

TANF is Broken! The Louisiana Story **A Response to Representative Charles Boustany**

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Rep. Charles Boustany, Chairman of the House Ways and Means Subcommittee on Human Resources, recently wrote an article, “For Upward Mobility, Government Needs to Promote Work.”² He contends, “The 1996 welfare reform law for the first time connected welfare benefits with an expectation that recipients would work or participate in training.” However, he also expresses concern that the work requirements have been weakened:

But over time this reciprocity between benefits and work has been undermined by an array of loopholes. Today most adults on welfare don’t perform even a single hour of work or activity in a typical month in exchange for their benefits. Our welfare-to-work construct has fallen apart, and the system is failing the poor. It’s not right — this requirement should be restored and expanded so it is a part of other programs as well.

Rep. Boustany is correct — “the system is failing the poor,” and the reason for that is that Congress gutted welfare reform in 1996 and has done nothing to rectify that in 19 years. 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. Despite its failings, many conservatives promote TANF as a model for reforming other programs.³

Contrary to conventional conservative wisdom, TANF is a massive policy failure (see Germanis, 2015). In this document, I will elaborate on some of TANF’s most serious weaknesses as they apply to Rep. Boustany’s home state of Louisiana. My hope is that this will help Congress focus on meaningful welfare reform and not just rearrange the deck chairs on the *Titanic* as they did when they passed the Deficit Reduction Act of 2005 and more recently when the Ways and Means Committee advanced a reauthorization bill that failed to address TANF’s structural problems.

TANF is “Failing the Poor” in Louisiana

TANF cash assistance has all but disappeared in Louisiana, even as the poverty worsened. Between 1995/96 and 2013/14, that number of poor families with children grew from 151,600 to

¹ I am 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 am expressing my views as a concerned citizen. 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 Charles Boustany, “For Upward Mobility, Government Needs to Promote Work,” *The Hill*, October 20, 2015, available at: <http://thehill.com/opinion/op-ed/257520-for-upward-mobility-government-needs-to-promote-work>. All quotes without a footnote are from this article.

³ See, for example, 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>.

155,300, as did the number of families with children in deep poverty – from 69,500 to 74,300. Meanwhile, the number of families receiving AFDC/TANF fell by 91 percent, from 72,700 to 6,500. As a result, the TANF-to-poverty ratio declined from 48 to 4.⁴ How can this be considered a success?

In terms of generosity, for the few who do receive aid, Louisiana doesn't fare well either. The maximum benefit for a family of three with no income is \$240 (14 percent of the federal poverty level) – which is 17 percent less than the state paid in 1996, adjusted for inflation. Even when combined with food stamps (now called SNAP), the combined benefit is just 45 percent of the federal poverty level.⁵ Welfare is not the generous package of benefits some portray.⁶

TANF's "Welfare-to-Work Construct has Fallen Apart" in Louisiana

Normally, at this point in a critique, I would point out how Congress gutted work requirements in enacting the 1996 law. I have written about this extensively in my *TANF is Broken!* paper in a section aptly titled, "TANF Work Requirements: An Epic Fail" (see Germanis, 2015). Here, I will just summarize the problem briefly.

The 1996 law so diluted the work requirements – specifically, by adding a caseload reduction credit and various loopholes made possible by the block grant structure and wording of the law – that 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 1998 to 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 ... not a difficult standard to meet by any means). Since 2012, these targets have been raised in many states because of changes to the caseload reduction

⁴ All figures from, Center on Budget and Policy Priorities, "Louisiana: TANF Caseload and TANF-to-Poverty Ratio Fact Sheet," October 27, 2015, available at: <http://www.cbpp.org/research/state-fact-sheets-trends-in-state-caseloads-and-tanf-to-poverty-ratios>.

⁵ Ife Floyd and Liz Schott, "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode," Center on Budget and Policy Priorities, October 15, 2015, available at: <http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states>.

