

The American Enterprise Institute's Proposals to "Improve" TANF: A Cruel Hoax on the Poor

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Arthur Brooks, president of the American Enterprise Institute (AEI), once said, "What is most important on the right is not to shut down the competition of ideas."² I welcome that spirit, and that is why I offer an alternative conservative perspective to the conventional wisdom that the 1996 welfare reform law, and the creation of the Temporary Assistance for Needy Families (TANF) block grant, was an "unprecedented success." In fact, I argue that TANF is a policy failure and should not be held out as an example of "conservatism." I offer an alternative conservative perspective, based on a model developed in the Reagan Administration, which provided states flexibility, but unlike TANF had strong accountability provisions – most notably cost neutrality and rigorous evaluation – to ensure that states actually helped needy families. This approach was continued by President George H.W. Bush and President Clinton. TANF replaced this evidence-based approach with a blank check and no meaningful accountability. For the past year, I have been writing critiques of TANF and "responses" to those who suggest TANF has been a "success."

In "Improving the Safety Net: An Agenda to Expand Opportunity," a chapter in AEI's new volume, *Increasing the effectiveness and sustainability of the nation's entitlement programs*,³ the authors contend that TANF is a success, but acknowledge that it could be improved. They recommend three main reforms to the TANF program:

- "Eliminate TANF work-requirement loopholes.
- Encourage states to help the nonworking poor find employment and connect with services.
- Use outcome measures in TANF to evaluate state job-placement and job-retention efforts."⁴

The AEI assessment overstates TANF's successes and, while it identifies a few of TANF's many very real problems, its recommendations would further weaken the program as a safety net and welfare-to-work program. (TANF is not really a program; it is a flexible funding stream.) In the response below, I highlight some of the statements in the AEI document as they relate to TANF and follow them with a "PC Response" (short for "Peter the Citizen"). For each recommendation, there is also an explanation – "*How AEI would make it even worse.*"

AEI's main failure, however, is its narrow focus on only the cash assistance portion of the program and within it that, only the subset of families subject to work requirements. This accounts for about 10 to 15 percent of total TANF and state maintenance-of-effort (MOE) spending.⁵ It ignores the fact that states use TANF as a slush fund to the detriment of needy families, that the block grant structure allows states to game most federal requirements (not just the work requirements), and that its funding rules and formulas are needlessly complex and blatantly unfair, providing states like New York nearly ten times as much federal funding per poor child as states like Texas (\$2,555 vs. \$280, respectively, in 2013).⁶ And, these are just a few of TANF's many problems – AEI should focus on these bigger issues rather than advancing

reforms that states can easily game and do little more than increase administrative burden on state TANF agencies.

This “response” is not intended to be a comprehensive assessment of either AEI’s statements or of TANF itself; it is intended to simply highlight the problems with AEI’s description of TANF and possible reforms. One of the biggest failures of conservatives is the lack of attention to detail. AEI’s discussion of TANF is too cursory to describe any of TANF’s problems, much less offer constructive policy solutions. Notably, AEI’s discussion of TANF is just 2 pages and this response is over 15 pages, and even then it just scratches the surface. It is time for AEI to move beyond conservative talking points and deal in substantive details; maybe with that focus, it too will realize that TANF is a massive policy failure.

AEI: “Since the welfare reform of 1996 created Temporary Assistance for Needy Families (TANF), cash welfare has been a more effective program in helping individuals move from welfare to work than the old Aid for Families with Dependent Children system was.”

PC Response: TANF certainly has been effective in reducing welfare caseloads, but the goal of welfare reform should be to reduce caseloads by promoting self-sufficiency and reducing poverty. What the authors ignore is the fact that millions of families are not working and have lost cash assistance – they have been pushed deeper into poverty. (See “Welfare Reform *Increased Poverty and No One Can Contest It.*”⁷) Under TANF, a new kind of “welfare dependence” has arisen – the increased dependence of state politicians on using TANF as a slush fund to supplant existing state expenditures or fill state budget holes. The AEI report makes no reference to this and would permit this practice to continue.

AEI’s report also reflects a false choice – the comparison should not be between TANF and AFDC, but TANF and AFDC *with waivers*. In 1987, President Reagan started 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. When the 1996 law passed, many states simply continued these policies – they didn’t need TANF to enact “welfare 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.⁸ 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, it would be possible to know whether state reforms actually reduced welfare dependency by increasing self-sufficiency. And, 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. TANF replaced this approach with one that essentially provides states a blank check with no accountability. Now, there is virtually no credible evidence on the impact of state reforms.

AEI: “The new TANF program, created by a bipartisan effort, provided states the funds to design their own welfare systems as long as they required recipients of cash welfare to work, placed time limits on TANF receipt, and enhanced child support enforcement.”

PC Response: 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 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.

