



The TANF Emergency Contingency Fund

Gene Falk

Specialist in Social Policy

December 22, 2010

Congressional Research Service

7-5700

www.crs.gov

R41078

Summary

The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5) created a \$5 billion Emergency Contingency Fund (ECF) within the Temporary Assistance for Needy Families (TANF) block grant to help states, Indian tribes, and the territories pay for additional economic aid to families during the current economic downturn. It was part of a package of tax and benefit program provisions aimed at stemming the decline in family incomes and purchasing power caused by increased unemployment. The ECF was a temporary fund for two years, FY2009 and FY2010, and expired on September 30, 2010. All of the available \$5 billion was awarded by the fund's expiration date to states, tribes, and territories.

Though the economy grew in the last half of 2009 and the first three quarters of 2010, unemployment remained high. Historically, the trend in the cash welfare caseload has sometimes followed economic conditions, but sometimes not. After the 1990-1991 recession, welfare caseloads actually peaked in March 1994 before beginning their decline. The 111th Congress considered legislation in 2010 to extend the ECF beyond September 30, 2010. However, though the House twice passed bills to extend the ECF, none of these measures received Senate approval. A provision of the Claims Resolution Act of 2010 (P.L. 111-291) extended the basic TANF program through the end of FY2011 without the ECF.

TANF is best known for funding cash welfare payments for low-income families, but it actually provides funds for a wide range of benefits and services to ameliorate the effects of, or address the root causes of, economic disadvantage among families with children. While TANF funds a wide range of both economic aid and human services to families with children, the ECF was limited to funding three categories of expenditures: basic assistance, a category that most closely resembles traditional cash welfare; non-recurrent short-term (e.g., emergency) aid; and subsidized employment. These categories typically are those that provide direct aid to families, rather than fund services. States, Indian tribes, and the territories were reimbursed 80% of the costs of increased expenditures in these categories. To qualify for ECF grants for increased basic assistance expenditures, a state, tribe, or territory had to aid more families on its assistance rolls than it did in FY2007 or FY2008. Qualification of states, tribes, and territories for ECF grants supporting short-term aid or subsidized employment were dependent only on increased expenditures from FY2007 or FY2008. ARRA placed a limit on total ECF and other TANF contingency fund payments to states, at a combined 50% of a state's basic block grant over the two years, FY2009 and FY2010.

A total of 49 states, the District of Columbia, Puerto Rico, and the Virgin Islands had their applications for ECF grants approved. Additionally, 25 tribes and tribal organizations had approved ECF applications. Of the total \$5 billion awarded, \$1.6 billion was for basic assistance, \$2.1 billion for short-term aid, and \$1.3 billion for subsidized employment. Twelve states (Colorado, Delaware, Maryland, Michigan, Nevada, New Jersey, New Mexico, New York, North Carolina, Oregon, Tennessee, and Washington State) have received their maximum ECF grants.

Contents

Introduction	1
TANF	1
The Emergency Contingency Fund.....	1
What Types of Benefits and Services Are Funded from the Emergency Fund?	2
Basic Assistance.....	2
Non-recurrent Short-Term Aid.....	2
Subsidized Employment.....	3
What Are the State Caps for Emergency Funds?	3
What Are the Rules for the State 20% “Match”?	3
State, Tribe, and Territorial Use of TANF Emergency Funds.....	3
Proposals to Extend the TANF Emergency Contingency Fund.....	9

Figures

Figure 1. TANF Emergency Contingency Fund Grant Awards, by Category.....	4
--	---

Tables

Table 1. TANF Emergency Fund Awards by Category and State	5
Table 2. Maximum and Actual Regular and Emergency Contingency Fund Grants for FY2009 and FY2010.....	7

Contacts

Author Contact Information	9
----------------------------------	---

Introduction

The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5) created an Emergency Contingency Fund (ECF) within the Temporary Assistance for Needy Families (TANF) block grant. The fund expired on September 30, 2010. It helped states, Indian tribes, and territories pay for additional costs of providing economic aid to families during the current economic downturn for FY2009 and FY2010.

