

## **“Welfare Reform” New York Style: A Model for the House Budget Committee?**

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On July 19, 2017, the House Budget Committee released its fiscal year (FY) 2018 budget proposal, *Building a Better America*.<sup>2</sup> The Committee believes the 1996 welfare reform law, and the Temporary Assistance for Needy Families (TANF) block grant in particular, was a success and is a model for reforming other safety net programs. Sadly, the report presents a simplistic and misleading assessment of America’s safety net, and is devoid of important policy details with respect to its recommendations.

The report states that welfare benefits should be “preserved ... for those most in need” and that “able-bodied individuals receiving welfare benefits from a variety of programs be required to work or prepare for work in exchange for benefits.” It provides no policy details as to how it would accomplish these twin goals, but quotes Robert Doar, former commissioner of New York City’s Human Resources Administration, in support of this sentiment: “In New York, we were most successful at fighting poverty when we maintained the proper balance of strong work requirements and government assistance that supported – but did not replace – work.” The Committee’s reliance on Doar’s testimony on this and other topics suggests that the “New York model” may be one to replicate. Indeed, Doar’s own bio states that he helped “make New York a model for the implementation of welfare reform.”<sup>3</sup> In particular, he has highlighted New York City’s track record in reducing poverty:

In America’s biggest cities, more and more Americans are now living in poverty. From 2000 to 2013, the poverty rate in America’s 20 largest cities grew by 36 percent, to an average of 22.7 percent. Nationally, the poverty rate has risen too, from 11.3 percent in 2000 to 14.8 percent in 2014. But there’s one stand-out exception to this phenomenon: New York City.

Over the last decade, New York City’s poverty rate has defied national trends by declining. While New York once suffered one of the highest poverty rates among the country’s large cities, today it boasts one of the lowest...<sup>4</sup>

Between 2000 and 2013, the percent change in poverty in New York City was *minus* 0.9 percent – the lowest in the nation among major cities, followed by Los Angeles and San Diego (plus 3.6 and plus 7.5 percent, respectively). At the opposite end of the spectrum, with the largest increases, were Indianapolis (81.5 percent), Charlotte (67 percent), and Detroit (57.9 percent). In Tennessee, home to House Budget Committee Chairman Diane Black, Memphis fared a bit better, experiencing an increase of 35.4 percent, but still nowhere near New York City.

Apparently, the House Budget Committee was impressed, so I will draw out some of the policy implications of using New York as a model. For added perspective, I note how this approach might help Chairman Black’s state of Tennessee and Vice Chairman Todd Rokita’s state of Indiana.

1. **Give every state a block grant equal to what New York receives – \$2,875 per poor child per year in 2015.**<sup>5</sup> Much of New York’s “success” is undoubtedly due to the generous financial support the state has received from the federal government. States like Tennessee and Indiana received much less, \$541 and \$604 per poor child per year, respectively, in 2015.<sup>6</sup> Even these figures compare favorably to the \$300 per poor child per year received by Texas – a fact that should be of interest to House Ways and Means Chairman Brady (Texas).

New York has been fortunate – the amount of its federal block grant per poor child has remained relatively constant over time despite inflation – because the number of poor children in the state has declined. Between 1997 and 2015, the value of the federal block grant in New York fell just 9 percent per poor child – compared to declines of 56 percent and 58 percent in Tennessee and Indiana, respectively. To ensure comparability with New York, going forward, the block grant should be adjusted for changes in the number of poor children and, since “success” seems correlated with benefit generosity, it should also be adjusted for inflation.

2. **Establish a minimum benefit equal to New York’s -- \$789, with an earnings disregard of \$90 plus 50 percent.** In 2000, New York’s TANF benefit for a three-person family was \$577. Adjusted for inflation, this would be about \$790 – just about what is today. Also, New York’s earnings disregard was \$90 plus 47 percent – also about the same as today. Doar’s generosity was possible in large part because of the generous TANF block grant New York received.

