

# Examining the Effects of TN's TANF Benefit Increase on Participating Families

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## Introduction

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The Tennessee Temporary Assistance for Needy Families (TANF) Opportunity Act of 2021 (TOA) set the TANF cash benefit amount at no less than 25 percent of the Consolidated Need Standard (CNS)—the estimated amount of income a family in Tennessee needs to cover basic living expenses.<sup>1</sup> This change increased the monthly cash benefit for a family of three from \$277 to \$387, a 40 percent increase. The benefit increase was implemented in July 2021 and remains at that amount.<sup>2</sup>

In this paper we examine the effects of the benefit increase on families participating in Tennessee's TANF program. We investigate the following questions:

- How much closer did the grant increase bring families' monthly grants to the Official Poverty Line?
- How much did the grant increase narrow the gap between a family's monthly TANF income and fair market rent?
- What is the effect of tying the benefit level to the Consolidated Need Standard?

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<sup>1</sup> The consolidated need standard (CNS) is the amount of income the household needs to cover basic living expenses, including food, clothing, shelter, utilities, transportation, medical care, personal items, and school supplies, as determined by state allowances. The CNS varies by family size. It is calculated by an outside agency. It was last updated in 2021. The amount for a family of three is \$1,549.

<sup>2</sup> The legislation allowed the state to increase the TANF grant amount as a line item in an annual appropriations act or by rule, but the state has not exercised that option.

- How much did the grant increase narrow the gap between Tennessee’s TANF grant amount and the grant amount in the median state?
- How did Tennessee’s grant increase compare to grant changes made in neighboring states?
- How did the number of families receiving TANF benefits change after the benefit increase was implemented?

## Background

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The federal government provides Tennessee a fixed [TANF](#) block grant of \$191 million every year. To receive the block grant Tennessee must contribute at least \$83 million in state maintenance-of-effort (MOE) funds. States must spend their MOE funds every year but can carry over unused federal funds from year to year. When TOA was passed in 2021, Tennessee had just under \$800 million available in federal carry-over funds.<sup>3</sup> The TOA was enacted to use those carry-over funds to improve the lives of families with low incomes. The increase in the monthly TANF grant was one of several initiatives included in TOA.

TANF funds are provided to states to assist families with children meet their basic needs. Monthly cash payments to help families with no or extremely low incomes are a core element of all state TANF programs. TANF funds also are used to fund services such as early care and education, child welfare and employment programs, and supportive services to increase families’ chances of success in the labor market. The program began in 1996, replacing Aid to Families with Dependent Children (AFDC), which was more narrowly focused on providing monthly cash assistance and limited employment and childcare assistance to families with children experiencing poverty.

States have complete flexibility to determine the amount of the TANF monthly cash benefit provided to families in their state, resulting in wide variation in benefit amounts across the states. In 2023, TANF benefits across the United States for a family of three ranged from a low of \$204 in Arkansas to a high of \$1,243 in New Hampshire. In 1996 when TANF was created, Tennessee’s benefit for a family of three was \$185. The state has increased the grant amount twice since then: in 2019 when the grant was increased to \$277 for a family of three and in 2021 when it was increased to its current amount of \$387.<sup>4</sup>

States also can use any method they choose to set the benefit level. For example, New Hampshire’s benefit is equal to 60 percent of the Official Poverty Line. Ohio’s benefit is adjusted each January based on the Social Security Administration’s Cost of Living Adjustment (COLA) for Social Security and SSI benefits in the previous year. Other states increase their benefits periodically and some states’ benefits now are the same as they were in 1996. TOA tied Tennessee’s grant to the Consolidated Need Standard, a state-specific measure of what it takes for families of different sizes to meet their basic needs. Unlike the Official Poverty Line, which is updated every year, the state decides when to update the Consolidated Need Standard; it was last updated in 2021.

