



## DEPARTMENT OF HEALTH AND HUMAN SERVICES -

### Administration for Children and Families

#### 45 CFR Part 261

#### RIN 0970-AD07

### Work Participation Rate Calculation Changes: Recalibration of the Caseload Reduction

### Credit and Prohibition of Small Checks in Work Participation Rate Calculation

**AGENCY:** Office of Family Assistance (OFA), Administration for Children and Families (ACF), Department of Health and Human Services (HHS).

**ACTION:** Proposed rule.

**SUMMARY:** ACF proposes to make changes to the Temporary Assistance for Needy Families (TANF) program regulations to reset the base year of the caseload reduction credit from fiscal year (FY) 2005 to the new year established by Congress, which is currently FY 2015, and to exclude from the TANF work participation rate calculations certain cases that receive assistance payments benefits of less than \$35 for a month. These changes are required by the Fiscal Responsibility Act (FRA) of 2023. The docket on <https://www.regulations.gov> will include a plain language summary of the NPRM as required by 5 U.S.C. § 553(b)(4).

**DATES:** Comments must be received by [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

**ADDRESSES:** ACF encourages the public to submit comments electronically to ensure they are received in a timely manner. You may submit comments, identified by docket number ACF-2026-0265 or Regulatory Information Number (RIN) 0970-AD07, by any of the following methods:

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.
- *Email comments to:* [TANFquestions@acf.hhs.gov](mailto:TANFquestions@acf.hhs.gov).

- *Instructions:* All submissions received must include the agency name and docket number (ACF-2026-0265) or RIN 0970-AD07 for this rulemaking. All comments received will be posted without change to <https://www.regulations.gov>, including any personal information provided. For further information concerning submitting comments, see “Comments Invited” in the SUPPLEMENTARY INFORMATION section of this document.

**FOR FURTHER INFORMATION CONTACT:** Deborah List, Office of Family Assistance, ACF, at TANFquestions@acf.hhs.gov or 202-401-9275. Deaf and hard of hearing individuals may call 202-401-9275 through their chosen relay service or 711 between 8 a.m. and 7 p.m. Eastern Time.

## **SUPPLEMENTARY INFORMATION:**

### **Summary**

In response to statutory changes in the Fiscal Responsibility Act of 2023 (FRA), ACF is proposing to amend the Temporary Assistance for Needy Families (TANF) program regulations to make changes to the caseload reduction credit and work participation rate calculations. More specifically, the FRA resets the base year for the caseload reduction credit that is part of TANF’s work participation rate calculations from FY 2005 to FY 2015, effective October 1, 2025. Second, the FRA requires HHS to exclude from the TANF work participation rate calculations cases that receive assistance payments benefits of less than \$35 for a month funded with separate state program (SSP) funds. This statutory provision also takes effect October 1, 2025.

### **Background**

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 created the TANF program, repealing the Aid to Families with Dependent Children program and related

programs. The TANF program provides a fixed block grant of about \$16.5 billion annually to states, certain territories (Guam, the Virgin Islands, and Puerto Rico), and the District of Columbia (hereafter “states”). Additionally, federally recognized American Indian tribes and Alaska Native organizations may elect to operate their own TANF programs.

The regulatory changes proposed in this rulemaking are applicable to the TANF programs of states. Tribal TANF programs are not impacted by these proposed changes.

States use federal TANF funds to provide cash assistance to low-income families, as well as to provide a wide range of services (e.g., work-related activities, child care, and refundable tax credits) designed to accomplish the program’s four broad purposes. These statutory purposes are to:

1. Provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives
2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage
3. Prevent and reduce the incidence of out-of-wedlock pregnancies
4. Encourage the formation and maintenance of two-parent families

The statute provides some eligibility requirements for families that receive TANF benefits, such as that the benefits can only go to US citizens and certain qualified aliens, that cash assistance in which an adult receives federally funded assistance generally has a five-year time limit, and that families receiving federal cash assistance must assign their child support rights to the state. However, states have flexibility to set economic and other eligibility requirements for their cash assistance and other TANF-funded benefits and services.

In order to receive their full federal block grant, states must meet a maintenance-of-effort (MOE) requirement, which means that, consistent with Subpart A of 45 CFR 263, they must expend state funds on “eligible families” for benefits and services related to TANF purposes in amounts based on historical spending in TANF’s predecessor programs. States may spend their MOE funds in three different ways:

- **Commingled with federal funds** and expended in the state’s TANF program. These expenditures are subject to federal funding restrictions, all TANF requirements, and MOE limitations.

