States’ broad control over their Temporary Assistance for Needy Families (TANF) programs for low-income families prompts two over-arching questions. First, how have states spent TANF funds since the creation of the program under the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)? Have states kept expenditures at similar levels over time or have they taken advantage of devolution under the PRWORA to reshape welfare spending? And if changes have occurred, are there broad trends among states or do states follow distinctive trajectories? Second, why do states spend TANF funds in particular ways? What factors—political, economic, or demographic—account for any observed variation in states’ TANF expenditure decisions?

This paper aims to address both the descriptive and explanatory questions prompted by the PRWORA and creation of TANF. Using TANF financial data published by the Department of Health and Human Services’ Administration for Children and Families (ACF), I detail the evolution of states’ TANF spending between fiscal year (FY) 1998 and 2013. While similar descriptive analyses have been conducted (cf. Schott et al. 2015), I believe my approach to addressing the flaws in the data introduced by how states reported TANF expenditures to the ACF adds a level of precision unachieved in prior studies. Using my cleaned dataset, I illustrate how TANF spending has evolved and diversified over time as states shifted funds away from basic assistance (i.e., monthly cash payments to needy families) toward other policy areas, such as marriage and pregnancy programs, other non-assistance expenditures, and refundable tax credit programs.

With the descriptive analysis in hand, I turn to a fixed effects regression model to examine whether state-level factors can account for the observed variation within the national trend of decreasing basic assistance expenditures between FY 1998 and FY 2013. I ground my model upon four hypotheses concerning the influence of race and ethnicity, political ideology, economic conditions, and TANF policy factors, and demonstrate that, while controlling for national-level trends, a number of state-level factors significantly correlate with states’ basic assistance spending. My findings explain much of the observed variation between states within the national trend of decreasing basic assistance expenditures and point to the importance of further research on the national-level forces shaping states’ basic assistance spending.

**II**

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) reshaped the substance and underlying aims of U.S. social policy. Among several important changes instituted by the legislation, the most notable was the creation of Temporary Assistance for Needy Families (TANF) in place of the primary cash assistance welfare program, Aid for Families with Dependent Children (AFDC). Established by the 1935 Social Security Act as Aid for Dependent Children, AFDC originally sought to assist states in aiding deprived dependent children. The program’s scope expanded in the following decades as the federal government began to assist states in supporting the caretaker relatives of needy children (1950), unemployed parents and their children (1961), and the spouse of an unemployed or disabled parent (1962) (U.S. Department of Health and Human Services – Office of the Assistant Secretary for Planning and Evaluation 1998). By 1962, the broadened scope of the program required a change in name and Aid for Dependent Children became Aid for Families with Dependent Children.

The states and federal government shared the costs of AFDC’s administration and benefits. The federal government reimbursed states for 50% of administrative costs and between 50% and 83% of benefits, depending on the state’s per-capita income. 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 a 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 entitlements, the 1996 PRWORA repealed AFDC and instituted TANF. In contrast to AFDC, TANF provides each state with a block grant and the discretion to create its own welfare program for low-income families. The TANF block grants are not adjusted for inflation or, 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 move enough of its TANF recipients into work activities (ibid).

The PRWORA imposes few restrictions on states’ TANF programs and states are empowered 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 spend the funds on 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.

From FY 1997 to 2014, states reported federal and MOE TANF spending to the Department of Health and Human Services (HHS) via the ACF-196 form. 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.[[2]](#footnote-2) 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 in prior year expenditure reports. 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 assume that most adjustments were for errors in the previous year’s expenditure report and create three-year moving averages of the data.[[3]](#footnote-3) 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. Even if more years are included in the moving average, it is still possible for the earliest year within the average to include corrections for the next earliest year. Hence, I believe using three-year averages is the best technique available for retaining the valuable insights contained in the longitudinal data while also cleaning, to the extent possible, the flaws introduced by the states’ reporting procedure.

**III**

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.[[4]](#footnote-4) Figure 1 presents annual mean expenditures by category.[[5]](#footnote-5) In FY 1998, 85.8% of states’ expenditures occurred in four categories—basic assistance, child care, work-related activities and supports, and administration and systems—with 55.0% of total spending reported as basic assistance. Four other categories, marriage and pregnancy programs, diversion benefits, expenditures under prior law, and refundable tax credits, each comprised less than .1% of total TANF spending. By FY 2013, the composition of aggregate TANF spending had greatly diversified. None of the ten spending categories constituted less than 2% of total TANF expenditures and the four categories that comprised 85.8% of total spending in FY 1998 now constituted 60%, with the vast share of the decrease stemming from the 31.4% reduction in proportional basic assistance expenditures.



