

December 2012

TEMPORARY
ASSISTANCE FOR
NEEDY FAMILIES

More Accountability
Needed to Reflect
Breadth of Block
Grant Services



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Why GAO Did This Study

The TANF block grant, created as part of the 1996 welfare reforms, gives states flexibility to make key decisions about how to allocate funds to provide services to low-income families. The number of families receiving cash assistance declined by over half within the first 5 years of TANF, and states shifted their TANF priorities to other forms of aid, or non-cash services. In fiscal year 2011, states spent about 64 percent of nearly \$31 billion in federal and state funds for such services, with federal funds accounting for nearly \$9 billion. GAO examined (1) how states have used TANF funds for non-cash services and (2) what information is available to assess TANF performance for non-cash services and what challenges are involved in doing so. GAO reviewed past reports and relevant federal laws and regulations; analyzed state TANF expenditure information; and interviewed HHS officials, TANF experts, and officials in 10 selected states through site visits and phone conferences. These 10 states accounted for nearly half of all TANF spending for non-cash services in fiscal year 2010.

What GAO Recommends

Congress may wish to consider ways to improve reporting and performance information so that it encompasses the full breadth of states' uses of TANF funds. GAO recommends that HHS develop a detailed plan with timelines to revise reporting categories for TANF expenditures. In its response, HHS provided some timeframes that we added to the report, although we maintain a more detailed plan will help HHS monitor its progress in completing this effort.

View [GAO-13-33](#). For more information, contact Kay E. Brown at (202) 512-7215 or brownke@gao.gov.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

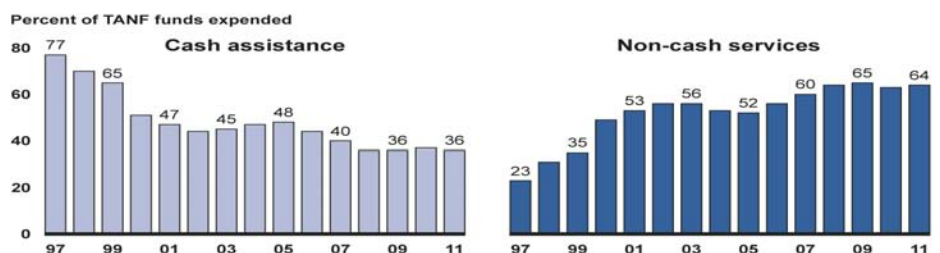
More Accountability Needed to Reflect Breadth of Block Grant Services

What GAO Found

Nationwide, states have used Temporary Assistance for Needy Families (TANF) block grant funds not only to provide cash assistance, but also to provide non-cash services, such as job preparation and work supports for low-income families and aid for at-risk children. Among our 10 selected states, job preparation and work activities included help with the job search process, skills training, and subsidized employment. California generally provides such services to families receiving cash assistance while the other nine states extend some of them to other low-income families. Florida and Utah provide such services in coordination with the Workforce Investment Act one-stop center system. Work supports among these states mainly include child care subsidies for low-income working families. Services for at-risk children include child welfare activities, such as child abuse hotlines, investigative and legal services, child protection, and preventive services. TANF has allowed states to make funding decisions based on state priorities, particularly as cash assistance caseload declines freed up funds for non-cash services. However, according to officials in three states GAO reviewed, state decisions to fund a broad array of services can create tensions and trade-offs between meeting cash assistance and other service needs.

TANF's accountability framework provides incomplete information on how states' non-cash services are contributing to TANF purposes. Plans that states submit to the Department of Health and Human Services (HHS) outlining how they intend to run their TANF programs provide limited information on goals and strategies for non-cash services. In addition, past HHS reports and selected states identified some weaknesses in TANF expenditure reporting. For example, officials in one selected state noted that the use of TANF funds for child welfare services is not clearly identifiable in HHS's reporting categories for TANF expenditures. HHS is working to revise reporting categories, with a goal of implementing them for fiscal year 2014. No reporting requirements currently mandate performance information specifically on families receiving non-cash services or TANF's role in filling needs in prominent spending areas for TANF funds, like child welfare. These reporting gaps limit the information available for oversight of TANF block grant funds by HHS and Congress. Generally, HHS has limited authority to impose new TANF reporting requirements on states unless directed by Congress. While GAO's previous work on grant design highlights several features of grants, such as broad and varied purposes, that pose challenges to the development of performance information and measures, it also lays out accountability principles that can help address these issues for TANF.

Percentage of Federal and State Funds Spent on Cash Assistance and Non-Cash Services from Fiscal Years 1997 to 2011



Source: GAO analysis of TANF expenditure data from HHS.

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Abbreviations

AFDC	Aid to Families with Dependent Children
CCDF	Child Care and Development Fund
HHS	U.S. Department of Health and Human Services
MOE	maintenance of effort
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
SSBG	Social Services Block Grant
TANF	Temporary Assistance for Needy Families

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United States Government Accountability Office
Washington, DC 20548

December 6, 2012

The Honorable Max Baucus
Chairman
The Honorable Orrin Hatch
Ranking Member
Committee on Finance
United States Senate

The Honorable Tom Coburn
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

In 1996, the federal government made sweeping changes to federal welfare policy by replacing the previous cash assistance program with the Temporary Assistance for Needy Families (TANF) block grant. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA),¹ which created TANF, ended the Aid to Families with Dependent Children (AFDC) program that had entitled eligible families to monthly cash assistance. Instead, Congress has provided \$16.5 billion in TANF funds to states each year to operate their own welfare programs within federal guidelines. At the federal level, the U.S. Department of Health and Human Services (HHS) is responsible for overseeing TANF programs. The number of families receiving cash assistance declined by over half within the first 5 years of TANF, and states shifted their TANF spending priorities to other forms of aid, which we refer to as non-cash services.² TANF funds may be used for a broad array of non-cash

¹ Pub. L. No. 104-193, 110 Stat. 2105.

² Federal law governing TANF generally refers to the term “assistance” and does not make distinctions between different forms of aid funded by TANF. However, HHS draws distinctions between “assistance” and “nonassistance.” HHS regulations define assistance to include cash, payments, vouchers, or other forms of benefits designed to meet families’ ongoing, basic needs. 45 C.F.R. § 260.31. HHS also generally includes in assistance services, such as child care and transportation assistance for parents who are unemployed. HHS uses the term nonassistance to refer to TANF expenditures that fulfill one of the four TANF purposes, but do not meet this regulatory definition. In our report, we refer to HHS’s definition of assistance as “cash assistance” and its reference to nonassistance as “non-cash services.”

services, ranging from job preparation activities to emergency aid for housing, energy, food, and clothing. In fiscal year 2011, states spent about two-thirds of total federal TANF and state-related funds (about \$19.5 billion out of \$30.6 billion) on a range of non-cash services for families who receive cash assistance and other low-income families.³

Although a large share of federal TANF and state-related funds are spent on non-cash services, we reported in 2006 that little information exists on the numbers served by TANF funds beyond those receiving cash assistance, what services are funded, and how these services fit into a strategy or approach for meeting TANF goals.⁴ More recently, in 2012 we noted that this information gap hinders decision makers in determining the success of TANF and what trade-offs might be involved in any changes to the TANF block grant.⁵ You asked us to provide information on non-cash services to help inform the potential reauthorization of the TANF block grant. This report examines: (1) how states have used TANF funds for non-cash services, and (2) what information is available to assess TANF performance for non-cash services and what challenges may be involved in improving performance information.

To answer our research objectives, we reviewed relevant federal laws and regulations as well as past reports related to non-cash services and performance measurement. We also reviewed and analyzed HHS data and documents related to state reports of national and state TANF expenditures from fiscal years 1997 through 2011. Expenditures reported in any given year may include adjustments made by states to data reported in prior years. Through reviews of previous GAO reports and interviews with HHS officials, we determined the data to be sufficiently

³ For the purposes of our report, TANF expenditure data includes American Recovery and Reinvestment Act of 2009 funds provided in fiscal years 2009 and 2010 to states with increased caseloads, or with increased expenditures on non-recurrent short-term benefits or subsidized employment. It also includes TANF Contingency funds provided to states when certain triggers indicate increased needs. It excludes allowable transfers states made to the Social Services Block Grant (SSBG) for states to provide social services to meet certain needs of individuals residing within each state and the Child Care and Development Fund (CCDF) for states to provide child care subsidies for low-income families.

⁴ GAO, *Welfare Reform: Better Information Needed to Understand Trends in States' Uses of the TANF Block Grant*, [GAO-06-414](#) (Washington, D.C.: March 3, 2006).

⁵ GAO, *Temporary Assistance for Needy Families: Update on Program Performance*, [GAO-12-812T](#) (Washington, D.C.: June 5, 2012).

reliable for providing TANF expenditure information as reported by states. We also conducted interviews with HHS officials and TANF experts as well as semi-structured interviews with officials in 10 selected states, including the District of Columbia, to provide more in-depth information on state TANF spending for non-cash services as well as TANF reporting and performance measures. State interviews were conducted through four site visits to Arkansas, the District of Columbia, Louisiana, and Washington as well as six phone conferences with California, Colorado, Florida, Illinois, New York, and Utah.⁶ Furthermore, we collected additional information from selected states on these topics using a data collection instrument. We focused on TANF-funded programs and services for fiscal year 2010 in our selected states, as this was the latest year for which information was available when we selected states for our study. States were judgmentally selected to capture a variety of state characteristics, including the proportion of federal and state funds states spent on TANF non-cash services; the proportion spent for specific non-cash services including child welfare, emergency aid, and other services, job preparation and work activities, and work supports such as child care; the total amount of federal and state expenditures for non-cash services; and organizational, geographic, and other considerations. While these 10 states accounted for nearly half of all federal and state spending for TANF non-cash services in fiscal year 2010, the results from our interviews are not generalizable to all states. In addition, we relied on a survey of states funded by the Annie E. Casey Foundation and Casey Family Programs to describe how states generally fund their child welfare systems.⁷ We found the survey's data reliable for these purposes.

We conducted this performance audit from December 2011 to December 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁶ For the purposes of our report, we include the District of Columbia when we refer to states. In addition, we include expenditure information from Puerto Rico when discussing national expenditure data for fiscal years 2007 through 2009.

⁷ Kerry DeVooght et al., *Federal, State, and Local Spending to Address Child Abuse and Neglect in SFYs 2008 and 2010*, Child Trends, (Washington, D.C.: June 2012).

Background

PRWORA ended AFDC, which provided states with federal funds to share states' costs for monthly cash assistance to eligible low-income families, and created TANF. Congress has provided states with \$16.5 billion per year in fixed federal TANF funding to cover cash benefits, administrative expenses, and services primarily targeted to needy families; the amount does not vary according to the number of cash assistance recipients, referred to as the TANF caseload. Under TANF, states are given flexibility in setting various welfare program policies. For example, states generally determine cash assistance benefit levels and eligibility requirements. States are also generally allowed to spend TANF funds on other services as long as these services meet TANF purposes, which are: (1) to provide assistance to needy families so that children may be cared for in their own homes or homes of relatives; (2) to end dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) to prevent and reduce out-of-wedlock pregnancies; and (4) to encourage two-parent families.

Federal law sets some conditions for states receiving federal funds for TANF. For example, states are required to maintain a specified level of their own past spending on certain welfare programs to receive all of their TANF funds, referred to as state maintenance of effort (MOE). In addition, states must ensure that a minimum percentage of families receiving cash assistance meet work participation requirements set in law, referred to as the work participation rate. Activities creditable towards meeting work participation rates are defined in federal law and are generally focused on participants gaining employment, work-related skills, and vocational education. States that do not meet minimum work participation rates may be penalized by a reduction in their block grant. States can use various policy options to help them meet their work participation rates, such as by reducing cash assistance caseloads and spending state funds for TANF purposes above the required MOE amount. In addition, states are limited in the amount of time they can provide federal cash assistance to families. In general, states may not use federal TANF funds to provide cash assistance to a family that includes an adult who has received cash assistance for 5 years or more.⁸ Such time limits do not apply to other TANF-funded services.

⁸ States may extend federal cash assistance benefits beyond 5 years for up to 20 percent of their caseloads for families experiencing "hardship," which is defined by the states. States may also use their own state MOE funds to provide cash benefits to families beyond 5 years.

The Deficit Reduction Act of 2005 reauthorized the TANF block grant⁹ and included changes expected to strengthen the work participation rate requirement for states, among other changes. TANF is authorized through March 27, 2013.

HHS Oversight Responsibilities

Federal law sets forth the basic TANF reporting requirements for states. For example, states are required to provide information and report on their use of TANF funds to HHS through quarterly reports on demographic and economic circumstances and work activities of families receiving cash assistance, state TANF plans outlining how each state intends to run its TANF program, and quarterly financial reports providing data on federal TANF and state MOE expenditures, among other things. HHS reviews state information and reports to ensure that states meet the conditions outlined in federal law. For example, HHS uses information on demographic and economic circumstances and work activities of families receiving cash assistance to determine whether states are meeting work participation rates.

For quarterly financial reports, HHS collects information on two types of state expenditures.¹⁰

1. Assistance, which we refer to throughout the report as cash assistance, primarily includes monthly cash payments directed at ongoing, basic needs.¹¹
2. Nonassistance, which we refer to throughout the report as non-cash services, can include any other services meeting TANF purposes. These include services such as job preparation activities, child care and transportation assistance for parents who are employed, family formation efforts, and child welfare services, as well as some cash

⁹ Pub. L. No. 109-171 § 7101, 120 Stat. 4, 134.

¹⁰ These two types of expenditures are broken into various expenditure categories that states report on quarterly through HHS's Form ACF-196. For more information on the categories on the Form ACF-196 and nationwide fiscal year 2011 expenditures, see appendix I.

¹¹ While we refer to assistance as "cash assistance" in our report, a small portion of spending in this category includes spending for services such as child care and transportation assistance for parents who are unemployed. A benefit can fall into this category if it is designed to meet on-going basic needs, even if it is not in the form of cash, such as a voucher for a specific service or in an electronic form.

benefits such as non-recurring short-term benefits and refundable tax credits to low-income working families.¹²

The distinction between cash assistance and non-cash services is important because only families that receive cash assistance are included in the work participation rate calculation and are subject to time limits on receiving federally-funded cash assistance. Such conditions do not apply to families who receive non-cash services.

Amid concerns regarding limited information on TANF expenditures, Congress included additional reporting requirements in the Claims Resolution Act of 2010,¹³ which extended TANF authorization through September 2011. The act required states to submit additional information to HHS on nonassistance (or non-cash services) broadly categorized on HHS's expenditure reporting form as either "other" or "authorized solely under prior law" for March 2011 and April through June 2011.¹⁴ The act only required these reports in 2011, and did not require on-going reporting for following years. Expenditures in these categories made up nearly 28 percent of all federal TANF and state MOE spending for non-cash services nationwide in fiscal year 2011, and the resulting reports indicated that over half of them were for child welfare services.¹⁵

National Trends in TANF Expenditures

The major contrasts between the funding structure of the TANF block grant and its predecessor became apparent in the early years of TANF. When TANF was first implemented in fiscal year 1997, on average over

¹² While we refer to nonassistance as "non-cash services" in our report, some portion of spending in this category includes some cash benefits, such as those mentioned above as well as costs that may not be considered services, such as administration and systems costs.

¹³ Pub. L. No. 111-291, 124 Stat. 3064.

¹⁴ The "authorized solely under prior law" category includes expenditures that are not consistent with the purposes of TANF but are allowable for activities provided under prior law. States reported various expenditures under this category, such as for juvenile justice or state foster care payments.

¹⁵ Under the act, states are required to report "other" expenditures for both federal TANF and state MOE funds. The act also required states to provide additional detail to HHS on the work participation of families receiving cash assistance. See HHS, *Engagement in Additional Work Activities and Expenditures for Other Benefits and Services: A TANF Report to Congress* (Washington, D.C.: August 1, 2011) and *Engagement in Additional Work Activities and Expenditures for Other Benefits and Services: A TANF Report to Congress* (Washington, D.C.: February 13, 2012).

