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Policy Brief: States Should Invest More of Their TANF Dollars in Basic Assistance for Families

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States spend only about a fifth of their combined federal and state dollars under Temporary Assistance for Needy Families (TANF) on basic assistance for families with children. A handful of states spend less than 10 percent, our look at the latest data from fiscal year 2018 shows. That means that, as they've increasingly done since the TANF block grant's creation in 1996, states are using its great flexibility to divert funds away from income support for families and toward other, often unrelated state budget areas. Redirecting the funds towards cash assistance can improve academic, health, and economic outcomes for children in families in poverty, research shows.[1] (See our full report for greater detail, as well as our fact sheets and spreadsheet with state-by-state information.[2])

Reduced Basic Assistance Spending, Fewer Families Getting Help to Meet Basic Needs

Direct financial 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. In 2018 states provided cash assistance to just 22 families for every 100 families in poverty, down from 68 families when the TANF block grant was created.[3] This is the lowest share of families living in poverty receiving TANF cash assistance in the program's history.

- **States spend a little more than one-fifth of their federal and state TANF funds on basic cash assistance.** (See Figure 1.) States spent $6.7 billion, just 21 percent, of their federal and state TANF funds on basic assistance for families struggling to make ends meet in 2018, down from $14 billion (71 percent) in 1997, TANF's first year of implementation. That amounts to

[1] National Academies of Sciences, Engineering and Medicine, "A Roadmap to Reducing Child Poverty," 2019, https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty.

[2] Liz Schott, Ife Floyd, and Ashley Burnside, "States Should Invest More of Their TANF Dollars on Basic Assistance for Families," Center on Budget and Policy Priorities, updated February 25, 2020, https://www.cbpp.org/research/family-income-support/states-should-invest-more-of-their-tanf-dollars-in-basic-assistance; CBPP, "How States Spend Funds Under the TANF Block Grant," updated February 25, 2020, https://www.cbpp.org/research/family-income-support/state-fact-sheets-how-states-spend-funds-under-the-tanf-block-grant.

[3] Update forthcoming of Ife Floyd, Ashley Burnside, and Liz Schott, "TANF Reaching Few Poor Families," Center on Budget and Policy Priorities, November 28, 2018, https://www.cbpp.org/research/family-income-support/tanf-reaching-few-poor-families.

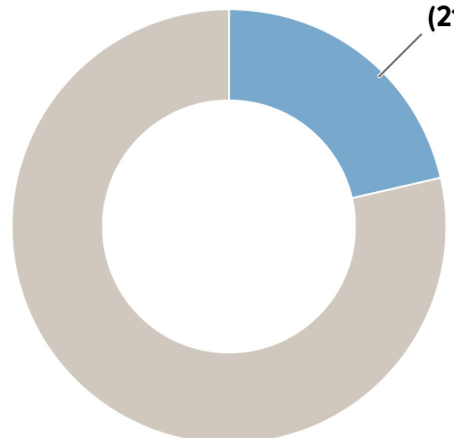
a *69 percent decrease* when adjusting for inflation. When TANF began, basic assistance was the single biggest use of TANF funds in all states.

The share of federal and state TANF funds spent on basic assistance varies across states, from 2 percent to 66 percent in 2018. Eleven states spent less than 10 percent on basic assistance, while 11 spent more than 30 percent. Not surprisingly, the states that spend the smallest shares of their TANF funds on basic assistance generally have lower benefits and assist a smaller share of families living in poverty than the typical state.

- **Black children are likelier than white children to live in states that spend less than 10 percent of TANF funds on basic assistance.** The TANF block grant's flexible structure has resulted in wide variation in how much states spend on basic assistance, in turn resulting in disparities between racial groups: Black children disproportionately live in the states that spend the least TANF funds on programs best suited to help families in poverty make ends meet.

FIGURE 1

States Spend Just a Fifth of Federal and State TANF Funds on Basic Assistance



Note: TANF = Temporary Assistance for Needy Families

Source: CBPP analysis of Department of Health and Human Services 2018 TANF financial data

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States Spend Little on Work Activities or Supports

States use only 14 percent of their TANF funds for work activities and supports. (See Table 1.) In 2018, states used only 11 percent of their TANF funds for work activities and another 3 percent on work supports or supportive services. A central tenet of TANF was that cash assistance should provide temporary support while a family engages in required activities to help it connect to or prepare for work. Yet most states spend little of their TANF funding on work-related activities. The share spent to help families work varies across states; seven states spent less than 5 percent of their funds on work activities and work supports and supportive services *combined.*

Need for Child Care Assistance to Help Parents Work Remains High

States use 17 percent of their TANF funds to help low-income families afford child care. Child care needs significant investment through a combination of dedicated programs outside TANF and an appropriate level of TANF child care spending that leaves room for needed investment in basic assistance for families. As with work programs, a central tenet of TANF's creation was that states could spend more of the funds on child care subsidies — which are essential to enabling low-income parents to work — rather than on cash assistance.

