Temporary Assistance for Needy Families

While the recent economic crisis caused severe disruptions and uncertainty for workers across all income levels, low-income workers have been disproportionately impacted by the downturn.

Thirty-one percent of workers in the lowest-income households—those earning below $12,500 per year—were unemployed during the fourth quarter of 2009, more than three times the national rate. Many low-income workers find themselves in a vicious cycle, lacking the skills to obtain stable, well-paying jobs, but unable to pursue the education or training necessary to get a good job.

These difficulties are often exacerbated by federal policies that prioritize rapid labor market attachment over longer-term education and training. The Temporary Assistance for Needy Families (TANF) program, the cornerstone of federal welfare reform, exemplifies this “work-first” philosophy. Although nearly half of adult TANF recipients are unemployed and actively seeking work, only about 2 percent of federal TANF dollars in Fiscal Year (FY) 2009 were used for training and education services, in part because of significant limitations the law imposes on such activities.

Background

Administered at the federal level by the Administration for Children and Families (ACF) within the U.S. Department of Health and Human Services (HHS), TANF is considered the nation’s principle anti-poverty program. TANF was created in 1996 as part of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), and reauthorized in 2005 under the Deficit Reduction Act (DRA). The TANF block grant replaced three existing programs, Aid to Families with Dependent Children, Job Opportunities and Basic Skills Training, and Emergency Assistance.

PRWORA ended the individual entitlement to federal welfare benefits and replaced it with a block grant to states; imposed a five-year cumulative lifetime limit on the use of federal funds to provide assistance; prioritized caseload reduction for the states; and emphasized rapid employment as the goal for TANF recipients. The law devolved significant program authority to the states, increasing flexibility and expanding states’ control over design and implementation. In return, states faced financial penalties if a certain percentage of their adult caseload was not engaged in specified work activities. States were permitted to use their own definitions of these work activities (within broad parameters), and received credit for caseload declines since 1995.

The 2005 TANF reauthorization under the DRA made several changes to the law which had the effect of sharply increasing work participation rates while also restricting the types of qualifying work activities, making it much more difficult for TANF participants to receive education and training services and supports.
TANF At-A-Glance

**Statute.** Title IV, Social Security Act (Public Law 74-271).

**Administration.** U.S. Department of Health and Human Services, Administration for Children and Families.

**Reauthorization.** Block grant program authorized through September 30, 2011.

**Federal funding.** $16.5 billion for the block grant program in Fiscal Year 2010.

**Type of program.** Block grant.

**Institutions providing services.** Training and education services can be provided by a range of entities, including institutions of higher education and community-based organizations.

**Participants served.** Approximately 4.5 million individuals and 1.9 million families were receiving assistance through TANF or separate state programs in June 2010.

**Policy recommendations.**

- Increase access to training for skilled jobs by removing current limitations on the amount of time individuals can participate in vocational educational training and the percentage of such individuals who may count toward state work participation rates.

- Encourage stronger alignment between TANF and other federally-funded workforce programs, building on state efforts to develop career pathways programs that link adult education, job training, and higher education systems to allow individuals to obtain or pursue employment and training opportunities leading to well-paying careers.

- Reward states moving people into real jobs and better wages by developing performance measures that track successful employment and educational outcomes, and give states the flexibility to transition from the current process-based approach to an outcomes-based performance accountability system over time.
Current Legislative Status

TANF was extended through September 30, 2011, as part of the Claims Resolution Act of 2010. The Claims Resolution Act also effectively ended FY 2011 funding for a contingency fund created under PRWORA, and cut funding for supplemental grants for certain states. The popular TANF Emergency Contingency Fund (ECF), created under the American Recovery and Reinvestment Act (Recovery Act) to reimburse states for certain additional TANF expenditures (including subsidized employment), was allowed to expire in September 2010.

