

USING TANF FUNDS FOR HOUSING-RELATED BENEFITS TO PREVENT HOMELESSNESS

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Introduction

Under the final regulations for the Temporary Assistance to Needy Families block grant program (TANF), states and counties may use federal TANF funds for short-term homelessness prevention measures without triggering the federal 60-month lifetime time limit on receipt of TANF-funded assistance or other restrictions associated with TANF funds. This is important because many states and counties are not using their full federal TANF block grant¹ and may be willing to initiate or expand homelessness prevention programs using TANF funds. In addition, the flexibility afforded by the federal regulations allows states and counties to design such programs to serve a broad range of low-income families, not just families receiving monthly TANF cash benefits.

States and counties that are funding homelessness prevention programs in part with state maintenance-of-effort (MOE) funds may wish to replace these MOE funds with TANF funds, thereby freeing up MOE monies they can use to provide other benefits. TANF restrictions like time limits are triggered when states or counties provide housing-related benefits that are not short-term, unless the benefits are provided entirely with MOE funds that are accounted for separately from TANF funds. States and counties that wish to provide such ongoing housing benefits to families that are not receiving monthly TANF cash benefits would be advised to use MOE funds in these cases so the months of assistance do not count against the federal time limit.²

Homelessness Prevention Benefits Are Largely Excluded from the Clarified Definition of TANF “Assistance”

TANF requirements such as time limits, work participation, and child support assignment apply to any family receiving TANF “assistance.” Because “assistance” was thought to be defined broadly under early TANF regulations, states and counties often were reluctant to use

¹See Ed Lazere, *Unspent TANF Funds at the End of Fiscal Year 2000*, Center on Budget and Policy Priorities, February 2001, available on the internet at <http://www.cbpp.org/1-22-01sfp00surplus.htm>.

²The rules governing the use of TANF funds to provide ongoing housing assistance are more complex than those governing short-term or one-time payments. For a complete explanation of the use of TANF benefits for ongoing housing assistance, see Barbara Sard and Jeff Lubell, *The Increasing Use of TANF and State Matching Funds to Provide Housing Assistance to Families Moving from Welfare to Work*, Center on Budget and Policy Priorities, February 2000, available on the internet at <http://www.cbpp.org/2-17-00hous.pdf>.

federal TANF funds for initiatives for working families because they wished to avoid triggering these requirements. Under the final federal regulations issued in April 1999, however, the definition of “assistance” has been clarified.³ It is now clear that homelessness prevention benefits are excluded from the definition of “assistance” if the benefits meet the following three criteria.

- 1) Benefits are designed to deal with a specific crisis situation or episode of need.
- 2) Benefits are provided on a one-time basis or for a prospective period that does not exceed four months.
- 3) Benefits are not intended to meet recurrent or ongoing needs.⁴

If families receive TANF-funded homelessness prevention benefits that are not considered “assistance” but do not receive monthly cash benefits, they are not subject to the 60-month time limit, are not counted in the determination of their state’s compliance with work participation requirements, and are not required to assign their child support rights to the state.

Short-term or one-time benefits to prevent homelessness that do not invoke the federal restrictions on “assistance” include payment for rent, mortgage, or utility arrears (in any amount and for any number of months) and first and last months’ rent deposits and security deposits. For example, a state may establish a TANF-funded program to pay overdue rent or mortgage liabilities and set a maximum benefit level of \$3,000 or six months, whichever is less. In addition, states and counties can provide emergency shelter, transitional housing, or short-term rent payments for homeless and other needy families for up to four months. Services that help families prevent eviction or locate new housing also are excluded from the definition of “assistance.”

