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To: The Honorable Bryan Terry, Chairman, Joint TANF Working Group
The Honorable Bo Watson, Member, Joint TANF Working Group
The Honorable Steven Dickerson, Member, Joint TANF Working Group
The Honorable Raumesh Akbari, Member, Joint TANF Working Group
The Honorable Robin Smith, Member, Joint TANF Working Group
The Honorable David Hawk, Member, Joint TANF Working Group
The Honorable Harold M. Love, Jr., Member, Joint TANF Working Group

From: Justin P. Wilson, Comptroller of the Treasury
Jason E. Mumpower, Deputy Comptroller

Date: February 6, 2020

Subject: Ongoing Comptroller inquiry into TANF

We wanted to update you on the status of the ongoing Comptroller inquiry into TANF. Although we are still looking into several aspects of the TANF reserve, we have several conclusions at this point.

While federal TANF funding has been accumulating, Tennessee has spent $221 million more state funding than necessary since 2013, rather than using available federal money. In addition to receiving federal funding for TANF, Tennessee is required to spend a minimum amount of state funding each year. Due to high caseloads during and after the 2008 recession, Tennessee spent all of the federal funding it received, plus more state funding than required. Beginning in 2013, however, Tennessee began spending less federal funding than it was awarded, causing the TANF reserve to build up. At the same time, Tennessee continued spending more state funding than needed to meet its state match requirement. This state money is unrestricted and could have been used for any purpose.

Compared proportionately to the rest of the Southeast, Tennessee spent roughly the same amount of federal money to administer one-third of the program services provided by other states. In 2018, Tennessee spent a comparable amount of its annual block grant on administration compared to other states: about 11 percent, compared to 10 percent for the rest of the Southeast. On the other hand, the other states spent a much larger portion of their total 2018 block grant – about 87 percent, on average, compared to Tennessee's 35 percent. Since Tennessee spent a similar amount on administration, but much less overall, a smaller portion of its total award went toward program services. Other states spent about 73 percent of their total award on program services, such as cash assistance to families, compared to 24 percent in Tennessee. Because Tennessee has spent a small portion of its award in past years, close to 30 percent of its total federal spending in 2018 and 2019 went toward administrative costs at the state Department of Human Services (DHS).

Currently, there is no publicly available way to track or monitor TANF spending. Three sources provide financial information related to the TANF program: the federal government's website, the state's annual budget document, and the state's Comprehensive Annual Financial Report (CAFR). Due to data issues and limitations, none of these sources can be used to track TANF spending. The information from the federal government is slow to become available and may not be accurate, and the budget and the CAFR do not go into enough detail to single out the TANF program. Instead, this information can only be found in Edison, the state's accounting system.

The Department of Finance and Administration (F&A) already has the authority to add nearly all of the $700+ million TANF reserve to the Department of Human Services' current budget without further approval from the legislature. Each year, almost all $191 million of the federal block grant is included in DHS' budget. Although DHS typically does not spend the entire grant, close to the full amount is included to give it the legal authority to draw down available funding, if needed. As such, DHS was authorized to spend nearly all of the $700+ million TANF reserve – the unspent pieces of the annual block grant – in prior years. Language in the appropriations act allows F&A to add this money back to DHS' current budget, although it cannot transfer these funds to other state agencies without legislative approval.

Due to data issues, we are still looking into several aspects of the TANF reserve.

One of the complexities of the reserve amount is that Tennessee spends federal funding from multiple grant years at once. In the current fiscal year 2020, for example, the state is still spending money from grant year 2015. The amount of unspent funding left on grant year 2015, plus the unspent funds on later grant years, makes up the $700+ million TANF reserve amount.

Prior to 2015, fiscal staff at the Department of Human Services did not accurately keep track of what grant years the state was spending from. As a result, DHS cannot use the information in the state's accounting system to tell whether early grant years were completely spent and closed out, or how much money may be left on those grant years.

Instead, DHS has been manually working off the log of individual payments from the federal government's payment system to calculate how much TANF funding is left on earlier grant years and the corresponding reserve amount. DHS is in the process of reconciling this information to the data in the state's accounting system. Due partly to these issues with earlier grant years, this memo only includes detailed expenditure information from 2017 onward, as we have more confidence in those figures.

While federal TANF funding has been accumulating, Tennessee has spent $221 million more state funding than necessary since 2013, rather than using available federal money

Like many federal grants, TANF contains a state maintenance of effort requirement – essentially, a state match, or a minimum level of state spending. The amount of this state spending depends on two things:

1. Whether a state meets its work requirements – that is, a specified percentage of its TANF recipients are employed; and
2. Whether the state receives federal contingency funding, or additional federal money that can be requested in years with high unemployment rates.

In general, if a state meets work requirements, it must spend 75 percent of the amount it spent in 1994 on the predecessor program to TANF. If the state does not meet work requirements, it must spend 80 percent of the 1994 amount. In Tennessee, this translates to approximately $82.8 million and $88.3 million of state funding, respectively.

If a state receives additional contingency funding in times of high unemployment, that maintenance of effort requirement increases to 100 percent of the amount spent in 1994, regardless of whether it meets work requirements. In Tennessee, this equates to about $110.4 million.

75 percent MOE	80 percent MOE	100 percent MOE
$82,809,878	$88,330,537	$110,413,171

During the 2008 recession and immediately after, TANF caseloads were high. In serving them, Tennessee spent all of the federal funding awarded each year, dipped into the federal funds rolled over from prior years, spent the required amount of state money, and still needed additional funding. Thus, to meet demand for TANF services, the state spent more state money than was required by federal law.

Beginning in 2013, however, TANF spending slowed down enough that the situation was reversed: the state began spending less federal funding than it was awarded each year. In later years, federal spending continued to drop, so that in some years, the state spent 35 percent of the federal funds it was awarded. At this time, the TANF reserve began to build up.

But as these federal funds accumulated, Tennessee continued spending more state funding than was needed to meet the maintenance of effort requirement. In short, rather than using the federal funding available for TANF, Tennessee spent extra state money. These state funds are unrestricted and could have been used for any purpose or state priority.

This extra state funding can be calculated under two scenarios. The difference lies in whether Tennessee chose to request and receive contingency funding in several years.

Scenario 1: Receiving contingency funding

During the recession through 2016, Tennessee received contingency funds, and so was required to spend $110 million of state funding in those years. Based on this scenario, Tennessee has spent an extra $174 million of state funding since 2013, rather than using available federal money.

