

FUNDING FOR THE TANF PROGRAM IN MASSACHUSETTS

A Look at Revenue and Spending on Supports for Low-Income Families

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Overview of Approach in Analyzing Spending Data

This chart pack reviews spending on the services for low-income families funded by the federal TANF (Temporary Assistance for Needy Families) block grant and the state contributions that are required under TANF, called maintenance-of-effort (MOE) funds. This analysis also reviews the state budget trends that are related to this block grant and state spending.

There have been significant reductions in many areas of spending on programs for low-income families since 2001.

In looking at these spending trends, it is important to see them in the context of revenues available to support the state budget, particularly in light of deep tax cuts in the 1990's that reduced tax revenue.

Data analyzed include:

- Federal HHS data reported by the states on federal TANF and state MOE spending;
- Detailed Massachusetts state budget data in relevant areas of spending;
- Revenue data to track available resources to fund the state budget;
- Inflation data in order to look at trends over time; we often adjust for inflation (showing past spending amounts in 2014 dollars).

Overview of Approach in Analyzing Spending Data (cont.)

Although federal TANF budget data and state budget data do not exactly match, and the federal and state fiscal reporting years start at different times, it is important to look at both types of data together.

The state budget analysis provides important details about the programs and services funded by this spending and allows for greater precision in tracking TANF funds and the funds claimed as MOE in Massachusetts.

For example, many of the state's programs for low-income people – including programs in the Department of Transitional Assistance – use funds from sources other than TANF. In particular, some of these programs serve a group broader than families with children.

Similarly, TANF and funds claimed for the state's maintenance of effort are spent in programs beyond the Department of Transitional Assistance. For example, these funds are used for child care supports administered by the Department of Early Education and Care and housing provided by the Executive Office of Housing and Community Development.

TANF and MOE Funding Can Be Used Broadly

Federal TANF funding can be used broadly to further any of the four goals set forth in law, but generally must be for needy families with children. Similarly, the state may count as part of its MOE any spending that addresses these goals. They are:

- Provide assistance to needy families so that children can be cared for in their own homes;
- Reduce the dependency of needy parents by promoting job preparation, work and marriage;
- Prevent and reduce the incidence of out-of-wedlock pregnancies;
- Encourage the formation and maintenance of two-parent families.

To address these goals, many states have used federal TANF funding and claimed spending as MOE for a range of benefits and services, some of which were not anticipated as part of welfare reform, including child welfare services, higher education scholarships, pre-kindergarten programs, and homeless services.

Background on Federal TANF Funding

States receive a fixed federal block grant amount each year. This amount has not been adjusted for inflation and has declined in value by 31 percent since 1997.

A state can carry over block grant funds to a future year so that in any given year, a state may spend more or less than its block grant allocation.

In some years additional federal funds have been available:

- Contingency Fund to help states during periods of economic distress;
- Temporary Emergency Funds under Recovery Act for 2009 and 2010 (now expired).

A state may transfer a portion of funds each year from the TANF federal block grant to the Child Care and Development Block Grant and to the Social Services Block Grant.

Background on State Maintenance of Effort (MOE) Funding

Federal law requires that a state maintain a certain level of state spending on the TANF program. This minimum state maintenance-of-effort (MOE) requirement is either 75% or 80% of the state's 1994 spending for Aid for Families with Dependent Children (AFDC) related programs. The state reports (or "claims") this MOE contribution to the federal government in order to receive federal TANF funding. Like the block grant, the minimum MOE has not been adjusted for inflation and has declined by 31 percent since 1997.

States sometimes claim a contribution of more than the required minimum of MOE funding (known as "excess" MOE) in a year, and there are reasons to do so:

- To receive extra federal TANF dollars from the Contingency Fund, a state must claim a contribution of additional MOE each year;
- Claiming a contribution of additional MOE can change the target TANF work participation rate that a state is required to meet.

States that have claimed more than the required amount in MOE often have simply been more strategic in identifying and reporting existing state spending that can count as MOE. Claiming additional MOE contributions does not necessarily represent increased investment in programs for low-income families.

When Adjusted for Inflation, Federal TANF Spending Has Declined Since Fiscal Year 2001

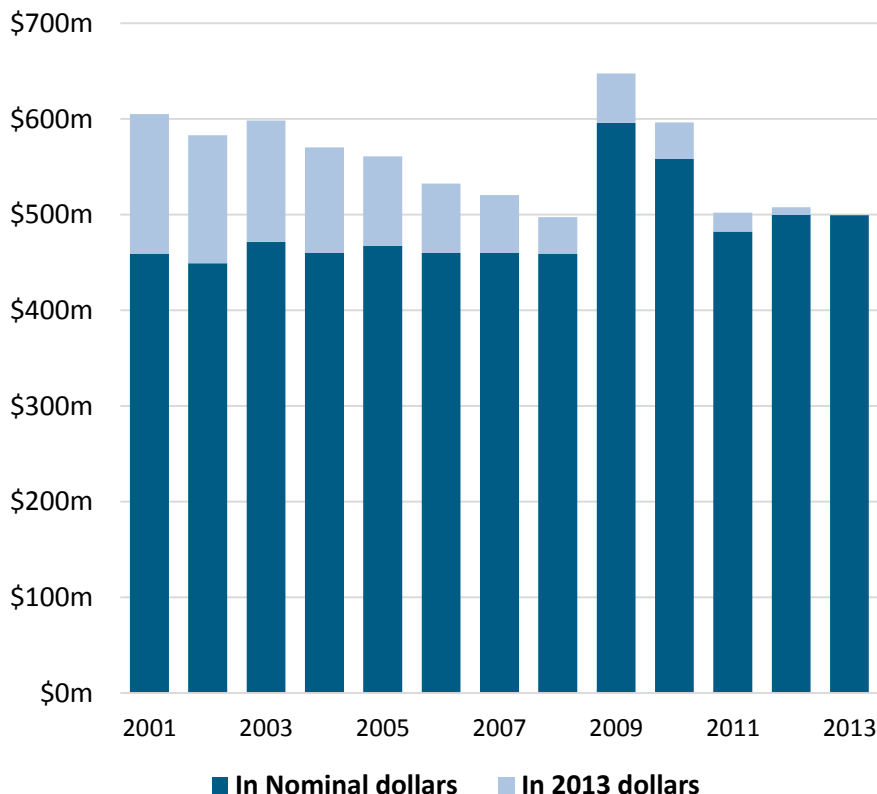
Massachusetts' annual TANF block grant amount is \$459 million. Since 2008, Massachusetts has also received TANF Contingency Funds each year; the amount has fluctuated, but Massachusetts received \$40 million for each of 2012 and 2013.

