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Updated January 12, 2022

## Policy Brief: To Promote Equity, States Should Invest More TANF Dollars in Basic Assistance

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States only spend a little over one-fifth of their combined federal and state Temporary Assistance for Needy Families (TANF) dollars on basic assistance for families with children, our analysis of the latest data from fiscal year 2020 shows.<sup>2</sup> (See Table 1.) States continue to use their considerable flexibility under TANF to divert funds *away from* income support for families and toward other, often unrelated state budget areas. By redirecting the funds back toward cash assistance, however, states could promote racial equity and child well-being.

Cash assistance to families struggling to make ends meet can improve children’s long-term outcomes while also providing parents with the cash they need to afford basic necessities such as rent, utilities, personal hygiene products, and school supplies. Over time, however, TANF has significantly declined in performing this core task. Fewer families in need have access to the program (in 2020, for every 100 families living in poverty, only 21 received TANF cash assistance, down from 68 families when TANF was created<sup>3</sup>); benefits leave those who do have access far below the poverty line; and as this report explains, states are spending a shrinking portion of their TANF funds on basic assistance.

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<sup>1</sup> Many thanks to Cindy Reyes, who helped ensure the accuracy of the data and analysis presented in this policy brief.

<sup>2</sup> Diana Azevedo-McCaffrey and Ali Safawi, “To Promote Equity, States Should Invest More TANF Dollars in Basic Assistance,” CBPP, updated January 12, 2022, <https://www.cbpp.org/research/family-income-support/to-promote-equity-states-should-invest-more-tanf-dollars-in-basic>; CBPP, “State Fact Sheets: How States Spend Funds Under the TANF Block Grant,” updated January 12, 2022, <https://www.cbpp.org/research/family-income-support/state-fact-sheets-how-states-spend-funds-under-the-tanf-block-grant>.

<sup>3</sup> CBPP analysis of 2020 poverty data from the Current Population Survey and 2020 TANF caseload data collected from state agencies. In-depth analysis of caseload and poverty data for 2020 forthcoming. For 2019 analysis, see Laura Meyer and Ife Floyd, “Cash Assistance Should Reach Millions More Families to Lessen Hardship,” CBPP, updated November 30, 2020, <https://www.cbpp.org/research/family-income-support/cash-assistance-should-reach-millions-more-families-to-lessen>.

TABLE 1

**Total TANF Spending by Category, Fiscal Year 2020**

<b>Category</b>	<b>Amount Spent (rounded in billions)</b>	<b>Share of Total Spending</b>
<b>Basic Assistance</b>	\$7.1	<b>22%</b>
<b>Work, Education, and Training Activities</b>	\$3.0	<b>10%</b>
<b>Work Supports and Supportive Services</b>	\$0.8	<b>2%</b>
<b>Child Care</b>	\$5.2	<b>17%</b>
<b>Refundable Tax Credits</b>	\$2.8	<b>9%</b>
<b>Pre-kindergarten/Head Start</b>	\$2.7	<b>9%</b>
<b>Child Welfare</b>	\$2.6	<b>8%</b>
<b>Program Management</b>	\$3.2	<b>10%</b>
<b>Other</b>	\$4.1	<b>13%</b>
<b>Total</b>	<b>\$31.5</b>	<b>100%</b>

Note: TANF = Temporary Assistance for Needy Families.

Source: CBPP analysis of Department of Health and Human Services 2020 TANF financial data

**State Spending on Basic Assistance Has Plummeted Since TANF's Creation**

TANF provides a vital support to families with the lowest incomes in the form of cash assistance. Families with little or no cash income don't have the funds they need to pay their bills or to buy essential items such as diapers, personal hygiene products, and household cleaning supplies. Cash assistance is crucial for stabilizing families who are facing crises, such as those fleeing domestic violence, and can promote racial equity and improve child well-being. However, cash assistance has weakened significantly under TANF, with potentially devastating long-term consequences for children growing up in families with little or no cash income to meet basic needs.