	Federal funding			State funding			
Federal fiscal year	Federal award	Federal expenditures	Federal surplus (deficit)	State MOE	State expenditures	State expenditures above MOE	State funding used instead of federal
2011	215,365,684	304,135,688	(88,770,004)	110,413,171	136,542,404	26,129,233	—
2012	208,364,535	241,109,591	(32,745,056)	110,413,171	139,218,725	28,805,554	—
2013	208,273,474	178,622,439	29,651,035	110,413,171	140,302,878	29,889,707	29,651,035
2014	210,542,134	145,351,755	65,190,379	110,413,171	136,991,058	26,577,887	26,577,887
2015	212,859,869	119,727,165	93,132,704	110,413,171	129,984,631	19,571,460	19,571,460
2016	210,333,124	51,635,190	158,697,934	110,413,171	130,927,572	20,514,401	20,514,401
2017	190,891,768	66,223,917	124,667,851	88,330,537	115,282,277	26,951,740	26,951,740
2018	190,891,768	67,683,772	123,207,996	88,330,537	110,849,226	22,518,689	22,518,689
2019	190,891,768	73,431,775	117,459,993	88,330,537	116,260,465	27,929,928	27,929,928
						Total	**173,715,140**

The "Federal award" column includes Tennessee's $191 million annual block grant, plus any federal contingency funding. Tennessee received contingency funding in 2011 to 2016, and so was required to spend $110.4 million of state funds. From 2017 onward, the state spending requirement is based on the $88.3 million amount.

Scenario 2: Not receiving contingency funding

The second scenario considers how Tennessee could have reduced its state maintenance of effort requirement by not receiving contingency funding from 2013 to 2016. In essence, this calculation has two moving parts: (1) spending extra state money instead of using federal funding, and (2) using one federal funding stream rather than the other.

Even after caseloads began to drop in 2013, Tennessee requested and still qualified for federal contingency funding. But from 2013 to 2016, the state did not need the extra contingency funding it requested and received. In each of those years, there was more block grant money left over than Tennessee received in contingency funds. In 2014, for example, the state received about $19 million of contingency funding. That same year, it did not spend $65 million of block grant money. Put another way, even if the state had not requested the contingency funds, it still would have had $46 million of block grant funds left over at the end of the year.

All total, from 2013 to 2016, Tennessee received an extra $76 million of federal contingency funds. At the same time, $347 million from the annual block grants went unspent. In this case, the state could have instead spent the equivalent of $76 million of contingency funding from its block grant money and still added $271 million to the TANF reserve.

Federal fiscal year	Federal block grant	Federal contingency	Total federal award
2013	191,523,797	16,749,677	208,273,474
2014	191,523,797	19,018,337	210,542,134
2015	191,523,797	21,336,072	212,859,869
2016	191,523,797	18,809,327	210,333,124
Total	**766,095,188**	**75,913,413**	**842,008,601**

Federal expenditures	Federal surplus (deficit)	Surplus block grant without contingency
178,622,439	29,651,035	12,901,358
145,351,755	65,190,379	46,172,042
119,727,165	93,132,704	71,796,632
51,635,190	158,697,934	139,888,607
495,336,549	**346,672,052**	**270,758,639**

If Tennessee had spent more of its block grant from 2013 to 2016, rather than using contingency funding, its required state match would have dropped. By using the block grant, it could have reduced state spending to $88 million each year, rather than the $110 million threshold tied to the contingency funds.

Even based on the higher $110 million benchmark, Tennessee spent $174 million more state money than needed from 2013 onward, as explained in scenario 1. If that $110 million threshold had instead been $88 million by using the block grant instead of contingency funds, even more of the state spending in those years would have been above and beyond the requirement.

In 2015, for example, Tennessee spent $130 million of state money. Based on the $110 million threshold in effect at the time, this equates to an additional $20 million of state spending. But if the state had not received contingency funds that year, the threshold would have dropped to $88 million. Based on that lower benchmark, Tennessee spent $42 million more than needed, rather than $20 million.

Under this scenario, Tennessee has spent $221 million more state funding than necessary since 2013, rather than using available federal money.

	Federal			State			
Federal fiscal year	Adjusted federal award	Federal expenditures	Federal surplus (deficit)	Adjusted state MOE	State expenditures	State expenditures above MOE	State funding used instead of federal
2011	215,365,684	304,135,688	(88,770,004)	110,413,171	136,542,404	26,129,233	—
2012	208,364,535	241,109,591	(32,745,056)	110,413,171	139,218,725	28,805,554	—
2013	191,523,797	178,622,439	12,901,358	88,330,537	140,302,878	51,972,341	12,901,358
2014	191,523,797	145,351,755	46,172,042	88,330,537	136,991,058	48,660,521	46,172,042
2015	191,523,797	119,727,165	71,796,632	88,330,537	129,984,631	41,654,094	41,654,094
2016	191,523,797	51,635,190	139,888,607	88,330,537	130,927,572	42,597,035	42,597,035
2017	190,891,768	66,223,917	124,667,851	88,330,537	115,282,277	26,951,740	26,951,740
2018	190,891,768	67,683,772	123,207,996	88,330,537	110,849,226	22,518,689	22,518,689
2019	190,891,768	73,431,775	117,459,993	88,330,537	116,260,465	27,929,928	27,929,928
						Total	220,724,886

For 2013 to 2016, the contingency funding Tennessee received has been removed from the "Adjusted federal award" column. For those years, the state maintenance of effort amount has correspondingly been lowered from $110.4 million to $88.3 million.

In reality, this $221 million estimate is likely low. Because a state may not know whether it met work requirements until the end of the year, it is reasonable to plan to spend the higher $88 million amount as a safeguard. As such, the $221 million estimate is based on the $88 million amount each year. In some of the years listed, however, Tennessee ultimately met its work requirements, and so could have spent the lower $83 million figure.

In addition, in years where the state does not receive contingency funding, federal regulations allow Tennessee to count child support received by TANF recipients toward maintenance of effort.[A] In other words, when a TANF recipient, such as a single mother, receives child support, that amount counts toward Tennessee's $83 or $88 million of required state funding.

Over the past two years, Tennessee has counted about $6.8 million of child support payments toward maintenance of effort each year. In this case, if the maintenance of effort requirement was $88 million, the state would need to spend closer to $81 million of state funds on top of the child support payments. But because the amount of child support fluctuates from year to year and is outside the state's control, these payments have not been included in the calculations above. As a result, the $221 million figure is understated by the amount of child support payments in those years.

[A] Office of Family Assistance, Department of Health and Human Services, *Code of Federal Regulations*, Title 45, §263.2(a)(1), 2016 ed.

Compared proportionately to the rest of the Southeast, Tennessee spent roughly the same amount of federal money to administer one-third of the program services provided by other states

Each quarter, states are required to report their TANF expenditures – both state and federal – to the federal government. For reporting purposes, these expenditures are grouped into 20 main categories, such as basic assistance, early care and education, and child welfare services.

