Making "Opportunity Grants" Great Again:
A Worthy but Challenging Prospect
Discussion Draft

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NOTE TO READER

This paper provides an overview and analysis of Speaker Ryan's "Opportunity Grants" proposal – a plan that would allow states to consolidate funding from a number of means-tested to test alternative approaches to providing assistance. It would include, among other things, requirements for "deficit-neutrality," evaluation, and accountability.

The underlying ideas and policies of this proposal are not new – they were first developed in the Reagan Administration and described in *Up from Dependency: A New National Public Assistance Strategy* and encapsulated in legislation – the "Low-Income Opportunity Improvement Act of 1987." Although Congress did not pass President Reagan's legislation, the exercise ultimately resulted in an interagency waiver process for welfare reform (using existing waiver authority) that provided states considerable flexibility to test alternative approaches to their cash welfare programs (and to a lesser extent – food stamps and Medicaid). By August 1996, 43 states had received welfare waivers to test a wide variety of reforms. The vast flexibility provided through this process led to the *political* support for the 1996 welfare reform legislation, particularly the creation of the Temporary Assistance for Needy Families (TANF) program. TANF replaced this promising approach with a blank check to states with no meaningful accountability or evaluation requirements. Speaker Ryan's proposal, if implemented properly, could reestablish an evidence-based approach to welfare reform and hence the title for this paper.

There are many lessons from this earlier effort that would benefit those considering "Opportunity Grants" today in terms of establishing "deficit neutrality," evaluation criteria, accountability, and an administrative structure. As someone who was involved in the development, implementation, and monitoring of the waiver demonstrations, I offer my assessment and critique of the "Opportunity Grants" proposal, as described in a 2014 House Budget Committee report and subsequent related documents. While I am supportive of the concept, the success or failure of policies is often contingent on the details. In this regard, I identify some of the main challenges that will be faced by those who seek to design and implement the proposal, as well as raise concerns about some of the details of the proposal – not to discredit it – but to make it better.

In describing his vision of welfare reform, Speaker Ryan has emphasized the importance of evaluation:

> …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.[2]

In 2014, when Speaker Ryan was Chairman of the House Budget Committee, he released a report, *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee.*[3] This report described a proposal – "Opportunity Grants" – that would give states more flexibility, subject to cost controls and evaluation. As described in that report, the proposal would have the following key elements:

- It would "create a new pilot project in a select number of states."
- "In participating states, the federal government would consolidate a number of means-tested programs into a new Opportunity Grant (OG) program." These include:
  - The Supplemental Nutrition Assistance Program (SNAP)
  - Temporary Assistance for Needy Families (TANF)
  - Section 8 Housing Choice Voucher Program (HCV)
  - Section 521 Rural Rental Assistance Payments
  - Section 8 Project-Based Rental Assistance
  - Public Housing Capital and Operating Funds
  - Child Care and Development Fund
  - The Weatherization Assistance Program
  - The Low Income Home Energy Assistance Program (LIHEAP)
  - Community Development Block Grant (CDBG)
  - WIA Dislocated Workers
- Each participating state would receive the same amount of funding it would otherwise receive from the programs included in the pilot; the proposal is to be deficit-neutral relative to current law.
- States would be given "more flexibility" to "test a variety of approaches"; however, this flexibility would be subject to several restrictions:
  - A requirement that "all able-bodied recipients to work or engage in work-related activities in exchange for aid."
  - "Some" funds would have to be used to "encourage new approaches by innovative groups as well as non-governmental organizations with a proven track record."
  - The state "would also need to show how it would give low-income Americans more service providers to choose from."
  - The "state and the federal government would have to agree on measures of success and evaluation by a third party to conduct an objective assessment of the plan." This testing should be "via randomized controlled trials when possible."
  - "If approved, states would take the funding for these programs and provide a fixed funding stream to competing local service providers, including nonprofits, for-profits, and state agencies. In some cases, each person might apply directly to the service providers for assistance, and providers could provide customized aid through case management."
  - "…providers would work with families to design a customized life plan to provide a structured roadmap out of poverty. When crafting a life plan, they would include, at a minimum: A contract outlining specific and measurable

> benchmarks for success; A timeline for meeting these benchmarks; Sanctions for breaking the terms of the contract; Incentives for exceeding the terms of the contract; Time limits for remaining on cash assistance."

A "Novel" Idea?

Yuval Levin, editor of *National Affairs*, in describing the proposals from the House Budget Committee, said:

> …the 'Opportunity Grant,' is the most novel, and would constitute the most significant transformation of the welfare system since the 1996 welfare reform. It would very much follow the model of that earlier reform, applying it to a much larger portion of the safety net.
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> …these ideas embody a conservative vision of public policy that sees government not as the manager of society but as an enabler of bottom-up, incremental improvements made possible by a continuous learning process on the ground. Persistent poverty is persistent because we do not know how to address it effectively.[4]

In reality, "Opportunity Grants" is not a new idea. Thirty years ago, President Reagan announced a new strategy to reform the welfare system, described in *Up from Dependency: A New National Public Assistance Strategy*.[5] That report's description of the welfare system and its policy options are similar to Speaker Ryan's description of the "Opportunity Grants" proposal, as reflected in the following excerpt from the 1986 report:

> This report, along with its supplemental volumes, assesses the welfare system and its successes and failures, describes the frustrations felt by the poor in the United States, and proposes a basic change in public assistance policy. America's state and federal governments spend more than $150 billion a year on programs to alleviate poverty, yet poverty continues to be a problem. Weaknesses within the centralized welfare system contribute significantly to the persistence of poverty in America. The following recommendations are offered: (1) the welfare system must be treated as a system; (2) no "national" welfare reforms should be proposed or supported without first being locally tested; (3) reform goals should be adopted that comprehensively define federal requirements for reform, allow maximum flexibility for state- and community-based reform efforts, and retain the current federal-state financing commitments; (4) the Federal Government should initiate a program of widespread, long-term experiments in welfare policy through state-sponsored and community-based demonstration projects; and (5) legislation should be proposed to implement the experimental program and ensure that its useful results are gradually incorporated into the national public assistance system. The report discusses findings, the potential for reform, and the proposal for a new national welfare strategy.[6]

Indeed, the "Low-Income Opportunity Improvement Act of 1987" was a far more comprehensive version of Speaker Ryan's "Opportunity Grants" proposal, both in the scope of programs included and the number of states that would be permitted to undertake experiments.[7]

Although Congress did not pass President Reagan's legislation, the exercise ultimately resulted in an interagency waiver process for welfare reform that provided states considerable flexibility to test alternative approaches. On July 20, 1987, President Reagan signed an Executive Order creating the Interagency Low-Income Opportunity Advisory Board and the Administration 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" because they had already done it through waivers.

