

II. TANF EXPENDITURES AND BALANCES

In fiscal year (FY) 2003, combined Federal and State expenditures for the Temporary Assistance for Needy Families (TANF) program totaled \$26.3 billion, an increase of \$926 million from FY 2002 (expenditures of Territories and Tribes are not included in these figures). In FY 2003, States received Federal TANF grants totaling \$17.2 billion nationally, which included each State's base TANF grant and additional Federal bonuses and supplemental grants. In addition, to receive its full Federal block grant each year, a State must meet a Maintenance of Effort (MOE) requirement equal to 80 percent of State spending in FY 1994 (or 75 percent if the State meets both the all families and the two-parent family work participation rates). Because TANF activities are paid for with both Federal and State funds, it is helpful to consider Federal TANF expenditures within the context of States' overall spending on TANF-related activities. Table A provides an overview of FY 2003 expenditures and balances.

Table A

Total TANF Expenditures in FY 2003

Beginning of Year Carryover	\$5,660,282,299		
FY 2003 New Federal Grants	17,196,346,745		
Total Federal Funds Available	22,856,629,044		
Total Federal Expenditures	\$16,253,643,459		
Federal Funds Transferred to CCDF	1,790,167,397		
Federal Funds Transferred to SSBG	926,728,189		
Total Federal Funds Used ¹	18,970,539,045		
Federal Unliquidated Obligations	1,580,226,895		
Federal Unobligated Balance	2,305,863,104		
<u>Assistance Expenditures</u>	<u>Federal</u>	<u>State²</u>	<u>Total</u>
Basic Assistance	\$5,820,242,915	\$4,398,302,432	\$10,218,545,347
Child Care	336,357,419	-13,911,656 ³	322,445,763
Transportation & Other Support Services	313,222,155	60,932,903	374,155,058
Assistance Under Prior Law	801,605,456	N/A	801,605,456
Total Assistance	\$7,271,427,945	\$4,445,323,679	\$11,716,751,624

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<u>Non-Assistance Expenditures</u>			
Child Care	\$1,361,913,795	\$1,783,980,131	\$3,145,893,926
Transportation & Other Support Services	121,154,409	47,766,297	168,920,706
Work Related Activities	1,937,218,753	662,065,588	2,599,284,341
Individual Development Accounts	11,620,089	14,990,719	26,610,808
Refundable Earned Income Credits	155,507,755	694,746,226	850,253,981
Other Refundable Tax Credits	0	156,580,284	156,580,284
Non-Recurrent Short Term Benefits	154,691,694	106,308,174	260,999,868
Non-Assistance Under Prior Law	844,918,075	N/A	844,918,075
Administration & Systems	1,591,971,506	859,142,893	2,451,114,399
Other Non-Assistance	2,803,219,438	1,315,446,909	4,118,666,347
Total Non-Assistance	\$8,982,215,514	\$5,641,027,221	\$14,623,242,735
Total Expenditures	\$16,253,643,459	\$10,086,350,900	\$26,339,994,359
<u>Total Funds Used</u>	\$18,970,539,045		\$29,056,889,945

¹ Funds used includes both TANF expenditures and transfers to the Child Care and Development Fund (CCDF) and the Social Services Block grant (SSBG).

² State program expenditures include both State Maintenance of Effort (MOE) and Separate State Program (SSP) expenditures.

³ Negative amounts can result from adjustments from prior year spending.

Source: TANF Financial Report.

TANF funds can be spent on “assistance” and “non-assistance.” “Assistance” includes payments directed at ongoing, basic needs. “Non-assistance” includes non-recurrent, short-term benefits designed to provide supportive non-cash services and to deal with individual crisis situations. “Non-assistance” also includes child care, transportation, and supports provided to employed families, Individual Development Account (IDA) benefits, refundable earned income tax credits, work subsidies to employers, and services such as education and training, case management, job search, and counseling. The definition of “assistance” is important because the major TANF program requirements (e.g., work requirements, time limits on Federal assistance, and data reporting) apply only to families receiving “assistance.” In FY 2003, total Federal and State TANF expenditures on “assistance” amounted to \$11.7 billion, compared to \$14.6 billion that was spent on “non-assistance.”

At the beginning of FY 2003, States reported having about \$2.6 billion in unobligated Federal TANF funds and \$3.1 billion in unliquidated obligations from prior years, for a total of about \$5.7 billion. By the end of FY 2003, about \$2.3 billion remained unobligated and \$1.6 billion remained unliquidated, leaving about \$3.9 billion in Federal TANF funds on hand at year’s end. States may reserve unobligated Federal funds for use in future fiscal years, although carried-over funds can generally only be spent on assistance payments to families. Table B shows beginning and end-of-year Federal TANF balances for each State.

