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To Promote Equity, States Should Invest More TANF Dollars in Basic Assistance

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Since replacing Aid to Families with Dependent Children (AFDC) in 1996, the Temporary Assistance for Needy Families (TANF) block grant has been the primary source of funding for states to provide basic cash assistance for families with children when they face a crisis or have very low incomes. But states only spend a little over one-fifth of their combined federal and state TANF dollars on basic assistance for families with children, our analysis of the latest data from fiscal year 2020 shows.[2] (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[3]); 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.

[1] Many thanks to Cindy Reyes, who helped ensure the accuracy of the data and analysis presented in this report.

[2] The data used in this report were retrieved from 2020 Department of Health and Human Services (HHS) TANF financial data available at https://www.acf.hhs.gov/ofa/data/tanf-financial-data-fy-2020. See also our state fact sheets at http://www.cbpp.org/research/family-income-support/state-fact-sheets-how-states-have-spent-federal-and-state-funds-under.

[3] 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

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

Note: TANF = Temporary Assistance for Needy Families.

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

While TANF provides inadequate support for *all* children, it does a particularly poor job of aiding Black children, who are more likely than white children to live in states with the weakest TANF programs.[4] Black children also experience poverty at twice the rate of white children, owing to historical and continuing barriers to economic opportunity faced by Black families. American Indian and Alaska Native, Asian, and Latinx children also experience higher poverty rates than white children.[5]

States can promote equity by redirecting TANF funds toward providing higher cash benefits to more families. Once TANF cash assistance is strengthened, states should direct remaining TANF funds to well-targeted work programs and supports so that families can address barriers to economic mobility and make the best choices for them. While states can act now, ultimately, federal action to change TANF's funding structure is needed to ensure that *all* children live in states that will support them if their families face hard times.

[4] 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; Meyer and Floyd, *op. cit.*

[5] Arloc Sherman *et al.*, "Recovery Proposals Adopt Proven Approaches to Reducing Poverty, Increasing Social Mobility," CBPP, August 5, 2021, https://www.cbpp.org/research/poverty-and-inequality/recovery-proposals-adopt-proven-approaches-to-reducing-poverty.

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.

Background

TANF's predecessor, AFDC, provided federal funds that matched half or more of every state dollar of cash assistance for families. The TANF block grant, in contrast, combines fixed federal funding with broad state flexibility on how to use the money. Under TANF, the federal government gives states and Washington, D.C. a share of a fixed block grant totaling $16.5 billion each year.[6] (Some of this funding is redirected to Tribal TANF programs; see Appendix 1.) This annual amount has not been increased for inflation over the past two decades and now is worth 40 percent less than in 1997, TANF's first year. The amount states receive does not change based on changes in state populations or poverty rates.

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. (A state must maintain 80 percent of its historical spending level, or 75 percent if it meets its target work participation rate.[7]) States may also qualify for a portion of the federal TANF Contingency Fund to draw upon during periods of economic distress; 14 states received such funding in 2020. (See Appendix 3.)

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 families in need so children can be cared for in their own homes or the homes of relatives; (2) reducing the dependency of parents in need by promoting job preparation, work, and marriage; (3) preventing pregnancies among unmarried persons; and (4) encouraging the formation and maintenance of two-parent families.[8]

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[6] Additional background on the TANF block grant funding structure is available in Appendix 1. See also Liz Schott, LaDonna Pavetti, and Ife Finch, "How States Have Spent Federal and State Funds under the TANF Block Grant," CBPP, August 8, 2012, http://www.cbpp.org/research/how-states-have-spent-federal-and-state-funds-under-the-tanf-block-grant; and Congressional Budget Office, "Temporary Assistance for Needy Families: Spending and Policy Options," January 21, 2015, http://www.cbo.gov/publication/49887.

[7] Federal law requires state TANF programs to engage 50 percent of all work-eligible families (and 90 percent of two-parent families) in a set list of work activities for a minimum number of hours each week. See Elizabeth Lower-Basch and Ashley Burnside, "TANF 101: Work Participation Rate," Center for Law and Social Policy, updated August 19, 2021, https://www.clasp.org/publications/report/brief/tanf-101-work-participation-rate.

[8] 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).

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. (Details of the current HHS reporting categories and how we group them into the nine categories used in this report are available in Appendix 2.)

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. In 2020, states spent $31.6 billion in combined federal TANF ($16.6 billion) and state MOE ($14.9 billion) funds, relatively unchanged from their combined spending in 2019.[9]

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,[10] and household cleaning supplies. Cash assistance is crucial for stabilizing families who are facing crises, such as those fleeing domestic violence,[11] and can promote racial equity and improve child well-being.