States' TANF spending on child care rose dramatically in TANF's early years but has fluctuated between $5 billion and $6 billion over the last ten years. At the same time, need for child care subsidies remains high.[4] The share spent on child care varies tremendously across states, from 0 to 66 percent. Nine states spent more than 30 percent of their TANF funds on child care, while 15 states spent less than 5 percent.

TABLE 1

States Spent Only About Half of Federal and State TANF Funds on Core Program Activities in 2018

Core TANF Activities		Non-Core TANF Activities	
Basic Assistance	21%	**Program Management**	10%
Work Activities	11%	**Refundable Tax Credits**	9%
Work Supports and Supportive Services	3%	**Pre-K**	8%
Child Care	17%	**Child Welfare**	8%
		Other	13%
Total Spent on Core Areas	**52%**	**Total Spent on Non-Core Areas**	**48%**

Note: TANF = Temporary Assistance for Needy Families.

Source: CBPP analysis of Department of Health and Human Services 2018 TANF financial data

How States Spend the Rest of TANF Funds

Instead of investing in helping families meet their basic needs, states use a large share of TANF funds — more than three-quarters in some states — in other areas.

In some cases, states used TANF funds to expand programs, such as Earned Income Tax Credits (EITCs) or pre-kindergarten, or to cover the growing costs of existing services, such as child welfare. While these are worthy and important investments, states should use funding other than federal and state TANF funds for them, particularly when states on average states spend only around one-fifth of their TANF funds to provide basic assistance. Also, some states have used TANF funds to replace existing state funds, thereby freeing those state funds for purposes unrelated to providing financial assistance or work opportunities to families with low incomes.

Key areas of spending outside of basic assistance and work support for families include:

- **Child welfare.** Some 41 states used TANF funds for child welfare services in 2018. This represents 8 percent of total federal and state TANF spending and 10 percent of spending for those 41 states. Twelve states spent more than 20 percent of their TANF funds in this area.
- **Pre-K/Head Start.** Some 27 states used TANF funds for pre-K/Head Start in 2018. This represents 8 percent of total federal and state TANF spending and 15 percent of spending for those 27 states. Six states spent more than 20 percent of their TANF funds in this area.
- **Refundable tax credits for low-income working families.** The credits are an important work support and a permissible use of federal and state TANF funds, but as with TANF's

[4] Karen Schulman, "Early Progress: State Child Care Assistance Policies 2019," National Women's Law Center, October 2019, https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2019/11/NWLC-State-Child-Care-Assistance-Policies-2019-final.pdf.

work activities, work supports, and child care, funding for them should leave adequate room for cash assistance for families. In 2018, 20 states used these funds for refundable tax credits, most commonly a state EITC. This represented 9 percent of total federal and state TANF spending and 19 percent of spending for those 20 states. Eight of these states spent more than 20 percent of their TANF funds in this area.

- **Other areas.** The rest of federal TANF spending goes to areas including program management (10 percent of TANF spending), emergency assistance (3 percent), transfers to the Social Services Block Grant (4 percent), preventing out-of-wedlock pregnancies and supporting marriage (2 percent), services for youth and children (2 percent), and services "authorized under prior law" (1 percent), meaning they are not within the four TANF purposes but were in the state's Aid to Families with Dependent Children (AFDC) Emergency Assistance plan when TANF replaced AFDC.

Targeting TANF Funds for Direct Financial Assistance to Families Can Improve Outcomes

When states invest in direct financial assistance for children, they provide opportunities for all children to thrive. States can invest their TANF funds in basic assistance to increase the monthly grants that families receive. Other forms of direct financial assistance worth investing in include transportation vouchers, housing supplements, and nonrecurring short-term benefits that families can receive during an emergency.

Because TANF is a federally funded program, changes to the federal TANF statute could promote state use of the funds to lessen child poverty, thereby improving their outcomes. Federal lawmakers should:

- **Increase the TANF block grant to restore value lost since the program's creation.** The block grant has decreased by almost 40 percent in inflation-adjusted value since lawmakers created the program. This means states have fewer federal funds to invest towards families struggling to make ends meet, despite a high level of need.
- **Direct states to spend at least 50 percent of TANF block grant and state MOE funds towards direct financial assistance to help families meet their basic needs.**[5] Given evidence of the impacts of income on children's long-term growth and development, Congress should require states to spend a higher portion of their TANF block grant funds on direct financial support for needy families.
- **Target all TANF and MOE spending towards families with incomes at or below 100 percent of the federal poverty level.** 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. The result is that TANF funds often go to families with incomes well above the federal poverty line, while a growing number of families (often in the states where TANF benefits are low and reach few families) are living in deep poverty. Federal lawmakers should require states to target their TANF funds towards families with the lowest incomes.

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[5] Under TANF's maintenance-of-effort (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.