



Temporary Assistance for Needy Families

Reauthorization Recommendations

July 2016

The Temporary Assistance for Needy Families (TANF) program is one of the nation's most important poverty reduction programs, providing cash assistance, work experience, and other supports that have helped millions of low-income families to weather periods of financial hardship. However, twenty years after its original passage, it is clear that TANF needs to be strengthened to better align with the realities of the 21st century economy. In particular, current law includes a range of restrictive requirements that limit the ability of states to carry out education and workforce development strategies, which could help more TANF recipients to transition into well-paying and sustainable employment and better meet employer needs.

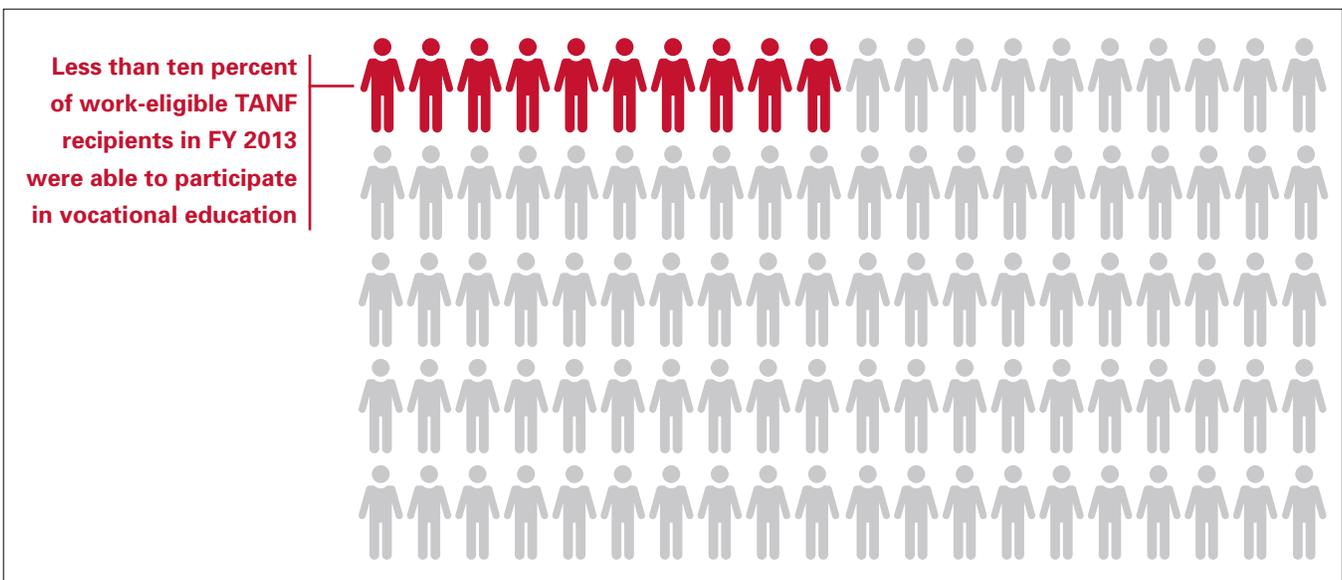
TANF was built around a “work-first” philosophy, requiring states to ensure that a certain percentage of individuals participate in specific work activities, but limiting the amount of training and education that qualifies towards these work requirements. States are encouraged to focus on reducing the number of individuals receiving cash assistance, but have limited incentives to focus on longer-term outcomes, since

placement in a low-wage job – or no job placement at all – counts the same as helping a participant transition to family-supporting employment. While these rules were intended to reduce dependence on government assistance by incentivizing rapid labor market attachment, in practice such limits on education and training likely reduce the number and kinds of jobs for which recipients are qualified, and therefore paradoxically limits their efforts to become self-sufficient.