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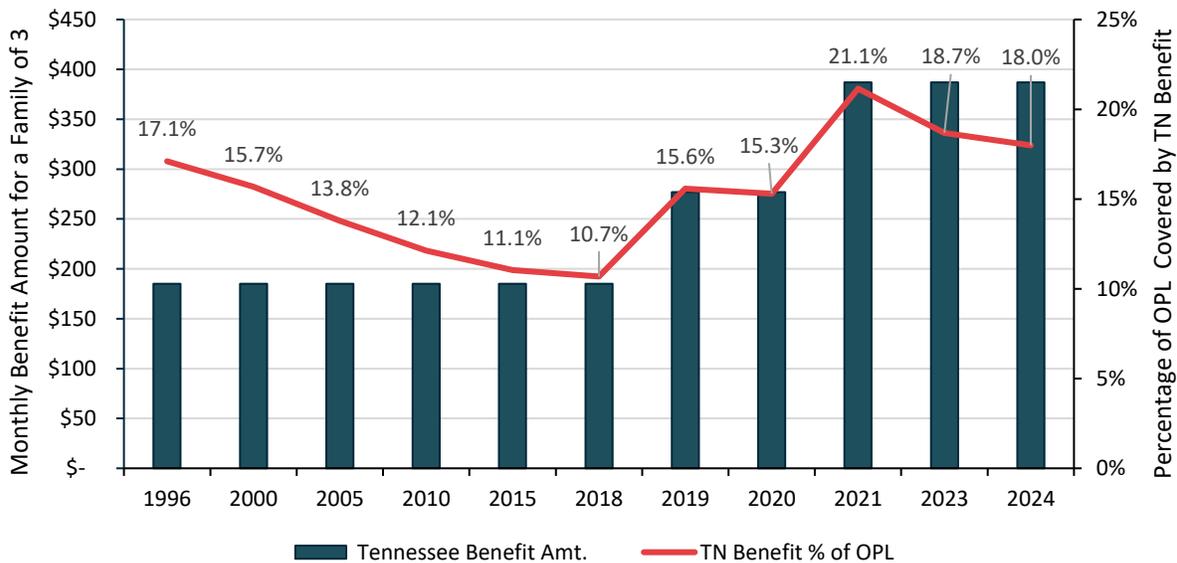
<sup>3</sup> “Temporary Assistance for Needy Families (TANF).” Accessed April 11, 2025. <https://comptroller.tn.gov/office-functions/research-and-education-accountability/publications/other-topics/tanf-inquiry.html>.

<sup>4</sup> We obtained state TANF benefit data directly from the Center on Budget and Policy Priorities. Additional information can be found on CBPP’s website, including: “Continued Increases in TANF Benefit Levels Are Critical to Helping Families Meet Their Needs and Thrive | Center on Budget and Policy Priorities,” May 29, 2024. <https://www.cbpp.org/research/income-security/continued-increases-in-tanf-benefit-levels-are-critical-to-helping>.

## How much did the grant increase reduce the gap between the benefit level and the Official Poverty Line?

The benefit increase enacted through TOA decreased the gap between the TANF cash benefit amount and the Official Poverty Level (OPL) for a family of three by 5.5 percentage points.<sup>5</sup> When the TOA grant increase was implemented, the monthly TANF benefit amount reached 21 percent of the OPL, up from 15 percent of the OPL in 2020. (See Figure 1.)

**Figure 1. The Increase in the Monthly TANF Benefit Amount Reduced the Gap Between the Benefit Level and the Official Poverty Line**



Although a substantial gap remains between the OPL and the monthly benefit amount, in 2021 the benefit reached a higher percentage of the OPL than any other time since TANF was created. In 1996, the TANF benefit amount was equal to 17 percent of the OPL. It hit a low of 11 percent in 2018. The 2019 benefit increase raised it to 16 percent of the OPL, not enough to raise it up to or above the 1996 level. Because the grant amount has not been increased since 2021, the grant amount has declined to 18 percent of the OPL in 2024, just slightly above the share of the OPL in 1996.

