Assessing State Social Service Spending Under Welfare Reform

The Nelson A. Rockefeller Institute of Government
Donald J. Boyd
Patricia L. Billen

Richard P. Nathan, Director

The United States General Accounting Office
Paul L. Posner
Bill J. Keller

The views presented here are those of the authors and not of the United States General Accounting Office.

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Abstract

Welfare reform gave states new flexibility to decide how to deliver and finance services for low-income families, while changing the fiscal incentives for state governments and altering federal-state fiscal relationships. These changes created new challenges for the federal government and others interested in whether and to what extent states have met the goals of welfare reform. This paper examines accountability challenges created by the new fiscal environment, drawing insights from spending data collected in 17 states. It concludes that states' responses to welfare reform have been diverse and broad, and it is not possible to assess whether states are meeting program goals simply by examining Temporary Assistance to Needy Families and associated state funding streams, or by examining individual programs they fund. To gain a clearer picture of how states are meeting the goals of welfare reform, policymakers and researchers periodically will need to monitor and examine the broader fiscal context of TANF and broad measures of social service spending.

Phil Dearborn, senior fellow and co-director of The Brookings Institution's Greater Washington Research Program, contributed greatly to data analysis and collection in the work presented here. It is with much sadness that we mourn his sudden death on August 23, 2002. Phil was an often-quoted expert in municipal finance, and a well respected colleague and dear friend of the Rockefeller Institute, the General Accounting Office, and many others who work on state and local government finances. We will miss him.

Introduction

Welfare reform gave states new flexibility to decide how to deliver and finance services for low-income families, while changing the fiscal incentives for state governments and altering federal-state fiscal relationships. These changes created new challenges for the federal government and others interested in whether and to what extent states have met the goals of welfare reform. This paper describes changes in social service spending in 17 states and examines accountability and assessment challenges created by the new fiscal environment, drawing insights from spending data gathered by the General Accounting Office, the Rockefeller Institute of Government, and the Brookings Institution. These data were collected as part of two separate studies – one conducted by the Rockefeller Institute of Government and the Brookings Institution for the Administration for Children and Families in the Department of Health and Human Services, and another conducted by the General Accounting Office for the United States Congress using the same data-collection instrument. This paper draws lessons from these two studies for accountability in a block grant environment.

Changed Fiscal Responsibilities and Incentives Under Welfare Reform

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, federal welfare reform legislation, changed the method for federal financing of welfare benefits and employment services. PRWORA replaced the Aid to Families with Dependent Children (AFDC) program, an open-ended match grant, with the Temporary Assistance for Needy Families (TANF) program, a closed-ended block grant. The block grant structure of TANF limits federal participation in welfare spending to approximately $16.5 billion annually and places a floor on required state spending by imposing a maintenance-of-effort (MOE) requirement.

Under TANF, states receive a fixed block grant equal to the level of federal spending for the AFDC, Emergency Assistance, and JOBS programs in the early 1990s. States are required to spend funds from their own sources equal to 75 percent of their welfare spending in 1994 (80 percent if they do not meet work participation rate requirements). The block grant level is not adjusted to reflect economic conditions. Therefore, states bear the cost of spending increases and reap the savings of spending reductions as long as the MOE requirement is met. PRWORA does not prohibit states from using federal funds to replace – or supplant - state expenditures.

The law gave states the flexibility to design their welfare policies and programs, limited by certain constraints such as mandatory work participation requirements and a 60-month lifetime limit on the receipt of federal assistance. States may use TANF and MOE funds for services that meet the following four goals of the program:

- Provide assistance to needy families so that children may be cared for in their homes or in the homes of relatives;
- End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- Prevent and reduce the incidence of out-of-wedlock pregnancies; and
- Encourage the formation and maintenance of two-parent families.

Most states had the good fortune of implementing welfare reform during a time of plenty. The national economy was strong, growing faster than economic forecasters expected. Most state economies grew substantially as well, often far faster than state budgeters expected. Non-farm employment – a broad-based and high-quality indicator of national and state-level economic activity – grew ten percent in the average state from 1995 to 1999. State own-source revenue grew 9.3 percent, after adjusting for inflation and population growth, in the average state during this period.

Welfare caseloads declined dramatically from 1995 to 1999. Nationally, caseloads declined over 50 percent with some states experiencing a decline of more than 70 percent. Since TANF block grant levels are based on federal welfare expenditures when caseloads were high, the decline in caseloads created savings that states could (1) redirect to TANF allowable assistance and services; (2) set-aside to support welfare expenditures in an economic downturn; or (3) use to replace – or supplant - existing state expenditures with federal funds to generate a state savings that could be used to support non-welfare related expenditures, including tax cuts.

How have states used these savings, and their new flexibility? How can the federal government and researchers understand and assess whether welfare reform is meeting its objectives? States' use of the TANF block grant to finance different types of social services programs—or parts of different programs—cannot be viewed in isolation. It is critical to understand the breadth of potential uses for block grant funds to understand how funding levels affect state choices and ultimately program outcomes (caseload reductions, reductions in poverty levels, job retention, or child well-being, etc.). The programmatic flexibility provided by PRWORA presents challenges when assessing fiscal accountability measures such as maintenance of effort requirements, the degree to which states use the federal funds to replace their own historic commitment to low-income families, and the levels of reserves states need to set aside in order to mitigate the effects a downturn in the economy might have on program costs.

Weaknesses in Using Existing Spending Data to Understand the Impact of PRWORA

State spending on social service programs provides important tangible evidence of state policies and commitment to social welfare programs. Changes in state social service spending patterns can offer insights into how states have altered their policies and priorities in response to PRWORA.

Obtaining a broad picture of social services is critical in measuring the impact of the Act on state spending. It is clear that states are making very different decisions about total social service spending and how to finance it. Thus, using MOE spending data to analyze changes, say, in labor participation rates among families may vastly misestimate how states vary in their support of different policies – for example, work support programs are largely captured by MOE data in some states but hardly at all in others. Whatever accounts for how states select which programs to include under MOE and which to fund elsewhere, the variation in state choices is likely to undermine the explanatory power of fiscal data based solely on TANF and MOE spending.

More generally, it is important to examine changes in all social service spending because TANF and MOE are not just funding streams, but also represent a federal attempt to focus state efforts on very specific goals. TANF can and in some places probably has had indirect effects on other programs and funding streams by changing the goals of those programs, or by emphasizing some programs (e.g., work related) and de-emphasizing others (e.g., poverty reduction). These indirect effects may have been one of the hoped-for effects of the block grant, and comprehensive data are needed to identify and understand them.

Unfortunately no existing data source is comprehensive enough to allow a thorough analysis of state social service spending. The key federal financial reporting form for the TANF program, the ACF-196, is focused on collecting expenditure data for TANF and MOE funds. The reporting form's TANF focus means it is not broad enough to detail some categories of social service spending, such as spending on child welfare, that may be affected by the new flexibility in spending allowed under TANF. Also, the ACF-196 does not collect spending data for many welfare-related funding streams available to the states including the Child Care and Development Block Grant (CCDBG) and Social Services Block Grant (SSBG). Finally, it begins with the federal fiscal year 1997, so it cannot provide a baseline for a pre- and post-welfare reform comparison.

A second data source, the Consolidated Federal Funds Report (CFFR), provides federal expenditure data for TANF and non-TANF programs, but does not include state and local expenditures, information necessary to analyze changes in state spending priorities. Other existing broad-based sources of data on state government finances have important uses but cannot provide the necessary information. For example, state government expenditure data from the National Association of State Budget Officers distinguish TANF cash assistance from other cash assistance, but otherwise do not provide detail on social service spending categories. State and local finance data from the U.S. Bureau of the Census also have important uses, but are not detailed enough to provide information on how state social service spending priorities have changed.

