In many years under TANF, the rate at which adult recipients not in regular jobs were engaged in job preparation activities was higher than under AFDC in 1995. However, more people (because of the larger number of adult recipients) participated in activities under AFDC than under TANF. Though the rate of participation in job preparation activities among such adult recipients was (until recent years) higher under TANF than AFDC, that rate never exceeded 30% (see the right panel of **Figure 4**). After a peak during the recession following the 2008 global financial crisis, the share of TANF adults not in a regular (unsubsidized) job reported as participating in activities began to decline, reaching low rates during and following the COVID-19 pandemic.

**Figure 4. Participation in Job Preparation Activities for Cash Assistance Adult Recipients Not Employed in Regular (Unsubsidized) Jobs**  
(AFDC FY1995; TANF FY2000-FY2023)



**Source:** CRS tabulations of the TANF National Data files.

**Notes.** Data reflect at least one hour of participation in a month in 11 of the 11 other TANF work activities (i.e., other than unsubsidized employment). Data are shown for FY1995 under AFDC and for FY2000 through FY2023 under TANF. Adult recipients are all adults and heads of households under age 18, as well as those over age 65 and with disabilities if receiving TANF assistance. Data for the transition period between AFDC and TANF (FY1996-FY1999) are not used because they were incomplete in capturing families receiving assistance from TANF and MOE funds.

## A Note on the Two-Parent Standard

Throughout TANF's history, some states evaded the higher (90%) two-parent standard by *accounting* for the cost of providing assistance to two-parent families in other programs that are not subject to the TANF work participation standard. The flexibility of the TANF block grant structure has permitted this.

Before FY2007, states were permitted to aid two-parent families in MOE-funded programs (state dollars) separate from TANF and therefore not be subject to the TANF work participation standard. The DRA 2005 required that families receiving assistance in such separate MOE-funded programs be included in states' work participation rate calculations. This ended the practice of states avoiding the two-parent standard through separate MOE-funded programs.

However, starting with FY2007 and later years, some states have continued to avoid the 90% two-parent standard. Some states do so by assisting two-parent families in state-funded programs with spending *not* countable toward the TANF MOE requirement. Given that these programs are not funded by TANF MOE dollars, they are not subject to TANF rules, including its work standard. Nominally, states bear the full cost of these benefit programs; however, federal TANF



funds might *indirectly* finance these costs through a state practice called *supplantation* of state funds with federal dollars.<sup>20</sup>

## Fiscal Responsibility Act of 2023 Work Pilots

The FRA2023 permitted HHS to allow up to five states to operate pilot work programs that were to be assessed using different performance standards from the current TANF work participation standards. The alternative performance standards are employment outcome measures, specified in statute (measures of job entry, job retention, and wages), and other measures related to family well-being as determined by the Secretary of HHS. The work pilots commence in FY2026 in Arizona, Iowa, Nebraska, Ohio, and Virginia.<sup>21</sup>

FRA2023 also established a requirement that all states report information necessary to construct employment outcome measures. This was effective beginning in FY2024.

## TANF Work Requirements and the Federal Budget

Under the current financing arrangement of a fixed block grant, states receive the same grant amounts regardless of the number of families receiving assistance and assistance dollars. If changes to TANF work requirements were to succeed in reducing the number of families receiving assistance and/or increasing employment, it would not directly affect total federal TANF spending. Any savings from reduced assistance payments would accrue to the states rather than the federal government. States could then use those accrued dollars to fund any other form of TANF benefit, service, or activity allowable as a use of the federal grant or countable toward the TANF MOE.

TANF work requirements affect federal spending only indirectly, through the penalties that reduce TANF block grants if a state *fails* to meet the TANF work standard. CBO has estimated that some past proposals would have made it harder for states to meet the TANF work standard and that more states would not meet the standard. The penalties from not meeting the standard were estimated to reduce the states' block grant amounts and produce estimated mandatory budgetary savings.<sup>22</sup>

<sup>20</sup> In general, *supplantation* is shifting the financing of activities from state funds to federal funds. TANF allows states to use its funds for any use "reasonably calculated" to achieve its broad statutory purpose. Many social services related to economically and socially disadvantaged children, often provided by state and local governments, can be financed via TANF. See discussion of the use of TANF funds in CRS Report R48413, *Temporary Assistance for Needy Families (TANF) Block Grant: A Primer*. GAO has discussed supplantation in the context of TANF: for GAO's discussion of TANF funds used to supplant state dollars in the early years of the block grant, see GAO, *Welfare Reform: Challenges in Maintaining a Federal-State Fiscal Partnership*, GAO-01-828, August 2001, <https://www.gao.gov/assets/gao-01-828.pdf>.

