The Need for *Common-Sense* Conservative Welfare Reform: Ten Questions for House Speaker Paul Ryan

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In your December 3rd speech at the Library of Congress, you laid out your vision for 2016. Much of what you said resonated with me, most notably:

> Do we [conservatives] really believe our philosophy is true? Do we have the best ideas? If so, then I don't see any reason why we should hold back.[2]

I do believe the conservative philosophy is true. I do think conservatives have some of the best ideas. But, when it comes to welfare reform, conservatives have been unable to translate their ideas into effective policies. So, yes, there is a reason to hold back.

Like many conservatives, you seem to believe the 1996 welfare reform has been a success. In this regard, you remarked:

> In 1996, we created a work requirement for welfare. But that was just one program. We have to fix all the others now.[3]

The suggestion that the creation of the Temporary Assistance for Needy Families (TANF) block grant created a "work requirement" and "fixed" a welfare program is, by any objective analysis, wrong. While the law sent a symbolic message about the importance of work requirements and time limits, in practice, neither of these elements have been implemented in the way Congress intended. In fact, TANF is not "welfare reform" at all, but a fixed and flexible funding stream that has failed to provide an adequate safety net or an effective welfare-to-work program. In many states, it has become a slush fund used to supplant state spending and fill budget holes.

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[1] The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I consider myself a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush. I welcome comments and suggestions; I can be reached at petergermanis1@gmail.com. This paper assumes the reader has a basic understanding of the TANF program, but for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: http://mlwiseman.com/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf.

[2] Speaker Paul Ryan, "#ConfidentAmerica: Full Text of Speaker Ryan's Remarks at the Library of Congress," December 3, 2015, available at: http://www.speaker.gov/press-release/full-text-speaker-ryans-remarks-library-congress.

[3] *Ibid.*

Nevertheless, in your speech and on numerous other occasions, you have held TANF out as a model to be replicated. For example, writing in 2013 for the *Wall Street Journal*, you said:

> After the welfare reforms of 1996, child poverty fell by double digits. This budget extends those reforms to other federal aid programs. It gives states flexibility so they can tailor programs like Medicaid and food stamps to their people's needs. It encourages states to get people off the welfare rolls and onto payrolls. We shouldn't measure success by how much we spend. We should measure it by how many people we help. Those who protect the status quo must answer to the 46 million Americans living in poverty.[4]

And, you reiterated this message in your speech:

> I'd combine a lot of them [welfare programs] and send that money back to the states for better poverty-fighting solutions. Require everyone who can to work. Let states and communities try different ideas. And then test the results.[5]

I do not support the status quo, but TANF is not a model that should be replicated. I am a proponent of state experimentation, but unlike TANF, such experimentation should be subject to strict accountability controls and include provisions for rigorous evaluation. We should not give states a blank check and we should ensure that they have the resources to do the job. The issue of resources need not be about more money, but it should ensure that states don't treat dollars intended for the poor as a giant slush fund as they have under TANF. As Ron Haskins, the primary staff person responsible for the 1996 law, recently observed regarding TANF's record, "States did not uphold their end of the bargain. So, why do something like this again?"[6] Until conservatives learn the lessons of TANF, they are not prepared to undertake more comprehensive reforms like "Opportunity Grants" or extend work requirements to other programs.[7]

I base my views on my experiences in the Reagan Administration. President Reagan's 1986 welfare reform proposal, described in a report called *Up from Dependency: A New National Public Assistance Strategy* was a more comprehensive version of your "Opportunity Grants" proposal. Although Congress did not pass President Reagan's legislation, the exercise ultimately resulted in an interagency waiver process for welfare reform (using existing waiver authority) and the Family Support Act of 1988, which imposed the first real work requirements on states. The vast flexibility provided through the AFDC waiver process led to the political support for the 1996 welfare reform legislation, including the TANF program. But, unlike TANF, that

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[4] Paul Ryan, "The GOP Plan to Balance the Budget by 2023," *The Wall Street Journal*, March 12, 2013, available at: http://www.wsj.com/articles/SB10001424127887323826704578353902612840488.

[5] Speaker Paul Ryan, "#ConfidentAmerica: Full Text of Speaker Ryan's Remarks at the Library of Congress," December 3, 2015, available at: http://www.speaker.gov/press-release/full-text-speaker-ryans-remarks-library-congress.

[6] Eduardo Porter, "The Republican Party's Strategy to Ignore Poverty," *The New York Times*, October 27, 2015, available at: http://www.nytimes.com/2015/10/28/business/economy/a-strategy-to-ignore-poverty.html.

[7] For more detail on comprehensive conservative proposals for reform, see: Peter Germanis, "How to Really Discuss Poverty like Grown-Ups: A Cautionary Tale about 'Opportunity Grants,' the 'Flex Fund,' and 'Serious' Conservative Anti-Poverty Strategies," November 4, 2015.

approach did require accountability. It had strong cost neutrality and evaluation requirements and its focus was on reducing dependency by giving poor families a hand-up, not a hand-out. Unfortunately, TANF has virtually no meaningful accountability, there is no focus on results (beyond looking at caseload declines), and it has become welfare for states – not for needy families. It has failed the poor and taxpayers alike.

Ten Questions for Speaker Ryan

TANF has been a massive policy failure; it defies common sense. If conservatives want to be seen as serious anti-poverty thinkers, they should ask themselves the following 10 questions about TANF (and any welfare reform proposal).

1. Does it make sense to have work requirements that don't work?
2. Does it make sense to have a funding structure for a safety net program that is unresponsive to changes in economic and demographic circumstances?
3. Does it make sense to give states so much flexibility they can count virtually any expenditure as "reasonably calculated" to advance a TANF purpose?
4. Does it make sense to permit states to use TANF funds to supplant existing state expenditures and use it as a giant slush fund?
5. Does it make sense to replace a simple and effective federal-state matching approach with an ineffective, Rube Goldberg-like financing scheme?
6. Does it make sense to give states so much flexibility they can duplicate the benefits and services of dozens of other low-income programs with virtually no accountability?
7. Does it make sense to provide funding for safety net programs that have either no income limit or that permit states to set very high income limits?
8. Does it make sense to impose rules that are ineffective and/or needlessly complicated?
9. Does it make sense to ignore evidence-based research?
10. Does it make sense to use TANF as a model for reforming other welfare programs?

The answer to each question should be "NO," but TANF has failed with respect to each of the first nine questions and thus should not be a model for reforming other welfare programs. I demonstrate this below, including examples from three states: Wisconsin, Michigan, and Texas. I could pick virtually any state, but I chose these because they represent the states of the current and former *conservative* chairmen of the House Ways and Means Committee (Speaker Ryan, former Rep. Camp, and current Chairman Brady). Each of you has pronounced TANF a success, even as TANF has failed to deliver in your own state. But, make no mistake about it; TANF is failing everywhere, because it is a block grant that provided states excessive flexibility.

The ancient Greek philosopher, Diogenes of Sinope, once said, "Other dogs bite only their enemies, whereas I bite also my friends in order to save them." I am trying to save conservatives and to help you not only "talk the talk," but also "walk the walk."

#1) Does it make sense to have work requirements that don't work?

Speaking to the Heritage Foundation in September 2012, you said:

> [The 1996 welfare reform law] is the crown jewel and the centerpiece of some of the most successful social policy legislation we've passed. It lowered child poverty rates, it moved people from welfare to work — because of these work requirements.[8]

Writing about the politics of the 1996 legislation, Robert Rector of the Heritage Foundation stated: "It isn't enough to get the technical details of a policy right. Words and symbols matter, too."[9] I could not agree more. Unfortunately, when it comes to the TANF legislation, Congress got virtually every technical detail wrong.

While the law sent a symbolic message about the importance of work requirements, Congress gutted the modest AFDC/JOBS work requirements in enacting the 1996 law. It diluted them by adding a caseload reduction credit and creating an array of loopholes made possible by the block grant structure and wording of the law. I describe these in detail in my July 2015 paper, *TANF is Broken! It's Time to Reform "Welfare Reform,"* in a section titled, "TANF Work Requirements: An Epic Fail." It describes 10 major provisions (and loopholes) that have weakened the work requirements, including the caseload reduction credit (a conceptually flawed provision), separate state programs (SSPs) and solely state funded programs that remove families not likely to count in the work rates, and gimmicks such as paying token benefits to SNAP families with a child and enough hours to count in the work rate. These gimmicks are perfectly legal and permitted solely because of the way the law was drafted.[10] As a result, most states never mounted work programs on a large scale. While some states did operate serious work programs, it was because the states chose to do so as a matter of state policy, not federal work requirements.

Congress' attempt to close loopholes in the Deficit Reduction Act of 2005 was another failure – it simply led to other loopholes. Indeed, throughout most of the FY 1998 to FY 2011 period, 20 to 30 states had a 0 percent work target (meaning that in order to avoid a penalty, they had to engage 0 percent of their caseload a certain number of hours per week in the statutorily prescribed work activities). Since FY 2012, these targets have been raised in many states because of changes to the caseload reduction credit, so states have focused more on other loopholes – all directly or indirectly the result of the way Congress itself wrote the law.

Conservatives seem unaware of the fact that they themselves gutted the work requirements. This is perhaps best illustrated in their reaction to the Obama Administration's guidance giving states

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[8] Cited in Rob Bluey, "Paul Ryan: HHS Welfare Work Waiver Will Undermine 1996 Reforms," *The Daily Signal*, September 13, 2012, available at: http://dailysignal.com/2012/09/13/paul-ryan-hhs-welfare-work-waiver-will-undermine-1996-reforms/.

[9] Robert Rector, "Bill Clinton was Right," *The Washington Post*, August 23, 2006.

[10] I don't blame any state for taking advantage of these gimmicks, because the TANF model makes it virtually impossible to meet the statutory rates straight up, but I would like to see Congress design a reasonable safety net program with reasonable and meaningful work requirements that do more to help needy families.

more flexibility to test alternative welfare-to-work programs.[11] Conservative critics wrote article after article claiming that President Obama was gutting TANF's work requirements, with sensationalist headlines like "Obama Administration Ends Welfare Reform as We Know It" and "How Obama has Gutted Welfare Reform." Regardless of the substance of the waiver proposal, the fact of the matter is that Congress itself gutted work requirements when it created TANF in 1996.