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 – for both cost neutrality and evidence-based learning.[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. Any difference in outcomes between the groups can be attributed to the intervention – welfare reform – itself. Thus, policymakers could have confidence in whether the state reforms actually reduced welfare dependency and poverty 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. This approach provided credible 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.[9]

In short, Levin is right in thinking this may be "the most significant transformation of the welfare system since the 1996 welfare reform," but I hope he is wrong that it would "follow the model of that earlier reform, applying it to a much larger portion of the safety net." TANF was not "welfare reform," but rather a form of "revenue sharing" with no meaningful accountability and virtually no evaluation component, so 20 years later, we have learned little from TANF about "new and more effective ways up from poverty." Anyone serious about extending more state flexibility to other safety net programs should compare the "TANF model" to the "Reagan model."

"Opportunity Grants" as a Pilot Project

The House Budget Committee report says the proposal would operate as a "pilot project in a select number of states" for 11 of the nation's means-tested programs. A pilot project in a select number of states is a prudent course of action. If all goes smoothly with implementation of the project and the evaluation in the early pilot sites, the scope of the initiative can be expanded. An important, but unanswered question is the number of states and the scope of these pilot projects, e.g., would they be limited to a few local jurisdictions or could states implement them statewide? And, if these projects are limited to a select number of states, what would be the criteria for selecting them? Under the preTANF waiver process, there was no limit on the number of states that could apply, as long as they each met the requisite cost neutrality and evaluation requirements.

Medicaid is appropriately excluded. This is not to say that states should not have more flexibility in testing reforms to Medicaid – a waiver process with rigorous evaluation (vs. block grants) can be an appropriate vehicle for such experimentation. If Medicaid were included with the other "Opportunity Grants" programs, it would be difficult to disentangle the effects of multiple policy changes at once. It is therefore important to keep these efforts distinct from each other.

In addition, the "Opportunity Grants" concept would work best if the programs included in the proposal did themselves not undergo major national changes at the same time. Indeed, in President Reagan's report, we cautioned, "no 'national' welfare reforms should be proposed or supported without first being locally tested." Particularly concerning are proposals like the "Welfare Reform and Upward Mobility Act" that would make significant, untested changes to TANF, SNAP, and housing assistance programs.[10] Maintaining the safety net for the programs included in the "Opportunity Grants" proposal is important for at least two reasons. First, the "Opportunity Grants" interventions have to be compared to something. The best counterfactual is the *status quo* – if the included programs are themselves undergoing major changes, it will not be possible to determine if the pilot projects "worked" relative to current law. Second, as described below, the "Opportunity Grants" are to be "deficit neutral relative to current law"; if other programs are undergoing substantial changes, it will make it difficult for those implementing "Opportunity Grants" to plan, as their funding levels could be highly variable and uncertain.

Deficit Neutrality

"Opportunity Grants" are to "deficit-neutral relative to current law," and "each participating state gets the same amount of funding they receive from the programs" being consolidated. In his July 2014 remarks introducing the plan, Speaker Ryan reiterated that states get "not a penny less" and that they would be required to "spend this money on people in need."[11]

In the waiver era that preceded TANF, we had a real counterfactual to determine what we called "cost neutrality" – it was a randomly assigned control group that participated under the rules of the program(s) that existed at the time. Their costs would rise and fall as economic, demographic, and other factors changed. They represent the best estimate of what would have happened in the absence of the reforms.

Opportunity Grants as a Block Grant. The most significant problem in the House Budget Committee's characterization of the "Opportunity Grants" funding mechanism is that it is described as a "block grant" – which is *not* the same as being "deficit-neutral with respect to current law."[12] For example the report states:

> One of the major criticisms of welfare reform was that the Temporary Assistance for Needy Families block grant didn't have a counter-cyclical component, whereas other programs, such as SNAP, were very responsive during the last recession. A pilot project, by its nature, could not include a counter-cyclical component. But if the Opportunity Grant program were expanded, it would benefit from increasing assistance during recessions.[13]

<u>A pilot project can easily include a counter-cyclical component; the preTANF waiver projects had such a component – the control group, whose costs would rise or fall with changes in economic (and other) conditions</u>.

Designing the "Opportunity Grants" funding mechanism as a block grant means the project operators might get the same amount of funding from the consolidated programs at the time they implement the program, but they would not be guaranteed the same amount over the course of the project – they might get too much (the early TANF experience) or they may get far less (the current TANF experience). From an evaluation standpoint, it is not a fair test of what an intervention might accomplish if it were truly "deficit neutral." For example, if the economy is strong and states receive more money than they otherwise would have received, the intervention may look more successful in reducing poverty, but the reason might be the added funding if it is used to provide additional services not originally envisioned, not the intervention itself. Conversely, if there is an economic downturn, the intervention may appear unsuccessful in reducing poverty, but the reason may be reduced funding (relative to what otherwise would have been received) in the face of a recession. As a result, any evaluation is not a test of the intervention *as planned*, but rather of a fixed funding level; this is not a good way to build an evidence base.

As described next, attempts to make adjustments for economic and demographic conditions are not effective or practical solutions.

Adjusting the "Opportunity Grants" for Economic Downturns Using the TANF Contingency Fund as a Model. The House Budget Committee report explicitly states that the "Opportunity Grants" would function as a block grant and describes various options for adjusting the funding based on economic conditions:

> Currently, the TANF program includes a contingency fund, which allows states to supplement their block grant during recessions and other periods of poor economic growth. During the recent recession, Congress authorized an additional amount of money for the TANF contingency fund.
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> There are a number of possible options for designing a block grant that would be counter-cyclical. First, the block grant could vary based on the level of unemployment in a state. If unemployment rose beyond 6.5 percent, there could be an automatic increase in the level of the Opportunity Grant funding, which would automatically fall with unemployment.

