The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) delegated broad authority to the U.S. states over cash assistance programs for low-income families. At the legislation’s core was Temporary Assistance for Needy Families (TANF), a capped block grant program that allowed states to use federal dollars in ways “reasonably calculated” to combat welfare dependency, support families and children, and prevent out-of-wedlock pregnancies. The creation of TANF and broad delegation of social welfare policymaking authority under the PRWORA prompts two questions considered in this analysis. First, how did states use the devolution of policymaking authority to reshape welfare spending? Second, why did states spend TANF funds in particular ways? That is, what political, economic, or demographic factors have shaped states’ TANF expenditure decisions? The analysis examines four hypotheses concerning the influence of race and ethnicity, political ideology, economic conditions, and TANF policy factors, and demonstrates that, while controlling for national-level trends, a number of state-level factors correlate with states’ basic assistance spending.

**Background**

One noteworthy policy changes instituted by the PRWORA was the creation of TANF as the primary cash assistance welfare program in the United States. TANF replaced Aid for Families with Dependent Children (AFDC), a program that was initiated by the 1935 Social Security Act as Aid for Dependent Children. Under AFDC, federal matching funds were not capped and states had wide flexibility over eligibility and benefit calculations. Thus, the amount of federal funds received by a state was in part a function of a given state’s policy decisions, varying between states and across time (Falk 2015).

As AFDC evolved from a depression-era source of support for poor children to the primary cash assistance social safety net program for poor and unemployed families, the number of families receiving benefits increased, peaking at 5.05 million cases in the average month of FY 1994 (U.S. Department of Health and Human Services – Office of Family Assistance 2004). Amid the fiscal pressures of an expanding caseload and calls for a new approach to welfare that would emphasize work rather than entitlement to regular cash assistance, the 1996 PRWORA repealed AFDC and replaced it with TANF.

In contrast to AFDC, TANF provides a capped black grant to each state and the discretion to create its own cash-assistance welfare program. The TANF block grants are neither adjusted for inflation nor, with a few minor exceptions, changes in need within states.[[1]](#footnote-1) The PRWORA apportioned states’ block grants based on the amount of federal spending received by a state for AFDC and other low-income public assistance programs between FY 1992 and 1995; they range in size from $21.8 million in Wyoming to $3.7 billion in California (Falk 2015). In addition to the federal block grant, the other main source of TANF funding is Maintenance of Effort (MOE) funds, which are provided by the states. MOE expenditures are set at 75% of states’ FY 1994 contributions to AFDC and other low-income public assistance programs and can increase to 80% if a state fails to achieve federal goals for TANF recipients to participate in state-organized work activities (ibid).

The PRWORA empowered states to design their TANF programs. In a particularly broad delegation of authority, states are permitted to spend federal and MOE funds in any manner “reasonably calculated” to realize one of TANF's four statutory goals: 1) Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; 2) End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; 3) Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and 4) Encourage the formation and maintenance of two-parent families (Falk 2014). TANF’s broad statutory goals allow states to fund a variety of programs and policy areas with TANF funds. States are not required to use the money for basic assistance to needy families (i.e. monthly cash payments), but can use the funds to finance a wide variety of programs, such as child care assistance that aids low-income caretakers find full-time employment or refundable tax credits that increase incomes for working families.

**State Spending**

States have used this broad authority over time to fashion distinctive cash assistance programs.



 As Figure 1 illustrates, changes in the proportional makeup of total TANF spending stemmed, in large part, from increased spending on policy areas that occupied a small share of expenditures in the years immediately following enactment of the PRWORA. However, between FY 1998 and 2013, the share of total TANF spending constituted by marriage and pregnancy programs, expenditures under prior law, diversion benefits, and refundable tax credits increased from .04% to 19.6%, with marriage and pregnancy program expenditures constituting the largest share of the increase (36.6%). As Figure 2 shows, the increase in marriage and pregnancy program spending primarily stemmed from decisions in a few states.[[2]](#footnote-7) Between FY 1998 and 2005, as median marriage and pregnancy program expenditures did not exceed .8% of total TANF spending nationwide, states such as New Jersey and Louisiana reported sizable increases in expenditures. By FY 2005, New Jersey and Louisiana spent, respectively, 34.0% and 25.3% of their total TANF funds on marriage and pregnancy prevention programs. While median proportional expenditures nationwide did increase after FY 2005, the outlier states continued to increase expenditures. From FY 2010 to 2013, Arkansas, Louisiana, and New Jersey further increased expenditures from their already relatively high levels. By FY 2013, these three states reported spending more than 40% of their total TANF funds on marriage and pregnancy prevention programs, with Arkansas leading the way by spending 58.8%.

After states gained greater control of their social welfare spending through the PRWORA, aggregate spending on marriage and pregnancy programs increased. However, parsing the expenditure data by state indicates that increased spending occurred alongside increased variation in spending. While a few outlier states increased aggregate mean spending, half of the states still spent less than 1.5% of total TANF funds on marriage and pregnancy programs in FY 2013. The increase in variation, which is echoed by the standard deviation increasing from .1% in FY 1998 to 12.6% in FY 2013, is an initial indicator that states responded to devolution under the PRWORA in different ways and took distinctive paths in creating their TANF programs.

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Similar to marriage and pregnancy program spending, the refundable tax credit category underlines both the role of outlier states in shaping aggregate TANF spending and the increasing variation in states’ spending over time. As Figure 3 illustrates, between FY 1998 and 2013, median expenditures on refundable tax credits never exceeded 0%. In addition, besides in FY 2003 when the third quartile equaled 0.2%, 75% of states did not report any refundable tax credit expenditures between FY 1998 and 2005. Over the same period, however, states such as New York, Kansas, and Minnesota consistently increased the portion of their TANF funds allocated toward refundable tax credits. After FY 2005, as more states began to fund refundable tax credit programs with TANF dollars, outlier states continued to increase their expenditures and by FY 2013, New York, Kansas, Minnesota, and Nebraska each allocated more than 25% of their total TANF spending to refundable tax credit programs.

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Between FY 1998 and 2013, refundable tax credit programs began to occupy a sizable portion of a number of states’ total TANF spending. In FY 1998, mean expenditures on refundable tax credit programs equaled 0.0% with a standard deviation of .04%; in FY 2005, mean spending equaled 2.3% with a standard deviation of 5.2%; and by FY 2013, mean expenditures equaled 5.5% with a standard deviation of 9.2%. As states such as Nebraska, Kansas, Minnesota and New York used TANF to finance refundable tax credit programs, many other states utilized their spending discretion to fund other programs, keeping aggregate spending on refundable tax credits to a minimum.

