The FGA's Simplistic, Misleading, and Irresponsible Report on Work Requirements in Kansas: A Sentence-by-Sentence Critique

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In "Work Requirements are Working for Kansas Families: How welfare reform increases incomes and improves lives," Nic Horton and Jonathan Ingram of the Foundation for Government Accountability (FGA) argue that work requirements and other "reforms" in Kansas have "led to more employment, higher incomes, and less dependency."[2] Based on their "analysis" of 6,000 families that left the Temporary Assistance for Needy Families (TANF) program due to a work-related sanction, they conclude:

> The overwhelmingly positive result of Kansas' welfare reform presents important lessons for policymakers in other states and in Washington D.C. Work requirements are an essential tool to help struggling individuals and families get back on their feet. Policymakers everywhere who are serious about reducing dependency should follow Kansas' lead.

Nothing can be further from the truth. The FGA's report is based on a simplistic evaluation approach and includes a myriad of misleading and irresponsible statements. If anything, a more complete assessment of the Kansas reforms suggests that they have done little to help needy families and undoubtedly have increased the depth of poverty.

For the past two years, I have been writing papers as a citizen to highlight TANF's many problems. My hope is that conservatives will adopt more "rigor" in their assessment of the 1996 law and use evidence rather than ideology in developing reform proposals. This response addresses virtually all of the claims made by Ingram and Horton about the Kansas welfare "reforms" and work requirements, followed by a "PC Response." ("PC" is short for "Peter the Citizen.")

Before launching into the sentence-by-sentence critique of the FGA report, the following bullets highlight the key problems:

- The data collection procedures lack transparency and *appear* to involve inappropriate extrapolations.
- Cause-and-effect conclusions are drawn from simplistic pre-post comparisons; the lack of a credible counterfactual means that factors other than the intervention itself can explain the results.
- There is virtually no discussion of how the state's work requirements were implemented and how the work-related sanctions were applied.
- The outcomes are limited to caseloads, earnings and what may be estimates of income from TANF and the Earned Income Tax Credit (EITC). There is virtually no examination of what happened to those who were sanctioned and did not have earnings.
- The FGA makes irresponsible claims about the policy's effectiveness and follows that with speculative generalizations about possible effects across programs and populations.

This critique follows the sequence of the FGA's report. While some of the criticisms are relatively minor, others are very serious.

The FGA: "America's welfare programs were created to provide short-term, temporary help to individuals and families in need."

PC Response: Most welfare programs were created to address a particular need or needs and the authorizing legislation for most programs doesn't address whether the intent was to provide "short-term, temporary help." For example, the official purposes of the SNAP program are to strengthen the agricultural economy and improve levels of nutrition among low-income households. The main objective of the Supplemental Security Income (SSI) program is to provide financial support for needy aged, blind, or disabled individuals. Medicaid is designed to provide basic health care for low-income populations. The Earned Income Tax Credit (EITC) is generally justified as an offset to Social Security payroll taxes, as an incentive to work, and as an anti-poverty tool. With the exception of TANF, most welfare programs do not state that a purpose is "to provide short-term, temporary help to individuals and families in need." That may be a worthy goal, but it is not the reason most were created.

The FGA: "But for far too many, welfare became a permanent way of life."

PC Response: Despite the fact that many researchers have studied the patterns of welfare use, or "welfare dynamics," both within and across generations for well over three decades,[3] the FGA provides no citations to any research that would support the claim about welfare becoming "a permanent way of life." Prior to the 1996 welfare reform law, long-term dependency was a concern, but the extent of the problem was often exaggerated by focusing on the caseload at a point in time, rather than recognizing that most new entrants used welfare for relatively short periods. Understanding the data on welfare dynamics has important implications in the design of welfare reform policies.

In other reports, the FGA has mischaracterized findings from studies that capture welfare duration. For example, in their report on the effects of a work requirement for able-bodied adults without dependents in Kansas, the FGA authors claimed:

> …food stamps have also become the gateway to long-term government dependency. According to the latest data, the typical enrollee now stays on food stamps for an average of more than eight years.[4]

One of the problems with this claim is that the data the FGA cited included the elderly, disabled, and families with children, despite the fact that the supposed focus of their report was able-bodied adults without dependents. The authors of that report also based their claim on a cohort of recipients receiving SNAP benefits in a specific month. As anyone who has studied the welfare dynamics literature knows, this approach significantly exaggerates the duration of SNAP receipt of the "typical enrollee" over the course of a year (or longer period), because a snapshot in time disproportionately reflects long-term welfare users. This is clearly explained in the USDA report from which they pulled their data:

> … in the cross-sectional sample, we miss many short spells that occur within the same panel period – they are likely to end before or to begin after our sample month. Longer spells, however, are more likely to include our sample month. For this reason, the longer spells are more heavily represented in the cross-sectional sample than in the entry cohort sample.[5]

The USDA study also reported spell lengths for those who are "new entrants." Nearly 80 percent of nonelderly/nondisabled childless adults who started a spell exited the program within two years; indeed, over a third exited within four months. The median spell length was eight months.[6]

With respect to their current report on TANF in Kansas, the FGA cites no evidence for their statement.

The FGA: "Facing rising long-term dependency and the challenges that come with it, states began testing policies that promote work and keep families intact."

PC Response: The reform of AFDC was already under way. The FGA fails to mention that these experiments required waivers and were subject to strict accountability controls, most notably a requirement for a rigorous evaluation. As a result, we would have learned what works and what doesn't in promoting work and other policy objectives. This was a bi-partisan and evidence-based approach. The next step would have been to expand waiver authority in other programs. Instead, TANF replaced this promising approach with a blank check with no meaningful accountability. Now, the FGA and other ideologues use weak evaluation methods to make unwarranted claims about work requirements and other policies.

The FGA: "Those state-level reforms eventually led to a bipartisan federal overhaul in 1996 (as part of welfare reform) that replaced the failing Aid to Families with Dependent Children (AFDC) entitlement program with a new Temporary Aid to Needy Families (TANF) block grant."

PC Response: The 1996 "welfare reform" law is hardly a good example of bipartisanship. The legislation was crafted by conservatives and signed by President Clinton only after vetoing two earlier versions. Many liberals did not support it at the time and virtually none do today, so whatever bipartisanship existed disappeared long ago.[7] Indeed, three high-ranking Administration officials resigned after President Clinton signed the law.[8] (Note to FGA: TANF is not "Temporary Aid to Needy Families," but "Temporary **Assistance for** Needy Families.")

The FGA: "The nation's largest cash assistance program was recalibrated towards new goals – encouraging employment, keeping families together, and reducing dependency."

PC Response: In terms of federal spending, SSI and the EITC were bigger programs in 1996. TANF's *stated* goals are as the FGA states, but in practice TANF has become a form of revenue sharing with a myriad of dysfunctional federal requirements for cash assistance.

The FGA: "To these ends, TANF capped the amount of time people could receive cash assistance at five years and implemented commonsense work requirements."

PC Response: While the law sent a symbolic message about the importance of work requirements and time limits, in practice, neither of these elements have been implemented in the way Congress intended.

TANF's Time Limit. Federal TANF funds may not be used for a family with an adult who has received assistance for more than 60 months. There are arguments for and against time limits, but the federal 60-month time limit is filled with loopholes that allow states to largely ignore it, except for the bureaucratic hoops that it imposes. First, the time limit only applies to families with an adult receiving federally funded assistance. Federal and state maintenance-of-effort (MOE) funds are largely fungible, so if a state wants to exempt families from the federal 60-month time limit or extend their assistance, it can simply fund the families using MOE with segregated state funds or separate state programs (e.g., as in New York to extend families beyond the 60-month limit). Second, TANF specifically allows states to extend assistance for up to 20 percent of the caseload by reason of "hardship," with hardship defined by the states. And, the 20 percent calculation applies to the entire caseload, including child-only cases that are not even subject to time limit. Third, a state could just remove the adult from assistance benefit and pay benefits to just the children (e.g., as in California). For states that do not want a time limit, this just wastes resources by forcing them to take advantage of loopholes; yet, they still must track and report months of federally funded assistance. In addition to the federal time limit, many states have their own time limits that differ in the duration and exemption/extension criteria. These states now must monitor and enforce two different time limits. A simpler approach would have been to simply require states to have a time limit, but allow each state to develop its own.

TANF's ~~Commonsense~~ Work Requirements**.** The creation of TANF gutted work requirements; it is hard to imagine any program or policy that is more dysfunctional. A full discussion of the problems with TANF's work requirements is beyond the scope of this response; for more detail see:

- "TANF Work Requirements: An Epic Fail," in *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available here.
- "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute," August 12, 2016, available here.
- "The Failure of TANF Work Requirements in 2015: The Need for 'A *Much* Better Way,'" December 20, 2016, available here.
- "The Failure of TANF Work Requirements in Wisconsin: A Note for Speaker Ryan," August 22, 2016, available here.

