

**The “Poverty Measurement Improvement Act”:  
A Small Step Forward, but We Can Do Better  
*A Response to Senator Mike Lee***

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In a recent article for *The Daily Signal*, Senator Mike Lee (R-UT) outlined a bill he was introducing that would amount to, in his words, “Taking the First Step Toward Welfare Reform.”<sup>2</sup> The proposed legislation is called the “Poverty Measurement Improvement Act.” It would improve the measurement of poverty by enhancing data collection procedures and including the value of currently excluded non-cash means-tested benefits in the calculation of poverty rates. While improving data collection procedures and counting the value of more federal means-tested programs would indeed be an improvement over current practice, these steps are of only limited value in the quest for meaningful “welfare reform.”

Most conservatives, including Senator Lee, believe that the 1996 welfare reform law, and the creation of the Temporary Assistance for Needy Families (TANF) block grant, is a conservative success story. I argue that TANF is a massive policy failure and should not be held out as an example of “conservatism.” I favor an alternative conservative approach based on a model developed in the Reagan Administration, which provided states flexibility, but had strong accountability provisions – most notably cost neutrality and rigorous evaluation – to ensure that states actually help needy families. For the past year, I have been writing critiques of TANF and “responses” to those who advocate welfare reform based on the “TANF model.”

This paper addresses a number of the claims made by Senator Lee about his legislation and how it would be a “first step” toward welfare reform. Selected statements by Senator Lee are followed by a “PC Response” (where PC refers to my pseudonym – “Peter the Citizen”).

**Senator Lee:** “Since President Lyndon Johnson launched the War on Poverty in 1964, the federal government has spent over \$22 trillion on means-tested welfare programs. And what do we have to show for it? When the official poverty rate was introduced in 1969, an estimated 12.8 percent of Americans were in poverty. Today, that number has risen to 14.3 percent. Progressives, of course, see these numbers and push for more programs and more spending. But there are some very good reasons to believe that today’s official poverty rate is artificially inflated. The main problem is that the tool the federal government uses to compile the official poverty rate (the Census Bureau’s Current Population Survey) does not include the total value of federal benefits when measuring an individual’s or a household’s income. This leads to a dramatically distorted picture of poverty in America today, and it obscures the true cost and scope of the federal welfare state.”

**PC Response:** It is true that the official poverty rate is misleading and that the exclusion of non-cash benefits and refundable tax credits is a shortcoming. However, it is not just “progressives” who misuse these figures. Notably, Speaker Ryan recently claimed, “For years – decades now – Washington has spent trillions of dollars on dozens of programs to fight poverty. But we have

barely moved the needle. The war on poverty is a stalemate at best.”<sup>3</sup> Robert Greenstein of the “liberal” Center on Budget and Policy Priorities echoes your concern:

The official measure counts as income only those government benefits that are provided through spending programs which pay benefits in cash. It ignores SNAP, rental assistance, the EITC, the refundable part of the Child Tax Credit, and more. This means it ignores virtually all anti-poverty assistance created or expanded over the past half century, while counting the main form of assistance cut sharply over this period – cash assistance for poor families with children. You can’t learn anything about the efficacy of most anti-poverty programs by using a measure that doesn’t count them.<sup>4</sup>

I am a conservative, but in my experience, some of the most serious distortions of facts and research come from conservatives. This is evident in the “Poverty, Opportunity, and Upward Mobility” report, which was released on June 7, 2016, as part of a series of reports under the rubric of *A Better Way*.<sup>5</sup> That report had no bold new ideas or policy specifics; instead it was nothing more than conservative talking points, with misleading information about the effects of welfare programs and vague policy recommendations. A *much* better way would be to produce a detailed, fact-based, and objective description of the welfare system and its effects and then to develop policy recommendations that can be supported by data and research evidence – that is the approach we took in developing President Reagan’s *Up from Dependency* welfare reform proposal.<sup>6</sup> (I provide a detailed critique and examples in my paper, “Speaker Ryan’s ‘Poverty, Opportunity, and Upward Mobility Report’: The Need for ‘A *Much* Better Way’.”<sup>7</sup>)

It is also worth noting that most serious scholars and policymakers don’t rely on the “official poverty rate” to obtain a “picture of poverty.” The Census Bureau and other researchers have prepared estimates of poverty using the same kinds of adjustments you call for – counting the value of non-cash benefits and refundable tax credits as income and adjusting survey data for underreporting – for many decades.

