

Temporary Assistance for Needy Families (TANF) Block Grant: A Primer

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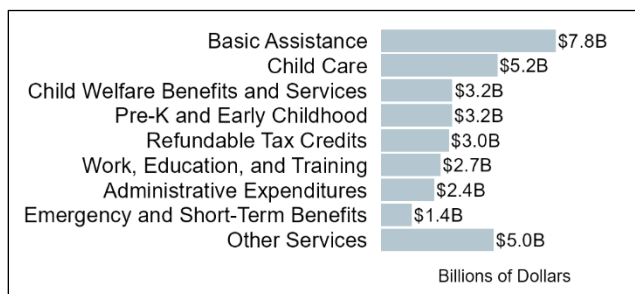
February 5, 2026

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Temporary Assistance for Needy Families (TANF) Block Grant: A Primer

The Temporary Assistance for Needy Families (TANF) block grant provides federal grants to the 50 states, District of Columbia, and territories (collectively, “states”), as well as Indian tribes. TANF helps fund state-run programs of cash assistance for needy families with children, known historically as *welfare programs*. However, TANF is not a program focused solely on cash assistance, but a broad-purpose block grant that helps fund a wide range of benefits and services for both cash assistance and non-cash benefit families. These benefits and services include employment and training, child care assistance, short-term economic aid, state refundable tax credits, services for children at risk for removal from the home because of neglect or abuse, pre-kindergarten programs, and programs for youth. P.L. 119-75 funds TANF through December 31, 2026.

Uses of TANF Funds, FY2023



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

TANF was created in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193), also known as the *1996 welfare reform law*. That law ended the New Deal program that provided dedicated federal funds for cash assistance for needy families with children (Aid to Families with Dependent Children [AFDC]) and related programs.

Though created nearly 30 years ago, TANF financing remains rooted in the amount of funding that was provided in the pre-PRWORA programs in the early to mid-1990s. TANF is funded by both federal and nonfederal dollars. Both the TANF basic block grant and the minimum amount

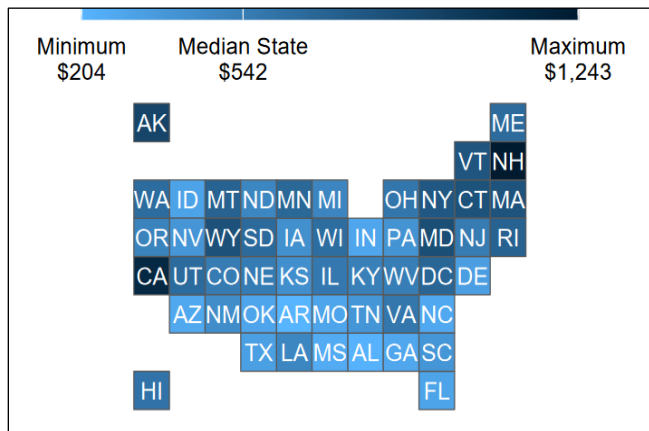
of nonfederal dollars that must be spent are based on expenditures in the pre-PRWORA programs in the early to mid-1990s. In the mid-1990s, the number of families receiving cash assistance reached its historical peak (5.1 million in March 1994). TANF funding levels have not been adjusted for post-1996 circumstances, including inflation, shifts in state populations, or changes in those eligible for or receiving cash assistance.

TANF policy focuses on the policy concerns around cash assistance for needy families that led to the enactment of PRWORA. These concerns included that cash assistance might provide disincentives to work and marriage, leading to long-term *dependency* on government benefits. The major requirements affecting families receiving assistance are the following:

- work requirements, most notably performance standards that *states* must meet and a requirement that *states* sanction a family with an adult recipient that refuses to work;
- child support requirements that mandate cooperation in establishing support orders and assigning (legally turning over the right to) child support received on behalf of the family to the state; and
- a five-year time limit on assistance paid from federal grants to families with children that have an adult or minor child head of household.

States determine how these requirements apply to individual families receiving assistance.

Maximum Monthly TANF Cash Assistance for a Single Parent and Two Children, July 2023
(states with higher benefits in darker shade)

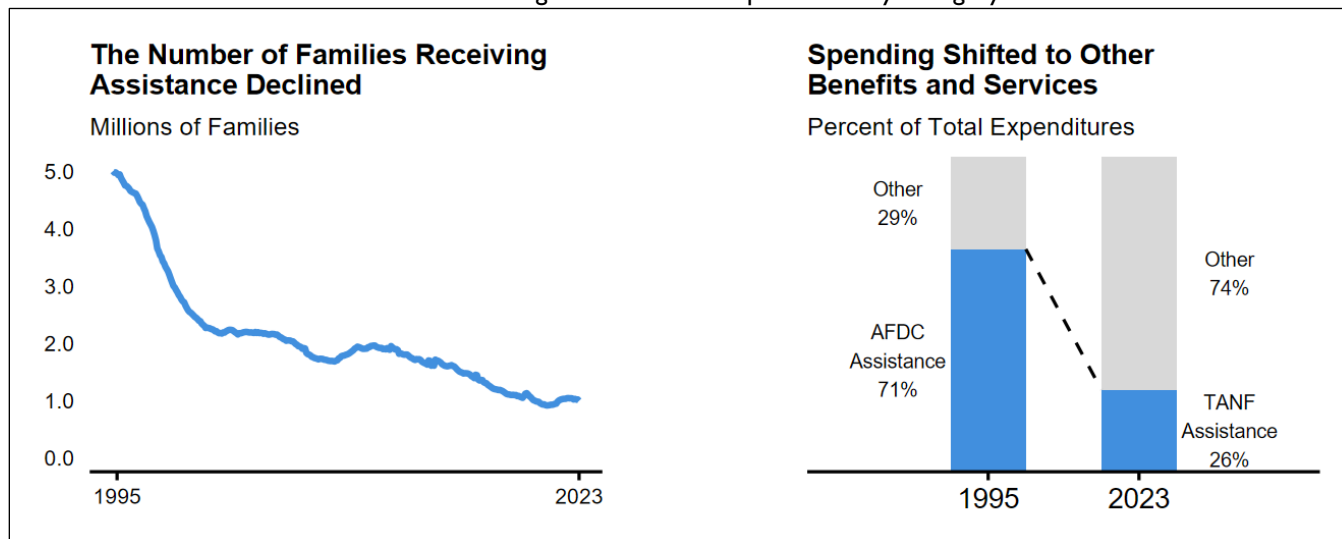


Source: CRS, based on data from the *Welfare Rules Databook* funded by HHS and maintained at the Urban Institute.

Federal law contains no rules regarding the dollar amount that makes a family *needy* or the benefits paid to needy families. Thus, states determine the financial eligibility rules for and the maximum cash assistance benefits paid to families. In July 2023, maximum monthly cash assistance for a single parent with two children ranged from \$204 (Arkansas) to \$1,243 (New Hampshire) per month. There is a regional pattern to the maximum benefits, with comparatively lower benefits in the South.

Under TANF, the decline in the number of families receiving assistance was coincident with a shift in spending toward the broader range of benefits, services, and activities that may be financed under the broad block grant. In FY1995, 71% of all expenditures in the pre-TANF program were on assistance. In FY2023, 26% of all TANF spending was on assistance. There are few TANF requirements and no performance standards around TANF benefits and services that are not assistance, which now represent (nationally) the majority of TANF expenditures.

Families Receiving Assistance and Expenditures by Category



Source: CRS, based on data from HHS.

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Introduction

The Temporary Assistance for Needy Families (TANF) block grant provides federal grants to states and Indian tribes for a wide range of benefits and activities. It was created in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193), also known as the *1996 welfare reform law*. That law ended the cash assistance program for needy families with children—Aid to Families with Dependent Children (AFDC)—and several related programs, folding their funding into the broad-purpose TANF block grant.

The TANF statute is Title IV-A of the Social Security Act of 1935, as amended.¹ At the federal level, TANF is administered by the U.S. Department of Health and Human Services (HHS).² However, it is the states and tribes that provide TANF benefits and services to families and individuals. TANF programs operate in all 50 states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands.³ Federally recognized Indian tribes may also operate TANF programs.

TANF helps fund state-run cash assistance programs for needy families with children. However, TANF is also a broad-purpose block grant that funds a wide range of benefits, services, and activities that seek to ameliorate the effects of, or address the root causes of, childhood economic and social disadvantage.

Most TANF requirements relate to when funds are used to provide assistance to families. There are fewer requirements for the wider range of benefits, services, and activities that may be financed by TANF. Additionally, even though most of what falls under the term *assistance* represents cash assistance, there are other forms of aid that also technically meet the definition of assistance.⁴

TANF Funding

Though TANF was created almost three decades ago, the amount of funding provided for the block grant remains rooted in historical expenditures within the pre-TANF programs of the early to mid-1990s. The pre-TANF programs, the largest of which was AFDC, were matching grant programs and were funded by both federal and state dollars. Under these programs, the federal government reimbursed states for a percentage of their expenditures.⁵ There was no limit on

¹ The TANF statute is at <https://www.govinfo.gov/content/pkg/COMPS-11001/pdf/COMPS-11001.pdf>. There are two sets of grants that are in the TANF statute but considered separate programs. The first is the child care entitlement to the states; the second is the *healthy marriage* and *responsible fatherhood programs*. These grants are not discussed in this report. For a discussion of the child care entitlement to the states, see CRS In Focus IF10511, *Child Care Entitlement to States: An Overview*. For a discussion of issues related to responsible fatherhood programs, see CRS Report RL31025, *Fatherhood Initiatives: Connecting Fathers to Their Children*.

² TANF implementing regulations promulgated by HHS can be found at 45 C.F.R. Part 260.

³ American Samoa is also eligible to receive TANF funding but has opted not to do so. Section 1101(a)(1) of the Social Security Act designates the 50 states, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands and American Samoa as “states” for the purposes of TANF. Thus, this report will generally use the term “states” to refer to these jurisdictions.

⁴ Most TANF requirements and much of TANF data are collected on families receiving assistance. In this report, the term “assistance” is used when a requirement is discussed or data are used that capture all assistance. When describing states’ cash assistance programs, the distinction will be made that the information is for cash assistance specifically.

⁵ The percentage varied by state, as expenditures were matched based on the Medicaid matching rate, also known as the Federal Medical Assistance Percentage (FMAP). A jurisdiction’s FMAP depends on its per-capita income in relation to (continued...)

federal funding for AFDC. State and sometimes local governments paid for the percentage of expenditures in the pre-TANF programs not financed by the federal government.

Likewise, TANF is financed through both federal and nonfederal dollars. The bulk of federal TANF funds are based on the federal share of pre-TANF program expenditures in the early to mid-1990s. TANF also requires a minimum amount of nonfederal dollars to be expended in the states, in what is known as the TANF maintenance of effort (MOE) requirement. The MOE is based on the state share of expenditures in the pre-TANF programs.

The Consolidated Appropriations Act, 2026 (P.L. 119-75) funds TANF through December 31, 2026.

The State Family Assistance Grant for State and Tribal Programs

The *state family assistance grant* to the 50 states, District of Columbia, and tribes totals \$16.4 billion annually. (Funding for the territories is discussed separately below.) The allocations to each state are based on the peak of the federal share of expenditures in the pre-TANF programs during the FY1992 to FY1995 period.⁶ These allocations were established in PRWORA and were originally set to remain fixed through FY2002. However, because TANF has never been fully reauthorized or substantially modified since 1996, this fixed funding has been extended to this day without any adjustments for the number of families receiving assistance or other factors such as inflation and changes in state population.⁷

The state family assistance grant finances both state TANF programs and tribal programs. Tribes have the option to operate their own programs. Funding for a tribal program is based on FY1994 expenditures on pre-TANF programs in the area it serves. Grants to tribes reduce the state family assistance grant payable to the state that contains the areas served by the tribal programs.