But 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 spent $7.1 billion, just 22 percent, of their federal and state TANF funds on basic assistance — the spending category that includes monthly cash assistance to families — in 2020, down from $14 billion (71 percent) in 1997. (See Figure 1.) This amounts to a 69 percent drop in basic assistance spending when adjusting for inflation.

[9] 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 14 states received in 2020.

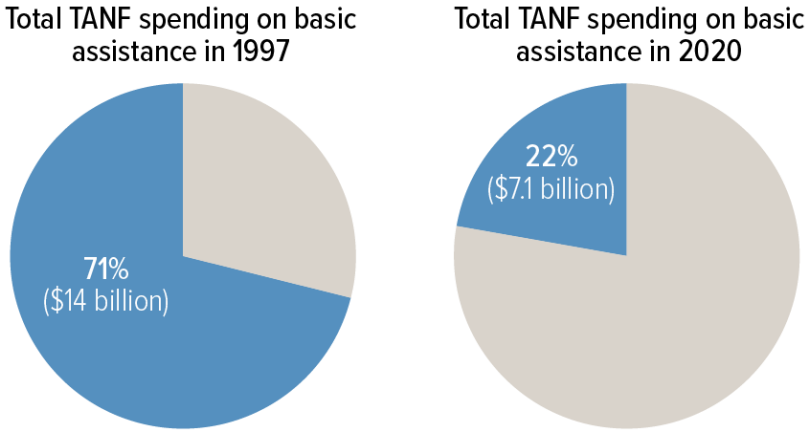
[10] CBPP and National Diaper Bank Network, "End Diaper Need and Period Poverty: Families Need Cash Assistance to Meet Basic Needs," September 27, 2021, https://www.cbpp.org/research/family-income-support/end-diaper-need-and-period-poverty-families-need-cash-assistance-to.

[11] CBPP, "TANF and Domestic Violence: Cash Assistance Matters to Survivors," October 26, 2021, https://www.cbpp.org/research/family-income-support/tanf-and-domestic-violence-cash-assistance-matters-to-survivors.

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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The share of federal and state TANF funds spent on basic assistance varies widely across states, from 4 percent to 68 percent in 2020. Fifteen states spent 10 percent or less while nine spent more than 30 percent. The states that spend the smallest shares on basic assistance are concentrated in the South and Midwest, while those that spend the greatest shares are primarily in the Northeast and West. (See Figure 2.) Prior to TANF, in contrast, all states spent nearly all of their AFDC funds on providing cash assistance to families.

The basic assistance category of spending includes cash assistance to certain children who are living with caretaker relatives (including adoptive relatives) or legal guardians.[12] In 2020, 13 states spent $543 million in combined TANF and MOE funding on such relative foster care payments. These payments ranged from 2 percent to 80 percent of state spending claimed under the basic assistance category. Five states spent less than 10 percent of their basic assistance spending on these payments while five spent more than 50 percent. (See Figure 2.)

States' broad flexibility over use of their block grant and MOE funds means that a family's experience with TANF depends heavily on their state. Most of the states that spend the least on basic assistance either have extremely low TANF benefit levels, assist very few families experiencing

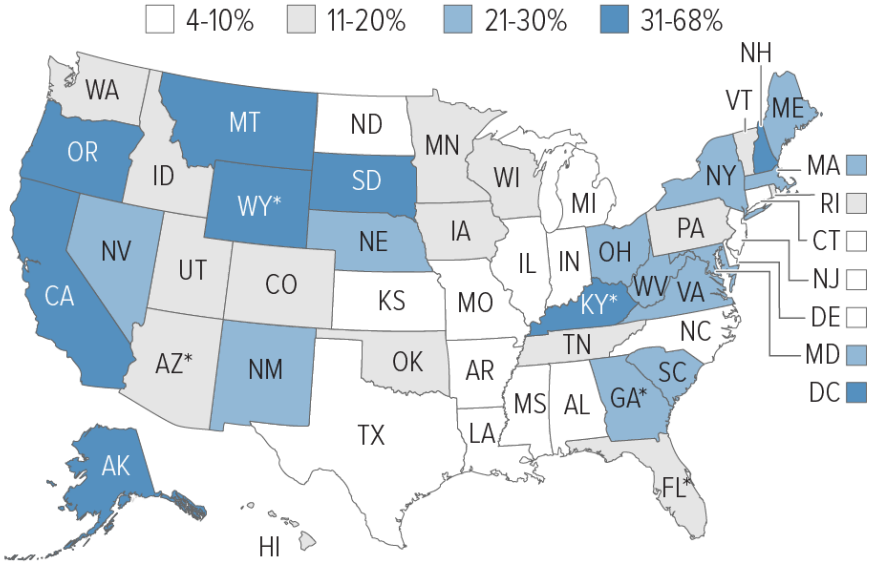
[12] Only payments children in the care of state child welfare agencies are counted under the Relative Foster Care Maintenance Payments and Adoption/Guardianship Subsidies subcategory of Basic Assistance. Payments to children living with caretaker relatives but who are not in the child welfare system are counted in the other Basic Assistance subcategory.

poverty, or both. Even states that spend a relatively high share of their TANF funds on basic assistance have significant room for improvement.[13]

FIGURE 2

Most States Spend Small Share of TANF Funds on Basic Assistance to Help Families

Share of TANF funds spent on basic assistance, 2020



*Relative foster care payments and adoption/guardianship subsidies make up more than half of basic assistance spending by these states.