> …
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> …the OG grant could create a contingency fund similar to TANF's, but one more responsive to economic conditions. The TANF contingency fund has placed very complex rules on states. Rather than creating a complicated rule, use of the contingency funds could be contingent solely upon the unemployment rate in a specific state.[14]

The TANF Contingency Fund doesn't work as intended. The Committee is right to note its lack of responsiveness. The triggers used to establish eligibility are flawed – the unemployment rate trigger might not qualify states with very high unemployment rates in many years because the rates have to be rising, while the food stamp trigger has made virtually all states eligible for the past seven years and for the foreseeable future because it is based on food stamp caseloads over 20 years ago. Another problem not mentioned in the Committee's report is that the TANF Contingency Fund is not fully funded. It is now typically depleted half way through each fiscal year; if the "Opportunity Grants" proposal is designed the same way, it would not be "deficit neutral" (even if one believes an accurate formulaic adjustment can be developed) and this would generate uncertainty for program planning.

The House Budget Committee's recommendations above are very general, but the details matter greatly. What is clear, however, is that whatever formulas are developed would not ensure "deficit neutrality."

Committee Option #1: Increasing "Opportunity Grants" funding when the unemployment rate rises above 6.5 percent. The main problem with this option is that the eligibility rules for the programs that would be included in the proposal are not based on the unemployment rate but various income thresholds and other factors. While there is likely to be *some* relationship between the unemployment rate and program eligibility and benefit amounts, it is virtually impossible to use this information to develop a formula that would accurately represent "deficit neutrality." Moreover, the rules of most programs are quite different – SNAP eligibility is based on the poverty income guidelines, housing assistance is based on area median income, and TANF is just a fixed block grant. Each of these programs would respond in a different way to a change in the unemployment rate.

Even if one believes a formula could be developed, the Committee's report did not provide one. It simply says that if the unemployment rate rises above 6.5 percent, "there could be an automatic increase in the level of the Opportunity Grant funding, which would automatically fall with unemployment." So, if a state currently has an unemployment rate of 4 percent and it rises to 6.5 percent, under this proposal there would be *no change* in funding. This is not "deficit neutral." And, if the unemployment rate rises above 6.5 percent, *how much* would funding be increased – would it be a fixed amount, would it be based on the degree to which the unemployment rate rises above 6.5 percent, or would it be based on some other formulation? And, what about those states that have an unemployment rate above 6.5 percent at the time they opt into "Opportunity Grants"? In July 2014, when the Committee released its report, 16 states had an unemployment rate above 6.5 percent.[15] For example, Mississippi's unemployment rate at the time was 8.0 percent. Presumably, if the state were to participate in "Opportunity Grants," it would receive funding based on its current spending level, but a formulaic adjustment might also show that it qualifies for added funding.

This option is seriously flawed, but if Congress moves forward with this approach, it is important to think about how the funding adjustment would be made beyond listing a simple trigger.

Committee Option #2: Increasing "Opportunity Grants" funding using "a contingency fund similar to TANF's, but one more responsive to economic conditions." The Committee's report again references "the unemployment rate in a specific state," but offers no specifics. As with the first option, a central question is what would be the formula for making a funding adjustment? Also, the Committee refers to the Contingency Fund's "complex rules"; one of these rules is the requirement that states spend more than the basic maintenance-of-effort (MOE) amount required under TANF, including a matching requirement that requires additional state spending to draw down federal Contingency Funds. Would the Committee's option eliminate the requirement for states to increase their own spending to qualify for added federal dollars? Would there be a cap on the amount in the "Opportunity Grants" Contingency Fund as there is with TANF? If there is a cap, how is this "deficit neutral"? If a state operates its "Opportunity Grants" proposal in a city, as opposed to the state, would the trigger still be based on the *state's* unemployment rate?

Like the Committee's first option, this is also seriously flawed. <u>Both options also ignore other important factors that can influence the costs of programs included in "Opportunity Grants."</u> First, demographic changes are important and vary significantly across states. In this regard, TANF's "Supplemental Grants" provided added funds to states that had high population growth and/or low historic grants relative to poverty in the state; 17 states qualified for these grants. The initial formula was flawed and left out a number of poor states, but more important, the formula was not adjusted for subsequent changes in demographic changes, particularly the change in the population that is potentially eligible for assistance – needy families with children. As a result, some states with high population growth in the ensuing years got no additional funds, while some states with population *declines* continued to receive these grants. Second, there may be changes to other policies (e.g., the minimum wage or eligibility for programs outside the "Opportunity Grants" structure). For example, if SSI eligibility was made more restrictive, it might lead to increased caseloads and benefits payments under TANF and SNAP. And, there may be social changes that impact costs, e.g., changes in crime, non-marital births, drug use, etc. Simple formulas based on one factor are inherently flawed.

Committee Option #3: Requiring states to set aside funds for future needs. The Committee report outlines a third option:

> …require states to set aside a certain percentage of their OG funds and to save them for future expenditures. That way they could vary the amount spent each year depending on where they were in the business cycle – decreasing the amount of the OG during good times, and increasing the amount of the OG during times of economic distress.

This option is not "deficit neutral" – it is a fixed amount of money based on whatever Congress believes states may need. Here again, the details matter. How would the percentage that states need to save be established and how would it vary as economic conditions vary? If the initial grant is "deficit neutral," how would the state be able to set anything aside without cutting benefits or services? What if the state implements its "Opportunity Grants" proposal just as an economic downturn begins and has no "savings" to draw from? If the economy is strong and states accumulate savings, what assurance is there that Congress will not interfere and threaten to reduce funding, as it did in 1999 when states accumulated large unspent funds in TANF? Or, from state politicians seeking to use the funds to fill budget holes?

A fixed funding amount is not "deficit neutral." As noted above, TANF initially provided large federal windfalls, but the failure to adjust for inflation and other changes now means its value is considerably less than in 1996.

The "Flex Fund" – A Similarly Flawed Approach to "Deficit/Revenue Neutrality." Senator Rubio has introduced a proposal similar to "Opportunity Grants" called the "Flex Fund."