## Did the grant increase help families to afford a greater percentage of fair market rent?

The TANF grant increase in Tennessee narrowed the gap between a family's monthly TANF income and Fair Market Rent (FMR), but a sizable gap remains. (FMR refers to the 40<sup>th</sup> percentile of gross rents for typical, non-standard rental units occupied by recent movers in a local housing market and is a common measure of rental costs and affordability across the country.) Tennessee's grant increase was put into place during a period when FMRs were rising (see Figure 2.)

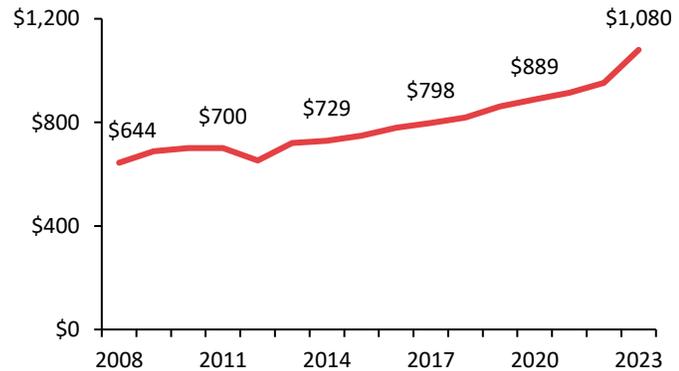
<sup>5</sup> All analyses in this paper use the guidelines for a family of three.

Over the 15 years from 2008 to 2023,<sup>6</sup> the FMR for a 2-bedroom apartment in Tennessee nearly doubled, increasing from \$644 to \$1,080 (see Figure 2)<sup>7</sup>.

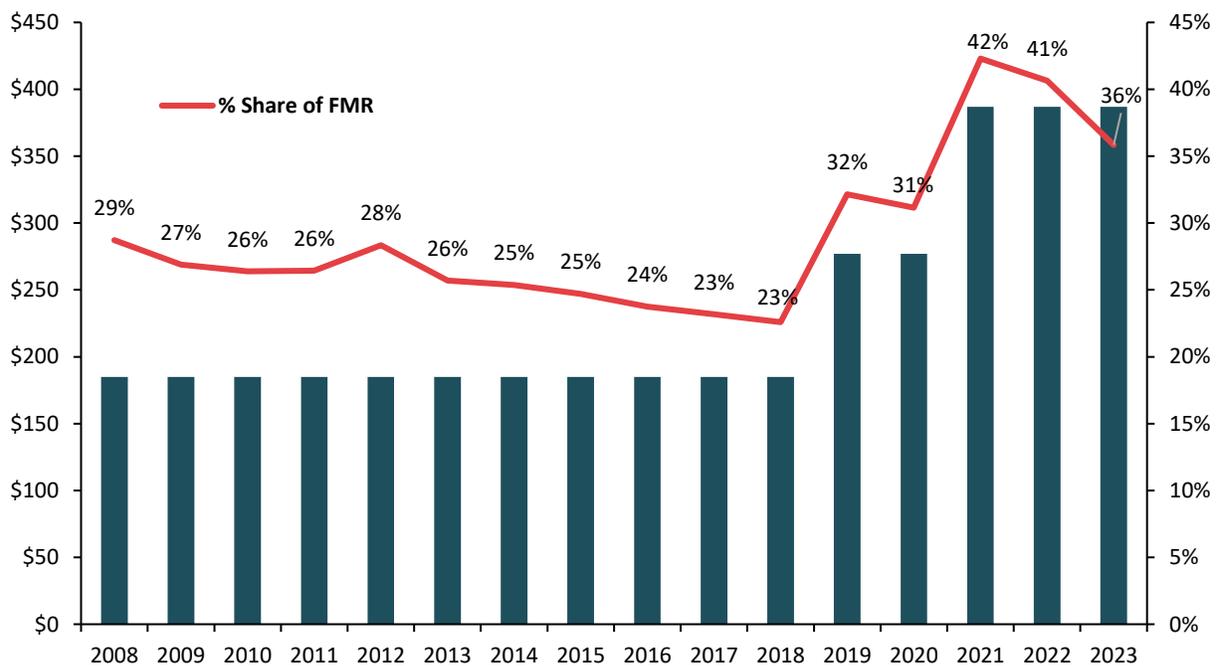
From 2008 to 2018, the TANF benefit remained at the same level during a time when housing prices were increasing. As a result, the share of the FMR the grant covered gradually decreased from 29 percent to 23 percent. Following the first grant increase in 2019, the percentage share of the FMR that the grant covered rose substantially, reaching 32 percent in 2019 before slightly decreasing to 31 percent in 2020. The 2021 grant increase

