Questions on Temporary Assistance for Needy Families

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Issue

This report answers questions on Temporary Family Assistance (TFA), Connecticut's Temporary Assistance for Needy Families (TANF)-funded cash assistance program. The Office of Legislative Research is not authorized to provide legal opinions, and this report should not be considered one.

Describe Connecticut's TANF-funded Cash Assistance Program and Related Federal Requirements

TFA is Connecticut's TANF-funded cash assistance program for families. The Department of Social Services (DSS) administers TFA, processing eligibility and distributing benefits on electronic benefit transfer (EBT) cards. The state's Department of Labor administers the Jobs First Employment Program (JFES) which provides employment services to those TFA recipients who are not exempt from work requirements.

Federal law generally requires states to describe their TANF-funded cash assistance programs in a state plan that is subject to approval by the Administration of Children and Families within the U.S. Department of Health and Human Services (42 U.S.C. § 602). TANF-funded cash assistance programs must meet certain federal requirements, including work participation rates and a 60-month lifetime limit on program benefits (42 U.S.C. §§ 607 & 608). States may establish shorter time limits or, in certain cases, provide more than 60 months of benefits (e.g., to a limited number of families experiencing hardships or by providing benefits with state funds rather than federal funds).

What is Connecticut's Time Limit on TANF-funded Cash Assistance and When was it Established? Were Other Program Changes Made at That Time?

Under state law, TFA has a 21-month time limit, with up to two six-month extensions (CGS § 17b-112 as amended by PA 22-145). The state implemented this limit during a period of state and federal welfare reform in the 1990s. The time limit predates the federal transition from Aid to Families with Dependent Children (AFDC) to TANF.

In 1992, the legislature established a task force to study the possibility of restructuring the state's public assistance program. The task force made a series of recommendations with the goal of offering more work incentives and fostering self-sufficiency and personal responsibility. In 1993, the legislature passed many of these recommendations in PA 93-418. Because federal law governed state cash assistance programs and its rules conflicted with some of the act's provisions, the act required DSS's predecessor, the Department of Income Maintenance (DIM) to seek a federal waiver of AFDC provisions. DIM received the waiver and began implementing the changes in 1994.

The 21-month limit on cash assistance was enacted in 1995 as part of a series of additional changes to the public assistance program (PA 95-194). The act also established exceptions to the limit for people in certain circumstances and a process for people subject to the time limit to apply for six-month extensions in some cases. The state needed another federal waiver to implement these changes, which generally went into effect in January 1996.

In August 1996, Congress passed federal welfare reform (i.e., the Personal Responsibility and Opportunity Reconciliation Act (PRWORA), P.L. 104-193), eliminating the AFDC program and replacing it with TANF, a non-entitlement federal block grant. The act essentially turned over control of cash assistance programs to the states, with an expectation that they contain certain features as a condition of ongoing funding. States that were running their cash assistance programs under federal waivers (e.g., Connecticut) were allowed to continue them, and these waivers prevailed over the TANF law until they expired.

Would the State Have to Amend the Waiver to Change the Time Limit?

No. While Connecticut established the 21-month limit in a waiver, it no longer operates its TANF programs under that waiver. As described in this Congressional Research Service report (p. 10), the federal welfare reform law allowed states to delay implementation of TANF rules if the rules conflicted with a previously approved federal waiver, but only until the waivers were scheduled to expire. The last of these waivers (Tennessee's) expired in 2007.

The 21-month limit remains in state statute. In 2022, the legislature considered a bill to extend the TFA time limits to 60 months, generally the maximum allowed under federal law (sSB 197 (2022)). The Human Services Committee favorably reported the bill to the Appropriations Committee. That committee favorably reported the bill to the Senate, which took no action.

Is TFA Available Only for Families Seeking Employment or Disability Benefits? Is TFA Available to Families who are Engaged in Educational Activities?

TFA recipients are generally required to engage in work activities, which may include certain educational activities as shown in Table 1. Failure to participate without good cause results in a penalty that increases with each instance of noncompliance. The state provides employment services to TFA recipients through the Jobs First Employment Services program, which includes the development of an individualized employment plan based on an assessment of the person's skills, abilities, work experience, education level, aptitudes, interests, and program goals.