> Our anti-poverty programs should be replaced with a revenue-neutral Flex Fund. We would streamline most of our existing federal anti-poverty funding into one single agency. Then each year, these Flex Funds would be transferred to the states so they can design and fund creative initiatives that address the factors behind inequality of opportunity.[16]

Oren Cass of the Manhattan Institute elaborates a bit more on how the Flex Fund would work and distinguishes it from a block grant:

> The Flex Fund sounds like a block grant, but it is not the type of program-by-program block grant typically proposed as a pretext for capping the growth of costs. To the contrary, the funding formula would be pegged to the size of the population in need and would grow at the same rate as the poverty threshold itself – a figure that already factors in growth in cost of living for the relevant household.[17]

To his credit, Cass seems to recognize that the fixed funding associated with a block grant is a flawed approach. However, what he describes is not revenue neutral in terms of providing funding at the level it would have been with a true counterfactual. He doesn't define what he means by the "population in need" and many of the programs included in the "Flex Fund" have eligibility criteria that are not linked to the poverty thresholds, e.g., TANF and housing assistance. He refers to the poverty thresholds when discussing an adjustment for inflation, so maybe he means the number of poor families or individuals. But, that is an imperfect proxy, because the number that fall below a particular poverty threshold says nothing about the degree or depth of poverty – a crucial factor in determining the amount of spending. For example, if a state has 100,000 poor families that fall an average of $10,000 below the poverty thresholds and it can reduce the gap to $5,000, but doesn't change the number of poor families, would the amount of funding remain the same? Conversely, there are many families that have short spells of poverty, but are not poor for the year. Poverty is measured using annual income – most means-tested programs base eligibility and benefit amounts on monthly income. How would the formula adjust for an increase (or decrease) in such short-term spells?

And, if there is an adjustment for the number of poor families, would it be based on state data on poverty? This comes with a fairly significant lag. The Census Bureau only publishes the national poverty figures more than nine months after the end of a calendar year. And, at the state level, there is considerable year-to-year variation due to sampling error. There is also significant measurement error in our poverty statistics (e.g., underreporting or misreporting of income) and the official poverty statistics do not include non-cash income. So, if a state chose to convert its cash welfare programs (which are included in the measurement of poverty) to targeted in-kind benefits (which are excluded in the measurement of "official" poverty) and the number of poor rose in a state due to a change in the nature of program funding, would the state receive more "Flex Fund" dollars? And, what if a state wanted to implement the proposal at the sub-state level – where would the data come from then?

The problem with using formulas to establish "deficit neutrality." There are too many factors that influence spending on welfare programs – the unemployment rate and poverty rate are just two, and neither is a good proxy for adjusting program spending. If those who support "Opportunity Grants" (or the "Flex Fund") are serious about "deficit-neutrality," they should reject formulas, and instead, adopt a funding mechanism that actually captures the concept.

There is "A Better Way" – A Randomized Control Group. The preTANF waiver process did not provide a fixed level of funding, like block grants, nor did it create alternative formulas like the ones proposed for "Opportunity Grants" or the "Flex Fund." Instead, that process focused on an approach that would provide a real counterfactual.

When the waiver approach to welfare reform began in 1987, no consideration was given to simple formulas for ensuring "cost neutrality" (the term used at the time). Instead, a range of evaluation approaches was considered for both evaluation and cost neutrality, including statistical models and various comparison group designs. The early experiences in several states suggested that these approaches were imperfect, even though in practice they captured many more factors than simple formulas. Statistical modeling and quasi-experimental studies are often plagued by various biases; so we looked to the "gold standard" of evaluation – random assignment. As noted above, 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. And, an advantage of this approach is that the experience of the control group can be used to ensure cost-neutrality, as the budgetary effects of any programmatic changes would be measured by examining the experimental-control group differences in costs, just as one would in a formal cost-benefit analysis.

Notably, the House Budget Committee report expresses a strong preference for a random assignment evaluation, so this makes this approach the cost neutrality the logical choice.

Using a randomly assigned control group is a superior way to reflect changes in economic conditions (e.g., inflation and unemployment), demographic factors (e.g., population growth), changes resulting from the effects of other programs (e.g., eligibility changes to SSI) outside the scope of the "Opportunity Grants," and other factors. And, the calculation of cost neutrality can be done relatively quickly; during the waiver process states submitted quarterly reports of expenditures for AFDC, food stamps, and Medicaid; the experimental-control differences in costs could then be used to determine if the intervention cost more or less than the *status quo.* In this regard, an important consideration is whether to apply cost neutrality on a quarterly or annual basis or over the life of the project. The longer the reconciliation period, the more likely states will consider policy options that include up-front investments, such as more intensive and personalized case management or vocational educational training, in the anticipation of longer-term savings. The shorter the period, the more likely they will push some families off the rolls to generate savings that could be used to finance other initiatives.

Evaluation

While many conservatives favor block grants and proposals like "Opportunity Grants" because they provide states greater flexibility to design their welfare programs, the TANF experience suggests that in many states this flexibility wasn't used to develop new and more effective approaches to "welfare reform," but rather to divert spending from core welfare activities to fill budget holes. Thus, an evaluation that consists of impact, implementation, and cost-benefit studies is important, particularly if the purpose is to understand what works and what doesn't in reducing poverty and providing opportunity to build better *national* policies.

The House Budget Committee's report indicates that states will be expected to "rigorously test the results via randomized controlled trials when possible," working with an independent, third-party evaluator. The preference for random assignment is important, because such evaluations generally provide the most credible findings.[18] The challenge for those administering "Opportunity Grants" will be to maintain a firm stance on this requirement. During the preTANF waiver era, many state officials resisted random assignment, arguing that it was too costly or that it would keep some families/individuals from receiving the program benefits or services.[19]

The Importance of Evaluation – Avoiding the Mistakes of TANF. The House Budget Committee report, in discussing the role of research in the development of the 1996 law, stated:

> Before 1996, the federal government allowed states to test different reforms for years. It then assessed those results, most notably in the National Evaluation of Welfare to Work Strategies [NEWWS]. These experiments ultimately informed the federal legislation that became law. And today they show that the recipe for success is more flexibility in exchange for more accountability.[20]

This statement is wrong on many accounts, but most important, Congress (not the rest of the federal government) ignored research and caved to political pressure from governors, who did not want to ask permission for waivers or evaluate their programs rigorously. In particular, there was virtually no empirical support for two of TANF's most well-known provisions – the work requirements and the five-year time limit.

