Making Progress on TANF:
A Response to Angela Rachidi

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February 12, 2017

In *The American Safety Net: A Primer on Welfare Programs for Low-Income Families*, Angela Rachidi of the American Enterprise Institute examines the three main means-tested programs that "affect work-able families" – the Earned Income Tax Credit (EITC), the Temporary Assistance for Needy Families (TANF) block grant, and the Supplemental Nutrition Assistance Program (SNAP):

> Together, these three programs account for approximately $150 billion in federal spending each year. But how have they performed? And what changes, if any, are needed to better help those who are able to work but remain economically vulnerable? The following pages describe each of these three major need-tested safety net programs, along with key issues and recommendations for improvements.[2]

A central theme throughout the monograph is the importance of employment:

> But helping people lift themselves out of poverty requires a crucial component: work. And too little progress has been made in helping low-income Americans secure employment to make any substantial gains on poverty.

This "response" focuses on Rachidi's assessment of TANF. Most conservatives claim that the 1996 welfare reform law and the creation of TANF in particular was an "unprecedented success" and that it should be used as a model for reforming the rest of the safety net. I argue that TANF is a massive policy failure and favor an alternative approach based on a model developed in the Reagan Administration, which provided states flexibility, but had strong accountability provisions to ensure that states actually help needy families. This model was continued by President Bush and President Clinton until 1996 when TANF replaced it with a blank check to states. TANF has become a form of revenue sharing – welfare for state politicians' wish lists rather than needy families. It is time for conservatives to recognize TANF's flaws and develop an alternative approach to welfare reform – one that adequately protects our nation's neediest families and gives them real opportunities to achieve self-sufficiency.

While Rachidi considers TANF a "success," she goes further than most conservatives in acknowledging some of its "shortcomings." Despite this "progress," Rachidi exaggerates TANF's "successes" and understates its "shortcomings." This response addresses some of the claims made by Rachidi about TANF, followed by a "PC Response" ("PC" is short for "Peter the Citizen") that is intended to provide a more complete assessment of each statement.

Rachidi: "Even today we recognize that working people can struggle economically, and the American public continues to support government assistance for the poor. The most pressing questions of today are how well current social policies match the realities of poor, work-able families and to what extent government hurts rather than helps them."

PC Response: To make progress against poverty, it is essential to evaluate government programs on an on-going basis. Unfortunately, the creation of TANF in 1996 was a major set-back in this regard, as it replaced an evidence-based approach to welfare reform with a blank check to states with no *meaningful* accountability. Thus, we are not well-positioned today to answer "the most pressing questions" about the most effective anti-poverty strategies.

One of the arguments for the block-grant approach is that states would become laboratories for testing new approaches to promote self-sufficiency among welfare recipients. In fact, the opposite happened, as states were no longer required to rigorously evaluate their welfare reforms and we know little about the effects of most reform policies. Writing in 2015, Liz Schott, LaDonna Pavetti, and Ife Floyd of the Center on Budget and Policy Priorities observed:

> The result is that, 19 years after TANF's creation, we still have no rigorous evidence to inform debates about expanding work requirements to other programs. Similarly, because few states have implemented innovative employment strategies for families with substantial personal and family challenges, we still have very limited knowledge about how to significantly improve their employment outcomes. In short, states had an opportunity to innovate and rigorously evaluate new approaches to service delivery, but that is not the path they chose.[3]

The knowledge gap is not limited to work requirements. There is little evidence regarding the impact of time limits, sanctions, family caps, diversion programs, and an array of other policies.

Determining the impact of social programs can be challenging; a good counterfactual is required. In *Show Me the Evidence: Obama's Fight for Rigor and Results in Social Policy*, Ron Haskins and Greg Margolis remind us of this important consideration:

> …evidence-based strategy can work only if the field of social science has a method ready for widespread use that allows successful programs to be identified with high reliability. Fortunately, in what is social science's most important contribution to social policy, the field does have such a method: the random-assignment experiment or, more formally, the randomized control trial.[4]

To make progress, we need to look to the past. 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. By August 1996, 43 states had received welfare waivers to test a wide variety of reforms. The preTANF waiver process relied on an approach that would provide a real counterfactual using the "gold standard" of evaluation – random assignment.[5] The findings from random assignment experiments are considered the most credible, because the experimental and control groups are alike and subject to the same external conditions, with the only difference being the intervention itself. Thus, any difference in outcomes between the groups can be attributed to the intervention – welfare reform – itself. 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.[6] The next step would have been to refine this process and expand waiver authorities in other programs.

Note: Today, there are proposals to recreate this approach, most notably by Speaker Ryan and Senator Rubio. Their proposals, however, are vague and provide few details; as a result, they risk repeating many of the mistakes of TANF. For more information, see: "Making 'Opportunity Grants' Great Again: A Worthy but Challenging Prospect."[7]

Rachidi: "Welfare reform was considered a major legislative achievement and one of the few bipartisan efforts to reform our country's safety net."

PC Response: Welfare reform's bipartisan support is often exaggerated. The legislation was crafted by conservatives and signed by President Clinton only after he vetoed two earlier versions. Many liberals did not support it at the time and virtually none do today, so whatever bipartisanship existed disappeared long ago.[8] Indeed, three high-ranking Administration officials resigned after President Clinton signed the law.[9]

Rachidi: "The PRWORA [Personal Responsibility and Work Opportunity Reconciliation Act] replaced the entitlement AFDC program with TANF, which gave block grants to states. In contrast to an entitlement program that provides benefits to anyone meeting certain eligibility criteria, the block grants meant that states had flexibility (within the parameters of the law) to design and implement their own TANF program. States could spend their TANF money on anything that was related to at least one of the four TANF purposes…"

PC Response: TANF's flexibility is widely misunderstood. TANF added little flexibility for states with respect to cash assistance. Under AFDC, states could receive waivers to test wide-ranging policy changes, including changes that eliminated the entitlement to assistance, such as full-family sanctions and time limits that resulted in the termination of assistance.[10] But the waivers were subject to strict accountability provisions – cost neutrality and rigorous evaluation. In other words, had we built on the "waiver" approach as opposed to creating a block grant, we would have had answers to some of the very "pressing questions" Rachidi is concerned about, i.e., whether government policies help or hurt. TANF's main flexibility comes in allowing states to use its funds as a form of revenue sharing to supplant existing state spending and otherwise fill budget holes.

TANF's "flexibility" is also a function of funding – something that is variable over time and across states.

Over time, the fixed funding of the block grant combined with the excessive state flexibility of states to divert TANF dollars to fill state budget holes has greatly reduced the flexibility of *state TANF agencies* to provide assistance and welfare-to-work services poor families. The block grant initially provided states a large windfall in federal resources, because the amount was based on AFDC and related expenditures from 1992 to 1995, when caseloads and spending were at historic peaks. This provided *more* flexibility to provide assistance and work supports. Between 1996 and 2000, the fixed block grant resulted in an increasing amount of federal funding, rising from $3,539 to $4,479 per poor family with children (in 2015 dollars). Obviously, state flexibility to invest in work activities and work supports, as well as provide financial and other incentives to work increased over this period. By 2005, inflation and rising poverty reduced the windfall – states had about the same amount as they did in 1996 – before TANF was enacted. By 2010, the amount had fallen to $2,476 – about 30 percent less than in 1996. It has since remained about the same as the decline in the number of poor families with children has been roughly offset by the impact of inflation. Since about 2004, states have had *less* flexibility, because they have had less money. But these trends understate the constraints on state TANF agencies. Whereas in 1996, states spent over 80 percent of their funds on core welfare reform purposes (i.e., basic assistance, work activities, and child care), this dropped to below 50 percent in 2015 – in many states it is less than 20 percent. (Much of the spending that has been diverted simply reflects supplantation or counting existing state spending – not new investments.)

