

# **Changes in State Spending on Social Services Since the Implementation of Welfare Reform**

## **A Preliminary Report**



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# **Changes in State Spending on Social Services Since the Implementation of Welfare Reform**

## **1. Introduction: A Framework for Fiscal Analysis**

This paper examines how state spending on social services programs has changed between a pre-welfare-reform year and a post-welfare reform year in four pilot-study states: California, Georgia, Missouri, and Wisconsin. We define social services broadly to include means-tested and non-means-tested programs, and we include programs funded under TANF (Temporary Assistance to Needy Families) and under other federal programs, along with associated spending from states' own sources.

Analyzing state spending on social services is fraught with pitfalls. To make meaningful comparisons, we needed to gather data from states in categories that are consistent across states and time to the greatest extent possible. States do not track or report programs using a common set of definitions. They differ in how they treat federal funds in their budgets. They differ in how they treat administrative costs, fringe benefits, and case management costs. They even differ within a state across time.

Attempting to gather fiscal data that is reasonably consistent across states is a daunting task. We believe we have been quite successful at this, and that the work described in this paper can serve as a template for future analyses in other states. We consulted with many researchers, government officials, and policy analysts in designing and carrying out this project, and we are grateful for their contributions. See the "Acknowledgments" section for a list of those who made especially important contributions.

## **2. The Need for Fiscal Analysis**

When the federal government enacted welfare reform — the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) — it struck a new bargain with the states.

Under the old system, states established their own welfare income eligibility rules and cash assistance amounts, but had little flexibility to design innovative programs or establish incentives to prevent poverty, help people find work, or achieve other goals of the welfare system, unless approved in advance under federal waiver authority.<sup>1</sup> Although the system was rigid, the federal government shared the fiscal risk of success or failure with the states: federal spending increased when state caseloads or benefit levels increased, and decreased when they decreased. States did not bear the full cost of increased welfare spending, and did not receive the full savings if spending fell.

Under the new system, states have much more programmatic flexibility than before, but also bear greater fiscal risk. The federal government now provides the states with relatively fixed block grants that they can use for innovative programs or to establish incentives as they see fit, as long as their programs meet the broad purposes of Temporary Assistance to Needy Families (TANF), and as long as states meet certain maintenance of effort requirements for state-financed spending. In exchange for this programmatic freedom, the new law subjects states to increased fiscal and programmatic reporting requirements, and shifts nearly all of the fiscal risk to states: if caseloads or

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1 These waivers had been growing in popularity and use in the years leading up to welfare reform.

benefits fall, states reap all of the associated expenditure savings; if caseloads or benefits rise, states pay essentially all of the increase.<sup>2</sup>

The federal government expected this new bargain to raise federal spending in the short term but reduce federal spending in the long term. The initial block grants to states were greater than federal spending anticipated under the old caseload-driven grant system because caseloads in most states had declined between the base year used to determine the block grant and the first year of welfare reform. In essence, the federal government gave states a windfall in the initial years of welfare reform. The federal projections, however, contemplated that caseloads would resume their longer term rise, and that federal spending under the old caseload-based system eventually would have risen above the block grant amounts. In other words, the federal government expected the TANF-related elements of welfare reform to provide federal budget savings over the longer term, and higher state costs.

Policymakers misgauged dramatically how welfare caseloads would change in the years after enactment. The caseload decline that began in 1994 before welfare reform was enacted continued and accelerated. As of August 1999 caseloads had declined in all 50 states, and were at their lowest level for the nation as a whole since 1969. From January 1996 to March 1999 alone, the number of recipients dropped by 43%, from 12.9 million to 7.3 million. While researchers debate how much of the decline is driven by the strong economy, how much resulted from federal welfare reform, how much reflects actions taken by states under waivers, and how much reflects other factors, caseloads clearly are far lower than just about anyone expected when welfare reform was enacted.<sup>3</sup>

The dramatic decline in caseloads created huge cash assistance savings for states — savings the federal government would have shared under the old law, but that they do not share in under the new law (block grants do not decline just because caseloads do). These savings have created a big opportunity for states to undertake new programs designed to move people to work, improve child well-being, or accomplish any of the other objectives of the welfare law. Federal and state money that they might have expected to spend on cash assistance could, in theory, be used to fund other TANF-related programs.

In fact, the final TANF regulations have provided states with tremendous flexibility in spending, especially with regard to the *working* poor. As an HHS Fact Sheet on the final TANF regulations states:

The final welfare reform regulation will hold states accountable for strict requirements to move people from welfare to work, while providing flexibility for states to create innovative programs to build on the success of welfare reform. In addition, the new regulation makes it easier for states to use their welfare block grant to pay for child care, transportation, and job retention services to help people who have left welfare stay off the rolls — or to help families so they don't have to go on welfare in the first place.<sup>4</sup>

The final regulation makes it easier for states to use their welfare block grants for child care and other services through the new definition of “assistance.” The definition of assistance is important because the major TANF requirements (work requirements, time limits for Federal assistance, and

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2 See Boyd, Donald J. and Elizabeth I. Davis, “Welfare Reform and Expenditure Pressures in the Next Recession,” *Proceedings of the 90<sup>th</sup> Annual Conference on Taxation*, Chicago: National Tax Association, November 1997.

3 See, for example, Blank, Rebecca M. *What Causes Assistance Caseloads to Grow?* Chicago: Institute for Policy Research, Northwestern University, May 1997, and Council of Economic Advisers, *Explaining the Decline in Welfare Receipt, 1993-96: Technical Report*, Washington, DC, May 1997.

4 U.S. Department of Health and Human Services, “HHS Fact Sheet: Clinton Administration Finalizes Welfare Regulations,” (Washington, DC: USDHHS, April 9, 1999).

data reporting) only apply to families receiving assistance. The final regulation makes it clear “assistance” only includes direct payments for ongoing basic needs, such as cash grants. This definition *excludes* non-recurrent short-term benefits to deal with individual crisis situations as well as child care, refundable earned income tax credits, work subsidies to employers, Individual Development Account benefits, case management, job search, and job counseling. In other words, people who are not working and are receiving cash grants face time limits, work requirements, and other requirements. People who are receiving some sort of government aid that supports work do not face time limits and other requirements. According to HHS, this definition of assistance (which was a significant narrowing of the definition from its draft regulation) was designed “to encourage states to use TANF funds to provide supports for working families.”<sup>5</sup>

To the chagrin of many policymakers, states have not spent all their federal TANF funds despite the new flexibility. Instead, many have accumulated huge balances of unspent and unobligated funds in the federal treasury. As of March 1999, the states plus the District of Columbia had unobligated balances aggregating to \$4.2 billion, amounting to approximately one-third of a full year of TANF funding. In addition, there was another \$3.4 billion in funds that states had obligated but not yet spent, for a total of \$7.6 billion in unspent funds.<sup>6</sup>

The combination of large cash assistance savings that the federal government cannot share, coupled with the fact that states are not spending all of their money, has aroused interest and concern in Washington. For example, some lawmakers have proposed that the federal government rewrite the rules to “claw back” some of the unspent balances, effectively sharing in the savings. Others want to protect states from such a maneuver. For example, Representative Nancy Johnson, Chairman of the Subcommittee on Human Resources in the House Ways and Means Committee, told governors in a March 16, 1999 letter:

My colleagues and I on the Committee on Ways and Means are fighting to save this money from those who would like to spend it on other priorities, but I want you and all the other governors to understand that unless states begin spending more of this money, we will eventually lose the battle to protect it here in Washington.

Representative Johnson went on to suggest ways that states might spend or earmark their TANF funds, including: more-intensive services and assistance to help adults remaining on the welfare rolls enter employment; child-care assistance for low-income families at risk of falling into welfare; using TANF funds to integrate various employment and training programs to create one-stop career centers; programs to help poor fathers become involved in family life and achieve their economic potential; and enacting state legislation to reserve, explicitly, a portion of unobligated balances for a rainy day.

To date, state unspent balances have escaped a “claw back,” but the issue will not go away and at the end of 2002, funding for the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 expires. In reauthorization legislation likely to be enacted in 2001, the Executive Branch

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5 Ibid.

6 It is not clear what is the best measure of welfare funds that states have not yet programmed. In this paper we look at unobligated balances – money that clearly is not yet programmed – and total unspent balances, which includes unobligated balances plus obligated but unspent balances. The Center on Budget and Policy Priorities argues that a substantial portion of unspent funds that states consider “obligated” probably do not have firm commitments underlying the obligations – for example, some states count funds appropriated to local governments as obligated, even though local governments may not yet have plans for how to spend these funds (see Ed Lazere, *Welfare Balances After Three Years of TANF Block Grants*, Center on Budget and Policy Priorities, January 12, 2000). As a result, the Center on Budget and Policy Priorities examines total unspent funds. On the other hand, a reading of federal regulations suggests that states should not obligate funds unless there are relatively firm commitments. As a result, we look at both measures. Unobligated balances probably understates the amount of unprogrammed money, and total unspent balances probably overstates the amount of unprogrammed money.

and Congress will have to decide how much money to reauthorize, how to distribute it across states, and whether and how to impose conditions on its receipt and restrictions on the way it is spent.

Before reauthorization can occur, it will be important for policymakers to understand how states are responding to the new law. The PRWORA gave states much more flexibility in designing their welfare programs and significantly more money than they would have received under the old law, at least at current caseload levels. While information on the programmatic implementation of welfare reform and data on the well-being of people on and off the welfare rolls will be critical to the upcoming debate (and significant research is being conducted in these areas), policymakers will also want to understand how state spending on welfare and other social services programs has changed since adoption of the law. In particular, public officials will want to know how the overall level of spending has changed, how state spending priorities have changed, how federal and state financial relationships have changed, and what new policies may have led to spending changes.

