



MEMORANDUM

May 8, 2018

Subject: TANF State Family Assistance Grant Allocations Under the Ways and Means Committee (Majority) Proposal

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This memorandum was prepared to enable distribution to more than one congressional office.

Introduction

This memorandum provides estimated state allocations reflecting the effect on state spending requirements of changes to the Temporary Assistance for Needy Families (TANF) proposed in a discussion draft released by the House Ways and Means Committee majority on May 8, 2018. These changes would alter TANF's State Family Assistance Grant (SFAG) to base part of the grant on each state's proportion of children in poverty. It would also change the rules that pertain to state funds under TANF.

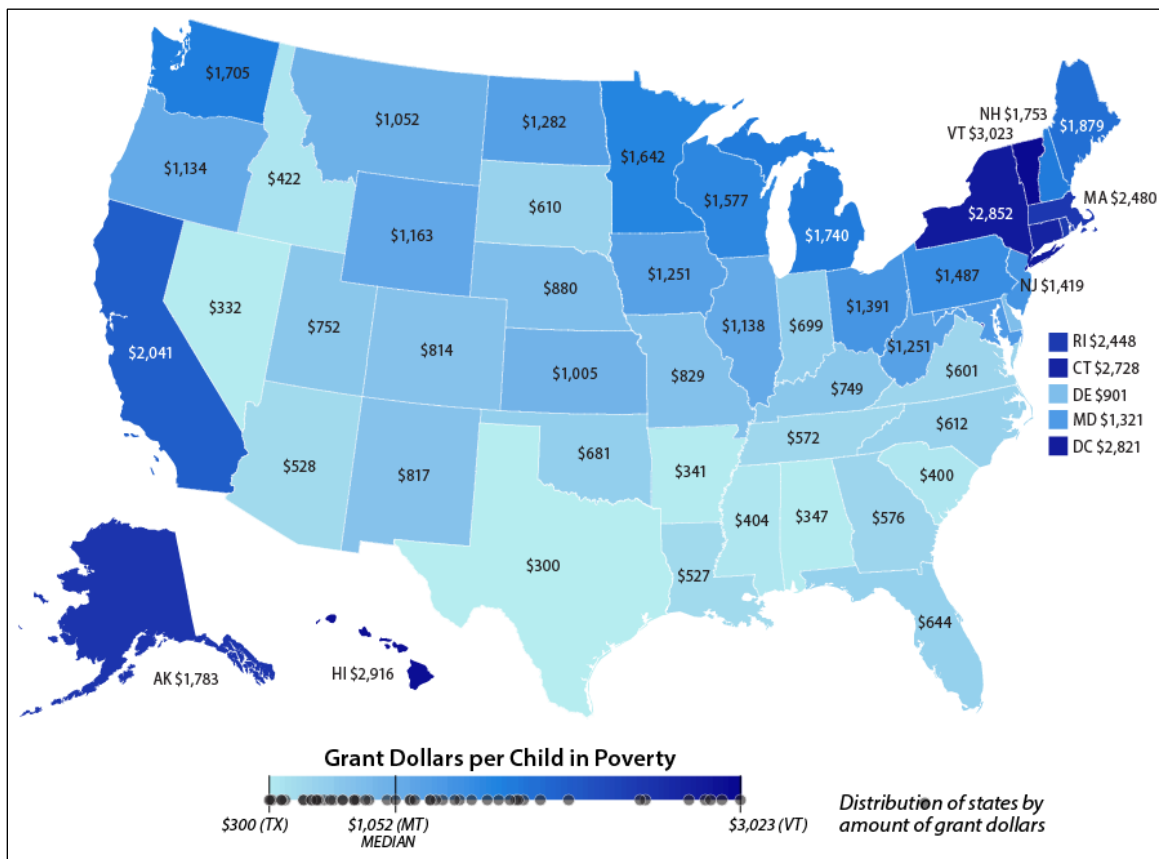
Current Law Distribution of Funds

The current SFAG is based on the federal share of historical expenditures in the pre-TANF programs from FY1992 to FY1995. Expenditures per poor child in the pre-TANF programs varied considerably by state. The TANF formula that was based on these historic expenditures enacted in the 1996 welfare law "locked in" these disparities; thus, current law TANF grants per poor child vary considerably by state.¹

Figure 1 shows the SFAG per poor child by state, ranging from a high of \$3,023 in Vermont to a low of \$300 per poor child in Texas. The map also shows a pronounced regional pattern to the grant per poor child. Generally, states in the Northeast, on the West Coast, and near the Great Lakes receive the most funding per child living in poverty. The Southeast consistently exhibits the lowest funding levels per child in poverty.