<sup>21</sup> HHS, Administration for Children and Families, *ACF Launches Redesigned Welfare Pilot with Five States to Promote work, Reduce Government Dependency, and Strengthen Families*, press release, September 25, 2025, <https://acf.gov/media/press/2025/acf-launches-redesigned-welfare-pilot>. In 2024, under the Biden Administration, 22 states and Puerto Rico applied to participate in the pilot; the 5 states selected were California, Kentucky, Maine, Minnesota, and Ohio. On March 10, 2025, HHS, under the second Trump Administration, rescinded the authority of the five selected states to operate under their pilot rules. HHS established new criteria and made a new request for states to apply for the pilot.

<sup>22</sup> CBO estimated budgetary savings for provisions affecting TANF work provisions in both the DRA and the FRA2023. See CBO, *S. 1932, Deficit Reduction Act of 2005, Conference Agreement as Amended and Passed by the Senate on December 21, 2005*, cost estimate, January 27, 2006, <https://www.cbo.gov/sites/default/files/109th-congress-2005-2006/costestimate/s1932conf0.pdf>; and CBO, *CBO's Estimate of the Budgetary Effects of H.R. 3746, the Fiscal* (continued...)



## Conclusion

The TANF performance measure is a system of accountability for a block grant that provides states with flexibility. It also embodies a set of incentives to influence state behavior.

*Those who crafted the block grant created a work performance system that allows states to meet TANF standards through means other than those directly related to work.* Most prominently, the caseload reduction credit provides states with the incentive to reduce the number of families receiving assistance, regardless of whether families not receiving assistance are working or not. In creating the credit for caseload reduction, a House committee report stated

This provision, in effect, provides States with the ability, and in fact the incentive, to do away with the concept of measuring participation rates, (which is by and large a “process” measurement), and move toward having their performance based on a true outcome—a reduction in welfare dependency, a goal in which no one can argue.<sup>23</sup>

The reduction in the number of families receiving assistance is a distinctive characteristic of the post-PRWORA period, and many states have met their standard through caseload reduction alone.

In promulgating regulations to implement TANF, HHS under the Clinton Administration created the excess MOE credit. The excess MOE credit provides states with an incentive to spend more from their own funds on TANF-related activities than they are required to under law. Extra spending is not directly related to work.

*Engagement of nonemployed cash assistance recipients job preparation activities, such as job search or education and training was the focus of the pre-PRWORA programs and experiments. PRWORA changed that focus in creating TANF.* At the time of the enactment of TANF, researchers pointed out that evaluated welfare-to-work programs did not have participation rates that would have met the TANF standard.<sup>24</sup> Those programs focused on providing employment services and/or education and training to non-employed assistance recipients. Though the share of non-employed recipients in activities was higher in many years than it was under pre-TANF law, in no year was reported participation in activities higher than 30% among those recipients not in unsubsidized employment

*The financial incentive to meet the standard also resulted in state actions other than caseload reduction, extra MOE spending, work, and participation in activities.* These include creating separate programs for two-parent families so they can be accounted for in ways to avoid the separate, higher (90%) target that applies to such families. Also, providing small benefits to working parents in other programs, which could be seen as gaming a system designed to measure performance of TANF assistance recipients, inflated their work participation rate to help meet the work standard. Additionally, that states are financially penalized for not meeting the TANF performance standard means states may act on the basis of the economic costs and benefits of the different ways of achieving the standard. For example, states may choose methods to meet the

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*Responsibility Act of 2023*, Letter to Speaker of the House Kevin McCarthy, May 30, 2023, [https://www.cbo.gov/system/files/2023-05/hr3746\\_Letter\\_McCarthy.pdf](https://www.cbo.gov/system/files/2023-05/hr3746_Letter_McCarthy.pdf).

<sup>23</sup> U.S. Congress, House Committee on Economic and Educational Opportunities, *Welfare Reform Consolidation Act of 1995*, Report together with Minority and Dissenting Views to Accompany H.R. 999, 104<sup>th</sup> Cong., 1<sup>st</sup> sess., March 10, 1995, H.Rept. 104-75, Part I (Washington, DC: GPO, 1995), p. 45.

