

Trends in TANF Receipt: Select Information for the Debate to Extend the Expanded Child Credit

October 1, 2021

The American Rescue Plan Act of 2021 (P.L. 117-2) temporarily expanded the child tax credit, transforming it into a [near-universal cash benefit to families with children for 2021](#). For July to December, up to half of the credit is being advanced to families on a monthly basis. The expanded child credit was part of the policy response to the economic fall-out from the COVID-19 pandemic that included directing cash payments to households through the credit, expanded [unemployment insurance](#), and [economic impact \(stimulus\) payments](#).

In fall 2021, [Congress is debating](#) whether to extend the expanded child credit, or even make parts of it permanent. This includes advance payment of the credit as a monthly cash benefit. The debate is occurring as the pandemic continues, but many of the temporary measures enacted in response to the economic fallout from the pandemic have expired—and the expanded child credit is scheduled to expire at the end of 2021. Directing *cash* on an ongoing basis to needy families is a departure from pre-pandemic policies to aid needy families with children. Before the pandemic, *noncash* benefits and refundable tax credits paid in a lump sum represented the bulk of aid for these families. This Insight looks at one of the main potential sources of monthly cash income support for families with children: public assistance from the Temporary Assistance for Needy Families (TANF) block grant.

Creation of TANF

TANF was created in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA; P.L. 104-193), which ended dedicated federal funding for public assistance to needy families with children, consolidating that funding into a broad-purpose block grant to states. PRWORA was the culmination of a debate that spanned four decades and focused on the Aid to Families with Dependent Children (AFDC) program and single mothers (who headed most AFDC families). TANF's creators viewed AFDC as creating dependency on government benefits because of its effect on work and marriage.

An oft-cited indicator of the impact of PRWORA is the increase in employment of single mothers. **Figure 1** shows, by year, the share of single mothers who were employed and unemployed from 1994 to 2021,

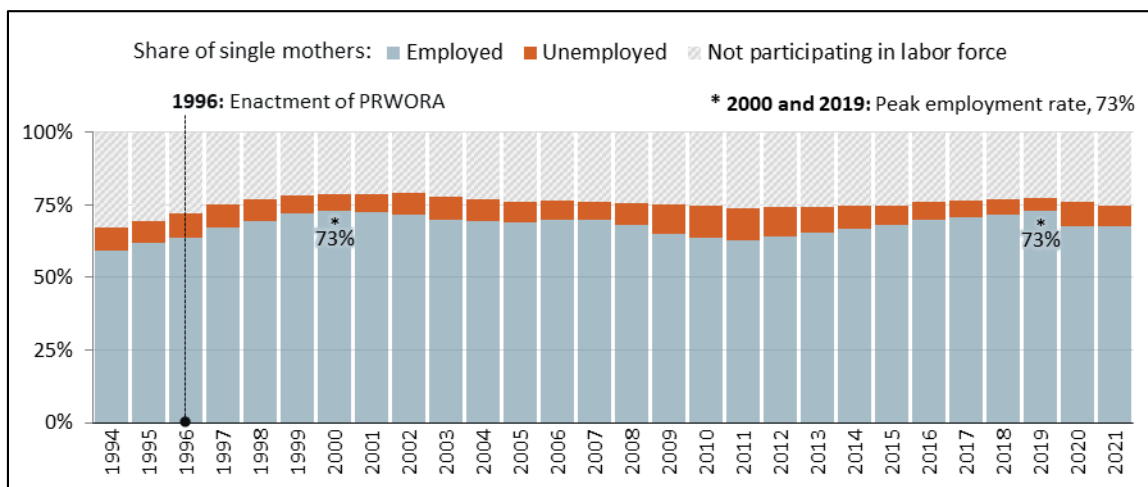
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based on monthly averages. Combined, the percentage of employed and unemployed single mothers represents the labor force participation rate for this group. Both labor force participation and employment increased from 1994 (two years prior to the enactment of PRWORA) to 2000. After 2000, the percentage of single mothers employed fluctuated with economic conditions, regaining its 2000 level only in 2019. In 2020 and 2021, amid the pandemic, both employment and labor force participation rates of single mothers fell.

Figure 1. Percentage of Single Mothers Employed and Unemployed, 1994-2021
Monthly Averages



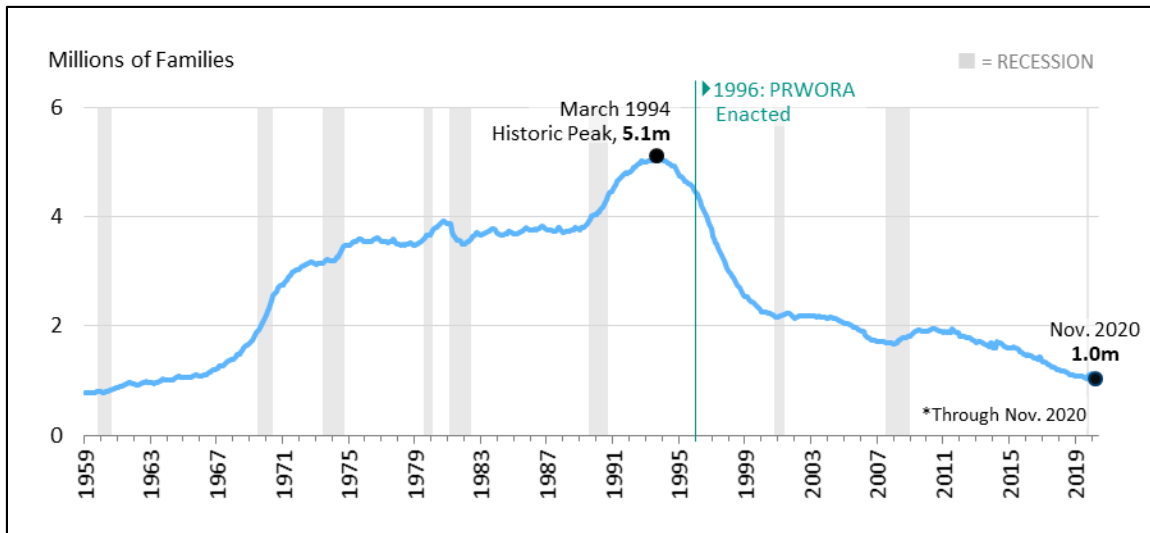
Source: Congressional Research Service (CRS) tabulations of the monthly Current Population Survey.

