

Ten Facts Conservatives Don't Want You to Know About "Welfare Reform"

Peter Germanis¹
January 14, 2017

Most conservatives believe the 1996 "welfare reform," particularly the creation of the Temporary Assistance for Needy Families (TANF) block grant has been a success and is a model for reforming other safety net programs. I am a conservative, but I believe TANF has been a policy failure – when it comes to "welfare reform," conservatives have been unable to translate their ideas into effective policies. This is no more evident than in TANF, as explained in the 10 inconvenient facts below. Each fact consists of a brief explanation about how TANF has failed, but also includes a citation to a much more detailed discussion of the supporting evidence.

Fact #1: TANF is not "welfare reform"; it is just a form of revenue sharing.²

While the 1996 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 flexible funding stream that has failed to provide an adequate safety net or an effective welfare-to-work program. The vast flexibility of the block grant has allowed states to shift money from core welfare reform purposes to fund a wide range of activities, such as college scholarships for single adults and childless married couples, prekindergarten, child welfare, and other activities. These activities may be worthwhile in their own right, but because TANF is a fixed block grant, funding them through TANF means substantially less money is available for core welfare reform purposes. In fiscal year (FY) 2015, just 25 percent of TANF funds were used to provide basic cash assistance and just 7 percent were for work-related activities, despite the fact that the number of poor families with children was higher in 2015 than in 1996. In many states, TANF has become a slush fund used to supplant state spending and fill budget holes.

Fact #2: TANF's work requirements don't work.³

TANF's work requirements are unreasonable, dysfunctional, and are not about work. Their main function has been to impose barriers and cut caseloads through a process known as "bureaucratic disentanglement." Even with sharply reduced caseloads, states have resorted to loopholes and gimmicks to satisfy federal work requirements that are unrealistic. Such gimmickry does nothing to help the poor get connected to work opportunities. TANF's block grant structure creates a situation in which states don't have the resources to run meaningful welfare-to-work programs, as the amount is not adjusted for inflation or demographic changes. This problem is exacerbated when state politicians divert scarce funds to plug budget holes. Real welfare reform requires adequate funding, realistic work requirements, and rigorous evaluation so that we can learn what works and what doesn't and build on an evidence base. It should be about giving needy families a hand up, but instead, under TANF, it has abandoned them.

Fact #3: Conservatives “guttled” TANF’s work requirements themselves.⁴

In 2012, the U.S. Department of Health and Human Services issued guidance to give states more flexibility to test alternative welfare-to-work programs. Conservative critics wrote articles claiming that TANF’s work requirements were being “guttled,” with sensationalist headlines like “Obama Administration Ends Welfare Reform as We Know It” and “How Obama has Guttled Welfare Reform.” Regardless of the substance of the waiver proposal, the fact of the matter is that conservatives themselves “guttled” work requirements in 1996. As a result, most states have never served large numbers of families in actual work activities. A partial checklist of how conservatives “guttled” the work requirements includes the caseload reduction credit (driving the target rate to 0 percent for 20 to 30 states over the first 15 years of the program), and loopholes like separate state programs (now solely state funded programs), token payments to employed families with full-time workers but who otherwise have no connection to the cash assistance caseload, allowing waiver inconsistencies to carry over from the prior AFDC program, failing to actually define work activities, and excluding able-bodied non-recipient adults even when their children received aid.⁵ Any “gutting” by waivers (if any had been granted) would pale in comparison to what conservatives themselves did to work requirements.

Fact #4: Conservatives ignored or misused research in developing TANF.⁶

Conservatives like to think their policies are based on evidence. For example, when Speaker Ryan was Chairman of the House Budget Committee, his report, *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee*, claimed that the welfare reforms of the 1990s were based on “learning from decades of experimentation.”⁷

Some of TANF’s central features have little basis in research – most notably the work requirements and time limits. With respect to work requirements, there was no evidence that a 50 percent requirement was feasible or desirable, that the 20- or 30-hour per week requirements were appropriate, or that the restrictions on countable work activities would result in more effective programming. As Gordon Berlin, president of MDRC – a firm with a long history in evaluating welfare-to-work programs – 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.⁸

Similarly, TANF’s work-first orientation was based on a limited number of research studies, mostly short-term findings of programs that operated about 20 years ago. Subsequent research suggests that more effective models could not be implemented under TANF’s structure, at least if states want credit for counting all hours of participation toward TANF’s work rate.