Massachusetts received additional TANF funds for 2009 and 2010 under the Recovery Act to help cover the increased costs of basic assistance and non-recurrent short-term benefits.

These totals include these additional funds as well as TANF block grant funds that the state ultimately transfers out of the Dept. of Transitional Assistance.

In 2013, Massachusetts spent \$500 million in total federal TANF funds. While this is a nominal increase over 1997 spending, it is a decline of 17% when adjusted for inflation.

**Massachusetts Federal TANF Spending
2001-2013**



Source: HHS TANF financial data

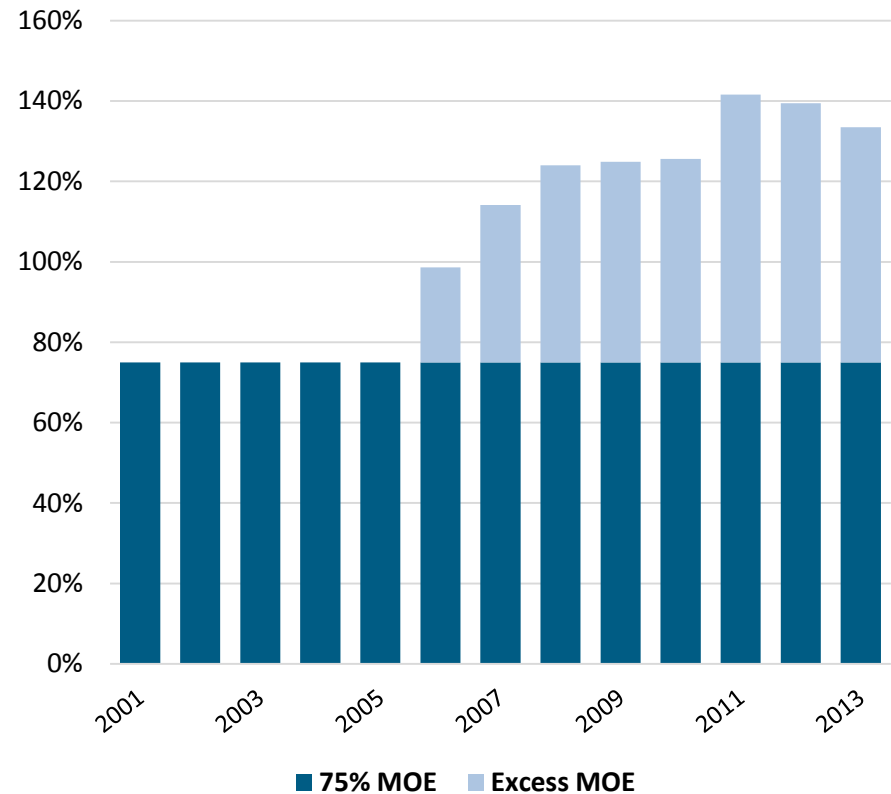
MOE Claims Have Increased Since Fiscal Year 2001

In 2013, Massachusetts reported \$639 million in MOE, \$280 million in excess MOE spending (above minimum required level). The required minimum MOE for Massachusetts (at 75% of historic spending) is \$359 million annually. From 1997-2005, Massachusetts reported \$359 million in MOE spending, exactly matching the minimum required 75% of historic spending.

In 2006, the state began claiming more than the minimum required MOE. The higher level of MOE claimed- has allowed the state to qualify for Contingency Funds, and has given the state some increased flexibility in meeting the work rate.

The higher level of claimed MOE does not necessarily represent an increase in spending on services. The state may simply be counting as TANF or MOE spending that is already occurring.

**MOE as Share of Historic State AFDC Spending
2001-2013**



Source: HHS TANF financial data

TAFDC Caseloads Have Dropped Sharply Under TANF

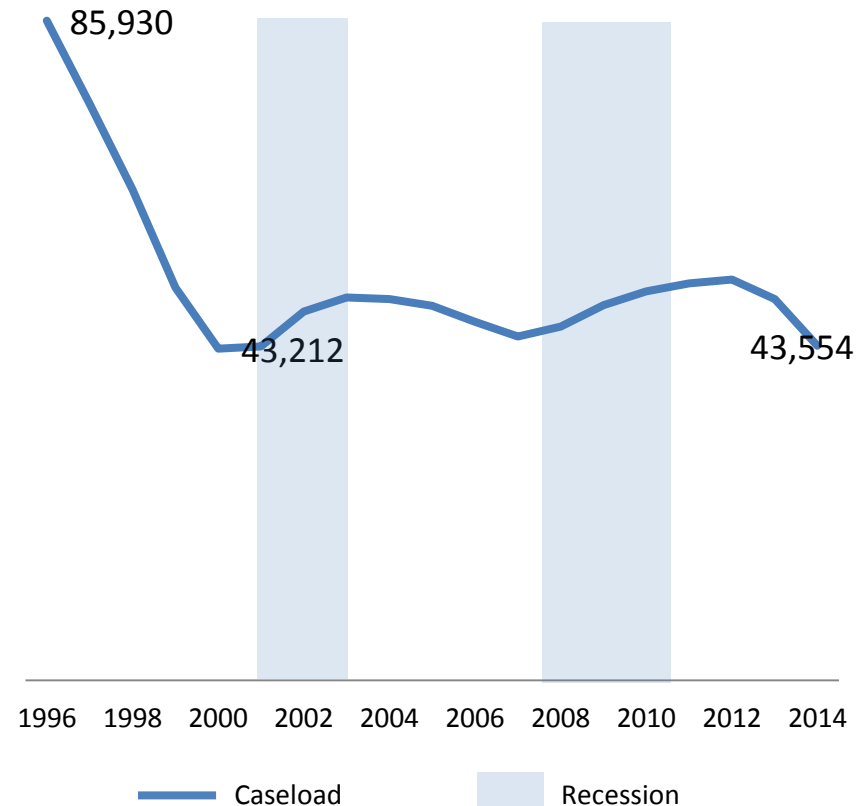
TAFDC caseloads have dropped substantially over the past two decades. Caseloads were cut in half between (calendar years) 1996 and 2001, and since then have fluctuated with slight increases during recessions.