That is where this project can be helpful. It is part of a larger project at the Rockefeller Institute, the Capacity Study, which is examining the implementation of welfare and other social service programs.<sup>7</sup>

### **3. The Fiscal Effects Study and What We Hope to Learn**

State expenditures and budgets reflect state priorities and provide concrete documentation of those priorities. Unfortunately, it takes considerable effort to make state finances understandable and to make reasonable comparisons across states. With the proper effort, though, it is possible to provide insights into how state priorities have changed in the wake of welfare reform.

We focus on social services spending in this paper. As described in more detail later, we define “social services” broadly, to include both means-tested programs and other programs more widely available. It is important to take this broader view, since states do not make decisions about means-tested programs in a vacuum: for example, decisions about spending on cash assistance or employment support programs can affect, and be affected by, decisions about child welfare spending, other social services programs, or for that matter the rest of the entire budget.

We address several questions about how state spending priorities have changed in the wake of welfare reform, and how states are spending welfare money:

- ❖ *How has overall state spending on social services changed as a budget priority? Is social services spending a greater or lesser proportion of the state budget than before? Is there any evidence that states have used a welfare surplus for other state priorities outside the realm of social services, such as tax cuts, education spending, and so on?*
- ❖ *How have priorities shifted within social services? What are states spending more money on, and where have they reduced spending? Why aren't states spending all of their TANF grants?*
- ❖ *How have federal-state financial relationships changed? How has the federal share of spending on various programs changed? Are some states supplanting state money with federal money in some programs?*

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<sup>7</sup> The Rockefeller Institute of Government's Capacity Study is a multi-year research project on state management systems for welfare, Medicaid, and workforce development programs. The project includes two rounds of intensive field research in 23 states (including the District of Columbia). A field research director, usually a scholar who works in the state and has extensive knowledge of that state's programs and administrative systems, leads the study in each of the states.

- ❖ *Why are states accumulating unspent TANF balances?* How large are these balances relative to state spending on TANF-related programs and relative to the poverty population? And, to the extent it is possible to learn this, why are states accumulating unspent balances?

We structured data gathering around these questions; the data are useful for answering many other questions as well.

In future work, we hope to use data sets to draw conclusions about how much change there has been, and how it varies across states. We also would like to group states by the types of change occurring. For example, we would like to know which states are reserving or otherwise not spending all of their welfare money, which are highly innovative in developing an array of services for low-income people, which are developing interesting programs to help *working* poor families, which are substituting federal spending for state spending, and so on. Where possible, we would like to identify possible reasons for variations among states in spending behavior.

## 4. Methodology

Answering these questions requires a dataset with two key features. First, it must have data for the pre- and post-welfare reform period. Second, we must put the entire social services pie on the table to see how states have shifted spending among social service categories and between federal and state funding sources, to see how states may have used welfare savings to provide general budget relief.

Many questions cannot be answered using federal data. The key federal financial reporting form, the ACF-196, is focused on collecting data related to the TANF program, and it begins with the federal fiscal year 1997, so it cannot provide a pre-welfare-reform baseline. Also, its TANF focus means it is not broad enough. It does not include some categories of social services spending, such as mental health spending or spending on child welfare, that may be affected by the new flexibility in spending allowed under TANF.

We decided, therefore, to collect data directly from states. After internal discussions and discussions with many other researchers and interested parties including the Administration on Children and Families at the U.S. Department of Health and Human Services, the U.S. General Accounting Office, the Office of Management and Budget, the Urban Institute, the Center on Budget and Policy Priorities, the American Public Human Services Association, and analysts and advocacy organizations in several states, we made the following decisions:

1. We focus on state governments as the unit of analysis, and include all “social services” spending that goes through state budgets, including federally funded spending such as TANF, state funded maintenance-of-effort (MOE) spending, and other funding streams in state budgets. As much as we would like to include local spending in the analysis, for pragmatic reasons we do not include it unless it went through the state budget — there are simply too many local governments to collect data from, even in a single state, to make this feasible. This rule, however, means that we capture local spending when it is linked to federal spending such as federal Title IV-A (AFDC) spending or when it is money that local governments spend from state block grants to localities.
2. We use 1994-95 as the pre-welfare reform year rather than 1995-96, which in most states ended just before the August 1996 signing of PRWORA, because 1994-95 is less affected by

actions states might have taken in anticipation of welfare reform legislation. We use 1998-99 as the post welfare-reform year.<sup>8</sup>

3. We define “social services” to include:

- ❖ *Poverty relief*: direct financial assistance for basic living expenses, such as cash assistance under TANF, state-financed SSI supplementation, emergency assistance programs, and similar programs.
- ❖ *Job training and employment support*: includes job training programs to provide people not yet working with skills or education to make them employable, job search assistance, and employment support programs designed to keep newly employed people employed, including, for example, employment counseling, earned income tax credits, transportation, and wage subsidies.<sup>9</sup>
- ❖ *Child care*: any spending on child care or child development programs for children<sup>10</sup>
- ❖ *Poverty prevention*: programs such as diversion payments, family planning, and substance abuse prevention and treatment.
- ❖ *Child protection and juvenile justice*: includes child welfare programs such as adoption assistance, foster care, independent living programs, programs intended to prevent out-of-home placements, and programs that focus on preventing child abuse and neglect, and noninstitutional social services programs for youth who have violated the state juvenile code.
- ❖ *Other*: This category includes a variety of other programs commonly thought of as social services programs but not included in the above categories, such as services to seniors, services related to mental health and developmental disabilities, and several other items.

The first three categories above — poverty relief, job training and employment support, and child care — tend to be thought of as services for low-income families. They also tend to consume the bulk of TANF-related spending.

4. We treat any program funded by AFDC, TANF, or state MOE funds as a social services program even if it would not otherwise fit in one of the categories above.
5. We collect spending data by major funding stream, so that for each year we know the amount of spending in a given category financed by the federal government and the amount financed by the state government, and in some cases we obtain finer breakdowns (for example, we distinguish between spending financed by TANF and spending financed by other federal funding streams).

We began with four states — California, Georgia, Missouri, and Wisconsin. We chose these states because they vary geographically, politically, and in the kinds of welfare reforms they have adopted, and because the Institute has field researchers or other contacts in the states who are adept

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8 The data collected are for a state fiscal year (usually July 1 to June 30) rather than the federal fiscal year.

9 We had hoped to be able to separate this category into two separate categories – one that focuses on services before someone is employed and one that focuses on services for people after they are employed —but only one state out of the four studied here was able to break their programs out this way.

10 Theoretically, child care could be considered employment support and could therefore be included in that category. However, we felt child care spending was important enough on its own to merit its own category.

at opening doors and gaining cooperation. We expect to add more states to the project over the course of the next year.

It was no simple matter for states to provide these data. We worked closely with them to make sure they understand our objectives and how we define categories. Frequently we needed data related to several different agencies. To maximize chances of success, wherever possible we asked state field researchers to open doors, set up meetings with knowledgeable state officials and encourage them to work with us.

Even with the assistance of field researchers and with cooperation of state officials, gathering the data proved to be a formidable task. We asked numerous follow-up questions in each state to ensure that state officials understood the information request, and to inquire about numbers that seemed surprising. In some cases detailed questions seemed to go beyond what state financial accounting systems could answer.

In the analysis that follows, we usually focus on nominal spending in the states, not adjusted for inflation. Because this is the first time these numbers appear in the public domain, we believe that many readers will want to see the unadjusted numbers. In addition, we usually do not show spending relative to a measure of need, such as the poverty population, largely because poverty estimates are based on small samples and are not as reliable as we would like. Nonetheless, for completeness, in one section of the report we do adjust for inflation and divide by estimates of the poverty population.

## **5. Findings from Four States**

### ***Overview of Findings***

Spending on cash assistance has declined dramatically, roughly consistent with declines in welfare caseloads. States have used this opportunity to increase spending on other services for low-income families, refocusing spending on services for working families, such as child care and employment and training. The four states increased spending in these categories dramatically in percentage terms — nearly doubling, on average, between 1994-95 and 1998-99, with especially large increases in child care spending. Nonetheless, these increases have not been large enough to make up for the savings in cash assistance spending. Each of the four states spent *less* in 1998-99 on services for low income families than it did in 1994-95. Even with large increases in child care and employment-related spending, all four study states spent less federal TANF money in 1998-99 than they did under predecessor federal programs in 1994-95, contributing to large unspent balances at the federal treasury.

Although state spending on services to low-income families has declined, states have had significant new commitments in other social services. Spending on child welfare has grown rapidly in all four states, averaging roughly 50 percent growth in the four states, and spending on mental health and developmental disabilities has grown as well. In California and Missouri these increases have more than offset the decline in services to low-income families, so that total social services spending is up slightly. This was not the case in Georgia and Wisconsin.

Even in states where social services spending was up slightly in nominal terms from 1994-95, it lost ground as a share of the state budget — the rest of the budget grew faster. This is not surprising given the strong economy.

Finally, all four states have increased the federal share of spending on the narrower set of social service programs designed principally for low-income families, and reduced the state share.