The State Social Services Spending Survey

To fill this void, the Nelson A. Rockefeller Institute of Government developed a social service spending survey that was used by the United States General Accounting Office, Rockefeller Institute and Brookings Institution to collect spending data for 17 states.[1] The survey defines "social service" broadly, to include both means-tested programs and other programs more widely available. As stated earlier, it is important to take this broader view, since under PRWORA states are allowed to use federal TANF and MOE funds for services that extend beyond cash assistance payments and job training services. Furthermore, states do not make decisions about means-tested programs in a vacuum – for example, decisions about spending on cash assistance or

[1] The 17 states included in this study are Arizona, California, Colorado, Connecticut, District of Columbia, Louisiana, Maryland, Michigan, Minnesota, New York, Ohio, Oregon, Rhode Island, Tennessee, Texas, Virginia, and Wisconsin. These states vary considerably in demographic, economic, and political characteristics, and in their approaches to welfare reform. Combined, they include more than half of the nation's poverty population.

employment programs can affect, and be affected by, decisions about child welfare spending, Medicaid, or for that matter the rest of the budget.

Data was collected for 17 states for the pre-welfare-reform year of 1994-95 and post-welfare-reform year of 1998-99, and where practical, 1999-2000. (The General Accounting Office currently is using the survey to collect data for 2000-01 as well.) Spending data was gathered on a state fiscal year basis, rather than federal fiscal year, because states make funding decisions in the context of their own fiscal year.[2] The data were collected at a finer level of detail than what is reported on the ACF-196 and includes spending from major federal funding streams that support welfare-related services. These include AFDC, JOBS, TANF, CCDBG, SSBG and numerous funding sources that support employment and child welfare-related services. The data collection forms, instructions, and definitions are provided in an appendix to this paper.

It was not a simple matter for states to complete the social services spending survey. Social service programs in the post-welfare reform era are typically administered by several agencies. For example, a state's social service agency may be responsible for cash assistance programs, the labor department responsible for welfare employment programs and the childrens' agency responsible for child care and development programs. Furthermore, as part of their response to welfare reform, many states redistributed agency responsibility for social service program administration. Therefore, the agency responsible for administering welfare employment programs post-welfare reform may not have been responsible for these programs prior to welfare reform. Coordinating data collection among the different state agencies is a difficult task that must be handled with great care and persistence to ensure that the final data set is complete and consistent across years.

Changes in Social Services Spending

The Rockefeller Institute and the Brookings Institution analyzed the collected social service spending data to identify changes in state social service spending from the pre-welfare reform baseline of state fiscal year 1994-95 to the post-welfare reform comparison year of 1998-99. To conduct this analysis, the spending data was grouped into six main categories: (1) cash assistance, (2) other basic needs such as housing assistance, state-funded food assistance, and emergency assistance, (3) child care and child development, (4) work support, including education and training, and post-employment services, (5) child welfare, and (6) other welfare-related services, including juvenile justice expenditures, family formation, pregnancy prevention, and substance abuse expenditures. The analysis reported below did not include expenditures for services to seniors and Medicaid-funded services for the working poor. See Appendix B for complete descriptions of the spending categories.

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[2] The survey focuses on funds that flow through the state budget. Federal and local funds are included to the extent they are appropriated at the state level. For example, administrative costs associated with the food stamp program are not included but expenditures for federal food stamp benefits are included.

Table 1 shows the percentage change between 1994-95 and 1998-99 in combined federal and state spending by major category for each of the study states. The table is sorted so that states with the most rapid increases in total social service spending are listed first. In what may be a surprise to some observers, total social service spending actually increased in all but two states, and spending in the median state increased by seven percent. If there was a "race to the bottom" in social service spending, it is not evident in these numbers. Although the spending increases were substantial, they did not keep pace with overall changes in state budgets during this period of good fiscal news: in all but five of the study states, the total state budget increased more rapidly than did spending on social services.

Spurred by large caseload declines and new flexibility, states altered their priorities dramatically between 1994-95 and 1998-99. Cash assistance declined by 50 percent in the median study state, and non-cash social service spending increased by 36 percent. Almost every state increased combined federal-state spending on non-cash services by enough to more than outweigh cash-assistance declines. Taking into account general inflation of 10 percent in this period and an overall decline in poverty, most states increased real non-cash spending per poor person, some quite significantly.[3] [4]

Most states increased spending in every one of the categories that was tracked. *Child care was far and away the biggest winner, with 11 of 17 states at-least doubling this spending.* In addition to growing fastest, child care consumed a large share of the resources states used to help the poor. In 10 of the 14 states for which reliable poverty data were available, child care was first or second-largest in terms of increased spending per poor person. The median increase in child care spending was $134 per poor person, adjusted for inflation, followed closely by child welfare spending ($128 increase) and work support spending ($127 increase).

The child care increase reflects several forces and pressures converging: (1) Many experts believe that even before welfare reform, only a fraction of the demand for child care by low-income families was being met. The Administration for Children and Families had estimated that as few as 15 percent of children eligible for federal subsidies actually were receiving them, (2)

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[3] Throughout this report, when we adjust for inflation or speak of price changes, we use the state and local government chain-weighted price index from the U.S. Bureau of Economic Analysis, which increased by 9.9 percent between the 1995 and 1999 calendar years.

[4] When we refer to the poverty population, for a majority of states we are using smoothed estimates of the poverty population, obtained by taking the three-year average poverty population centered on a given year, as obtained from the U.S. Bureau of the Census. For example, when examining spending in fiscal year 1994-95 we used an estimate of the 1994 calendar-year poverty population obtained by averaging reported poverty population for 1993 through 1995, and for fiscal year 1998-99 we used a similar average of the poverty population in the 1997 through 1999 calendar years. The Census Bureau develops poverty data from the Current Population Survey, which has a relatively small sample size, and even these smoothed estimates can be too bouncy to be believable in some states. In the states of Arizona, Colorado, Georgia, Missouri, New York, Rhode Island, and Wisconsin no reliable trend was apparent in the poverty data, and we used the average poverty population for 1993 through 1999 as our estimate of the poverty population in each year. Note that poverty data are not adjusted for cost-of-living differences across states, and for these and other reasons they are never more than crude approximations of poverty levels, rates, or differences across states. As a result of these weaknesses in poverty data, at several places in this report we examine changes in per-capita spending rather than changes in spending per poor-person, especially if per-capita analysis yields similar conclusions but with greater confidence.

This unmet demand had been growing for very many years, in part because of the rising participation of women in the labor force, (3) The percentage of never-married women with children who are employed has been rising especially rapidly, in part because of welfare reform, (4) States have considerably more money from the federal government for child care as a result of the expanded Child Care and Development Block Grant, and (5) The decline in cash assistance has freed up money for child care, and (6) There appears to be greater political support for child care spending in the context of a welfare system focused on work. With a large and growing need for child care, more funding available for child care and greater flexibility to spend money on child care, and political support for this spending, it is not surprising that child care may have been the biggest beneficiary to date of redeployed social service spending.

Although broad patterns are evident, it is also clear that there was enormous variation across states. For example, the change in non-cash assistance spending ranged from a 115 percent increase in Colorado (heavily influenced by an atypical tax credit) and a 70 percent increase in Ohio, down to a four percent decline in New York. Changes in individual functional areas were even more varied: child care ranged from a 219 percent increase in Wisconsin to a 34 percent increase in Oregon.

Not only did states increase total social service spending from federal and state funds combined, but they also increased spending their contribution from their own funds. Table 2 shows information similar to that in Table 1, but for state funds only. Total state spending increased by 2.6 percent in the median state and was up in all but three states. Again, enormous variation across states is evident.

Comparing Tables 1 and 2 suggests that different states deployed federal and state funds differently, and in differing ways across functional categories. Table 3 makes this point more clear. It shows how the federal share of spending changed between 1994-95 and 1998-99 in each category and state. A positive number means the federal share increased – the state relied to a greater extent on federal funds in 1998-99 than in 1994-95 – while a number in parentheses means the opposite. States made very different choices about how to allocate funds – varying across program areas within a single state, and varying across states within a single program area. This suggests what state officials confirmed to us in interviews: they make choices about how to allocate federal and state funds taking into account rules and incentives across the entire budget.