⁶ Some critics of welfare argue that the total benefit package a non-working family receives compares favorably to full-time work, e.g., see Michael Tanner and Charles Hughes, "The Work versus Welfare Trade-Off: 2013," CATO Institute White Paper, August 19, 2013, available at: <http://www.cato.org/publications/white-paper/work-versus-welfare-trade>. The CATO study assumes that families receive assistance from all of the following programs: Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Medicaid, Housing Assistance Payments, Low Income Home Energy Assistance Program (LIHEAP), Women, Infants, and Children Program (WIC), and The Emergency Food Assistance Program (TEFAP). While it is theoretically possible to receive this benefit package, only a small percentage of families actually do – it is not a "typical" benefit package. As noted above, the TANF-to-poverty ratio in Louisiana is just 4; and housing assistance is not an entitlement and only a fraction of eligible families receive such aid. I agree that the welfare system as a whole costs much more than it should, but providing an exaggerated and misleading picture of the benefit package received by the non-working poor does little to advance the case for serious reform.

credit, so states have focused more on other loopholes – all directly or indirectly the result of the way Congress itself wrote the law.⁷

In Louisiana, the “welfare-to-work construct” doesn’t work because for all practical purposes TANF cash assistance doesn’t exist. The Ways and Means Committee, under Rep. Boustany’s leadership, is now looking to revamp TANF. Rep. Boustany says, “[TANF’s] requirement should be restored and expanded so it is a part of other programs as well.” Congress has shown no aptitude in designing work requirements. More important, in Louisiana and many other states, “TANF is virtually dead.”⁸ What good do all the new rules on measuring work participation matter, when there is no one left on the rolls?

TANF as a Slush Fund in Louisiana

Rep. Boustany suggests that federal funding for TANF reauthorization is sufficient.

But the reality is that current federal funding — which our reforms would maintain — is the same as it was in 1996 when there were twice as many people on the welfare rolls. We just need to use this funding more effectively so more people escape the cycle of poverty instead of remaining in it.

Anyone can cut caseloads by kicking or hassling people off welfare. That has nothing to do with helping people escape poverty. As explained above, Louisiana has virtually eliminated its TANF caseload, even as poverty rose. In 2014, Louisiana spent 9 percent of its TANF and associated maintenance-of-effort funds on basic assistance. And, it spends just 3 percent on work activities.⁹

Louisiana, perhaps more than any other state, illustrates that TANF is not welfare or welfare reform – it’s just a fixed and flexible funding stream. The Center on Budget and Policy Priorities examined how states spent their TANF and maintenance-of-effort (MOE) dollars; here’s what they found in Louisiana:

In 2014, Louisiana spent some \$145 million, or two-thirds of its state and federal TANF spending, in “other areas.” Most went for child welfare services, early education, and financial aid for college students. Louisiana used TANF funds to supplant state spending or to cover the cost of expansions that otherwise would have required state spending, freeing up the funds for other uses unrelated to the purposes of TANF, including tax cuts.

⁷ One loophole some observers may claim is a regulatory provision is the “excess MOE” provision of the caseload reduction credit. While this is a regulatory provision, it is only possible because Congress replaced the federal-state match with a block grant and a separate MOE requirement. For a fuller discussion of this issue, see Germanis, 2015. If a state has “excess MOE,” it can just as easily use that to create a solely state funded program to evade the work requirement rules.

⁸ This expression captures what has happened to TANF in too many states; see Kathryn Edin in Dylan Matthews, “Selling plasma to survive: how over a million American families live on \$2 per day,” *Vox.com*, September 2, 2015, available at: <http://www.vox.com/2015/9/2/9248801/extreme-poverty-2-dollars>.

⁹ Center on Budget and Policy Priorities, “Louisiana: TANF Spending Fact Sheet,” October 2, 2015, available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_la.pdf.

- Child welfare. Some \$36 million went for child welfare, including child protective investigations and family services. Another \$4.4 million went to providing court-appointed advocates for children placed (or at risk of placement) in foster care.
- Early education. Some \$36 million went to the state's pre-kindergarten program.
- Financial aid. Some \$27 million went to the Office of Student Financial Aid Assistance for financial aid to students in post-secondary education.
- Other expenditures. Drug courts received \$6 million and substance abuse programs received another \$3 million. Other programs received smaller amounts.¹⁰

And, where is the accountability? Congress wrote the 1996 law in such a way that the federal government can't collect detailed information on these programs – only on the cash assistance portion of the program, which is rapidly withering away. TANF has little or no accountability for about 90 percent of spending in Louisiana – how can anyone possibly consider TANF a model for reform?