Note: TANF = Temporary Assistance for Needy Families.

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

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[13] Safawi and Reyes, *op. cit.*

HHS Spending Data Provide Only Partial Picture of State Basic Assistance Spending

While state spending data reported to the federal government provide an overall reliable picture of TANF and MOE spending, some states have made changes in spending configurations that can obscure their actual spending on children and families with low incomes. These changes were precipitated by the Deficit Reduction Act of 2005, which made it harder for states to meet their TANF work participation rate (WPR) requirements and thereby threatened states with a loss of federal TANF funds due to penalties. Federal law requires state TANF programs to engage 50 percent of all work-eligible families (and 90 percent of two-parent families) in a set list of work activities for a minimum number of hours each week.

To meet their WPR, about half the states have created solely state-funded (SSF) programs, not funded by federal TANF or state MOE dollars, to provide cash assistance to families who either have significant barriers to employment (such as disabilities) or would otherwise count toward the state's WPR for two-parent families. Because no TANF or MOE funds are used, these families are not included in the work rate calculation. While most SSF programs are a relatively small share of a state's cash assistance caseload, in a few states they provide assistance to a significant share.

States do not include spending on SSF programs in the data they report to HHS, so those data can understate a state's spending on cash assistance to families with children. Illinois is a prime example: HHS data show that Illinois spends only 4 percent of its TANF and MOE funds on basic assistance, but the state's large SSF program assists roughly as many families as its TANF program. (The two programs together, however, only provided cash assistance to 16 out of every 100 families in poverty in 2020, below the national average of 21.)

A state's spending can also be skewed when it spends much more than its minimum MOE obligation to obtain "caseload reduction credits" to lower its WPR. (For more on this "excess MOE strategy," see Appendix 1.) However, the data states report to HHS are still the best source for comparing spending across states and over time.

Underinvestment in TANF Cash Assistance Is Worse Where Black Children Are Likelier to Live

As with benefit levels and eligibility, states have immense flexibility in TANF spending, and state decisions have led to racial disparities. 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.[14]

Recent research and the long history of racism in U.S. cash assistance policy[15] indicate that this disparity is not coincidental. Studies have shown that, when controlling for other factors, states with higher concentrations of Black residents or higher prevalence of anti-Black stereotypes among white

[14] CBPP analysis of 2020 U.S. Census population estimates collected from Kids Count Data Center, "Child Population by race in the United States," Annie E. Casey Foundation, September 2021, https://datacenter.kidscount.org/data/tables/103-child-population-by-race?loc=1&loct=2#detailed/2/2-52/false/574/68,69,67,12,70,66,71,72/423.

[15] See Ife Floyd *et al.*, "TANF Policies Reflect Racist Legacy of Cash Assistance," CBPP, August 4, 2021, https://www.cbpp.org/research/family-income-support/tanf-policies-reflect-racist-legacy-of-cash-assistance.

residents dedicate less of their TANF funds to cash assistance.[16] Other studies have found an association between higher concentrations of Black residents and lower maximum TANF benefits and more punitive work requirements,[17] which in turn drives declines in cash assistance because states provide lower benefits to fewer families.[18]

Of the five states with the largest Black child populations,[19] all but one (New York) have TANF programs where maximum benefits are below 20 percent of the poverty line or where 10 or fewer of every 100 families experiencing poverty receive assistance, or both. A closer look at these states — Texas, Florida, Georgia, and North Carolina — illustrates many of the issues with TANF spending:

- **Texas** is home to the largest Black child population, as well as the second-largest Latinx child population. In 2020, Texas spent only 4 percent of its TANF funds on basic assistance, one of the smallest percentages of any state. TANF in Texas now reaches just 4 of every 100 families experiencing poverty, down from 47 in 1996. Today, maximum benefits are just $308 a month for a family of three, or 17 percent of the poverty line.
- **Florida** is home to the second-largest Black child population and third-largest Latinx child population. In 2020, Florida spent 14 percent of its TANF funds on basic assistance; however, it only spent 7 percent when excluding relative foster care payments. Florida has not invested any of its TANF funds to increase benefits since 1996, which remain at $303 a month for a family of three (17 percent of the poverty line) and have lost 41 percent of their value to inflation.
- **Georgia** is home to the third-largest Black child population. In 2020, Georgia spent 23 percent of its TANF funds on basic assistance; however, like in Florida, most of this spending is dedicated to relative foster care payments. Georgia also reports in-kind assistance provided by food banks and other nonprofits as MOE under basic assistance[20] (for more on "third-party MOE," see Appendix 1), meaning that the state spends even less on cash assistance than it appears. TANF in the state now reaches just 5 of every 100 families experiencing poverty, down from 82 in 1996. Georgia has also not increased TANF benefits since 1996, and the maximum benefit level of $280 lifts a family to just 15 percent of the poverty line today.
- **North Carolina** is home to the fifth-largest Black child population. In 2020, North Carolina spent 6 percent of its TANF funds on basic assistance. TANF in the state now reaches only 5 in 100 families with children in poverty, down from 74 in 1996. North Carolina has also not increased