Finally, Tables 4 and 5 show the importance of viewing social service spending broadly, rather than looking only at individual funding streams such as TANF or MOE. Table 4 shows the proportion of total social service spending that occurs outside of TANF and MOE for three states the Rockefeller Institute and Brookings examined in detail – California, Louisiana, and Minnesota. In each state, the majority of spending was financed by other funding streams – other federal or state funds – and the extent of other financing varies across states and categories.

Table 5 shows that not only do states differ in the extent to which they rely on different funding streams at a single point in time, but they also differ in how these funding streams changed over time. The table shows changes in spending between 1994-95 and 1998-99, in millions of dollars, for state-financed spending only, by state, category, and nature of the funding source. We would reach very different conclusions if we looked only at TANF-MOE than if we looked at all state-financed funding. For example, California's MOE-financed "other basic needs" spending declined, while its non-MOE spending in this category increased, and its non-MOE child care spending increased by more than twice as much, in dollars, as did its MOE child care spending.

The spending data described above show that state social service spending in the post-welfare-reform environment has changed in ways that are sometimes surprising, and that have important implications for assessing whether welfare reform is meeting its objectives:

- First, the 17 study states generally have *not* reduced total spending on programs for low-income families and individuals, broadly defined, nor have they reduced spending from their own funds.

- Second, while there are broad similarities across states, such as large increases in child care spending and employment and training spending, and dramatic reductions in cash assistance, state responses have been enormously varied.

- Third, many complex factors influence state choices about *how* to allocate federal and state funds - how much of a program or functional area to finance with federal funds, and how much to finance with state funds. States make choices about federal and state spending in the context of broader budgetary goals, and it is not possible to draw meaningful conclusions about a state's commitment to social service spending by looking at how federal-state responsibilities in a single program area has changed.

- Finally, just as we cannot look at programs or functional areas in isolation, we cannot look at funding streams in isolation. State spending on social services goes far beyond TANF and associated maintenance of effort spending, and we cannot understand state priorities, or changes in those priorities, without looking at spending more broadly.

Unique Accountability Challenges of Block Grants

So far this paper has touched on some of the challenges facing researchers in their attempts to understand spending choices states have made in response to changes in federal categorical programs. In welfare reform, the categorical programs consolidated under the TANF block grant essentially became funding streams. In many cases one program activity can be funded with multiple funding streams (federal and state), which can further confound analysts bent on assessing trends arising from changes to one program. Therefore, states' use of the block grant to finance different types of programs – or parts of different programs – cannot be viewed in isolation. It is critical to understand the breadth of potential uses for block grant funds to understand how funding levels affect state choices and ultimately program outcomes (caseload reductions, reductions in poverty levels, job retention, or child well-being, etc.). This same programmatic flexibility presents similar challenges when assessing fiscal accountability measures such as maintenance of effort requirements, the degree to which states use the federal funds to replace their own historic commitment to low-income families, and the levels of reserves states need to set aside in order to mitigate the effects of a downturn in the economy might have on program costs.

A tension exists in designing and overseeing block grants between accountability for national goals and flexibility. [5] At the rhetorical level, it often appears as if the two cannot exist together at the same time; states are either held accountable or they are given flexibility to achieve program outcomes in any way they deem fit.

By their nature, block grants prompt tradeoffs between federal and state control over program finances, accountability and administration. Accountability plays a critical role in balancing the potentially conflicting objectives of increasing state and local flexibility while attaining certain national objectives. The history of block grants suggests that the balance struck between federal objectives and state discretion has often been unstable. This instability can arise from either too many accountability provisions or too few. The presence of too many requirements and conditions – and in some cases even the perceived presence – can inhibit states from realizing the kinds of improvements promised by the block grant mechanism. For example, many states waited until after final regulations were issued on the TANF program to begin serious debate on their own welfare reform proposals despite statutory language that emphasized state flexibility. Further, more prescriptive federal requirements can limit the states' ability to implement block grants in an integrated and efficient fashion. On the other hand, fewer federal financial and programmatic accountability provisions can limit achievement of national goals and undermine congressional support for continued funding or prompt recategorization and prescriptive regulations to ensure that national objectives are achieved.

The failure to reach an acceptable accommodation of these competing concerns can undermine continued support for block grant programs and, as a result, the fiscal balance is often adjusted and reformulated as implementation proceeds. Experience with block grants suggests that, notwithstanding initial promises to devolve accountability and responsibility for program outcomes to states, Congress retains a strong oversight interest in state implementation of these programs. The block grants enacted in the 1970's and 1980's were often revised to narrow state flexibility when various groups brought their concerns about state choices to the Congressional doorstep. [6]

TANF Accountability Tradeoffs

When welfare reforms were enacted in 1996 the pendulum appeared to swing to flexibility, particularly in relation to the prior AFDC program. Federal objectives were indeed imposed but many of these requirements, such as time limits and child support enforcement rules reflected policies already implemented or embraced in many states. Moreover, many of these federal requirements pertained only to cash assistance funded by TANF itself, leaving states free to

[5] Paul L. Posner and Margaret T. Wrightson, "Block Grants: A Perennial, but Unstable, Tool of Government" Publius 26, No. 3 (Summer, 1996)
[6] U.S. General Accounting Office, BLOCK GRANTS:Issues in Designing Accountability Provisions, (GAO/AIMD-95-226, September, 1995)

devise their own rules for state funds required under TANF's maintenance of effort provision. State innovation and experimentation were seen as critical ingredients of welfare reform.

Despite all this flexibility, once states began implementing their own welfare-reform programs concerns surfaced at the federal level about the fiscal choices states were making in using block grant dollars and their effects on welfare reform.

Considerable national interest surrounded the states' initial implementation of the TANF block grant. With regard to fiscal accountability, there were concerns that states (1) were not meeting their maintenance of effort requirements, (2) used federal funds to supplant their own, and (3) left too many federal funds unspent. For example, from 1997 to 2000, cash assistance caseloads declined dramatically and many states carried forward considerable unspent TANF balances. There was little information available on why states were not spending their federal funds. Fiscal reporting requirements in TANF are not sufficient to answer these questions and data that do exist are not disseminated in a timely manner. The paucity of data made the TANF reserves targets of rescission attempts by decisionmakers seeking to fund other federal budget priorities. Although the TANF-reserves ultimately remained in states' control, the lack of data on these reserve balances made it very difficult for program proponents to defend current funding levels. Further, concerns were frequently brought to the attention of decisionmakers that states might be using federal TANF funds to supplant their own spending on programs serving the poor. Although there was no specific statutory language requiring states to supplement – not supplant – their own spending with federal TANF funds, many in Congress believed that states should be held to account for these actions.

Raising such concerns suggested that states were somehow not being held accountable for how they used their TANF block grant funds. The concept of accountability was never really absent from the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA). Accountability may not have been in the forefront of the rhetoric surrounding welfare reforms, but it was expected nonetheless. Public officials, legislators, and citizens want and need to know (1) whether federal and state funds are being managed and accounted for with sufficient internal controls, (2) whether state agencies are complying with applicable laws and regulations, and (3) whether the funds are accomplishing broader program goals economically and efficiently.

The design of the TANF grant – its fiscal requirements, allocation provisions, funding flexibility and accountability provisions – served to shift more of the focus for addressing these accountability issues from federal to state officials. By shifting from an open-ended matching to a closed-ended block grant program, TANF shifted greater fiscal responsibilities to the states for allocating both federal and state resources across activities and for bearing the fiscal risks associated with the impacts of an economic downturn on program needs. The design of the TANF grant enabled the states to reduce their spending to some extent in keeping with the caseload reduction, with a floor established by the maintenance of effort requirement. The grant level was also high enough to permit states to plan ahead and perhaps create reserves for use should case levels increase in less robust economic periods. The higher grant levels arguably gave states the opportunity to create reserves for the future in order to avoid fiscal stress during less robust economic times.