It is unclear whether Congress will take up a full TANF reauthorization in 2011; it is possible that ACF may consider administrative options to improve the program if Congress fails to act. The Obama Administration has placed increased emphasis on cross-agency collaboration to expand the range of services available to TANF recipients. In January 2010, for example, ACF and the Department of Labor’s Employment and Training Administration issued a joint “Dear Colleague” letter encouraging state and local TANF and workforce agencies to partner in the delivery of subsidized employment programs for youth. While these efforts are important and should continue, they are not a substitute for a full reauthorization of the TANF program.

Funded Activities

States have broad flexibility to spend TANF funds in any way “reasonably calculated” to further the goals of the law, which are:

- Providing assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- Ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- Preventing and reducing the incidence of out-of-wedlock pregnancies and establishing annual numerical goals for preventing and reducing the incidence of such pregnancies; and
- Encouraging the formation and maintenance of two-parent families.

Expenditures on the first two goals may be provided only to “needy” families, as defined by states.

Eligibility for TANF

Federal TANF regulations distinguish between eligibility for “assistance” (income support such as cash or vouchers that can be used to meet ongoing, basic needs) and “non-assistance” (TANF-funded services such as case management and job training). Time limits and work requirements only apply to assistance; individuals who do not qualify for cash assistance may still be eligible to receive training and other supports or services under TANF.

In general, states are free to set their own TANF eligibility requirements, although federal law imposes certain restrictions. For example, assistance may not be paid to:

- Families without a minor child or a pregnant woman;
- Families with an adult who has received cumulative assistance of sixty months;
- Teenage parents who do not attend high school or an equivalent training program; or
- Teenage parents not living in adult-supervised settings.
TANF Work Requirements

Central to the TANF program is a focus on work participation rates. States are required to meet two separate work participation rates: 50 percent of all adults receiving TANF, and 90 percent of all two-parent families, must have an adult engaged in one of twelve work activities, including:

- Unsubsidized employment;
- Subsidized private sector employment;
- Subsidized public sector employment;
- Work experience, including work associated with refurbishing publicly-assisted housing, if sufficient private sector employment is not available;
- On-the-job training;
- Job search or job readiness assistance (for the hourly equivalent of up to six weeks, or twelve weeks in states meeting certain conditions);
- Community service programs;
- Vocational educational training (for up to twelve months);
- The provision of child care services to an individual who is participating in a community service program;
- Job skills training directly related to employment;
- Education directly related to employment, in the case of a recipient who has not received a high school diploma or equivalent; or
- Satisfactory attendance at a secondary school or in a course of study leading to a certificate of general equivalence, in the case of a recipient who has not received a high school diploma or equivalent.

Work-eligible individuals must participate in work activities for a minimum average of thirty hours per week to count toward a state’s participation rate. The first twenty hours must be in one of nine “core” activities (as noted above with an asterisk) while the remaining hours may include activities such as jobs skills training, education directly related to employment, and secondary school attendance.

States’ work participation rates can be reduced under a caseload reduction credit. Many states used the flexibility created by lower effective participation rates under the caseload reduction credit to provide a wide range of services and supports—including education and training—beyond the federally allowed work activities. However, the DRA reset the base year for the caseload reduction credit to FY 2005 (from FY 1995), significantly impacting effective participation rates and forcing many states to once again focus services more narrowly on just those allowed under federal law. In FY 2002, for example, nineteen states had zero effective participation rates, and only ten states had rates exceeding 10 percent, while in FY 2007 (the first year of implementation of the new base year) three states had zero participation rates, while 42 states had rates exceeding 10 percent. In FY 2002, no states failed to achieve their all-families participation rate, but in FY 2008 a total of seven states missed their targets.

Similarly, the DRA extended participation rate requirements to “separate state programs” that were funded with state Maintenance of Effort (MOE) funds rather than federal funds; many states had been using these programs to serve two-parent families rather than trying to meet the 90 percent participation rate.
rate requirement. This change has had a significant impact on the number of states providing services to two-parent families. In FY 2006, 49 states or territories served such families through federally-funded TANF programs or in separate state programs; only five jurisdictions did not serve two-parent families through either program. By FY 2008, only 27 states or territories reported serving such families in either TANF or separate state programs.