## Detailed findings

*Finding 1: Trends in total social services spending have varied from state to state.*

As Table 1 shows, in Missouri total social services spending grew fairly substantially, in Wisconsin it declined, and in California and Georgia spending remained fairly flat, with California's spending increasing 4% and Georgia's decreasing 1%.<sup>11</sup> In all states except Wisconsin, federal and state spending rose or fell together at roughly the same rate. In California, for example, federal spending rose by \$280 million, or 6%, while state spending and local spending rose \$265 million, or 3%. In Wisconsin, federal spending rose by \$20 million, or 4%, while state spending declined by \$122 million or 14%.

	<i>Federal</i>		<i>State (State/Local)</i>		<i>Total</i>	
	<i>Change</i>	<i>% Change</i>	<i>Change</i>	<i>% Change</i>	<i>Change</i>	<i>% Change</i>
California	279,540	6%	265,341	3%	544,881	4%
Georgia	(13,652)	(2%)	(5,451)	(1%)	(19,103)	(1%)
Missouri	60,960	14%	115,625	17%	176,585	16%
Wisconsin	20,507	4%	(121,704)	(14%)	(101,196)	(8%)

*Finding 2: Spending on social services has declined as a percent of the total budget.*

As Figure 1 shows, state social services spending as a percent of state general fund spending declined in each of the states studied. We saw in Table 1 that total social services spending declined only in Wisconsin. But in all states, social services spending has not kept up with the overall growth in spending. This finding is not surprising in economic good times when state revenues tend to grow and social service needs tend to diminish.

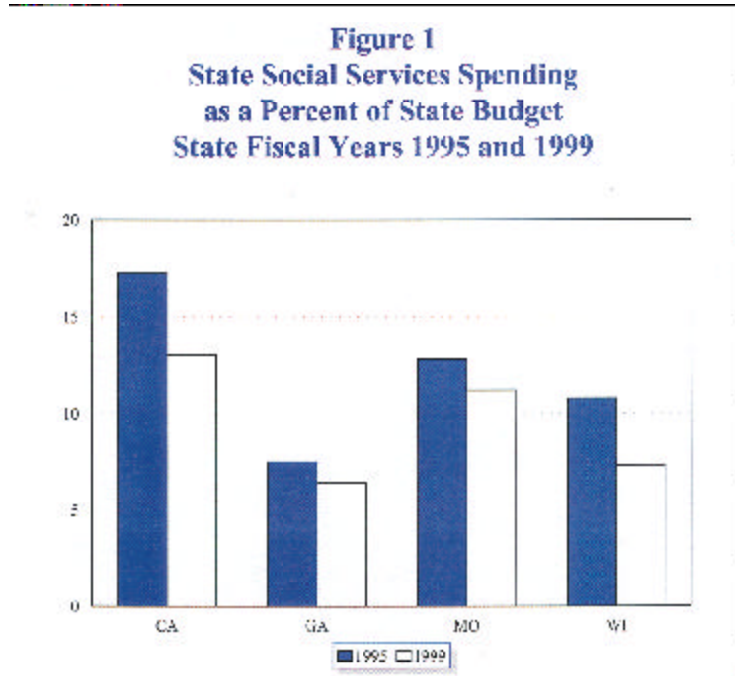
*Finding 3: Cash assistance spending has declined significantly in all four states.*

The biggest change in absolute spending was the decline in cash assistance. All four states had large drops in TANF caseloads over the period examined.<sup>12</sup> Wisconsin has had especially large caseload declines. For the most part these caseload changes reflect changes in families receiving cash assistance, suggesting similar changes in cash assistance spending absent changes in benefit levels or in the kinds of families receiving benefits.

Table 2 shows that all four states had dramatic declines in both federal and state (or state and local) cash assistance spending, with total cash assistance spending roughly consistent with caseload declines. The biggest absolute drop in spending — \$2.67 billion from state fiscal year 1994-95 to state fiscal year 1998-99 — was in California, the most populous state and the one with the largest budget of all the states in this study. The largest percentage decline in spending — 77% — was in Wisconsin, which has experienced the largest caseload decline of the states in this study.

11 These data have not been adjusted for inflation. Adjusting for inflation dampens the increases and heightens the decreases.

12 Nationally, caseloads declined by 49 percent over the same period. Caseload declines are measured from January 1995 through June 1999, as these data are available in convenient form from the Administration on Children and Families and are reasonably consistent with the period for which we examined spending. January 1995 is three-quarters of the way through the 1995 state fiscal year, and June 1999 is at the end of the 1999 state fiscal year.



Sources: National Association of State Budget Officers and Rockefeller Institute of Government.

**Table 2**  
**Changes in Cash Assistance Spending and Caseloads**  
**State Fiscal Year 1995 to State Fiscal Year 1999**  
**(Dollars in Thousands)**

	<i>Federal</i>		<i>State (State/Local)</i>		<i>Total</i>		<i>Caseload Change</i>
	<i>Change</i>	<i>% Change</i>	<i>Change</i>	<i>% Change</i>	<i>Change</i>	<i>% Change</i>	
California	(1,302,733)	(41%)	1,368,781	(41%)	(2,671,514)	(41%)	<b>(34%)</b>
Georgia	(118,712)	(43%)	(103,002)	(65%)	(221,714)	(52%)	<b>(62%)</b>
Missouri	(35,370)	(20%)	(80,753)	(68%)	(116,123)	(39%)	<b>(47%)</b>
Wisconsin	(175,788)	(83%)	(97,178)	(69%)	(272,966)	(77%)	<b>(89%)</b>

*Finding 4: Spending on child care and child development programs has risen in all four states.*

Another large change in absolute spending was in the areas of child care and child development. As Table 3 shows, this spending rose significantly in all four states. California experienced the largest absolute increase in spending, a \$988 million increase from state fiscal year 1995 to state fiscal year 1999. Wisconsin had the largest percent increase – 168% — but all except Georgia had at least a doubling of total child care and child development spending. In all states but Missouri, the bulk of the increase was in federal spending and reflects the Congress’s large increase in child care funding as part of the Personal Responsibility and Work Opportunity Reconciliation Act in 1996. At that time, Congress combined several child care funding streams into the new Child Care Development Fund, which was projected to increase the total federal outlays by \$3.5 billion over the 1997-2002 period.<sup>13</sup> This increase in both state and federal spending appears to acknowledge

13 Congressional Budget Office, “CBO Memorandum, Federal Budgetary Implications of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996,” (Washington, DC: CBO, December 1996).

the critical importance of child care funding in an environment when large numbers of former welfare recipients are expected to work.

<b>Table 3</b> <b>Changes in Child Care/Child Development Spending</b> <b>State Fiscal Year 1995 to State Fiscal Year 1999</b> <b>(Dollars in Thousands)</b>						
	<i>Federal</i>		<i>State (State/Local)</i>		<i>Total</i>	
	<i>Change</i>	<i>% Change</i>	<i>Change</i>	<i>% Change</i>	<i>Change</i>	<i>% Change</i>
California	825,509	448%	162,863	24%	988,372	115%
Georgia	30,835	51%	32,135	140%	62,971	76%
Missouri	29,419	80%	37,290	196%	66,710	120%
Wisconsin	94,435	281%	5,295	21%	99,730	168%

*Finding 5: Spending on job training and employment support services increased in all four states.*

Spending on job training and employment support services (excluding child care) also increased in every state. As Table 4 shows, spending grew by more than 50% in all states except Wisconsin. In all states except Missouri, the growth in spending comes entirely from increases in federal spending. In fact, in all states except Missouri, state spending has actually declined. So, even though overall spending on job training and employment support increased in all four states studied, three of the four states reduced their own commitment in this area by supplanting their own spending with federal spending.

We hope that further research will help us understand which training and employment support programs states are investing in and how they differ from past programs. Initial communication with the states indicates that some of the states, such as California, are adding substantial new funds to training programs that are very similar to the old JOBS program while other states, such as Wisconsin, appear to be revamping their training and employment support programs.

<b>Table 4</b> <b>Changes in Employment-Related Services</b> <b>State Fiscal Year 1995 to State Fiscal Year 1999</b> <b>(Dollars in Thousands)</b>						
	<i>Federal</i>		<i>State (State/Local)</i>		<i>Total</i>	
	<i>Change</i>	<i>% Change</i>	<i>Change</i>	<i>% Change</i>	<i>Change</i>	<i>% Change</i>
California	170,629	129%	(34,094)	(27%)	136,535	52%
Georgia	27,196	124%	(5,681)	(35%)	21,515	56%
Missouri	7,843	65%	13,488	188%	21,331	111%
Wisconsin	29,872	82%	(8,282)	(11%)	21,590	20%

The spending changes discussed above reflect growing attention to and discussion of programs for people who work or who are attempting to get work. This work-first philosophy is clearly articulated in the welfare reform legislation which states that “each State . . . is encouraged to assign the highest priority to requiring adults in 2-parent families and adults in single parent families that include older preschool or school-age children to be engaged in work activities.”