One such category, program management, includes subcategories for administrative costs and system costs (i.e., the "costs related to monitoring and tracking under the program"). Within this category, federal law caps the amount of the annual TANF block grant that can be spent on administrative costs at 15 percent, not including system costs.[B] In Tennessee, the 15 percent cap translates to about $29 million.

In 2018, Tennessee spent about $21 million of federal funds on administration, or about 11 percent of its total block grant. The other states in the Southeast put a comparable amount of their federal money toward administrative costs: about 10 percent, in line with Tennessee's 11 percent. Like Tennessee, the other states also spent a small portion of their block grants on other program management, such as systems: about 3 percent, on average, compared to 0.1 percent in Tennessee.

On the other hand, the other states spent a much larger portion of their *total* 2018 block grant than Tennessee – about 87 percent of their total award, on average, compared to Tennessee's 35 percent. Two states – Kentucky and Mississippi – spent more federal funding than they received, and dipped into their own TANF reserves to make up the difference.

After accounting for program management – administration and systems – the other states spent a much larger portion of their total block grant on program services (e.g., cash assistance to families or workplace training). On average, the other states spent about 73 percent of their available federal funding on program services, compared to 24 percent in Tennessee.

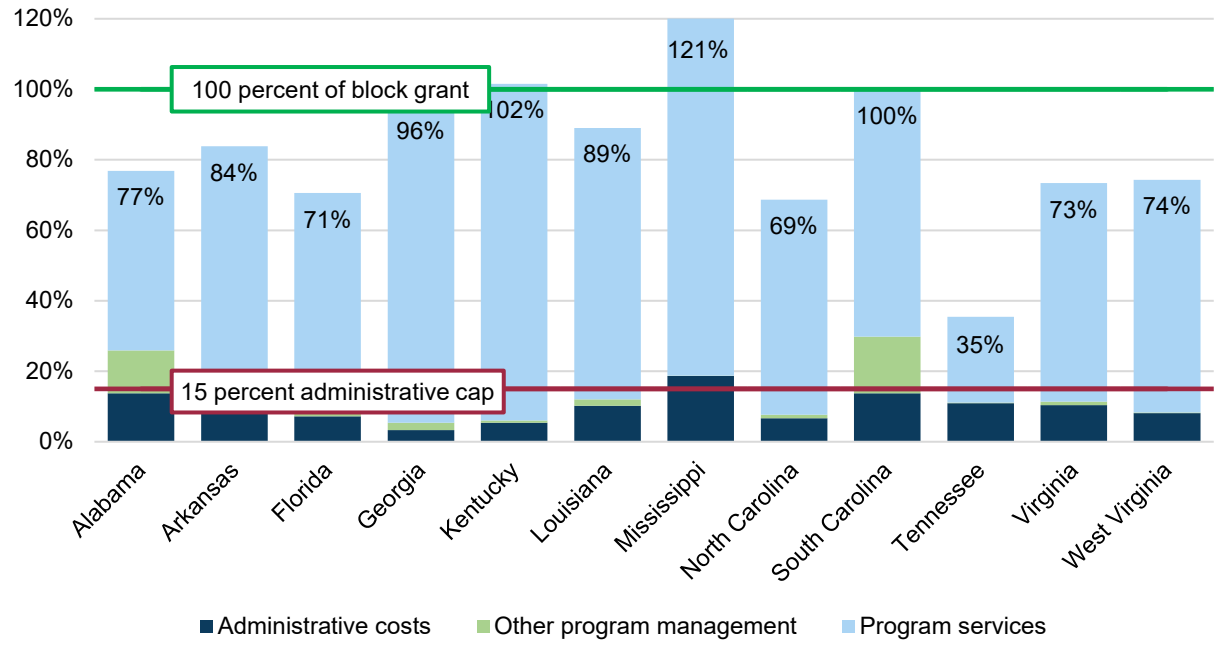
When comparing proportionately, then, although Tennessee spent a similar amount of its total block grant on administrative costs compared to other states, the other states spent three times as much money on program services. In other words, it cost Tennessee roughly the same amount of federal money to administer one-third of the program services provided by other states.

[B] 42 U.S.C. § 604(b) (2017).

State	2018 federal award	Total federal expenditures	Administration expenditures	Percent of block grant spent	Percent of block grant used for administration	Percent of spending used for administration
Alabama	93,007,267	71,479,444	12,783,612	77%	14%	18%
Arkansas	56,545,640	47,426,485	8,319,919	84%	15%	18%
Florida	560,484,398	395,352,506	40,192,609	71%	7%	10%
Georgia	329,650,291	315,595,540	10,850,713	96%	3%	3%
Kentucky	180,689,420	183,403,783	9,800,417	102%	5%	5%
Louisiana	163,430,877	145,536,359	16,723,671	89%	10%	11%
Mississippi	86,481,245	104,424,460	16,100,448	121%	19%	15%
North Carolina	300,437,627	206,388,294	19,902,516	69%	7%	10%
South Carolina	99,637,930	99,637,930	13,742,084	100%	14%	14%
Virginia	157,762,831	115,733,001	16,458,861	73%	10%	14%
West Virginia	109,812,728	81,646,001	8,889,687	74%	8%	11%
Average other SE				**87%**	**10%**	**12%**
Tennessee	**190,891,768**	**67,683,772**	**20,914,309**	**35%**	**11%**	**31%**

For most states, the figure in the column on the far right, "Percent of *spending* used for administration," is greater than the figure in the column immediately to the left ("Percent of *block grant* used for administration"). This is because these states did not spend their full federal block grant. Thus, the money put toward administration makes up a larger portion of what these states spent compared to the total funding available.

Southeastern states: 2018 federal expenditures as percentage of annual block grant



"Other program management" includes system costs, along with assessment and service provision (e.g., the costs of screening or assessments, such as for substance abuse, or helping TANF recipients apply for SSI or SSDI.). In 2018, Mississippi spent about 19 percent of its total block grant on administrative costs, over the 15 percent cap. Mississippi also spent the equivalent of an extra 21 percent of its block grant out of its TANF reserve that year.

Because Tennessee spends a small portion of its block grant, nearly 30 percent of federal TANF spending goes toward administrative costs at the Department of Human Services

In 2018 and 2019, Tennessee spent about $68 and $73 million of its $191 million annual block grant, respectively. For each of those years, over $20 million of that spending went toward administrative costs at the state Department of Human Services. As such, administrative costs accounted for about 29 percent, on average, of Tennessee's total federal spending over the past two years (31 percent in 2018 and 27 percent in 2019). Put another way, for every $100 of federal funding drawn down, $29 went toward administration.