More specifically, the creation of the TANF block grant with *excessive* state flexibility set in motion changes that would: (1) initially provide large windfalls of federal funds for states, but also put in place a funding structure that in the longer-term would provide insufficient resources due to inflation and demographic changes; (2) allow states to use federal funds to supplant their own spending (by tens of billions of dollars since TANF was created); (3) permit states to convert TANF (over time) to a giant slush fund with minimal reporting and accountability provisions; (4) impose a Rube Goldberg-like set of bureaucratic and ineffective funding formulas and requirements; and (5) give states excessive flexibility to avoid or evade virtually all of the federal requirements in the law, most notably work requirements and time limits. (For more detail, see: *TANF is Broken!*⁹)

AEI: In a 2015 National Bureau of Economic Research literature review of the program, James Ziliak found that the weight of evidence indicates that welfare reform increased employment and earnings and reduced caseloads. Despite predictions of disaster from some politicians and pundits, the poverty rate among single mothers and their children fell from 44 percent in 1994 to 33 percent in 2000 – a decline of 25 percent. While the booming economy of the late 1990s certainly helped, studies show that a significant portion of the caseload reductions came from the new rules, which advanced a work-first approach.

PC Response: No one disputes that the 1996 law lowered caseloads. The real question is whether it actually helped families achieve self-sufficiency and reduced poverty. It is now 2016 – to cite statistics through 2000 and not explain what has happened since is misleading. The main policy change that occurred in TANF’s early years was that Congress overpaid states by about 20 percent because it based the federal block grant on historic spending levels, years earlier when caseloads were at their peak. As explained in “Welfare Reform *Increased* Poverty and No One Can Contest It,”¹⁰ conservative “analyses” of TANF’s effects on poverty: reflect little understanding of causal inference (i.e., they do not try to disentangle the effects of TANF from other possible influence, such as the economy and increased aid to the working poor); ignore rigorous research findings (particularly random assignment experiments during the same time period that suggest welfare policies had modest impacts); use inappropriate time periods (often starting years before TANF was enacted and often stopping in 2000 – 16 years ago); use the wrong poverty measure, i.e., the poverty *rate* rather than a measure that also includes the *depth* of poverty; and confuse TANF with welfare reform – TANF is nothing more than revenue sharing, with a myriad of ineffective and even counterproductive federal requirements.

In citing the Ziliak chapter, AEI might also have noted the following:

When post-2000 data are incorporated, the longer-term effects of welfare reform are less encouraging, especially at the low-end of the distribution. This is seen descriptively in the fact that (i) TANF fills a smaller share of the so-called poverty gap—the distance between a family’s income and their family-size adjusted poverty line—as demonstrated in Ziliak (2008) and Moffitt and Scholz (2010); (ii) there was an increase of over one-third between 2000 and 2005 in the fraction of single mothers disconnected from work and welfare (Blank and Kovak 2009); (iii) there was a 50 percentage point reduction from 1996 to 2011 in the number of households with children lifted out of extreme poverty of \$2 per day by TANF (Shaefer and Edin 2013); and (iv) the evidence of a tempered response by TANF to changing business-cycle conditions (Bitler and Hoynes 2010; forthcoming). This dire set of facts is cause for concern, and also is cause for renewed research to identify the extent to which these relationships are causal.¹¹

AEI: We should not turn away from the pro-work philosophy of the 1996 law. However, after 20 years, we have learned lessons that call for improvements. For instance, states should be required to meet a real work participation rate (WPR) that is not vulnerable to state manipulation. Under TANF, states must engage 50 percent of their recipients in work activities to avoid losing funds. Many states game the system by manipulating federal rules that allow states to lower their required WPR by reducing the number of recipients or by claiming that state spending on related activities justifies a reduced WPR. Other states provide very small benefits to workers to boost their work-engagement numbers. These loopholes should be closed.

PC Response: When it comes to welfare reform, conservatives have been unable to translate their ideas into effective policies – this is no more evident than in the case of TANF’s work requirements. TANF’s work requirements have never worked. The block grant structure has created a situation in which many states don’t invest 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 federal work rate targets and, then divert the funds to uses unrelated to core welfare reform activities. TANF’s work requirements are unreasonable, unrealistic, unhelpful, and are not about work.

While it may have taken the authors of the current AEI report 20 years to recognize some of the problems with TANF’s work requirements, they have existed from the beginning. Douglas Besharov and I noted many of them in a 2004 report for AEI – *Toughening TANF*, stating:

The complexity of TANF’s participation requirements stems largely from the politics of how the original law described participation requirements. The drafters wanted to show they were serious about reform, so they set a high putative requirement (eventually 50 percent). But they compromised on the real requirements through a slew of exclusions and exemptions that substantially watered down the 50 percent requirement (even before the impact of the caseload reduction credit).¹²

In discussing reauthorization proposals in the early to mid-2000s, we also explained, “the structure of the TANF block grant would enable states to avoid *all* additional participation

requirements...”¹³ This remains true today and would continue to be true under AEI’s proposed reforms.

The creation of TANF gutted the even modest work requirements that existed before the 1996 law. For most years since TANF’s inception through FY 2011, 20 to 30 states faced a 0 percent work target because of the “caseload reduction credit,” a provision that gave states credit toward their work requirement for reduced caseloads since FY 1995 (later changed to FY 2005). This means 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. In other words, they had to do nothing. Even when Congress tried to reestablish meaningful targets in the Deficit Reduction Act of 2005 by recalibrating the base year of the credit to FY 2005, states just took advantage of other congressionally-created loopholes, such as paying full-time workers (who otherwise would have no connection to TANF cash assistance) token benefits to artificially inflate the numerator of the rate or creating solely state funded programs to artificially reduce the denominator. (For a fuller discussion of how conservatives themselves are to blame for all the “loopholes,” see “TANF Work Requirements: An Epic Fail,” in *TANF is Broken!*) Such gimmickry does nothing to help the poor get connected to work opportunities.