The FGA: "Under TANF work requirements, able-bodied adults are generally required to work, search for work, or participate in job training in order to receive cash welfare."

PC Response: The FGA suggests that TANF's work requirements are limited to "able-bodied adults." The calculation of the federal work participation rate does allow states to exclude those disabled enough to qualify for SSI or SSDI, but there is no reference to "able-bodied" in the statute. Many individuals with disabilities that fall short of the SSI/SSDI standards or who have applied for, but do not yet receive these benefits are included in the work rate calculations.

Most states have done little to actually engage families in work preparation activities – see the aforementioned citations.

The FGA: "Unfortunately, states are given significant leeway to define what counts as work and what penalties enrollees face if they refuse to meet the requirements."

PC Response: The FGA considers TANF a "remarkable" success, so it is unusual to see even a hint of negativity, as in the word "unfortunately." It is indeed "unfortunate" that states were given too much "leeway," but not for the reasons the FGA identified. Instead, the excessive flexibility of the TANF block grant has allowed states to: supplant existing state expenditures or otherwise use TANF as a slush fund to fill budget holes; divert money from the truly needy to those with incomes well above the poverty line; and game all federal requirements (though to the extent most are not based on empirical evidence, this may be a good thing). Congress took a program targeted to needy families and converted it to a form of revenue sharing.

The FGA seems to believe it is "unfortunate" that states can define their own activities and determine the types of sanctions they can impose, implying that they have a better solution. If so, they should describe how they would restrict this leeway and provide credible evidence to support their recommendation – and this would not include any of the FGA "studies."

The FGA: "States have frequently used this leeway and other loopholes in federal law to undermine the fundamental goals of the program."

PC Response: Again, it is hard to reconcile how the FGA can say on one hand that TANF is a "remarkable" success and on the other suggest that states "frequently" undermined "the fundamental goals of the program."

I am the only conservative who has written extensively about loopholes – describing them in detail and offering solutions. The FGA simply gives lip service to some of the problems of TANF's work requirements and then largely ignores them. A partial checklist of how TANF gutted work requirements includes the caseload reduction credit and loopholes like separate state programs (now solely state funded programs), token payments to employed families with full-time workers but who otherwise have no connection to the cash assistance caseload, allowing waiver inconsistencies to carry over from the prior AFDC program, failing to actually define work activities, and excluding able-bodied non-recipient adults even when their children received aid.

But, the most disappointing way many states have met work requirements, including Kansas, is by slashing TANF caseloads even as the number of families with children in poverty has risen. Between 1996 and 2015, the number of poor families with children in Kansas increased 22 percent, from 50,100 to 61,300 (and the number in deep poverty, i.e., below 50 percent of the poverty line, increased over 50 percent, from 14,400 to 21,100).[9] Despite the increase in poverty, the TANF caseload plummeted 77 percent, from 25,900 to 6,000. As a result, the TANF-to-poverty ratio fell from 52 to 10 – one of the lowest in the nation.[10] Meanwhile, the state spent just 2 percent of its TANF/MOE funds on work activities and just 10 percent on work supports and child care.[11] In Kansas, most of TANF/MOE spending has been diverted away from core welfare reform activities – despite the increase in poverty. How can this be considered a success?

The FGA: "As a result, work requirement standards – and even those who are considered to be "work eligible" – vary greatly by state."

PC Response: The definition of "work-eligible individual" is fairly uniform across states, since the term was defined by the U.S. Department of Health and Human Services in response to the Deficit Reduction Act of 2005. What differs across states is not so much the "work requirement standards," but the loopholes states choose to meet them. To close the two main loopholes today requires addressing what's included in work activities, particularly the decision to add "unsubsidized employment," which has contributed to the problem of using token payments to artificially inflate the work rate, and the block grant structure, which has given rise to the solely state funded program.

The FGA: "But even without uniform requirements, the restructuring of TANF has made significant progress towards accomplishing its goal of transforming an open-ended welfare entitlement into a temporary safety net."

PC Response: The FGA's primary concern seems to be caseloads and costs – TANF did reduce those. To suggest it is a "safety net" – even a temporary one – ignores the fact that what TANF really did is transform a program for needy to families to what is nothing more than a slush fund in many states for state politicians. It is time for conservatives to develop a new approach to welfare reform – one that adequately protects our nation's neediest families and gives them real opportunities to achieve self-sufficiency. TANF has failed in this regard.

The FGA: "In 1995, just a year before reform, more than 13.4 million individuals were dependent on welfare cash assistance. But by 2000, enrollment had been cut in half, with just 6.3 million individuals dependent still on cash assistance. Today, enrollment stands at just 3.7 million individuals. This represents a staggering 73 percent drop in dependency since the year before welfare reform was enacted with enrollment now reaching historic lows not seen since 1962."

PC Response: The FGA's view of "success" is limited to one outcome – TANF caseloads. TANF would be a success if it reduced caseloads by reducing poverty and thus the need for welfare. Between 1996 and 2015, the number of poor families with children grew – from 6.4 million to 6.5 million and the number of families in deep poverty grew from 2.6 million to 3 million.[12] Between 1996 and 2013, the number of families with incomes low enough to qualify for TANF stayed the same – despite the fact that those rules became more restrictive. If TANF's results really represented "significant progress," these numbers would be lower.

Table 1 shows the change in the average monthly number of families eligible for cash assistance (based on each state's eligibility rules) 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 (and FGA) 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?[13]

Table 1:
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 these families, TANF is a safety net with huge holes in it.

The FGA: "Just 1 million of TANF's enrollees are able-bodied adults – nearly half of whom live in California."

PC Response: There is no reporting category for "able-bodied adults" – just "adults." This term is not synonymous with "work-eligible individual," which would be more relevant to a discussion of work requirements. The term "work-eligible individual" includes certain non-recipient parents (primarily those whose needs have been removed due to a time limit or a sanction) and excludes parents caring for a disabled family member. More significant, over one-third of the 1 million adults the FGA refers to are simply on the rolls receiving token payments to blow up the work rate.

There are millions of adults who have been pushed or hassled off TANF. They weren't "helped" by TANF. Work requirements should be realistic, reasonable, and based on research – that's not what TANF's work requirements are about.

The FGA: "A comprehensive analysis by the Congressional Research Service concluded that welfare reform not only reduced reliance on cash welfare but also reduced childhood poverty."

PC Response: The FGA's claims are irresponsible. The CRS did *not* assert a causal connection, as suggested by the FGA. Its statement was, "Following enactment of the 1996 welfare reform law, the number of families with children receiving cash assistance declined dramatically, employment of single mothers increased, and poverty among children declined."[14] Indeed, the report went on to note: "However, in the 2000s – even before the onset of the 2007-2009 recession – some of these gains were eroded and even reversed."[15] A more recent CRS raises some troubling points about the FGA's primary focus of caseload decline:

> 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%.
>
> **<u>This analysis raises several policy questions, the key one being whether caseload reduction per se is an indicator of the success of welfare reform.</u>**[16]

Another quote from the report:

> …continued declines in the number of families receiving cash assistance in the face of increasing child poverty since 2000 has led to concerns that TANF cash assistance programs are not meeting the needs of low-income families.[17]

This may not be a concern for the FGA, given its narrow focus on the caseload, but it should be for those who want to reduce caseloads by reducing the need for assistance.

The FGA: "Better still, the work-first welfare reforms of the 1990s moved millions of welfare recipients into the labor force which in turn spurred greater economic growth."

PC Response: Again, the FGA provides no citation. The fact that the welfare caseload declined by "millions" doesn't mean that *TANF* moved "millions" into employment. Aside from the fact that the number of employed single mothers has not risen by "millions," any increase between 1996 and 2000 would more likely be due to the economy, increased aid to the working poor (e.g., the EITC), and the waiver policies that states began before TANF (and which didn't require TANF). Indeed, TANF gutted work requirements, compared to what they would have been had we simply continued the work requirements that existed prior to TANF. To the extent TANF had an effect on employment, it was because Congress gave states a massive windfall in federal funding in the early years that states used to provide work supports – a windfall that would eventually disappear due to inflation, demographics, and the tendency for state politicians to use TANF as revenue sharing.

Even if one believes TANF "worked" in its early years (and I am not one of them), it certainly hasn't been effective over the last 15 years. Here's another statement from the CRS:

> The increase in child poverty occurred even before the onset of the 2007 to 2009 recession. Moreover, the rate of employment for single mothers in 2007 was below the rate in 2000. Child poverty increased further during the 2007 to 2012 period, and the employment rate for single mothers fell.[18]

And, here's how the U.S. Government Accountability (GAO) describes TANF's record in reducing caseloads:

> … most of the caseload decline—about 87 percent—resulted from fewer eligible families participating in the program, perhaps in response to TANF work requirements, time limits, and sanction and diversion policies."[19]

The FGA: "Without a doubt, welfare reform has been wildly successful."