There were nearly 86,000 families receiving cash assistance in 1996, and just under 50,000 in 2013. Caseloads have dropped dramatically since 2012, with declining numbers almost every month.

In fact, in 2014 alone, caseloads dropped from 45,800 in January to 40,500 in December.

Declining caseloads could have “freed up” funding to invest in supports for low-income working families.

Caseload Decline Since 1996



For more information, see MassBudget’s report [“Following Through on Welfare Reform”](#).

Source: Massachusetts Department of Transitional Assistance

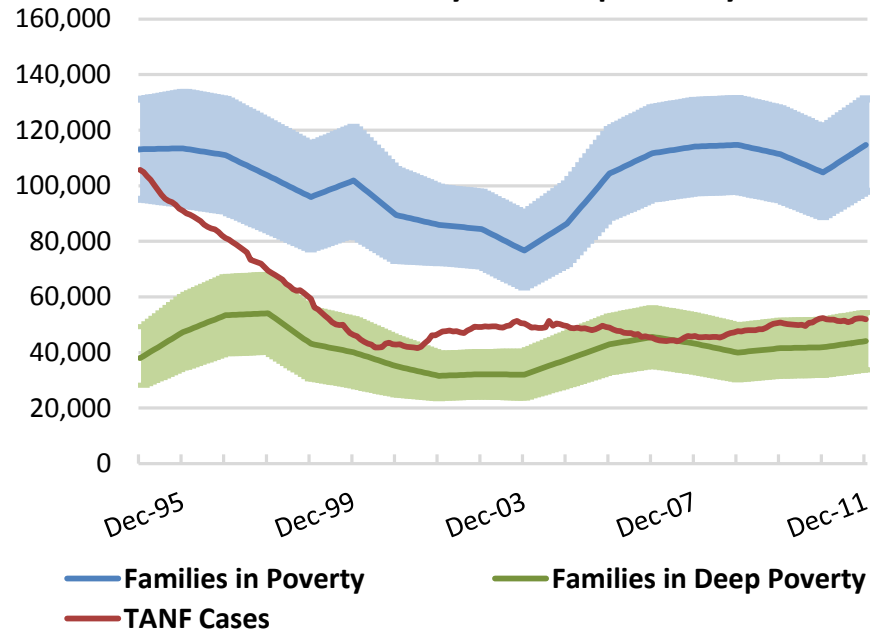
The TANF Program's Effectiveness as a Safety Net Has Declined

In Massachusetts, changes in the TANF caseload do not track with changes in the number of poor families.

The TANF program reaches less than half the number of poor families than did the AFDC program.

In 1994-95, 92 out of every 100 poor families received AFDC in Massachusetts. In 2011-2012, 45 out of every 100 poor families with children in Massachusetts received cash assistance from TANF.

TANF Caseload and Number of Families with Children in Poverty and Deep Poverty



Shading in graph shows the 90% confidence interval (lower and upper bound) of poverty estimates. Two years of Current Population Survey (CPS) data were merged to improve reliability. For example, Dec-11 represents merged CPS poverty data for calendar years 2011 and 2012.

For more information, see MassBudget's report "[TAFDC: Declines in Support for Low-Income Children and Families.](#)"

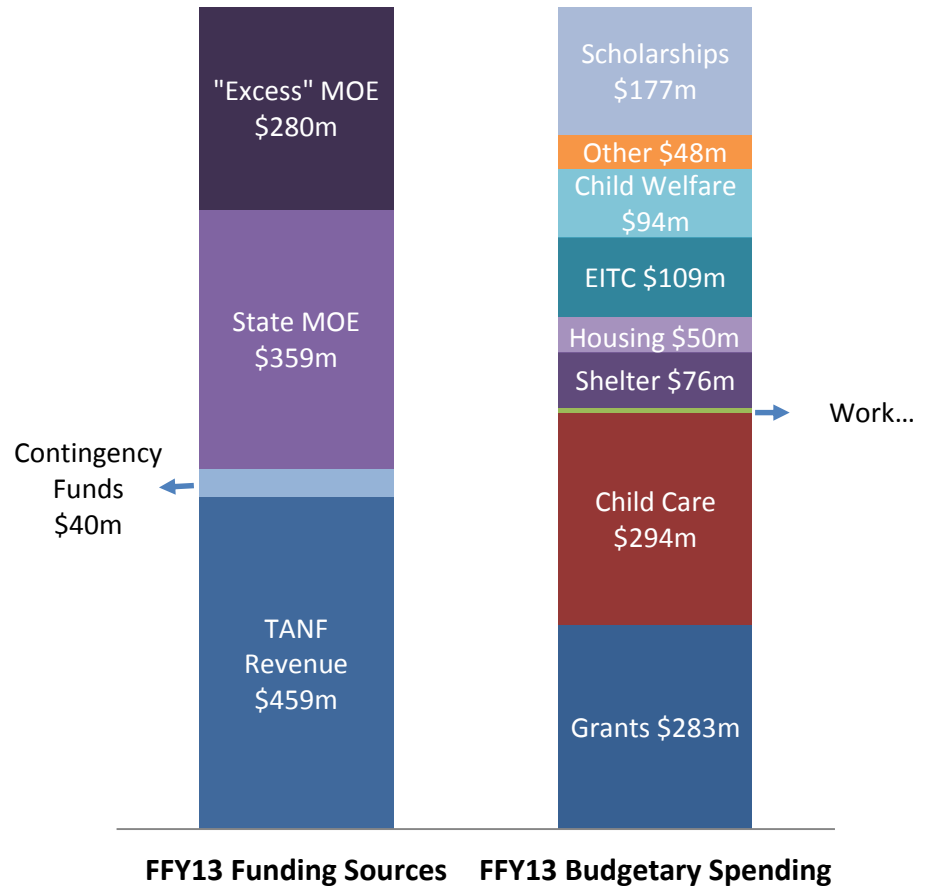
Source of TANF caseload data: HHS data from 1995 to 2005; CBPP data collected directly from states 2006 to 2012. Source of poverty data: Current Population Survey.

