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

By Ashley Burnside and Liz Schott[1]

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 back towards cash assistance can improve academic, health, and economic outcomes for children in families in poverty, research shows.[2]

When states provide direct financial assistance to families struggling to make ends meet, they can improve children's outcomes while also providing parents with the cash they need to afford basic necessities like rent, utilities, personal hygiene products, and school supplies. Over time, however, states have invested fewer funds towards cash assistance despite high levels of need: in 2018, for every 100 families living in poverty, only 22 received TANF cash assistance.[3]

Proponents of TANF's block grant structure said that states would use its flexibility to shift spending from basic financial assistance benefits to investments in work programs and work supports, such as child care subsidies to enable parents to work. But states have redirected a substantial portion of their state and federal TANF funds to other purposes, to fill state budget holes, and in some cases to substitute for existing state spending, rather than investing in basic assistance or in connecting families to work.

Among our key findings for 2018:

[1] Thanks to Nick McFaden for his assistance in updating this paper.

[2] 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.

[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.

- **States spent a little more than one-fifth of their federal and state TANF funds on basic cash assistance.** Eleven states spent less than 10 percent, hindering the program's capacity to help families who are very poor care for their children and meet very basic needs such as shelter, utilities, food, and personal care products.
- **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.
- **States spent only 30 percent of their federal and state TANF dollars on work activities and supports and child care.** States used 11 percent of their federal and state TANF funds for work activities, 3 percent for work supports or supportive services, and 17 percent for child care. (See Table 1.)
- **States used nearly half of federal and state TANF funds for state services other than helping families meet their basic needs.** In some cases states used TANF funds to expand programs, such as state Earned Income Tax Credits (EITCs) or pre-K education, or to cover the growing costs of existing services such as child welfare. In others they used TANF funds to replace existing state funds, thereby freeing those state funds for purposes often unrelated to providing financial assistance or work opportunities to families with low incomes.

When states invest in direct financial assistance for children, they provide opportunities for all children to thrive. Beyond general increases to TANF's cash assistance to boost families' monthly grants, states can invest in other forms of direct financial assistance such as transportation vouchers, housing supplements, and non-recurring short-term benefits that families can receive during an emergency.

In addition, changes to the federal TANF statute could promote state use of the funds to lessen poverty among children, thereby improving their outcomes. Federal lawmakers should increase the TANF block grant to restore value lost to underinvestment since the program's creation. They should also require states to spend at least half of federal and state TANF funds towards direct financial assistance to help families meet their basic needs. Finally, given states' shifting of TANF spending to sometimes unrelated programs, lawmakers should direct states to ensure that all such spending goes towards families with incomes at or below 100 percent of the federal poverty level.

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

Background

TANF's predecessor, Aid to Families with Dependent Children (AFDC), provided federal funds that matched half or more of every state dollar of cash assistance for a needy family. The TANF block grant,[4] meanwhile, combines fixed federal funding with broad state flexibility on how to use the money. Under TANF, the federal government gives states a fixed block grant totaling $16.5 billion each year.[5] This annual amount has not been increased for inflation over the past two decades and now is worth about 40 percent less than when lawmakers created TANF.

Under the law'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. (A state must maintain 80 percent of its historical spending level — 75 percent if it meets its target work participation rate.) This minimum state spending threshold has also declined by about 40 percent in value due to inflation. States may also qualify for federal "Contingency Funds"; roughly 20 states have done so for the last several years. (See Appendix IV.)

In 2018, states spent $31.3 billion in combined federal TANF ($16.6 billion) and state MOE ($14.8 billion) funds.[6]

[4] Enacted under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

[5] Additional background on the TANF block grant funding structure is available in Appendix I. See also Liz Schott *et al.,* "How States Have Spent Federal and State Funds under the TANF Block Grant," Center on Budget and Policy Priorities, August 8, 2012, http://www.cbpp.org/research/how-states-have-spent-federal-and-state-funds-under-the-tanf-block-grant; and "Temporary Assistance for Needy Families: Spending and Policy Options," Congressional Budget Office, January 21, 2015, http://www.cbo.gov/publication/49887.

[6] Spending of federal TANF funds may vary from year to year, as states can carry over some unspent federal TANF dollars to a subsequent year. States may also build up reserves with their unspent TANF federal allotment that can be spent at a later date. The federal TANF funds are primarily the annual fixed block grant amount (the State Family Assistance Grant, or SFAG) but also include other federal dollars, primarily the TANF Contingency Fund, which 17 states received in 2018.

States can use these funds for a broad range of activities related to promoting the four purposes of TANF specified in federal law: (1) assisting needy families so children can be cared for in their own homes or the homes of relatives; (2) reducing the dependency of needy parents by promoting job preparation, work, and marriage; (3) preventing out-of-wedlock pregnancies; and (4) encouraging the formation and maintenance of two-parent families.[7]

States must report quarterly and annually to the Department of Health and Human Services (HHS) on how much they have spent and for what purposes; the data cited here on states' use of TANF and MOE funds come from these reports. Starting with fiscal year 2015, HHS revised the financial data reporting form to provide greater and more uniform detail on how states spend the funds, particularly spending in other areas of state budgets that was not foreseen when the original data reporting form was designed.[8] Because some of the new, detailed breakout is not available for years prior, this report focuses on the most recent, 2018 spending and how it varies across states.[9]

This report groups spending into nine categories:[10]

- basic assistance;
- work-related activities;
- work supports and supportive services;
- child care (including transfers to the Child Care and Development Fund);
- program management;
- refundable tax credits for low-income working families;
- child welfare services;
- pre-kindergarten or Head Start; and

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[7] States may also spend funds on activities that they supported with Emergency Assistance funds prior to 1996 even if the activities do not fall under one of these four TANF purposes. Spending under this grandfathered authority is reported as "authorized under prior law" (AUPL).

[8] The new reporting form and instructions are available at http://www.acf.hhs.gov/ofa/resource/tanf-acf-pi-2014-02. For a cross-walk between the pre-2015 TANF expenditure reporting categories and the new ones, see HHS's State TANF Spending Fact Sheet, Figure 4, http://www.acf.hhs.gov/sites/default/files/ofa/2015_tanf_financial_data_report_factsheet_final.pdf.