3.9 million families were receiving cash assistance every month. This number declined by over half within the first 5 years of TANF, and averaged about 1.9 million families in fiscal year 2011. The composition of the overall TANF caseload also changed, with the percentage of “child-only” cases increasing from about 23 percent from July through September 1997 to over 40 percent in fiscal year 2010. These cases consist of families receiving cash assistance on behalf of children only, in contrast to other cases in which adults in the families also receive benefits on their own behalf. Generally, in child-only cases, the parent or adult caregiver is not eligible for benefits for one or more of a variety of reasons, such as receipt of other federal benefits or immigration status.¹⁶

With the financial structure of the block grant, states have generally maintained access to their full TANF block grant allocation each year and have still been required to meet minimum MOE requirements, even as cash assistance caseloads declined. We examined issues related to the federal-state fiscal partnership under TANF in 2001 amid concerns that states would replace their own spending with federal TANF funds—thereby freeing up state funds for other purposes, including tax relief.¹⁷ Although we have not updated this work, we found at that time that the MOE requirement, in many cases, limited the extent to which states used their federal funds to replace state funds.¹⁸ Declining cash assistance caseloads also freed up federal TANF funds that states could save under a “rainy day fund” for use in future years, providing states additional flexibility in their budget decisions. In fact, we reported in 2010 that many states had some TANF reserves that they drew down to meet increasing needs in the recent economic downturn.¹⁹

¹⁶ GAO, *TANF and Child Welfare Programs: Increased Data Sharing Could Improve Access to Benefits and Services*, [GAO-12-2](#), (Washington, D.C.: October 7, 2011).

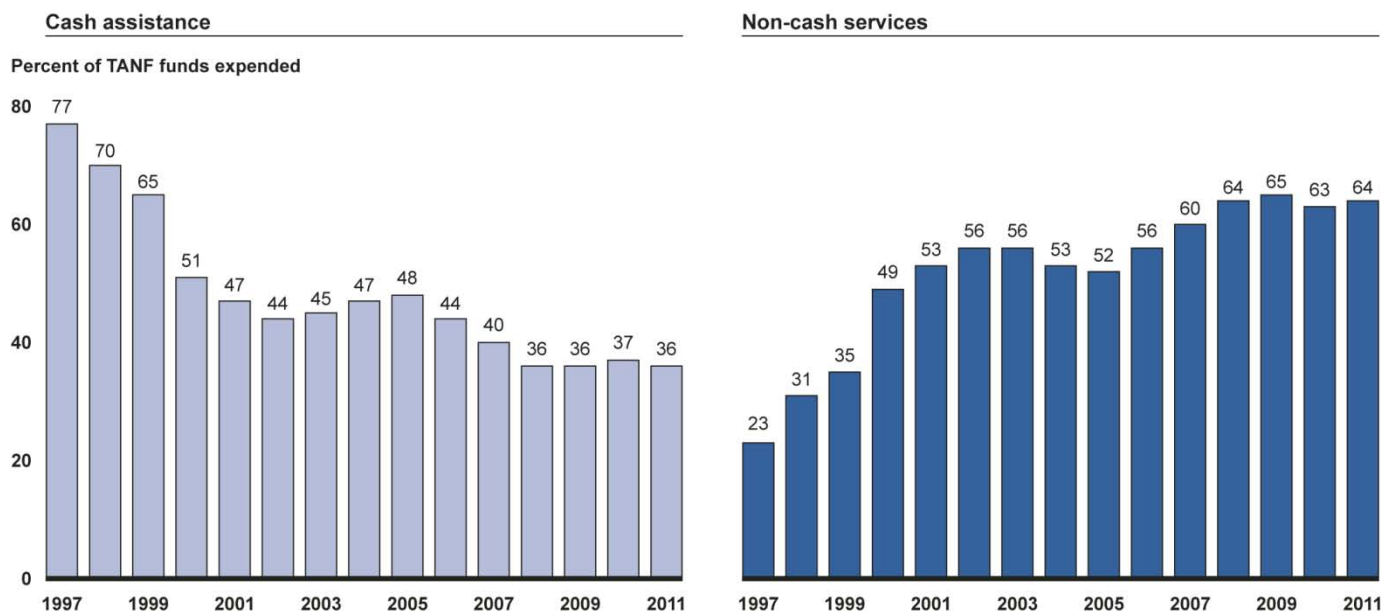
¹⁷ GAO, *Welfare Reform: Challenges in Maintaining a Federal-State Fiscal Partnership*, [GAO-01-828](#) (Washington, D.C.: August 10, 2001).

¹⁸ TANF does not include a provision that prohibits states from using federal TANF funds to replace state funds. However, if they did so, they may have had to increase their own spending on other low-income programs to satisfy minimum MOE requirements. For example, a state could withdraw its own funds from a state refundable earned income tax credit for low-income families and use federal TANF dollars instead. However, it would need to have enough other state spending to count toward its MOE requirement.

¹⁹ GAO, *Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates*, [GAO-10-525](#) (Washington, D.C.: May 28, 2010).

Over time, states also used TANF flexibility to shift spending to non-cash services. In fiscal year 1997, nationwide, states spent about 23 percent of federal TANF and state MOE funds on non-cash services. In contrast, states spent almost 64 percent of federal TANF and state MOE funds for these purposes in fiscal year 2011 (see fig. 1).

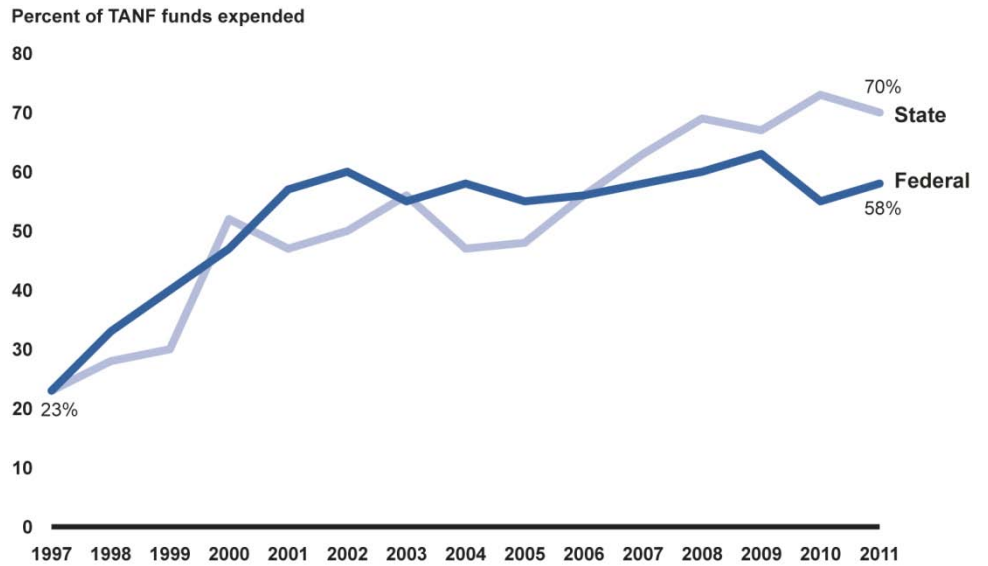
Figure 1: Percentage of Federal TANF and State MOE Funds Spent on Cash Assistance and Non-Cash Services Nationwide from Fiscal Years 1997 to 2011



Source: GAO analysis of TANF expenditure data from HHS.

The shift in combined federal TANF and MOE spending over time is also reflected in federal and state spending when considered separately. In fiscal year 1997, nationwide, states spent about 23 percent of federal TANF funds for non-cash services, compared to about 58 percent in fiscal year 2011 (see fig. 2). An even greater shift occurred in MOE spending patterns over time. While in fiscal year 1997, nationwide, states spent about 23 percent of state MOE funds for non-cash services, this rose to about 70 percent in fiscal year 2011.

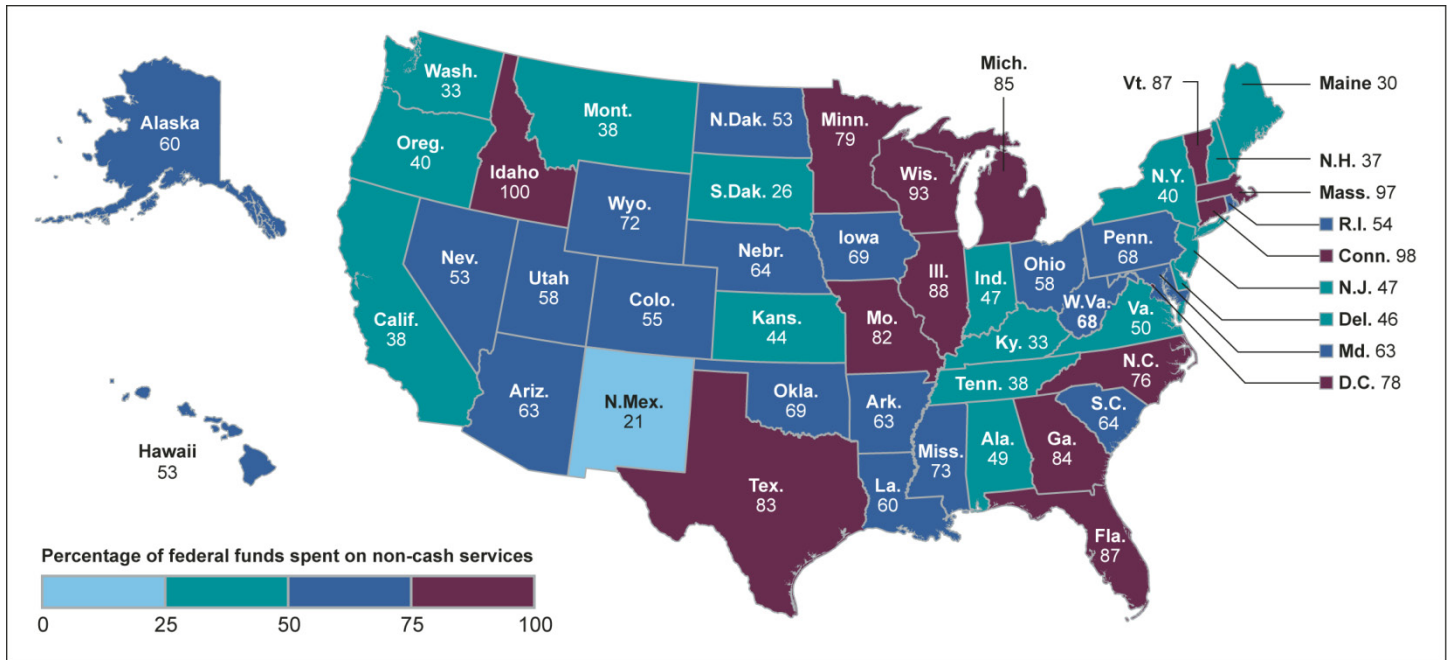
Figure 2: Percent of Federal TANF and State MOE Funds Spent Nationwide on Non-Cash Services from Fiscal Years 1997 to 2011



Source: GAO analysis of TANF expenditure data from HHS.

The increased emphasis on non-cash services is widespread among the states. Thirty-four states spent half or more of their federal TANF funds for non-cash services in fiscal year 2011. Fifteen of these states spent three-quarters or more of their federal TANF funds in this way (see fig. 3).

Figure 3: Percentage of Federal TANF Funds Used for Non-Cash Services by States in Fiscal Year 2011



Source: GAO analysis of TANF expenditure data from HHS; National Atlas (base map).

Note: Expenditures reported may include adjustments made by states in prior years. Also, the data reflect federal TANF funds used by states. In addition, states may spend state MOE funds for cash assistance and non-cash services.

The Decline in TANF's Cash Assistance Role

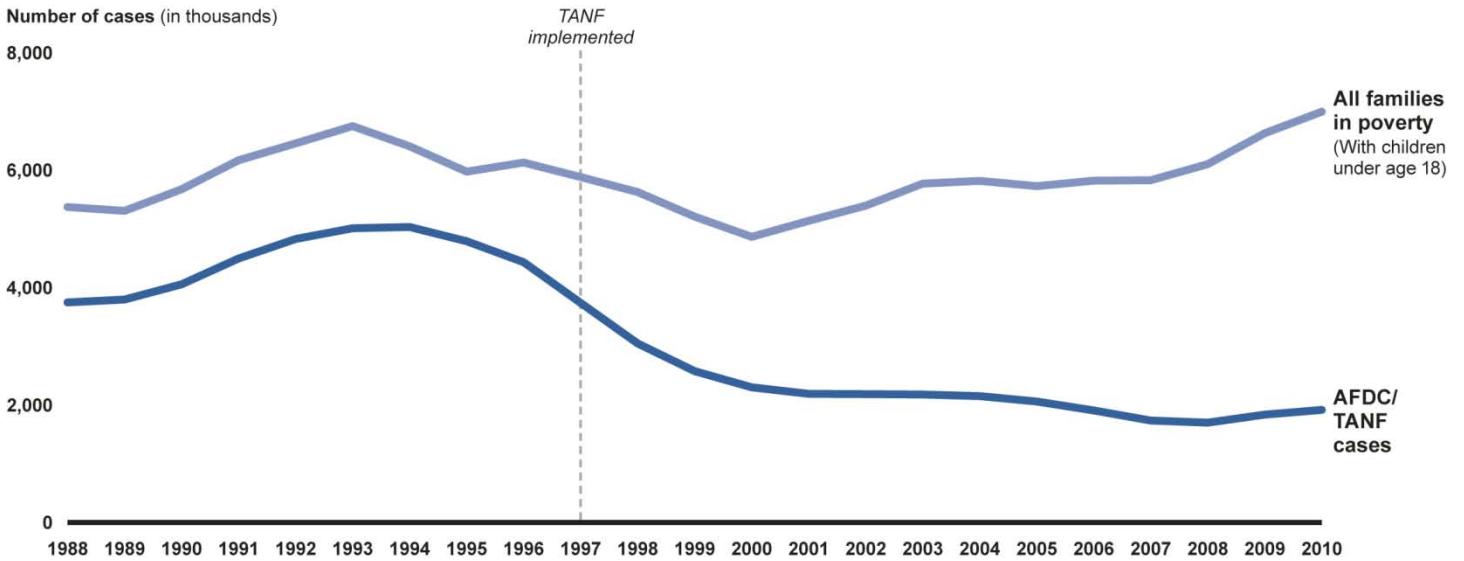
The move away from traditional cash assistance toward non-cash services by states is not necessarily driven by reduced need for cash assistance among low-income families. Several factors have affected the early decline and continued low levels of cash assistance since states implemented TANF. The initial decline occurred during a strong economy where federal support for work supports like child care increased and TANF provided new program emphasis on work. Many former welfare recipients increased their income through employment, and employment rates among single parents increased. At the same time that some families worked more and had higher incomes, others had incomes that left them still eligible for cash assistance. However, many of these eligible families were not participating in the program. According to our estimates in a 2010 report, the vast majority—87 percent—of the caseload decline through 2005 can be explained by the decline in eligible families

participating in the program, in part because of changes to state welfare programs.²⁰ These changes included mandatory work requirements; changes to application procedures; lower benefits; policies such as lifetime limits on assistance; diversion strategies such as providing one-time, non-recurring benefits instead of monthly cash assistance to families facing temporary hardships; and sanctions for non-compliance, according to a review of the research. Among eligible families who did not receive cash assistance, 11 percent did not work, did not receive means-tested disability benefits, and had very low incomes. While we have not updated this analysis, some recent research shows that this potentially vulnerable group may be growing.²¹ Overall, the relationship between the number of families in poverty and those receiving cash assistance through TANF is not as strong as it has been in the past (see fig. 4).

²⁰ GAO, *Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State*, [GAO-10-164](#) (Washington, D.C.: Feb. 23, 2010).

²¹ Pamela Loprest and Austin Nichols, *The Dynamics of Disconnection for Low-Income Mothers*, Focus, Vol. 28, No. 2, (Fall/Winter 2011-2012).

Figure 4: Number of Families with Children under Age 18 in Poverty and AFDC/TANF Cases from 1988 through 2010 (in thousands)



Source: Poverty data from the U.S. Census Bureau; Caseload data from Congressional Research Service based on data from HHS.

Note: Poverty data were measured from March through March of each year. Caseload data were measured for each calendar year.

Some low-income families not receiving cash assistance may be receiving other forms of aid or services (non-cash services) funded by federal TANF or state MOE funds, as allowed under TANF. However, the number receiving this aid is not known because it is not reported by states and is not included in TANF program data.

The Role of State MOE Expenditures in TANF

This report generally focuses on how states have spent federal TANF funds, but state MOE spending also plays an important role in TANF. Our previous work has shown that the overall amount of state MOE spending has increased in recent years. More specifically, we reported in 2012 that according to HHS data, state MOE expenditure levels remained stable around the required minimum spending level of \$11 billion through fiscal year 2005, and then increased to about \$4 billion higher than this minimum in fiscal years 2009 and 2010.²² As we noted in that report,

²² GAO, *Temporary Assistance for Needy Families: State Maintenance of Effort Requirements and Trends*, [GAO-12-713T](#) (Washington, D.C.: May, 17, 2012).

several reasons likely accounted for these increases, including states' reliance on higher levels of MOE spending to help them get credit toward meeting their TANF work participation rate, as allowed under federal regulations, as well as to gain access to the full amount of contingency funds available to states that meet certain criteria related to increased need.²³ We noted that states generally began relying on MOE spending to get credit toward meeting TANF work participation rates in fiscal year 2007 because of statutory changes in allowable activities made to the rate requirements enacted in 2006.