States may transfer up to 30 percent of their annual Federal TANF grant into the Child Care and Development Fund (CCDF) and the Social Services Block Grant (SSBG). Within this cap, States are further limited to transferring no more than 10 percent to the SSBG. In FY 2003, States transferred \$1.8 billion into the CCDF and \$927 million into the SSBG of their FY 2003 Federal award, approximately the same as they did in FY 2002.

States spent and transferred nearly \$19.0 billion in Federal TANF funds in FY 2003. State MOE expenditures totaled nearly \$10.1 billion in FY 2003, \$1.6 billion of which was spent on TANF-allowable costs through Separate State Programs (SSPs). States need only report MOE spending that is sufficient to meet their MOE obligation, so reported MOE expenditures understate the actual amount of State spending on activities allowable under TANF. Many States, for example, operate refundable State tax credit programs for low-income working families that would qualify as MOE, but States often claim only a portion of these expenditures as MOE.

Table B
TANF Financial Data - Combined Federal Funds Spent in FY 2003

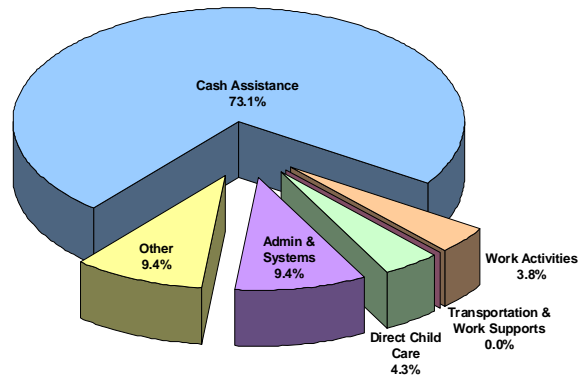
STATE	Start of Year Balance				End of Year Balance				TOTAL UNDERDRAWN FEDERAL FUNDS ¹		
	UNLIQUIDATED OBLIGATIONS	UNOBLIGATED BALANCE	TOTAL NEW FEDERAL FUNDS FY 2003	TOTAL FEDERAL FUNDS AVAILABLE	TOTAL TRANSFERRED TO CCDF	TOTAL TRANSFERRED TO SSBG	AVAILABLE FOR TANF	TOTAL EXPENDITURES (Assistance and Non-Assistance)		UNLIQUIDATED OBLIGATIONS	UNOBLIGATED BALANCE
ALABAMA	14,633,500	74,460,272	104,913,512	194,007,284	20,545,839	10,491,352	162,970,093	131,467,324	3,902,526	27,600,243	31,502,769
ALASKA	0	7,763,322	66,625,819	74,383,141	15,737,700	4,100,000	54,551,441	44,282,781	0	10,268,860	10,268,860
ARIZONA	54,814,058	29,724,152	227,324,343	311,872,553	0	22,735,434	289,139,119	290,403,258	19,759,080	8,976,781	29,735,861
ARKANSAS	0	26,219,552	68,245,519	94,843,071	6,000,000	0	88,843,071	31,983,757	0	56,859,314	56,859,314
CALIFORNIA	842,577,960	0	3,708,705,549	4,551,283,529	572,514,000	81,535,520	3,897,234,009	3,670,749,099	226,484,910	0	228,484,910
COLORADO	59,502,649	0	169,448,681	228,951,330	22,241,896	26,678,810	254,684,698	110,506,009	81,240,787	0	81,240,787
CONNECTICUT	2,830,369	0	278,533,139	281,363,508	0	1,336,345	33,024,960	27,783,430	5,018,164	223,366	5,241,530
DELAWARE	1,892,062	219,658	33,515,231	35,620,951	1,285,646	0	33,024,960	27,783,430	0	0	0
DIST. OF COLUMBIA	16,758,545	23,952,313	117,220,628	157,940,486	18,521,964	3,935,917	135,482,605	91,111,777	1,228,084	43,142,744	44,370,828
FLORIDA	27,481,734	129,728,760	680,838,118	818,048,612	122,549,160	52,274,580	643,224,872	483,568,268	0	159,656,604	159,656,604
GEORGIA	19,157,934	167,179,525	372,423,174	558,760,633	32,200,000	18,865,151	507,695,482	326,128,629	20,574,443	160,982,410	181,566,853
HAWAII	5,261,020	68,438,278	99,771,584	173,470,882	11,050,000	9,890,000	152,530,882	57,533,383	4,165,847	90,831,652	94,987,489
IDAHO	9,879,642	7,497,297	35,995,706	53,372,645	8,731,981	1,441,201	43,199,463	30,115,692	12,222,410	861,159	13,063,569
ILLINOIS	0	0	585,056,960	585,056,960	0	20,502,485	564,554,475	564,554,475	0	0	0
INDIANA	20,318,951	660,187	226,243,151	247,222,289	18,352,906	2,000,000	226,869,383	199,796,197	27,073,186	0	27,073,186
IOWA	5,427,323	20,340,933	138,692,498	164,460,754	28,199,491	11,257,997	125,003,266	94,135,413	5,444,692	25,423,161	30,867,853
KANSAS	0	8,497,335	112,124,167	120,621,502	12,741,228	4,332,070	103,548,204	81,700,378	0	21,847,826	21,847,826
KENTUCKY	14,015,571	9,062,090	195,758,311	218,835,932	47,135,000	0	171,700,932	119,141,842	44,088,272	8,490,818	52,559,090
LOUISIANA	121,454,264	48,839,239	184,759,161	355,052,664	39,030,549	16,397,197	299,624,918	227,811,831	72,013,287	0	72,013,287