[9] The data used in this report are posted at https://www.acf.hhs.gov/sites/default/files/ofa/tanf_financial_data_fy_2018_8719.xlsx and are based on 2018 HHS data available at https://www.acf.hhs.gov/ofa/resource/tanf-financial-data-fy-2018. See also our state fact sheets posted at http://www.cbpp.org/research/family-income-support/state-fact-sheets-how-states-have-spent-federal-and-state-funds-under.

Prior reports, which had a greater focus on longitudinal spending, are still available, and supporting longitudinal data are available on request. See Liz Schott *et al.,* "How States Have Spent Federal and State Funds under the TANF Block Grant," Center on Budget and Policy Priorities, August 8, 2012, http://www.cbpp.org/research/how-states-have-spent-federal-and-state-funds-under-the-tanf-block-grant; Liz Schott, LaDonna Pavetti, and Ife Floyd, "How States Use Federal and State Funds Under the TANF Block Grant," Center on Budget and Policy Priorities, updated October 15, 2015, http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant.

[10] Details of the new HHS reporting categories and how we group them into the nine categories used in this report are available in Appendix II.

- other areas.[11]

This analysis uses the term "federal TANF dollars" to include the TANF block grant and any additional federal funds, such as the TANF Contingency Fund. It uses the term "state TANF funds" to refer to MOE spending. The analysis combines TANF and MOE spending data rather than focus on whether the funds used for a particular benefit or service were federal TANF funds or state MOE funds, and often refers to the combined funds as TANF funds. Since the federal and state dollars are mostly fungible, combined state and federal funds provide the best basis for comparisons across states.

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. This is the lowest share of families living in poverty receiving TANF cash assistance in the program's history.

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 (see Figure 1), down from $14 billion (71 percent) in 1997, TANF's first year of implementation. That amounts to a *69 percent decrease* when adjusting for inflation. Prior to TANF, basic assistance represented the single biggest use of federal and state AFDC funds for all states.

The share of federal and state TANF funds spent on basic assistance varies widely 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. (See Figure 2.) The broad flexibility that states have for how they use their block grant funds means that a family's experience with TANF is highly dependent on the state in which they live. Since Black and white children are not equally distributed across the states, state TANF spending choices can exacerbate racial inequities and unequal access to TANF cash assistance.

Black children are more likely than white children to live in the states that spend the least on basic assistance, and thus face a particularly high risk of growing up in families with little or no access to cash assistance. (See Appendix III.) Over 30 percent of Black children live in the 11 lowest-spending states, compared to only 27 percent of white children.[12] Additional research has found that the states with larger percentages of Black populations are less likely to spend their TANF funds on basic assistance.[13]

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[11] We use the term "other areas" to encompass a number of categories detailed in the state reporting to HHS, including: non-recurrent short-term benefits, funds transferred to the Social Services Block Grant, services for children and youth, home visiting programs, financial education and asset development, funds authorized solely under prior law for juvenile justice programs, funds authorized solely under prior law for emergency assistance, and other.

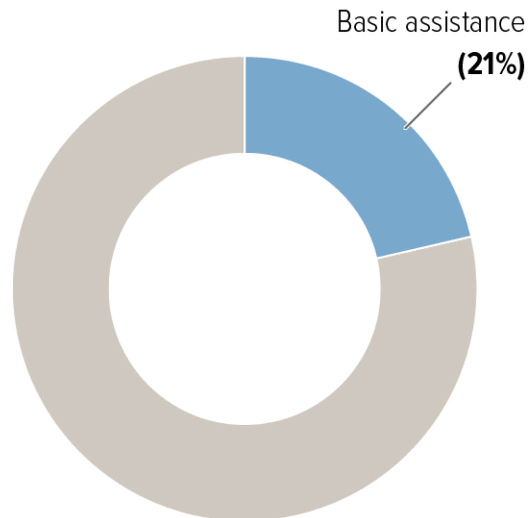
[12] CBPP analysis of Census July 2018 population estimates by race and the TANF spending rates.

[13] 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.

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.[14] In some states, TANF cash assistance reaches very few families in poverty; in 15 states, 10 or fewer of every 100 families who are poor received this help. For families that do receive assistance, benefit levels are at or below 60 percent of the poverty line in every state and below 30 percent of the poverty line in most states.[15] Take Indiana and North Carolina, for example:

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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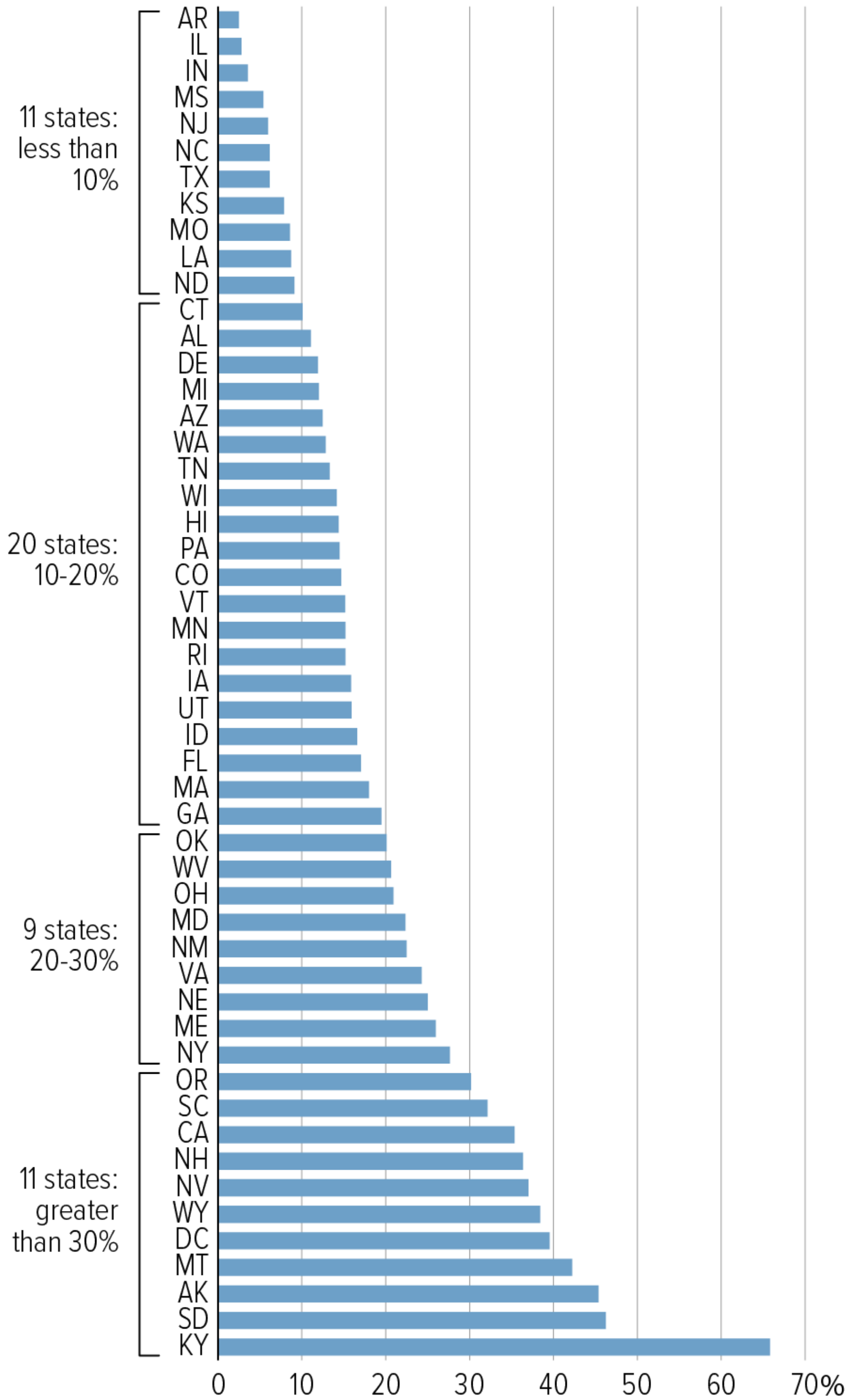
- Indiana spent only 4 percent of its TANF funds on basic assistance in 2018 — one of the smallest proportions of any state. Its TANF caseload has fallen by more than *88 percent* since 1996 while the number of families in deep poverty has increased by *91 percent*. Indiana has not reinvested any of its savings from the caseload decline to strengthen temporary cash assistance benefits for families living in poverty, having failed to increase TANF (or AFDC) benefits since 1988. Benefits are just $288 a month for a family of three and have lost more than a third of their value since 1996.

- North Carolina spent only 6 percent of its TANF funds on basic assistance in 2018. The state's TANF caseload has fallen by more than *87 percent* since 1996. In 2018, over 110,000 families were in deep poverty in North Carolina, up from over 57,000 in 1996, representing an increase of *93 percent*. For those receiving cash assistance, benefits are just $272 a month for a family of three, which is only 15 percent of the federal poverty line.

FIGURE 2

11 States Spent Less Than 10 Percent of Federal and State TANF Funds on Basic Assistance in 2018



Source: CBPP analysis of HHS 2018 TANF financial data

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Despite "Welfare to Work" Rhetoric, States Spend Little on Work Activities or Supports

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 — the so-called "welfare to work" strategy. Yet most states spend little of their TANF funding on work-related activities. States raised work-related spending somewhat in TANF's early years, but this spending remained flat or has fallen for more than a decade and now only represents 11 percent of TANF spending nationally, even though such assistance could help families living in poverty improve their circumstances by increasing their skills and connecting them to high-quality jobs. Nationwide, there are more than 3 million non-employed single parents.

In 2018 states spent $3.3 billion (11 percent) of their federal and state TANF funds on work-related activities.[16] As with basic assistance, the share varied widely among states, ranging from less than 1 percent to 27 percent. (See Figure 3.) Seven states spent less than 2 percent of their funds on work-related activities, while eight states spent more than 15 percent.

Similarly, states in 2018 spent just $900 million (3 percent) of their federal and state TANF funds on work supports (such as transportation) or supportive services (such as mental health or domestic violence services). State spending in this area ranged from 0 to 12 percent of total TANF spending, with 17 states spending less than 1 percent and seven states spending more than 5 percent.[17] Seven states spent less than 5 percent of their funds on work activities and work supports and supportive services *combined.*

Even when states spend TANF funds on work activities generally, they don't always target the funds as they should. Some states that reported spending large shares of their TANF dollars on work activities in the past few years spent much of it on state universities and scholarships for low- or moderate-income students.[18] These are important areas for states to fund, but such expenditures are not directed at those receiving TANF cash assistance and do not help these recipients prepare for or connect to work. In fact, states often do not let students meet their TANF work requirement by attending college.

Hawaii, Louisiana, and Mississippi, for example, each devoted over half of what they spent on work activities in 2018 to state higher education programs that served a broad group of students, essentially using TANF to fund portions of the state higher education or financial aid budget.

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[16] This analysis combines three categories as work-related activities: subsidized employment, education and training, and additional work activities. Previous CBPP analyses also included work supports such as transportation in this combined work category, but following the revised HHS data form, we now combine work supports with supportive services in a new category.

[17] Starting in 2015, CBPP analyses combined spending on work supports and supportive services and broke this out separately from overall work-related activities. We include this work supports/supportive services category as part of core spending. Previously, we included work supports as part of work-related activities and did not have specific state data on supportive services spending (as it was reported to HHS under "other nonassistance"). The new detail available starting in 2015 provides spending information for supportive services.

[18] Currently, states are not required to provide a breakdown of TANF spending to indicate amounts that are spent on those receiving cash assistance as compared to amounts on other groups, such as recipients of college financial aid.