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[16] 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; Vincent Fusaro, "State Politics, Race, and "Welfare" as a Funding Stream: Cash Assistance Spending Under Temporary Assistance for Needy Families," *Policy Studies Journal*, April 12, 2020, https://doi.org/10.1111/psj.12390.

[17] See e.g., Heather Hahn *et al.*, "Why Does Cash Welfare Depend on Where You Live?" Urban Institute, June 5, 2017, https://www.urban.org/research/publication/why-does-cash-welfare-depend-where-you-live.

[18] Zachary Parolin, "Decomposing the Decline of Cash Assistance in the United States, 1993 to 2016," *Demography*, Vol. 58, No. 3, June 1, 2021, https://doi.org/10.1215/00703370-9157471.

[19] Based on CBPP analysis of 2020 U.S. Census population estimates.

[20] Georgia TANF-MOE Report, ACF-204 for Temporary Assistance for Needy Families, October 1, 2019 through September 30, 2020; Ife Finch Floyd, "Georgia Can Afford to Begin to Modernize TANF and Move Past Its Racist Legacy," Georgia Budget & Policy Institute, December 10, 2021, https://gbpi.org/georgia-can-afford-to-begin-to-modernize-tanf-and-move-past-its-racist-legacy/.

TANF benefits since 1996, and the maximum benefit level of $272 lifts a family to just 15 percent of the poverty line today.

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 AFDC with TANF was that cash assistance should provide temporary support while a family engages in required activities to help them connect to or prepare for work — the so-called "welfare-to-work" strategy. When TANF was created, it was expected that as states' cash assistance caseloads declined, they could spend more of the funds on programs helping parents with the lowest incomes find and maintain work. States have largely not met this expectation.

Work, Education, and Training Activities

States spend little of their TANF funding on work, education, and training activities. States raised work-related spending somewhat in TANF's early years, but this spending has remained flat or fallen for more than a decade, even though such assistance could help families living in poverty improve their circumstances by increasing their skills and connecting them to high-quality jobs.

In 2020, states spent $3 billion (10 percent) of their federal and state TANF funds on work, education, and training activities. As with basic assistance, the share varied widely among states, ranging from less than 1 percent to 30 percent. Ten states spent less than 2 percent of their funds on work-related activities, while eight states spent more than 15 percent.

Even when states spend TANF funds on work, education, and training activities generally, they don't always target the funds to the families most in need. Some states that reported spending large shares of their TANF dollars on education and training in the past few years spent much of it on state universities and scholarships for students with low or moderate incomes.[21] For example, Hawai'i and Mississippi spent a relatively large share of their TANF funds on work-related activities: 19 and 30 percent of their total TANF funds in 2020, respectively. But in both these states, nearly all that spending went to college financial aid that served families with incomes up to 300 percent of the poverty line in Hawai'i and 350 percent in Mississippi.[22]

College financial aid is an important area for states to fund, but such expenditures aren't directed at TANF cash assistance recipients and don't help them prepare for or connect to work. In fact, states often don't let students meet their TANF work requirement by attending college. State choices to use TANF to serve families well above the poverty line is even more concerning given that so little TANF funding is going to basic assistance. The amount of TANF funds that

[21] States are not required to provide a breakdown of TANF spending to indicate amounts spent on cash assistance recipients, as compared to other groups, such as recipients of college financial aid.

[22] Hawai'i TANF-MOE Report, ACF-204 for Temporary Assistance for Needy Families, October 1, 2019, through September 30, 2020; Mississippi TANF-MOE Report, ACF-204 for Temporary Assistance for Needy Families, October 1, 2019, through September 30, 2020.

Mississippi spent on college financial aid ($18.3 million[23]) is more than four times as much as it spent on basic assistance ($4.1 million).