PC Response: TANF can be considered "wildly successful" only by those who don't care about the well-being of our neediest families – it is "Truly a National Failure" (TANF).

The FGA: "In the years immediately following federal welfare reform, Kansas' welfare story mostly mirrored what was happening elsewhere around the country. By 2000, enrollment in Kansas' cash welfare program had dropped by more than 60 percent. The number of able-bodied adults dependent on cash assistance had dropped by nearly two-thirds. But then the trend began to reverse. Between 2000 and 2011, Kansas' cash welfare enrollment rose by nearly 22 percent compared to a 27 percent decline nationally. Worse yet, while the number of able-bodied adults on cash welfare dropped by nearly a third nationally over that same time period, it increased by more than 42 percent in Kansas. What changed?"

PC Response: One thing that doesn't change is the FGA's sole focus on caseloads. The comparison of Kansas' caseload to the national caseload is a flawed metric. TANF has degenerated into a slush fund in many states – to compare one state's caseload to any other's or to the national caseload says nothing about the effectiveness TANF in a particular state.

Here's what changed – the number of poor families rose nearly 50 percent in Kansas between 2000 and 2011; the number of families in deep poverty rate rose by 65 percent. The rise in TANF's caseload was miniscule in comparison. As a result, the TANF-to-poverty ratio fell from 52 in 1996 to 27 in 2000 to 19 in 2011 – and it would continue to fall during what the FGA considers its recent success to 10 in 2015. (Prior to 2000, the caseload and the number of poor families with children fell, but the former fell more rapidly, accounting for the sharp decline in the TANF-to-poverty ratio.)

The FGA: "Then-governor Kathleen Sebelius – who would go on to push for massive welfare expansions in the Obama administration – eased sanctions for able-bodied adults on TANF who refused to work, train, or search for employment, among other changes. Under the new policy, there was no minimum sanction period, allowing able-bodied adults to resume receiving benefits within days or weeks of removal. This created a revolving door where individuals could obtain a job, enroll in TANF, and then quit their job until their next eligibility review. As a result, the work participation rate plummeted and enrollment soared."

PC Response: The FGA doesn't understand the work participation rate and why it plummeted; and it is factually wrong to say enrollment "soared." The authors appear to have simply looked at what is known as the "Welfare Rules Database" to note that the duration for the most severe sanction (loss of the entire benefit) was reduced from 2 months (or until compliance, whichever is longer) in 2006 to simply compliance in 2007. They then examined the change in the TANF work participation rate, and it did plummet – from 77.2 percent to 12.8 percent. The caseload continued to decline after 2006 (and has not come close to the 2006 level since), so to say "enrollment soared" is simply wrong.

It is highly unlikely that the change in the sanction policy caused the work participation rate to decline. What the FGA may not realize is that the new regulations implementing the Deficit Reduction Act of 2005 took effect in FY 2007. In FY 2006, there were an average monthly 11,321 families that were required to participate – 5,911 of them were counted in community service. Prior to the regulation, Kansas had a very broad definition of what counted in this activity. In FY 2007, the state had an average monthly caseload of 8,746 that were required to participate, but only "1" was counted as being in community service. Clearly, it seems far more likely that a change in work activity definitions had a much bigger role in the work participation rate decline than the sanction policy.

The effect of the sanction policy on caseloads and work participation rates is an empirical question that should be tested. Under the prior waiver policy, this would have been a requirement and we would know the impact of the change in sanction policy. Now, we don't know. The FGA's approach for assessing the impact of sanctions is irresponsible.

The FGA: "When Gov. Sam Brownback took office, he had his work cut out for him. Thankfully, he did not shy away from the challenges facing the state but relentlessly pursued welfare reforms that have improved Kansans' lives."

PC Response: The FGA report reads more like a paid political announcement than an independent study. And, as described elsewhere in this response, the data suggest, if anything, Kansas' policies pushed many families deeper into poverty.

The FGA: "One of Brownback's first major acts was to strengthen sanctions. Under his leadership, Kansas implemented a three-month minimum enrollment ban on individuals who refused to meet the work requirement. The ban was extended to six months and one year for individuals who refused to meet the requirements a second or third time, respectively. Individuals who refused to meet the requirement a fourth time were banned from the program for 10 years."

PC Response: The ban in Kansas is not "on individuals" but on the "entire family." More important, real "leadership" would involve developing thoughtful, well-informed policies to help needy families improve their self-sufficiency. Simply enacting an immediate, full-family sanction with no meaningful follow-up on how the families are faring is nothing more than a budget-cutting exercise.

The FGA: "Since these reforms took effect, compliance with work requirements has climbed from historic lows. The percentage of able-bodied adults on the program who are employed has also risen. Meanwhile, the opposite trends were occurring both nationally and in the region with fewer able-bodied adults on welfare working."

PC Response: The statistics cited do show compliance and work rose in Kansas, but it is wrong to say that "the opposite trends were occurring nationally. Between FY 2011 and FY 2015, the overall work participation rate rose in Kansas, from 27.6 percent to 34.5 percent. Meanwhile, the national rate rose even more – from 29.5 percent to 48.4 percent. Of course, the work participation rate in Kansas and the nation has become a meaningless statistic, as most states simply game the work requirements.

The percentage of adults working has skyrocketed everywhere. In fact, about 80 percent of the reported hours of participation in Kansas and nationally are in "unsubsidized employment," either the result of a generous earnings disregard or token payments – both relatively low cost approaches to raising work rates. Most states, including Kansas, spend little and do little to provide actual services.

The FGA: "While there remains more work to be done to ensure as many families as possible move back onto the path of self-sufficiency through employment, Kansas has made incredible progress in just a few short years."

PC Response: Apparently, the FGA won't be satisfied until the TANF caseload drops to zero and the entire block grant is used by state politicians to fill budget holes. The dependency of politicians on these funds is not the kind of dependency the FGA seems concerned about.

The Innovation: Tracking Kansans' Success

The FGA: "As part of their initiative to help Kansans back into self-sufficiency, the Brownback administration put in place an innovative, first-of-its-kind tracking system for families leaving TANF as a result of the new sanctions. The Kansas Department for Children and Families began sharing data with the Kansas Department of Labor, allowing the agencies to match each adult leaving TANF with quarterly employment information, including employment status, wages, and employer industries. The agencies combined this data with existing administrative records on enrollment dates, enrollment duration, average monthly benefits, and other demographic information."

PC Response: There are hundreds of evaluations that track the employment and earnings of those subject to various welfare reforms – what makes the FGA's study somewhat unique (though unfortunately not the first of its kind)? The FGA has no comparison or control group that could serve as a counterfactual! As a result, its findings are not credible – at all!

The FGA confuses data collection with evaluation. The authors of the study simply assume that any change in the outcomes they observed were the direct result of the "work requirement" or really of the work-related sanction. Even worse they make unfounded claims that may mislead and misguide policymakers.

The FGA: "This data should be considered the lower bound on income growth, as it only includes wages reported to the Kansas Department of Labor. Income that was earned in neighboring states or as independent contractors could not be captured in the tracking system. Data from neighboring states or tax returns would likely show an even larger improvement in earnings."

PC Response: Ignoring the simplistic FGA approach and the fact that their claims are not credible, adding data from neighboring states might show a larger absolute increase (how could it not?), but whether the percentage increase rises or falls depends on the earnings in the base and follow-up periods from both the in-state and out-of-state data. The more important point to consider, however, is that simplistic before-and-after comparison of earnings is not a credible way of determining the *causal* effect of a policy.

The FGA: "This data-driven approach allowed the state to track what happened to able-bodied adults who were removed from the program for refusing to meet commonsense work requirements. This new data system provided the state with new tools to measure success, at both the individual and program level."

PC Response: Just tracking employment and earnings is hardly a data-driven approach. Most rigorous welfare reform evaluations track dozens of outcomes, including employment and earnings, welfare receipt (TANF, SNAP, and other benefits), household income, living arrangements, educational attainment, housing status, health insurance and health status, child care and child outcomes, and many other outcomes. These evaluations would typically provide findings for key subgroups (e.g., by race, family type, educational attainment, work history, and other baseline characteristics); and, they would provide results by a variety of time periods, e.g., quarter-by-quarter, year-by-year, and over the course of the entire period. Some would have a full-blown cost-benefit analysis, assessing the benefits and costs from the perspective of participants, taxpayers, and society as a whole. Most important, these evaluations had a real counterfactual, usually a control group that could isolate the impact of an intervention from alternative factors. The best that can be said about the FGA's report about the Kansas work-related sanctions is that it is a poorly documented leaver study, one that is wholly inappropriate for drawing conclusions about whether an intervention worked or not.