TANF/MOE Spending in Massachusetts in 2013: Half Goes to TAFDC Grants and Child Care

In 2013, Massachusetts spent a total of \$1.14 billion combining federal TANF funds and spending contributed by the state as MOE (including funds transferred out of the federal TANF block grant to support child care and child welfare.) Figures are for the federal fiscal year.

State budget data provide greater detail than HHS data on how these funds are spent. This detailed TANF/MOE spending breakdown from state budget data is not available for all years.

The biggest state spending categories within the TANF/MOE spending in FY 2013 were on TAFDC grants (25%) and child care (26%).



Source: HHS and Massachusetts Department of Transitional Assistance

Massachusetts Spends Relatively Little on Work-Related Activities and Funding Has Declined Deeply

Historically, Massachusetts has spent relatively little of its TANF or its MOE contribution on work-related activities. These are funds supporting work subsidies, education and training, and other work activities and expenses.

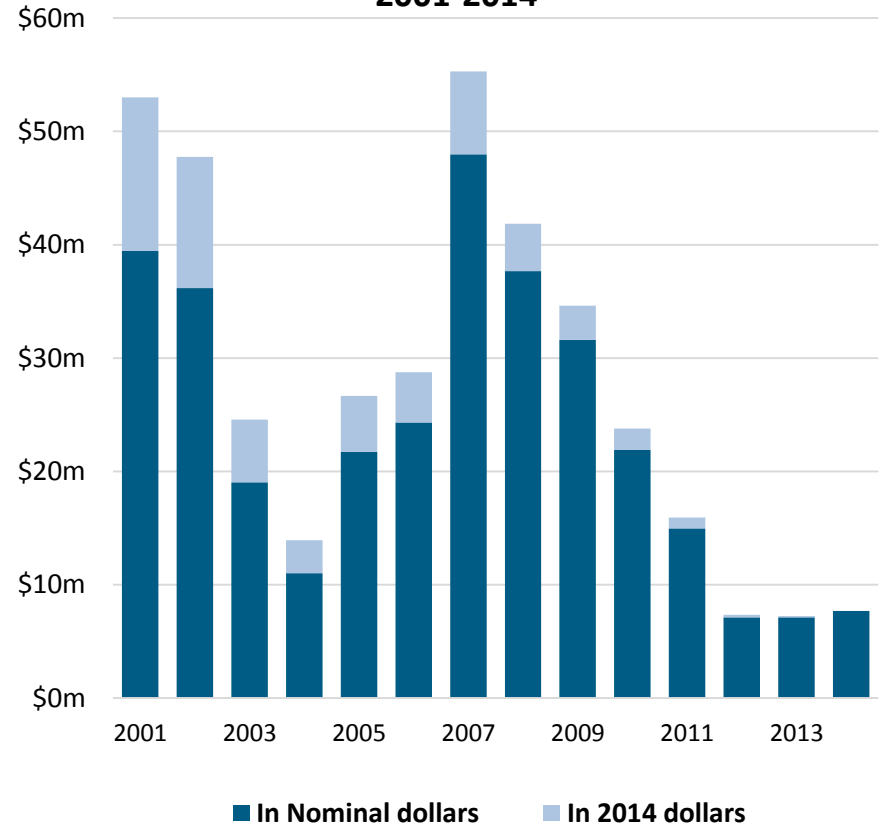
In FY 2001, Massachusetts spent \$39 million (\$53 million in 2014 dollars) and less than \$8 million in 2014. Massachusetts spending on work-related activities for TAFDC families included supplemental funds received from the food stamp program between 2005 and 2010. (The FY 2015 budget – not shown on this chart – increased funding to just under \$12 million.)

Since 2001, Massachusetts’ already-low TANF/MOE spending on work-related activities has declined by 86% when adjusted for inflation.

Massachusetts’s share of TANF spending on work-related activities has long been less than half the national average and Massachusetts holds last place among states on this spending.

For more information, see MassBudget’s [Workforce Budget](#).

**Spending on Work-Related Activities
2001-2014**



Source: Massachusetts Budget and Policy Center

Spending on TAFDC Cash Grants has Declined Over Time

In 1996, Massachusetts spent \$662 million on TAFDC cash grants and, by 2001, that amount declined to \$289 million in nominal (not adjusted for inflation) dollars.