First, the Committee document states that the "federal government…assessed" the results of various experiments and this "ultimately informed the legislation." There was no such assessment of results because few of the "welfare reform" evaluations had been published – most were not available until sometime between 1999 and 2002. With respect to the NEWWS evaluation, focusing on welfare-to-work programs, the two-year impacts of 11 programs were published in 2000. The Committee says elsewhere in its report, "The NEWWS findings were crucial to the rise" of the 1996 law, and it quotes the evaluation report as saying "employment-focused programs generally had larger effects on employment and earnings that did education-focused programs."[21] The report it cites wasn't published until 2002!

Second, while there were some preliminary welfare-to-work findings to support a work first strategy, there was no empirical basis for many of the key work requirement provisions in the 1996 law – the 50 percent work participation rate target, the 30-hour per week work requirement, and the restrictions on education and training in the law. None of the NEWWS evaluations had these provisions and none could have met TANF's 50 percent work rate target. The law's focus on "work first" ignores research findings that suggest mixed programs might be more successful. There was also no evidence regarding the impact of a five-year time limit or many other provisions in the 1996 law.

Third, the Committee is correct when it states that the experiments "show that the recipe for success is more flexibility in exchange for more accountability." Many of these experiments did show that state "welfare reform" efforts could increase employment and earnings and reduce welfare receipt.[22] The findings of these experiments are far more credible than the simplistic before after comparisons of poverty rate conservatives often use to proclaim TANF a "success." However, Congress ignored this recipe when it created TANF. TANF is not "welfare reform"; it is a blank check to states with virtually no accountability and no credible evaluation component, despite the fact that many state policy choices have undoubtedly impoverished needy families and put children at risk.

Fourth, there was nothing in the research that suggested a block grant with excessive state flexibility should be the financing mechanism for state experiments. Indeed, subsequent experience clearly shows (even without a rigorous evaluation) that TANF does not provide an adequate safety net and the excessive state flexibility has allowed states to divert money to fill budget holes and game federal requirements, most notably the work requirement.

While the foregoing discussion may seem like a diversion from "Opportunity Grants," the fact that many conservatives in Congress and the think tanks that advise them still believe TANF is a success is concerning. Unless policymakers learn the lessons from TANF, the result of something like "Opportunity Grants" may be another debacle like TANF, but on a larger scale.

Factorial Experiments for Policy Relevant Findings. In the preTANF waiver period, states had the flexibility to design their own programs and the evaluation test generally involved a comparison of the entire range of changes vs. the control group. One of the drawbacks to this approach is that the there was not enough focus on assessing the impact of individual provisions, such as time limits, sanctions, financial incentives, and other policies. This issue will also arise in any "Opportunity Grants" proposal, particularly since it would not leave the structure of the demonstration entirely up to states, but would require states to establish a competitive process among eligible providers, add a case management component, and require all able-bodied individuals to work. With multiple policy changes simultaneously, it will be difficult to isolate the impact of any single policy change.

Serious consideration should be given to requiring states to conduct factorial experiments to isolate the impact of individual provisions. For example, to assess the impact of the case management component, families/individuals could be randomly assigned to a control group, the "Opportunity Grants" group, and a third group that consists of all of the "Opportunity Grants" changes *except* case management. Without such variation, it won't be possible to disentangle the impact of case management from the other "Opportunity Grants" provisions. This is important if Congress believes this to be an important element of any subsequent reform effort.

Ideally, such variation would be tested in a number of states and applied to other program components. There are many other possibilities that are beyond the scope of this paper, but if the goal is to learn more about what works and what doesn't, undertaking a factorial or dose-response random experiment with respect to important provisions can be a powerful tool.

Evaluating "Innovative" Groups. The "Opportunity Grants" proposal would mandate that some funding be used to "encourage new approaches by innovative groups as well as non-governmental organizations with a proven track record." In the absence of a credible evaluation, it is hard to establish that a particular organization has a "proven record." And, random assignment may not be appropriate in some cases and relying on other evaluation methods, e.g., a pre-post evaluation or a comparison group design can be subject to various threats to validity. Again, the proposal lacks important details, such as how funding allocations to these groups would be determined and how their results would be evaluated.

Technical Issues. Evaluating an ambitious, multi-program plan like "Opportunity Grants" requires careful attention to what may seem like mundane technical issues. For example, would all recipients and applicants to each of up to 10 programs targeted to individuals/families be randomly assigned? Since they might participate in more than one of the programs, how would this process avoid randomly assigning individuals/families more than once? Would random assignment for applicants be done when they inquire about a program, when they actually apply, or only when they are approved? (If there are possible entry effects on eligibility changes that affect the likelihood of approval, random assignment earlier in the process would be required.) The Budget Committee's report states that "each person might apply directly to the service providers for assistance, and providers could provide customized aid through case management." What would those who apply but are assigned to a control group be told?

Assuming random assignment is carried out properly, then there are issues with maintaining the on-going integrity of random assignment and the need to guard against potential biases stemming from crossover, control-group contamination/substitution, and attrition (particularly differential attrition), to name only a few.[23] While large evaluation firms have considerable experience in carrying out experiments, the number of programs involved and the many requirements associated with "Opportunity Grants" will make this challenging even for them. In addition, careful attention should also be paid to implementation studies that assess how the new programs and policies are being implemented, including whether program and control group members understand the policies that apply to them (a problem in some of the preTANF waiver evaluations) and whether providers implement the required treatment properly for each group. Given the scope of this project, such studies should be conducted more often and in more depth than evaluations of relatively simple and discrete interventions.

Evaluation Funding. The foregoing are just some of the many technical issues that are likely to arise, but they clearly require evaluators with technical expertise – these evaluations will not be cheap. Will the "Opportunity Grants" legislation fund the evaluations, or will this be the responsibility of grantees using existing program funds? Given the potentially important lessons that might be learned and the special evaluation challenges "Opportunity Grants" pose, the federal government should take the lead in the design and funding of the evaluation component.

Other Issues Related to Cost and/or Evaluation

The following discussion highlights some of the challenges states will face in implementing a proposal like the one described by the Budget Committee. This paper does not attempt to resolve these problems, but they are nevertheless challenges that will arise.