About $247,000 and $463,000 of federal funding went toward systems costs, the other subcategory of program management, in 2018 and 2019.

Total administrative spending

On top of the $20 million of federal funds used for administrative costs, DHS spent an additional $5 and $6 million of state funding in 2018 and 2019, respectively. With the added state money, administrative spending totaled about $26 million in both years.

In 2017, DHS spent about 20 percent less overall on administration: around $21 million, compared to $26 million. That year, a much larger portion of these administrative costs – 64 percent – came from state dollars. Thus, in 2018 and 2019, it appears that a large portion of administrative spending was shifted from state to federal money.

	2017			2018			2019		
Federal Category	**Federal**	**State**	**Total**	**Federal**	**State**	**Total**	**Federal**	**State**	**Total**
Basic Assistance: cash benefits to families	41,231,289	13,401,901	54,633,190	35,177,599	11,779,545	46,957,144	41,299,811	13,804,843	55,104,654
Additional Work Activities: Two-Generation services	15,808,268	1,527,365	17,335,633	10,785,336	7,592,026	18,377,362	10,624,019	9,753,630	20,377,649
Work Supports: transportation assistance	723,067	41,407	764,474	360,381	120,127	480,508	548,573	182,858	731,431
Pre-K/Head Start	—	86,297,152	86,297,152	—	85,989,536	85,989,536	—	85,906,187	85,906,187
Supportive Services: dental and optical services, uniforms, tools for training program, etc.	195,791	10,014	205,806	199,426	66,475	265,901	475,832	158,611	634,443
Administrative Costs	7,652,805	13,395,650	21,048,455	20,914,309	5,056,888	25,971,197	20,020,884	6,177,825	26,198,709
Systems	610,840	608,788	1,219,628	246,722	244,629	491,350	462,655	276,512	739,167
Total	**66,222,060**	**115,282,277**	**181,504,338**	**67,683,772**	**110,849,226**	**178,532,998**	**73,431,775**	**116,260,465**	**189,692,239**

Total federal expenditures for 2017 are short $1,857 from the total reported on page 4 and page 6 as it is not clear which category this money falls under.

	2017			2018			2019		
Federal Category	**Federal**	**State**	**Total**	**Federal**	**State**	**Total**	**Federal**	**State**	**Total**
Basic Assistance: cash benefits to families	62.3%	11.6%	30.1%	52.0%	10.6%	26.3%	56.2%	11.9%	29.0%
Additional Work Activities: Two-Generation services	23.9%	1.3%	9.6%	15.9%	6.8%	10.3%	14.5%	8.4%	10.7%
Work Supports: transportation assistance	1.1%	< 0.1%	0.4%	0.5%	0.1%	0.3%	0.7%	0.2%	0.4%
Pre-K/Head Start	—	74.9%	47.5%	—	77.6%	48.2%	—	73.9%	45.3%
Supportive Services: dental and optical services, uniforms, tools for training program, etc.	0.3%	< 0.1%	0.1%	0.3%	0.1%	0.1%	0.6%	0.1%	0.3%
Administrative Costs	11.6%	11.6%	11.6%	30.9%	4.6%	14.5%	27.3%	5.3%	13.8%
Systems	0.9%	0.5%	0.7%	0.4%	0.2%	0.3%	0.6%	0.2%	0.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Totals may not sum due to rounding.

Two-thirds of the federally funded administrative costs in 2018 and 2019 went toward employee salaries and benefits at DHS ($14.5 million, or 69 percent, in 2018 and $13.2 million, or 66 percent, in 2019). Another 19 percent was paid to other state agencies, such as lease payments to the Facilities Revolving Fund or data processing services through Strategic Technology Solutions (STS).

		2017			2018			2019		
Account	Description	Federal	State	Total	Federal	State	Total	Federal	State	Total
65007	Refund of PY Expenditures		(6,880)	(6,880)		(4,746)	(4,746)		(6,338)	(6,338)
68012	Refund of PY Federal Expenditures	(11,562)		(11,562)	(10,545)		(10,545)	(14,269)		(14,269)
70100	Salaries and Wages	3,043,970	6,888,981	9,932,951	9,176,512	1,862,439	11,038,952	8,537,979	2,847,870	11,385,849
70102	Longevity and Bonuses	151,660	223,096	374,756	378,610	80,501	459,111	355,157	118,384	473,541
70104	Overtime	4,005	8,351	12,356	48,501	15,157	63,658	34,267	11,424	45,691
70200	Employee Benefits	1,986,092	3,580,283	5,566,376	4,912,887	983,532	5,896,419	4,294,794	1,432,657	5,727,451
70300	Travel	99,389	113,735	213,124	121,879	19,914	141,793	116,204	38,837	155,041
70400	Printing and Duplicating	133	133	265	29	(66)	(37)	9	3	12
70500	Utilities and Fuel				158	159	317			
70600	Communications	179,707	371,587	551,294	352,544	66,553	419,097	369,004	123,003	492,007
70700	Maintenance and Repairs	17,368	17,306	34,673	2,218	(2,973)	(755)	191	64	254
70800	Court Reporter Services				11	4	14			
70802	Document Destruction Services	3,792	3,792	7,584	12,350	3,393	15,744	8,817	2,939	11,756
70803	General Business Consulting Services	468,776	468,775	937,551	168,984	53,751	222,736	150,686	108,001	258,686
70804	Medical Services	30,283	44,860	75,143	22,519	13,469	35,988	14,578	4,766	19,344
70805	Attorney Fees	385	385	769	36	12	48	27	9	36
70806	Advertising Services	50	50	99	289	73	363	727	242	969
70807	Organization Memberships and Dues	3,983	2,727	6,710	1,269	417	1,686	3,261	1,087	4,348
70808	Publication Subscriptions	59,747	59,747	119,494	144,341	39,592	183,933	348,914	116,271	465,185
70811	Interpreting Services	39,638	36,858	76,495	53,178	15,930	69,107	48,800	13,402	62,201
70812	Architects and Engineers				2	1	3	(2)	(1)	(3)
70814	Travel by Third Party Vendors	5	5	10	34	11	45	19	7	26
70816	Other Legal Services	1,250	1,250	2,500	1,101	178	1,278	144	48	192