The Recovery Act included a temporary modification of the caseload reduction credit to reduce the risk that states would be penalized by rising caseloads during the recent economic downturn. In FY 2009-2011, states may either use the prior fiscal year as the base year for calculating the credit, or may use the credit for which they qualified in FY 2007 or 2008.

**FIGURE 1: Average Percent Adults Participating in Work Activity toward All-Family Requirements, Fiscal Year 2008**

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**Education and Training**

TANF allows several education and training activities to count toward a state’s work participation rate, including vocational educational training, secondary school attendance, education directly related to employment, and on-the-job training. However, the law places significant limits on how these activities may be counted. For example, education directly related to employment and job skills training can only be counted after a recipient had participated in twenty hours of a “core” work activity, and no more than 30 percent of a state’s work participation rate may be satisfied by individuals participating in vocational educational training.

The interim final rule issued by HHS in 2006 to implement the DRA included provisions that prohibited unsupervised homework time from counting toward work requirements under vocational educational training, education directly related to employment, and secondary school attendance. While the 2008 final rule changed this to allow up to one hour of unsupervised homework time for each hour of class time, the emphasis of the program remains on tracking hours of participation, rather than focusing on successful outcomes for participants.

**Vocational Educational Training**

The 2008 final rule defines vocational educational training as “organized educational programs that are directly related to the preparation of individuals for employment in current or emerging occupations.” Vocational educational training can only count toward an individual’s work requirement for up to twelve
months, and must be supervised on a daily basis. The rule notes that many activities that would qualify as vocational education training may also qualify as job skills training directly related to employment or education directly related to employment; these activities are not subject to the twelve month limitation, but do not qualify as core work activities.

The final rule clarified that basic skills education and English as a Second Language (ESL) instruction may count as part of vocational educational training if it is a necessary and regular component of the training, but cannot be stand-alone activities, even if offered as part of a sequence leading to occupational skills training. Basic skills and ESL instruction may also be considered as part of education directly related to employment.

The final rule also indicates that work toward a baccalaureate or advanced degree may be counted as vocational educational training.

Despite this flexibility, there is evidence that many states are not taking full advantage of the education and training options under TANF. In FY 2008, only six states maintained a monthly average of more than 20 percent of work-eligible individuals participating in vocational education and training, and the national monthly average was only 10.4 percent, far below the 30 percent permitted under the statute. Fewer than 4 percent of individuals participated in job skills training; fewer than 2 percent participated in education related to employment; and less than one-half of 1 percent engaged in on-the-job training.

At the same time, the number of work-eligible individuals participating in unsubsidized employment has significantly increased since the passage of the DRA, increasing from 48.8 percent in FY 2006 to 65.4 percent in FY 2008. While increasing labor market attachment is an important goal for TANF recipients, without access to education and training TANF recipients too often remain trapped in low-wage, dead-end jobs; in FY 2006, the monthly average earned income for TANF adults was $702.50, an average of just over $8,400 per year.
Funding Under TANF

Federal Funding

In FY 2010, the TANF block grant was funded at just under $16.5 billion, the same rate originally authorized under PRWORA.24 Because the block grant is not adjusted for inflation and has not been increased by statute, the purchasing power of these funds has declined by 28 percent since 1996.25 TANF is funded through direct spending, which means the program must have a current authorization to remain funded. Grants are allocated to the states based largely on state spending levels under the old Aid to Families with Dependent Children (AFDC) program.

States are allowed to reserve and carry over TANF funds from year to year. Originally, states were only allowed to use carry-over funds to provide “assistance,” such as direct income support, but the Recovery Act permanently lifted this restriction and states are now allowed to use such funds for any allowable TANF benefit, service, or activity.26

In addition to the regular block grant, PRWORA established a $2 billion contingency fund to help states with high rates of unemployment or participation in nutritional assistance programs cover extraordinary expenses. PRWORA also created a set of supplemental grants for seventeen states with low welfare payment rates and population increases dating to the mid-1990s. The grants, funded at $319.5 million in FY 2010, were slated to expire in FY 2009 under the DRA, but were extended through FY 2010 as part of the Recovery Act.27