TANF

The TANF block grant provides states, Indian tribes, and territories with federal funding for a wide range of benefits and services to ameliorate the effects of, or address the root causes of, economic disadvantage for families with children. The bulk of federal TANF funding is in a basic block grant of \$16.5 billion. Under the basic block grant, each state receives an amount that has remained the same, without adjustment, since the 1996 welfare reform law. States—taken together—are also required to contribute a minimum of \$10.4 billion to TANF-funded or related programs under a maintenance of effort (MOE) requirement. This amount, too, has not been adjusted since the 1996 welfare reform law.

TANF is best known for funding cash welfare payments for very low-income families with children. However, states may use TANF funds “in any manner reasonably calculated” to help states achieve the broad statutory purpose of the block grant. In FY2009, only 28% of federal and related state TANF funds were expended on basic assistance, the category of spending that most closely corresponds to traditional cash welfare. The cash welfare rolls had declined to 1.7 million families by July 2008, down from a historical peak of 5.1 million families in March 1994. TANF also provided considerable funding for state subsidized child care programs, programs that address child abuse and neglect, pregnancy prevention programs, youth programs, and early childhood development (e.g., pre-Kindergarten) programs.

Absent additional TANF funds, the limited and fixed nature of the block grant means that states bear the full cost of increased costs (e.g., increases in cash welfare). To share this risk during periods of recession, the 1996 welfare reform law created a \$2 billion Contingency Fund. This fund, hereafter in this report called the “regular” contingency fund, provides capped matching grants to states that meet criteria of economic need and increased state spending to help states meet recession-related costs.

The Emergency Contingency Fund

The overall cash assistance caseload began to rise in August 2008. From March 2008 to March 2010, the national caseload increased by 13%—with some states experiencing faster caseload growth. The regular TANF contingency fund provided 19 states with additional funding in FY2009 and early FY2010. However, some states (e.g., California and Florida) experienced substantial increases in their TANF cash assistance caseloads, and met the criterion of economic need required to draw regular contingency funds, but failed to draw them because of the increased state spending requirement of the regular fund.

The ARRA included a number of provisions related to taxes and benefit payments, designed to partially offset the declines in family income and purchasing power resulting from the increased joblessness caused by the recession. As part of this package, the ARRA established within TANF a \$5 billion ECF for FY2009 and FY2010. The ECF provided states, tribes, and territories with capped additional funding to help meet additional costs or create new programs to respond to the current economic downturn. Subject to a cap on state grants from the ECF, the fund paid states, tribes, and territories 80% of the *increased* costs of expenditures in the three categories of expenditures discussed below.

What Types of Benefits and Services Are Funded from the Emergency Fund?

While TANF funds a wide range of economic aid and human services to families, the ECF reimbursed for only three categories of activities: basic assistance, non-recurrent short-term aid, and subsidized employment. These categories typically are those that provide direct aid to families, rather than fund services.

Basic Assistance

This category represents spending on what most people think of as cash welfare. Generally, it is a monthly check (or deposit on an electronic benefit card) to help very low-income families meet ongoing basic needs. In order to qualify for funding for increased basic assistance, a state must experience both an increase in the number of families receiving assistance benefits as well as an increase in expenditures for basic assistance. To determine eligibility for ECF grants on the basis of increased cash assistance, the average number of families receiving cash assistance in a current fiscal quarter in FY2009 or FY2010 was compared with the number of families receiving cash assistance in the comparable quarter in the “base year.” The base year was defined as either FY2007 or FY2008, whichever had the lowest cash assistance caseload. If a state, tribe, or territory experienced an increase in the cash assistance caseload, it was reimbursed for 80% of the increased costs (if any) of basic assistance from the comparable quarter in the base year to the current quarter.

Non-recurrent Short-Term Aid

This category represents spending on aid that is to meet a specific family situation and aid is limited to a four-month timeframe. States, tribes, and territories had broad latitude in defining the types of “short-term aid” that they provide to families under the ECF. Moreover, short-term aid was provided to families both on and off the cash assistance rolls. If a family received only non-recurrent short-term aid, and not ongoing TANF assistance, that family was not subject to the rules that apply to TANF cash welfare families (e.g., work participation, time limit, and child support enforcement requirements).