Unreasonable. The legislative history of TANF emphasizes the focus on caseload reduction. An early statement of congressional intent makes this clear:

The intent of the Congress is to . . . provide States with the resources and authority necessary to help, cajole, lure, or force adults off welfare and into paid employment as quickly as possible, and to require adult welfare recipients, when necessary, to accept jobs that will help end welfare dependency.¹⁴

From TANF’s inception, caseloads fell much faster than the number of poor families (or families eligible for cash assistance). So, while there may have been some “help,” much of the decline seems to have come from efforts to “cajole, lure, or force” families off welfare (or keep them from coming on it), whether they have jobs or not.

Scott Winship of the Manhattan Institute notes the “under-performance” of states in this regard:

One place where welfare reform has under-performed is in the small number of welfare recipients states have engaged in work-related activities. Most of the success of welfare reform in encouraging work can be attributed to the ways that it has made receipt of benefits less attractive relative to work. People largely left welfare or chose not to enroll independently of state work promotion efforts. Because states can count declines in welfare rolls as increases in work, and because they can game the federal work requirements via various strategies, few of them have devoted much effort toward helping recipients become employed or more employable.¹⁵

Despite acknowledging the failure of states to engage a large number of recipients, Winship nevertheless believes TANF is a “success” – because it “made receipt of benefits less attractive relative to work.” As such, their main function has been to impose barriers and cut caseloads through a process known as “bureaucratic disentanglement.” If this is the standard by which some

conservatives define “success” TANF certainly has been very successful. A better measure would be to go by Speaker Ryan’s words, who described success in terms of “how many people we help,” further cautioning, “Those who protect the status quo must answer to the 46 million Americans living in poverty.”¹⁶

One of the primary drivers of this kind of “bureaucratic disentanglement” is TANF’s hourly requirements. To count in TANF’s overall work participation rate, states are required to engage a work-eligible individual in one or more of 12 specified work activities for a minimum average of 30 hours per week (or 20 hours per week in nine “core” activities for a single parent with a child under six years of age) each month. This translates into about 130 hours per month (or 87 hours for a single parent with a child under six). In 14 states, the maximum TANF benefit is under \$300. The TANF expectation that families in these low-benefit states value their time at \$2 per hour or less is unreasonable. In no state, does the maximum grant for a family of three divided by 130 hours per month result in an hourly valuation as high as the minimum wage. Is it any wonder that caseloads have declined, even during periods when poverty has risen? Is this really “success”?

One of the reasons many states invest so little in their cash assistance and welfare-to-work programs – they account for just one-third of TANF-MOE spending – is the growing dependence of state politicians on the TANF block grant. As Harvard professor Christopher Jencks observes:

If states cut the cost of TANF by reducing the number of recipients, they can use the savings for other purposes. That gives state officials a strong incentive to discourage TANF applications. Potential applicants may have to spend weeks applying for jobs before they can apply for TANF. Or they may have to produce documents that they cannot find or do not know how to get. Understaffed welfare offices can create long lines that discourage applications. Many TANF applicants also report having been turned down with no explanation at all.¹⁷

Unrealistic. Aside from the financial incentives for states to divert funding to other purposes, TANF’s work requirements are unrealistic. Under the pre-TANF AFDC/JOBS program, the work rate target in FY 1995 was 20 percent; TANF raised this to 50 percent and applied it to a larger non-exempt population.¹⁸ It is noteworthy that none of the many welfare-to-work programs that had been rigorously evaluated in the years preceding TANF would have met its 50 percent work participation requirement.¹⁹

From the beginning, the 50 percent requirement has been a myth. Instead of actually engaging families, most states relied on the caseload reduction credit and other loopholes created by Congress itself. In many states, fewer than 10 percent of families have been involved in an actual work activity. Writing in 2004, Douglas Besharov and I recommended “toughening TANF” by requiring a 10 percent target, but in a more narrow, but real, set of work activities: “Establish a separate minimum participation rate for work experience, on-the-job training, and other designated forms of education and training of 10 percent – to add a needed focus on activities that build human capital.”²⁰

Unhelpful. TANF has 12 work activities that can count toward the work rates; 9 are “core” activities that can count toward any hours of work participation for a work-eligible individual, while participation in the 3 “non-core” activities generally counts only after meeting an average of 20 hours per week in a core activity. Only one of the 9 core activities is related to education and training – vocational educational training and states cannot count an individual in this activity for more than 12 months in a lifetime. In addition, no more than 30 percent of families that a state counts toward its work rate may be counted by virtue of participation in vocational educational training or, for parents under age 20, school attendance or education directly related to employment.

Most conservatives 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 approach is based on programs that operated about 20 years ago, including periods before TANF’s implementation. As Gordon Berlin of MDRC explains:

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.²¹

This sentiment is echoed by many state officials, such as Wisconsin’s own 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.”²² Based on her experience, she recommended a number of 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.

