



# The TANF Emergency Contingency Fund

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## 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 is a temporary fund for two years, FY2009 and FY2010, and thus is scheduled to expire on September 30, 2010. On August 31, 2010, the Department of Health and Human Services (HHS) announced that the full \$5 billion in the fund will be used by the states, tribes, and territories by the end of FY2010.

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 is 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 are 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 must 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 is 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.

Through September 16, 2010, a total of 48 states, the District of Columbia, Puerto Rico, and the Virgin Islands had their applications for ECF grants approved. Additionally, 31 tribes and tribal organizations had approved ECF applications. Total awards from these approved applications were \$4.3 billion. Of the total, \$1.4 billion was for basic assistance, \$1.8 billion for short-term aid, and \$1.1 billion for subsidized employment. Eleven states (Colorado, Delaware, Maryland, Michigan, Nevada, New Jersey, New Mexico, New York, North Carolina, Tennessee, and Washington state) have received their maximum ECF grants.

Though the economy grew in the last half of 2009 and the first half of 2010, unemployment remained high. Historically, the trends in cash welfare caseload have 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 proposed continuing emergency funds through FY2011. Thus far in 2010, the House has twice passed bills that included extensions to the ECF in 2010; proposals that included ECF extensions have also been before the Senate during the year but have not passed. Most recently, an ECF extension was included in an "extenders" package, a Senate amendment to the House-passed H.R. 4849. The proposal would have provided \$1.5 billion to the ECF in FY2011, and allowed states to receive up to 30% of their basic block grant in ECF funds. The amendment was offered on September 16, 2010, but no agreement was reached on its consideration in the Senate.

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## **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 helps states, Indian tribes, and territories pay for additional costs of providing economic aid to families during the current economic downturn for FY2009 and FY2010. Thus, under current law, the fund expires on September 30, 2010. President Obama's FY2011 budget proposes a new Emergency Fund; the budget proposal also proposes some modifications to the emergency funds. This report describes the TANF ECF as well as proposals to extend and modify TANF emergency funding.

## **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. TANF itself is funded through the end of FY2010. Thus, congressional action is needed to continue the program after September 30, 2010.

## **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 provides 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 pays states, tribes, and territories 80% of the *increased* costs of expenditures in the three categories of expenditures discussed below.

The regular contingency fund was depleted in early FY2010. On August 30, 2010, the Department of Health and Human Services (HHS) announced that existing ECF grants plus pending applications would exhaust all \$5 billion in available funding. Thus, absent congressional action, there are no additional TANF funds to address the continuing effects of the recession.

## **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 reimburses 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 is compared with the number of families receiving cash assistance in the comparable quarter in the “base year.” The base year is defined as either FY2007 or FY2008, whichever had the lowest cash assistance caseload. If a state, tribe, or territory experience an increased in the cash assistance caseload, it is 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 have broad latitude in defining the types of “short-term aid” that they provide to families under the ECF. Moreover, short-term aid can be provided to families both on and off the cash assistance rolls. If a family receives only non-recurrent short-term aid, and not ongoing TANF assistance, that family is 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 that requires more families to be assisted as well as increased expenditures to qualify for ECF grants on that basis, the ECF may be provided for non-recurrent short-term aid solely on the basis of increased expenditures. The expenditures on non-recurrent short-term aid in a current quarter in FY2009 or FY2010 are compared with expenditures in the comparable quarter in the base year. The base year for non-recurrent short-term aid is either FY2007 or FY2008, whichever had the lowest expenditures for this category of expenditures. The base year for non-recurrent short-term aid can be different from that used to determine ECF eligibility for basic assistance. The ECF reimburses 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 can be in the private or public sector. As with non-recurrent short-term aid, states may subsidize jobs for those on the cash assistance rolls as well as for other persons. If a person's only ongoing TANF benefit is an employment subsidy, his or her family is not subject to the rules that apply to TANF families receiving cash welfare.

To draw ECF grants for subsidized employment, a state only needs to show that it has increased its expenditures for subsidized employment. The comparison used to determine increased costs for subsidized employment is 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 is compared to those in the comparable quarter in the base year. The base year for subsidized employment is FY2007 or FY2008, whichever year had the lowest expenditures in the category, and can differ from the base years used for basic assistance and short-term non-recurrent aid. The ECF reimburses 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 is 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 can draw up to 50% of its basic block grant from the two funds.