In addition to the significant proportional increases in policy areas, such as marriage and pregnancy programs and refundable tax credits, that each occupied less than .1% of total TANF spending in FY 1998, policy areas that constituted larger portions of total TANF spending in the years immediately following the passage of the PRWORA also changed in important ways. The share of total TANF spending constituted by other non-assistance spending, for instance, increased from 11.0% in FY 1998 to 18.4% in FY 2013. Figure 4 demonstrates that the proportional increase in aggregate other non-assistance expenditures was not solely the result of a few outlier states. As outlier states such as Colorado, Georgia, and South Carolina began to steadily increase the share of their TANF spending dedicated to other non-assistance after FY 2005, median expenditures experienced a similar increase, rising from 7.8% in FY 2005 to 13.4% in FY 2013. Meanwhile, annual standard deviations increased from 12.7% in FY 1998 to 18.9% in FY 2013, indicating that individual states diverged within the general trend of increasing other non-assistance spending but not to the same degree as marriage and pregnancy program or refundable tax credit spending.



Alongside increasing expenditures on marriage and pregnancy programs, refundable tax credits, and other non-assistance, the percentage of aggregate TANF funds spent on basic assistance decreased from 55.0% in FY 1998 to 23.6% in FY 2013. Monthly basic assistance cash payments to low-income families constituted the core of welfare assistance under AFDC.

In contrast to the rest of TANF spending, basic assistance is not provided in the form of a voucher or service and, with few exceptions, recipients may use their own discretion in spending basic assistance payments. Numerous studies have examined the effects of providing income to families, many of which find significant positive relationships between increases in income, especially among very low income families, and auspicious outcomes such as children’s cognitive development (Cooper and Stewart 2013). The historic use of basic assistance benefits as a key element of social policy and evidence on behalf of the positive effects of increasing incomes makes changes in states’ basic assistance spending especially noteworthy.

The boxplots in Figure 5 underline the magnitude of the decrease in proportional basic assistance expenditures. In the years immediately following the passage of the PRWORA, median basic assistance spending decreased at an average rate of 6.4% per year before increasing slightly in FY 2002. Over the same period, outlier states such as New Mexico and Hawaii decreased proportional basic assistance expenditures, while Idaho, an outlier below the distribution from FY 1998 to 2001, further decreased proportional basic assistance expenditures. After a period of relative stability between FY 2002 and 2004, the period from FY 2005 to 2010 saw further decreases in basic assistance spending with median expenditures falling from 34.8% to 23.1%.

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As median basic expenditures experienced a second significant decrease after FY 2005, a few states –Maine, California, Alaska, and South Dakota – defied the overall trend and increased or retained spending at outlier-levels above the distribution. Although each state’s proportional basic assistance spending was high for the respective year, it paled in comparison to historic expenditure levels. None of the four outlier states between FY 2008 and 2013 spent more than the 75th percentile of proportional basic assistance expenditures in FY 1998 (62.6%), and Maine was the only state to exceed the median level of basic assistance spending in FY 1998 (53.1%).

The significant decrease in states’ basic assistance expenditures did not occur alongside widespread changes in the distribution’s range. Mean and median basic assistance expenditures decreased by similar magnitudes, from 55.0% and 53.1% in FY 1998 to 23.6% and 22.0% in FY 2013; and annual standard deviations did not follow any trend, varying between 10.1% (in FY 2008) and 13.8% in (FY 1999). The shift in aggregate basic assistance spending was not driven by a few outlier states. It was a national-level trend that was reflected in every state.

At the same time, it is important to recognize that although the overall variation of the distribution remained largely constant as states decreased basic assistance spending, the relative place of states within the distribution was not static. Table 1 shows how most of the ten states that spent the most and least on basic assistance in FY 1998 did not remain within the top or bottom ten in following fiscal years. Only three of the ten highest spending states in FY 1998 were still among the ten highest spending states in FY 2013. Among the other seven states that were among the ten highest spending in FY 1998, some shifted basic assistance dramatically over time relative to other states. For instance, North Dakota and Illinois were, respectively, the 6th and 8th highest spending states on proportional basic assistance in FY 1998 and 41st and 50th in FY 2013.

The movement of states at the lower end of the distribution mirrors that of higher spending states. As Table 1 illustrates, only one of the ten lowest spending states in FY 1998 was among the ten lowest spending states in FY 2013. While some of the remaining states, such as Wyoming, Kansas, and Idaho, remained near the ten lowest spending states in FY 2013, other states shifted relative basic assistance more drastically. Alabama and Virginia, for instance, moved from being, respectively, the 45th and 46th highest spending states on proportional basic assistance in FY 1998 to the 19th and 9th in FY 2013.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Table 1 – Number of the Ten States with Highest and Lowest Basic Assistance in FY 1998 that Remained Among the Ten Highest or Lowest in Following Fiscal Years** | | | | | |
|  | FY 2001 | FY 2004 | FY 2007 | FY 2010 | FY 2013 |
| Ten Highest Spending States in FY 1998 | 7 | 6 | 5 | 4 | 3 |
| Ten Lowest Spending States in FY 1998 | 5 | 4 | 2 | 1 | 1 |

Ultimately, since the passage of the PRWORA, states have shifted TANF funds away from basic assistance toward other policy areas, including marriage and pregnancy programs, refundable tax credits, and other non-assistance. Increased aggregate spending in these categories often occurred alongside increased variation as states utilized their authority to shape their TANF programs in distinctive ways. While states participated to different degrees in spending more on marriage and pregnancy programs, refundable tax credits, other non-assistance, and other policy areas, every state dramatically reduced basic assistance spending between FY 1998 and 2013. Yet, as underlined by Table 1, states did not decrease basic assistance expenditures in lock-step. They simultaneously participated in the aggregate decrease in basic assistance expenditures and altered their spending in distinctive ways.

**Explaining State Assistance Decisions**

As the descriptive analysis showed, state decisions about TANF spending are complex. To better understand the variation in states’ proportional basic assistance spending, this section examines state-level factors that may have shaped the degree to which states decreased basic assistance spending. Using a fixed effects regression model that controls for unobserved variation between states and across time, the analysis demonstrates significant relationships between states’ basic assistance expenditures and a variety of factors, including the size and racial composition of states’ caseloads and state governments’ progressivism. The number and variety of significant findings demonstrates a complex web of interrelationships between states’ basic assistance expenditures and state-level political, economic, and social factors.

The regression analysis is grounded upon four hypotheses concerning states’ allocations of basic assistance expenditures: 1) states with more racially and ethnically diverse basic assistance caseloads spend proportionally less on basic assistance; 2) states with more powerful and progressive democratic parties spend proportionally more on basic assistance; 3) states with more favorable economic conditions spend proportionally less on basic assistance expenditures; and 4) states’ basic assistance expenditures are sensitive to TANF-specific factors, such as caseload levels and work participation rates.

*Race and Ethnicity*

Two reinforcing strands in the literature on race and social policy are especially significant when considering the potential relationships between race, ethnicity and states’ basic assistance expenditures. The first concerns the role of racial prejudices toward African Americans in shaping public attitudes of welfare recipients. Studies such as Gilens (1996) note the significant effects of white stereotypes of African American mothers on welfare on white Americans’ support for welfare assistance. Drawing on national survey data and a randomized experiment, Gilens finds that white Americans that have significantly more negative attitudes toward African American are more likely to oppose welfare programs. Such attitudes translate to opinions of welfare policy, with “racial considerations” serving as “the single most important factor shaping whites’ views of welfare” (p. 601).

