



Highlights of [GAO-06-414](#), a report to the Chairman, Committee on Finance, U.S. Senate

### Why GAO Did This Study

Under the Temporary Assistance for Needy Families (TANF) block grant created as part of the 1996 welfare reforms, states have the authority to make key decisions about how to allocate federal and state funds to assist low-income families. States also make key decisions, through their budget processes, about federal and state funds associated with other programs providing assistance for the low-income population.

States' increased flexibility under TANF as well as the budgetary stresses they experienced after a recession draw attention to the fiscal partnership between the federal government and states. To update GAO's previous work, this report examines (1) changes in the overall level of welfare-related spending; (2) changes in spending priorities for welfare-related nonhealth services; and (3) the contribution of TANF funds to states' spending for welfare-related services. GAO reviewed spending in nine states for state fiscal years 1995, 2000, and 2004 and focused on spending for working-age adults and children, excluding the elderly, long-term and institutional care.

### What GAO Recommends

Congress may wish to obtain additional information on the number of persons served by TANF and how funds are used to meet welfare reform goals to improve its access to useful information for oversight and policy-making purposes.

[www.gao.gov/cgi-bin/getrpt?GAO-06-414](http://www.gao.gov/cgi-bin/getrpt?GAO-06-414).

To view the full product, including the scope and methodology, click on the link above. For more information, contact David D. Bellis at (415) 904-2272 or Stanley J. Czerwinski at (202) 512-6520.

## WELFARE REFORM

# Better Information Needed to Understand Trends in States' Uses of the TANF Block Grant

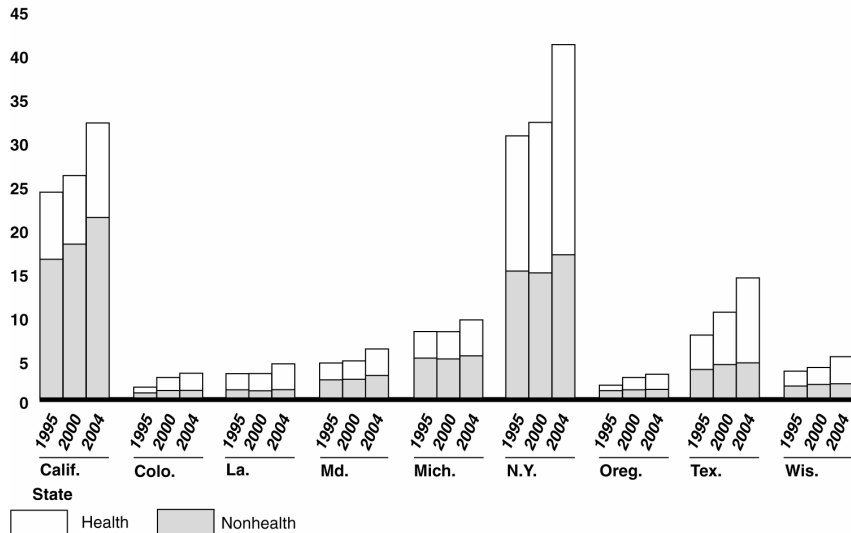
### What GAO Found

GAO found that spending for low-income people for health and nonhealth services in nine states generally increased in real terms from 1995 to 2000 and from 2000 to 2004. Health spending, excluding spending for the elderly, outpaced nonhealth spending over the decade and now consumes an even greater share of total spending for low-income people, mirroring a nationwide expansion in health care costs. Spending increases were substantially supported by both federal and state funds in the health and nonhealth areas in each time period, reflecting the important federal-state partnership supporting these low-income programs. Overall, spending increases reflected changes in eligible populations and needs, increasing costs, as well as policy changes.

While nonhealth spending increased in real terms, spending priorities shifted away from cash assistance to other forms of aid, particularly work supports, in keeping with welfare reform goals. The largest increases for noncash services occurred from 1995 to 2000, with smaller increases from 2000 to 2004, when some state officials cited challenges in maintaining services. By 2004, states used federal and state TANF funds to support a broad range of services, in contrast to 1995 when spending priorities focused more on cash assistance. However, reporting and oversight mechanisms have not kept pace with the evolving role of TANF funds in state budgets, leaving information gaps at the national level related to numbers served and how states use funds to meet welfare reform goals, hampering oversight. Any efforts to address these gaps should strike an appropriate balance between flexibility for state grantees and accountability for federal funds and goals.

**Welfare-Related Nonhealth and Health Spending in Nine States since 1995**

2004 dollars in billions



Source: GAO survey and analysis of state spending data.

Notes: Includes federal, state, and local spending captured in our survey of expenditures about which states make key budgetary decisions. Excludes spending for long-term care, institutional care, and the elderly.