A full discussion of work requirements is beyond the scope of this paper, but one example is particularly instructive in terms of showing how Congress both gutted the work requirements and apparently did not realize it. In 2011, Governor Kasich of Ohio submitted a corrective compliance plan to address three years of failing to meet work rates (2007 to 2009 – before he became governor)[12] in an attempt to avoid about $135 million in penalties. The central element of the corrective compliance plan had nothing to do with engaging more families in work activities. Instead, the plan would make $10 payments to SNAP participants who have a child and have enough work hours to be counted toward the TANF work rate.[13] Here is how officials at the Ohio Department of Jobs and Family Services (ODJFS) describe the action:

> ODJFS also initiated the Ohio Works Now Program, which provided a $10 monthly OWF benefit to families on the Food Assistance Program who were working. By receiving this benefit, these working families could be counted toward the state's TANF work participation rate. This program was only in effect from January to June 2012. About 72,323 assistance groups received benefits on average each month. Benefits totaled $4.3 million and were paid from TANF funds.[14]

So, by investing $4.3 million in what is really a gimmick, the state gutted the work requirement in FY 2012 and in doing so not only met the overall rate for that year, but potentially reduced a significant share of penalties from prior years.[15] This did virtually nothing to help low-income families get jobs and wasted federal and state staff time dealing with a gimmick. Whatever one thinks about the waiver proposal, any "gutting" through waivers would have paled in comparison to this and other gimmicks states use under TANF – all of which Congress created. In FY 2015, nearly one-sixth of the TANF/SSP caseload is comprised of families receiving token benefits solely to game the work rate. This is not welfare reform!

A good example of a state gaming the work rates using *multiple* loopholes year-after-year is Wisconsin's neighbor – Michigan. In FY 2012, the latest year for which data are available, Michigan achieved an overall work participation rate of 43.1 percent, exceeding its target rate of

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[11] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "TANF-ACF-IM-2012-03 (Guidance concerning waiver and expenditure authority under Section 1115)," July 12, 2012, available at: http://www.acf.hhs.gov/programs/ofa/resource/policy/im-ofa/2012/im201203/im201203.

[12] Ohio failed the overall work rate in FY 2010 and FY 2011 and the two-parent rate in FY 2012.

[13] See: John Kasich, Executive Order 2011-19K, http://www.governor.ohio.gov/Portals/0/pdf/executiveOrders/2011-19K.pdf.

[14] Thomas A. Celmar and Justin Pinsker, *Legislative Service Commission: Analysis of the Executive Budget Proposal*, February 2013, p. 18, available at: http://www.lsc.state.oh.us/fiscal/redbooks130/jfs.pdf.

[15] The state met the overall work rate for 2012, but failed to meet the two-parent work rate, despite the use of this gimmick. See HHS table 1A at: http://www.acf.hhs.gov/sites/default/files/ofa/wpr2012_final.pdf.

37.5 percent (the 50 percent statutory rate reduced by a 12.5 percentage point caseload reduction credit). But, Michigan was only able to meet TANF's work rate and avoid potential federal penalties by taking advantage of a number of loopholes. Specifically, it artificially reduced its denominator by moving nearly one-quarter of its caseload (cases that don't help it meet the rate) to a solely state funded program not subject to TANF's work requirements (including all of its two-parent families so it is not subject to the two-parent rate at all), artificially inflated its numerator by providing token benefits of $10 to families that would otherwise have left the rolls, and artificially inflated its caseload reduction credit by hiring a consultant to find more maintenance-of-effort (MOE) funds the state could count and thus lowered its target rate by taking advantage of the "excess MOE" provision (see Germanis, July 2015, for a discussion of this provision). It also cut its caseload sharply by adopting stricter time limits, so it had fewer cases to deal with. It would be one thing if the state had invested in programs to help recipients make the transition to self-sufficiency, but in FY 2012 Michigan just spent 5 percent of its TANF/MOE dollars on work activities.[16]

The most disappointing way some states have met work requirements is by slashing TANF caseloads even as the number of families in deep poverty has risen. Current Ways and Means Chairman Kevin Brady from Texas recently said: "I strongly believe federal programs shouldn't trap Americans in poverty. That's why we're going to continue to advance legislation to reform our nation's welfare programs. Along the way we will focus on modern anti-poverty solutions proven to help move Americans from government benefit checks to real paychecks and the unlimited opportunity our people deserve."[17] The search for "modern anti-poverty solutions" should begin with the rejection of the TANF model. In Texas, between 1994/95 and 2013/14 the number of poor families with children rose from 552,200 to 707,100, as did the number in deep poverty, from 218,600 to 281,000. Meanwhile, the TANF caseload plummeted, from 257,800 to 34,300. As a result, the TANF-to-poverty ratio in Texas fell from 47 to 5.[18] In FY 2014 it spent just 7 percent of its TANF/MOE funds on basic assistance.[19] <u>TANF's work requirements in Texas are largely irrelevant – virtually no one receives cash assistance!</u> Even so, for the two-parent rate, the state used the solely state funded loophole to avoid that requirement altogether.

What about Wisconsin? To its credit, Wisconsin has not relied on loopholes, but it also can't seem to meet TANF's work requirements.[20] The state faced a 50 percent work rate target in FY 2012 through at least FY 2014 according to the Wisconsin Legislative Fiscal Bureau and it is expected to fail to meet the work requirement each of these years.[21] (Indeed, HHS data confirm

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[16] Administration for Children and Families, Office of Family Assistance, TANF Financial Data – FY 2014," July 7, 2015 available at: http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2014.

[17] Kevin Brady, "House Votes to Save Welfare to Work Law," Press Release, September 20, 2012, available at: http://kevinbrady.house.gov/news/documentsingle.aspx?DocumentID=395191.

[18] Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," October 27, 2015, available at: http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net.

[19] Administration for Children and Families, Office of Family Assistance, TANF Financial Data – FY 2014," July 7, 2015 available at: http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2014.

[20] The state has sharply increased its MOE claims, presumably to qualify for a larger caseload reduction credit through the "excess MOE" provision, but it does not appear to have benefitted from this provision because its caseload increase has more than offset the "credit" earned from the added MOE claims.

[21] Wisconsin Legislative Fiscal Bureau, *Wisconsin Works (W-2) and Other Economic Support Programs*, January 2015.

this failure for FY 2012.[22]) Thus, Wisconsin faces the prospect of significant penalties. Part of Wisconsin's problem is the block grant funding structure, which made no adjustment for inflation, the sharp increase in the number of poor families with children, and the excessive flexibility that allowed state politicians to divert TANF resources away from core welfare reform activities to fill budget holes (discussed in more detail below).

Aside from the block grant structure, another problem is the restrictive nature of TANF's countable work activities, which are based on an outdated and limited reading of past research (also discussed in more detail below). In this regard, welfare administrators in states represented by reform-minded politicians such as Representative Ryan and Governor Walker of Wisconsin, and Governor Kasich of Ohio, have submitted testimony to urge Congress to make modifications to TANF's work requirements to make them more effective. For example, Cynthia Dungey, Director of the Ohio Department of Job and Family Services, in written testimony submitted for the record recommended "changing a number of federal TANF rules that make it difficult to customize case management based on an individual's employment readiness needs."[23] Among the changes she recommended include removing the distinction between core and non-core activities, increasing the 12-month limit on counting time in vocational education to 36 months, and modifying some of the time limits on counting job search and job readiness assistance. And, the Kasich Administration recently submitted a request for waivers of TANF's welfare-to-work rules under the aforementioned HHS guidance.[24] Why was it gutting welfare reform when President Obama proposed waivers to test alternatives to the existing work rate structure, but not when state officials representing Governor Walker and Governor Kasich make similar recommendations?

Speaker Ryan, in February 2015, you wrote:

> Preserving the work requirement—not weakening it—is the least we can do to promote opportunity for those who need it the most. This principle is critical to helping people get back on the payroll and building a healthier economy for all.[25]

TANF's work requirements have never worked. The block grant structure has created a situation in which many states don't have the resources to run meaningful welfare-to-work programs, as the amount is not adjusted for inflation or demographic changes. And, the excessive state flexibility means that states can game the requirements to meet the work rate and, worse, divert the funds to uses unrelated to core welfare reform activities. And, as discussed in more detail

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[22] Office of Family Assistance, Administration for Children and Families, "Work Participation Rates – Fiscal Year 2012," May 29, 2015, available from: http://www.acf.hhs.gov/programs/ofa/resource/wpr2012. Wisconsin also failed to the meet the 90 percent two-parent work requirement, a requirement about half the states have gamed by using a solely state funded program.

[23] Written testimony of Cynthia Dungey, Director of the Ohio Department of Job and Family Services, submitted to the U.S. House Ways and Means Committee, Subcommittee on Human Resources, July 15, 2015, available at: http://humanservices.ohio.gov/WorkArea/DownloadAsset.aspx?id=2147639143.

[24] Catherine Candisky, "Ohio wants easing of federal welfare-to-work rules," *The Columbus Dispatch*, November 2, 2015, available at: http://www.dispatch.com/content/stories/local/2015/11/02/easing-of-work-rule-requested.html.

[25] House Ways and Means Committee, "Reed Introduces Bill to Preserve Work Requirements in Welfare," February 27, 2015, available at: http://waysandmeans.house.gov/reed-introduces-bill-to-preserve-work-requirements-in-welfare/. The irony of this title is that it suggests that preserving the status quo somehow ensures meaningful work requirements.

below, the design of the work requirements was based on a narrow and misleading review of the research – a reading that does not promote the skill-building that would actually help families escape poverty.

#2) Does it make sense to have a funding structure for a safety net program that is unresponsive to changes in economic and demographic circumstances?