State Family Assistance Grants by State

Table 1 shows the state family assistance grant by state for FY2023. It includes the following considerations:

- The state family assistance grant is the allocation computed by the formula based on spending in the pre-TANF programs in the early to mid-1990s.
- The tribal grants represent funding for tribes that opted to run their own programs in the state. Tribes may opt into and out of running their own TANF programs at

the national average per-capita income. States with relatively low per-capita incomes received a higher matching rate. For a discussion of the FMAP, see CRS Report R43847, *Medicaid's Federal Medical Assistance Percentage (FMAP)*.

⁶ Under the original state family assistance formula set in PRWORA, the national total grant to states and each state's individual grant were based on the federal share of expenditures in the AFDC, Emergency Assistance (EA), and Job Opportunities and Basic Skills (JOBS) Training programs. The formula entitled each state to the greatest of three amounts: (1) the average federal share of expenditures in these programs for FY1992 through FY1994; (2) the federal share of expenditures for these programs in FY1994, adjusted for states that amended their EA programs in FY1994 or FY1995; or (3) the federal share of expenditures for these programs in FY1995. States that amended their EA programs in FY1994 or FY1995 would have their EA expenditures increased by the amount the federal share of their expenditures exceeded that of FY1994. The current statutory language (§403(a)(1) of the Social Security Act) says that the state family assistance grant is based on a state's share of total grants in FY2002. However, those FY2002 allocations were based on the original formula. Thus, the amount states currently receive is still based on that original formula.

⁷ Extensions of TANF's spending authority since then have maintained these allocations through FY2026. Beginning in FY2017, the allocations were reduced by 0.33% for each state, totaling \$54.7 million nationally, to help fund TANF-related research.

any time, so it is possible that the amount of the tribal grants in a state, and hence the state family assistance grant payable to the state, will vary by year.

- The state family assistance grant payable to the state is the state family assistance grant allocation minus the tribal grants and any penalties imposed for not meeting a TANF requirement.

Table I. State Family Assistance Grants by State, FY2023

(dollars in millions)

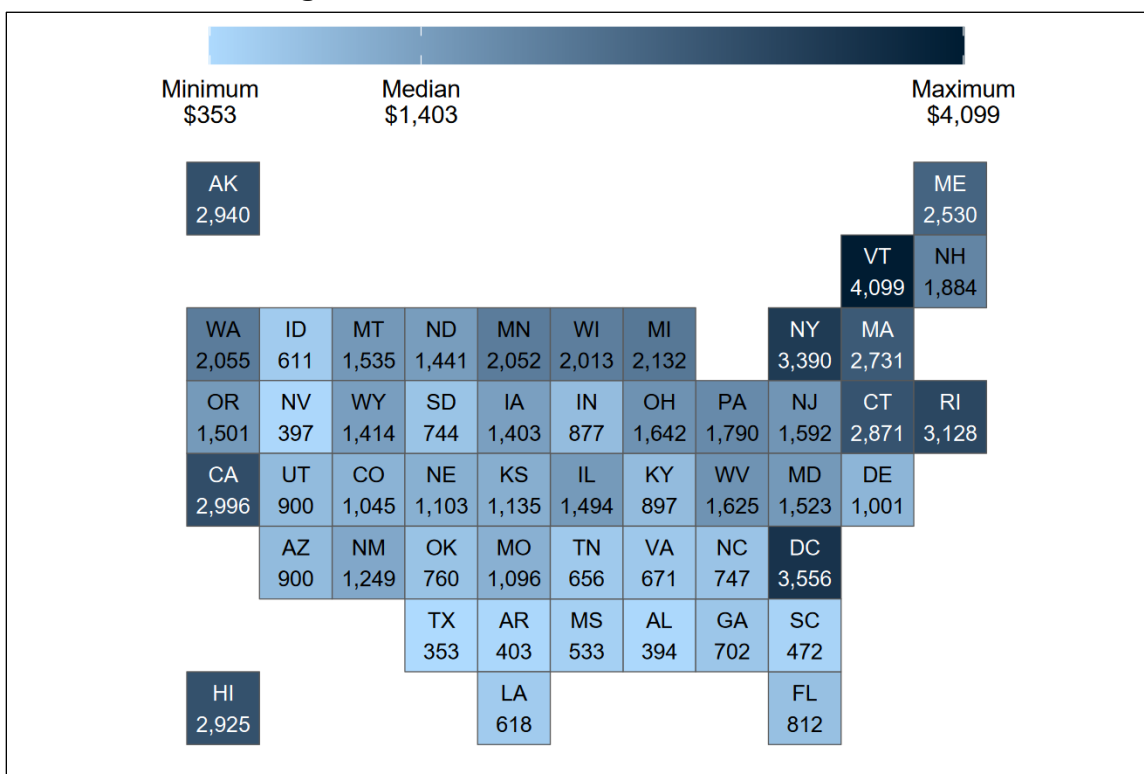
| State | State Family Assistance Grant Allocation | Tribal Grants | State Family Assistance Grant Payable to the State |
|----------------------|--|---------------|--|
| Alabama | \$93.007 | \$0.000 | \$93.007 |
| Alaska | 63.399 | 19.002 | 44.397 |
| Arizona | 221.686 | 22.279 | 199.407 |
| Arkansas | 56.546 | 0.000 | 56.546 |
| California | 3,721.496 | 87.381 | 3,634.115 |
| Colorado | 135.608 | 0.000 | 135.608 |
| Connecticut | 265.908 | 0.000 | 265.908 |
| Delaware | 32.184 | 0.000 | 32.184 |
| District of Columbia | 92.304 | 0.000 | 92.304 |
| Florida | 560.484 | 0.000 | 560.484 |
| Georgia | 329.650 | 0.000 | 329.650 |
| Hawaii | 98.578 | 0.000 | 98.578 |
| Idaho | 31.833 | 1.525 | 30.307 |
| Illinois | 583.126 | 0.000 | 583.126 |
| Indiana | 206.117 | 0.000 | 206.117 |
| Iowa | 131.091 | 0.533 | 130.558 |
| Kansas | 101.595 | 0.117 | 101.478 |
| Kentucky | 180.689 | 0.000 | 180.689 |
| Louisiana | 163.431 | 0.000 | 163.431 |
| Maine | 77.863 | 0.000 | 77.863 |
| Maryland | 228.342 | 0.000 | 228.342 |
| Massachusetts | 457.855 | 0.000 | 457.855 |
| Michigan | 772.794 | 0.000 | 772.794 |
| Minnesota | 267.101 | 7.531 | 259.569 |
| Mississippi | 86.481 | 0.000 | 86.481 |
| Missouri | 216.335 | 0.000 | 216.335 |
| Montana | 45.384 | 7.495 | 37.889 |
| Nebraska | 57.837 | 1.210 | 56.627 |

| State | State Family Assistance Grant Allocation | Tribal Grants | State Family Assistance Grant Payable to the State |
|----------------|--|----------------|--|
| Nevada | 43.832 | 0.069 | 43.762 |
| New Hampshire | 38.394 | 0.000 | 38.394 |
| New Jersey | 402.702 | 0.000 | 402.702 |
| New Mexico | 125.687 | 15.767 | 109.920 |
| New York | 2,434.869 | 0.000 | 2,434.869 |
| North Carolina | 301.242 | 0.805 | 300.438 |
| North Dakota | 26.313 | 0.000 | 26.313 |
| Ohio | 725.566 | 0.000 | 725.566 |
| Oklahoma | 147.525 | 9.517 | 138.008 |
| Oregon | 167.370 | 1.535 | 158.156 ^a |
| Pennsylvania | 717.125 | 0.000 | 717.125 |
| Rhode Island | 94.708 | 0.000 | 94.708 |
| South Carolina | 99.638 | 0.000 | 99.638 |
| South Dakota | 21.821 | 0.614 | 21.207 |
| Tennessee | 190.892 | 0.000 | 190.892 |
| Texas | 484.652 | 0.000 | 484.652 |
| Utah | 76.576 | 1.220 | 75.356 |
| Vermont | 47.197 | 0.000 | 47.197 |
| Virginia | 157.763 | 0.000 | 157.763 |
| Washington | 402.997 | 24.010 | 378.988 |
| West Virginia | 109.813 | 0.000 | 109.813 |
| Wisconsin | 317.138 | 4.292 | 312.846 |
| Wyoming | 21.710 | 3.281 | 18.429 |
| Totals | 16,434.255 | 208.183 | 16,218.393 |

Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS), Administration for Children and Families, Office of Family Assistance. Data provided to CRS via email.

- a. Oregon's state family assistance grant payable to the state was reduced by both the tribal grants shown in the table and a penalty that reduced its grant by \$7.7 million.

Figure 1 provides some context for each state's grant. It shows the state family assistance grant per poor child for FY2023. The figure shows that the grants range from a minimum of \$353 per poor child in Texas to \$4,099 per poor child in Vermont. There is a regional pattern to grants per poor child: states in the South tend to have lower grants per poor child than those in the Northeast or West Coast.

Figure 1. TANF Grant Per Poor Child: FY2023

Source: CRS, based on data from HHS and the U.S. Census Bureau.

Notes: State child poverty data are from the Small Area Income and Poverty Estimates for 2023.

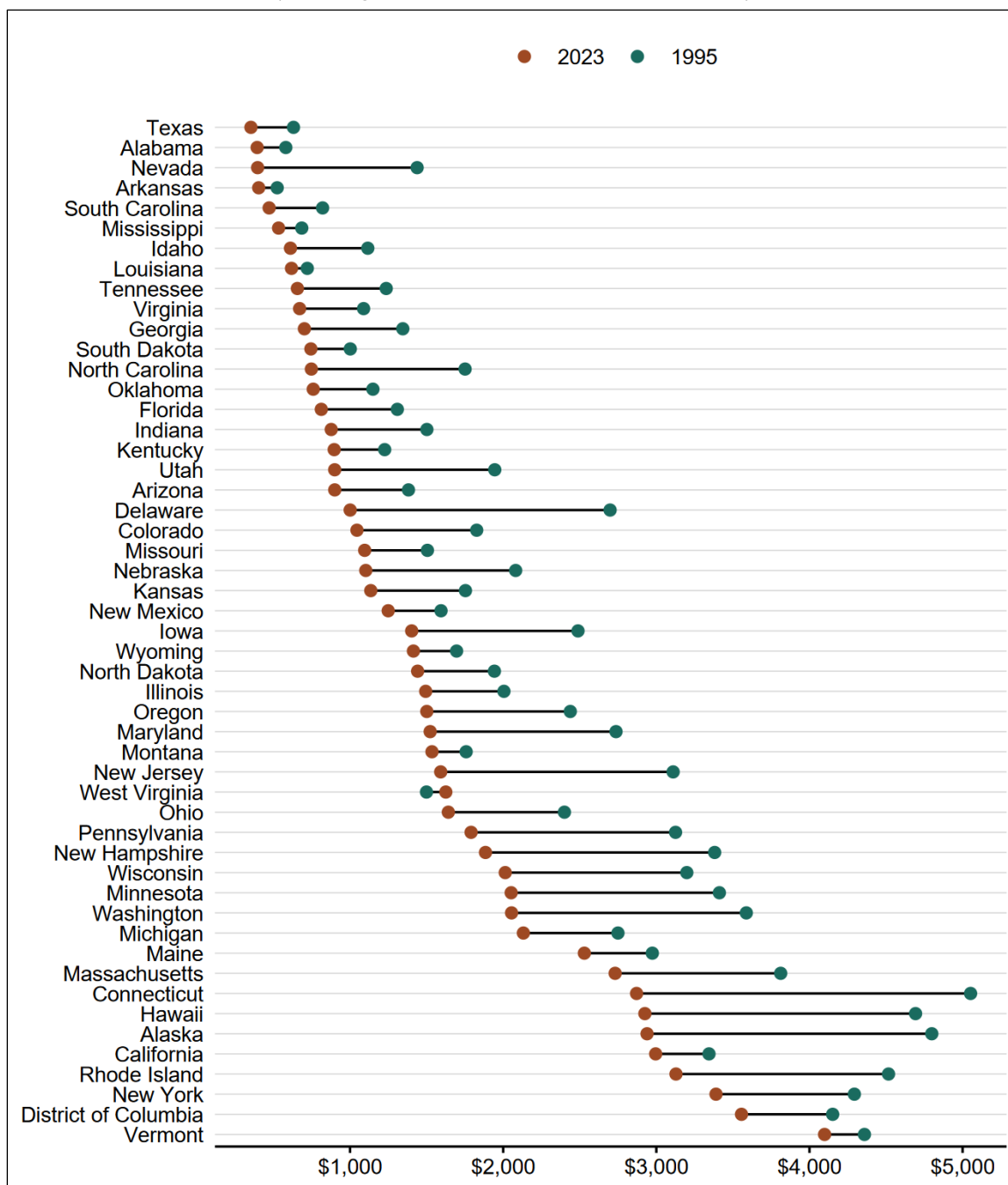
Basing today's state family assistance grant on funding in the pre-TANF programs of the early to mid-1990s has two major implications:

- It locks in historical differences among the states in the nature of the AFDC program. AFDC's funding was not based on a formula allocation to the states; it was an *open-ended* (unlimited) matching program. Thus, expenditures depended on the number of families receiving aid and the benefits they received. Under AFDC (like TANF), states determined income eligibility thresholds and maximum benefit amounts, which varied by state. Thus, the current TANF allocations lock in state decisions made before 1996.
- There has been no adjustment for changes in either national or state-level conditions since the early 1990s. This includes no adjustments for inflation, shifts in state populations, or changes in those eligible for or receiving assistance.