Unlike basic assistance, which required both increased expenditures and that more families be assisted, ECF funding for non-recurrent short-term aid was based solely on increased expenditures. The expenditures on non-recurrent short-term aid in a current quarter in FY2009 or FY2010 were compared with expenditures in the comparable quarter in the base year. The base year for non-recurrent short-term aid was either FY2007 or FY2008, whichever had the lowest expenditures for this category of expenditures. The base year for non-recurrent short-term aid

could have been different from that used to determine ECF eligibility for basic assistance. The ECF reimbursed 80% of the increased expenditures on short-term non-recurrent aid from the comparable quarter in the base year to the current quarter.

Subsidized Employment

This category represents work subsidies: payments to employers or third parties to help cover the costs of employee wages, benefits, supervision, and training. The subsidized job could have been in the private or public sector. As with non-recurrent short-term aid, states were permitted to subsidize jobs for those on the cash assistance rolls as well as for other persons. If a person's only ongoing TANF benefit was an employment subsidy, his or her family was not subject to the rules that apply to TANF families receiving cash welfare.

To draw ECF grants for subsidized employment, a state only needed to show that it had increased its expenditures for subsidized employment. The comparison used to determine increased costs for subsidized employment was the same type of comparison used for short-term benefits, as discussed above. Expenditures for subsidized employment for a current quarter in FY2009 or FY2010 were compared to those in the comparable quarter in the base year. The base year for subsidized employment was FY2007 or FY2008, whichever year had the lowest expenditures in the category, and could have differed from the base years used for basic assistance and short-term non-recurrent aid. The ECF reimbursed 80% of the increased expenditures on subsidized employment from the comparable quarter in the base year to the current quarter.

What Are the State Caps for Emergency Funds?

Each state was limited on what they can draw combined from the ECF and the TANF regular contingency fund. Over the two-year period, FY2009 and FY2010, a state could draw up to 50% of its basic block grant from the two funds.

What Are the Rules for the State 20% "Match"?

The ECF did not pay for the full increase in expenditures for basic assistance, short-term aid, or subsidized employment. It provided for an 80% reimbursement for these increased costs. This is sometimes referred to as an 80% match rate, though this is somewhat misleading because states, tribes, and territories did not need to come up with "new money" to cover the remaining 20%. They were able to use funding reallocated from other activities funded from the basic TANF block grant or MOE monies to cover these costs.

Additionally, states were permitted to count the value of in-kind, third party payments toward the 20%. This was particularly important for subsidized employment. According to guidance from the Department of Health and Human Services (HHS), the state could have counted the value of employers' supervisory time toward the 20%. The limit on supervisory time was 25% of an employee's wage.

