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AN INTRODUCTION TO TANF

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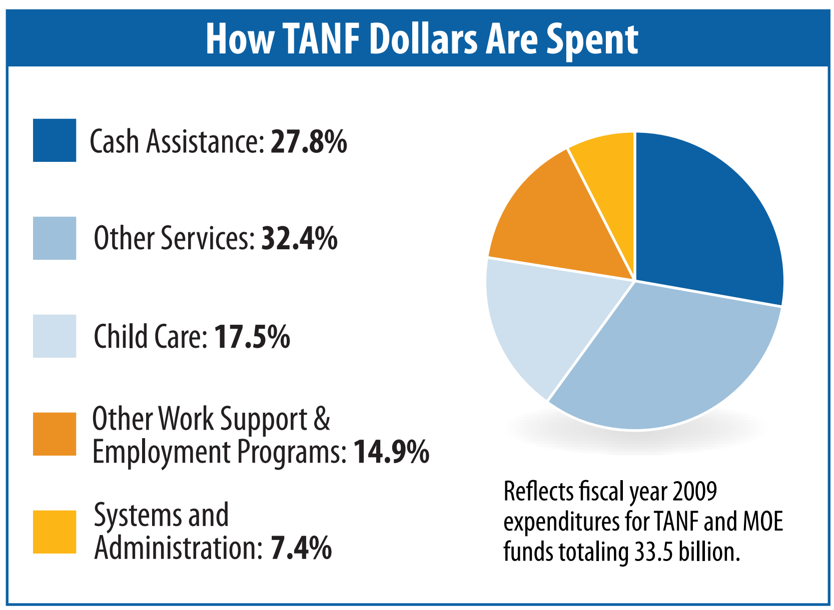
What Is TANF?

Temporary Assistance for Needy Families (TANF) is a block grant created by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, as part of a federal effort to "end welfare as we know it." The TANF block grant replaced the Aid to Families with Dependent Children (AFDC) program, which had provided cash welfare to poor families with children since 1935.

Under the TANF structure, the federal government provides a block grant to the states, which use these funds to operate their own programs. States can use TANF dollars in ways designed to meet any of the four purposes set out in federal law, which are to: "(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families."



States have used their TANF funds for a variety of services and supports, including: income assistance (including wage supplements for working poor families); child care; education and job training; transportation; aid to children at risk of abuse and neglect, and a variety of other services to help low-income families. States must spend some of their own dollars on programs for needy families or face severe fiscal penalties. This is what is known as the "maintenance of effort" (MOE) requirement.

The law that created the TANF block grant initially authorized funding through the end of federal fiscal year 2002. After several short-term extensions, Congress reauthorized TANF in the Deficit Reduction Act of 2005 and made some modifications to the program; TANF is now authorized through the end of federal fiscal year 2010 (September 30, 2010).

Who Is Eligible for TANF-Funded Benefits?

States have broad discretion to determine who is eligible for various TANF and MOE-funded benefits and services. In general, states must use the funds to serve families with children, with the only exceptions related to efforts to reduce non-marital childbearing and promote marriage. A state can set different eligibility limits for different programs funded by the TANF block grant and state MOE funds. For example, a state could choose to limit TANF cash assistance to very poor families, but provide TANF-funded child care or transportation assistance to working families with somewhat higher incomes.

An exception to the broad flexibility that states generally have to establish TANF eligibility rules is that federal law bars states from using federal TANF dollars to assist most legal immigrants until they have been in the U.S. for at least five years. This restriction applies not only to income assistance, but also to TANF-funded work supports and services such as child care, transportation, and job training. A significant percentage of poor children have non-citizen parents who are ineligible for TANF benefits and services. States can use state MOE funds to provide benefits to recent immigrants, but fewer than half do so. Prior to the 1996 welfare law, legal immigrants generally were eligible for benefits, although the income of an immigrant's sponsor was factored in for the first three years.

Two other key elements of state TANF programs are work requirements and time limits, both of which apply to "assistance" (income support and other aid designed to meet basic ongoing needs).

Federal law requires that half of the families receiving assistance under TANF must be engaged in some kind of work-related activity for at least 30 hours a week (or 20 hours a week for single-parents with young children). States must have a higher share of two-parent families — 90 percent— engaged in work (generally for 35 hours per week.) States can get credit against this work rate for recent declines in their assistance caseload. Changes made in the work requirements by the Deficit Reduction Act of 2005 and subsequent federal regulations effectively increased the work requirements that states must meet as compared to the prior TANF law and made it more difficult for states to achieve their target work rates.