Moreover, as long as benefits are provided to meet a short-term, non-recurrent need, they may be provided more than once during a year. For example, during a single 12-month period, a state can use TANF funds to provide a family with both a rent arrearage payment and funds to

³Only the aspects of the final regulations that pertain to homelessness prevention benefits are discussed here. More detailed explanations of the final TANF rules and how they apply to a variety of types of spending are contained in Liz Schott, Ed Lazere, Heidi Goldberg, Eileen Sweeney, *Highlights of the Final TANF Regulations*, Center on Budget and Policy Priorities, April 1999, available on the Internet at: <http://www.cbpp.org/4-29-99wel.htm>; Mark Greenberg and Steve Savner, *Final TANF Regulations: A Preliminary Analysis*, Center for Law and Social Policy, May 1999, available on the Internet at: <http://www.clasp.org/pubs/TANF/tanffederal.htm>; Mark Greenberg, *Beyond Welfare: New Opportunities to Use TANF to Help Low-Income Working Families*, Center for Law and Social Policy, July 1999, available on the Internet at: <http://www.clasp.org/pubs/TANF/markKELLOGG.htm>; and Eileen Sweeney et al., *Windows of Opportunity: Strategies to Support Low-Income Families in the Next Stage of Welfare Reform*, Center on Budget and Policy Priorities, January 2000, available on the Internet at <http://www.cbpp.org/1-12-00wel.htm>.

⁴45 C.F.R. § 260.31(b)(1).

repair a car, pay a utility bill, or meet another short-term crisis; this aid would not count against the family's lifetime TANF time limit or trigger the TANF work participation or child support assignment requirements. States and counties also may make several payments of the same type in a single year as long as each payment is made without the expectation of making additional payments. For instance, a state may provide rent arrearage payments twice in a 12-month period if each payment is made with the expectation that it will solve the family's housing problem.

Defining benefits as short-term if they cover a period up to four months, and permitting more than one emergency payment in a 12-month period, are significant changes from the rules that applied to Emergency Assistance (EA) programs under the former Aid to Families with Dependent Children program. Generally, EA benefits were restricted to needs that arose over a 90-day period and could be provided only once in a 12-month period. States that have continued to provide the same emergency benefits under TANF as they did under AFDC-EA may wish to reconsider the type, amount, and frequency of benefits they provide.

The clarified definition of "assistance" gives states and counties the flexibility to use TANF funds to help needy families that are not receiving monthly cash welfare benefits, in addition to helping their regular TANF caseloads. States and counties can set financial eligibility levels for TANF-funded homelessness prevention programs that are higher than eligibility levels for TANF "assistance." Families that have only a one-time or brief association with the TANF program to receive emergency benefits are not required to assign their child support rights to the state.⁵ Allowing more families to qualify for these short-term benefits may help working families retain stable housing and employment and reduce the need for more costly services such as homeless shelters.

Responding to emergency needs with TANF-only funds may enable states and counties to free up MOE funds for ongoing rental subsidies for families that are not receiving TANF monthly cash assistance. Ongoing subsidies that make housing affordable — funded with MOE or other state, local or federal funds — may be the most effective tool to prevent homelessness. A recent review of a broad range of studies on the prevention of homelessness concludes: "Based on evidence that subsidized housing, with or without supportive services, is sufficient to end homelessness for most families, and given the important role of subsidized housing (everywhere it has been examined) in ending homelessness among people with serious mental illnesses, we propose a shift to selected strategies of prevention, such as providing housing subsidies to those with worst-case housing needs, supporting employment and transitional assistance to poor, young people setting up households for the first time, and focusing efforts on communities from which large proportions of homeless people originate."⁶ States and counties also may be able to

⁵ Assignment of child support means that if a child's caretaker has the right to receive child support payments from one of the child's parents, the caretaker must transfer her rights to the state agency. Generally, a state uses such assigned child support payments to reimburse the state and the federal government for the cost of cash assistance benefits provided to that family.

⁶ Marybeth Shinn and Jim Baumohl, *Rethinking the Prevention of Homelessness*, available on the internet at <http://aspe.hhs.gov/progsys/homeless/symposium/13-Preven.HTM>. This article was part of the 1998 Symposium on

use MOE funds to provide other benefits. Some states have chosen to provide cash income support to certain families — such as those with a parent working in unsubsidized employment or with a disabled child or parent — with separately administered MOE funds so the months of assistance do not count against the federal time limit.⁷

The final TANF rules also make it easier for states and counties to contract with community agencies to run homelessness prevention programs by eliminating the need to collect or report data on individual families receiving TANF-funded “non-assistance.”