Table 1: TANF as a Funding Stream
(Federal TANF Block Grant $ per Poor Family with Children – 2015$)

	Year				
	1996	**2000**	**2005**	**2010**	**2015**
$/Poor Family	$3,539	$4,479	$3,381	$2,476	$2,578

Across states, TANF provides vastly different levels of flexibility. For example, New York receives a TANF block grant of about $2.4 billion and in 2013/14 had 395,100 poor families with children.[11] As a result, it received about $6,075 in federal block grant funds per poor family per year. In contrast, Texas receives a block grant of $486 million but had 707,100 poor families – or just $687 in federal block grant funds per poor family per year.[12] New York's annual federal block grant amount per poor family is *nine times* the amount in Texas. Does Texas really have a lot of flexibility to serve poor families with $57 a month?

Rachidi: "Although states are required to operate work programs, the 50 percent work participation rate means that states can exempt some recipients. In addition to making exemptions, states can reduce the 50 percent required rate if they reduce the number of people receiving benefits (the caseload reduction credit) or spend state money beyond what they are required to spend (excess maintenance of effort [MOE] funding).

Initially, the caseload reduction credit was based on caseloads in FY 1995 – for example, a 15 percent reduction in cases receiving assistance between 1995 and 2001 reduced the required work participation rate in 2001 by 15 points. But TANF was reauthorized in 2006, which recalibrated the base year to FY 2005. Even with the recalibration, many states still have work participation rate requirements below 50 percent."

PC Response: Rachidi's description of TANF's work requirements is misleading not so much in what it says, but in what it omits. In terms of holding states accountable for engaging families in work activities, TANF gutted the prior AFDC/JOBS work requirements. For TANF's first 15 years, 20 to 30 states faced an overall target of 0 percent because of the caseload reduction credit – they had no requirement. In this regard, Rachidi's example is both misleading and wrong. She suggests a 15 percent reduction in the caseload between 1995 and 2001 would reduce "the required work participation rate in 2001 by 15 percent." Actually, it would reduce the target in 2002 by 15 percent – the comparison is always from a base year to a comparison year, which is the preceding year. Rachidi's example is also misleading; in FY 2002, 20 states had a 0 percent target and 20 had a target of less than 10 percent (i.e., a caseload reduction credit in excess of 40 points). How many had a reduction of 15 points or less? Only Kansas had a caseload reduction credit of less than 15 percent.

The caseload reduction credit eviscerated the work requirements. Even then, there were a host of provisions and loopholes that made it easy for states to meet work requirements without actually engaging families in real work activities, including making "unsubsidized employment" an activity (vs. an exemption), the use of token payments to families that otherwise would not be on cash assistance to count them in the work rate, separate state programs, solely state funded programs, broad activity definitions, the continuation of section 1115 waiver policies, to name just some of the strategies states have used over the years to meet TANF's work rates. I have described these strategies and loopholes at great length elsewhere, but TANF's work requirements have been a travesty from the start.

Douglas Besharov and I wrote about the problems of TANF's work requirements in a 2004 report for AEI – *Toughening TANF,* stating:

> The complexity of TANF's participation requirements stems largely from the politics of how the original law described participation requirements. The drafters wanted to show they were serious about reform, so they set a high putative requirement (eventually 50 percent). But they compromised on the real requirements through a slew of exclusions and exemptions that substantially watered down the 50 percent requirement (even before the impact of the caseload reduction credit).[13]

Indeed, we considered TANF's requirements so weak, we recommended "toughening TANF" by requiring a 10 percent target, but in more narrow, but real, work activities: "Establish a separate minimum participation rate for work experience, on-the-job training, and other designated forms of education and training of 10 percent—to add a needed focus on activities that build human capital."[14]

Note: In terms of holding states accountable for engaging families in work activities, TANF's requirements have failed. In many states, however, these requirements have been used as a way to push families off welfare or keep them from coming on the rolls. From the perspective of poor families, these requirements are punitive and unhelpful.

Rachidi: "The flexibility given to states through the block grant means that TANF can look different depending on the state. Some states spend the majority of their TANF funds on basic cash assistance and employment-related services, while others spend little on basic assistance, preferring to spend TANF money on things such as refundable tax credits, child welfare, or other services to low-income families."

PC Response: A more accurate characterization of state flexibility would be to point out that the state "preferences" to fund "refundable tax credits, child welfare, or other services to low-income families" reflect decisions to supplant existing state spending or simply fill budget holes, while ignoring the very real needs of the population TANF was intended to serve – needy families with children. The following are examples from just a few states of how states manipulate TANF's funding streams to supplant or divert funding away from core welfare reform purposes.

Federal TANF funds are used to supplant state general revenue spending and fill budget holes. States receive a block grant equal to peak expenditures for their pre-TANF programs for cash welfare, emergency assistance, and job training programs during the FY 1992 to FY 1995 period. Under TANF, states have diverted a significant share of federal spending away from core welfare reform purposes (i.e., basic assistance, work activities, and child care).

> Examples: In ***Wisconsin***, "a significant portion of the federal funding for ... assistance is being siphoned off for use elsewhere in the budget, to the detriment of the Wisconsin Works (W-2) program and child care subsidies for low-income working families. …That shell game uses TANF funds to free up state funds … to use for other purposes, such as the proposed income tax cuts."[15]
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> In ***Arizona***, most of the federal TANF funds have been diverted to pay for state services like child welfare and foster care. Thom Reilly and Keiran Vitek of the Morrison Institute for Public Policy observe:
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> > TANF was designed to serve two explicit functions: to help poor adults with children move into the labor market, and to provide a safety net for families when they cannot work. It seems clear that Arizona has abandoned these two original functions and instead chosen to funnel TANF funds into an overburdened and underfunded child welfare system that has been plagued over the years by both structural and operational failures.[16]
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> Indeed, in FY 2015, Arizona spent just 8 percent of its TANF/MOE funds on core welfare reform activities; and only 7 out of every 100 poor families with children in 2014-15 received cash assistance, down from 42 out of 100 when TANF was enacted.[17] As John Kavanagh, former chairman of the Arizona House Appropriations Committee explained, "Yes, we divert – divert is a bad word. It helps the state."[18]

Supplanting *existing* state expenditures and filling budget holes leaves less federal funding for welfare reform activities. Since TANF's inception, states have used *tens* of billions of federal TANF dollars to simply replace existing state spending; the goal of welfare reform should be to help needy families, not state politicians.

State maintenance-of-effort (MOE) spending often reflects existing state spending[19] or decisions to fund program expansions elsewhere in a state's budget. In addition to the federal block grant, each state must spend its own funds as part of a "maintenance-of-effort" (MOE) requirement. The required spending amount is based on its historical (FY 1994) expenditures for cash, emergency assistance, job training, and welfare-related child care expenditures. The basic MOE requirement is set at just 80 percent of this historical spending level, but this falls to 75 percent for any year in which a state meets its TANF work requirements. Under TANF, many states have reduced their MOE commitment for core welfare reform purposes, and instead just count spending elsewhere in the budget for programs that meet one of TANF's broad purposes.

> <u>Example</u>: In FY 2015, "***Texas*** used 38 percent ($374 million) of its federal and state TANF funds for pre-K/Head Start, a larger share than any other state except New Jersey. Texas's pre-K spending consisted entirely of state MOE funds, which accounted for 95 percent of Texas's MOE for 2015. In other words, Texas has withdrawn nearly all of its own spending from any other uses under TANF."[20] Meanwhile, in FY 2015, the state spent just 14 percent of its TANF/MOE funds on core welfare reform activities; and only 4 out of every 100 poor families with children in 2014-15 received cash assistance, down from 47 out of 100 when TANF was enacted.[21]

Claiming existing state spending as MOE or counting new expenditures elsewhere in the budget as TANF MOE is not "welfare reform."