Robert Doar of the American Enterprise Institute recently proclaimed TANF a success:

> Based on 20 years of program performance, we can say that TANF has been a success. …TANF is a bright spot: Few programs have generated such strong gains in poverty reduction and employment. The program's robust work requirement, accountability of state performance, and expanded administrative flexibility all helped raise the labor force participation of never-married mothers from 59.5 percent in 1995 to 73.8 percent in 2001 and reduce their poverty rate from 51 percent to 38.5 percent over the same time period.[26]

His claim is typical of conservative assessments of TANF. It relies on cherry picking the time frame and looking at simplistic comparisons of poverty rates and other outcomes. TANF wasn't implemented in most states until the beginning of 1997[27], so Doar gives credit for positive effects that occurred before it even existed. Both employment rates and poverty rates started improving in 1992 and would have continued to do so in the absence of TANF. But, more important, after talking about "20 years of program performance," Doar cites figures through 2001. It is now 2016! The positive outcomes Doar is referring to have largely disappeared in the years after 2001. Doar picked a time period of strong economic growth and expanded aided to the working poor, particularly the expansion of the Earned Income Tax Credit. And, states were already implementing welfare reform under a process started by President Reagan that allowed states to experiment with changes to their AFDC programs by granting waivers (subject to rigorous evaluation – typically random assignment – and cost neutrality), an approach continued by President Bush and President Clinton. When the 1996 law passed, many states simply continued these policies – they didn't need TANF to enact "welfare reform."

What happens if we extend the analysis over a longer period of time? Between 1996 and 2014, the number of poor families with children rose from 6,400,950 to 7,068,069 (with an intermediate peak of 7,373,065 in 2011).[28] Despite the rise in poverty, TANF cash assistance caseloads plummeted, from 4,380,430 in 1996 to 1,643,160 in 2014. As a result, the TANF-to-poverty ratio, which measures the number of families that received cash benefits from TANF for every 100 families with children in poverty, declined from 68 to 23. If conservatives are going to claim TANF is successful in reducing poverty, then why has the number of poor families grown by nearly 670,000, while the number receiving assistance fallen by over 2.7 million?

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[26] See Robert Doar, "TANF has been a success – Let's make it better," American Enterprise Institute, September 29, 2015, available at: https://www.aei.org/publication/tanf-has-been-a-success-lets-make-it-better/ and Peter Germanis, "TANF is a massive policy failure – Let's start over: A Response to Robert Doar," October 22, 2015.

[27] States implemented TANF between September 30, 1996, and July 1, 1997.

[28] All the statistics in this paragraph are from: Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," October 27, 2015, available at: http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net.

In Wisconsin, Michigan, and Texas the disparities are even worse, as reflected in the sharper decline in the TANF-to-poverty ratio. Moreover, in 1995-96, the average monthly AFDC caseload exceeded the number of families in *deep* poverty (the number of families with incomes below 50 percent of the poverty thresholds) in all three states, but by 2013-2014 none of the states came even close to serving all of the families in *deep* poverty. Table 1 below shows these figures, though I changed the acronym for TANF to "This is a National Failure." How can anyone look at these figures and think TANF has been a success in reducing poverty?

Table 1
TANF: This is a National Failure

Year* and Region	TANF caseload	Families with children in poverty	Families with children in deep poverty	TANF-to-poverty ratio
U.S.				
1996	4,380,430	6,400,950	-	68
2014	1,643,160	7,068,069	-	23
Wisconsin				
1995-96	63,100	77,500	22,000	81
2013-14	26,200	99,400	44,300	26
Michigan				
1995-96	183,800	208,200	89,100	88
2013-14	39,000	213,000	93,900	18
Texas				
1995-96	257,800	552,200	218,600	47
2013-14	34,300	707,100	281,000	5

*Two-year averages are used for state-specific poverty numbers to reduce sampling error.
Source: Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," October 27, 2015, available at: http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net.

Exhibit 1, "A Tale of Two Governors: The Best of Times and the Worst of Times (The Wisconsin Story)" explains how the block grant structure with excessive state flexibility has led to TANF's demise as a safety net program, using Wisconsin as an example. In particular, it demonstrates how it has been unresponsive to economic and demographic factors, so even if one believes TANF worked in the 1990s, it could not possibly work today.

How do conservatives respond to these statistics? Usually, they don't. But, if they do, they will inevitably point out that welfare spending as a whole has grown and that other parts of the safety net have expanded. This is true, but these expansions have primarily been for those who work; TANF is primarily a program for the non-working poor. Between 1996 and 2014, spending on cash assistance through AFDC/TANF has declined by 75 percent in real terms (2014 dollars), from $30.8 billion to $8.4 billion, despite the fact that the number of poor families grew by 10 percent. Conservatives seem to have no trouble spending tens of billions of dollars to support the expansion of tax credits for low-income families, many with incomes above poverty, but they have largely abandoned the poorest families – the non-working poor. I would argue that our priorities should be reversed – we should first focus our efforts on the poorest families, and as this document illustrates, TANF is not that solution, nor is any conservative plan based on the premise that TANF is an "unprecedented success."

Exhibit 1
A Tale of Two Governors: The Best of Times and the Worst of Times
(The Wisconsin Story)

Why did Wisconsin's cash assistance safety net weaken so much? Why can't the state meet TANF's work requirements? Part of the answer lies in the block grant structure with excessive state flexibility; part is due to the increase in poor families. To see the impact of a fixed funding stream, compare the deal Governor Thompson got when TANF was created in 1997 to the deal Governor Walker got in 2012. Governor Thompson benefitted from a windfall of over $100 million in federal funds (in 2014 dollars), compared to what the state spent in FY 1996, because Congress based the block grant on the FY 1994-95 period, when caseloads were much higher. But, caseloads had already started coming down before TANF and would have continued to decline without it, due to the strong economy, expanded aid to the working poor, and the waiver-based welfare reform started by President Reagan. Indeed, the state continued to receive a federal windfall through the mid-2000s, and from FY 1998 through FY 2006, it faced a work participation rate requirement of 0 percent.

Governor Walker was not so lucky. He not only has a TANF block grant that is about 30 percent lower than the 1997 value, but he had to deal with a 38 percent increase in poor families with children. As a result, he had about 50 percent less per poor family (and that is before adjusting for the fact that state politicians have diverted TANF funds to fund other activities). And, unlike Governor Thompson, it appears that he will face a 50 percent target for the work requirement from FY 2012 through at least FY 2014 (according to the Wisconsin Legislative Fiscal Bureau), a rate the state is not expected to meet. In fact, HHS data show that Wisconsin's overall work rate for FY 2012 was 32.4 percent, considerably short of its 50 percent target.) Wisconsin thus faces the prospect of significant financial penalties.

Except for the initial group of governors who were around when TANF was enacted, TANF is a bad deal and getting worse each year. <u>How is this "fixing" welfare?</u>

A Tale of Two Governors: The Best of Times and the Worst of Times

	Gov. Thompson (1997)	**Gov. Walker (2012)**
TANF Block Grant (2014$)	$467.8 million	$327.7 million
Windfall/Deficit vs. 1996 (2014$)	$105.7 million	-$34.4 million
# of poor families w/children	82,984	114,395
$ per poor family w/children (2014$)	$5,637	$2,865
Work Rate Targets	1997: 8% 1998-2006: 0%	2011: 0% 2012-2014: 50%

Sources: CBPP for poverty data; GAO for state-specific 1996 spending and block grant amounts. For Wisconsin work rate targets, see: Wisconsin Legislative Fiscal Bureau, *Wisconsin Works (W-2) and Other Economic Support Programs*, January 2015. Wisconsin's deficit in FY 2012 is relatively smaller than most states because it got one of the biggest windfalls when TANF was enacted. This deficit will continue to grow in the future.

Some conservatives may also dispute the data, arguing that Census surveys have problems with underreporting that have gotten worse over time. For example, in "Our poverty data may be completely wrong," Angela Rachidi of the American Enterprise Institute writes:

> . . . some criticize the American safety net as inadequate, citing increases in deep poverty (defined as less than 50 percent of the official Federal Poverty Level) or those "disconnected" from government assistance. But a new study shows that some statistics on poverty are dramatically overstated because of flawed survey data. This should change how we view the poor in the United States and the programs that serve them.[29]

She goes on to critique a recent book that raised greater awareness of the problems of deep poverty:

> These results require that we reassess our view of the poor and the programs designed to serve them. An analysis in the recent book *$2 a Day: Living on Almost Nothing In America*, by Kathryn Edin and Luke Shaefer, found that 1.5 million households were living on less than $2 in cash a day in 2011 – a number that almost doubled since welfare reform in 1996. They argued that TANF, the government's safety net of last resort, was dead. But is that number real? The work by Meyer and Mittag suggests it is likely not.[30]

Rachidi's use of the Meyer and Mittag study to argue that the cash safety net has not fallen apart for the nation's poorest families is inappropriate. Meyer and Mittag focus on the Current Population Survey (CPS) in New York, whereas Edin and Shaefer cite data from the Survey of Income and Program Participation (SIPP) for the nation. First, the SIPP does a much better job of capturing welfare receipt than the CPS. Second, and more important, Meyer and Mittag focus on underreporting of welfare receipt in New York, a state that still has a cash assistance program. In many states, the TANF cash assistance caseload has virtually disappeared. For example, in Texas in 2014, there were 7,115,614 children, with 1,729,000 living poverty, and 724,000 in deep poverty.[31] Compare this to the 68,505 that received TANF in an average month using administrative data. Even if respondents in Texas *overreported* TANF receipt by a factor of five or even ten, it would still be failing as a safety net program. Underreporting is not a concern when virtually no one gets cash assistance and that is now the case in many states.