- **Segregated from federal funds** but spent in the state’s TANF program. These expenditures are subject to many TANF requirements, but not all.

- **Separate State Programs (SSPs)** are operated outside of the state’s TANF program. These expenditures are somewhat more flexible, although they must be consistent with the goals of the TANF statute and other MOE requirements. Families receiving assistance through SSPs are not subject to federal requirements regarding child support assignment, the federal five-year time limit, and various other federal rules. However, the Deficit Reduction Act of 2005 (DRA) that reauthorized the TANF program extended work participation requirements to SSP families with a work-eligible individual, beginning in FY 2007.

The TANF statute at 42 U.S.C. 607 requires HHS to calculate and issue TANF work participation rates for states. Work participation rates measure the degree to which a state engages families with a work-eligible individual receiving assistance in work activities specified under federal law. Each state must meet both an overall (or “all families”) work participation rate and a separate two-parent work participation rate or face a potential financial penalty to their annual TANF block grant imposed by HHS. The statutorily required work participation rate performance levels are a rate of 50 percent for “all families” and a rate of 90 percent for two-parent families; however, states may receive credits for reducing their caseload of families

receiving assistance, and these credits can be applied to a state's target for each of the statutory rates.

A state's caseload reduction credit for a fiscal year equals the percentage point decline in its average monthly caseload of families receiving assistance between the previous fiscal year and a base fiscal year established by Congress. For a caseload reduction credit toward the two-parent work participation rate, the state has the option of using its overall caseload reduction credit or a separate one calculated using the decline in its two-parent caseload. In calculating the caseload reduction credit, HHS excludes any caseload reduction resulting from changes in state or federal eligibility requirements since the base year established by Congress. In addition, TANF regulations allow a state that is investing state MOE funds in excess of the required basic MOE amount to only include the pro rata share of caseloads receiving assistance that is required to meet basic MOE requirements. In other words, it may exclude from its comparison-year caseload the share of cases funded with "excess MOE" in order to reward states for spending their own funds on benefits and services to eligible families beyond what is required.

We also note that some states provide assistance to low-income families through solely state-funded (SSF) programs, which are not funded by either TANF or MOE funds. Families that receive assistance from SSF programs are not subject to any TANF requirements, including federal work participation requirements. Many states serve all two-parent families that apply for assistance through a SSF program so that they do not have to achieve the 90 percent WPR target for those families, which many states find difficult to meet even after reductions from the caseload reduction credit and "excess MOE."

The FRA changes the base year for the caseload reduction credit calculation and institutes a new requirement for HHS to exclude from the TANF work participation rate calculations cases that receive assistance payments benefits of less than \$35 for a month funded with SSP funds.

### **Statutory Authority**

We publish this notice of proposed rulemaking (NPRM) under the authority granted to the Secretary of Health and Human Services by 42 U.S.C. 607(b)(3)(A) and (i)(1)(A). This proposed rule implements sections 301 and 303 of the FRA. Section 301 recalibrates the caseload reduction base year and the Secretary has authority to prescribe regulations implementing the caseload reduction credit. See 42 U.S.C. 607(b)(3)(A) (providing that the Secretary shall prescribe regulations for reducing the minimum participation rate by the caseload reduction credit). Section 303 of the FRA requires HHS to exclude from the TANF work participation rate calculations certain cases that receive monthly benefits of less than \$35. The Secretary has authority to prescribe regulations governing the work participation rate. See 42 U.S.C. 607(i)(A)(1) (providing that the Secretary promulgate regulations for determining whether activities may be counted as work activities, how to count and verify reported hours of work, and determine who is a work-eligible individual).

Note that here and below we use the term “we” in the regulatory text and preamble. The term “we” is synonymous with the Secretary of the Department of Health and Human Services or any of the following individuals or agencies acting on his behalf: the Assistant Secretary for Children and Families, the Department of Health and Human Services (HHS), and the Administration for Children and Families.

### **Section-by-Section Discussion of the Proposed Regulatory Provisions**

#### **1. Recalibration of the Caseload Reduction Credit**

As required by section 301 of the FRA, we propose to change the base year for purposes of calculating a state's caseload reduction credit from FY 2005 to the year that has been established by Congress, which as of October 1, 2025, is FY 2015. As described above, the statutory requirement for work participation rates for states are 50 percent for all families (the overall rate) and 90 percent for two-parent families. However, a state's work participation rate targets equal the statutory rates minus a credit for reducing its caseload. A state's caseload reduction credit for a fiscal year equals the percentage point decline in its average monthly caseload between the previous fiscal year (the comparison year) and a base year established by Congress, net of caseload declines due to changes in eligibility criteria. This means that we exclude the impact of eligibility changes made after the base year from the credit calculation.