MAINE	8,553,045	27,598,146	82,399,828	118,551,019	10,699,122	7,469,450	109,382,447	54,968,588	8,553,045	36,860,814	45,413,859
MARYLAND	400,539	38,322,589	250,502,120	289,225,248	48,884,560	22,903,803	217,340,885	183,132,949	15,453,448	18,844,488	34,297,936
MASSACHUSETTS	10,136,061	0	461,563,833	471,699,894	91,874,222	42,103,023	337,716,649	337,716,649	0	0	0
MICHIGAN	0	71,648,001	797,303,349	868,951,350	0	20,157,975	848,793,375	735,735,603	0	113,057,772	113,057,772
MINNESOTA	80,111,033	27,843,556	280,590,591	388,515,180	26,603,000	3,277,074	358,635,146	317,188,644	0	41,446,505	41,446,505
MISSISSIPPI	24,578,923	60	121,198,175	121,198,175	9	59	101,874,278	98,287,094	1,204,334	2,382,850	3,587,184
MISSOURI	0	13,778,543	48,020,033	62,329,098	8,612,239	21,705,174	192,169,301	170,464,128	21,705,174	1	21,705,174
MONTANA	530,522	11,568,296	63,572,240	75,140,536	9,000,000	3,860,602	49,856,257	40,881,998	1,209,960	7,853,299	8,974,259
NEBRASKA	4,486,212	15,448,542	49,746,969	69,681,723	0	932,868	68,748,855	49,976,497	1,120,960	16,164,039	16,164,039
NEVADA	0	14,498,953	41,249,167	55,748,120	1,959,910	2,931,389	51,620,821	40,160,694	1,132,417	9,969,164	11,101,581
NEW HAMPSHIRE	197,386,483	128,119,513	408,288,370	733,794,366	25,665,017	15,341,351	692,787,998	444,256,734	48,578,247	199,953,017	248,531,264
NEW JERSEY	0	45,700,773	122,512,662	168,213,435	29,613,209	2,000,000	136,400,226	90,422,870	36,672,979	9,304,377	45,977,356
NEW MEXICO	508,603,314	553,624,212	2,466,019,278	3,528,246,804	39,900,000	244,000,000	3,244,346,804	2,783,197,813	199,779,844	261,369,147	461,148,991
NORTH CAROLINA	48,887,200	0	341,842,067	390,723,267	74,499,688	4,544,769	311,684,810	252,153,749	56,013,410	3,517,851	59,531,081
NORTH DAKOTA	0	15,280,560	27,682,357	42,962,917	0	0	42,962,917	32,845,764	0	10,117,153	10,117,153
OHIO	278,906,897	242,017,176	749,354,197	1,270,278,270	0	74,935,420	1,195,342,850	613,784,173	239,638,064	341,920,613	581,568,677
OKLAHOMA	11,203,358	531,891	154,110,353	308,031,500	30,822,071	15,411,035	261,798,394	142,095,506	0	119,702,888	119,702,888
OREGON	486,988,752	50,980,142	751,156,792	1,289,125,686	124,484,000	30,579,000	1,134,062,686	701,380,267	28,420,486	0	28,420,486
PENNSYLVANIA	0	91,879,798	97,873,798	97,873,798	9,091,106	0	88,782,692	85,930,481	0	2,858,211	2,858,211
RHODE ISLAND	17,555,147	0	101,522,643	119,077,790	5,262,210	1,300,000	112,515,580	112,515,580	386,797	23,109,755	23,496,552
SOUTH CAROLINA	604,362	21,930,940	22,895,237	25,400,539	1,700,000	2,286,524	41,414,015	17,917,463	0	0	0
SOUTH DAKOTA	8,589,745	10,437,926	224,284,844	243,292,515	52,025,586	5,265,988	186,000,941	186,000,941	0	0	0
TENNESSEE	53,537,552	234,932,036	566,537,753	855,007,341	-2,349,075	27,159,154	830,187,262	664,041,917	33,278,111	132,877,234	166,156,345
TEXAS	28,203,034	19,949,158	90,288,860	138,441,052	0	12,462,419	125,978,633	105,951,068	0	20,027,565	20,027,565
UTAH	0	48,623,462	174,113,690	183,625,387	9,224,074	4,735,318	34,664,070	34,664,070	0	0	0
VERMONT	9,511,697	0	174,113,690	183,625,387	18,399,221	15,828,172	175,986,436	145,193,506	12,603,709	18,189,221	30,792,990
VIRGINIA	22,236,704	31,431,345	401,282,854	454,950,703	107,300,000	10,426,130	337,224,573	307,467,357	29,757,216	0	29,757,216
WASHINGTON	0	29,009,669	113,000,039	142,009,708	6,947,755	0	135,061,953	122,414,606	0	12,647,347	12,647,347
WEST VIRGINIA	53,378,196	120,125,442	326,642,908	500,046,546	65,308,581	13,440,834	421,297,131	330,936,624	15,312,516	85,047,992	100,360,508
WISCONSIN	11,709,346	77,961,888	38,702,528	128,373,740	11,679,671	8,014,036	106,680,033	41,934,865	29,988,441	36,756,727	68,745,188
WYOMING	0	0	0	0	0	0	0	0	0	0	0
Total	3,062,103,724	2,878,176,575	17,196,346,745	22,856,625,044	1,790,167,397	926,728,189	20,139,733,468	16,263,643,469	1,860,226,895	2,305,863,104	3,886,069,959