- Some 21 percent of Hawaii's total TANF funds were used to fund work activities in 2018 — a higher share than all but two other states, but the majority of it went towards funding the state university system. Hawaii spent nearly $34 million of its federal and state TANF funds — representing 82 percent of the state's spending on work activities — on the University of Hawaii.[19] This funding served families with incomes up to 300 percent of the federal poverty line and was not focused on helping TANF cash assistance recipients prepare for work. In comparison, the TANF benefit level for a single-parent family of three in Hawaii represents 30 percent of the federal poverty line.[20]
- Louisiana spent 15 percent of its total TANF funds on work activities in 2018 — the ninth highest among all states — but 93 percent of those funds (about $31 million) went towards two state-funded college scholarship programs rather than programs that can help TANF parents find and maintain employment opportunities.[21]
- Mississippi spent 21 percent of its total TANF funds on work activities in 2018 — second highest among all states — but over half of that ($18.3 million) went to a state-funded scholarship program that serves families with incomes up to 350 percent of the federal poverty line.[22] The TANF benefit level for a single-parent family of three in Mississippi represents less than 10 percent of the federal poverty line.

[19] Hawaii TANF-MOE Report, ACF-204 for Temporary Assistance for Needy Families, October 1, 2017 through September 30, 2018.

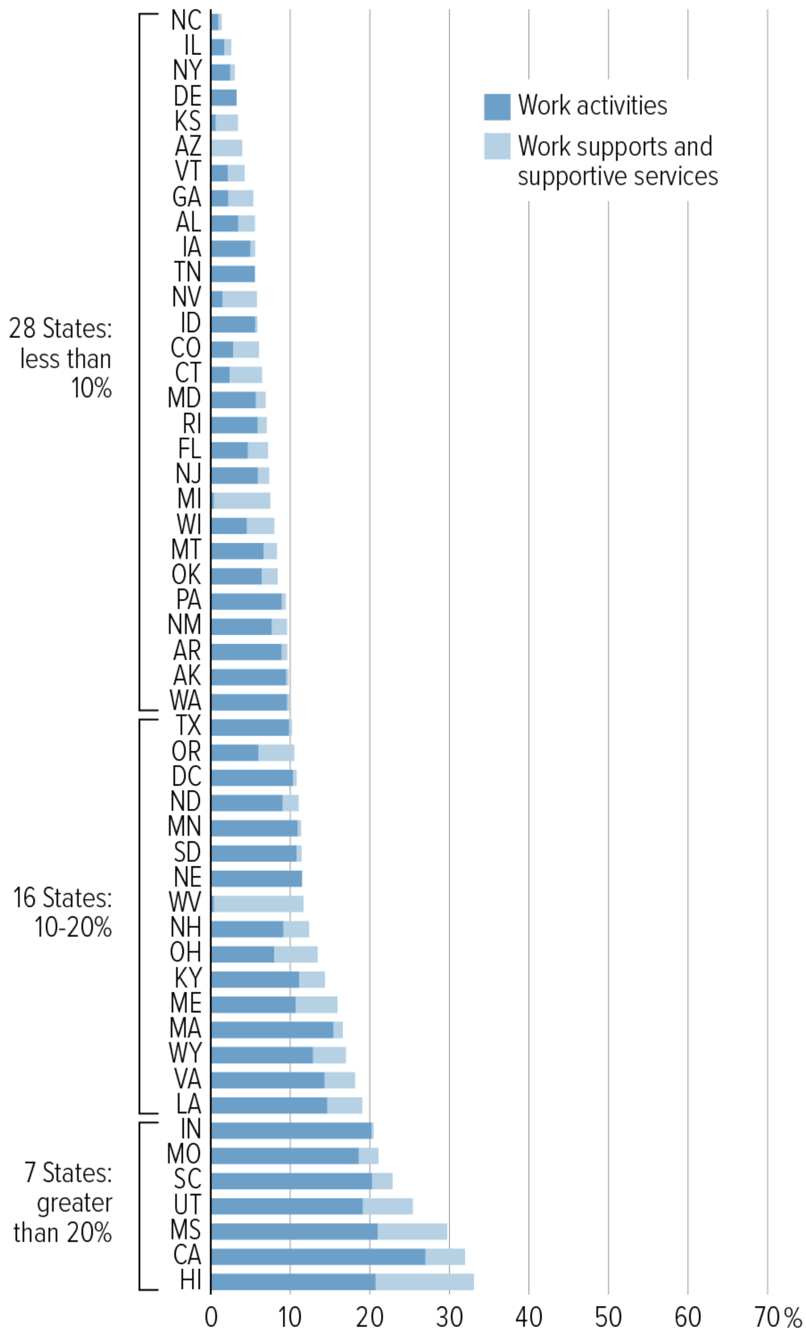
[20] 2019 Health and Human Service Poverty Guidelines. TANF benefit levels for a single-parent family of three were compiled by CBPP from various sources and are current as of July 31, 2019.

[21] Louisiana TANF-MOE Report, ACF-204 for Temporary Assistance for Needy Families, October 1, 2016 through September 30, 2018.

[22] Mississippi TANF-MOE Report, ACF-204 for Temporary Assistance for Needy Families, October 1, 2017 through September 30, 2018.

FIGURE 3

28 States Spent Less Than 10 Percent of Federal and State TANF Funds on Work Assistance in 2018



Source: CBPP analysis of HHS 2018 TANF financial data

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Need for Child Care Assistance to Help Parents Work Remains High

Child care is another area that needs significant investment, through a combination of dedicated child care 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. And also similar to work programs and supports, states' TANF spending on child care has been flat or declining for over a decade after an initial, post-1996 rise. TANF child care spending rose dramatically early on (from $1.1 billion in 1997 to $5.9 billion in 2000)[23] but has fluctuated between $5 billion and $6 billion over the last ten years. In 2018 states spent $5.3 billion (17 percent) of their federal and state TANF funds on child care.[24] When considered in inflation-adjusted dollars, this change from 2000 to 2018 represents a 39 percent decrease in TANF spending on child care.

The share spent on child care varies tremendously across states, from 0 to 66 percent. (See Figure 4.) Nine states spent more than 30 percent of their TANF funds on child care, while 15 states spent less than 5 percent.