How AEI would make it worse. Real welfare reform requires adequate funding, realistic requirements, and rigorous evaluation so that we can learn what works and what doesn’t and build on an evidence base. Rather than focusing on reforms to ensure a meaningful safety net with real work requirements, AEI’s main recommendation is to close the work requirement “loopholes.” This is problematic for several reasons.

First, this recommendation is largely irrelevant in many states because the TANF cash assistance is virtually non-existent; instead, it has become a slush fund. Consider the following statistics:

- In 1996, the TANF-to-poverty ratio for the nation was 68; in 2014 it was 23.²³ (The TANF-to-poverty ratio compares the average monthly AFDC/TANF cash assistance caseload per 100 poor families with children.)
- In 1995, Alabama had the lowest TANF-to-poverty ratio at 34; in 2014, 44 states had a TANF-to-poverty ratio lower than this.²⁴
- In 2014, 12 states had a TANF-to-poverty ratio of less than 10 – more than two-thirds lower than Alabama’s pre-TANF level.²⁵

The spending figures tell the same story. In FY 2014, 10 states spent less than 10 percent of their funds on basic assistance, 24 states spent less than 20 percent of their funds on basic assistance, and 40 states spent less than 30 percent of their funds on basic assistance.²⁶ And, in most states, this spending hasn’t been diverted to work-related activities, as this accounted for just 8 percent of spending.²⁷

Work requirements are irrelevant when virtually no one receives assistance!

Sadly, the report does not recognize this or do anything to change the fact that TANF has become nothing more than revenue sharing.

Second, conservatives, including the authors of this report, have yet to write anything that shows any understanding of what the “loopholes” are or how to close them. The last time conservatives tried to close loopholes was in the Deficit Reduction Act of 2005. They recalibrated the base year of the caseload reduction credit, added separate state programs to the work rate calculation, and made other changes. What happened? States used the block grant structure and the excessive flexibility to apply new loopholes.

What *exactly* would AEI do to close the loopholes? The report says:

Many states game the system by manipulating federal rules that allow states to lower their required WPR [work participation rate] by reducing the number of recipients or by claiming that state spending on related activities justifies a reduced WPR. Other states provide very small benefits to workers to boost their work-engagement numbers. These loopholes should be closed.

This is vague, but it appears to point to three factors. “Reducing the number of recipients,” depending on how it’s done,²⁸ would provide a larger caseload reduction credit. Is AEI acknowledging that the caseload reduction credit is a misguided provision? If so, I would agree, but eliminating the credit without other changes would simply lead states to exploit other loopholes. “Claiming that state spending on related activities justifies a lower WPR” might be referring to the “excess MOE provision” of the caseload adjustment credit (which may lower a state’s work rate target if it spends above its basic MOE level), but closing this loophole would only lead to greater exploitation of the solely state funded option – an option available to states with “excess MOE.” Providing “small benefits” for the sake of boosting work engagement numbers might be an option, but what would be the criteria? For example, setting a minimum

dollar amount, say \$50, may simply lead states to set such payments at the new level. Or, they may redesign earnings disregards in a way that accomplished a similar result. As long as “unsubsidized employment” is an activity, rather than an exemption as before TANF, this will be a low-cost way of boosting work participation rates.

AEI has not presented real solutions. As long as TANF is a block grant with excessive state flexibility, loopholes remain. Again, as Douglas Besharov and I noted, *writing for AEI in 2004*, “the structure of the TANF block grant would enable states to avoid *all* additional participation requirements...”²⁹ If AEI is serious about ending loopholes, the first step would be to end the block grant structure; the second would be to limit spending to basic assistance and work activities – nothing else; and the third would be to focus on requirements that are reasonable and reflect operational realities. Welfare reform should be about giving needy families a hand up, but instead, under TANF, it has abandoned them.

AEI: The biggest problem scholars have identified in TANF is that an increasing number of poor, single-parent families are not receiving cash assistance and report no earnings. For instance, Kathy Edin and Luke Shaefer find that the number of families living on less than \$2 per person per day has more than doubled from 636,000 in 1996 to 1.65 million in 2011. The magnitude of this problem may be overstated: underreporting of cash welfare receipt and earnings is endemic in the surveys used to study this issue. Even so, the evidence does suggest that more of these single parents are not being helped into the labor force in the way that they could be.

PC Response: TANF has a myriad of problems – the growth in “extreme poverty” described in the Edin and Shaefer volume is certainly an important one. There are many measures that show how the collapse of the cash assistance safety net has adversely affected needy families. I prefer a broader measure, one that is more likely capture TANF’s full effects. Table 1 shows the change in the average monthly number of families eligible for assistance compared to the average monthly number receiving assistance for selected years from 1996 through 2012. In 1996 (before TANF), about 5.6 million families were eligible to receive benefits, and about 4.4 million (79 percent) did so. By 2012 the number eligible for TANF was higher (5.7 million), but the number receiving benefits had dropped to 1.9 million (32 percent). Using the conventional conservative pre-post method for assessing impact, a reasonable question is: If TANF is such a success and if these families had really been “helped,” why are there more families with incomes below TANF’s eligibility thresholds?³⁰

**Table 1:
Number and Percentage of Eligible Families Participating in TANF
(Average Monthly Data, Selected Years, 1996-2012)**

Year	TANF			
	Eligible (millions)	Participating (millions)	Eligible, Not Participating (millions)	Participation Rate (%)
1996	5.6	4.4	1.2	78.9
2000	4.4	2.3	2.1	51.8
2004	5.1	2.2	2.9	42.0
2008	5.2	1.7	3.5	33.0
2012	5.7	1.9	3.8	32.4

Source: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: Fourteenth Report to Congress*, September 22, 2015, available at: <https://aspe.hhs.gov/sites/default/files/pdf/116161/FINAL%20Fourteenth%20Report%20-%20FINAL%209%2022%2015.pdf>.

