

## **Statement on the Record: Ways and Means Hearing on Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Funds Leaves Poor Families Behind**

September 23, 2024

This statement is submitted by staff from the Center for Law and Social Policy (CLASP). CLASP staff are experts on Temporary Assistance for Needy Families (TANF) policy and are committed to targeting TANF funds toward cash assistance for families with very low incomes. As summarized below, there is strong and growing evidence that monthly cash assistance improves children's health and educational outcomes. While Mississippi's abuse of TANF funds to provide favors to politically connected individuals is the most dramatic and egregious example of how states have used TANF funds for other purposes, it is unfortunately far from the only example of states allocating TANF dollars towards areas that are not aligned with the program goals or toward improving child outcomes. Congress should support policies to target TANF spending toward monthly cash assistance for families with very low incomes, and toward work supports and services that best meet the needs of parents facing financial emergencies, both by supporting the administrative actions taken by the Administration for Children and Families and by passing additional legislative guardrails.

CLASP is a national, nonpartisan, nonprofit organization whose mission is advocating for policies that advance economic and racial justice. Founded more than fifty years ago, CLASP works to develop and implement federal, state, and local policies that reduce poverty, improve the lives of people with low incomes, tear down barriers arising from systemic racism, and create pathways to economic security.

### **Monthly Cash Assistance Promotes Positive Outcomes for Children and Helps Families Meet Essential Basic Needs**

TANF provides monthly cash assistance for families with very low incomes. This monthly cash assistance can support families at the precipice of financial crises, such as those who are victims of domestic violence, or those who are at risk of homelessness. Unlike other public benefit programs, like housing vouchers and Supplemental Nutrition Assistance Program (SNAP) food benefits, TANF benefits can be spent toward any household expense. For example, parents can spend their TANF benefit towards diapers, cleaning supplies, and transportation costs. TANF is critically important for helping parents who have very low incomes make ends meet during financial emergencies. The work activities and supports provided by TANF programs can also help parents get connected to employment, education, and training opportunities.

Research has repeatedly concluded that when families are provided with additional cash support, especially during the child's earliest stages of brain development, this has positive impacts on the

child’s health and education outcomes.<sup>1</sup> According to a report from the National Academies of Sciences, Engineering, and Medicine, when families do not have enough economic resources, this hurts children’s opportunities to grow and their future outcomes as adults.<sup>2</sup>

Research about the temporarily expanded Child Tax Credit (CTC) during tax year 2021 also concluded similar findings. Congress temporarily expanded the CTC under the American Rescue Plan Act of 2021 by increasing the credit available to families, especially for younger children, by making the full credit available to families with little to no earnings, and by allowing families to receive the credit monthly. The expanded, monthly CTC payments allowed parents to more easily afford essentials and reduced food insecurity among families, among other positive outcomes.<sup>3</sup> The expanded monthly CTC payments also reduced financial stress among parents, according to CLASP-Ipsos survey research.<sup>4</sup>

### **State TANF Spending Should be Targeted Toward Cash for Families and Program Purposes**

TANF is a block grant that provides states with flexibility in how to spend their TANF funds.<sup>5</sup> As long as state TANF expenditures align with one of the four program purposes, states can allocate their dollars toward a wide array of areas. This flexibility opens the door for states to be innovative in the TANF services being provided to parents and children with very low incomes. But unfortunately, in the decades since lawmakers created TANF, this flexibility has resulted in fewer TANF dollars being spent toward monthly cash assistance for families.<sup>6</sup>

In fiscal year 2022, the most recent year we have federal data available for, only 23 percent of TANF dollars went toward basic assistance for families.<sup>7</sup> In comparison, 71 percent of TANF dollars went

---

<sup>1</sup> Lisa A. Gennetian and Katherine Magnuson, “Three Reasons Why Providing Cash to Families With Children Is a Sound Policy Investment,” Center on Budget and Policy Priorities, May 2022, <https://www.cbpp.org/research/income-security/three-reasons-why-providing-cash-to-families-with-children-is-a-sound>.

<sup>2</sup> Greg Duncan and Suzanne Le Menestrel, “A Roadmap to Reducing Child Poverty,” National Academies of Sciences, Engineering, and Medicine, 2019, <https://nap.nationalacademies.org/download/25246>.