In 2000, Tennessee and Indiana provided a family of three \$185 and \$288, respectively. This is the same amount they provided in 1996 and 2015 – or a decline of 34 percent in inflation adjusted dollars since TANF was enacted.<sup>7</sup> Of course, given the vast disparity in federal funding from the start combined with unfavorable demographics (rising child poverty), neither Tennessee nor Indiana has the resources to match New York. If the House Budget Committee adopts the “Doar model,” they would be able to do so.

3. **Restore the entitlement to TANF.** The 1996 law eliminated the entitlement to assistance, by allowing states to adopt lifetime, full family sanctions and time limits that cut families off the rolls without regard to the consequences to family well-being. Under Doar, this didn’t happen (though only because of a state constitutional provision) – New York did not adopt such sanctions or automatically close cases when they reached TANF’s five year limit (instead, transferring many of them to a “separate state program”).<sup>8</sup> If Doar is correct about TANF’s success in New York, eliminating the entitlement was not necessary, nor is a full family sanction or a hard time limit.<sup>9</sup> Tennessee and Indiana both have permanent, full-family sanctions and they do enforce the five-year federal time limit. As Doar has shown, neither Memphis nor Indianapolis have fared well with respect to poverty – indeed Indianapolis ranked dead last among major cities and had the largest increase in poverty rates between 2000 and 2013.<sup>10</sup> This should be concerning to Chairman Black and Vice Chairman Rokita.

4. **Establish a work participation rate target of 15 percent in work preparation activities.** New York has typically achieved a work participation rate of about 35 percent, in large part because TANF made “unsubsidized employment” an activity and the state’s relatively generous benefits and earnings disregards allowed many families to stay on the rolls while combining work and welfare. The share of those in work preparation activities, e.g., job search, work experience, community service, or vocational educational training, was only about 15 percent. In 2015, if employment was not counted as an activity, Tennessee and Indiana would have achieved a work participation rate of just 4 percent in such work preparation activities.<sup>11</sup> (Indeed, even New York has dropped to 4 percent.) It is long past time to recognize the myth of the 50 percent work requirement and time to start over with a more realistic requirement – say Doar’s 15 percent rate in work preparation activities. The target rate can then be gradually raised based on state experience and rigorous research regarding the effectiveness of such requirements.<sup>12</sup>

Requiring all states to adopt Doar’s “New York-style” welfare model would be much more expensive than current law,<sup>13</sup> but it would help shore up the cash assistance safety net for the nation’s neediest families and provide much needed funding for welfare-to-work activities and work supports. Of course, to ensure that this happens, the Committee would also have to limit the excessive state flexibility to use TANF as a form of revenue sharing as opposed to a safety net and welfare-to-work program.

If the Committee finds these recommendations unacceptable, then it should look at the experience of other states. New York receives about five times the amount per poor child in federal funding as Tennessee and Indiana, and nearly ten times the amount Texas receives. The Committee might ask Doar – and itself – how a state like Texas, with federal funding of just \$300 per poor child per year can possibly maintain a balance of “strong work requirements and government assistance.” It is unclear how it can do either one, much less both. Indeed, TANF is a massive policy failure in Texas, as I tried to explain to Ways and Means Chairman Brady in:

- “TANF in Texas: The Need for “A *Much* Better Way”: A Cautionary Tale for Ways and Means Chairman Brady,” September 1, 2016, available [here](#).

The Committee would do well to examine the New York experience more carefully; TANF is failing everywhere, including New York. It is time for a new approach. Fortunately for the Committee, I describe one such approach in my first in a series of papers on TANF.

- “TANF is Broken! It’s Time to Reform ‘Welfare Reform.’” Personal Statement of Peter Germanis. Working Draft, July 25, 2015, available [here](#).

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<sup>1</sup> 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/?portfolio=peter-the-citizen>. The idea for this paper stems from a conversation with Michael Wiseman about what the vision for an ideal cash assistance program may look like. The paper is not intended to describe such an ideal, but to provoke thinking about design issues.