Some states claim the spending of third-party, non-governmental organizations as MOE, allowing them to spend less of their own money on core welfare reform activities. The spending of third-party non-governmental organizations can count toward a state's MOE requirement if they meet a TANF purpose and are "donated" by the organization.

> <u>Example</u>: In FY 2014, ***Georgia*** counted $99 million in food bank spending toward its MOE requirement, representing 57 percent of the state's total MOE expenditures.[22] Meanwhile, in FY 2015, the state spent just 23 percent of its TANF/MOE funds on core welfare reform activities; and only 5 out of every 100 poor families with children in 2014-15 received cash assistance, down from 82 out of 100 when TANF was enacted.[23]

Counting private funds for *existing* services in the community is not "welfare reform."

Some states even hire consultants and pay them on a contingency fee basis to find additional spending they can supplant or count as MOE. For example, Maura Corrigan, former Director of the Michigan Department of Human Services, explains that the state hired a consultant to find additional countable expenditures:

> In order to maximize TANF MOE spending and avoid these penalties [penalties for failing to meet TANF's basic MOE requirement], DHS contracted with the Public Consulting Group (PCG) on a contingency fee basis to assist the state in meeting the basic Fiscal Year 2010 TANF MOE requirement. PCG employed numerous strategies in this effort including assisting with claims for refundable earned income credit payments, Early Childhood Investment Corporation expenditures, United Ways and 211 expenditures, independent foundation expenditures, and TANF eligible programs operated by the county of Wayne.[24]

A better use of a consultant would be to identify policies that might actually help needy families. Between 1995/96 and 2013/14, the number of poor families with children in Michigan grew from 208,200 to 213,000, while the number of families receiving AFDC/TANF fell by nearly 80 percent, from 183,800 to 39,000. As a result, for every 100 poor families with children in 2014, only 18 received cash assistance, down from 88 before TANF was enacted.[25] In FY 2014, the state spent just 12 percent of its TANF/MOE funds on basic assistance, whereas before TANF it was 80 percent.[26]

Rachidi: "Even across states that spend similar shares of their TANF money on basic assistance, programs can look different."

PC Response: The problem with Rachidi's description of "basic assistance" is that if fails to convey the collapse of the cash assistance safety net *over time*. Some states have virtually eliminated their entire cash assistance programs, so it makes little difference what their cash aid programs look like on paper. Between FY 1995 and FY 2015, the share of AFDC/TANF spending on basic assistance fell from about 71 percent to less than 25 percent. In FY 2015, 16 states spent less than 15 percent of their TANF/MOE funds on basic assistance.

> Texas: Between 1996 and 2015, the number of poor families with children in Texas grew by over 112,000 (20 percent), yet the TANF caseload plunged by 219,000 (89 percent).[27] In FY 1995, the state spent 62 percent of its AFDC/JOBS (TANF's predecessor programs) funds on basic assistance, this fell to just 6 percent in FY 2015.[28]
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> Georgia: Between 1996 and 2015, the number of poor families with children grew by over 123,000 (76 percent), yet the TANF caseload plunged by nearly 113,000 (90 percent).[29] In FY 1995, the state spent 75 percent of its AFDC/JOBS funds on basic assistance; this fell to just 12 percent in FY 2015.[30]

Examining the *percentage* spending on basic assistance understates the problem, because the size of the pie is shrinking. Between FY 1996 and FY 2015, spending on AFDC/TANF cash assistance declined by nearly $25 billion, from $31.3 billion to $7.8 billion (in 2015 dollars).[31] This reduction in spending is not due to a reduction in the number of poor families with children or families with incomes low enough to qualify for aid – those numbers nationally are about the same as they were in 1996. The reduction reflects the impact of inflation and the excessive flexibility of states to divert spending to fill state budget holes rather than to spend the money on core welfare reform purposes.

Rachidi: "States can differ in terms of the amount of the monthly grant and the income level at which someone is eligible. Some states emphasize education and training, while others focus on quick job placement. Some have strict sanctions for noncompliance, such as ending assistance altogether, while others reduce assistance proportionally to the number of people in the household. TANF is unique because it gives states flexibility to tailor their TANF program to meet their residents' needs."

PC Response: Rachidi suggests that states use their flexibility "to tailor their TANF program to meet their residents' needs." I have a different characterization, i.e., that states have the flexibility to ignore the "needs" of the nation's poorest families with children.

- Rachidi notes that states "differ in terms of the amount of the monthly grant." While some variation may be appropriate due to variations in the cost-of-living and other factors, the extreme variation across states is hard to justify for what is intended to be a safety net. For example, in July 2016, the maximum monthly grant for a family of three ranged from $170 in Mississippi to $789 in New York. Since 1996, the maximum benefit for a family of three has fallen by 20 percent or more in 36 states in inflation-adjusted dollars. In 21 states, the maximum benefit has remained flat or has actually been lowered since 1996.

- Rachidi also notes that state policies can vary in other respects. For example, some "have strict sanctions for noncompliance, such as ending assistance altogether." What Rachidi doesn't explain is that some of the conditions for "compliance" can be unreasonable. In particular, TANF's work requirement requires a participation of 130 hours a month in exchange for a grant as little as $200 to $400 in many states, effectively forcing many single mothers to value their time for as little as $2 or $3 an hour. And, some states can also end benefits even when families do comply, as in states that set very short time limits on assistance (e.g., Arizona has a one-year time limit).

While I believe many state policies are unreasonable and do not promote the goals of the program, others may disagree. Before TANF, states had the flexibility to do all these things through waivers, but with an important difference – they had to rigorously evaluate their changes. This is particularly important when changes like Arizona's one-year time limit put children at risk. States could not simply take welfare funds and use them to fill budget holes. They had to demonstrate that their changes were actually helping needy families. The real "uniqueness of TANF" is the unprecedented ability of states to divert funding away from core welfare reform purposes and to NOT "meet their residents' needs."

TANF's "Successes"?

Rachidi: "Data suggest that many families became better off with TANF. According to the anchored supplemental poverty measure, poverty declined from 17.5 percent in 1996 to 15.5 percent in 2012—a modest decline, but impressive enough given that the economy was much stronger in 1996 than in 2012. For children, the decline was 4 percentage points during this time, and for those in deep poverty, the rates were virtually the same.

Exploring official poverty rates (again, not factoring in noncash and tax-based government benefits) for those most likely to be affected by changes to TANF reveals significant and lasting improvements. The poverty rate for working-age, never-married mothers was 50.8 percent in 1995; in 2013, it was 43.4 percent (Figure 2)."

PC Response: As I explain in "Welfare Reform *Increased* Poverty and No One Can Contest It,"[32] most conservative assessments of TANF's effects on poverty: ignore important factors related to causal inference (i.e., they do not try to disentangle the effects of TANF from other possible influence, such as the economy and increased aid to the working poor); disregard rigorous research findings (particularly random assignment experiments during the same time period that poverty rates fell fastest, i.e., the 1990s, that suggest welfare reform had modest impacts); use inappropriate time periods (often starting years before TANF was enacted); 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.

The following list of "mistakes" elaborates briefly on the problems common in many assessments of TANF's putative "success". Rachidi acknowledges some of these problems, but leaves the mistaken impression that TANF reduced poverty (and increased the employment rate of never-married mothers). I address Rachidi's specific statements in further responses below.

Mistake #1: Faulty causal inference. Instead of looking for a credible counterfactual, virtually all conservative claims of TANF's putative success in reducing poverty rely on simplistic comparisons in poverty rates over time. A pre-post assessment of "welfare reform" is an extremely weak approach to establishing causality. Obviously, there are many other economic, demographic, and policy-related changes that influence poverty rates. In particular, TANF was enacted in the midst of a period of strong economic growth and increased aid to the working poor, most notably expansions in the Earned Income Tax Credit (EITC), child care subsidies, and Medicaid and related health care coverage. And, states were already experimenting with "welfare reform" through waivers; they didn't need the 1996 law to test new welfare policies. While some conservatives acknowledge that these factors may have had an influence, few try to disentangle the relative importance of each and are happy to leave the impression that reductions in poverty rates were *caused* by TANF.[33]

Note: Rachidi acknowledges the role of *some* additional factors, most notably the economy and the EITC.