On time limits, the general rule is that no family that includes an adult recipient may receive federally-funded assistance for longer than 60 months (whether or not consecutive). States are allowed to use federal TANF dollars to extend time limits beyond five years, but only for up to 20 percent of the caseload. Federal law does not impose a time limit on families receiving assistance funded entirely with state MOE funds, but most states have chosen to so impose time limits on the bulk of their caseload. Most states have chosen to set time limits of five years on TANF and MOE-funded assistance, though about one-third of states impose time limits that are shorter than five years. States generally provide exceptions and exemptions for some groups of families meeting specified criteria, allowing these families to receive assistance for more than five years. While hundreds of thousands of families have been cut off of TANF due to reaching time limits, time limits still have not terminated assistance to as many families as other policies and procedures such as sanctions for failing to meet a program requirement or procedural hurtles that make it difficult for families to apply for assistance.

What Level of Funding Does TANF Provide to the States?

The basic TANF block grant has been set at $16.6 billion since it was established in 1996. As a result, the real value of the block grant has already fallen by about 27 percent.

The 1996 law also created supplemental grants for certain states with high population growth or low block grant allocations relative to their needy population, as well as a contingency fund to help states weather a recession. These supplemental grants have been extended, most recently through federal fiscal year 2010.

As noted above, states must spend state funds on programs for needy families as a condition of receiving the federal TANF block grant. The amount states must spend is set at 80 percent of their 1994 contribution to AFDC-related programs.(In some cases this "maintenance of effort" (MOE) requirement can be reduced to 75 percent.) In 2006 states spent roughly $12 billion in state MOE funds. The amount states are required to spend (at the 80 percent level) in 2009 is about 45 percent below the amount they spent on AFDC-related programs in 1994, after adjusting for inflation.

The Deficit Reduction Act also provided $100 million per year to support programs designed to promote healthy marriages.

When TANF was created in 1996, Congress provided $2 billion in a contingency fund; this fund was not used much until the current recession but a number of states have received contingency funds in 2008 and 2009 and the fund may be depleted in 2009 or 2010. In the American Recovery and Reinvestment Act (sometimes referred to as the "stimulus" bill), Congress created a new and temporary Emergency Fund designed to provide aid to states that see increases in assistance caseloads or certain program costs as they address the needs of families during the economic downturn. Congress appropriated $5 billion to this new Emergency Fund for 2009 and 2010 — the fund expires at the end of 2010.

What Has Been the Experience of TANF Since Its Creation?

The TANF program is now over 12 years old and has gone through several distinct stages as it has intersected with the economic climate in states. In the first five years (the late 1990's), TANF cash assistance caseloads fell significantly, and overall, the number of single parents who work rose markedly. Researchers generally agree that a combination of factors led to reduced caseloads and increased employment rates among single mothers, including a strong economy, state welfare-to-work efforts, other TANF-related policies, and strengthened work supports (such as the expanded Earned Income Tax Credit, increased availability of child care assistance, and improved child support collections). As the economy slowed in the downturn of 2001, TANF caseloads continued to decline even as employment of single mothers declined and child poverty grew.

Data show that *well over half* of the decline in caseloads since the mid-1990s was not due to a decline in the number of very poor families with children that qualified for assistance, but rather a decline in the *share* of such families that actually receive income support from TANF programs. A recent report by the U.S. Department of Health and Human Services showed that in 2005 state TANF programs provided cash assistance to just 40 percent of families who are poor enough to qualify for TANF cash assistance and who meet the other eligibility requirements for these programs. During the 1980s and early 1990s, by contrast, the former AFDC program provided cash assistance to about 80 percent of very poor families that qualified for assistance. In 2005, an average of 2.1 million families per month received TANF cash assistance — if these programs served 80 percent rather than 40 percent of eligible families, the number of families receiving assistance would have been 4.2 million.

While some families that are eligible for assistance but not receiving it likely qualify for a small amount, the fact that the share of eligible families receiving aid has plummeted so sharply means that the program now does significantly less to protect children from deep poverty than was once the case. In fact, in the mid-1990s, the former AFDC program lifted 64 percent of otherwise deeply poor children — children with incomes below *half* the poverty line — out of deep poverty. In 2005, by contrast, the TANF program lifted just 23 percent of deeply poor children above 50 percent of the poverty line.

TANF caseloads also declined markedly in the 2006-2008 period, after the enactment of the Deficit Reduction Act of 2005. During this current recession, TANF caseloads have continued to decline in some states, have flattened in some states, and have begun to rise in others. In contrast, food stamp caseloads have increased in all states over the last year. The TANF program faces a key test of whether it can respond to increased need and provide a safety net for families with children.