¹ See discussion in: CRS Report R44188, *Temporary Assistance for Needy Families (TANF): Financing Issues*.

Figure I. State Family Assistance Grant dollars Per Child in Poverty, by State
 U.S. Census Small Area Income Poverty and Poverty Estimates, 2016



Source: CRS calculations based on the U.S. Census Bureau’s Small Area Income and Poverty Estimates (SAIPE) and data from the U.S. Department of Health and Human Services (HHS).

Under current law, TANF grants are *not* allocated in proportion to child poverty. California, for example, has 13% of all children living in poverty and receives 23% of the total State Family Assistance Grant, while Texas has 11% of all children living in poverty and receives 3% of the total grant.

Proposal

Total Appropriations and Set-Asides Before Allocations to the States

The proposal would fund the SFAG at \$16.6 billion annually for FY2019 through FY2023. The total appropriation is the same as was provided in FY2018. Under the proposal, a portion of the SFAG total appropriation would be set aside for

1. TANF-related research (0.33% of the total appropriation, the same as under current law);
2. technical assistance (0.25% of the total appropriation, a new set-aside that does not exist under current law);

3. the territories (assumed for these estimates at their FY2018 SFAG levels, the same amount as under current law²); and
4. tribes (2% of the total appropriation).³ The proposal would alter the way tribal TANF programs are funded, by setting aside funds from the total appropriation rather than as a reduction of the SFAG in the state in which the tribe is operating a tribal TANF program. (Under current law, participating tribes receive a portion of the state's allocation based on FY1994 expenditures for tribal members in the area to be served by the tribal program.)

The remaining funds would be distributed to the 50 states and District of Columbia by formula.

Table 1 shows the total SFAG appropriation under current law (FY2018) and under the draft bill, as well as the set-asides from the appropriation before funds are allocated to the states.

Table 1. Total TANF State Family Assistance Grant with Set-Asides Under Current Law and this Proposal

Dollars in millions

	Current Law	Proposal
Total	\$16,566.54	\$16,566.54
Research (0.33% of total)	54.67	54.67
Technical Assistance (0.25% of total)	0	41.42
Territories (assumes same amount as FY2018)	77.62	77.62
Tribal (assumes 2% of total)	195.29	331.33
Total Available for the 50 States and District of Columbia	16,238.97	16,061.51

Source: Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services and the U.S. Census Bureau. Amounts may not sum due to rounding.

Allocation of Federal Funds to the States

The proposal would alter the allocation of SFAG funds to the states. Under the proposed formula in the draft bill, funds would go out in two parts:

- First, each state would receive a mandatory grant of 75% of its FY2018 SFAG allocation. Thus, a large share of the state's new SFAG funding level would be based on historic expenditures, as in current law. In total, these mandatory grants would account for an estimated \$12.2 billion annually. (There are no matching requirements associated with these mandatory grants, but states must meet certain maintenance of effort (MOE) spending requirements, based on a share of historical spending from pre-TANF programs in order to receive their full mandatory grant.)
- The remaining funds would be provided to states as matching grants. State TANF expenditures on certain "core" activities (assistance, work, and work supports) would be matched using the

² The legislative language of the discussion draft does not include a set-aside for the territories that operate TANF: Puerto Rico, Guam, and the Virgin Islands. The estimates in this memorandum assume that funds for territories will be set aside at an amount equal to the State Family Assistance Grant for these jurisdictions in FY2108. Under current law, American Samoa is eligible for, but not participating in, TANF.

³ The discussion draft references the tribal set-aside, but not its amount. This memorandum assumes a 2% set-aside for tribal TANF programs.

Federal Medical Assistance Percentage (FMAP, also known as the Medicaid matching rate). In total, about \$3.9 billion would be available for these matching grants. Each state's matching grant would be capped by its share of the national total of poor children.⁴

Table 2 shows estimates of the state family assistance grants under current law and as estimated under the proposal. Under current law, required state spending is what must be spent to meet the state's MOE. The proposal essentially allocates funds from states with current law high grants per poor child to states with lower grants per poor child. As shown on the table, the proposal is estimated to increase state family assistance grants for 26 states and reduce state family assistance grants for 25 states.