The more important statistic that can be derived from this table, however, is the increase in the number of families that were eligible to receive TANF, but that did not. This number grew from 1.2 million in 1996 to 3.8 million in 2012. This is an increase of 2.6 million very poor families that were eligible for assistance but did not receive it. For the affected families, this represents a loss in benefits of about \$200 to \$700 per month (the maximum grant for a family of three, depending on the state). Most of these families were poor before being pushed off TANF (or “discouraged” from coming on it) and are poor afterwards.

But, regardless of TANF’s effects on poverty, it is without a doubt a seriously dysfunctional social program. 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.”³¹ Unfortunately, when it comes to the TANF legislation, Congress got virtually every technical detail wrong. Specifically, TANF:

- Replaced an evidence-based approach (relying on random assignment) with a blank check with no accountability and no evidence base upon which to build.
- Created a giant slush fund that states by allowing states to use federal TANF funds to supplant existing state expenditures or otherwise fill budget holes.
- Gutted work requirements by creating more than a dozen loopholes that did not exist before (more on this later, but see also, “TANF Work Requirements: An Epic Fail” in *TANF is Broken!*)
- Replaced a simple federal-state matching program with an ineffective, Rube Goldberg-like financing scheme, one that is unresponsive to economic and demographic conditions, needlessly complex, and has allowed states to manipulate funding streams to circumvent most federal requirements.

This list policy mistakes goes on and on. There is not a single provision in the law that works as intended (see *TANF is Broken!* for dozens of other examples).

AEI: Donna Pavetti and others have shown that some states have made it unnecessarily difficult for poor families to access TANF benefits. To take one egregious example described by Edin

and Shaefer, applicants for benefits in Chicago were told that if they were not in line by 7:30 a.m., they would be denied assistance. This type of behavior must be addressed by federal officials responsible for the oversight of the program, and any legislative reforms of TANF must take into account some states' failure to adequately help their residents avoid deep poverty.

PC Response: This type of behavior is permitted under TANF because the 1996 law eliminated the entitlement to assistance and added a clause limiting federal oversight. Specifically, section 417 of the Social Security Act 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.

Is AEI now acknowledging that that the elimination of the entitlement and the limitation on federal oversight were mistakes? If so, it should be clear. If not, how does it suggest "federal officials" address this problem?

How AEI would make it worse. While it is commendable that AEI wants to address the egregious example of bureaucratic disenfranchisement, the solution is not so simple. In FY 2014, Illinois spent just 6 percent of its TANF/MOE funds on basic assistance. Part of the reason is that the state shifted most of its caseload to a solely state funded program to avoid TANF's work requirements – one in which TANF's rules do not apply. Any effort to crack down on egregious state offenses could simply lead states to adjust funding streams – they will use TANF for non-cash services and shift cash assistance to solely state funded programs beyond the reach of TANF rules. This will leave TANF as a massive Social Services Block Grant (SSBG). And, what do conservatives in Congress want to do with the SSBG? They want to terminate it.

The only way to correct this problem is to end the block grant structure and limit spending to basic assistance and work activities. Otherwise, states will continue to use their flexibility to game federal requirements.

AEI: To address this problem, some have proposed modifying TANF work requirements to increase the number of families receiving cash aid. This is potentially problematic. Eroding the work requirement would undermine the work-first approach that made the 1996 reform so successful in helping people move up. Softening these requirements would likely draw people into the program who would have sought and secured work in the absence of an alternative that offers benefits without work.

PC Response: Rigorous evaluations of welfare-to-work programs suggest that at best they have modest impacts on employment and earnings – and in most cases, such impacts fade out over time. Instead, the sharp decline in the take-up rate of cash assistance from 79 percent in 1996 to 32 percent in 2012 suggests many families have not "moved up," but are pushed deeper into poverty.

"Eroding the work requirement"? As noted above, throughout most of TANF's history, 20 to 30 states had a 0 percent target. And, for the rest, the decision to count "unsubsidized employment"

as an activity allowed most states to meet the work requirement without having to serve anyone in a real activity. While the work targets have increased since FY 2011, states have taken advantage of the loopholes Congress itself created. Most states use gimmicks to meet these work requirements, rather than actually connecting needy families to welfare-to-work activities that might help.