Figure 2 compares the FY2023 state family assistance grant with the FY1995 federal funding for TANF's predecessor programs per poor child. The figure shows how grant amounts reflect historical differences: many of the same states that had comparatively low federal funding per poor child in FY1995 also had comparatively lower federal funding per poor child in FY2023. The federal funding per poor child for FY1995 is shown in inflation-adjusted (FY2023) dollars. Inflation has reduced the purchasing power of federal funding for TANF by half from federal funding for the predecessor programs in FY1995. The figure shows that funding declined in all states except West Virginia. However, the rate of decline varied. This reflects differences among the states in terms of an increased or decreased child poverty population, as some states experienced increases in child poverty while others experienced decreases in the number of poor

children. West Virginia had a reduction in child poverty population sufficient to offset the effects of inflation. (In West Virginia, overall population and the child population have declined since 1995).

Figure 2. FY2023 State Family Assistance Grant and FY1995 Federal Funding for Predecessor Programs Per Poor Child
(FY1995 grants shown in constant FY2023 dollars)



Source: CRS, based on data from HHS, the Census Bureau, and the U.S. Department of Labor's Bureau of Labor Statistics.

Note: FY1995 federal funding figures were adjusted for inflation using the CPI-U.

As will be discussed further in the “Minimum Amount of Nonfederal Spending Required by TANF: Maintenance of Effort (MOE)” section, the minimum amounts of nonfederal funding under the TANF MOE were also determined based on mid-1990s expenditures, and those spending levels have also remained relatively unchanged over the past 30 years.

TANF Contingency Funds

Fixing the basic TANF federal grant at a set level without any adjustments for changes in economic circumstances has led to concerns that funding might be inadequate during economic downturns. PRWORA established a \$2 billion TANF contingency fund to provide extra funding for economically needy states.⁸ The original \$2 billion in this fund was depleted in early FY2010. Since then, Congress has provided appropriations that continue the TANF contingency fund. Beginning in FY2017, the annual appropriation for it has been \$608 million. States are eligible for TANF contingency funds if they meet either of two criteria.

- A state must be considered economically needy if it has an unemployment rate in excess of 6.5% and at least 110% of the rate in either of the previous two years, or if the current number of participants in the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) is higher than those in either FY1994 or FY1995.
- A state must have TANF nonfederal expenditures that exceed 100% of what it expended in the pre-TANF programs in FY1994. (The FY1994 amount is not adjusted for inflation or changes in circumstances.) For economically needy states, nonfederal expenditures above the FY1994 threshold amount may be matched.⁹

Since the economic downturn associated with the global financial crisis of 2008, most states have had a higher number of SNAP participants in each year than in FY1994 or FY1995. Thus, most states have qualified for contingency funds on economically needy grounds every year since the crisis—regardless of the economic circumstance of the year.¹⁰ However, only those that met the higher spending requirement and applied for contingency funds actually received them. In FY2024, 15 jurisdictions (Alabama, Arizona, Arkansas, Colorado, Delaware, the District of Columbia, Maryland, Massachusetts, New Mexico, New York, North Carolina, Oregon, South Carolina, Texas, and Washington) received contingency funds.

Special Financing Rules for the Territories

Puerto Rico, Guam, and the U.S. Virgin Islands receive a TANF state family assistance grant based on the same formula as the 50 states and District of Columbia.¹¹ Thus, the territories’ family assistance grant is based on the federal share of spending in pre-TANF programs in the early to mid-1990s. Prior to PRWORA, the AFDC program’s funding was capped in the

⁸ The contingency fund is found at Section 403(b) of the Social Security Act.

⁹ For the TANF contingency fund, current-year child care expenditures are excluded from both current-year spending and from the historical state expenditures in determining whether the state met 100% of FY1994 expenditures and whether expenditures above that amount are matched.

¹⁰ In April 2024, a month during a year associated with economic growth, 48 jurisdictions qualified for TANF contingency funds. See <https://www.acf.hhs.gov/ofa/data/states-qualifying-counting-six-additional-weeks-job-search-and-job-readiness>.

¹¹ See Section 403(a)(1) of the Social Security Act.

territories (though it was not in the 50 states and District of Columbia). The cap on AFDC funding was part of an overall federal limitation on funding for public assistance programs.

PRWORA raised the cap on overall federal funding for public assistance in Puerto Rico, Guam, and the U.S. Virgin Islands.¹² However, TANF grants were based on historical levels of funding based on the pre-PRWORA cap. To allow these jurisdictions to receive additional funding for TANF activities under the new cap, PRWORA established an extra matching grant (§1108(b) of the Social Security Act) for the territories if spending from their own funds exceeds FY1995 levels.¹³

Certain Tribes May Receive Funds for Work Programs

Tribes that operated employment and training programs under pre-TANF law are entitled to funds to operate tribal work programs.¹⁴ The amount these tribes receive is the same amount they received under pre-TANF law in FY1994. The total amount of funding for tribal work programs is \$7.5 million.

Defunct Federal TANF Grants

The grants described in this report provide funding to the states, territories, and tribes in FY2026. In the past, these TANF grants have been supplemented by other funds—some temporary in nature to address specific needs, and others that have either expired or been repealed.

Bonus Funds. PRWORA, while giving states flexibility, had a number of provisions to hold them accountable for their performance in meeting TANF's statutory goals. These accountability provisions included two "bonus funds"—one for states with reduced out-of-wedlock pregnancy rates and a second that provided bonuses for states with "high" levels of performance in meeting TANF's statutory goals. The bonus for reduced out-of-wedlock pregnancies was funded at up to \$100 million per year and up to five states could receive funds; the "high-performance" bonus provided an average of \$200 million per year to states that qualified for it. FY2005 was the last year for which states received TANF bonus funds.

Supplemental grants. These grants were provided to states that were thought to be disadvantaged by the fixed funding amounts embodied in the state family assistance grant: (1) those that had relatively high population growth and (2) those that had historically low AFDC and related program grants relative to poverty in the state. In total, 17 states qualified for supplemental grants: Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Louisiana, Mississippi, Montana, Nevada, New Mexico, North Carolina, Tennessee, Texas, and Utah. Funding for TANF supplemental grants was discontinued after June 30, 2011.

Welfare-to-Work Grants. In 1997, President Clinton proposed additional funding on the presumption that the basic TANF block grant provided insufficient funding for the increased emphasis on moving cash assistance recipients to work. Congress accepted the proposal in the Balanced Budget Act of 1997 (P.L. 105-33), providing \$3 billion over two years (FY1998 to FY1999) to augment TANF funds with special *welfare-to-work* grants. These grants were administered through the Department of Labor (DOL) rather than HHS (where TANF is administered) and at the state and local level through the workforce system. Additionally, funding was split between formula grants to states (and then passed through to local workforce boards) and competitive grants. No new welfare-to-work funding was provided after FY1999.

Emergency Funds. The American Recovery and Reinvestment Act (ARRA, P.L. 111-5) appropriated \$5 billion for FY2009 and FY2010 to a temporary Emergency Contingency Fund (ECF). This was partially in response to the anticipated depletion of the regular contingency fund and partially to address that the contingency fund had sometimes been insufficient for responding to changes in economic circumstances. The ECF provided additional

¹² The programs subject to the cap in addition to TANF are the grants to the territories for programs aiding needy aged individuals, blind individuals, and individuals with disabilities that operate there in lieu of Supplemental Security Income (SSI) and the Title IV-E foster care and permanency program.

¹³ The matching rate for Section 1108(b) funds is 75%. These funds may also be used as an enhanced match for Title IV-E programs in the territories.

¹⁴ See Section 412(a)(2) of the Social Security Act. For a listing of tribes that receive these grants, see <https://www.acf.hhs.gov/ofa/grant-funding/native-employment-works-grantees-and-funding>.

funds to states that increased spending on basic (cash) assistance, short-term emergency aid, and subsidized employment.

Pandemic Funds. The American Rescue Plan Act of 2021 (P.L. 117-2) established within TANF a temporary \$1 billion fund to help offset the economic impact of the COVID-19 pandemic. Allocations were made to states, tribes, and territories (including American Samoa and the Commonwealth of the Northern Mariana Islands) according to a statutory formula to help them finance short-term, nonrecurrent benefits.

Minimum Amount of Nonfederal Spending Required by TANF: Maintenance of Effort (MOE)

The pre-TANF programs were matching grants that financed benefits partially with nonfederal dollars. Likewise, TANF is partially funded by nonfederal dollars. Federal law requires a minimum amount of nonfederal spending on TANF-related populations and activities for each state, known as the MOE requirement. If a state does not meet the MOE requirement, its state family assistance grant is reduced dollar-for-dollar by any shortfall in nonfederal expenditures relative to its MOE required spending.¹⁵ Under TANF, nonfederal spending includes expenditures by state or local governments, as well as the value of third party (e.g., charity) donations.

The minimum amount of nonfederal dollars that must be spent in a state under the TANF MOE requirement is based on its state share of expenditures in its pre-TANF programs in FY1994. The minimum MOE thresholds are either 80% or 75% of historical state spending, and they may vary from year-to-year. There are two factors that affect these MOE thresholds:

- Whether or not a state meets its work participation standard. A state that does not meet its work standard must spend a minimum amount of nonfederal dollars equal to at least 80% of its historical level of state spending; a state that meets its work standard has its threshold reduced to 75% of historical state spending.
- Whether or not the state provides funds to tribal TANF programs operating in the state. Any amounts provided to tribal programs are deducted from historical spending amounts used to determine the potential threshold.

Table 2 shows the minimum dollars that must be spent to meet the MOE requirement by state for FY2023. It shows the minimum MOE spending thresholds at both 80% or 75% of historical state spending. The historical state spending amount in the table is reduced for any funds provided to tribes. It then shows whether the state met its FY2023 work standard and the resulting MOE spending threshold (minimum state spending) for FY2023. For example, the table shows that Alabama met its work standards in FY2023; therefore, its MOE amount equaled 75% of historical state spending. On the other hand, California did not meet its work standard; therefore, its MOE amount equaled 80% of historical state spending.