was large enough to cover a substantially greater share of the FMR, even during a time of rapidly rising housing costs (see Figure 3). When the grant increase was implemented in 2021, it covered 42 percent of the FMR. Because the grant has remained at its 2023 level while housing costs have continued to rise, the grant covered just 36 percent of the grant in 2023, a 6-percentage point decline since 2021.

**Figure 2. Fair Market Rent for a 2-Bedroom in Tennessee, 2008-2023**



**Figure 3. TANF Benefit as a Share of Fair Market Rent in Tennessee, 2008-2023**



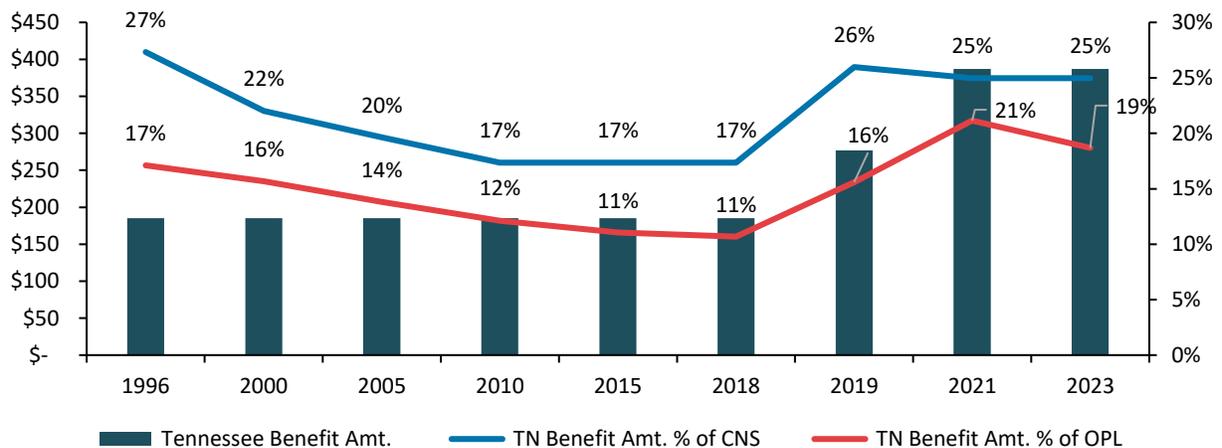
<sup>6</sup> The state FMR data is only readily available for these years.

<sup>7</sup> We obtained state-level FMR data from yearly [Out of Reach](#) Reports published by the National Low Income Housing Coalition.