The other strand of the literature concerns the importance of race in shaping welfare policy outcomes. Several studies have examined the correlations between race and the restrictiveness of states’ TANF policies. Soss et al. (2001) note significant positive relationships between the proportion of African Americans receiving TANF benefits in a state and the probability of a state adopting strong sanctions, stricter time limits on benefit receipt, and a limit on the number of children that can be included in the benefit group (i.e., a “family cap”). They also find significant positive relationships between the proportion of Latinos receiving TANF benefits in a state and the probability of a state adopting stricter time limits on TANF benefits and a family cap on benefits.

In another study, Fellowes and Rowe (2004) largely echo the conclusions of Soss et al. (2001). They find that, on average, an increase from one standard deviation below the mean percentage of African Americans receiving TANF benefits to one standard deviation above the mean percentage results in significantly stricter TANF benefit eligibility criteria, stricter work requirements, and lower basic assistance benefits. They also find that the percentage of Latinos receiving TANF benefits is consequential, with an increase from one standard deviation below the mean percentage of Latinos in a state receiving TANF benefits to one standard deviation above the mean percentage resulting in significantly less flexible work requirements but less strict TANF benefit eligibility criteria.

In terms of my analysis, I hypothesize that states with greater proportions of African Americans or Hispanics in their TANF caseload spend less on proportional basic assistance expenditures. I operationalize these hypotheses via the variables *african\_americans* and *hispanics.* The former measures the percentage of individuals receiving basic assistance benefits in a state who identify as African American or Black, while the latter measures the percentage of individuals receiving basic assistance benefits in a state who identify as non-white and Hispanic.

*Partisan Control of State Government*

Although the PRWORA was signed into law by President Clinton, partisanship and ideology are often considered crucial factors in structuring the scope and generosity of states’ TANF policies, with conservatives generally critical of cash welfare benefits and liberals more supportive of welfare assistance (Rom 1999). The findings of Soss et al. (2001) support the intuitive relationship between TANF policy and ideology. On average, the authors find that a state is 31% more likely to adopt strong sanctions for non-compliant TANF recipients if the state government is one standard deviation more conservative than the mean state rather than one standard deviation more liberal. Similarly, a state is 9% more likely to adopt strong sanctions, tougher work requirements, narrower time limits, and a family cap if the state government is one standard deviation more conservative than the mean state rather than one standard deviation more liberal.

*Liberalism* scores are used to measure state political ideology. Originally developed by Berry et al. (1998), *liberalism* captures the liberal ideology of a state government in a calendar year from 0 (most conservative) to 100 (most liberal), weighted by the powers of the democratic and republican parties in the upper and lower branches of the state legislature and ideology of the governor. The authors originally measured the ideologies of the political parties and governor using interest group ratings, but in Berry et al. (2010) the authors present a slightly different measure of ideology that uses Poole’s (1998) common space coordinates of Congressional roll call votes. Although they correlate strongly, Berry et al. (2010) conclude that the updated measure of ideology is more precise than the original, and it is therefore employed for *liberalism*.

Quantifying partisan control of state government via a measure of state government ideology controls for changes in party strength and ideology across states and time. Unlike other measures of partisanship, such as party control of state legislatures and governorships, state government ideology does not mask ideological differences between political parties in different states or shifts in political ideology over time. Instead, it incorporates these political differences and evolutions alongside swings in electoral power, creating a nuanced and flexible measure of partisanship.

We hypothesize that states with higher *liberalism* scores will spend proportionally more on basic assistance. Progressive shifts in party ideology and electoral victories by progressive parties ought to be commensurate with increased basic assistance spending, reflecting support for social welfare spending in liberal parties.

*Economic Conditions*

State-level economic factors may also influence basic assistance expenditures, so it is important to control for economic conditions across states and over time. The PRWORA was enacted in an era of low unemployment, tight labor markets, and rising wages for lower-skilled workers (Blank 2002). In an extensive literature review of TANF and AFDC research in the years following the passage of the PRWORA, Blank (2002) finds five econometric studies that argue for an elasticity of state unemployment rates to caseloads of between 5 and 7 percent. Since caseloads are directly related to basic assistance spending (fewer people receiving benefits allows states to spend the funds elsewhere), the studies conducted in the years following the PRWORA’s passage imply that state economic conditions should bear some impact on basic assistance spending. Qualitative evidence from the economic recession one decade later also supports the need to control for state-level economic conditions. Thirty states saw increases in the number of basic assistance recipients following the beginning of the economic downturn in December 2007 (Zedlewski and Golden 2010). As economic conditions deteriorated, more low-income families became eligible and sought cash assistance, with likely consequences for basic assistance expenditures.

States with higher unemployment rates can also be expected to spend more on basic assistance. *Unemployment* measures a state’s annual unemployment rate among the civilian non-institutional population. While the unemployment rate is a common metric of a state’s economic vitality (Blank 2002), we also include each state’s real per capita personal income in thousands of 2013 dollars controlling for regional variations in purchasing power. Per capita incomeis expected to be inversely related to states’ basic assistance spending. Need explanation for *pcpi\_regional* here. Unemployment rates and incomes are likely to be strongly and inversely correlated, but for the population who receives TANF, they may not move in tandem. Moving from welfare to work increases earned income but decreases assistance benefits. As such, controlling for states’ unemployment rates alone may not adequately control for states’ economic conditions, especially as they pertain to the low-income families most likely to receive basic assistance.

In addition to the hypothesized relationships between *unemployment* and per capita income and basic assistance spending, economic conditions may also affect TANF spending by exerting fiscal pressures on states. *Fiscal\_stability* measures a state’s ending annual fiscal balance and budget stabilization fund (i.e., “rainy day fund”) as a percentage of its annual expenditures. In their studies of TANF programs in California, Washington, Michigan, Florida, and Texas, Hahn et. al (2012) note how budget deficits following the Great Recession forced many states to reshape TANF spending. TANF’s broad spending discretion allows states to shift TANF funds away from basic assistance toward other policy areas previously funded by non-TANF dollars, allowing the latter to be used elsewhere. California, for instance, reduced basic assistance benefits by 8% in 2011 alongside other reductions in job training and child care funding, freeing $800 million in MOE expenditures for higher education programs. Hahn et. al (2012) find evidence of a similar shifts in Michigan and Washington. In all cases, the authors found that states were utilizing TANF’s broadly-defined goals to fund programs obliquely related to TANF with TANF dollars in response to fiscal pressures. As an advocate for low-income families put it when discussing the policy areas being funded by TANF, “no one is pretending that it is for a TANF purpose.”