¹⁵ Technically, the TANF MOE requirement is a penalty, in that HHS *penalizes* states by reducing the state family assistance grant for those that do not meet the required minimum amount of nonfederal spending. The MOE provision is at Section 409(a)(7) of the Social Security Act. Penalties reduce grant awards to specific states and are not reallocated to other states. Penalty funds revert to the U.S. Treasury.

Table 2. Minimum Nonfederal Spending Required to Meet the TANF Maintenance of Effort Requirement: FY2023

(dollars in millions)

| State | Minimum Nonfederal Spending at 80% of Historical Spending | Minimum Nonfederal Spending at 75% of Historical State Spending | State Met FY2023 Work Standard? | Final MOE (Minimum Nonfederal Spending for FY2023) |
|----------------------|---|---|---------------------------------|--|
| Alabama | \$41.828 | \$39.214 | Yes | \$39.214 |
| Alaska | 36.559 | 34.274 | Yes | 34.274 |
| Arizona | 91.176 | 85.478 | Yes | 85.478 |
| Arkansas | 22.228 | 20.839 | Yes | 20.839 |
| California | 2,840.532 | 2,662.999 | No | 2,840.532 |
| Colorado | 88.396 | 82.871 | Yes | 82.871 |
| Connecticut | 195.649 | 183.421 | Yes | 183.421 |
| Delaware | 23.222 | 21.771 | Yes | 21.771 |
| District of Columbia | 75.146 | 70.449 | Yes | 70.449 |
| Florida | 392.921 | 368.363 | No | 392.921 |
| Georgia | 184.926 | 173.369 | Yes | 173.369 |
| Hawaii | 75.893 | 71.150 | Yes | 71.150 |
| Idaho | 13.891 | 13.023 | Yes | 13.023 |
| Illinois | 458.761 | 430.088 | Yes | 430.088 |
| Indiana | 121.094 | 113.526 | Yes | 113.526 |
| Iowa | 65.825 | 61.711 | Yes | 61.711 |
| Kansas | 65.790 | 61.678 | Yes | 61.678 |
| Kentucky | 71.913 | 67.418 | Yes | 67.418 |
| Louisiana | 59.109 | 55.415 | Yes | 55.415 |
| Maine | 40.026 | 37.524 | No | 40.026 |
| Maryland | 188.763 | 176.965 | Yes | 176.965 |
| Massachusetts | 382.877 | 358.948 | Yes | 358.948 |
| Michigan | 499.753 | 468.518 | Yes | 468.518 |
| Minnesota | 186.322 | 174.677 | Yes | 174.677 |
| Mississippi | 23.173 | 21.724 | Yes | 21.724 |
| Missouri | 128.129 | 120.121 | Yes | 120.121 |
| Montana | 13.995 | 13.121 | Yes | 13.121 |
| Nebraska | 29.899 | 28.031 | Yes | 28.031 |
| Nevada | 27.145 | 25.449 | Yes | 25.449 |
| New Hampshire | 34.256 | 32.115 | Yes | 32.115 |
| New Jersey | 320.171 | 300.160 | Yes | 300.160 |

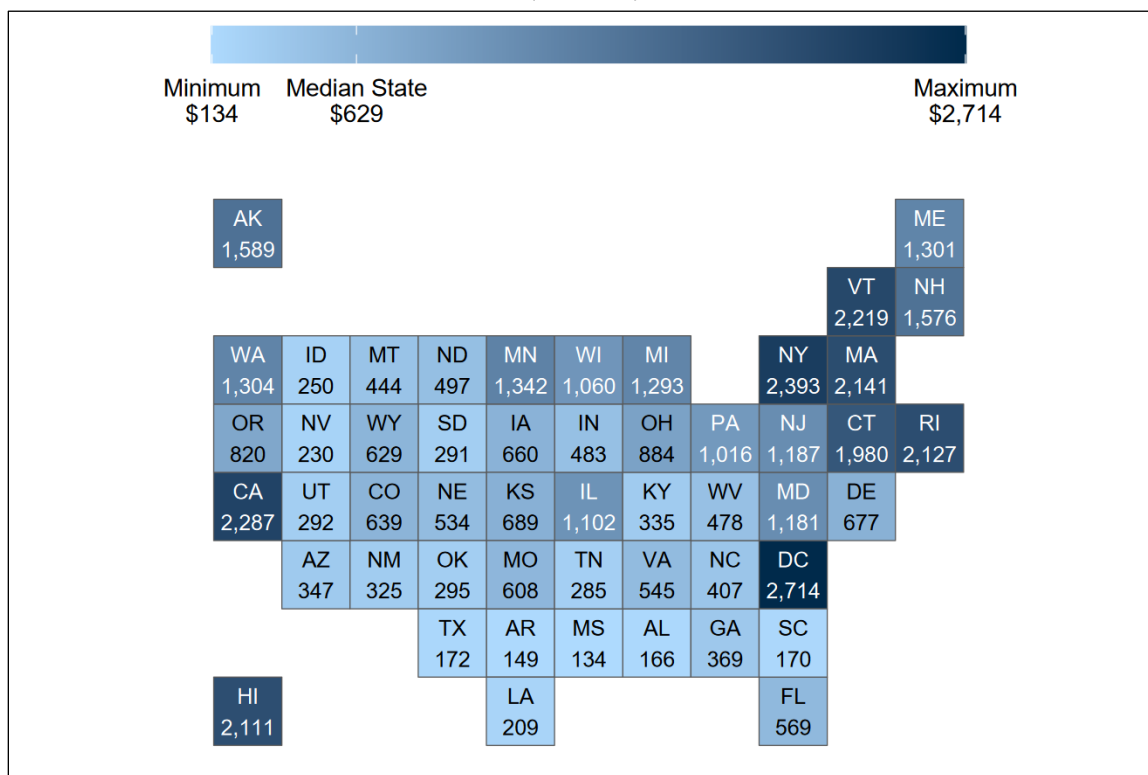
| State | Minimum Nonfederal Spending at 80% of Historical Spending | Minimum Nonfederal Spending at 75% of Historical State Spending | State Met FY2023 Work Standard? | Final MOE (Minimum Nonfederal Spending for FY2023) |
|----------------|---|---|---------------------------------|--|
| New Mexico | 34.839 | 32.661 | Yes | 32.661 |
| New York | 1,833.150 | 1,718.578 | Yes | 1,718.578 |
| North Carolina | 164.015 | 153.764 | No | 164.015 |
| North Dakota | 9.674 | 9.069 | Yes | 9.069 |
| Ohio | 416.887 | 390.831 | Yes | 390.831 |
| Oklahoma | 61.119 | 57.299 | Yes | 57.299 |
| Oregon | 97.503 | 91.409 | Yes | 91.409 |
| Pennsylvania | 434.267 | 407.126 | Yes | 407.126 |
| Rhode Island | 64.392 | 60.367 | No | 64.392 |
| South Carolina | 38.322 | 35.927 | Yes | 35.927 |
| South Dakota | 9.096 | 8.527 | Yes | 8.527 |
| Tennessee | 88.331 | 82.810 | Yes | 82.810 |
| Texas | 251.441 | 235.726 | Yes | 235.726 |
| Utah | 26.547 | 24.888 | Yes | 24.888 |
| Vermont | 27.253 | 25.550 | Yes | 25.550 |
| Virginia | 136.718 | 128.173 | Yes | 128.173 |
| Washington | 272.909 | 255.852 | Yes | 255.852 |
| West Virginia | 34.446 | 32.294 | Yes | 32.294 |
| Wisconsin | 178.067 | 166.938 | Yes | 166.938 |
| Wyoming | 9.657 | 9.054 | No | 9.657 |
| Totals | 10,988.002 | 10,301.252 | | 10,520.723 |

Source: CRS, based on data from HHS.

Figure 3 shows the regional pattern of the minimum nonfederal spending requirement per poor child under the TANF MOE. The regional pattern is the same as that for federal grants per poor child, with MOE thresholds in the South and Mountain West tending to be lower than in other regions. The minimum nonfederal spending requirements ranged from \$134 per year per poor child in Mississippi to \$2,714 per year per poor child in the District of Columbia.

Figure 3. Minimum Nonfederal Spending Required Under the TANF Maintenance of Effort (MOE) Requirement Per Poor Child: FY2023

(in dollars)



Source: CRS, based on data from HHS and the U.S. Census Bureau.

Broad Flexibility in the Use of TANF Funds

TANF is a broad purpose block grant that permits states and tribes to use funds to provide a wide range of benefits, services, and activities with the general aim of ameliorating the effects, or addressing the root causes, of childhood economic disadvantage. The broad purpose of TANF governs the use of federal TANF funds as well as what types of expenditures may count toward the MOE.

The statutory purpose of TANF “is to increase the flexibility of states” to achieve four statutory goals:

- provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives;
- end dependence of needy parents on government benefits through work, job preparation, and marriage;
- reduce the incidence of out-of-wedlock pregnancies; and
- promote the formation and maintenance of two-parent families.¹⁶

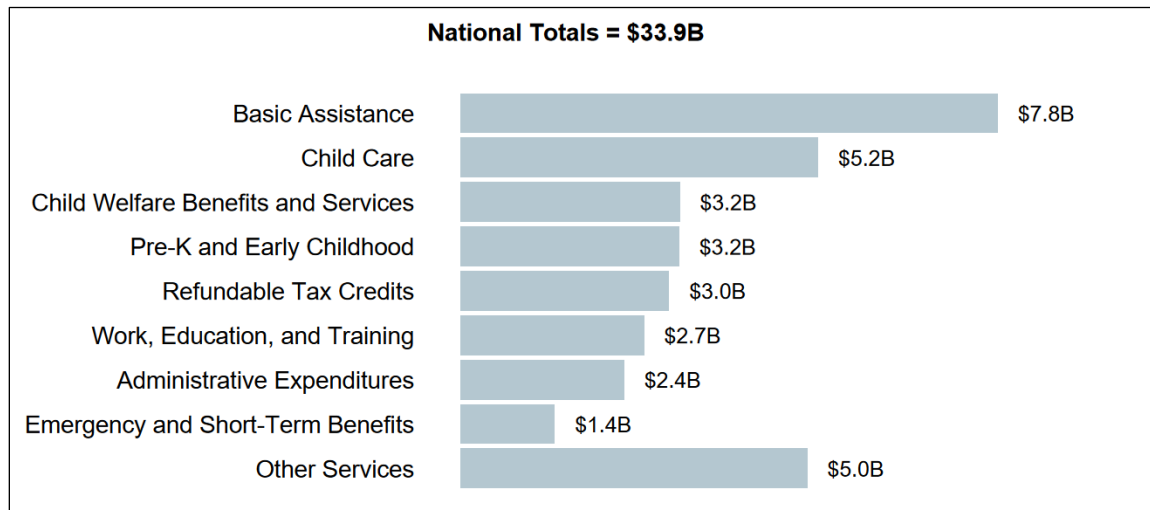
¹⁶ Section 401(a) of the Social Security Act.

In general, states have the authority to use federal TANF funds “in any manner that is reasonably calculated to accomplish” the TANF statutory purpose.¹⁷ Additionally, states may count toward the MOE requirement funds spent to achieve the statutory purpose of the block grant.

This broad authority allows states to use TANF funds and count nonfederal spending on activities far broader than cash assistance (statutory goal 1) toward meeting the MOE requirement. In addition to assistance, TANF and MOE dollars fund activities such as employment services, job training, subsidized jobs, refundable tax credits to families with children made by the state, youth activities, activities related to preventing children from entering foster care, pre-Kindergarten, child care subsidies, and responsible fatherhood and healthy marriage programs (including media campaigns). It also allows states to use TANF funds for a population of needy families with children that is broader than that which receives cash assistance.

Figure 4 shows how federal and nonfederal (MOE) dollars were used in FY2023. Of the total \$33.9 billion used, basic assistance (mostly cash assistance) totaled \$7.8 billion, about one-fourth of the total.

Figure 4. Uses of TANF Funds: FY2023



Source: CRS, based on data from HHS.

