Policy Basics

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 poor families with children. 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 welfare to poor families with children 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 had 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."

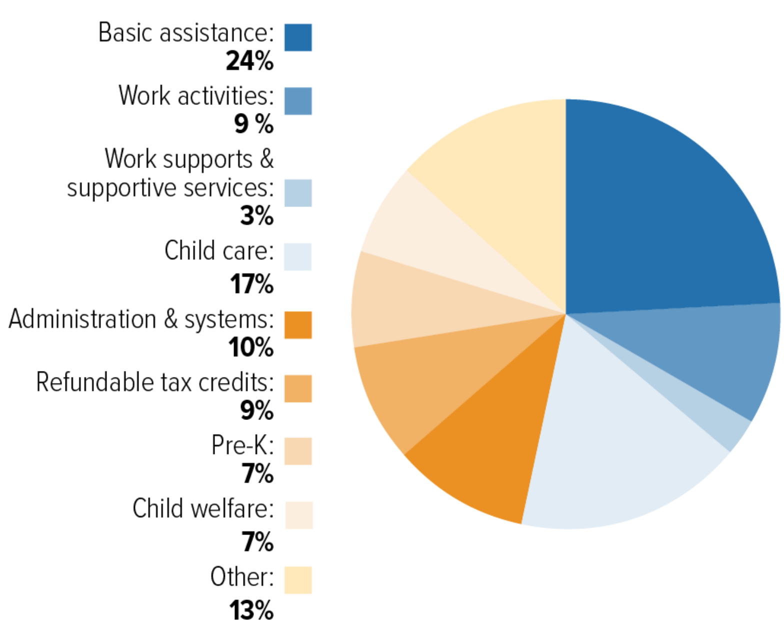
TANF Funding and Spending

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 2016, 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 2016 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 welfare reform 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.

How States Spent Federal and State TANF Funds in 2016



Note: TANF = Temporary Assistance for Needy Families.

Source: CBPP analysis of Department of Health and Human Services 2016 TANF financial data

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Eligibility and Cash Assistance

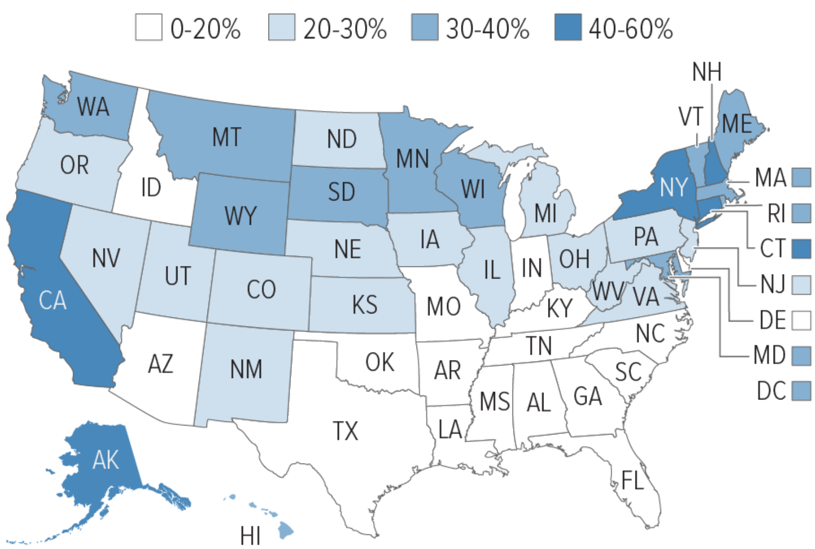
States have broad discretion to determine eligibility for TANF cash assistance and a range of services. A state can set different eligibility limits for different TANF programs or services; for example, it can limit TANF cash assistance to very poor families while providing TANF-funded child care or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

Like eligibility, states have the flexibility to set their own benefit levels. However, benefit levels are low and do not provide enough money to families to enable them to meet their basic needs. In almost every state, TANF benefit levels are not high enough to lift a family of three above half the poverty line. Additionally, most states' benefit levels have lost at least 20 percent in inflation-adjusted terms since 1996.

Maximum TANF Benefits Leave Families Well Below Federal Poverty Line

Maximum TANF benefit as percent of poverty line (for a family of three)



Note: The federal poverty level for a family of three in 2018 is $1,739 per month in the 48 contiguous states and Washington, D.C.; Alaska and Hawaii have higher poverty levels. TANF = Temporary Assistance for Needy Families.

