



May 8, 2018

TANF Reauthorization: House Ways and Means Committee Majority Discussion Draft of May 8, 2018

The Temporary Assistance for Needy Families (TANF) block grant provides grants to states, tribes, and the territories for a wide range of benefits and services that seek to address the effects of and root causes of child poverty and economic disadvantage. Funding is set to expire on September 30, 2018, for TANF and related programs providing mandatory child care funding and responsible fatherhood and healthy marriage grants. On May 8, 2018, the House Ways and Means Committee majority released a “discussion draft” bill that would make policy changes and fund TANF through FY2023.

TANF Purpose and Goals

Under current law, TANF’s purpose is to increase state flexibility to achieve four statutory goals: (1) provide assistance for needy families so that children may remain in their own homes; (2) end dependence of needy parents on government benefits through work, job preparation, and marriage; (3) reduce out-of-wedlock pregnancies; and (4) promote the formation and maintenance of two-parent families. The discussion draft would add a fifth statutory goal: to reduce the number of children in poverty by increasing the employment entry, retention, and advancement of their parents.

TANF Financing

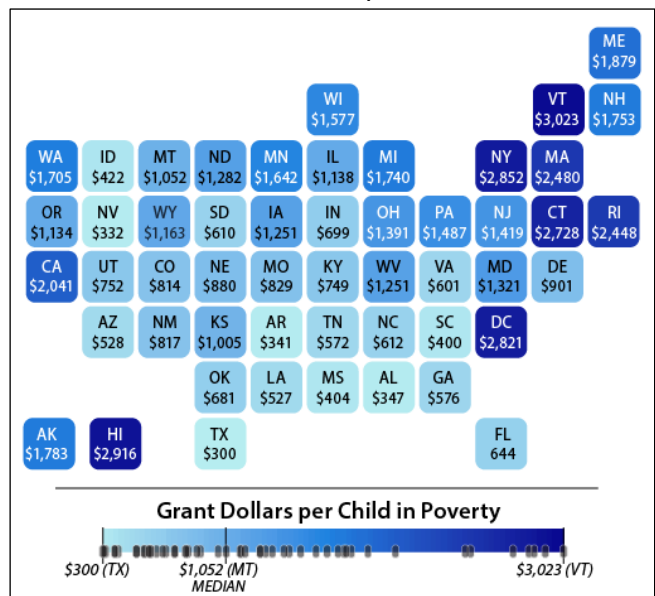
For FY2018, TANF provides grants to states in its basic block grant (\$16.5 billion total) and contingency funds (\$583 million). The TANF allocation to the states dates back to the 1996 welfare reform law, and is based on spending in the pre-TANF programs in the early- to mid-1990s. In addition to federal funds, TANF requires states to spend a minimum of \$10.3 billion per year in their own funds on TANF or TANF-related programs. This is known as the maintenance of effort requirement (MOE).

This discussion draft would extend funding for the basic block grant through FY2023 at its current national level, but change its structure. The basic block grant would have two components: a fixed amount and a capped matching grant. The fixed portion of the grant would be 75% of its FY2018 grant. States would still have to fulfill an MOE requirement to receive these funds, albeit at a reduced level (75% of their FY2018 MOE requirement). Remaining funds would be provided to each state as a capped matching grant, with its expenditures on “core” activities related to assistance and work activities matched at its Medicaid matching rate (Federal Medical Assistance Percentage, FMAP). Each state’s proportion of children living in poverty determines the allocation of its matching grant.

Figure 1 shows TANF grants per poor child under current law. It shows that state grants are not evenly divided per

child in poverty. Thus, the allocation of matching grants based on child poverty would change the distribution of funds. States with relatively low grants per poor child would gain funds; those with relatively high grants per poor child would lose funds. The Congressional Research Service (CRS) estimates that funding changes would range from an increase of 118% for Texas (assuming it draws down its full match) to a decline of 19.5% for the District of Columbia.

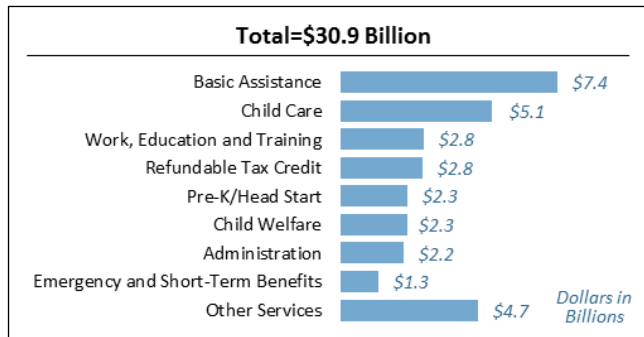
Figure 1. TANF Basic Block Grants Per Child in Poverty, by State
FY2018 Grants; 2016 Child Poverty Counts



Source: Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services and the Census Bureau’s Small Area Income and Poverty Estimates (SAIPE).