Notes: Basic assistance excludes relative foster care maintenance payments and adoption and guardianship subsidies. Relative foster care maintenance payments and adoption and guardianship subsidies are classified as child welfare benefits and services in this figure.

Rules Specific to the Use of Federal Funds

In addition to the general authority to use federal TANF funds to accomplish the block grant’s statutory purpose, there are two main additional uses of federal TANF funds:

- Limited transfers to two other block grants: the Child Care and Development Fund (CCDF) and the Social Services Block Grant (SSBG). Overall transfers are

¹⁷ Section 404(a)(1) of the Social Security Act.

limited to 30% of the federal TANF state family assistance grant, with a separate limit that no more than 10% of funds may be transfers to SSBG.¹⁸

- *Grandfathered* activities. These are activities that were authorized under pre-TANF law but do not meet the criteria of helping achieve TANF’s statutory purpose. These are generally emergency assistance activities associated with foster care, adoption, and juvenile justice.¹⁹

TANF-funded activities to achieve the third and fourth goals of TANF’s statutory purpose—reducing the incidence of out-of-wedlock pregnancies and promoting two-parent families—are not limited to needy families. They can be provided to the population as a whole, without a test of economic need, and to families that do not have children.

Additionally, states may reserve unused TANF dollars without a fiscal year limit. This permits states to accumulate balances of unused grants.²⁰ These balances may only be used within TANF; states cannot transfer unused grants to either CCDF or SSBG. At the time TANF was created, the ability to reserve funds was seen as a way of saving for unanticipated expenditures, such as increases in benefits that might accompany an economic downturn. At the end of FY2023, the total of accumulated unused funds for the 50 states and District of Columbia was \$7.7 billion.

Rules Specific to Counting Nonfederal Dollars Toward the MOE Requirement

The rules that govern what nonfederal dollars may be counted toward the MOE relate to two basic questions:

- Who can be served by spending counted toward the MOE requirement (*eligible families*)?
- What types of activities can be financed via MOE dollars (*qualified expenditures*)?

Eligible Families

Aside from expenditures on some responsible fatherhood and healthy marriage activities, nonfederal dollars must be spent on TANF-eligible families. The main requirement regarding these families is that they must meet a test of economic need, which is established by their state. The tests may be different than the tests for assistance and may be different for various activities.

Statute also gives states some additional leeway in defining the needy families that may be served with MOE dollars versus federal dollars. It allows states to use MOE dollars for families that have exceeded TANF’s five-year time limit on assistance (see the “The TANF Time Limit” section). It also allows states to serve lawfully present noncitizens who were made ineligible for

¹⁸ Section 404(d) of the Social Security Act. In that section, the maximum transfer to SSBG is 4.25%, but annual appropriation bills have specified that the maximum transfer to SSBG is 10%.

¹⁹ Section 404(a)(2) of the Social Security Act.

²⁰ TANF is subject to the Cash Management Improvement Act (CMIA). See discussion at 64 *Federal Register* 17821, April 12, 1999. The CMIA requires that outlays from the federal government be timed to coincide with expenditures made at the state level. Therefore, unused grant awards remain with the federal Treasury until used for state expenditures.

federally funded TANF assistance through PRWORA's overarching restrictions on benefit eligibility for noncitizens.²¹

Qualified Expenditures

Qualified expenditures may be from either state funds, local funds, or the value of cash and donated services from third parties, such as charities in a state. The ability to count the value of cash and donated services from third parties stems not from the TANF statute but from the applicability of a general rule governing federal grants that allows cost-sharing requirements to be met by the value of donated services from third parties.²² This is particularly consequential in TANF, which is a broad-purpose block grant that helps finance a wide range of benefits, services, and activities rather than a program that finances a specific benefit, service, or activity.²³

All state or local expenditures for eligible families on activities that were funded by the pre-TANF programs consolidated into TANF (i.e., cash assistance, emergency aid, child care, and employment and training services) may count as qualified expenditures toward the state's MOE requirement. However, expenditures on activities that were not funded in pre-TANF programs must exceed FY1995 levels in order to be counted as a qualified expenditure toward the MOE requirement. For example, pre-Kindergarten programs were not a part of the pre-TANF programs consolidated into TANF. For expenditures on pre-Kindergarten to count as qualified expenditures toward the MOE requirement, only spending above the FY1995 level (not adjusted for inflation) would be considered.

There are some expenditures that are not countable toward the MOE requirement, such as state and local matching funds used for Medicaid and other matching programs. The exception to the rule prohibiting the counting of spending in other matching programs is for certain child care expenditures, which may be double-counted toward meeting both CCDF and TANF nonfederal spending requirements.

Healthy Marriage and Responsible Fatherhood Activities Counted Toward the MOE Requirement

The exception to the requirement that qualified expenditures be for "eligible families" is for activities related to responsible fatherhood and healthy marriage.²⁴ Individuals and families benefitting from these activities need not be subject to a test of financial need. These activities include public advertising campaigns on the value of marriage and skills needed to increase marital stability, education in high schools on the value of marriage, marriage education and skills

²¹ Section 409(a)(7)(B)(i)(IV) of the Social Security Act.

²² HHS, Administration for Children and Families, Office of Family Assistance, *Clarification that third party cash or in-kind may count toward a State's or Territory's TANF Maintenance of Effort (MOE)*, TANF-ACF-PA-2004-01, December 1, 2004, <https://www.acf.hhs.gov/ofa/policy-guidance/tanf-acf-pa-2004-01-clarification-third-party-cash-or-kind-may-count-toward>.

²³ U.S. Government Accountability Office (GAO), *Temporary Assistance for Needy Families: Update on States Counting Third-Party Expenditures toward Maintenance of Effort Requirements*, GAO-16-315, February 10, 2016, <https://www.gao.gov/products/gao-16-315>. The GAO report provides some examples of such activities that could have their value counted toward the MOE, such as the value of food provided by food banks in the state and the value of after-school activities provided by the YMCA and the Boys and Girls Clubs.

²⁴ Section 409(a)(7)(B)(i)(V) of the Social Security Act. The statute allows states to count toward the MOE requirement expenditures for the TANF purposes' goals of reducing out-of-wedlock pregnancies and promoting the formation and maintenance of two-parent families. HHS interpreted this provision to apply only to activities allowable under the healthy marriage and responsible fatherhood competitive grants. See HHS, "Reauthorization of the Temporary Assistance for Needy Families (TANF) Program," 73 *Federal Register* 6817, February 5, 2008.

training, divorce reduction programs, marriage mentoring programs, programs to reduce disincentives to marriage in need-tested aid programs if part of a healthy marriage program, activities to promote responsible parenting, and activities to help foster economic stability by helping fathers improve their economic status.

Furthering State Flexibility: Limitation on Federal Regulatory Authority

TANF's purpose of increasing flexibility is reinforced by a statutory limitation on federal regulation of state behavior under the block grant:

No officer or employee of the Federal Government may regulate the conduct of States under this part or enforce any provision of this part [Part A, Title IV of the Social Security Act, or TANF] except to the extent expressly provided in this part [TANF].²⁵

When HHS proposed its first TANF regulations in 1997, it developed a framework for how it would address this limitation on federal regulation. Under this framework, HHS said it would promulgate regulations in instances where

- the statute explicitly requires HHS to issue regulations; or
- the statute requires that HHS enforce penalties, like reductions in block grants for not meeting a TANF requirement.²⁶

Most TANF requirements apply when federal or MOE funds are spent on *assistance* to needy families with children. Fewer rules apply to the broader range of benefits and services that may be funded by either TANF or MOE dollars.

The Focus of Most Federal TANF Policy: Assistance

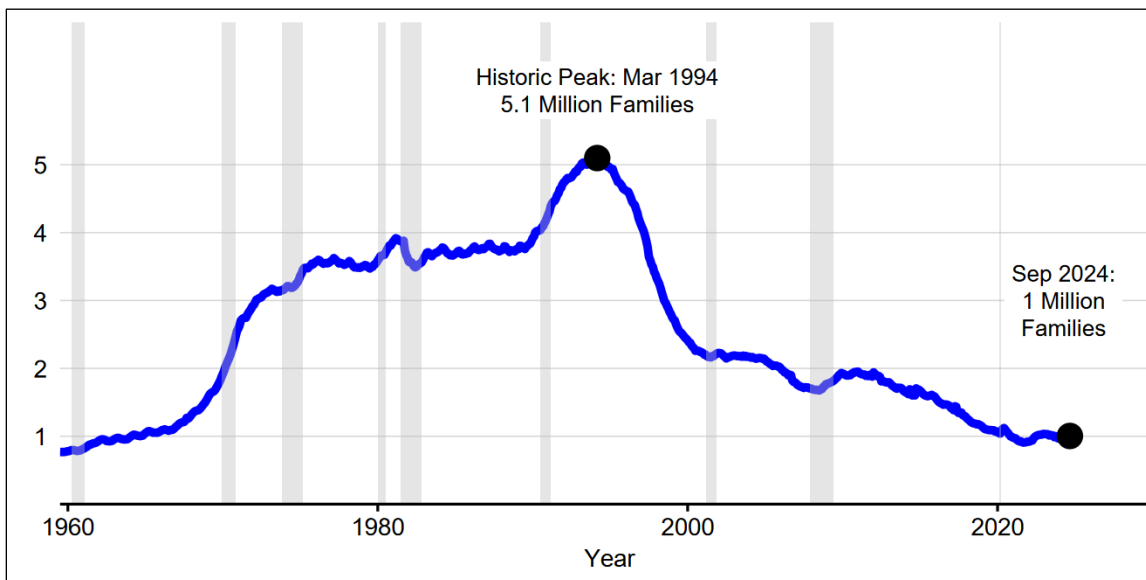
That most TANF policy, expressed in its requirements and prohibited uses of funds, relates to *assistance* (discussed further below) reflects the policy concerns around AFDC that led to the enactment of PRWORA and the creation of TANF.²⁷ AFDC provided assistance in the form of monthly checks (cash) to needy families with children, and this form of aid has historically been called *welfare*. Those who sought changes that culminated in PRWORA were concerned that providing cash to needy families with children, most often those headed by single mothers, led to some families being dependent on government benefits for long periods of time, provided a disincentive to work, and helped foster or support out-of-wedlock births and family breakup. As shown in **Figure 5**, PRWORA was debated and enacted immediately following the period when the number of families receiving AFDC was at its historical peak. The figure shows the number of families receiving assistance from AFDC and TANF for 1959 to 2024.

²⁵ Section 417 of the Social Security Act.

²⁶ HHS, "Temporary Assistance for Needy Families (TANF)," 62 *Federal Register* 224, November 20, 1997, p. 62127.

²⁷ For a discussion of the debate leading up to the enactment of PRWORA, see CRS Report R44668, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Legislative History*.

Figure 5. Number of Families Receiving Assistance from TANF and AFDC: 1959-2024
(millions of families)



Source: CRS, based on data from HHS.

Note: Shaded areas denote recessions.

The Definition of Assistance

The term “assistance” is used throughout the TANF statute but not defined. HHS, in regulation, defined it as follows:

The term “assistance” includes cash, payments, vouchers, and other forms of benefits designed to meet a family’s ongoing basic needs (i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses).²⁸

As a block grant, most of the TANF policies and requirements that apply to families receiving assistance in statute are worded as applying to the *states* rather than individual families and recipients. For example, TANF’s work requirements and the five-year time limit apply to states. There is flexibility in how states translate these requirements as they apply to individuals and families. For other program elements, such as financial eligibility and benefit amounts provided as assistance, the statute is generally silent and such policies are wholly determined by states.

Most of what constitutes “assistance” is traditional cash assistance. However, there are other benefits financed by TANF that meet the definition of assistance in regulation. TANF requirements generally apply to all benefits that meet the regulatory definition of assistance.