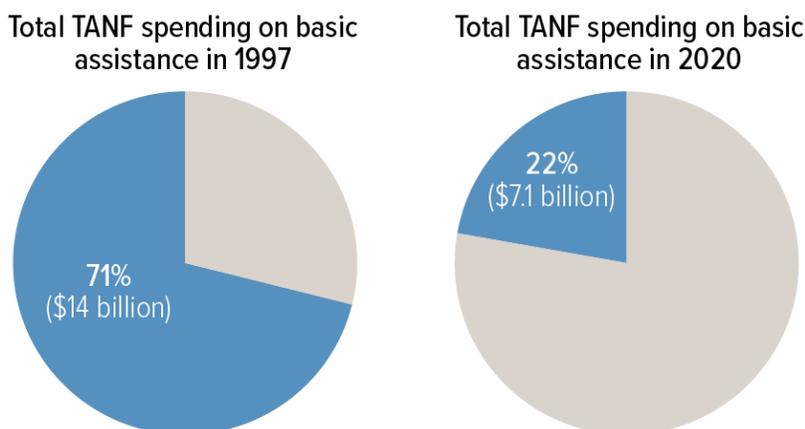
**States only spend a little more than one-fifth of their federal and state TANF funds on basic cash assistance.** States spent \$7.1 billion, just 22 percent, of their federal and state TANF funds on basic assistance, down from \$14 billion (71 percent) in 1997, TANF's first year of implementation. (See Figure 1.) This amounts to a 69 percent drop in basic assistance spending when adjusting for inflation. When TANF began, basic assistance was the single biggest use of TANF funds in all states.

The share of federal and state TANF funds spent on basic assistance varies across states, from 4 percent to 68 percent in 2020. Fifteen states spent 10 percent or less on basic assistance, while nine spent more than 30 percent.

FIGURE 1

## States Spend Far Less on Basic Assistance Than They Did at TANF's Beginning

Total federal and state spending on basic assistance has declined 69 percent (inflation adjusted) since TANF's first year



Note: TANF = Temporary Assistance for Needy Families.

Source: CBPP analysis of Department of Health and Human Services TANF financial data

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**Underinvestment in TANF cash assistance is worse where Black children are likelier to live.** Forty-one percent of Black children live in states that spend 10 percent or less of TANF funds on basic assistance, compared to 34 percent for both Latinx and white children. When controlling for other factors, states with higher concentrations of Black residents dedicate less of their TANF funds to cash assistance, a 2019 study found.<sup>4</sup> The racial disparities in TANF we see today are a product of a long history of racism in U.S. cash assistance policy.

A closer look at Texas, the state with the largest Black child population<sup>5</sup>, illustrates many of the issues with TANF spending. In 2020, Texas spent only 4 percent of its TANF funds on basic assistance, one of the smallest percentages of any state. In Texas, TANF now reaches just 4 of every 100 families experiencing poverty, down from 47 in 1996. Today, benefits are just \$308 a month for a family of three, or 17 percent of the poverty line.<sup>6</sup>

<sup>4</sup> Zachary Parolin, "Temporary Assistance for Needy Families and the Black-White child poverty gap in the United States," *Socio-Economic Review*, May 14, 2019, <https://doi.org/10.1093/ser/mwz025>.

<sup>5</sup> CBPP analysis of 2020 U.S. Census population estimates.

<sup>6</sup> Ali Safawi and Cindy Reyes, "States Must Continue Recent Momentum to Improve TANF Benefit Levels," CBPP, updated December 2, 2022, <https://www.cbpp.org/research/family-income-support/states-must-continue-recent-momentum-to-further-improve-tanf-benefit>.

## States Spend Little on Supporting Work; Funds Aren't Well Targeted to Families With the Greatest Need

A central tenet of the argument to replace Aid to Families with Dependent Children (AFDC) with TANF was that cash assistance should provide temporary support while a family engages in required work, education, and training activities, the so-called “welfare-to-work” strategy. But in 2020, state spending in this area ranged from 0 to 12 percent of total TANF spending, with 18 states spending less than 1 percent and seven states spending more than 5 percent. Similarly, states in 2020 spent just \$768 million (2 percent) of their federal and state TANF funds on work supports, such as transportation, or on supportive services, such as mental health or domestic violence services. Eight states spent less than 5 percent of their funds on work activities and supports combined.