The hypothesized effect of *fiscal\_stability* on basic assistance spending is the opposite of the other economic variables included in the model, *unemployment* and *pcpi\_regional*. As economic conditions worsened, states experienced contradictory pressures. On the one hand, fewer jobs and lower incomes might have lead states to increase basic assistance spending in order to support their residents. At the same time, worsening economic conditions reduce state revenues and strain budgets, leading to less basic assistance spending as TANF spending is reallocated to free non-TANF funds for other uses.

*Programmatic Factors*

Finally, TANF-specific factors are expected to correlate with states’ basic assistance expenditures. Since the passage of the PRWORA in 1996, as Figure 6 illustrates, the number of individuals receiving TANF nationally has declined dramatically, with only a comparatively small increase following the 2008 financial crisis and the Great Recession.



While caseload changes are in part, as argued above, a function of economic conditions, they cannot be fully accounted for by economic explanations (Blank 2002). States are not passive actors when it comes to basic assistance eligibility and benefit levels; they control income thresholds, time limits, family cap policies, and work participation requirements – all factors which may impact caseload sizes. It is difficult to untangle the specific impact of these policies on caseload sizes and even harder to discern their relationship to basic assistance expenditures given the circularity of program policies and spending. Nevertheless, given the significant decrease in caseloads between 1998 and 2013, and its similarity to the trend in basic assistance expenditures in Figure 5, it is important to incorporate a broad control for changing caseloads in the model. Hence, *caseload*, the annual percentage change in a state’s average monthly TANF or SSP-MOE recipient caseload is included in the analysis.

In addition to accounting for changing caseloads, it is important examine whether work participation requirements influence basic assistance spending. The PRWORA mandated that 50% of all families and 90% of two-parent families receiving TANF assistance in a state be “engaged in work” in a fiscal year in order to avoid a reduction in the state’s block grant. Before FY 2007, a state could reduce its required work participation rate by the percentage decrease in its TANF caseload from FY 1995 levels. Since, as Figure 6 shows, caseloads declined dramatically in the years immediately following the passage of the PRWORA, states easily met this requirement.[[3]](#footnote-8) However, the Deficit Reduction Act of 2005 made it more demanding for states to reduce their work participation rates by changing the fiscal year for calculating reductions in caseloads from FY 1995 to FY 2005.

Since 1999 states have also been able to reduce the percentage of their caseload that must meet work requirements by spending more on MOE than mandated by federal statute. But, in addition to caseload reduction credits and excess MOE spending, states can reduce their work participation rate requirement by altering the composition of their TANF caseloads. For instance, a state can reduce the number of unemployed or difficult to employ recipients in the caseload by imposing stricter work requirements or eligibility criteria. The resulting caseload is more likely to meet the work participation requirement, but also is likely to be smaller and have higher average earned incomes, resulting in lower basic assistance expenditures.

A state can also reduce the work participation requirement by increasing the number of employed TANF recipients in the caseload. Some states have taken this approach and offer transitional benefits to TANF recipients who are ineligible due to increased earnings. For example, until October 2015, Michigan granted $10 to former TANF recipients for 6 months after becoming ineligible due to increased earnings if they continued to meet their work requirements (Urban Institute 2018). Likewise, in 2016 Missouri gave one-parent families working 30 hours per week after leaving TANF $50 for six months and New Jersey granted former recipients $200 for 24 months if they continued to work 20 hours per week (Giannarelli et al. 2017). The benefits allowed states to claim more employed recipients in order to satisfy the work participation rate, with the tangential effect of increasing basic assistance spending.

Since changes in the composition of the caseload in response to the work participation requirement have theoretically ambiguous effects on basic assistance spending, the influence of the work participation requirement on basic spending requires empirical testing. We evaluate the role of the work participation requirement in the model with *wpr,* a dummy variable that takes the value of one if a state did not meet its work participation rate and zero if it did.

**Models of State Basic Assistance Spending**

Table 2 presents four regression models of states’ basic assistance expenditures as a percentage of total TANF expenditures.[[4]](#footnote-11) Each model includes state fixed effects that control for unobserved, state-specific effects that are constant across time. The independent variables are also lagged in every model to correspond to the period when states allocated their TANF block grants.Model 1 includes all independent variables except *caseload, unemployment,* and *pcpi\_regional.* As hypothesized, the model’s racial and ethnic coefficients are highly significant and negative: A state that experiences a 1% increase in African Americans in its TANF caseload spends, on average, .727% less on basic assistance in the following fiscal year. Likewise, a state with a 1% increase in Hispanics in its TANF caseload spends .539% less on basic assistance in the following fiscal year. Model 1 also illustrates a significant relationship in the expected direction between whether a state met its work participation rate requirement in the prior year and its basic assistance spending. On average, a state that did not meet its work participation rate requirement spent 3.419% less on basic assistance in the following fiscal year.

Although Model 1 displays a number of significant results, the low adjusted R2 value (.026) indicates that the model accounts for very little of the variation in states’ basic assistance expenditures. Models 2 and 3 improve upon Model 1 by adding *caseload, unemployment,* and *pcpi\_regional* as control variables. Model 2 accounts for the sizes of states’ TANF caseloads and demonstrates that, as hypothesized, states’ basic assistance spending is positively associated with the number of TANF cases. A percentage decrease in a state’s TANF caseload leads to a .091% average decrease in basic assistance spending in the next fiscal year. Yet, including *caseload* only modestly improves the explanatory power of the analysis as measured by the adjusted R2, which only increases from .026 in Model 1 to .041 in Model 2.

Model 3 incorporates the economic variables *unemployment* and *pcpi­\_regional.*  Both variables are highly significant and negative in the model, indicating – somewhat counterintuitively – that higher unemployment and higher incomes are associated with lower proportional basic assistance expenditures. Controlling for economic factors also has ramifications for the significance of other variables in the model: *fiscal\_stability* becomes significant and positive while *hispanics* becomes insignificant. Including *unemployment* and *pcpi\_regional* greatly increases the portion of the variation in states’ basic assistance expenditures accounted for by the analysis. Compared to Model 1, the adjusted R2 of Model 3 (.420) indicates that economic factors account for a sizable share of the variation in states’ spending.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 2 - Regression Output** | | | | |
|  | | | | |
|  | *Dependent variable:* | | | |
|  |  | | | |
|  | Basic Assistance Expenditures as a Percentage of Total TANF Expenditures | | | |
|  | Model 1 | Model 2 | Model 3 | Model 4 |
|  | | | | |
| african\_americans | -.727\*\*\* | -.723\*\*\* | -.416\*\*\* | -.249\*\*\* |
|  | (.102) | (.101) | (.080) | (.068) |
|  |  |  |  |  |
| hispanics | -.539\*\*\* | -.456\*\*\* | .033 | .134 |
|  | (.138) | (.139) | (.110) | (.093) |
|  |  |  |  |  |
| fiscal\_stability | -.043 | -.051 | .065\*\* | .001 |
|  | (.032) | (.032) | (.026) | (.023) |
|  |  |  |  |  |
| caseload |  | -.091\*\*\* | .081\*\*\* | .150\*\*\* |
|  |  | (.026) | (.022) | (.022) |
|  |  |  |  |  |
| liberalism | .017 | .032 | .022 | .029\*\* |
|  | (.021) | (.021) | (.017) | (.014) |
|  |  |  |  |  |
| wpr | -3.419\*\* | -3.108\*\* | 1.448 | 5.102\*\*\* |
|  | (1.506) | (1.497) | (1.191) | (1.064) |
|  |  |  |  |  |
| unemployment |  |  | -1.531\*\*\* | .643\* |
|  |  |  | (.169) | (.334) |
|  |  |  |  |  |
| pcpi regional (thousands) |  |  | -2.062\*\*\* | .153 |
|  |  |  | (.112) | (.175) |
|  |  |  |  |  |
|  | | | | |
| Time Fixed Effects | No | No | No | Yes |
|  | | | | |
| Observations | 777 | 777 | 777 | 777 |
| R2 | .094 | .109 | .463 | .634 |
| Adjusted R2 | .026 | .041 | .420 | .597 |
| F Statistic | 14.924\*\*\* (df = 5; 722) | 14.639\*\*\* (df = 6; 721) | 77.416\*\*\* (df = 8; 719) | 53.011\*\*\* (df = 23; 704) |
|  | | | | |
| *Note:* | \*p<0.1; \*\*p<0.05; \*\*\*p<0.01 | | | |