The FGA refers to "commonsense work requirements" in Kansas, but not once does it actually describe the state's welfare-to-work program. That may be because the state spends just 2 percent of its TANF/MOE funds on work activities[20] and served almost no one in an actual work preparation activity.[21] Indeed, most of those who meet the state's work requirements are in unsubsidized employment, which is due more to a relatively generous earnings disregard than to "work requirements." If the FGA wants to claim that "commonsense work requirements" are effective, it could at least provide a description of them.

Aside from using a flawed methodology, the limited data collected makes the FGA report a politically-driven document, not one that really seeks the truth about the impacts of a policy.

The Result: Kansans Thrive After Leaving Welfare

The FGA: "As part of the analysis, Kansas tracked more than 6,000 families – representing more than 17,000 individuals – for up to four years after being removed from TANF under the new sanctions."

PC Response: The FGA does a poor job of documenting its data and methodology. Kansas adopted a tiered sanction approach: the first sanction disqualified the entire family for a minimum of three months; the second sanction was a minimum of six months, the third sanction was a minimum of 12 months, and the fourth sanction was a minimum of 10 years. (Prior to the new policy, the strongest sanction involved terminating the entire grant until the family complied with the work requirements.) Some individuals may be sanctioned more than once and it is unclear how the FGA dealt with such cases – was a sanctioned case treated as an individual observation, based on the first time it was sanctioned, or were cases sanctioned more than once reported multiple times? If the former, how many cases were sanctioned more than once? How many first, second, third, and fourth sanctions were issued? What were the characteristics of the sanctioned cases? The FGA should have addressed these and other questions in describing their data and methodology.

There is also a question about how reliably case closure data capture the true reason for exit. Wade Horn, former Assistant Secretary for the Administration for Children and Families, explains:

> TANF data on reasons for case closure have persistently understated the role of employment. We alluded to this problem in the Sixth Annual TANF Report to Congress, where we said, "understanding the reasons for case closure is limited by the fact that States reported 26.4 percent of all cases as closed due to 'other' unspecified reasons. For example, while independent studies of the reason for families leaving welfare typically find that somewhat over half leave as a result of employment, States reported only 17.2 percent of cases closing due to employment, clearly an understatement of the true rate. Many closures due to employment are coded as failure to cooperate or as some other category because at the point of closure, the agency often is unaware that the client became employed.
>
> This undercount in administrative data may occur because some recipients obtain employment, but do not immediately notify the TANF agency, and when it comes time to recertify eligibility, they simply do not keep the appointment. The TANF agency then

> closes the case, but because it does not know the reason, it simply classifies the exit due to "failure to comply," "other," or "voluntary closure." In some States, adults who work but do not report their employment may appear to be out of compliance with work requirements and are listed as closed due to a "work-related sanction."[22]

Most researchers who study TANF leavers are well aware of the problems in the administrative data on case closures. If, as Horn describes, some cases reported as leaving due to a sanction actually reflect individuals who went to work and didn't report their employment, thus triggering a "work-related sanction," the result would exaggerate any post-TANF employment/earnings gains *due to* the sanction itself.

The FGA: "Overall, families returning to independence are earning more, finding new employment in hundreds of diverse industries, and are ultimately better off than they were on welfare.

> 1. <u>Kansans' incomes more than doubled</u>
>
> Kansas families who left welfare under the new sanctions saw their earnings more than double, increasing by an average of 104 percent within just one year. In total, this is $20 million more than they were earning while dependent on welfare.
>
> Incomes continued to climb each year for those removed, eventually more than tripling – increasing by 247 percent within four years. Over that same period, these families saw an estimated $48 million increase in wages."

NOTE: The FGA then shows a figure showing aggregate earnings for sanctioned leavers; the results are presented in Table 2. The row showing a "truncated sample size" comes from footnote 32 of the FGA report.

Table 2: Kansas Families Are Earning $48 Million More Per Year Since Leaving Welfare (Combined annual wages for families leaving TANF after work requirement sanctions)

Baseline	1 Year Later	2 Years Later	3 Years Later	4 Years Later
$19.5 million	$39.8 million	$48.0 million	$52.2 million	$67.6 million
Truncated Sample Size	6,090	4,395	2,514	1,074

PC Response: The claims about the increase in "annual wages" of the Kansas sanction policies suffers from what appear to be serious data problems and an extremely weak evaluation approach – one that does not produce credible results.

Data Issues: Many of the data issues in the FGA report stem from a lack of transparency about their methodology.

First, the FGA appears to follow sanctioned cases for a period of up to four years. Since the new sanction policy was implemented on November 2011, this suggests that the main focus of the report is on cohorts of leavers that left between 2012 and 2015 due to a work-related sanction. (Note: Whether this is exactly true or not is irrelevant; pre-post studies are not a credible evaluation approach. If I have some of the details wrong in this section, it is entirely due to the lack of transparency in the FGA's report.)

The first row of data shows the "annual wages" of sanctioned leavers. The second row of data shows the "truncated sample size" for each follow-up period, which the authors explain in a footnote as follows:

> Authors' calculations based upon the truncated sample for each year. The one-year results include the full sample of 6,090 TANF closures. The two-year results include 4,395 TANF closures, representing all cases with at least two years of data. The three-year results include 2,514 TANF closures, representing all cases with at least three years of data. The four-year results include 1,074 TANF closures, representing all cases with at least four years of data.

This explanation raises questions about what the data really mean. For example, what is the "baseline" – is it the annual earnings in the four quarters prior to the quarter in which the leavers were sanctioned; does it include the quarter in which they were sanctioned; does it represent the combined earnings of 6,090 leavers?

Depending on the follow-up period, the sample size is different and the baseline should be different. For example, there are only 1,074 sanctioned leavers in the four-year follow-up – presumably the 2012 cohort. But, there are 6,090 cases for the one-year follow-up, presumably reflecting leavers' cohorts for 2012-2015. The authors should have created a baseline and followed each annual cohort separately. The results they present are implausible, if they are indeed based on the sample sizes they report.

Assuming the $19.5 million is the baseline for all 6,090 cases, then that is not a proper baseline for the 1,074 cases for which four-year follow-up data are available. And, the fourth year "annual earnings" figure of $67.6 million doesn't seem plausible if limited to the 1,074 cases that had four years of follow up data. That would imply annual earnings of $62,942. The FGA is not clear about its methodology, but in a response to Robert Verbruggen about a related table, the authors apparently extrapolated some of the data to arrive at their numbers:

> Another question is just how well-off these families became. At the baseline, the group made about $48 million in total income (including welfare and the EITC); after four years they made $73.4 million (a number extrapolated from the families with four years of data). Divide those numbers by 6,090, and you see that the average family income rose from about $7,900 to about $12,100 – which is roughly the poverty line for a single person, whereas the families in the study have nearly three members each on average. Using the same back-of-the-envelope math, wage income alone rose from $3,200 to $11,100.

So, assuming the authors extrapolated to derive the $67.6 million, this suggests average annual wages of $11,100. The problem with this approach is that each of the cohorts may be very different and have difference earnings trajectories – there is no basis for this kind of "extrapolation."

The FGA should take a different approach for showing earnings trajectories. For example, one could examine each cohort separately, but the later cohorts would have progressively shorter follow-up periods. Or, to maximize sample size, one could combine cohorts, but this would reduce the length of the follow-up period. Table 2 below shows what the FGA should have done to present a cleaner comparison over time.

Table 2: The FGA Mixes Apples and Oranges: Here's a Better Way
(Combined annual wages for families leaving TANF after work requirement sanctions)

Cohort	Baseline	1 Year Later	2 Years Later	3 Years Later	4 Years Later
2012 Leavers (sample=1,074)	?	?	?	?	?
2013 Leavers (sample=1,440)	?	?	?	?	NA
2014 Leavers (sample=1,881)	?	?	?	NA	NA
2015 Leavers (sample=1,695)	?	?	NA	NA	NA
OR, combine cohorts with comparable follow-up periods					
2012 Leavers (sample=1,074)	?	?	?	?	?
2012/13 Leavers (sample=2,514)	?	?	?	?	NA
2012-14 Leavers	?	?	?	NA	NA
2012-15 Leavers	?	?	NA	NA	NA

By filling in this table, the FGA might have a legitimate leavers study, but even this would not be a basis for making the kinds of *causal* conclusions the FGA made in its report. It also would be more informative to provide the data on a quarter-by-quarter basis.

