Temporary Assistance for Needy Families

The Temporary Assistance for Needy Families (TANF) block grant, enacted in 1996, replaced Aid to Families with Dependent Children (AFDC), which provided cash assistance to families with children experiencing poverty. Today, cash assistance makes up a much smaller share of TANF spending than it did under AFDC, as caseloads have fallen and states are using funds for other benefits and services.

What Is TANF?

Congress created the TANF block grant through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, as part of a federal effort to “end welfare as we know it.” TANF replaced AFDC, which had provided cash assistance to families with children in poverty since 1935.

Under TANF, the federal government provides a block grant to the states, which use these funds to operate their own programs. In order to receive federal funds, states must also spend some of their own dollars on programs for needy families as defined by the state. (They face severe fiscal penalties if they fail to do so.) This state-spending requirement, known as the “maintenance of effort” (MOE) requirement, replaced the state match that AFDC required.

States can use federal TANF and state MOE dollars to meet any of the four goals set out in the 1996 law: “(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.”
TANF Funding and Spending

The federal TANF block grant and state MOE contributions are the primary sources of funding for state TANF programs. The basic TANF block grant has been set at $16.5 billion each year since 1996; as a result, its real value has fallen by almost 40 percent due to inflation.

As noted above, states must spend state funds on programs for needy families as a condition of receiving the full federal TANF block grant. The amount states must spend is set at 80 percent of their 1994 contribution to AFDC-related programs. (This requirement is reduced to 75 percent for states that meet the work participation rate, which most states do.) In 2018, states spent roughly $15 billion in MOE funds (also referred to as state TANF funds). The amount states are required to spend (at the 80 percent level) in 2018 is about half of the amount they spent on AFDC-related programs in 1994, after adjusting for inflation.

Because TANF’s goals are so broad, 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 can use TANF funds beyond the core areas of providing a safety net and connecting families to work; some states use a substantial share of funding for these other services and programs, some of which include families who are not low income. Resources that states shift away from basic assistance aren’t available to serve more families in need or to reinvest in raising monthly benefits or offering other kinds of financial support to families in poverty.

Spending by Category, 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>National Spending 2018 (billions of dollars)</th>
<th>(share of spending)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Assistance</td>
<td>$6.7</td>
<td>21%</td>
</tr>
<tr>
<td>Work Activities</td>
<td>$3.3</td>
<td>11%</td>
</tr>
<tr>
<td>Work Supports and Supportive Services</td>
<td>$0.9</td>
<td>3%</td>
</tr>
<tr>
<td>Child Care</td>
<td>$5.3</td>
<td>17%</td>
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<tr>
<td>Administration and Systems</td>
<td>$3.1</td>
<td>10%</td>
</tr>
<tr>
<td>Tax Credits</td>
<td>$2.8</td>
<td>9%</td>
</tr>
<tr>
<td>Pre-K</td>
<td>$2.6</td>
<td>8%</td>
</tr>
<tr>
<td>Child Welfare</td>
<td>$2.6</td>
<td>8%</td>
</tr>
<tr>
<td>Other Services</td>
<td>$4.2</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$31.3</strong></td>
<td><strong>100%</strong></td>
</tr>
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</table>
Eligibility and Cash Assistance

States have broad discretion to determine eligibility for TANF cash assistance and a range of services. A state can set different eligibility limits for different TANF programs or services; for example, it can limit TANF cash assistance to very poor families while providing TANF-funded child care or transportation assistance to working families with somewhat higher incomes.

With regard to cash assistance programs, each state makes its own policy choices about criteria such as: benefit levels, how to determine financial need (treatment of income and assets), work-related activities required of applicants and recipients, sanctions imposed for failure to comply, and time limits.

States also have the flexibility to set their own benefit levels. TANF benefit levels are low and do not enable families to meet their basic needs. In almost every state, they leave a family of three below half the poverty line. States have not reinvested the savings from the steep caseload declines under TANF in raising benefit levels. In most states, benefits have dropped by at least 20 percent in inflation-adjusted terms since 1996.

The wide variation in benefit levels across states exacerbates national racial disparities because many of the states with the lowest benefits have larger Black populations. Fifty-five percent of Black children live in states with benefits below 20 percent of the poverty line, compared to 40 percent of white children.
While states can make their own choices on eligibility for cash assistance and the use of TANF and MOE funds and benefit levels, some restrictions flow from federal law. Key ones include:

- **Time limits.** While states can set their own time limit policies, they cannot provide cash assistance from federal TANF funds for longer than 60 months to a family that includes an adult recipient; however, states can exceed the 60-month limit for up to 20 percent of their caseload based on hardship. Federal law does not impose a time limit on “child-only families” (those with no adult receiving benefits) or on families receiving assistance funded entirely with state MOE funds. Most states have set time limits of five years on TANF- and MOE-funded assistance, though time limits in 21 states are shorter. States generally provide exceptions and exemptions for some groups of families who meet specific criteria, allowing them to receive assistance beyond the time limit. A few states continue benefits to the children in a family even after the parent reaches the time limit.

- **Immigrant eligibility.** Federal law bars states from using federal TANF dollars to assist most legal immigrants until they have been in the United States for at least five years. This restriction applies not only to cash assistance, but also to TANF-funded work supports and services such as child care, transportation, and job training. U.S. citizen children are eligible for TANF benefits and services even if they have non-citizen immigrant parents who do not, or do not yet, qualify.
States can use state MOE funds to provide benefits to recent immigrants who are subject to the five-year bar, but fewer than half do so. Neither federal nor state TANF funds can be used for undocumented immigrants.