Model 4 introduces time fixed effects, thereby controlling for unobserved trends that are constant across states in any given fiscal year. There are two trends in basic assistance spending between FY 1998 and 2013: The aggregate decrease in basic assistance spending which every state participated in and the within-distribution divergence that resulted from states’ following distinctive paths within the national trend. With time fixed effects in place, Model 4 controls for the national-level forces that shaped basic assistance expenditures and allows for a nuanced analysis of state-level factors that caused state-level basic assistance spending to diverge within the national trend.

In Model 4, *african\_americans* remains highly significant and, as expected, negatively correlated with states’ basic assistance spending. On average, a state that experienced a 1% increase in the portion of its TANF caseload composed of African Americans spent .249% less on basic assistance in the following fiscal year. Such a finding corresponds to the conclusions of Gilens (1996), Fellowes and Rowe (2004), and Soss et al. (2001) and underlines the important role that race continues to play in shaping social policy outcomes.

In contrast to *african\_americans, hispanics* is neither significant nor in the hypothesized direction in the final model. The evolution of *hispanics* across the four models implies that its significance in Models 1 and 2 was the spurious result of either omitted variable bias stemming from correlations with economic factors or national-level demographic changes controlled for by the time fixed effects in Model 4. Regardless of the exact reason for its insignificance in the final model, *hispanics’* positive and insignificant coefficient is not unprecedented. As mentioned above, Fellowes and Rowe (2004) find significant inverse relationships between the percentage of Latinos receiving TANF benefits in a state and both the flexibility of work requirements and the strictness of TANF eligibility criteria. The analysis indicates that the effect of growing numbers of Hispanic welfare recipients on TANF policy outcomes is not straightforward. Unlike in the case of African Americans, where there is clear evidence that negative perceptions significantly affect TANF and other social welfare policy outcomes, the increasing number of Hispanics across the United States seems to bear a more nuanced, undetermined influence on TANF spending.

Turning to economic factors, Model 4 does not provide evidence in support of the hypothesis that states with higher budget shortfalls will reduce basic assistance spending in the forthcoming year to cover costs. Likewise, the final model does not support the hypothesis that state per capita personal income is negatively associated with basic assistance spending and only weakly implies that states’ unemployment rates are positively correlated with basic assistance expenditures. The dramatic shifts in the magnitude and significance of *pcpi\_regional* and *unemployment* relative to Model 3 are likely to reflect national-level changes in economic conditions. What appears in Model 3 as significant relationships between state-level economic variation and basic assistance spending variation are the spurious result of simultaneous aggregate movements in economic conditions and TANF spending, not potentially causal relationships at the state-by-state level.

Model 4 indicates that a state that experienced a 1% decline in its TANF caseload from the prior year spent, on average, .15% less on basic assistance in the following year. The increase in *caseload*’s magnitude as compared to Model 3 suggests that isolating the relationship between caseload change and basic assistance expenditures from the aggregate decreases in states’ TANF caseloads increases the direct correlation between decreasing caseloads and reduced basic assistance spending. In other words, even when aggregate trends in caseload sizes are accounted for, states that experienced greater decreases in caseload sizes spent a lower proportion of their TANF block grants on basic assistance – a finding that both corresponds to expectations and sheds light on the observed variation within the overall trend of lower basic assistance spending.

As discussed above, the influence of the work participation requirement on basic assistance spending is theoretically ambiguous. States can reduce the requirement’s burden by either increasing the number of employed recipients through greater basic assistance spending or decreasing the number of unemployed recipients, with the tangential effect of lower basic assistance expenditures. However, as illustrated in Model 4, the empirical relationship between the work participation requirement and basic assistance spending is not ambiguous: States that did not meet their work participation rate spent, on average, 5.102% more on basic assistance in the following year. The highly significant coefficient rejects the hypothesis that, all else equal, states sought to remove unemployed recipients from their caseloads in response to not meeting the work participation rate requirement.

Similar to *caseload* and *wpr,* the introduction of time fixed effects in Model 4 increases the magnitude of *liberalism*, suggesting that national changes in political ideology and aggregate changes in other state-level variables served as negative confounders in earlier models. As hypothesized, *liberalism* is positive and significant in Model 4, implying that more progressive state governments allocate a larger proportion of TANF funds to basic assistance. This finding corresponds to the hypothesis concerning the expected relationship between progressivism and basic assistance spending and the well-established relationship between political ideology and social welfare spending more broadly.

Finally, although masked in Table 1 for readability, the coefficients on the time fixed effects in Model 4 are presented below in Table 2. The coefficients are all highly significant and of a large magnitude. Holding constant the eight state-level independent variables specified in Model 4, states spent, on average, 34.8% less on proportional basic assistance in FY 2013 than 1998. The coefficients in Table 2 correspond to the aggregate decrease in basic assistance illustrated in Figure 5 and underline the fact that state-level divergence occurred within a nationwide reduction in basic assistance spending.

|  |  |
| --- | --- |
| **Table 2 – Coefficients of Time Fixed Effects from Model 4** | |
| Fiscal year | Coefficients |
| 1999 | -7.257\*\*\* |
|  | (1.395) |
| 2000 | -13.840\*\*\* |
|  | (-1.403) |
| 2001 | -18.380\*\*\* |
|  | (1.487) |
| 2002 | -20.023\*\*\* |
|  | (1.563) |
| 2003 | -20.811\*\*\* |
|  | (1.665) |
| 2004 | -20.414\*\*\* |
|  | (1.709) |
| 2005 | -20.619\*\*\* |
|  | (1.713) |
| 2006 | -22.855\*\*\* |
|  | (1.707) |
| 2007 | -26.018\*\*\* |
|  | (1.759) |
| 2008 | -29.488\*\*\* |
|  | (1.875) |
| 2009 | -31.751\*\*\* |
|  | (2.028) |
| 2010 | -34.935\*\*\* |
|  | (2.541) |
| 2011 | -34.521\*\*\* |
|  | (2.616) |
| 2012 | -33.592\*\*\* |
|  | (2.562) |
| 2013 | -34.764\*\*\* |
|  | (2.511) |
|  | \*p<0.1; \*\*p<0.05; \*\*\*p<0.01 |

**Discussion and Conclusions**

States utilized PRWORA’s devolution of spending authority and TANF’s broad statutory goals to reduce spending on direct cash assistance for needy families. In the place of basic assistance, states increased funding for refundable tax credit programs, marriage and pregnancy programs, child care, diversion benefits, and other policy areas. Although states took different paths in creating TANF programs, the reduction in basic assistance spending was a national trend which every state took part in. However, the states did not move in lock-step. The amount a state spent on basic assistance in FY 1998 has little bearing on the amount it spent on basic assistance in FY 2013.