To be sure, many families did leave TANF programs because they were able to find work and states clearly stepped up efforts to help and encourage parents to find jobs after the enactment of the 1996 welfare law. Studies have found that about 60 percent of former welfare recipients are employed at any point in the two years after they leave TANF. A larger share is employed over the course of a two year period. Those who work generally earn low wages and often remain poor, though most families with earnings have higher incomes than families receiving TANF, in part because of the benefits that are provided by the Earned Income Tax Credit.

Unfortunately, many families left TANF programs not because they found a job, but because they were terminated from the program for failing to comply with requirements, such as the work requirements. (This is one reason why the share of poor families that meet the eligibility criteria for the program has fallen so significantly in recent years.) Research has shown that many of these families have barriers to employment that likely impeded their ability to meet the state's expectations. These barriers include: mental and physical impairments; substance abuse; domestic violence; low literacy or skill levels; learning disabilities; having a child with a disability; and problems with housing, child care, or transportation.

Looking Ahead

The TANF block grant is due for reauthorization by the end of 2010. This means that Congress will once again examine the funding level for the program as well as the rules that should apply to how states can use the block grant funds and the requirements that states must meet with respect to families that receive assistance in a TANF cash aid program. That reauthorization debate is likely to include discussions about the extent to which state TANF assistance programs responded to rising need during the current recession, how programs could be improved to help families with significant barriers to employment make better progress toward employment, the extent to which TANF programs can or should do more to help parents prepare for jobs that require more education or training than many TANF recipients now have, and how much funding states should receive through TANF.

What States Call Their TANF Program

Alabama	FA (Family Assistance Program)
Alaska	ATAP (Alaska Temporary Assistance Program)
Arizona*	EMPOWER (Employing and Moving People Off Welfare and Encouraging Responsibility)
Arkansas	TEA (Transitional Employment Assistance)
California	CALWORKS (California Work Opportunity and Responsibility to Kids)
Colorado	Colorado Works
Connecticut	JOBS FIRST
Delaware*	ABC (A Better Chance)
D.C.	TANF
Florida	Welfare Transition Program
Georgia	TANF
Guam	TANF
Hawaii*	TANF
Idaho	Temporary Assistance for Families in Idaho
Illinois	TANF
Indiana*	TANF, cash assistance; IMPACT (Indiana Manpower Placement and Comprehensive Training), TANF work program
Iowa	FIP (Family Investment Program)
Kansas*	Kansas Works
Kentucky	K-TAP (Kentucky Transitional Assistance Program)
Louisiana	FITAP (Family Independence Temporary Assistance Program), cash assistance; FIND Work (Family Independence Work Program), TANF work program
Maine	TANF, cash assistance; ASPIRE (Additional Support for People in Retraining and Employment), TANF work program
Maryland	FIP (Family Investment Program)
Massachusetts*	TAFDC (Transitional Aid to Families with Dependent Children), cash assistance; ESP (Employment Services Program), TANF work program
Michigan	FIP (Family Independence Program)
Minnesota*	MFIP (Minnesota Family Investment Program)
Mississippi	TANF
Missouri	Beyond Welfare
Montana*	FAIM (Families Achieving Independence in Montana)
Nebraska*	Employment First
Nevada	TANF
New Hampshire*	FAP (Family Assistance Program), financial aid for work-exempt families; NHEP (New Hampshire Employment Program), financial aid for work-mandated families
New Jersey	WFNJ (Work First New Jersey)
New Mexico	NM Works
New York	FA (Family Assistance Program)
North Carolina	Work First
North Dakota	TEEM (Training, Employment, Education Management)
Ohio*	OWF (Ohio Works First)
Oklahoma	TANF
Oregon*	JOBS (Job Opportunities and Basic Skills Program)
Pennsylvania	Pennsylvania TANF
Puerto Rico	TANF
Rhode Island	FIP (Family Independence Program)
South Carolina*	Family Independence
South Dakota	TANF
Tennessee*	Families First
Texas*	Texas Works (Department of Human Services), cash assistance; Choices (Texas Workforce Commission), TANF work program
Utah	FEP (Family Employment Program)
Vermont	ANFC (Aid to Needy Families with Children), cash assistance; Reach Up, TANF work program
Virgin Islands	FIP (Family Improvement Program)
Virginia*	VIEW (Virginia Initiative for Employment, Not Welfare)
Washington	WorkFirst
West Virginia	West Virginia Works
Wisconsin	W-2 (Wisconsin Works)
Wyoming	POWER (Personal Opportunities With Employment Responsibility)

* State had a waiver from before TANF that continued during the TANF program but has since expired.

Source: U.S. Department of Health and Human Services