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Highlights

Highlights of GAO-12-713T, a testimony before the Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives

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TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

State Maintenance of Effort Requirements and Trends

Why GAO Did This Study

The $16.5 billion TANF block grant, created in 1996, is one of the key federal funding streams targeted to assist low-income families. While the block grant provides states with a fixed amount of federal dollars annually, it also includes state MOE requirements, which require states to maintain a significant portion of their own historic financial commitment to welfare-related programs. Over the last 15 years, this federal-state partnership has seen multiple program and fiscal changes, including a dramatic drop in the number of families receiving monthly cash assistance, as well as two economic recessions. To provide information for its potential extension or reauthorization, this testimony draws primarily on previous GAO work to focus on (1) the key features of the state MOE requirements and (2) how the role of state MOE spending has changed over time. To address these issues, GAO relied on its prior work on TANF block grant and state MOE spending issued between 2001 and 2010, including the May 2010 report examining how state MOE spending affects state TANF programs' work participation rates. To develop the spending-related findings in this body of work, GAO reviewed relevant federal laws, regulations, and guidance, state TANF data reported to the U.S. Department of Health and Human Services (HHS), and related financial data from selected states. GAO also interviewed relevant officials from HHS and selected states.

View GAO-12-713T. For more information, contact Kay E Brown at (202) 512-7215 or brownke@gao.gov.

What GAO Found

The Temporary Assistance for Needy Families (TANF) block grant's maintenance of effort (MOE) provisions include specified state spending levels and general requirements on the use of funds. For example, these provisions generally require that each state spend at least 80 percent (75 percent if the state meets certain performance standards) of the amount it spent on welfare and related programs in fiscal year 1994, before TANF was created. If a state does not meet its MOE requirements in any fiscal year, the federal government will reduce dollar-for-dollar the state's federal TANF grant in the following year. In order to count state spending as MOE, funds must be spent on benefits and services to families with children that have incomes and resources below certain state-defined limits. Such benefits and services must generally further one of TANF's purposes, which broadly focus on providing financial assistance to needy families; promoting job preparation, work, and marriage; reducing out-of-wedlock births; and encouraging the formation of two-parent families. Within these broad goals, states have significant flexibility to design programs and spend their funds to meet families' needs.

Total MOE spending reported by states remained relatively 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. Several reasons likely accounted for these increases, including states' reliance on MOE spending to help them meet TANF work participation rates. Work participation rates identify the proportion of families receiving monthly cash assistance that participate in allowable work activities for a specified number of hours each week. Federal law generally requires that at least 50 percent of families meet the work requirements; however, most states have engaged less than 50 percent of families in required activities in each year since TANF was created, according to HHS data. Various policy and funding options in federal law and regulations, including credit for state MOE expenditures that exceed required spending levels, have allowed most states to meet the rate requirements even with smaller percentages of families participating. States generally began relying on MOE spending to get credit toward meeting TANF work participation rates in fiscal year 2007 because of statutory changes to the rate requirements enacted in 2006. For example, for fiscal year 2009, the most recent data available, 16 of the 45 states that met the TANF work participation rate would not have done so without the credit they received for excess state MOE spending.

The expanded role of MOE in state TANF programs highlights the importance of having reasonable assurance that MOE spending reflects the intended commitment to low-income families and efficient use of federal funds. GAO's previous work makes clear that MOE provisions are often difficult to administer and oversee, but can be important tools for helping ensure that federal spending achieves its intended effect. This work also points out that with appropriate attention to design, implementation, and monitoring issues, such provisions are one way to help strike a balance between the potentially conflicting objectives of increasing state and local flexibility while attaining certain national objectives.