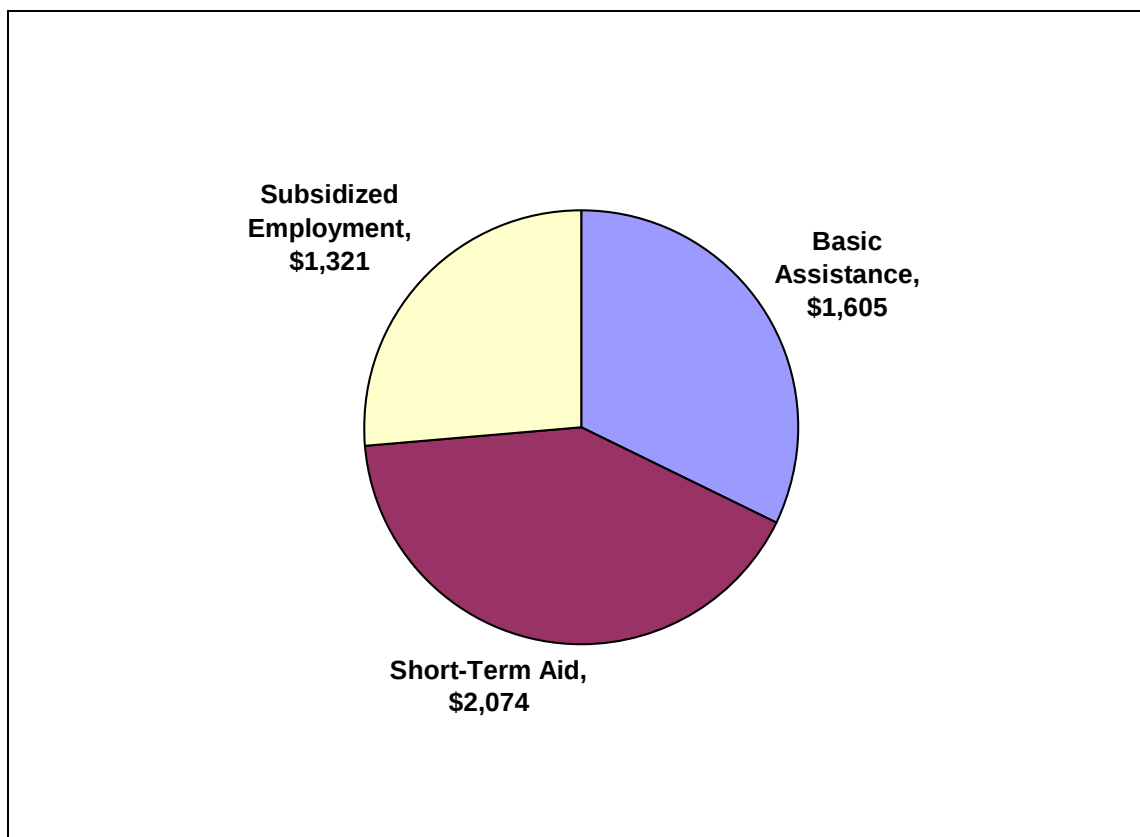
State, Tribe, and Territorial Use of TANF Emergency Funds

At the end of FY2010 (September 30, 2010), all \$5 billion appropriated to the ECF was awarded to states, tribes, and territories. **Figure 1** shows the TANF ECF grant awards by category of

spending. The figure shows cumulative grant awards. It shows that \$1.6 billion, 32% of the total grant awards, was to help finance increases in expenditures for basic assistance. Another \$2.1 billion, 41% of the total, was for non-recurrent short-term aid and \$1.3 billion, 26% of the total, was for subsidized employment.

Figure 1. TANF Emergency Contingency Fund Grant Awards, by Category

(cumulative grant awards through September 30, 2010; dollars in millions)



Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

A total of 49 states, the District of Columbia, Puerto Rico, and the Virgin Islands were awarded ECF funds. Only Wyoming and Guam failed to receive ECF grants. **Table 2** shows ECF grant awards by category of expenditures, showing the dollar awards in each category as well as the percent of the total awards for each category by state. Most of these jurisdictions (48) were awarded funds for increases in their basic assistance caseload, with 44 jurisdictions awarded funds for non-recurrent short-term aid and 42 jurisdictions receiving funds for subsidized employment. Only three states (Nevada, New Hampshire, and New Mexico) received funding only for basic assistance.