		2017			2018			2019		
Account	Description	Federal	State	Total	Federal	State	Total	Federal	State	Total
70899	Other Third Party Professional Services	14,197	13,977	28,174	453,995	172,733	626,728	170,724	46,583	217,307
70900	Supplies and Materials	34,014	36,782	70,796	63,464	16,180	79,644	59,948	19,892	79,841
71000	Rentals and Insurance	10,690	10,917	21,607	13,966	2,795	16,761	70,024	23,230	93,254
71100	Motor Vehicle Operation	5	5	9	11	3	14	9	3	12
71200	Awards and Indemnities	2,125	2,125	4,250	3,940	1,153	5,093	2,101	700	2,802
71300	Subsidies to Other State Agencies				1,643	548	2,191	940,909		940,909
71304	Grants and Subsidies to 501(c)(3) Org	10	30	40	17	(21)	(4)			
71306	Payments to Individuals				185	185	370			
71307	Non-medical Payments	16	24	40				1,278	426	1,704
71312	Payments for Foster Child Care and Adoption Asst				(22)	(7)	(29)	890	297	1,186
71400	Unclassified	3,624	3,624	7,247						
71600	Equipment	9,332	9,332	18,663	(931)	(931)	(1,862)			
72100	Training	37,915	12,447	50,362	12,296	8,858	21,154	24,225	7,011	31,236
72200	Third Party Data Processing	508,354	470,689	979,043	738,846	239,426	978,272	790,763	42,547	833,310
72500	Professional Services by State Agency	942,091	1,020,660	1,962,751	4,215,650	1,468,664	5,684,315	3,675,378	1,224,461	4,899,838
89040	Indirect Cost	11,766		11,766	24,340		24,340	15,331		15,331
	Total	**7,652,805**	**13,395,650**	**21,048,455**	**20,914,309**	**5,056,888**	**25,971,197**	**20,020,884**	**6,177,825**	**26,198,709**

89040 Indirect Cost includes expenses for facilities and administration, such as maintenance or depreciation of state buildings, interest on debt tied to state buildings, or costs related to accounting or human resources. Although these costs apply generally to TANF, an exact dollar amount cannot be attributed to the grant, and so an estimate is used instead. These costs are not paid directly by DHS, but since TANF is a reimbursement grant, the federal government will not disburse funds for these costs unless a specific amount is billed. As such, 89040 Indirect Cost is used to draw down the estimated indirect cost of facilities and administration, and is included in this table because DHS received federal funding for those amounts.

As outlined in federal law, states cannot spend more than 15 percent of their annual block grant on administration, which equates to about $29 million in Tennessee. Thus, the $20 million spent on administrative costs in 2018 and 2019 represented about 11 percent of the state's block grant, on average. As such, Tennessee used up 71 percent of the amount allowed for administrative costs, even though it spent only 37 percent of the total federal funding available in those years.

Currently, there is no publicly available way to track or monitor TANF spending

Three sources of information contain data related to Tennessee's TANF spending:

1. The expenditures Tennessee reports to the federal government each year, which are published on the website for the Administration for Children and Families;
2. The state's budget document, which provides estimated revenues and expenditures for the upcoming year, as well as actual expenditures from the year that just ended; and
3. The state's Comprehensive Annual Financial Report (CAFR), which reports Tennessee's expenditures in a format required by the Governmental Accounting Standards Board (GASB).

Due to data issues or limitations, these options are either not timely, not accurate, or not detailed enough to monitor Tennessee's TANF spending. Instead, the only way to access such information is through Edison, the state's accounting system.

The information published by the federal government is slow to become available, and may not be accurate

Each quarter, states must report their TANF expenditures to the federal government. Although this information provides a detailed breakdown of how states spent their money, there is a significant lag before the data is published on the Administration for Children and Families website.

States have 45 days after the end of the quarter to report their expenditures from that quarter. Data through the end of the federal fiscal year on September 30, for instance, is due on November 14. Even after that deadline, states may correct or update the information they submitted for a previous quarter. For example, a state may revise the original numbers submitted on November 14 when the next quarterly report is due on February 14.

To allow for such corrections, the federal government waits three to six months to publish the year's TANF expenditures on its website. Consequently, data related to the year ending on September 30 may not be publicly available until May of the next year.

Furthermore, because states may make further corrections to the expenditures they previously reported, the federal government republishes the data after an additional six months. As a result, the updated, corrected information may not be publicly available for more than a year after the federal fiscal year ended.

September 30, 2019	November 14, 2019	February – May 2020	August – November 2020
Federal fiscal year ends. >	Quarterly report through end of fiscal year due to federal government. >	State expenditure information published on federal website. >	Updated expenditure information posted on federal website.

In addition, due to data issues at the state level, DHS has been revising some of the information it previously submitted. In 2018, DHS spent federal TANF money from multiple grant years: 2014, 2015, 2016, and 2017. Because DHS was working through data issues at the time, it did not report any of the expenditures from grant year 2015. Correspondingly, Tennessee reported spending $21 million of federal TANF funding in 2018, as opposed to $68 million.

DHS plans to submit the additional expenditures from grant year 2015 to the federal government in February 2020. But because the federal government's typical window for updating the 2018 information has passed, the federal website may not be updated to reflect the correct expenditures for Tennessee. This affects not only the breakdown of TANF spending available to the public, but also the publicly posted figure for the TANF reserve (if more money has been spent, then less money is left over, resulting in a lower reserve amount).

With these limitations in mind, the information published by the federal government may not be a viable way of monitoring the TANF program. For one, it may not be timely enough to be useful, and perhaps more importantly, it may not be accurate.

The state's budget document does not go into enough detail to single out the TANF program

The Governor's budget document contains estimates of Tennessee's revenues and expenditures for the upcoming fiscal year. It also provides actual expenditures for the year most recently ended (2019 in the 2021 budget).

Such information for individual state agencies and departments is broken down into allotment codes, 5-digit numbers that represent a general program area or initiative. DHS has 11 allotment codes that cover broad areas, such as Temporary Cash Assistance, Family Assistance Services, and Community Services. Because of the way the department is organized, the TANF program is spread across multiple allotment codes.

In fiscal year 2019 and 2020, for example, TANF fell under 7 of the 11 allotment codes for DHS in the budget document. While the bulk of TANF is included under 34523 Temporary Cash Assistance, another large part of the program falls under 34530 Family Assistance Services. Additional money is included in yet other areas, such as 34501 Administration and 34531 Appeals and Hearings.

DHS allotment codes – blue highlights include part of the TANF program

Allotment code	Description
34501	Administration
34513	Child Support
34517	County Rentals
34520	Child Care Benefits
34523	Temporary Cash Assistance
34525	Supplemental Nutrition Assistance Program
34530	Family Assistance Services
34531	Appeals and Hearings
34549	Community Services
34570	Rehabilitation Services
34571	Disability Determination

One allotment code, 34523 Temporary Cash Assistance, is specific to TANF. Conversely, others contain a mixture of programs in addition to TANF, such as the Supplemental Nutrition Assistance Program (SNAP) and initiatives funded through the Child Care Development Fund (CCDF) and the Social Services Block Grant (SSBG).