<sup>3</sup> Megan A. Curran, “Research Roundup of the Expanded Child Tax Credit: One Year On,” Poverty and Social Policy Report, vol. 6, no. 9, Center on Poverty and Social Policy, Columbia University, November 2022, <https://www.povertycenter.columbia.edu/publication/2022/child-tax-credit/research-roundup-one-year-on>.

<sup>4</sup> Ashley Burnside, “The Expanded Child Tax Credit is Helping Families, But National Survey Shows Continued Outreach Remains Essential,” Center for Law and Social Policy, April 2022, <https://www.clasp.org/publications/report/brief/the-expanded-child-tax-credit-is-helping-families-but-national-survey-shows-continued-outreach-remains-essential/>.

<sup>5</sup> To read more about the TANF block grant, review our CLASP policy brief: Elizabeth Lower-Basch and Ashley Burnside, “TANF 101: Block Grant,” Center for Law and Social Policy (CLASP) updated July 2022, <https://www.clasp.org/publications/report/brief/tanf-101-block-grant/>.

<sup>6</sup> Elizabeth Lower-Basch and Ashley Burnside, “TANF 101: Block Grant.”

<sup>7</sup> Administration for Children and Families, “TANF and MOE Spending and Transfers by Activity, FY 2022: United States,” updated February 2024, <https://www.acf.hhs.gov/ofa/data/tanf-and-moe-spending-and-transfers-activity-fy-2022>.

toward this same area in fiscal year 1997.<sup>8</sup> In FY 2022, 34 states spent less than 20 percent of their total TANF funds toward basic assistance for families.<sup>9</sup>

In addition, fewer families have received TANF cash assistance over time, despite high levels of need.<sup>10</sup> And TANF monthly benefits have generally not kept up with the rising costs of living that families must afford month-to-month.<sup>11</sup> This is especially true in southern states and in the states where Black families represent a larger share of the state population.<sup>12</sup>

Some states have used the flexibility in the TANF spending rules to allocate their funds toward other expenditures that are not aligned with assisting families with very low incomes. For example, some states use TANF dollars to fund crisis pregnancy centers, or anti-abortion centers. Since 2001 states have allocated nearly \$200 million in TANF funds toward crisis pregnancy centers, according to research from Equity Forward.<sup>13</sup> Crisis pregnancy centers exacerbate pregnancy challenges and put pregnant people in danger because medical services provided by the centers are not regulated and are not in accordance with national standards.<sup>14</sup> Other states have allocated TANF dollars toward child welfare investigations, which counters the program goal of allowing children to be cared for in their own home.<sup>15</sup> Mississippi attempted to use TANF funds to construct a volleyball court, which is not aligned with the program goals.<sup>16</sup> Mississippi has one of the lowest TANF benefit levels in the country, representing only about 14 percent of the federal poverty line for a family of three.<sup>17</sup>

---

<sup>8</sup> Elizabeth Lower-Basch and Ashley Burnside, “TANF 101: Block Grant.”

<sup>9</sup> Administration for Children and Families, “TANF and MOE Spending and Transfers by Activity, FY 2022: United States.”

<sup>10</sup> Elizabeth Lower-Basch and Ashley Burnside, “TANF 101: Cash Assistance,” Center for Law and Social Policy, updated July 2022, <https://www.clasp.org/publications/report/brief/tanf-101-cash-assistance/>.

<sup>11</sup> Diana Azevedo-McCaffrey and Tonanziht Aguas, “Continued Increases in TANF Benefit Levels Are Critical to Helping Families Meet Their Needs and Thrive,” Center on Budget and Policy Priorities, May 2024, <https://www.cbpp.org/research/income-security/continued-increases-in-tanf-benefit-levels-are-critical-to-helping>.

<sup>12</sup> Diana Azevedo-McCaffrey and Tonanziht Aguas, “Continued Increases in TANF Benefit Levels Are Critical to Helping Families Meet Their Needs and Thrive.”