Our previous and current work highlights some ways in which states may have increased their MOE spending in recent years. We reported in 2012 that the number of states that reported counting third party nongovernmental expenditures toward their state MOE spending increased over the past 5 years.²⁴ In addition to its own spending, a state may count toward its MOE certain in-kind or cash expenditures by third parties, such as a nongovernmental organization like a food bank, as long as the expenditures meet other MOE requirements, including those related to eligible families and allowable activities.²⁵ In addition, while we did not fully explore states' MOE spending in this current work, officials in a number of states selected for our study discussed new ways in which they have claimed MOE funds to meet TANF requirements. For example, officials in one state said they began claiming MOE expenditures for an existing state early-childhood education program for needy families in fiscal year 2008. Officials in two other states said they hired consultants during the economic downturn to identify opportunities to claim MOE expenditures from existing state programs that were not originally used for TANF purposes. For example, one state found that many of its programs could be counted under TANF as "prevention of out-of-wedlock pregnancies" so claimed funds spent on these programs as MOE.

As noted in our previous work, we have not reviewed HHS's existing efforts to monitor MOE and cannot comment on its effectiveness in doing so. However, the extent to which states have relied on third party and

²³ A capped amount of funds, referred to as the Contingency Fund, was created at the same time as TANF that helps states meet increased need under certain conditions.

²⁴ GAO, *Temporary Assistance for Needy Families: More States Counting Third Party Maintenance of Effort Spending*, [GAO-12-929R](#) (Washington, D.C.: July 23, 2012).

²⁵ 45 C.F.R. 263.2(e).

existing state expenditures to help them meet work participation rate requirements as well as MOE requirements generally highlights the importance of having reasonable assurances that current oversight is working. If MOE claims do not actually reflect maintaining or increasing service levels, low-income families may not be getting the services they need, particularly in the current fiscal environment.

States Use Flexible Federal TANF Funds to Emphasize Job Preparation and Work Supports for Low-Income Families and Services for At-Risk Children

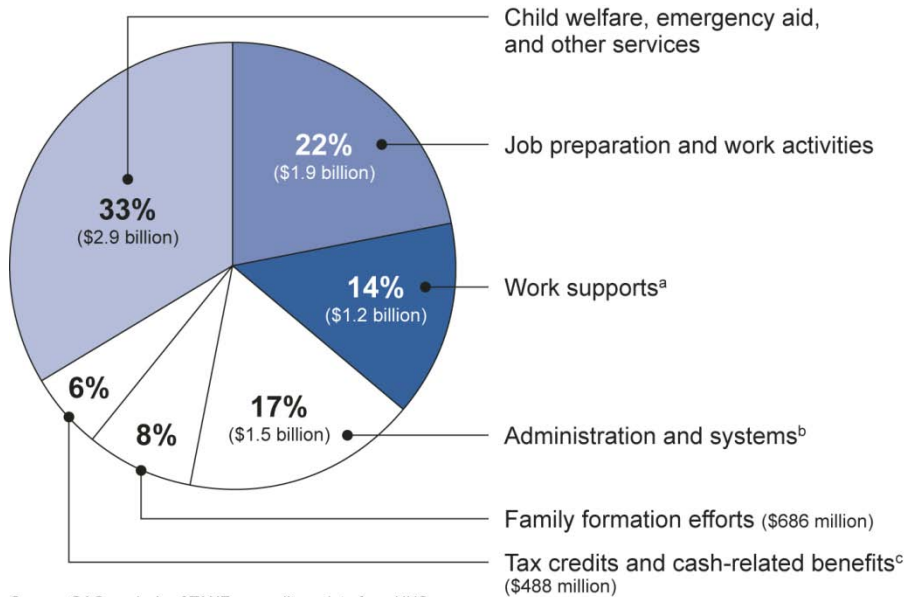
In fiscal year 2011, nationwide, the top areas of state spending of federal TANF funds for non-cash services were child welfare, emergency aid, and other services; job preparation and work activities; and work supports including child care.²⁶ Among the 10 states we reviewed, target populations for services and delivery methods differed within and across these three spending areas. State decisions on how to allocate funding for non-cash services were influenced by state priorities and TANF's funding structure, according to officials we interviewed.

States Focus Federal Funds for Non-Cash Services in Common Areas but Can Differ in Target Populations and Service Delivery

In fiscal year 2011, nationwide, states spent federal TANF funds for non-cash services in common areas including child welfare, emergency aid, and other services; job preparation and work activities; and work supports including child care. These spending areas accounted for 70 percent of over \$8.7 billion in federal TANF funds spent on non-cash services nationwide that year (see fig. 5).

²⁶ We combined HHS TANF expenditure reporting categories under "spending areas" for the purposes of our report. For example, the "child welfare, emergency aid, and other services" spending area includes expenditures categorized as "authorized solely under prior law" and "other" for non-cash services by HHS, the "job preparation and work activities" spending area includes the "work related activities" category, and the "work supports" spending area includes "child care" and "transportation" categories for parents who are employed. For a crosswalk of HHS TANF expenditure reporting categories and our spending areas, see appendix II.

Figure 5: Federal TANF Funds Used by States for Non-Cash Services Nationwide by Spending Area in Fiscal Year 2011



Source: GAO analysis of TANF expenditure data from HHS.

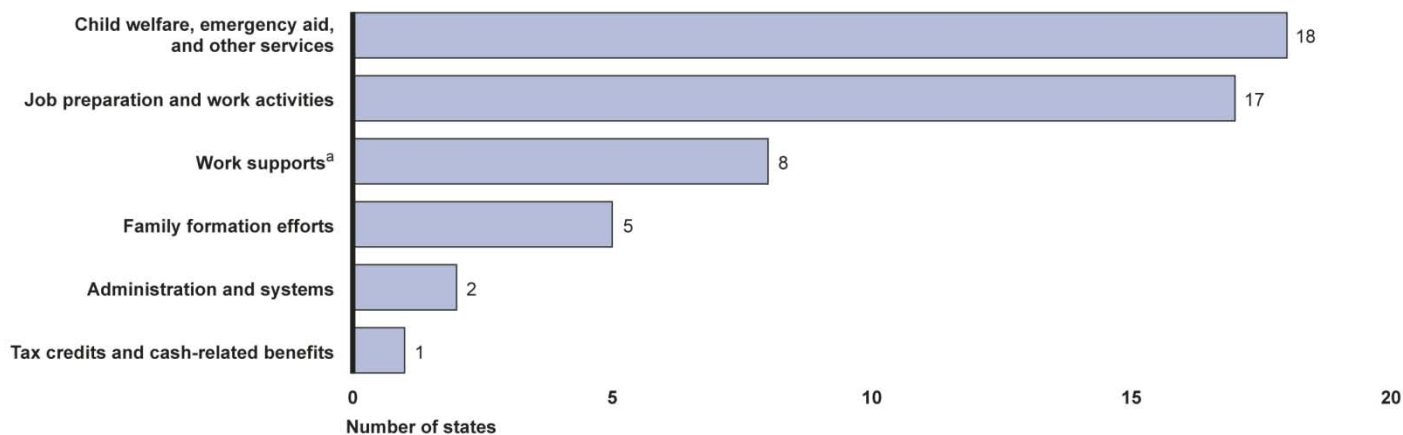
^aData for this analysis exclude allowable transfers states made to the Social Services Block Grant (SSBG) and the Child Care and Development Fund (CCDF), two other HHS programs that provide funds to states to provide social services and subsidize child care for low-income families, respectively. States transferred nearly an additional \$1.6 billion in federal TANF funds to CCDF for states to provide child care subsidies for low-income families in fiscal year 2011.

^bFederal TANF funds for administrative costs are capped at 15 percent of the grant amount, excluding systems costs related to monitoring and tracking the program.

^cIn this spending area, “cash-related benefits” include non-recurring, short-term benefits to families that could be in the form of cash to help with a family’s specific need; it does not include expenditures for cash assistance.

As shown in figure 6, based on each state’s spending for non-cash services, these areas—child welfare, emergency aid, and other services; job preparation and work activities; and work supports—also represented the three areas most frequently emphasized by states. For example, 18 states spent the largest percentage of their federal TANF funds for non-cash services for child welfare, emergency aid, and other services and 17 states spent the largest percentage for job preparation and work activities.

Figure 6: Top Spending Areas for States' Federal TANF Funds for Non-Cash Services in Fiscal Year 2011



Source: GAO analysis of TANF expenditure data from HHS.

^aData for this analysis exclude allowable transfers states made to SSBG and CCDF. States transferred nearly an additional \$1.6 billion in federal TANF funds to CCDF for states to provide child care subsidies for low-income families in fiscal year 2011.

The spending area referred to as child welfare, emergency aid, and other services includes a range of services categorized as “authorized solely under prior law” and “other,” which were primarily child welfare services. According to expenditures reported by states in HHS’s report to Congress required by the Claims Resolution Act of 2010 for April through June 2011,²⁷ states spent over 54 percent of federal funds categorized as “authorized solely under prior law” and “other” combined on child welfare services.²⁸ States spent an average of 29 percent of their federal TANF

²⁷ This report was based on one quarter (3 months’ worth) of a fiscal year of state spending, and may not reflect percentages based on a full year of data. However, it gives an indication of the types of services provided and reported under the “authorized solely under prior law” and “other” categories.

²⁸ In addition, states spent 19 percent of federal funds categorized as “authorized solely under prior law” and “other” on TANF program expenses, such as salaries and benefits for TANF workers, case management, and other operating costs; 17 percent on services such as domestic violence, mental health, and youth education programs; 5 percent on emergency aid; and the remaining 5 percent on additional expenditures. States reported on spending categorized as “authorized solely under prior law” combined for both cash assistance and non-cash services, and HHS did not break out state spending between these two types of assistance.

funds for non-cash services in this area, ranging from under 5 percent in 12 states to over 85 percent in 2 states.²⁹

TANF requires each state to engage a specified percentage of families receiving cash assistance in work or work-related activities, and combined, states had spending on job preparation and work activities totaling over \$1.9 billion in fiscal year 2011. Nationwide, 17 states had these services as a top spending area for federal TANF funds for non-cash services that same year. Overall, states spent an average of about 25 percent of their federal TANF funds for non-cash services in this area, ranging from under 5 percent in eight states to 79 percent in one state.³⁰ Expenditures are not reported in a way to determine what portion of spending in this area is spent on those receiving cash assistance versus other eligible low-income individuals.

Eight states had work supports as a top spending area for federal TANF funds for non-cash services in fiscal year 2011. We reported in 2006 that growth in TANF spending for work supports, particularly for child care, reflected state efforts to support employment as these supports helped many families formerly receiving cash assistance maintain jobs.³¹ States spent an average of about 13 percent of their federal TANF funds for non-cash services in this area, ranging from under 5 percent in 25 states to 67 percent in 1 state.³²

While states spent a large portion of their federal TANF funds in these areas, we found in our interviews with selected states that target populations for services and delivery methods can differ. The following provides examples of these differences in our selected states for child welfare, emergency aid, and other services; job preparation and work activities; and work supports.

²⁹ One state had spending in this area that exceeded 100 percent of its spending for non-cash services. As noted above, expenditures reported in any given year may include adjustments made by states to data reported in prior years. A positive change to data from a prior year could show amounts that exceed total expenditures for a category.

³⁰ As mentioned, expenditures reported may include adjustments made by states to prior years. Also, our data reflects federal TANF funds used by states. In addition, states may spend state MOE funds in these areas.

³¹ [GAO-06-414](#).

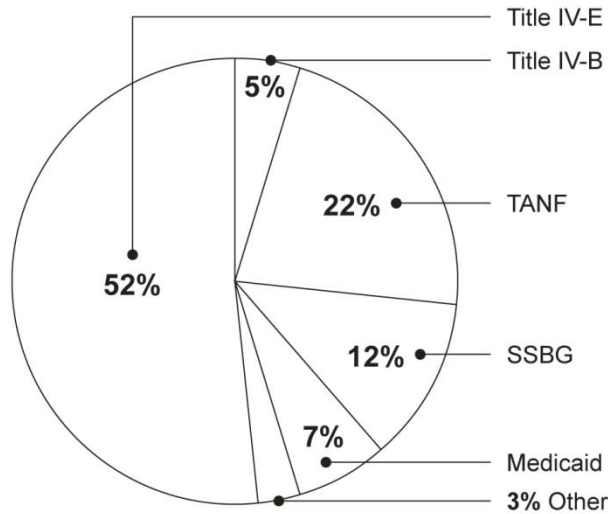
³² This excludes TANF funds states transferred to CCDF.

Child Welfare, Emergency Aid,
and Other Services

Among our selected states, federal TANF funds were used to support child welfare services, such as child abuse hotlines, investigative and legal services, child protection, and preventive services as well as emergency aid, such as clothing and shelter. Child welfare services are generally provided to children and their families to prevent the occurrence of child abuse or neglect, to help stabilize the family and prevent the need to remove the child from the home if abuse has occurred, and to improve the home and enable the child to reunite with his or her family if the child has been removed from the home. Officials in several of our ten selected states said that TANF funds helped expand existing child welfare programs that were also funded with other federal sources, such as Title IV-E of the Social Security Act for foster care payments and adoption assistance, Medicaid for health care coverage for low-income individuals including children, Title IV-B of the Social Security Act for child and family services to promote the welfare of children, and Social Services Block Grant (SSBG) funds for states to provide social services to meet certain needs of individuals residing within each state. The officials noted that TANF's flexibility allowed them to meet budgetary needs in this area. One study shows that states rely on federal TANF funds to help support children and families served by state child welfare agencies (see fig. 7).³³

³³ Ibid. DeVooght et al., *Federal, State, and Local Spending to Address Child Abuse and Neglect*.

Figure 7: State Spending of Federal Funds on Child Welfare in Fiscal Year 2010



Source: GAO analysis of data from the Annie E. Casey Foundation.

Note: This figure excludes data from Rhode Island and West Virginia as well as Puerto Rico. "SSBG" includes funds transferred from TANF to SSBG. "Other" includes funds both dedicated to child welfare and other federal dollars.

In addition to child welfare services, selected states used funds in this spending area to provide a variety of other services. For example, the District of Columbia used federal TANF funds to support homeless shelters, provide case management, and conduct home visits to families formerly receiving cash assistance.

Job Preparation and Work Activities

Among our selected states, job preparation and work activities included job readiness training related to resume-writing and interview preparation, help with the job search process, skills training, and subsidized employment. These activities provided work-related assistance that typically counts toward the state's work participation requirement, and that the state must track for reporting and compliance purposes. Officials in one selected state noted that they also provided activities such as English as a Second Language courses that do not count toward meeting work participation requirements. Officials in 5 of our 10 selected states said they provide services like resume and interview assistance through contractors or directly through the state.

Opportunities for Improving Efficiency in Employment and Training Programs

We reported in 2011 on options to colocate services and consolidate administrative structures in federal employment and training programs to promote efficiencies, including services provided through the Workforce Investment Act and TANF. Florida and Utah blended Workforce Investment Act and TANF funding, and Utah officials noted that this had allowed them to expand the population served as well as provide more intensive services for low-income families. Officials in two other selected states told us that coordination was difficult to do since different program rules and requirements apply to the Workforce Investment Act programs and TANF, and they target different populations. We recommended that the Department of Labor and HHS disseminate information about state efforts to consolidate administrative structures and co-locate services and, as warranted, identify options for increasing incentives to undertake these initiatives. Both agencies agreed with our recommendations, and have taken some steps to implement them.

For more information on our 2011 study, see GAO, *Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies*, GAO-11-92 (Washington, D.C.: January 13, 2011).

While selected states provided similar services, the populations served and delivery methods often differed. For example, California targets its non-cash services to families receiving cash assistance, with the exception of those receiving short-term aid in an effort to divert them from the caseload. Its TANF-funded services promote job preparation and work activities directed at this population. Other states we reviewed said they provide certain non-cash services to low-income families regardless of whether they receive cash assistance. For example, Arkansas and Washington use federal funds from TANF to partner with local colleges and businesses to provide tailored education and training opportunities designed to meet the needs of local industries. Arkansas officials said that the state's Career Pathways program provides eligible individuals who have children, such as cash assistance recipients and those with incomes up to 250 percent of the federal poverty line,³⁴ with education and career training at participating community colleges for high demand jobs. Arkansas officials noted that the program was originally going to be supported using federal funds under the Workforce Investment Act, but these funds were not available, so TANF funds were used instead. Meanwhile, Florida and Utah coordinate work-related services with those provided through the Workforce Investment Act one-stop center system, through which job seekers can access most federally-funded employment and training programs and services.

