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Temporary Assistance for Needy Families (TANF) Block Grant: FY2007 Budget Proposals

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Summary

The Deficit Reduction Act of 2005 (DRA, P.L. 109-171) extended funding for the Temporary Assistance for Needy Families (TANF) block grant through Fiscal Year (FY) 2010. It also made some changes in TANF work requirements and enacted new funding for healthy marriage promotion and responsible fatherhood initiatives. Though DRA "reauthorized" TANF and ended a four-year debate on proposed policy changes to the block grant, President Bush's FY2007 budget revives certain proposals from its earlier TANF reauthorization proposals. The FY2007 budget proposal would add additional funding for the healthy marriage promotion initiative, revise some of the rules for the TANF contingency fund (extra funding in times of recession), and extend supplemental grants through FY2010 (rather than FY2008, as provided for in the DRA). This report will be updated.

The TANF block grant provides grants to states to fund a wide array of benefits and services, primarily to low-income families with children. It is best known for funding cash welfare benefits to needy families with children, but it also is used by states to fund a wide range of other benefits and services that provide economic help to low-income families with children, such as child care and transportation aid, as well as activities to support TANF goals of reducing out-of-wedlock pregnancies and promoting two-parent families.

The DRA of 2005 "reauthorized" TANF, extending program funding through FY2010, changing work requirements for families receiving cash welfare, and establishing funding for healthy marriage promotion and responsible fatherhood initiatives.[1] The DRA welfare provisions were scaled back from larger welfare

[1] For a discussion of DRA provisions affecting TANF, see CRS Report RS22369, *TANF, Child Care, and Responsible Fatherhood Provisions of the Deficit Reduction Act of 2005 (S. 1932)*, by (continued...)

reauthorization proposals, including those made by the President, proposed in an introduced House Republican Leadership bill (H.R. 240) and in a measure reported by the Senate Finance Committee in March 2005 (S. 667). The President's FY2007 budget revives some proposals made in these reauthorization proposals, but not included in the DRA.

President's FY2007 Budget Proposals for TANF

The President's FY2007 budget proposals for TANF would, according to Congressional Budget Office estimates, increase federal budget outlays by $15 million in FY2007 and a total of $1.4 billion over the five-year period, FY2007-FY2011. These increases are in contrast to proposals to achieve savings in other mandatory spending programs, such as Medicare and Medicaid.

Healthy Marriage Initiative. The 2004 poverty rate for children raised by a single mother was 42%, compared with a poverty rate of 9% for children living in families headed by a married couple. Almost six out of ten poor children live in families headed by a single mother. The most common family receiving cash welfare is also headed by a single mother.

Research indicates that children in families headed by both of their biological parents "do better" on an array of child development outcomes (higher academic achievement, lower teenage child bearing, lower levels of delinquency, etc.) than children living in single-parent families. Much of this is due to the lower incomes of single-parent compared to married-couple families, but the statistical association between family type and child outcomes holds even when considering families of equivalent incomes. However, these better outcomes hold only when a child lives with both of his or her biological parents — these outcomes do not apply to stepchildren. Further, there are concerns about promoting marriage when some relationships are violent. Additionally, there is the caveat to interpreting social science research that "correlation does not equal causation." The actual cause of the difference in child outcomes could be differences in characteristics and behaviors (some not observed for purposes of statistical study) associated with married versus unmarried parents.

The DRA provides up to $100 million per year for FY2006 through FY2010 to fund "healthy marriage initiatives." The DRA funds are for research, demonstrations, and technical assistance to states, Indian tribes, and tribal organizations for activities to promote healthy marriage. These activities include programs to promote marriage to the general population, such as public advertising campaigns on the value of marriage and education in high schools on the value of marriage; education on "social skills " (e.g., marriage education, marriage skills, conflict resolution, and relationship skills) for engaged couples, those interested in marriage, and married couples; and programs that reduce the financial disincentive to marry, if combined with educational or other marriage promotion activities.

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[1] (...continued)
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The Bush Administration's original welfare reauthorization proposal — as well as H.R. 240 and S. 667 — would have established *two* funding sources for healthy marriage intiatives. The first was a fund for research, demonstrations, and technical assistance like the one enacted in DRA. The second fund was $100 million per year in *matching* grants to states, tribes, and tribal organizations, also for healthy marriage promotion initiatives. President Bush's FY2007 budget proposes new legislation to add the second $100 million marriage promotion matching grant program to TANF. Under the President's budget proposal, states and tribes would be allowed to use federal TANF grants as the "state match" to draw down this marriage promotion money.