The need for child care subsidies remains high.[25] Fifteen states either have waiting lists or have frozen admissions to their child care programs, and in 22 states the income eligibility limit for child care subsidies is a *lower* percentage of the federal poverty line than in 2001.[26] Despite the income eligibility for child care subsidies not keeping up with inflation, it is still higher than the income eligibility for TANF cash assistance in many states. In nearly one-third of states, child care assistance eligibility cutoffs are above 200 percent of the federal poverty line.[27]

In the past two years, Congress has appropriated a substantial increase in child care funds through the Child Care and Development Block Grant. These additional funds will allow states to both improve child care quality and meet some of the unmet need. This will make it easier for states to target their limited TANF dollars to provide direct finacial assistance so families can meet their other basic needs like housing, utilities, personal hygiene items, clothing, and transportation.

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[23] Recognizing the importance of child care to support work, the 1996 law that created TANF created a new Child Care Development Fund under the Child Care and Development Block Grant (CCDBG), which provides a set amount of federal funds for child care each year; CCDBG was reauthorized in 2014. The law also allows states to transfer some of their TANF block grant dollars to CCDBG (up to a cap). In addition, under TANF, states can spend federal or state TANF funds directly on child care (without having to transfer the funds to CCDBG and without any cap or limit), since spending on child care for needy families furthers the TANF goal of connecting families to work. States need not limit child care assistance financed by federal or state TANF funds to families receiving cash assistance; states can also use these funds for families that have left TANF for work or other low-income working families.

[24] This analysis examines trends in state use of federal or state TANF funds for child care, including federal TANF funds transferred to CCDBG, but not other federal funds, such as those directly appropriated to CCDBG.

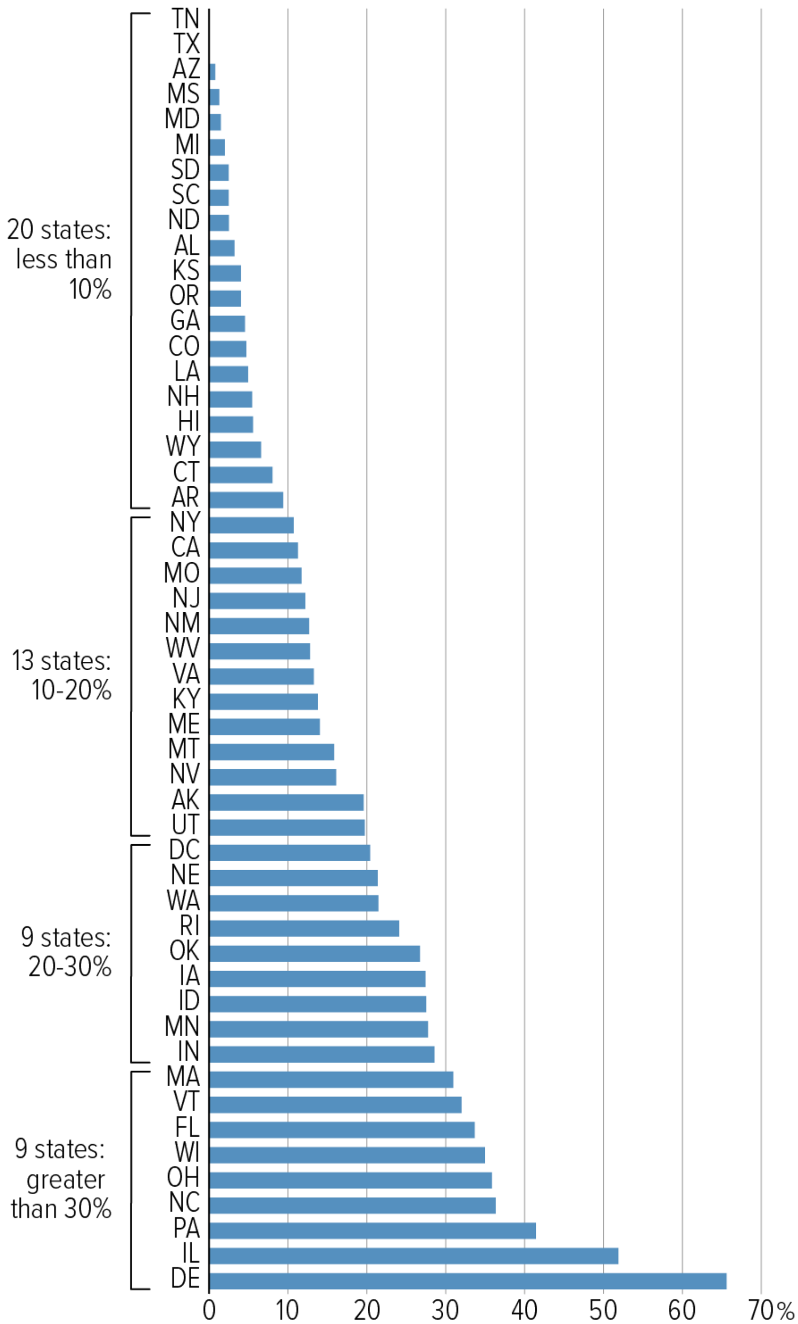
[25] Karen Schulman, "Early Progress: State Child Care Assistance Policies 2019," National Women's Law Center, October 2019 https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2019/11/NWLC-State-Child-Care-Assistance-Policies-2019-final.pdf

[26] *Ibid.*

[27] *Ibid.*

FIGURE 4

20 States Spent Less Than 10 Percent of Federal and State TANF Funds on Child Care in 2018



Note: TANF = Temporary Assistance for Needy Families

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

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Spending on Working-Family Tax Credits Helps Families Make Ends Meet

Refundable tax credits for low-income working families are an important work support and a permissible use of federal and state TANF funds, but as with TANF's work activities, work supports, and child care, funding for them should leave adequate room for cash assistance for families that lose their jobs or are unable to work and need TANF benefits to meet their basic needs. It's important to note that state EITC programs only benefit families currently working, while basic assistance programs can provide support to families looking for employment and trying to make ends meet.