## What is the effect of tying the benefit level to the Consolidated Need Standard?

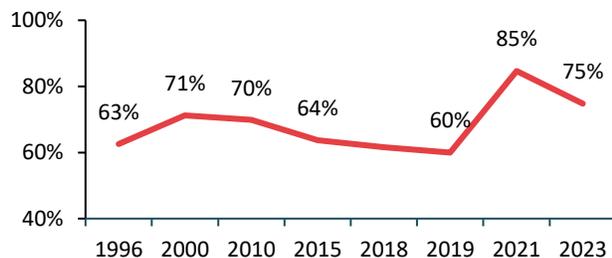
Linking the Tennessee TANF benefit amount to 25 percent of the Consolidated Need Standards (CNS) initially helped families to meet more of their basic needs by increasing the benefit amount substantially (see Figure 4). However, because the CNS has not been updated since 2021, the benefit amount has not changed and the gap between the TANF grant and what it costs to meet basic needs has grown, as measured by the OPL. If the CNS increased at the same rate as the OPL and the monthly benefit remained at 25 percent of the CNS, the benefit for a family of three in 2024 would have increased to \$439, 13 percent higher than its current level.

**Figure 4. TN Benefit Amount as % of Consolidated Need and OPL**



The Consolidated Need Standard (CNS) is Tennessee’s own measure of the income needed to cover the cost of meeting basic needs. The CNS estimates the income needed to cover basic living costs, including food, clothing, shelter, utilities, transportation, medical care, personal items, and school supplies within the state.<sup>8</sup> Because those needs are based on costs in Tennessee, if the CNS was updated regularly, it would provide a more accurate measure of what it takes for families in the state to meet their basic needs than the OPL which is the same for every state in the nation, except for adjustments for Alaska and Hawaii. Since 1996, the CNS has always been lower than the OPL. For example, in 1996, the CNS was 63 percent of the OPL. In 2020, because it had not been updated for a number of years, it was just 59 percent of the OPL. With the 2021 benefit update, it reached 85 percent of the OPL. By 2023, it had declined to 75 percent of the OPL (see Figure 5).

**Figure 5. CNS as a percentage of the OPL**



<sup>8</sup> Rulemaking Hearing Rules of The Tennessee Department of Human Services Adult and Family Services Division, Pub. L. No. Rule 1240-1-50-.20 Standard of Need/Income, Chapter 1240-1-50 Financial Eligibility Requirements Families First Program (n.d.). [chrome-extension://efaidnbnmnibpcajpcglcfindmkaj/https://publications.tnsosfiles.com/rules\\_filings/08-38-06.pdf](https://publications.tnsosfiles.com/rules_filings/08-38-06.pdf).

## Did Tennessee's grant increase narrow the gap between Tennessee's TANF grant amount and the grant amount in the median state?

Tennessee's grant increase substantially improved the state's ranking in comparison to the other 50 states and the District of Columbia (hereinafter referred to as "the 51 states"). In 1996, the Tennessee TANF benefit amount was the third lowest in the country, ranking 49<sup>th</sup> among the 51 states (see Figure 6). The grant increase in 2019 moved it up to 45<sup>th</sup> place and the 2021 increase moved it to 34<sup>th</sup> place. In 2023, it lost some ground and ranked 37<sup>th</sup> out of the 51 states.

**Figure 6. The TOA Grant Increase Narrowed the Benefit Gap Between TN and the Median State**



## How did Tennessee's grant increase compare to grant changes made in bordering states?

### Comparison of the monthly grant amount in Tennessee and the surrounding states

Eight states – Alabama, Arkansas, Georgia, Kentucky, Mississippi, Missouri, North Carolina and Virginia—share a border with Tennessee. When Tennessee increased its grant in 2021, it had the second highest grant amount among these neighboring states; only Virginia had a higher grant amount of \$559 (see Figure 7). In 2023, Kentucky doubled its grant amount to \$524, surpassing the benefit amount in all the other border states since Virginia reduced its grant to \$508, making its grant the second highest rather than the highest in the region. As of 2023, Tennessee's benefit amount ranks third out of nine states. In 2023, Tennessee's benefit was \$137 less than Kentucky's benefit amount and \$183 more than Arkansas' grant amount, the border state with the lowest benefit amount. (Kentucky's benefit was equal to 25 percent of the OPL and Arkansas' was 10 percent of the OPL in 2023.)