We identified and tested four hypotheses regarding state spending on basic assistance. The results indicate that the number of African Americans in a state’s TANF caseload, caseload change, the liberalism of a state’s government, and whether a state met its work participation requirement are important factors that helped to explain the variation within the national trend of decreasing basic assistance expenditures. Although these findings are helpful in understanding why states took different paths within the national trend of decreasing basic assistance expenditures, they are unable to explain the national-level trend itself, pointing to the need for further research into the broader forces that aggregately shaped basic assistance spending. The magnitude and significance of the time fixed effects coefficients in Table 3 underline the fact that the reduction in basic assistance spending was a national-level trend that requires a national-level analysis. The creation of TANF paved the way for significant changes in the ways low-income families receive benefits.

**Appendix on Data**

From FY 1997 to 2014, states reported federal TANF block grant and MOE spending to the Department of Health and Human Services (HHS). The Office of Family Assistance (OFA), an office within the ACF, oversees the reporting of states’ TANF expenditures and publishes annual TANF financial reports on their website.[[5]](#footnote-12) The published data from the ACF-196 includes federal and state expenditure levels for each state and the District of Columbia across nineteen spending categories. The reporting categories available to states on the ACF-196 did not change between FY 1997 and 2014, providing consistency in the published expenditure data.

The use of the same reporting form and categories caters to researchers interested in TANF expenditure data, but two problems with the structure of the ACF-196 complicate accurate analysis. First, the form contained broad reporting categories that were too inflexible to accurately trace changes in states’ spending over time or compare similar types of spending in different states. Without precise reporting categories, many states struggled to pair new uses for TANF dollars with available reporting categories and consequently reported spending increases in the broadly-defined other non-assistance and assistance under prior law categories (Johnson 2013; Derr et al. 2009). In other cases, the ACF-196 form’s reporting categories lacked clear boundaries, leading states to report similar expenditures in different categories. As the Director of the OFA noted in regard to the ACF-196 reporting system, “a state may report TANF spending for pre-school under ‘Prevention of Out-of-Wedlock Pregnancies’ or ‘Other’ and possibly even ‘Child Care,’ although the instructions specifically exclude such expenditures under child care” (ibid).

In addition to broadly-defined expenditure categories, accurate analysis of the TANF expenditure data is complicated by how states reported errors. If a state discovered an error in a prior year’s report, the margin of error was subtracted or added to the respective reporting category on the current year’s ACF-196, indistinguishably blurring actual and corrected spending. The negative expenditure values in the published expenditure data are obvious evidence of this accounting method, but such cases are only the ostensible corrections where the margin of error exceeded the actual expenditures in the current year. Any value in the expenditure data can include an upward or downward correction for an error in a prior year’s report. Thus, in the words of the Director of the OFA, it is “impossible to determine the actual TANF expenditures that occur in a fiscal year” (ibid).

The flaws in the TANF expenditure data are not completely surmountable. It is impossible to know exactly where and when states misreported expenditures or corrected a prior year’s expenditure report in a later year’s report. Nevertheless, the problems can be mitigated. In order to alleviate the effects of non-mutually exclusive categories, I aggregate the nineteen distinct expenditure categories in the published data into ten using, with a few minor exceptions, the categories already developed by Schott et al. (2015). As can be seen in Table A.1 in the Appendix, the aggregate categories are composed of similar ACF-196 reporting categories, reducing the probability that similar types of spending are treated as distinct in the analysis.

In order to mitigate the effects of corrections for errors in prior year expenditure reports, I create three-year moving averages of the data.[[6]](#footnote-13) The three-year moving averages reduce the short-term variation in spending and prevalence of proportional expenditure values above one or below zero—the ostensible instances of states’ correcting prior years’ expenditures in the current fiscal year—from seventy-nine to fifty-six. Thus, while an improvement upon the original data, three-year moving averages do not clean all the cases of prior year corrections. Nevertheless, there is a balance to strike between clean and interesting data. Including more years in the average would capture more cases of prior year corrections, but it would also obscure actual changes in spending and inhibit longitudinal analysis.

After synthesizing the original reporting categories into aggregate categories and creating three-year moving averages, my dataset includes TANF expenditures across ten categories for every state and the District of Columbia from FY 1998 to 2013 expressed as percentages of total TANF expenditures.[[7]](#footnote-14)