## 2. Elimination of the Small Checks Scheme

Section 303 of the FRA requires HHS to exclude from the TANF work participation rate calculations certain cases that receive monthly benefits of less than \$35. Specifically, the law provides that we must determine work participation rates “without regard to any individual engaged in work in a family that receives no assistance under this part and less than \$35 in assistance funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i) [of the Social Security Act]).” We interpret this wording to mean that we must exclude from both the numerator and denominator of the work participation rate calculation a family receiving a benefit of less than \$35 for the month only if it is funded with SSP funds. We come to this conclusion by considering the two types of funding described in the provision, “assistance under this part” and “qualified State expenditures.”

There is a longstanding interpretation of the phrase “under this part” to mean the TANF program, which includes benefits funded with federal funds and with segregated state MOE, i.e., MOE claimed under the TANF program, as well as comingled funds. The preamble discussion of

the original TANF final rule made this clear: “Requirements in the statute that use the terms ‘under the program,’ ‘under the program funded under this part,’ and ‘under the State program funded under this part’ apply to the State’s TANF program, regardless of the funding source. That is, they apply to segregated Federal programs, commingled State/Federal programs, and segregated State programs.” (64 FR 17816, April 12, 1999)

“Qualified state expenditures” are the state funds expended during a fiscal year that count for MOE purposes. We refer to them as broadly as MOE spending. As discussed above, state expenditures can be part of the TANF program in the form of segregated MOE expenditures or commingled with federal funds, or they can be expended in a SSP, meaning a program operated outside of TANF in which the expenditures of state funds count for MOE purposes. We have already discussed the fact that the term “under this part” covers segregated MOE and commingled funds, therefore the only form of qualified state expenditures not covered by that term is SSP.

Thus, under section 303 of the FRA, we must exclude from the work participation rate calculation a family that receives no assistance funded with TANF – be it from federal, commingled, or segregated MOE funds – and receives less than \$35 funded with SSP for a month. Since the work participation rate only includes families receiving assistance, the calculation already excludes families receiving no assistance funded with TANF (unless they receive assistance from SSP funds). That means that the only families the new provision excludes are ones receiving less than \$35 in SSP for the month.

The “small checks scheme” noted in the title of Section 303 refers to a strategy some states have used to help meet their work participation rate targets. In this strategy, states provide a very low (around \$10) monthly benefit of SSP-funded assistance to families where a work-eligible

individual is working full-time in unsubsidized employment. Because of that monthly benefit, the state includes them in the work participation rate calculations. This strategy allows a state to count individuals already in the workforce toward its WPR target, even if they were not previously part of the TANF caseload, thus inflating a state's official work numbers without effectively helping families move toward self-sufficiency.

After October 1, 2025, when Section 303 goes into effect, states using this strategy will have to revise their assistance payment structures or will no longer be able to count the families receiving these “small checks” for work participation rate purposes. Depending on the individual state characteristics and choices, there may be an interaction between how the state response to the provisions of Section 303 and the impact of Section 301 on the state’s work participation target. For example, if a state had the “small checks” program prior to FY 2016, and chooses to eliminate it in FY 2026, the elimination would be considered an eligibility change and the state would not receive credit for that caseload decline. If the state created the “small checks” program after FY 2015, these cases would not be in the base year caseload but likely would have increased the caseload over time. If the state chooses to raise the “small checks” payment to \$35, there would be no adjustment to caseloads as only the amount of the payment changed, not eligibility.

We propose to implement the requirement of Section 303 of the FRA by adding a provision to the regulatory sections that describe the overall and two-parent work participation rate calculations. The proposed additional paragraph would make clear that cases receiving less than \$35 in assistance funded exclusively with SSP funds would not be included in the applicable rate calculation for the month.

### **Severability**

The provisions of this proposed rule are intended to be severable, such that, in the event a court were to invalidate any particular provision or deem it to be unenforceable, HHS intends for all other parts of the final rule that are capable of operating in the absence of the specific portion that has been invalidated to remain in effect. None of the provisions in the final rule contained herein are central to an overall intent of the final rule, nor are any provisions dependent on the validity of other, separate provisions. For example, OFA expects that if a court were to invalidate the elimination of the small checks scheme, the recalibration of the caseload reduction credit may continue to operate and should remain operative independently of the invalidated subpart.

