

UNDERSTANDING TANF FUNDING

HOW TANF FUNDS ARE DISBURSED

The Temporary Assistance for Needy Families (TANF) program operates on a federal fiscal year funding cycle in which states receive block grant allocations annually. Federal law permits states to carry over unspent TANF funds and obligate them over a five-year period. This means that funds received in a given federal fiscal year do not expire at the end of that year — they remain available for use across a rolling five-year window.

As a result, a state's total TANF balance at any point in time will reflect an accumulation of funds received across multiple fiscal years, each subject to its own five-year obligation deadline. This carry-over structure is by design and is intended to give states flexibility in planning and deploying services for families in need.

It does not mean that the full accumulated balance is freely available or uncommitted. A significant portion of those funds is already obligated, allocated, or assigned to existing programs, contracts, and service areas.

KEY FACTS:

FUNDING CYCLE	Annual federal block grant, with funds received each federal fiscal year.
CARRY-OVER PERIOD	Federal law permits states to obligate TANF funds over a five-year rolling window.
BALANCE REFLECTS	Multiple years of funding accumulation — not a single-year surplus.
COMMITTED FUNDS	A significant portion is already obligated, allocated, or assigned to active programs and contracts.

UNDERSTANDING THE FEDERAL 196R REPORT

The federal 196R report is a quarterly snapshot that reflects what the federal government understands to have been expended and what remains unobligated — based on federal definitions and the data available at the time of submission. It is not an internal spending plan, and it does not capture MDHS's own determinations of how funds are designated or will be used.

Critically, the 196R is not a real-time accounting of the agency's full financial picture. Between each quarterly 196R submission, MDHS is actively and continuously awarding new subgrants and closing out existing subgrants. This ongoing activity means that the agency's internal obligation and assignment of funds is always more current than what any single 196R report reflects.

What may appear as "unobligated" in a federal report at a given moment in time may already be in the process of being awarded, assigned, or closed out through MDHS's normal subgrant management cycle.

THE 196R IS:	THE 196R IS NOT:
<ul style="list-style-type: none">• A quarterly federal snapshot of expenditures and unobligated balances at the time of submission• Based on federal definitions of "unobligated"• A tool for federal oversight and reporting compliance	<ul style="list-style-type: none">• A real-time accounting of MDHS's internal fund assignments• A reflection of subgrants awarded or closed since the last submission• An indicator of funds freely available for new programming

FUNDING ALLOCATION TERMINOLOGY

The following definitions are critical to accurately interpreting TANF fund reports and communications. These terms are frequently used interchangeably in public discourse — but they carry distinct and consequential meanings.

TERMS	DEFINITION	PRACTICAL MEANING
UNALLOCATED	Money received but not yet divided or categorized.	Available funds that have not been assigned to a program area, subcontract, or service area.
UNASSIGNED	Money that has not been set aside for use and has not been given to a program area, subcontract, or service area.	Available funds that do not have a designation and have not been awarded.
OBLIGATED	Money assigned and awarded through a specific contract or agreement, even if it has not been spent.	Available funds that have been designated and assigned through a formal contract.
UNOBLIGATED	Money that is not committed or tied to a contract.	Funds remaining within a spending category that have not been signed into an agreement.

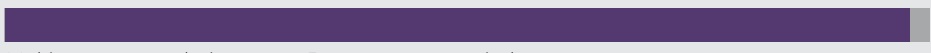



QUICK REFERENCE KEY

Unallocated = Available, but undivided
 Unassigned = Set aside and unawarded

Obligated = Committed, not yet spent
 Unobligated = Uncommitted, but available within a spending category

TANF FUND ALLOCATION - VISUAL OVERVIEW

The chart below illustrates the critical distinction between what the federal 196R report identifies as unobligated and what MDHS has determined to be truly unassigned and available for new programming.

FUND CATEGORY	AMOUNT	VISUAL COMPARISON & NOTES
Total TANF Carryover Balance	~\$196M	 <i>Multi-year accumulation across 5-year carry-over window</i>
Obligated/Assigned Funds	~\$169M	 <i>Committed to active programs, contracts, and subgrants</i>
Unobligated (per 196R, Federal)	~\$150M	 <i>Federal quarterly snapshot - does NOT reflect MDHS internal subgrant activity</i>
Truly Unassigned Funds (MDHS)	\$27M	 <i>Actual amount available for new programs per MDHS internal accounting</i>

Note: Values are approximate and presented for illustrative comparison. The \$27M figure reflects MDHS's internal determination of truly unassigned funds.

CORRECTING THE MISINTERPRETATION OF THE 196R

Characterizing the full balance reflected in the 196R as freely available funding is a misinterpretation of the report's purpose and limitations. The 196R was not designed to serve as an internal financial management tool — it is a federal reporting mechanism that captures a point-in-time picture of expenditures and unobligated funds as the federal government defines them.

Citing the 196R's unobligated figure as the amount of money MDHS has available to spend on new programs ignores the active and ongoing nature of the agency's subgrant management, the multi-year accumulation of funds across the five-year carry-over window, and the distinction between federal and state-level definitions of obligation.

KEY TAKEAWAY

The federal 196R report reflects a quarterly snapshot of what the federal government considers unobligated — approximately \$150 million. This figure has been cited by outside parties as representing freely available funds. It does not. **MDHS's internal accounting — which incorporates active subgrant awards and closures not yet captured by the 196R — identifies only \$27 million as truly unassigned and available for new programming.**

The difference is not a discrepancy — it is a function of how and when federal reporting captures state-level activity.