Republican Study Committee Blueprint on the Safety Net:
It’s Time to Go Back to the Drawing Board
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A Personal Note from “Peter the Citizen”

Arthur Brooks, president of the American Enterprise Institute, once said, “What is most important on the right is not to shut down the competition of ideas.” I welcome that spirit, and that is why I offer an alternative conservative perspective to the conventional wisdom that the 1996 welfare reform law, and the creation of the Temporary Assistance for Needy Families (TANF) block grant, was an “unprecedented success.” In fact, I argue that TANF is a 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.” The ancient Greek philosopher, Diogenes of Sinope, once said, “Other dogs bite only their enemies, whereas I bite also my friends in order to save them.” I am trying to save conservatives and to help them not only “talk the talk,” but also “walk the walk.”

This critique is not intended to be a detailed assessment of the Republican Study Committee’s chapter on the safety net; it is simply intended to identify some of the most egregious statements that reflect bias or misinformation, followed by a brief explanation called a “PC Response.” (“PC” is short for “Peter the Citizen,” although it would also be the “politically correct” position for anyone serious about reducing poverty.)

The Republican Study Committee’s Blueprint for a Balanced Budget 2.0 includes a chapter, “Strengthening Our Safety Net to Empower People,” that reflects a host of misrepresentations about welfare policy and misguided policy recommendations. The following are just some of the more glaring examples.

RSC Statement: “We know what type of reform actually works to lift Americans out of poverty. In 1996, conservatives in Congress worked to reform the Aid to Families with Dependent Children program, which had created a destructive culture of dependency. These reforms were embodied in the Temporary Assistance for Needy Families (TANF) block grant program, which replaced the failing, dependence-driven status quo and instead focused on work incentives.”

PC Response: This statement alone should disqualify the Republican Study Committee as a serious player in the anti-poverty debate. As I describe in TANF is Broken! (section III, “Funding and Flexibility: How Congress Shot Itself in the Foot”), the creation of the TANF block grant with excessive state flexibility set in motion changes that would: (1) initially provide large windfalls of federal funds for states, but also put in place a funding structure that in the longer-term would provide insufficient resources due to inflation and demographic changes; (2) allow states to use federal funds to supplant their own spending (by tens of billions of dollars since TANF was created); (3) permit states to convert TANF (over time) to a giant slush fund
with minimal reporting and accountability provisions; (4) impose a Rube Goldberg-like set of bureaucratic and ineffective funding formulas and requirements; and (5) give states excessive flexibility to avoid or evade virtually all of the federal requirements in the law, most notably work requirements and time limits. The result of this misguided effort is a safety net with huge holes – one that is not effective in providing basic assistance to needy families or ensuring that low-income parents receive the work-related activities and services needed to escape poverty.

TANF is not “welfare reform”; it is just a flexible funding stream – something that should be obvious to anyone who has actually examined its implementation.

**Special Note to RSC Chairman Bill Flores (TX):** The Texas experience demonstrates that TANF is often little more than revenue sharing. Like many other states, Texas supplants a considerable share of its TANF funds, a trend that started with TANF’s inception, as described in 2006 by the Center for Public Policy Priorities (CPPP):

> Over the last decade Texas has spent an increasing share of the block grant on child protection and foster care – first to “supplant” (replace) the general revenue that used to fund these services and later to expand funding for these services. As a result, fewer TANF funds are spent on cash assistance and other work support programs designed to help parents make the transition from welfare to work. For example, spending on cash assistance accounted for 67% of the block grant in 1997; now it makes up only 22%. Further, funding for employment and training has not increased since 1999, and no federal TANF funds are used to fund child care for “working poor” families – families who make too much to qualify for TANF but too little to afford child care. Texas’ use of the TANF block grant to supplant state spending on child protection also leaves funding for child protection vulnerable to potential changes at the federal level, both in the form of cuts to the TANF block grant or changes in how child protection is financed. 

Similarly, a report on the state’s workforce investment policies reinforces the notion that TANF is not “welfare reform” but a flexible funding stream:

> Texas currently invests little of its TANF block grant in providing education, training and work supports for working poor Texans. In fact, Texas has not taken an overall strategic approach to using its block grant to provide services to working poor families. In particular Texas does not use direct or transferred TANF spending on child care for working poor families. Texas has come to view the TANF block grant as yet another fungible source of federal funds available to supplant state spending. As a result, the funds now underwrite major portions of the child welfare budget and tangential services at numerous other state agencies. Of the annual allocation of over $500 million, precious little TANF funding is targeted at the purported purposes of the program.

