Massachusetts Law Reform Institute

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Temporary Assistance for Needy Families (TANF) and TAFDC in Massachusetts

The federal TANF block grant

In 1996, with the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act, Congress converted the Aid to Families with Dependent Children (AFDC) program into a block grant. Under the federal-state AFDC program which the block grant replaced, Massachusetts received federal matching funds for state expenditures for cash assistance benefits; education, training, and child care for cash assistance recipients and former recipients; emergency assistance for families; and administration of these programs. For every additional dollar the state spent on these programs, the state generally received an additional dollar in federal funds.

The federal Personal Responsibility Act substituted the Temporary Assistance for Needy Families (TANF) block grant for the previous matching program. The state now receives a set amount each year–$459.4 million, subject to reauthorization and annual appropriation by Congress. Massachusetts has also qualified for additional contingency fund payments and emergency contingency fund payments which are no longer authorized.

To draw down the TANF block grant funds, the state does not have to "match" the federal funds as it did under the AFDC funding system, but the state does have to spend a specified amount, known as state "maintenance of effort" (MOE) in order to obtain the federal funds. To meet the minimum MOE requirement, the state must spend 75% of its "historic state expenditures" (or 100% to qualify for TANF contingency funds) on "qualified state expenditures." "Historic state expenditures" are the state's federal FY 94 expenditures from state funds for AFDC, AFDC administration, Emergency Assistance, AFDC child care, and JOBS. "Qualified state expenditures" are generally expenditures of state funds on these programs and other programs reasonably calculated to accomplish the purposes of the block grant. HHS has calculated Massachusetts' "historic state expenditures as $478.6 million. Under federal law, Massachusetts must spend at least 75% of $478.6 million from state funds—$358.9 million—in order to draw down the full welfare block grant, and must spend more if the state wants to qualify for contingency funds.

The state's Transitional Aid to Families with Dependent Children (TAFDC) program

The income support program for needy families in Massachusetts was named Transitional Aid to Families with Dependent Children (TAFDC) in 1995. It is funded with state and federal TANF block grant funds appropriated in the budget at line item 4403-2000. Maximum benefits for a family of three with no countable income and paying private rent without a rental subsidy is $633 a month. Benefits amounts were increased slightly in 2000. The grant has lost about 43 percent of its value to inflation since 1988.

The state does not spend the bulk of federal TANF funds or state MOE to provide income supports for the poorest families in the state.

Under the AFDC program, federal welfare funds had to be spent on cash assistance and services for the families who met cash assistance financial eligibility limits. Consequently, during the years on which the block grant funding is based, the vast majority of the federal funds were spent on cash assistance for very poor families.

The Personal Responsibility Act allows states to transfer up to 30% of the block grant to child care and social services for non-cash assistance families, and Massachusetts does so. In addition, federal regulations allow states extraordinary flexibility in spending the TANF funds which are not transferred and the MOE funds. Massachusetts has taken advantage of the flexibility allowed under the federal welfare law, and is now spending more than half of the federal cash assistance block grant and required state MOE expenditures for programs and services other than cash assistance and related benefits. For example, in federal FY 10, the state allocated TANF and state MOE funds to a number of programs in addition to TAFDC, including child care for families not receiving TAFDC, academic support services, higher education scholarships, housing subsidies, child welfare support and stabilization, and food banks.

The TAFDC program has failed to respond appropriately to increased need during the recession.

In state FY 1994, the state spent $706 million in state and federal dollars for AFDC. In state FY 2011 the state is projected to spend $315 million for TAFDC, a 55 percent decline in nominal dollars and a 70 percent drop in real dollars. The decline in nominal spending closely parallels the drop in the AFDC/TAFDC caseload. In December 1993, the AFDC caseload was 111,968; in December 2010, the TAFD caseload was 52,463. Fewer families are eligible for TAFDC because income eligibility limits have dropped in real dollars and because of eligibility restrictions, including a 24 out of 60 month time limit for families who do not qualify for an exemption and strict work requirements that can result in termination of benefits to children as well as parents.

The decline in the real value of benefits coupled with tighter eligibility rules have made TAFDC less able to meet the needs of very low income families in Massachusetts and less able to respond to economic crises. During the first two years of the recession (from December 2007 to December 2009), when unemployment increased by 113 percent, the TAFDC caseload increased by only 11 percent. SNAP (food stamp) caseloads during that period increased by 55 percent. In the two year period from 1994-1995, the AFDC program served 92 families for every 100 Massachusetts families with income below the federal poverty level. In the two year period from 2008-2009, the TAFDC program served only 41 families for every 100 Massachusetts families below poverty.

Looking ahead

A long line of research has linked child poverty with negative outcomes including poorer cognitive development, academic achievement and adult earnings and work hours. To reduce poverty's adverse impacts on children, income supports must be protected from further erosion and must be given a high priority for restoration once revenues improve. Shortchanging children is short-sighted policy.

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