¹The amounts reported under this column include unexpended federal grant funds the States have carried over from prior fiscal years.

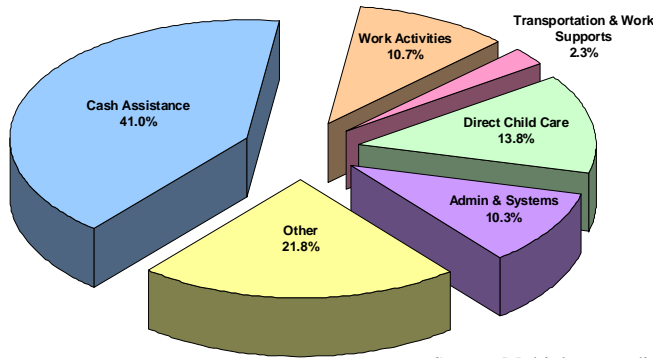
Expenditures

State expenditure trends are broken down into six general spending categories: cash assistance, work activities, transportation and work supports, direct child care (not counting CCDF and SSBG transfers), administration and systems costs, and expenditures for other benefits and services.

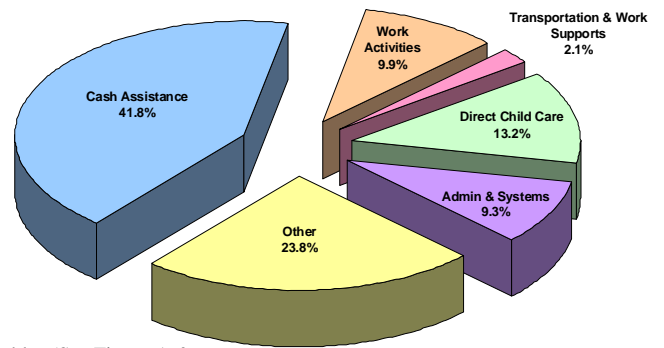
**Figure A
FY 1997 Expenditures by Category**



FY 2002 Expenditures by Category



FY 2003 Expenditures by Category



Source: Multiple appendix tables (See Figure A & B Source Information in the Chapter 2 appendix)

Spending patterns have shifted dramatically since TANF was enacted, reflecting the decline in welfare caseloads and increased spending on supportive non-cash services. Figure A compares State spending of Federal TANF and State MOE funds during FY 1997—TANF’s first year—to spending in FY 2002 and FY 2003 in the six major categories. Since the enactment of TANF, States have shifted spending away from cash aid, with larger proportions of expenditures being made on child care, work activities, transportation and work supports, and other benefits and services.