 As Figure 1 illustrates, the 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 total expenditures in the years immediately following the passage of the PRWORA. 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 shown in greater detail in Figure 2, the increase in marriage and pregnancy program expenditures primarily stemmed from a few states’ spending decisions.[[6]](#footnote-6) Between FY 1998 and 2005, median marriage and pregnancy program expenditures did not exceed .8% of total TANF spending, while states such as New Jersey and Louisiana reported sizable increases in proportional 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 increased after FY 2005, outlier states continued to increase mean expenditures. From FY 2010 to 2013, as median expenditures experienced annual fluctuations, Arkansas, Louisiana, and New Jersey further increased reported expenditures from their already relatively high levels. By FY 2013, each of the three states reported spending over 40% of their total TANF funds on marriage and pregnancy prevention programs, with Arkansas 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 unique paths in creating their TANF programs.

****

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.

****

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 made refundable tax credit programs key pillars of their TANF programs, many other states utilized their spending discretion to fund other programs, keeping 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. 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 levelling off and slight uptick in median proportional expenditures 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%.

****

As median basic expenditures experienced a second significant decrease after FY 2005, a few states –Maine, California, Alaska, and South Dakota – acted against 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, remaining 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 every state participated in.

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 distribution 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. Three of the ten highest spending states in FY 1998 were still among the ten highest spending states in FY 2013 and only one of the ten lowest spending states in FY 1998 was among the ten lowest spending states in FY 2013. States simultaneously participated in the national trend of decreasing basic assistance expenditures and forged their own unique paths within the distribution.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Table 1 –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 |

**IV**

Since the passage of the PRWORA, states have largely shifted the distribution of 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 the devolved authority offered by the PRWORA to shape their TANF programs in unique 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 unique ways.

The aim of the remaining pages is to leverage the variation in states’ proportional basic assistance expenditures to better understand what state-level factors shaped the degree to which states decreased basic assistance spending between FY 1998 and 2013. Using a fixed effects regression model that controls for unobserved variation between states and across time, I demonstrate 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. While my analysis is helpful in understanding why states took different paths within the national trend of decreasing basic assistance expenditures, it is 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.

My analysis is grounded upon four hypotheses concerning states’ allocations of basic assistance expenditures: 1) states with more racially and ethnically diverse basic assistance caseloads will have lower proportional basic assistance expenditures; 2) states with more powerful and progressive democratic parties will spend proportionally more on basic assistance; 3) states with more favorable economic conditions will spend less on basic assistance expenditures; and 4) states’ basic assistance expenditures will be 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 have significantly more negative attitudes toward African American women on welfare than white women on welfare. 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 if the portion of a state’s caseload composed of African Americans or Hispanics increases, the state will reduce proportional basic assistance expenditures in the following year. 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 a Democratic president, partisanship and ideology are often considered crucial factors in structuring the scope and generosity states’ TANF policies, with conservatives generally critical of cash welfare benefits and liberals more supportive of welfare assistance (Rom 1999). Soss et al. (2001) study of TANF policies supports this 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.

Following the general trend in the literature on partisanship and social policy, I expect that more liberal state governments will, on average, spend more on proportional basic assistance expenditures in the following year than conservative state governments—a hypothesis operationalized by the variable *liberalism.* 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.

*Economic Conditions*

In addition to race, ethnicity, and partisan affiliation, it is important to consider the effects of state-level economic factors on basic assistance expenditures. The PRWORA was passed 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 in the period under review. 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 worsened, many low-income families sought cash assistance, with likely consequences for basic assistance expenditures.

Following the established trend in the literature, I expect a state that experiences an increase in its unemployment rate to increase basic assistance spending in the following year. I measure this hypothesis with *unemployment*, which 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), I also include *pcpi\_regional* in the model, which captures a state’s real per capita personal income in thousands of 2013 dollars controlling for regional price differences. I expect *pcpi\_regional* to be inversely related to states’ basic assistance spending. 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 or vice versa increases earned income but decreases assistance benefits. As such, controlling for states’ unemployment rates alone may inadequately control for states’ economic conditions, especially as they pertain to the low-income families most likely to receive basic assistance benefits.

In addition to the hypothesized relationships between *unemployment* and *pcpi\_regional* states’ basic assistance spending, I also expect that economic conditions affect TANF spending by exerting fiscal pressures on states. In their case study 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. As an advocate for low-income families in Washington put it when discussing the policy areas being funded by TANF, “no one is pretending that it is for a TANF purpose.”