The sample size associated with each cohort is also inconsistent with the number of work-related sanctions reported to the U.S. Department of Health and Human Services.[23] For example, assuming the first cohort of leavers represents those sanctioned in 2012, the FGA show 1,074 left due to a work-related sanction, whereas the data reported to HHS show 2,679. In 2013, the FGA has 1,440, the HHS data shows 2,020; in 2014, the FGA has 1,881, the HHS data has 2,696; and in 2015, the FGA has 1,695, the HHS data has 1,616. It could well be that the data reported to HHS are incorrect or reflect a different measurement concept, but given the FGA's overall carelessness and lack of transparency, this raises more questions.

Evaluation Issues. Even with the data more properly arrayed, the FGA's evaluation approach is too weak to form a credible basis for drawing causal conclusions. There are a wide range of evaluation methods that can be used to assess the effects of a program or policy. Some examine changes in a program group over time (e.g., pre-post and interrupted time series), some compare a program group to a “comparison group” of similar groups or individuals (with various statistical adjustments to try to make the comparison group as comparable as possible to the program group), and some compare a program group to a randomly assigned “control group.” The FGA study is most like a pre-post study, as the authors make claims of program effects based on a comparison of a baseline year (pre) to a subsequent year (post).

Every evaluation approach is subject to various threats to internal and external validity, but simple pre-post studies are particularly problematic for assessing the impact of employment-related interventions. Internal validity refers to the extent to which a causal conclusion can be made based on a study, ruling out other possible explanatory factors. External validity refers to the degree to which the findings of a study can be generalized to other populations, settings, times, and programs. The FGA study is weak on both, though the focus of this critique is on its weak internal validity.

Pre-post studies are subject to a number of threats to internal validity, including maturation (i.e., where changes in the outcomes of individuals are caused by the normal passage of time), history (i.e., where events unrelated to an intervention affect the outcome of interest), and secular trends (i.e., where outcomes are the result of a societal trends, such as changing economic conditions). Of the three, the threat from secular trends is probably the most important confounding factor, as the economy in Kansas improved over the observation period. For example, the state’s unemployment rate dropped from 6 percent in October 2011 to 3.8 percent in December 2016.

The most serious threat to FGA study, however, may be “regression to the mean,” in that the initial observation in a pre-post study may be at an extreme point relative to an individual’s or group’s normal trajectory. In the economics literature, this is a problem known as “Ashenfelter’s Dip,”[24] where the average earnings of program participants in a training or work-related program just prior to program entry is at a low point. Howard Bloom of MDRC explains:

> … previous studies of employment and training programs have identified a “pre-program dip” whereby average earnings in the year before participants enter a program are well below their preceding trend. This phenomenon has been the subject of extensive debate, and there is still no agreement about the extent to which it represents a temporary aberration (due to illness, a business failure, or other “bad luck”), or the extent to which it represents the onset of a permanent decline in earnings (which happens to economically displaced workers).
>
> Individuals are probably more likely to enroll in a job-training program when they have just experienced an unusually bad period than when they have just experienced an unusually good period. In other words, their motivation to enroll is probably negatively correlated with random fluctuations in their earnings prospects. If so, then their average earnings in the next period are likely to increase regardless of whether or not they enroll in a program. This phenomenon is a statistical artifact called regression to the mean.[25]

The best way to rule out this threat to validity is a randomized control trial, whereby TANF families subject to work requirements are randomly assigned to a treatment group that is subject to the new sanction policy to a control group that is subject to the old sanction policy. The findings from random assignment experiments are considered the most credible, because the program 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 – the stricter sanction policy. In particular, the threat from "regression to the mean" would be overcome because both program and control groups would be alike in terms of their employment and earnings histories.

In short, without a credible counterfactual, the FGA's report, along with most pre-post studies, should not be considered in a serious policy debate.

The FGA: "2. Families are better off than they were before

> Kansans who regained their independence not only saw higher wages – they are also better off on net than when they were on welfare. Higher earnings and additional earned income tax credits more than offset the value of welfare benefits these families lost. That means these families are now earning more than their previous earnings and benefits combined, giving a boost to local economies and providing additional income tax revenues for other critical state priorities. Within four years, higher wages and additional earned income tax credits provided more than $26 million in higher income than these families were earning and collecting in welfare benefits before."

NOTE: The FGA shows a figure showing the "incomes" of those who lost welfare benefits.

Higher Income More Than Offset Lost Welfare Benefits?		
	Baseline	**4 Years Later**
Wages	$19.5 million	$67.6 million
EITC	$4.1 million	$6.7 million
TANF	$24.4 million	$0
Total	$48.0 million	$74.3 million

PC Response: The FGA provides no explanation about the source of the data, aside from the earnings data, and its calculations have a number of limitations, most notably the paucity of income sources and methodological issues in the calculation of the values.

One obvious short-coming is the limited income sources used to calculate total income. Most rigorous welfare-to-work evaluations would include a wide range of benefits and costs from the perspective of participants, taxpayers, and society as a whole. The FGA purports to show the "participant's perspective." Their report includes wages. Presumably, this reflects gross wages, but a proper accounting would account for payroll taxes, incomes taxes, and fringe benefits. It might also adjust for work-related expenses, such as child care and transportation costs. In terms of benefits, it includes TANF and the EITC. At the very least, it could have included SNAP, the Additional Child Tax Credit, and Medicaid.

A second problem is that some of the amounts reported by the FGA do not seem plausible. This is partly due to fact that the authors seem to have manipulated the data with various inappropriate extrapolations, as described in the comment to the previous statement. For purposes of this comment, I assume that the table is based on 6,090 families, even though in fact there are only 1,074 with four-year follow-up.

For TANF, the baseline reflects $24.4 million in TANF benefits. This is about $4,000 in benefits. It's not clear how the FGA derived this – is it an annualized benefit amount based on the benefits the family received in the month prior to the sanction or does it reflect the actual annual benefit? In FY 2011, the average benefit received by a family was about $285 a month, which, if annualized, would be $3,420. Given the $4,000 per family annual estimate produced by the FGA, it *appears* that the FGA may have used a monthly figure to derive an annualized estimate assuming each family received benefits for 12 months. This does not seem like a reasonable assumption because many of the leavers likely received less than 12 months of aid. The FGA should report the actual benefits received, not estimates or annualized amounts, but at the very least it should document how it derived its numbers. For the follow-up period, it shows $0 in TANF benefits. This also seems unlikely, as at least the first through third sanctions could be cured by compliance after a relatively short period, but given Kansas' determined effort to reduce caseloads, it is possible that none of the leavers received TANF four years later.

The EITC figures look unrealistic. It is doubtful that the FGA obtained IRS records on actual EITC payments, so presumably the authors estimated the amounts. While this would be a reasonable approach, the EITC amounts seem inconsistent with the earnings amounts reported. For example, for the baseline period, the EITC amount of $4.1 million is just 21 percent of the earnings amount of $19.5 million. The EITC is very generous for those with low earnings (see bullets below), so for the EITC to be just 21 percent would suggest among those with earnings, many have earnings well into the phase out range. This means that not only did the leavers have high hourly wages, but that they worked all or most of the year, something not seen in most past leavers studies. The results seem even more implausible in the follow-up period, where the reported EITC represents just 10 percent of wages. Indeed, these results would suggest that relatively few leavers actually have jobs and that those who do have implausibly high earnings.

EITC parameters in 2011 and 2016:

- For a family with one child, in 2011, it provided an earnings subsidy of 34 percent up to $9,100 in 2011 ($9,920 in 2016), for a maximum credit of $3,094 ($3,390 in 2016), and it is phased out with earnings between $16,690 and $36,052 ($18,190 and $39,926 in 2016).
- For a family with two children, in 2011, it provided an earnings subsidy of 40 percent up to $12,780 ($13,930 in 2016), for a maximum credit of $5,112 ($5,572 in 2016), and it is phased out with earnings between $16,690 and $40,964 ($18,190 and $44,648 in 2016).
- For a family with one child, in 2011, it provided an earnings subsidy of 45 percent up to $12,780 ($13,930 in 2016), for a maximum credit of $5,751 ($6,269 in 2016), and it is phased out with earnings between $16,690 and $43,998 ($18,190 and $47,955 in 2016).

Aside from these shortcomings, the issue isn't whether "they are also better off on net than when they were on welfare" – the real question is: Did the Kansas work requirements/work-related sanction improve raise their total income above what it would have been in the absence of the intervention? For the reasons cited above, a pre-post comparison (even if one believes the numbers) is not a credible way to answer the question. A control group (or at least a comparison group) would be needed to provide a counterfactual.