*Finding 6: Spending on child welfare services has grown significantly in all four states.*

	<i>Federal</i>		<i>State (State/Local)</i>		<i>Total</i>	
	<i>Change</i>	<i>% Change</i>	<i>Change</i>	<i>% Change</i>	<i>Change</i>	<i>% Change</i>
California	342,311	38%	735,078	66%	1,077,389	54%
Georgia	19,160	32%	26,258	30%	45,418	31%
Missouri	28,935	34%	51,149	61%	80,084	47%
Wisconsin	36,480	73%	22,167	61%	58,647	68%

Another social service spending trend that is emerging from this study is the continued growth in child welfare spending. In all four states studied, child welfare spending (spending on foster care payments, adoption services, programs to keep families together, etc.) has increased quite dramatically, as Table 5 shows.<sup>14</sup>

There appear to be different explanations for the large increase in spending in each of the states. Experts in child welfare in California explain the increase as part of a shift in philosophy about how to treat abused and neglected children. While caseloads and spending have reportedly been increasing for some time, there may be some special circumstances that have accelerated spending in the FY95-FY99 time period. Prior to FY95, the state was largely committed to the philosophy of family preservation. Under such an approach, the state tries to keep children with their biological parents whenever possible. It was felt that this approach was more humane as well as less expensive than removing the child from the home and placing him or her in out-of-home care. Some child welfare experts assert that as media scrutiny and public outrage about the re-abuse of some children grew and as government budgets improved due to California's economic recovery, the pendulum began to swing back toward greater use of out-of-home care and the state began to invest more in the child welfare system.

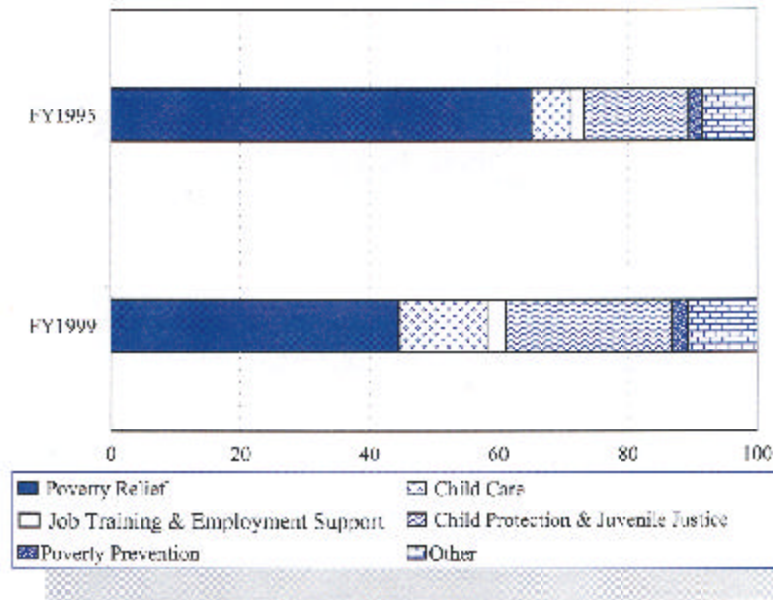
In Missouri, some experts have a different view on what is occurring in that state. They are seeing a change in the population being served by the child welfare system. In the past, the child welfare system was used for children in clear-cut abuse and neglect cases. More recently however, experts say they are seeing more children entering the system with serious mental health problems because the mental health and juvenile justice systems have not been able to accommodate them. This new population of children tends to require more expensive and long-term services.

In Wisconsin, state officials say there has been an increase in caseload and spending but some of the state's increase in spending is due to the fact that the state took over Milwaukee County's child welfare system in January of 1998. In addition, state officials say the state spent more on foster care and adoption assistance for children with special needs.

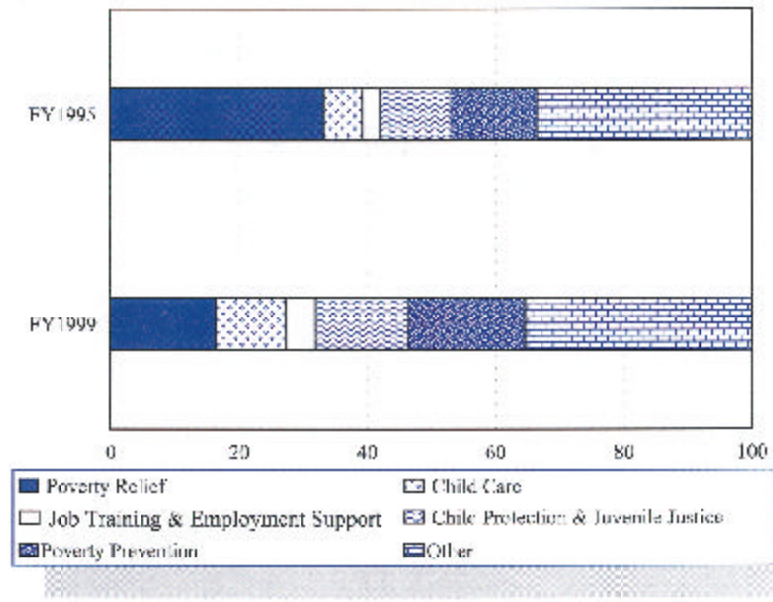
None of the state child welfare experts attributed the increased child welfare spending to changes in welfare reform. However, it will be important for experts to investigate whether any of the continued growth is due to the new cash assistance funding structure. It is possible that families are under more stress as they try to combine work at low-wage jobs with few benefits with raising a family, although "leaver" studies have not shown major problems here. It may also be that states are

<sup>14</sup> While all states are showing increased child welfare spending, the magnitudes of the growth can vary dramatically from state to state because state child welfare systems vary so much across states.

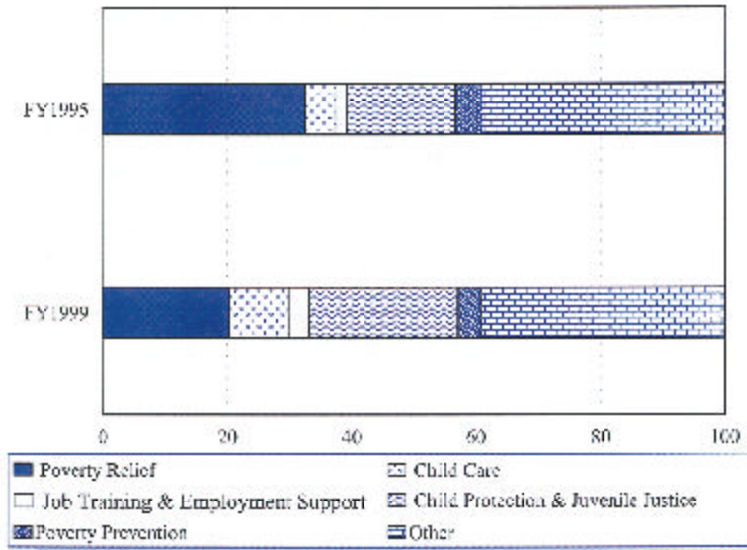
### Figure 2 California Spending Shares



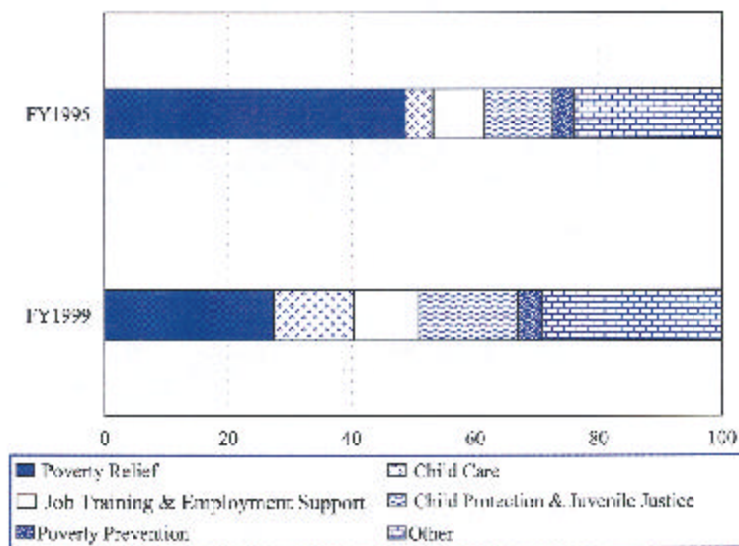
### Figure 3 Georgia Spending Shares



### Figure 4 Missouri Spending Shares



### Figure 5 Wisconsin Spending Shares



**Table 6**  
**Changes in Total Spending 1994-95 to 1998-99**  
**(In Millions of Dollars)**

	<i>Traditional Low-Income Programs</i>				<i>Other Social Service Programs</i>				<i>Social Service Total</i>
	<i>Poverty Relief</i>	<i>Employment &amp; Training</i>	<i>Child Care &amp; Development</i>	<i>Subtotal</i>	<i>Poverty Prevention</i>	<i>Child Protection</i>	<i>Mental Health &amp; Other</i>	<i>Subtotal</i>	
California	(2,442)	137	988	(1,317)	87	1,368	406	1,862	545
Georgia	(230)	22	63	(145)	62	45	19	126	(19)
Missouri	(108)	21	67	(20)	5	107	85	197	177
Wisconsin	(312)	22	100	(191)	2	50	38	90	(101)

NOTE: Social services as defined here is broader than TANF, and includes considerable spending not allowable under TANF.

**Table 7**  
**Percentage Change in Total Spending 1994-95 to 1998-99**

	<i>Traditional Low-Income Programs</i>				<i>Other Social Service Programs</i>				<i>Social Service Total</i>
	<i>Poverty Relief</i>	<i>Employment &amp; Training</i>	<i>Child Care &amp; Development</i>	<i>Subtotal</i>	<i>Poverty Prevention</i>	<i>Child Protection</i>	<i>Mental Health &amp; Other</i>	<i>Subtotal</i>	
California	(28.6%)	52.3%	114.6%	(13.6%)	32.0%	64.2%	38.6%	53.9%	4.2%
Georgia	(50.9%)	56.2%	75.7%	(25.4%)	33.9%	30.6%	4.1%	16.0%	(1.4%)
Missouri	(29.4%)	110.7%	119.8%	(4.6%)	10.6%	54.1%	20.4%	29.9%	16.1%
Wisconsin	(48.1%)	19.9%	167.9%	(23.4%)	4.5%	33.6%	11.7%	11.7%	(7.6%)

NOTE: Social services as defined here is broader than TANF, and includes considerable spending not allowable under TANF.