Following the qualitative evidence on behalf of states reducing spending in core TANF areas to cover other costs, I expect that states with budgetary shortfalls will spend less on basic assistance in the following fiscal year. I operationalize the hypothesis with *fiscal\_stability*, which measures a state’s ending annual fiscal balance and budget stabilization fund (i.e., “rainy day fund”) as a percentage of its annual expenditures.

*TANF Factors*

Finally, I also hypothesize that certain TANF-specific factors will correlate with states’ basic assistance expenditures. Since the passage of the PRWORA in 1996, as Figure 6 illustrates, the number of individuals receiving TANF has declined dramatically, with only a small increase following the 2008 financial crisis and 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 have control over income thresholds, time limit and 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 caseload sizes 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, I include *caseload*, the annual percentage change in a state’s average monthly TANF or SSP-MOE recipient caseload. Like the other independent variables in the model, *caseload* is lagged back one year and the coefficient captures the magnitude of the correlation between the percentage change in caseload from one year to the next on proportional basic assistance expenditures in the forthcoming year.

In addition to accounting for changing caseloads, it is important examine whether work participation requirements have any bearing on basic assistance spending. The PRWORA mandates 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 evident in Figure 6, caseloads declined dramatically in the years immediately following the passage of the PRWORA, states easily met this requirement.[[7]](#footnote-7) 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. However, since 1999 states have also been able reduce the percentage of their caseload that must meet work requirements by spending more on MOE than mandated by federal statute.[[8]](#footnote-8)

In addition to caseload reduction credits and excess MOE spending, states can reduce their work participation rates by tightening eligibility criteria. If a state makes it more difficult to receive basic assistance benefits by, for instance, imposing stricter work requirements, the state reduces the number of unemployed or difficult to employ recipients in the caseload. The resulting caseload ought not only be more likely to meet the work participation requirement, but also be smaller and have higher average incomes, resulting in lower basic assistance expenditures. Therefore, I expect a state that did not meet its work participation rate to spend less on basic assistance in the following fiscal year. I operationalize this hypothesis 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.

**V**

Table 2 presents four regression models of states’ basic assistance expenditures as a percentage of total TANF expenditures.[[9]](#footnote-9) Each model includes state fixed effects that control for unobserved, state-specific effects that are constant across time. 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 recipients in the caseload. 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 builds upon Model 2 by incorporating 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, the final model in the analysis, introduces time fixed effects, thereby controlling for unobserved trends that are constant across states in any given fiscal year. I argued above that 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 unique paths within the national trend. With time fixed effects in place, Model 4 controls for the national-level forces that shaped basic assistance expenditures in the aggregate and allows for a more unbiased, fine-grained analysis of what state-level factors caused states’ basic assistance spending to diverge within the distribution.

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. Similar to my own findings, the authors illustrate 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 any 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 my claim that states’ per capita personal incomes are negatively associated with basic assistance spending and only weakly implies that states’ unemployment rates positively correlate with basic assistance expenditures. The dramatic shifts in the magnitude and significance of *pcpi\_regional* and *unemployment* relative to Model 3 are a likely product of 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 less on basic assistance – a finding that both corresponds to my hypothesis and sheds light on the observed variation within the overall trend of lower basic assistance spending.

The other TANF-specific state-level variable, *wpr,* is also highly significant in Model 4. States that did not meet their work participation rate spent, on average, 5.102% more on basic assistance in the following year, which runs contrary to my argument that states would respond to financial incentives and tighten eligibility criteria to increase the probability of meeting the work participation requirement and consequently end up spending less on basic assistance. States may have instead responded to not meeting the work participation requirement by granting small sums of money to TANF recipients who found employment and had, for all intents and purposes, exited the program. The payments would allow states to claim more employed recipients against the work participation rate, with the tangential effect of increasing basic assistance spending. Another possible explanation of *wpr*’s positive coefficientis that states increased basic assistance spending as a means to increase employment opportunities. The additional financial assistance provided by the additional funds could have been seen as increasing the probability of employment by providing recipients with the necessary funds to capitalize a business, purchase needed work equipment, or pay for child care.

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 larger proportions of TANF funds to basic assistance than conservative state governments. Such a finding corresponds to my hypothesis concerning 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, 34.764% 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 |

**VI**

This paper began with two over-arching questions. How have states spent TANF funds since the passage of the PRWORA and why do states spend TANF funds in particular ways? To answer the first question, I used cleaned TANF expenditure data to argue that the dominant trend since the passage of the PRWORA is the reduction in proportional basic assistance expenditures. States utilized PRWORA’s devolution of spending authority and TANF’s broad statutory goals to reduce spending on 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. I argued that while the policy areas that experienced increases in spending also saw increases in variation as states took different paths in creating TANF programs, the reduction in basic assistance spending was a national trend which every state took part in.