Recognizing the greater state role, federal officials nonetheless sought to understand how national programmatic and fiscal concerns were being addressed in state policymaking settings. Congress and HHS drew upon the resources of the GAO, Rockefeller Institute and the Urban Institute, among others, to track state fiscal and programmatic experiences and address these concerns.

GAO was asked to study the fiscal impact of the TANF block grant, to determine if federal funds were indeed being used to replace state funds in programs supporting the working poor and whether the federal funding levels were sufficient to allow states to save for future contingencies. As these questions suggest, fiscal accountability for broad based grants goes beyond assessing how federal funds for one program alone were spent. Studies of other block grants have revealed that federal funds for a single program tend to lose their identity and become integrated with funds from related state and federal programs.[7] Moreover, the broad purposes of TANF not only allowed but arguably required states to bring together funding from a variety of programs across a wide range of cash assistance, job training, and other social services programs. Accordingly, a broader view was required to understand how states use federal and state funds to finance programs that serve TANF-eligible families and be held accountable for the broad purposes of the program. To address Congressional oversight concerns about states' fiscal choices, GAO adapted the tool designed by the Rockefeller Institute – and featured in this paper – to collect financial data on states' social service budgets in 10 states. This permitted GAO to gain a perspective on states' funding patterns reaching beyond TANF itself to the broader panoply of federal and state funding streams used to support the objectives of welfare reform. To gain context on states' decisions, GAO conducted interviews with numerous state executive and legislative policymakers as well as with key interest groups monitoring programs in those 10 states.

Holding States Accountable: Challenges Measuring Supplantation

In a previous study on the design of federal grant programs, GAO noted that federal grants do not necessarily have the effect of augmenting spending in aided areas on a dollar for dollar basis, since a portion of the federal funds are often used by states to replace some of their own funds.[8] GAO researchers observed that several factors influenced the potential for fiscal substitution including (1) the breadth of activities for which the grant can be used, (2) the presence and design of MOE and/or nonsupplant provisions, and (3) the extent of states' prior investment on the aided activities. Under TANF, each of these factors has, in fact, has played an important role in defining the new fiscal balance between federal and state governments.

Much of the debate over whether – and if so, to what extent – states used federal funds to replace their own funds has hinged on the definition of supplantation. Under TANF, states were required to maintain their historical fiscal commitment to their welfare programs as a condition for

[7] U.S. General Accounting Office, GRANT PROGRAMS: Design Features Shape Flexibility, Accountability and Performance Information GAO/GGD-98-137, June, 1998
[8] U.S. General Accounting Office, Federal Grants: Design Improvements Could Help Federal Resources Go Further, GAO/AIMD-97-7, December, 1996

receiving their full federal allotment. Specifically, states had to maintain 75 or 80 percent of their fiscal year 1994 levels of spending on core welfare programs, depending on whether they had met work participation rates. However, even if maintaining these broad levels of commitment, states could still use TANF funds to replace their own funds on specific activities – an action defined as supplanting. States could use TANF funds to reduce their own spending down to this MOE level and could also use TANF dollars to replace state funds for other TANF eligible activities not in their MOE baseline. Under a very limited definition of supplantation – replacing previous levels of state dollars with TANF dollars on TANF-eligible activities – GAO found that all 10 of the states in its study used TANF funds to replace some state budgetary resources from existing programs.

However, other definitions of supplanting exist as well. For the federal programs with nonsupplant provisions, supplanting is defined to occur when grantees use federal funds to replace state or local funds that would "otherwise have been spent in the absence of federal funds." Although this counterfactual criteria is difficult to operationalize administratively, states replacing TANF funds for their own funds might not be deemed to have supplanted on a conceptual level if declining caseloads would have prompted state funding levels to drop anyway. With caseloads falling by over 50 percent nationwide during the roll-out of the TANF program, many states could indeed make such a presumptive case. Since there is no federal nonsupplant requirement for TANF, these issues do not rise to the level of consequence for the program, but they do illustrate how difficult it can be to make judgements about supplanting in grant implementation and oversight.

Moreover, GAO was unable to directly determine the destination for the state funds that were freed up by the observed supplantation. Such determinations are difficult to make for individual programs, given the fungibility of large budgets. However, the destination of the freed up funds is critical for policymakers seeking to determine the impacts of state decisions on overall funding levels for welfare and the seriousness of states' commitment to the overall goals of welfare reform. If the freed up state funds were redirected to other welfare-related programs, then we might conclude that states' supplanting constituted a funding shift where states used their new-found flexibility to support the broader goals of the program. On the other hand, if states were redirecting these replaced funds to nonwelfare programs such as highways or prisons, then we would reach a different conclusion.

These fiscal actions took place within a framework of state budget negotiations that normally require some tradeoffs. Moreover, the decisions were made at a time when caseloads had fallen dramatically and many states had significant levels of unspent TANF funds. In allocating federal and state funds, states had to balance a number of competing pressures. as they contemplated the risks and rewards from several alternative courses of action. As they considered the tradeoffs, state officials had to be mindful not only of their own fiscal commitments but also of the considerable uncertainty surrounding potential federal policy responses to states' choices. State choices included:

- Savings strategy – here states could wait to draw down their federal funds as caseloads dropped until federal rules were finalized and the programmatic strategies to better achieve the goals of work promotion were validated. As many states in fact followed this course, the risks became apparent as TANF funds went unused and built up a surplus within the federal Treasury. Although TANF was treated for federal budgetary purposes as a six year entitlement to the states, Congress could revisit this decision at any time and use these surpluses for other pressing federal budgetary purposes. Indeed, concerns about this scenario prompted the Chair of the House oversight subcommittee for the TANF program to write the nation's governors advising them of the need to accelerate their draw down of their TANF allotments.

- New program commitments – states could have used the TANF funds to create new programmatic commitments at the state level. Expanded training, child care and other social supports were critical to achieving TANF's ambitious time limits and work participation requirements. Yet, given the uncertainties of federal funding, many state officials were reluctant to undertake significant programmatic expansions during the first several years of the program. State and local officials had previous experience with federal budgetary uncertainty and had found themselves enticed into large new program commitments by the expectation that federal funds would support the expansion, only to find themselves on the fiscal hook with growing state or local obligations to more vigilant and restive clientele.

Given these tradeoffs, supplantation appeared to be a less risky by promising to draw down federal TANF surpluses without the prospects of creating new permanent programmatic and fiscal commitments. Supplanting provided clear rewards to states. Those states that had long standing major state investments in social services were able to gain some federal funds to support their progressive initiatives; other states were able to use federal funds more flexibly within the welfare support arena to achieve greater efficiencies. Of course, supplantation strategies had their risks as well. Many states regarded their TANF surpluses in the federal Treasury as their de facto rainy day fund for this cyclical program, so faster drawdowns might leave the states with an inadequate cushion for the coming recession. Moreover, as reports surfaced from advocates about state supplanting, pressure built from advocates to change the rules,[9] prompting another letter from the Chair of the House Ways and Means oversight subcommittee warning the governors of the risks of supplanting to Congressional support for sustaining federal funding at current levels during the upcoming reauthorization.

Although states are free under current law to replace state funds with TANF funds, in fact two conditions facilitated supplanting: the state must have had surplus TANF funds available – in addition to those it needs to maintain program levels – and it must have had programs in place that were traditionally funded with state dollars over and above the level necessary to meet its MOE requirement. Without the former, it could run short of the funds it needs to meet program demands and therefore have to find state general funds to pay for those costs; without the latter, a state would run the risk of fiscal penalties for not meeting its MOE requirement. The effect of any state decision to use federal funds to supplant its own funds is first to enlarge the pool of state general fund resources available to finance any state program, how the state then establishes

[9] Center for Budget and Policy Priorities, Supplantation Using TANF Funds May Increase Substantially In the Near Future, January 3, 2000

priorities for funding new and existing programs – essentially, how it will use its freed-up funds—must be viewed apart from its decision to supplant.[10]

As noted earlier, looking only at a specific supplanting action authorized in a budget may be misleading. For example, if a state supplanted federal funds for state funds, then shifted its own funds into other programs that serve the working poor, the net impact of these shifts would be the same as if it used federal funds directly to fund these other programs. Accordingly, the impact of the funding shifts must be viewed in a broader context consistent with broad objectives and goals of TANF. While the fungibility of budgets prevents a definitive assessment of the destination of the freed up state funds, we can ascertain changes in the funds provided from federal and state sources for the welfare support area in general. Given the broader objectives of TANF, the evolving trends in fiscal support for the broader area of support provided to working poor families might be viewed as a de facto fiscal "bottom line" for assessing accountability for the TANF program.