<sup>13</sup> Equity Forward, “New Research: More Than One Billion Dollars of Public Funding Has Gone to Anti-Abortion Centers,” July 2024, [https://equityfwd.org/sites/default/files/anti\\_abortion\\_centers\\_public\\_funding\\_by\\_states\\_2024\\_equity\\_forward\\_research\\_final\\_updates\\_august\\_1\\_20240801\\_3.pdf](https://equityfwd.org/sites/default/files/anti_abortion_centers_public_funding_by_states_2024_equity_forward_research_final_updates_august_1_20240801_3.pdf).

<sup>14</sup> Ashley Burnside and Elizabeth Lower-Basch, “Using TANF Funding For Cash Assistance, Not Crisis Pregnancy Centers,” Center for Law and Social Policy and If When How, April 2024, <https://www.clasp.org/publications/fact-sheet/use-tanf-funding-for-cash-assistance-not-crisis-pregnancy-centers/>.

<sup>15</sup> Eli Hager, “A Mother Needed Welfare. Instead, the State Used Welfare Funds to Take Her Son.” ProPublica, December 2021, <https://www.propublica.org/article/a-mother-needed-welfare-instead-the-state-used-welfare-funds-to-take-her-son>.

<sup>16</sup> Anna Wolfe, “Former Gov. Phil Bryant helped Brett Favre secure welfare funding for USM volleyball stadium, texts reveal,” Mississippi Today, September 13, 2022, <https://mississippitoday.org/2022/09/13/phil-bryant-brett-favre-welfare/>.

<sup>17</sup> Elizabeth Lower-Basch, “Testimony for Mississippi State Legislative Hearing on TANF,” Center for Law and Social Policy, October 2022, <https://www.clasp.org/publications/testimony/comments/testimony-for-mississippi-state-legislative-hearing-on-tanf/>.

These examples of TANF expenditures demonstrate the need for guardrails to define what is allowable spending of TANF dollars toward program intent for states. A recently proposed rule from the Department of Health and Human Services titled “Strengthening Temporary Assistance for Needy Families (TANF) as a Safety Net and Work Program”<sup>18</sup> is an example of what this guidance could look like. This proposed policy would provide states with flexibility in spending, while ensuring the program expenditures are reasonably meeting the program purposes and going toward families with incomes of at or below 200 percent of the federal poverty line.<sup>19</sup>

**In addition, CLASP recommends the following policies for Congress to consider**, which we believe would help target TANF funds toward families with low incomes, provide states with ample flexibility in spending their TANF funds to be innovative, while also guaranteeing that families are receiving cash support who need it, and ensuring that TANF is helping families achieve economic stability and resilience:

- Require states to spend at least 50 percent of their annual TANF dollars toward monthly cash assistance for families.
- Require states to provide monthly TANF benefits that equal at least fifty percent of the federal poverty line.
- Add reducing child poverty as one of the TANF program purposes.
- Reform the block grant allocation formula for states to ensure that states get TANF funding allocations that align with their current state child poverty rates.
- Tie the TANF block grant to inflation, so that states can receive annual TANF dollar allocations that align with the rising costs.

The following policies are included in the proposed rule from the Department of Health and Human Services and should be passed legislatively if not done administratively.

- Define a “needy family” as the family income being at or below 200 percent of the federal poverty line. This would ensure that TANF dollars are being allocated toward families with low earnings.
- Create a ‘reasonable person’ standard to more clearly define how state spending aligns with the four program purposes.

We appreciate the opportunity to submit a statement about this important topic, and we thank the United States House of Representatives Ways and Means Committee members for considering these issues. If you have any questions, please contact Ashley Burnside, Senior Policy Analyst with the Public Benefits Justice team at CLASP at [aburnside@clasp.org](mailto:aburnside@clasp.org).

---

<sup>18</sup> Federal Register, “Strengthening Temporary Assistance for Needy Families (TANF) as a Safety Net and Work Program,” October 2, 2023, <https://www.federalregister.gov/documents/2023/10/02/2023-21169/strengthening-temporary-assistance-for-needy-families-tanf-as-a-safety-net-and-work-program>.

<sup>19</sup> Ashley Burnside, “Proposed TANF Regulations Would Target Spending on Families with Low Incomes,” Center for Law and Social Policy, November 2023, <https://www.clasp.org/publications/fact-sheet/proposed-tanf-regulations-target-families-low-incomes/>.