Mistake #2: Ignoring rigorous research. Researchers at RAND prepared a comprehensive synthesis of the impact of dozens of state welfare reform programs on welfare caseloads, child poverty, and a range of other outcomes.[34] The random assignment evaluations they reviewed examined programs in the very period when caseloads and poverty fell rapidly nationally. While most reform programs showed declines in welfare receipt, and some showed reductions in poverty, the magnitude of the impacts was considerably smaller than suggested by the simple trends in national data. This is because the control group also benefitted from a strong economy and increased aid to the working poor. With regard to mandatory work programs, the authors note, “With a few exceptions, most of the poverty impacts are insignificant and small in magnitude.”[35] The primary reason for the small impacts is that increases in earnings are often offset by reductions in welfare payments from various programs, even after taking into account the EITC. So, on the one hand, we have rigorous evidence from random assignment evaluations (costing well over $100 million) suggesting modest impacts, at best, *versus* judgments based on looking at a trend line.

Note: Rachidi ignores this evidence altogether.

Mistake #3: The wrong measure. The main measure conservatives use to assess the impact of “welfare reform” is the poverty ***rate*** – either the official poverty rate or a more comprehensive measure such as the supplemental poverty measure, which incorporates tax payments, in-kind benefits, and work expenses. Regardless of which measure they use, the poverty rate is not a good measure for assessing the impact of welfare reform on those receiving cash assistance, because the eligibility levels for cash aid are well below the poverty thresholds and poverty is measured based on annual income.[36] TANF benefits range from about 10 percent to about 45 percent of the federal poverty level.[37] 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.[38]

Note: Rachidi refers to alternative measures such as the deep poverty rate (i.e., incomes less than 50 percent of poverty) and extreme poverty rate (i.e., incomes less than the equivalent of $2 cash income per day), but otherwise ignores distributional effects and the potential impact on changes in the *depth* of poverty (e.g., for example, using a poverty gap measure).

Mistake #4: The wrong time period. In comparing changes in poverty rates over time, many conservatives compare trends that begin before TANF was implemented and often stop around 2000. States implemented TANF between September 30, 1996, and July 1, 1997. Given how rapidly poverty (and employment) rates were changing, getting the time sequence right is important. Some conservatives justify this by pointing to the waivers states received before TANF, but as noted in “Mistake #5,” TANF is not “welfare reform,” it is just a flexible funding stream. In particular, TANF added little to flexibility of states to test reforms to their cash welfare cases; indeed, most states simply continued their waiver-based policies under TANF. These waivers and state welfare reforms form the baseline; states would have had this flexibility whether TANF was enacted or not. The key question is not what did “welfare reform” do, but rather, what did TANF do relative to this baseline?

Note: Unlike many conservative pronouncements of TANF’s success, Rachidi does not cherry-pick her time periods to make her arguments.

Mistake #5: Confusing TANF with “welfare reform.” TANF is not “welfare reform,” but a flexible funding stream that states can use for a wide variety of benefits and services. In a nutshell, the enactment of TANF set in motion changes that would: (1) initially provide a large windfall 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) give states excessive flexibility to convert TANF (over time) to a giant slush fund with minimal reporting and accountability provisions, including the ability to use federal funds to simply supplant existing state expenditures; and (3) give states excessive flexibility to avoid or evade virtually all of the federal requirements in the law, most notably work requirements. In short, conservatives (along with President Bill Clinton) gutted real welfare reform and replaced it with a blank check to states with no meaningful accountability provisions.

Note: Rachidi does recognize that TANF's flexibility has led to some abuses (my term), but does not fully appreciate the fact that TANF is just a form of "revenue sharing" and not "welfare reform."

Mistake #6: Failing to provide a causal connection. If one believes TANF reduced poverty, what is the plausible causal mechanism? States already had flexibility with cash assistance and TANF added little to this (except for removing the entitlement altogether) and work requirements were weakened as 20 to 30 states had a 0 percent target for the period between FY 1998 and FY 2011. And, other states have taken advantage of various loopholes created by conservatives themselves (see "TANF Work Requirements: An Epic Fail" in *TANF is Broken!*). This leaves the big increase in federal funding and jaw-boning as potential factors in the early years. Over the long-term, all of the aforementioned problems have remained, but the initial windfall has disappeared and is now a large deficit (as inflation eroded the value of the block grant) and states have become far more adept at using TANF like a slush fund and in gaming its work requirements.

Note: Rachidi discusses state flexibility and work requirements, but does not really identify what about TANF is responsible for its putative "success."

Mistake #7: Examining TANF's effects using national data. Given the vast flexibility states were provided and the enormous variation in resources stemming from the funding formula, TANF's effects would also be expected to vary considerably across states. In this regard, one can take the same simplistic pre-post approach to assessing causality, but do so across states. Indeed, Rachidi's AEI colleague, Robert Doar ran what he describes as a "model" TANF program in New York – both at the state level and in New York City. According to his bio, "Before joining the Bloomberg administration, he was commissioner of social services for the state of New York, where he helped to make the state a model for the implementation of welfare reform."[39] Notably, under Doar's leadership, New York didn't eliminate the entitlement (though perhaps only because of a state constitutional provision) – it did not adopt full family sanctions or automatically close cases when they reached TANF's five year limit (instead, transferring many of them to a "separate state program").[40] 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 the prior evidence-based approach to welfare reform.

Doar presents data showing that between 2000 and 2013, the percent change in poverty rate in New York City was minus 0.9 percent – the lowest in the nation among 20 major cities, followed by Los Angeles and San Diego (plus 3.6 percent and plus 7.5 percent, respectively).[41] At the opposite end of the spectrum, with the largest increases in poverty, were Indianapolis (81.5 percent), Charlotte (67 percent), and Detroit (57.9 percent). What made New York and California different from many of the other states with cities in Doar's sample, besides having a vastly better record in reducing poverty rates? The answer: they didn't really eliminate the entitlement and both at least maintained a semblance of a cash assistance safety net.

Note: Rachidi does not examine TANF on a state-by-state basis.

Rachidi: "Critics of TANF often point to the fact that poverty and labor force participation gains for never-married mothers largely predated the passage of TANF in 1996 or that TANF had only a limited role in these positive changes for never-married mothers, with the EITC and the economy given more credit. But it is hard to argue that TANF had no role.

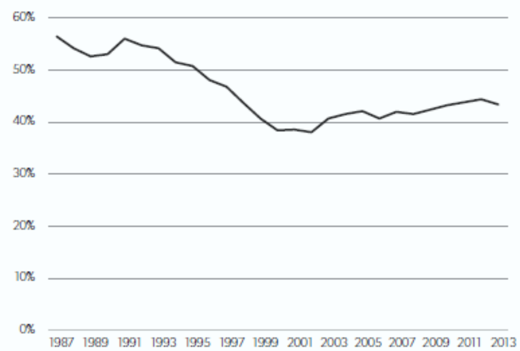
PC Response: Actually, it is not hard at all to argue that TANF had "no role" in producing positive impacts on poverty (and employment rates), particularly if one takes a longer term perspective. Indeed, it has undoubtedly *increased* poverty, as described below.

Rachidi notes that "critics of TANF often point out" that many of the positive poverty and labor force trends predate TANF's implementation. This has nothing to do with being critical or supportive of TANF, it is just a matter of being precise about the time sequence of events. Welfare reform through "AFDC waivers" and "TANF" are two very different approaches and it is therefore important to distinguish between them.[42]

Looking at Rachidi's Figure 2 (see below), it appears that nearly half the decline in the poverty rate for never-married mothers age 18-64 occurred before TANF was implemented (i.e., on average, around January 1997). The decline continued until 2000 and has since been trending upwards. If TANF was such a success, why did poverty rates begin to rise again even before the new law was fully implemented?