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

The ECF does not pay for the full increase in expenditures for basic assistance, short-term aid, or subsidized employment. It provides 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 need not come up with "new money" to cover the remaining 20%. They may use funding reallocated from other activities funded from the basic TANF block grant or MOE monies to cover these costs.

Additionally, states are permitted to count the value of in-kind, third party payments toward the 20%. This is particularly important for subsidized employment. According to guidance from the

Department of Health and Human Services (HHS), the state may count the value of employers' supervisory time toward the 20%. The limit on supervisory time is 25% of an employee's wage.

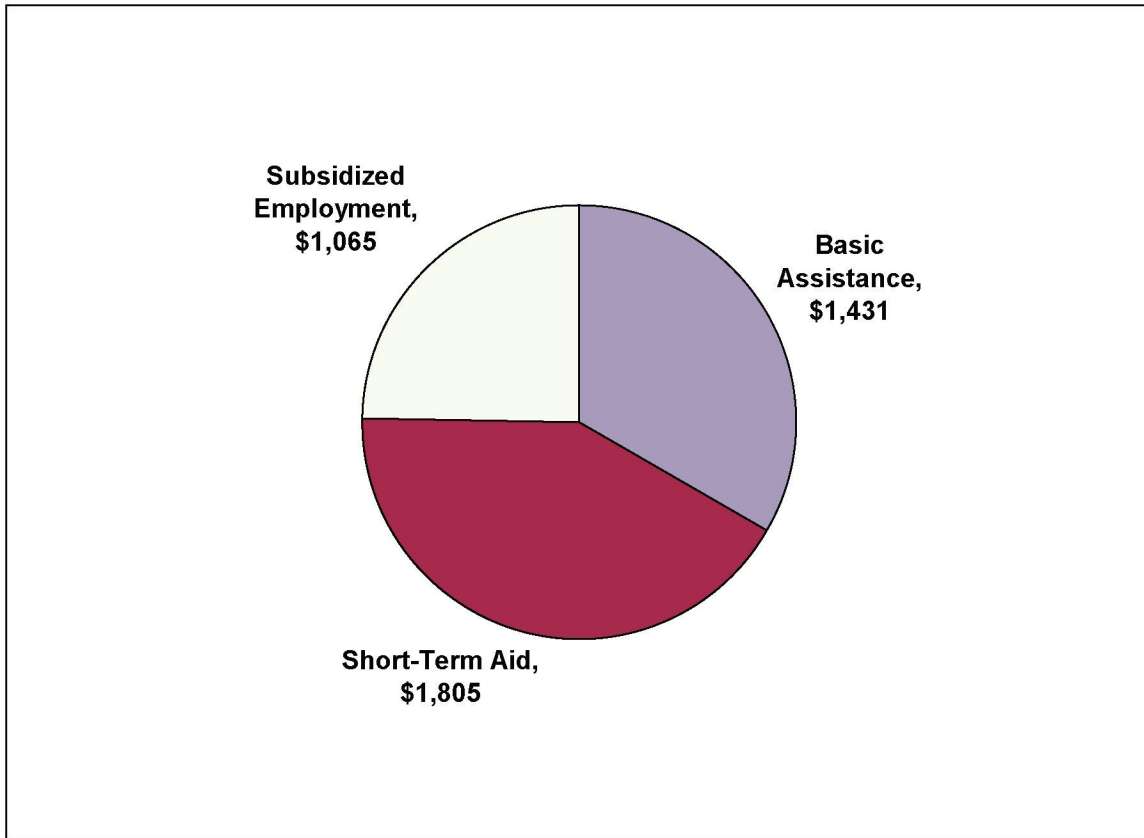
## **Do States Receive Emergency Funds Prospectively or Retrospectively?**

States may apply for the ECF either prospectively or retroactively. That is, they can apply for ECF grants to help finance expected increases in basic assistance, short-term aid, or subsidized employment expenditures in the upcoming quarter. (For example, a state may apply in June 2010 to help finance expected expenditures in the July-September 2010 quarter.) Additionally, they can use the ECF to reimburse themselves for past increases in expenditures. Under current law and rules, states have until September 1, 2010, to apply for ECF grants to reimburse increased expenditures in any quarter during FY2009 and FY2010. States that are retrospectively reimbursed for past increases in expenditures may use ECF grants on any allowable activity that can be funded using TANF grants.