Work Supports

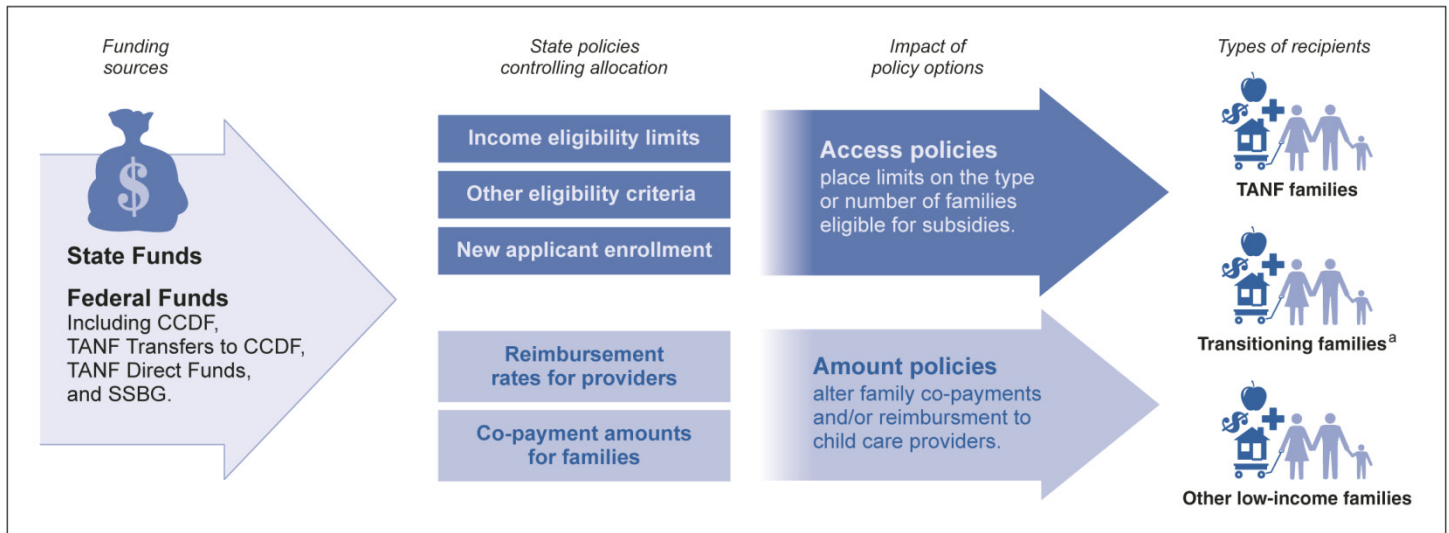
Among our selected states, work supports primarily included child care subsidies or vouchers for low-income families that are working, which may include those receiving cash assistance. Selected states provided child care services similarly through statewide child care systems, counties, or contract vendors. Officials in several selected states said they use TANF funds to provide child care services in combination with federal funds from the Child Care and Development Fund (CCDF), which helps states provide child care subsidies for low-income families. This practice of using both TANF and CCDF funds for child care services was also noted in our previous work, which indicated that states use a combination of TANF, CCDF, TANF funds transferred to CCDF, SSBG,

³⁴ This is equivalent to \$47,725 for a family of three in fiscal year 2012.

and state funds to provide child care subsidies to low-income families. Officials in several of our selected states said that TANF funds helped them address unmet needs and expand services provided through CCDF to larger populations. However, they also noted that even with these combined funding sources, they have had waitlists for child care subsidies in their state. Our prior work shows that waitlists are not always an accurate indicator of need. For example, in our 2005 and 2010 reports on the decline of the number of children served by CCDF, we noted that states have made changes since 2001 that could decrease the number of families that can access child care but could also provide larger subsidies to those who receive services.³⁵ These included eligibility and enrollment changes, increased provider payment amounts, and increased co-payment amounts for families (see fig. 8). An official we spoke with in one state said that they do not use waitlists, and instead adjust key features of their child care subsidy program, such as eligibility criteria, to match the resources they have available. These adjustments allow them to avoid waitlists but also make some families that could potentially benefit from the program unable to participate.

³⁵ GAO, *Child Care: Additional Information Is Needed on Working Families Receiving Subsidies*, [GAO-05-667](#) (Washington, D.C.: June 29, 2005) and *Child Care: Multiple Factors Could Have Contributed to the Recent Decline in the Number of Children Whose Families Receive Subsidies*, [GAO-10-344](#) (Washington, D.C.: May 5, 2010).

Figure 8: Examples of How State Policies May Affect the Allocation of Resources for Child Care Subsidies



Source: GAO analysis.

^aThe term “transitioning families” refers to families transitioning off of receiving cash assistance through the TANF program or that have recently received TANF cash assistance.

For additional information on selected states’ TANF programs and spending for non-cash services, see appendix III.³⁶

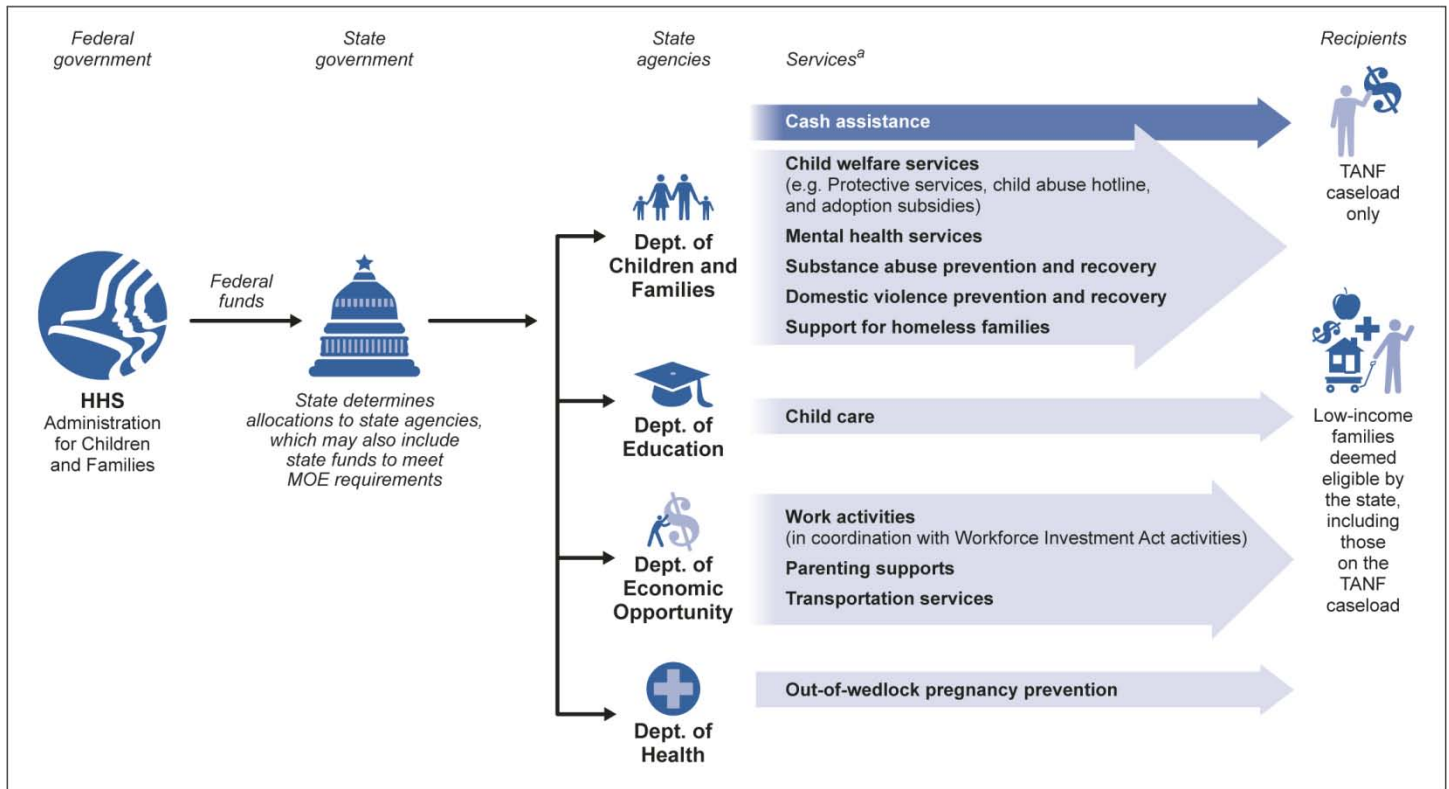
State Decisions for Non-Cash Services are Influenced by TANF’s Funding Structure and State Priorities

TANF’s funding structure has given states flexibility in making decisions regarding non-cash services. As mentioned earlier, the dramatic caseload declines during the first few years of TANF’s implementation allowed states to spend federal funds not used on cash assistance for new or existing non-cash services. For example, Louisiana officials said their state’s caseload declines freed up federal TANF funds for new programs to encourage marriage, provide pre-kindergarten services, and help prevent out-of-wedlock pregnancies. In fiscal year 2010, Louisiana spent 71 percent of its federal TANF funds for non-cash services on these efforts. Further, they noted that caseloads continued to decline or stayed the same, since many families that would have been eligible for cash assistance left the state following Hurricane Katrina.

³⁶ As mentioned for our selected states, we focused on TANF-funded programs and services for fiscal year 2010 as this was the latest information available when we selected states for our study.

Officials in several other selected states also said that federal TANF funds were spent on existing or new programs according to state legislative priorities, and, as a result, funds are often allocated to and administered through multiple state and local agencies. This is in contrast to TANF's predecessor program, AFDC, which was typically administered through state welfare agencies. More specifically, in 2 of our 10 selected states, officials said that federal TANF funds were allocated directly to a lead agency, usually the state TANF office, which may have allowed it to focus funds in specific areas. For example in Utah, federal TANF funds were generally provided first to its Department of Workforce Services. While the department had agreements with other state agencies to provide services, 63 percent of its federal TANF funds for non-cash services in fiscal year 2010 were used for job preparation and work activities. Similarly, in Louisiana, federal TANF funds were generally provided to the state Department of Child and Family Services, which used interagency agreements to support its emphasis on the family formation and out-of-wedlock pregnancy prevention efforts mentioned above. In contrast, federal TANF funds can be allocated to multiple agencies through a state's annual legislative budget process. For example in Florida, federal TANF funds went to several agencies that provided a variety of services to low-income families as well as those receiving cash assistance (see fig. 9). Florida officials said legislative priorities can shift from year to year, and recent emphasis has been on out-of-wedlock pregnancy prevention programs and child welfare initiatives, such as protective investigations and adoption subsidies.

Figure 9: Florida State Agencies Receiving Federal TANF Funds in Fiscal Year 2010



Source: GAO analysis of TANF-funded programs and services in Florida in FY2010.

^aIn fiscal year 2010, Florida spent 16 percent of its federal TANF funds for cash assistance and 84 percent for non-cash services. Of federal TANF funds spent on non-cash services, 45 percent were spent on child welfare, emergency aid, and other services; 24 percent on job preparation and work activities; 24 percent on work supports; 6 percent on administration and systems; 0.6 percent on family formation efforts; and 0.3 percent on tax credits and cash-related benefits.

States' use of federal TANF funds for a broad array of non-cash services beyond traditional cash assistance can create tensions and trade-offs in state funding decisions, particularly in times of severe fiscal constraints. Officials in three of our selected states cited tensions between the need to provide cash assistance and the need to provide other state services. They noted that this has become more apparent as the number of families needing cash assistance increased during the recent economic downturn. Officials in five selected states cited recent spending reductions in non-cash areas including job preparation and work activities, and officials in one state noted the need to reduce family formation efforts, particularly after American Recovery and Reinvestment Act of 2009 funds were no longer available.

To help manage costs, states may make changes to key elements of their cash assistance programs, such as adjusting eligibility criteria, benefit levels, and other features. For example, officials in one selected state said that instead of reducing spending for non-cash services to meet increased need for cash assistance during the recession, the state recently enacted more stringent eligibility criteria and reduced benefit amounts for cash assistance. They explained that their state legislature allocates TANF funds to the cash assistance program just like any other program for non-cash services and thus, funding is not shifted between programs to accommodate increased need. Almost no federal requirements or benchmarks exist as to eligibility criteria or benefit amounts or on the percentage of low-income families who are to be covered by a state's cash assistance program.³⁷ Officials in 9 of our 10 selected states said that the state allocates funds for cash assistance based on caseload projections using data from previous years. Remaining funds are then available for non-cash services.

³⁷ Eligibility criteria and benefit amounts for cash assistance can vary greatly by state. For example, in Arkansas, as of July 2011, for a family of three, earnings had to be equal to or below \$279 per month in order to be eligible for cash assistance, and their maximum benefit amount was \$204. In contrast, in California, as of July 2011, a family of three's income had to be equal to or below \$1,224 per month to be eligible for cash assistance, and their maximum benefit amount was \$714. See Urban Institute, *Welfare Rules Databook: State TANF Policies as of July 2011* (Washington, D.C.: August 2012).

TANF'S Accountability Framework Provides Incomplete Information on States' Use of TANF Funds

Current Reporting Provides Limited Information on State's Use of Funds for Non-Cash Services

Although the TANF block grant has evolved into a flexible funding stream that states use to support a broad range of allowable services while also serving as the nation's major cash assistance program for low-income families with children, the accountability framework currently in place in federal law and regulations has not kept pace with this evolution. As a result, there is incomplete information available for assessing TANF performance.

Under federal law and regulations, states are required to submit several reports to HHS related to TANF. These generally include:

- quarterly reports on demographic and economic circumstances and work activities of families receiving cash assistance;
- state TANF plans outlining how each state intends to run its TANF program, generally filed every two years;
- quarterly financial reports providing data on federal TANF and state MOE expenditures;
- quarterly state MOE reports providing data on families receiving cash benefits under separate state programs, which are funded entirely with state MOE funds and are not subject to certain federal requirements; and
- annual single audit reports resulting from required audits of nonfederal entities that expend federal funds.

Taken together, this set of reports and the information provided serves as the accountability framework in place to help HHS and Congress ensure that states use TANF funds in keeping with the block grant's purposes and identify any program improvements that may be warranted. Yet, these numerous requirements provide limited information on state strategies for using their TANF funds for non-cash services. Our past work has shown that a sound accountability framework includes (1) defining desired outcomes, (2) measuring performance to gauge

progress, and (3) using performance information as a basis for decision-making.³⁸ This requires complete, accurate, and reliable data. However, this type of performance information is not available for a majority of TANF funds nationwide. There are no reporting requirements mandating performance information specifically on families receiving non-cash services or their outcomes, or information related to TANF's role in filling needs in other areas like child welfare, even though this has become a more prominent spending area for TANF funds in many states.³⁹ These reporting gaps limit the information available for oversight of TANF block grant funds by HHS and Congress.

State TANF plans serve as a potential source of useful program information. However, they currently provide limited descriptions of a state's goals and strategies for its TANF block grant, including how non-cash services fit into these goals and strategies, and the amount of information in each plan can vary by state. Federal law includes general language on what should be included in the state TANF plan. For example, the law states that plans are to outline how a state will "conduct a program...that provides assistance to needy families with (or expecting) children and provides parents with job preparation, work, and support services to enable them to leave the program and become self-sufficient." Federal law does not require states to include descriptions in their state plans of how they intend to use TANF funds beyond the cash assistance population for non-cash services, and states have used their discretion in determining how much detail to put in their plans.⁴⁰ For example, a state plan prepared by one of the selected states outlined its cash assistance program and provided descriptions of a variety of non-cash services it intends to provide. In contrast, the state plan of another selected state described its intentions to provide supportive services, particularly to families who have exhausted cash assistance benefits, but did not describe what those services would be.

³⁸ GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1, 1996).

³⁹ We primarily focused on examining the information available to assess TANF performance for non-cash services and did not fully assess the adequacy of TANF reporting requirements in providing information on cash assistance.

⁴⁰ HHS officials also noted that they do not have the authority to require states to include basic information about their cash assistance programs, including state TANF eligibility criteria, benefits levels, and other program features.

The financial reports on federal TANF and state MOE expenditures also provide some information on the types of non-cash services provided by states, but recent HHS studies and officials in most selected states we spoke to have noted some weaknesses in the information collected from states. Specifically, an HHS study from 2009 reviewed most states' expenditures and noted incomplete and inconsistent information related to HHS's current TANF expenditure reporting form for states. HHS identified similar issues in its reports to Congress required under the Claims Resolution Act of 2010, which examined more detailed information from states on TANF expenditures reported on the form. For example, the reports show that spending for child welfare services is often reported in the "other" category for non-cash services as well as the "authorized solely under prior law" categories for cash assistance and non-cash services. In addition, the reports noted inconsistencies between states with the activities counted under the form's reporting categories. Officials in 7 of the 10 selected states said that the form does not fully capture the purposes of their TANF spending. For example, one state official described how their state's use of TANF funds for child welfare services is not identifiable in the form's reporting categories. Also, current expenditure reporting does not provide data in a way that allows distinctions between expenditures made on behalf of cash assistance recipients to help them find employment and leave welfare, and expenditures provided to other individuals and families not directly related to welfare-to-work purposes.