Even if one believes in simple before-and-after comparisons as evidence of causality, it is important to examine exactly what TANF did and did not do – and then relate that to the observed trends. First, TANF "did not" add to flexibility states had in cash assistance programs (beyond waivers) and it actually *weakened* work requirements (as evidenced by the fact that 31 states had a 0 percent target in FY 2000). What TANF did do was send a strong pro-work message and give states a windfall of 20 to 30 percent in early years. As a result, many states had more resources to invest in work supports like child care. Over time, the windfall evaporated due to inflation and has become a deficit (relative to what states would have received under the prior AFDC/JOBS program). Moreover, states have figured out how to game the funding rules and federal work requirements, so TANF today is not remotely what it was like in the early years.

Figure 2. Poverty Rate for Never-Married Mothers Age 18–64



Source: Author's calculations of Current Population Survey Annual Statistical and Economic Supplement, 1987–2013.

It is also important to put Rachidi's figures in perspective. Based on her "Figure 2," let's assume that the post-1996 poverty rate decline for never-married mothers age 18-64 is 10 percentage points. If we give the EITC and the economy "more credit," a generous estimate of TANF's role would be that it led to a 3 percentage point decline in the poverty rate of never-married mothers. Assuming, for the sake of argument that this "impact" has remained constant, then that would suggest that there are 168,000 fewer never-married mothers in poverty in 2013. This pales in comparison to the 2.7 million decline families receiving cash assistance in an average month. (Note: as I explain above and again below, any kind of a poverty *rate* is the wrong metric for assessing TANF's impact on poverty because it ignores distributional effects.)

While Rachidi doesn't claim TANF's impact is constant over time, the changes to both TANF and other social programs suggest that their relative impacts would be very different today than in the 1990s. One very important factor is aid to the working poor. For example, the 1993 budget bill included a major expansion of the EITC, leading President Clinton to proclaim that "we will reward the work of millions of working poor Americans by realizing the principle that if you work 40 hours a week and you've got a child in the house, you will no longer be in poverty." In 1992, spending on AFDC cash assistance was more twice the spending on the EITC. By 1996, spending on the EITC surpassed AFDC and the gap has widened at an astronomical pace since then. Between 1992 and 2016, real expenditures for the EITC and the refundable portion of the Child Tax Credit grew nearly eight-fold from about $11 billion to about $80 billion, meanwhile spending AFDC/TANF cash assistance plummeted, from over $36 billion to less than $8 billion. Similarly, spending on health care for low-income families with children has risen rapidly due to a wide range of expansions, including the 1997 creation of the Children's Health Insurance Program. Before 1996, families that left welfare risked losing health care coverage after a transitional period; this is no longer as serious a concern. So, even if one believes TANF had an effect 20 years ago, it is unlikely that the impact was permanent. TANF as cash assistance is virtually gone and TANF's work requirements are dysfunctional and not about connecting families to work.

Indeed, TANF's direct effect on various poverty rates had diminished considerably since 1995, as described in a recent publication by Gene Falk of the Congressional Research Service. The table shows the direct effect of AFDC/TANF's cash transfers on the poverty rates of children under 18. In 1995, AFDC had the effect of reducing the poverty rate by 1.1 percentage points from a base of 21.6 percent. In 2012, the base was 21.6 percent, but TANF had the effect of reducing the poverty rate by just 0.3 percentage points.

Table 2: Poverty Rates for Children Under Age 18, Based on Pre-TANF and PostTANF Income, Selected Years 1995-2012				
	Year			
	1995	**2000**	**2007**	**2012**
Pre-TANF	21.6%	16.2%	17.8%	21.6%
Post-TANF	20.5%	15.7%	17.4%	21.3%

Source: Gene Falk, "Temporary Assistance for Needy Families (TANF): Size of the Population Eligible for and Receiving Cash Assistance, Congressional Research Service, January 3, 2017, p. 10, available at: https://fas.org/sgp/crs/misc/R44724.pdf.

A somewhat better measure would be to examine the direct effect of AFDC/TANF on the "deep poverty rate," which is based on half the official poverty threshold. In 1995, AFDC had the effect of reducing the deep poverty rate by 4.8 percentage points from a base of 11.3 percent. In 2012, the reduction was just 1.1 percentage points from a base of 9.5 percent. If TANF today were as effective in reducing deep poverty as in 1995, there would be about two-and-a-half million fewer children living in deep poverty.

Table 3: Deep Poverty Rates for Children Under Age 18, Based on Pre-TANF and PostTANF Income, Selected Years 1995-2012				
	Year			
	1995	**2000**	**2007**	**2012**
Pre-TANF	11.3%	6.9%	7.5%	9.5%
Post-TANF	6.5%	5.4%	6.6%	8.4%

Source: Gene Falk, "Temporary Assistance for Needy Families (TANF): Size of the Population Eligible for and Receiving Cash Assistance, Congressional Research Service, January 3, 2017, p. 11, available at: https://fas.org/sgp/crs/misc/R44724.pdf.

While focusing on "deep poverty rates" is more relevant to assessing TANF, as described below, there are other approaches that provide additional insight into TANF's effects on changes in the *depth* of poverty.

Rachidi: "In fact, a review of the literature by James Ziliak in 2015, echoing previous reviews, shows that TANF had positive effects on employment, earnings, and poverty at least through the early 2000s, even though the effects were smaller than from the EITC and the economy."

PC Response: Many of the studies of TANF were statistical analyses subject to various biases, so the results are more uncertain than those of random assignment experiments, but even if valid, the most important element of TANF in these early years was a massive funding windfall. TANF's results, whatever they were "through the early 2000s" have no relevance to TANF's longer-term impacts and in particular its impact today, particularly when one focuses on the redirection of funding and the failure of its work requirements.

Rachidi: "Subsequent research focusing on the longer-term aspects of TANF suggests that poverty for those at the very bottom of the income distribution may have gotten worse since the passage of welfare reform, but measurement error makes the true extent to which extreme poverty has changed unclear."

PC Response: "Extreme poverty" typically refers to families living on $2 a day or less in *cash* income. While Rachidi raises questions about the validity of this measure by raising concerns about "measurement error," the growth in extreme poverty is consistent with the collapse of the TANF cash assistance safety net. My preferred approach to assessing TANF's effects on poverty is based on a different model.

Table 4 shows the change in the average monthly number of families eligible for assistance compared to the average monthly number receiving assistance for selected years from 1996 through 2013. In 1996 (before TANF), about 5.6 million families were eligible to receive benefits, and about 4.4 million (79 percent) did so. In 2013 the number eligible for TANF was the same (5.6 million), but the number receiving benefits had dropped over 60 percent to 1.7 million (or 31 percent of eligible families). Using the conventional conservative pre-post method for assessing impact (not my preferred approach but one that seems to resonate with conservatives), a reasonable question is: If TANF is such a success and if families had really been "helped" (or motivated to get jobs), why isn't the number of families with incomes below TANF's eligibility thresholds lower today?[43]

Table 4:
Number and Percentage of Eligible Families Participating in TANF
(Average Monthly Data, Selected Years, 1996-2013)

Year	TANF			
	Eligible (millions)	Participating (millions)	Eligible, Not Participating (millions)	Participation Rate (%)
1996	5.6	4.4	1.2	78.9
2000	4.4	2.3	2.1	51.8
2004	5.1	2.2	2.9	42.0
2008	5.2	1.7	3.5	33.0
2013	5.6	1.7	3.9	30.7

Source: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: Fourteenth Report to Congress*, August 22, 2016.