## **State, Tribe, and Territorial Use of TANF Emergency Funds**

As of September 16, 2010, states, tribes, and territories have been awarded \$4.3 billion of the total \$5 billion appropriated. **Figure 1** shows the TANF ECF grant awards by category of spending. The figure shows cumulative grant awards. It shows that \$1.4 billion, 33% of the total grant awards, was to help finance increases in expenditures for basic assistance. Another \$1.8 billion, 42% of the total, was for non-recurrent short-term aid and \$1.1 billion, 25% of the total, was for subsidized employment.

**Figure 1. TANF Emergency Contingency Fund Grant Awards, by Category**  
 (cumulative grant awards through September 16, 2010; dollars in millions)



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

Through September 16, 2010, 48 states, the District of Columbia, Puerto Rico, and the Virgin Islands have been awarded ECF funds. **Table 2** shows ECF grant awards by category of expenditures. Most of these jurisdictions (47) were awarded funds for increases in their basic assistance caseload, with 42 jurisdictions awarded funds for non-recurrent short-term aid and 38 jurisdictions receiving funds for subsidized employment.

**Table 1. TANF Emergency Fund Awards by Category and State**  
 Awards through September 16, 2010

State	Basic Assistance	Non-recurrent Short-Term Benefits	Subsidized Employment
Alabama	X	X	X
Alaska	X		
Arizona	X	X	
Arkansas	X	X	X
California	X	X	X
Colorado	X	X	X
Connecticut	X	X	X



State	Basic Assistance	Non-recurrent Short-Term Benefits	Subsidized Employment
Delaware	X	X	X
District of Columbia	X	X	X
Florida	X	X	X
Georgia		X	X
Hawaii	X	X	X
Idaho	X	X	
Illinois	X	X	X
Indiana			
Iowa	X	X	X
Kansas	X	X	
Kentucky	X		X
Louisiana	X	X	
Maine	X	X	
Maryland	X	X	X
Massachusetts	X	X	
Michigan	X	X	X
Minnesota	X	X	X
Mississippi	X	X	X
Missouri		X	X
Montana	X	X	X
Nebraska	X	X	
Nevada	X		
New Hampshire	X		
New Jersey	X	X	X
New Mexico	X		
New York	X	X	X
North Carolina	X	X	X
North Dakota			X
Ohio	X		X
Oklahoma	X	X	X
Oregon	X	X	X
Pennsylvania	X	X	X
Puerto Rico	X		
Rhode Island		X	X
South Carolina	X	X	X
South Dakota	X	X	X

State	Basic Assistance	Non-recurrent Short-Term Benefits	Subsidized Employment
Tennessee	X	X	X
Texas	X	X	X
Utah	X	X	X
Vermont	X	X	X
Virgin Islands	X		X
Virginia	X	X	X
Washington	X	X	X
West Virginia	X	X	
Wisconsin	X	X	X
Wyoming			
Number of jurisdictions	47	42	38

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

In addition, 21 tribes and tribal organizations have been awarded ECF grants as of September 10, 2010. These grants total \$13.1 million.

Eleven states (Colorado, Delaware, Maryland, Michigan, Nevada, New Jersey, New Mexico, New York, North Carolina, Tennessee, and Washington state) have already received their maximum allotment of contingency funds, with some others close to having received their maximums. As discussed above, states, tribes, and territories are 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 16, 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