- In FY 2015, some states artificially inflated their work rates by paying token benefits (e.g., \$10 a month) to low-income families that otherwise would not be on welfare to artificially boost their work rates. This accounted for about 15 percent of the national caseload – 250,000 families, all of whom were already working and who otherwise had no connection TANF cash assistance.³²
- In FY 2015, over 100,000 families were shifted to “solely state funded” programs because they did not have enough hours to count in the work rate; this is possible because TANF is a flexible and fungible funding stream.³³
- By way of comparison, in FY 2013 (the latest year for which data are available), relatively few of the TANF families that were counted as “participating” were in a real activity:
 - Vocational educational training: 39,000
 - Work experience: 26,000
 - Job search and job readiness assistance: 60,000

Since some individuals may be in more than one activity, a rough approximation is that in an average month, 100,000 individuals participated in a real activity enough hours to count.³⁴ This represents just 6 percent of the cash assistance caseload and about 1-2 percent of poor families with children.

Is this really the status quo AEI wants to defend? How does creating a work requirement structure that encourages states to use gimmicks rather than engage families in a real activity help needy families? Indeed, TANF’s work requirements are unreasonable and have done more to push families off welfare than help them achieve greater self-sufficiency. This isn’t “welfare reform”; this isn’t success; this is *Truly a National Failure (TANF)*.

AEI: A better solution would be to require state TANF or workforce agencies to actively engage families receiving SNAP who report no (or very low) earnings. A certain percentage of the TANF block grant could be designated for reaching out to these SNAP recipients, assessing their situation, and referring them to employment and child support enforcement services as needed. States should experiment with different approaches for engaging this struggling population and be required to report annually on their efforts.

PC Response: Again, this recommendation is very vague – what does it mean to reach out to those disconnected? There is no mention of ensuring that they receive assistance; only that they be assessed and referred to employment and child support enforcement services.

How AEI would make it even worse. Rather than addressing the core reasons for the increase in disconnectedness, AEI would require states to conduct outreach without requiring the actual

provision of services. And, because TANF is a fixed amount, designating a portion to be used for this activity may simply result in states spending even less than they already do on basic assistance and work activities, without necessarily offering much help to the SNAP families. In other words, the main result may be nothing more than diverting even more funding away from core welfare reform purposes. Having states submit self-evaluations of these requirements is a meaningless paperwork exercise.

AEI: “Among other ideas for improving TANF, incorporating outcome measures into state evaluations that track job placement and job retention would keep states focused on what matters: moving individuals into work.”

PC Response: This approach would be difficult enough if TANF provided a meaningful cash assistance program, but this is not the case. Does adding outcome measures in Texas, Georgia, Arizona, or other states that serve virtually no families help in any way? What about outcomes for the 90 percent of TANF/MOE funds spent on other activities? AEI is silent on this.

How AEI would make it even worse. Unless TANF is refocused on what it was intended to do – provide a safety net and welfare-to-work activities – this is just a waste of time and resources. AEI is silent on whether there will be financial consequences related to meeting certain outcome measures, i.e., penalties (as with TANF’s work requirements) or bonuses (as with the High Performance Bonus or HPB). If the approach involves penalties, be sure that states will game these requirements just as they have the current work requirements. If there are bonuses, and they are large, the same gaming is likely to occur. But, if the bonuses are small, as with the HPB, states will ignore them much the way the HPB failed to incentivize them.

AEI: “The federal government should also provide for demonstration projects with rigorous evaluation requirements and a What Works Clearinghouse through the Administration for Children and Families that can push states toward more evidence-based approaches.”

PC Response: TANF replaced an evidence-based welfare reform model, which had strict accountability measures, with a blank check with virtually no meaningful accountability. All states with waivers to test changes to their cash assistance programs had rigorous evaluations in place. TANF undid this evidence-based approach.

One of the arguments for the block-grant approach is that states would become laboratories for testing new approaches to promote self-sufficiency among welfare recipients. In fact, the opposite happened, as states were no longer required to rigorously evaluate their welfare reforms and we know little about the effects of most reform policies. Liz Schott, LaDonna Pavetti, and Ife Floyd of the Center on Budget and Policy Priorities observe:

The result is that, 19 years after TANF’s creation, we still have no rigorous evidence to inform debates about expanding work requirements to other programs. Similarly, because few states have implemented innovative employment strategies for families with substantial personal and family challenges, we still have very limited knowledge about how to significantly improve their employment outcomes. In short, states had an

opportunity to innovate and rigorously evaluate new approaches to service delivery, but that is not the path they chose.³⁵

The knowledge gap is not limited to work requirements. There is little evidence regarding the impact of 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.

How AEI would make it even worse. On this count, it might not, but the proposal is vague – AEI should make it clear what it means by “providing for” demonstration projects with rigorous evaluations. Who would initiate and pay for the demonstrations? The 1996 welfare law included a provision supporting welfare research, but the amount is only about \$15 million per year, representing less than one-tenth of one percent of the federal block grant. Given the cost and importance of rigorous evaluations, AEI should recommend a specific dollar amount – I recommend at least \$150 million per year (still less than one percent of the block grant) and would add a requirement that states evaluate their TANF policies, particularly those that put children at risk.

AEI: While these would be meaningful improvements, policymakers should be especially wary of proposals that would weaken a rare success in American social policy. For example, loosening or eliminating the work requirement or the distinction between work and non-work activities would change TANF from a work-first program (one that prioritizes directing recipients to employment) to one with an education focus. This would be a mistake, as evidence shows that a work-first approach is more successful in increasing employment and earnings and reducing welfare receipt.