Work Supports and Supportive Services

Similarly, states in 2020 spent just $768 million (2 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 18 states spending less than 1 percent and seven states spending more than 5 percent. Eight states spent less than 5 percent of their funds on work activities and supports *combined*.[24]

Child Care

Child care is critical for helping parents maintain employment or pursue educational goals, which states should provide through a combination of dedicated child care programs outside TANF and an appropriate level of targeted TANF child care spending that allows for adequate spending on basic assistance. Yet states' TANF spending on child care has been flat or declining for over a decade. TANF child care spending rose dramatically early on (from $1.1 billion in 1997 to $5.9 billion in 2000) but has fluctuated between $5 billion and $6 billion over the past two decades. In 2020, states spent $5 billion (17 percent) of their federal and state TANF funds on child care,[25] an inflation-adjusted decline of 42 percent since 2000. As with work-related activities, states are not limited to providing TANF-funded child care only to families receiving cash assistance. States can also use these funds for families who have left TANF or other low-income working families.

The share of TANF funds spent on child care 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.

The need for child care subsidies remains high.[26] Thirteen states either have waiting lists or have frozen admissions to their child care programs, and in 17 states the income eligibility limit for child care subsidies is a *lower* percentage of the federal poverty line than it was in 2001.[27] Still, the income eligibility cutoff is higher for child care subsidies than for TANF cash assistance in many states; in

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[23] *Ibid.*

[24] Following the revision of HHS data forms, CBPP analyses combined spending on work supports and supportive services and broke this out separately from overall work-related activities. 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 non-assistance"). The new detail available starting in 2015 provides spending information for supportive services.

[25] States can either spend TANF funds directly on child care or transfer federal funds, up to a cap, to the Child Care and Development Fund (CCDF), the main federal funding stream to states for child care. For more on transfers, see Appendix 1. This analysis examines trends in state use of federal or state TANF funds for child care, including federal TANF funds transferred to CCDF, but not other federal funds, such as those directly appropriated to CCDF.

[26] Karen Schulman, "On the Precipice: State Child Care Assistance Policies 2020," National Women's Law Center (NWLC), May 2021, https://nwlc.org/wp-content/uploads/2021/05/NWLC-State-Child-Care-Assistance-Policies-2020.pdf.

[27] *Ibid.*

nearly one-third of states, child care assistance eligibility cutoffs are above 200 percent of the federal poverty line.[28]

In recent years, Congress has appropriated a substantial increase in child care funding to states via the Child Care and Development Fund. In addition, temporary funding of nearly $50 billion through the Coronavirus Response and Relief Supplemental Appropriations and the American Rescue Plan has helped providers and families through the COVID-19 pandemic.

Refundable Tax Credits for Low-Income Working Families

Refundable tax credits for low-income working families are an important work support and a permissible use of federal and state TANF funds. As with TANF's work activities, work supports, and child care, however, funding for these credits should leave adequate room for cash assistance for families who lose their jobs or are unable to work and need TANF benefits to meet their basic needs. State Earned Income Tax Credit (EITC) programs benefit only families who are currently working, while basic assistance programs can provide support to families who are looking for employment or for whom employment is not the best option at the moment. Because of this, a portion of state EITC spending goes to families whose incomes are high enough to make them ineligible for TANF cash assistance.

In 2020, 21 states and D.C. 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 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.

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.[29]

States Spend Relatively Little on Program Management

In 2020, states spent $3.2 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 Their 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 TANF spending in ten states. (See Figure 3.) Data available since 2015 give more detailed information on where these funds are used.

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[28] *Ibid.*

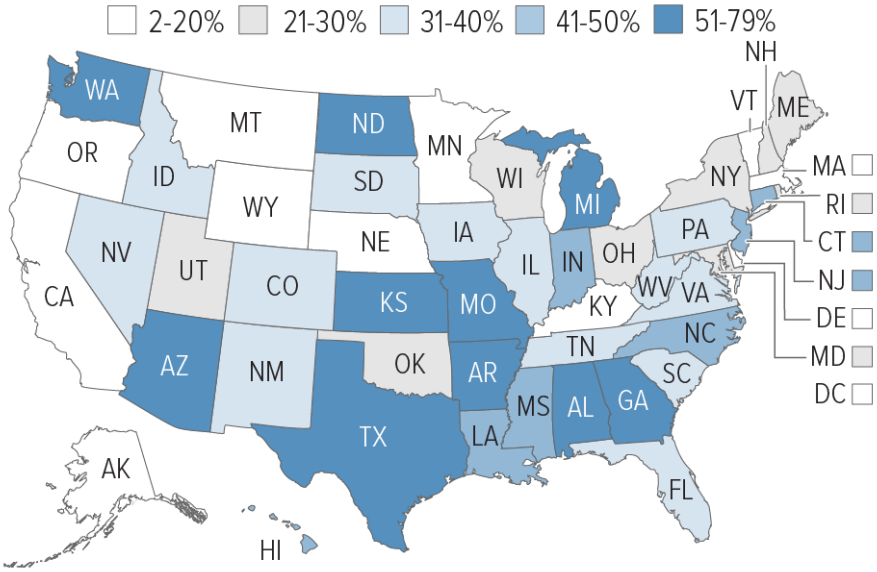
[29] For more information on state EITCs, see Erica Williams, Samantha Waxman, and Julian Legendre, "States Can Adopt or Expand Earned Income Tax Credits to Build Equitable, Inclusive Communities and Economies," CBPP, updated March 11, 2021, https://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build.

