

Examining States' Temporary Assistance for Needy Families (TANF) Expenditures

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Introduction

The replacement of the Aid for Families with Dependent Children program (AFDC) with Temporary Assistance for Needy Families (TANF) in 1996 revoked qualifying families' legal guarantee of basic assistance cash benefits and instituted a state-administered block grant program.

Reflecting contemporary concerns over rising basic assistance caseloads and centralized government, TANF gives each state an annual block grant and the authority to allocate the funds in any way "reasonably calculated" to realize its statutory goals. States utilize this flexibility to fund a wide variety of programs in addition to basic assistance for needy families, including work activities and support, pregnancy prevention initiatives, and refundable tax credits.

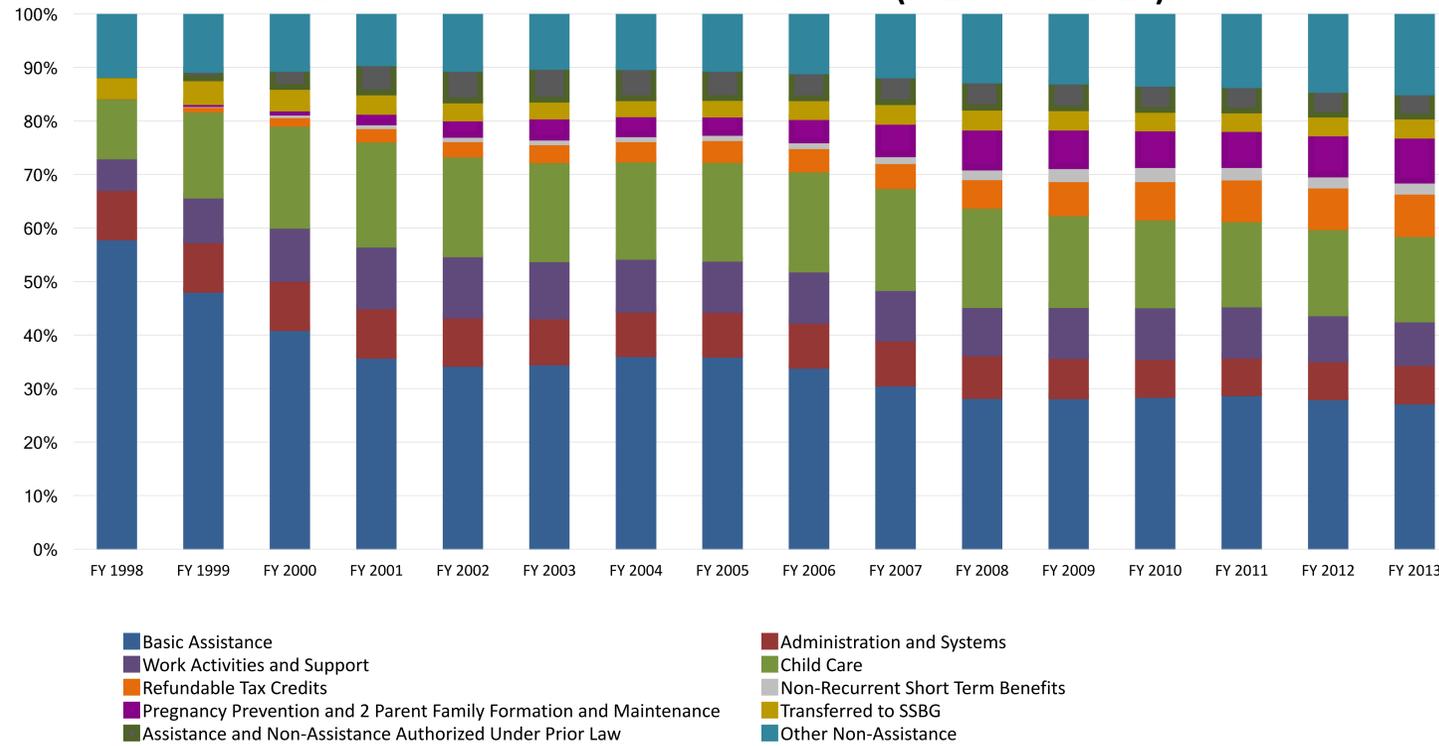
Research Questions

1. How have states' TANF expenditures changed over time?
2. Can state-level political, economic, and social factors account for the variation in states' TANF expenditures?