**Table 8**  
**1998-99 Spending Per Poor Person**  
**(In 1998-99 Dollars Per Person in Poverty)**

	<i>Traditional Low-Income Programs</i>				<i>Other Social Service Programs</i>				<i>Social Services Total</i>
	<i>Poverty Relief</i>	<i>Employment &amp; Training</i>	<i>Child Care &amp; Development</i>	<i>Subtotal</i>	<i>Poverty Prevention</i>	<i>Child Protection</i>	<i>Mental Health &amp; Other</i>	<i>Subtotal</i>	
California	1,167	76	355	1,598	69	671	280	1,019	2,617
Georgia	205	55	135	396	227	179	440	846	1,242
Missouri	509	80	240	828	95	599	981	1,674	2,503
Wisconsin	765	296	362	1,423	106	454	815	1,375	2,798

NOTE: Social services as defined here is broader than TANF, and includes considerable spending not allowable under TANF.

**Table 9**  
**Change in Real Spending Per Poor Person Between 1994-95 and 1998-99**  
**(In 1998-99 Dollars Per Person in Poverty)**

	<i>Traditional Low-Income Programs</i>				<i>Other Social Service Programs</i>				<i>Social Services Total</i>
	<i>Poverty Relief</i>	<i>Employment &amp; Training</i>	<i>Child Care &amp; Development</i>	<i>Subtotal</i>	<i>Poverty Prevention</i>	<i>Child Protection</i>	<i>Mental Health &amp; Other</i>	<i>Subtotal</i>	
California	(508)	25	185	(297)	15	252	73	341	44
Georgia	(307)	12	41	(254)	19	11	(77)	(47)	(300)
Missouri	(99)	48	148	97	23	271	294	588	685
Wisconsin	(807)	33	218	(556)	(2)	92	37	127	(430)

NOTE: Social services as defined here is broader than TANF, and includes considerable spending not allowable under TANF.

using the savings from reduced cash assistance caseloads to fund an underfunded child welfare system. It may also be that the continued open-ended funding structure of the child welfare system is creating incentives to spend more on that program than on a program with fixed funding such as the new welfare/cash assistance system.

*Finding 7: The allocation of social service spending has changed significantly in the four states.*

As Figures 2-5 show, the allocation of state social service spending has shifted in all of the states studied. The biggest changes came in the proportion of social service dollars that go to poverty relief (cash assistance, general assistance, state SSI, etc.) and child care/child development. As Figure 2 shows, in FY95 California, more than two-thirds of all social service spending went to poverty relief programs. By FY99, less than half of all social service dollars were being spent on poverty relief programs. Meanwhile, the proportion of social services dollars being spent on child care/child development doubled from 7% to 14%. The same trend is visible in the other three states. In Georgia (Figure 3), spending on poverty relief programs went from 33% to 16% of all social service spending while child care expenditures grew from 6% to 11% of the total. In Missouri (Figure 4), spending on poverty relief programs went from one-third to one-fifth of total social services spending while child care's share jumped from 5% to 10%. In Wisconsin (Figure 5), about half of all social service dollars went to poverty relief programs in FY95. This dropped to 27% by FY99. Child care's share rose from 4% to 13% of total social service spending over that time period.

As noted earlier, job training and employment support spending has grown. But as these figures show, it still represents a very small portion of all social services spending — less than 5% in all states except Wisconsin where they spend a sizable amount of funds on a state Earned Income Tax Credit which is counted as employment support in this study.

Finally, in these four states there appears to be little new investment in poverty prevention efforts such as substance abuse prevention and treatment, pregnancy prevention, or diversion payments. It should be noted that this kind of investment may be forthcoming since some states were exercising extreme caution in their welfare programming while they were waiting for the final PRWORA regulation, which came out in the spring of 1999. The most recent data in this report cover state fiscal year 1998-99 and do not capture state reaction to the regulations.

*Finding 8: States have been cutting back on spending on programs that were designed for low-income families and increasing what is spent on other more traditional social services.*

If we look at spending allocations in a more aggregated way, another interesting picture emerges: states have been cutting back on spending on programs that were designed for low-income families and increasing what is spent on other more traditional social services.

The nearby tables show dollar and percentage changes in spending by state and major area examined, with summaries for traditional programs serving low-income families and for other social services.

All four states reduced spending on programs designed for low-income families. Increases in spending on child care and job training/employment support did not compensate for large declines in cash assistance spending.

If we look at spending on other social service programs (i.e., mental health, developmental disabilities, substance abuse, and non-health services for seniors, child welfare), we see that federal and state spending have increased in the four states studied. In Georgia and Wisconsin the increases in spending on other social services was not as large as the declines in spending on programs designed for low-income families, and so total social services spending declined. On the other

hand, in Missouri and California spending increases in these other social services programs were larger than declines in spending on programs for low-income families.

These conclusions hold up to deeper analysis. For example, Tables 6-9 show the level of spending per poor person in all four states in 1998-99, and the change in real spending per poor person in California, Georgia, and Wisconsin. (Missouri is excluded from this latter table because we considered estimates of the number of poor people in 1994 to be too unreliable to be used.)<sup>15, 16</sup>

*Finding 9: While there has been considerable talk of state efforts to supplant state spending with federal TANF grants, there is little evidence in these numbers of significant supplantation.*

When analysts speak of “supplantation,” they refer to state efforts to use federal TANF money to pay for services formerly financed by state money, freeing up state money for other purposes such as tax cuts or education spending. Supplantation is legal under the TANF law, as long as a state meets its maintenance of effort requirement. In some cases it is explicitly allowed. States are allowed, for example, to transfer some of their TANF grant to the Social Services Block Grant, which in turn can free up state funds for other purposes. Nonetheless, many people feel that substantial supplantation violates the spirit of TANF and some have suggested establishing a maintenance of effort requirement for federal TANF money.<sup>17</sup>

One way to look for supplantation might be to see whether states are spending more federal money and less state money on social services than they did before welfare reform. On the bottom line, looking across all social service spending categories, we generally don’t find this to be the case. Only Wisconsin shows higher federal spending and lower state spending, but the federal increase is driven by non-TANF funding sources.

We do, however, find indications of supplantation in specific spending areas. For example, Wisconsin reduced its own spending on its state Earned Income Tax Credit by \$38 million and replaced that and \$10 million more with federal TANF funds. Total spending on the EITC went up by \$10 million dollars but the state went from funding all of the cost of the program to funding less than a fifth of the cost. While this activity is legal, this supplantation of state dollars with federal dollars — for a program that has always been a state *supplement* to the federal EITC — may be an unintended outcome of the legislation and regulations. We found a few isolated examples in other study states that seem to be replacing state money with federal money in elements of social services spending, but no indication that this is occurring across social services spending in aggregate.

Clearly we are seeing supplantation in the study states in specific program areas, and some states outside the study apparently are supplanting state spending with federal money (a number of states have been forthright and public about this). Unfortunately, to date we have been unable to answer with any rigor the question of the extent to which states are supplanting state spending with federal spending.

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15 To smooth out volatility and aberrations in the Census Bureau’s estimates of the number of people in poverty, which were derived from relatively small samples, we did not use official poverty estimates for 1994 and 1998. Instead, for each state we fitted a line through the values for 1994 through 1998, and used the fitted values for 1994 and 1998. This yields estimates that, in this case, are not materially different than what would be obtained from the simpler method of averaging poverty estimates over two years (i.e., using the average of 1993 and 1994 for 1994, and the average of 1997 and 1998 for 1998).

16 Programs in the “Other Social Service Programs” category are not necessarily geared toward low-income recipients, and the poverty population might not be the best divisor. Nonetheless, we think it is important to look at low-income programs in this manner, and it is probably more useful to include the other social services programs in the analysis than to exclude them.

17 While states must spend state maintenance of effort money (MOE) on former AFDC programs or on *new* spending on programs for TANF-eligibles, there is nothing in the law that makes the same requirement for federal TANF money. The “new spending rule” does not apply to federal TANF spending.

*Finding 10: Unspent TANF funds are very large in Wisconsin by several measures and are relatively small in Missouri.*

The data show that 1998-99 state spending of federal TANF money was *less* than 1994-95 state spending of federal IV-A and IV-F funds, despite the fact that TANF grants are much larger than the 1994-95 federal grants. This is consistent with what many analysts have found from federal data, namely that states have not been spending all of their TANF grants, and have been accumulating unspent balances in the federal treasury – a fact that has aroused the concern of many policymakers. In aggregate, as of March 1999, states had accumulated \$7.6 billion of unspent TANF funds.