Insufficient Funding. Compared to 1986 when President Reagan introduced the first version of "Opportunity Grants," there have been notable changes in means-tested spending. In 1985, AFDC was the second largest means-tested program next to Medicaid, followed by food stamps and Section 8 housing assistance. At that time, the 11 programs included in the "Opportunity Grants" proposal constituted a much more significant part of means-tested spending and, while most of have grown (TANF being the exception), their growth pales in comparison to other parts of the safety net excluded from the proposal. Consider how the spending for some of the key means-tested programs has changed between 1985 and 2013 for the four largest means-tested programs included in "Opportunity Grants" (federal/state spending in 2013 dollars)[24]:

- AFDC/TANF: $32 billion to $27 billion[25] (cash assistance $30 billion to $9 billion)
- SNAP: $27 billion to $80 billion
- Housing assistance (Section 8 and Public Housing): $22 billion to $27 billion

Overall, these four programs grew 65 percent in real terms, from about $81 billion in 1985 to about $134 billion in 2013. Compare that to the spending growth for some of the largest means-tested spending that are *excluded* from "Opportunity Grants" between 1985 and 2013 (federal/state spending in 2013 dollars):

- Medicaid: $89 billion to $450 billion[26]
- EITC: $2 billion to $58 billion
- SSI: $24 billion to $56 billion
- ACTC: $0 to $22 billion
- Children's Health Insurance Program: $0 to $8 billion

These five programs grew over 400 percent, from $115 billion to $594 billion. Excluding Medicaid and CHIP, the remaining three cash means-tested programs (two of which are refundable tax credits) still grew by more than 400 percent, from $26 billion to $136 billion.

The foregoing is not intended to suggest that the *excluded* programs should be added to "Opportunity Grants." More could be done to examine ways to reduce health program costs, or the way we serve disabled individuals, but such reforms should be tested outside the scope of a more general "welfare reform" proposal. And, while changes could be made to the tax credits to make their payments more timely and less error prone, these are outside the control of state welfare agencies.

Of the approximately $140 billion total federal-state funding for the programs included in the "Opportunity Grants" proposal, about $80 billion was for SNAP, leaving $60 billion to cover other basic needs and various support services (e.g., child care). With the exception of SNAP, programs like TANF, housing assistance, and child care (CCDF) reach a relative small share of those eligible for assistance. The Congressional Research Service estimated the percentage of the eligible population served in 2012 by some of the major means-tested programs.[27] While SNAP provided benefits to 69.6 percent of eligible persons, TANF served just 28.4 percent of those eligible; for housing assistance and child care subsidies the reach was even lower – 18.2 percent and 16.9 percent, respectively.[28] The ability to pool funds from these programs is not likely to provide a sufficient funding allocation to undertake significant experiments, much less fund additional mandates, most notably case management and a universal work requirement.

The "Added" Cost of Case Management and Work Requirements. Not only is the Budget Committee's version of "Opportunity Grants" underfunded, it mandates new requirements that are likely to make the projects infeasible – or that might lead states to make sharp cuts in assistance payments. The two most notable requirements are "case management" and a "universal work requirement for all able-bodied individuals."

Case management. In the 1990s, the Comprehensive Child Development Program (CCDP) tested a case management model. It "relied heavily on an approach in which a case manager was responsible for coordinating the service needs of a group of families. …The cost of CCDP services averaged $15,768 per family per year; a total of about $47,000 for each family in the evaluation given the average length of participation in CCDP of more than three years."[29] The initiative was evaluated using a rigorous evaluation method (random assignment) in 21 sites across the nation. The grants were awarded to the bidders "with the strongest staff, and the best track record of providing comprehensive services."[30] Despite the heavy investment and the selection of qualified providers, the results were very disappointing: "Five years after the program began, CCDP had no statistically significant impacts on the economic self-sufficiency of participating mothers, nor on their parenting skills. Mothers in the control group performed as well on these measures as CCDP mothers."[31] And, "CCDP had no meaningful impacts on the cognitive or social-emotional development of participating children."[32]

The fact that case management did not work in the CCDP does not mean that it would not work in an "Opportunity Grants" setting, particularly given the ability of case managers to impose requirements and adjust payment levels that might change behavior. However, given that the cost of case management can be high and the results are uncertain, states may be reluctant to invest heavily in this component. Given the limited funding of the programs included in the

"Opportunity Grants" proposal, states may simply choose to meet the letter of the law rather than the spirit of the proposal, by providing a scaled down case management model.

A universal work requirement. The Budget Committee report indicates that the "Opportunity Grants" programs would have to require *all* able-bodied recipients (except the elderly and disabled) to work or participate in work-related activities. Again, there are no details as to the specifics related to who would be required to participate, the countable activities, the minimum hours needed to satisfy the new requirement, or what the consequences of failing to attain the required standard would be. It is notable that under TANF's work requirement, most states have been unable to engage more than a small share of families in a real work activity like work experience, vocational education, or job search and job readiness assistance. Most states have instead relied on counting those who combine work and welfare or taking advantage of a myriad of loopholes created by the 1996 law.[33]

To the extent the Committee would hold states accountable for actually implementing the requirement *and* to the extent that states try to engage all families, the result could be a significant increase in costs, particularly early on when individuals may be both receiving assistance *and* participating in a work-related activity. The cost of implementing a work program for welfare recipients can vary greatly depending on the number of participants to be engaged, the intensity of participation, the types of activities in which people participate, the characteristics of participants (e.g., age of children, barriers to employment), the extent of participant monitoring and case management, the scope of and intensity of support services offered, management practices, and overhead costs. The annual cost per slot can easily be $10,000, something that would not be feasible under a "deficit-neutral proposal."[34]

In short, there is no precedent for requiring a universal work requirement, and there is no reason to believe that states could implement one quickly or that they would have the resources to do so.

The Treatment of Block Grants for Evaluation and "Deficit-Neutrality." The "Opportunity Grants" includes two block grants – TANF and the Community Development Block Grant (CDBG). For many states, TANF is no longer a "program" as AFDC once; rather, it is just a funding stream used to fund dozens of different programs; in most states TANF cash assistance and spending on welfare-to-work activities is less than one-third of total spending. It is unclear how a funding stream could be incorporated into a random assignment evaluation when the funding is dispersed across multiple state programs. A similar issue arises with the Community Development Block Grant (CDBG), which provides funds to communities rather than individuals.