During the recent economic downturn, states have drawn heavily on the contingency fund; according to a September 2009 program instruction letter issued by ACF, funds available under the program decreased from $1.3 billion at the start of FY 2009 to less than $230 million as of July 2009.28 Congress appropriated an additional $506 million in FY 2011 for the contingency fund under a continuing resolution (CR) enacted in September 2010,29 but under the Claims Resolution Act withdrew all unobligated FY 2011 funds and directed those funds into the supplemental grant program instead.30 The supplemental grant program itself was reauthorized only through June 2011, and funding was capped at about two-thirds of prior year levels.31

The Recovery Act created a new Emergency Contingency Fund which made $5 billion available to states to cover additional costs of increased short-term benefits or subsidized employment programs.32 The program proved to be extremely popular, with nearly forty states establishing subsidized employment programs to serve close to 250,000 low-income parents and youth,33 but Congress allowed the program to lapse in September 2010.

State Funding

To avoid federal penalty, states must meet an MOE requirement on qualified expenditures for eligible families at a specified minimum percentage of their FY 1994 spending on programs meeting the purposes of TANF. Generally, state MOE requirements are set at 80 percent, although this is reduced to 75 percent for states that meet both the all-family and two-parent work participation requirements.34 States that fail to meet MOE requirements risk a reduction in federal funds.

States may use MOE funds as part of their TANF-funded program, or in separate state programs, to cover five types of expenditures: cash assistance; child care assistance; education activities designed to increase self-sufficiency, job training, and work; any other activity designed to further the purposes of the act; and administration (up to 15 percent).35 About half of all states had expenditures in separate state programs in FY 2009.36 Total state MOE spending for TANF and separate state programs in FY 2009 was about $15.4 billion, an increase from about $13.3 billion in FY 2007.37
Spending Under TANF

Federal expenditures in state TANF programs totaled nearly $15.2 billion in FY 2009, with about 37 percent of that total going toward assistance and the remaining 67 percent going to non-assistance.\(^38\) Expenditures of federal funds on assistance ranged from 4 percent in Illinois to 69 percent in Tennessee.\(^39\) State MOE expenditures in FY 2009 were slightly more than $14.3 billion, with about 34 percent going to assistance and 66 percent to non-assistance activities.\(^40\)

TANF Spending on Training and Education

In FY 2009, states spent a little more than $361 million on education and training under TANF, including about $235 million in federal dollars\(^41\) and about $126 million in state MOE funding.\(^42\) A total of 37 states used federal TANF funding to pay for education and training services for recipients, and 21 states used state MOE dollars for such activities. Overall, states used about 2 percent of federal TANF funding and about 1 percent of all state MOE funds on education and training.\(^43\)

Populations Served Through TANF

The changes to federal welfare law under PRWORA have had a significant impact on the number of low-income individuals who are receiving assistance. As of June 2010, the national monthly average number of TANF recipients was about 4.5 million.\(^44\) In January 1997, when TANF was first being implemented, 11.4 million individuals were served by AFDC/TANF programs.\(^45\) However, this does not reflect a reduction in the number of individuals who could benefit from assistance. According to one estimate, about 80 percent of eligible families received assistance under AFDC during the 1980’s and early 1990’s; by 2005 only about 40 percent of eligible families received assistance under TANF.\(^46\)

This decline in access to assistance has been particularly devastating for eligible children. In 1995, AFDC helped keep more than 60 percent of children living below half the poverty line out of deep poverty, while by 2005 that number had decreased to 21 percent.\(^47\) Such data underscore the limited value of focusing on caseload reduction as a measure of TANF’s success, and argue for a renewed emphasis on restoring the program’s countercyclical anti-poverty focus as part of the forthcoming reauthorization process.

Among adult TANF recipients during FY 2008,\(^48\)

- A significant majority (87.3 percent) were women, more than half of whom were between the ages of 20-29;
- 35.2 percent were white, 35 percent were African-American, and 23.3 percent were Latino/Hispanic;
- About 43 percent had failed to complete high school, while fewer than 5 percent had some form of postsecondary education; and
- 25.9 percent were employed, 46.8 percent were unemployed but looking for work, and 27.3 percent were not in the labor force.

