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INSIGHT

COVID-19: The Potential Role of TANF in Addressing the Economic Effects

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The Temporary Assistance for Needy Families (TANF) block grant provides grants to the 50 states, District of Columbia, American Indian tribes, and certain territories with the broad purpose of ameliorating and addressing root causes of childhood economic disadvantage. Some of the flexibility the block grant affords to states has been used, and augmented by federal legislation, to address the fallout from Hurricane Katrina and the deep economic recession of 2007-2009.

Overview of TANF

TANF was created by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193) and is best known as funding for state programs that provide monthly assistance to needy families with children. PRWORA placed work requirements on states and time limits on families that receive this assistance. TANF funds a wide range of benefits and services—including what are known as "non-recurrent short-term benefits," which are defined as aid that addresses a specific episode of need and does not exceed four months. The receipt of a nonrecurrent short-term benefit does not count toward a family's time limit, nor other requirements such as those related to work, assigning child support to the state, and state reporting of detailed characteristics. In crafting a response to Hurricane Katrina in 2005, Congress enacted special rules to permit states to tap an existing fund to pay nonrecurrent short-term benefits to families evacuated from their homes because of Hurricane Katrina.

In terms of addressing unemployment related to a recession, TANF can also fund employment services and subsidized employment. If an individual is in subsidized employment, the requirements of assistance (e.g., time limits) also do not count.

TANF Funding

The basic TANF block grant provided to states was established in PRWORA in 1996, based on spending in its predecessor programs in the early 1990s. The basic block grant has not been adjusted for inflation or changes in other circumstances (e.g., population growths and shifts among the states). It represents the bulk of funding available to the states under TANF. Nationally, the assistance caseload is about 25% of what it was in the 1990s, and states have shifted TANF funds to a wide range of activities.

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PRWORA also contained a $2 billion contingency fund for economic downturns. However, that fund was exhausted in the last recession; in recent years, Congress has provided appropriations of $608 million per year to it. The fund is spent each year regardless of economic conditions. It is expected to be exhausted in April of this year. Thus, there is little in the way of additional federal funding for states to meet unexpected costs related to COVID-19.

States also have the ability to "reserve" (save) TANF funding. Some states have relatively large reserves, others have no reserves.

Potential Legislation to Address the Effects of the COVID-19 Outbreak

The flexibility of states' use of TANF make it a possible source of funding for them to address the unknown and evolving needs of families resulting from the COVID-19 pandemic. However, states may not have funds to meet *unexpected* costs. Moreover, the fund that was tapped to provide states with help to address Hurricane Katrina is in the process of being exhausted for the current fiscal year.

Congress responded to the economic downturn of 2007-2009 by creating a separate emergency fund. Such a fund to provide for increased short-term benefits would be an option to address the immediate economic needs of families resulting from the COVID-19 pandemic. Further, Congress might consider addressing not only these emergency needs, but also the lack of a counter-cyclical funding mechanism for states under TANF. That is, if the economy does go into recession, there is no automatic TANF funding to address it. The emergency fund created for the 2007-2009 recession might be considered a model for such a fund.

Additionally, Congress might consider addressing TANF work participation standards. These standards are rules for *states,* not individuals, and states are penalized if they do not have a sufficient number of families participating for a minimum number of hours per week. Thus, they do help guide how states set work requirements for individual recipients.

TANF regulations require that all hours that an individual is in paid employment—including paid sick leave—count toward meeting the hourly requirement. However, the regulations limit to 16 hours per month excused absences from non-paid activities because of illness. States may excuse hours for individual recipients, providing "good cause" exemptions for those who are sick or caring for family members. However, this could disadvantage states in meeting their work participation standards. The U.S. Secretary of Health and Human Services may, but is not required to, provide a "reasonable cause" waiver of the penalty imposed on a state for failure to meet the TANF work requirements.

P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (or CARES Act) extends TANF funding through November 30, 2020. It does not provide additional TANF funding to states or address TANF work rules for recipients of assistance. The Department of Health and Human Services (HHS) has issued guidance to states to help them respond to the COVID-19 pandemic, noting that while it cannot waive TANF work rules, it can relieve states of penalties for states' failure to meet these standards and "will exercise this authority to the maximum extent possible."

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