If Congress wants a program of general revenue sharing, then it should say so. And, it should develop a funding formula that is rational and somehow related the magnitude of need (however one defines that), not one related to how much federal funding states received for AFDC and related programs in the mid-1990s. To pretend that TANF is “welfare reform” or helping poor families is a cruel hoax on the poor (and taxpayers).

Ways and Means Reforms: Going from Bad to Worse?

The Ways and Means Committee's press release of June 17, 2015, “From Welfare to Work: A Bipartisan Effort to Improve Our Social Safety Net,” extolled the virtues of a “discussion draft” to reform and reauthorize TANF.¹¹ The subtitle of the press release suggests that this is the “biggest redesign of TANF in its history.” In fact, it is nothing more than a futile exercise to reform a failing program. To their credit, the authors of the draft bill make a number of positive changes to the TANF program, but they fail to adequately address the root cause of TANF's problems – the block grant structure and excessive state flexibility. As a result, states would continue to take advantage of loopholes in the work requirements and America's low-income families with children would fall deeper into poverty.

Now it appears that the bi-partisan consensus that seemed to exist is falling apart. Why? According to the Dylan Scott of the *National Journal*:

Prominent outside conservatives at groups ... made clear they would oppose some of the major aspects of the draft bill introduced this summer that would overhaul the Temporary

¹⁰ Liz Schott, LaDonna Pavetti, and Ife Floyd, “How States Use Federal and State TANF Funds Under the TANF Block Grant,” Center on Budget and Policy Priorities, October 15, 2015, available at: <http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant>.

¹¹ Committee on Ways and Means, “From Welfare to Work: A Bipartisan Effort to Improve Our Social Safety Net: ‘The biggest redesign of TANF in its history’,” July 17, 2015, available at: <http://waysandmeans.house.gov/from-welfare-to-work-a-bipartisan-effort-to-improve-our-social-safety-net/>.

Assistance for Needy Families program. Democrats are in turn signaling a willingness to walk away if the legislation moves too far to the right.¹²

So, are Republicans, after putting forward a discussion draft that included at least some good ideas, now going to listen to the same group that gutted welfare reform to begin with and that has shown no aptitude for drafting legislation that would implement serious work requirements? I am the only conservative who has written extensively about loopholes (Germanis, 2015). But, I also show how TANF has eviscerated the cash assistance safety net for America's poorest families, how TANF has become a giant slush fund, and how Congress in writing the 1996 welfare reform law got virtually every technical detail wrong by adding a myriad of bureaucratic and ineffective rules. I am a conservative who believes in meaningful and realistic work requirements. I derive no pleasure in criticizing conservatives, but I have no choice if they continue to repeat the mistakes of the past.

Conclusion

Rep. Boustany closed his article by saying that Pope Francis was right when he said, "The fight against poverty and hunger must be fought constantly and on many fronts, especially in its causes." He then added, "To fight poverty and win, we need policies that succeed in helping parents go to work. That requires a new round of welfare reform, building on what we know worked in the past." We do need a new round of welfare reform. The first step in that process is to acknowledge that TANF, and indeed block grants of any kind, are bad public policy. Sadly, many in Congress have yet to learn this lesson.

Personal Note: In discussing the prospects for reform, Rep. Boustany said, "At the end of the day, we could fail." But, he added, "We will not fail for want of trying."¹³ That's exactly how I feel in my quest to change the hearts and minds of conservatives on the topic of welfare reform.

¹² Dylan Scott, "Why the Welfare Reform Bill is Falling Apart," *National Journal*, September 20, 2015, available at: <http://www.nationaljournal.com/s/73385/why-bipartisan-welfare-reform-effort-is-falling-apart?mref=skybox>.

¹³ *Ibid.*