To provide this broader context for considering the effects of funding shifts, the framework of the *State Social Services Spending Survey* allowed GAO to review state expenditures of both federal and state funds on a wide array of social service programs that meet these objectives. In this analysis, a federal expenditure is not defined by the level of the TANF grant allocated to each state but rather by how much of the grant the state chose to spend. Essentially, the states control both the state and federal share and thus control the "fiscal balance." Under AFDC, the fiscal partnership between the federal government and the states was defined by the federal match rate each state received to help finance its welfare programs. Under TANF, the block grant is fixed—states decide how much of the federal grant to spend and how much to save.

The RIG/Brookings study suggests that states did reduce their support for basic welfare services in the face of declining caseloads, with the federal government picking up a greater share of the costs for this narrow category of activity. At the same time, when looking at the broadest level of TANF-related social services, it is apparent that most states have maintained or even increased their own investment over time to address the overall needs of low- income families. As the funding trends presented at the outset of this paper illustrate, funds were maintained or increased for the broad range of activities supporting TANF clientele. This suggests that the supplantation observed from state budgets constituted more of a funding shift within the broad category of support for the working poor, rather than a diversion of resources away from this entirely into other state program priorities.

Some would argue that allowing supplantation of any kind increases the likelihood that states could weaken their commitment to the core services (e.g., cash assistance) on which low-income families depend most and shift more of the financing for these services to the federal government under the guise of program flexibility. Potentially, supplantation permits states to convert federal

[10] Most academic studies that seek to assess the extent to which states use federal funds to supplant their own define supplantation as a decrease in state spending from what the state would have spent if more federal funds had not been made available. These studies gather historical data on state spending, control for certain demographic variables such as caseload changes, identify trends in state spending, and then extrapolate those trends. The studies compare the trends with actual expenditure data and explain any variance from the trends as supplantation.

TANF funds into a kind of general revenue sharing program with very little impact on poverty. Although most states did supplant within the narrowest category of spending, given the stated purposes of PRWORA, this is too narrow a perspective. Since TANF is intended to serve the broader purpose of helping low income families achieve greater levels of self sufficiency, the focus should be not only on how specific grant funds were spent but rather on how states allocated federal and state funds more broadly to address this outcome. Accordingly, focusing on the act of supplantation alone in the narrowest category of spending provides a misleading perspective of the fiscal impact of the program.

These differing perspectives inform the debate over whether or not to add a nonsupplant provision to the TANF program during reauthorization. Some argue that creating a nonsupplant provision similar to that found in other federal grant programs would help ensure that all federal funds supplement existing state spending. While the program's maintenance of effort provision places a floor under state spending for the broad area of assistance to low income families, a nonsupplant provision would be aimed at preventing states from using federal funds to replace state funds for specific activities. It could be argued, for instance, that although study states did in fact sustain or increase funding for broad categories of social services, their support for these services would have been that much higher if they had been prohibited from engaging in supplantation.

However, any consideration of a nonsupplant provision should recognize that such a provision can have significant adverse effects as well. Such a provision would penalize states that took initiative to start programs before the federal TANF program became available. The states that began programs using state funds before the federal grant would be locked in to maintaining their own spending commitments to these activities while other states without such prior commitments could fund such activities entirely with federal dollars. Thus, a nonsupplant provision not only would appear to reward states for inaction but also could serve to induce states to defer program innovation until federal funds become available. In this context it is worth noting that in the GAO study supplanting tended to be concentrated in states with prior investments in programs supporting the working poor; states with relatively low levels of state effort did not have the kind of investment that prompted supplanting in the first place. Given this perspective, supplantation could be seen as rewarding these states for their past fiscal initiative without further reducing benefits in low effort states.

Once accountability shifts to the broader goals supported by the block grant program, many would argue that states should have the flexibility to shift funds across activities within the broader umbrella of social services for lower income families to best meet the broad goals of the program. Indeed, study states took advantage of this flexibility by using TANF funds to free up state funds to support broader activities supporting low-income families. Just as the absence of a nonsupplant provision creates the potential for the grant to become a general fiscal relief program, the presence of such a provision might limit the intended breadth of the block grant by locking states into pre-established funding priorities. From this perspective, a broad- based maintenance-of-effort provision calling for states to maintain spending across a wide range of relevant programs might both limit substitution while providing greater state discretion than a traditional nonsupplant requirement. Although the current TANF maintenance of effort provision did permit states to reduce their own funding by up to 25 percent from 1994 levels, it nonetheless served to prevent states from reducing their funds even more in the face of a more than 50 percent decline in caseloads. So, in the environment of the past six years, the maintenance of effort provision had the effect of stimulating additional state spending above levels that might have existed in its absence.

Preparing for the Unknown: Accounting for Reserved Balances

Paradoxically, while much attention has been placed on whether states have replaced their own spending with federal funds, states have also been under considerable scrutiny for not spending their TANF funds more quickly. Finding the right balance between saving for future needs and investing resources today in programs to help people make the transition from welfare to work continues to be one of the main challenges states face as they develop strategies to address the needs of low-income families. If states wish to set aside reserves for future welfare costs, they have two options: they can save federal TANF funds or they can save their own funds. If they elect to save federal TANF funds, they must keep these funds in the U.S. Treasury until the funds are needed.

During a fiscal crisis state policy makers face difficult choices regarding whom to serve, for how long, and with what services. Each of these "hard choices" must be financed in the context of fiscal limitations – including legislative restrictions, constitutional balanced budget mandates, or conditions imposed by the bond market – on states' abilities to increase spending, especially in times of fiscal stress. For example, revenues may come in lower than expected during an economic downturn and a state's enacted budget can fall into deficit. State balanced budget requirements often motivate states to both reallocate resources within their budgets and cut program spending or increase taxes during recessions. This can exacerbate budgetary stress caused by caseload volatility.

For these reasons prudent fiscal planning, especially contingency budgeting for a fiscal rainy day, becomes particularly important. In general, during any sort of fiscal crisis, a state's need to cut spending or increase revenues can be alleviated if it has accumulated surplus balances in rainy day funds—these surpluses may be used to cover a given year's deficit. However, unless there are reserves specifically earmarked for low-income families, welfare programs will have to compete with other state priorities for any of the rainy day funds. Since the fiscal risks of welfare programs have now shifted to the states, it is reasonable for the Congress to inquire as to whether states are prepared for these risks.

Although many might view the unspent balances left at the U.S. Treasury as a "de facto rainy day fund" for future welfare costs, states do not report unspent balances in a consistent manner. This makes it difficult to ascertain how much of these balances are truly uncommitted and therefore available for future contingencies. As a result, federal policymakers lack reliable information to help assess states' plans for economic contingencies, including whether the levels of available funds are adequate, and whether all states have access to these funds. Reporting requirements should enable collection of data that will assist policy makers in their oversight responsibilities. However, largely because welfare accounting differs dramatically across states, information on unspent TANF balances is not compiled in the same way in all states. This makes it difficult to ascertain how much of these balances are truly uncommitted and therefore available for future contingencies. As a result, the information on unspent balances is not comparable, and provides little useful information on the nature and adequacy of states' resources for future fiscal risks.