In Fiscal Year (FY) 2014, only 7.6 percent of adult TANF recipients nationally had any form of education beyond high school, while more than one-third of recipients had less than 12 years of educational attainment.¹ In an economy where as many as 80 percent of all new job openings will require at least some education and training beyond the secondary level², this means that many TANF recipients are unable to take advantage

1 http://www.acf.hhs.gov/sites/default/files/ofa/tanf_characteristics_fy2014.pdf

2 <http://www.nationalskillscoalition.org/resources/publications/file/middle-skill-fact-sheets-2014/NSC-United-States-Middle-SkillFS-2014.pdf>



of emerging economic opportunities in higher-wage occupations, and are more likely to be stuck in lower-paying jobs that fail to lift them out of poverty. In addition, individuals who require basic literacy instruction, counseling or other supports to reduce barriers to employment may be unable to transition even to entry-level employment if not connected to the right services at the right time.

TANF as currently structured is not supporting investments in skills attainment: less than 7 percent of combined federal and state maintenance of effort (MOE) funds went to support work-related activities in FY 2014, and less than 1 percent of funds went to

support education and training.³ And this means fewer opportunities for TANF participants to build skills that lead to careers: less than ten percent of work-eligible TANF recipients in FY 2013 were able to participate in vocational education, and less than 5 percent received job skills training.⁴

With the passage of the bipartisan Workforce Innovation and Opportunity Act of 2014 (WIOA), Congress recognized the growing importance of federal workforce, education and support services

3 http://www.acf.hhs.gov/sites/default/files/ofa/tanf_financial_data_fy_2014.pdf
 4 <http://www.acf.hhs.gov/sites/default/files/ofa/wpr2013table06b.pdf>

programs in meeting the skill needs of both jobseekers and employers. Significantly, WIOA requires that TANF be a mandatory partner program in the federally-supported one-stop system, and encourages states to include TANF as part of the comprehensive state workforce plans required under that law. However, it will be difficult for states to take full advantage of these emerging opportunities so long as TANF retains outdated training restrictions and performance requirements that do not align well with other systems. With states in the process of implementing WIOA, lawmakers should consider the following policy changes to align TANF with WIOA and other federal workforce and education programs, and to expand access to education and training for those TANF recipients who need skills to compete in today's labor market:

■ **Provide flexibility to measure outcomes rather than processes.** Under current law, the sole performance accountability measure for states is the “work participation rate,” by which states must ensure that 50 percent of TANF-receiving families with a work-eligible adult — and 90 percent of families with two work-eligible adults — be engaged in a minimum number of hours of work or related activities each week. States can reduce the statutory minimums through credits for reduction in their annual TANF caseloads, but otherwise have limited incentives to ensure that work participation is leading to meaningful employment or skills development opportunities for participants, since there are no performance measures relating to participant outcomes. In addition, because states must be able to verify hours of work participation on a daily basis for many work activities, the work participation rate places administrative burdens on states and service providers, and inhibits collaboration between TANF agencies and other workforce and education stakeholders that are not subject to cumbersome tracking requirements.

Congress should give states the flexibility to design programs that can address the skill needs

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of businesses and participants, rather than simply focusing on processes. As part of TANF reauthorization, lawmakers should eliminate the duplicative two-parent work participation rate altogether, and then authorize states to choose between two options: 1) using the current “all-families” work participation rate; or 2) transitioning to negotiated performance rates for skills gains, credential attainment, employment, and earnings for work-eligible individuals.

States opting to utilize the second outcomes-based method would be encouraged to establish performance levels that accurately reflected the employment barriers facing TANF recipients, with a particular focus on recognizing milestones such as progress toward English language or literacy proficiency, attainment of secondary diplomas or equivalent credentials, or transitions to part-time or subsidized employment, where appropriate. States should also be required to count all TANF recipients participating in work-related activities, including individuals who are sanctioned out of TANF eligibility, to ensure that states do not have

perverse incentives to discontinue services for individuals with significant employment barriers. States that opted to utilize an outcomes-based system would no longer be required to track hours of participation, but would instead be responsible for ensuring that they met or exceeded performance targets, and would be expected to demonstrate improved performance over time, with adjustments for labor market conditions and participant characteristics. States that failed to meet performance targets would be required to develop performance improvement plans and increase TANF investments in training until targets were achieved. This approach would allow states to more closely align TANF investments with broader workforce strategies authorized under WIOA and other federal programs, while rewarding those states that make meaningful efforts to promote self-sufficiency for TANF participants.