States might not have spent their entire TANF grants for several reasons:

- ❖ It takes time for policymakers and bureaucracies to decide how to respond to new flexibility such as that allowed under TANF. It may be much easier to cut back on cash assistance than to design new programs. This decisionmaking could be complicated by the sheer size and relatively unexpected nature of funding available for other programs, resulting in part from larger-than-expected declines in case loads. In other words, economic good news and greater-than-expected reductions in welfare rolls could contribute to unspent balances.
- ❖ State decisions to spend available funds could be further complicated by the uncertainty of the funding. Some analysts have suggested that states often are fiscally conservative, and reluctant to commit to new programs if they are unsure that funding for the programs will continue at its current level. States might be worried that TANF will be reauthorized after 2002 with less funding than at present, or even that funding will be reduced beforehand. Thus, state officials may see themselves as facing a fiscal conundrum: If they don't spend all their TANF funds, they increase the risk that they will lose them; but if they use TANF funds for new programs they risk pressure to fund these programs with their own money if TANF funds are reduced.
- ❖ Another reason states might not spend all their TANF funds is that to the extent they wish to set aside funds for a rainy day – for case load increases that might occur in a recession, for example – they are not allowed to do this with TANF funds they have drawn down from the federal treasury. If funds remain in the federal treasury, they can be used when needed for that purpose.
- ❖ After states decide upon policies, there may still be lags in designing and implementing new programs, and lags between implementation and payment under those programs. Unspent funds arising for this reason might be transitory.
- ❖ Finally, states may simply be unable or unwilling to reach agreement on how to spend money. For example, some states might not want to spend as much federal money for TANF purposes as the TANF program allows, even if it does not require matching state funds.

Presumably policymakers are concerned most about continuing inability or unwillingness to reach agreement on how to spend TANF funds, and less about transitory causes of unspent balances.

The four states we examined all had unspent TANF funds, although the amounts varied widely from state to state. The table below gives several measures of unspent balances in the U.S. treasury for the four states, based on unobligated balances (a subset of total unspent balances) and on total unspent balances, which in turn can yield insights into how easy or difficult it might be to spend the

unspent balances. As noted earlier, unobligated balances may understate the amount of money that states have not yet programmed, and total unspent balances probably overstate the amount not yet programmed or committed.

<b>Table 10</b>					
<b>How Large Are Unspent TANF Balances?</b>					
	<i>Amount As % of Single-Year TANF Grant</i>		<i>Amounts Per Poor Person:</i>		
	<i>Unobligated Balances</i>	<i>Unspent Balances</i>	<i>Unobligated Balances</i>	<i>Unspent Balances</i>	<i>Compare To: Child Care and Employment Spending</i>
California	15%	50%	101	330	431
Georgia	26%	39%	71	106	191
Missouri	0%	57%	-	219	320
Wisconsin	91%	155%	539	916	658
<b>United States</b>	<b>28%</b>	<b>51%</b>	<b>121</b>	<b>218</b>	<b>n/a</b>
Sources: Unspent balances (3/31/99) — Administration on Children and Families Child care and employment spending — Rockefeller Institute of Government Poverty population estimated based on U.S. Bureau of the Census data.					

The first column shows unobligated balances as a percentage of the available TANF grant in each state, and the second column shows the same for total unspent balances.<sup>18</sup> By these measures, Wisconsin has the largest uncommitted balance by far. Whether an unspent amount is a lot depends, of course, on many other factors. For example, if a state faced program start-up lags and is spending down its balance, the unspent amount may stabilize or diminish over time. On the other hand, if it not only has a large unspent balance, but continues to spend below its annual grant amount, the balance will grow over time.

The third and fourth columns show the unobligated and unspent balances per poor person, and the last column shows state spending on child care and employment-related programs – the areas most likely to benefit from spending of unspent balances. Comparing the uncommitted amount to current child care and employment-related spending also gives a sense of how large the unspent balance is. Again Wisconsin has the largest uncommitted amounts.

It is too soon to know whether the balances will stabilize, be drawn down, or continue to grow – although unspent balances apparently declined slightly between March and September of 1999, according to analysis by the Center on Budget and Policy Priorities, which gathered data for the July-September quarter of 1999 directly from states. Another way of thinking about the Wisconsin unspent balance is that it could double its spending on child care and employment and training for a full year and still not fully use up the balance. However, Wisconsin’s spending in these areas already is far higher than the other study states and has nearly doubled in the last four years.

The way one views these numbers of course may depend on their attitudes about social services programs. For example, some people might view these numbers as evidence that states can do more. They might argue that Georgia, with the lowest spending per-poor-person on child care and employment and training of the four states, has room to increase spending without being extravagant. Even if Georgia spent its current unspent balance all in one year, and even if it confined the spending to these two categories, it would only reach the level of California (and just for one year, until the funds are gone), and it would be far below Wisconsin.

18 The “available” TANF grant is the grant after subtracting amounts that states transfer to the Social Services Block Grant and to the Child Care Development Fund.

## 6. Conclusions

The key findings of this study, for four study states, are:

1. Cash assistance spending is down dramatically, and spending on other low-income programs (child care, employment and training) is up substantially in percentage terms. In dollar terms, the increases in child care and employment-related programs fall far short of the cash assistance declines: overall spending on low-income programs is down.
2. State spending on TANF-related programs is less than previous state spending on predecessor AFDC-related programs, and states are accumulating large unspent balances. States face a fiscal conundrum: If they don't spend all of their TANF funds, they may increase the risk that these funds will be reduced by the federal government; but if they use TANF funds to establish new programs, they risk pressure to continue these programs with their own funds if TANF funds are reduced.
3. States have raised their spending on non-means-tested social services programs dramatically, especially child welfare and mental health services. The increases have been so large in two states — California and Missouri — that total social services spending is up despite declines in spending on low-income programs.
4. Total social services spending is still down in all four of the study states as a share of the budget. This is not surprising given the strong economy.
5. The federal share of spending on low-income programs has increased in all four states, and the state share has decreased.

While these findings probably will not be surprising to many close welfare observers, this research is the only work we know of that actually *documents* the changes in state social service spending in the states. The results will be important for Congress and other policymakers to analyze when they consider reauthorization of welfare reform.

Finally, as important as fiscal data are to understanding welfare reform, they are only one piece of a larger puzzle. It is important to examine whether state and federal spending is meeting the social service needs of citizens and whether the families who have left the welfare rolls are better off than they were before. Spending data do not say anything about how people who have left the cash assistance rolls are faring. A full analysis of the effects of welfare reform must take into account not only how states are spending their TANF, MOE, and other social service dollars. It must also consider whether people are better off financially than they were under the old system and whether the new system is actually meeting the needs of low-income people. To get a perspective on the financial status of people who have left the cash assistance rolls, it is useful to look at the “leaver” studies that have been conducted in numerous states.<sup>19</sup> Other research looks at people who have been diverted or “deflected” from cash assistance as well as at the characteristics of those who remain in the program. To get a sense of whether the system is meeting current needs, it is useful to look at new research that is trying to shed light on the adequacy of the current spending in particular program areas. For example, one recently released HHS study of child care spending concluded that current spending is far from adequate to meet the needs of all the low-income families who are

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19 For a good summary of studies from 18 different states, see Jack Tweedie, Dana Reichert, Matt O'Connor, “Tracking Recipients After They Leave Welfare,” (Washington, DC: National Conference of State Legislatures, July 1999). See also Rockefeller Institute of Government, “After Welfare: A Study of Work and Benefit Use After Case Closing,” (Albany, NY: RIG, July 1999).

eligible for subsidies. Only 10% of the children who are eligible for federal child care assistance in 1998 received it.<sup>20</sup>

## **7. Next Steps**

Over the next year and a half, the Rockefeller Institute of Government expects to expand this work in several ways. First, we hope to get behind the numbers further to determine in greater detail what kinds of programs states are spending money their money on. Where there are large funding changes it will be useful to see if there have been significant programmatic or policy changes or if states are simply expanding existing programs. Whenever possible, we will analyze the spending relative to caseloads and relative to measures of need. Answering these questions does depend on the breadth and depth of state reporting systems. Some states are much further along than others in tracking and understanding their spending.

The second way we intend to expand this research is by getting a better understanding of the funding streams states are using to fund their services. It will be interesting to know if they are using TANF dollars in new areas or in areas where they might have used state dollars in the past.

Finally, we are planning to expand the work to include a total 13 states. The Rockefeller Institute's field researchers — academics in the states who have relationships and in-depth knowledge of state activities — will play a key role in this work. We want to maintain this dataset to allow us to track spending on low-income families over many years and in different economic conditions.

## **8. Acknowledgments**

We are extremely grateful to the states that have participated in this study. Numerous state officials have spent many hours gathering and providing data and responding to many questions. In California, we were assisted by the Office of the Legislative Analyst and the Department of Social Services. In Georgia, we were helped by the Department of Human Resources, Office of Planning and Budget Services and the Division of Mental Health, Mental Retardation and Substance Abuse; and by the Budgetary Responsibility Oversight Committee. In Missouri, we were assisted by the Department of Social Services and in Wisconsin, we were helped by the Department of Workforce Development and the Department of Health and Social Services. In addition, in Wisconsin and Georgia, where we conducted site visits, the Rockefeller Institute of Government's field researchers Thomas Kaplan from the University of Wisconsin and Michael Rich from Emory University graciously provided introductions, background, and reactions. They also served as reviewers of an earlier draft of this paper.

We are grateful to other reviewers as well. Rebecca Blank of the University of Michigan, Phil Dearborn of the Greater Washington Research Center, David Ellwood of Harvard University, Mark Greenberg of the Center for Law and Social Policy, Ron Haskins of the U.S. House Ways and Means Committee's Subcommittee on Human Resources, Bill Keller and Paul Posner of the U.S. General Accounting Office, Ed Lazere of the Center on Budget and Policy Priorities, Howard Rolston of the Administration on Children and Families at the U.S. Department of Health and

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20 Administration for Children and Families, U.S. Department of Health and Human Services, "Access to Child Care for Low-Income Working Families," (Washington DC: ACF, October 1999).