Use of TANF Grants

Under current law, states may expend federal TANF funds and count as MOE funds expenditures on benefits and services that aim to further TANF’s broad purpose and statutory goals. Figure 2 shows TANF and MOE spending by category. Spending on basic assistance, which includes the monthly cash assistance checks that TANF is best known for, totaled \$7.4 billion out of \$30.9 billion, or 24% of TANF spending. Work activity spending of \$2.8 billion accounted for an additional 9% of TANF spending. TANF funds are also used for child care, child welfare services (related to children in, or at risk of, foster care), early childhood programs, youth, and state spending on healthy marriage and responsible fatherhood programs.

Figure 2. TANF and MOE Expenditures in FY2016

Source: Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS).

The discussion draft limits spending from the capped matching grant to “core” assistance and work programs. Further, it prohibits direct spending within TANF for child care and child welfare services, requiring states to instead transfer those funds to the Child Care and Development Block Grant (CCDBG) and the Promoting Safe and Stable Families (PSSF) programs. It would allow transfers to the Workforce Innovation and Opportunity Act (WIOA) programs as well as CCDBG and PSSF of up to 50% of the fixed portion of the grant. Within that limit, PSSF transfers can be no more than 10% of that portion of the grant. It eliminates the current authority for states to transfer funds to the Social Services Block Grant. Further, the draft limits TANF direct and TANF funds transferred to WIOA to be spent on families with incomes of 200% of the federal poverty level or less.

Work Requirements

Current TANF rules for engagement of assistance recipients in work fall within the context of meeting the minimum work participation rate (WPR). The minimum WPR is a performance standard for the state; it does not apply directly to individual recipients. States that do not meet the WPR are at risk of a reduction in their federal TANF funds.

In order to meet the current TANF work participation standard, states must have 50% of “all families” and 90% of families with two parents either working or engaged in activities. A state may lower these percentages by reducing its caseload. There are rules for what activities count, and minimum hours per week of participation required, for a family to be counted by the state toward meeting its minimum WPR. Work in an unsubsidized job and participation in job preparation activities count toward meeting the standard.

States have generally met their minimum WPR through either caseload reduction or by having parents in families receiving assistance work in unsubsidized jobs. In FY2016, less than a quarter of all non-employed work-eligible individuals were engaged in activities in a typical month (see CRS In Focus IF10856, *Temporary Assistance for Needy Families: Work Requirements*). The discussion draft would replace the WPR with: (1) a universal engagement requirement; and (2) new performance standards for the states, based on employment and educational outcomes.

Universal Engagement

The term *universal engagement* means the state attempts to get all or nearly all TANF work-eligible recipients working or in activities. This is not in current law, though it was included in several proposals to reauthorize TANF during the 2002 to 2005 period. Under current law, states must assess the employability of adult TANF recipients. States then have the option of developing an individual responsibility plan (IRP) that sets forth an employment goal, obligations of the individual, and the services the state will provide. Currently, 37 states and the District of Columbia have an IRP requirement.

The discussion draft replaces the optional IRP with a mandatory Individual Opportunity Plan (IOP) within 60 days of a work-eligible individual becoming eligible for assistance. The plan must include an agreement in which the individual acknowledges receipt of publicly-funded benefits; set forth the obligation of the individual to participate in work or work preparation activities; establish an employment goal and planned actions to achieve the goal; and describe the job counseling and other services the state will provide. The IOP would be signed by the recipient, and there would be a requirement to meet with the recipient to review progress under the IOP every 90 days. The draft uses the current minimum hours standard for the WPR as a standard for individual recipients. As under current law, states would determine sanctions that would reduce benefits for families with an individual who does not comply with work and plan requirements.

Performance Outcome Measures

The discussion draft bill requires the U.S. Department of Health and Human Services (HHS) to establish a system of assessing program outcomes based on measures used in the WIOA system. These outcomes would measure job entry, job retention and the median wages of those who exit TANF assistance. Also, for recipients under the age of 24 who lack a high school diploma, the measures will consider whether or not they received a high school diploma or equivalent while on the program. These outcome measures would replace the WPR in assessing the performance of states. States would negotiate state-specific performance levels with HHS. States that do not achieve those performance levels would be at risk of a reduction in their federal TANF funds.

Related Funding Streams

The draft would provide annual appropriations at current law levels for the Child Care Entitlement to States (\$2.917 billion) through FY2023. These mandatory child care funds are integrated with discretionary CCDBG funds at the state level. The draft does not address healthy marriage and responsible fatherhood grants or the TANF contingency fund, which are also scheduled to expire at the end of FY2018.

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IF10886