In 2018, 20 states spent $2.8 billion of TANF funds for refundable tax credits, most commonly a state EITC — amounting to 9 percent of federal and state TANF spending nationwide and 19 percent of spending for those 20 states. Among those states, the share of TANF spending going to refundable tax credits ranged from 1 percent to 32 percent; eight states spent more than 20 percent.

Refundable state EITCs help working families make ends meet and stay employed. They also reduce poverty among working families — including people of color, a larger proportion of whom benefit from the state credits relative to population size — with both immediate and long-lasting benefits for children.[28] The availability of TANF funds may encourage a state to enact or retain a state EITC.

States Spend Relatively Little on Program Management

In 2018 states spent $3.1 billion (10 percent) of their federal and state TANF funds on program management, which includes administration and systems as well as the cost of screening and assessing applicants and recipients and providing case management services.

How States Spend the Rest of TANF Funds

States use the rest of their federal and state TANF funds elsewhere, representing 30 percent of total spending nationwide and more than half of the TANF spending in 12 states. The data available since 2015 give richer information on where these funds are used.

The biggest-ticket areas are child welfare services and pre-kindergarten/Head Start. These and other areas of spending are worthy and important investments, but states should use funding sources other than federal and state TANF funds for them — particularly when the average state spends only around *half* of its TANF funds to provide cash assistance to families, connect TANF families to work, or provide child care help to working families with low incomes.

Child welfare. Some 41 states used $2.6 billion in federal and state TANF funds for child welfare services.[29] This represents 8 percent of total national TANF spending and 10 percent of spending for those 41 states. Among the 41 states, the share of spending going to child welfare services

[28] For more information on state EITCs, see Erica Williams and Samantha Waxman, "States Can Adopt or Expand Earned Income Tax Credits to Build a Stronger Future Economy," Center on Budget and Policy Priorities, updated March 7, 2019, https://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build-a.

[29] 2018 is the fourth year for which comprehensive data are available for TANF spending on child welfare services. Child welfare services grouped here include child protective services, family support and preservation, and adoption support, as well as foster care payments that are a permissible TANF use because they were "authorized under prior law."

ranged from less than 1 percent to 68 percent; 19 states spent more than 10 percent and 12 states spent more than 20 percent.

Pre-K/Head Start. Some 27 states used $2.6 billion in federal and state TANF funds for pre-K/Head Start in 2018. This represents 8 percent of federal and state TANF spending and 15 percent of spending for those 27 states. Among those states, the share of spending going to pre-K/Head Start ranged from less than 1 percent to 66 percent; six states spent more than 20 percent.

Other areas. The rest of federal TANF spending — $4.2 billion in 2018, representing 13 percent of the total — goes to areas such as short-term non-recurring 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), 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 AFDC Emergency Assistance plan when TANF replaced AFDC.[30] (See Appendix I.) The share of spending going to other areas varies greatly across states, ranging from 0 to 41 percent.

[30] The AUPL spending listed here does not include the child welfare or foster care expenditures that were "authorized under prior law"; those expenditures are included in child welfare services for this report and related state fact sheets and spreadsheet, as well as in the HHS fact sheets and pie charts.

Many States Have Unspent Funds, Some More Than Their Annual Block Grant Amount

A state need not spend all its annual federal TANF block grant allocation each year, and can carry over unspent funds to future years. Many states have accumulated these 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. States can choose to save some of their unspent TANF funds as "rainy day funds" to help when need rises during recessions. Some states are choosing to spend these TANF reserve funds elsewhere, such as towards child care assistance or home visiting programs.

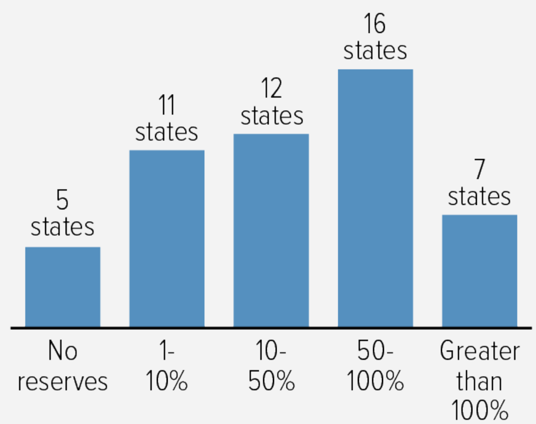
Accumulating significant amounts of TANF reserve funds can provide both opportunity and peril for states. The unspent funds can offer an opportunity to invest in families and significantly improve direct financial assistance to families, work programs, and benefits and services to low-income families. At the same time, unspent funds can be an inviting pot for funding lawmakers' pet projects or to be redirected to supplant other state spending, without considering the most effective use of the funds to lessen child poverty.

Moreover, just because a state has very low reserves, that does not necessarily mean the state is spending its TANF funds efficiently and responsibly. For example, a state with no reserves may have spent its TANF funds towards non-core areas rather than towards direct financial assistance for families struggling to make ends meet.

In 2018, states had accumulated $5.1 billion in unspent TANF funds nationally. (A large majority — 72 percent — of these unspent funds represented unobligated balances, meaning they had not yet been committed to be spent by the state.) The amount of unspent funds in 2018 varied by state (see chart), ranging from 0 percent to over 100 percent of the state's annual TANF block grant amount. Only five states had no unspent TANF funds in 2018: Connecticut, Illinois, Massachusetts, South Carolina, and Vermont.

TANF Unspent Funds Are Large Share of Block Grant in Many States

Unspent funds as a percent of State Family Assistance Grants



Note: TANF = Temporary Assistance for Needy Families. State Family Assistance Grants are the fixed amount of federal funds that states receive, commonly known as the block grant.

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

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Hawaii and Tennessee are two states that had high unspent TANF funds in 2018. Hawaii had over $300 million in total unspent funds as of 2018, which represents 306 percent of the state's annual TANF block grant — the highest share in the country. Tennessee had over $570 million in unspent TANF funds in 2018, representing about 300 percent of the state's annual TANF block grant. These reserve amounts have only grown since 2018.