PC Response: What is the evidence that AEI cites? A 2001 study by MDRC, *How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs*.³⁶ This is an important study, but it examined programs that operated between 1991 and 1999 and that started *before* TANF was created. Are those findings generalizable to today’s TANF program, given the differences in: the populations that were required to participate; the hourly expectations in preTANF programs vs. TANF programs; the work rate structured faced by states (a 20 percent requirement vs. a loophole-ridden 50 percent requirement under TANF); economic conditions; demographic characteristics of the caseload; and an array of other factors?

Even ignoring these factors, the MDRC findings in the study cited by the authors contradict many of the claims made in the AEI report. For example, one finding suggests these programs had little impact on total family income (and hence poverty):

Measured combined income, however, was largely not affected: The programs led to individuals’ replacing welfare and Food Stamp dollars with dollars from earnings and Earned Income Tax Credits (EITCs), but the programs did not increase income above the low levels of the control group.³⁷

This suggests AEI is wrong about the anti-poverty effectiveness of “welfare reform.”

Elsewhere, the report notes:

One program — the Portland (Oregon) one — by far outperformed the other 10 programs in terms of employment and earnings gains as well as providing a return on every dollar the government invested in the program.³⁸

A state operating this program model could not meet TANF's work participation requirements, because of restrictions TANF imposes on counting education and training activities. (It would be possible to implement this model if a state combined it with one or more of the congressionally-created loopholes in the TANF law, but on its own, this model is not possible under TANF.)

And, if AEI considered research beyond 2001, it might have reached a different conclusion. For example, the NBER paper by James Ziliak, cited earlier in the AEI paper, notes that a reexamination of one of the more successful welfare-to-work programs – The Riverside Miracle – suggests the early results were misleading:

Hotz, Imbens, and Klerman (2006) noted that the treatment effects across the GAIN sites could differ because of differences in populations served, how treatment was assigned, and in local economic conditions. They proposed a new method of how to evaluate differential effects of alternative treatments such as HCD and work first. Using these methods they then re-examined the results of GAIN by focusing on impacts nine years after random assignment, which should be a sufficiently long period for HCD to have an effect. They found that much of the “Riverside Miracle” was not due to the work-first strategies of the GAIN program in the county, rather it was an anomalous result of a very strong local economy three to five years post assignment. Moreover, by six years after assignment the longer-run gains in employment were more pronounced for those treated with an HCD approach than work-first, suggesting that HCD programs may impart long-term benefits for mothers leaving welfare.³⁹

The Ziliak paper goes on to cite other studies that find similar effects. If research is to guide policymakers, it should be based on a comprehensive and objective view of the literature; instead, AEI selectively picks findings that support its viewpoint.

Sadly, TANF ended a research-oriented approach to welfare reform. As Ziliak notes:

Our knowledge base of the effects of welfare reform is also limited by the fact that with very few exceptions all the evidence comes from the first five years after the introduction of TANF. This is a real shortcoming because many of the outcomes of interest are likely to be realized only after many years.⁴⁰

Much of this research was started *before* TANF. It is time to invest in research and investigate programmatic approaches with an open mind.

AEI: “Work-first, of course, does not have to mean work-only. Many training and educational programs can help struggling Americans move up, but in the TANF program, these should be available alongside employment, not in place of it.”

PC Response: This statement is vague, but presumably AEI is again defending the TANF limits on education and training. The fact of the matter is, the empirical evidence that suggests the work-first approach is superior has been replaced with newer evidence that suggests otherwise. More telling is the fact that the most successful program to date – operated in Portland, Oregon, would result in excluding most participants in TANF’s participation rate calculation. But, most important, virtually all of this evidence is too old and should not be generalized to TANF today, given the changes in economic conditions, the labor market, and the demographic characteristics of the caseload. It’s long past time to make up for lost evaluation opportunities. We need to test, test, and test some more, using random assignment evaluations.

AEI: “Reformers should also make sure that strong verification processes remain in place to ensure that recipients are actively participating in work programs. It may be an administrative burden, but welfare reform’s success rests on ensuring that recipients are engaged in productive activities on a daily basis.”

PC Response: As with so many statements in this document, the statement is vague and unsupported by empirical evidence. The Deficit Reduction Act of 2005 did strengthen work verification requirements. This may ensure that the data reporting is more accurate and that individuals receive greater supervision, but there has been no empirical research to suggest that this increases the “success” of TANF work programs. In fact, many state administrators argue that these requirements consume a disproportionate amount of staff time that could otherwise be used helping recipients find jobs. For example, according to one study, “employment counselors in Minnesota found that they spent 53 percent of their TANF time – more than half – on documentation activities, rather than actually helping customers find and keep jobs.”⁴¹

More important, TANF is not “welfare reform”; it is revenue sharing. What good are work verification requirements in states that spend less than 10 percent of their TANF/MOE funds on basic assistance and virtually no one is subject to them?

Conclusion

AEI’s recommendations for TANF do not represent a serious effort to improve the “program”; the think tank with a “conservative heart” seems content to let the cash assistance safety net just “wither away.”

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. 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 See Jennifer Rubin, "Arthur Brooks: The battle of ideas," *The Washington Post*, December 9, 2012, available at: <https://www.washingtonpost.com/blogs/right-turn/wp/2012/12/09/arthur-brooks-the-battle-of-ideas/>.

