



Questions and Answers about the TANF Emergency Contingency Fund

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The Temporary Assistance for Needy Families (TANF) block grant is a flexible funding stream that provides states with funds that can be used for a wide range of activities that are aimed at any of the four purposes of TANF:

- assisting needy families so that children can be cared for in their own homes;
- reducing the dependency of needy parents by promoting job preparation, work and marriage;
- preventing out-of-wedlock pregnancies; and
- encouraging the formation and maintenance of two-parent families.

The TANF block grant has provided states with \$16.5 billion annually since 1996. States must also continue to meet a “maintenance of effort” (MOE) requirement of 75 or 80 percent of their pre-welfare reform spending levels on Aid to Families with Dependent Children (AFDC) and related programs, which were replaced by TANF. Families that receive cash assistance under TANF are subject to a number of rules, including time limits on federally funded benefits and work participation requirements.¹

What additional TANF funding is available under the Recovery Act?

Section 2101 of the American Recovery and Reinvestment Act of 2009 (the Recovery Act) creates a new TANF Emergency Contingency Fund (ECF), funded at \$5 billion, under which states² can receive 80 percent federal funding for spending increases in FYs 2009 or 2010 over FYs 2007 or 2008 in certain categories of TANF-related expenditures. The three categories are basic assistance, non-recurrent short-term benefits, and subsidized employment. The cap on total funding is more than double what the Congressional Budget Office estimated states would draw; this means that states can safely assume they will receive the full amount for which they qualify under the ECF.

¹ For further background on TANF, see [Implementing the TANF Changes in the DRA: "Win-Win" Solutions for Families and States, Second Edition](#) by CLASP and CBPP, available for download at <http://www.clasp.org/publications/tanfguide.pdf>

² Tribes operating Tribal TANF programs are eligible on the same basis as states. However, this summary will refer to states rather than states or tribes.

What happened to the existing Contingency Fund?

The original TANF law did provide a \$2 billion Contingency Fund, which allows states meeting economic triggers to draw additional funds based upon high levels of state MOE spending. The Recovery Act did not change this provision. Seven states received contingency funds in FY 2008, and several states have already received contingency funds in FY 2009. States may receive funds from both pools, but each state can receive no more than 50 percent of its annual block grant over the two-year period from the combination of the new ECF and the old Contingency Fund. However, it is possible that the Contingency Fund may run out of money in FY 2009 or 2010, depending on how many states apply for funds. For additional information about the Contingency Fund, see:

<http://www.acf.hhs.gov/programs/ofa/policy/pi-ofa/2008/200804/PI200804.htm>

How can a state qualify for funds from the ECF?

Eligibility under each category of funding is determined separately:

- To qualify for ECF funds based on increases in basic assistance, the state must have an increase in assistance caseloads (combined TANF and Separate State Program (SSP)) compared to the equivalent quarter in the base year, which is FY 2007 or 2008, whichever had the lower average monthly assistance caseload. The state must also have an increase in expenditures on basic assistance compared to the equivalent quarter in the base year.
- To qualify for ECF funds based on increases in non-recurrent short-term benefits, the state must have an increase in expenditures on such short-term benefits compared to the equivalent quarter in the base year, which is FY 2007 or 2008, whichever had the lower total expenditures on such short-term benefits.
- To qualify for ECF funds based on increases in subsidized employment, the state must have an increase in expenditures on subsidized employment compared to the equivalent quarter in the base year, which is FY 2007 or 2008, whichever had the lower total expenditures on subsidized employment.

In each category, what matters is the total of spending in both TANF and state Maintenance of Effort (MOE). HHS is given broad authority to adjust the spending and caseload data to ensure comparability between the base year and the current year.

A state may qualify for funds in a given quarter in all three categories, or in just one or two. The base year can be different (FY 2007 or 2008) for different categories. States do not need to have a caseload increase to qualify for the ECF on the basis of increased expenditures on short-term benefits or subsidized employment.

What spending counts under each of these categories?