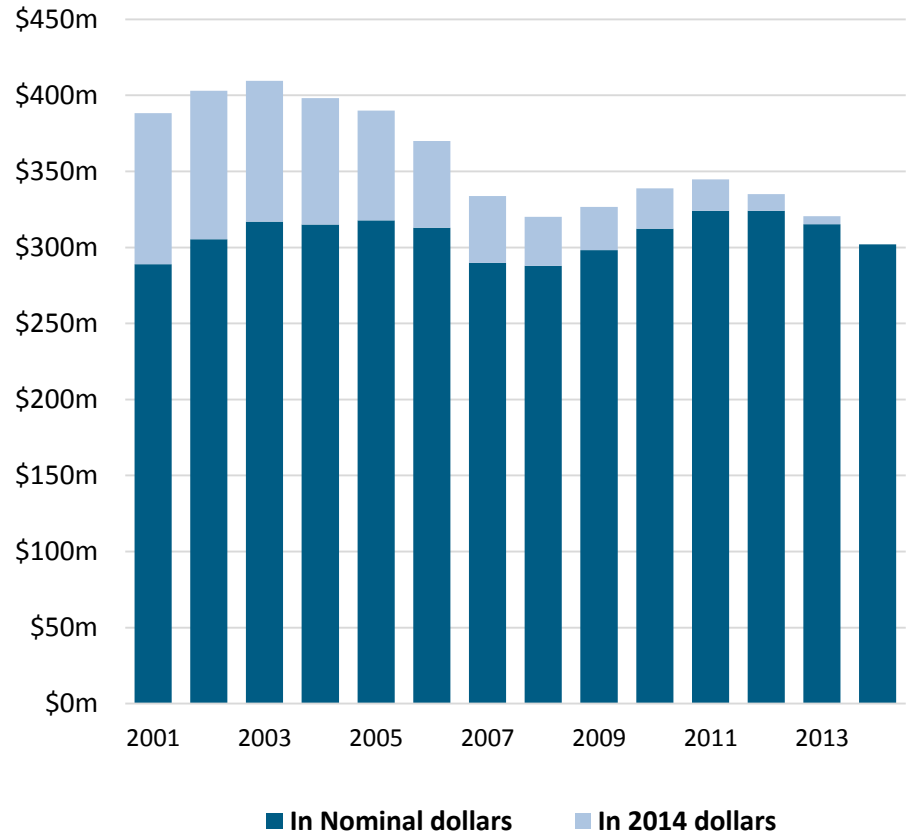
Since 2001, although spending on cash grants has increased very slightly in nominal dollars, this is a 22% decline when adjusted for inflation.

Funding freed up from declining caseloads has not been invested in work supports or work-related activities or in maintaining the value of cash benefits.

Benefit levels for families receiving TAFDC have been mostly stagnant, declining in value by 26% since 2001.

The cash grant of \$618 a month for a family of three would bring a family to only 37% of the poverty threshold.

**Spending on TAFDC Grants
2001-2014**



For more information, see MassBudget's [Children's Budget](#).

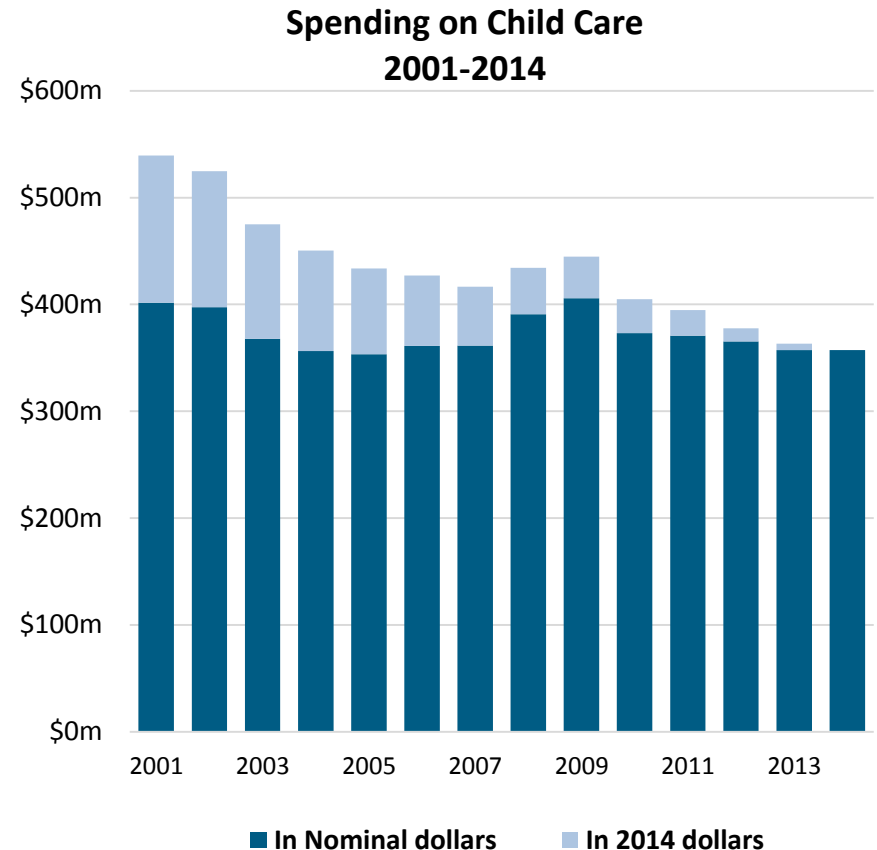
Source: Massachusetts Budget and Policy Center

After an Initial Increased Investment Under TANF, Child Care Spending Has Dropped

Spending for child care increased in Massachusetts in the early years of TANF, but has declined since then.

Between 2001 and 2014, Massachusetts' spending on child care was 11% less than in 2001 (in nominal dollars), a 34% decline when adjusted for inflation.

Massachusetts' TANF and MOE dollars represent the vast majority of the state's spending on child care for income-eligible families. The amount of reported TANF/MOE spending on child care also has fluctuated since 2001, but the 2014 spending is about the same as in 2001 (in nominal dollars). The state's reduction in total spending on child care is not due to a reduction in the use of TANF/MOE funds.



For more information, see MassBudget's [Children's Budget](#).

Source: Massachusetts Budget and Policy Center

Massachusetts' Support for Core Welfare Reform Components Has Declined Over Time

Looking at Massachusetts' combined spending on the "core" welfare reform elements shows a withdrawal of support over time.