The FGA: "3. Job gains were diverse

> Work provides more than just a paycheck. Work provides dignity, self-worth, the opportunity for earned success, and even happiness – something a plastic EBT card will never provide. Nevertheless, critics of work requirements frequently suggest that enrollees who leave welfare are only able to find low-wage, entry-level employment. The implication is that these individuals would be better off trapped in a lifetime of dependency.
>
> But data from the Kansas Department of Labor shows that these claims are unfounded. Able-bodied adults removed from TANF found employment in more than 600 different industries, ranging from health care to finance to information technology. Even better, those who did find initial employment in entry-level jobs – such as those in food service, retail, or temp agencies – quickly found longer-term, higher-paying jobs. Nearly half of those leaving welfare found these jobs within three months of removal, with employment rates continuing to rise each month thereafter."

PC Response: The FGA provides no evidence that those who initially found jobs "quickly found longer-term, higher paying jobs." To support this statement, the FGA would have to analyze the earnings trajectories of individual leavers. They report only aggregate earnings, a number that is influenced not just by how much a job pays, but how many leavers are employed.

The only information the FGA provides on this topic is that that "nearly half of those leaving welfare found these jobs within three months of removal, with employment rates continuing to rise each month thereafter." The FGA presumably has quarter-by-quarter employment and earnings data for each cohort of leavers. It should provide that information.

The fact that "nearly half" found jobs within three months of removal raises several issues. If some of those leaving for work were "sanctioned" simply because they appeared to be out of compliance, this would exaggerate the role of sanctions. And, the FGA provides no baseline figure and has no comparison or control group by which to judge whether "nearly half" is an increase over what would have happened in the absence of the policy.

With respect to the 600 different industries, the same holds true. It is likely that those leaving welfare for work prior to the new policy also found employment in diverse industries, maybe even more than 600 industries. This statistic is meaningless without more context.

The FGA: "4. TANF is better equipped to help the truly needy

> In addition to the impressive progress made by newly-independent families post-reform, Kansas is also now enjoying a healthier TANF program that can better manage resources for the truly needy.
>
> For starters, a higher percentage of adults in TANF are now working. From 2000-2011, Kansas' TANF work participation rate averaged a measly 19.2 percent. Over that same period, the national work participation rate hovered around 24.1 percent. But since the sanctions changes were implemented, Kansas' work participation rate has climbed to 36.4 percent while the national rate has dropped slightly to 23.8 percent."

PC Response: The FGA provides no evidence that Kansas is managing its "resources for the truly needy." In FY 2015, Kansas spent just 12 percent of TANF/MOE funds on basic assistance and just 2 percent on work activities.[26] Like many states, Kansas uses TANF funds as a form of revenue sharing to pay for an array of activities unrelated to welfare reform, this despite the fact that both the number of poor families and the number of families in deep poverty is higher today than when TANF was enacted. Indeed, the TANF-to-poverty ratio fell from 52 in 1996 to just 10 in 2015 – one of the lowest in the nation. How does this focus resources on the "truly needy"?

The percent of the adult caseload working is not a particularly useful statistic for assessing the impact of a work-related full-family sanction. The increase may simply reflect a reduction in cases without earnings rather than an increase in earned income cases. For example, consider a caseload of 100 adults, with 15 that have earnings. Suppose 20 "non-working" adults are then sanctioned and leave the rolls, leaving 15 out of 80 with earnings. The percent of earned income cases would rise from 15 percent to 19 percent, but not because more adults went to work.

The proper way to measure the impact of the policy is to compare the employment of those subject to the new sanction policy to a control or comparison group that can be used to form a credible counterfactual and to focus the comparison on all those in each group, regardless of whether they remain on assistance.

The FGA: "After a decade of little progress, the number of able-bodied adults dependent on cash assistance has finally started to decline again. The number of able-bodied Kansan adults on TANF has dropped by nearly 78 percent. Nationally, adult enrollment has declined by only 14 percent during this same time."

PC Response: Real success would be if both the number of poor (or very poor families) fell at the same pace as the caseload. That did not happen.

The FGA: "It is worth noting that Kansas was implementing other meaningful welfare reforms during this same time, so stronger sanction policies cannot be credited for the full decline. But Kansas' new emphasis on work certainly played a large part. Thanks to a combination of reforms, the number of Kansas dependent on cash assistance is now at an all-time low."

PC Response: It is true Kansas has made it harder for families to get on assistance and has adopted other policies to push them off.

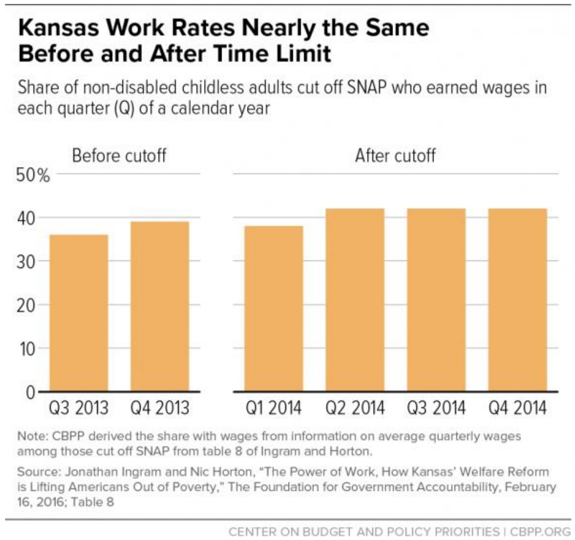
Lessons learned from Kansas' welfare reform

The FGA: "These latest findings from Kansas build on previous analyses on the impact of work-focused policies on welfare programs. In 2016, the Foundation for Government Accountability published a study about the impact of work requirements on able-bodied childless adults collecting food stamps. After tracking employment for nearly 41,000 able-bodied adults for more than a year after leaving food stamps, able-bodied adults who left food stamps went back to work in record numbers, saw their incomes more than double, and were better off than they were before. The number of able-bodied adults dependent on welfare also plummeted and the amount of time those adults spent on the program was cut in half."

PC Response: The FGA's report of the SNAP "work requirement" (really, a time limit) for able-bodied adults without dependents is not a credible basis for making judgments about the policy's impact. The authors track the employment and earnings of a cohort of individuals affected by the policy change, but they confuse data collection with evaluation. They have no real counterfactual upon which to base claims of success and simply assume that any change in the outcomes they observed are the direct result of the "work requirement."

Even if one found a simplistic pre-post study to be a convincing approach to causality (and that would be a mistake), many of the claims are inappropriate and misleading. For example, the report claims that "nearly 60 percent of those leaving food stamps found employment within 12 months." The FGA's characterization of the employment rate leaves the impression that the SNAP "work requirement" caused the increase, because the report provides no reference point. The authors don't include the baseline employment rate. For a pre-post study, this is extremely sloppy and misleading. The fact that nearly 60 percent of leavers "found" employment would be impressive if none were employed during the baseline quarter, but that wasn't the case – about 40 percent were employed.

In addition, instead of reporting quarterly employment rates, the authors use an employment rate based on any "record of employment since Q4 2013" – the baseline quarter. Comparing a quarterly employment rate for the baseline (or "pre") period to an "ever-employed" over the course of a year employment rate (or "post") period would be comparing apples to oranges. Even with a simple pre-post study, what is needed is a comparison of the quarterly employment rate in the baseline quarter to a quarterly employment rate to a subsequent quarter. The FGA does not make this comparison, but the data in their report permit its calculation. Here's what the employment rate looks like when measured on an apples-to-apples basis (courtesy of the Center on Budget and Policy Priorities):



Even based on the simplistic pre-post methodology, the results are hardly striking. This is just one of many problems with the FGA's report; I elaborate in detail on its problems in:

- "The FGA's 'First of Its Kind Study' Should Have Been the Last: An Evaluation Note for Pre-Post Conservatives," July 4, 2017, available here.

The FGA: "Soon thereafter, Maine conducted its own analysis of nearly 7,000 able-bodied adults leaving food stamps as a result of the work requirement, finding similar results: more work, higher incomes, and less dependency. Similar results were found after Maine tracked nearly 2,000 TANF enrollees leaving the program after the state began enforcing time limits."

PC Response: The FGA's reports about the reforms in Maine are equally flawed. Again, I have written about the problems of these reports:

- "Using Squirrely Data is No Way to Justify Conservative Policies: A Note to AEI's Marc Thiessen," July 8, 2017, available here.
- "Maine DOES NOT Show How to Make Welfare Work: A Response to Jared Meyer and Mary Mayhew," June 4, 2017, available here.

The FGA: "This body of research – combined with this latest analysis – presents important takeaways for policymakers in Washington D.C. and state capitols around the country."

PC Response: To call the FGA studies of various welfare reform policies in Kansas and Maine "research" would be laughable, but for the fact that some policymakers seem to take their "findings" seriously. The reports have no meaningful counterfactual and even as pre-post studies they make highly inappropriate and misleading comparisons.