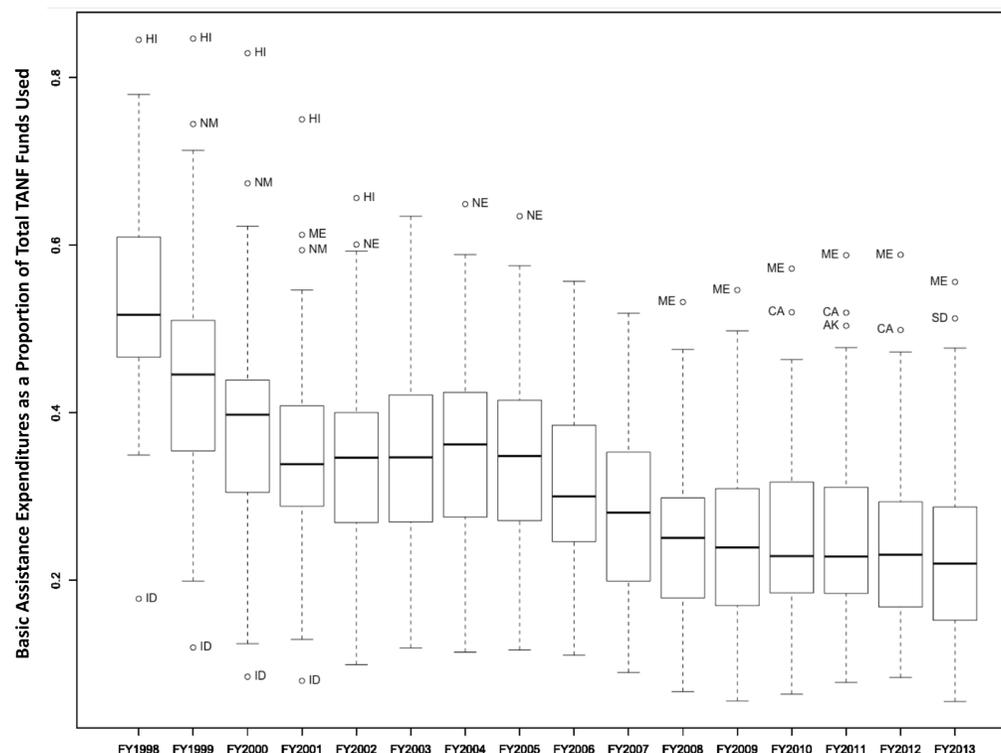
Methods

- I constructed a database of every state's TANF expenditures in ten funding categories between fiscal years 1998 and 2013 using data published by the Administration for Children and Families. To overcome significant methodological challenges in the data, I used funding categories developed by the Center on Budget and Policy Priorities and calculated three-year moving averages of the expenditures.
- Using the ten expenditure categories as my dependent variables, I constructed ten panel data regression models to examine the relationships between ten social, economic, and political factors and states' TANF expenditures.
- This poster presents the descriptive analysis and fixed effects regression model of states' basic assistance expenditures.

Distribution of Total TANF Funds Used (FY1998 - FY2013)



Box Plot of States' Basic Assistance Expenditures (FY1998 - FY2013)



Fixed Effects Regression of States' Basic Assistance Expenditures (all variables standardized)

Independent Variable	Fixed Effects Estimator
State Per Capita Personal Income (in thousands of 1997 dollars)	-1.127*** (0.065)
State Poverty Rate	0.035 (0.053)
State Unemployment Rate	-0.236*** (0.036)
Work Participation Rate (dummy variable that takes the value of 1 if a state did not meet its adjusted work participation rate)	0.022 (0.026)
State Government Liberalism (comprehensive measure of democratic party's control of state government and commitment to liberal ideology)	0.069** (0.032)
Caseload Change (change in number of total recipients receiving basic assistance in state from prior year)	0.086*** (0.024)
Fiscal Stability (measure of a state's budgetary solvency)	0.069 (0.043)
Policy Innovativeness (measure of a state's overall willingness to pass new legislation)	-0.067*** (0.022)
Percentage of Hispanics in State's TANF Caseload	-0.425*** (0.129)
Percentage of African Americans in State's TANF Caseload	-0.442** (0.205)
Observations	681
R ²	0.472
Adjusted R ²	0.422
F Statistic	55.620*** (df = 10; 621)

Note: Standard errors are in parentheses. The coefficients measure how many standard deviations a state's basic assistance expenditures change, on average, given a one standard deviation increase in the independent variable.
*p<.1; **p<.05; ***p<.001

Findings

- Median basic assistance expenditures declined by nearly half between FY1998 and FY2013.
- The results of the fixed effects regression suggest significant positive relationships between a state's basic assistance expenditures and, respectively, *State Government Liberalism* and *Caseload Change*.
- The results also indicate significant negative relationships between a state's basic assistance expenditures and, respectively, *State Per Capita Personal Income*, *State Unemployment Rate*, *Policy Innovativeness*, *Percentage of Hispanics in State's TANF Caseload*, and *Percentage of African Americans in State's TANF Caseload*.

Discussion

- The positive *Caseload Change* coefficient indicates that states decreased basic assistance expenditures as caseloads decreased.
- Intuitively, the negative *State Unemployment Rate* and *State Per Capita Personal Income* coefficients are conflicting, indicating that economic factors did not play a clear role in states' allocation decisions.
- The positive *State Government Liberalism* coefficient suggests that liberal state governments were, on average, more resistant to reducing basic assistance expenditures than conservative state governments.
- The negative *Policy Innovativeness* coefficient implies that state governments that were more willing to adopt new legislation were also, on average, more willing to deviate from the historic policy of basic assistance benefits.
- The negative coefficients of the race and ethnicity variables correspond to the social policy literature's emphasis on the importance of race in structuring welfare policy.

Further Research

- Analyze whether state-level social, economic, and political factors can explain the variation in the other nine TANF expenditures categories.
- Study how events such as the 2008 financial crisis affected states' TANF expenditures.