<sup>2</sup> House Budget Committee, *Building a Better America*, July 19, 2017, available at: <https://www.gpo.gov/fdsys/pkg/CRPT-115hrpt240/pdf/CRPT-115hrpt240.pdf>.

<sup>3</sup> From 2000 to 2006, Robert Doar served first as Executive Deputy Commissioner and then as Commissioner of the New York State Office of Temporary and Disability Assistance. From 2007 to 2014 he was Commissioner of the New York City Human Resources Administration, Department of Social Services. Mr. Doar's bio states that he helped "make New York a model for the implementation of welfare reform. See: <https://www.aei.org/events/overcoming-barriers-to-opportunity-a-vision-talks-event/>.

<sup>4</sup> Linda Gibbs and Robert Doar, "New York City's Turnaround on Poverty," *Washington Monthly*, June 19, 2016, available at: <http://washingtonmonthly.com/2016/06/19/new-york-citys-turnaround-on-poverty/>.

<sup>5</sup> All dollar amounts in this bullet are from unpublished tables produced by Center on Budget and Policy Priorities. See also: Ife Floyd, LaDonna Pavetti, and Liz Schott, "Lessons from TANF: Initial Unequal State Block-Grant Funding Formula Grew More Unequal Over Time," Center on Budget and Policy Priorities, July 20, 2017, available at: <https://www.cbpp.org/research/family-income-support/lessons-from-tanf-initial-unequal-state-block-grant-funding-formula>; and David Meni and Michael Wiseman, "The TANF Resources Problem," *Poverty and Public Policy*, vol. 9, no. 1, March 2017, available at: <http://mlwiseman.com/wp-content/uploads/2016/12/MeniWiseman2016TANF.pdf>.

<sup>6</sup> The differences in federal funding per poor child stem from the fact that the prior AFDC program was based on a federal-state match, in which states determined many eligibility provisions and established benefit levels. Thus, federal funding was a function of a state's matching rate and policy choices. This paper assumes that the TANF program in New York is the model, so the goal is to match that as closely as possible by equalizing federal funding per poor child.

<sup>7</sup> Both states have generous earned income disregard policies, but this may simply reflect their desire to have a low-cost way of meeting the work participation rates. The benefits provided to those working in many cases would cost less than actually placing them in work preparation activities.

<sup>8</sup> The entitlement provision in New York is the result of a state constitutional provision. Doar is on record supporting full-check sanctions in a paper ironically called, "Preserving and Strengthening the TANF Program," co-authored with Sidonie Squier, Lillian Koller, and Rickey Berrey, available at: <http://nebula.wsimg.com/8c8aa8ebd365f1efd27bd9adcbd8029a?AccessKeyId=EEB98E648E3097DCA50D&disposition=0&alloworigin=1>. Doar and his colleagues assert: "The absence of this provision results in many on the caseload not doing anything but receiving partial benefits. The inclusion of this provision will have the greatest effect on outcomes of anything the Congress can do." While the provision *may* have positive motivational effects that lead to work, it could also lead to homelessness, greater food insecurity, and a myriad of other unintended effects. Hence, the need for my concession – a requirement for evaluating policy changes that represent significant changes to the *status quo*.

<sup>9</sup> Indeed, California, which has the next two highest ranking cities in terms of lowest poverty rate increases, also has not eliminated the entitlement.

<sup>10</sup> If state policymakers want to adopt full family sanctions and time limits, the responsible approach is to evaluate the effects of such policies – the requirement before TANF replaced President Reagan's evidence-based approach to welfare reform.

<sup>11</sup> Author's calculations using FY 2015 work participation data from the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Work Participation Rates – Fiscal Year 2015," December 2016, available at: <https://www.acf.hhs.gov/ofa/resource/work-participation-rates-fiscal-year-2015>.

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<sup>12</sup> Of course, this is a bit less than the 20 percent requirement under JOBS (TANF's predecessor), but it is important to rebuild gradually; TANF set the conservative case for work requirements back by 20 years.

<sup>13</sup> Some of the added cost would be offset by savings in SNAP, housing assistance, and other programs that count TANF benefits as income in determining eligibility and benefits.