GAO

Highlights

Highlights of GAO-15-572T, a statement for the record to the House Committee on Ways and Means, Human Resources Subcommittee

April 2015

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

An Overview of Spending, Federal Oversight, and Program Incentives

Why GAO Did This Study

The TANF block grant provides $16.5 billion annually in federal funding to states for cash assistance as well as a variety of other benefits and services to meet the needs of low-income families. TANF requires states to maintain a specified level of their own past welfare spending to receive all of their TANF funds. In fiscal year 2013, states spent a total of $31.6 billion in federal TANF and related state funds on cash assistance and other services for low-income families. GAO was asked to provide information from its recent reports to inform a hearing on next steps for welfare reform.

This statement addresses (1) states' use of TANF funds, (2) TANF's accountability framework, and (3) innovation and evaluation in the TANF program, drawing primarily from GAO reports issued from 2010 to 2014. For these reports, GAO reviewed and analyzed state TANF data reported to HHS from fiscal year 1997 through 2013; reviewed relevant federal laws, regulations, and guidance; interviewed HHS and state TANF administrators; and conducted visits in selected states.

What GAO Recommends

In its prior work, GAO recommended that HHS take steps to improve TANF expenditure reporting and identify potential changes to address the lack of incentives in the TANF program. HHS has taken some action. GAO has also suggested Congress consider ways to improve performance information when TANF is reauthorized. Consequently, GAO is not making any new recommendations at this time.

View GAO-15-572T. For more information, contact Kay Brown at (202) 512-7215 or brownke@gao.gov

What GAO Found

While the Temporary Assistance for Needy Families (TANF) block grant serves as the nation's major cash assistance program for low-income families with children, states increasingly use it as a flexible funding stream for supporting a broad range of allowable services. For example, in December 2012 GAO found that nationwide, in fiscal year 1997, states spent about 23 percent of TANF funds on services other than cash assistance, such as child welfare or child care. In contrast, states spent more than 66 percent of TANF funds for these purposes in fiscal year 2013, according to the most recent available data from the Department of Health and Human Services (HHS).

TANF's accountability framework has limitations in both the approach used for measuring work participation and the information that is available on trends in services other than cash assistance. One program performance measure, the work participation rate, measures the extent to which states engage work-eligible TANF cash assistance recipients in work activities as defined by federal law. In May 2010, GAO found that states often relied on several options allowed in law, including credits for caseload reductions, to reduce the percentage of families they needed to engage in work to meet their work participation rate requirements. Thus, GAO concluded that the rate's usefulness as an indicator of TANF performance is limited. There are also no reporting requirements mandating performance information specifically on families receiving services other than cash assistance. To fully assess how funds are being used, GAO suggested Congress should consider ways to improve performance information when TANF is being reauthorized. In response to GAO's 2012 recommendation that HHS develop a detailed plan to revise reporting categories for TANF expenditures to provide a more complete picture on the use of TANF funds, HHS has taken steps such as revising its reporting form and accounting methodology for expenditure data. HHS has also cited a statutory provision as preventing it from reporting an improper payment estimate for the TANF program, but says it will seek statutory modifications to allow for such an estimate when the program is reauthorized.

Incentives are often lacking for state and local TANF agencies to adopt and test promising approaches for moving cash assistance recipients from welfare to work, according to a November 2014 GAO report. State use of federal TANF funds for services that are not necessarily related to welfare-to-work activities may compete with funding for developing promising approaches for TANF cash assistance clients. Also, the federal work participation rate requirements may discourage states from pursuing approaches that incorporate longer-term education and training or treatment services, or from engaging hard-to-employ individuals in work activities as states can meet their work participation rate requirements by using the law's other options. In addition, little incentive exists for states to evaluate their TANF programs, and states are not required to do so, although these evaluations can provide useful information on program effectiveness. GAO recommended that HHS, in consultation with Congress, identify potential changes to address the lack of incentives to adopt and test promising approaches and submit a legislative proposal outlining those changes. HHS agreed with the recommendation but has not yet suggested program changes.