In fiscal year (FY) 2014, Texas used just 20 percent of its TANF/MOE funds on core welfare reform activities – basic assistance, work activities, and child care. Shawn Fremstad of the Center for American Progress hit the nail on the head in his assessment of the Texas TANF program – and indeed TANF programs across the nation – when he said:
As the Texas TANF slush fund example shows, Temporary Assistance is failing. Instead of going to 50 state slush funds, the federal government should use the federal funds in the program to create a coherent, effective, and fair program of job search and unemployment assistance for low-income parents.8

Since TANF’s enactment, a cursory reading of reports documenting how states have used their funds suggests that tens of billions of TANF dollars have been used to supplant existing state expenditures. This isn’t “welfare reform”; this doesn’t help needy families; this isn’t success; this is Truly a National Failure (TANF)!

RSC Statement: “The results [of the 1996 law] were dramatic: thanks to these reforms, child poverty decreased…”

TANF did not reduce poverty – it increased poverty. As I explain in “Welfare Reform Increased Poverty and No One Can Contest It,”9 conservative “analyses”: reflect little understanding of causal inference; ignore rigorous research findings; use inappropriate time periods (often starting years before TANF was enacted and often stopping in 2001 – 15 years ago); use the wrong poverty measure, i.e., the poverty rate rather than a measure that also includes the depth of poverty; and confuse TANF with welfare reform – TANF is nothing more than revenue sharing, with a myriad of ineffective and even counterproductive federal requirements.

Special Note to RSC Chairman Bill Flores (TX): In Texas, between 1994/95 and 2013/14 the number of poor families with children rose from 552,200 to 707,100, as did the number in deep poverty, from 218,600 to 281,000. Meanwhile, the TANF caseload plummeted, from 257,800 to 34,300. As a result, the TANF-to-poverty ratio in Texas fell from 47 to 5.10 These results certainly are “dramatic” – a dramatic indication of the collapse of the cash assistance safety net in Texas.

RSC Statement: “Unfortunately, in 2012, President Obama gutted the work promotion reforms for TANF enacted on a bipartisan basis in 1996.” (This statement refers to guidance issued by the U.S. Department of Health and Human Services on July 12, 2012, regarding TANF’s work requirements; the guidance gave states more flexibility to test alternative welfare-to-work programs by seeking waivers of existing federal rules.11)

PC Response: TANF’s work requirements are unreasonable, dysfunctional, and are not about work. The fact that the Republican Study Committee believes these waivers would gut “work promotion reforms” demonstrates how little it has paid attention to the actual implementation of work requirements. First, no waivers have been granted and there has been no “gutting.” The only governor to seek these waivers is Governor Kasich of Ohio, a leader in passing the 1996 law. Second, and more important, it is the 1996 welfare reform law itself gutted work requirements, by creating loophole after loophole. The truth of the matter is that conservatives themselves are responsible for gutting work promoting reforms – along with the safety net for the nation’s poorest families.

TANF is Broken! (section IV, “TANF Work Requirements: An Epic Fail”) describes 10 major provisions (and loopholes) that “gutted” the work requirements, including the caseload reduction...
credit (a conceptually flawed provision), separate state and solely state funded programs that remove families not likely to count in the work rate from the denominator of the calculation, and gimmicks such as paying token benefits to SNAP families with a child and full-time worker to artificially inflate the numerator of the calculation. These gimmicks are perfectly legal and permitted solely because of the way the law was drafted.\textsuperscript{12}

A full discussion of the failure of TANF’s work requirements is beyond the scope of this response, but one example is illustrative of the problem. In 2012, while conservatives were complaining about the Obama Administration’s waiver proposal, states were busy taking advantage of the loopholes Congress itself created. Less than a year earlier, Governor Kasich of Ohio submitted a corrective compliance plan because the state had failed to meet TANF’s work rates and faced the prospect of $135 million in penalties. The central element of the plan had nothing to do with engaging more families in work activities. Instead, the plan was to make $10 payments to SNAP families who have a child and enough work hours to be counted toward the TANF work rate.\textsuperscript{13} Here is how officials at the Ohio Department of Jobs and Family Services (ODJFS) described the action:

ODJFS also initiated the Ohio Works Now Program, which provided a $10 monthly OWF benefit to families on the Food Assistance Program who were working. By receiving this benefit, these working families could be counted toward the state’s TANF work participation rate. This program was only in effect from January to June 2012. About 72,323 assistance groups received benefits on average each month. Benefits totaled $4.3 million and were paid from TANF funds.\textsuperscript{14}

By investing $4.3 million in what is really a gimmick, the state “gutted” the work requirement in FY 2012 to meet the work rate for that year and wipe out accumulated penalties from prior years. Today, this loophole – created by Congress – accounts for about 300,000 cases alone – nearly 20 percent of the remaining cash assistance caseload. There is nothing “work promoting” about such gimmickry and it does nothing to help the poor get connected to work opportunities.

\textit{Special Note to RSC Chairman Bill Flores (TX):} The most disappointing way some states have met work requirements is by slashing TANF caseloads even as the number of families in deep poverty has risen. TANF’s work requirements in Texas are largely irrelevant – virtually no one receives cash assistance! (Even so, for the two-parent rate, the state used the solely state funded loophole to avoid the requirement altogether – another example of a state taking advantage of a congressionally-created loophole to meet what otherwise would be an unrealistic congressionally-mandated requirement.)

\textbf{RSC Statement:} “Building on the success of the 1996 welfare reforms, all federal programs should be reformed to include work promotion requirements that would help people move away from dependence and toward self-sufficiency. Programs would be strengthened with such incentives. To be eligible for benefits, able-bodied adults without dependents would be required to work or be preparing for work, including participating in educational or job training programs, community service, or a supervised job search.”
PC Response: No, the first step is to start over and fix TANF and its work requirements. Conservatives have no business extending work requirements to other programs until they do it right for one program. And, if work requirements are to be extended to other programs, the details should be spelled out, particularly who is subject to them, the countable activities, the hourly requirements, and the required rates states will be expected to achieve, as well as how the requirements across programs interact with each other. The devil is in the details, something conservatives never seem to provide, yet these details are important because Congress got virtually every detail wrong in drafting the TANF work requirements.

And, let’s look at the TANF “incentives” the Republican Study Committee wants to emulate. TANF requires families to participate about 130 hours per month (or 87 hours for a single parent with a child under six). In 14 states, the maximum TANF benefit is under $300. The TANF expectation that families in these low-benefit states value their time at $2 per hour or less is unreasonable. In no state, does the maximum grant for a family of three divided by 130 hours per month result in an hourly valuation as high as the minimum wage. And few states offer more than a handful of recipients “educational or job training programs” because of the law’s unjustified restrictions on those activities. Work requirements should be about offering a hand up; instead, under TANF they are about “bureaucratic disentitlement.”

RSC Statement: This budget recommends that the House Agriculture Committee put forward legislation that would authorize the food stamp program as a block grant to the states, with funding subject to the annual appropriations process. Nutrition assistance funds would be distributed to states based on a formula that accounts for poverty and unemployment in each state. States would have flexibility to administer their own programs, subject to the common sense requirements outlined below, and supplement federal funds with state funds. The budget includes a deficit neutral reserve fund to allow such a reform to be implemented.

PC Response: After nearly 20 years, the TANF experience clearly shows that block grants are bad public policy. What is particularly astounding is the idea that Congress believes it is clever enough to combine nutrition programs with very different eligibility criteria and develop “a formula that accounts for poverty and unemployment in each state” to create a “deficit neutral reserve fund.” It simply isn’t possible to come up with such a formula, because the cost of each of the programs depends not just on the number of poor and unemployed, but the depth of poverty and disparate income eligibility limits and other rules. And, since poverty and unemployment are positively correlated with each other, it’s not clear how one would devise a formula that takes both factors into account. There are also timing issues – both in terms of data availability and the impacts these factors on program costs. In particular, poverty data are based on annual data released about nine months after the end of a year; in contrast, eligibility for SNAP (the main nutrition program) is based on monthly income and needs.