## **Regulatory Impact Analysis**

### Introduction

We have examined the impacts of this proposed rule under Executive Order 12866, Executive Order 13563, Executive Order 14192, the Regulatory Flexibility Act (5 U.S.C. 601-612), and the Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4).

Executive Orders 12866 and 13563 direct us to assess all benefits and costs of available regulatory alternatives and, when regulation is necessary, to select regulatory approaches that maximize net benefits. This rule was determined to be significant under Section 3(f) of Executive Order 12866. Rules determined to be significant under Section 3(f) of Executive Order 12866 are subject to review by the Office of Management and Budget (OMB). This proposed rule, if finalized as proposed, is not expected to be a regulatory action under Executive Order 14192 because it results in income transfers and does not impose any more than de minimis regulatory costs.

The Unfunded Mandates Reform Act of 1995 (UMRA) generally requires that each agency conduct a cost-benefit analysis; identify and consider a reasonable number of regulatory alternatives; and select the least costly, most cost-effective, or least burdensome alternative that achieves the objectives of the rule before promulgating any proposed or final rule that includes a

Federal mandate that may result in expenditures of more than \$100 million (adjusted for inflation) in at least one year by State, local, and tribal governments, in the aggregate, or by the private sector. Each agency issuing a rule with relevant effects over that threshold must also seek input from State, local, and tribal governments. The current threshold after adjustment for inflation using the Implicit Price Deflator for the Gross Domestic Product is \$187 million, reported in 2024 dollars. The proposed rule would not result in an unfunded mandate in any year that meets or exceeds this amount.

### Statement of Need

This NPRM would fulfill requirements of statutory provisions in the Fiscal Responsibility Act of 2023.

### Summary of Impacts

In a previous analysis of the federal fiscal impacts of policies addressed in this proposed rule, the Congressional Budget Office (CBO) reported the following:

“Title I of division C would set the benchmark year for the caseload reduction to 2015 (rather than 2005) and would prevent people who receive less than \$35 in state funding within a period determined by the Secretary of HHS from being included in a state’s accounting for the work requirement. CBO estimates that HHS would reduce state grants slightly because some states would not meet the work requirement and would not comply with a corrective plan, and HHS would not approve their reason for not meeting the standard.

CBO estimates that the resulting reduction in block grants would reduce direct spending by \$5 million over the 2023–2033 period.”<sup>1</sup>

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<sup>1</sup> [https://www.cbo.gov/system/files/2023-05/hr3746\\_Letter\\_McCarthy.pdf](https://www.cbo.gov/system/files/2023-05/hr3746_Letter_McCarthy.pdf)

The CBO cost analysis reports economic impacts over a decade that are far below the monetary threshold for significance under section 3(f)(1) of Executive Order 12866. HHS estimates that the economic impacts may be even less than CBO describes. Based on the latest data and assumptions consistent with that data, we do not expect the statutory changes to affect a state's ability to meet its work participation rate target. In other words, we do not expect more states to be subject to a financial penalty as a direct result of these statutory changes. Further, if any state were to be subject to a financial penalty due to failing to meet their WPR target, it may enter corrective compliance and still avoid a penalty if the state meets the terms of its corrective compliance plan. HHS's experience has been that states typically comply with corrective compliance plans: of the approximately 85 instances a penalty was assessed for the period of FY 2013 to FY 2019, fewer than 15 have resulted in a financial penalty for the state to date.

We anticipate most states will continue to meet their work participation rate targets even after these statutory changes take effect. As discussed below, in response to these changes, states may focus on better strategies for engaging WEIs in work, invest more in each case, and/or incur costs to train staff and amend systems, but overall, we expect the impact of implementing any of these changes to be minimal.

The recalibration of the caseload reduction credit's base year may raise work participation rate targets for some states because they will receive a smaller caseload reduction credit, but most states will likely still receive some amount of credit, as there has been a significant decline in TANF/SSP caseloads since FY 2015, and HHS does not have reason to expect current caseload levels to increase. Higher work participation rate targets may encourage states to undertake better strategies for engaging WEIs in work activities

States do not report on the use of the "small checks" approach directly, but we believe about five states currently use it to meet their WPR target and about a dozen states have used the strategy at one point. States currently relying on this strategy have typically provided nominal payments of

less than \$35. They may respond to the statutory change by increasing the amount of the “small checks” (i.e., the cost-per-case) to \$35. Alternatively, these states may respond by discontinuing this practice, and instead choosing to focus their efforts on engaging WEIs in work activities. Any of these changes will require minimal adoption costs to train staff on the changes and possibly amend systems.