An increasing percentage of TANF cases are “child-only” cases, in which assistance is provided to households where no adult is included in the grant, typically because they have exceeded eligibility time limits or have been sanctioned from the program. In FY 2006, 47.2 percent of all TANF cases were child-only cases, up from 34.5 percent in FY 2000.\(^49\) These cases are not included in a state’s work participation rate, and therefore adults in these households may be less likely to receive access to education and training services.
Relationship to Other Programs

TANF recipients have priority for certain services, including training, under the Workforce Investment Act (WIA). TANF is an optional partner in the one-stop system, although WIA regulations state that governors and local workforce entities should “encourage the TANF agency to become a One-Stop partner to improve the quality of services to…TANF-eligible populations.”

Despite legislative and regulatory language that encourages collaboration between TANF and WIA programs, only 1.3 percent of individuals who exited the WIA Adult program in FY 2008 were co-enrolled in TANF. This suggests that relatively few TANF recipients are accessing the full range of employment and training services available through the public workforce system, which may limit their prospects for obtaining and retaining family-supporting jobs. It is likely that successful integration between state and local WIA and TANF programs is limited, in part, due to confusion over differing eligibility requirements, allowable uses of funds, and performance measurement and outcome reporting systems between the programs.

Performance Accountability

At the state level, performance is measured by the work participation rates. Accountability is primarily enforced through penalties, and states can have their block grants reduced by up to 25 percent per year for failing to meet work participation rate requirements, failure to meet basic MOE requirements, or by not submitting required reports.

States are not required to track employment outcomes for TANF recipients in order to qualify for block grant funds. States collected data on job entry, job retention, and earnings gains for TANF recipients to qualify for the High Performance Bonus program, which was last funded in FY 2004. ACF has instructed states to continue to collect and report this information for annual state rankings. HHS is required to produce.

While the work participation rates reflect Congress’ original intent to focus on rapid labor market attachment, they do a poor job of capturing whether work activities, including education and training, are leading to positive short- or long-term employment outcomes for program participants. Because states are evaluated only on participation rates, there is little incentive for TANF providers to direct individuals to education and training services that might lead to better outcomes for participants, and the erosion of TANF funding over the last decade and a half has led to increased competition for resources. In addition, the administrative burden of tracking daily participation in certain education and training activities may discourage TANF providers from recommending such options to work-eligible participants.
Policy Recommendations

Increase Access to Training for Skilled Jobs

Current law reflects a “work-first” philosophy, requiring states to ensure that a certain percentage of individuals participate in work activities but limiting the amount of training and education that qualifies towards these work requirements. While these restrictions were intended to reduce dependence on government assistance, in practice such limits reduce the number and kinds of jobs for which recipients are qualified, and therefore paradoxically limits their efforts to become self-sufficient. Congress should lift the twelve-month restriction on postsecondary education and the 30 percent cap on the number of TANF participants engaged in vocational educational training who may count toward a state’s work participation rate. Congress should also signal to states through the program goals and other legislative language a move away from “work-first” models toward strategies that promote meaningful skills and credential attainment for TANF program participants.

Encourage Stronger Alignment Between TANF and Other Federally-Funded Workforce Programs

In recent years, a number of states have taken steps to develop career pathways programs that link adult education, job training, and higher education systems to allow individuals to obtain or pursue employment and training opportunities leading to well-paying careers.\(^5\) Congress should build on these efforts by providing states and localities with greater flexibility to blend TANF and funding streams under WIA Titles I and II to support employment and training activities that support low-income individuals. Congress should permit agencies to report a single set of outcomes for individuals enrolled in both WIA and TANF programs, encourage unified state planning across all programs that serve low-income individuals, and require states to establish and meet annual co-enrollment goals to ensure eligible participants have access to needed services.