States should consider the best use of their unspent TANF funds and how much funds they should hold in reserve as "rainy day funds." Once states decide what is a reasonable amount of TANF funds to save for a recession or a natural disaster, they should prioritize directing the remaining funds towards families trying to make ends meet. States could allocate remaining unspent TANF funds to help families meet their basic needs — through monthly benefit increases, housing and transportation supplements for families living in poverty, or emergency assistance benefits to help families in crisis avoid eviction and homelessness.

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

According to a bipartisan report from the National Academies of the Sciences, income support programs can improve children's academic, health, and economic outcomes.[31] Families need cash for necessary expenses like rent, utilities, cleaning products, period supplies, and other basics. States have the option to invest TANF funds towards direct financial assistance for families struggling to make ends meet, but over the past two decades, states have instead invested fewer funds towards this area in part due to the block grant's flexibility.

When states invest in direct financial assistance for children, they provide opportunities for all children to thrive. Black children face less access to these positive outcomes because they disproportionately live in the states that spend the lowest portion of their TANF funds towards basic assistance. States can invest their TANF funds in basic assistance to increase the monthly grants that families receive. They can also invest in other forms of direct financial assistance for families such as 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. Nationally, for every 100 families living in poverty, only 22 families received TANF cash assistance in 2018, the lowest level since the program was created.[32]
- **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.** 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. In 1997, states spent 71 percent of funds towards basic assistance, compared to only 21 percent of funds in 2018.
- **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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[31] National Academies of Sciences, Engineering, and Medicine, "A Roadmap to Reducing Child Poverty," 2019, https://www.nap.edu/read/25246/chapter/2#6.

[32] Floyd, Burnside, and Schott, forthcoming.

Absent federal changes, states can also change their priorities to invest more in families with the lowest incomes. In recent years, TANF caseloads have been declining, freeing up resources that states can reinvest in benefit increases or other programs, like transportation subsidies, housing supplements, or crisis assistance to help families meet their basic needs.

Appendix I: Background on Funds Available to States Under TANF Federal Funding

Each state receives a fixed annual amount of federal TANF funding, technically known as the State Family Assistance Grant but generally referred to as the TANF block grant. The total amount of federal block grant funds available to all states each year is $16.5 billion. The TANF block grant allocations are set for each state in accordance with the 1996 law that created TANF, based on the amount of federal funding that the state had received in AFDC and related programs before 1996. Each state's annual block grant amount has generally remained unchanged since TANF's creation and thus has declined in value by about 40 percent due to inflation. (In 2018, each state's allocation was reduced by 0.33 percent as a set-aside for research funding.) Because states can carry over unspent TANF funds to use in future years, the amount of federal TANF funds that a state spends in a given year may vary.

A state can transfer up to 30 percent of its block grant funds per year to the Child Care and Development Block Grant (CCDBG) and up to 10 percent to the Social Services Block Grant (SSBG), as long as the *total* amount transferred doesn't exceed 30 percent. Transferred funds are subject to the rules of the program to which they are transferred, not to TANF rules. Funds transferred to SSBG must be spent on programs and services for children or families with incomes below 200 percent of the poverty line.

In addition to the basic block grant, some states can receive additional TANF federal funds from the TANF Contingency Fund. Congress created this $2 billion fund when it created TANF to provide additional help to states in hard economic times. States made little use of it until the latest recession, but they began to draw on it in 2008, and nearly half of the states have done so since then. After the original $2 billion provided in 1996 was depleted early in fiscal year 2010, Congress has added limited funds for each year; qualifying states have received less than half of the amount for which they qualified each year since 2010.

State Maintenance-of-Effort Funding

Each year, states are required to meet a maintenance-of-effort (MOE) obligation under the TANF block grant or face a fiscal penalty. (The statute refers to this spending as "qualified state expenditures" but common usage is "state MOE.") Each state's MOE amount is based on its historical spending, defined as its 1994 financial contribution to AFDC and related work programs. To meet its MOE obligation, a state must report spending at least 80 percent of this historical spending level; this minimum share falls to 75 percent for any year in which a state meets its TANF work participation rate requirement.

The fact that the MOE requirement is only 75 percent or 80 percent of a state's historical spending, rather than the full 100 percent, itself allowed states to withdraw part of the funds they had spent on AFDC and related programs. Moreover, a state's MOE requirement is based on its 1994 expenditure level, with *no* adjustment for inflation over the years since then.

Expenditures that qualify as MOE include state and local government spending or other "third-party" spending that benefits members of needy families and meets one of TANF's four purposes. Examples of qualifying third-party expenditures include spending by food banks or domestic violence shelters on TANF-eligible families. Third-party MOE also can include *in-kind* contributions, such as volunteer hours or employer-provided supervision and training for people in subsidized jobs.

Since the Deficit Reduction Act of 2005 made it harder for states to meet their TANF work participation rate requirements — thereby threatening some states with the loss of some federal TANF funds due to penalties — a number of states have found it advantageous to claim as MOE certain existing expenditures they hadn't previously claimed. States with MOE spending exceeding their minimum MOE requirement can obtain a "caseload reduction credit" that lowers their work participation rate requirement. Claiming excess MOE also helps a state qualify for additional federal money from the TANF Contingency Fund.

Thus, since 2006, total MOE spending across states has risen above the minimum required levels. In 2018, 38 states reported spending over 80 percent MOE, with 24 of these reporting spending of more than 100 percent. *This increase does not necessarily represent an increase either in underlying state spending or in benefits or services for low-income families.* Some of the reported MOE may represent existing state spending or existing third-party spending that the state hadn't previously counted as MOE. In analyzing a state's TANF and MOE expenditures, therefore, it is important to understand the extent to which they may be part of an "excess MOE" strategy.

MOE expenditures must occur during the year for which the state claims them; states cannot carry them over to a future year. MOE expenditures can come from any area of the state budget and are not limited to spending by the TANF agency. MOE spending, however, must be an actual expenditure, not simply forgone revenue; thus, a state can count the refundable portion of a state EITC as MOE but not the portion that simply reduces the amount of income tax owed to the state.