**Appendix Tables**

|  |  |
| --- | --- |
| **Table A.1 - ACF-196 Expenditure Categories and Corresponding Aggregate Categories** | |
| ACF-196 Reporting Categories | Aggregate Categories |
| Basic Assistance | Basic Assistance |
| Child Care (assistance)  Child Care (non-assistance)  Child Care Development Fund (CCDF) | Child Care |
| Transportation and Supportive Services (assistance)  Work Related Activities and Expenses (non-assistance)  Transportation (non-assistance)  Individual Development Accounts (IDAs) | Work-Related Activities and Supports |
| Assistance Under Prior Law  Non-Assistance Under Prior Law | Expenditures Under Prior Law |
| Refundable Earned Income Tax Credit (non-assistance)  Other Refundable Tax Credits (non-assistance) | Refundable Tax Credits |
| Non-Recurrent Short-Term Benefits | Diversion Benefits |
| Prevention of Out of Wedlock Pregnancies (non-assistance)  Two-Parent Family Formation and Maintenance | Marriage and Pregnancy |
| Other (non-assistance) | Other Non-Assistance |
| Administration (non-assistance)  Systems (non-assistance) | Administration and Systems |
| Social Services Block Grant (SSBG) | Social Services Block Grant (SSBG) |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Table A.2 - Annual Mean Expenditures by Expenditure Category** | | | | | | | | | | |
| Fiscal year | Administration and Systems | Basic Assistance | Child Care | Other Non-Assistance | Marriage and Pregnancy | Prior Expenditures | Diversion Benefits | Transferred to SSBG | Refundable Tax Credits | Work-Related Activities and Supports |
| 1998 | 11.1% | 55.0% | 12.0% | 11.0% | 0.0% | 0.0% | 0.0% | 4.2% | 0.0% | 7.7% |
| 1999 | 10.9% | 45.2% | 16.8% | 10.6% | 0.6% | 1.5% | 0.2% | 5.4% | 0.3% | 10.0% |
| 2000 | 10.2% | 38.6% | 19.1% | 9.8% | 1.4% | 2.9% | 0.5% | 5.1% | 0.8% | 11.9% |
| 2001 | 10.0% | 35.5% | 18.7% | 9.9% | 2.6% | 4.3% | 0.8% | 4.1% | 1.2% | 13.8% |
| 2002 | 9.4% | 34.9% | 18.4% | 10.4% | 3.2% | 4.1% | 0.9% | 3.8% | 1.7% | 13.7% |
| 2003 | 8.8% | 35.2% | 18.4% | 10.7% | 3.5% | 4.3% | 0.9% | 3.7% | 1.9% | 12.9% |
| 2004 | 8.8% | 35.6% | 18.2% | 11.3% | 3.2% | 4.2% | 0.8% | 3.6% | 2.2% | 12.3% |
| 2005 | 8.8% | 34.6% | 18.5% | 12.0% | 3.2% | 4.3% | 0.9% | 3.7% | 2.3% | 12.2% |
| 2006 | 8.8% | 31.7% | 19.3% | 12.2% | 3.7% | 4.5% | 1.0% | 3.8% | 2.6% | 12.4% |
| 2007 | 8.8% | 28.0% | 19.7% | 13.0% | 5.0% | 4.8% | 1.3% | 3.9% | 3.2% | 12.5% |
| 2008 | 8.5% | 25.5% | 19.4% | 14.1% | 6.1% | 5.1% | 1.6% | 3.7% | 3.8% | 12.3% |
| 2009 | 8.0% | 25.0% | 17.9% | 14.7% | 6.6% | 4.9% | 2.3% | 3.4% | 4.5% | 12.7% |
| 2010 | 7.4% | 25.5% | 16.8% | 15.5% | 6.6% | 5.1% | 2.5% | 3.2% | 4.9% | 12.6% |
| 2011 | 7.3% | 25.6% | 16.4% | 16.6% | 6.6% | 5.0% | 2.5% | 3.1% | 5.3% | 12.5% |
| 2012 | 7.5% | 24.7% | 16.6% | 17.6% | 6.9% | 5.1% | 2.2% | 3.3% | 5.3% | 11.8% |
| 2013 | 7.9% | 23.6% | 17.0% | 18.4% | 7.2% | 4.8% | 2.1% | 3.4% | 5.5% | 11.5% |
| **Table A.3 - Annual Median Expenditures by Expenditure Category** | | | | | | | | | | |
| Fiscal year | Administration and Systems | Basic Assistance | Child Care | Other Non-Assistance | Marriage and Pregnancy | Prior Expenditures | Diversion Benefits | Transferred to SSBG | Refundable Tax Credits | Work-Related Activities and Supports |
| 1998 | 10.9% | 53.1% | 11.2% | 7.8% | 0.0% | 0.0% | 0.0% | 4.0% | 0.0% | 5.6% |
| 1999 | 10.3% | 45.1% | 16.0% | 7.6% | 0.0% | 0.0% | 0.0% | 5.5% | 0.0% | 9.3% |
| 2000 | 9.6% | 38.5% | 17.7% | 8.5% | 0.3% | 0.0% | 0.0% | 5.6% | 0.0% | 11.0% |
| 2001 | 9.4% | 33.8% | 18.5% | 5.9% | 0.7% | 0.0% | 0.0% | 4.6% | 0.0% | 12.5% |
| 2002 | 9.0% | 35.2% | 17.8% | 7.2% | 0.6% | 0.0% | 0.2% | 3.9% | 0.0% | 12.3% |
| 2003 | 8.6% | 35.1% | 17.9% | 7.3% | 0.6% | 0.0% | 0.1% | 3.6% | 0.0% | 12.0% |
| 2004 | 8.5% | 36.1% | 17.3% | 7.5% | 0.7% | 0.0% | 0.1% | 3.6% | 0.0% | 11.7% |
| 2005 | 8.5% | 34.8% | 16.3% | 7.8% | 0.8% | 0.5% | 0.2% | 3.4% | 0.0% | 11.7% |
| 2006 | 8.6% | 30.0% | 19.1% | 7.7% | 1.7% | 0.1% | 0.3% | 3.4% | 0.0% | 11.9% |
| 2007 | 8.3% | 28.2% | 18.4% | 9.0% | 2.2% | 0.3% | 0.6% | 3.9% | 0.0% | 11.5% |
| 2008 | 8.0% | 25.1% | 18.5% | 9.9% | 3.1% | 0.8% | 0.7% | 3.7% | 0.0% | 11.3% |
| 2009 | 7.6% | 24.4% | 15.3% | 9.3% | 2.4% | 0.8% | 1.7% | 3.4% | 0.0% | 11.0% |
| 2010 | 7.2% | 23.1% | 14.6% | 11.0% | 2.1% | 1.2% | 1.8% | 3.3% | 0.0% | 11.3% |
| 2011 | 7.0% | 22.6% | 13.7% | 12.3% | 1.7% | 1.1% | 1.5% | 3.5% | 0.0% | 10.8% |
| 2012 | 7.1% | 23.2% | 14.4% | 12.8% | 2.2% | 0.9% | 0.8% | 3.6% | 0.0% | 9.8% |
| 2013 | 7.5% | 22.0% | 12.8% | 13.4% | 1.5% | 0.1% | 0.6% | 3.8% | 0.0% | 9.0% |

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| **Table A.4 - Regression Output of Three Data Cleaning Methods** | | | |
|  | | | |
|  | *Dependent variable:* | | |
|  |  | | |
|  | Basic Assistance Expenditures as a Percentage of Total Expenditures | | |
|  | Raw Proportions | Moving Averages of Proportions | Proportions of Moving Averages |
|  | (1) | (2) | (3) |
|  | | | |
| african\_americans | -.263\*\*\* | -.249\*\*\* | -.253\*\*\* |
|  | (.083) | (.068) | (.081) |
|  |  |  |  |
| hispanics | .141 | .134 | .180 |
|  | (.113) | (.093) | (.110) |
|  |  |  |  |
| fiscal\_stability | -.009 | .001 | -.003 |
|  | (.028) | (.023) | (.028) |
|  |  |  |  |
| caseload | .160\*\*\* | .150\*\*\* | .119\*\*\* |
|  | (.027) | (.022) | (.026) |
|  |  |  |  |
| liberalism | .020 | .029\*\* | .023 |
|  | (.018) | (.014) | (.017) |
|  |  |  |  |
| wpr | 4.397\*\*\* | 5.102\*\*\* | 4.929\*\*\* |
|  | (1.303) | (1.064) | (1.268) |
|  |  |  |  |
| unemployment | .737\* | .643\* | .667\* |
|  | (.408) | (.334) | (.397) |
|  |  |  |  |
| pcpi regional (thousands) | .011 | .153 | .094 |
|  | (.215) | (.175) | (.208) |
|  |  |  |  |
|  | | | |
| Time Fixed Effects | Yes | Yes | Yes |
|  | | | |
| Observations | 777 | 777 | 778 |
| R2 | .526 | .634 | .556 |
| Adjusted R2 | .477 | .597 | .510 |
| F Statistic | 33.923\*\*\* (df = 23; 704) | 53.011\*\*\* (df = 23; 704) | 38.328\*\*\* (df = 23; 705) |
|  | | | |
| *Note:* | \*p<0.1; \*\*p<0.05; \*\*\*p<0.01 | | |