These three expenditure categories are not defined in the legislation, so HHS will need to answer this question in the guidance it provides to states. However, it is highly likely that HHS will rely on existing definitions used in the ACF-196 financial reporting form.³

The term “assistance” is defined by regulation to include “cash, payments, vouchers, and other forms of benefits designed to meet a family’s ongoing basic needs” but to specifically exclude non-recurrent short-term benefits and work subsidies. Based on the AC-196 form, “basic assistance” is likely to include all assistance that is not child care, transportation or other supportive services, or assistance authorized solely under prior law. Assistance may be provided in cash or as a voucher.

Non-recurrent short-term benefits are characterized as payments designed to deal with a specific crisis situation or episode of need and are not intended to meet recurrent or ongoing needs. In the form ACF-196 instructions, HHS states that spending on supportive services or work activities should not be reported in this category.

There is not an ACF-196 category for “subsidized employment” but there is one for “work subsidies.” This category includes “payments to employers or third parties to help cover the cost of employee wages, benefits, supervision or training.” Note that while there is an existing TANF definition of “subsidized employment” this is for the purpose of determining what activities can be counted toward the work participation rate and is not directly applicable to expenditures.

What if my state has a general assistance or subsidized employment program that is outside TANF?

Only spending that is within TANF or claimed as MOE can be counted toward the ECF requirements. If a state changes its spending configuration, such as by ending a solely state funded program for two-parent families and serving these families within TANF, HHS has the authority to adjust the caseload and expenditure data to keep them comparable.

Can the increased spending come from the Contingency Fund?

Yes. Spending from the main TANF block grant, TANF supplemental grants, and TANF contingency funds, as well as state spending reported as MOE can all count toward the increased spending. Note that this means that a state that receives funds under the old Contingency Fund and reinvests them as increased spending in one of the countable categories can see these funds multiplied substantially.

Are individuals receiving benefits or services funded from the ECF subject to the TANF participation rate requirement?

If individuals receive TANF-funded “assistance,” they are included in the TANF participation rate calculation, are subject to the five-year limit on federally funded benefits, and must be included in data reports. Non-recurrent short-term benefits and subsidized employment are not “assistance” and do not trigger these requirements.

³ The ACF-196 form and instructions are available online at: <http://www.acf.hhs.gov/programs/ofa/policy/pi-ofa/2003/pi2003-2.htm>

Must spending on non-recurrent short-term benefits or subsidized employment be for TANF recipients?

No, these categories may include spending on both families who are receiving cash assistance and families who are not. However, the spending must qualify under one of the purposes of TANF.

How may ECF funds may be used?

While only spending on certain categories of TANF-related expenditures qualifies a state to receive funds from the ECF, once received, these funds may be *used* for any purpose of the TANF program. However, they may not be transferred to the CCDBG or to SSBG.

When can states start receiving funds under the ECF?

The first quarter states can receive ECF funds is the first quarter of federal FY 2009, which was October 1 through December 31, 2008. The Recovery Act directs HHS to implement this provision “as quickly as reasonably possible, pursuant to appropriate guidance to states.” A bigger question is whether HHS will allow states to draw ECF funds based on a prospective estimate of how much they expect to spend in the applicable categories during a forthcoming quarter, rather than wait until the end of the quarter to assess how much they did spend. The statute appears to give HHS authority to provide funds on the basis of such estimates.

Where can I look up the caseload and spending data for my state to see what the base year figures are?

ACF posts the caseload data reported by states online at:

http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/caseload_current.htm

Currently, the most recent data posted are for September 2008, the end of FY 2008. Many states have more recent figures posted on their own websites. Note, however, that these caseload data may be adjusted by HHS to reflect changes to program configurations or funding streams.

Unfortunately, the most recent expenditure data posted by HHS is for FY 2006.

<http://www.acf.hhs.gov/programs/ofs/data/index.html> (See also CLASP’s analysis of this data, available at: http://www.clasp.org/publications/state_moe_fy06.htm)