Both the states and the federal government have a significant interest in preparing TANF to meet challenges in times of fiscal distress. While the shift from the open-ended match of AFDC to the fixed-dollar TANF block grant under PRWORA provided states with increased program flexibility, and sometimes, fiscal relief, it also increased the states' exposure to fiscal risks in the event of an economic downturn or increased program costs. Clearly, this gives states an interest in planning for future needs. Similarly, the fact that the federal government recognized its continued federal role in fighting poverty, coupled with the fact that those states who fail to engage in contingency planning could, when faced with fiscal pressures, turn to the federal government for help create a federal interest in the viability of TANF in times of economic stress.

The accumulation of reserves during the relatively easy times of the late 1990's and 2000 when we examined the states could also help states resolve shortfalls in the TANF area. The TANF surpluses may help states weather difficult times, but contingency planning received little attention in the 10 states GAO examined. Although many states have surplus TANF funds, the amounts were not set aside based on any rational planning scenarios simulating the effects of a downturn on program needs and spending. Moreover, states were under significant pressure from federal budgetary actors as well as their own clientele to accelerate the drawdown of these funds during 1999 and 2000. While most states have general purpose rainy day funds that might be available for TANF among many other purposes, only one of the 10 states in the GAO study established a reserve specifically dedicated to TANF. Maryland was able to draw down federal funds to replace existing state dollars for specific welfare activities, using those freed up state funds then to create a $30 million rainy day fund for TANF. A federal contingency fund exists for potential downturns but it is not an inviting option for the states due to costly requirements for state fiscal participation.

Economic downturns can work to shift the patterns GAO observed during the FY 2000 budget cycle. Although no definitive data is yet available chronicling states' decisions during the current downturn, rising caseloads and falling state revenues have clear potential to alter the federal-state fiscal balance and the priorities followed by the states for the low income support services. States might be tempted to use some of their TANF surpluses to fill fiscal gaps elsewhere in the budget through increased levels of supplantation, this time diverting freed up state money not for broader low income programs but for other state priorities. Priorities could shift within the TANF area as well. For example, states that began experimental work support programs when they were flush with TANF funds could discontinue those "pilot" programs and use the funding streams to finance programs that were of a higher priority. In some cases, outreach efforts for new high priority programs – such as child care programs – could be scaled back to slow projected cost increases and finance other programs during the fiscal crisis. Similarly, federal funds for training programs under WIA can be used to finance TANF-related training needs if TANF funds were to fall short, and Social Service Block Grant funds can be reallocated to serve a wide array of programs that meet the needs of a TANF-eligible population.

When a call is made for more federal resources to help states address the needs of the low-income families, decision makers will first need better information on the level of resources that are currently available. In addition, decisionmakers will need a better understanding of the broad range of options states have at their disposal to address the fiscal needs of their programs serving low-income families.

Conclusion

Data collected by the General Accounting Office, the Rockefeller Institute of Government, and the Brookings Institution show that state social service spending in the post-welfare-reform environment has changed in ways that are sometimes surprising, and that have important implications for assessing whether welfare reform is meeting its objectives. First, the 17 study states generally have *not* reduced total spending on programs for low-income families and individuals, broadly defined, nor have they reduced spending from their own funds. Second, while there are broad similarities across states, such as large increases in child care spending and employment and training spending, and dramatic reductions in cash assistance, state responses have been enormously varied. Third, many complex factors influence state choices about *how* to allocate federal and state funds - how much of a program or functional area to finance with federal funds, and how much to finance with state funds. States make choices about federal and state spending in the context of broader budgetary goals, and researchers cannot draw meaningful conclusions about a state's commitment to social service spending by looking at how federal-state responsibilities in a single program area have changed. Finally, just as we cannot look at programs or functional areas in isolation, we cannot look at funding streams in isolation. State spending on social services goes far beyond TANF and associated maintenance of effort spending, and we cannot understand state priorities, or changes in those priorities, without looking at spending more broadly.

These facts have important implications for accountability. It is futile to focus on changes within a narrow categorical program in order to assess the impact these changes have on services and benefits for low-income families.

As we have seen with our studies of welfare reforms, obtaining a broad picture of social services is critical in measuring the effort states are making to support families and work. It is clear that states are making very different choices about total social service spending and how to finance it. Congress and others interested in overseeing welfare reforms at the national and state level would be advised to focus on the broader fiscal balance, i.e. the way states use multiple federal and state funding streams to support the overall goals of the program. TANF's performance goals call for states to bring to bear a wide range of related funding streams to make a difference for low-income families. Accordingly, periodic monitoring of the broader fiscal context influencing these outcomes is an important research activity warranting greater attention at the national level.

Appendix A: Tables

Table 1

Percentage Change in Spending on Non-Health Social Services, 1995 to 1999
Federal and State Sources Combined

		Non-Cash-Assistance Spending						
	Cash Assistance	Other Basic Needs	Child Care	Work Support	Child Welfare	Other Welfare-Related	Subtotal	Total
Colorado	(59.6)	39.8	86.9	3,447.7	34.4	28.0	115.1	72.4
Virginia	(49.9)	36.8	124.8	(14.5)	120.9	38.9	66.8	30.2
Texas	(53.2)	10.4	50.1	172.7	14.6	34.9	36.6	21.6
Louisiana	(40.9)	11.3	173.6	36.8	27.4	29.1	31.3	16.2
Rhode Island	(12.1)	80.2	163.9	(5.0)	11.6	(9.6)	35.9	14.6
Wisconsin	(79.2)	27.0	219.4	79.7	133.8	10.8	59.8	14.5
District of Columbia	(35.9)	(22.5)	103.4	10.5	84.2	7.0	39.6	13.2
Tennessee	(39.5)	3.0	132.3	139.5	(31.3)	88.0	23.4	11.8
Maryland	(54.9)	13.7	45.9	64.1	27.8	28.6	28.4	6.9
Oregon	(55.8)	23.1	34.2	44.4	34.3	12.6	27.9	6.8
Michigan	(52.3)	3.0	116.6	15.7	45.3	14.6	28.0	5.5
California	(44.9)	7.4	138.7	252.9	43.6	13.9	46.3	4.0
Ohio	(50.0)	17.1	109.7	76.5	67.8	122.5	70.0	3.9
Arizona	(54.7)	6.3	70.9	35.5	57.4	50.9	40.5	2.4
Connecticut	(45.9)	(6.6)	117.7	21.7	40.3	64.9	24.3	1.8
Minnesota	(42.2)	(15.8)	120.0	36.9	40.3	32.1	13.3	(1.6)
New York	(39.0)	(14.3)	54.7	22.9	(17.7)	(9.3)	(4.1)	(17.0)
Median	(49.9)	10.4	116.6	36.9	40.3	28.6	35.9	6.9

Note: Includes TANF, TANF-MOE, plus other federal and state funds
Sources: Rockefeller Institute of Government, The Brookings Institution, and RIG/Brookings analysis of General Accounting Office data

Table 2

Percentage Change in State Spending on Non-Health Social Services From 1995 to 1999
State Sources

