



The President's Fiscal Year 2017 Budget Strengthening the Temporary Assistance for Needy Families (TANF) Program

February 12, 2016

The Temporary Assistance for Needy Families (TANF) Program provides \$17.3 billion annually to states, territories, and eligible tribes to assist low-income families and improve employment and other outcomes. The President's FY 2017 Budget includes \$10 billion in new funding over five years and several proposals designed to strengthen the TANF program, provide states additional resources during economic downturns, and assist families in building economic security.

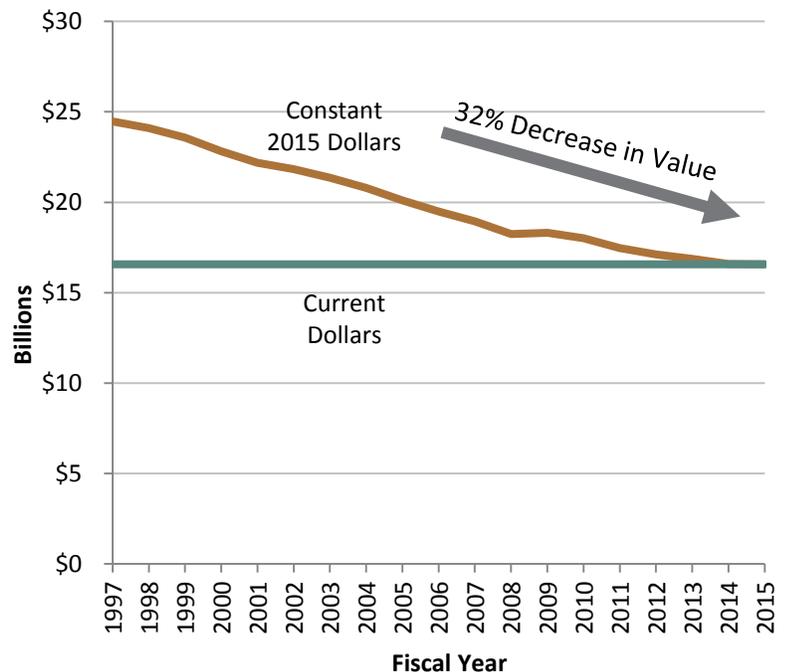
Highlights of TANF Proposals in the FY 2017 President's Budget

- Increases the TANF block grant by \$8 billion over 5 years;
- Limits federal TANF and state Maintenance of Effort (MOE) spending to families with income at or below 200% of the federal poverty level;
- Adds "reducing child poverty" as a new purpose of TANF;
- Sets a minimum threshold for spending on core benefits and services;
- Recognizes the need for a better accountability structure focused on helping families get and keep jobs;
- Allocates \$2 billion over 5 years for a new TANF Economic Response Fund;
- Repurposes the TANF Contingency Fund for the Pathways to Jobs initiative, Two-Generation Demonstration projects, research, and program improvements.

Increased Resources and Greater Accountability

In the 20 years since TANF was created, the value of the TANF block grant has eroded by about one-third due to inflation (*Figure 1*). To begin to address this, the FY 2017 budget would increase the family assistance grants by \$8 billion over a 5-year period, beginning with \$750 million in FY 2017 and increasing to \$2.25 billion by FY 2021. A state's grant would equal the amount it received in FY 2016 plus its share of the amount of funding above the FY 2016 funding level, distributed according to a new formula such as one based on the number of poor children in each state. The state's basic MOE requirement would also increase by the same percentage increase in the block grant. TANF Tribal Family Assistance Grants would increase by the same proportion as the increase in the associated state grants. These additional funds would be coupled with an increased focus on helping families prepare for and find jobs, along with new financial and programmatic accountability standards for states.