The most significant 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 families with the lowest incomes.

FIGURE 3

Large Shares of TANF Funds Not Used for Basic Assistance or Supporting Work

Share of TANF funds spent on child welfare, pre-K, and other areas*, 2020



Note: TANF = Temporary Assistance for Needy Families. "Other areas" include TANF spending outside basic assistance; work, education, and training activities; work supports and supportive services; refundable tax credits; program management; child welfare; and pre-K/Head Start.

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

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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 those 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 — $4.1 billion in 2020, representing 13 percent of the total — 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.[30] (See Appendix 1.) The share of spending going to other areas varies greatly across states, ranging from less than 1 percent to 47 percent.

Among the 15 states that spend the least on basic assistance, all but one spent more than 20 percent of their TANF funds on these areas and six spent more than 50 percent. Similarly, states that spend larger shares of their TANF funds on basic assistance tend to spend very little on these other areas.

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 allocations 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.[31] 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. Some states choose to spend reserve funds for purposes other than providing cash assistance to families. States can also save unspent TANF funds as "rainy day funds" to help when need rises during recessions.

Accumulating significant amounts of TANF reserve funds can provide opportunity and risk for states. The unspent funds can offer an opportunity to invest in families and significantly improve cash assistance to families, work programs, and benefits and services to low-income families. At the same time, unspent funds can be an inviting pot of money for funding lawmakers' pet projects or can be redirected to supplant other state spending, even if this is not their most effective use to lessen child poverty. In 2021, Tennessee, which has accumulated a nearly $800 million reserve (see Table 2), passed legislation to cap its reserve at 100 percent of its annual block grant allocation. Excess funds will be used to fund seven pilot projects that provide services to families and individuals eligible for TANF.[32]

In 2020, states had $6 billion in unspent TANF funds, equaling 37 percent of the total block grant allocation. 85 percent of these funds had not yet been committed to be spent. Six states (Connecticut, Illinois, Massachusetts, Missouri, South Carolina, and Vermont) had no unspent TANF funds; at the other extreme, 11 states had unspent funds exceeding 100 percent of their annual block grant (see Table 2).

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[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.

[31] Hannah Dreyfus, "States Are Hoarding $5.2 Billion in Welfare Funds Even as the Need for Aid Grows," *ProPublica*, December 29, 2021, https://www.propublica.org/article/states-are-hoarding-52-billion-in-welfare-funds-even-as-the-need-for-aid-grows.

[32] House Bill 0142, https://legiscan.com/TN/text/HB0142/2021.

TABLE 2

11 States Have TANF Reserves That Exceed Their Annual Block Grant

State	Total Unspent Funds, 2020 (rounded in millions)	Total Unspent Funds as a Share of Block Grant, 2020
Tennessee	$790	414%
Hawai'i	$380	385%
Oklahoma	$264	191%
Arkansas	$99	175%
Nebraska	$91	161%
Maine	$115	150%
Wyoming	$27	148%
Delaware	$41	127%
New Hampshire	$45	117%
Alabama	$101	109%
South Dakota	$23	107%

Note: TANF = Temporary Assistance for Needy Families.

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

Changes Needed to Redirect TANF Funds to Promote Equity

As described above, over the past 25 years states have invested fewer funds in basic assistance, in part due to the block grant's flexibility. If states maintain their current TANF spending practices, millions of children — disproportionately Black children — will continue to be left without critical cash assistance. But if states instead reinvest in basic assistance, they can provide opportunities for *all* children and their families to thrive. (See Figure 4.)

States can improve outcomes for *all* children experiencing poverty by investing more of their TANF funds in basic assistance to provide more families with cash assistance and to increase families' monthly grants. They can also invest in other forms of assistance for families, such as transportation, housing supplements, and non-recurrent short-term benefits for family emergencies. 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 for families experiencing poverty can improve children's health and academic achievement, which in turn can lead to better health and higher earnings in adulthood.[33] Providing an extra $1,000 per year to low-income families could yield over $11,000 in societal benefits annually, primarily driven by increased earnings and better health among children, researchers at Columbia University estimate.[34]

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[33] 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/.

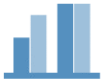
[34] Irwin Garfinkel *et al.*, "The Costs and Benefits of a Child Allowance," Center on Poverty and Social Policy (CSSP) at Columbia University, Poverty & Social Policy Brief, Vol. 5, No. 1, February 18, 2021, https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/602ec9c7ddddd01cd29430e1/1613679049611/Child-Allowance-CBA-brief-CPSP-2021.pdf.