Although every state reduced basic assistance spending between FY 1998 and 2013, 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. I utilized this variation to approach the second over-arching question of why states spent their TANF funds in certain ways. Using four hypotheses to ground my regression analysis, I argued 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 particularly important in understanding the observed variation within the national trend of decreasing basic assistance expenditures.

At the same time as my findings shed light on why states’ TANF programs have gone down different paths, they also point to the necessity of further research on the national-level trends at play. 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 deserves a national-level analysis. TANF’s creation paved the way for a new approach to assisting low-income families, but also provided states with the authority to make spending decisions that have yet to be fully understood.

**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) |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **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% |

|  |  |  |  |
| --- | --- | --- | --- |
| **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\*\*\* | -.281\*\*\* |
|  | (.083) | (.068) | (.067) |
|  |  |  |  |
| hispanics | .141 | .134 | .118 |
|  | (.113) | (.093) | (.091) |
|  |  |  |  |
| fiscal\_stability | -.009 | .001 | .002 |
|  | (.028) | (.023) | (.023) |
|  |  |  |  |
| caseload | .160\*\*\* | .150\*\*\* | .152\*\*\* |
|  | (.027) | (.022) | (.021) |
|  |  |  |  |
| liberalism | .020 | .029\*\* | .029\*\* |
|  | (.018) | (.014) | (.014) |
|  |  |  |  |
| wpr | 4.397\*\*\* | 5.102\*\*\* | 4.864\*\*\* |
|  | (1.303) | (1.064) | (1.051) |
|  |  |  |  |
| unemployment | .737\* | .643\* | .638\* |
|  | (.408) | (.334) | (.329) |
|  |  |  |  |
| pcpi regional (thousands) | .011 | .153 | .105 |
|  | (.215) | (.175) | (.172) |
|  |  |  |  |
|  | | | |
| Time Fixed Effects | Yes | Yes | Yes |
|  | | | |
| Observations | 777 | 777 | 781 |
| R2 | .526 | .634 | .630 |
| Adjusted R2 | .477 | .597 | .592 |
| F Statistic | 33.923\*\*\* (df = 23; 704) | 53.011\*\*\* (df = 23; 704) | 52.322\*\*\* (df = 23; 708) |
|  | | | |
| *Note:* | \*p<0.1; \*\*p<0.05; \*\*\*p<0.01 | | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **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. |

**References**

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.

Berry, W. D., Ringquist, E. J. Fording, R. C., and Hanson, R. L. 1998. Measuring Citizen and Government Ideology in the American States, 1960-93. *American Journal of Political Science.* 41, pp. 327-348.

Blank, R. 2002. Evaluating Welfare Reform in the United States. *Journal of Economic Literature.* 40, pp. 1105-1166.

Croissant, Y. and Millo, G. 2008. Panel Data Econometrics in R: The plm Package. *Journal of Statistical Software*. 27(2), pp. 1-43.

Derr, M. K., Anderson, T., Pavetti, L., and Scott, E. 2009. *Understanding Two Categories of TANF Spending: “Other” and Authorized Under Prior Law.* Mathematic Policy research, Inc.

Falk, G. 2014. *Temporary Assistance for Needy Families (TANF): Welfare-to-Work Revisited.* Congressional Research Service.

Falk, G. 2015. *Temporary Assistance for Needy Families (TANF): Financing Issues.* Congressional Research Service.

Falk, G. 2016. *The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements.* Congressional Research Service.

Fellowes, M. C. and Rowe, G. 2004. Politics and the New American Welfare States. *American Journal of Political Science.* 48(2), pp. 362-373.

Gilens, M. 1996. ‘Race Coding’ and White Opposition to Welfare. *America Political Science Review*. 90(3), pp. 593-604.

Hahn, H., Golden, O., and Stanczyk, A. 2012. *State Approaches to the TANF Block Grant: Welfare Is Not What You Think It Is*. Washington, DC: The Urban Institute.

Hlavac, M. 2018. stargazer: Well-Formatted Regression and Summary Statistics Tables. R package version 5.2.1. https://CRAN.R-project.org/package=stargazer.