Appendix II: CBPP Groupings of Federal TANF Reporting Categories

CBPP Category	Federal Reporting Categories
Basic Assistance	Basic Assistance (excluding Relative Foster Care Maintenance Payments and Adoption and Guardianship Subsidies) Relative Foster Care Maintenance Payments and Adoption and Guardianship Subsidies
Work-Related Activities	Subsidized Employment Education and Training Additional Work Activities
Work Supports and Supportive Services	Work Supports Supportive Services
Child Care	Child Care - Assistance and Non-assistance Transferred to Child Care and Development Fund
Program Management	Administrative Costs Assessment/Service Provision Systems
Refundable Tax Credits	Refundable Earned Income Tax Credit Non-EITC Refundable State Tax Credits
Child Welfare Services	Family Support/Family Preservation/Reunification Adoption Services Additional Child Welfare Services Authorized Under Prior Law: Child Welfare or Foster Care (Assistance and Non-assistance)
Pre-Kindergarten/Head Start	Pre-Kindergarten/Head Start
Other Areas	Non-recurrent Short-Term Benefits Transferred to Social Services Block Grant Services for Children and Youth Home Visiting Programs Financial Education and Asset Development Authorized Solely Under Prior Law (Assistance and Non-assistance): Juvenile Justice Payments Authorized Solely Under Prior Law (Assistance and Non-assistance): Emergency Assistance Other

Appendix III: Share of U.S. Black and White Population Living in States With Lowest Spending on Basic Assistance

	States Spent Less Than 10% on Basic Assistance	State Share of U.S. Black Population	State Share of U.S. White Population
Alabama		3%	2%
Alaska		0%	0%
Arizona		1%	2%
Arkansas	X	1%	1%
California		5%	6%
Colorado		1%	2%
Connecticut		1%	1%
Delaware		1%	0%
Dist. Of Colum.		1%	0%
Florida		8%	5%
Georgia		8%	3%
Hawaii		0%	0%
Idaho		0%	1%
Illinois	X	4%	4%
Indiana	X	2%	3%
Iowa		0%	2%
Kansas	X	0%	1%
Kentucky		1%	2%
Louisiana	X	4%	2%
Maine		0%	1%
Maryland		4%	2%
Massachusetts		1%	2%
Michigan		3%	4%
Minnesota		1%	2%
Mississippi	X	3%	1%
Missouri	X	2%	3%
Montana		0%	0%
Nebraska		0%	1%
Nevada		1%	1%
New Hampshire		0%	1%
New Jersey	X	3%	2%
New Mexico		0%	0%
New York		6%	5%
North Carolina	X	5%	3%
North Dakota	X	0%	0%
Ohio		4%	5%
Oklahoma		1%	1%

	States Spent Less Than 10% on Basic Assistance	State Share of U.S. Black Population	State Share of U.S. White Population
Oregon		0%	1%
Pennsylvania		3%	5%
Rhode Island		0%	0%
South Carolina		3%	2%
South Dakota		0%	0%
Tennessee		3%	3%
Texas	X	9%	6%
Utah		0%	2%
Vermont		0%	0%
Virginia		4%	3%
Washington		1%	3%
West Virginia		0%	1%
Wisconsin		1%	2%
Wyoming		0%	0%
Total Population Shares for States Spending Less Than 10% on Basic Assistance		33%	27%

Source: CBPP analysis of Department of Health and Human Services 2018 TANF financial data. Racial composition analysis based on U.S. Census July 2018 population data.

Appendix IV: Federal TANF Funds Allocated to Each State in 2018 (rounded in millions)

	Unadjusted Block Grant	Adjusted Block Grant	Contingency Fund	Tribal TANF
Alabama	$93.3	$93.0	$10.4	
Alaska	$63.6	$44.4		$19.0
Arizona	$222.4	$199.4	$22.2	$22.3
Arkansas	$56.7	$56.5	$6.3	
California	$3,733.8	$3,637.5		$84.0
Colorado	$136.1	$135.6	$15.1	
Connecticut	$266.8	$265.9		
Delaware	$32.3	$32.2	$3.6	
Dist. Of Colum.	$92.6	$92.3	$10.3	
Florida	$562.3	$560.5		
Georgia	$330.7	$329.6		
Hawaii	$98.9	$98.6	$11.0	
Idaho	$31.9	$30.3		$1.5
Illinois	$585.1	$583.1		
Indiana	$206.8	$206.1		
Iowa	$131.5	$130.6		$0.5
Kansas	$101.9	$101.4		$0.2
Kentucky	$181.3	$180.7		
Louisiana	$164.0	$163.4		
Maine	$78.1	$77.9		
Maryland	$229.1	$228.3	$25.4	
Massachusetts	$459.4	$457.9	$51.0	
Michigan	$775.4	$772.8		
Minnesota	$268	$259.8		$7.3
Mississippi	$86.8	$86.5		
Missouri	$217.1	$216.3	$24.1	
Montana	$45.5	$37.9		$7.5
Nebraska	$58.0	$56.6		$1.2
Nevada	$44.0	$43.8	$4.9	$0.1
New Hampshire	$38.5	$38.4		
New Jersey	$404.0	$402.7		
New Mexico	$126.1	$109.9	$12.2	$15.8
New York	$2,442.9	$2,434.9	$271.0	
North Carolina	$302.2	$300.4	$33.4	$0.8
North Dakota	$26.4	$26.3		
Ohio	$728.0	$725.6		

	Unadjusted Block Grant	Adjusted Block Grant	Contingency Fund	Tribal TANF
Oklahoma	$148.0	$144.8		$2.7
Oregon	$167.9	$166.0		$1.3
Pennsylvania	$719.5	$717.1		
Rhode Island	$95.0	$94.7		
South Carolina	$100.0	$99.6	$11.1	
South Dakota	$21.9	$21.2		$0.6
Tennessee	$191.5	$190.9		
Texas	$486.3	$484.7	$53.9	
Utah	$76.8	$75.4		$1.2
Vermont	$47.4	$47.2		
Virginia	$158.3	$157.8		
Washington	$404.3	$379.1	$42.2	$23.9
West Virginia	$110.2	$109.8		
Wisconsin	$318.2	$312.8		$4.3
Wyoming	$21.8	$18.4		$3.3

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