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# TANF Provisions in Debt Ceiling Agreement

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The debt ceiling agreement's changes to the Temporary Assistance for Needy Families (TANF) are a marked improvement over the harsh and ineffective provisions in the House-passed bill. Unfortunately, they still ratchet up ineffective work requirements in ways that could lead some states to reduce access to assistance. They do include, however, a pilot program that could help demonstrate how an outcomes-focused approach rather than rigid requirements could improve outcomes for TANF recipients.

## TANF Helps Families Meet Basic Needs, But Current Law Is Rigid and Complex

The cash assistance that TANF provides plays an important role in helping families with the lowest incomes meet their basic needs and avoid future hardship. TANF benefits can help families remain housed and avoid involvement in the child welfare system, research shows. The cash benefits that TANF provides also help improve children's educational and health outcomes.

In 2020, for every 100 families in poverty nationwide, only 21 received TANF cash assistance — down from 68 families in 1996. If TANF had the same reach as in 1996, 2.4 million more families would be receiving assistance. To qualify for TANF, families' incomes must be very low. Many families turn to the program when they have lost a job or are unable to work due to a variety of reasons. While receiving TANF, their monthly cash grant is the only income these families receive, and at $492 per month in the median state, the benefits often fall short of what families need to meet their basic needs.

TANF serves families who face significant employment and related challenges. In 2021, over one-third of adult TANF recipients (34.5 percent) had less than a high school education, 56.0 percent had completed high school (or its equivalent) but no further education, and only 9.5 percent had education beyond high school. Most adults receiving TANF are Hispanic and Black women who face significant labor market discrimination and other structural barriers that limit their employment prospects: 35.3 percent of adults enrolled in TANF are Hispanic, 29 percent are Black, and 27 percent are white.

The TANF work requirement structure is rigid, complex, and ineffective at meeting the needs of TANF participants. To understand the changes included in the debt ceiling agreement, it is important to understand some of the current structure.

Under current law, states must show that a certain share of parents receiving assistance are participating in a narrow set of work activities for a prescribed number of hours each week. This is called the "work participation rate." The rate a state must achieve is reduced by 1 percentage point for every percentage point decline in the state's TANF caseload since 2005 (known as the "caseload reduction credit").[1]

The federal work participation requirements are ill-suited to many families and, as a result, many families are denied benefits or have their benefits taken away. The narrow set of requirements and the number of hours required, for example, often are a poor match for families facing crises like eviction or homelessness, families in which a parent has a serious health condition, or families where a child with a disability has significant caregiving needs. Evidence shows the current requirements aren't effective at improving long-term employment outcomes or reducing poverty.[2] And state agency leaders from both red and blue states have criticized them for being too rigid to meet families' needs.[3]

The caseload reduction credit and other existing flexibilities have allowed states to exempt recipients who are unable to work from the work participation requirements and to engage other recipients in activities and services more appropriate to their needs and circumstances, without fear of being penalized for not meeting the work participation rate.

## House-Passed Bill's TANF Provisions Would Have Restricted Assistance to Families With the Greatest Need

The House-passed bill would have drastically scaled back existing flexibilities, creating a risk that states would be faced with federal requirements that would be extremely difficult or impossible to meet, causing many to sharply cut the number of families to whom they provide assistance.

States would have had the strongest incentive to reduce access to assistance for the families with the most significant employment barriers, who are the very families most in need of TANF assistance. Because some states already serve very few families subject to the work requirements, they would have either needed to stop serving any such families to secure any caseload reduction credit or to secure additional caseload declines from "child-only" cases, many of whom are grandparents raising their grandchildren.

We estimated that 1 million children in 540,000 families were at risk of losing cash assistance under the House-passed bill.[4] More than half of these children, CBPP estimated, would be pushed

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[1] States can also receive caseload reduction credits by spending more state funds in TANF than federal law requires.

[2] LaDonna Pavetti, "Evidence Doesn't Support Claims of Success of TANF Work Requirements," CBPP, April 3, 2018, https://www.cbpp.org/research/income-security/evidence-doesnt-support-claims-of-success-of-tanf-work-requirements.

[3] LaDonna Pavetti and Diana Azevedo-McCaffrey, "Program Administrators Across the Political Spectrum Find TANF Work Requirements Incompatible With Recipients' Needs," CBPP, April 26, 2023, https://www.cbpp.org/blog/program-administrators-across-the-political-spectrum-find-tanf-work-requirements-incompatible.

[4] Diana Azevedo-McCaffrey and LaDonna Pavetti, "TANF Provisions in House Republicans' Debt-Ceiling-and-Cuts Bill Would Harm Families and Deepen Poverty Among Children," CBPP, May 4, 2023,

into or further into deep poverty — with their families' cash incomes below half the poverty line — if they lost their TANF benefits.