Tennessee's ranking among the border states has improved substantially since 1996 when it had the third lowest grant among the neighboring states. (Only Alabama and Mississippi had lower grants than Tennessee in 1996.) The grant amounts in four of the neighboring states – Arkansas, Georgia, Missouri and North Carolina—remain the same as they were in 1996.

Figure 7. How TN's Grant amount Compares to the Surrounding States.

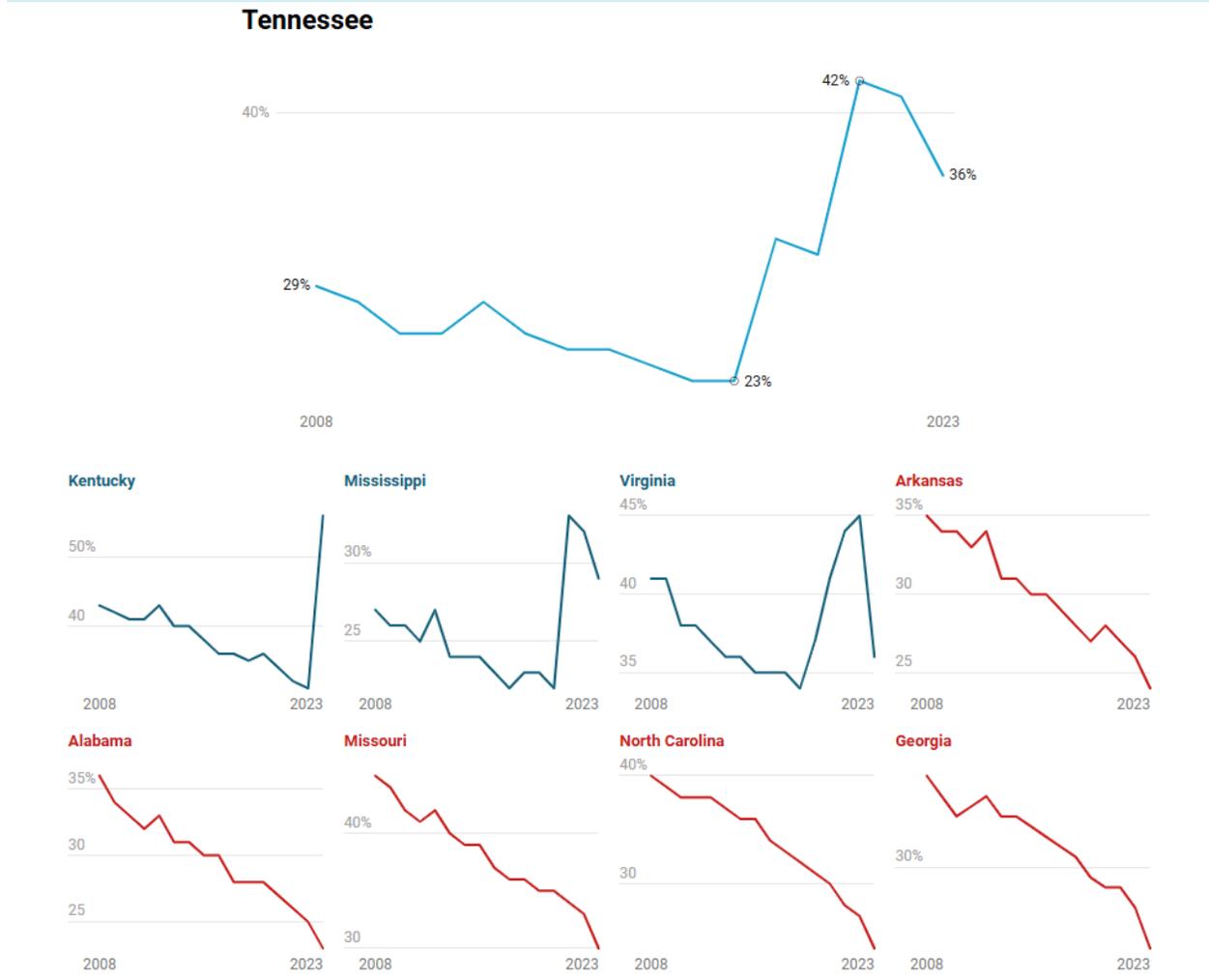


## Comparison of the share of the FMR covered by the TANF grant in Tennessee and the surrounding states

The steady increase in the FMR for a 2-bedroom apartment was not unique to Tennessee. While Tennessee’s grant increase helped to offset the increase some, the same did not happen in most of the surrounding states (see Figure 8). In fact, families in most of the surrounding states have faced increasing housing prices without the benefit of a grant increase to offset at least a portion of the increase.