Likewise, child care is critical for helping parents keep their jobs or pursue educational goals. In 2020, states spent 17 percent of their federal and state TANF funds on child care. The share varies tremendously across states, from 0 to 66 percent. Ten states spent more than 30 percent of their TANF funds on child care, while 13 states spent less than 5 percent.

Refundable tax credits for low-income working families are another important work support and a permissible use of federal and state TANF funds. In 2020, 21 states and Washington, D.C. spent \$2.8 billion of TANF funds for refundable tax credits, most commonly a state earned income tax credit — amounting to 9 percent of federal and state TANF spending nationwide and 18 percent of spending for those 21 states and D.C. Among those states, the share of TANF spending going to refundable tax credits ranged from less than 1 percent to 33 percent; seven states spent more than 20 percent.

TANF-funded work programs and supports are also often poorly targeted and often serve families with incomes above the poverty line, instead of those with the most need. For instance, several states spend most of their work activities funds on college scholarship programs that are available to families with incomes up to 350 percent of the poverty line — not on preparing TANF participants for or connecting them to work opportunities.

## How States Spend the Rest of Their TANF Funds

Instead of investing in helping families meet their basic needs or find and maintain good jobs, states use a large share of TANF funds — and more than half in ten states — in other areas.

The greatest funding areas are child welfare services and pre-kindergarten/Head Start. While these are worthy and important investments, states should use funding sources other than federal and state TANF funds for them — particularly when states spend so little on providing cash assistance and supporting work for the families with the lowest incomes.

In 2020, states spent \$9.4 billion on the following:

- **Child welfare.** Some 42 states used \$2.6 billion in federal and state TANF funds for child welfare services. This represents 8 percent of total national TANF spending and 9 percent of spending in those states. Among the 42 states, the share of spending going to child welfare services ranged from less than 1 percent to 67 percent; 12 states spent more than 20 percent and two states spent more than 50 percent.

- **Pre-K/Head Start.** Some 28 states used \$2.7 billion in federal and state TANF funds for pre-K/Head Start in 2020. This represents 8 percent of total national TANF spending and 12 percent of spending for those states. Among the 28 states, the share of spending going to pre-K/Head Start ranged from less than 1 percent to 41 percent; seven states spent more than 20 percent.
- **Other areas.** The rest of TANF spending goes to a range of areas such as short-term non-recurrent benefits, which are used to help low-income families in crisis situations (3 percent of total TANF spending); transfers to the Social Services Block Grant (4 percent); after-school programs and services for youth and children (3 percent); pregnancy prevention and two-parent family programs (1 percent); and services “authorized under prior law” (2 percent), meaning they are not within the four TANF purposes but were in the state’s AFDC Emergency Assistance plan when TANF replaced AFDC. The share of spending going to other areas varies greatly across states, ranging from less than 1 percent to 47 percent.

## Many States Have Unspent Funds, Some Exceeding Their Annual Block Grant

States are not required to spend all their annual federal TANF block grant allocation each year. In 2020, ten states spent less than 90 percent of their annual allocation of federal funds. States can carry over unspent funds for use in future years. As TANF caseloads have continued to shrink, many states have accumulated carry-over or “reserve” funds by not spending their full block grant allocation over multiple years. There is no limit under federal law on when states must spend these carry-over funds, and states can use them in the same way as any TANF funds.

In 2020, states had \$6 billion in unspent TANF funds, equaling 37 percent of the total block grant allocation. States hadn’t yet committed 85 percent of these funds to be spent. Six states had no unspent TANF funds, while 11 states had unspent funds exceeding 100 percent of their annual block grant.

## Changes Needed to Redirect TANF Funds to Promote Equity

Cash assistance to low-income families with children is a good investment. The National Academies of Science, Engineering, and Medicine’s 2019 report on reducing child poverty concluded that income support to families experiencing poverty can improve children’s health and academic achievement, which in turn can lead to better health and higher earnings in adulthood.<sup>7</sup> If states maintain their current TANF spending practices, millions of children experiencing poverty — disproportionately Black children — will continue to be left without critical cash assistance. But if they instead reinvest in basic assistance, they can provide opportunities for *all* children and their families to thrive.