Rachidi says that Edin and Shaefer "found that 1.5 million households were living on less than $2 in cash a day in 2011 — a number that almost doubled since welfare reform in 1996." In fact, they found that it more than doubled, rising by 130 percent. They also looked at the increase of households with children with zero cash income in the Supplemental Nutrition Assistance Program (SNAP) administrative data. The results are consistent with the survey data. Between 1996 and 2011, the number of such households increased over 300 percent, from 316,000 to 1.3 million. Notably, SNAP administrators would have access to TANF records and undertake other

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[29] Angela Rachidi, "Our poverty data may be completely wrong," American Enterprise Institute, November 2, 2015, available at: https://www.aei.org/publication/our-poverty-data-may-be-completely-wrong/.
[30] *Ibid.*
[31] Kids Count Data Center, A project of the Annie E. Casey Foundation, "Texas Indicators," available at: http://datacenter.kidscount.org/data#TX/2/0.

efforts to verify income. Shaefer and Edin elaborate on these and other points in an excellent memo, "What is the Evidence of Worsening Conditions among America's Poorest Families with Children?"[32]

#3) Does it make sense to give states so much flexibility they can count virtually any expenditure as "reasonably calculated" to advance a TANF purpose?

TANF is best known for funding cash welfare for needy families with children, but provides considerable flexibility to provide for a wide range of benefits and services that are "reasonably calculated" to promote a TANF purpose. The four purposes of TANF are to:

- provide assistance to needy families so that children can be cared for in their own homes or the homes of relatives;
- end dependency of needy parents on government benefits through work, job preparation, and marriage;
- reduce out-of-wedlock pregnancies; and
- promote the formation and maintenance of two-parent families.

The decision as to what is "reasonably calculated" to meet a TANF purpose has largely been left to the states, because section 417 of the Social Security Act (added by TANF) constrains the ability of federal officials in regulating the conduct of states:

> No officer or employee of the Federal Government may regulate the conduct of States under this part or enforce any provision of this part, except to the extent expressly provided in this part.

As a result, billions of dollars have been diverted from TANF's initial core welfare reform benefits and services to fund activities like preK, child welfare, and college scholarships (for adults without children) under the guise of advancing purposes 3 or 4. There is little credible empirical evidence to suggest that many of these expenditures actually advance these purposes beyond simple correlations, e.g., of educational attainment and out-of-wedlock births or marital stability for college scholarships, but given the broad flexibility Congress provided and the limits it imposed on federal oversight, states have been claiming college scholarships and related higher education costs for over a decade.

One of the first (if not the first) examples of a state counting college scholarships is described in a 2004 *Annual Report on State TANF and MOE Programs* submitted by Robert Doar (a former Commissioner of the Office of Temporary and Disability Assistance in New York with responsibility for TANF and now with the American Enterprise Institute) to former Wisconsin governor and then Health and Human Services (HHS) Secretary Tommy Thomson. The state's rationale for counting its Tuition Assistance Program (TAP) is that it meets a purpose 3 or purpose 4 goals:

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[32] H. Luke Shaefer and Kathryn J. Edin, "What is the Evidence of Worsening Conditions among America's Poorest Families with Children?," November 10, 2015, available at: http://static1.squarespace.com/static/551caca4e4b0a26ceeee87c5/t/566180c7e4b0d38e0d8859e7/1449230535159/Shaefer-Edin-WorseningConditions.pdf.

> New York targets TANF reimbursement for the Tuition Assistance Program (TAP) to TAP recipients with incomes below 200% of the Federal poverty level because low-income individuals are more at risk of out-of-wedlock pregnancies, and are less likely to be a part of a two-parent family. TAP grants to these students were then categorized by married and unmarried individuals that had received the awards.
>
> TANF-eligible TAP costs for unmarried students are claimed under purpose three. New York uses TANF funding for TAP under TANF purpose three (prevention of out-of-wedlock pregnancies) because college attendance is relevant in two important ways (Note: for TANF-eligible married students, TAP is claimed under purpose four):
>
> (1) Attending college directs individuals toward future goals of both academic and economic achievement. In the absence of educational opportunities, such as those made available through TAP, it is more likely that young people become susceptible to negative peer pressure that leads to high-risk behaviors; and
>
> (2) By enabling young adults to attend college, TAP can fulfill the promise made to younger teens about opportunities that could be available to them if they stay in school and avoid pregnancy in their high school years. In this second TAP pregnancy prevention role, TAP can also contribute to pregnancy prevention among younger students, as well as among those currently receiving TAP aid, because the program tangibly demonstrates that financial support for higher education is available and that aspirations of college and professional level employment are realistic.[33]

Note that Doar provides no actual empirical data to back up his claims. It is also interesting that Doar emphasizes the importance of college here, when it involves state finances, but when it comes to expanding the role of education and training activities in TANF's rigid work first model, he is a staunch opponent.[34]

Many of the activities funded under purposes 3 and 4 may be worthwhile in their own right, but because TANF is block grant with fixed funding, this means that money is not available for core welfare reform purposes for the most vulnerable families. In FY 2014, just 26 percent of TANF/MOE funds were used to provide basic assistance and just 7 percent funded work-related activities, despite the fact that the number of poor families with children was higher than in 1996.[35] In many states, this diversion of funds away from core welfare reform activities was even worse. Michigan and Texas spent just 20 percent of their TANF/MOE funds on such activities, even after counting child care. Does it really make sense to allow states to divert large sums away from core welfare reform activities, particularly when the number of poor families with children has risen and participation in other welfare programs like SNAP has exploded? It

[33] State of New York *Annual Report on State TANF and MOE Programs – 2004*, submitted by Robert Doar to Secretary Tommy Thompson, December 31, 2004, available at: http://archive.acf.hhs.gov/programs/ofa/data-reports/MOE-04/newyork.htm.

[34] Robert Doar, "TANF has been a success – Let's make it better," American Enterprise Institute, September 29, 2015, available at: https://www.aei.org/publication/tanf-has-been-a-success-lets-make-it-better/.

[35] Administration for Children and Families, Office of Family Assistance, TANF Financial Data – FY 2014," July 7, 2015 available at: http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2014.

is time for Congress to rethink the extent of flexibility permitted by TANF and require states to refocus on real welfare reform.

#4) Does it make sense to permit states to use TANF dollars to supplant existing state expenditures and use it as a giant slush fund?

It is troubling that states have diverted so much of TANF funding to fill budget holes, but it is even more troubling when such decisions simply supplant existing state spending. Supplantation is the practice of using federal funds to replace state spending on a program or activity. In TANF, there is no ban on supplantation with federal funds. According to one source, Wisconsin pioneered this practice:

> WISCONSIN pioneered "supplantation," the practice of diverting TANF funds to pay for programs serving non-poor people and for tax cuts. Under then-governor Tommy Thompson, now Secretary of the Department of Health and Human Services, at least $112 million in TANF funds were diverted to pay for tax cuts or non-poverty related programs in FY 1998 and FY 1999. Another $170 million was diverted in FY 2000 and FY 2001. Wisconsin reduced its contribution to its welfare program, from $225.2 million prior to passage of welfare reform to $168.9 million in FY 1999, the bare minimum 75 percent "Maintenance of Effort" required by federal law.
>
> In 1999, after the federal government published final TANF regulations, the Wisconsin Legislative Fiscal Bureau identified the potential for using TANF to replace state funding for the Earned Income Tax Credit (EITC) program. Accordingly, the legislature passed its 1999-2001 budget bill with a provision that uses TANF funding to pay for the refundable portion of the EITC – estimated to be about $48 million per year – or 80 percent of the $60.4 million total cost of the credit. The net impact of this fund shuffle was to save the state about $48 million in general revenue per year.[36]

Initially, this supplantation was driven in part by the massive windfall in federal funding that Congress gave states because it based the block grant on historically high funding levels. A 10-state study conducted by the GAO of state supplantation found that in TANF's early years supplantation ranged from about 5 percent to 25 percent of the block grant.[37]

Now TANF's windfall is gone, but supplantation remains a problem. For example, Jon Peacock of the Wisconsin Budget Project explains how "a significant portion of the federal funding for ... assistance is being siphoned off for use elsewhere in the budget, to the detriment of the Wisconsin Works (W-2) program and child care subsidies for low-income working families."[38] It would be one thing if Wisconsin had reduced poverty since TANF's enactment, but Peacock notes that the poverty rate for children in Wisconsin grew from 14.3 percent in 1997 to 18.4

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[36] See, "States Behaving Badly," at: http://lobby.la.psu.edu/_107th/110_TANF_Work_Training/Organizational_Statements/NCJIS/NCIJS_States_Behaving_Badly.pdf.
[37] GAO, *Challenges in Maintaining a Federal-State Fiscal Partnership*, August 2001.
[38] Jon Peacock, Wisconsin Budget Project, "Funding for Low-Income Families Siphoned off for Other Uses," April 29, 2013, available at: http://www.wisconsinbudgetproject.org/.

percent in 2011. If the supplanted funds are used to fund other programs for poor families, the practice would be less harmful, but that doesn't seem to be what happens in Wisconsin. According to Peacock, "That shell game uses TANF funds to free up state funds [general purpose revenue] (GPR) to use for other purposes, such as the proposed income tax cuts."[39]

Michigan is even more adept at supplantation. Kevin Koorstra, senior fiscal analyst for the nonpartisan House Fiscal Agency in Michigan, explains that "the state began to claim the financial aid programs funded through the Higher Education budget under TANF purpose 3 – to prevent and reduce the incidence of out-of-wedlock pregnancies."[40] In Michigan alone, this one example alone amounts to nearly $100 million per year in federal funding that is used to supplant what had previously been funded with state dollars.

Congress did attempt to ban supplantation with state MOE dollars. State and local governmental expenditures on programs that existed in 1995 and were not part of the state's AFDC and related programs can be claimed only be claimed as MOE to the extent that they are higher than the spending in FY 1995. In other words, only new spending on qualifying activities can count. Of course, since that level is not adjusted for inflation, over time states can count more preexisting spending that rises simply because of inflation. In effect, this permits supplantation with MOE funds as well. This is exactly what Michigan did, as it began claiming as MOE K-12 spending for "School Readiness and At-Risk programs," presumably because such expenditures also advance purpose 3 (reducing out-of-wedlock pregnancies). Koorstra explains: "The state TANF MOE increase is more the result of the state's efforts to identify more MOE-eligible spending than an actual increase in spending for these programs. State TANF MOE claimable spending increased from 21% of gross School Readiness and At-Risk expenditures in FY 2005 to 56% in FY 2011."[41] His analysis shows that this category now accounts for about half of Michigan's MOE claim. And, one way the state was able to do this was to evade the "new spending test":

> After consultation with an outside vendor, the state determined that the current programs were different enough when compared to the FY 1995 programs that they could be categorized as new programs rather than existing programs and therefore the calculation was no longer required, which generated additional TANF MOE claims.[42]

In 2014, Michigan spent just 19 percent on core welfare reform activities – basic assistance (12 percent), work activities (5 percent), and child care (2 percent).[43] Michigan, like many states, uses TANF as a slush fund, not as welfare for needy families.