The more important statistic that can be derived from this table is the increase in the number of families that were eligible to receive TANF, but that did not. This number grew from 1.2 million in 1996 to 3.9 million in 2013. This is an increase of 2.7 million very poor families that were eligible for assistance but did not receive it. For the affected families, this represents a loss in benefits of about $200 to $750 per month (the maximum grant for a family of three, depending on the state). Most of these families were poor before being pushed off TANF (or "discouraged" from coming on it) and are poor afterwards. This may not be reflected in a change in the poverty *rate*, but certainly the fact that they are deeper in poverty should be a matter of concern.[44]

Rachidi: "According to the Center for Budget and Policy Priorities (CBPP), 23 percent of poor families were served by TANF in the average month in 2014, down from 76 percent in 1995."

PC Response: Technically, Rachidi's characterization of the CBPP's "TANF-to-poverty ratio" is incorrect. Rachidi suggests that the ratio examines the percentage of poor families receiving TANF. This figure could be derived from Census poverty data, but that is not what the CBPP measure shows. Instead, it is the ratio of the average monthly TANF caseload to the annual number of poor families with children. Some of those in the TANF caseload statistics may not be poor, because poverty is based on annual income. Also, the number of TANF families that receive assistance any time during the year is higher than the number receiving it any month.

This is a relatively minor criticism, because a percentage-based measure like the one Rachidi mentions would show the same trend.

Rachidi: "Critics point to this as a failure of TANF, that it no longer serves poor families. But many families in poverty that previously received AFDC/TANF replaced it with the EITC. Estimates suggest that 80 percent of eligible (but not just poor) families receive the EITC, making it clear that the EITC replaced traditional cash welfare for numerous poor families."

PC Response: There is no doubt that expansions in the EITC and other safety net programs in the last 20 years have raised incomes and reduced poverty for millions of low-income families. These expansions should be evaluated on their own merits. The fact that programs rewarding work expanded should not mean that we ignore large and important negative effects on those who can't or don't work. Gene Falk of the Congressional Research Service has also documented the collapse of the cash assistance safety net (my characterization):

> Most of those eligible but not receiving AFDC or TANF were poor, with some in deep poverty (family incomes less than half the poverty threshold). Over the 1995 to 2012 period, an increasing number of adults who failed to take up benefits were non-workers and had no other workers in their families. The decline in the share of people eligible for cash assistance also meant that TANF had a smaller impact in ameliorating poverty – particularly among children in deep poverty – than did AFDC. In 2012, there were 3.1 million children in deep poverty that met TANF eligibility criteria but did not receive TANF assistance. The comparable number of children in deep poverty eligible for but not receiving AFDC in 1995 was 0.5 million. In 2012, TANF reduced the rate of deep poverty among children from 9.5% to 8.4%. In 1995, AFDC reduced the rate of deep poverty among children from 11.3% to 6.5%.[45]

In short, between 1995 and 2012, the number of children in families in both deep poverty and eligible for TANF cash assistance who *did not receive assistance* grew from 0.5 million to 3.1 million. Even this understates the impact on poverty – it ignores declines in participation among those with incomes above the 50 percent poverty threshold, the effect of more restrictive eligibility policies, and the impact of inflation on the value of grants in most states.

TANF's Shortcomings

Rachidi: "The evidence above suggests that TANF (and other reforms at the time) left many families better off. But not all families benefited."

PC Response: Rachidi is correct that when looking at TANF ***and*** other reforms, many families are better off. But, because TANF is seen as a model for reforming the entire safety net, it is important to try to isolate the effects of TANF. Rachidi is also right to note that "not all families benefited." As I have tried to explain here and elsewhere, even if one adopts generous assumptions about TANF's possible positive effects, they would pale in comparison to the loss of benefits among families with incomes low enough to be eligible for cash assistance.

Rachidi: "Some data support the belief that, while TANF helped many work-able families, it may not have helped the most vulnerable who are especially difficult to employ."

PC Response: There is no credible evidence to suggest that "TANF helped many work-able families" except possibly in its early years, when states received a large windfall in federal funding and could invest additional funding in child care and work supports. TANF is revenue sharing that has allowed states to divert funding away from welfare reform. The cash assistance safety net is virtually gone in many states. The work requirements are a travesty everywhere. It is inconceivable that viewed over 20 years that TANF is anything other than a massive policy failure that has failed millions of needy families.

To say that TANF "may not have helped the most vulnerable" is an understatement. How else does one explain the dramatic drop in eligible families that no longer receive assistance, as documented by the Urban Institute and the Congressional Research Service?

A more accurate statement would be as follows:

> Some data support the belief that, while TANF helped ~~many~~ **some** work-able families, it **has failed many of** ~~may not have helped~~ the most vulnerable who are especially difficult to employ."

Rachidi goes on to cite the relative stability of the deep poverty rate using the supplemental poverty measure to buttress her claim. Expansions in tax credits and other non-cash benefits have helped poor families, but none of that is TANF's doing. Given that TANF is shrinking with inflation and the diversion of spending away from core welfare reform purposes, it is inevitable that it can't help the most vulnerable. If this were a viable strategy, why not eliminate SNAP altogether and really help the poor?

Rachidi: "Critics argue that some states have reduced their TANF programs so much that assistance is not available to those who struggle in the labor market. In *$2 a Day: Living on Almost Nothing in America*, Kathryn Edin and Luke Shaefer described several families that had virtually no access to cash, including being denied or deterred from TANF, which led them to conclude that TANF was essentially dead. No doubt some of the families highlighted in *$2 a Day* suffered from extreme poverty, which raises several concerns, but whether TANF is to blame is unclear. As a federal law, TANF allows exceptions to the five-year lifetime limit on benefits and exemptions to work requirements for those incapable of work. Some states may not be taking advantage of these exceptions, which may have resulted in extreme poverty for some families included in the book."

PC Response: The number of poor families with children is higher in 2015 than in 1996; spending on AFDC/TANF cash assistance has declined by nearly $25 billion in real terms (nearly an 80 percent decline). If TANF is not to blame, what other possible plausible explanation is there?

The federal five-year time limit is not a major cause – in many states, most families are cut off assistance well before they reach the five-year limit either because the state has adopted a shorter time limit or imposed a full-family sanction or otherwise deterred families from coming or staying on the rolls.

Rachidi: "Another concern has been that, as a block grant, TANF cannot be responsive to economic downturns. Block grants involve a set amount of federal funding that goes to states to implement programs at their discretion, in accordance with the law. Because block grants tend to be fixed amounts of money, it can be a problem when the economy is struggling and more people need assistance. Without money put aside to weather an emergency, the block grant may not provide states with enough money to respond to increased need."

PC Response: This concern is absolutely right, but understates the problem. There is no adjustment for inflation or other economic conditions or the fact that the TANF block grant gave states excessive flexibility to supplant existing state expenditures and use the dollars as a slush fund to fill budget holes.

Putting money aside would have been prudent, but when states did that in TANF's early years and built up surpluses, Congress told states to use it or lose it.

Rachidi: But analysis suggests that this concern may be misplaced. When properly analyzed, TANF was more responsive to the 2007–09 recession than many believe, even though caseloads did not increase to the same extent as SNAP and Medicaid. This is likely because TANF had money set aside for an emergency ("contingency fund"), and when these funds were used, Congress allocated additional funding as part of the American Recovery Act. The result was almost $7 billion in extra TANF funding that was made available from 2007 to 2010.

PC Response: TANF is in no way responsive to changes in economic conditions. Rachidi cites a seriously flawed study that cannot be considered a serious "analysis," as I explain in "Which Safety-Net Programs Responded to The Recession? A Brief Response to Scott Winship."[46] While poverty and caseloads fell together between 1996 and 2000, poverty rose after that, but caseloads continued to fall. As Table 4 above indicates, the number of families with incomes low enough to be eligible for TANF was that same in 1996 and 2013, but the caseload fell from 4.4 million to 1.7 million. And, even with the Contingency Fund and the Emergency Contingency Fund, caseloads barely increased during the Great Recession, particularly compared to other safety net programs.