Bottom-Line. The time to have implemented "Opportunity Grants" was in 1986 or even 1996 (e.g., by expanding waiver authority in other programs). TANF has atrophied and other programs outside the scope of "Opportunity Grants" have become a more central part of the safety net. Indeed, "Opportunity Grants" today is more like a SNAP block grant than a meaningful test of an alternative approach to providing assistance.

To give "Opportunity Grants" more meaning, policymakers should first restore TANF to what it was intended to be – a cash assistance safety net with a robust welfare-to-work component.

Today, it is just a form of revenue sharing. In addition, consideration could be given to changing the EITC and ACTC from tax credits to "programs," where payments can still be tied to earnings, but doing so could make them more responsive (e.g., by making payments quarterly during a period of need) and accurate (e.g., by having caseworkers verify income). Many of those receiving these tax credits already provide income information as they receive SNAP or other programs. Both suggestions are well outside the scope of this paper, but these changes would increase the pool of funding and the ability to test comprehensive reforms.

"Opportunity Grants" does highlight the importance of evaluating policy changes and includes new requirements, most notably case management and a universal work requirement. Instead of imposing a "deficit-neutrality" requirement that will limit the ability of states to implement these provisions, an alternative would be to fully fund these components and evaluate their impacts. If they work, then policymakers will have better information about how to incorporate them into a proposal like "Opportunity Grants." Forcing states to implement these requirements in an environment in which funding is limited will lead to programs that are run on the cheap that may in the end prove ineffective. In short, policymakers should identify policies they care about, fund them, and evaluate them. (Note: Even when policies are sure to result in less spending, e.g., as when Arizona implemented a one-year time limit for TANF cash assistance, there should be a requirement for rigorous evaluation to determine the impacts on needy families. Instead, TANF gave authority to state politicians to make such decisions with virtually no accountability for results.)

Accountability Provisions

One of the most serious problems with the TANF block grant is the excessive state flexibility to divert funds from core "welfare reform" purposes to fill budget holes and even supplant existing state spending. For example, states now use a significant portion of TANF/MOE funds for college scholarships, prekindergarten, and child welfare. None of these activities is currently funded by any of the "Opportunity Grants" programs (except TANF). And, many states and communities already spend a significant amount of their own funds for housing and economic development-related activities. Will the proposal include limits on state spending to prevent states from using the consolidated funds from simply filling budget holes? If so, how will this be achieved? For example, TANF has a non-supplantation provision for MOE, but some states have been creative in finding ways to circumvent it.[35]

The proposal also discusses holding service providers "accountable for providing quality service and achieving results." Indeed "the OG program requires state governments to provide oversight by: writing contracts with providers; developing performance standards; measuring results; monitoring progress; and renewing or terminating the contract." It is unclear how states will ensure accountability, since measuring results and performance standards do not isolate the impact of providers from other factors, but the state certainly can be held accountable by examining the implementation and impact results of the evaluation. For example, what would be the consequence of failing to implement a universal work requirement? Or, what if the project showed an increase in poverty or food insecurity? And, would the magnitude of negative impacts have to exceed some threshold before corrective action is taken? Would there be opportunities to request corrective compliance, reasonable cause, or some other remedy?

These are just some of the many accountability provisions that would have to be considered.

Administrative Structure

To implement a proposal as far-reaching as "Opportunity Grants" also requires an administrative structure that coordinates waiver requests and describes the procedures that will be used for considering waiver requests and then monitoring their implementation. In the preTANF waiver period, this was initially carried out by the Interagency Low Income Opportunity Advisory Board. It issued its procedures on November 30, 1987.[36] While the process changed over the next 10 years, it is important to develop an administrative structure and spell it out in the legislation.

Conclusion

By August 1996, 43 states had received welfare waivers from the U.S. Department of Health and Human Services (HHS).[37] TANF added little to flexibility of states to test these welfare reforms and indeed most states simply continued their waiver-based policies under TANF through the end of the approved project period. This process was much like "Opportunity Grants"; the next step would have been to increase the waiver authorities in other programs. Instead, TANF ended this evidence-based approach to welfare reform.

Nevertheless, the preTANF waiver approach and the lessons learned during the waiver process are important and "serious" conservative reformers would benefit from studying that experience. The lack of detail in the current "Opportunity Grants" proposal surrounding important issues related to cost, evaluation and accountability raise concerns that should be addressed to "Make Opportunity Grants Great Again."

[1] I am a conservative and have worked on welfare issues for the Heritage Foundation, the American EnterpriseInstitute, and the White House under both President Reagan and President George H.W. Bush. I am expressing my views as a concerned citizen. This critique assumes the reader has a basic understanding of the TANF program; 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. Comments on this or any of my publications are welcome; please email them to me at petergermanis1@gmail.com.

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

[3] 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.

[4] Yuval Levin. "The Ryan Mobility Agenda," *National Review*, July 24, 2014, available at: http://www.nationalreview.com/corner/383674/ryan-mobility-agenda-yuval-levin.

[5] "Poverty, Opportunity, and Upward Mobility," in *A Better Way: Our Vision for a Confident America*, June 7, 2016, available at: http://abetterway.speaker.gov/_assets/pdf/ABetterWay-Poverty-PolicyPaper.pdf.

[6] Executive Office of the President, *Up from Dependency: A New National Public Assistance Strategy. Report to the President*, December 1986, available at: https://archive.org/details/ERIC_ED316587.

[7] See President Ronald Reagan, "Message to the Congress Transmitting Proposed Low-Income Opportunity Legislation," February 26, 1987, available at: http://www.presidency.ucsb.edu/ws/index.php?pid=33907.

[8] See Judith M. Gueron and Howard Rolston, *Fighting for Reliable Evidence* (New York, NY: Russell Sage Foundation, June 2013) and Michael E. Fishman and Daniel H. Weinberg, "The Role of Evaluation in State Welfare Reform Waiver Demonstrations," in *Evaluating Welfare and Training Programs*, edited by Charles Manski and Irv Garfinkel, (Harvard University Press, January 1992), pp. 115-142.

[9] 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_systhesis/reports/consequences_of_wr/rand_report.pdf.