Figure 1. Value of the TANF Block Grant, FY 1997 — FY 2015



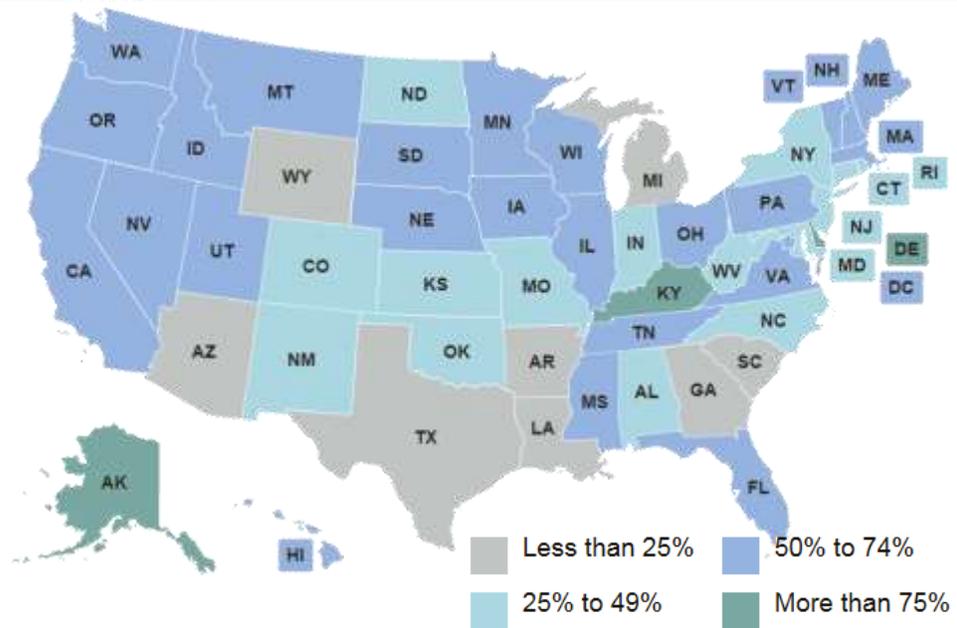
Note: The Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) is used to calculate the inflation adjustment.

Source: TANF administrative records.

Refocusing the Program on Economic Stability and Employment

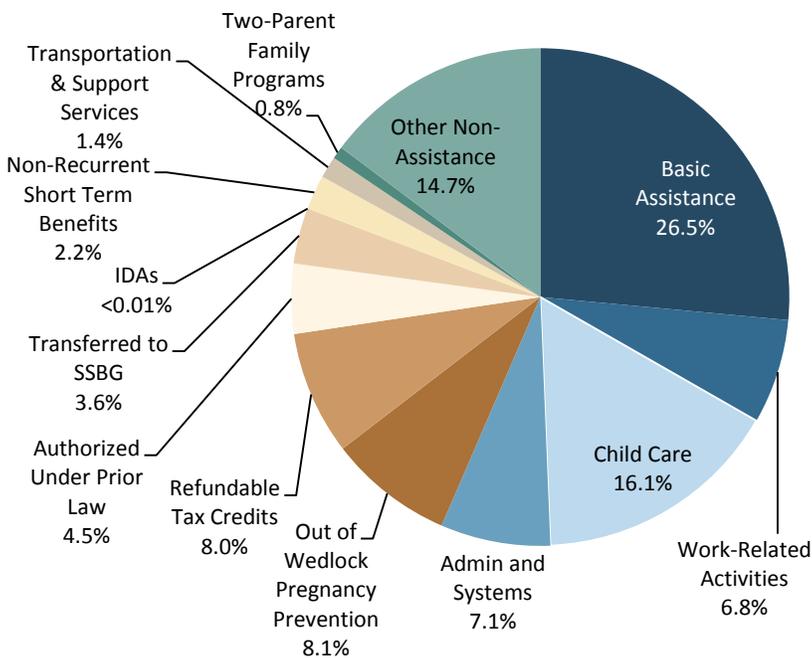
Twenty-three states spent less than half of their TANF and MOE funds on the combination of basic assistance, work-related activities, and child care in FY 2014. Figure 2 shows the states by the share of funds spent on these core TANF activities. Figure 3 shows the national distribution of funds by activity. In FY 2014, just under half (49 percent) of the \$31.9 billion in federal TANF and state MOE funds was spent on basic assistance, work-related activities, and child care combined.