³ Andrew G. Biggs, James C. Capretta, Robert Doar, Ron Haskins, and Yuval Levin, "Temporary Assistance for Needy Families," in *Increasing the effectiveness and sustainability of the nation's entitlement programs* (Washington, D.C.: The American Enterprise Institute, June 2016), pp. 39-41, available at: <http://www.aei.org/publication/increasing-the-effectiveness-and-sustainability-of-the-nations-entitlement-programs/>.

⁴ *Ibid.*, p. 39.

⁵ In FY 2014, states spent just 26 percent of their TANF/MOE funds on basic assistance and about half the caseload is exempt from work requirements because the family does not contain a work-eligible individual; hence, the rough approximation.

⁶ Gene Falk, "Temporary Assistance for Needy Families: Financing Issues," Congressional Research Service, September 8, 2015, p. 6, available at: http://digital.library.unt.edu/ark:/67531/metadc795456/m1/1/high_res_d/R44188_2015Sep08.pdf.

⁷ 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>.

⁸ 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).

⁹ 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 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>.

¹¹ James P. Ziliak, "Temporary Assistance for Needy Families," National Bureau of Economic Research, 2015, available at: <http://www.nber.org/chapters/c13483.pdf>.

¹² See Douglas J. Besharov and Peter Germanis, "Toughening TANF," American Enterprise Institute, April 21, 2004, available at: <https://www.aei.org/publication/toughening-tanf> and Douglas J. Besharov and Peter Germanis, "Toughening TANF: How Much? And How Attainable?," March 23, 2004, available at: http://www.welfareacademy.org/pubs/welfare/toughening_tanf.pdf.

¹³ *Ibid.*, p. 3.

¹⁴ The Personal Responsibility Act of 1994. Draft. Title II, Section 201(b)(1), September 23, 1994.

¹⁵ Scott Winship, "The Ambitious And Distinctive House GOP Antipoverty And Opportunity Agenda," *Forbes*, June 7, 2016, available at: <http://www.forbes.com/sites/scottwinship/2016/06/07/the-ambitious-and-distinctive-house-gop-antipoverty-and-opportunity-agenda/#733a97481eb0>.

¹⁶ 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>.

¹⁷ Christopher Jencks, "Why the Very Poor Have Become Poorer," *The New York Review of Books*, June 9, 2016, available at: <http://www.nybooks.com/articles/2016/06/09/why-the-very-poor-have-become-poorer/>.

¹⁸ TANF's overall work rate requirement was phased in from 25 percent in FY 1997 to 50 percent by FY 2002 and thereafter. It also raised the two-parent rate to 90 percent.

¹⁹ 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.

²⁰ See Douglas J. Besharov and Peter Germanis, "Toughening TANF: How Much? And How Attainable?," March 23, 2004, available at: http://www.welfareacademy.org/pubs/welfare/toughening_tanf.pdf.

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- ²¹ 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.
- ²² 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>.
- ²³ 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>.
- ²⁴ *Ibid.*
- ²⁵ *Ibid.*
- ²⁶ Liz Schott, LaDonna Pavetti, and Ife Floyd, “How States Use Federal and State 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>.
- ²⁷ *Ibid.*
- ²⁸ Caseload declines due to federal or state eligibility changes since the base year do not count toward the calculation of the caseload reduction credit.
- ²⁹ *Ibid.*, p. 3.
- ³⁰ It is true that the number of families with children grew by about 10 percent during this period, so one might expect a larger number of potentially eligible families, but TANF’s financial eligibility rules have become more restrictive over time, particularly since benefit levels and income eligibility limits have not kept pace with inflation.
- ³¹ Robert Rector, “Bill Clinton was Right,” *The Washington Post*, August 23, 2006.
- ³² This figure is derived from a wide range of documents; readers interested in more detail on sources for this information should email me at petergermanis1@gmail.com. See also *TANF is Broken!*
- ³³ This figure is derived from a wide range of documents; readers interested in more detail on sources for this information should email me at petergermanis1@gmail.com. See also *TANF is Broken!*
- ³⁴ These figures are from U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, “Work Participation Rates – Fiscal Year 2013,” January 12, 2016, available at: <http://www.acf.hhs.gov/programs/ofa/resource/wpr2013>. See Table 4A.
- ³⁵ 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>.
- ³⁶ Gayle Hamilton, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams-Ciardullo, Anna Gassman-Pines, Sharon McGroder, Martha Zaslow, Surjeet Ahluwalia, and Jennifer Brooks, *How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs* (New York, NY: MDRC, December 2001), available at: <http://www.mdrc.org/publication/how-effective-are-different-welfare-work-approaches>.
- ³⁷ *Ibid.*
- ³⁸ *Ibid.*
- ³⁹ James P. Ziliak, “Temporary Assistance for Needy Families,” National Bureau of Economic Research,” 2015, available at: <http://www.nber.org/chapters/c13483.pdf>.
- ⁴⁰ *Ibid.*
- ⁴¹ Dani Inovino *et al.*, “The Flexibility Myth: How Organizations Providing MFIP Services are Faring Under New Federal Regulations,” Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, May 2008).