With respect to TANF’s time limit, there was no evidence that would suggest five years was the optimal duration or that it should apply to all families. States were just beginning to experiment with time limits; the more prudent course of action would have been to let the experiments run

their course and design a policy on actual evidence. (Of course, states can easily game both work requirements and time limits, but then that raises the question – why bother?)

Fact #5: Conservatives are “bureaucrats” – adding needless complexity to program rules.⁹

The most obvious example of TANF’s needless complexity is its Rube Goldberg-like funding rules. TANF replaced a simple federal-state matching program, with a block grant and maintenance-of-effort (MOE) requirement. States must now 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). Then there are rules based on which purpose an activity meets, whether the expenditure is “assistance” or “non-assistance,” 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.

Similarly, the work requirements are riddled with an array of rules in determining who is required to participate and then included in the denominator of the participation rate calculation, with even more rules regarding which activities can be counted and how hours of participation are to be counted with various limits and restrictions for determining who is included in the numerator. Then, there is the caseload reduction credit, with its adjustments for eligibility changes from a base period – an exercise that results in a convoluted guesstimate at best.

Fact #6: Conservatives ignore accountability for TANF “non-assistance” – now \$20+ billion (over 75 percent) of all TANF/MOE spending.¹⁰

Conservatives often complain about the lack of accountability in programs, as reflected in the House Budget Committee’s FY 2017 budget recommendation to terminate the Social Services Block Grant (SSBG), which it characterizes it as a payment to states “without any matching, accountability, or evaluation requirements...”¹¹ These concerns pale in comparison to those of TANF, yet the Committee believes TANF is an unprecedented success. TANF has no meaningful matching requirement – its MOE requirement has been eroded by inflation and the broad flexibility states have in what counts as an allowable expenditure minimizes its usefulness in maintaining a serious state commitment. TANF’s main accountability measures are limited to “assistance” (less than \$9 billion); leaving little accountability for the \$20+ billion in “non-assistance” expenditures. There are hundreds of different state programs funded as “non-assistance,” with little information on what they do, their cost, the number of families served, and their effectiveness.

Fact #7: Conservatives like to micro-manage behavior, but they aren’t very good at it.¹²

TANF is a block grant that is intended to give states great flexibility. Indeed, section 401 of the Social Security begins, “The purpose of this part is to increase the flexibility of States in operating a program designed to...” and then it lists four more specific purposes. Despite the emphasis on flexibility, the law imposes an array of requirements on states and individuals, most

of which can be easily gamed or otherwise have no practical value. The work requirements are perhaps the most notable example, but a *few* other examples include:

- The law states that all parents and caretakers receiving assistance after 24 months must engage in work activities. There is no penalty if this doesn't happen; thus, there is no real requirement.
- The law sets a limit of up to 30 percent of federal block grant funds that can be transferred to the Child Care and Development Block Grant (CCDBG) and the SSBG, with a separate limit of 10 percent for the SSBG. These limits serve no practical purpose, as a state could spend its federal TANF money directly in exactly the same way as funds are spent in these block grants.
- 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 – despite a paucity of evidence that such use was a significant problem. Obviously, if someone wants to spend their TANF dollars at these establishments, they can 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?

A block grant is bad public policy to begin with, but adding a myriad of ineffective requirements only makes it worse.

Fact #8: TANF increased the depth of poverty for millions of needy families.¹³

Conservatives often make the claim that TANF reduced poverty. For example, Speaker Ryan asserted, “After the welfare reforms of 1996, child poverty fell by double digits.”¹⁴ What he doesn't explain is that the 1996 law was also implemented in the midst of a strong recovery, that aid to the working poor had also been expanded, that states were already experimenting with welfare reform through waivers, and that in the first five years of the program, virtually all states enjoyed a massive windfall of federal funds because Congress based the block grant on historically high spending levels. He also ignores the fact that the drop in poverty was short-lived, as it began to rise again in 2000. Simplistic pre-post comparisons are misleading.

Perhaps most important, he bases his assertion on the poverty *rate*, which is not a useful measure for gauging the impact of TANF, because it misses changes in the *depth* of poverty. The eligibility levels for cash aid are well below the poverty thresholds – TANF benefits range from about 10 percent to about 45 percent of the federal poverty level. Most TANF families are poor whether they receive cash assistance or not – taking their benefits away won't immediately change the poverty rate, but it will push them deeper in poverty. A simple comparison of poverty *rates* would miss important distributional effects. If a program lifted a small group of people out of poverty, but pushed a large number deeper into poverty, that would be important to know. And, that is exactly what happened.