- **Lift outdated restrictions on education and training.** Among the biggest challenges for expanding access to education and training under TANF are restrictions on how states may count such activities toward their work participation rates. For example, TANF recipients are restricted to twelve months of participation in vocational educational training, and states cannot exceed 30 percent of families meeting the work rates through vocational educational training. Certain “non-core” activities — including job skills training or education directly related to employment, and attendance in secondary school or programs leading to a secondary equivalent — can only count toward work participation rates after individuals have completed 20 hours of other activities in a given week. These limits make it harder for states to invest in training strategies, reduce employer access to work-ready applicants for unfilled jobs, and place unnecessary burdens on TANF recipients seeking skills and credentials, particularly for those individuals who require additional time or supports to successfully complete postsecondary education and training.

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Congress should remove the 30 percent cap on “vocational educational training” under section 407(c)(2)(D) of TANF, and expand the length of vocational educational training that may count towards an individual’s work participation rate to at least 36 months, which would allow for greater participation in high-quality postsecondary training programs leading to industry recognized credentials. Congress should eliminate the distinction under section 407(c)(1)(A) between “core” and “non-core” training and education activities, to give states the broadest flexibility in designing strategies that work for TANF recipients and employers. Congress should also remove or increase the age limits for attendance in programs leading to a secondary diploma or equivalent, to ensure that individuals seeking such credentials have access to foundational skills needed to transition to postsecondary education or the workforce as appropriate.

To ensure that TANF participants are able to access to fullest possible range of education, training, and work supports, Congress should consider waiving specific hour verification requirements for individuals who are successfully engaging in training programs funded under WIOA or other federal programs, and should allow states to include time spent in career development activities, such as financial literacy counseling or health services, where such services enable an individual to successfully participate in education or training.

Lawmakers should also encourage states to ensure that eligibility requirements do not create disincentives to increase earnings for fear of losing critical work supports (often referred to as the “cliff effect”) and should provide incentives to states to develop sensible post-employment retention strategies, including phased wage subsidies and career counseling.

Congress should consider updating the current list of qualifying work activities under TANF to include new and innovative strategies that are not explicitly referenced under current section 407. In particular, Congress should add participation in integrated education and training (IET) programs, which combine basic literacy instruction and occupational training to support accelerated credential attainment for low-skilled individuals; and pre-apprenticeship programs, which provide individuals with work readiness and industry-specific job skills that support direct transitions into apprenticeship opportunities.

- **Support investments in innovative workforce strategies.** One of the most important policy changes under WIOA was an increased focus on strategies that strengthen coordination between multiple programs and services to support longer-term employment and career advancement opportunities. In particular, WIOA requires states and local areas to engage in the development and implementation of sector partnerships and career pathway strategies, practices that have been shown to improve employment outcomes for low-skilled individuals while better connecting education and training services with the skill needs of local and regional employers.

Sector partnerships (also known as industry partnerships) are collaborations between multiple businesses in a target industry and a range of other stakeholders — including labor, workforce boards, and postsecondary institutions and other training providers — to develop pipelines of skilled workers for that industry. Twenty-one states had adopted

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policies to support sector partnerships even before WIOA requirements formally took effect, and these partnerships have proven effective not only in meeting the short- and long-term skill needs of businesses, but also improved outcomes for low-skilled participants.⁵ The federal government has also invested in sector-focused training aimed at assisting TANF recipients, most notably through the Health Profession Opportunity Grants (HPOG), which is supporting promising efforts to help low-income individuals transition into well-paying health care careers.⁶ Where designed appropriately, sector partnerships can provide significant new opportunities for TANF recipients by engaging employers in the development of training models and other business practices (such as flexible work hours and access to child care services) that can help workers overcome barriers to employment and support career advancement.