Under the proposal, if states do not draw the maximum in their matching funds, unused funds would be reallocated to states that apply for them in a subsequent fiscal year. The table assumes all states receive the maximum in matching funds and does not include any estimates of reallocated funds.

The estimates of the state family assistance grant are provided solely to assist in comparisons of the relative impact of alternative formulas in the legislative process. They are not intended to predict specific amounts states will receive. In addition to other limitations, data needed to calculate final grants should the proposal be enacted may differ.

Table 2. Allocations by State of the State Family Assistance Grant, Current Law and Under the Proposed Discussion Draft from the House Ways and Means Committee Majority
\$ in Millions

State	SFAG Allocation: Current Law	SFAG Allocation: Proposed Federal Funds	Difference: Federal Funds	%Difference: Federal Funds
Alabama	\$93.0	\$143.4	\$50.4	54.2%
Alaska	44.4	40.1	-4.3	-9.6
Arizona	199.4	253.4	54.0	27.1
Arkansas	56.5	88.0	31.4	55.6
California	3,638.7	3,219.3	-419.4	-11.5
Colorado	135.6	147.5	11.9	8.8
Connecticut	265.9	226.2	-39.7	-14.9
Delaware	32.2	34.0	1.8	5.5
District of Columbia	92.3	78.2	-14.1	-15.3
Florida	560.5	659.6	99.1	17.7
Georgia	329.7	404.6	74.9	22.7
Hawaii	98.6	83.2	-15.3	-15.6
Idaho	30.3	42.5	12.2	40.2
Illinois	583.1	578.2	-4.9	-0.8
Indiana	206.1	235.7	29.6	14.4
Iowa	130.6	126.6	-3.9	-3.0

⁴ The poverty counts used for these estimates are from the U.S. Census Bureau's Small Area Income and Poverty Estimates (SAIPE) for 2016, the latest available data.

State	SFAG Allocation: Current Law	SFAG Allocation: Proposed Federal Funds	Difference: Federal Funds	%Difference: Federal Funds
Kansas	101.5	103.9	2.4	2.4
Kentucky	180.7	201.9	21.2	11.7
Louisiana	163.4	207.9	44.5	27.2
Maine	77.9	69.8	-8.1	-10.4
Maryland	228.3	218.8	-9.5	-4.2
Massachusetts	457.9	394.2	-63.7	-13.9
Michigan	772.8	701.7	-71.1	-9.2
Minnesota	260.6	239.1	-21.5	-8.2
Mississippi	86.5	123.7	37.2	43.1
Missouri	216.3	234.0	17.7	8.2
Montana	37.9	38.3	0.4	1.1
Nebraska	56.6	60.2	3.5	6.2
Nevada	43.8	69.1	25.4	58.0
New Hampshire	38.4	34.8	-3.6	-9.3
New Jersey	402.7	380.1	-22.6	-5.6
New Mexico	109.9	119.4	9.5	8.7
New York	2,434.9	2,061.0	-373.9	-15.4
North Carolina	300.4	360.3	59.9	19.9
North Dakota	26.3	25.4	-0.9	-3.6
Ohio	725.6	687.7	-37.9	-5.2
Oklahoma	144.8	167.1	22.3	15.4
Oregon	166.2	165.0	-1.2	-0.7
Pennsylvania	717.1	670.5	-46.6	-6.5
Rhode Island	94.7	81.7	-13.0	-13.8
South Carolina	99.6	143.2	43.6	43.8
South Dakota	21.2	25.5	4.3	20.1
Tennessee	190.9	235.0	44.1	23.1
Texas	484.7	808.0	323.3	66.7
Utah	75.4	84.1	8.7	11.6
Vermont	47.2	39.7	-7.5	-15.9
Virginia	157.8	190.6	32.8	20.8
Washington	379.1	345.4	-33.6	-8.9
West Virginia	109.8	106.5	-3.3	-3.0
Wisconsin	312.8	289.2	-23.6	-7.6
Wyoming	18.4	18.2	-0.2	-1.4

State	SFAG Allocation: Current Law	SFAG Allocation: Proposed Federal Funds	Difference: Federal Funds	%Difference: Federal Funds
Total	16,239.0	16,061.5	-177.5	-1.1

Source: Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services and the U.S. Census Bureau. Totals may not sum due to rounding.