Rachidi: "Rather than illustrating a problem with the block grant structure, this shows how a block grant can work even during economic recessions."

PC Response: Rachidi presents no credible evidence to support this statement. She cites a flawed study and then suggests congressional action can save the day. This is not evidence that a "a block grant can work even during economic recessions." Counting on Congress to act is a highly risky proposition. A safety net program should respond automatically to changes in economic need. TANF clearly shows that a block grant does not work. Moreover, caseloads in many states continued to decline even as economic conditions deteriorated.

Rachidi: "Finally, TANF has additional shortcomings in terms of how it has been implemented by the states. Although TANF requires data from states to hold them accountable, requirements mainly focus on process measures, such as how many people are participating in work activities (for example, job search, job preparation, and unpaid work experience programs) and how much the caseload has declined. States are not required to report outcomes, such as how many people were placed in employment or how many retained employment. In addition, the work participation rate has become meaningless in some states, even after the 2005 caseload recalibration, because of the caseload reduction/excess MOE credit or because states find creative ways to count more recipients as working (for example, paying a small grant to people already working to count them in the rate).

PC Response: Rachidi understates the problems associated with TANF implementation. For example, whereas in FY 1996, states spent over 70 percent of AFDC funds on cash assistance, that had dropped to less than 25 percent in FY 2015. Aside from the fact that many states just use TANF as a form of revenue sharing, there is virtually no accountability for the how states now spend over 75 percent of their funds as data collection is limited to "assistance" – this does not include the array of other activities and services funded by TANF. About a dozen states spend less than 10 percent of their funds on assistance, so there is even less accountability.

Rachidi also understates the problem with TANF's work rates – as an accountability measure, they are meaningless not just in "some states," but everywhere and have been so since TANF's inception, as I have explained in many of papers, most notably:

> "TANF Work Requirements: An Epic Fail," in *TANF is Broken! It's Time to Reform Welfare Reform.*
>
> "Saving Speaker Ryan: 20 Reasons Why TANF is NOT 'Welfare Reform,' NOT a Model for Reforming the Safety Net, and NOT Conservatism."

> "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute."
>
> "The Failure of TANF Work Requirements in Wisconsin: A Note for Speaker Ryan."
>
> "The Failure of TANF Work Requirements in 2015: The Need for 'A *Much* Better Way."

These papers are all available at: http://mlwiseman.com/?portfolio=peter-the-citizen.

Rachidi: "Another problem is that states are also allowed to spend TANF and TANF-related funds on nonpoor families, and some states use TANF's flexibility to supplant other state funding (for example, state educational aid) in ways that seem outside the original intent of the law."

PC Response: This criticism is spot on!

Rachidi: "Lawmakers should work together to address these shortcomings while maintaining the program's core principles. This means holding states accountable for meeting TANF's goals (including ensuring that TANF money is spent on low-income families), refocusing TANF on outcomes and away from process measures, reforming the work participation rate to make it more meaningful, and allowing states to experiment with ways to ensure that the most vulnerable benefit from the program. Together, these reforms will improve a program that has largely benefited low-income families but has more to do."

PC Response: Rachidi does highlight some of TANF's failures ("shortcomings" is far too mild), but TANF has completely and totally failed poor families.

Rachidi's recommendations are far too vague to be useful. For example:

- Rachidi says states should be held accountable for "meeting TANF's goals." Here, a useful starting point would be to limit TANF spending to core welfare reform purposes, mainly cash assistance and welfare-to-work activities and limiting such aid to poor families.
- Rachidi says TANF should be refocused on outcomes and away from process measures. The problem is that as long as TANF is a flexible block grant, outcomes can be manipulated just as easily as process measures. The only thing this shift would accomplish is to waste time and resources developing a meaningless new data collection system. Outcomes make sense for a program like WIOA, but not for a funding stream like TANF.
- Rachidi says the work rate should be reformed to make it "more meaningful." I agree, but how? So far, no conservative has provided a workable plan for doing this.
- Rachidi's final "reform" would be to allow states to experiment in serving the most vulnerable. There is nothing to prevent them from doing that now. The problem is that

TANF undid the experimental approach to welfare reform that *required* states to test and evaluate changes to welfare policies.

The biggest failing of conservatives today is the failure to appreciate the importance of policy details. Indeed, as I have said on many occasions, conservatives got every technical detail wrong in drafting the TANF legislation and they offer no detailed policy options today. It is easy to say that states should be held "accountable" and that work requirements should be strengthened, but the devil is in the details. Extending the TANF model to other programs would repeat this debacle, but on a larger scale.

TANF must be repealed and replaced!

In *TANF is Broken! It's Time to Reform "Welfare Reform"* I outline a general framework for real reform – the Simple Welfare, Employment, Education, and Training (SWEET) program.

[1] The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I am a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush. This paper assumes the reader has a basic understanding of the TANF program, but for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: http://mlwiseman.com/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf.

[2] Angela Rachidi, *The American Safety Net: A Primer on Welfare Programs for Low-Income Families* (Washington, D.C.: American Enterprise Institute, January 25, 2017), p. 4, available at: https://www.aei.org/publication/the-safety-net-for-low-income-work-able-families-in-america-where-to-go-from-here/.

[3] Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," October 27, 2015, available at: http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net.

[4] Ron Haskins and Greg Margolis, *Show Me the Evidence: Obama's Fight for Rigor and Results in Social Policy* (Washington, D.C.: Brookings Institution Press, 2015), p. 12.

[5] 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).

[6] 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.

[7] Peter Germanis, "Making 'Opportunity Grants' Great Again: A Worthy but Challenging Prospect," December 18, 2016, available at: http://mlwiseman.com/wp-content/uploads/2016/05/Making-OG-Great-Again.pdf.

[8] The child support provisions of the legislation did enjoy bipartisan support, but most discussions of "welfare reform" focus on the TANF block grant and its provisions.

[9] See E. J. Dionne Jr., "Resigning on Principle…," *The Washington Post*, September 17, 1996, p. A15, available at: http://www.washingtonpost.com/wp-srv/politics/special/welfare/stories/op091796.htm.

[10] Ann Rosewater, *Setting the Baseline: A Report on State Welfare Waivers*, June 1, 1997, available at: https://aspe.hhs.gov/report/setting-baseline-report-state-welfare-waivers.

[11] Center on Budget and Policy Priorities, "New York TANF Spending, available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_ny.pdf; and "New York: TANF Caseload and TANF-to-Poverty Fact Sheet," available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_ny.pdf.

[12] Center on Budget and Policy Priorities, "Texas TANF Spending, available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_tx.pdf; and "Texas: TANF Caseload and TANF-to-Poverty Fact Sheet," available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_tx.pdf.

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

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

[15] Jon Peacock, Wisconsin Budget Project, "Funding for Low-Income Families Siphoned off for Other Uses," April 29, 2013, available at: http://www.wisconsinbudgetproject.org/.

[16] Thom Reilly and Keiran Vitek, "TANF cuts: Is Arizona shortsighted in its dwindling support for poor families?", June 3, 2015, p. 1, available at: https://morrisoninstitute.asu.edu/sites/default/files/content/products/TANF.doc_0.pdf.

[17] Center on Budget and Policy Priorities, "State Fact Sheets: How States Have Spent Funds Under the TANF Block Grant," January 5, 2016, available at: http://www.cbpp.org/research/family-income-support/state-fact-sheets-how-states-have-spent-funds-under-the-tanf-block.

[18] Cited in Jason DeParle, "Welfare Limits Left Poor Adrift as Recession Hit," *The New York Times*, April 7, 2012.