345.30 Family Assistance Services

The Family Assistance Services program provides eligibility determination for Families First, SNAP, and administrative support to TennCare for Medicaid eligibility determination. In addition, SNAP recipients receive nutrition education and outreach services. Families First clients receive job training, employment career services, and counseling. Family Assistance Services also provides supervision and administrative support to the Department of Human Services offices in each of Tennessee's 95 counties.

Full-Time	2,085	2,084	2,083	0	**2,083**
Part-Time	0	0	0	0	**0**
Seasonal	0	0	0	0	**0**
Total	**2,085**	**2,084**	**2,083**	**0**	**2,083**
Payroll	104,390,900	114,730,300	115,970,100	0	**115,970,100**
Operational	43,399,600	70,375,400	65,880,000	0	**65,880,000**
Total	**$147,790,500**	**$185,105,700**	**$181,850,100**	**$0**	**$181,850,100**
State	61,697,600	78,435,900	72,773,300	0	**72,773,300**
Federal	83,303,200	102,866,800	105,247,300	0	**105,247,300**
Other	2,789,700	3,803,000	3,829,500	0	**3,829,500**

Source: State of Tennessee Budget, fiscal year 2019-20, p. B-168, https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-archive/fa-budget-publication-2019-2020.html (accessed Feb. 2, 2020).

The state funding for pre-K that counts toward the state's maintenance of effort is similarly mixed in with other money in the budget. Along with pre-K services through TANF, the Department of Education's 33132 Early Childhood Education allotment code also houses family resource centers, school-based support services, and other initiatives.

As a result, it is not possible to isolate information for the TANF program in the budget document.

The state's Comprehensive Annual Financial Report (CAFR) does not include enough detail to pinpoint TANF spending

Every year, Tennessee prepares a Comprehensive Annual Financial Report, or CAFR. The CAFR contains the state's financial statements, which show the government equivalent of net income and net worth. As required by the Governmental Accounting Standards Board (GASB), it also includes various statistics, trends, and economic information.

The CAFR contains all expenditures related to TANF; however, like the budget document, it does not provide enough detail to single out the TANF program. The two government analogues to a company's income statement – the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances – show only one line for "Health and social services." This line contains all expenditures related to these services across all state agencies, including DHS, TennCare, the Department of Children's Services, the Department of Intellectual and Developmental Disabilities, and several others.

One supplementary schedule breaks down spending for "Health and social services" into more detail, but only to the agency level. Consequently, all relevant expenditures for DHS are on one line, so that it is not possible to track spending for the TANF program through the state's CAFR.

STATE OF TENNESSEE

Comparative Schedules of Expenditures by Function and Department

General Fund

For the Fiscal Years Ended June 30, 2019 and 2018

(Expressed in Thousands)

Schedule 6

Expenditures by Function and Department	For the Year Ended June 30, 2019	For the Year Ended June 30, 2018
General government:		
Legislative	$ 46,996	$ 44,561
Secretary of State	42,978	40,474
Comptroller	102,358	100,707
Treasurer	53,491	82,618
Governor	5,109	5,156
Commissions	82,786	74,780
Finance and Administration	183,751	163,660
General Services	27,080	26,998
Revenue	117,209	118,777
Miscellaneous Appropriations	-	134
Total general government	661,758	657,865
Health and social services:		
Veterans Services	10,789	14,355
Labor and Workforce Development	178,882	175,505
TennCare	11,618,602	11,457,653
Mental Health	387,679	356,865
Intellectual Disabilities	151,892	145,421
Health	633,847	636,809
Human Services	2,107,597	2,214,804
Children's Services	918,364	874,448
Total health and social services	16,007,652	15,875,860

Like the Statement of Revenues, Expenditures, and Changes in Fund Balances, this supporting statement is on a modified accrual basis of accounting. By contrast, the Statement of Activities is on an accrual basis of accounting. In this context, the most significant difference relates to capital assets, such as buildings or expensive equipment that will last for many years. On the Statement of Activities, the cost of these assets – e.g., the purchase price or the cost to build them – is gradually expensed each year as depreciation. On this supporting statement, the entire cost of these assets is recorded as an expenditure in the first year, rather than being periodically depreciated over the life of the asset.

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, Tennessee State Government, Dec. 2019, p. 223, https://www.tn.gov/finance/rd-doa/fa-accfin-cafr.html (accessed Feb. 2, 2020).

Due to the limited detail provided by the CAFR and the budget document, plus the issues with the numbers published by the federal government, there is no publicly available way to monitor Tennessee's TANF spending. The only way to see detailed information in a timely way is by getting more granular data out of Edison, the state's accounting system.

The Department of Finance and Administration already has the authority to add nearly all of the $700+ million TANF reserve to the Department of Human Services' current budget without further approval from the legislature

Each year, almost all $191 million of the federal TANF block grant is included in DHS' budget, although it is spread across multiple allotment codes. After the legislature passes the appropriations act in the spring, the Department of Finance and Administration (F&A) allots this money via the work program, an agency's working budget, so that DHS may spend it in the upcoming year.

In recent years, DHS has spent less than half of the federal block grant. Nevertheless, close to the full amount is allotted to give DHS the legal authority to draw down the additional funding, if needed. In other words, if the TANF caseload was high, DHS would be authorized to spend close to the full amount of the federal grant.

As such, almost all of the "leftover" federal TANF funds – the estimated $732 million TANF reserve – were allotted to DHS in prior years as pieces of the annual $191 million block grant. And, based on language in the annual appropriations act, F&A has the authority to add this money back to DHS' current budget without further approval from the legislature.

Section 15 of the annual appropriations act states:

> Item 15. The Commissioner of Finance and Administration is hereby authorized to adjust departmental revenue and related expenditures to recognize **(a) the carry-over of federal funds and other departmental revenues that were budgeted and allotted but unexpended or unobligated at June 30;** (b) an increase in the federal rate of reimbursement or match in federal programs so that there is less state expense or the additional federal funds are available to meet increasing costs without improving programs; and (c) an unexpected increase in federal grant funds so that there is less state expense or the additional federal funds are available to meet increasing costs without improving programs (emphasis added).[C]

Unlike similar adjustments made under Section 23 of the appropriations act, there is no requirement to notify parties in the legislature (e.g., the Finance, Ways, and Means Committees).

F&A's authority is limited, however, in that it can only add this money to DHS' budget. Transferring part of this federal TANF funding to another agency, such as the Department of Health, would require legislative approval.