And, what is the experience of Congress in legislating funding formulas? The TANF Contingency Fund for economic downturns relies on triggers related to similar factors. In FY 2014, North Dakota had an average monthly unemployment rate of 2.7 percent, yet it was still considered a “needy state” for the Contingency Fund based on the SNAP trigger (a proxy for poverty). And, if not for the SNAP trigger, Michigan would have lost its designation as a “needy state” in January 2011 but for the SNAP trigger, despite an unemployment rate of 10.9 percent.
Similarly, TANF’s Supplemental Grants provided additional funding to states that had high population growth and/or low historic grants relative to poverty in the state. Seventeen states qualified, but over the longer-term, eligibility was not adjusted for subsequent changes in economic and demographic conditions. Between 1995/96 and 2012/13, only 6 of the 17 states had increases in the number of poor families with children in excess of 35 percent, and 4 states actually had declines. Meanwhile, 6 states that did not qualify initially had an increase in the number of poor families with children greater than 35 percent. The only thing worse than relying on a congressionally-developed formula would be to think Congress itself would respond in a timely fashion.

Even if the formula were limited to a single program – SNAP – the policy would be misguided. Here’s how Jared Bernstein of the Center on Budget and Policy Priorities describes it:

But besides being administratively challenging …this makes zero sense: “Here’s a neat idea! Let’s break SNAP and then fix it again so it works the way it does now.”15

There is an approach that would give states flexibility while maintaining cost neutrality – it’s the approach that existed before TANF. In 1987, President Reagan started encouraging states to use existing authority to conduct welfare reform experiments – through waivers of AFDC’s rigid rules (and, to a lesser extent, food stamp and Medicaid rules due to more limited waiver authorities for those programs). This approach was continued by President Bush and President Clinton. This process did not provide a fixed level of funding, like block grants, or use a formula like the Republican Study Committee suggests. Instead, it relied on a real counterfactual using the “gold standard” of evaluation – random assignment.16 The findings from random assignment experiments are considered the most credible, because the experimental and control groups are alike and subject to the same external conditions, with the only difference being the intervention itself. Thus, any difference in outcomes between the groups can be attributed to the intervention – welfare reform. As a result, it would be possible to know whether state reforms actually reduced welfare dependency by increasing self-sufficiency. And, the experience of the control group could be used to ensure cost-neutrality, as the budgetary effects of any programmatic changes would be measured by examining the experimental-control group differences in costs.

In 1996, Congress replaced this evidence-based and “deficit-neutral” approach with TANF – a blank check with no accountability. Instead, it should have improved the “waiver process” by gradually expanding flexibility in other programs. Congress should look to the “Reagan model” for ideas about how to reform welfare, not build on the failed “TANF model.”

**RSC Statement:** “The House Budget Committee has identified 92 federal programs designed to assist low-income Americans. In 2012, taxpayers spent $799 billion on these programs. This amount could have been used to provide the 46 million Americans living below the poverty line over $17,000 each.”

**Comments:** While putting means-tested spending into perspective is useful, comparisons of spending on a per poor person basis are overly simplistic. First, many of the 92 programs do not directly address the types of basic needs that are captured in the poverty thresholds. These programs – most notably education, employment and training, and social services – do not
belong in this type of comparison and should be addressed separately. Second, a disproportionate share of the $799 billion comes from Medicaid and related health benefits; thus, it includes people in long-term care facilities who are not included in poverty counts and whose services are very expensive. In addition, Medicaid costs are inflated because of federal involvement in the health sector, e.g., tax policy that drives up health usage and prices. Medical programs should also be excluded from this type of comparison and addressed on a separate track. One logical approach would be to reduce the poverty thresholds by an amount for medical costs and exclude the spending. Third, most programs base eligibility on monthly income, but poverty status is based on annual income. The number of poor on a monthly basis is higher than on an annual basis. Fourth, many of the 92 programs are not targeted to the poor, e.g., the Child Tax Credit is available to those with incomes as high as $110,000. While this money could have been used for the poor, Congress explicitly chose a much higher eligibility threshold.

**RSC Statement:** “Part of the reason the system encourages dependence is because of the high marginal costs imposed on beneficiaries when they take steps to become financially independent – sometimes described as the “welfare cliff.” A study conducted by Pennsylvania’s Secretary of Public Welfare showed that a single mother could actually end up better off with a job that pays $29,000 and receiving welfare payments than she would be if she had a job that paid $69,000.”