**What Are TANF’s Work Requirements?**

States must require a recipient to engage in work activities and must impose sanctions (by reducing or terminating benefits) if the individual does not meet the requirements without good cause. States set their own sanction policies, and nearly all states have chosen to use “full-family” sanctions that terminate benefits to the entire family if a parent fails to meet the work requirements.

States can set their own policies on who must participate in work activities and what an individual must do. Their decisions, however, are heavily influenced by the federal TANF work participation rates, which are measured in accordance with detailed provisions of federal law; states that do not meet the work rates face a fiscal penalty. For a state to meet the federal work rates, 50 percent of the families receiving TANF cash assistance must be engaged in a work activity for at least 30 hours a week (20 hours a week for single parents with children under age 6). States also must have 90 percent of two-parent families engaged in work, generally for 35 hours per week. States can get credit toward meeting those 50 percent and 90 percent requirements if their assistance caseload has fallen since 2005; due in part to this “caseload reduction credit,” most states meet their work rates.

The 1996 law sets forth 12 categories of work activities that can count toward the work rates. It limits the extent to which participation in some types of work activities can count for the work rate calculation. For example, participation in some activities, such as job search or job readiness, can only count for a limited amount. In addition, participation in education and training activities often cannot count as a full-time activity but must instead be combined with 20 hours of participation in a “core” activity such as employment.

**How Has TANF Performed?**

Some policymakers have pointed to TANF as a model for reforming other programs, but the facts suggest otherwise. TANF is a greatly weakened safety net that does far less than AFDC to alleviate poverty and hardship. States’ broad flexibility to determine eligibility has created wide variation in program access and large disparities by race. Furthermore, TANF’s work programs rarely move parents into jobs that lift their families out of poverty.

TANF’s early years witnessed unprecedented declines in the number of families receiving cash assistance—and declines in the number of families in poverty. However, the TANF caseload has failed to adequately respond to need. For example, TANF responded only modestly to the most recent economic downturn. During the Great Recession, national TANF caseloads only rose by 16 percent before peaking in 2010, and then fell below pre-recession levels by 2013. During that same time, the number of families in poverty reached record highs and remained above pre-recession levels until 2016. In some states, the TANF
caseload did not rise at all despite increased need. Since TANF’s creation, the national caseload has declined by 74 percent, far exceeding the decline in poverty.

Because TANF reaches so many fewer families than AFDC did, it provides substantially less protection against poverty and deep poverty. In 1996, 68 families received TANF for every 100 families in poverty; in 2018, only 22 families received TANF for every 100 families in poverty. Sixteen states reach only 10 or fewer families for every 100 in poverty. Black children are more likely to live in states where TANF has all but disappeared; about 41 percent of Black children live in states with a TPR of 10 or less, compared to 30 percent of white children.

The share of children living in deep poverty (defined as living in families with incomes below half the poverty line) has increased since the 1996 law was implemented, and research suggests that the loss of TANF benefits contributed to that growth. While TANF benefits are too low to lift many families out of poverty, they can help reduce the depth of poverty, yet TANF has proven far less effective at lifting families out of deep poverty than AFDC, mostly because fewer families receive TANF benefits than received AFDC benefits. (The loss of purchasing power of TANF benefits has also contributed.) While AFDC lifted almost 3 million children out of deep poverty in 1995, TANF lifted only 287,000 children out of deep poverty in 2016.

TANF never lived up to its promise of moving families out of poverty through work. First, states invest little in their work programs. In 2018, states collectively spent only 13 percent of TANF and state funds on work activities and supports. (See table above; percentages do not sum to 13 percent due to rounding.) Second, TANF’s primary performance measure, the work participation rate, does not measure parents’ employment outcomes after leaving the program. A review of the research on early experimental work requirement programs found modest increases in employment and that many parents subject to work requirements remained poor. A more recent look at Kansas’ employment outcomes was in line with these findings; in Kansas, parents often had unstable work after leaving TANF and most had annual earnings below half the poverty line.

While some of the families that leave the TANF rolls go to work, many others leave because they are terminated due to time limits or sanctions for failing to comply with program requirements. Research conducted in the late 1990s shows that these families often have barriers to employment that can impede their ability to meet the state’s expectations, such as mental and physical impairments; substance use disorders; domestic violence; low literacy or skill levels; learning disabilities; having a child with a disability; and problems with housing, child care, or transportation. TANF has, for the most part, failed this group of families — many of whom have become disconnected from both work and cash assistance — by providing them with neither a reliable safety net nor employment assistance that adequately addresses their employment barriers.
Looking Ahead

Since states have broad flexibility over TANF, they can improve their programs and reduce racial disparities. States should reinvest TANF and MOE back into basic assistance and other areas to meet families' basic needs. They should increase benefits to at least recover the value lost since 1996 and establish a mechanism to annually adjust benefits upward in order to prevent future loss of value. To improve access to the program, states can lift income thresholds, remove barriers to access cash assistance, and stop cutting off families who are still struggling.

TANF has been due for reauthorization since 2010 but has only been temporarily extended since then. Reauthorization would give Congress an opportunity to refocus the program to help more very poor families meet their basic needs as well as to help connect parents in these families to work opportunities. TANF funds should target the families with the lowest incomes and should be used primarily for direct financial assistance. Congress also should replace the work participation rate with access measures to ensure that states serve families in need and with performance measures based on employment and earnings outcomes.

Updated February 6, 2020

For more information on Temporary Assistance for Needy Families, see:

Policy Brief: TANF Reaching Few Poor Families

Policy Brief: How States Use Funds Under the TANF Block Grant
https://www.cbpp.org/research/family-income-support/policy-brief-how-states-use-funds-under-the-tanf-block-grant