Fact #9: Conservatives replaced a real, evidence-based approach to “welfare reform” with a blank check to states with no regard to evidence.¹⁵

In describing his vision of welfare reform, Speaker Ryan has emphasized the importance of building an evidence base:

...let states try different ways of providing aid and then to test the results – in short, more flexibility in exchange for more accountability. ...Put the emphasis on results. ...[w]e would not expand the program until all the evidence was in. The point is, don’t just pass a law and hope for the best. If you’ve got an idea, let’s try it. Test it. See what works. Don’t make promise after promise. Let success build on success.¹⁶

This approach is exactly right; sadly, TANF does just the opposite. There is no requirement for states to evaluate their policy changes. Now, 20 years after TANF’s creation, there is no rigorous evidence to inform policymakers about work requirements, time limits, sanctions, family caps, diversion programs, and an array of other provisions. Some policies have undoubtedly helped families move toward self-sufficiency, others have just as surely pushed them deeper into poverty.

In fact, TANF replaced an evidence-based welfare reform model, which had strict accountability measures, one started by President Reagan himself. In 1987, the Reagan Administration began encouraging states to use existing authority to conduct welfare reform experiments – through waivers of AFDC’s rigid rules (and, to a lesser extent, food stamp and Medicaid rules due to more limited waiver authorities for those programs). This approach was continued by President Bush and President Clinton. 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.¹⁷ It provided rigorous evidence about the impacts of welfare reform, including many examples of state experiments that increased employment and earnings, and also reduced welfare dependency and poverty.¹⁸ The next step would have been to refine this process and expand waiver authorities in other programs. Instead, TANF replaced it with a blank check to states with no accountability. Why? Apparently governors convinced Congress that states knew best how to reform welfare and didn’t need federal approval. As Ron Haskins, an architect of the 1996 law, now concedes, “States did not uphold their end of the bargain. So, why do something like this again?”¹⁹

Fact #10: TANF is a massive policy failure.

By now, this should be obvious.

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 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. 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 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>.

³ Peter Germanis, "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute," August 12, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements-1.pdf>.

⁴ Peter Germanis, "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute," August 12, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements-1.pdf>.

⁵ The waiver inconsistencies loophole expired and Congress required the U.S. Department of Health and Human Services to define work activities and who is required to participate in work activities in the Deficit Reduction Act of 2005, thus closing some of the loopholes, but others have become more prominent.

⁶ See, "TANF Work Requirements: An Epic Fail," in 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>.

⁷ House Budget Committee, *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee*, July 24, 2014, available at: http://budget.house.gov/uploadedfiles/expanding_opportunity_in_america.pdf.

⁸ 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.

⁹ See, for example, Table III-3, "TANF's Rube Goldberg Financing Requirements" and Table IV-2, "TANF's Ineffective and Bureaucratic Work Requirements" in 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>.

¹⁰ See "Funding and Flexibility: How Congress Shot Itself in the Foot" in 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>.

¹¹ U.S. House of Representatives, Committee on the Budget, *Concurrent Resolution on the Budget – Fiscal Year 2017*, March 2016, p. 67, available at: http://budget.house.gov/uploadedfiles/fy2017_budget_resolution.pdf.

¹² 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>.

¹³ Peter Germanis, "'Welfare Reform' Increased Poverty and No One Can Contest It: A Note to Conservatives," April 24, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2015/11/Welfare-Reform-Increased-Poverty.pdf>.

¹⁴ 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>.

¹⁵ Peter Germanis, "Making 'Opportunity Grants' Great Again: A Worthy but Challenging Prospect," December 18, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/Making-OG-Great-Again.pdf>.

¹⁶ Rep. Paul Ryan, "Expanding Opportunity in America," July 24, 2014, available at: <http://paulryan.house.gov/news/documentsingle.aspx?DocumentID=389081>.

¹⁷ 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).

¹⁸ Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), http://www.acf.hhs.gov/programs/opre/welfare_employ/res_synthesis/reports/consequences_of_wr/rand_report.pdf.

¹⁹ 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>.