Source: 2018 Health and Human Services Poverty Guidelines. TANF benefit levels for a single-parent family of three were compiled by CBPP from various sources and are current as of July 31, 2018.

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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. States can 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 (WPRs), which are measured in accordance with detailed provisions of federal law; states that do not meet the work rates face a fiscal penalty. While a state may choose to allow a family to participate in activities that do not count toward the federal work rates and can spend federal (or state) TANF funds to support activities that do not count toward the rates, states usually focus their work programs on activities that will count toward the work rates.

For a state to meet the federal work rates, half 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 the age of 6). States also must have 90 percent of two-parent families engaged in work, generally for 35 hours per week. States can get credit against the 50 percent or 90 percent rates for declines in their assistance caseload since 2005; this is known as the "caseload reduction credit." For 2017, eight states failed to meet their target work rate that applied to all families and one of those states (Nevada) also failed to meet the two-parent rate.

The 1996 law sets forth 12 categories of work activities that can count toward the work rates; the parameters for each activity are shaped by definitions set by federal rules that were established after TANF was reauthorized in 2005. Nine of these 12 categories are core categories that can count toward any hours of participation; participation in the three non-core categories can only count if the individual also participates in core activities for at least 20 hours per week (30 hours for two-parent families).

The nine core activities are:

- Unsubsidized employment;
- Subsidized private-sector employment;
- Subsidized public-sector employment;
- Work experience;
- On-the-job training;
- Job search and job readiness assistance;
- Community service programs;
- Vocational educational training (for up to 12 months); and
- Providing child care services to an individual who is participating in a community service program.

The three non-core activities are:

- Job skills training directly related to employment;
- Education directly related to employment;
- Satisfactory attendance at secondary school or in a course of study leading to a GED.

Federal law includes additional rules on when certain activities can count toward the federal work rate. For example, an individual's participation in job search or job readiness activities can only count for six weeks in a year (12 weeks in hard economic times) and for four consecutive weeks. In addition, no more than 30 percent of the families that a state counts toward its federal work rates may do so through participation in vocational educational training or, for parents under age 20, school attendance or education directly related to employment. (Under a special rule, secondary or GED-related school attendance or education directly related to employment can count as participation for parents under age 20 even if it would otherwise be a non-core activity that can only count after 20 hours per week of core participation.)

How Has TANF Performed?

Some policymakers have pointed to TANF as a model for reforming other programs, but the facts suggest otherwise. TANF provides a greatly weakened safety net that does far less than AFDC did to alleviate poverty and hardship. 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 changes in need. For example, TANF responded only modestly to the most recent economic downturn. During the Great Recession, the 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 was at record high levels and remained above pre-recession levels until 2016. In some states, the caseload did not rise at all despite the level of increased need. The national TANF caseload has declined by 69 percent over the last two decades, even though poverty has not declined nearly as much.

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 2016, only 23 families received TANF for every 100 families in poverty.

The share of children living in deep poverty (defined as living in families with incomes below half the poverty line) has increased since welfare reform was implemented, and research suggests that the loss of TANF benefits contributed to that growth. TANF benefits are too low to lift many families out of poverty, but they can help reduce the depth of poverty. 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 erosion in the value of TANF benefits has also contributed.) While AFDC lifted more than 2 million children out of deep poverty in 1995, TANF lifted only 635,000 children out of deep poverty in 2010.

TANF never lived up to its promise of moving families out of poverty through work. First, states invest little in their work programs. In 2016, states collectively spent only 12 percent of TANF and state funds on work activities and supports. (See pie chart above.) Second, TANF's primary performance measure, the WPR, does not measure parents' employment outcomes after leaving the program. A review of the research on early welfare-to-work 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 abuse; 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 welfare — by providing them with neither a reliable safety net nor employment assistance that adequately addresses their employment barriers.

Looking Ahead

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 help connect parents in these families to work opportunities. TANF funds should target the poorest families and be used primarily for the core welfare reform purposes of basic assistance, work-related activities and supports, and child care. Congress should replace the work participation rate with access measures to ensure families in need are being served and with performance measures based on employment and earnings outcomes.

Updated August 15, 2018

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

Policy Brief: TANF Reaching Few Poor Families
https://www.cbpp.org/research/family-income-support/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

Policy Brief: TANF Cash Benefits Are Too Low to Help Families Meet Basic Needs
https://www.cbpp.org/research/family-income-support/policy-brief-tanf-cash-benefits-are-too-low-to-help-families-meet