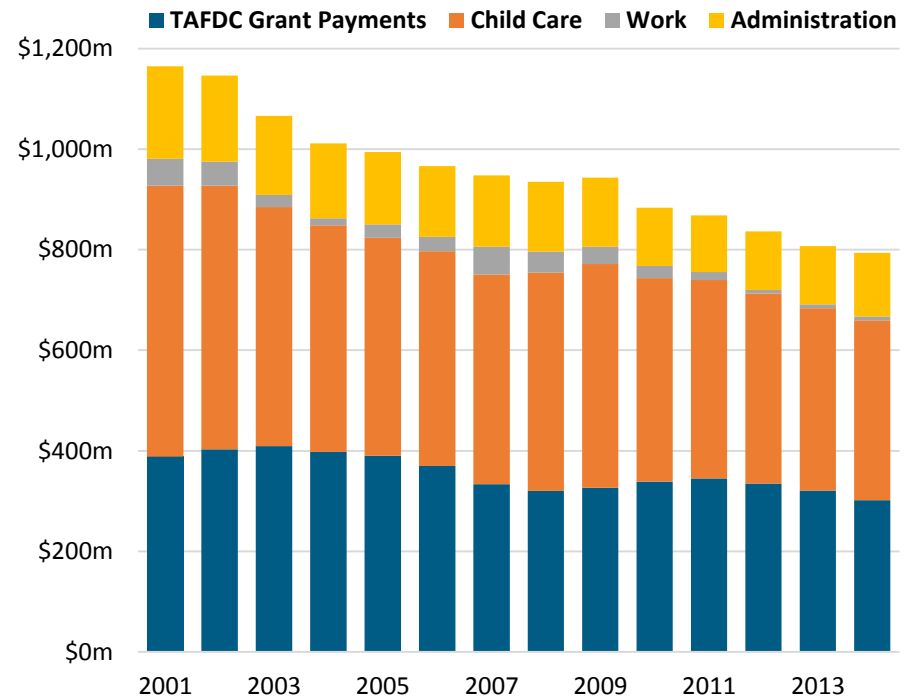
"Core" welfare reform includes grants, child care, work-related activities and administration.

Since 2001, funding for "core" welfare reform activities has declined by 8% (in nominal dollars) and by 32% in inflation-adjusted dollars.

The decline since 2001 follows prior funding cuts associated with the TAFDC caseload declines from 1996-2001. (For more information, see MassBudget's report "[Following Through on Welfare Reform](#)".)

The child care spending shown here includes TAFDC-related child care as well as the income-eligible child care program for lower-income parents.

Spending on Core Welfare Categories
2001-2014



Spending shown in inflation-adjusted (FY14) dollars.
Source: Massachusetts Budget and Policy Center

For more information, see MassBudget's [Children's Budget](#).

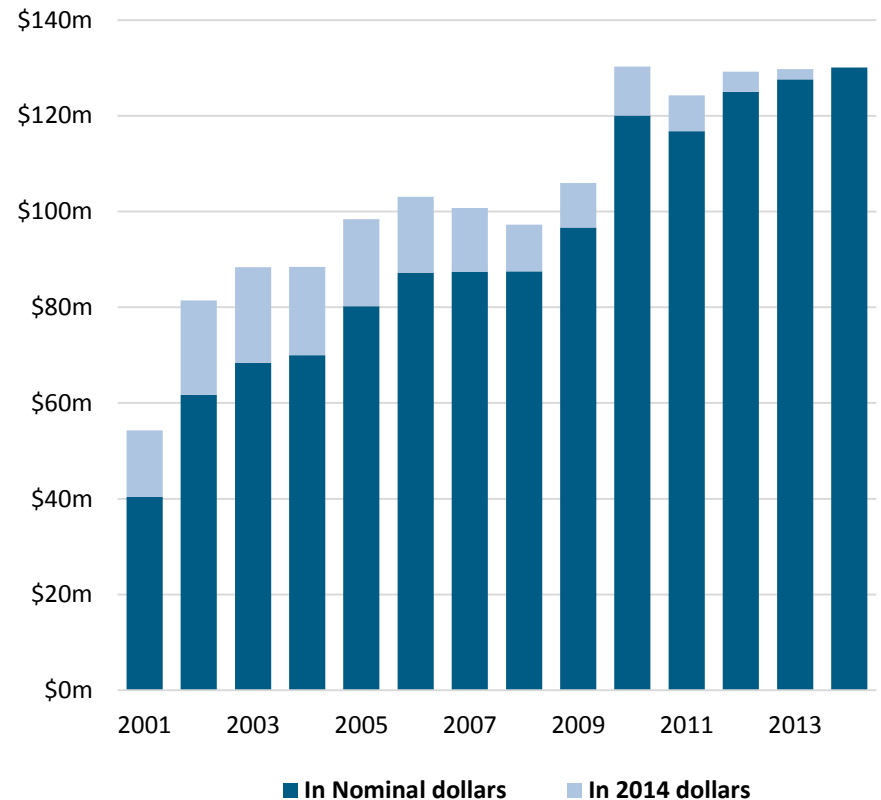
Massachusetts' Spending on the EITC Has Grown

The Earned Income Tax Credit (EITC) provides an important financial supplement for low income working parents. The Massachusetts EITC has grown significantly, from \$40 million in 2001 to \$130 million in 2014 (in nominal dollars). This is a 222% increase in nominal dollars, and when adjusted for inflation, a 140% increase.

Contributing to the growth was an increase in the state EITC from 10% to 15% of the federal EITC, starting in 2001. Also, as Massachusetts' EITC is tied to the federal EITC, it expanded in 2009 along with the temporary expansion of the federal credit.

States can use TANF funds or their MOE contribution for the refundable portion of a state EITC and TANF/MOE funds represent the vast majority of Massachusetts EITC spending.

**Spending on Earned Income Tax Credit
2001-2014**



For more information, see MassBudget's [Children's Budget](#).