<sup>24</sup> Gayle Hamilton, *The JOBS Evaluation: Monthly Participation Rates in Three Sites and Factors Affecting Participation Levels in Welfare-to-Work Programs*, HHS, Assistant Secretary for Policy and Evaluations, July 1995, <https://aspe.hhs.gov/jobs-evaluation-monthly-participation-rates-three-sites-factors-affecting-participation-levels>.

standard at a minimum cost, potentially in lieu of choosing methods most likely to improve employment outcomes.

The FRA2023 required states to report on employment outcome measures, such as rates of job entries, measures of retaining jobs, and measure of wages. It also authorized a five-state pilot in which states would use such outcome measures as an alternative way to measure TANF performance. These outcome measures might form the basis for a new performance system for TANF. The employment outcome measures are more focused on work than the current work participation standard. However, past experience has shown that outcome measures such as those states must now report for TANF are not necessarily immune to themselves creating unintended behaviors in response to their incentives.<sup>25</sup> Thus, there are limits to accomplishing policy objectives through a performance system alone. Additionally, though caseload reduction would no longer count as a means of meeting work standards, there are other incentives inherent in TANF (e.g., fixed funding) that would still provide states with an incentive to reduce the number of families receiving assistance.

A five-year TANF reauthorization bill introduced by Representative Darin LaHood and Senator Steve Daines (H.R. 3156/S. 1567) would, among other things, end the current work participation standard and establish employment outcomes as TANF performance measures. The bill would also establish a direct, federal work requirement that would require individual recipients to work or engage in specified work activities for a minimum number of hours per week.

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<sup>25</sup> Pascal Courty et al., “Setting the Standards,” in *The Performance of Performance Standards*, ed. James J. Heckman et al. (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2011), pp. 95-123

## Appendix.

**Table A-1** provides a walkthrough of the TANF work participation standards, and how states either met or did not meet them. It does so for both the all-family and the separate, higher two-parent standard.

The first column for each standard is the statutory nominal standard: 50% for all families and 90% for two parent families. The second column for each standard is the caseload reduction credit for the state. This includes the credit for caseload reduction per se and the *excess MOE credit*. The credit is subtracted from the nominal standard, yielding the third column's effective after-credit standard. The fourth column is the work participation rate the state achieved in FY2023. If the work participation rate (column four) is higher than the effective after-credit standard (column three), then the state met its standard.

All states met the all-family standard in FY2023. This was not the case for the two-parent standard. For example, as shown in the table, Alabama met its two-parent family standard. Its two-parent caseload reduction credit was 90 percentage points, which subtracted from the 90% nominal standard yielded an effective after credit standard of 0%. Its 43.4% work participation rate for two-parent families was higher than zero—hence, Alabama met its two-parent standard. On the other hand, California (like all states with two-parent families in TANF or MOE programs) had a 90% standard. Its two-parent caseload reduction credit was 44.1 percentage points, which subtracted from 90% yielded an after-credit standard of 45.9%. Its work participation rate for two-parent families was 26.1%, less than its after-credit standard—hence, California did not meet its two-parent standard.

Many states (e.g., Colorado) had no two-parent families in its TANF and MOE programs, so the statutory two-parent standard is not applicable (NA) in these states. Many of these states assist two-parent families in state-funded programs but do *not* count their expenditures toward the TANF MOE.

**Table A-1. TANF Standards, Caseload Reduction Credits, and Work Participation Rates: FY2023**

State	All Family Standard					Two-Parent Standard				
	Nominal Standard	Caseload Reduction Credit	Effective (After-Credit) Standard	Work Participation Rate	Met Standard?	Nominal Standard	Caseload Reduction Credit	Effective (After-Credit) Standard	Work Participation Rate	Met Standard?
Alabama	50.0	50.0	0.0	44.9	Yes	90.0	90.0	0.0	43.4	Yes
Alaska	50.0	50.0	0.0	33.8	Yes	90.0	67.7	22.3	47.6	Yes
Arizona	50.0	50.0	0.0	12.1	Yes	90.0	81.2	8.8	36.5	Yes
Arkansas	50.0	50.0	0.0	12.9	Yes	90.0	87.8	2.2	24.2	Yes
California	50.0	38.6	11.4	46.7	Yes	90.0	44.1	45.9	26.1	No
Colorado	50.0	50.0	0.0	43.4	Yes	NA				
Connecticut	50.0	50.0	0.0	3.7	Yes	NA				
Delaware	50.0	50.0	0.0	15.8	Yes	NA				
District of Col	50.0	35.7	14.3	50.0	Yes	NA				
Florida	50.0	50.0	0.0	2.6	Yes	90.0	55.0	35.0	1.5	No
Georgia	50.0	50.0	0.0	26.2	Yes	NA				
Guam	50.0	50.0	0.0	4.0	Yes	90.0	64.8	25.2	1.9	No
Hawaii	50.0	50.0	0.0	19.3	Yes	90.0	68.5	21.5	28.6	Yes
Idaho	50.0	0.0	50.0	67.0	Yes	NA				
Illinois	50.0	34.5	15.5	47.0	Yes	NA				
Indiana	50.0	50.0	0.0	8.4	Yes	90.0	87.2	2.8	4.9	Yes
Iowa	50.0	50.0	0.0	15.0	Yes	90.0	89.8	0.2	13.7	Yes
Kansas	50.0	50.0	0.0	33.2	Yes	90.0	73.1	16.9	38.2	Yes
Kentucky	50.0	50.0	0.0	33.2	Yes	90.0	75.6	14.4	31.3	Yes
Louisiana	50.0	50.0	0.0	4.0	Yes	NA				