Table I. TANF Emergency Fund Awards by Category and State

Awards through September 30, 2010

State					Percent of Total Grant Awards by Category			
	Basic Assistance	Non-recurrent, Short-Term Benefits	Subsidized Employment	Total	Basic Assistance	Non-recurrent, Short-Term Benefits	Subsidized Employment	Total
Alabama	8,179,366	26,539,077	8,152,334	42,870,777	19.1%	61.9%	19.0%	100.0%
Alaska	2,686,871	0	399,112	3,085,983	87.1	0.0	12.9	100.0
Arizona	1,681,050	2,683,331	0	4,364,381	38.5	61.5	0.0	100.0
Arkansas	397,511	2,281,915	3,895,256	6,574,682	6.0	34.7	59.2	100.0
California	729,014,687	116,051,960	408,475,824	1,253,542,471	58.2	9.3	32.6	100.0
Colorado	20,667,626	16,828,765	504,089	38,000,480	54.4	44.3	1.3	100.0
Connecticut	3,747,760	20,691,201	14,525,628	38,964,589	9.6	53.1	37.3	100.0
Delaware	3,716,569	4,380,496	383,588	8,480,653	43.8	51.7	4.5	100.0
District of Columbia	9,608,595	12,962,560	18,670,030	41,241,185	23.3	31.4	45.3	100.0
Florida	45,120,059	6,000,231	129,415,634	180,535,924	25.0	3.3	71.7	100.0
Georgia	0	14,233,050	69,170,715	83,403,765	0.0	17.1	82.9	100.0
Hawaii	4,034,398	7,443,977	15,779,837	27,258,212	14.8	27.3	57.9	100.0
Idaho	342,598	787,085	0	1,129,683	30.3	69.7	0.0	100.0
Illinois	7,881,240	50,695,275	194,274,376	252,850,891	3.1	20.0	76.8	100.0
Indiana	0	26,762,466	0	26,762,466	0.0	100.0	0.0	100.0
Iowa	10,360,082	21,047,151	2,941,843	34,349,076	30.2	61.3	8.6	100.0
Kansas	3,730,652	24,468,295	49,831	28,248,778	13.2	86.6	0.2	100.0
Kentucky	6,657,538	0	42,467,534	49,125,072	13.6	0.0	86.4	100.0
Louisiana	828,097	81,157,894	0	81,985,991	1.0	99.0	0.0	100.0
Maine	16,323,136	8,572,626	0	24,895,762	65.6	34.4	0.0	100.0
Maryland	35,425,091	30,104,495	2,275,539	67,805,125	52.2	44.4	3.4	100.0
Massachusetts	60,781,710	50,342,322	0	111,124,032	54.7	45.3	0.0	100.0
Michigan	10,817,543	221,304,665	483,649	232,605,857	4.7	95.1	0.2	100.0
Minnesota	21,720,738	54,573,532	13,715,660	90,009,930	24.1	60.6	15.2	100.0
Mississippi	1,010,947	1,059,777	25,775,641	27,846,365	3.6	3.8	92.6	100.0
Missouri	4,496,414	26,410,614	18,396,554	49,303,582	9.1	53.6	37.3	100.0
Montana	4,894,474	196,867	5,069,870	10,161,211	48.2	1.9	49.9	100.0
Nebraska	1,329,803	14,821,305	0	16,151,108	8.2	91.8	0.0	100.0
Nevada	15,367,631	0	0	15,367,631	100.0	0.0	0.0	100.0
New Hampshire	10,539,850	0	0	10,539,850	100.0	0.0	0.0	100.0

State					Percent of Total Grant Awards by Category			
	Basic Assistance	Non-recurrent, Short-Term Benefits	Subsidized Employment	Total	Basic Assistance	Non-recurrent, Short-Term Benefits	Subsidized Employment	Total
New Jersey	15,444,746	167,856,265	18,716,401	202,017,412	7.6	83.1	9.3	100.0
New Mexico	29,041,372	0	0	29,041,372	100.0	0.0	0.0	100.0
New York	32,487,094	664,960,813	25,575,383	723,023,290	4.5	92.0	3.5	100.0
North Carolina	1,079,984	66,615,420	11,682,450	79,377,854	1.4	83.9	14.7	100.0
North Dakota	0	0	5,738,155	5,738,155	0.0	0.0	100.0	100.0
Ohio	188,166,414	0	56,528,928	244,695,342	76.9	0.0	23.1	100.0
Oklahoma	4,798,976	10,514,037	11,497,886	26,810,899	17.9	39.2	42.9	100.0
Oregon	71,769,906	8,069,486	3,559,923	83,399,315	86.1	9.7	4.3	100.0
Pennsylvania	1,982,443	34,684,149	60,968,938	97,635,530	2.0	35.5	62.4	100.0
Puerto Rico	4,951,644	23,452,679	2,824,914	31,229,237	15.9	75.1	9.0	100.0
Rhode Island	0	3,312,197	4,817,051	8,129,248	0.0	40.7	59.3	100.0
South Carolina	14,852,567	2,366,878	1,870,892	19,090,337	77.8	12.4	9.8	100.0
South Dakota	2,756,713	1,191,419	2,944,619	6,892,751	40.0	17.3	42.7	100.0
Tennessee	23,540,074	6,480,000	20,280,246	50,300,320	46.8	12.9	40.3	100.0
Texas	6,012,275	149,158,301	87,957,799	243,128,375	2.5	61.3	36.2	100.0
Utah	14,174,693	893,607	393,564	15,461,864	91.7	5.8	2.5	100.0
Vermont	1,256,956	11,331,500	797,980	13,386,436	9.4	84.6	6.0	100.0
Virgin Islands	745,624	0	379,990	1,125,614	66.2	0.0	33.8	100.0
Virginia	24,328,366	5,528,294	1,911,323	31,767,983	76.6	17.4	6.0	100.0
Washington	95,860,723	1,287,246	17,179,333	114,327,302	83.8	1.1	15.0	100.0
West Virginia	10,081,710	37,129,561	2,883,577	50,094,848	20.1	74.1	5.8	100.0
Wisconsin	13,150,098	33,118,681	4,236,495	50,505,274	26.0	65.6	8.4	100.0

Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

In addition, 25 tribes and tribal organizations were awarded ECF grants. These grants total \$14.2 million.

Twelve states (Colorado, Delaware, Maryland, Michigan, Nevada, New Jersey, New Mexico, New York, North Carolina, Oregon, Tennessee, and Washington State) received their maximum allotment of contingency funds, and some others were close to receiving their maximums. As discussed above, states, tribes, and territories were limited to receiving only up to 50% of their basic TANF block grant in combined grants from the regular and emergency contingency funds over the two years, FY2009 and FY2010. **Table 2** shows state awards from the regular TANF

contingency fund and the ECF, comparing the sum of these awards with their maximum grants. States are sorted in descending order, so that states closest to exhausting their maximum allotments are shown at the top of the table.

Table 2. Maximum and Actual Regular and Emergency Contingency Fund Grants for FY2009 and FY2010

Cumulative grant awards through September 30, 2010

State	Maximum Allotments for the Regular Contingency and Emergency Contingency Funds	Amount Received in FY2009 and FY2010 for the Regular Contingency Fund	Amount Approved in FY2009 and FY2010 for Emergency Contingency Fund	Total Contingency Funds	Total Contingency Funds as a Percent of Maximum Allotment for Both Contingency Funds
Colorado	68,028,345	30,027,866	38,000,480	68,028,346	100.0
Delaware	16,145,491	7,664,838	8,480,653	16,145,491	100.0
Maryland	114,549,016	46,743,891	67,805,125	114,549,016	100.0
Michigan	387,676,429	155,070,572	232,605,857	387,676,429	100.0
Nevada	21,953,759	6,586,128	15,367,631	21,953,759	100.0
New Jersey	202,017,412	0	202,017,412	202,017,412	100.0
New Mexico	55,289,050	26,247,678	29,041,372	55,289,050	100.0
New York	1,221,465,301	498,442,011	723,023,290	1,221,465,301	100.0
North Carolina	151,119,800	71,741,946	79,377,854	151,119,800	100.0
Oregon	83,399,315	0	83,399,315	83,399,315	100.0
Tennessee	95,761,899	45,461,579	50,300,320	95,761,899	100.0
Washington	190,477,249	76,149,947	114,327,302	190,477,249	100.0
Texas	243,128,376	0	243,128,375	243,128,375	99.9
Louisiana	81,985,993	0	81,985,991	81,985,991	99.9
District Of Columbia	46,304,908	3,460,624	41,241,185	44,701,809	96.5
Massachusetts	229,685,558	109,039,904	111,124,032	220,163,936	95.9
Kansas	50,965,531	18,687,361	28,248,778	46,936,139	92.1
Alabama	46,657,604	0	42,870,777	42,870,777	91.9
West Virginia	55,088,155	0	50,094,848	50,094,848	90.9
Utah	37,804,738	17,947,254	15,461,864	33,409,118	88.4
Puerto Rico	35,781,251		31,229,237	31,229,237	87.3
Illinois	292,528,480	0	252,850,891	252,850,891	86.4
Hawaii	49,452,394	15,234,745	27,258,212	42,492,957	85.9
South Carolina	49,983,912	23,729,141	19,090,337	42,819,478	85.7
Virgin Islands	1,423,282	0	1,125,614	1,125,614	79.1
Wisconsin	157,249,677	62,899,871	50,505,274	113,405,145	72.1