Because of another requirement in the final TANF regulations, however, states and counties that wish to use TANF funds to provide homelessness prevention benefits that are not considered “assistance” must use TANF block grant funds for the *current fiscal year*. If states have insufficient current year funds for this purpose but have surplus funds from prior years’ block grants, they can use prior year funds to pay for cash assistance and thereby free up current TANF block grant funds for crisis programs.

Many States and Counties Provide Benefits to Prevent Homelessness as Part of Their TANF Programs

Many states and counties include a variety of homelessness prevention benefits for families with children as part of their TANF programs. The types of emergency assistance states and counties provide include eviction prevention, short-term rental assistance, assistance to prevent utility shut-offs, emergency housing, and temporary shelter for homeless families. In the last few years, a number of states and counties, including Florida, Minnesota, and Washington, have used TANF funds freed up by declining caseloads to initiate or expand homelessness prevention programs.

As of June 1999, 34 states provided housing-related benefits as part of their TANF programs to families in situations that meet state-established emergency criteria. Of these 34 states, 31 provided crisis benefits to families that also received monthly cash benefits, 28 provided emergency assistance to families that are eligible for but not receiving TANF monthly cash benefits and 25 provided homelessness prevention benefits to families that are not eligible for monthly TANF benefits.⁸ The table below indicates the number of states providing different

Homelessness Research sponsored by the U.S. Department of Health and Human Services.

⁷See Center for Law and Social Policy, *State Policy Documentation Project: Separate State Programs and Segregated State Funds within TANF*, *CLASP Update*, October 2000; Eileen Sweeney et al., *Windows of Opportunity*, n. 3. See also Liz Schott, *Ways That States Can Serve Families That Reach Welfare Time Limits*, Center on Budget and Policy Priorities, June 2000, available on the Internet at <http://www.cbpp.org/6-21-00wel.pdf>.

⁸ State Policy Documentation Project, *Emergency Assistance for TANF Recipients*, June 1999, available on the internet at <http://www.spdp.org/tanf/tanfapps.htm#ea>. The information in the table concerning state TANF programs was collected before the final TANF regulations were issued. Some states use other state funds, outside of the TANF program, to provide housing-related homelessness prevention benefits. See Jennifer Twombly et al., A

types of housing-related benefits to prevent or alleviate homelessness and the categories of families eligible for each benefit. More detail on individual state programs is available at the website identified in note 8.

These state programs appear to mix TANF and MOE funds to provide homelessness prevention benefits, though some states and counties may have used MOE funds that were accounted for separately to provide emergency benefits to families not receiving TANF monthly cash assistance.

Homelessness Prevention Benefits Provided Under State TANF Programs

Types of Families Served	Total Number of States	Prevent Eviction	Short-term Rental Assistance	Prevent Utility Shut-off	Emergency Housing Assistance	Temporary Shelter
TANF monthly recipients	31	27	14	23	28	22
Eligible for but not receiving TANF	28	24	11	22	25	20
Not eligible for TANF monthly income assistance	25	20	10	17	18	17

Conclusion

Using the flexibility afforded by the definition of “assistance” in the final TANF regulations, states and counties may finance homelessness prevention benefits for all families with children with federal TANF funds without adverse effects on working families or others not receiving monthly TANF benefits. It is not necessary either to deny emergency assistance to certain families because they do not receive TANF cash assistance or to run the clock on families’ 60-month federal lifetime TANF time limit to provide them with emergency benefits and services. If states and counties fund homelessness prevention benefits provided through the TANF program entirely with federal TANF funds, they may have additional MOE funds available for ongoing housing assistance to working families and other programs for families that states and counties wish to assist without triggering TANF time limits.

Report on State-Funded Rental Assistance Programs: A Patchwork of Small Measures, National Low Income Housing Coalition, March 2001.