Cash Assistance

States spent \$11.0 billion, or 41.8 percent, of their total Federal TANF and State MOE funds in FY 2003 on cash assistance. This represents an increase of \$589 million, or 5.7 percent, when compared to the \$10.4 billion, or 41.0 percent, spent on cash assistance during FY 2002.

These amounts include both TANF basic assistance for families and aid payments previously permitted under the AFDC program and allowed to continue under TANF (such as those for children involved in foster care or the juvenile justice system). Considered separately, basic assistance increased by 8.6 percent, or \$810 million, from FY 2002, while assistance under prior law decreased by \$221 million. Cash assistance includes ongoing benefits directed at basic needs such as food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses.

Work Activities

States spent \$2.6 billion in combined funds (9.9 percent) on work activities in FY 2003, which includes work subsidies, education and training, and other job readiness activities such as employment counseling, job development, and job placement information and referral services. This is a modest decrease (\$128 million) from levels reported for work activities during FY 2002.

Transportation and Work Supports

Spending on transportation benefits (such as allowances, bus tokens, car payments, auto insurance reimbursement, and van services) for working or otherwise participating families totaled \$543 million (2.1 percent) in FY 2003. This represents a decline of \$41 million (7.0 percent) from FY 2002. Such services are provided to recipients and non-recipients to enable them to work or participate in other activities such as education or training or for respite purposes (short-term temporary care of persons with disabilities).

Child Care

Spending in TANF on child care totaled \$3.5 billion, or 13.2 percent of all spending. This was a decrease of \$36 million from the prior year. States reported that 91 percent of direct Federal TANF and State MOE funding for child care was for subsidies to working families.

In addition, States transferred \$1.8 billion in Federal TANF funds from the TANF program into the CCDF, just below the level transferred in FY 2002 (including prior year spending adjustments). Taken together, States continued to spend significant Federal TANF and State MOE funds on child care. During FY 2003, States devoted almost \$5.3 billion to child care, either directly through the State's TANF program or by transferring Federal TANF funds to the CCDF Discretionary Fund. Funds transferred to CCDF are not necessarily spent during the current fiscal year and can be returned to TANF at a later time. States spent a considerable amount of additional (non-TANF) funds on child care for low-income working families, many who may have previously been on welfare.

Administrative and Systems Costs

Administrative and information systems expenditures in FY 2003 totaled \$2.5 billion, or 9.3 percent, of total expenditures. Of the \$2.5 billion, States claimed \$2.1 billion for administrative costs that fall within the 15 percent administrative spending cap and \$345 million on information systems. Combined, these amounts were \$166 million less than in FY 2002.

Expenditures for Other Benefits and Services

Approximately \$6.3 billion of combined expenditures were made on a variety of other benefits and services during FY 2003. Individual Development Account programs accounted for \$27 million for an increase of \$19 million from the prior year. Spending for foster care and juvenile justice services allowed under prior law increased \$76 million to \$845 million. Refundable tax credit program spending was \$1.0 billion, which was an increase of \$241 million. Refundable tax credits include refundable State earned income tax credits paid to families and State and local tax credits, as well as expenditures on any other refundable tax credits provided under State or local law that are consistent with the purposes of TANF.

Spending on non-recurrent short-term benefits increased \$23 million to \$261 million in FY 2003. Non-recurrent short term benefits include expenditures on one-time, short-term benefits to families in the form of cash, vouchers, subsidies, or similar forms of payment to deal with a specific crisis situation or episode of need, or as a short-term benefit to help a family avoid the need for ongoing assistance.

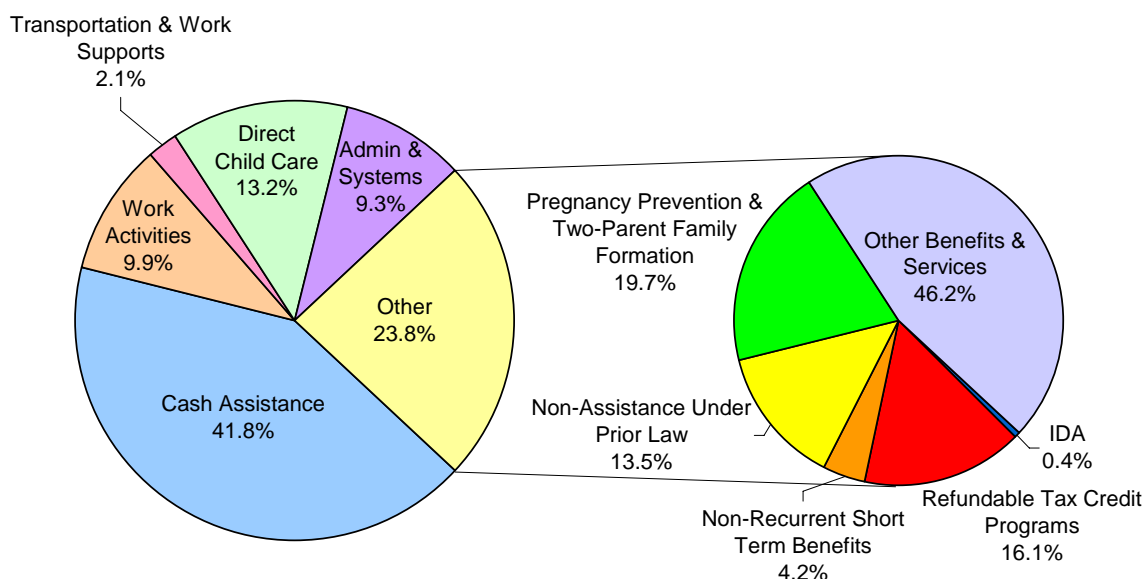
Pregnancy prevention and two-parent family formation programs accounted for \$1.2 billion (an increase of \$220 million). These funds were spent on activities designed to either reduce the incidence of out-of-wedlock pregnancies or encourage paternal involvement in the lives of their children. Most pregnancy prevention efforts have focused on teenagers. State approaches to preventing teen pregnancy can be divided into several categories: education curricula on sex, abstinence, and relationships; reproductive health services; youth development programs; media campaigns; efforts to prevent repeat teen births; and multiple component interventions. State initiatives directed toward family formation tend to focus on involvement of non-custodial parents in their children's lives. Other initiatives include parenting education, family crisis counseling, marriage counseling, mentoring, and eliminating eligibility criteria that discourage two-parent families from applying for assistance.

Spending on "other" non-assistance activities totaled \$2.9 billion (an increase of \$127 million). These expenditures include a variety of services, including family preservation activities, parenting training, substance abuse treatment activities, domestic violence services, and case management. Many States used funds in FY 2003 to provide preventive services to help youth, young children, and families at risk of either remaining or becoming welfare recipients. Programs for youth and children include after-school and stay-in-school programs, teen pregnancy prevention programs, and community youth grants. These programs provide services such as tutoring, counseling, job referrals, and community activities as alternatives to drug abuse, gang activity, sexual activity, and dropping out of school. Other supportive service expenditures that promoted family, work, and job preparation included help with utilities, rent or mortgage

assistance, primary and secondary school textbook reimbursement programs for low-income families, tuition and book fees for post-secondary school or training programs, part-time student grant programs, and medical services not met by Medicaid/SCHIP for children in low-income families.

Figure B breaks down the “other” category to show how States expended combined Federal TANF and State MOE funds for the activities during FY 2003.

Figure B
FY 2003 - Breakdown of Other Expenditures



Source: See Chapter 2 Figure A & B
Source Information in the Appendix

Additional MOE Expenditure Information

Some States also provided MOE-funded assistance programs to families outside of the regular TANF program. For example, some States used Separate State Programs (SSPs) to provide financial assistance to: two-parent families; families with physical, mental health, substance abuse, or domestic violence issues; families in which the parent or caretaker is receiving or has applied for Supplemental Security Income; families in which the caretaker relative is not the parent; families in which a parent is attending post-secondary school or in which a minor parent is a student; and families that have exhausted their Federal time limits. A few States provided financial assistance to families with legal immigrants who are not eligible for TANF, and States operating such programs generally continued to require individuals to participate in work activities. Separate State programs operated for two-parent families usually include work activities that mirror those in the State's TANF program. The exceptions usually involved families in which the parent or relative is temporarily or permanently incapacitated in some way (e.g., mental health or substance abuse issues, or receipt of Supplemental Security Income) or families that consist of a non-parent caretaker relative and children.