### Federal TANF Spending

There is no direct impact on Federal spending.

### MOE Spending

Some states may report additional MOE expenditures to increase the “excess MOE” component of the caseload reduction credit formula in order to counteract the impact of the change in base year. MOE spending could feasibly increase or decrease in response to the elimination of the “small checks scheme,” depending on whether states opt to eliminate that portion of their caseload or increase their benefit amounts.

### Administrative Costs to States and Other Jurisdictions Administering TANF Programs

The recalibration of the caseload reduction credit’s base year will reduce administrative costs for states, as the number of eligibility changes that they have to account for will be reduced. Some of these calculations are extremely complicated and require considerable staff time. By changing the base year, states will no longer have to account for all eligibility changes between FY 2006 and FY 2015, therefore reducing staff time.

### Analysis of Regulatory Alternatives

There are no regulatory alternatives as the FRA specifically requires the two proposed changes.

## **Regulatory Flexibility Act**

The Regulatory Flexibility Act (5 U.S.C. 601–612) requires Agencies to analyze the impact of rulemaking on small entities and consider alternatives that would minimize any significant impacts on a substantial number of small entities. For purposes of the RFA, states and individuals are not considered small entities. As the rule directly and primarily impacts states and indirectly impacts families, it has been determined, and the Secretary certifies that this proposed rule would not have a significant impact on a substantial number of small entities.

## **Paperwork Reduction Act**

Under the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*, as amended), all Departments are required to submit to OMB for review and approval any reporting or recordkeeping requirements inherent in a proposed or final rule. As required by this Act, we will submit any proposed revised data collection requirements to OMB for review and approval.

## **Executive Order 13132**

Executive Order 13132 requires federal agencies to consult with state and local government officials if they develop regulatory policies with federalism implications. Federalism is rooted in the belief that issues that are not national in scope or significance are most appropriately addressed by the level of government closest to the people. While the Department has not identified this rule to have federalism implications as defined in the Executive Order, consistent with Executive Order 13132, the Department specifically solicits and welcomes comments from state and local government officials on this proposed rule.

## **Assessment of Federal Regulation and Policies on Families**

Assessment of Federal Regulations and Policies on Families Section 654 of the Treasury and General Government Appropriations Act of 2000 requires Federal agencies to determine whether a policy or regulation may negatively affect family well-being. If the agency determines a policy or regulation negatively affects family well-being, then the agency must prepare an impact assessment addressing seven criteria specified in the law. ACF believes it is not necessary to prepare a family policymaking assessment (see Pub. L. 105-277) because the action it takes in this NPRM would not have any impact on the autonomy or integrity of the family as an institution.

**List of Subjects in 45 CFR Part 261**

Administrative practice and procedure, Employment, Grant programs – social programs, Public assistance programs, Reporting and record keeping requirements.

For the reasons set forth in the preamble, we propose to amend 45 CFR subtitle B, chapter II, as follows:

**PART 261—ENSURING THAT RECIPIENTS WORK**

1. The authority citation for part 261 continues to read as follows:

Authority: 42 U.S.C. 601, 602, 607, and 609; Pub. L. 109–171.

2. Amend § 261.22, by revising the introductory text in paragraph (b) and adding paragraph (b)(4) to read as follows:

**§261.22 How will we determine a State’s overall work rate?**

\* \* \* \* \*

(b) Subject to paragraph (4), we determine a State’s overall participation rate for a month as follows:

\* \* \* \* \*

(4) We will determine the overall work participation rate without regard to any work-eligible individual engaged in work in a family that receives less than \$35 in assistance funded exclusively with SSP-MOE funds.

3. Amend § 261.24, by revising the introductory text in paragraph (b) and adding paragraph (b)(4) to read as follows:

**§261.24 How will we determine a State’s two-parent work rate?**

\* \* \* \* \*

(b) Subject to paragraph (4), we determine a State’s two-parent participation rate for a month as follows:

\* \* \* \* \*

(4) We will determine the two-parent work participation rate without regard to any work-eligible individual engaged in work in a two-parent family that receives less than \$35 in assistance funded exclusively with SSP-MOE funds.