Notes: These are estimated grants only. These estimates are provided solely to assist in comparisons of the relative impact of alternative formulas in the legislative process. They are not intended to predict specific amounts states will receive. In addition to other limitations, data used to calculate final grants may not yet be available.

Required State Spending to Draw the Maximum Federal Grant

The rules for how much states would have to expend under TANF would be altered under the proposal. Under current law, states are required to meet a “maintenance of effort” (MOE) requirement, expending at least 75% (80% if for states that failed TANF work standards) of what was spent in the pre-TANF programs in FY1994. Under the proposal, states would still be required to meet a MOE requirement, as in current law. That MOE would be 56% of historic state expenditures.⁵ Additionally, states would be required to expend funds for the matching grants.

Table 3 shows both the amount each state would have to expend to draw down its maximum federal TANF grant. It compares that amount with both: (1) the minimum state expenditures required under current law (75% of historic state expenditures) under the TANF MOE; and (2) the amount states actually spent in FY2016 toward the MOE.

Basing a portion of the grant on the Federal Medical Assistance Percentage (FMAP) compared to the current law MOE is estimated to raise the national total of required state spending from the current law minimum, provided states draw down the maximum in federal funds. Under the proposal, 35 states, including all states that are estimated to experience an increase in federal funding, would have to spend more of their own funds to draw maximum federal funds. However, in FY2016, states often spent in excess of their minimum requirements. When the proposal’s amount of required state spending to draw maximum funds is compared with actual FY2016 state spending, 15 states fell below that new required level. This means 36 states spent more in FY2016 than what they would be required to spend to draw down their maximum federal grant. However, because of changes in the rules governing uses of funds and converting a portion of the TANF grant into a capped matching grant restricted to “core” expenditures, some state funds spent in FY2016 might not be countable to draw down a state’s maximum grant.

⁵ This represents 75% of the current law MOE, which requires states to expend at least 75% of historic state expenditures.

Table 3. State Spending Requirements: Current Law Versus Proposed Under the Ways and Means Committee Discussion Draft

\$ in Millions

State	Col 1: State Expenditures: Current Law 75% MOE	Col 2: State Expenditures: Actual MOE Expenditures in FY2016	Col 3: State Expenditures: Proposed State Funds	Difference: Required State Funds to Receive Maximum Federal Dollars Versus Current Law 75% of FY1994 MOE Threshold		Difference Required State Funds to Receive Maximum Federal Dollars Versus Actual FY2016 MOE Spending	
				Col 3 minus Col 1: Millions \$	Col 3 minus Col 1 Divided by Col 1: Percent Change	Col 3 minus Col 2: Millions \$	Col 3 minus Col 2 Divided by Col 2: Percent Change
Alabama	\$39.2	\$97.7	\$58.8	\$19.6	50.1%	-\$38.9	-39.8%
Alaska	34.3	38.1	32.6	-1.7	-5.0	-5.6	-14.6
Arizona	85.5	165.3	108.8	23.4	27.3	-56.4	-34.1
Arkansas	20.8	99.1	34.4	13.5	64.9	-64.7	-65.3
California	2,666.2	2,909.7	2,490.0	-176.2	-6.6	-419.7	-14.4
Colorado	82.9	239.1	108.0	25.1	30.3	-131.2	-54.9
Connecticut	183.4	201.9	164.4	-19.1	-10.4	-37.5	-18.6
Delaware	21.8	79.9	23.9	2.1	9.8	-55.9	-70.1
District of Columbia	70.4	178.4	56.7	-13.8	-19.5	-121.7	-68.2
Florida	368.4	369.5	424.2	55.9	15.2	54.7	14.8
Georgia	173.4	173.4	202.4	29.0	16.7	29.0	16.7
Hawaii	71.1	158.8	61.0	-10.1	-14.2	-97.8	-61.6
Idaho	13.0	13.0	17.8	4.7	36.5	4.7	36.4
Illinois	430.1	570.0	459.3	29.3	6.8	-110.6	-19.4
Indiana	113.5	113.5	127.7	14.2	12.5	14.2	12.5
Iowa	61.7	84.3	66.7	4.9	8.0	-17.6	-20.9
Kansas	61.7	66.3	69.2	7.5	12.2	3.0	4.5
Kentucky	67.4	86.2	77.4	10.0	14.9	-8.7	-10.2
Louisiana	55.4	55.4	90.2	34.8	62.8	34.8	62.8
Maine	37.5	37.5	34.5	-3.1	-8.2	-3.1	-8.2
Maryland	177.0	307.1	180.3	3.3	1.9	-126.8	-41.3
Massachusetts	358.9	578.5	320.0	-39.0	-10.9	-258.5	-44.7
Michigan	468.5	609.7	417.8	-50.7	-10.8	-191.9	-31.5
Minnesota	175.4	313.4	175.2	-0.2	-0.1	-138.2	-44.1
Mississippi	21.7	21.7	35.2	13.5	62.2	13.5	62.2
Missouri	120.1	143.7	129.4	9.3	7.7	-14.4	-10.0
Montana	13.1	14.0	15.1	2.0	15.0	1.1	7.6