Federal Eligibility Rules for Assistance

Federal TANF law restricts the provision of assistance to “needy” families with a dependent child or a pregnant individual.²⁹ The limitation to needy families means that assistance must be provided to those families who have met a test of financial need (as determined by the state; see

²⁸ 45 C.F.R. §260.31(a)(1).

²⁹ Section 408(a)(1) of the Social Security Act.

the next section). The statute also defines “dependent child” as one under age 18, or age 18 if in secondary, vocational, or technical school.

In addition, states are required to abide by restrictions in noncitizen eligibility put into law through PRWORA, which prohibits federally funded TANF assistance receipt by certain noncitizens who arrived in the United States after August 22, 1996, for the first five years after arrival. States have the option to provide assistance using state MOE dollars to noncitizens who are legally in the United States and ineligible for federally funded TANF assistance because of PRWORA’s restrictions.

Traditional Cash Assistance

As discussed, most TANF assistance is in the traditional form of cash assistance. States have generally continued their cash assistance programs to needy families with children, albeit in modified form, under TANF. AFDC was considered an entitlement to individuals: those who met state-determined eligibility standards were legally entitled to benefit.³⁰ TANF statute explicitly states that TANF is not an entitlement for individuals.

In general, traditional cash assistance benefits are provided on Electronic Benefit Transfer (EBT) cards. Similar to debit cards, EBT cards may be used to draw cash via Automated Teller Machines (ATM) or for purchases made using point-of-sale terminals. In general, this means the traditional TANF assistance benefit is cash that can be used to purchase any good or service.³¹ This differs from some other need-tested benefits that restrict assistance to certain necessities, such as Medicaid (medical assistance), SNAP (food assistance), and subsidized rents (housing assistance).

States Determine the Test of Financial Need to Be Eligible for Assistance

The financial tests to determine if a family is needy and eligible for assistance is determined by states. **Figure 6** shows the maximum monthly *earnings* a single parent with two children could have and receive TANF cash assistance in July 2023 (the most recent data available). States set income levels and income counting rules used to determine eligibility for assistance. States often disregard a portion of earnings when determining initial eligibility for cash assistance. Families with unearned income, such as Social Security, may face different income thresholds. The figure shows an example of a family whose sole source of income is earnings.

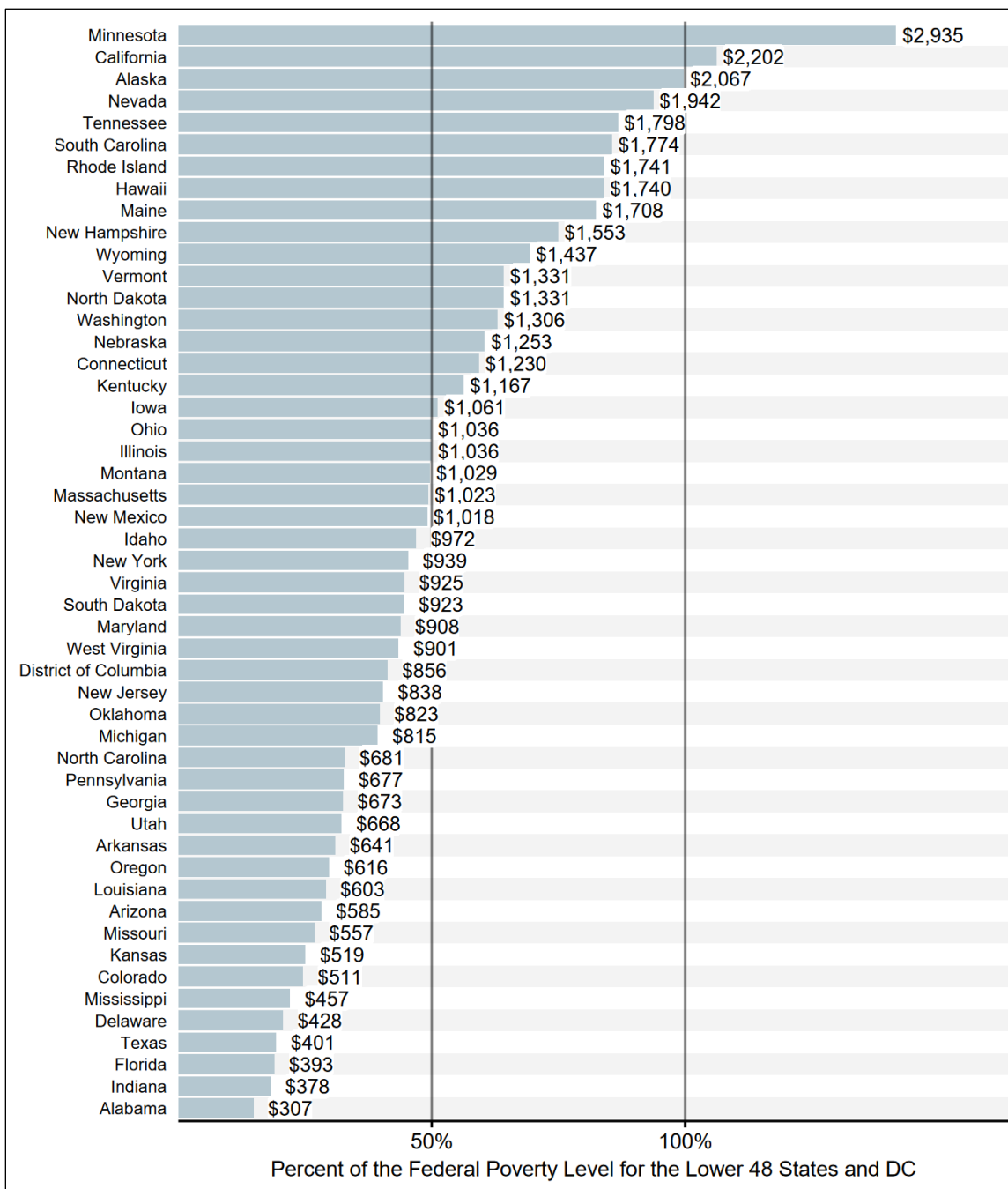
The figure also shows the relationship between the maximum earnings to receive TANF cash assistance and the federal poverty level (FPL) for a family of three in 2023. (The FPL shown is for the lower 48 states and District of Columbia; the FPL is higher in Alaska and Hawaii.) There is not necessarily a relationship between a metric such as FPL and the decisions states made in setting their TANF income eligibility thresholds. In July 2023, all but two states (Minnesota and

³⁰ A series of administrative and court rulings resulted in AFDC being considered a legal entitlement. A legal entitlement is an obligation of government and eligible beneficiaries have a legal recourse if it is not paid. See CRS Report RS20129, *Entitlements and Appropriated Entitlements in the Federal Budget Process*. For a discussion of how AFDC became to be viewed as an entitlement, see CRS Report R44668, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Legislative History*.

³¹ Federal law requires states to maintain policies and practices to prevent TANF assistance funds from being used in an EBT transaction in liquor stores, casinos or gaming establishments, and strip clubs. States must prevent TANF cash withdrawals at ATMs in such establishments, and prevent purchases using TANF assistance on EBT cards at point-of-sale terminals in such establishments.

California) had income eligibility thresholds for cash assistance below the federal poverty level. In that month, 30 states had income eligibility thresholds for cash assistance of less than 50% of the federal poverty level.

The figure shows the maximum earnings to *enter* TANF cash assistance as an applicant. In most states, the maximum earnings to *leave* TANF cash assistance are higher as states disregard more earnings for those who find a job or increase earnings while receiving TANF assistance.

Figure 6. Maximum Monthly Earnings a Single Parent with Two Children May Have and Be Eligible to Enter TANF Cash Assistance, by State: July 2023

Source: CRS, based on data from Lauren Simpson et al., *Welfare Rules Databook: State and Territory TANF Policies as of July 2023*, HHS, Administration for Children and Families, Office of Planning, Research and Evaluation, OPRE Report 2024-357, December 2024.

Notes: Wisconsin is not shown because families with earnings are generally ineligible for assistance in that state. federal poverty level (FPL) shown is for the lower 48 states and District of Columbia. The FPL is higher (reflecting higher cost of living) in Alaska and Hawaii.

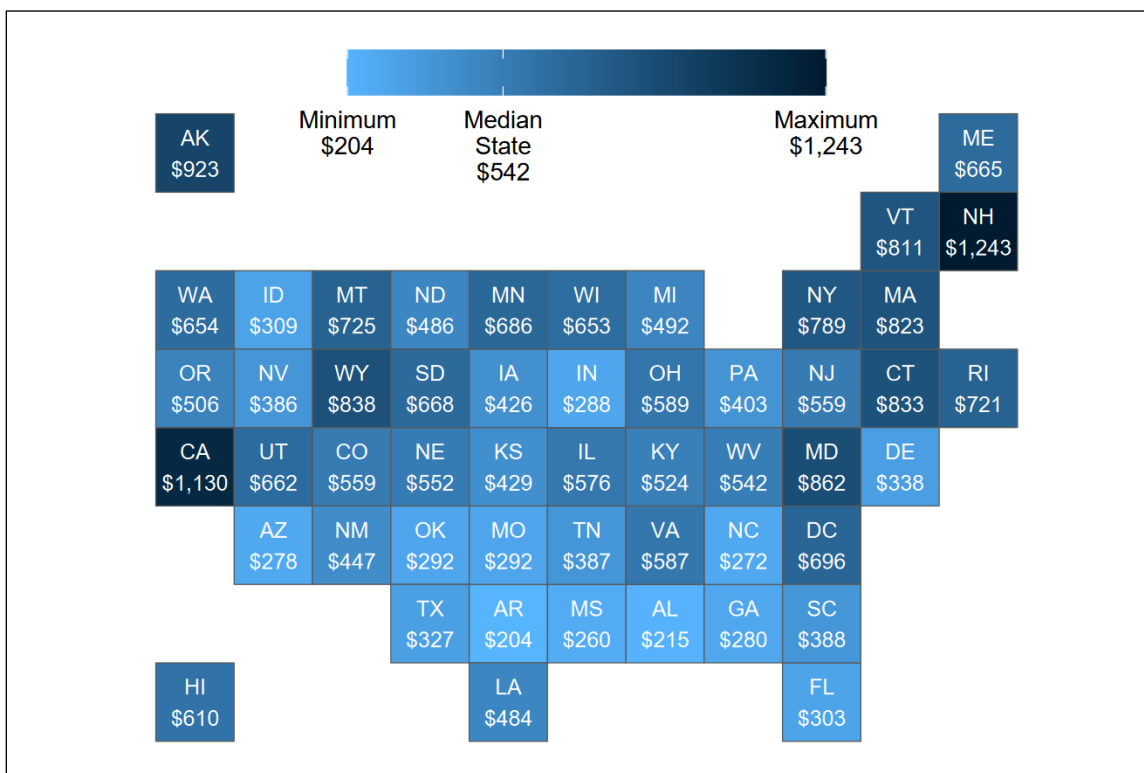
States may also limit financial eligibility based on assets held by a family, and most states do have asset limits. In July 2023, nine states (Alabama, Colorado, Hawaii, Illinois, Louisiana,

Maryland, Massachusetts, Ohio, and Virginia) eliminated such asset tests for their TANF assistance programs.³²

States Determine the Amount of Assistance Provided to Families

There are no federal rules regarding the benefit amount payable to families; benefit levels are set by the states. **Figure 7** shows the maximum monthly TANF cash assistance benefits for a single parent with two children by state in July 2023. Maximum cash assistance benefits ranged from \$204 (Arkansas) to \$1,243 (New Hampshire) per month.

Figure 7. TANF Maximum Monthly Cash Assistance Benefits for a Single Parent with Two Children, By State: July 2023



Source: CRS, based on data from Lauren Simpson et al., *Welfare Rules Databook: State and Territory TANF Policies as of July 2023*, HHS, Administration for Children and Families, Office of Planning, Research and Evaluation, OPRE Report 2024-357, December 2024.