Reward States Moving People into Real Jobs and Better Wages

Current law focuses on work participation rates and caseload reductions, rather than on positive outcomes for program recipients. Congress should develop performance measures that reward states for moving TANF recipients toward stable employment at family-sustaining wages, and should consider including measures of educational attainment, including interim basic skills gains and attainment of industry-recognized degrees, credentials, and certificates that lead to employment. Congress should consider requiring HHS to set national and state goals for training participation under TANF, and give states flexibility to transition from the current process-based approach to an outcomes-based performance accountability system over time.

To download the complete version of National Skills Coalition’s Training Policy in Brief, visit [www.nationalskillscoalition.org/InBrief](http://www.nationalskillscoalition.org/InBrief).
References

5. PL 111-291.
7. PL 111-5.
9. Federal assistance may be provided under “child-only” cases to households where an adult has exceeded the time limit. In their preamble to the final rule (http://www.acf.hhs.gov/programs/ofa-law-reg/finalrule/regla1.pdf), ACF indicated they would be monitoring state data to ensure that states were not converting cases to child-only cases to evade this restriction.
10. The law also denies assistance for ten years to individuals who fraudulently misrepresent residence to obtain assistance in two or more states; denies assistance to fugitive felons and parole and probation violators; and denies assistance to individuals convicted of a drug related felony unless a state specifically opts out of this provision through legislation. 42 U.S.C. §608 and 21 U.S.C. §862a.
11. TANF is almost entirely process-oriented, rather than outcome-based.
12. Does not include “child-only” cases.
13. *Indicates a “core” activity.
14. The original 1999 TANF rule did not define the twelve statutory work activities, as ACF sought to provide states with maximum flexibility in program design. However, a 2005 Government Accountability Office report (GAO-05-821) cautioned that differences in state definitions were leading to inconsistent measures of work participation, leading to efforts under the DRA to define the activities. The DRA did not change the allowable work activities, but did direct HHS to issue regulations to ensure more consistent measurement of work participation across states. HHS issued the final rule in February 2008, which included definitions of the twelve work activities (http://www.acf.hhs.gov/programs/ofa-law-reg/finalrule/tanf_final_rule.htm).
15. The caseload reduction credit lowers a state’s work participation rate by one percentage point for every percentage point reduction it achieved in its overall TANF caseloads since a certain base year. This reduced participation rate is typically referred to as a state’s “effective participation rate.”
17. Per phone conversation with ACF staff January 7, 2010, all states failing to meet their Fiscal Year 2008 work participation rates have requested penalty relief on grounds of reasonable cause. These cases are still being evaluated, and no financial penalties have been assessed.
19. http://www.acf.hhs.gov/programs/ofa/policy/pi-ofa/2009/200902/200902.htm. According to a May 2010 Government Accountability Office report (GAO-10-525), the impact of this change still cannot be determined because HHS has not yet calculated these credits. However, the report did indicate that, since the beginning of the recent recession in December 2007, 37 states had seen increases in the number of families receiving cash assistance.
30. PL 111-291. The Claims Resolution Act did not impact $612 million in FY 2012 funding for the contingency fund under the continuing resolution.
35 42 U.S.C. 609.
47 Ibid.
50 As opposed to a mandatory partner. See the WIA Title I chapter for additional details.
51 20 C.F.R. §663.620.
52 http://www.doleta.gov/performance/results/pdf/TANFWIA7-23-2010.pdf. The Department of Labor notes that data on TANF receipt is only available for individuals receiving intensive or training services under WIA, which means the overall percentage of WIA exiters who were also receiving TANF benefits might be higher, although these additional individuals would only have received core services under WIA.
54 The national average for job entry in FY 2007 was 35.8 percent, job retention was 64.4 percent, and earnings gain was 36.6 percent. http://www.acf.hhs.gov/programs/ofd/data-reports/HPB/2007/tab3a.htm.
55 A study of Washington, DC’s TANF program noted that providers received a significant bonus for placing participants in any job—regardless of wage level—for six months, but received no bonus for achieving educational outcomes or employment outcomes beyond six months. While this only reflects program design in one jurisdiction, it does underscore how the law can discourage longer-term approaches. See http://dcfpi.org/wp-content/uploads/2009/11/11-12-09TANFFreport.pdf.