

II. EXPENDITURES AND BALANCES

States have broad flexibility to spend Federal TANF funds on various benefits and services for families, but are required to spend a considerable amount of their own funds on the same or similar activities (called Maintenance of Effort or MOE). Combined State expenditures of Federal TANF and State TANF MOE funds totaled \$25.4 billion in FY 2002, a slight decrease (-\$111 million) from the previous year. Since activities sponsored through these sources are similar, and often involve co-mingling of State and Federal 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 2002 expenditures and balances.

Table A

Expenditures and Balances

<u>Total TANF Expenditures in FY 2002</u>			
Beginning of Year Carryover	\$6,352,673,180		
FY 2002 New Federal Grants	\$17,004,190,260		
Total Federal Funds Available	\$23,356,863,440		
Federal Funds Transferred to CCDF	1,926,299,277		
Federal Funds Transferred to SSBG	1,031,375,598		
Net Federal Funds Available for TANF	\$20,399,188,565		
Total Federal Expenditures	14,587,709,021		
Federal Unliquidated Obligations	3,133,163,514		
Federal Unobligated Balance	2,678,316,026		
	Federal	State Program	Total
	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
<u>Assistance Expenditures</u>			
Basic Cash Assistance	\$4,554,262,318	\$4,853,971,200	\$9,408,233,518
Child Care	75,029,752	343,719,085	418,748,837
Transportation & Other Support Services	171,312,209	201,144,077	372,456,286
Assistance Under Prior Law	1,022,435,536	-	1,022,435,536
Total Assistance	5,823,039,815	5,398,834,362	11,221,874,177
<u>Non-Assistance Expenditures</u>			
Child Care	1,496,951,451	1,588,558,090	3,085,509,541
Transportation & Other Support Services	167,971,783	43,582,216	211,553,999
Work Related Activities	2,120,692,902	606,173,829	2,726,866,731
Individual Development Accounts	7,186,410	501,806	7,688,216
Refundable Earned Income Credits	87,015,335	486,986,196	574,001,531
Other Refundable Tax Credits	56,000,000	135,499,735	191,499,735
Non-Recurrent Short Term Benefits	143,479,567	94,270,522	237,750,089
Non-Assistance Under Prior Law	768,881,717	-	768,881,717
Administration & Systems	1,633,421,671	983,454,540	2,616,876,211
Other Non-Assistance	2,283,068,370	1,488,812,226	3,771,880,596
Total Non-Assistance	8,764,669,206	5,427,839,160	14,192,508,366
Total Expenditures	\$ 14,587,709,021	\$10,826,673,522	\$25,414,382,543

State Program Expenditures include both State MOE and Separate State Program (SSP) expenditures. Source: TANF Financial Report

States received Federal TANF grants totaling \$17 billion nationally in FY 2002, which included each State's base TANF grant, and additional Federal bonuses and supplemental grants. States may reserve unspent Federal funds for use in future fiscal years, although carried-over funds can only be spent on assistance payments to families. Over \$2.5 billion was available for obligation in FY 2002 from prior years Federal TANF funding. In addition, States had \$3.8 billion in Federal TANF funds that they had obligated at the end of the previous year, but which would not be liquidated (spent) until FY 2002, giving States a total of approximately \$6.4 billion in Federal TANF cash on hand at the beginning of FY 2002. As of the end of FY 2002, about \$2.7 billion remained unobligated and an additional \$3.1 billion of unobligated funds remained unliquidated, leaving about \$5.8 billion in Federal TANF cash on hand at the year's end. 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) or Social Services Block Grant (SSBG) program. Of this 30 percent, States are limited to transferring no more than 10 percent to the SSBG program. In FY 2002, States transferred \$1.9 billion into CCDF (11 percent) and \$1.0 billion (6 percent) into SSBG from their 2002 Federal award, approximately the same as they did the prior year.

Total spending and transfers of Federal TANF dollars was \$17.5 billion in FY 2002. The additional MOE funding States are required to spend must equal at least 80 percent of their pre-TANF (1994) State expenditures (or 75 percent if they meet Federal work participation requirements) on similar programs, and totaled \$10.8 billion in FY 2002, \$1.7 billion of which was spent on TANF-allowable costs of Separate State Programs (SSP). States need only report MOE spending that is sufficient to meet their MOE obligation and because of this reported MOE expenditures understate the actual amount of State spending on TANF-related activities that have been claimed. 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

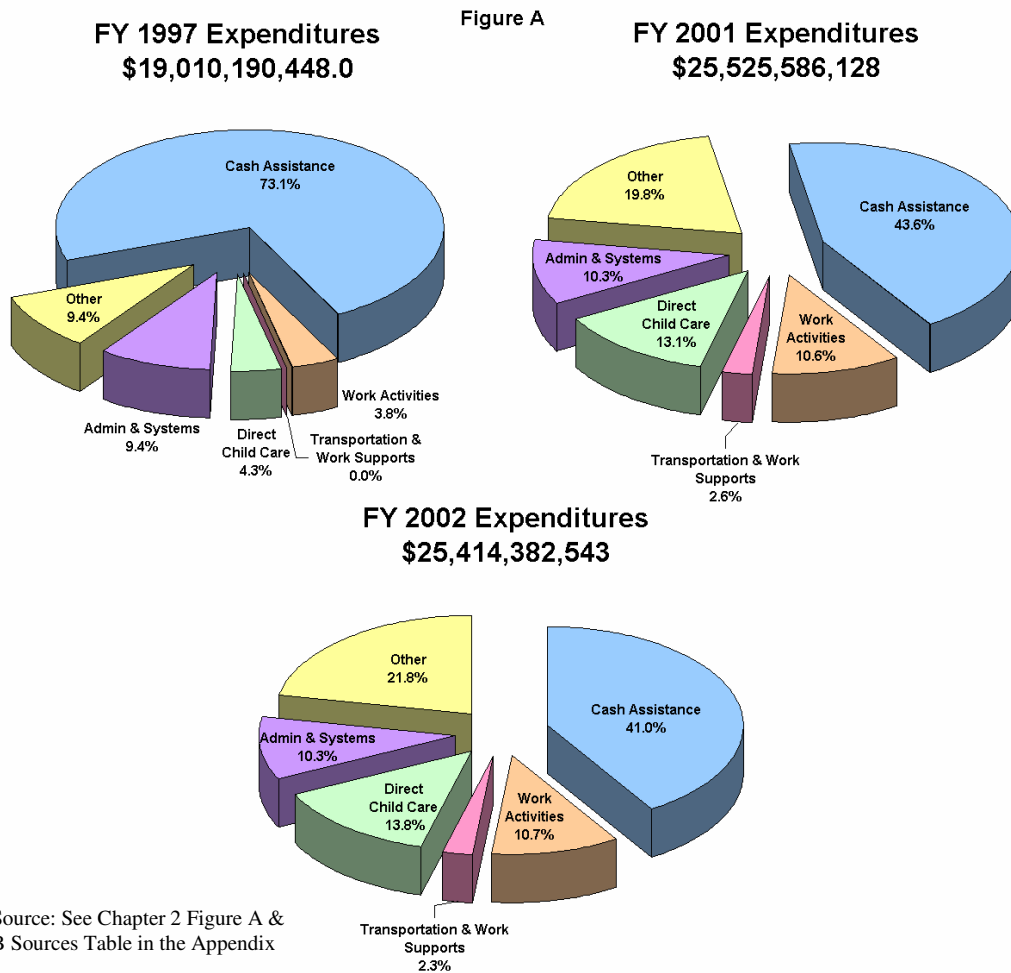
TANF Financial Data - Combined Federal Funds Spent in FY 2002

STATE	START OF YEAR BAL		START OF YEAR BAL		TOTAL NEW FEDERAL FUNDS - FY 2002	TOTAL FEDERAL FUNDS AVAILABLE	TOTAL TRANSFERRED TO CCDF	TOTAL TRANSFERRED TO SSBG	TOTAL AVAILABLE FOR TANF	TOTAL EXPENDITURES (Assistance and Non-Assist)	END OF YEAR BAL		END OF YEAR BAL	
	UNLIQUIDATED OBLIGATIONS	UNOBLIGATED BALANCE	UNOBLIGATED BALANCE	TOTAL UNDER FEDERAL FUNDS							UNLIQUIDATED OBLIGATIONS	UNOBLIGATED BALANCE	UNOBLIGATED BALANCE	TOTAL UNDER FEDERAL FUNDS
ALABAMA	6,700,000	90,787,672	221,718,433	124,230,761	13,389,000	12,423,077	184,586,814	14,653,500	74,460,272	89,093,772				
ALASKA	9,444,999	4,441,810	74,151,720	60,264,911	4,500,000	4,500,000	56,262,720	48,499,398	7,763,322	7,763,322				
ARIZONA	87,338,263	38,818,285	228,672,071	354,848,619	749,798	22,867,207	331,231,614	54,814,038	58,904,385	113,718,643				
ARKANSAS	4,498,210	(1,140,893)	66,285,085	62,927,768	-6,000,000	47,207,426	72,285,085	21,045,109	25,077,659	25,077,659				
CALIFORNIA	373,812,650	(1,140,893)	3,739,843,439	4,113,656,089	423,361,000	70,672,000	2,004,481,813	2,777,045,109	842,577,980	842,577,980				
COLORADO	81,430,735	1	169,448,681	230,879,417	33,889,736	16,944,868	200,044,813	59,502,649	59,502,649	59,502,649				
CONNECTICUT	0	0	280,127,512	280,127,512	0	26,678,810	233,448,702	2,830,369	2,830,369	2,830,369				
DELAWARE	363,150	0	32,290,981	32,654,131	1,019,154	1,235,849	28,287,408	1,892,062	219,658	2,111,720				
DIST OF COLUMBIA	53,239,064	34,941,072	117,062,606	195,242,742	18,321,963	3,935,917	172,784,860	132,074,004	23,932,313	40,710,858				
FLORIDA	344,319,429	0	622,457,788	967,065,217	122,349,158	62,274,579	782,241,480	603,225,082	129,728,760	179,016,398				
GEORGIA	149,882,560	0	568,024,967	579,685,591	23,200,000	36,802,497	519,683,094	333,245,635	16,719,525	186,337,459				
HAWAII	21,809,476	12,649,311	103,850,027	130,000,165	9,000,000	3,200,000	117,800,165	44,100,867	68,438,278	73,699,298				
HAWAII	4,430,662	6,430,196	54,270,849	54,270,849	9,010,270	1,487,133	43,773,446	26,396,507	7,497,297	17,276,939				
IDAHOWASH	0	0	585,056,960	585,056,960	0	43,879,272	541,177,688	0	0	0				
ILLINOIS	24,888,694	23,068,793	217,139,064	265,096,551	21,052,906	8,788,962	235,254,683	20,318,951	660,188	20,979,139				
INDIANA	5,499,676	0	136,101,207	136,101,207	183,127,834	27,440,320	116,112,112	88,307,146	20,340,933	25,768,256				
IOWA	6,627,895	0	101,951,061	108,558,956	15,079,471	10,193,106	83,286,379	74,789,044	8,497,335	8,497,335				
KANSAS	0	0	190,352,052	411,820,089	36,240,000	16,397,196	355,060,811	134,731,057	9,062,050	23,077,621				
KENTUCKY	2,696,626	104,242,463	189,197,596	189,197,596	40,362,082	6,340,212	137,800,678	121,454,264	48,839,239	170,293,503				
LOUISIANA	118,800,030	17,600,280	78,120,889	107,070,906	6,340,212	23,209,803	98,555,691	62,204,500	27,598,146	36,151,191				
MAINE	12,118,872	79,256,407	229,098,032	320,473,311	-23,099,815	22,909,803	320,663,320	560,043	69,303,085	69,303,085				
MARYLAND	0	0	459,371,116	459,371,116	91,574,224	45,937,111	321,556,781	311,423,720	10,136,061	10,136,061				
MASSACHUSETTS	0	129,421,704	295,175,158	295,175,158	0	27,230,332	897,546,330	882,350,336	114,991,006	114,991,006				
MICHIGAN	79,797,518	83,880,855	270,154,377	433,832,750	19,713,795	21,404,600	394,514,355	286,559,766	80,111,033	107,954,389				
MINNESOTA	42,597,594	36,963,693	95,803,252	175,364,559	19,160,710	5,801,266	146,623,563	122,044,580	24,578,923	24,578,923				
MISSISSIPPI	15,331,272	9,634,148	227,904,327	252,869,747	13,259,632	21,705,174	218,224,941	193,259,521	15,331,272	15,331,272				
MISSOURI	0	27,378,528	46,386,171	73,764,699	9,272,339	4,250,000	60,142,460	45,833,395	530,322	14,309,065				
MONTANA	9,582,107	14,778,066	38,417,483	82,777,656	9,000,000	4,400,000	69,377,656	48,227,253	11,568,296	21,150,403				
NEBRASKA	3,911,089	31,220,553	49,909,122	85,040,764	0	1,279,907	83,760,857	63,826,103	4,486,212	15,448,542				
NEVADA	0	0	38,951,492	38,951,492	0	40,403,000	861,043,797	39,882,388	0	14,498,953				
NEW HAMPSHIRE	403,386,531	93,825,443	404,034,823	901,446,797	29,270,826	2,000,000	141,544,214	90,358,190	197,386,483	325,849,101				
NEW JERSEY	36,909,495	0	121,924,862	172,915,040	3,701,915	394,338,564	244,000,000	2,001,349,080	508,603,314	1,062,227,526				
NEW MEXICO	686,404,807	572,559,761	2,442,930,602	3,701,915	0	6,542,135	343,575,606	279,108,856	553,624,212	1,062,227,526				
NEW YORK	71,628,706	15,157,540	338,349,347	338,349,347	75,470,062	0	6,542,135	343,575,606	48,887,000	64,044,740				
NORTH CAROLINA	0	11,383,398	27,719,799	39,113,197	0	39,113,197	0	33,832,637	0	15,280,560				
NORTH DAKOTA	206,988,323	294,675,040	727,968,260	1,229,631,633	145,593,652	72,796,826	1,011,241,145	490,317,072	242,017,176	509,934,073				
OHIO	18,294,436	4,822,069	167,986,629	284,723,856	29,318,846	14,739,423	240,445,587	86,328,440	153,921,147	153,921,147				
OKLAHOMA	499,423,742	37,112,126	719,499,305	1,256,035,173	31,447,000	30,746,000	1,193,842,173	655,873,279	4,224,477	5,798,984				
OREGON	0	0	99,772,666	99,772,666	0	666,461	99,106,205	99,106,205	0	0				
PENNSYLVANIA	0	0	130,510,875	130,510,875	1,500,000	9,996,782	119,014,093	98,050,751	20,963,342	20,963,342				
RHODE ISLAND	0	0	22,020,494	22,020,494	2,000,000	2,202,049	37,094,121	33,882,388	21,930,940	22,535,302				
SOUTH CAROLINA	2,455,117	16,820,559	411,437,057	534,530,125	0	10,585,000	414,015,125	22,236,040	31,431,065	53,667,769				
TENNESSEE	22,096,617	115,685,126	213,088,938	295,035,512	43,382,735	3,056,280	242,196,497	223,168,826	8,589,445	19,027,671				
TENNESSEE	229,811,149	0	583,099,664	812,880,813	2,449,075	30,799,264	779,552,474	495,445,289	230,569,633	284,107,185				
TEXAS	3,646,386	46,528,001	188,155,332	138,329,719	5,382,000	5,382,000	132,947,719	84,795,527	28,203,034	48,152,192				
UTAH	0	0	54,435,197	7,620,095	16,200,000	4,735,318	43,069,784	43,069,784	0	0				
VERMONT	32,338,006	0	156,285,172	190,823,178	29,157,024	15,828,512	145,837,627	136,325,930	9,511,697	9,511,697				
VIRGINIA	105,011,235	18,081,585	411,437,057	534,530,125	109,530,000	10,585,000	414,015,125	22,236,040	31,431,065	53,667,769				
WASHINGTON	0	0	210,063,977	210,063,977	0	1,306,261	208,757,710	179,748,041	29,009,669	29,009,669				
WEST VIRGINIA	80,128,198	151,242,447	330,966,066	562,367,551	63,335,234	13,446,338	485,586,979	312,082,339	120,125,442	173,503,638				
WISCONSIN	5,135,652	52,732,291	15,589,602	17,004,190,260	3,801,751	1,938,960	14,312,131	14,312,131	12,462,155	12,462,155				
WYOMING	0	0	1,938,960	1,938,960	0	0	1,938,960	0	0	0				
Total	3,805,780,182	2,546,942,999	17,004,190,260	23,556,863,440	1,936,299,277	1,031,375,598	20,399,188,565	14,581,709,021	2,678,316,026	5,811,479,540				

Expenditures

State expenditure trends are broken down into six general spending categories: cash assistance, work activities, transportation and work supports, child care, administration and systems costs, and expenditures for other benefits and services.

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 - with FY 2001 and FY 2002 in the six major categories. Even within the past year, State spending patterns have continued to shift away from cash aid, with increasing proportions of expenditures being made on child care, work and other services.



Cash Assistance

States spent \$10.4 billion, or 41 percent, of their total Federal TANF and State MOE funds in FY 2002 on cash assistance. This represents a decrease of \$0.7 billion, or six percent, when compared to the \$11.1 billion, or 43.6 percent of expenditures, spent on cash assistance during FY 2001.

These amounts include both \$9.4 billion in basic TANF cash assistance for families and \$1.0 billion in aid payments for others that were permitted under the prior law AFDC program (for children involved in foster care or the juvenile justice system) and allowed to continue under TANF. Considered separately, basic TANF cash assistance dropped by three percent, or \$0.8 billion, from FY 2001, while assistance under prior law remained essentially constant. Basic cash assistance includes ongoing benefits directed at basic needs (e.g., food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses), as well as supportive services for families that are not employed.

Work Activities

States spent \$2.7 billion in combined funds, or 10.7 percent of total expenditures, on work activities in FY 2002, 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 spending was the same as in FY 2001.

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 \$584 million in FY 2002, or 2.3 percent of all spending. This spending was \$74 million less than in FY 2001, an 11 percent decline. 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.

Child Care

Direct Federal TANF and State MOE spending on child care totaled \$3.5 billion, or 13.8 percent of all spending. This was an increase of approximately \$150 million or 4.3 percent over the prior year. States reported that about 88 percent of direct Federal TANF and State MOE funding for child care was for subsidies to working families (i.e., non-assistance).

In addition, States transferred \$1.9 billion in Federal TANF funds from the TANF program into the CCDF, the same level transferred in FY 2001. Taken together, States continued to spend significant Federal TANF and State MOE funds on child care. During FY 2002, States spent just over \$5.4 billion, either directly through the State's TANF program or by transferring Federal TANF funds to the CCDF Discretionary Fund. It should be noted that States spent a considerable amount of additional (non-TANF) funds on child care for low-income working families, many of whom may have previously been on welfare.

Administrative and Systems Costs

Administrative and information systems expenditures in FY 2002 totaled \$2.6 billion, or 10.3 percent, of total expenditures. Of the \$2.6 billion, States claimed \$2.3 billion for administrative costs that fall within the 15 percent administrative spending cap and \$359 million for information systems. Combined, these amounts were \$22.5 million less than in FY 2001.

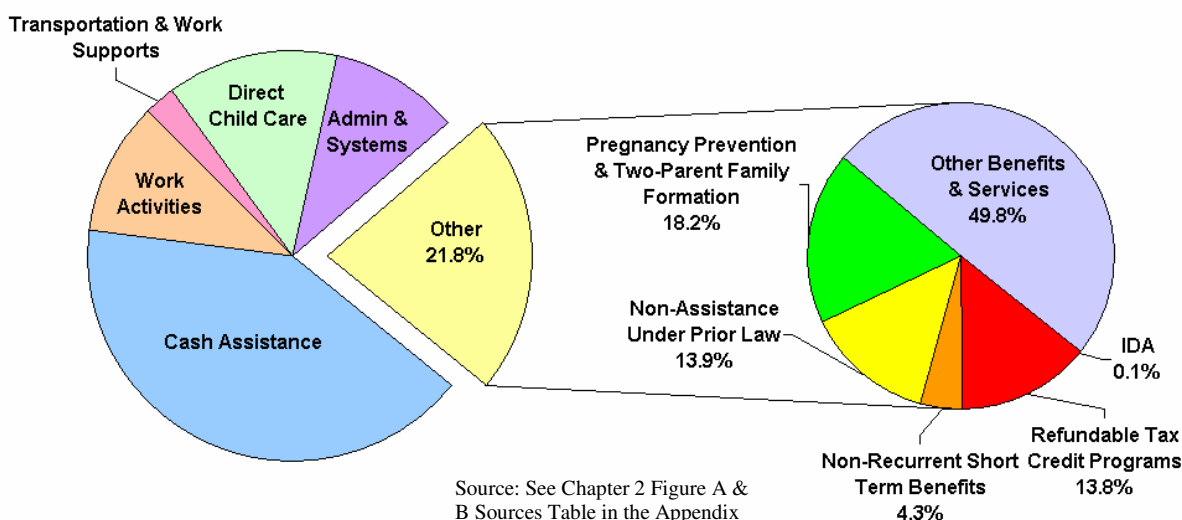
Expenditures for Other Benefits and Services

Approximately \$5.5 billion of combined expenditures were made on a variety of other non-cash assistance services during FY 2002, including Individual Development Account programs (\$7.7 million – an increase of \$6.8 million), foster care and juvenile justice services allowed under prior law (\$768.9 million – an increase of \$104 million), refundable tax credit programs (\$765.5 million – an increase of \$94 million), non-recurrent short term benefits (\$237.8 million – an increase of \$9.9 million), pregnancy prevention and two-parent family formation programs (\$1.0 billion – an increase of \$623 million), and miscellaneous other activities (\$2.8 billion – a decline of \$348 million).

Figure B breaks down the “Other” category, to show how States expended combined Federal TANF and State MOE funds for the activities during FY 2002.

Figure B

FY 2002 -- Other Expenditures



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.

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 diversion activity to help a family avoid the need for ongoing assistance.

During FY 2002, States spent over \$1.0 billion, more than doubling their expenditures in FY 2001, 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.

The balance of expenditures (miscellaneous other activities) made by States include a variety of services, including family preservation activities, parenting training, substance abuse treatment activities, domestic violence services, and case management.

Additional MOE Expenditure Information

Additional detail on State spending on TANF and SSPs is available in the State MOE expenditure reports. While States continued providing traditional supportive services to families, like child care and transportation, many States also used MOE funds in FY 2002 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.

Some States also provided MOE-funded cash assistance programs to families in certain circumstances. Expenditures for such programs totaled \$860 million, as shown in Appendix Table 2:6. For example, these States used 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.