

Fact Sheet



U.S. Department of Health and Human Services
Administration of Children and Families
Office of Public Affairs
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Welfare Reform: Deficit Reduction Act of 2005

Congress passed, and President Bush signed into law, legislation that reauthorized the Temporary Assistance for Needy Families (TANF) program of 1996. The Deficit Reduction Act of 2005 requires states to engage more TANF cases in productive work activities leading to self-sufficiency.

Some of the provisions of the law that promote work and accountability include:

- The caseload reduction credit, which had inadvertently undermined TANF's work requirements, was recalibrated, replacing the FY 1995 base year with a base year of FY 2005. Without the benefit of a built-up credit, states must place half of all cases with adults and 90 percent of two-parent families in work activities. To the extent that they are successful in reducing caseloads, they will receive credit for reductions from FY 2005 on.
- Families receiving assistance in separate state programs, who were previously excluded from the participation rates, are now included.
- The U.S. Department of Health and Human Services (HHS) is required to issue regulations to ensure uniform and consistent measurement of work participation rates. This includes defining work activities, establishing uniform methods for reporting hours of work, providing guidelines for the type of documentation needed to verify reported hours of work and determining the circumstances in which "child-only" cases should be included in the rates.
- States are required to establish and maintain work participation verification procedures reviewed by HHS and are subject to a new penalty of one to five percent for failure to establish or comply with these procedures.

In addition to the work and accountability changes, the Deficit Reduction Act provides funding of \$150 million per year for healthy marriage and responsible fatherhood initiatives.

- Healthy marriage and responsible fatherhood funds may be used for competitive research and demonstration projects by public and private entities to test promising approaches to encourage health marriages and promote involved, committed and responsible fatherhood. The funds also provide technical assistance to states and tribes.

- Applicants must commit to consult with experts in domestic violence and applications must describe how programs will address issues of domestic violence, as well as ensuring participation is voluntary.
- Healthy marriage promotion awards must be used for eight specified activities, including marriage education, marriage skills training, public advertising campaigns, high school education on the value of marriage and marriage mentoring programs.
- Up to \$50 million each year may be used for activities promoting responsible fatherhood, such as counseling, mentoring, marriage education, enhancing relationship skills, parenting and activities to foster economic stability.

Some other changes in the law include:

- Federal child care funding is increased from \$4.8 billion to \$5 billion per year.
- The “maintenance of effort” requirement is retained so states can continue their contributions to children and families.
- Supplemental grants of \$319 million are authorized annually to states that experience high population growth or had historically low funding through FY 2008.
- The high-performance bonus, out-of-wedlock bonus and the loan fund were eliminated.
- The \$2 billion contingency fund is reauthorized to help states during a recession through 2008.
- The five-year cumulative lifetime limit for federal TANF cash assistance is retained and states will continue to be allowed to exempt up to 20 percent of their cases from the limit.