**PC Response:** Whereas the preceding statement was misleading, this statement is irresponsible. The example cited by the Republican Study Committee uses a welfare package that almost no one receives, piling up one program after another. Few eligible families receive TANF or subsidized housing, much less a combination of all the programs in the Committee’s example. Instead of using the findings from a conservative ideologue, the Committee could have looked at a more informative report by the Congressional Budget Office – “Effective Marginal Tax Rates for Low- and Moderate-Income Workers in 2016.” This study provides a more realistic assessment of the impact of phase out rates and tax rates, showing a range of circumstances.

The Committee’s report also overstates the employment impact of marginal tax rates on low-income families. First, as noted above, many such families do not actually face the rates suggested by the Committee. Second, even if they do face such rate, the experience is often only temporary or over a relatively short income range. Third, as Jennifer Romich and her colleagues explain, even relatively high marginal tax rates may have only modest work disincentive effects:

One explanation is that low-income workers have little discretion reducing their work hours. If workers cannot select the amount of time they work (hours, shifts, etc.), their only choice may be between working or not working at a given job. A larger issue is imperfect information or understanding. Marginal tax rates are difficult to calculate. When faced with intersecting programs in the welfare system, two knowledgeable observers note that “even economists have a hard time computing marginal tax rates.”… Evidence suggests that front-line caseworkers generally do not explain them … and peers are not a good source of information because individual situations are dependent on a large set of parameters which vary widely even among superficially similar families.

This PC response barely touches on the vast theoretical and empirical work on this subject. Then, there is the issue of how the Committee would address the problem, but solutions are
nowhere to be found. Here again, it is noteworthy that the pre-TANF waiver process was building knowledge about the impact of phase out rates for some welfare programs through random assignment experiments. Congress should have looked to this approach.

**RSC Statement:** “These [welfare] policies encourage broken families. The RSC budget recommends that Congress take steps to eliminate these penalties against the single best antipoverty measure: marriage and a stable family structure.”

**PC Response:** It is distasteful to call any family “broken,” but the larger problem with the Committee’s statement is that it contains virtually no empirical data from an academic source to suggest the existence of or magnitude of the alleged effect of the current welfare system on family structure – simply citing a study that shows the size of marriage penalties is not the same as quantifying their impact. Moreover, saying Congress should “take steps” is not a meaningful solution. There are many possible approaches that could be considered and should be evaluated to strengthen families. Again, this is the approach that existed before TANF replaced President Reagan’s evidence-based approach.

The Committee cites a proposal by Kansas Governor Sam Brownback and David Blakenhorn:

> It’s time to eliminate the marriage penalty for low-income Americans. Don’t make them pay it. We should allow newly married couples to continue to receive all of their benefits for the first three years of marriage, thus mitigating the marriage penalty currently paid by lower-income couples.

> …Liberals ought to support this idea, because it means more money for the poor. Conservatives ought to support this idea, because it is pro-marriage, and because it may help to reduce welfare dependency over the long run. Everyone ought to like this idea because it could help reduce the suffering that so frequently accompanies family fragmentation and divorce...\(^{19}\)

I can think of many reasons why this proposal would be ill-advised. First, it would provide a windfall benefit for all those who would get married anyway. Second, it could create perverse incentives for couples to lower their earnings and maximize their welfare benefits before getting married, just so when they marry they can keep their welfare benefits. And, as conservatives worry, generous benefits could have work disincentives and other effects. Third, the proposal could be very expensive. Nevertheless, the responsible approach would be to test something along these lines on a small scale, along with other ideas.

**The Inescapable Conclusion: It’s Time for the RSC to Go Back to the Drawing Board**

Speaker Ryan was right when he said: “The House is broken. We are not solving problems. We are adding to them.”\(^{50}\) The Republican Study Committee’s “blueprint” for reforming the safety net is a seriously flawed document – it would not solve problems; it would add to them.
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.

1 A full citation is intentionally omitted; this chapter in the RSC report does not represent enlightened conservative thinking.

2 The “to” should be a “for”; while this is a minor error, it is indicative of the sloppiness of the overall report.


8 I don’t blame any state for taking advantage of these gimmicks, because the TANF model makes it virtually impossible to meet the statutory rates straight up, but I would like to see Congress design a reasonable safety net program with reasonable and meaningful work requirements that do more to help needy families.


11 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).