Table 1: TFA Work Activities

Education-Related Work Activities	
Activity	**Definition**
On-the-job training	Public or private sector training given to a paid employee while he or she is engaged in productive work that provides knowledge and skills essential to full and adequate job performance
Vocational educational training (up to 12 months)	Organized educational programs to prepare people for employment in current or emerging occupations requiring training, including a baccalaureate or advanced degree if it is incorporated in an employment plan and in compliance with state and federal regulations
Job skills training directly related to employment	Training or education for job skills required by an employer to provide someone with the ability to obtain employment or to advance or adapt to changing workplace demands; it must be supervised on an ongoing basis
Education directly related to employment	Education related to a specific occupation, job, or job offer, supervised on an ongoing basis
Satisfactory attendance at secondary school or a GED program	Regular attendance, in accordance with school requirements, at a secondary school or in a course of study leading to a certificate of general equivalence for recipients who do not yet have this level of education, supervised on an ongoing basis
Other Work Activities	
Unsubsidized employment	Full- or part-time employment in the public or private sector that is not subsidized by TANF or any other public program

Table 1 (continued)

Other Work Activities	
Subsidized private sector employment	Employment in the private sector for which the employer receives a subsidy from TANF or other public funds to offset wages or other employment costs
Subsidized public sector employment	Employment in the public sector, including work-study and stipend programs, for which the employer receives a subsidy from TANF or other public funds to offset wages or other employment costs
Job search and job readiness assistance	The act of seeking or obtaining employment or preparing to do so, including life skills training, short-term substance abuse treatment, mental health treatment, or rehabilitation activities, subject to certain requirements and limits
Work experience	A work activity performed in return for benefits that provides someone with an opportunity to acquire the general skills, training, knowledge, and work habits necessary to obtain employment
Community service programs	Structured programs in which TANF recipients perform work for the direct benefit of the community under the auspices of public or nonprofit organizations
Childcare for a community service program participant	Providing childcare to enable another TANF recipient to participate in a community service program

Source: Connecticut State TANF Plan (pp. 30-33)

People seeking disability benefits are generally not eligible for TFA but may be eligible for State Administered General Assistance (SAGA).

Are These Restrictions Based in Federal Law? Do States Have Discretion Over Which Activities Confer Eligibility?

For TANF-funded cash assistance programs like TFA, federal law requires states to engage a certain percentage of their families that include a “work-eligible individual” (e.g., a parent) in certain activities. The percentage varies based on how the state’s caseload has changed over time. The 12 activities that count towards the federal participation rate are similar to the ones Connecticut allows:

1. unsubsidized employment,
2. subsidized private sector employment,
3. subsidized public sector employment,
4. on-the-job training,
5. job search and readiness,
6. work experience,
7. community service,
8. vocational training,
9. job skills training,
10. education directly related to employment,

11. completion of secondary school, and
12. providing child care to a community service participant (45 CFR § 261.30).

A state may allow or require cash assistance recipients to participate in other types of activities, but the time spent in those activities would not count toward the federal participation requirement.

Are TFA Recipients and Applicants Currently Subject to an "Income Cliff"?

The National Conference of State Legislatures (NCSL) describes a "cliff effect" as follows:

> "Benefits cliffs"—or the "cliff effect"—....refers to the sudden and unexpected decrease in public benefits that can occur with a small increase in earnings. When income increases, families sometimes lose some or all economic supports....Often, wage increases result in a net loss of income or only a small overall increase. Sometimes the cliff effect looks more like a slope or plateau, but it is still a disincentive to work. When lost benefits outpace a wage increase, many families "park" or fall of the cliff's edge, stalling progression in their jobs and careers.

Connecticut's TFA program uses an income limit known as a "standard of need," which is a monthly standard that represents the amount deemed necessary for a family's normal, recurring, basic needs. Because the standard of need is based on the Federal Poverty Limit (FPL), it varies depending on family size and is updated annually as the FPL is updated.

The TFA standard of need is 55% of the FPL. Once a family becomes eligible for TFA by having income under the standard of need, its benefit amount is based on a payment standard. The TFA payment standard is 73% of the standard of need and represents the maximum benefit amount. Table 2 below shows the current FPL, standard of need, and payment standard for households with one to four members.