The states that have not increased their grant since 1996 (Alabama, Arkansas, Georgia, Missouri, and North Carolina) have lost steady ground where TANF benefits cover a progressively less percentage share of fair market rent each year. By 2023, the TANF grant in these states covered less than 20% of fair market rent for a two-bedroom apartment. Kentucky follows a similar trend as these states until 2023, where the substantial grant increase was able to cover an increasing share of FMR. Meanwhile, Mississippi and Virginia have increased their grant amount at least once, but not at a sufficient rate to cover rising housing costs.

**Figure 8. TANF Benefit as a % Share of Fair Market Rent in Surrounding States, 2008-2023**



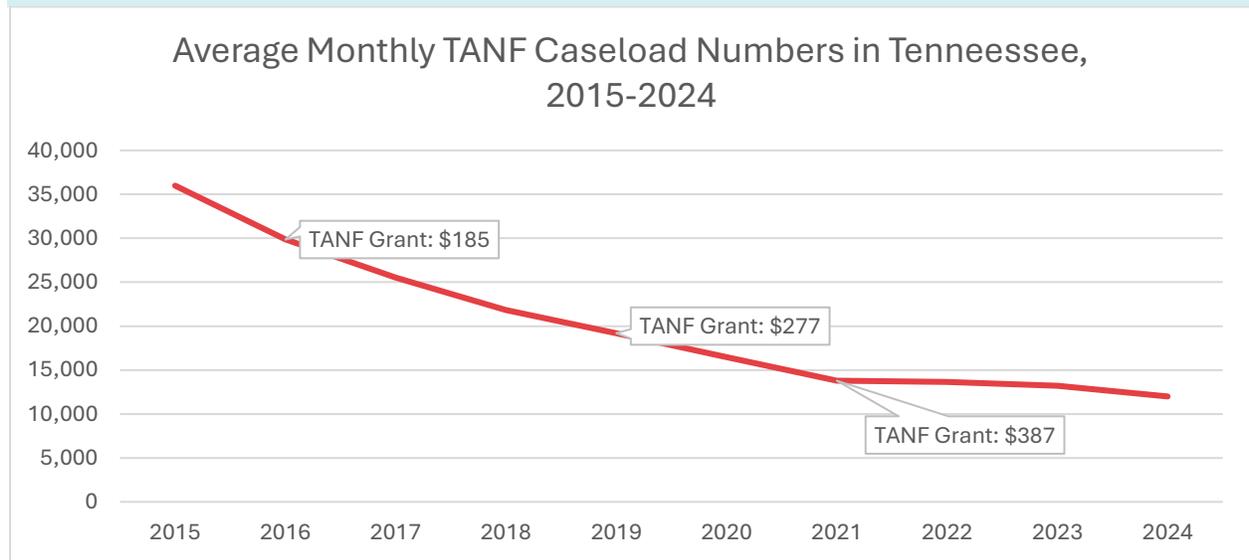
## How did the number of families receiving TANF benefits change after the benefit increase was implemented?