Johnson, E. 2013. *TANF-ACF-IM-2013-03 (Proposed Revisions to TANF Financial Data Collection)*. U.S. Department of Health and Human Services – Office of Family Assistance.

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.

Jordan, M. P. and Grossman, M. 2016. *The Correlates of State Policy Project v.1.11.* East Lansing, MI: Institute for Public Policy and Social Research (IPPSR).

Poole, K. T. 1998. Recovering an Issue Space from a Set of Issue Scales. *American Journal of Political Science*. 42, pp. 954–993.

Schott, L., Pavetti, L., and Floyd, I. 2015. *How States Use Federal and State Funds Under the TANF Block Grant*. Center on Budget and Policy Priorities.

Schulz, A. 2014. pBrackets: Plot Brackets. R package version 1.0. https://CRAN.R-project.org/package=pBrackets.

Slowikowski, K. 2017. ggrepel: Repulsive Text and Label Geoms for 'ggplot2'. R package version 0.7.0. https://CRAN.R-project.org/package=ggrepel.

Soss, J., Schram, S. F., Vartanian, T. P., and O’Brien, E. 2001. Setting the Terms of Relief: Explaining State Policy Choices in the Devolution Revolution. *American Journal of Political Science.* 45(2), pp. 378-395.

R Core Team. 2016. R: A language and environment for statistical computing. R Foundation for Statistical Computing, Vienna, Austria. https://www.R-project.org/.

Rom, M. C. 1999. Transforming State Health and Welfare Programs. In: Gray, V. and Jacobs, H. eds. *Politics in the Americans States.* Washington, D.C.: CQ Press.

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/.

U.S. Department of Health and Human Services – Office of Family Assistance. 2004. Caseload Data 1994 (AFDC Total). U.S. Department of Health and Human Services – Office of Family Assistance.

U.S. Department of Health and Human Services – Office of the Assistant Secretary for Planning and Evaluation. 1998. *A Brief History of the AFDC Program.* U.S. Department of Health and Human Services – Office of the Assistant Secretary for Planning and Evaluation.

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/programs/tanf/data-reports

U.S. Department of Health and Human Services - Administration of Children and Families. "TANF Caseload Data." https://www.acf.hhs.gov/ofa/programs/tanf/data-reports

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/programs/tanf/data-reports

U.S. Department of Health and Human Services - Administration of Children and Families. "Work Participation Rates" https://www.acf.hhs.gov/ofa/programs/tanf/data-reports

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

Walker, A. 2017. openxlsx: Read, Write and Edit XLSX Files. R package version 4.0.17. https://CRAN.R-project.org/package=openxlsx.

Wickham, H. 2016. gtable: Arrange 'Grobs' in Tables. R package version 0.2.0. https://CRAN.R-project.org/package=gtable.

Wickham, H. 2017. tidyverse: Easily Install and Load the'Tidyverse'. R package version 1.2.1. https://CRAN.R-project.org/package=tidyverse.

Wickham, H. and Bryan, J. 2017. readxl: Read Excel Files. R package version 1.0.0. https://CRAN.R-project.org/package=readxl.

Wickham, H. and Henry, L. 2017. tidyr: Easily Tidy Data with 'spread()' and 'gather()' Functions. R package version 0.7.2. https://CRAN.R-project.org/package=tidyr.

Zeileis, A. and Grothendieck, G. 2005. zoo: S3 Infrastructure for Regular and Irregular Time Series. *Journal of Statistical Software*. 14(6), pp. 1-27

Zedlewski, S. and Golden, O. 2010. *Next Steps for Temporary Assistance for Needy Families.* Washington DC: The Urban Institute.

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. https://www.acf.hhs.gov/ofa/programs/tanf/data-reports. [↑](#footnote-ref-2)
3. 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-3)
4. 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-4)
5. The percentages in Figure 1 may not add up to 100% in a given fiscal year due to the removal of outlier values (i.e., proportional expenditure values that remained above 100% or below 0% after calculating moving averages). See Table A.2 in the Appendix for a complete list of annual mean expenditures by year and category. [↑](#footnote-ref-5)
6. 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-6)
7. There were only four instances of a state not meeting its work participation rate requirement before FY 2007. [↑](#footnote-ref-7)
8. The American Recovery and Reinvestment Act of 2009 suspended work participation standard requirements for FY 2009-2011. For more details on what constitutes being “engaged in work” and the changes to work requirement calculations see (Falk 2016, p. 12-16). [↑](#footnote-ref-8)
9. The TANF expenditure data is lagged back one year to correspond to the fiscal year in which the allocation decision was made. [↑](#footnote-ref-9)