Figure 2. Share of TANF & MOE Funds Spent on Basic Assistance, Work-Related Activities, and Child Care, FY 2014



Source: TANF Financial Data – FY 2014.

Figure 3. TANF & MOE Spending and Transfers by Activity, FY 2014



Note: IDA=Individual Development Accounts. SSBG=Social Services Block Grant. For more information on spending categories, see <http://www.acf.hhs.gov/programs/ofa/tanf-and-moe-2014>. Source: TANF Financial Data – FY 2014.

The budget would require that in FY 2017 states use an amount equivalent to 55 percent of their TANF state family assistance grants (SFAG) and basic MOE amount on the **core benefits and services of TANF**: basic assistance, work-related activities for needy families, and child care. The required share would increase incrementally to 60 percent in FY 2021, and states would also receive additional block grant funding over the 5-year period. This proposal requires that states invest in the key benefits and services that help families towards economic security while maintaining state flexibility.

Note: Figures 2 and 3 are illustrative of current state spending and the data differ in key ways from the budget proposal. The budget proposes a core benefits and services requirement as a share of the block grant (SFAG) and basic MOE requirement, while these figures show spending on core benefits and services as a share of total TANF and MOE spending and transfers in FY

2014. Thus, the figures include spending using carryover funds, do not account for unspent carryover funds, and are based on actual MOE spending, whether it is above or below the 80 percent basic MOE requirement. In addition, figures 2 and 3 do not take into account any additional federal funding or an increased basic MOE requirement.

The budget proposes that TANF be revised to establish a stronger accountability framework, in which states are measured and held accountable for strengthening their performance in helping families get jobs, sustain employment, and make progress in the labor force. At the same time, the proposal recognizes the need for states to have flexibility to develop individualized approaches to work with families with the most serious barriers to employment and to effectively coordinate TANF with other state workforce efforts under the Workforce Innovation and Opportunity Act.

Addressing Child and Family Poverty

To ensure that TANF and MOE funds are better targeted to needy families and used for core benefits and services, the budget would:

- require that all TANF and MOE expenditures be for **needy families**, defined as families with incomes of 200 percent of the federal poverty level or less;
- add a new purpose to TANF to reduce **child poverty**;
- direct the U.S. Department of Health and Human Services (HHS) to publish national and state measures related to this new purpose and authorize HHS to collect the necessary data; and
- prohibit counting non-governmental third-party expenditures in meeting state MOE requirements in TANF.

Figure 4 shows that the number of children in poverty has fluctuated over the last three decades and increased sharply during the Great Recession. In contrast, the number of children receiving cash assistance has declined since TANF replaced Aid to Families with Dependent Children (AFDC) and has not been responsive to economic downturns like the Great Recession. By refocusing TANF funds on needy families and reducing child poverty, this budget proposal seeks to better meet the needs of low-income families with children.

Figure 5 further shows the need for these changes, as the share of eligible families receiving AFDC/TANF cash assistance declined from 79 percent in 1996 (at the end of AFDC) to 32 percent in 2012. Less than one-third of eligible families are currently receiving cash assistance from TANF, and these budget proposals seek to refocus the program on serving these families.