State	Col 1: State Expenditures: Current Law 75% MOE	Col 2: State Expenditures: Actual MOE Expenditures in FY2016	Col 3: State Expenditures: Proposed State Funds	Difference: Required State Funds to Receive Maximum Federal Dollars Versus Current Law 75% of FY1994 MOE Threshold		Difference Required State Funds to Receive Maximum Federal Dollars Versus Actual FY2016 MOE Spending	
				Col 3 minus Col 1: Millions \$	Col 3 minus Col 1 Divided by Col 1: Percent Change	Col 3 minus Col 2: Millions \$	Col 3 minus Col 2 Divided by Col 2: Percent Change
Nebraska	28.0	55.7	37.0	9.0	32.0	-18.7	-33.5
Nevada	25.4	71.3	38.0	12.6	49.3	-33.3	-46.7
New Hampshire	32.1	32.1	30.1	-2.0	-6.2	-2.0	-6.2
New Jersey	300.2	944.1	303.2	3.0	1.0	-641.0	-67.9
New Mexico	32.7	160.7	38.8	6.1	18.7	-121.9	-75.9
New York	1,718.6	2,816.1	1,523.7	-194.8	-11.3	-1,292.3	-45.9
North Carolina	153.8	241.3	180.0	26.2	17.1	-61.3	-25.4
North Dakota	9.1	9.1	12.4	3.4	37.2	3.4	37.2
Ohio	390.8	444.1	378.2	-12.6	-3.2	-65.9	-14.8
Oklahoma	60.1	60.1	86.5	26.4	43.8	26.3	43.8
Oregon	91.6	156.5	91.8	0.1	0.2	-64.7	-41.3
Pennsylvania	407.1	455.0	428.7	21.5	5.3	-26.3	-5.8
Rhode Island	60.4	88.1	55.3	-5.1	-8.4	-32.7	-37.2
South Carolina	35.9	65.3	54.1	18.2	50.7	-11.1	-17.0
South Dakota	8.5	8.5	14.1	5.6	65.6	5.6	65.3
Tennessee	82.8	121.1	109.8	27.0	32.6	-11.3	-9.4
Texas	235.7	405.4	513.7	278.0	117.9	108.4	26.7
Utah	24.9	24.9	30.3	5.4	21.9	5.4	21.9
Vermont	25.5	42.8	22.9	-2.7	-10.4	-19.9	-46.5
Virginia	128.2	135.4	168.4	40.2	31.4	32.9	24.3
Washington	255.9	601.1	253.1	-2.8	-1.1	-348.1	-57.9
West Virginia	32.3	34.4	33.0	0.8	2.3	-1.4	-4.1
Wisconsin	166.9	259.1	163.5	-3.4	-2.1	-95.6	-36.9
Wyoming	9.1	10.0	11.1	2.1	23.1	1.2	11.5
Total	10,308.3	14,967.2	10,558.7	250.5	2.4	-4,408.4	-29.5

Source: Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services and the U.S. Census Bureau. Totals may not sum due to rounding.

Notes: These estimates are provided solely to assist in comparisons of the relative impact of alternative formulas in the legislative process. They are not intended to predict specific amounts states will have to spend in order to receive their maximum grants under the proposal. In addition to other limitations, data used to calculate final grants may not yet be available.