4. Amend § 261.40 by revising paragraph (a) to read as follows:

**§ 261.40 Is there a way for a State to reduce the work participation rates?**

(a)(1) If the average monthly number of cases receiving assistance, including assistance under a separate State program (as provided at §261.42(b)), in a State in the preceding fiscal year was lower than the average monthly number of cases that received assistance, including assistance under a separate State program in that State in the base year established by Congress, the minimum overall participation rate the State must meet for the fiscal year (as provided at §261.21) decreases by the number of percentage points the prior-year caseload fell in comparison to the caseload in the base year established by Congress.

(2) \* \* \*

(i) The number of percentage points the prior-year two-parent caseload, including two-parent cases receiving assistance under a separate State program (as provided at §261.42(b)), fell in

comparison to the two-parent caseload in the base year established by Congress, including two-parent cases receiving assistance under a separate State program; or

(ii) The number of percentage points the prior-year overall caseload, including assistance under a separate State program (as provided at §261.42(b)), fell in comparison to the overall caseload in the base year established by Congress, including cases receiving assistance under a separate State program.

\* \* \* \* \*

5. Revise paragraph (b)(1) of § 261.40 to read as follows:

**§ 261.40 Is there a way for a State to reduce the work participation rates?**

\* \* \* \* \*

(b)(1) The calculations in paragraph (a) of this section must disregard caseload reductions due to requirements of Federal law and to changes that a State has made in its eligibility criteria in comparison to its criteria in effect in the base year established by Congress.

\* \* \* \* \*

6. Revise paragraph (c) of § 261.40 to read as follows:

**§ 261.40 Is there a way for a State to reduce the work participation rates?**

\* \* \* \* \*

(c)(1) To establish the caseload base and to determine the comparison-year caseload, we will use the combined TANF and separate State program caseload figures reported on Form ACF–199, TANF Data Report, and Form ACF–209, SSP–MOE Data Report, respectively.

(2) To qualify for a caseload reduction, a State must have reported monthly caseload information, including cases in separate State programs, for the base year and the comparison year for cases receiving assistance as defined at §261.43.

\* \* \* \* \*

7. Revise paragraphs (d)(2) and (e) of § 261.40 to read as follows:

**§ 261.40 Is there a way for a State to reduce the work participation rates?**

\* \* \* \* \*

(d) \* \* \*

(2) We will adjust both the baseline and the comparison-year caseload information, as appropriate, based on these State submissions.

(e) We refer to the number of percentage points by which a caseload falls, disregarding the cases described in paragraph (b) of this section and cases described in paragraph (b) of § 261.43, as a caseload reduction credit.

8. Amend § 261.42(a)(1) by revising the first sentence to read as follows:

**§ 261.42 Which reductions count in determining the caseload reduction credit?**

(a)(1) A State's caseload reduction credit must not include caseload decreases due to Federal requirements or State changes in eligibility rules since the base year that directly affect a family's eligibility for assistance.

\* \* \* \* \*

9. Revise §§ 261.42(a)(2) and (3) to read as follows:

**§ 261.42 Which reductions count in determining the caseload reduction credit?**

\* \* \* \* \*

(a) \* \* \*

(2) At State option, a State's caseload reduction credit may include caseload increases due to Federal requirements or State changes in eligibility rules since the base year if used to offset caseload decreases in paragraph (a)(1) of this section.

(3) A State may not receive a caseload reduction credit that exceeds the actual caseload decline between the base year and the comparison year, other than as a result of § 261.43(b).

\* \* \* \* \*

10. Amend § 261.42(b) by revising the first sentence to read as follows:

**§ 261.42 Which reductions count in determining the caseload reduction credit?**

(b) A State must include cases receiving assistance in separate State programs as part of its base year caseload and comparison-year caseload.

\* \* \* \* \*

11. Revise § 261.43(b)(2)(iv) to read as follows:

**§ 261.43 What is the definition of a “case receiving assistance” in calculating the caseload reduction credit?**

\* \* \* \* \*

(b) \* \* \*

(2) \* \* \*

(iv) All financial data must agree with data reported on the TANF Financial Report (form ACF-196R) and all caseload data must agree with data reported on the TANF Data and SSP-MOE Data Reports (forms ACF-199 and ACF-209).

\* \* \* \* \*

Dated: April 2, 2026.

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**Robert F. Kennedy, Jr.,**

*Secretary,*

*Department of Health and Human Services.*