Work and Job Preparation

A statutory goal of TANF is to end dependence on government assistance, in part through work and job preparation. This allows TANF and MOE funds to be spent on a wide range of activities, including subsidized employment, job search, and a range of job training and education activities for needy parents.

³². Lauren Simpson et al., *Welfare Rules Databook: State and Territory TANF Policies as of July 2023*, HHS, Administration for Children and Families, Office of Planning, Research and Evaluation, OPRE Report 2024-357, December 2024.

There are a number of policies in statute that focus on work and job preparation as it relates to adult assistance recipients.

- The best known of these policies are the numerical performance standards that apply to states. These performance standards are often discussed as *the* TANF work requirements. The performance standards apply to the *states* and not individual recipients, and states have considerable leeway in how they effectuate the work requirements they place on individual recipients.
- A number of other provisions are more prescriptive in terms of how states serve TANF assistance recipients with regard to work and job preparation.

Numerical Performance Standards

The TANF work participation standards are numerical performance measures computed in the aggregate for each state. The work standards are the main performance measure in TANF and are meant to enforce the notion that states should operate their programs in such a way as to have a certain percentage of their recipients working or engaging in job preparation activities. However, in practice, states can either fully or partially meet their work standard through credits against the numerical goals, most notably a credit for reducing the number of families receiving assistance.

Statutory Targets and Credits Against Them

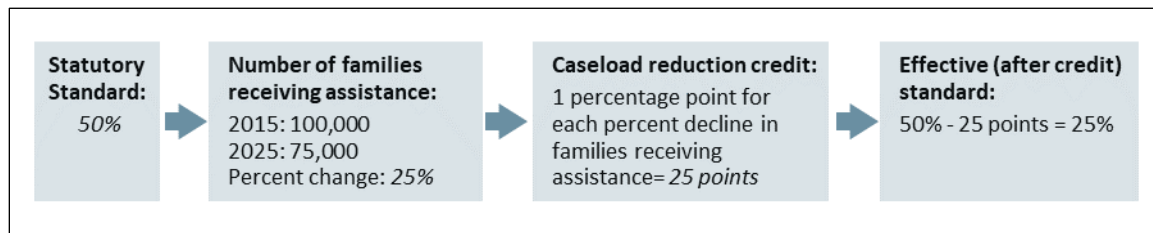
Statute sets nominal standards that specify numerical targets of 50% of all families and 90% of two-parent families considered to be *engaged in work*. However, those targets are reduced by the *caseload reduction credit*, which allows states to either wholly or partly meet their work standard through reductions in the number of families receiving assistance.³³ This means that numerical targets are different by state, and may be different for the same state in different years. The post-caseload reduction credit standard is the state's *effective standard*—the percentage of families that must be engaged in work or activities for the work standard to be met.

The caseload reduction credit measure for a given fiscal year measures the change in the number of families receiving assistance in the immediately preceding fiscal year from the *base year*. Beginning in FY2026, the base year will be FY2015.³⁴ Thus, in FY2026 the caseload reduction credit will be based on the change in the number of families receiving assistance from FY2015 to FY2025. **Figure 8** illustrates the calculation of the caseload reduction credit for a hypothetical state for FY2026. This state experienced a decline of 25% in the number of families receiving assistance between FY2015 and FY2025. It thus received a caseload reduction credit of 25 points, reducing its effective work standard from 50% to 25%.

³³ In addition to receiving credit toward its work standard for fewer families receiving assistance, under a regulatory provision at 45 C.F.R. §261.43(a)(2) a state can count as caseload reduction a calculated number of families assisted with any nonfederal dollars spent in excess of that state's MOE requirement. This excess MOE credit can further reduce the percentage of families that must be engaged in work to meet the standards.

³⁴ From FY2007 through FY2025, the base year for determining the caseload was FY2005. Prior to FY2007, the base year for determining the caseload reduction credit was FY1995. The Fiscal Responsibility Act (FRA, P.L. 118-5) changed the base year for determining the credit effective with the FY2026 standards.

Figure 8. Example of How the Caseload Reduction Credit Would Reduce a State's Work Participation Standard: FY2026



Source: CRS, based on TANF statute, Section 407(b)(3) of the Social Security Act.

The Work Participation Rate

The effective work participation standard is then compared with the state's work participation rate (WPR). The WPR is calculated as a percentage. It is computed by dividing the number of TANF assistance families considered as *engaged in work* by the total number of TANF families receiving assistance who are included in the calculation (some TANF families receiving assistance are excluded).³⁵

Federal statute has detailed rules for determining whether or not an individual is considered as engaged in work. Under these statutory rules, an individual must either be working at a job or in a job preparation activity for a minimum number of hours per week in a month to be counted as engaged in work. The rules limit the ability to count job search and educational activities toward the WPR. Hours of work or participation in job preparation must be verified in order to count.

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.³⁶ 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. Though the numerical work standards and the rules for computing them do not apply to individual recipients, they have guided states in establishing the work requirements that apply to individual recipients.

Pilot Program to Base Performance Standards on Outcomes

P.L. 118-5 established a pilot to allow up to five states to have their work programs assessed using different performance measures as an alternative to WPR. The alternative performance measures reflect labor market outcomes for TANF adults after they leave assistance. The alternative performance measures are employment rates, wages, and "other indicators of family stability and well-being."³⁷ States that operate pilots are not required to meet the work participation standard or

³⁵ Excluded from the calculation are all families where relatives other than parents (e.g., grandparents, aunts, uncles) care for assisted children. Noncitizens who are ineligible for TANF assistance are also excluded, as are some families subject to a financial sanction for failure to meet work requirements, and, at the option of the state, (1) single parents with an infant (this exclusion is limited to 12 months in a lifetime), (2) individuals receiving disability benefits, and (3) those caring for an individual with a disability.

³⁶ 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.

³⁷ Section 411(e)(1) of the Social Security Act.

verify hours of activity. The work pilots begin in FY2026 in Arizona, Iowa, Nebraska, Ohio, and Virginia.³⁸

Other Federal TANF Provisions That Relate to Work and Job Preparation

States are required to assess each recipient who is an adult (age 18 or older) or has not completed high school and is not attending secondary school.³⁹ 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 individual, and the services the state will provide the individual to be able to obtain and keep employment.

States are required to financially sanction a family with a member who refuses to comply with its work requirements without good cause.⁴⁰ States are free to determine the sanction amount, and whether to reduce or terminate benefits for families that fail to comply with work requirements (i.e., a full-family sanction). States also determine what constitutes "good cause" for not complying with work requirements. Those with good cause are not sanctioned. States are prohibited from sanctioning a family with a single parent with a child under age six if the refusal to comply with work requirements is because the parent cannot find affordable child care.⁴¹

The TANF Time Limit

States may not use *federal* TANF funds to provide assistance to a family containing an adult or minor child household head who has already received a cumulative five years (60 months) of federally funded assistance.⁴² The time limit does not apply to families where assistance is provided only on behalf of children being cared for by nonparent relatives (e.g., grandparents, aunts, uncles) if those nonparent relatives do not receive assistance for themselves. It also does not apply to families where parents are ineligible noncitizens or if states have made parents receiving disability benefits ineligible for benefits under state rules.

The federal five-year time limit is a prohibition on states' use of federal TANF funds, not a direct limitation on how long a particular family may receive assistance. States may continue benefits for assistance families with an adult or minor child household head beyond five years through the following:

- **Hardship exemptions.** Federal law allows federal funds to be used in cases of hardship, with a cap of up to 20% of the total number of families receiving assistance in the state allowed to be exempted from the five-year time limit because of hardship.

³⁸ U.S. Department of Health and Human Services, 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.

³⁹ Section 408(b)(1) of the Social Security Act.

⁴⁰ Section 407(e) of the Social Security Act.

⁴¹ Section 407(e) of the Social Security Act.

⁴² Section 408(a)(7) of the Social Security Act.

- **State MOE dollars.** Federal law explicitly allows a state to use state MOE funds to aid a family beyond the time limit.

As with most TANF requirements, it is the states that determine how time limits are applied to individual families. In July 2023, 31 jurisdictions had adopted the federal five-year time limit as their own, ending assistance to families after 60 months. Other jurisdictions have established a range of differing time limits. Three jurisdictions (California, New York, and the District of Columbia) effectively do not have a time limit that ends benefits entirely for families.

Some states have time limits shorter than the 60 months allowed by federal law and end benefits to families sooner. **Table 3** provides a categorization of state time limits as they were in effect in July 2023. Families in nine states faced time limits at 24 months. In five of those states, families may regain eligibility after a period of time, though cumulative time receiving federally funded TANF assistance cannot exceed 60 months. In Massachusetts, families faced a time limit at 24 months in a 60-month period but did not have a total, lifetime 60-month cap. The shortest time limit was in Arizona, where TANF assistance ends for families after receipt of 12 months of assistance in a lifetime.

Table 3. TANF Time Limits by State, July 2023

| Time Limit | Number of Jurisdictions | Jurisdictions |
|---|-------------------------|--|
| No lifetime limit | 3 | CA, DC, NY |
| 60 months in a lifetime | 31 | AL, AK, CO, GU, HI, IL, IN, IA, KY, ME, MD, MN, MS, MT, NE, NH, NJ, NM, ND, OK, OR, PA, PR, RI, SD, TN, VT, VI, WA, WV, WY |
| 48 months | 4 | FL, GA, MI, WI |
| 45 months | 1 | MO |
| 36 months | 2 | DE, UT |
| 36 months/60-month lifetime limit | 1 | OH |
| 24 months/60-month lifetime limit | 5 | LA, NV, NC, SC, VA |
| 24 months/no lifetime limit | 1 | MA |
| 24 months in a lifetime | 3 | AR, ID, KS |
| 21 months | 1 | CT |
| Tiered time limit depending on work experience and education: 12, 24, or 36 months; 60-month lifetime limit | 1 | TX |
| 12 months | 1 | AZ |

Source: CRS, based on data from Lauren Simpson et al., *Welfare Rules Databook: State and Territory TANF Policies as of July 2023*, HHS, Administration for Children and Families, Office of Planning, Research and Evaluation, OPRE Report 2024-357, December 2024.

Child Support Requirements

Child support is a cash payment made by a noncustodial parent to a parent that has custody of a child when a child's parents have either divorced or never married. Historically, many families receiving assistance have been headed by a single mother, and child support has been viewed as an alternative to federal and state assistance for financially supporting the children in single-parent families.

The Child Support Enforcement (CSE) program (Title IV-D of the Social Security Act) originally focused on recouping the costs of assistance paid by the federal government and states under AFDC from the noncustodial parent.⁴³ The CSE program has since evolved to facilitating child support payments for families that never received assistance, but it still functions to recoup the cost of assistance. Families receiving TANF assistance are required to *assign*, or legally turn over their rights to, child support paid by noncustodial parents as reimbursements to the federal government and state for assistance payments.

States have the option to *pass through* child support to families receiving assistance; that is, have that child support be additional income to the family rather than being retained by the state. The cost of the pass-through is either borne entirely by the state (and can be counted toward the TANF MOE) or covered by limited federal cost sharing with the state for child support passed through up to a certain dollar amount.

Families receiving TANF assistance must cooperate with the state in establishing the paternity of a child and in its procedures for establishing and modifying legal orders that the noncustodial parent pay child support.⁴⁴ Federal law requires states to penalize families who do not cooperate with child support enforcement requirements by cutting their benefits at least 25%. States can penalize families by more than that amount or even end assistance for failure to cooperate with child support enforcement requirements.

Special Provisions for Victims of Sexual Harassment and Domestic Violence

Federal law requires states to certify that applicants and recipients of TANF assistance are notified of help available to victims of sexual harassment and survivors of domestic violence, sexual assault, and stalking. States must also certify that caseworkers and other state personnel are trained

- in understanding the nature of sexual harassment, domestic violence, and sexual assault;
- in the state's standards and procedures relating to help for victims and survivors of sexual harassment, domestic violence, and sexual assault; and
- in the state's methods for ascertaining and keeping confidential personal information and documentation of those who have provided notice of their experiences with sexual harassment, domestic violence, sexual assault, and stalking.⁴⁵

⁴³ For an overview of the CSE program, see CRS In Focus IF10113, *The Child Support Enforcement (CSE) Program*.