The House-passed bill also included new data reporting on work outcome measures (described more below).

## Provisions in the Debt Ceiling Agreement

The TANF provisions in the debt ceiling agreement would increase the effective work rates some states must meet by curtailing state flexibilities, but they are far less harsh than the provisions in the House-passed bill. The agreement also includes two positive provisions — one from the House bill that requires all states to measure employment and earnings outcomes for recipients leaving TANF, and one that adds a new pilot that will let five states negotiate employment and earnings benchmarks for which they will be held accountable instead of the work participation rate.

### Agreement Increases Work Requirements But Negative Impacts Should be Less Than Under House-Passed Bill

The agreement ratchets up the ineffective federal work requirements but will have a more modest impact than the House-passed bill. The agreement includes two provisions that could increase the number of people states will have to show are meeting rigid federal work requirements.

- **Recalibration of the caseload reduction credit.** The caseload reduction credit is calculated based on a comparison of the current number of families receiving TANF cash assistance with the caseload in 2005. The agreement changes the comparison year from 2005 to 2015. Since caseloads in most states declined substantially between 2005 and 2015, this change effectively will increase the share of the caseload that some states must engage in work activities to meet the rate.

  This provision, which the agreement makes effective in October 2025, is an improvement over the House-passed bill, which would have recalibrated the caseload reduction credit to 2022, effectively setting the credit to zero for every state. (The House-passed bill also contained another provision, which is not included in the debt ceiling agreement, to further raise effective work rates by eliminating states' ability to reduce these rates by spending more than is required on TANF.)

- **Limitation on counting families receiving small cash payments toward the work participation rate.** Some states provide small cash payments to support working families (usually participants in the Supplemental Nutrition Assistance Program, or SNAP). Because these families are working and the benefits are paid with state TANF funds, states can count them as meeting the TANF work requirement without imposing additional onerous requirements on them. Under the agreement, states can count such families toward the work participation rate only if they receive a monthly cash grant of $35 or more. This is an improvement over the House-passed bill, which would have imposed burdensome requirements on parents who are already working, making it far less likely that states would

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https://www.cbpp.org/research/income-security/tanf-provisions-in-house-republicans-debt-ceiling-and-cuts-bill-would-harm.

provide assistance to these families. The agreement makes this provision effective October 1, 2025.

As a result of these changes, some states will face challenges meeting the requirements and may respond by restricting access to assistance. The changes could limit states' flexibility to design effective programs and may lead some states to be more reticent to respond to rising need or to improve their programs in ways that help families but make meeting inflexible federal requirements more difficult. If states respond to the new requirements in these harmful ways, access to assistance and effective services will be curtailed, and families will be hurt.

## Two Helpful TANF Provisions in Agreement

The agreement includes two useful TANF provisions.

- **Data reporting on work outcomes**. The legislation includes new data-reporting requirements that were in the House-passed bill, requiring states to report on the share of recipients with earnings and median earnings two quarters after leaving TANF. The agreement also requires states to report on employment four quarters after exit for those recipients with employment in the second quarter.

  These employment-related measures are aligned with outcome measures under the main job training programs (known as Workforce Innovation and Opportunity Act programs). These new data can help states and policymakers understand how families leaving TANF are faring and could help states use these data in conjunction with other information to develop better ways to serve families and improve outcomes. The agreement makes this provision effective October 1, 2024.

  States would also have to report whether those under age 24 who were subject to work requirements and in high school while receiving TANF attain a high school degree or its equivalent within a year after leaving TANF.

- **A new work outcomes pilot.** The agreement includes a pilot program that will allow up to five states to test a new approach to improving outcomes for families receiving income assistance through TANF (and related state-funded programs). These states will be held accountable for their performance on employment and earnings outcomes and, at the option of the Department of Health and Human Services (HHS), measures of family well-being.

  After measuring baseline data, states will negotiate with HHS to set performance targets with the goal of improving outcomes for people who are subject to work requirements and exit the program. They will then seek to shape their services to improve outcomes — and measure whether they succeed. Pilot projects could last for up to six years, including the time needed to establish the performance benchmarks. Because states in the pilot will not have to meet rigid work participation rates, they will have far more flexibility to design programs and services to address families' individual circumstances and improve outcomes.

  The pilots, which were not part of the House-passed debt bill but are similar to proposals that have been included in other legislation that has not been enacted, will help determine the efficacy of this approach as well as ways a performance outcome system could be improved.

  There are many important implementation issues to consider, including how to construct family well-being measures that help evaluate TANF programs against multiple goals including, but not limited to, employment outcomes. If implemented well, these pilots could help demonstrate how to measure states on their effectiveness in improving the outcomes of the families who turn to TANF for assistance rather than focusing only on compliance with rigid work requirements that do not address families' needs or help them achieve their long-term family and employment goals. The agreement makes this provision effective October 1, 2024.