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
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
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
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
Oregon	83,399,315	0	78,853,250	78,853,250	94.5
Illinois	292,528,480	0	252,850,891	252,850,891	86.4
South Carolina	49,983,912	23,729,141	16,106,990	39,836,131	79.7
Hawaii	49,452,394	15,234,745	21,389,581	36,624,326	74.1
Wisconsin	157,249,677	62,899,871	50,505,274	113,405,145	72.1
Kansas	50,965,531	18,687,361	16,586,172	35,273,533	69.2
Minnesota	131,717,035	0	90,009,930	90,009,930	68.3
Ohio	363,984,130	0	244,695,341	244,695,341	67.2
Texas	243,128,376	0	161,205,970	161,205,970	66.3
South Dakota	10,639,826	0	6,892,751	6,892,751	64.8
Maine	39,060,445	0	24,895,762	24,895,762	63.7
Utah	37,804,738	17,947,254	6,130,330	24,077,584	63.7
Arkansas	28,366,429	13,466,554	3,635,775	17,102,329	60.3
Louisiana	81,985,993	0	48,213,373	48,213,373	58.8
Vermont	23,676,591	0	13,386,435	13,386,435	56.5
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	34,349,075	34,349,075	52.4
Arizona	100,116,349	47,525,377	4,225,426	51,750,803	51.7
Alabama	46,657,604	0	23,687,644	23,687,644	50.8
California	1,829,937,521	0	922,708,976	922,708,976	50.4

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
Virgin Islands	1,423,282		709,783	709,783	49.9
Florida	281,170,060	0	136,271,486	136,271,486	48.5
Mississippi	43,383,789	0	19,237,627	19,237,627	44.3
North Dakota	13,199,905	0	5,738,155	5,738,155	43.5
Georgia	165,370,870	0	65,991,373	65,991,373	39.9
Missouri	108,525,870	0	43,092,476	43,092,476	39.7
Virginia	79,142,586	0	26,080,718	26,080,718	33.0
Oklahoma	72,640,721	0	23,132,267	23,132,267	31.8
Connecticut	133,394,054	0	38,964,590	38,964,590	29.2
Pennsylvania	359,749,653	0	97,635,530	97,635,530	27.1
Nebraska	28,756,801	0	6,342,232	6,342,232	22.1
Rhode Island	47,510,794	0	8,129,248	8,129,248	17.1
Puerto Rico	35,781,251		5,476,400	5,476,400	15.3
West Virginia	55,088,155	0	5,889,536	5,889,536	10.7
Idaho	15,206,281	0	1,129,683	1,129,683	7.4
Alaska	23,210,407	0	1,280,895	1,280,895	5.5
Indiana	103,399,555	0	0	0	0.0
Wyoming	9,250,265		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. Under current law, the ECF expires on September 30, 2010. Though the economy grew in the last half of 2009 and the first half 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 trends in cash welfare caseload have sometimes followed economic conditions, but sometimes not. After the

1990-1991 recession, welfare caseloads actually peaked in March 1994, before beginning their decline.

Under current law, the ECF expires on September 30, 2010. President Obama's FY2011 budget proposal seeks to establish a new Emergency Fund for FY2011. It would be funded at \$2.5 billion for that year. (The budget proposal would also replenish the regular contingency fund.) The Administration's proposal would raise the reimbursement rate for subsidized employment to 100%, as well as allow ECF reimbursement for work-related and support services.

The House has voted twice in 2010 to extend TANF emergency funds through FY2011, though such proposals have failed to clear the Senate. An emergency fund extension first passed the House on March 24, 2010, as a provision of H.R. 4849. It also passed as a House amendment to the Senate amendment to H.R. 4213 on May 28, 2010.

Proposals that have included an ECF extension have been before the Senate several times in 2010, but none have passed thus far. The latest proposal was offered as part of an extenders package that would be a substitute amendment to the House-passed versions of H.R. 4849. It was offered on the Senate floor on September 16, 2010, but no agreement was reached on how to consider the package. Under this proposal, \$1.5 billion would be provided in ECF funds. States would receive up to 30% of their basic TANF block grants for continued increases in expenditures on basic assistance, short-term aid, and subsidized employment. It would continue to reimburse states for 80% of the increased cost of these expenditures. The proposal would eliminate the separate requirement that to receive ECF grants for basic assistance, a state would have to experience an increase in the number of families receiving basic assistance. It would also allow subsidized employment expenditures on those who have exhausted or are about to exhaust their unemployment insurance benefits.

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