Table 2: TFA Monthly Standard of Need and Payment Standard, as of July 1, 2022

Household Size	*FPL*	*Standard of Need (53% of FPL)*	*Payment Standard (73% of Standard of Need)*
1	$1,133	$624	$456
2	1,526	840	614
3	1,919	1,056	771
4	2,313	1,273	930

Source: DSS, U.S. Department of Health and Human Services

Once a family qualifies for TFA, DSS must disregard earned income up to 100% FPL when calculating benefit amounts (CGS § 17b-122(d)). This delays a TFA benefits cliff to some extent because it allows families to earn funds in excess of the program's standard of need once they've qualified for the program.

However, earned income exceeding 100% of the FPL is counted when determining the household's income for purposes of maintaining eligibility. If counted income exceeds the standard of need, the household loses benefits. Additionally, to become and remain eligible for TFA, households must meet a $3,000 asset test, generally excluding one vehicle. This means that households that accrue more than $3,000 will lose their TFA benefits.

What are State Options to Mitigate Cliff Effects in TFA?

NCSL Policy Options

NCSL identified several policy options to address cliff effects across all public assistance programs, shown in Table 3.

Table 3: Policy Options to Address Benefits Cliffs (NCSL)

Category	*Policy Options*
Mapping benefits cliffs	• Calculate financial self-sufficiency standards to quantify the income necessary for a family to meet its basic needs without public or private assistance • Develop benefits calculators to help caseworkers and benefit recipients identify cliffs and understand how increases in income could impact benefits (e.g., Connecticut's Ladder Identifier and Financial Forecaster (CLIFF))
Aligning eligibility levels	• Increase or remove asset limits • Implement earned income disregards when determining eligibility and benefit levels • Align rules across programs
Making work pay	• Create refundable or nonrefundable state tax credits for working families • Identify career pathways in high-growth occupations and develop strategies to smooth wage transitions in those pathways
Increasing family economic security through asset development	• Authorize escrow accounts or individual development accounts, allowing participants to build assets while depositing income that might otherwise result in a loss of benefits

Table 3 (continued)

Category	*Policy Options*
Fostering culture and system changes in the public and private sectors	• Engage with employers, building consensus for policy solutions or encouraging them to calibrate their wage and benefit packages to accommodate benefit cliffs • Require fiscal notes to evaluate long-term budgetary impacts associated with benefit cliff reforms (e.g., reduced reliance on public assistance programs, more workers entering the labor market) • Change how case managers interact with families to include goal setting, career planning, and coaching • Broaden student access to Supplemental Nutrition Assistance Program (SNAP) benefits

Human Services Committee Informational Forum (2020)

On January 30, 2020, the Human Services Committee held a joint legislative informational forum on benefits cliffs. Several speakers described potential policies to mitigate benefits cliffs in Connecticut generally, and, in some cases, TFA specifically.

For TFA, Amy Peltier from East Hartford CONNects advocated for increasing or eliminating the asset limit and implementing more income disregards. Several speakers also described an "information gap" that causes program participants to misunderstand income and asset limits for various programs and save less out of fear of losing benefits. As an example, the Connecticut Association for Human Services (CAHS) noted that some participants were confused about which benefits have asset limits.

A Boston Federal Reserve representative noted that helping caseworkers and individuals understand their benefits profiles and what their potential losses are in various scenarios could ameliorate these gaps. She also noted that labor force solutions could address benefits cliffs, as higher wages would make the cliffs irrelevant.

The DSS commissioner provided information on actions the department was taking to address cliff effects, including the following:

1. offering transitional medical assistance to most HUSKY A clients, which provides up to a year of Medicaid coverage to households who would otherwise lose Medicaid due to their income;

2. providing a SNAP transitional benefits alternative to TFA clients, which allows TFA clients who become ineligible for TFA due to high earnings to continue to earn unchanged SNAP benefits for five months after their TFA benefits end;

3. meeting with the Department of Labor to discuss ways to enhance services for JFES participants; and

4. evaluating policies instituted under welfare reform.

Resources

Congressional Budget Office, "Work Requirements and Work Supports of Means-Tested Benefits," June 2022.

Department of Social Services, "State of Connecticut, Temporary Assistance for Needy Families (TANF) State Plan, Federal Fiscal Years, 2021, 2022 & 2023, October 1, 2020 through September 30, 2023."

U.S. Government Accountability Office, "Federal Low-Income Programs: Eligibility and Benefits Differ for Selected Programs due to Complex and Varied Rules," June 2017.

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