Human Services, and Jean Ross of the California Budget Project all provided extremely thoughtful and helpful comments.

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## 9. Appendix: State-by-State Data Tables

The following tables show spending for each state by major category for 1994-95 and 1998.

<b>Table 11</b>									
<b>California Fiscal Data: Fiscal Year 1984-95 and Fiscal Year 1998-99</b>									
<b>(In Millions)</b>									
	<i>Fiscal Year 1994-95</i>			<i>Fiscal 1998-99</i>			<i>Change</i>		
	<i>Federal Spending</i>	<i>State Spending</i>	<i>Total Spending</i>	<i>Federal Spending</i>	<i>State Spending</i>	<i>Total Spending</i>	<i>Federal Change</i>	<i>State Change</i>	<i>Total Change</i>
Poverty Relief	3,215	5,314	8,529	1,913	4,175	6,088	(1,033)	(1,139)	(2,442)
Cash Assistance	3,215	3,300	6,515	1,913	1,931	3,843	(1,303)	(1,369)	(2,672)
All Other	0	2,014	2,014	0	2,244	2,244	0	230	230
Employment & Training	133	128	261	303	94	398	171	(34)	137
Child Care & Development	184	678	863	1,010	841	1,851	826	163	988
Poverty Prevention	194	78	273	241	119	360	47	40	87
Child Protection & Juvenile Justice	1,015	1,116	2,130	1,638	1,861	3,499	624	745	1,368
Child Welfare	893	1,116	2,009	1,236	1,851	3,086	342	735	1,077
All Other	121	0	121	403	10	412	281	10	291
Other	230	822	1,052	146	1,313	1,458	(85)	491	406
Mental Health & Developmental Disabilities	94	714	809	88	996	1,083	(7)	281	275
All Other	136	108	244	58	317	375	(78)	209	131
<b>TOTALS</b>	<b>4,971</b>	<b>8,137</b>	<b>13,109</b>	<b>5,251</b>	<b>8,403</b>	<b>13,653</b>	<b>280</b>	<b>265</b>	<b>545</b>

**Table 12**  
**Georgia Fiscal Data: Fiscal Year 1994-95 and Fiscal Year 1998-99**  
**(In Millions)**

	<i>Fiscal Year 1994-95</i>			<i>Fiscal Year 1998-99</i>			<i>Change</i>		
	<i>Federal Spending</i>	<i>State Spending</i>	<i>Total Spending</i>	<i>Federal Spending</i>	<i>State Spending</i>	<i>Total Spending</i>	<i>Federal Change</i>	<i>State Change</i>	<i>Total Change</i>
Poverty Relief	282	170	452	156	66	222	(126)	(104)	(230)
Cash Assistance	273	157	430	154	54	209	(119)	(103)	(222)
All Other	9	12	22	2	11	13	(7)	(1)	(8)
Employment & Training	22	16	38	49	11	60	27	(6)	22
Child Care & Development	60	23	83	91	55	146	31	32	63
Poverty Prevention	107	76	183	148	97	245	41	21	62
Child Protection & Juvenile Justice	60	88	148	79	114	194	19	26	45
Child Welfare	60	88	148	79	114	194	19	26	45
All Other	0	0	0	0	0	0	0	0	0
Other	74	383	457	67	408	475	(6)	25	19
Mental Health & Developmental Disabilities	47	371	418	45	395	440	(2)	23	22
All Other	27	12	39	22	14	36	(5)	2	(3)
<b>TOTALS</b>	<b>605</b>	<b>756</b>	<b>1,361</b>	<b>591</b>	<b>751</b>	<b>1,342</b>	<b>(14)</b>	<b>(5)</b>	<b>(19)</b>

**Table 13**  
**Missouri Fiscal Data: Fiscal Year 1994-95 and Fiscal Year 1998-99**  
**(In Millions)**

	<i>Fiscal Year 1994-95</i>			<i>Fiscal Year 1998-99</i>			<i>Change</i>		
	<i>Federal Spending</i>	<i>State Spending</i>	<i>Total Spending</i>	<i>Federal Spending</i>	<i>State Spending</i>	<i>Total Spending</i>	<i>Federal Change</i>	<i>State Change</i>	<i>Total Change</i>
Poverty Relief	209	159	368	184	76	259	(25)	(84)	(108)
Cash Assistance	176	119	295	140	38	178	(35)	(81)	(116)
All Other	33	40	73	43	38	81	11	(3)	8
Employment & Training	12	7	19	20	21	41	8	13	21
Child Care & Development	37	19	56	66	56	122	29	37	67
Poverty Prevention	20	23	44	22	26	48	2	3	5
Child Protection & Juvenile Justice	99	100	198	137	168	305	39	68	107
Child Welfare	86	84	170	115	135	251	29	51	80
All Other	12	15	28	22	33	55	10	17	27
Other	52	363	415	60	440	500	8	77	85
Mental Health & Developmental Disabilities	9	341	351	13	404	417	3	62	66
All Other	43	21	64	47	36	84	4	15	19
<b>TOTALS</b>	<b>429</b>	<b>671</b>	<b>1,100</b>	<b>490</b>	<b>787</b>	<b>1,276</b>	<b>61</b>	<b>116</b>	<b>177</b>

**Table 14**  
**Wisconsin Fiscal Data: Fiscal Year 1994-95 and Fiscal Year 1998-99**  
**(In Millions)**

	<i>Fiscal Year 1994-95</i>			<i>Fiscal Year 1998-99</i>			<i>Change</i>		
	<i>Federal Spending</i>	<i>State Spending</i>	<i>Total Spending</i>	<i>Federal Spending</i>	<i>State Spending</i>	<i>Total Spending</i>	<i>Federal Change</i>	<i>State Change</i>	<i>Total Change</i>
Poverty Relief	263	385	648	82	254	336	(181)	(131)	(312)
Cash Assistance	213	140	353	37	43	80	(176)	(97)	(273)
All Other	50	245	295	45	211	256	(5)	(34)	(39)
Employment & Training	37	72	109	66	64	130	30	(8)	22
Child Care & Development	34	26	59	128	31	159	94	5	100
Poverty Prevention	28	17	45	33	14	47	5	(3)	2
Child Protection & Juvenile Justice	62	88	149	103	97	199	41	9	50
Child Welfare	50	37	87	87	59	145	36	22	59
All Other	11	51	63	16	38	54	5	(13)	(9)
Other	62	259	321	93	265	358	31	6	38
Mental Health & Developmental Disabilities	33	191	224	44	195	239	11	4	15
All Other	29	68	96	49	70	119	20	2	23
<b>TOTALS</b>	<b>485</b>	<b>846</b>	<b>1,331</b>	<b>505</b>	<b>725</b>	<b>1,230</b>	<b>21</b>	<b>(122)</b>	<b>(101)</b>

## 10. Appendix: Data Collection Instructions and Definitions

This appendix includes the general instructions and the line-by-line detailed instructions and definitions we provided to states, for readers who wish to understand in detail the definitions used in this study. To save space, we have not provided the spreadsheet template that corresponds with the line by line instructions, but the meaning of each line should be apparent from its context.

### *General Instructions*

Thank you for agreeing to complete the State Social Services Spending Survey for the Center for the Study of the States, Rockefeller Institute of Government. When completing the survey, please keep the following in mind:

1. Include expenditures or estimated expenditures only (not amounts budgeted or authorized).
2. Provide expenditures for the state fiscal years of 1994-1995 and 1998-1999 (not the federal fiscal year).
3. Include all federal, state and local expenditures *that are incorporated in the state budget*. For local expenditures, include local spending of locally raised revenue that is incorporated in the state budget.
4. Do not include any costs paid for by Medicaid.
5. Include TANF and MOE expenditures, as well as expenditures from any other funding source for each program (except Medicaid). Please include *all* TANF spending; if some expenditures do not fit into one of the specific program categories, please include them in one of the lines labeled "other."
6. Do not include capital expenditures.
7. Do not include administrative expenditures or management information systems (MIS) expenditures, but do include case management expenditures in relevant program line items. If case management was included in administrative expenditures in 1994-1995, please estimate and include where relevant.
8. Include the costs of fringe benefits for state personnel. (A rough estimate of fringe benefit costs is all that is necessary.)
9. Identify funding streams included in the columns labeled "Other" on a separate sheet.
10. Do not complete the darkly shaded areas, but do complete the lightly shaded "total" boxes.
11. For columns labeled "SSBG" (Social Services Block Grant): If you cannot isolate spending on individual programs, please either estimate these amounts, or give totals and attach a sheet explaining the general areas in which SSBG funds are spent.
12. Whenever possible, identify the caseload and eligibility criteria for each program on a separate sheet or attach relevant materials describing each program. *If this information is not readily available and would delay completion and return of the enclosed financial information survey, please return the survey first and send supporting documents later.*

*Glossary of column headings:*

IV-A:	Former Aid to Families with Dependent Children (AFDC) program
IV-F:	Former Job Opportunities and Basic Skills (JOBS) program
SSBG:	Social Services Block Grant
TANF:	Temporary Assistance to Needy Families
TANF-MOE:	TANF Maintenance of Effort
MOE-SSP:	Maintenance of Effort – Separate State Programs

Line-by-line instructions are on the following page.

*Line-by-Line Instructions and Definitions*

*Line 1: Poverty Relief.*

Cells are shaded. Include expenditures in this category on lines 1a-1g below.