⁴⁴ Section 408(a)(2) of the Social Security Act.

⁴⁵ Section 402(a)(8) of the Social Security Act.

Federal law provides for an optional certification that a state has procedures in place to screen for and identify victims of domestic violence, refer such victims to supportive services, and waive certain program requirements.⁴⁶ The program requirements that may be waived include work requirements applied by the state to the individual, the time limit on assistance receipt, and cooperation with child support enforcement rules.

Though a state may waive certain program requirements for victims of domestic violence, federal law does not exclude them from the TANF WPR standard calculation or the 20% limit on hardship cases that exceed the five-year time limit. However, HHS regulations allow a state to provide victims of domestic violence with a federally recognized good cause domestic violence waiver, and provide that a state would have reasonable cause for failing the requirements if that failure was due to providing such waivers.⁴⁷

Under HHS regulations, a federally recognized domestic violence waiver must identify program requirements that are being waived, be granted based on an individualized assessment, and be accompanied by a services plan. These waivers must be reassessed at least every six months.

Other Prohibitions on Receipt of Assistance

In addition to prohibitions noted previously (e.g., restrictions on benefits for noncitizens), federal law also prohibits states from using federal TANF funds to provide assistance to the following persons and families:

- unwed teen parents, unless living in an adult-supervised setting;
- teens who have not completed high school, unless they are making satisfactory progress toward achieving a high school or equivalent credential or are in an alternative training program; and
- fugitive felons and parole violators.⁴⁸

States may use MOE funds to assist these families and individuals.

PRWORA also provides that persons convicted of a drug-related felony may be denied assistance under TANF unless the state affirmatively opts out of this provision.⁴⁹ PRWORA also gives states explicit permission to drug test applicants or recipients of TANF assistance and deny them aid if they fail the test.⁵⁰

Nontraditional Forms of Assistance

Much of TANF policy is focused on when states provide assistance to families with children, and it reflects the policy concerns around AFDC that led to the enactment of PRWORA. However, the definition of “assistance” is broad enough to include benefits that were not a part of AFDC. For example, some states use MOE funding to provide earnings supplements to working parents who either left the traditional cash assistance program or lower-income parents who never had a connection to the traditional cash assistance program. These are usually small amounts paid either as a transitional or ongoing benefit.

⁴⁶ Section 402(a)(7) of the Social Security Act.

⁴⁷ See regulations at 45 C.F.R. §260.50-260.59.

⁴⁸ Section 408(a)(9) of the Social Security Act.

⁴⁹ This provision is not in TANF law, but is in Section 115 of PRWORA.

⁵⁰ This provision is not in TANF law, but is in Section 902 of PRWORA.

An example of such earnings supplements is that some states increase SNAP benefits if a family meets the criteria for being counted as engaged in work toward the TANF work participation standard. This increase in SNAP is TANF-funded (nonfederal dollars counted toward the MOE) and meets the definition of assistance. Providing a TANF-funded benefit to working parents that meets the definition of assistance can help a state meet its TANF work standard. Beginning with FY2026, a state must pay a benefit of at least \$35 per month for such an earnings supplement to get credit for that family toward its work standards.

Additionally, some states provide nutrition assistance funded by nonfederal dollars counted toward the MOE to families who are legally present but made ineligible for SNAP by PRWORA's restrictions on noncitizens receiving federally funded assistance.

Data Reporting on Families and Individuals Receiving Assistance

TANF law requires states to provide information on those who receive assistance.⁵¹ States must provide aggregate (state-level) counts of these families and individuals. They must also provide detailed information on either the full caseload or a sample of the caseload for families and individual recipients. The family- and individual-level information that states must report includes basic demographic information (e.g., age, sex, educational attainment), the work activities hours of adults,⁵² and the financial circumstances of the families and individuals.

Since October 1, 2024, states have been required to report on employment outcomes for those who left TANF assistance. The labor market outcomes include the rates of employment and amount of earnings after leaving assistance programs as well as the percentage of youth (under age 24) without a high school diploma who are either attending a high school or equivalency program or who obtained a high school or equivalent credential within one year of leaving a TANF assistance program.⁵³

The Increasing Importance of TANF Benefits, Services, and Activities That Are Not Assistance

Though TANF may be best known for helping fund state assistance programs, it is a broad-purpose block grant that helps finance a range of benefits and services that seek to achieve its statutory purpose. Receipt of benefits, services, or activities not considered assistance does not trigger that family's inclusion in the state's work participation standard. Months of receipt of benefits not considered assistance do not count toward the TANF 60-month time limit. Families receiving only TANF benefits that are not considered assistance do not have to assign their child support right to the states. There are no federally prescribed performance measures or metrics that evaluate the use of TANF funds for benefits that are not considered assistance.

There is limited reporting on the number of families served by TANF funds used for benefits not considered assistance. States must provide the total number of families or recipients served for all

⁵¹ Section 411 of the Social Security Act.

⁵² States operating pilot work programs as authorized by the Fiscal Responsibility Act of 2023 (P.L. 118-5), do not have to report on hours of work for adult recipients.

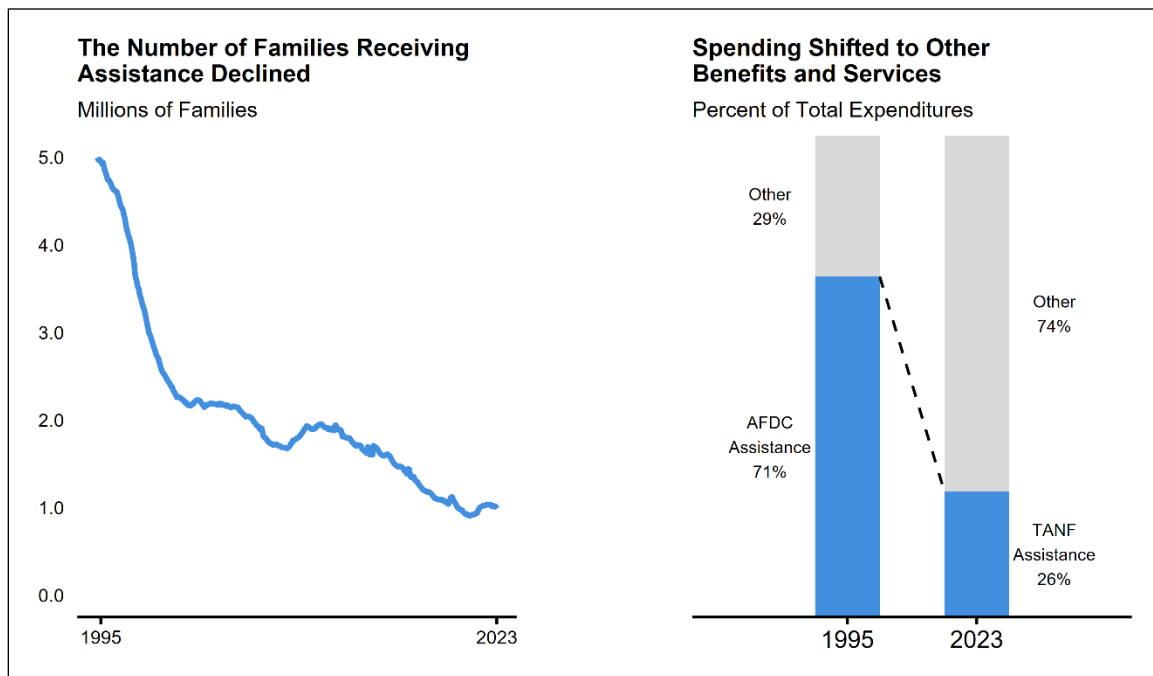
⁵³ Section 411(f) of the Social Security Act, as added by the Fiscal Responsibility Act of 2023 (P.L. 118-5).

programs financed with MOE funds. However, they are *not* required to report on the number served with federal TANF dollars if the benefit is not considered assistance.⁵⁴

The decline in the number of families receiving assistance has been accompanied by a shift in TANF spending from assistance to other activities—the activities with comparatively few requirements, limited reporting, and no performance metrics. In FY1995, the number of families receiving AFDC assistance was near its historical high of 5 million. In that year, 71% of the dollars that were consolidated into the TANF block grant and MOE requirement were spent on assistance. In FY2023, the number of families receiving assistance was near 1 million.⁵⁵ In that year, assistance accounted for 26% of all TANF dollars.

The fixed nature of the block grant and its broad allowed uses of funds gave states the ability to use the *savings* from having lower numbers receiving assistance to be shifted to other allowable uses of TANF funds. TANF funds transferred to other block grants (either the CCDF or the SSBG) are governed by the rules of the receiving block grant. As discussed previously, other TANF dollars not transferred and not spent on assistance come under few federal rules. **Figure 9** shows the decline in the number of families receiving assistance and compares the composition of expenditures in AFDC (FY1995) and TANF (FY2023).

Figure 9. Families Receiving Assistance and Expenditures by Category: FY1995 and FY2023



Source: CRS, based on data from HHS.

⁵⁴ The reporting of the number of families served by MOE funds is required by HHS regulation at 45 C.F.R. §265.9(c). HHS believed it had the authority to require this by regulation because the TANF MOE is technically a penalty and its regulatory framework allowed HHS to regulate in cases where HHS is required to impose a penalty for failure to meet a requirement.

⁵⁵ A combination of fewer families eligible for assistance and a lower rate of receipt of TANF assistance among those eligible is estimated to have resulted in this decline. For more information, see CRS Report R47503, *Temporary Assistance for Needy Families: The Decline in Assistance Receipt Among Eligible Individuals*.

Administrative Costs

The TANF statute limits administrative expenses at 15% of federal grant funds used and 15% of nonfederal dollars counted toward the MOE. The statute excludes from this limit costs associated with information technology needed for tracking and monitoring recipients (e.g., for the TANF time limit and work participation standards).⁵⁶

The statute does not define *administrative costs*; rather, HHS regulations provide this definition. The regulations include as administrative costs activities associated with program eligibility determinations as well as preparation of state plans, budgets, and schedules. They exclude from administrative costs activities associated with providing services such as screening and assessments, development of plans for individual recipients (e.g., IDPs), case management, work supports, and diversion.⁵⁷

Tribal TANF

Federally recognized Indian tribes and certain Alaskan Native organizations have the option to operate their own TANF programs for needy families with children.⁵⁸ Tribes may opt in and out of running their own programs at any time.

Tribes seeking to operate TANF programs must submit plans to the HHS Secretary for approval. The Secretary, with the participation of the tribes, establishes work requirements and time limits for each tribe operating its own TANF program. Tribal programs are not subject to the same work participation standards and five-year time limit on use of federal funds as are state TANF assistance programs.

TANF Research

The TANF statute sets aside from the state family assistance grant appropriation 0.33% of its total (\$54.7 million) for research, evaluation, and technical assistance. This amount may fund both HHS-initiated and state-initiated evaluations of TANF, a catalogue of approaches and evidence of their effectiveness in moving assistance recipients to work, and Census Bureau research to assess the outcomes of policies on the economic well-being of low-income families with children. Over time, TANF and other research funding has examined the status of those who left assistance, strategies to serve individuals with known barriers to employment success, job retention services, job search strategies, and subsidized employment.

⁵⁶ Section 404(b) of the Social Security Act.

⁵⁷ 45 C.F.R. §263.0(b). The description of the definition of “administrative costs” as a general framework can be found in the preamble to TANF regulations. See HHS, “Temporary Assistance for Needy Families Program,” 64 *Federal Register* 17809-17814, April 12, 1999.

⁵⁸ Section 412 of the Social Security Act.

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