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Special Series: **Economic Recovery Watch**

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OVERVIEW OF THE TANF PROVISIONS IN THE ECONOMIC RECOVERY ACT

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The TANF provisions in section 2101 of the American Recovery and Reinvestment Act of 2009 create a new Emergency Contingency Fund under which states can receive 80 percent federal funding for increases (relative to a base year quarter) in certain TANF-related expenditures in federal fiscal years 2009 and 2010. States can access "emergency contingency funds" based on increased expenditures in each of three categories: **basic assistance, non-recurrent short-term payments, and subsidized employment.** To draw down funds for increases in the basic assistance category, a state must have an average monthly TANF/MOE caseload increase in a quarter relative to the corresponding quarter of the base year, but there is no caseload increase requirement for the other two categories.

The emergency fund is a temporary provision for 2009 and 2010. The appropriation is capped at $5 billion total for the two years. This cap is roughly double the amount that the Congressional Budget Office assumes states will draw down; it is almost certain that the $5 billion fund is sufficient to ensure that all states will be able to draw down the amount of funds they qualify for under the Emergency Contingency Fund formula.

- **Maximum amount that a state can draw down:** A state is eligible for emergency contingency funds equal to 80 percent of its increased spending in each of the three categories up to a maximum. The law caps the total amount that a state can receive over the two-year period at 50 percent of the State Family Assistance Grant amount for one year (without consideration of the supplemental grants). The 50 percent cap applies to the combined amount a state receives under the new Emergency Contingency Fund and the prior regular Contingency Fund. (The maximum a state can receive from the regular Contingency Fund is 20 percent of its block grant per year; the regular Contingency Fund is likely to run out of funds in 2009 or 2010.)

- **Base year:** The law sets the base year as either 2007 or 2008, whichever has the *lower* assistance caseload (for the basic assistance category) or lower expenditures (for the subsidized employment and non-recurrent short-term benefits categories). The base year for a state could be different for different expenditure categories.

- **Adjustments to data:** HHS is given broad authority to make adjustments to caseload and expenditure data to ensure comparability between the current year and the base year. The adjustment authority is intended to ensure that comparable program or funding configurations are being compared, that is, that the comparison is "apples to apples." For example, a state that has adopted a solely state-funded program since its base year might have its base year caseload and expenditures adjusted so that when current year caseload and expenditures are compared to the base year, the data are comparable. Without this adjustment mechanism, states that began or expanded a solely state-funded program might not qualify even if their caseloads increased.

- **Tribal TANF:** The law provides that the Emergency Contingency Fund is available to Indian tribes with approved tribal families assistance plans in the same manner that it is available to a state.

- **How the funds can be spent:** The law provides that a state can spend the Emergency Contingency Fund payments in any way that a state can use TANF block grant funding except that the funds cannot be transferred to the SSBG or the CCDBG. While the funds can be used for any permissible TANF block grant expenditure, a state will only qualify for an amount of funds that represents increased spending in the three categories.

- **Implementation:** The law directs HHS to implement the Emergency Contingency Fund as quickly as reasonably possible pursuant to appropriate guidance to the states.

Caseload reduction credit modification: The recovery package also includes an option for state modification of the caseload reduction credit, which establishes the target work participation rate that a state must meet under TANF. When calculating the caseload reduction credit that will be used to set a state's target work rate for 2009, 2010, or 2011, a state has the option of using its emergency fund base year in lieu of the caseload of the prior fiscal year. This provision ensures that states with rising caseloads do not see their target work participation rate go up. It is important to note that, even with this provision, a state with a rising caseload will need to engage a larger *number* of families in work activities. (For example, a 40 percent target rate applied to a larger caseload will result in a larger number of parents required to participate to meet the state work participation rate.)

TANF supplemental grant extension: The law extends TANF supplemental grants through fiscal year 2010.

TANF carryover funds: The law authorizes states to use carryover TANF funds from prior years for any purpose permissible for TANF spending. Prior to this change, a state could only spend carryover funds on assistance. While states were able to shift funding under the prior limitation so that this was not an absolute barrier to spending, it sometimes added unnecessary complexity. A state could spend carryover funds on assistance and use the current year funds for nonassistance; the change eliminates the need for the state to engage in a funding swap.