State	Maximum Allotments for the Regular Contingency and Emergency Contingency Funds	Amount Received in FY2009 and FY2010 for the Regular Contingency Fund	Amount Approved in FY2009 and FY2010 for Emergency Contingency Fund	Total Contingency Funds	Total Contingency Funds as a Percent of Maximum Allotment for Both Contingency Funds
Arkansas	28,366,429	13,466,554	6,574,682	20,041,236	70.7
California	1,829,937,521	0	1,253,542,471	1,253,542,471	68.5
Minnesota	131,717,035	0	90,009,930	90,009,930	68.3
Ohio	363,984,130	0	244,695,342	244,695,342	67.2
South Dakota	10,639,826	0	6,892,751	6,892,751	64.8
Florida	281,170,060	0	180,535,924	180,535,924	64.2
Mississippi	43,383,789	0	27,846,365	27,846,365	64.2
Maine	39,060,445	0	24,895,762	24,895,762	63.7
Vermont	23,676,591	0	13,386,436	13,386,436	56.5
Nebraska	28,756,801	0	16,151,108	16,151,108	56.2
New Hampshire	19,260,631	0	10,539,850	10,539,850	54.7
Kentucky	90,643,835	0	49,125,072	49,125,072	54.2
Montana	19,019,558	0	10,161,211	10,161,211	53.4
Iowa	65,496,976	0	34,349,076	34,349,076	52.4
Arizona	100,116,349	47,525,377	4,364,381	51,889,758	51.8
Georgia	165,370,870	0	83,403,765	83,403,765	50.4
Missouri	108,525,870	0	49,303,582	49,303,582	45.4
North Dakota	13,199,905	0	5,738,155	5,738,155	43.5
Virginia	79,142,586	0	31,767,983	31,767,983	40.1
Oklahoma	72,640,721	0	26,810,899	26,810,899	36.9
Connecticut	133,394,054	0	38,964,589	38,964,589	29.2
Pennsylvania	359,749,653	0	97,635,530	97,635,530	27.1
Indiana	103,399,555	0	26,762,466	26,762,466	25.9
Rhode Island	47,510,794	0	8,129,248	8,129,248	17.1
Alaska	23,210,407	0	3,085,983	3,085,983	13.3
Idaho	15,206,281	0	1,129,683	1,129,683	7.4
Wyoming	9,250,265	0	0	0	0.0
Guam	3,465,478	0	0	0	0.0

Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

Proposals to Extend the TANF Emergency Contingency Fund

The TANF ECF was enacted as a temporary measure to help finance extra economic support to families to help them weather the recession. Though the economy grew in the last half of 2009 and the first three quarters of 2010, unemployment remained high. Unemployment is typically considered a “lagging” indicator and falls only after an economic expansion has already been underway for some time. Historically, the trend in the cash welfare caseload has sometimes followed economic conditions, but sometimes not. After the 1990-1991 recession, welfare caseloads actually peaked in March 1994, before beginning their decline.

President Obama’s FY2011 budget proposal sought to establish a new Emergency Fund for FY2011. It would have been funded at \$2.5 billion for that year. The House voted twice in 2010 to extend the ECF, though such proposals failed to clear the Senate. A provision of the Claims Resolution Act of 2010 (P.L. 111-291) extended the basic TANF program through the end of FY2011 without the ECF.

Author Contact Information

Gene Falk
Specialist in Social Policy
gfalk@crs.loc.gov, 7-7344