	Cash Assistance	Non-Cash-Assistance Spending: Other Basic Needs	Child Care	Work Support	Child Welfare	Other Welfare-Related	Subtotal	Total
Colorado	(61.0)	105.9	147.6	11,888.4	76.5	39.1	273.3	181.1
Virginia	(57.6)	245.9	223.5	(55.1)	90.7	41.7	82.4	35.0
Ohio	(9.9)	61.9	27.6	14,282.8	70.5	122.3	110.9	29.3
Louisiana	11.6	0.5	109.7	(70.2)	77.7	48.9	34.5	27.8
Texas	(38.7)	5.0	41.6	15.9	(11.9)	53.1	21.4	10.6
Rhode Island	(25.1)	57.5	260.7	(1.2)	7.0	(8.3)	28.2	9.5
Michigan	(28.1)	8.6	179.2	3.9	31.3	7.7	17.5	5.4
Wisconsin	(68.6)	11.0	31.4	45.2	153.4	(7.3)	26.2	4.0
Minnesota	(43.7)	(17.7)	209.5	46.8	82.5	38.0	16.6	2.6
Tennessee	(49.5)	(9.2)	77.2	511.0	(22.7)	91.1	16.9	2.5
Oregon	(76.7)	74.1	(31.2)	123.7	42.3	20.3	31.7	1.3
California	(36.7)	6.3	78.1	20.8	60.5	2.0	26.6	1.1
District of Columbia	(20.8)	(55.5)	1.3	(67.4)	63.4	4.9	9.6	1.0
Maryland	(58.8)	2.5	(8.8)	1,177.1	29.5	18.8	20.9	0.7
Connecticut	(72.2)	(8.4)	132.6	41.7	38.8	94.8	32.0	(1.9)
Arizona	(50.3)	(3.1)	(20.0)	131.1	21.1	.	14.5	(8.6)
New York	(42.6)	(16.4)	53.2	28.5	(10.4)	(13.2)	(0.4)	(16.7)
Median	(43.7)	5.0	77.2	41.7	42.3	29.2	26.2	2.6

Note: Includes TANF-MOE plus other state funds
Sources: Rockefeller Institute of Government, The Brookings Institution, and RIG/Brookings analysis of General Accounting Office data

Table 3

Change in Federal Percentage Share of Federal-State Spending, 1995 to 1999

		Non-Cash-Assistance Spending						
	Cash Assistance	Other Basic Needs	Child Care	Work Support	Child Welfare	Other Welfare-Related	Subtotal	Total
District of Columbia	(11.8)	26.0	40.0	28.1	8.5	1.5	14.6	6.6
Wisconsin	(20.1)	8.4	22.6	13.5	(3.5)	11.1	13.1	5.1
Arizona	(3.5)	3.6	16.4	(9.7)	15.1	-	7.9	4.3
Texas	(12.3)	0.7	3.4	15.9	12.8	(6.6)	4.0	3.3
Maryland	4.5	4.8	19.2	(20.8)	(0.7)	6.0	3.1	3.0
Rhode Island	6.5	7.8	(14.6)	-	3.0	(0.8)	3.7	2.5
Tennessee	5.7	2.0	5.5	(11.6)	(6.4)	(0.9)	1.5	2.4
Connecticut	26.8	1.1	(3.8)	(7.1)	0.5	(12.4)	(3.3)	2.0
Oregon	17.9	(3.9)	21.5	(7.7)	(2.8)	(3.9)	(1.0)	1.7
California	(7.4)	0.8	17.0	13.5	(6.3)	3.6	8.6	1.6
Michigan	(23.4)	(2.3)	(4.6)	6.8	5.8	4.2	4.1	0.1
New York	3.7	1.3	0.5	(3.6)	(4.5)	3.6	(2.3)	(0.3)
Virginia	8.3	(10.0)	(19.1)	21.9	9.6	(1.6)	(4.5)	(1.8)
Louisiana	(27.9)	1.1	4.5	21.3	(12.4)	(5.1)	(0.5)	(2.2)
Minnesota	1.4	1.6	(20.0)	(4.3)	(9.7)	(3.0)	(1.8)	(2.5)
Ohio	(31.5)	(4.2)	19.1	(47.1)	(0.5)	0.1	(5.6)	(7.8)
Colorado	1.5	(10.5)	(14.7)	(68.0)	(16.7)	(2.8)	(29.1)	(26.1)
Median	1.4	1.1	4.5	(3.6)	(0.7)	(0.8)	1.5	1.7

Note: Includes TANF plus other federal funds
Sources: Rockefeller Institute of Government, The Brookings Institution, and RIG/Brookings analysis of General Accounting Office data

Table 4

State Social Service Spending in 1998-99
The Importance of Funds Outside of TANF and TANF-MOE

	Federal and State Funds Outside of TANF and TANF-MOE as % of All Federal and State Funds		
	California	**Louisiana**	**Minnesota**
Cash Assistance	0%	0%	8%
Other Basic Needs	82%	100%	97%
Child Care	55%	16%	59%
Work Support	25%	76%	83%
Child Welfare	91%	100%	100%
Other Welfare-Related Spending	67%	100%	100%
Total	53%	76%	77%

Note: Treats child care financed by transfers from TANF as TANF spending
Sources: Rockefeller Institute of Government, The Brookings Institution, and RIG/Brookings analysis of General Accounting Office data

Table 5

State Spending of State TANF-MOE Funds and Other State Funds
Change From 1994-95 to 1998-99, Millions of Dollars

	California		Louisiana		Minnesota	
	TANF-MOE	Other State	TANF-MOE	Other State	TANF-MOE	Other State
Cash Assistance	(1,066)	-	6	(0)	(64)	(24)
Other Basic Needs	(201)	362	-	0	(2)	(74)
Child Care	92	235	(0)	10	-	82
Work Support	43	(24)	(15)	3	6	41
Child Welfare	185	450	-	37	(7)	40
Other Welfare-Related Spending	9	(5)	(0)	9	-	23
Non-Cash-Assistance Subtotal	128	1,017	(15)	59	(2)	112
Total	(938)	1,017	(9)	59	(66)	88

Sources: Rockefeller Institute of Government, The Brookings Institution, and RIG/Brookings analysis of General Accounting Office data

Appendix B: Social Service Spending Categories

In this paper we focus on state spending on six main categories of non-health social services, whether funded by TANF, TANF state maintenance of effort (TANF-MOE), other federal funds (except Medicaid), and other state funds. The six spending categories are:

Cash assistance: programs that provide a cash benefit to the recipient such as TANF cash assistance, and state general assistance programs.

Other basic needs: includes expenditures for programs that provide benefits to recipients that have a direct monetary value including child support collections passed through to clients (over $50 a month), state supplements to the SSI program, diversion payments, emergency assistance, food assistance programs that are part of the state budget (federal food stamp benefits not included), and housing assistance.

Child care and development: includes programs that provide funding for child care services (custodial and educational) for low-income families.

Work support: includes programs that help low-income individuals obtain and keep employment such as employment education and training programs, transportation, post-employment services, and earned income tax credits.

Child welfare: includes expenditures on adoption assistance, foster care, and independent living programs and programs intended to prevent out-of-home placements, promote reunification of families, or provide a safe environment for children.

Other welfare-related services: includes juvenile justice, family formation/pregnancy prevention, and substance abuse/treatment programs.

Appendix C: Survey Documents

General Instructions

Thank you for agreeing to complete the State Social Service Spending Survey.

1. Include expenditures or estimated expenditures only (not amounts budgeted or authorized).

2. Provide expenditures for state fiscal years 1994-95, 1998-99, and 1999-00 (not the federal fiscal year).

3. Include all federal, state and local expenditures *that are incorporated in the state budget*. For local expenditures, include spending of locally raised revenue that is incorporated in the state budget.

4. Include TANF and MOE expenditures, as well as expenditures from any other funding source for each program. 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."

5. Do not include capital expenditures.

6. Do not include separately identified administrative or management information systems expenditures, but do include administrative expenditures that are incorporated in relevant program expenditures.

7. Identify funding streams included in the columns labeled "Other" on a separate sheet.

8. 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. Also, where TANF has been transferred to SSBG, please count it as SSBG spending, but note separately how much TANF money was transferred.

9. There are separate forms and instructions for reporting child care and health care expenditures.

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

Definitions Pertaining to Survey Forms

[NOTE: The body of the report aggregates individual line items into categories that differ somewhat from the categories given below.]

Cash Assistance/Basic Needs

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

Line 1d: 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 1e: 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 1f: 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 1g: 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 1h: other.
Include expenditures on any other programs that meet a basic need that are not included above. Please describe such programs on an attached sheet.

Support for Working Poor

Line 2a: education.
Include expenditures on educational activities that prepare 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. Include education programs that are delivered to the general public and not defined as a poverty prevention initiative only to the extent they are funded by TANF and TANF MOE.
(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.