The FGA: "1. Work matters – for everyone

For years, policymakers have expressed concern about enrollees who are near the eligibility cutoff for welfare and the discouraging effect this can have on their motivation to better themselves. But this body of research highlights a more fundamental problem: few enrollees on welfare are working at all, meaning few individuals are on the margin of eligibility. The result is that any welfare cliff that exists likely has minimal impact on discouraging work. Instead, the real problem with the welfare trap is that the vast majority of enrollees have no earnings at all. Fortunately, the solution to this problem is clear – work requirements."

PC Response: The FGA likes to talk about "welfare traps," but it doesn't present data as to the size and scope of the problem. The fact that the "vast majority" of enrollees have no earnings says nothing about how long they are on assistance. Obviously, given the low income eligibility limits for TANF, it would be surprising if the vast majority had earnings. Those with earnings leave the rolls.

Work requirements are one important policy tool for promoting work among those with no earnings, but sadly an objective assessment of TANF's work requirements suggests that they have failed. With respect to Kansas, the FGA simply reported on what happened to those with a work-related sanction. A complete evaluation of work requirements would involve examining the impact of actually participating in work activities, something the FGA did not do. Most important, it would require a credible counterfactual. Similarly, the FGA's reports on SNAP's "work requirement" are not credible.

The FGA: "The research is clear and consistent: once able-bodied adults leave welfare, they reenter the workforce and their wages skyrocket. Higher incomes, better lives, and more opportunity – these are the standards by which government should measure the success of its welfare programs. Work requirements are an incredibly effective tool for meeting these metrics."

PC Response: Unlike the FGA's reports on work requirements, there have been many *rigorous* evaluations of welfare-to-work programs; they suggest that work requirements had modest effects on employment and earnings, which faded over time. Most of the experiments had little impact on poverty rates and some increased deep poverty rates.[27] A review of the real evidence would not lead to a characterization like "incredibly effective tool." We need to do more testing of alternatives to find better approaches; sadly, much of the rigorous evaluation of social programs, including welfare-to-work programs ended with TANF.

Most of these rigorous evaluations were of programs that operated in the 1990s and while informative, they are not representative of the likely effects of TANF's requirements. Gordon Berlin, president of MDRC, the research organization that evaluated dozens of welfare-to-work programs over the last four decades explains:

> None of the welfare-to-work programs evaluated by MDRC to date – even the most effective ones – would have met the standards currently in place (that is, had states received no credit for caseload reductions), primarily because too few people participated in them for at least the minimum number of hours per week.[28]

It certainly is the case that states should be engaging more welfare families in work activities, but TANF's work requirements are unreasonable, dysfunctional, and not about work. Their main function has been to impose barriers and cut caseloads through a process known as "bureaucratic disentitlement." Even with sharply reduced caseloads, states have resorted to loopholes and gimmicks to satisfy federal work requirements that are unrealistic. Such gimmickry does nothing to help the poor get connected to work opportunities.

To understand TANF's impacts on employment and poverty, one has to step back and view TANF for what it is – a form of revenue sharing that gave states the flexibility to divert spending to a wide variety of activities unrelated to core welfare reform purposes. In TANF's early years, states were flush with money, because the block grant was based on spending levels during earlier years when caseloads were at historic highs. Given the strong economy, the expansion in aid to the working poor, and the state experimentation started under waivers, it's not hard to see why poverty declined and employment rates for single mothers rose through 2000. Over time, however, the block grant lost its value and the economy soured. This is when TANF's failures became more apparent to all but conservative ideologues. A recent assessment of "welfare reform," by Gordon Berlin, president of MDRC, explains:

> Initially, welfare caseloads fell rapidly and employment rates among single parents reached new highs. TANF's work requirements and time limits provided a push off welfare just as the booming 1990s economy was pulling nearly every able-bodied welfare recipient into low-wage work – work that was supplemented by the recently enhanced Earned Income Tax Credit (EITC). But by the early 2000s, caseload declines leveled off and single parents' employment rates began to decline. Poverty rates began to rise, especially the rate of deep poverty (the fraction of families with incomes below 50 percent of the federal poverty level). When the Great Recession hit, employment rates plummeted and poverty rose substantially. In contrast to previous recessions, welfare caseloads did not rise in most states, in part because states had committed TANF funds to other needs and in part because they were no longer required to assist every eligible family.
>
> Today's welfare program serves fewer than 30 percent of those eligible; TANF's predecessor served close to 80 percent. In real dollars, spending on cash assistance has declined from roughly $30 billion in 1996 to roughly $8 billion today, with some states spending less than 20 percent of their TANF funds on cash assistance, work, or child care. Yet the fraction of children living in deep poverty has risen by 50 percent. Welfare dependency fell, but deep poverty rose.[29]

This picture is even worse in Kansas, which spends almost nothing on basic assistance and work activities and which now has one of the lowest TANF-to-poverty ratios in the country (see above).

Real welfare reform requires adequate funding, realistic work requirements, and rigorous evaluation so that we can learn what works and what doesn't and build on an evidence base. It should be about giving needy families a hand up, but instead, under TANF has abandoned them.

The FGA: "These findings are critical not just for childless adults on food stamps or low-income parents on cash assistance but for all able-bodied adults on any welfare program."

PC Response: Due to their methodological weaknesses, the "findings" from the FGA studies are not credible – it is "critical" that they be discredited completely so as not to mislead and misguide policymakers that might take them seriously. Even if the findings were valid, any serious researcher would not make reckless claims that involve generalizations across programs, populations, and a limited number of sites.

The FGA: "2. States should strengthen work requirements

Although Kansas, Maine, and other states have illustrated the power work requirements, several states are still waiving commonsense rules that require able-bodied childless adults to work, train, or volunteer on a part-time basis. These Obama-era waivers keep productive workers trapped in dependency and out of the workforce, which not only hurts them but does damage to the economy at large and siphons away limited resources that could otherwise go to fund services for the truly needy. States should let these waivers expire and the Trump administration should reverse federal rules that allow states like Rhode Island to continue waiving work requirements despite a statewide unemployment rate of 3.6 percent. This would bring states back in line with federal law and help hundreds of thousands of able-bodied adults regain their independence, increase their incomes, and create better lives for themselves than welfare ever could."

PC Response: The SNAP "work requirement" could be evaluated rigorously, and should have been. It still can be, but this requires a credible methodology – random assignment. In the meantime, the FGA's assertion that ending the waivers would "help hundreds of thousands of able-bodied adults" is not supported by the evidence. Indeed, the degree to which the requirement may help would depend on how states implement it, something the FGA largely ignores.

The FGA: "States should also follow the lead of Arkansas, Maine, and Wisconsin, all of which are moving to implement commonsense work requirements in Medicaid. Wisconsin in particular is also seeking to expand work requirements in food stamps to able-bodied adults with school-age children, ensuring consistency across programs and bringing work back to the forefront. The Trump administration should quickly approve these requests and encourage other states to implement similar reforms."

PC Response: There is absolutely no evidence regarding the impact of a Medicaid work requirement. Hopefully, these states will test the impact using a rigorous evaluation, but until they do, it is irresponsible to suggest other states follow their lead. Notably, neither Arkansas nor Maine do much to engage TANF recipients; while Wisconsin does a good job of engaging families, it has failed TANF's work requirement for at least four years in a row. And, even with Wisconsin, there is no evaluation of the state's program, so we still don't know whether its work requirements are effective.

The FGA: "Finally, state policymakers should strengthen sanctions across all welfare programs for able-bodied adults who refuse to work, ensuring these sanctions are strong enough to help as many families regain their independence as possible."

PC Response: Sanctions can be a tool to encourage participation, but whether such sanctions lead to greater engagement and then higher earnings should be the subject of rigorous evaluation. The FGA's simplistic pre-post comparisons are not useful in determining if families regain independence and the FGA consistently ignores the plight of those who are not working.

Under President Reagan, our concern was the "truly needy"; the FGA only seems concerned about reducing caseloads no matter what the cost and then promoting their propaganda as somehow helping the needy.

The FGA: "3. <u>Congress should expand work requirements to all welfare programs</u>

While states like Kansas have done the hard work to prove that work requirements are critical to moving people out of dependency, state policymakers are hamstrung by federal rules."

PC Response: The FGA's use of the words like "prove" to describe their findings is a reflection of their lack of knowledge regarding basic evaluation methods and concepts, particularly as they relate to "internal validity" and "external validity."

The FGA: "Current rules prohibit states from expanding work requirements to other welfare programs – such as Medicaid – without first seeking special permission."

PC Response: Given the fact that there is absolutely no empirical evidence regarding the potential impact of a Medicaid work requirement on employment, earnings, health insurance status, and health outcomes, is it really unreasonable to conduct a rigorous experiment to determine the impact of such a requirement?

The FGA: "Even in programs with work requirements, like TANF and food stamps, federal rules restrict who the rules can apply to and thereby hinder states from making the programs as effective as possible."