FIGURE 4

Why Cash Assistance Matters

Cash assistance helps families meet basic needs.
Every family has basic needs that can only be met with cash. Examples include diapers, personal hygiene products, and winter clothing.

Cash assistance can stabilize families facing a crisis.
Cash assistance can meet a family's basic needs when they have lost a job, are fleeing domestic violence, or are in other destabilizing situations.



Cash assistance can promote racial equity.
An antiracist cash assistance program can help reduce economic disparities that disproportionately harm Black and other children of color.

Cash assistance can help children succeed.
Research shows that income poverty harms children and that cash assistance can improve low-income children's health as well as their future educational attainment and earnings.

Source: Ife Floyd et al., "TANF Policies Reflect Racist Legacy of Cash Assistance," August 4, 2021; National Academies of Science, Engineering, and Medicine, "A Roadmap to Reducing Child Poverty," 2019

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Recent research also shows that adult TANF participants, who are primarily Black and Latina mothers, go back to the same low-paying and unstable jobs that women and people of color are disproportionately represented in because of occupational segregation.[35] Black and Latina women have also experienced significant job losses since the COVID-19 crisis began and have recovered fewer jobs than white women and men.[36] Better targeting of TANF investments meant to support work could help TANF families move into better paying jobs that lead to greater economic mobility.

To reimagine TANF to better serve all families in need, we must consider how anti-Black racism affects the program today. The "Black Women Best" framework developed by Janelle Jones, chief economist at the U.S. Department of Labor, "argues if Black women — who, since our nation's

[35] Ali Safawi and LaDonna Pavetti, "Most Parents Leaving TANF Work, But in Low-Paying, Unstable Jobs, Recent Studies Find," CBPP, November 19, 2020, https://www.cbpp.org/research/family-income-support/most-parents-leaving-tanf-work-but-in-low-paying-unstable-jobs.

[36] Valerie Wilson, "Black women face a persistent pay gap, including in essential occupations during the pandemic," Economic Policy Institute, August 2, 2021, https://www.epi.org/blog/black-women-face-a-persistent-pay-gap-including-in-essential-occupations-during-the-pandemic/; Jocelyn Frye, "On the Frontlines at Work and at Home: The Disproportionate Economic Effects of the Coronavirus Pandemic on Women of Color," Center for American Progress, April 23, 2020, https://www.americanprogress.org/issues/women/reports/2020/04/23/483846/frontlines-work-home/.

founding, have been among the most excluded and exploited by the rules that structure our society — can one day thrive in the economy, then it must finally be working for everyone."[37] 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.[38] Consistent with Jones' framework, redesigning TANF so that it centers the needs of Black women and families and adequately helps 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 MOE dollars 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. As this report notes, states spent 71 percent of TANF funds on basic assistance in 1997 but only 22 percent in 2020.
- **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 in 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.

  To promote the stability that's critical for children's growth and development and to promote racial equity, additional federal funding should be allocated to states based on the share of families living in deep poverty. The new funds should be designated for three purposes: (1) monthly cash assistance; (2) subsidized jobs; and (3) training programs that prepare participants for higher-paying jobs with a long-term positive earnings trajectory.[39] Most of the new funds should be designated for the first two purposes so they go directly to families.

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[37] 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.

[38] Safawi and Reyes, *op. cit.*; Meyer and Floyd, *op. cit.*

[39] For more on subsidized jobs and effective training programs, see Laura Meyer and LaDonna Pavetti, "TANF Improvements Needed to Help Parents Find Better Work and Benefit From an Equitable Recovery," CBPP, January 28, 2021, https://www.cbpp.org/research/family-income-support/tanf-improvements-needed-to-help-parents-find-better-work-and.

- **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. Currently, TANF funds are allocated to states based on how much states spent on AFDC and related programs before 1996. 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 only grew more unequal with time.[40] To address this problem, states with more families in need should receive more resources.

[40] 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.

Appendix 1: Background on Funds Available to States

Federal TANF Funding

Each state receives a fixed annual amount of federal TANF funding, technically known as the State Family Assistance Grant (SFAG) 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 for each state are set 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 allocation has generally remained unchanged since TANF's creation (see Appendix 3) and thus has declined in value by 40 percent due to inflation. (In 2020, 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.

In 19 states, the annual block grant is further reduced by a certain amount as a set-aside for Tribal TANF programs. The set-aside for tribal TANF programs varies by state. In 2020, set-asides for Tribal TANF programs ranged from just under $70,000 in Nevada to $87 million in California. (See Appendix 3.) In total, $209 million in federal TANF funding was set aside for tribal TANF programs in 2020, about 1 percent of total federal funding. In Appendix 3, "Block Grant Received" refers to how much federal funding states received after the research funding and tribal TANF (in states with such programs) set-asides as well as any fiscal penalties were subtracted out.