Texas also supplants a considerable share of its TANF funds, a trend that started with TANF's inception, as described in a 2006 press release by the Center for Public Policy Priorities (CPPP):

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[39] *Ibid*.
[40] Koorstra, "Temporary Assistance for Needy Families (TANF)," *Fiscal Focus*, November 2012, available at: http://www.house.mi.gov/hfa/PDF/HumanServices/Fiscal_Focus_TANF.pdf.
[41] *Ibid.*
[42] *Ibid.*
[43] Administration for Children and Families, Office of Family Assistance, TANF Financial Data – FY 2014," July 7, 2015 available at: http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2014.

> Over the last decade Texas has spent an increasing share of the block grant on child protection and foster care – first to "supplant" (replace) the general revenue that used to fund these services and later to expand funding for these services. As a result, fewer TANF funds are spent on cash assistance and other work support programs designed to help parents make the transition from welfare to work. For example, spending on cash assistance accounted for 67% of the block grant in 1997; now it makes up only 22%. Further, funding for employment and training has not increased since 1999, and no federal TANF funds are used to fund child care for "working poor" families – families who make too much to qualify for TANF but too little to afford child care. Texas' use of the TANF block grant to supplant state spending on child protection also leaves funding for child protection vulnerable to potential changes at the federal level, both in the form of cuts to the TANF block grant or changes in how child protection is financed.[44]

Similarly, a report on the state's workforce investment policies explains that TANF is not "welfare reform" but a fixed and flexible funding stream:

> Texas currently invests little of its TANF block grant in providing education, training and work supports for working poor Texans. In fact, Texas has not taken an overall strategic approach to using its block grant to provide services to working poor families. In particular Texas does not use direct or transferred TANF spending on child care for working poor families. Texas has come to view the TANF block grant as yet another fungible source of federal funds available to supplant state spending. As a result, the funds now underwrite major portions of the child welfare budget and tangential services at numerous other state agencies. Of the annual allocation of over $500 million, precious little TANF funding is targeted at the purported purposes of the program.[45]

In FY 2014, Texas used just 20 percent of its TANF/MOE funds on core welfare reform activities – basic assistance (7 percent); work activities (10 percent); and child care (3 percent).[46] Shawn Fremstad of the Center for American Progress hit the nail on the head in his assessment of the Texas TANF program – and indeed TANF programs across the nation – when he said:

> As the Texas TANF slush fund example shows, Temporary Assistance is failing. Instead of going to 50 state slush funds, the federal government should use the federal funds in the program to create a coherent, effective, and fair program of job search and unemployment assistance for low-income parents.[47]

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[44] Center for Public Policy Priorities, "TANF at 10: Was Welfare Reform a Success in Texas," August 21, 2006, available at: http://library.cppp.org/files/3/tanfat10.pdf.

[45] Jason Sabo, Carlos Romo, Patrick Bresette, and Chris Pieper, *Texas at Work: Today and Tomorrow – The Case for Sound Workforce Investment Policies*, Center for Public Policy Priorities, September 2003, available at: http://www.workingpoorfamilies.org/small_states/assessment/texas.pdf.

[46] Administration for Children and Families, Office of Family Assistance, TANF Financial Data – FY 2014," July 7, 2015 available at: http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2014.

[47] Shawn Fremstad, "Temporary Assistance for Families Should Empower Working-Class Parents Not Serve as a Slush Fund for States," Center for Economic and Policy Research, February 28, 2013, available at: http://cepr.net/blogs/cepr-blog/temporary-assistance-for-families-should-empower-working-class-parents-not-serve-as-a-slush-fund-for-states.

Since TANF's enactment, a cursory reading of reports documenting how states have used their funds suggests that tens of billions of TANF dollars have been used to simply supplant existing state expenditures.

#5) Does it make sense to replace a simple and effective federal-state matching approach with an ineffective, Rube Goldberg-like financing scheme?

In your December 3 speech, in reference to the tax code, you said the goal was "to simplify, simplify, simplify."[48] The same principle should be applied to welfare programs when possible. Unfortunately, Congress took a simple, straightforward funding mechanism and replaced it with a myriad of flawed funding formulas and requirements that complicate the program and allow states to further game some aspect of the program. I describe these problems in detail in my July 2015 paper, *TANF is Broken! It's Time to Reform "Welfare Reform*," in a section titled, "Funding and Flexibility: How Congress Shot Itself in the Foot."

Complexity. The AFDC program had clearly defined activities and several matching rates (distinguishing between benefits, administrative costs, and welfare-to-work activities), but the process was simple and straightforward. Under TANF, Congress created a situation in which states must consider the rules that apply to five types of funding streams (federal only, comingled, segregated MOE, MOE in a separate state program, and solely state funded programs[49]). Then there are rules based on which purpose an activity meets, whether the expenditure is "assistance" or "non-assistance,"[50] whether the recipient is in an "eligible family" or not, whether the expenditure is "authorized under prior law," whether it is allowable under Healthy Marriage and Responsible Fatherhood Grants, which specific type of federal funding stream (e.g., block grant, Contingency Fund, Emergency Fund), and on and on.[51] The process can be far from simple.

The creation of multiple funding streams can also lead to manipulation by states to circumvent various restrictions. For example, MOE expenditures can only be on behalf of an "eligible family," that is, the family must be needy and must have a minor child. So, states cannot use MOE funds for college scholarships for adults without children. But, states have used federal TANF funds to pay for college scholarships under the guise of purpose 3 or 4. The freed up

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[48] Speaker Paul Ryan, "#ConfidentAmerica: Full Text of Speaker Ryan's Remarks at the Library of Congress," December 3, 2015, available at: http://www.speaker.gov/press-release/full-text-speaker-ryans-remarks-library-congress.

[49] Solely state funded programs are not part of the TANF/MOE funding mix, but because Congress set the basic MOE requirement at 75 or 80 percent of historical state spending, did not index that amount to inflation and allows states great flexibility in what they count, it is easy for states to meet the basic MOE requirement and shift funds that otherwise would have been part of the TANF/MOE mix to this funding stream. They do this primarily to game the work requirement, but it is nevertheless a funding stream that most states consider in the design of their programs.

[50] "Assistance" refers to expenditures for basic needs; "non-assistance" refers to "expenditures that fulfill at least one of the four purposes of TANF (provide assistance for needy families; promote job preparation, work, and marriage; prevent and reduce out-of-wedlock pregnancies; and encourage the formation and maintenance of two-parent families) but do not meet the definition of assistance." See: Administration for Children and Families, "Categories and Definitions for TANF and MOE Funds," available at: http://www.acf.hhs.gov/sites/default/files/ofa/categories_and_definitions_for_tanf_and_moe_funds.pdf.

[51] For an excellent summary of the many issues, see the CLASP policy brief by Elizabeth Lower-Basch, "Guide to Use of Funds," Center of Law and Social Policy, March 1, 2011.

MOE funds can then be used to cover what had previously been covered with federal funds. For example, Michigan has used federal TANF funds that were used to fund its Family Independence Program (FIP) costs to instead pay for college scholarships that were previously funded with state general fund dollars.[52] The freed up general fund dollars were then used to pay for the FIP costs that had been funded with state general fund dollars. In short, this is a gimmick that allows a state to inflate its MOE to either maximize excess MOE for caseload reduction credit purposes, to help it create solely state funded programs to bypass federal requirements, or simply to free up state funds for whatever purpose a state wants, whether it benefits the poor or not.

Flawed funding formulas. Beyond complexity, none of the funding formulas is effective. As noted above, the block grant is not responsive to economic or demographic changes. And, each state's allocation is based on historic funding levels in TANF's predecessor programs (AFDC, Emergency Assistance, and JOBS). This locked in historical differences in federal funding across states. Gene Falk of the Congressional Research Service notes that the difference in federal grants per poor child in FY 1995 ranged from $263 in Arkansas to $2,530 in Connecticut ($402 to $3,871 in 2013 dollars, respectively).[53] In 2013, the differences ranged from $280 in Texas and to $2,572 in Vermont. As a welfare program, the vast disparity in federal funding per poor child is troubling. But, TANF is really revenue sharing, so why federal taxpayers would fund a revenue sharing program today based on historic spending in TANF's predecessor programs makes no sense at all.

Table 2 compares selected states on the basis of AFDC/TANF spending per poor child in FY 1995 and FY 2013, including the biggest and smallest losers in inflation-adjusted federal AFDC/TANF spending per poor child. (There are no winners.) The smallest losers can thank demographic factors. Both Louisiana and West Virginia have had a decline in their child populations of over 10 percent. Meanwhile, Nevada, the biggest loser in percentage terms, has seen its child population grow by 66 percent. Connecticut has the largest dollar loss, due largely to inflation and the fact that it had been the highest amount in 1995. Vermont passed it in terms of having the higher federal amount per poor child, in large part because its child population fell by 19 percent. And, of course, Wisconsin, Michigan, and Texas have not fared well over time. The failure of the TANF block grant to adjust for inflation and demographic changes is a major flaw in the design of the program.

[52] Kevin Koorstra, "Temporary Assistance for Needy Families (TANF)," *Fiscal Focus*, November 2012, available at: http://www.house.mi.gov/hfa/PDF/HumanServices/Fiscal_Focus_TANF.pdf.
[53] Gene Falk, "Temporary Assistance for Needy Families (TANF): Financing Issues," Congressional Research Service, September 8, 2015.