Figure 4: Children in Poverty and Children Receiving AFDC/TANF, 1990 — 2013

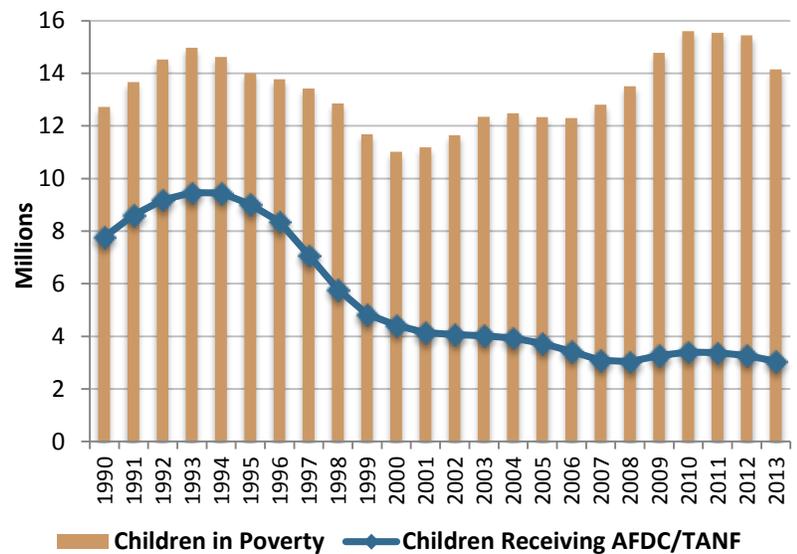
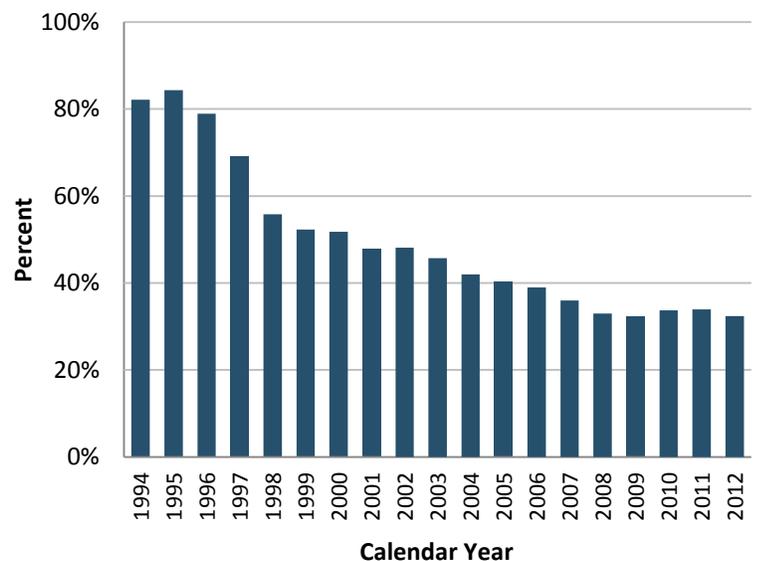


Figure 5: Share of Eligible Families Receiving AFDC/TANF, 1994 — 2012



Source: TANF Data Reporting System.

Building on Evidence and Supporting Innovation

FY 2017 President's Budget also proposes:

- Strengthening TANF as a safety net during economic downturns with the new **TANF Economic Response Fund**, modeled after the effective American Recovery and Reinvestment Act (ARRA) TANF Emergency Fund created during the Great Recession. Up to \$2 billion over 5 years would be allocated based on a more effective trigger to provide targeted countercyclical funding for states to invest in efforts that address the needs of families during economic downturns. Allowable uses would be limited to those that were permitted under the ARRA TANF Emergency Fund: basic assistance, subsidized employment, and non-recurrent short-term benefits.
- Repurposing the current \$608 million TANF Contingency Fund to support innovation, research, and oversight through:
 - The **Pathways to Jobs** initiative (\$473 million) to support state and tribal efforts to provide work opportunities to low-income families through subsidized employment.
 - **Two-Generation Demonstration** projects (\$100 million) for competitive grants to states and tribes for coordinated efforts that focus simultaneously on parental employment outcomes and child and family well-being outcomes.
 - **Welfare Research** and the **Survey of Income and Program Participation** (\$25 million).
 - **Program improvement** initiatives (\$10 million) such as technical assistance, monitoring, research, and evaluation.

For more details on all of the TANF FY 2017 budget proposals, see the ACF Congressional Budget Justification, available at <http://www.acf.hhs.gov/programs/olab/budget>.