State	All Family Standard					Two-Parent Standard				
	Nominal Standard	Caseload Reduction Credit	Effective (After-Credit) Standard	Work Participation Rate	Met Standard?	Nominal Standard	Caseload Reduction Credit	Effective (After-Credit) Standard	Work Participation Rate	Met Standard?
Maine	50.0	0.0	50.0	75.7	Yes	90.0	0.0	90.0	87.7	No
Maryland	50.0	50.0	0.0	13.7	Yes	NA				
Massachusetts	50.0	27.5	22.5	55.1	Yes	90.0	27.5	62.5	94.5	Yes
Michigan	50.0	50.0	0.0	47.4	Yes	NA				
Minnesota	50.0	48.9	1.1	21.7	Yes	NA				
Mississippi	50.0	50.0	0.0	41.1	Yes	NA				
Missouri	50.0	50.0	0.0	17.7	Yes	NA				
Montana	50.0	50.0	0.0	36.6	Yes	90.0	85.5	4.5	34.5	Yes
Nebraska	50.0	50.0	0.0	22.0	Yes	NA				
Nevada	50.0	50.0	0.0	27.1	Yes	90.0	59.5	30.5	33.6	Yes
New Hampshire	50.0	0.0	50.0	66.5	Yes	NA				
New Jersey	50.0	50.0	0.0	6.9	Yes	90.0	85.9	4.1	92.2	Yes
New Mexico	50.0	50.0	0.0	10.9	Yes	90.0	83.1	6.9	18.7	Yes
New York	50.0	50.0	0.0	13.0	Yes	NA				
North Carolina	50.0	50.0	0.0	10.0	Yes	90.0	58.7	31.3	11.5	No
North Dakota	50.0	50.0	0.0	54.7	Yes	NA				
Ohio	50.0	50.0	0.0	34.3	Yes	90.0	90.0	0.0	21.4	Yes
Oklahoma	50.0	50.0	0.0	16.2	Yes	NA				
Oregon	50.0	0.0	50.0	57.0	Yes	90.0	0.0	90.0	91.1	Yes
Pennsylvania	50.0	50.0	0.0	18.8	Yes	90.0	90.0	0.0	47.2	Yes
Puerto Rico	50.0	50.0	0.0	12.8	Yes	NA				

State	All Family Standard					Two-Parent Standard				
	Nominal Standard	Caseload Reduction Credit	Effective (After-Credit) Standard	Work Participation Rate	Met Standard?	Nominal Standard	Caseload Reduction Credit	Effective (After-Credit) Standard	Work Participation Rate	Met Standard?
Rhode Island	50.0	50.0	0.0	11.7	Yes	90.0	75.5	14.5	12.9	No
South Carolina	50.0	50.0	0.0	7.3	Yes	NA				
South Dakota	50.0	0.0	50.0	57.6	Yes	NA				
Tennessee	50.0	50.0	0.0	30.7	Yes	90.0	81.6	8.4	56.0	Yes
Texas	50.0	50.0	0.0	17.1	Yes	NA				
Utah	50.0	50.0	0.0	12.3	Yes	NA				
Vermont	50.0	43.6	6.4	34.8	Yes	90.0	44.2	45.8	48.9	Yes
Virgin Islands	50.0	50.0	0.0	4.6	Yes	NA				
Virginia	50.0	50.0	0.0	22.5	Yes	NA				
Washington	50.0	50.0	0.0	32.2	Yes	90.0	53.8	36.2	47.3	Yes
West Virginia	50.0	50.0	0.0	22.0	Yes	NA				

**Source:** CRS, based on data from HHS published December 5, 2024.

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