Notes: 2021 data reflect the first eight months of the year.

Before the pandemic, the child poverty rate (based on the Supplemental Poverty Measure [SPM]) reached [historically low levels](#). Particularly since 2000 (with some variation because of changing economic conditions), increases in government assistance accounted for much of its decline. However, ongoing cash assistance from TANF contributed relatively little to child poverty reduction, with the bulk of child poverty reduction from pre-assistance rates coming from [noncash benefits and refundable tax credits paid as a lump sum in the following year as part of tax refunds](#).

Number of Families Receiving TANF

The number of families with children receiving AFDC public assistance reached its historic al high, 5.1 million, in March 1994. After that, the number of families receiving assistance declined, with accelerating declines in the late 1990s after the enactment of PRWORA. **Figure 2** shows the number of families receiving AFDC or TANF from 1959–2020. It shows that the number of families receiving assistance from TANF continued to decline, albeit at a slower rate than in the late 1990s, after the steady increase in employment rates for single mothers ended in 2000.

Figure 2. Number of Families Receiving Cash Assistance from AFDC/TANF: 1959-2020

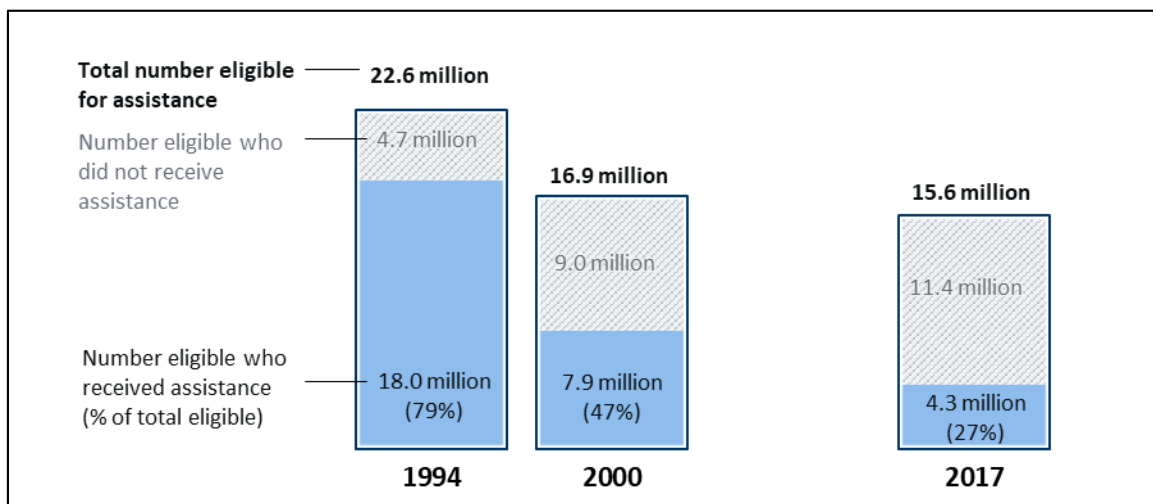
Source: Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

Notes: TANF families include those receiving benefits from Separate State Programs (SSPs) with expenditures countable toward the TANF maintenance-of-effort requirement. Shaded regions reflect recessions as determined by the National Bureau of Economic Research (NBER).

Figure 3 shows estimates of the size of the population that was both eligible for and received TANF assistance in selected years. Much of the decline in receipt of cash assistance since 1994 was because fewer families eligible for TANF assistance actually received it. This was especially the case after 2000.

Figure 3. Number of People Who Were Eligible for and Received TANF Assistance, Selected Years, 1994-2017

Estimates from the TRIM3 Microsimulation Model



Source: Congressional Research Service (CRS). Estimates from the TRIM3 microsimulation model's baseline data for selected years. TRIM3 is funded by the Department of Health and Human Services (HHS) and maintained at the Urban Institute.

Conclusion

The expanded child credit was part of a set of policies to address the economic effects of the COVID-19 pandemic, policies [estimated to reduce child poverty in 2021 to below their pre-pandemic levels](#). If the expansion of the child credit were to expire as scheduled, cash income support policies for families with children would revert to relying on more traditional, targeted programs, such as social insurance ([permanent law unemployment compensation programs](#)) and public assistance funded from TANF.

This Insight provides some data on TANF receipt as context for congressional consideration of extending the expanded tax credit, and/or other potential changes to income support for families with children, or reverting to the pre-pandemic status quo. State-run TANF assistance programs have seen a declining number of families receiving assistance, reaching a point where about 1 in 4 eligible persons receive benefits. Based on concerns that assistance led to dependency on government benefits, the crafters of TANF assistance called for it to be “[temporary and provisional](#).” Rather than being temporary, TANF is often not received at all among those eligible for it.

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