**Senator Lee:** “For instance, a 2015 study of New York residents found that today’s official poverty rate ‘missed over one-third of housing assistance recipients, 40 percent of Supplemental Nutrition Assistance Program recipients, and 60 percent of Temporary Assistance for Needy Families benefits.’”

**PC Response:** The reference to the 2015 study should not be about the “official poverty rate,” because neither housing assistance nor SNAP benefits are included in the “official poverty rate.” Rather, it should be about the Census Bureau survey that is used for measuring the “official poverty rate” – the Current Population Survey (CPS) – and how well it captures income from these sources and thus how accurate it might be in the calculation of poverty using *alternative* measures, such as the “supplemental poverty measure.”<sup>8</sup>

For TANF, the “official” rate does include the cash assistance portion of the “program’s”<sup>9</sup> spending, but that accounts for less than one-quarter of all TANF spending, as TANF has in many states become a form of revenue sharing for states, rather than a cash assistance safety net and welfare-to-work program.<sup>10</sup> Because 75 percent of TANF funds are spent on benefits or services other than cash assistance, this spending is not captured in the official poverty rate

calculation. The underreporting for cash assistance remains a concern, although this is often mitigated by various adjustment mechanisms, such as weighting and imputation.

**Senator Lee:** “If all of these federal benefits were included in the government’s measurement of the official poverty rate, we would have a much clearer picture of the extent to which our federal anti-poverty programs help our most vulnerable citizens.”

**PC Response:** I agree, but even with the adjustments you suggest for the “poverty rate,” we need to do much more to understand the impact of public policies on the most vulnerable families. For example, the poverty *rate* is not a useful measure for gauging the impact of TANF, because it misses distributional effects and changes on the *depth* of poverty. The eligibility levels for cash aid are well below the poverty thresholds – TANF benefits range from about 10 percent to about 45 percent of the federal poverty level. Most TANF families are poor whether they receive cash assistance or not – taking their benefits away won’t immediately change the poverty rate, but it will push them deeper in poverty. A simple comparison of poverty *rates* would miss important distributional effects. If a program lifted a small group of people out of poverty, but pushed a large number deeper into poverty, that would be important to know. I elaborate on this and other related points in, “‘Welfare Reform’ *Increased* Poverty and No One Can Contest It: A Note to Conservatives.”<sup>11</sup>

**Senator Lee:** “But we won’t know exactly how much help our welfare programs provide until we have more accurate data. That’s why I introduced the Poverty Measurement Improvement Act this week. This bill would improve the data available to lawmakers by authorizing a new Census Bureau survey that would more accurately calculate income by including wages and federal means-tested benefits. This information would then be linked with individual records from the IRS and other federal agencies that administer means-tested benefit programs.”

**PC Response:** This bill may indeed provide an improved understanding of how our welfare programs affect families and influence outcomes like poverty. In particular, it may correct a popular misperception among conservatives that suggests that the typical welfare family with no earnings receives a benefit package of about \$35,000 to \$40,000. For example, in discussing work incentives, the *A Better Way* poverty report starts with a welfare package that includes TANF cash assistance, SNAP, housing assistance, and Medicaid, and then adds child care subsidies, the Earned Income Tax Credit, and the Child Tax Credit as the family begins to work.<sup>12</sup> The problem with this package is that almost no one receives all of these benefits (perhaps only 1 or 2 percent of low-income families with children). Only 30 percent of families eligible for TANF receive cash assistance; the figures are even lower for housing assistance and child care subsidies.<sup>13</sup> For many families, SNAP is the only benefit available to provide for non-medical basic needs and its benefits fall well below the poverty thresholds.

**Senator Lee:** “The core problem with our welfare system today isn’t just its bloated annual budget, but its tendency to undermine the two most dependable routes out of poverty: marriage and work. But we can’t improve these programs until we have better data on how they are affecting working families. The Poverty Measurement Improvement Act will do just that.”

**PC Response:** I agree that the welfare budget is large and that it could be spent more effectively. And, welfare policy, like tax policy, can affect work and marriage incentives. The degree to which they “undermine” marriage and work is an empirical issue, but the far more important question now is how we develop public policies to promote work, marriage, and other important outcomes like child well-being.

***A Real Step Forward.*** The “Poverty Measurement Improvement Act” is a small step forward, but what we really need is a process for building evidence about what works and what doesn’t and using that evidence to refine public policies. Simply looking at changes in poverty rates measured more accurately is not enough. For this, we need to look back to the model initiated by President Reagan. In 1987, the Reagan 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.

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.<sup>14</sup> 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.