Line 2c: 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 2d: provider profits.
Include all bonuses, incentive payments or profits to contractors for provision of services to low-income people.

Line 2e: 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 2f &2g: state EITC (refundable and non-refundable).
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.

Line 2h: 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 2i: other.
Include expenditures on any other programs related to work preparation, education and retention that are not included above. Please describe such programs on an attached sheet.

Other TANF Related Social Services

Line 3a: 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 3b: juvenile justice programs.
Include expenditures on social service programs for youth who have violated the state juvenile code. Do not include institutional spending.

Line 3c: other child protection/juvenile justice programs.
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 3d: 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 3e: 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 3f: other poverty prevention programs.
Include expenditures on any other programs related to poverty prevention that are not included above. Please describe such programs on an attached sheet.

Other Social Services

Line 4a: developmental disabilities.
Include expenditures on programs that provide services to individuals with developmental disabilities and their families, including outpatient care and public education, but excluding institutional facilities.

Line 4b: mental health services.
Include expenditures on programs that provide prevention and/or intervention services to the mentally ill and their families, including outpatient care and public education, but excluding institutional care.

Line 4c: services to seniors.
Include expenditures on social service programs for senior citizens. (Do not include medical services.)

Line 4d: other.
Include expenditures on social service programs not included in the above categories.

1994-95 Expenditures

NOTE: The body of the report aggregates individual line items into categories that differ somewhat from the categories given below.

State Fiscal Year 1994-95 RIG Social Services Spending Survey

	Federal Expenditures				State Expenditures			Local Exp
	I IV-A	II IV-F	III SSBG	IV Other	V IV-A	VI IV-F	VII Other	VIII IV-A
1 Cash Assistance/Basic Needs								
a) cash assistance								
b) child support pass through (>$50)								
c) SSI supplements								
d) diversion payments								
e) emergency assistance								
f) food assistance								
g) housing assistance								
h) other (specify)								
subtotal								
2 Support for Working Poor								
a) education								
b) training								
c) post-employment services								
d) provider profits								
e) transportation								
f) state eitc - refundable								
g) state eitc - nonrefundable								
h) wage subsidies								
I) other								
subtotal								
3 Other TANF Related Social Services								
a) child welfare								
b) juvenile justice programs (non-institutional)								
c) other child protection/juvenile justice programs								
d) family formation / preg. prev.								
e) substance abuse prev. & treat.								
f) other poverty prevention programs (specify)								
subtotal								
4 Other Social Services								
a) developmental disabilities (excluding long-term care)								
b) mental health services (excluding long-term care)								
c) services to seniors (NOTE: NOT INCLUDED IN REPORT ANALYSIS)								
d) other (specify)								
subtotal								
Total								

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1998-99 Expenditures

NOTE: The body of the report aggregates individual line items into categories that differ somewhat from the categories given below.

State Fiscal Year 1998-99 RIG Social Services Spending Survey

	Federal Expenditures			**State expenditures**		
	I	II	III	IV	V	VI
	TANF	SSBG	Other	TANF-MOE	MOE-SSP	Other
1 Cash Assistance/Basic Needs						
a) cash assistance						
b) child support pass through (>$50)						
c) SSI supplements						
d) diversion payments						
e) emergency assistance						
f) food assistance						
g) housing assistance						
h) other (specify)						
subtotal						
2 Support for Working Poor						
a) education						
b) training						
c) post-employment services						
d) provider profits						
e) transportation						
f) state eitc - refundable						
g) state eitc - nonrefundable						
h) wage subsidies						
I) other						
subtotal						
3 Other TANF Related Social Services						
a) child welfare						
b) juvenile justice programs (non-institutional)						
c) other child protection/juvenile justice programs						
d) family formation / preg. prev.						
e) substance abuse prev. & treat.						
f) other poverty prevention programs (specify)						
subtotal						
4 Other Social Services						
a) developmental disabilities (excluding long-term care)						
b) mental health services (excluding long-term care)						
c) services to seniors (NOTE: NOT INCLUDED IN REPORT ANALYSIS)						
d) other (specify)						
subtotal						
total						

File Name: Rockefeller Survey Forms (11/01)

1999-2000 Expenditures

NOTE: The body of the report aggregates individual line items into categories that differ somewhat from the categories given below.

State Fiscal Year 1999-00 RIG Social Services Spending Survey

	Federal Expenditures			State expenditures		
	I	II	III	IV	V	VI
	TANF	SSBG	Other	TANF-MOE	MOE-SSP	Other
1 Cash Assistance/Basic Needs						
a) cash assistance						
b) child support pass through (>$50)						
c) SSI supplements						
d) diversion payments						
e) emergency assistance						
f) food assistance						
g) housing assistance						
h) other (specify)						
subtotal						
2 Support for Working Poor						
a) education						
b) training						
c) post-employment services						
d) provider profits						
e) transportation						
f) state eitc - refundable						
g) state eitc - nonrefundable						
h) wage subsidies						
I) other						
subtotal						
3 Other TANF Related Social Services						
a) child welfare						
b) juvenile justice programs (non-institutional)						
c) other child protection/juvenile justice programs						
d) family formation / preg. prev.						
e) substance abuse prev. & treat.						
f) other poverty prevention programs (specify)						
subtotal						
4 Other Social Services						
a) developmental disabilities (excluding long-term care)						
b) mental health services (excluding long-term care)						
c) services to seniors (NOTE: NOT INCLUDED IN REPORT ANALYSIS)						
d) other (specify)						
subtotal						
total						

File Name: Rockefeller Survey Forms (11/01)

Child Care

Child Care/Child Development Spending

Instructions: Include expenditures on any child care or child development program, either custodial or educational, in-home or out-of-home, aimed at either working or non-worl people, including pre-K programs, vouchers for child care, state expenditures on Head Start, and subsidies to child care centers. Include programs for both TANF and non-TANF populations. Please identify each program in the spaces provided and identify their funding streams. Please provide eligibility criteria and caseload info on an attached sheet.

SFY 1994-95 Child Care/Child Development Spending

Program Names	Federal Expenditures		State Expenditures	TOTALS
	CCDBG	Other		
				-
				-
				-
TOTALS	-	-	-	-

SFY 1998-99 Child Care/Child Development Spending

Program Names	Federal Expenditures		State Expenditures		
	CCDF	Other	CCDF-MOE	CCDF-MATCH	Other
TOTALS	-	-	-	-	-

SFY 1999-00 Child Care/Child Development Spending

Program Names	Federal Expenditures		State Expenditures		
	CCDF	Other	CCDF-MOE	CCDF-MATCH	Other
TOTALS	-	-	-	-	-

CCDBG - Child Care and Development Block Grant
CCDF - Child Care Development Fund

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Health Care

NOTE: Health care expenditures were collected as an auxiliary to the main survey, and are not included in the definition of social service used in the body of the report, unless explicitly noted otherwise.

Health Care Spending

Instructions: Include expenditures on any health care program, excluding long-term care, that serves both the TANF and non-TANF-non-elderly populations.
Please identify the eligibility criteria and caseload information for each program on a separate sheet of paper.

SFY 1994-1995 Health Care Spending

Program Names	Federal Expenditures		State Expenditures		TOTALS
	Title XIX	Other	Title XIX	Other	
					-
					-
					-
					-
					-
TOTALS	-	-	-	-	-

SFY 1998-99 Health Care Spending

Program Names	Federal Expenditures			State Expenditures			TOTALS
	Title XIX	Title XXI	Other	Title XIX	Title XXI	Other	
							-
							-
							-
							-
							-
TOTALS	-	-	-	-	-	-	-

SFY 1999-00 Health Care Spending

Program Names	Federal Expenditures			State Expenditures			TOTALS
	Title XIX	Title XXI	Other	Title XIX	Title XXI	Other	
							-
							-
							-
							-
							-
TOTALS	-	-	-	-	-	-	-

File Name: Rockefeller Survey Forms (3/21/01)