[C] Public Chapter 405, 2019.

Appendix A: 2017 through 2019 TANF expenditures – Department of Human Services and Department of Education combined

		2017			2018			2019		
Account	Description	Federal	State	Total	Federal	State	Total	Federal	State	Total
65007	Refund of PY Expenditures		(13,435)	(13,435)		(83,366)	(83,366)		(16,538)	(16,538)
68012	Refund of PY Federal Expenditures	(11,562)		(11,562)	(18,361)		(18,361)	(14,269)	-	(14,269)
70100	Salaries and Wages	1,233,715	7,504,080	8,737,796	9,289,247	2,361,786	11,651,033	8,606,726	3,310,803	11,917,528
70102	Longevity and Bonuses	156,148	230,137	386,284	382,989	98,946	481,935	358,768	127,867	486,635
70104	Overtime	4,056	8,403	12,459	48,501	15,157	63,658	34,267	11,424	45,691
70200	Employee Benefits	2,055,768	3,766,917	5,822,685	4,959,709	1,172,073	6,131,782	4,322,198	1,595,452	5,917,651
70300	Travel	106,130	132,475	238,605	130,127	50,958	181,085	117,415	46,249	163,663
70400	Printing and Duplicating	133	133	265	38	(56)	(18)	145	141	287
70500	Utilities and Fuel				158	159	317			
70600	Communications	179,752	372,853	552,604	357,782	72,931	430,713	369,079	124,177	493,256
70700	Maintenance and Repairs	18,891	18,829	37,720	2,218	(2,929)	(711)	191	68	259
70800	Court Reporter Services				11	323	334			
70802	Document Destruction Services	3,792	3,813	7,605	12,363	3,430	15,794	8,824	2,983	11,807
70803	General Business Consulting Services	468,853	468,853	937,706	168,994	53,761	222,755	154,511	111,826	266,337
70804	Medical Services	30,283	44,860	75,143	22,519	13,469	35,988	14,578	4,766	19,344
70805	Attorney Fees	385	385	769	36	12	48	27	9	36
70806	Advertising Services	50	50	99	292	76	369	727	243	970
70807	Organization Memberships and Dues	3,983	3,700	7,683	1,277	934	2,211	3,262	1,088	4,350
70808	Publication Subscriptions	59,747	60,326	120,073	144,344	39,594	183,938	348,927	116,550	465,476
70811	Interpreting Services	41,971	37,001	78,972	54,137	16,479	70,616	48,952	13,532	62,484
70812	Architect and Engineers				2	1	3	(1)	1	—
70814	Travel by Third Party Vendors	5	6	11	34	11	45	19	7	26
70816	Other Legal Services	102,641	29,269	131,911	66,498	132,953	199,451	71,123	144,157	215,280

		2017			2018			2019		
Account	Description	Federal	State	Total	Federal	State	Total	Federal	State	Total
70899	Other Third Party Professional Services	11,826,466	1,024,941	12,851,407	4,951,747	1,678,840	6,630,587	2,377,020	1,155,019	3,532,039
70900	Supplies and Materials	34,156	47,170	81,327	63,961	19,104	83,064	60,049	21,899	81,948
71000	Rentals and Insurance	11,319	12,311	23,630	15,008	4,312	19,320	70,415	24,389	94,804
71100	Motor Vehicle Operation	5	5	9	11	3	14	9	3	12
71200	Awards and Indemnities	2,125	2,125	4,250	3,943	1,156	5,099	2,110	709	2,818
71300	Subsidies to Other State Agencies	4,840,336	957,625	5,797,961	2,789,763	2,191,076	4,980,840	3,982,565	2,298,568	6,281,133
71301	Grants and Subsidies to Counties								132	132
71303	Grants and Subsidies to School Districts		85,234,807	85,234,807		84,920,480	84,920,480		84,609,466	84,609,466
71304	Grants and Subsidies to 501(c)(3) Org	2,725,342	755,768	3,481,110	2,433,076	3,825,814	6,258,891	3,358,496	6,140,790	9,499,286
71306	Payments to Individuals	41,180,028	13,384,813	54,564,842	35,141,332	11,767,580	46,908,912	41,293,295	13,800,095	55,093,389
71307	Non-medical Payments	16	24	40	903,217	301,072	1,204,289	53,016	105,471	158,487
71312	Payments for Foster Child Care and Adoption Asst	1,857		1,857	(22)	(7)	(29)	890	297	1,186
71313	Other Reportable Payments				4,125	8,375	12,500	44,687	12,916	57,603
71399	Other Grant Payments	51,108	17,036	68,144	561,291	187,097	748,388	2,651,322	883,774	3,535,096
71400	Unclassified	3,624	3,624	7,247						
71600	Equipment	9,334	9,334	18,667	1,955	1,955	3,911			
72100	Training	37,915	18,947	56,862	12,397	10,034	22,431	24,255	7,331	31,586
72200	Third Party Data Processing	538,668	503,133	1,041,801	774,160	275,338	1,049,498	911,407	120,570	1,031,977
72500	Professional Services by State Agency	495,115	641,962	1,137,077	4,380,530	1,710,296	6,090,825	4,141,432	1,484,232	5,625,664
89040	Indirect Cost	11,766		11,766	24,363		24,363	15,339		15,339
	Total	**66,223,917**	**115,282,277**	**181,506,195**	**67,683,772**	**110,849,226**	**178,532,998**	**73,431,775**	**116,260,465**	**189,692,239**

89040 Indirect Cost includes expenses for facilities and administration, such as maintenance or depreciation of state buildings, interest on debt tied to state buildings, or costs related to accounting or human resources. Although these costs apply generally to TANF, an exact dollar amount cannot be attributed to the grant, and so an estimate is used instead. These costs are not paid directly by DHS, but since TANF is a reimbursement grant, the federal government will not disburse funds for these costs unless a specific amount is billed. As such, 89040 Indirect Cost is used to draw down the estimated indirect cost of facilities and administration, and is included in this table because DHS received federal funding for those amounts.