Contingency Fund. The fixed basic block grant under TANF led to concerns during the 1996 welfare reform law that funding would be inadequate during recessions. TANF includes a $2 billion contingency fund, to provide additional matching grants to states during recessionary periods if certain conditions are met. One of those conditions is that each state spending from its own funds within the TANF program exceeds the amount spent in predecessor programs in FY1994. During the economic downturn associated with the 2001 recession, no state drew contingency funds. Even those that met criteria of economic need (high and increasing unemployment rates or increased food stamp caseloads) failed to spend from their own funds enough to qualify for contingency funds. In recent years, Tennessee and South Carolina have drawn contingency funds. Additionally, the TANF Hurricane Katrina relief measure (P.L. 109-68) provided 100% federal funding from the contingency fund to aid those who had to evacuate to another state because of the hurricane during the period September 2005 through August 2006.[2]

The President's FY2007 budget proposes to replenish the contingency fund, so that its total at the beginning of FY2007 would be at its full $2 billion. It also revives a proposal in the Administration's welfare reauthorization proposals to count child care spending (currently excluded) and spending in separate state programs toward meeting the FY1994 threshold to qualify for contingency funds. The proposal also eliminates the proration of contingency fund amounts for states that qualify for funds for less than the full fiscal year. Additionally, the President's budget proposes to allow access to the TANF contingency fund for states that take a proposed option to take a fixed grant (rather than unlimited matching funds) for their foster care program.[3] States would be allowed access to the TANF contingency fund for their extra foster care costs under certain circumstances.

The DRA simply extended the contingency fund through FY2010. H.R. 240 had included changes to state spending requirements and the proration of contingency fund payments contained in the President's budget. S. 667 included a more complete rewrite of the contingency fund rules, changing both the criteria for determining whether a state is in economic need and eliminating the requirement that states increase expenditures from their own funds to receive contingency funds.

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[2] See CRS Report RS22246, *Temporary Assistance for Needy Families (TANF): Its Role in Response to the Effects of Hurricane Katrina*, by Gene Falk.

[3] See CRS Report RS22178, *Child Welfare: Funding and Program Reauthorizations in the 109th Congress*, by Emilie Stoltzfus.

Supplemental Grants. The 1996 welfare reform law entitled states to a basic block grant equal to peak expenditures for pre-TANF programs during the FY1992 to FY1995 period. During consideration of legislation that led to enactment of that law, fixed funding based on historic expenditures was thought to disadvantage two groups of states: (1) those that had high rates of population growth and (2) those that had historically low welfare grants relative to poverty. Therefore, additional funding in the form of supplemental grants was provided to states that met criteria of high rates of population growth and/or low historic grants per poor person. A total of 17 states qualify for supplemental grants, totaling $319 million per year: Alabama ($11.1 million); Alaska ($6.9 million); Arizona ($23.9 million); Arkansas ($6.2 million); Colorado ($13.6 million); Florida ($60.0 million); Georgia ($37.3 million); Idaho ($3.5 million); Louisiana ($17.0 million); Mississippi ($9.0 million); Montana ($1.1 million); Nevada ($3.7 million); New Mexico ($6.6 million); North Carolina ($36.1 million); Tennessee ($21.6 million); Texas ($52.7 million); and Utah ($8.7 million).

For budgetary reasons, the 1996 welfare law provided supplemental grants only through FY2001 (other TANF grants were originally funded through FY2002). Supplemental grants were first extended through FY2002, and then subsequently extended by legislation extending TANF through the first half of FY2006. The DRA extended TANF supplemental grants through FY2008, with other TANF grants funded through FY2010. The President's FY2007 budget would extend funding for TANF supplemental grants for FY2009 and FY2010, so that they, like other TANF grants, would be funded through FY2010.

TANF Budget Data

Table 1. Historic and Proposed Federal Outlays for TANF in Current Dollars, Constant Dollars, and Percentage of Total Federal Outlays, FY1998-FY2007

Fiscal year	Millions of current dollars	Millions of constant FY2005 dollars	Percentage of total federal outlays
1998	$13.286	$15.371	0.80%
1999	14.161	16.171	0.83
2000	15.464	17.309	0.86
2001	18.583	20.320	1.00
2002	18.749	20.117	0.93
2003	19.352	20.362	0.90
2004	17.725	18.213	0.77
2005	17.400	17.400	0.70
2006	17.537	17.106	0.65
2007 (proposed)	17.577	16.777	0.63

Source: Table prepared by the Congressional Research Service (CRS) based on data from the *Budget of the United States for Fiscal Year 2007*. Constant dollars were computed using the implicit price deflator for the Gross Domestic Product.