Career pathway strategies generally provide access to sequential education and training opportunities, in combination with support services, which

5 <http://www.nationalskillscoalition.org/resources/publications/file/Final-Revised-50-State-Scan-Sector-Partnerships-1.pdf>

6 http://www.acf.hhs.gov/sites/default/files/opre/final_nie_di_and_outcome_study_report_clean_b508.pdf

allow individuals to transition from entry-level employment into higher-paying jobs within a specific occupation or industry. Career pathways are a particularly promising strategy for TANF recipients, allowing individuals to obtain basic skills and secondary credentials, if necessary, as well as gaining postsecondary credentials and certifications while still working.

Sector partnerships and career pathways strategies could provide unique opportunities for TANF recipients, particularly for the more than one-third of TANF participants who lack a high-school diploma. However, TANF recipients have not always been well-served in the federally-supported workforce system — in 2014, less than 4 percent of adult exiters from that system were TANF recipients⁷ — and workforce and TANF agencies have often had little incentive to work together because of conflicting performance expectations for the programs under federal law, and the limitations on training access for TANF participants.

To address these challenges, Congress should ensure that TANF provides new dedicated funding to support stronger alignment of TANF programs with sector partnership and career pathways models, with a particular focus on industries and occupations that offer meaningful opportunities for career advancement and job benefits that can help TANF recipients achieve self-sufficiency. States and local areas receiving these additional funds should be required to: demonstrate how investments will align with sector partnerships and career pathways implemented under WIOA, where appropriate; provide assurances that funds will be used exclusively to expand access to training and supportive services for TANF recipients and other low-income individuals, including through increased use of wage subsidies and other options to support work-based learning; and enter into partnerships with community-based organizations

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and other entities that can provide pre- and post-employment supports to help individuals retain jobs and advance along well-defined career ladders. Congress could further consider encouraging states to consider the adoption or expansion of “two-generation” strategies that coordinate adult training and early childhood education services, allowing parents to gain needed job skills and employment opportunities while also investing in critical developmental services for young children.

- **Increase funding for the state basic assistance grant.** The TANF federal block grant has been funded at the same level – approximately \$16.5 billion – since 1996. Adjusted for inflation, this level funding means the value of the program has declined by a third over the last twenty years.⁸ This continued erosion of TANF’s purchasing power has contributed to a significant decline not only in the number of individuals directly receiving assistance — the most recent data indicates that a monthly average of 4.2 million individuals received TANF benefits in Fiscal Year 2015, compared to the 11.4 million individuals receiving welfare assistance in 1997.⁹ While we recognize that in the current fiscal climate Congress must balance multiple competing and compelling interests, TANF would be far more effective if the program were to be funded at a level that corresponds with the actual scale of need.
- **Ensure TANF funds are better targeted to TANF recipients.** States have broad flexibility in using their TANF funds to support a range of activities that

7 https://www.doleta.gov/performance/results/pdf/PY_2014_WIAS-RD_Data_Book.pdf

8 <http://www.cbpp.org/research/policy-basics-an-introduction-to-tanf>

9 http://www.acf.hhs.gov/sites/default/files/ofa/2015_recipient_tans-sp.pdf

meet the overall purposes of the law, and in many cases that has meant decreased services for TANF recipients. According to the Department of Health and Human Services, in FY 2014 less than half of federal and state TANF funds were used to support core services for TANF participants — including basic assistance, child care, and work-related activities — with the remaining funds transferred to other programs or activities.¹⁰ Eight states spent less than 25 percent of their combined funds for core services in FY 2014.

While maintaining state flexibility is important, Congress should refocus TANF investments to ensure that it is supporting employment opportunities and economic security for TANF recipients. To that end, a reauthorized TANF should set minimum requirements for states to invest in core services for TANF recipients — preferably at least 50 percent of combined federal and state funds in the first year — and should be expected to increase the percentage of core TANF expenditures over time.

¹⁰ https://www.acf.hhs.gov/sites/default/files/ofa/2014_tanf_moe_national_data.pdf?nocache=1447434621

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