*Line 1a: cash assistance.*

Include expenditures on cash payments or vouchers provided to families to meet ongoing, basic needs, net of child support collections. Any cash assistance program that was formerly funded by IV-A should be included here.

(Note: This definition is adapted from the definition of basic assistance in line 5a of the ACF-196 Financial Report.)

*Line 1b: child support payments.*

Include all child support collections from noncustodial parents that are passed on to custodial parents who are receiving cash assistance through TANF, in excess of \$50 per monthly payment.

*Line 1c: emergency assistance.*

Include all expenditures for emergency assistance (the former IV-A program), including prevention of eviction, utility cut-off, etc. If known, please identify on a separate sheet how emergency assistance funds are allocated.

*Line 1d: food assistance.*

Include expenditures on programs designed to provide food or nutritional assistance to low-income people. Please include state administrative expenses for Food Stamps. If known, please also provide federal expenditures on Food Stamps in your state fiscal year.

*Line 1e: housing assistance.*

Include expenditures on programs designed to provide housing assistance to low-income people, such as vouchers, state low-income housing tax credits, or any other state support for low-income housing efforts.

*Line 1f: SSI supplements.*

Include expenditures on state supplementation of the federal Supplemental Security Income program. Do not include federal expenditures.

*Line 1g: other.*

Include expenditures on any other programs related to poverty relief that are not included above. Please describe such programs on an attached sheet.

*Line 1h: total.*

Provide the cumulative total expenditures of the seven rows above.

*Line 2: Work Preparation and Education.*

Cells are shaded. Include expenditures in this category on lines 2a-2c below.

*Line 2a: education.*

Include expenditures on educational activities that prepare the recipients for work. For example, include secondary education (including alternative programs); adult education, GED, and ESL classes; education directly related to employment; education provided as vocational educational training; and post-secondary education. Do not include education programs for children below high-school age. *In this instance, please limit spending to TANF-eligible people.*

(Note: This definition is adapted from the definition of education in line 6a2 of the ACF-196 Financial Report.)

*Line 2b: training.*

Include expenditures on programs to prepare people who are not yet working with skills to make them employable. Examples include skills development programs, community service placements, etc. Do not include expenditures on people who are in the paid workforce.

*Line 2c: other.*

Include expenditures on any other programs related to work preparation and education that are not included above. Please describe such programs on an attached sheet.

*Line 2d: total*

Provide the cumulative total expenditures of the three rows above.

*Line 3: Employment Support.*

Cells are shaded. Include expenditures in this category on lines 3a-3e below.

*Line 3a: post-employment services.*

Include expenditures on programs designed to keep people employed after they have found employment. Examples include coaching to ensure that individuals arrive at work on time, counseling to address problems that may arise in the workplace, and any other case management services for this working population. If known, please include spending for on-the-job training.

*Line 3b: state EITC.*

Include expenditures on state earned income tax credits paid to families. Include state and local tax credits that are designed to defray the costs of employment for low-income families. Delineate refundable and non-refundable portions in a footnote.

*Line 3c:* transportation.

Include the value of transportation benefits (such as allowances, bus tokens, car payments, auto insurance reimbursement, and van services) provided to employed families (related either to their work or related job retention and advancement activities) and provided as a nonrecurring, short-term benefit to non-working families (e.g. during applicant job search). (Note: this definition is adapted from the definition of transportation in line 6c of the ACF-196 Financial Report.)

*Line 3d:* wage subsidies.

Include payments to employers or third parties to help cover the costs of employee wages, benefits, supervision, or training. Also include any wage-related tax credits that benefit employers. (Note: This definition is adapted from the definition of work subsidies in line 6a1 of the ACF-196 Financial Report.)

*Line 3e:* other.

Include expenditures on any other programs related to employment support that are not included above. Please describe such programs on an attached sheet.

*Line 3f:* total.

Provide the cumulative total expenditures of the five rows above.

*Line 4:* Poverty Prevention.

Cells are shaded. Include expenditures in this category on lines 4a-4d below.

*Line 4a:* diversion payments.

Include expenditures on nonrecurrent, short-term benefits to families in the form of cash payments, vouchers, or similar form of payment to deal with a specific crisis situation or episode of need. An example is an emergency rent payment to prevent eviction. (Note: this definition is adapted from the definition of diversion payments in line 6g of the ACF-196 Financial Report.)

*Line 4b:* family formation and pregnancy prevention.

Include expenditures on programs aimed to keep families together, prevent teen pregnancy and prevent single parenthood. Examples of program expenditures are: responsible fatherhood initiatives that will improve the capacity of needy fathers to provide financial and emotional support for their children; premarital and marriage counseling, and mediation services; counseling services or classes that focus on teen pregnancy prevention; media campaigns to encourage young people to delay parenting or to encourage fathers to play a responsible role in their children's lives; and incentives for single parents to marry or for two-parent families to stay together. (Note: this definition is identical to the section in ACF's "Helping Families Achieve Self-Sufficiency" guide entitled, "Appropriate Uses of Funds/Family Formation and Pregnancy Prevention.")

*Line 4c:* substance abuse prevention and treatment.

Include expenditures on programs aimed to prevent alcohol, drug and tobacco abuse and to provide intervention services to individuals with alcohol, drug and/or tobacco dependency in their families. Examples of prevention programs are media campaigns, educational programs and community-based planning programs. Examples of expenditures on treatment include counseling, treatment facilities, and outpatient medical care (not funded by Medicaid).

*Line 4d:* other.

Include expenditures on any other programs related to poverty prevention that are not included above. Please describe such programs on an attached sheet.

*Line 4e:* total.

Provide the cumulative total expenditures of the four rows above.

*Line 5:* Child Protection/Juvenile Justice.

Cells are shaded. Include expenditures in this category on lines 5a-5c below.

*Line 5a:* child welfare.

Include expenditures on adoption assistance, foster care, and independent living programs; on any program intended to prevent out-of-home placements, promote reunification of families, or provide a safe environment for children; and on programs that focus on child abuse prevention and neglect prevention. Examples of expenditures include using funds for family counseling; parent support programs; appropriate supportive services (e.g., referral services, child care, transportation, and respite care) to caregiver relatives who can provide a safe place for a needy child to live and avoid his or her placement in foster care; and screening families for risk of child abuse or neglect and providing case management. (Note: Any cash assistance program that was formerly funded by IV-A, such as cash assistance to needy caretaker relatives, should be included in the "cash assistance" category.)

*Line 5b:* juvenile justice programs.

Include expenditures on social services programs for youth who have violated the state juvenile code. Do not include institutional spending.

*Line 5c:* other.

Include expenditures on any other programs related to child protection/juvenile justice that are not included above. Please describe such programs on an attached sheet.

*Line 5d:* total.

Provide the cumulative total expenditures of the three rows above.

*Line 6:* Other

Cells are shaded. Include expenditures in this category on lines 6a-6c below.

*Line 6a:* services to seniors.

Include expenditures on social services programs for senior citizens who cannot function independently. (Do not include medical services.)

*Line 6b:* developmental disabilities.

Include expenditures on programs that provide services to individuals with developmental disabilities and their families, including institutional facilities, outpatient care and public education.

*Line 6c:* mental health services.

Include expenditures on programs that provide prevention and/or intervention services to the mentally ill and their families, including treatment facilities, outpatient care and public education.

*Line 6d:* provider profits.

Include all bonuses, incentive payments or profits to contractors for provision of services to low-income people.

*Line 6e:* total.

Provide the cumulative total expenditures of the four rows above.

*Line 7:* TOTALS.

For each column, provide the sums of lines 1h, 2d, 3f, 4e, 5d and 6e above.

## **11. Differences Between These Data and Federal Data**

A number of analysts have asked why the job training and employment support data in this report differ from federal data.

For California, Missouri, and Wisconsin, job training and employment support data appear on their face to conflict with spending data provided on the federal financial reporting form that states complete for the federal Administration on Children and Families (ACF). Upon investigation, however, the study data hold up to scrutiny. For FY95, we compared FFY95 JOBS spending with State FY95 job training/employment support data that we collected. For FY99, we compared Federal FY98 “work activities” spending data with our job training/employment support spending data for state FY95. We could not use Federal FY99 spending data because only data on the first two quarters are available.

We found that the difference between the study data and the federal data appears to be largely definitional. In Wisconsin, the data in this report are considerably higher than ACF data for both FY95 and FY99. The largest part of the explanation is that the data we collected include spending on the state Earned Income Tax Credit. In addition, the study data include Wisconsin’s Food Stamps Employment and Training spending, spending on training for refugees, and some other small programs which are not included in the ACF data.

Our job training/employment support spending for Missouri, on the other hand, is somewhat lower than the spending ACF shows for Missouri for FY95. This is primarily because Missouri’s administration and management information system spending are included in the ACF data but are not included in this study data. Missouri’s spending for FY99 is lower than ACF’s data for FY98. State officials say that there was a fairly significant increase in spending from FY98 to FY99 and that the newer federal reports will show that.

In California, our data are significantly larger than the data ACF reports. State officials say some of the difference could be due to the fact that California counties report spending to the federal government in a different manner than the money is allocated to the counties (e.g. the counties may report some spending as program spending that the state considers to be administration) and that the heavy spending increases in FY99 have not yet shown up in federal reporting. We should note that California data are based on estimates from the Legislative Analyst Office (LAO) of budgeted amounts, rather than actual expenditures, as expenditure data are not available yet. Comparisons of budgeted and expenditure amounts suggest that budgeted amounts should be sufficiently accurate for the purposes at hand.