Source: Massachusetts Budget and Policy Center

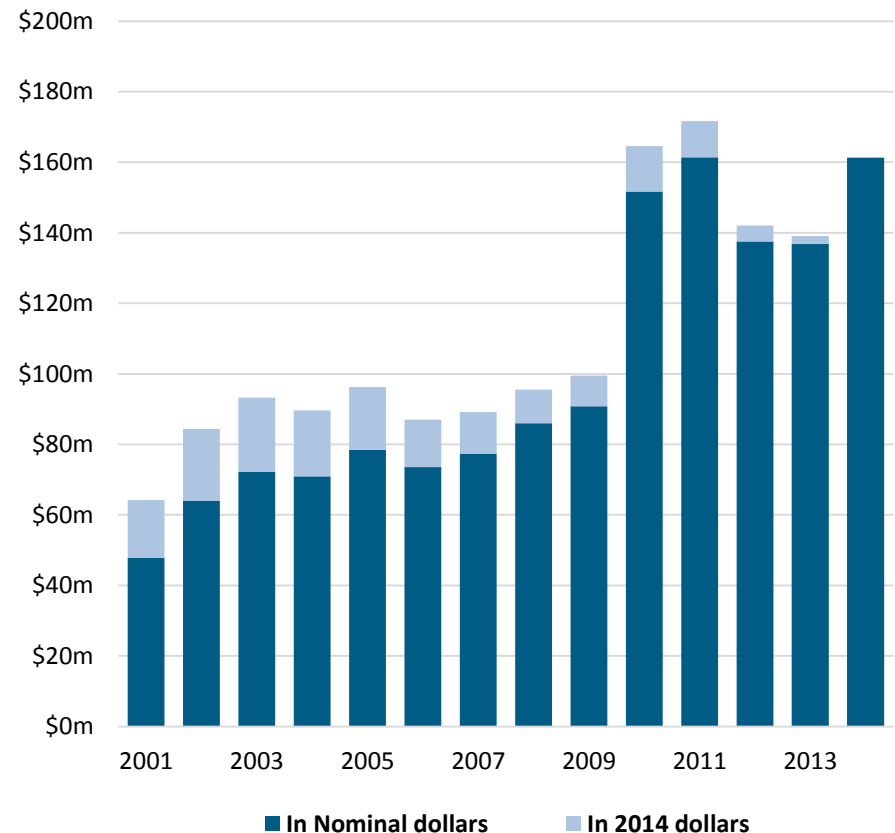
Massachusetts Spending on Emergency Shelter for Families Has Grown, Primarily Funded by TANF/MOE

Massachusetts spending on emergency shelter funding for families has increased dramatically, from \$48 million in FY 2001 to \$161 million in FY 2014 (in nominal dollars). This is a 151% increase when adjusted for inflation.

The increase in funding for emergency shelter has followed reductions in funding for affordable housing. The number of state-funded housing vouchers for low-income renters has dropped from 20,000 in the late 1980s to less than half that today.

Spending on shelter is not specifically identified in the TANF/MOE data reported to HHS. It is reported as either spending on short-term non-recurrent benefits or spending on basic assistance – usually dependent on how long the aid is expected to last.

**Spending on Emergency Shelter for Families
2001-2014**



For more information, see MassBudget's [Children's Budget](#).

Source: Massachusetts Budget and Policy Center

A Reported Increase in TANF/MOE Spending in Certain Categories Does Not Necessarily Reflect Actual Changes in Budgetary Spending

The claimed spending on scholarships, housing, and child welfare appears to be part of the state's effort to claim MOE spending above the required amounts and is not necessarily evidence of increased spending for services or a withdrawal of funding from other TANF-related programs.

- **Scholarships:** TANF/MOE dollars spent on state scholarships has increased in recent years to \$177 million in 2013.
- **Child Welfare:** In 2013, Massachusetts spent \$94 million in TANF/MOE funds for child welfare services, claiming about \$48 million as MOE. The remainder is the \$46 million in TANF funds that it has transferred for many years to the Social Services Block grant for child welfare services.
- **Housing:** In 2013, Massachusetts claimed \$50 million in MOE funds on housing services such as rental assistance, Housing Search and Housing Stabilization and Flexible Funds. This is funding separate from funding for either short-term or longer-term shelter.

Supports for Low-Income Families Are Not the Only Items in the State Budget Hit With Cuts Since 2001

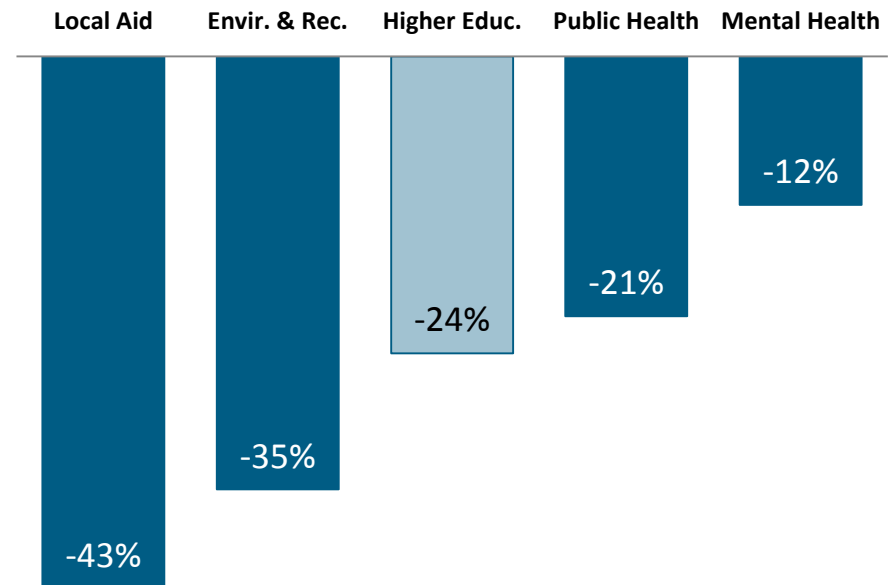
Over the years there have been substantial cuts throughout many state services.

It is important to note that even with the shift of TANF funds to support higher education scholarships, total funding for higher education has also been cut significantly since 2001.

Deep tax cuts in the 1990s coupled with the revenue impacts of recessions led to budget cuts in the early 2000s, and funding for many publicly-supported services has never recovered.