While state plans and expenditure reports individually provide some information on non-cash services, even when considered together, they do not provide a complete picture on state goals and strategies for uses of TANF funds. This is because the state plan is not required to be written in a way that connects to HHS's financial reporting categories. This makes it difficult to determine how and whether spending areas fit into each state's stated goals and strategies. One state official we interviewed said that with the current reporting requirements, it was hard for them to know how much TANF funding each of their state programs were using and what benefit the state was getting from each program. As a result, the state developed an additional internal report that presents the costs of performing activities by program, which provides it with better information for assessing the return on investment for each program. Officials from another state also said that it might be helpful to have the state plan more closely tied to the TANF expenditure reporting form, but they would want very specific instructions for how this should be done.

HHS officials noted the department's recent efforts to improve TANF expenditure reporting and acknowledged that reporting could be improved in certain other areas as well. HHS officials said they are revising the TANF expenditure reporting form to the extent permitted by law to include additional reporting categories, such as those related to child welfare services. They said they are also revising reporting instructions for states to improve consistency across states. Officials noted the importance of considering the implications for states of any changes or additions to current reporting requirements. For example, some state officials we interviewed described how new or revised reporting requirements can require costly and time-consuming changes to automated and other systems and practices in states and localities, and need to be carefully considered in terms of burden and appropriate timing for states. HHS officials were unable to provide a detailed plan with specific timeframes for the reporting revisions, but said that they are working on them, that they will seek input from relevant parties, and that when the revisions are finalized, they will be shared with Congress to assist in potential TANF reauthorization. In commenting on a draft of this report, HHS stated that it intends to publish draft revisions and instructions for comment in early 2013, with a goal of implementing the revisions for fiscal year 2014.

A Key Performance Measure Focuses on Cash Assistance Recipients

The work participation rate for states, established in law and focused on families receiving cash assistance, serves as a key performance measure for state TANF programs.⁴¹ This focus remains, even though the cash assistance component of TANF no longer reflects how most TANF funds are spent. Our 2010 report shows that the emphasis on the work participation rate as a measure of program performance has helped change the culture of state welfare programs so that they focus on moving families off cash assistance and into employment.⁴² States are held accountable for ensuring that a specified percentage of all families receiving TANF cash assistance, and considered work-eligible, participate

⁴¹ An HHS official noted that the work participation rate is prominent because it can result in financial penalties for states that fail to meet it. PRWORA also created the TANF High Performance Bonus program that provided additional federal awards to states that chose to participate and who achieved relatively high performance on certain measures related to TANF purposes. Funding for these performance incentive awards was eliminated under the Deficit Reduction Act of 2005, although HHS still tracks information on these measures and reports them in its annual TANF reports to Congress.

⁴² [GAO-10-525](#).

in one or more of the federally-defined allowable activities for the required number of hours each week. We noted in our 2010 report that while the rate specified in law is 50 percent, states have used various policy options, such as credits for caseload reductions and spending above required MOE amounts, to reduce their required rates below 50 percent, as permitted by law. TANF also provides states some flexibility regarding which families to include or exclude in calculating their rates. Our 2010 report noted that over the years, states have typically engaged about one-third of work-eligible families in allowable work activities nationwide and generally met their reduced rates. State participation rates have remained essentially the same since TANF's implementation, despite legislative changes in 2005 that were generally expected to strengthen the work requirements, as we also reported in 2010 and again in 2011.⁴³ We also noted in 2012 that the TANF work participation rate requirements, as enacted, in combination with the allowable credits and flexibility provided to states, may not serve as an incentive for states to engage more families in work.⁴⁴

Our previous work and our work in selected states also shows that the work participation rate measure may not capture aid and services that states believe are important and that it may also serve as a disincentive to work with families with complex needs. All 10 selected states were using federal TANF funds to offer a range of non-cash services that could, for example, help remove barriers to work and/or keep families off the cash assistance caseload. A few of these states provided emergency aid to help meet low-income families' immediate needs, including housing, child care, and transportation.⁴⁵ These efforts are not captured in the key performance measure, the work participation rate. Also, some officials in several selected states also said that the pressure to meet TANF work participation rate requirements causes them to focus on the "ready to work" cash assistance population, which can leave the "harder-to-serve" population without services.

⁴³ GAO, *Temporary Assistance for Needy Families: Update on Families Served and Work Participation*, [GAO-11-880T](#) (Washington, D.C.: September 8, 2011).

⁴⁴ [GAO-12-812T](#).

⁴⁵ Because our report focuses on non-cash services, in our interviews with state officials we only referred to child and transportation assistance for parents who are employed. See appendix I.

Selected States Are Developing Some Performance Measures for Non-Cash Services

In our interviews with state officials in the 10 selected states, we found that eight said their states had developed or are developing performance measures of their own that include at least some TANF non-cash services. Officials from seven of these eight states said that their states had tracked information that included the number of people served by some state programs that used federal TANF funds for non-cash services. In addition, of these eight states, officials in Washington and the District of Columbia said they are going through a “re-design process” for their cash assistance program. For example, they are more closely aligning services across multiple state agencies to provide comprehensive services to meet the individual needs of families receiving cash assistance and to help them attain self-sufficiency. Washington officials said they are developing alternative measures of family well-being to measure the effectiveness of TANF as a whole for these families under the re-designed TANF program. Examples of measures Washington officials are considering for families receiving cash assistance include examining whether parents are attaining higher levels of education, training, and financial literacy; whether children have increased access to early childhood and preschool programs; and whether families have increased access to health care, stable housing, and supports for family conflict and domestic violence.

Improving Performance Information to Include TANF Non-Cash Services Is Challenging

Several features of TANF pose challenges to designing performance measures, as indicated by our previous work. In our 2006 report on improving performance accountability in grant programs, we noted that some grant features in particular affect the difficulties of designing accountability mechanisms.⁴⁶ These features include the extent to which a grant:

- operates as a funding stream rather than a distinct program, and
- supports a limited or diverse array of objectives.

We also said in our 2012 guidance on designing evaluations that a block grant, with loosely defined objectives that simply adds to a stream of funds supporting on-going state programs, presents a significant

⁴⁶ GAO, *Grants Management: Enhancing Performance Accountability Provisions Could Lead to Better Results*, [GAO-06-1046](#) (Washington, D.C.: September 29, 2006).

challenge to efforts to portray the results of the federal program.⁴⁷ Moreover, we noted in 1995 that accountability for block grants can be difficult since accountability provisions need to strike a balance between the potentially conflicting objectives of increasing state flexibility while attaining certain national objectives—a balance that inevitably involves philosophical questions about the proper roles and relationships among the levels of government in our federal system.⁴⁸ The four stated TANF purposes in the law that generally define allowable use of funds for states are broad, so the ways in which states use TANF funds can often be complex and varied across states. Also, as discussed previously, as allowed under TANF, states have used TANF funds to expand existing state programs that may be funded with other federal sources, such as Workforce Investment Act funds for employment and training services; CCDF funds for child care; and SSBG and Title IV-B and E funds of the Social Security Act for child welfare services.

While accountability for the TANF block grant can be challenging, general principles of performance measurement can help guide the development of improved performance information. As we cited earlier, our previous work noted that an essential first step in any system of performance information and measurement is to establish goals to be achieved through the relevant program or funding stream. This work also identified characteristics of successful performance measurement systems.⁴⁹ These include ensuring that performance measures are tied to program goals, demonstrate the degree to which the desired results were achieved, and take into account stakeholder concerns. In addition, real world considerations, such as the cost and effort involved in gathering and analyzing data, must be taken into account while striving to collect sufficiently complete, accurate, and consistent data to be useful for decision makers. Moreover, other key decisions in establishing performance measures relate to whether to link penalties or rewards to any such measures. Although in many situations HHS can revise its reporting form to make adjustments to the reporting categories, generally HHS has limited authority to impose new TANF reporting requirements on

⁴⁷ GAO, *Designing Evaluations: 2012 Revision*, [GAO-12-208G](#) (Washington, D.C.: January 2012).

⁴⁸ GAO, *Block Grants: Issues in Designing Accountability Provisions*, [GAO/AIMD-95-226](#) (Washington, D.C.: September 1, 1995).

⁴⁹ [GAO/GGD-96-118](#).

states unless directed by Congress, so many changes to the types of performance information that states are required to report would require congressional action.

Conclusions

Over the years, TANF has clearly evolved beyond a traditional cash assistance program and now also serves as a source of funding for a broad range of services states provide to other eligible families. States still spend some portion of TANF funds on welfare-to-work programs for the cash assistance population, but their new and varied uses of TANF funds for non-cash services over time beyond this population raise questions about how state efforts are contributing to TANF purposes. Yet, without an accountability framework that encompasses the full breadth of states' uses of TANF funds, Congress will not be able to fully assess how funds are being used, including who is receiving services or what is being achieved. We acknowledge HHS's steps toward improving TANF expenditure reporting and its concerns about reporting revisions for states. Any efforts to require more information or make changes to existing reporting and performance measures must consider this potential reporting burden for states. At the same time, gaps in TANF reporting and performance information make it difficult for policymakers to fully assess the workings of TANF. If Congress determines that TANF, as currently structured, continues to address its vision for the program, improved reporting and performance information will be important to enhance Congress' decision making and oversight of TANF in the future.

Matter for Congressional Consideration

To provide better information for making decisions regarding the TANF block grant and better ensure accountability for TANF funds, Congress should consider ways to improve reporting and performance information so that it encompasses the full breadth of states' uses of TANF funds.

Recommendation for Executive Action

As HHS takes steps to revise expenditure reporting for TANF to better understand how states use TANF funds, it should develop a detailed plan with specific timelines to assist in monitoring its progress for revising its financial reporting categories for expenditures of federal TANF and state MOE funds.

Agency Comments and Our Evaluation

We provided a draft of our report to HHS for review and comment. HHS indicated in its general comments (see appendix IV) that it agrees that current reporting on TANF expenditures provides limited information on the range of ways in which states use federal TANF and state MOE funds. HHS noted that it intends to publish draft revisions to its reporting categories for TANF expenditures and instructions for states for comment in early 2013, with a goal of implementing the revisions in fiscal year 2014. We have added this information to the report. We commend HHS's efforts to improve TANF expenditure reporting, and maintain that a detailed plan with timelines for revising the reporting categories will facilitate monitoring of its progress and help ensure that the revisions are implemented in a timely fashion. We also agree with HHS that as it works to improve financial reporting, it will be helpful to develop more refined categories of spending than the current categories in existing federal reporting, and to look at overall usage of funds, including transfers and MOE spending.

In addition, HHS said that it lacks the authority to require states to provide certain types of information in their state plans, such as plans for using TANF funds or meeting MOE requirements as well as strategic goals or performance targets or measures. HHS noted that absent a statutory change, it cannot add additional categories of required information to the state plan, and any decision to establish such new requirements is one for Congress to consider.

HHS also noted that the report underscores that a large share of TANF spending now goes to categories of spending other than cash assistance, and that improved information can assist in considering both appropriate allowable expenditure categories and the potential for performance measurements for these other categories of TANF and MOE spending. In addition to these general comments, HHS also provided us with technical comments that we incorporated, as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of Health and Human Services, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-7215 or brownke@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

Kay E. Brown

Kay E. Brown
Director, Education, Workforce, and Income Security Issues

Appendix I: HHS Categories of Expenditures for Cash Assistance and Non-Cash Services on the Form ACF-196

Table 1: HHS Categories of Expenditures on the Form ACF-196

Assistance (Cash Assistance)	Nonassistance (Non-Cash Services)
<u>Basic assistance</u> : cash, payments, vouchers, or other forms of assistance designed to meet on-going, basic needs.	<u>Work-related activities</u> : work subsidies, education and training, and other work-related activities, such as job search and job readiness, job skills training, employment counseling, job development, and work clothes and equipment.
<u>Child care</u> : child care for parents who are not employed but need child care to participate in other work activities, such as job search, community service, education, or training, or for respite purposes.	<u>Child care</u> : child care provided to employed parents and as a non-recurrent, short-term benefit (e.g., during applicant job search or to a recently employed parent during a temporary period of unemployment).
<u>Transportation</u> : transportation for parents who are not employed but need supportive services to participate in other work activities, such as job search, community service, education, or training, or for respite purposes.	<u>Transportation</u> : transportation provided to employed parents and as a non-recurrent, short-term benefit (e.g., during applicant job search or to a recently employed parent during a temporary period of unemployment).
<u>Assistance authorized solely under prior law</u> : expenditures that are not consistent with the purposes of TANF but authorized under prior law, such as for juvenile justice or state foster care payments.	<u>Individual development accounts</u> : contributions to individual development accounts, or matched savings accounts.
	<u>Refundable earned income tax credits</u> : refundable tax credits for qualifying families under federal law.
	<u>Other refundable tax credits</u> : refundable tax credits for qualifying families under state or local law that are consistent with the purposes of TANF.
	<u>Non-recurrent short-term benefits</u> : one-time, short-term benefits to families in the form of cash, vouchers, subsidies, or similar form of payment to deal with a specific crisis situation or episode of need.
	<u>Prevention of out-of-wedlock pregnancies</u> : prevention of out-of-wedlock pregnancy activities.
	<u>Two-parent family formation</u> : two-parent family formation and maintenance activities.
	<u>Administration</u> : administrative costs, which for federal TANF funds cannot exceed 15 percent of the funds available for TANF.
	<u>Systems</u> : systems costs related to monitoring and tracking under the program.
	<u>Non-assistance authorized solely under prior law</u> : expenditures that are not consistent with the purposes of TANF but are authorized under prior law, such as for juvenile justice or state foster care payments.
	<u>Other</u> : other expenditures on non-cash services not covered in aforementioned categories, such as family preservation activities, parenting training, substance abuse treatment, domestic violence services, and case management.

Source: GAO summary of HHS's Form ACF-196.

**Appendix I: HHS Categories of Expenditures
for Cash Assistance and Non-Cash Services
on the Form ACF-196**

Table 2: Nationwide Federal TANF and State MOE Expenditures as Reported on HHS’s Form ACF-196 for Fiscal Year 2011

ACF-196 line	Federal TANF Expenditures	State MOE Expenditures	Total Federal TANF and State MOE Expenditures
1. Awarded	\$20,813,254,416	N/A	\$20,813,254,416
2. Transferred to CCDF Discretionary	\$1,564,877,339	N/A	\$1,564,877,339
3. Transferred to SSBG	\$1,135,445,928	N/A	\$1,135,445,928
4. Adjusted State Family Assistance Grant	\$18,112,931,149	N/A	\$18,112,931,149
5. Expenditures On Assistance	\$6,448,705,694	\$4,682,701,982	\$11,131,407,676
5a. Basic Assistance	\$5,254,652,818	\$4,349,517,973	\$9,604,170,791
5b. Child Care	\$268,016,212	\$282,642,653	\$550,658,865
5c. Transportation and Other Supportive Services	\$255,879,888	\$50,541,356	\$306,421,244
5d. Assistance Authorized Solely under Prior Law	\$670,156,776	\$0	\$670,156,776
6. Expenditures on Non-Assistance	\$8,734,643,760	\$10,758,066,878	\$19,492,710,638
6a. Work Related Activities / Expenses	\$1,927,990,980	\$720,343,007	\$2,648,333,987
6a1. Work Subsidies	\$336,434,610	\$154,261,278	\$490,695,888
6a2. Education and Training	\$179,425,211	\$148,566,956	\$327,992,167
6a3. Other Work Activities / Expenses	\$1,412,131,159	\$417,514,773	\$1,829,645,932
6b. Child Care	\$1,084,113,242	\$2,322,993,702	\$3,407,106,944
6c. Transportation	\$156,056,064	\$31,401,499	\$187,457,563
6c1. Job Access	\$12,630,313	\$2,546,879	\$15,177,192
6c2. Other	\$143,425,751	\$28,854,620	\$172,280,371
6d. Individual Development Accounts	\$2,126,290	\$851,194	\$2,977,484
6e. Refundable Earned Income Tax Credits	\$157,079,151	\$1,847,939,785	\$2,005,018,936
6f. Other Refundable Tax Credits	\$0	\$528,810,084	\$528,810,084
6g. Non-Recurrent Short Term Benefits	\$331,410,974	\$390,766,769	\$722,177,743
6h. Prevention of Out-of-Wedlock Pregnancies	\$418,507,687	\$1,543,562,600	\$1,962,070,287
6i. 2-Parent Family Formation and Maintenance	\$267,079,277	\$32,806,130	\$299,885,407
6j. Administration	\$1,313,374,517	\$780,512,072	\$2,093,886,589
6k. Systems	\$162,076,546	\$48,129,036	\$210,205,582
6l. Non-Assistance Authorized Solely Under Prior Law	\$971,928,140	\$0	\$971,928,140
6m. Other	\$1,942,900,892	\$2,509,951,000	\$4,452,851,892
7. Total Expenditures	\$15,183,349,454	\$15,440,768,860	\$30,624,118,314
8. Transitional Services for Employed	N/A	N/A	N/A
9. Federal Unliquidated Obligations	\$1,074,584,456	N/A	\$1,074,584,456
10. Unobligated Balance	\$1,854,997,239	N/A	\$1,854,997,239

Source: GAO analysis of TANF expenditure data from HHS.