PC Response: Given TANF's vast flexibility, it's not clear what rules the FGA believes hinder states from undertaking whatever work requirements they want. While there are limits on SNAP work requirements, the main constraint is the reluctance of states to spend their own money investing in welfare-to-work programs. And, making programs "as effective as possible" requires doing good evaluation.

Conclusion

The FGA: "As the debate over welfare reform heats up in Washington, Congress should learn from state-led welfare reform initiatives and empower state policymakers to incorporate work requirements for able-bodied adults in as many welfare programs as possible. In so doing, they will be giving millions of American families the hand up they desperately need."

PC Response: Congress should learn from *credible* evaluations of policy initiatives. This means they should reject the simplistic pre-post data comparisons used by the FGA to make causal claims about the effects of "welfare reform" or specific components like work requirements and time limits.

A far better approach is to look to President Reagan's waiver-based approach to real welfare reform. In 1987, he 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 had strict accountability provisions, most notably cost neutrality (not block grants) and a requirement for a rigorous evaluation, including both an impact evaluation and a process evaluation to assess the manner of implementation.

During the early years of this waiver process, there was an ongoing debate about what constitutes a "rigorous" evaluation and a range of approaches was considered, including statistical models and various comparison group designs.[30] A simple pre-post model, like the one used in various FGA reports, was rejected outright, because it was deemed to unreliable. The early experiences in several states using comparison groups and statistical models suggested that even these approaches were imperfect, even though in practice they captured many more factors than a simple pre-post study. In the end, we looked to the "gold standard" of evaluation – random assignment. 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.

President Reagan's evidence-based approach was continued by President Bush and President Clinton. It provided rigorous evidence, including many examples of state experiments that increased employment and earnings, and also reduced welfare dependency and poverty.[31] The next step would have been to refine this process and expand waiver authorities in other programs.[32] TANF ended this approach to welfare reform and now there is little credible evidence about the effects of state welfare reform efforts. We have to start over, but this evidence-based model is the responsible conservative approach – the real "cruelty" was replacing it with a blank check to states with no accountability. This has allowed TANF, in many states, to become welfare for state politicians.

[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 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.

[2] Nic Horton and Jonathan Ingram, "Work Requirements are Working for Kansas Families: How welfare reform increases incomes and improves lives," The Foundation for Government Accountability, July 31,2017, available at: https://thefga.org/wp-content/uploads/2017/07/Work-Requirements-are-Working-for-Kansas-Families.pdf.

[3] For a recent overview, see Greg J. Duncan, "Welfare Dynamics and the 1996 Welfare Reform," *Notre Dame Journal of Law, Ethics & Public Policy*, vol. 11, no. 2, February 2014, pp. 605-632.

[4] Nic Horton, Jonathan Ingram, and Josh Archambault, "First-Of-Its-Kind Study Shows The Power Of Work," *Forbes*, February 19, 2016, available at: https://thefga.org/wp-content/uploads/2016/12/Forbes-First-Of-Its-Kind-Study-Shows-The-Power-Of-Work.pdf. The study they refer to is: Jonathan Ingram and Nic Horton, *The Power of Work: How Kansas' Welfare Reform Is Lifting Americans Out of Poverty* (The Foundation for Government Accountability, February 16, 2016), available at: https://thefga.org/download/PowerOfWork-KansasWelfareReform.pdf.

[5] Joshua Leftin, Nancy Wemmerus, James Mabli, Thomas Godfrey, and Stephen Tordella, *Dynamics of Supplemental Nutrition Assistance Program Participation from 2008 to 2012* (Arlington, VA: Decision Demographics, December 2014), p. 76, available at: https://fns-prod.azureedge.net/sites/default/files/ops/Dynamics2008-2012.pdf.

[6] Joshua Leftin, Nancy Wemmerus, James Mabli, Thomas Godfrey, and Stephen Tordella, *Dynamics of Supplemental Nutrition Assistance Program Participation from 2008 to 2012* (Arlington, VA: Decision Demographics, December 2014), p. 71, available at: https://fns-prod.azureedge.net/sites/default/files/ops/Dynamics2008-2012.pdf.

[7] 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.

[8] 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.

[9] Center on Budget and Policy Priorities, "Kansas' TANF Cash Assistance Is Disappearing for Poor Families," available at: https://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_ks.pdf.

[10] Center on Budget and Policy Priorities, "Kansas' TANF Cash Assistance Is Disappearing for Poor Families," available at: https://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_ks.pdf.

[11] Center on Budget and Policies Priorities, "Kansas TANF Spending," available at: https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_ks.pdf.

[12] Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Reaching Few Poor Families," Center on Budget and Policy Priorities, March 30, 2017, available at: https://www.cbpp.org/research/family-income-support/tanf-reaching-few-poor-families.

[13] 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.

[14] Gene Falk, Maggie McCarty, and Randy Alison Aussenberg, "Work Requirements, Time Limits, and Work Incentives in TANF, SNAP, and Housing Assistance," Congressional Research Service, February 12, 2014, available at: http://greenbook.waysandmeans.house.gov/sites/greenbook.waysandmeans.house.gov/files/R43400_gb.pdf.

[15] Gene Falk, Maggie McCarty, and Randy Alison Aussenberg, "Work Requirements, Time Limits, and Work Incentives in TANF, SNAP, and Housing Assistance," Congressional Research Service, February 12, 2014, available at: http://greenbook.waysandmeans.house.gov/sites/greenbook.waysandmeans.house.gov/files/R43400_gb.pdf.

[16] 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: https://fas.org/sgp/crs/misc/R44724.pdf.

[17] 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: https://fas.org/sgp/crs/misc/R44724.pdf.
[18] 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: https://fas.org/sgp/crs/misc/R44724.pdf.
[19] U.S. Government Accountability Office, *Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State* (Washington, D.C.: GAO, February 2010), available at: http://www.gao.gov/new.items/d10164.pdf.
[20] Center on Budget and Policies Priorities, "Kansas TANF Spending," available at: https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_ks.pdf.
[21] See, for example, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance , "Work Participation Rates - Fiscal Year 2015," December 15, 2016, Table 4A, available at: https://www.acf.hhs.gov/sites/default/files/ofa/wpr2015.pdf.
[22] Testimony of Wade F. Horn, Ph.D., Assistant Secretary for Children and Families, U. S. Department of Health and Human Services, Before the Human Resources Subcommittee, House Ways and Means Committee, U.S. House of Representatives, July 14, 2005, available at: https://www.acf.hhs.gov/olab/resource/wade-f-horn-on-ndnh-and-tanf.
[23] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Characteristics and Financial Circumstances of TANF Recipients," various years, available at: https://www.acf.hhs.gov/ofa/programs/tanf/data-reports.
[24] Orley Ashenfelter, "Estimating the Effect of Training Programs on Earnings," *Review of Economics and Statistics*, 1978, vol. 40, no. 1, pp. 47-57.
[25] Howard S. Bloom, "Building a Convincing Test of a Public Housing Employment Program Using Non-Experimental Methods: Planning for the Jobs-Plus Demonstration," MDRC Working Papers on Research Methodology, October 1996, available at: https://www.mdrc.org/sites/default/files/full_32.pdf.
[26] Center on Budget and Policies Priorities, "Kansas TANF Spending," available at: https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_ks.pdf.
[27] For an excellent summary, see LaDonna Pavetti, "Work Requirements Don't Cut Poverty, Evidence Shows," Center on Budget and Policy Priorities, June 7, 2016, available at: https://www.cbpp.org/research/poverty-and-inequality/work-requirements-dont-cut-poverty-evidence-shows.
[28] Gordon L. Berlin, "What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization," MDRC, June 2002, pp. 36-37, available at: http://www.mdrc.org/sites/default/files/TANFGuide_Full.pdf.
[29] Gordon Berlin, "Balancing Welfare Support for Poor Families and Children with Promoting Self-Sufficiency Through Work," MDRC, July 2017, available at: http://www.mdrc.org/publication/balancing-welfare-support-poor-families-and-children-promoting-self-sufficiency-through.
[30] See Judith M. Gueron and Howard Rolston, *Fighting for Reliable Evidence* (New York, NY: Russell Sage Foundation, June 2013) and Michael E. Fishman and Daniel H. Weinberg, "The Role of Evaluation in State Welfare Reform Waiver Demonstrations," in *Evaluating Welfare and Training Programs*, edited by Charles Manski and Irv Garfinkel, (Harvard University Press, January 1992), pp. 115-142.
[31] 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.
[32] For a discussion of some of these issues, see Michael L. Wiseman and Mark Greenberg, "Fixing Welfare Waiver Policy," *Public Welfare*, Winter 1995, pp. 10-17. These are two separate articles, but share the same title.