Table 2: AFDC/TANF Funding Per Poor Child (FY 1995 vs. FY 2013)					
State	**FY 1995**	**FY 1995 (2013$)**	**FY 2013**	**Dollar Change**	**Percent Change**
Wisconsin	$1,602	$2,449	$1,346	-$1,103	-45%
Michigan	$1,377	$2,105	$1,484	-$621	-30%
Texas	$316	$483	$280	-$203	-42%
Biggest Losers					
CT ($)	$2,530	$3,871	$2,377	-$1,494	-39%
NV (%)	$720	$1,101	$298	-$803	-73%
Smallest Losers					
LA	$361	$552	$527	-$25	-5%
WV	$751	$1,149	$1,133	-$16	-1%
Biggest Gainers	**NONE**				

Source: Gene Falk, "Temporary Assistance for Needy Families (TANF): Financing Issues," Congressional Research Service, September 8, 2015.

The block grant is the main source of TANF funding, but in most years it has been supplemented by one or more additional funding streams, none of which worked as intended. Here is just a brief summary of the funding streams and their problems:

- The Contingency Fund was designed to provide additional funds during an economic downturn. But, the triggers used to establish eligibility don't work – the unemployment rate trigger might not qualify states with very high unemployment rates in many years because the rates have to be rising, while the food stamp (now SNAP) trigger has made virtually all states eligible for the past six years and for the foreseeable future because it is based on food stamp caseloads over 20 years ago. For example, in FY 2014, North Dakota had an average monthly unemployment rate of 2.7 percent, yet it was considered a "needy state" for the Contingency Fund based on the SNAP trigger. And, if not for the SNAP trigger, Michigan would have lost its designation as a "needy state" in January 2011 but for the SNAP trigger, despite an unemployment rate of 10.9 percent. The Contingency Fund also has a higher MOE requirement, which has encouraged some states to seek out more existing third-party spending. And, there is no requirement that the state actually spend the money on basic assistance or welfare-to-work activities. In many states, like the basic block grant, the Contingency Fund just adds to the slush fund aspects of the program. And, states don't even have to spend it at all – they can substitute TANF Contingency Funds for block grant funds and build up their unspent reserve.
- Supplemental Grants provided additional funding to states that had high population growth and/or low historic grants relative to poverty in the state. One of the purposes was to address the disparities in state funding described in Table 2 above. Seventeen states qualified, but over the longer-term, eligibility was not adjusted for subsequent changes in economic and demographic conditions. For example, between 1995/96 and 2012/13, only 6 of the 17 states had increases in the number of poor families with children in excess of 35 percent, and 4 states actually had declines, including Louisiana after Hurricane Katrina forced many families out of state. Meanwhile, 6 states that did not qualify initially did have an increase in the number of poor families with children greater than 35 percent, including Wisconsin (38 percent). Why should Louisiana have

continued to receive these funds after a natural disaster caused many of its poor to move to another state, while Wisconsin with a relatively large increase in poor got nothing from the Supplemental Grants? (Funding for Supplement Grants ended as of June 30, 2011.)

- The High Performance Bonus and the "Illegitimacy Bonus" provided added bonus funds to states that achieved outcomes related to TANF's goals. It does not appear that these bonuses were a factor in incentivizing states or actually reflected performance in any meaningful sense. For example, with respect to the "illegitimacy bonus," the Lewin Group surveyed states about their views and experiences regarding their policies to prevent or reduce non-marital childbearing. One finding was that, "Officials in nearly all study states said that potential availability of the bonus had little, if any, impact on state efforts to reduce non-marital childbearing, and among study states receiving the bonus, only one of three directed bonus funds toward non-marital pregnancy prevention activities."[54] The report noted that among the winning states, some had made no special efforts in response to the bonus and indeed one state was so surprised that it won that it only examined the bonus provision after winning an award. Instead, the bonus rewarded states more for demographic shifts than policy responses to the bonus or anything else in the 1996 welfare reform law. A full discussion of the problems with the bonus provisions is beyond the scope of this paper, but it points to the need for care in the design of any outcome-based performance measurement systems.

The preceding just scratches the surface of all the problems with TANF's various funding streams. The main point here is that the federal-state match that existed before was simple and effective. First, there would be no need for a special Contingency Fund or Supplemental Grants, as states that experienced economic downturns or population growth could receive additional funds for caseloads that rose by spending more and getting a federal match. Second, states that achieved TANF goals under a federal-state matching approach would presumably have lower expenditures, so they would benefit. Of course, conservatives warn that this will increase caseloads and "dependency," but caseloads should rise and fall with legitimate factors. But, with a state match states still have incentives to be cost-conscious, unlike many welfare programs that are funded fully by the federal government. Moreover, what conservatives have failed to understand about the block grant/MOE structure is that states can be selective in how they fund various activities and thus game virtually all federal requirements, most notably the work requirements.

#6) Does it make sense to give states so much flexibility they can duplicate the benefits and services of dozens of other low-income programs with virtually no accountability?

TANF finances hundreds of programs that are also funded by other federal (and state) funding sources, most notably child care, child welfare, college scholarships, and early education programs. Sometimes TANF funds new programs, sometimes it supplements existing programs, and sometimes it merely supplants existing expenditures. Regardless, when TANF funds are used for "non-assistance" there is very little accountability.

[54] Mark W. Nowak, Michael E. Fishman, and Mary E. Farrell, *State Experience and Perspectives on Reducing Out-of-Wedlock Births: Final Report*, The Lewin Group, February 2003, pp. iv-v.

For example, in FY 2014, states spent about $3.7 billion on child care[55] and transferred another $1.4 billion, for a total of about $5.1 billion,[56] compared to $8.6 billion in the Child Care and Development Fund (CCDF) in FY 2013.[57] If child care is provided by the CCDF, it is subject to numerous rules and requirements. For example, there are rules related to eligible families, eligible children, eligible providers, payment methods, payment rates, licensing, health and safety, minimum expenditures on quality, etc. But, if TANF is used to provide child care directly, there are virtually no rules. And, CCDF funded child care is subject to reporting on the numbers and characteristics of families and children served. In contrast, there is no required data reporting for child care funded by TANF directly. As a result, it is impossible to get a complete picture of child care usage patterns and other important issues.

The fact that TANF can be used for child care makes federal policymaking challenging. For example, suppose Congress wants to expand child care subsidies and increases child care funding within CCDF by $1 billion. States that don't share this goal can simply reduce their TANF-related child care by the amount added to the CCDF. This would free-up TANF resources to again be used like a slush fund. Or, suppose Congress chooses to establish new rules regarding the use of CCDF funds; if states don't agree, they can at least partially circumvent the rules by transferring less to CCDF and spend the money directly on child care through TANF.

This example is just one program. TANF funds hundreds of programs across the nation. These same issues can arise with child welfare spending, preK spending, and numerous other programs. This is what happens when Congress gives states too much flexibility and no accountability. (Cautionary note: members of Congress often assume that duplication means too much is spent on an activity and that savings can be achieved by eliminating funding sources. This is not necessarily the case; there can be administrative efficiencies and other improvements, but the appropriate level of funding should be determined separately. Of course, this task would be easier if there weren't dozens of programs providing the same service, e.g., child care.)

#7) Does it make sense to provide funding for safety net programs that have either no income limit or that permit states to set very high income limits?

TANF *should* be for "needy families," but Congress did not define the term and gave states excessive flexibility to spend federal TANF and MOE dollars on any activity that even remotely advances a TANF purpose. While state income limits for cash assistance are generally quite restrictive,[58] cash assistance accounted for just 26 percent of all TANF/MOE funds in FY 2014.[59] For other programs (primarily those classified as "non-assistance"), some states have set income

[55] Child care for those who are not working is considered "assistance"; otherwise, it is non-assistance.
[56] Administration for Children and Families, Office of Family Assistance, TANF Financial Data – FY 2014," July 7, 2015 available at: http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2014.
[57] The CCDF amount includes TANF transfers spent in the program. See Administration for Children and Families, Office of Child Care, "FY 2013 CCDF State Expenditure Data," September 30, 2013, available at: http://www.acf.hhs.gov/programs/occ/resource/fy-2013-ccdf-state-expenditure-data.
[58] For details on state rules pertaining to cash assistance, see the Urban Institute's "Welfare Rules Database," available at: http://anfdata.urban.org/wrd/wrdwelcome.cfm.
[59] Administration for Children and Families, Office of Family Assistance, TANF Financial Data – FY 2014," July 7, 2015 available at: http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2014.

limits at least as high as 600 percent of poverty. And, federal spending on activities that fall under TANF's third and fourth purposes can be for programs and activities without regard to whether the recipients are needy or whether they are in an "eligible family" (i.e., needy and with a minor child).[60]

Many of Wisconsin's "non-assistance" programs have relatively generous income limits – up to 300 percent of the poverty line and three have no income limits at all.[61] While all of these programs may have worthwhile goals, because TANF is a block grant with fixed funding and because the number of poor families with children has grown in Wisconsin, the decision to divert funding to these other programs comes at the expense of poorest families.

In Michigan, most of TANF/MOE funds are spent in programs with relatively generous income limits, most under the guise of purposes 3 and 4. According to Michigan's TANF State Plan, many of the programs funded with federal TANF funds have no income limit, while those funded as state MOE have an income limit of 200 percent of the poverty level.[62] Richard Wexler, Executive Director of the National Coalition for Child Protection Reform, describes how this redistributes spending away from the poor families in Michigan:

> . . . some of the money is simply a transfer of funds from the poor to the middle class, with enormously destructive consequences for children.
>
> As we document in our report on Michigan child welfare, that state now funds almost all of its child abuse prevention and family preservation programs with TANF surplus funds. Yes, those uses are in keeping with TANF's goals, but the money should be used to augment state funding, not replace it. As it stands now, money is taken away from programs to help poor people become self sufficient (and thereby keep their children) to fund other programs to do essentially the same thing. Michigan takes away with one hand what it gives with the other.[63]

A review of spending policies in Texas also suggests a redistribution of funds from the poor to middle-class families. A report by the National Coalition for Child Protection Reform describes how Texas has spent its funds as follows:

> But for years, Texas has used part of its TANF surplus to support child abuse investigations and foster care. And in the current budget, it got worse. The legislature eliminated TANF funding for several prevention programs, while increasing TANF funds for investigations and foster care.