Note: TANF expenditure data includes American Recovery and Reinvestment Act of 2009 funds provided in fiscal years 2009 and 2010 to states with increased caseloads, or with increased

**Appendix I: HHS Categories of Expenditures
for Cash Assistance and Non-Cash Services
on the Form ACF-196**

expenditures on non-recurrent short-term benefits or subsidized employment. It also includes TANF Contingency funds provided to states when certain triggers indicate increased needs.

Appendix II: TANF Spending Areas for Non-Cash Services

HHS's TANF expenditure reporting form, the Form ACF-196, includes 13 categories for states to report spending for non-cash services. We combined HHS TANF expenditure reporting categories under the following "spending areas" for the purposes of our report.

Table 3: TANF Spending Areas for Non-Cash Services

TANF Spending Area	HHS Non-Cash Services Categories Included from the Form ACF-196
Job preparation and work activities	<ul style="list-style-type: none"> • Work-related activities
Work supports	<ul style="list-style-type: none"> • Child care • Transportation
Child welfare, emergency aid, and other services ^a	<ul style="list-style-type: none"> • Non-assistance authorized solely under prior law • Other
Tax credits and cash-related benefits	<ul style="list-style-type: none"> • Individual Development Accounts • Refundable earned income tax credits • Other refundable tax credits • Non-recurrent short-term benefits
Family formation efforts	<ul style="list-style-type: none"> • Prevention of out-of-wedlock pregnancies • Two-parent family formation
Administration and systems	<ul style="list-style-type: none"> • Administration • Systems

Source: GAO definitions based on HHS's Form ACF-196 for nonassistance (non-cash services).

^aThe child welfare, emergency aid, and other services spending area includes expenditures states categorize as "authorized solely under prior law" and "other." We named this spending area "child welfare, emergency aid, and other services" because HHS's report to Congress under the Claims Resolution Act of 2010 for April through June 2011 shows that a large number of states reported having expenditures for child welfare services as well as emergency aid—such as housing, energy, food, and clothing—in these two categories. According to the report, states spent 54 percent of federal funds categorized as "authorized solely under prior law" and "other" combined on child welfare services; 19 percent on TANF program expenses, such as salaries and benefits for TANF workers, case management, and other operating costs; 17 percent on services, such as domestic violence, mental health, and youth education programs; 5 percent on emergency aid; and the remaining 5 percent on additional expenditures. States reported on spending categorized as "authorized solely under prior law" for both cash assistance and non-cash services, and HHS did not break out state spending between these two types of assistance.

Appendix III: Selected State Profiles

This appendix provides selected TANF-related information—such as TANF caseload and spending data—as well as data on numbers of families and children in poverty for each of the 10 states we reviewed in this report: Arkansas, California, Colorado, the District of Columbia, Florida, Illinois, Louisiana, New York, Utah, and Washington.¹

States were judgmentally selected to capture a variety of state characteristics including the proportion of federal and state funds states spent on TANF non-cash services; the proportion spent for specific non-cash services including child welfare, emergency aid, and other services, job preparation and work activities, and work supports such as child care; the total amount of federal and state expenditures for non-cash services; and organizational, geographic, and other considerations. These 10 states accounted for nearly half of all federal and state spending for TANF non-cash services in fiscal year 2010.

¹ TANF expenditure data includes American Recovery and Reinvestment Act of 2009 funds provided in fiscal years 2009 and 2010 to states with increased caseloads, or with increased expenditures on non-recurrent short-term benefits or subsidized employment. It also includes TANF Contingency funds provided to states when certain triggers indicate increased needs. It excludes allowable transfers states made to the SSBG and CCDF.

Arkansas



State Characteristics

Population: 2,839,798

- In poverty: 534,898 (19%)

Children: 699,403

- In poverty: 193,081 (28%)

Source: 2010 American Community Survey 1-year estimates.

Design of State's Cash Assistance Program

For a family of three, as of July 2011

Income Eligibility: Earnings must be no more than \$279 per month.

Max monthly benefit: \$204

Source: The Urban Institute's *Welfare Rules Databook*, August 2012.

Average Number Receiving Cash Assistance per Month

All people

- **2010:** 19,488
- **2005:** 18,759
- **1997:** 53,188

Children

- **2010:** 13,993
- **2005:** 14,407
- **1997:** N/A

Source: HHS fiscal year TANF caseload data.

Agencies Involved in Providing Non-Cash Services

State TANF Offices:

Department of Workforce Services

Department of Human Services

Other Agencies:

Department of Health

Department of Education

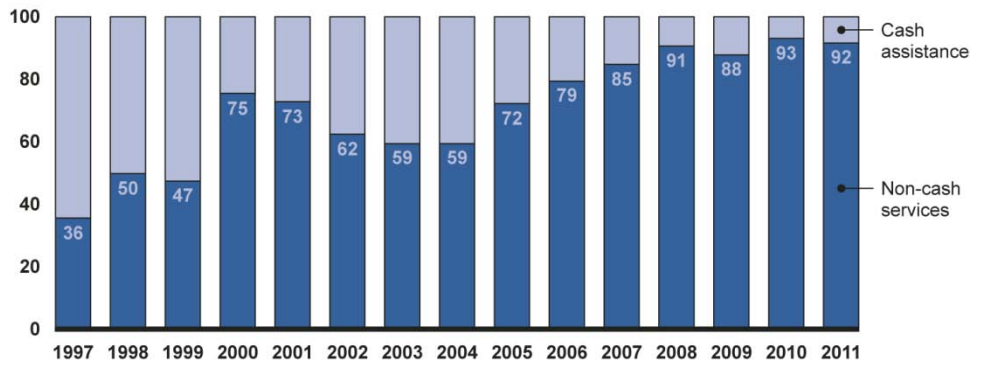
Department of Higher Education

Source: GAO analysis of state information and interviews with state officials.

Expenditures for Cash Assistance versus Non-Cash Services

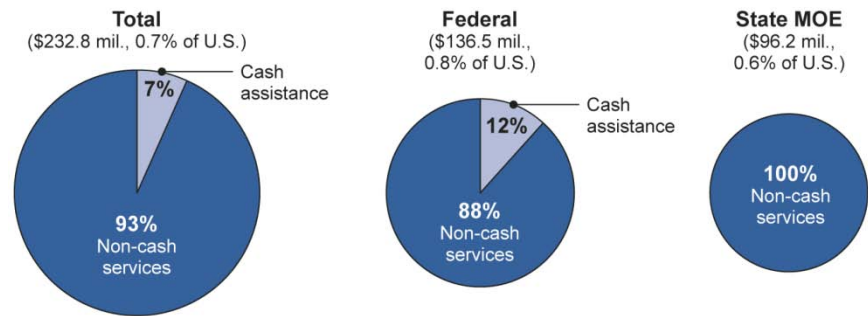
Trends for Federal TANF and State MOE, Fiscal Years 1997 through 2011

Percentage of total spending



Source: GAO analysis of HHS TANF expenditure data.

By Source, for Fiscal Year 2010



Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data.

Top Three Non-Cash Services Spending Areas

Spending area	Percent of non-cash services	Examples of programs and services provided
Job preparation and work activities	45%	Education, training, and job search services for TANF caseload families as well as incentive bonuses for families no longer receiving cash assistance to continue finding employment. Career Pathways initiative to increase access to education credentials to help TANF caseload and other low-income families attain higher paying jobs through partnerships with local colleges and businesses.
Work supports	24%	Subsidized child care services primarily for TANF caseload families through the state's child care system.
Administration and systems	17%	Administration costs for the Departments of Workforce Services and Human Services.

Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data for federal funds and information from state officials.

California



State Characteristics

Population: 36,593,372

- In poverty: 5,783,043 (16%)

Children: 9,157,681

- In poverty: 2,012,585 (22%)

Source: 2010 American Community Survey 1-year estimates.

Design of State's Cash Assistance Program

For a family of three, as of July 2011

Income Eligibility: Earnings must be no more than \$1,224 per month.

Max monthly benefit: \$714

Source: The Urban Institute's *Welfare Rules Databook*, August 2012.

Average Number Receiving Cash Assistance per Month

All people

- 2010: 1,415,960
- 2005: 1,255,635
- 1997: 2,403,510

Children

- 2010: 1,103,629
- 2005: 1,002,222
- 1997: N/A

Source: HHS fiscal year TANF caseload data.

Agencies Involved in Providing Non-cash Services

State TANF Office:

Department of Social Services (supervises funds provided to 58 counties)

Other Agencies:

Department of Child Support Services

Department of Education

Department of Health Care Services

Department of Public Health

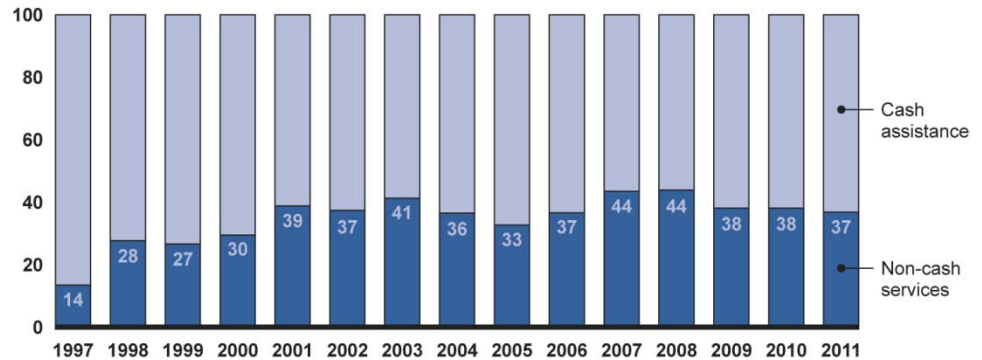
Employment Development Department

Source: GAO analysis of state information and interviews with state officials.

Expenditures for Cash Assistance versus Non-Cash Services

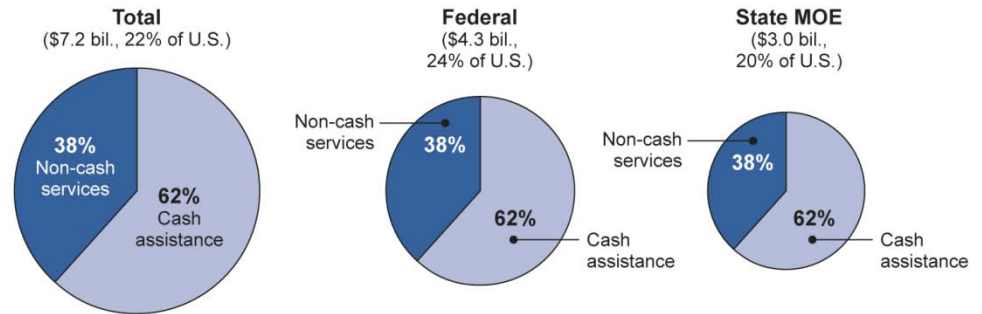
Trends for Federal TANF and State MOE, Fiscal Years 1997 through 2011

Percentage of total spending



Source: GAO analysis of HHS TANF expenditure data.

By Source, for Fiscal Year 2010



Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data.

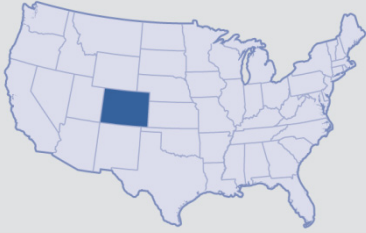
Top Three Non-Cash Services Spending Areas

Spending area	Percent of non-cash services	Examples of programs and services provided ^a
Job preparation and work activities	46%	Education and training for TANF caseload families only. Wage subsidies for TANF caseload families as well as other eligible low-income families not on the TANF caseload.
Administration and systems	25%	Administration costs for both the counties and the state, in addition to some related costs for contractors.
Child welfare, emergency aid, and other services	14%	Domestic violence services for TANF caseload families only. Temporary transitional services such as child protection, family preservation, and case management to meet a specific crisis situation.

Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data for federal funds and information from state officials.

^aPrograms and services are primarily administered by California's 58 counties.

Colorado



State Characteristics

Population: 4,934,178

- In poverty: 659,786 (13%)

Children: 1,213,411

- In poverty: 210,532 (17%)

Source: 2010 American Community Survey 1-year estimates.

Design of State's Cash Assistance Program

For a family of three, as of July 2011

Income Eligibility: Earnings must be no more than \$421 per month.

Max monthly benefit: \$462

Source: The Urban Institute's *Welfare Rules Databook*, August 2012.

Average Number Receiving Cash Assistance per Month

All people

- 2010: 29,367
- 2005: 38,313
- 1997: 79,874

Children

- 2010: 21,911
- 2005: 27,509
- 1997: N/A

Source: HHS fiscal year TANF caseload data.

Agencies Involved in Providing Non-cash Services

State TANF Office:

Department of Human Services (supervises funds provided to 64 counties)

Other Agencies:

Department of Health Care Policy and Finance

Department of Labor/Employment

Department of Public Health and Education

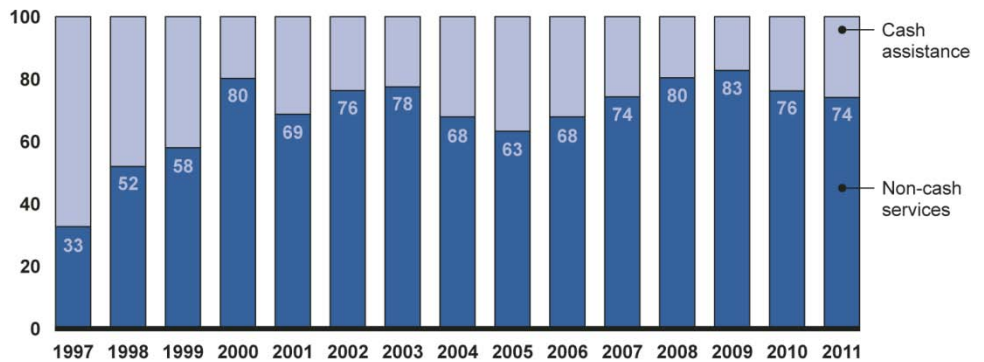
Housing and Finance Authority

Source: GAO analysis of state information and interviews with state officials.

Expenditures for Cash Assistance versus Non-Cash Services

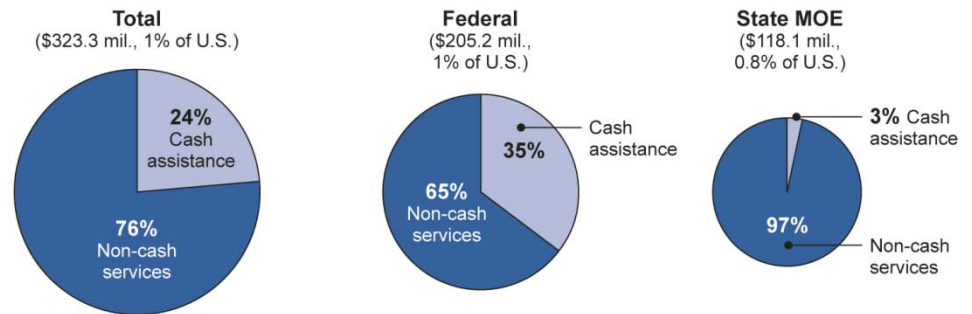
Trends for Federal TANF and State MOE, Fiscal Years 1997 through 2011

Percentage of total spending



Source: GAO analysis of HHS TANF expenditure data.

By Source, for Fiscal Year 2010



Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data.

Top Three Non-Cash Services Spending Areas

Spending area	Percent of non-cash services	Examples of programs and services provided ^a
Job preparation and work activities	82%	Child welfare services for TANF caseload families as well as other eligible low-income families not on the TANF caseload. Homeless Prevention and Rapid Re-housing Program , in partnership with the Colorado Housing and Finance Authority, for TANF caseload families as well as other eligible low-income families not on the TANF caseload.
Administration and systems	11%	Administrative costs for both the counties and the state.
Tax credits and cash-related benefits	4%	Child care tax credits for TANF caseload families as well as other eligible low-income families not on the TANF caseload.

Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data for federal funds and information from state officials.

^aPrograms and services are primarily administered by Colorado's 64 counties.



District of Columbia

State Characteristics

Population: 570,953

- In poverty: 109,423 (19%)

Children: 100,353

- In poverty: 30,555 (30%)

Source: 2010 American Community Survey 1-year estimates.

Design of State's Cash Assistance Program

For a family of three, as of July 2011

Income Eligibility: Earnings must be no more than \$588 per month.

Max monthly benefit: \$428

Source: The Urban Institute's *Welfare Rules Databook*, August 2012.

Average Number Receiving Cash Assistance per Month

All people

- 2010: 19,785
- 2005: 43,077
- 1997: 66,272

Children

- 2010: 14,149
- 2005: 32,453
- 1997: N/A

Source: HHS fiscal year TANF caseload data.

Agencies Involved in Providing Non-cash Services

State TANF Office:

Department of Human Services

Other Agencies:

Addiction, Prevention and Recovery Services Agency

Child and Family Services Agency

Department of Health

Department of Mental Health

Office of the State Superintendent for Education

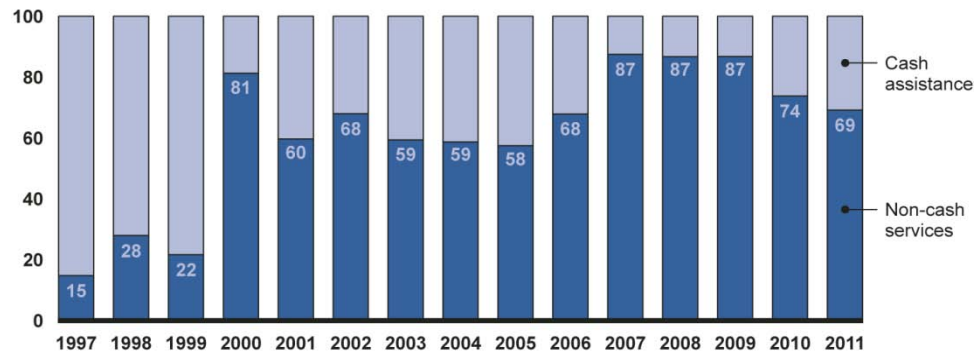
Rehabilitation Services Administration

Source: GAO analysis of state information and interviews with state officials.

Expenditures for Cash Assistance versus Non-Cash Services

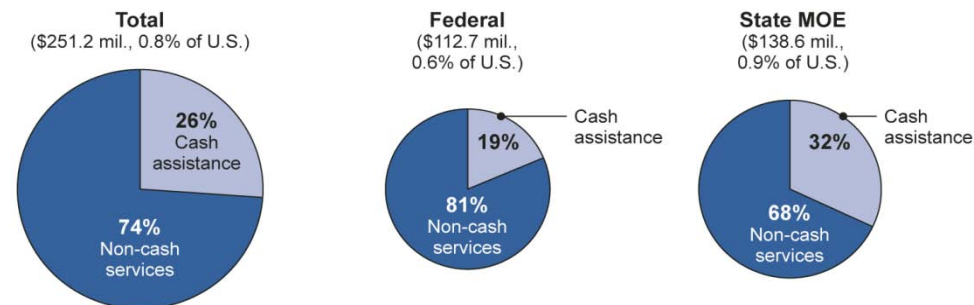
Trends for Federal TANF and State MOE, Fiscal Years 1997 through 2011

Percentage of total spending



Source: GAO analysis of HHS TANF expenditure data.

By Source, for Fiscal Year 2010



Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data.

Top Three Non-Cash Services Spending Areas

Spending area	Percent of non-cash services	Examples of programs and services provided
Work supports	40%	Child care vouchers for TANF caseload families as well as other eligible low-income families not on the TANF caseload, delivered through the Office of the State Superintendent for Education.
Child welfare, emergency aid, and other services	31%	Child welfare services for TANF caseload families only, with case management services provided through the Department of Child and Family Services. Emergency aid such as shelter, food, and clothing for TANF caseload families as well as other eligible low-income families not on the TANF caseload. Home visits to TANF caseload families to identify barriers to employment and link these families to needed services.
Family formation efforts	13%	Teen pregnancy prevention program through the Department of Health, which provides sex education to young women.

Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data for federal funds and information from state officials.



Florida

State Characteristics

Population: 18,436,788

- In poverty: 3,047,343 (17%)

Children: 3,936,572

- In poverty: 923,963 (24%)

Source: 2010 American Community Survey 1-year estimates.

Design of State's Cash Assistance Program

For a family of three, as of July 2011

Income Eligibility: Earnings must be no more than \$393 per month.

Max monthly benefit: \$303

Source: The Urban Institute's *Welfare Rules Databook*, August 2012.

Average Number Receiving Cash Assistance per Month

All people

- **2010:** 107,023
- **2005:** 112,242
- **1997:** 447,369

Children

- **2010:** 85,524
- **2005:** 90,785
- **1997:** N/A

Source: HHS fiscal year TANF caseload data.

Agencies Involved in Providing Non-Cash Services

State TANF Office:

Department of Children and Families

Other Agencies:

Department of Education

Department of Economic Opportunity

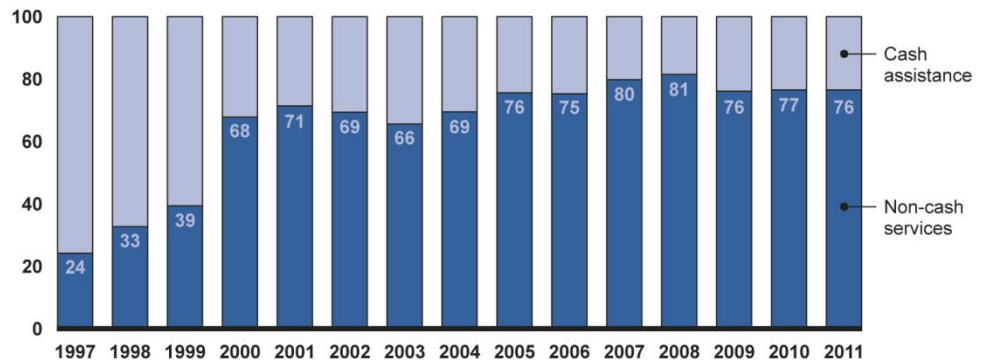
Department of Health

Source: GAO analysis of state information and interviews with state officials.

Expenditures for Cash Assistance versus Non-Cash Services

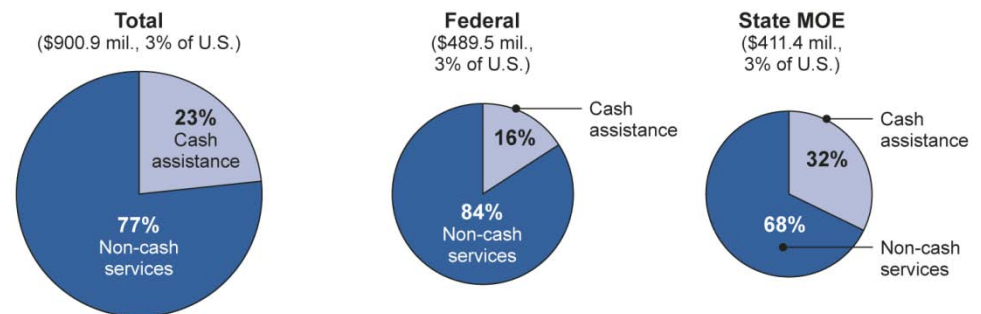
Trends for Federal TANF and State MOE, Fiscal Years 1997 through 2011

Percentage of total spending



Source: GAO analysis of HHS TANF expenditure data.

By Source, for Fiscal Year 2010



Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data.

Top Three Non-Cash Services Spending Areas

Spending area	Percent of non-cash services	Examples of programs and services provided
Child welfare, emergency aid, and other services	45%	Child welfare services including protective investigations, abuse hotlines, case management, and other family safety activities for TANF caseload families as well as other eligible low-income families not on the TANF caseload.
Work supports	24%	School readiness child care program for TANF caseload families as well as other eligible low-income families not on the TANF caseload.
Job preparation and work activities	24%	Education, training and work subsidies for TANF caseload families as well as other eligible low-income families not on the TANF caseload.

Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data for federal funds and information from state officials.

Illinois



State Characteristics

Population: 12,543,457

- In poverty: 1,731,711 (14%)

Children: 3,086,916

- In poverty: 600,045 (19%)

Source: 2010 American Community Survey 1-year estimates.

Design of State's Cash Assistance Program

For a family of three, as of July 2011

Income Eligibility: Earnings must be no more than \$772 per month.

Max monthly benefit: \$432

Source: The Urban Institute's *Welfare Rules Databook*, August 2012.

Average Number Receiving Cash Assistance per Month

All people

- **2010:** 62,009
- **2005:** 98,270
- **1997:** 580,324

Children

- **2010:** 54,551
- **2005:** 78,163
- **1997:** N/A

Source: HHS fiscal year TANF caseload data.

Agencies Involved in Providing Non-Cash Services

State TANF Office:

Department of Human Services

Other Agencies:

Department of Children and Family Services

Department of Healthcare and Family Services

Department of Revenue

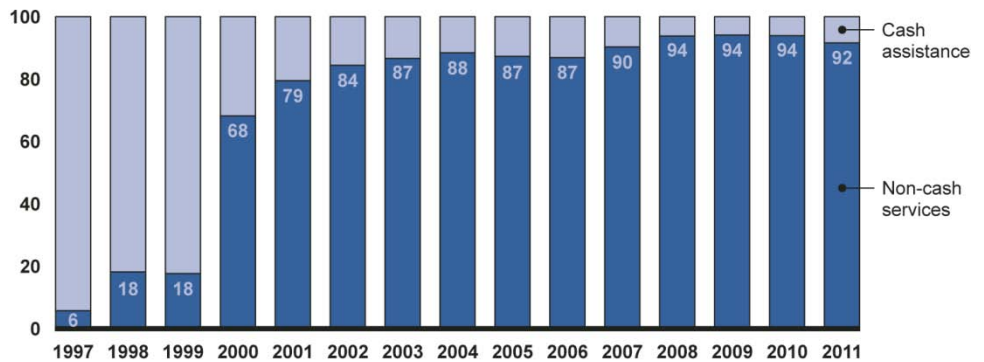
State Board of Education

Source: GAO analysis of state information and interviews with state officials.

Expenditures for Cash Assistance versus Non-Cash Services

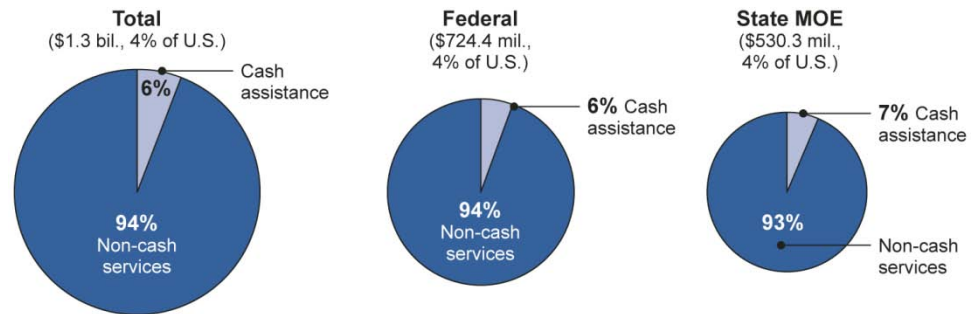
Trends for Federal TANF and State MOE, Fiscal Years 1997 through 2011

Percentage of total spending



Source: GAO analysis of HHS TANF expenditure data.

By Source, for Fiscal Year 2010



Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data.

Top Three Non-Cash Services Spending Areas

Spending area	Percent of non-cash services	Examples of programs and services provided
Child welfare, emergency aid, and other services	39%	Child welfare screening, assessments, and investigations for TANF caseload families. Home visits and parent training for child welfare cases.
Job preparation and work activities	35%	Employment and training programs provided to TANF caseload families through contractors administered by the state.
Work supports	19%	Child care certificate and voucher program for TANF caseload families as well as other eligible low-income families not on the TANF caseload.

Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data for federal funds and information from state officials.

Louisiana



State Characteristics

Population: 4,413,890

- In poverty: 825,144 (19%)

Children: 1,098,598

- In poverty: 299,779 (27%)

Source: 2010 American Community Survey 1-year estimates.

Design of State's Cash Assistance Program

For a family of three, as of July 2011

Income Eligibility: Earnings must be no more than \$359 per month.

Max monthly benefit: \$240

Source: The Urban Institute's *Welfare Rules Databook*, August 2012.

Average Number Receiving Cash Assistance per Month

All people

- **2010:** 23,707
- **2005:** 37,458
- **1997:** 186,565

Children

- **2010:** 20,305
- **2005:** 31,472
- **1997:** N/A

Source: HHS fiscal year TANF caseload data.

Agencies Involved in Providing Non-Cash Services

State TANF Office:

Department of Children and Family Services

Other Agencies:

Department of Education

Department of Safety/Corrections

Department of Economic Development

Department of Health/Hospitals

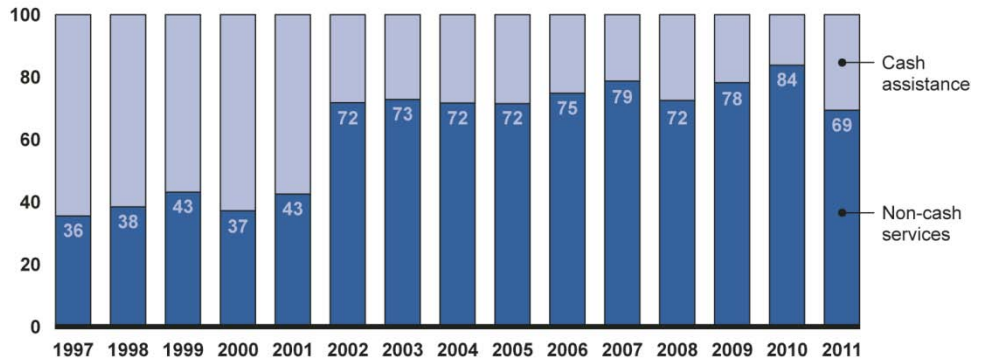
Louisiana Workforce Commission

Source: GAO analysis of state information and interviews with state officials.

Expenditures for Cash Assistance versus Non-Cash Services

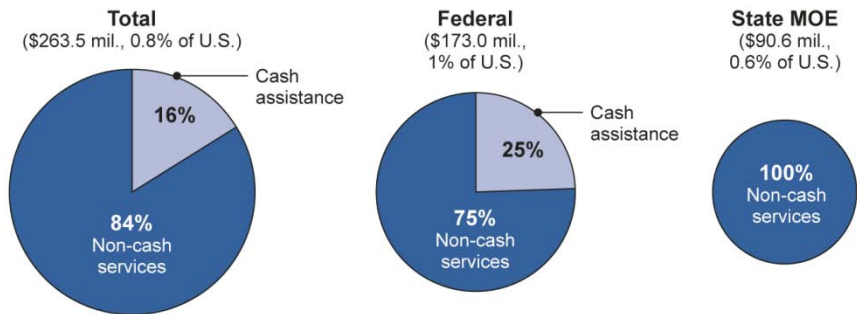
Trends for Federal TANF and State MOE, Fiscal Years 1997 through 2011

Percentage of total spending



Source: GAO analysis of HHS TANF expenditure data.

By Source, for Fiscal Year 2010



Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data.

Top Three Non-Cash Services Spending Areas

Spending area	Percent of non-cash services	Examples of programs and services provided
Family formation efforts	71%	Pre-kindergarten program to reduce out-of-wedlock pregnancies and encourage two-parent families by increasing literacy and responsible behavior for TANF caseload families as well as other eligible low-income families not on the TANF caseload.
Administration and systems	12%	Administration costs associated with multiple programs.
Job preparation and work activities	8%	Work-related activities, education, and skills training for TANF caseload families.

Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data for federal funds and information from state officials.



New York

State Characteristics

Population: 18,879,810

- In poverty: 2,821,470 (15%)

Children: 4,242,462

- In poverty: 900,626 (21%)

Source: 2010 American Community Survey 1-year estimates.

Design of State's Cash Assistance Program

For a family of three, as of July 2011

Income Eligibility: Earnings must be no more than \$878 per month.

Max monthly benefit: \$788

Source: The Urban Institute's *Welfare Rules Databook*, August 2012.

Average Number Receiving Cash Assistance per Month

All people

- **2010:** 388,226
- **2005:** 490,194
- **1997:** 1,048,257

Children

- **2010:** 281,814
- **2005:** 342,618
- **1997:** N/A

Source: HHS fiscal year TANF caseload data.