Black children have less access to these positive outcomes because they disproportionately live in the states where TANF reaches the fewest families in poverty and where benefits are the lowest.<sup>8</sup>

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<sup>7</sup> National Academies of Science, Engineering, and Medicine, “The Consequences of Child Poverty,” *A Roadmap to Reducing Child Poverty*, 2019, <https://www.ncbi.nlm.nih.gov/books/NBK547371/>.

<sup>8</sup> Meyer and Floyd, *op. cit.*; Safawi and Reyes, *op. cit.*

Consistent with the Black Women Best framework,<sup>9</sup> redesigning TANF to center the needs of Black women and families and adequately help families struggling to afford basic necessities would better serve families of all races and ethnicities. Such a redesign would require significant changes to TANF spending.

While states have the flexibility to ensure families have enough to afford basic necessities, they have a long history of providing inadequate assistance — especially states with higher shares of Black residents. To ensure that no family falls below a certain income level, federal policymakers must:

- **Direct states to spend a majority of existing federal TANF and state maintenance of effort dollars<sup>10</sup> on basic assistance.** Given the strong body of evidence showing the impacts of income on children’s long-term growth and development, Congress should require states to spend at least 50 percent of their TANF funds on cash assistance for families in need.
- **Require states to target their TANF funds toward families with the lowest incomes.** Under current law, states must generally spend funds on “needy families,” but there is no national definition of “needy” or income eligibility limit for TANF-funded programs. As a result, TANF funds often go to families with incomes well above the federal poverty line even though poverty and deep poverty remain widespread, especially states where TANF benefits are low and reach few families.
- **Restore the block grant at least to its original value to prevent it from eroding in the future.** The block grant has lost 40 percent of its value to inflation since the program’s first year. If the block grant had been adjusted for inflation, it would be about \$28 billion for 2022. Policymakers should at least restore this roughly \$11 billion to annual TANF funding and increase the funding every year to keep pace with inflation.
- **Reshape TANF’s allocation formula to promote equity.** Policymakers should allocate TANF funds in proportion to each state’s share of the nation’s children in poverty. TANF’s original block grant allocation structure was based on state AFDC spending amounts; the states where Black children disproportionately live generally had lower AFDC benefits, so the TANF block grant formula locked in those lower TANF funding levels. The amount of federal TANF funds states received per poor child was unequal from the program’s outset and has grown only more unequal with time.<sup>11</sup> To address this problem, states with more families in need should receive more resources.

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<sup>9</sup> Kendra Bozarth, Grace Western, and Janelle Jones, “Black Women Best: The Framework We Need for An Equitable Economy,” Roosevelt Institute and Groundwork Collaborative, September 2020, [https://rooseveltinstitute.org/wp-content/uploads/2020/09/RI\\_Black-Women-Best\\_IssueBrief-202009.pdf](https://rooseveltinstitute.org/wp-content/uploads/2020/09/RI_Black-Women-Best_IssueBrief-202009.pdf).

<sup>10</sup> Under TANF’s MOE requirement, states must maintain a certain level of state TANF spending, based on a state’s spending for AFDC and related programs prior to TANF’s creation in 1996.

<sup>11</sup> Ife Floyd, LaDonna Pavetti, and Liz Schott, “Lessons from TANF: Initial Unequal State Block-Grant Funding Formula Grew More Unequal Over Time,” CBPP, revised July 20, 2017, <https://www.cbpp.org/research/family-income-support/lessons-from-tanf-initial-unequal-state-block-grant-funding-formula>.

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## **TANF Spending in the COVID-19 Pandemic**

Because states report their TANF spending in the federal fiscal year, the data in this report cover spending both before (October 2019 through February 2020) and during (March through September 2020) the pandemic. Therefore, data presented here should not be used to draw conclusions as to how states did, or did not, adjust TANF spending in response to the crisis. TANF spending data for federal fiscal year 2021 (October 2020 through September 2021), which is expected later in 2022, will provide a more complete picture of any TANF spending changes that occurred during the pandemic.