[60] MOE funds are restricted to those in an "eligible family," unless they are one of they are one of the specially-designated Healthy Marriage or Responsible Fatherhood activities.

[61] See Wisconsin's State TANF Plan at: http://dcf.wisconsin.gov/tanf/pdf/2013-2015_amended_tanf_state_plan.pdf.

[62] State of Michigan, Department of Human Services, *TANF State Plan*, January 30, 2015, available at: https://www.michigan.gov/documents/dhs/Amended_TANF_State-Plan_October-2012_405462_7.pdf.

[63] Richard Wexler, "TANF Should Not Be a Child Welfare Slush Fund," *Youth Today*, November 8, 2010, available at: http://youthtoday.org/2010/11/tanf-should-not-be-a-child-welfare-slush-fund/.

> In other words, the Texas Legislature effectively pulled money out of poor people's pockets to help subsidize the system that takes their children and the middle-class strangers holding custody of them.[64]

This led to the following recommendation:

> Texas should stop diverting TANF surplus funds from their proper purpose – helping families – to subsidizing child welfare agencies and paying strangers to take care of poor people's children. Though such diversion is legal, it is a reprehensible transfer of scarce funds from the poor to the better-off. When TANF is used for foster care it should be for kinship care only.[65]

In the Reagan Administration, we were concerned about the "truly needy" and not funding benefits and services for those well above the poverty line. Why do conservatives support expansions costing tens of billions of dollars when provided in the form of tax credits, like the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC), where significant dollars go to families with incomes above poverty, but begrudge even an inflation adjustment for families receiving TANF assistance? (Of course, any inflation adjustment would have to be designed to target needy families and not just add to the slush fund aspects of the program.)

#8) Does it make sense to impose rules that are ineffective and/or needlessly complicated?

As described above, there are few rules that govern nearly three-quarters of spending – that devoted to "non-assistance." Virtually all of TANF's programmatic requirements apply to cash assistance. But, most of these requirements can be manipulated or are ineffective, adding needless complexity. To illustrate, I will give just three examples – the federal 60-month time limit, the ban on using TANF EBT cards at certain prohibited locations, and the requirement that states estimate the impact of eligibility changes in calculating the caseload reduction credit for the work requirements.

Federal 60-Month Time Limit. Federal TANF funds may not be used for a family with an adult who has received assistance for more than 60 months. There are arguments for and against time limits, but the federal 60-month time limit is filled with loopholes that allow states to largely ignore it, except for the bureaucratic hoops that it imposes. First, the time limit only applies to families with an adult receiving federally funded assistance. About half of TANF families now have no adult recipients (i.e., they are child-only cases), so the time limit doesn't apply to them. Second, because federal and state MOE funds are largely fungible, if a state wants to exempt families from the federal 60-month time limit or extend their assistance, then it can simply fund these families using MOE with segregated state funds or separate state programs. Third, TANF specifically allows states to extend assistance for up to 20 percent of the caseload by reason of "hardship," with hardship defined by the states. And, the 20 percent calculation applies to the entire caseload, including child-only cases that are not even subject to time limit. Fourth, a state

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[64] National Coalition for Child Protection Reform, *In Search of Middle Ground: Toward Better Solutions to the Texas Child Welfare Crisis* (Alexandria, VA: NCCPR, January 2005), p. 38, available at: http://www.nccpr.org/reports/texasreport2.pdf.

[65] *Ibid*, p. 56.

could just remove the adult from assistance benefit and pay benefits to just the children (and even increase the payments to the children to offset the reduction from removing the adult). For states that do not want a time limit, this just wastes resources by forcing them to take advantage of loopholes. For states that want a different time limit, they are forced to monitor and enforce two different time limits. A simpler approach would have been to simply require states to have a time limit, but allow each state to develop its own.

The confusion caused by dual time limits is illustrated in Michigan. From FY 1996 through FY 2011, the state did not impose the 60-month time limit on families, relying instead on the 20 percent exemption. Starting in FY 2007, it added a 48-month state time limit, but allowed exemptions for those working or otherwise complying with their employment plans. In 2011, however, the state made several time-limit changes (effective FY 2012). First, it tightened the state 48-month time limit by eliminating certain exemptions or extensions. Second, and more significant, it began to enforce the federal 60-month time limit retroactively to many families who had been previously exempt from the state's 48-month time limit. As a result, over 12,000 families lost eligibility in October 2011, despite an unemployment rate of 9.8 percent. These policies created confusion, both because the two time limits operate differently and because recipients were not given proper notice about the change in the rules regarding the five-year time limit. But, beyond complexity, this example illustrates the worst about TANF. In the midst of a serious downturn the state threw thousands of the most vulnerable families off cash assistance with little notice and no requirement to evaluate the impact of such a draconian policy on family well-being. At the very least, states should give families time to adjust before cutting them off and they should be required to provide adequate employment and training services. Instead, Michigan has used TANF as a slush fund. How can anyone call this success or having a "conservative heart"?

Ban on EBT Use at Strip Clubs, Liquor Stores, and Casinos. In 2012, Congress passed legislation requiring states to maintain policies and practices to prevent TANF assistance funds from being used in an EBT transaction in liquor stores, casinos, and strip clubs. This includes both purchases and cash withdrawals at ATMs in such establishments. While it is reasonable to expect that TANF funds be spent on basic needs items, this legislation was misguided. First, it was enacted based on anecdotal evidence without any concrete evidence of the size and scope of the problem. Based on the data reported in the popular press, the amount of such expenditures/withdrawals is likely very small relative to the program's total expenditures. Second, and more important, regardless of the size of the problem, the ban is likely to be totally ineffective and just wastes tens of millions of dollars in monitoring and enforcement efforts (by states and the affected establishments). Why? Obviously, if someone wants to spend their TANF dollars at these establishments, the only thing this provision does is force them to go to an ATM at a bank or grocery store to withdraw the cash and then use it on the prohibited purposes. How has this accomplished anything? As demonstrated throughout this document, TANF does not work as a safety net or a welfare-to-work program; this is what Congress should focus on.

The Caseload Reduction Credit – Adjusting for Eligibility Changes. The caseload reduction credit (CRC) reduces a state's work target from the statutory 50 percent by one percentage point for each percent decline in the caseload from a base year (now FY 2005). However, caseload declines due to eligibility changes enacted after the base year are not considered in determining the caseload decline. So, for example, if a state enacts a stricter time limit in 2007, expands earnings disregards in 2008, and adopts full family sanctions in 2009, it is expected to account for the impact these changes had on the caseload in the comparison year (e.g., FY 2014 for the FY 2015 work rates). Federal and state officials waste thousands of hours each year in a massive bureaucratic exercise deriving what in the end can only be considered "guesstimates." During the waiver era before TANF, there were dozens of random assignment experiments to estimate the impacts of various eligibility changes. Why? Because rigorous evaluation is the only credible way to determine their effects, particularly when there are economic changes and other policy changes that could influence caseloads. But, for purposes of the CRC, Congress expects state officials to estimate the effects of these eligibility changes. Even seasoned evaluation experts would not be able to do this, particularly when there are multiple changes over multiple years.

Bottom-line: These are just three examples of complex and/or ineffective requirements. There are dozens others. Whenever possible, the law should try to keep it simple.

#9) Does it make sense to ignore evidence-based research?

The creation of TANF undermined evidence-based research in two ways. First, it replaced an evidence-based approach to welfare reform started by President Reagan – a process that was used to produce rigorous evidence about state welfare experiments. Second, conservatives relied on a narrow reading of research findings to craft TANF's work requirements and thus undermined the potential effectiveness of the "program." And, despite important changes in the economic, demographic, and policy environment, some continue to cite this dated research for maintaining the status quo.

Undermining the generation of evidence-based research using the first "Opportunity Grants" model. In the Reagan Administration, we proposed a bold strategy – bolder than "Opportunity Grants" – outlined in a report called *Up from Dependency*. It proposed "a program of widespread, long-term experimentation in the restructuring of public assistance through community-based and state-sponsored demonstration projects."[66] To implement this strategy, it called for a "general and system-wide waiver authority."[67] The plan would allow states to pool the federal and state funds from 59 separate welfare programs and to use those funds to redesign the welfare system, as long as the proposals were designed to address the needs covered by the programs in the demonstrations and the demonstrations were structured to move individuals and families toward self-sufficiency. In addition, demonstrations were to be cost-neutral with respect to the federal government and had to include a rigorous evaluation.

Although Congress did not pass President Reagan's legislation, the exercise ultimately resulted in an interagency waiver process for welfare reform (using existing waiver authority). Starting in 1987, the Administration began encouraging states to use this authority to experiment in how they provided welfare – through waivers from AFDC's rigid rules (and, to a lesser extent, from

[66] Low Income Opportunity Working Group, *Up From Dependency: A New National Public Assistance Strategy* (Washington, DC: The White House, December 1986), p. 5.
[67] Low Income Opportunity Working Group, *Up From Dependency: A New National Public Assistance Strategy* (Washington, DC: The White House, December 1986), p. 58.

food stamp and Medicaid rules due to more limited waiver authorities for those programs). The idea was that states and communities were best positioned to find solutions to welfare dependency and, perhaps more important, to provide an alternate avenue to program reform.

This process did not provide a fixed level of funding, like block grants. Instead, it relied on an approach that would provide a real counterfactual using the "gold standard" of evaluation – random assignment.[68] The findings from random assignment experiments are considered the most credible, because the experimental and control groups are alike and subject to the same external conditions, with the only difference being the intervention itself. Thus, any difference in outcomes between the groups can be attributed to the intervention – welfare reform – itself. As a result, we would know whether the state reforms actually reduced welfare dependency by increasing self-sufficiency.[69] And, the advantage of this approach is that the experience of the control group could be used to ensure cost-neutrality, as the budgetary effects of any programmatic changes would be measured by examining the experimental-control group differences in costs, just as one would in a formal cost-benefit analysis.