[10] Peter Germanis, "The Welfare Reform and Upward Mobility Act: A Conservative Plan to Eviscerate the Safety Net," November 29, 2016, available at: http://mlwiseman.com/wp-content/uploads/2016/05/The-Welfare-Reform-and-Upward-Mobility-Act.112016.pdf.

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

[12] U.S. Congress, House Budget Committee, *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee*, July 24, 2014, p. 14, available at: http://budget.house.gov/uploadedfiles/expanding_opportunity_in_america.pdf.

[13] U.S. Congress, House Budget Committee, *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee*, July 24, 2014, p. 18, available at: http://budget.house.gov/uploadedfiles/expanding_opportunity_in_america.pdf. When Speaker Ryan introduced his proposal at the American Enterprise Institute, he was followed by a panel of discussants. At that conference, Ron Haskins, the chief staff person responsible for the 1996 welfare reform law, described Representative Ryan's Opportunity Grants proposal as follows:

> So the opportunity grants are really crucial. If you were a Republican and you believed the opportunity grants and flexibility in block grants are the way to go, you could not improve on Paul's proposal.

In reacting to the use of the term "block grant," Speaker Ryan said:

> This isn't exactly a block grant. It's not your garden variety of block grant where you just cut a check to the states and call it a day. This is very different because … there're going to be abuses with that. This Opportunity Grant is designed to streamline funding streams into one grant that is there to have customized and personalized aid to each person.

In this response, Speaker Ryan said nothing to contradict the notion that "Opportunity Grants" would be a fixed funding stream. He simply talked about how the flexibility would be different.

[14] U.S. Congress, House Budget Committee, *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee*, July 24, 2014, p. 18, available at: http://budget.house.gov/uploadedfiles/expanding_opportunity_in_america.pdf.

[15] CNN Money, "Unemployment rate, state by state" for July 2014, available at: http://money.cnn.com/interactive/economy/state-unemployment-rates/.

[16] Senator Marco Rubio, "Reclaiming the Land Of Opportunity: Conservative Reforms For Combating Poverty," January 8, 2014, available at: http://www.rubio.senate.gov/public/index.cfm/press-releases?ID=958d06fe-16a3-4e8e-b178-664fc10745bf.

[17] Oren Cass, "The Height of the Net," *National Review*, October 14, 2013, available at: http://www.nationalreview.com/article/367805/height-net-oren-cass.

[18] Random assignment studies are not perfect either; they may miss entry and general equilibrium effects. And, the control group may be influenced by the "atmospherics" surrounding welfare reform, thus muting its effects.

[19] 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) and Michael E. Fishman and Daniel H. Weinberg, "The Role of Evaluation in State Welfare Reform Waiver Demonstrations," in *Evaluating Welfare and Training Programs*, edited by Charles Manski and Irv Garfinkel, (Harvard University Press, January 1992), pp. 115-142.

[20] House Budget Committee, *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee*, July 24, 2014, p. 12, available at: http://budget.house.gov/uploadedfiles/expanding_opportunity_in_america.pdf.

[21] House Budget Committee, *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee*, July 24, 2014, p. 13, available at: http://budget.house.gov/uploadedfiles/expanding_opportunity_in_america.pdf.

[22] 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_systhesis/reports/consequences_of_wr/rand_report.pdf.

[23] For a discussion of some the challenges, see: Anne Gordon, Jonathan Jacobson, and Thomas Fraker, *Approaches to Evaluating Welfare Reforms: Lessons from Five State Demonstrations* (Washington, DC: Mathematica Policy Research, Inc., October 1996).

[24] The spending data for 1985 come from: Executive Office of the President, *Up from Dependency: A New National Public Assistance Strategy. Report to the President*, December 1986, available at: https://archive.org/details/ERIC_ED316587. The data for 2013 come from: U.S. Government Accountability Office, *Federal Low-Income Programs: Multiple Programs Target Diverse Populations and Needs*, July 2015, available at: www.gao.gov/assets/680/671779.pdf.

[25] Federal-state spending was actually more than $30 billion. The $27 billion reflects the federal block grant plus the basic MOE requirement. States that *report* spending above the basic MOE level typically count existing state expenditures to maximize their "excess MOE" for caseload reduction credit purposes. Moreover, even a significant share of the $27 billion does not represent real spending, but supplantation and filling budget holes.

[26] The state share is estimated based on a 58 percent federal-state match.

[27] Gene Falk, Alison Mitchell, Karen E. Lynch, Maggie McCarty, William R. Morton, and Margot L. Crandall-Hollick, "Need-Tested Benefits: Estimated Eligibility and Benefit Receipt by Families and Individuals," Congressional Research Services, December 30, 2015, available at: https://fas.org/sgp/crs/misc/R44327.pdf.

[28] *Ibid*, p. 14.

[29] Robert G. St.Pierre, Jean I. Layzer, Barbara D. Goodson, and Lawrence S. Bernstein, *National Impact Evaluation of the Comprehensive Child Development Program: Executive Summary* (Abt Associates, June 1997), p. EX-2 and p.EX-11, available at: http://www.acf.hhs.gov/sites/default/files/opre/ccdp00_natl.pdf.

[30] *Ibid*, p. EX-4.

[31] *Ibid*, p. EX-8.

[32] *Ibid*, p. EX-8.

[33] See, for example, Peter Germanis, "The Failure of TANF Work Requirements in 2015: The Need for "A *Much* Better Way," December 18, 2016, available at: http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements.2015.pdf.

[34] Douglas J. Besharov and Peter Germanis, *Full Engagement Welfare in New York City: Lessons for TANF's Participation Requirements*, August 2004, available at: http://www.welfareacademy.org/pubs/welfare/nyc_hra.pdf.

[35] Peter Germanis, "TANF in Michigan: Did We Really "Fix" Welfare in 1996? A Cautionary Tale for Speaker Ryan," May 25, 2016, available at: http://mlwiseman.com/wp-content/uploads/2016/05/TANF-is-Broken-in-Michigan.052716.pdf.

[36] The White House, "The Interagency Low Income Opportunity Advisory Board Procedures for Coordination and Review of State Welfare Reform Demonstration Proposals and Waiver Requests," November 30, 1987.
[37] U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Setting the Baseline: A Report on State Welfare Waivers,* June 1997, http://aspe.hhs.gov/hsp/isp/waiver2/title.htm.