Appendix B: 2017 through 2019 TANF expenditures – separated by agency

Department of Human Services

		2017			2018			2019		
Account	Description	Federal	State	Total	Federal	State	Total	Federal	State	Total
65007	Refund of PY Expenditures		(6,880)	(6,880)		(7,351)	(7,351)		(6,338)	(6,338)
68012	Refund of PY Federal Expenditures	(11,562)		(11,562)	(18,361)		(18,361)	(14,269)		(14,269)
70100	Salaries and Wages	1,233,715	7,058,752	8,292,468	9,289,247	1,917,978	11,207,225	8,606,726	2,876,680	11,483,406
70102	Longevity and Bonuses	156,148	226,184	382,332	382,989	82,570	465,560	358,768	119,815	478,583
70104	Overtime	4,056	8,403	12,459	48,501	15,157	63,658	34,267	11,424	45,691
70200	Employee Benefits	2,055,768	3,623,849	5,679,617	4,959,709	1,006,915	5,966,624	4,322,198	1,444,047	5,766,245
70300	Travel	106,130	116,049	222,180	130,127	22,751	152,878	117,415	39,260	156,674
70400	Printing and Duplicating	133	133	265	38	(56)	(18)	145	139	285
70500	Utilities and Fuel				158	159	317			
70600	Communications	179,752	371,632	551,384	357,782	71,790	429,572	369,079	123,076	492,155
70700	Maintenance and Repairs	18,891	18,829	37,720	2,218	(2,973)	(755)	191	64	254
70800	Court Reporter Services				11	4	14			
70802	Document Destruction Services	3,792	3,792	7,584	12,363	3,406	15,769	8,824	2,946	11,770
70803	General Business Consulting Services	468,853	468,853	937,706	168,994	53,761	222,755	154,511	111,826	266,337
70804	Medical Services	30,283	44,860	75,143	22,519	13,469	35,988	14,578	4,766	19,344
70805	Attorney Fees	385	385	769	36	12	48	27	9	36
70806	Advertising Services	50	50	99	292	76	369	727	243	970
70807	Organization Memberships and Dues	3,983	2,727	6,710	1,277	425	1,702	3,262	1,088	4,350
70808	Publication Subscriptions	59,747	59,747	119,494	144,344	39,594	183,938	348,927	116,284	465,210
70811	Interpreting Services	41,971	36,891	78,862	54,137	16,350	70,487	48,952	13,532	62,484
70812	Architect and Engineers				2	1	3	(1)	1	—
70814	Travel by Third Party Vendors	5	5	10	34	11	45	19	7	26
70816	Other Legal Services	102,641	29,269	131,911	66,498	132,953	199,451	71,123	144,157	215,280
70899	Other Third Party Professional Services	11,826,466	1,024,516	12,850,982	4,951,747	1,678,630	6,630,376	2,377,020	1,154,126	3,531,146
70900	Supplies and Materials	34,156	36,924	71,081	63,961	16,676	80,637	60,049	19,993	80,042

		2017			2018			2019		
Account	**Description**	**Federal**	**State**	**Total**	**Federal**	**State**	**Total**	**Federal**	**State**	**Total**
71000	Rentals and Insurance	11,319	11,173	22,492	15,008	3,143	18,151	70,415	23,368	93,782
71100	Motor Vehicle Operation	5	5	9	11	3	14	9	3	12
71200	Awards and Indemnities	2,125	2,125	4,250	3,943	1,156	5,099	2,110	709	2,818
71300	Subsidies to Other State Agencies	4,840,336	593,269	5,433,605	2,789,763	1,787,278	4,577,041	3,982,565	1,676,282	5,658,847
71301	Grants and Subsidies to Counties								132	132
71304	Grants and Subsidies to 501(c)(3) Org	2,725,342	753,087	3,478,429	2,433,076	3,825,814	6,258,891	3,358,496	6,140,790	9,499,286
71306	Payments to Individuals	41,180,028	13,384,813	54,564,842	35,141,332	11,767,580	46,908,912	41,293,295	13,800,095	55,093,389
71307	Non-medical Payments	16	24	40	903,217	301,072	1,204,289	53,016	105,471	158,487
71312	Payments for Foster Child Care and Adoption Asst	1,857		1,857	(22)	(7)	(29)	890	297	1,186
71313	Other Reportable Payments				4,125	8,375	12,500	44,687	12,916	57,603
71399	Other Grant Payments	51,108	17,036	68,144	561,291	187,097	748,388	2,651,322	883,774	3,535,096
71400	Unclassified	3,624	3,624	7,247						
71600	Equipment	9,334	9,334	18,667	1,955	1,955	3,911			
72100	Training	37,915	12,447	50,362	12,397	8,959	21,356	24,255	7,041	31,296
72200	Third Party Data Processing	538,668	500,824	1,039,491	774,160	272,676	1,046,836	911,407	112,519	1,023,926
72500	Professional Services by State Agency	495,115	572,396	1,067,510	4,380,530	1,632,281	6,012,811	4,141,432	1,413,738	5,555,170
89040	Indirect Cost	11,766		11,766	24,363		24,363	15,339		15,339
Total Department of Human Services		**66,223,917**	**28,985,125**	**95,209,042**	**67,683,772**	**24,859,690**	**92,543,463**	**73,431,775**	**30,354,278**	**103,786,052**

89040 Indirect Cost includes expenses for facilities and administration, such as maintenance or depreciation of state buildings, interest on debt tied to state buildings, or costs related to accounting or human resources. Although these costs apply generally to TANF, an exact dollar amount cannot be attributed to the grant, and so an estimate is used instead. These costs are not paid directly by DHS, but since TANF is a reimbursement grant, the federal government will not disburse funds for these costs unless a specific amount is billed. As such, 89040 Indirect Cost is used to draw down the estimated indirect cost of facilities and administration, and is included in this table because DHS received federal funding for those amounts.

Department of Education

		2017	2018	2019
Account	**Description**	**State**	**State**	**State**
65007	Refund of PY Expenditures	(6,555)	(76,015)	(10,200)
70100	Salaries and Wages	445,328	443,808	434,123
70102	Longevity and Bonuses	3,953	16,375	8,052
70200	Employee Benefits	143,068	165,157	151,405
70300	Travel	16,426	28,208	6,989
70400	Printing and Duplicating			2
70600	Communications	1,221	1,140	1,101
70700	Maintenance and Repairs		43	4
70800	Court Reporter Services		319	
70802	Document Destruction Services	21	24	38
70807	Organization Memberships and Dues	973	509	
70808	Publication Subscriptions	579		266
70811	Interpreting Services	110	129	
70814	Travel by Third Party Vendors	1		
70899	Other Third Party Professional Services	425	210	893
70900	Supplies and Materials	10,246	2,427	1,906
71000	Rentals and Insurance	1,138	1,169	1,021
71300	Subsidies to Other State Agencies	364,356	403,798	622,286
71303	Grants and Subsidies to School Districts	85,234,807	84,920,480	84,609,466
71304	Grants and Subsidies to 501(c)(3) Org	2,681		
72100	Training	6,500	1,075	290
72200	Third Party Data Processing	2,310	2,662	8,051
72500	Professional Services by State Agency	69,566	78,015	70,494
Total Department of Education		**86,297,152**	**85,989,536**	**85,906,187**