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| --- | --- | --- | --- | --- | --- | --- |
| **Table A.5 - Descriptions of Independent Variables** | | |  | |  | |
| Variable Name | Description | Year | | Citation | | Notes |
| *african\_americans* | The percent of a state's adult TANF caseload who identity as Black or African American. | fiscal | | U.S. Department of Health and Human Services - Administration of Children and Families. "Characteristics and Financial Circumstances of TANF Recipients." https://www.acf.hhs.gov/ofa/resource-library/search. | | N.A. |
| *caseload* | Percentage change in a state's annual average monthly TANF and SSP-MOE assistance recipients. | calendar | | U.S. Department of Health and Human Services - Administration of Children and Families. "TANF Caseload Data." https://www.acf.hhs.gov/ofa/resource-library/search. | | N.A. |
| *hispanics* | The percent of a state's adult TANF caseloads who identity as Hispanic, regardless of race. | fiscal | | U.S. Department of Health and Human Services - Administration of Children and Families. "Characteristics and Financial Circumstances of TANF Recipients." https://www.acf.hhs.gov/ofa/resource-library/search. | | N.A. |
| *fiscal\_stability* | A state's total remaining budgetary balance -- ending balance plus "rainy day" funds -- as a percent of total expenditures. | fiscal | | National Association of State Budget Officers. *The Fiscal Survey of the States.* https://www.nasbo.org/mainsite/reports-data/fiscal-survey-of-states/fiscal-survey-archives. | | Budgetary data is collected from the appendices to the fall editions of *The* *Fiscal Survey of States*. |
| *liberalism* | GOVTIDEOs, t = (.25)[(POW:DEM:LOWs,t)(ID:DEM:LOWs,t) + (POW:REP:LOWs,t)(ID:REP:LOWs,t)] + (.25)[(POW:DEM:UPPs,t)(ID:DEM:UPPs,t) + (POW:REP:UPPs,t)(ID:REP:UPPs,t)] + (.50)[ID:GOVs,t]. Where *GOVTIDEO* is the government ideology of state *s* in year *t*; *POW:DEM:LOW*, *POW:REP:LOW, POW:DEM:UPP*, and *POW:REP:UPP* capture, respectively, the proportional control of the democratic and republican parties in the upper and lower legislative chambers in state *s* in year *t*; *ID:DEM:LOW, ID:REP:LOW, ID:DEM:UPP,* and *ID:REP:UPP* measure, respectively, the political ideologies of the democratic and republican parties in the upper and lower legislative chambers in state *s* in year *t*; and *ID:GOV* is the ideology of the governor in state *s* in year *t*. | calendar | | Berry, W. D., Fording, R. C., Ringquist, E. J., Hanson, R. L., and Klarner, C. E. 2010. Measuring Citizen and Government Ideology in the U.S. States: A Re-appraisal. *State Politics & Policy Quarterly.* 10(2), pp. 117-135. | | See the *inst6014\_nom* variable in the Correlates of State Policy Project Codebook (https://www.ippsr.msu.edu/public-policy/correlates-state-policy). |
| *pcpi\_regional* | A state's per capita personal income in thousands of 2013 dollars, controlling for price differences between the West, Midwest, South, and Northeast regions. | calendar | | U.S. Department of Commerce - Bureau of Economic Analysis. "SA1 - Personal Income Summary: Personal Income, Population, Per Capita Personal Income." https://www.bea.gov/itable/. | | Incomes are rescaled to 2013 price levels using the regional Consumer Price Index for all urban consumers (https://data.bls.gov/cgi-bin/surveymost?cu). |
| *unemployment* | A state's unemployment rate among its civilian noninstitutional population. | calendar | | U.S. Department of Labor - Bureau of Labor Statistics. "Statewide Data - Employment status of the civilian noninstitutional population, annual averages." https://www.bls.gov/lau/rdscnp16.htm#data | | N.A. |
| *wpr* | A dummy variable that takes the value of 1 if a state did not meet its all-family TANF and SSP-MOE adjusted work participation rate. | fiscal | | U.S. Department of Health and Human Services - Administration of Children and Families. "Work Participation Rates". https://www.acf.hhs.gov/ofa/resource-library/search. | | N.A. |

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1. The PRWORA apportioned $2 billion for a contingency fund to support states facing difficult economic conditions and, in order to further aid states during the 2009 recession, the American Recovery and Reinvestment Act allocated $5 billion for basic assistance, emergency assistance, and employment subsidies in FY 2009 and 2010. However, the federal block grant constitutes the vast majority of federal TANF funding and does not alter funding based on changes in need (Falk 2015). [↑](#footnote-ref-1)
2. The boxplots in Figures 2-5 display annual median expenditures (marked by the thick black line) and the first and third quartiles (the upper and lower ends of the “box”). The lines protruding from the boxes equal the distance between the first or third quartile and the value furthest from the respective quartile that does not exceed 1.5 times the difference between the first and third quartiles. Expenditure values either greater or less than 1.5 times the difference between the first and third quartiles are marked as outliers. [↑](#footnote-ref-7)
3. There were only four instances of a state not meeting its work participation rate requirement before FY 2007. [↑](#footnote-ref-8)
4. The TANF expenditure data is lagged back one year to correspond to the fiscal year in which the allocation decision was made. [↑](#footnote-ref-11)
5. https://www.acf.hhs.gov/ofa/programs/tanf/data-reports. [↑](#footnote-ref-12)
6. Three year-moving averages are calculated as the three-year averages of the proportional expenditures. See Table A.3 in the Appendix for regression output using the other moving average calculation, the proportions of the three-year averages. [↑](#footnote-ref-13)
7. Total TANF expenditures equal federal and state assistance expenditures plus federal and state non-assistance expenditures plus TANF funds transferred to the Social Services Block Grant and Child Care Development Fund. Expenditure values are not differentiated by the source of funding (i.e., federal or MOE) or classification of the spending (i.e., assistance or non-assistance). Understanding why some states fund certain programs with MOE funds while others fund a similar program with federal TANF funds is not the objective of this analysis. Assistance and non-assistance spending are aggregated in order to focus more closely on spending patterns. Separate assistance and non-assistance categories would create nearly redundant categories, inhibiting analysis of substantive changes in TANF spending. [↑](#footnote-ref-14)