A state can transfer up to 30 percent of its block grant funds per year to the Child Care and Development Fund (CCDF) 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. A state can access the TANF Contingency Fund if it meets a monthly economic hardship (or "needy state") trigger and spends more maintenance-of-effort (MOE) funds than is otherwise required. (See below for more on MOE.) 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 Great 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 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 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 100 percent, 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.

Since the Deficit Reduction Act of 2005 made it harder for states to meet their TANF work participation rate requirements — thereby threatening 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 2020, 38 states reported spending over 80 percent MOE, with 23 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. Also, when a state has a particularly high MOE, percentages of total spending in various categories can be skewed, though these percentages are still the best way to compare spending across states and time.

Expenditures that qualify as MOE include state and local government spending or 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. While a number of states have reported third-party MOE in order to boost MOE to obtain caseload reduction credits or a portion of the TANF Contingency Fund, not all third-party spending is excess MOE spending; some states claim third-party expenditures toward their minimum MOE obligations. The financial data that states report to HHS do not identify what reported spending arises from third-party MOE.

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 2: 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/Guardianship Subsidies
Work, Education, and Training 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	• Family Support/Family Preservation/Reunification • Adoption Services • Additional Child Welfare Services • Authorized Under Prior Law (AUPL): Child Welfare or Foster Care (Assistance and Non-assistance)
Pre-K/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 • Prevention of "Out-of-Wedlock" Pregnancies • Fatherhood and 2-Parent Family Formation & Maintenance Programs • AUPL: Juvenile Justice Payments (Assistance and Non-assistance) • AUPL: Emergency Assistance (Assistance and Non-assistance) • Other

Appendix 3: Federal TANF Funds Allocated to Each State in 2020 (millions)

State	Block Grant Allocation	Block Grant Received*	Contingency Fund	Tribal TANF
Alabama	$93.3	$93.0	$11.1	
Alaska	$63.6	$44.4		$19.0
Arizona	$222.4	$199.4	$23.8	$22.3
Arkansas	$56.7	$56.5	$6.7	
California	$3,733.8	$3,635.6		$87.2
Colorado	$136.1	$135.6	$16.2	
Connecticut	$266.8	$265.9		
Delaware	$32.3	$32.2	$3.8	
District of Columbia	$92.6	$92.3	$10.9	
Florida	$562.3	$560.5		
Georgia	$330.7	$329.7		
Hawai'i	$98.9	$98.6		
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	$101.5		$0.1
Kentucky	$181.3	$180.7		
Louisiana	$164.0	$163.4		
Maine[a]	$78.1	$76.9		
Maryland	$229.1	$228.3	$27.2	
Massachusetts	$459.4	$457.9	$54.5	
Michigan	$775.4	$772.8		
Minnesota	$268	$259.6		$7.5
Mississippi	$86.8	$86.5		
Missouri	$217.1	$216.3		
Montana	$45.5	$37.9		$7.5
Nebraska	$58.0	$56.6		$1.2
Nevada	$44.0	$43.8		$0.07
New Hampshire	$38.5	$38.4		
New Jersey	$404.0	$402.7		
New Mexico	$126.1	$109.9	$13.1	$15.8
New York	$2,442.9	$2,434.9	$290.1	
North Carolina	$302.2	$300.4	$35.8	$0.8
North Dakota	$26.4	$26.3		
Ohio	$728.0	$725.6		
Oklahoma	$148.0	$138		$9.5

State	Block Grant Allocation	Block Grant Received*	Contingency Fund	Tribal TANF
Oregon	$167.9	$165.8		$1.5
Pennsylvania	$719.5	$717.1		
Rhode Island	$95.0	$94.7		
South Carolina	$100.0	$99.6	$11.9	
South Dakota	$21.9	$21.2		$0.6
Tennessee	$191.5	$190.9		
Texas	$486.3	$484.7	$57.7	
Utah	$76.8	$75.4		$1.2
Vermont	$47.4	$47.2		
Virginia	$158.3	$157.8		
Washington	$404.3	$378.9	$45.1	$24.0
West Virginia	$110.2	$109.8		
Wisconsin	$318.2	$312.8		$4.3
Wyoming	$21.8	$18.4		$3.3

*Block grant allocation minus the 0.33 percent research set-aside, as well as any Tribal TANF set-asides or penalties.

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

[a] Maine's block grant for fiscal year 2020 was reduced due to a federal penalty the state incurred by not meeting its work participation rate in a previous year. The adjusted block grant here represents the size of the block grant after subtracting both the 0.33 percent research set-aside and the penalty amount for the fiscal year from the state's typical block grant allocation.