A concern sometimes raised when TANF grants are increased is that the caseload will also increase, causing the costs of benefits to rise beyond the costs of increasing the grant for the current caseload. Caseloads may increase due to a grant increase for multiple reasons. First, families that find work may stay on the caseload longer because they can earn more before they lose eligibility. Second, some families applying for benefits who would have previously been denied because their earnings were too high may become newly eligible. Third, some families who did not previously apply for benefits may apply because of the higher benefit level. Importantly, caseloads may also increase for reasons other than a grant increase such as in response to changing economic circumstances or natural disasters.

Tennessee did experience an increase in its TANF caseload after the 2021 increase, but that increase was relatively small (see Figure 9). Between July 2021 (when the grant increase was implemented) and July 2022 (a year later) Tennessee's TANF caseload increased by 200 families, from 13,170 to 13,370 families, a 1.5 percent increase. The caseload remained above the July 2021 level through August 2023, hitting a high of 14,225 cases in July 2023, an 8 percent increase. By July 2024, Tennessee's caseload had declined to 13,121 cases, slightly below the number of families receiving assistance in July 2021 when the benefit increase went into effect. Tennessee's grant increase occurred when the nation was still recovering from the COVID-19 recession which likely contributed to some of the caseload increase.

Even with this increase, Tennessee's caseload remains very low by historical standards. In July 1996, Tennessee provided monthly cash grants to 99,375 families.<sup>9</sup> The caseload declined sharply through 2007, increased during the Great Recession that began in 2007 and then declined steadily for most of the years since 2012.

Figure 9. Average Monthly TANF Caseload Numbers in Tennessee, 2006-2023



<sup>9</sup> We obtained state TANF benefit data directly from the Center on Budget and Policy Priorities.

Caseload changes in the surrounding states reflected circumstances unique to those states. Between 2015 and 2023, Alabama, Arkansas, Georgia, Missouri, and North Carolina --states that have not increased their TANF benefit amounts since 1996-- experienced consistent declines in their TANF caseloads. Mississippi, Kentucky, and Virginia --states that have increased their grant amounts over the years-- also experienced overall declines in caseloads from 2015-2023, but the declines were at a slower rate and caseloads remained relatively stable.

## Conclusion

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Tennessee's grant increase mitigated some of the impact of rising costs for families in the state, but still left a substantial gap between the monthly benefit amount and what it costs for a family to meet their basic needs. Additionally, because the benefit is tied to the CNS which has not been updated since 2021 to reflect increases in the cost of living, the TANF monthly benefit covers a smaller share of families' basic needs in each passing year.

Setting the grant amount at 25 percent of the CNS initially resulted in a substantial increase in the grant amount, increasing the grant for a family of three from \$277 to \$387, a 40 percent increase. However, as the costs of basic needs, especially housing, continue to increase, the gap between what it costs for families to meet their basic needs and the monthly TANF grant is growing --and will continue to grow unless there is a mechanism in place to increase the benefit on a regular basis. Between July 2021 and January 2025, the cost of living increased by 16 percent.<sup>10</sup>

There are three ways in which Tennessee could keep the TANF grant from losing value each year. First, the state could update the CNS every year and keep the grant at 25 percent of the CNS. Alternatively, the state could use the 2021 CNS as a base and update it every year using the same cost of living measure used to increase the OPL. For example, setting the annual CNS at 85 percent of the OPL would both account for the lower cost of living in Tennessee than for the United States as a whole while keeping pace with inflation. Finally, the state could set the grant at 21 percent of the OPL -- the level it reached in 2021 when the grant was last increased. (Two other southern states -- South Carolina and Texas -- set their TANF grant as a share of the OPL which helps to ensure that their grant does not lose value every year.)

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<sup>10</sup> Bureau of Labor Statistics. "CPI Inflation Calculator." Accessed April 11, 2025. [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm).