

II. TANF EXPENDITURES AND BALANCES

In fiscal year (FY) 2006, combined Federal and State expenditures for the Temporary Assistance for Needy Families (TANF) program totaled \$25.6 billion. In FY 2006, States received Federal TANF grants totaling \$16.7 billion nationally, which included each State's base TANF grant 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 2006 expenditures and balances.

Table A

Total TANF Expenditures in FY 2006

Beginning of Year Carryover	\$3,811,669,211		
FY 2006 New Federal Grants	16,656,906,974		
Total Federal Funds Available	20,468,576,185		
Total Federal Expenditures	\$13,570,132,221		
Federal Funds Transferred to CCDF	1,877,890,458		
Federal Funds Transferred to SSBG	974,038,036		
Total Federal Funds Used ¹	16,422,060,715		
Federal Unliquidated Obligations	1,896,061,682		
Federal Unobligated Balance	2,150,796,068		
<u>Assistance Expenditures</u>	<u>Federal</u>	<u>State²</u>	<u>Total</u>
Basic Assistance	\$4,925,829,574	\$4,980,209,108	\$9,906,038,682
Child Care	220,878,088	279,363,414	500,241,502
Transportation & Other Support Services	237,887,759	80,021,305	317,909,064
Assistance Under Prior Law	563,112,172	N/A	563,112,172
Total Assistance	\$5,947,707,593	\$5,339,593,827	\$11,287,301,420

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<u>Non-Assistance Expenditures</u>			
Child Care	1,017,381,644	2,024,405,189	3,041,786,833
Transportation	103,299,169	51,196,489	154,495,658
Work Related Activities	1,680,902,438	683,376,519	2,364,278,957
Individual Development Accounts	752,768	900,243	1,653,011
Refundable Earned Income Credits	114,972,858	919,238,550	1,034,211,408
Other Refundable Tax Credits	0	208,047,750	208,047,750
Non-Recurrent Short Term Benefits	169,081,984	120,313,964	289,395,948
Non-Assistance Under Prior Law	749,946,846	N/A	749,946,846
Administration & Systems	1,524,671,979	886,165,182	2,410,837,161
Other Non-Assistance	2,261,414,942	1,790,439,128	4,051,854,070
Total Non-Assistance	\$7,622,424,628	\$6,684,083,014	\$14,306,507,642
Total Expenditures	13,570,132,221	12,023,676,841	\$25,593,809,062
<u>Total Funds Used</u>	16,422,060,715		28,445,737,556

¹ Funds used includes both TANF expenditures and transfers to the Child Care 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.

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 child care, transportation, and supports provided to employed families, non-recurrent short-term benefits, Individual Development Accounts (IDAs), 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 2006, total Federal and State TANF expenditures on “assistance” amounted to \$11.3 billion, compared with \$14.3 billion that was spent on “non-assistance.”

At the beginning of FY 2006, States reported having about \$2.1 billion in unobligated Federal TANF funds and \$1.8 billion in unliquidated obligations from prior years, for a total of about \$3.9 billion in unspent TANF funds. By the end of FY 2006, about \$2.2 billion remained unobligated and \$1.9 billion remained unliquidated, leaving about \$4.0 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). Of this 30 percent, during FY 2006 States were limited to transferring no more than 10 percent to the SSBG. In FY

2006, States transferred \$1.9 billion into the CCDF and \$982 million into the SSBG of their FY 2006 Federal award.¹

States spent and transferred a total of \$16.4 billion in Federal TANF funds in FY 2006. State MOE expenditures totaled \$12.0 billion in FY 2006, \$2.9 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, and because of this 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.

¹ Both the \$1.9 billion and \$982 million represent transfers of FY 2006 funds and exclude adjustments from prior year spending. Entries for CCDF and SSBG in table A (\$1,877,890,458 for CCDF and \$974,038,036 for SSBG) include funds from other fiscal years.

Table B
TANF Financial Data - Combined Federal Funds Spent in FY 2006

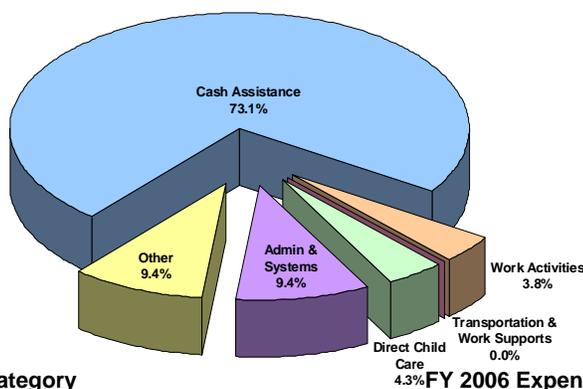
STATE	Start of Year Balance				End of Year Balance						
	UNLIQUIDATED OBLIGATIONS	UNOBLIGATED BALANCE	TOTAL NEW FEDERAL FUNDS FY 2006	TOTAL FEDERAL FUNDS AVAILABLE	TOTAL TRANSFERRED TO CCDF	TOTAL TRANSFERRED TO SBBG	AVAILABLE FOR TANF	TOTAL EXPENDITURES (Assistance and Non-Assistance)	UNLIQUIDATED OBLIGATIONS	UNOBLIGATED BALANCE	TOTAL UNDRAWN FEDERAL FUNDS'
ALABAMA	6,086,923	31,600,419	104,408,461	142,095,803	8,642,319	10,440,846	123,012,638	67,050,479	3,525,500	52,436,659	55,962,159
ALASKA	8,352,097	22,420,868	54,836,834	85,609,799	12,351,070	4,100,000	69,158,729	30,788,661	37,340,418	1,029,660	38,370,078
ARIZONA	29,058,782	0	226,130,536	254,189,318	0	22,613,063	231,576,265	215,260,515	16,315,750	0	16,315,750
ARKANSAS	220,695	97,792,539	62,951,233	160,964,467	7,500,000	17,010,000	155,165,467	51,206,773	4,029,065	99,929,629	103,958,694
CALIFORNIA	387,334,927	0	3,669,880,834	4,057,215,761	89,780,000	181,395,121	3,786,040,640	3,377,175,035	408,865,605	0	408,865,605
COLORADO	0	77,465,464	149,626,381	227,091,845	12,142,775	14,623,396	200,325,674	115,243,558	0	85,082,116	85,082,116
CONNECTICUT	0	0	264,387,014	264,387,014	0	26,438,701	237,948,313	237,948,313	0	0	0
DELAWARE	1,465,891	6,244,260	31,410,514	39,120,665	0	2,762,513	36,358,152	33,197,627	1,023,458	2,137,067	3,160,525
DIST.OF COLUMBIA	9,647,347	53,636,722	90,505,329	153,789,398	18,521,964	3,995,543	131,271,891	84,852,723	11,020,332	35,398,836	46,419,168
FLORIDA	33,695,578	0	622,748,788	656,441,366	122,549,156	62,274,578	471,617,832	436,000,488	35,617,143	1	35,617,144
GEORGIA	44,375,303	146,790,241	368,024,967	559,190,511	(29,700,000)	20,114,508	568,776,003	405,514,192	39,265,098	123,996,713	163,261,811
HAWAII	67,160,519	79,563,430	98,904,788	245,628,737	5,000,000	9,832,602	230,796,135	85,253,943	37,352,551	108,531,922	145,542,192
IDAHO	6,791,930	0	33,910,608	40,702,538	8,731,982	1,441,201	30,529,355	24,028,548	6,500,807	0	6,500,807
ILLINOIS	0	0	585,056,960	585,056,960	0	33,426,828	551,630,132	551,630,132	0	0	0
INDIANA	44,371,138	21,373,235	208,799,109	272,543,482	11,000,000	2,000,000	259,543,482	194,813,209	64,730,273	0	64,730,273
IOWA	6,367,189	19,912,449	131,524,959	157,804,597	21,806,560	13,019,471	122,978,566	98,548,159	5,233,328	19,197,079	24,430,407
KANSAS	0	775,692	101,931,061	102,706,753	21,684,317	7,191,254	73,831,182	72,574,301	0	1,256,881	1,256,881
KENTUCKY	29,049,764	0	180,999,997	216,391,025	37,902,500	16,397,196	162,091,329	127,986,239	34,103,090	0	34,103,090
LOUISIANA	0	5,543,134	78,120,889	83,664,023	15,105,735	3,263,486	65,294,802	59,751,668	0	5,543,134	5,543,134
MAINE	7,807,431	101,532,554	227,524,995	336,864,980	10,285,667	22,752,450	303,826,863	180,075,382	13,545,547	110,205,924	123,751,471
MARYLAND	0	7,746,024	459,371,116	467,117,140	91,874,223	48,937,111	329,305,804	322,252,347	7,053,457	0	7,053,457
MASSACHUSETTS	0	0	0	0	0	0	0	0	0	0	0
MICHIGAN	90,653	45,680,765	287,352,858	381,124,276	134,344,205	67,987,100	618,792,971	618,792,971	69,641,232	0	69,641,232
MINNESOTA	77,157,961	34,121,238	263,434,070	374,713,269	74,263,700	4,763,750	295,685,819	226,044,587	0	0	69,641,232
MISSISSIPPI	3,699,965	15,792,989	95,803,252	115,296,206	19,160,650	9,001,204	87,134,362	5,003,970	5,003,970	30,429,836	35,433,807
MISSOURI	38,718,619	(3)	217,051,740	255,770,356	23,000,000	21,705,174	211,065,182	195,343,802	15,721,383	(3)	15,721,380
MONTANA	0	33,364,294	39,171,817	72,536,111	5,061,288	1,998,226	65,476,597	29,190,404	600,000	35,686,193	36,286,193
NEBRASKA	0	0	57,769,382	66,430,428	9,000,000	0	57,430,428	51,513,903	752,085	5,164,440	5,916,525
NEVADA	0	19,844,728	48,361,741	66,206,469	0	827,875	65,378,594	39,767,333	0	25,611,261	25,611,261
NEW HAMPSHIRE	0	48,382,635	38,521,261	86,903,896	4,192,138	1,147,874	81,563,884	38,197,820	0	43,366,064	43,366,064
NEW JERSEY	51,873,992	0	404,034,823	455,908,815	54,927,000	15,630,000	385,351,815	238,921,037	9,649,982	146,430,778	29,205,143
NEW MEXICO	1,041,000	20,727,451	117,131,202	138,899,655	33,797,139	0	105,102,516	75,897,373	0	29,205,143	29,205,143
NEW YORK	184,768,239	221,255,599	2,442,930,602	2,848,954,440	548,582,508	123,503,788	2,176,868,144	1,818,912,950	200,567,685	157,387,509	357,955,194
NORTH CAROLINA	57,879,742	0	338,349,547	396,229,289	72,231,724	4,507,418	319,490,147	76,978,139	238,984,344	3,517,664	242,512,008
NORTH DAKOTA	0	15,590,154	26,399,809	41,989,963	0	0	41,989,963	22,678,986	29,781	19,281,196	19,310,977
OHIO	420,316,145	473,273,557	727,963,260	1,621,557,962	0	72,796,826	1,548,761,136	714,606,143	403,044,718	431,110,275	834,154,993
OKLAHOMA	0	86,882,755	147,594,230	234,476,985	29,518,846	14,759,423	190,198,716	89,895,838	0	100,302,878	100,302,878
OREGON	0	36,827,063	168,799,629	203,628,692	0	0	203,628,692	159,782,494	0	43,843,198	43,843,198
PENNSYLVANIA	867,410	0	719,499,305	720,384,915	92,677,000	15,110,000	612,597,915	586,646,290	23,564,107	2,388,518	25,952,625
RHODE ISLAND	0	6,106,193	95,021,587	101,127,780	20,020,859	4,328,783	76,778,138	71,256,385	0	5,521,753	5,521,753
SOUTH CAROLINA	0	39,987,130	99,967,824	139,954,954	0	9,996,782	129,958,172	80,782,416	0	49,175,756	49,175,756
SOUTH DAKOTA	677,650	19,892,480	212,798,651	41,849,781	0	2,127,965	39,721,816	20,382,454	0	19,359,382	19,359,382
TENNESSEE	2,052,929	117,889,828	232,241,316	352,184,073	53,626,681	10,300,000	288,257,392	128,102,386	0	160,155,006	160,155,006
TEXAS	181,735,563	0	538,964,526	720,700,089	0	31,235,772	689,464,317	491,944,001	197,520,316	0	197,520,316
UTAH	0	44,562,584	84,313,871	128,876,455	0	5,307,000	123,589,455	70,907,649	0	52,661,806	52,661,806
VERMONT	0	0	47,353,181	47,353,181	9,224,074	4,735,318	33,393,769	33,393,769	0	0	0
VIRGINIA	0	14,677,162	158,285,172	172,962,334	3,000,000	14,581,500	155,380,834	150,551,946	2,911,000	1,917,888	4,828,888
WASHINGTON	0	18,404,574	382,853,771	401,258,345	105,088,000	9,733,928	286,426,417	267,917,914	0	18,508,503	18,508,503
WEST VIRGINIA	0	13,579,408	109,184,723	122,764,131	0	10,918,472	111,845,659	80,603,228	0	31,242,431	31,242,431
WISCONSIN	0	0	314,499,354	314,499,354	62,899,870	14,715,200	236,884,284	236,884,284	0	0	0
WYOMING	5,736,339	41,300,922	16,430,426	65,467,687	3,700,106	0	61,767,581	13,304,506	2,539,657	45,923,418	48,463,075
Total	1,707,401,721	2,104,267,490	16,556,905,974	20,468,576,185	1,877,890,458	974,038,036	17,616,647,691	13,570,132,221	1,896,061,682	2,150,796,068	4,046,515,470

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

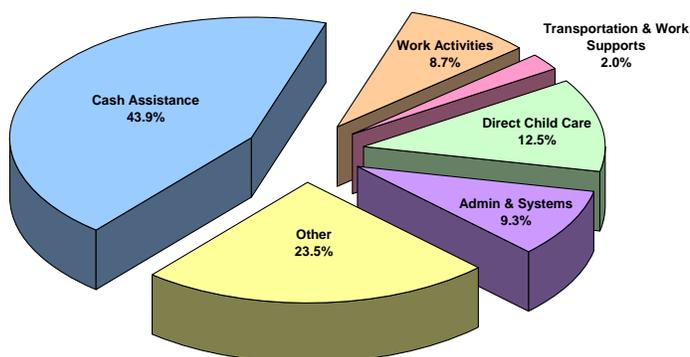
Expenditures

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

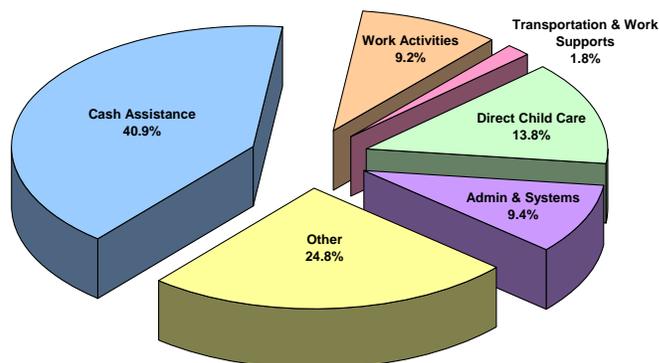
Figure A
FY 1997 Expenditures by Category



FY 2005 Expenditures by Category



FY 2006 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 2005 and FY 2006 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 \$10.5 billion, or 40.9 percent, of their total Federal TANF and State MOE funds in FY 2006 on cash assistance. This represents a decrease of 6.2 percent when compared with the \$11.2 billion spent on cash assistance during FY 2005. 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). 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 \$2.4 billion in combined funds (9.2 percent) on work activities in FY 2006, 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 an increase of 6.6 percent from levels reported for work activities during FY 2005.

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 \$472 million (1.8 percent) in FY 2006. This represents a decline of 8.0 percent from FY 2005. 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 on child care totaled \$3.5 billion, or 13.8 percent of all spending. This was an increase of 11.2 percent from the prior year. In addition, States transferred a net of \$1.9 billion in Federal TANF funds from the TANF program into the CCDF. Taken together, States continued to spend significant Federal TANF and State MOE funds on child care. During FY 2006, States devoted just over \$5.4 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 the CCDF are not necessarily spent during the current fiscal year and can be returned to TANF at a later time). 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 2006 totaled \$2.4 billion, or 9.4 percent, of total expenditures. Of the \$2.4 billion, States claimed \$2.1 billion for administrative costs that fall within the 15 percent administrative spending cap and \$273 million on information systems. Combined, these amounts were 1.4 percent higher than in FY 2005.

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 2006. Refundable tax credit program spending was \$1.2 billion, which

was an increase of 10.2 percent over the prior year. 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 for foster care and juvenile justice services allowed under prior law decreased 20.7 percent to \$750 million. Individual Development Account programs accounted for \$1.7 million.

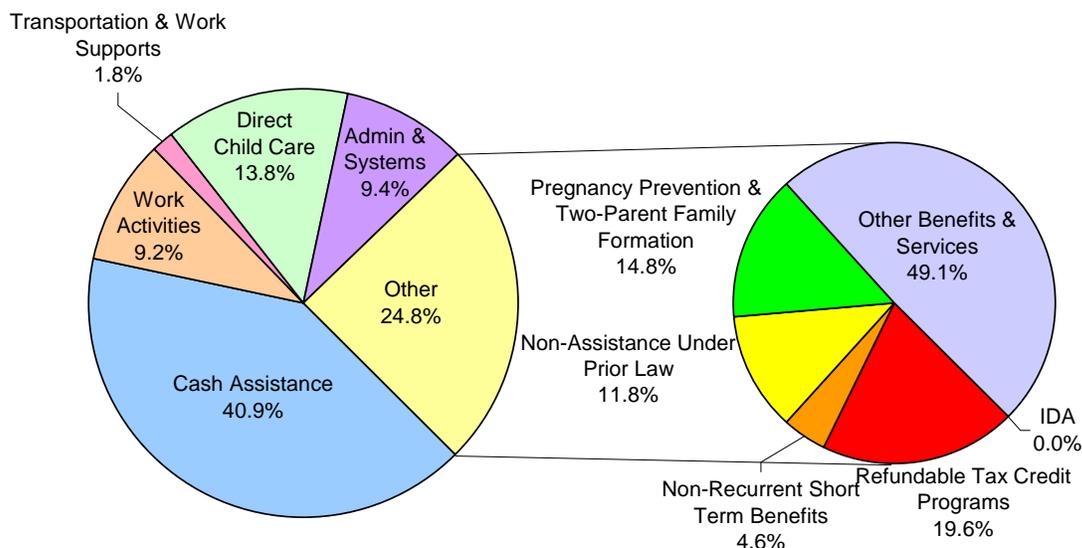
Spending on non-recurrent short term benefits increased 8.3 percent to \$289 million in FY 2006. Non-recurrent short term benefits include expenditures on one-time, short-term benefits to families in the form of cash, vouchers, subsidies, or similar forms of payment to deal with a specific crisis situation 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 \$940 million, an 11.9 percent increase over FY 2005 levels. 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 miscellaneous other activities totaled \$3.1 billion, representing an 11.1 percent increase over the prior year. 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 2006 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, and part-time student grant programs.

Figure B breaks down the "other" category, to show how States expended combined Federal TANF and State MOE funds for the activities during FY 2006.

Figure B
FY 2006 - 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 (SSI); 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 SSI) or families that consist of a non-parent caretaker relative (although the Deficit Reduction Act of 2005 included work participation requirements for adults in SSPs beginning in FY 2007 which will likely change the composition of these programs).