[19] TANF has no ban on supplantation with federal TANF funds, but it does prohibit supplantation with MOE dollars. However, the ban is not particularly effective and can be administratively burdensome and is part of what is known as the "new spending test." State and local governmental expenditures on programs that existed in 1995 and were not part of the state's AFDC and related programs can be claimed only to the extent that they are higher than the

spending in 1995. In other words, only new spending counts. Of course, since that level is not adjusted for inflation, over time states can count preexisting spending that rises simply because of inflation. In effect, this permits supplantation with MOE funds as well.

[20] Liz Schott and Ife Floyd, "How States Use Funds Under the TANF Block Grant," Center on Budget and Policy Priorities, January 5, 2017, available at: http://www.cbpp.org/research/family-income-support/how-states-use-funds-under-the-tanf-block-grant.

[21] Center on Budget and Policy Priorities, "State Fact Sheets: How States Have Spent Funds Under the TANF Block Grant," January 5, 2016, available at: http://www.cbpp.org/research/family-income-support/state-fact-sheets-how-states-have-spent-funds-under-the-tanf-block.

[22] Center on Budget and Policy Priorities, "Georgia: TANF Spending Fact Sheet," available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_ga.pdf.

[23] Center on Budget and Policy Priorities, "State Fact Sheets: How States Have Spent Funds Under the TANF Block Grant," January 5, 2016, available at: http://www.cbpp.org/research/family-income-support/state-fact-sheets-how-states-have-spent-funds-under-the-tanf-block.

[24] Letter from Maura Corrigan, Director, Michigan Department of Human Services, to the Honorable Bruce Caswell, Chair, Senate Appropriations Subcommittee on DHS and the Honorable David Agema, Chair, House Appropriations Committee on DHS, February 23, 2011, available at: https://www.michigan.gov/documents/dhs/TANF_MOE_sources_348466_7.pdf.

[25] Center on Budget and Policy Priorities, "Michigan: TANF Spending Fact Sheet," October 2, 2015, available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_la.pdf.

[26] FY 1995 spending based on unpublished data from the Congressional Research Service; and Center on Budget and Policy Priorities, "How TANF and MOE Dollars Were Spent in Michigan over Time," 2015, available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_mi.pdf.

[27] Unpublished data from the Center on Budget and Policy Priorities. For data through 2014, see the tables at: Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," Center on Budget and Policy Priorities, October 27, 2015, available at: http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net.

[28] FY 1995 spending based on unpublished data from the Congressional Research Service; FY 2015 spending from 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: https://www.acf.hhs.gov/ofa/resource/tanf-financial-data-fy-2015.

[29] Unpublished data from the Center on Budget and Policy Priorities. For data through 2014, see the tables at: Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," Center on Budget and Policy Priorities, October 27, 2015, available at: http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net.

[30] FY 1995 spending based on unpublished data from the Congressional Research Service; FY 2015 spending from 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: https://www.acf.hhs.gov/ofa/resource/tanf-financial-data-fy-2015.

[31] U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: Fourteenth Report to Congress*, September 22, 2015, available at: https://aspe.hhs.gov/sites/default/files/pdf/116161/FINAL%20Fourteenth%20Report%20-%20FINAL%209%2022%2015.pdf and 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: https://www.acf.hhs.gov/ofa/resource/tanf-financial-data-fy-2015.

[32] 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.

[33] A number of researchers have used statistical modeling in an attempt to isolate the effect of welfare reform on *caseloads* from these other factors. Stephen Bell of the Urban Institute summarized the findings from eight research studies on the relative importance of welfare reform, the economy, and other factors. Using a rough average across the studies, "welfare reform" explains about 15 to 30 percent of the decline in the caseload, while the economy explains about 30 to 40 percent, and other factors (most notably the increase in the aid to the working poor) explain the remainder. *See* Stephen H. Bell, Why are Welfare Caseloads Falling (Washington, DC: The Urban Institute, March 2001), http://www.urban.org/uploadedPDF/discussion01-02.pdf. Fewer econometric studies examined the

impact of welfare reform on the poverty rate, but those also found relatively small effects, if any. *See* Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), Table 8.3, available at: http://www.acf.hhs.gov/programs/opre/welfare_employ/res_systhesis/reports/consequences_of_wr/rand_report.pdf. These studies include the early years of TANF, when all states received a large federal windfall and before TANF completely fell apart as a safety net and welfare-to-work program.

[34] Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), available at: http://www.acf.hhs.gov/programs/opre/welfare_employ/res_systhesis/reports/consequences_of_wr/rand_report.pdf.

[35] *Ibid*, p. 166.

[36] I often point to poverty figures and changes over time in making my arguments, but I do so in a broader context. My entire argument about welfare reform's success or failure does not hinge what happens to the poverty rate or the number of poor families. Even if TANF somehow had a positive impact, it would still need a major restructuring to address flawed funding formulas, federal requirements that are ineffective and gamed, supplantation, and many other problems described in *TANF is Broken!*.

[37] Ife Floyd and Liz Schott, "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode," Center on Budget and Policy Priorities, October 15, 2015, available at: http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states.

[38] A better measure would be to examine changes in the deep poverty rate, which is based on 50 percent of the federal poverty thresholds. According to Arloc Sherman and Danilo Trisi, "The number of children that cash assistance (AFDC or TANF) kept above half the poverty line fell from 2.4 million (3.4 percent of all children) in 1995 to 609,000 (0.8 percent of all children) in 2005." *See* Arloc Sherman and Danilo Trisi, "Safety Net for Poorest Weakened After Welfare Law But Regained Strength in Great Recession, at Least Temporarily: A Decade After Welfare Overhaul, More Children in Deep Poverty," Center on Budget and Policy Priorities, May 11, 2015, available at: http://www.cbpp.org/research/poverty-and-inequality/safety-net-for-poorest-weakened-after-welfare-law-but-regained. While the deep poverty rate is more appropriate for assessing changes to AFDC/TANF, this approach would still miss potentially important distributional effects.

[39] "Robert Doar," bio, available at: https://www.aei.org/scholar/robert-doar/.

[40] 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 evaluating policy changes that represent significant changes to the *status quo*.

[41] 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/. For a discussion of Doar's paper, see: Peter Germanis, "Does Making Welfare Much 'Less Appealing' Reduce Poverty?" November 29, 2016, available at: http://mlwiseman.com/wp-content/uploads/2016/05/Making-Welfare-Less-Appealing.pdf.

[42] Some supporters of TANF argue that some of the positive effects may have been in anticipation of TANF's passage, but given President Clinton's vetoes of earlier bills, this was no certainty.

[43] It is true that the number of families with children grew by about 10 percent during this period, so one might expect a larger number of potentially eligible families, but TANF's financial eligibility rules have become more restrictive over time, particularly since benefit levels and income eligibility limits have not kept pace with inflation.

[44] In addition, nearly half the states have not increased their benefit levels since 1996 and some have actually reduced them, representing a decline of 34.5 percent or more when adjusted for inflation. Whereas the participation rate of eligible families was about 80 percent for the 15 years preceding the 1996 law, the erosion in the real value of AFDC/TANF benefits started in the 1970s. So, even those families remaining on assistance have been pushed deeper into poverty. Ife Floyd and Liz Schott, "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode," Center on Budget and Policy Priorities, October 15, 2015, available at: http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states.

[45] Gene Falk, "Temporary Assistance for Needy Families (TANF): Size of the Population Eligible for and Receiving Cash Assistance," Congressional Research Service, January 3, 2017, available at: file:///C:/Users/Peter/Downloads/R44724%20(1).pdf.

[46] Peter Germanis, "Which Safety-Net Programs Responded To the Recession? A Brief Response to Scott Winship," January 17, 2016, available at: http://mlwiseman.com/wp-content/uploads/2015/11/Germanis2016SafetyA.pdf.