Declines in Spending on Other Programs Since 2001

(adjusted for inflation to 2014)



A portion of the decline in funding in mental health is likely due to a shift of mental health services to the MassHealth program.

Source: Massachusetts Budget and Policy Center.

For more information, see the MassBudget [Budget Browser](#).

Three Income Tax Cuts Cost the State \$3 Billion Each Year

Cuts to essential services in the state budget over the last 15 years have been primarily driven by budgetary constraints.

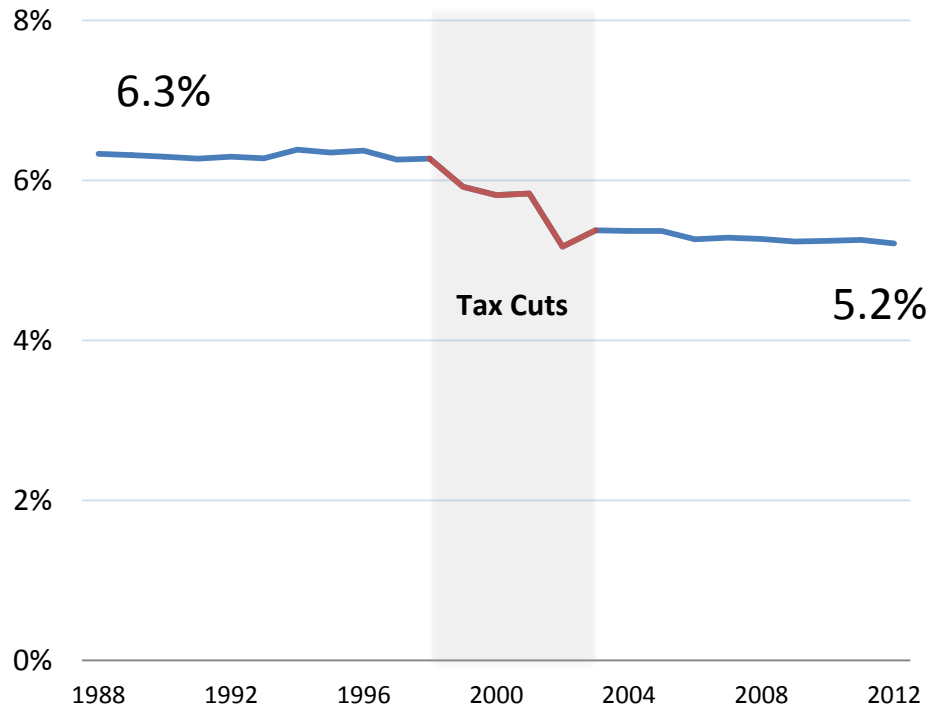
Revenue (primarily from taxes) to support the state budget has not increased over time.

There were a number of significant changes made to the state tax code beginning in 1998. These tax cuts cost roughly \$3 billion annually, restricting the state's ability to fund essential services.

Before 1988, state tax revenues were approximately 6.3 percent of personal income. Beginning in 1998 reductions in the income tax rate cost approximately \$1.8 billion, a cut in the rate on dividends and interest cost about \$880 million, a cut in the personal exemption cost about \$550 million.

Since 2003, state tax revenues have averaged close to 5.3 percent of personal income.

Taxes as a Share of Personal Income



Tax revenue total includes capital gains revenue and a residential adjustment. Adjusted for economic growth based on personal income.

Source: Tax cut cost estimates from the Dept. of Revenue.

For more information, see *MassBudget* reports on [taxes](#).

In Summary

A strong Massachusetts economy is one that works for everyone, and one in which all residents – including the lowest income – have the opportunity to contribute to their full potential. The state’s transitional assistance program has an important role to play helping people become ready to work and move into meaningful employment, as well as ensuring the well-being of the lowest-income people who cannot work.

In the wake of reforms in the mid 1990’s, the public assistance caseload declined dramatically, freeing up resources that could have been used to increase access to effective work-related activities and provide adequate support to the most vulnerable families. Instead of making these investments, the state enacted deep tax cuts late in the 1990’s and cut funding for many programs, including education and training for recipients of transitional assistance, child care, and cash assistance.

In addition to the cuts in state resources for funding public assistance programs, TANF revenue coming from the federal government has not kept pace with inflation. The federal TANF block grant is a fixed amount, and is worth 31% less today than in 1997.

Massachusetts has never spent very much TANF/MOE on work-related activities. With limited resources, the state over the years pulled back on even its modest investments. Work programs that provide low-income participants with benefits such as appropriate education and training, child care that allows parents to work, transportation, mentored work opportunities, and other flexible work-related supports, help families move towards economic stability.

Moreover, the state also allowed the value of the basic cash grant to drop in value by 26% since 2001. This benefit is insufficient to help stabilize families and consigns them to deep poverty.

What Next?

Low-income families can remain stable, avoid homelessness, and move towards long-term employment if the Commonwealth provides effective supports.

For many low-income families, any of the core components of welfare reform may be necessary: child care that allows families to work; education and training and other work-related activities and supports; cash assistance.

Moreover, the state's transitional assistance programs have an important role to play to help people with barriers to work gain the skills for permanent employment.

Families will be able to move towards success, however, only if the state funds these supports adequately, and if they are well-coordinated. Cash assistance payments should be sufficient to protect families from severe deprivation. Child care should be accessible and of high quality so that parents can go to work knowing that their children are being given the best opportunity to thrive. High quality work programs should be accessible, flexible, and provide supports so that families can move towards long-term economic stability.

Over two decades the state and federal governments have reduced funding for the effective supports that stabilize low-income families and allow struggling parents to work and provide better lives for their children. Reversing those trends and investing in low-income families will improve the lives of tens of thousands of children and adults and build a Commonwealth where more people contribute their full potential to the economy and society. In the short term, this will require additional state or federal revenue. In the long term, investments in families facing difficult times should create a more prosperous Commonwealth for all.