By August 1996, 43 states had received welfare waivers from the U.S. Department of Health and Human Services (HHS).[70] TANF added little to flexibility of states to test these welfare reforms and indeed most states simply continued their waiver-based policies under TANF through the end of the approved project period. This process was much like "Opportunity Grants" – the next step would have been to expand waiver authorities in other programs. Instead, TANF gutted not just the work requirements, but this evidence-based approach to welfare reform.

While the waiver process could have been improved, particularly if the goal was to provide nationally-relevant policy information,[71] "serious" conservative reformers would benefit from studying that experience. The issues related to cost neutrality and evaluation are quite complex; the lack of detail in conservative proposals like "Opportunity Grants" and the "Flex Fund," along with the many references to the "success" of TANF in discussions of these proposals, raise serious concerns about the ability of conservatives to implement these strategies. There is a very real danger that the result would be another debacle like TANF, but on a larger scale.

Misapplying research findings. Most conservative advocates who support TANF's work-first orientation for work requirements rely on limited and outdated research studies to support their viewpoint. Much of the research on the relative merits of work first versus an education-based

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[68] Random assignment studies are not perfect either; they may miss entry and general equilibrium effects. And, the control group may be influenced by the "atmospherics" surrounding welfare reform, thus muting its effects. For an excellent summary of the issues and deliberations during this period, see Judith M. Gueron and Howard Rolston, *Fighting for Reliable Evidence* (New York, NY: Russell Sage Foundation, June 2013).

[69] Even with random assignment, there are many challenges to cost neutrality, such as sample size, crossover, control group contamination, the representativeness of sites selected, and so on. A full discussion of these issues is beyond the scope of this paper, but for a discussion of some the challenges, see: Anne Gordon, Jonathan Jacobson, and Thomas Fraker, *Approaches to Evaluating Welfare Reforms: Lessons from Five State Demonstrations* (Washington, DC: Mathematica Policy Research, Inc., October 1996).

[70] U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Setting the Baseline: A Report on State Welfare Waivers*, June 1997, http://aspe.hhs.gov/hsp/isp/waiver2/title.htm.

[71] For a discussion of some of these issues, see Michael L. Wiseman and Mark Greenberg, "Fixing Welfare Waiver Policy," *Public Welfare*, Winter 1995, pp. 10-17. These are two separate articles, but share the same title.

approach is based on programs that operated about 20 years ago, including periods before TANF's implementation.

In developing its list of countable work activities, Congress used early research findings testing the impact of two welfare-to-work models. One approach was the "Labor Force Attachment" (LFA) approach, which emphasized rapid job entry and focused on job search assistance, followed by work experience or short-term education or training activities. The second approach was the "Human Capital Development" (HCD) approach, which permitted participation in longer, skill-building education and training activities. The impacts of these programs on employment, earnings, welfare receipt, and other outcomes were evaluated using random assignment. A 1995 report describes the program's preliminary, two year impacts on employment, earnings, and welfare receipt in three sites (Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California).[72] The LFA model raised earnings 25 percent and reduced welfare receipt by 22 percent, compared to the HCD model, which had no impacts on earnings, although it did reduce welfare payments by 14 percent. And, the LFA approach was considerably less costly than the HCD approach. These findings influenced the development of TANF's work activities, but the conclusions based on this research were premature.

In 2001, MDRC released a report covering impacts over a five-year period and found that the gap between the two approaches had largely dissipated:

> Directly comparing the LFA and HCD programs in the three sites in which these programs were run side by side (thus using the most rigorous method for assessing the relative effectiveness of employment- and education-focused programs), employment and earnings levels over five years were largely similar for the two types of programs.
>
> In the three LFA-HCD sites, LFA sample members left welfare at a slightly faster pace than HCD sample members in the first year of follow-up, but the gap narrowed in subsequent years. Only in one site did the LFA and HCD programs differ with respect to the number of months on welfare or welfare expenditures over five years. In this site, welfare months and expenditures were lower in the LFA program than the HCD program.[73]

That report also found that the most effective program was one that operated in Portland, Oregon, which relied on a flexible approach in assigning individuals to job search or short-term education and training, depending on caseworkers' assessment of recipients' skills and needs. The program increased average five-year earnings by 25 percent and reduced welfare receipt by 24 percent. But, TANF's limits on counting education and training activities would not permit a

[72] Stephen Freedman and Daniel Friedlander, *The JOBS Evaluation: Early Findings on Program Impacts in Three Sites* (New York, NY: MDRC, June 1995), available at: http://www.mdrc.org/sites/default/files/Early%20Findings%20on%20Program%20Impacts%20in%20Three%20Sites%20ES.pdf.

[73] Gayle Hamilton, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams Ciardullo and Anna Gassman Pines (all of MDRC) and Sharon McGroder, Martha Zaslow, Jennifer Brooks and Surjeet Ahluwalia (all of Child Trends), *How Effective Are Different Welfare to Work Approaches? Five Year Adult and Child Impacts for Eleven Programs* (New York, NY: MDRC, December 2001): ES-15, 18, and 20, available from: http://www.mdrc.org/sites/default/files/full_391.pdf.

state to run this approach and count all of the hours of participation. In fact, it is noteworthy that none of the programs that were evaluated would have met TANF's 50 percent work participation requirement. As Gordon Berlin of MDRC explains:

> None of the welfare-to-work programs evaluated by MDRC to date – even the most effective ones – would have met the standards currently in place (that is, had states received no credit for caseload reductions), primarily because too few people participated in them for at least the minimum number of hours per week.[74]

Given the timing and the limitations of the research, the evidence favoring a "work first" model is hardly "compelling." We should permit more flexibility and conduct more research, particularly in light of research conducted since this period and the experiences of program administrators.

> The challenge for policymakers is to find ways to maintain the employment orientation that underlies reform's success, while opening the door to additional education and training. Results from carefully designed tests of job-search-first programs, education-first programs, and mixed-strategy programs provide strong support for the idea that education and training have an important, although probably subsidiary, role to play in the future of welfare reform. The evidence indicates that both job-search-first and education-first strategies are effective but that neither is as effective as a strategy that combines the two, particularly a strategy that maintains a strong employment orientation while emphasizing job search first for some and education first for others, as individual needs dictate. There is little evidence to support the idea that states should be pushed to one or the other extreme.[75]

Congress should always be open to testing alternatives to the status quo. The research used to justify the work first approach was limited in the scope of interventions tested and should not be generalized to TANF today. And, since the law was enacted, new research suggests that there should be a more flexible approach.[76]

But leaving research aside, you should consider the words of your state's Secretary of the Department of Children and Families. Testifying before the House Ways and Means Committee, Eloise Anderson argued that the "the participation requirements, as currently structured, must be revised to ensure that the standards align with the ultimate goal of the TANF program: moving recipients from welfare to work."[77] Based on her experience, she recommended a number of

[74] Gordon L. Berlin, "What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization," MDRC, June 2002, available at: http://www.mdrc.org/sites/default/files/TANFGuide_Full.pdf.
[75] Gordon L. Berlin, "What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization," MDRC, June 2002, pp. 36-37, available at: http://www.mdrc.org/sites/default/files/TANFGuide_Full.pdf.
[76] See, for example, LaDonna Pavetti, "Facts Don't Support TANF's 'Work-First' Approach," Center for Budget and Policy Priorities, October 2, 2015, available at: http://www.cbpp.org/blog/facts-dont-support-tanfs-work-first-approach.
[77] Eloise Anderson, Secretary Wisconsin Department of Children and Families and Chairperson of the Secretaries Innovation Group Before the Committee on Ways and Means Subcommittee on Human Resources U.S. House of Representatives April 30, 2015, available at: http://waysandmeans.house.gov/wp-content/uploads/2015/06/Eloise-Anderson-Testimony-043015-HR3.pdf.

changes to the work requirements, including eliminating the distinction between core and non-core hours, recognizing the need for more flexibility in counting educational and training activities. Indeed, to the credit of the House Ways and Means Committee the July draft reauthorization bill began to move in this direction, but it appears to have been derailed by the same conservatives who want to retain the more rigid work-first model. What conservatives fail to realize is that as long as TANF is a block grant with excessive state flexibility, states will be able to game the work requirements anyway to adopt whatever policy they want. Worse, some states will continue to eliminate cash assistance altogether and then the work requirements are irrelevant, because TANF will just be a giant slush fund with no accountability.

#10) Does it make sense to use TANF as a model for reforming other welfare programs?

No – unless you want dysfunctional work requirements, a safety net with gaping holes, and excessive state flexibility to use program funds as a slush fund.

Conclusion

Can conservatives be trusted to develop comprehensive welfare reform proposals? Not yet. Conservatives must first renounce TANF as model for reform and actually fix the program to do what Congress intended. We cannot give states a blank check and hope for the best. If conservatives want to be seen as having serious ideas for tackling poverty, it is time to acknowledge that TANF, and indeed block grants of any kind, are bad public policy.

And, if proposals like "Opportunity Grants" are advanced, conservatives should be specific about issues like cost neutrality, accountability, limits on the use of funds, and evaluation. When we developed President Reagan's initiative, we had the benefit of working with dozens of political and career staff throughout the Executive Branch, as well as getting input from nationally-recognized experts in evaluation from firms like MDRC, Mathematica, and Abt Associates. My recommendation to conservatives is to study the history of welfare reform and engage experts with programmatic and evaluation knowledge; congressional staff and most conservative advocates do not have the experience needed to design such ambitious proposals.

In your first address to Congress as Speaker you said: "The House is broken. We are not solving problems. We are adding to them."[78] When it comes to welfare reform, this statement is certainly true. And, it's not just the House that's broken. As my July paper states, "TANF is Broken! It's Time to Reform 'Welfare Reform.'"

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[78] Speaker Paul Ryan, "Speaker Ryan's Remarks to the House of Representatives," Speaker Ryan's Press Office, October 29, 2015, available at: http://www.speaker.gov/press-release/speaker-ryans-remarks-house-representatives.