This approach provided rigorous evidence, including many examples of state experiments that increased employment and earnings, and also reduced welfare dependency and poverty.<sup>15</sup> TANF ended this approach to welfare reform and now there is virtually no credible evidence about the impacts of state welfare reform efforts. (Nevertheless, there is good evidence from the implementation of TANF to recognize that it is a massive policy failure.) While the waiver process could have been improved, particularly if the goal was to provide nationally-relevant policy information,<sup>16</sup> this approach actually provides the information needed to reform the welfare system in a responsible way.

***A Step Backward.*** A step backward would be to enact sweeping legislation, like the “Welfare Reform and Upward Mobility Act” that would rip apart the safety net for the nation’s most vulnerable families by building on TANF’s failed work requirements. The bill is so administratively complicated and sets such unrealistic work participation rate targets that it is setting up both states and poor families to fail. When combined with its draconian penalties, it is sure to push millions of families deeper into poverty – which, ironically, the “Poverty Measurement Improvement Act” would capture in great detail. A better approach would be to test major changes using the “Reagan model,” or implementing changes like those in the Act in only a few states first (e.g., Utah and Ohio, home states to the sponsors of the legislation), to examine the implementation challenges and early effects. In the meantime, we don’t need more data to see that TANF is a broken program, and we don’t need to wait for the “Poverty Measurement Improvement Act” to begin addressing them.

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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/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf>.
- <sup>2</sup> Senator Mike Lee, "Taking the First Step Toward Welfare Reform," *The Daily Signal*, November 21, 2016, available at: <http://dailysignal.com/2016/11/21/taking-the-first-step-toward-welfare-reform/>.
- <sup>3</sup> Speaker Paul Ryan, "Weekly Republican Address: This is a Better Way," June 3, 2016, available at: <http://www.speaker.gov/press-release/a-better-way>.
- <sup>4</sup> Robert Greenstein, "Welfare Reform and the Safety Net: Evidence Contradicts Likely Assumptions Behind Forthcoming GOP Poverty Plan," June 6, 2016, available at: <http://www.cbpp.org/research/family-income-support/welfare-reform-and-the-safety-net>.
- <sup>5</sup> "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>.
- <sup>6</sup> 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](https://archive.org/details/ERIC_ED316587).
- <sup>7</sup> Peter Germanis, "Speaker Ryan's 'Poverty, Opportunity, and Upward Mobility Report': The Need for 'A Much Better Way'," August 17, 2016, available at: [http://mlwiseman.com/wp-content/uploads/2016/05/The-Need-for-a-Much-Better-Way.Final\\_.pdf](http://mlwiseman.com/wp-content/uploads/2016/05/The-Need-for-a-Much-Better-Way.Final_.pdf).
- <sup>8</sup> U.S. Census Bureau, "Supplemental Poverty Measure Overview," available at: <http://www.census.gov/hhes/povmeas/methodology/supplemental/overview.html>.
- <sup>9</sup> TANF is not really a program; it is best viewed as a flexible funding stream.
- <sup>10</sup> U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "TANF Financial Data – FY 2015," August 13, 2016, available at:
- <sup>11</sup> 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>.
- <sup>12</sup> Peter Germanis, "Speaker Ryan's 'Poverty, Opportunity, and Upward Mobility Report': The Need for 'A Much Better Way'," August 17, 2016, available at: [http://mlwiseman.com/wp-content/uploads/2016/05/The-Need-for-a-Much-Better-Way.Final\\_.pdf](http://mlwiseman.com/wp-content/uploads/2016/05/The-Need-for-a-Much-Better-Way.Final_.pdf).
- <sup>13</sup> Peter Germanis, "Speaker Ryan's 'Poverty, Opportunity, and Upward Mobility Report': The Need for 'A Much Better Way'," August 17, 2016, available at: [http://mlwiseman.com/wp-content/uploads/2016/05/The-Need-for-a-Much-Better-Way.Final\\_.pdf](http://mlwiseman.com/wp-content/uploads/2016/05/The-Need-for-a-Much-Better-Way.Final_.pdf).
- <sup>14</sup> 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.
- <sup>15</sup> Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), [http://www.acf.hhs.gov/programs/opre/welfare\\_employ/res\\_synthesis/reports/consequences\\_of\\_wr/rand\\_report.pdf](http://www.acf.hhs.gov/programs/opre/welfare_employ/res_synthesis/reports/consequences_of_wr/rand_report.pdf).
- <sup>16</sup> For a discussion of some of these issues, see Michael L. Wiseman and Mark Greenberg, "Fixing Welfare Waiver Policy," *Public Welfare*, Winter 1995, pp. 10-17. These are two separate articles, but share the same title.