Agencies Involved in Providing Non-Cash Services

State TANF Office:

Office of Temporary and Disability Assistance (supervises funds provided to 58 local social service districts)

Other Agencies:

Office of Children and Family Services

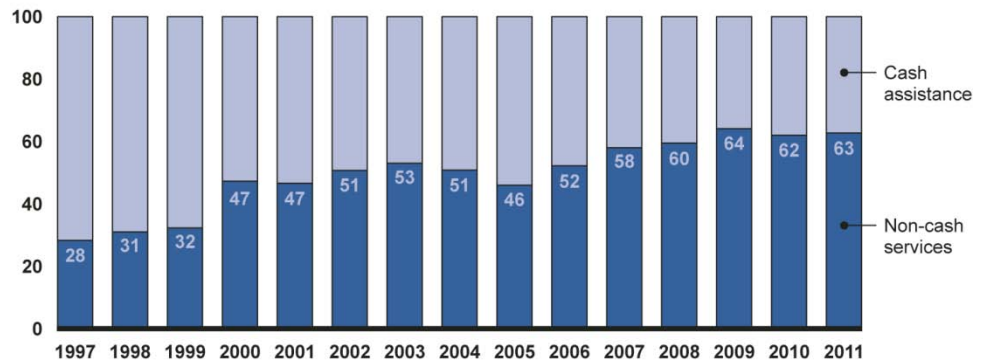
Department of Health

Source: GAO analysis of state information and interviews with state officials.

Expenditures for Cash Assistance versus Non-Cash Services

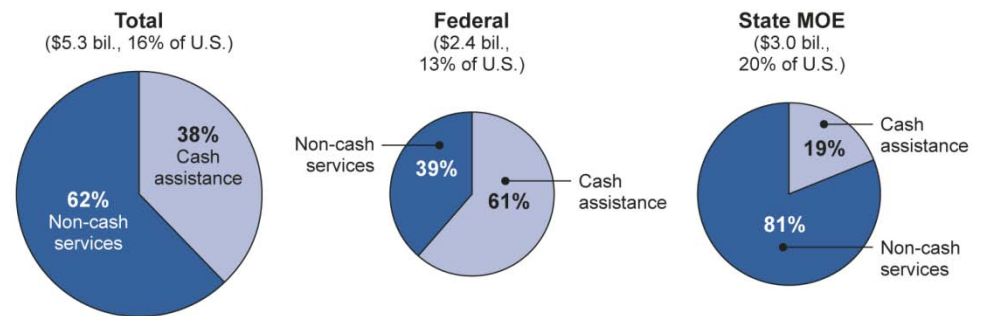
Trends for Federal TANF and State MOE, Fiscal Years 1997 through 2011

Percentage of total spending



Source: GAO analysis of HHS TANF expenditure data.

By Source, for Fiscal Year 2010



Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data.

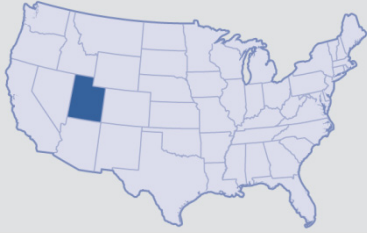
Top Three Non-Cash Services Spending Areas

Spending area	Percent of non-cash services	Examples of programs and services provided ^a
Child welfare, emergency aid, and other services	44%	Child protective and preventive services and maintenance of a child welfare hotline for TANF caseload families as well as other eligible low-income families not on the TANF caseload.
Administration and systems	24%	Administration costs including TANF eligibility determination.
Job preparation and work activities	18%	Work programs for TANF caseload families as well as other eligible low-income families not on the TANF caseload.

Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data for federal funds and information from state officials.

^aPrograms and services are primarily administered by New York's 58 local social service districts.

Utah



State Characteristics

Population: 2,730,176

- In poverty: 359,242 (13%)

Children: 862,300

- In poverty: 135,565 (16%)

Source: 2010 American Community Survey 1-year estimates.

Design of State's Cash Assistance Program

For a family of three, as of July 2011

Income Eligibility: Earnings must be no more than \$668 per month.

Max monthly benefit: \$498

Source: The Urban Institute's *Welfare Rules Databook*, August 2012.

Average Number Receiving Cash Assistance per Month

All people

- **2010:** 19,106
- **2005:** 22,960
- **1997:** 33,805

Children

- **2010:** 12,143
- **2005:** 16,557
- **1997:** N/A

Source: HHS fiscal year TANF caseload data.

Agencies Involved in Providing Non-Cash Services

State TANF Office:

Department of Workforce Services

Other Agencies:

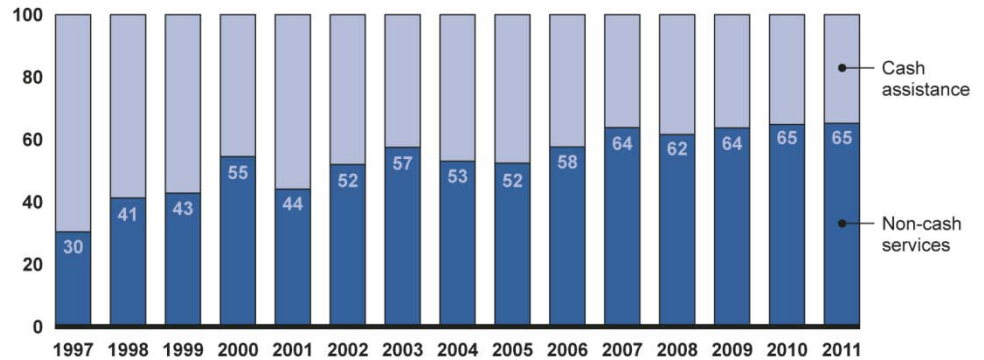
Department of Health

Source: GAO analysis of state information and interviews with state officials.

Expenditures for Cash Assistance versus Non-Cash Services

Trends for Federal TANF and State MOE, Fiscal Years 1997 through 2011

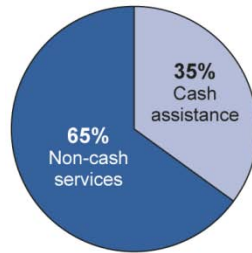
Percentage of total spending



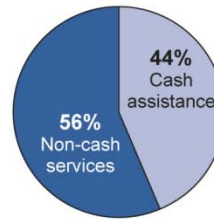
Source: GAO analysis of HHS TANF expenditure data.

By Source, for Fiscal Year 2010

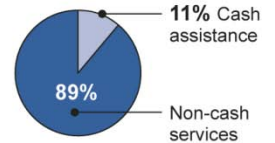
Total
(\$131.9 mil., 0.4% of U.S.)



Federal
(\$97.4 mil., 0.5% of U.S.)



State MOE
(\$34.5 mil., 0.2% of U.S.)



Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data.

Top Three Non-Cash Services Spending Areas

Spending area	Percent of non-cash services	Examples of programs and services provided
Job preparation and work activities	63%	Employment, education, and job training services for TANF caseload families as well as other eligible low-income families not on the TANF caseload. Subsidized employment for TANF caseload families.
Administration and systems	24%	Administration and systems costs for the state.
Family formation efforts	8%	Healthy marriage promotion programs through education and training. After-school youth development programs to help prevent out-of-wedlock pregnancy.

Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data for federal funds and information from state officials.



Washington

State Characteristics

Population: 6,615,922

- In poverty: 888,718 (13%)

Children: 1,559,990

- In poverty: 284,045 (18%)

Source: 2010 American Community Survey 1-year estimates.

Design of State's Cash Assistance Program

For a family of three, as of July 2011

Income Eligibility: Earnings must be no more than \$954 per month.

Max monthly benefit: \$478

Source: The Urban Institute's *Welfare Rules Databook*, August 2012.

Average Number Receiving Cash Assistance per Month

All people

- **2010:** 169,967
- **2005:** 144,425
- **1997:** 254,039

Children

- **2010:** 117,759
- **2005:** 100,838
- **1997:** N/A

Source: HHS fiscal year TANF caseload data.

Agencies Involved in Providing Non-Cash Services

State TANF Office:

Department of Social and Health Services

Other Agencies:

Employment Security Department

State Board for Community and Technical Colleges

Department of Commerce

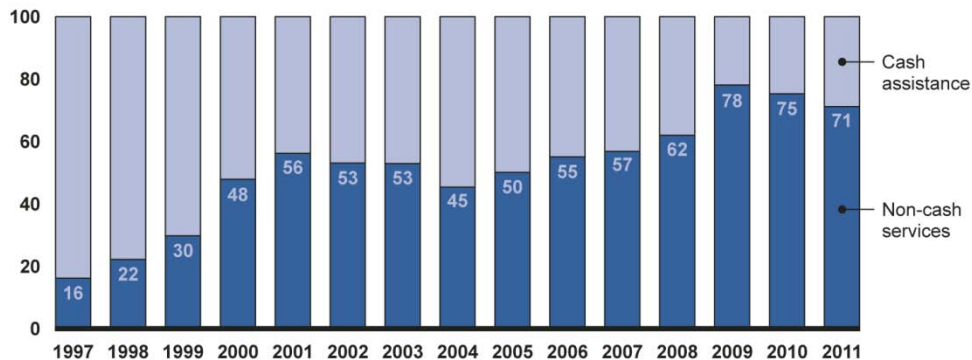
Department of Early Learning

Source: GAO analysis of state information and interviews with state officials.

Expenditures for Cash Assistance versus Non-Cash Services

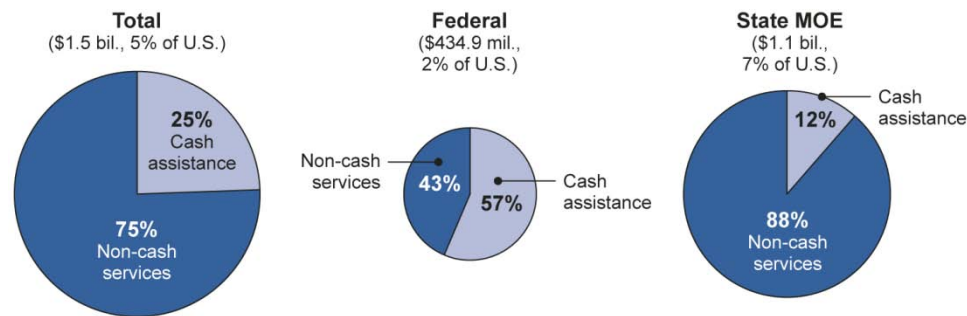
Trends for Federal TANF and State MOE, Fiscal Years 1997 through 2011

Percentage of total spending



Source: GAO analysis of HHS TANF expenditure data.

By Source, for Fiscal Year 2010



Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data.

Top Three Non-Cash Services Spending Areas

Spending area	Percent of non-cash services ^a	Examples of programs and services provided
Job preparation and work activities	39%	Vocational education and GED support generally through community colleges as well as job preparation and job search assistance for TANF caseload families as well as other eligible low-income families not on the TANF caseload. Subsidized employment for TANF caseload families only.
Work supports	33%	Child care assistance for TANF caseload families as well as other eligible low-income families not on the TANF caseload.
Administration and systems	17%	Administration and systems costs for the state.

Source: GAO analysis of HHS fiscal year 2010 TANF expenditure data for federal funds and information from state officials.

^aWashington officials noted discrepancies between their fiscal year-end 2010 TANF expenditure data with the data HHS published for that year. Officials said further that discrepancies are likely due to differences in reporting time frames between the state and HHS.

Appendix IV: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation
Washington, DC 20201

NOV 26 2012

Kay E. Brown, Director
Education, Workforce, and Income Security Issues
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Ms. Brown:

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled, "Temporary Assistance for Needy Families: Accountability Measures Needed to Reflect Breadth of Block Grant Services" (GAO-13-33).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

A handwritten signature in black ink that reads "Jim R. Esquea".

Jim R. Esquea
Assistant Secretary for Legislation

Attachment

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "TEMPORARY ASSISTANCE FOR NEEDY FAMILIES: ACCOUNTABILITY MEASURES NEEDED TO REFLECT BREADTH OF BLOCK GRANT SERVICES" (GAO-13-33)

The Department appreciates the opportunity to review and comment on this draft report. The information and analysis contained in the report will be helpful to Congress and stakeholders in considering issues relating to TANF financial reporting, performance measures, and allowable uses of TANF funds.

HHS agrees that current financial reporting provides a very limited understanding of the range of ways in which TANF funds are being used. The categories for financial reporting were established in 1999, and since that time, there has been a significant expansion in the range of benefits and services for which TANF funds are used and for which states report Maintenance of Effort (MOE) expenditures. A substantial share of TANF and MOE expenditures are now simply categorized as "other nonassistance," and in other cases, the category listings are too broad to provide a clear picture of how funds are being used. Moreover, in some cases, an expenditure might be reportable in more than one category, so different states may be reporting the same types of expenditures in different categories. Accordingly, HHS has recognized the need for improvements to TANF and MOE financial reporting categories and definitions, and in the April-June 2011 Claims Resolution Act Report to Congress, expressed its intent to make such improvements. HHS intends to publish draft revisions and instructions for comment in early 2013, with a goal of implementing the revisions for FY 2014.

While revisions to the reporting forms can improve the information available to Congress and stakeholders, HHS lacks the authority to require states to describe in their state plans their plans for using TANF funds or meeting MOE requirements, and lacks the authority to require states to delineate strategic goals or performance targets or measures. The TANF statute specifies the required contents that must be included in order for HHS to determine that a state has submitted a "complete" state plan, and HHS cannot add additional categories of required information in the absence of a statutory change. Thus, any decision to establish new requirements for state plan contents is one for Congress to consider during reauthorization.

Similarly, any decision as to whether to modify the range of expenditures currently allowable under TANF and for MOE purposes is a decision that Congress may consider during reauthorization. Improved financial reporting will, however, provide valuable information about current uses of funds that may assist in considering alternatives.

The GAO report provides a helpful picture of TANF spending, and insights into some of the choices being made by States in the expenditure of TANF funds. As HHS works to improve financial reporting, we believe it will also be helpful to develop more refined categories of TANF and MOE spending than the current categories in existing federal reporting, and to look at overall usage of funds, including transfers and MOE spending. We believe that looking at all of these components together will assist Congress and stakeholders, as GAO's report underscores that a large share of TANF spending now goes to categories of spending other than basic assistance. Thus, improved information can assist in considering both appropriate allowable expenditure categories and the potential for considering issues relating to performance measurements for these other categories of TANF and MOE spending.

Appendix V: GAO Contacts and Staff Acknowledgments

GAO Contact

Kay E. Brown, (202) 512-7215 or brownke@gao.gov

Staff Acknowledgements

In addition to the contact named above, Robert Campbell, Gale Harris, Kristy Kennedy, Nhi Nguyen, Michael Pahr, and Michelle Loutoo Wilson made significant contributions to all aspects of this report. Also contributing to this report were James Bennett, Elizabeth Curda, Rachel Frisk, Alexander Galuten, Kathleen van Gelder, Thomas James, Edward Leslie, Jennifer McDonald, Ellen Phelps Ranen, Almeta Spencer, and Walter Vance.

Related GAO Products

Temporary Assistance for Needy Families

Temporary Assistance for Needy Families: Update on Program Performance. [GAO-12-812T](#). Washington, D.C.: June 5, 2012.

Temporary Assistance for Needy Families: State Maintenance of Effort Requirements and Trends. [GAO-12-713T](#). Washington, D.C.: May 17, 2012.

Temporary Assistance for Needy Families: Update on Families Served and Work Participation. [GAO-11-880T](#). Washington, D.C.: September 8, 2011.

Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates. [GAO-10-525](#). Washington, D.C.: May 28, 2010.

Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State. [GAO-10-164](#). Washington, D.C.: February 23, 2010.

Welfare Reform: Better Information Needed to Understand Trends in States' Uses of the TANF Block. [GAO-06-414](#). Washington, D.C.: March 3, 2006.

Welfare Reform: States Provide TANF-Funded Work Support Services to Many Low-Income Families Who Do Not Receive Cash Assistance. [GAO-02-564](#). Washington, D.C.: April 5, 2002.

Welfare Reform: Challenges in Maintaining a Federal-State Fiscal Partnership. [GAO-01-828](#). Washington, D.C.: August 10, 2001.

Accountability

Designing Evaluations: 2012 Revision. [GAO-12-208G](#). Washington, D.C.: January 2012.

Grants Management: Enhancing Performance Accountability Provisions Could Lead to Better Results. [GAO-06-1046](#). Washington, D.C.: September 29, 2006.

Block Grants: Issues in Designing Accountability Provisions. [GAO/AIMD-95-226](#). Washington, D.C.: September 1, 1995.

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