

## **Pre-Post Conservatives Say TANF is a “Success”: Let’s Make It Even Better – A Possible Compromise**

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August 24, 2016

Most conservatives believe the 1996 welfare reform, particularly the creation of the Temporary Assistance for Needy Families (TANF) block grant has been a success and is a model for reforming other safety net programs. I offer an alternative conservative perspective, based on a model developed in the Reagan Administration, which provided states flexibility, but unlike TANF had strong accountability provisions – most notably cost neutrality and rigorous evaluation – to ensure that states actually helped needy families.<sup>2</sup> TANF replaced this evidence-based approach with a blank check and no meaningful accountability. For the past year, I have been writing critiques of TANF and “responses” to those who suggest TANF has been a “success.” I am beginning to think I am too rigid and that it may be time to “compromise.”

### **The Pre-Post Conservatives**

The typical claim by conservatives of TANF’s success lies in comparing poverty trends over time, before the 1996 law and afterwards (hence, pre-post conservatives). For example:

- Robert Doar (American Enterprise Institute): “TANF is a bright spot: Few programs have generated such strong gains in poverty reduction and employment. The program’s robust work requirement, accountability of state performance, and expanded administrative flexibility all helped raise the labor force participation of never-married mothers from 59.5 percent in 1995 to 73.8 percent in 2001 and reduce their poverty rate from 51 percent to 38.5 percent over the same time period.”<sup>3</sup>
- Robert Rector/Rachel Sheffield (The Heritage Foundation): “[T]he 1996 welfare reform is a rare example of a policy that actually reduced welfare dependence and poverty while cutting welfare costs. ... Within about five years, welfare rolls dropped by half, child poverty plummeted, and employment among low-income individuals jumped.”<sup>4</sup>
- Scott Winship (Manhattan Institute): “Here’s the give-away: none of these liberals actually tell you what happened to poverty among children or single-parent families after welfare reform. And they don’t do it because the fact of the matter is that poverty among these groups declined. Even without taking the safety net into account, poverty is lower than it was at its pre-welfare-reform peak in 1993.”<sup>5</sup>

### **My Reservations**

I have been hesitant to accept such pre-post comparisons of poverty, because there are many factors that affect poverty besides “welfare reform.” As I explain in “Welfare Reform *Increased* Poverty and No One Can Contest It,”<sup>6</sup> most conservative “analyses” of TANF’s effects on poverty: reflect little understanding of causal inference (i.e., they do not try to disentangle the effects of TANF from other possible influence, such as the economy and increased aid to the working poor); ignore rigorous research findings (particularly random assignment experiments

during the same time period that poverty rates fell fastest that suggest welfare reform had modest impacts); use inappropriate time periods (often starting years before TANF was enacted and often stopping around 2000); use the wrong poverty measure, i.e., the poverty *rate* rather than a measure that also includes the *depth* of poverty; and confuse TANF with welfare reform – TANF is nothing more than revenue sharing, with a myriad of ineffective and even counterproductive federal requirements. Pre-post conservatives generally fail to address most of these issues.

### **A Possible Compromise?**

I have argued that “TANF is broken” and that it needs to be replaced by a more competent welfare reform program (#CompetentAmerica).<sup>7</sup> Pre-post conservatives believe TANF has been a success, but even they would have to agree that the success stalled – and even reversed direction after 2000. Rather than continuing to debate TANF’s *net* effects, I believe there is a way to compromise.

Using the pre-post conservative’s approach to causal analysis – an examination of the poverty rate trend line – let’s agree that TANF’s success peaked in 2000 and recreate TANF as it existed in 2000 to jump start this debate. The outline below reflects a broad framework; I look forward to working with pre-post conservatives on the details.

### ***Updating TANF to Reflect the Key Features of the 2000 TANF “Program”***

1. **Increase the federal block grant from \$16.5 billion to \$30.2 billion to reflect the federal funding *per poor child* that existed in 2000, adjusted for inflation.** In 2000, federal TANF block grant spending per poor child per year was \$1,408, if we adjust that for inflation, the amount rises to \$1,943 per poor child in 2014.<sup>8</sup> We can then multiply that by the number of poor children in 2014. This suggests the TANF block grant should be about \$30.2 billion. And, of course, we should adjust the state maintenance-of-effort (MOE) requirement upward by the same percentage increase, raising it from \$11 billion to about \$20 billion. To ensure that the real value of funding per poor child remains the same over time, we should build in adjustments for inflation and appropriate demographic shifts.
2. **Require states to spend 70 percent of TANF/MOE funds on core welfare reform purposes (i.e., basic assistance, work activities, and child care), as they did in 2000.** One of the main criticisms of TANF today is that states use it as revenue sharing, supplanting existing state spending and diverting the funds for a range of other uses unrelated to core welfare reform purposes. This was not a serious problem in TANF’s early years – much of the federal windfall Congress provided went to expand spending on work supports like child care and many states saved a portion of the funds for a rainy day. But, Congress wasn’t happy that states were saving part of the block grant, so former Rep. Nancy Johnson sent a letter to all 50 governors in 1999 saying that if they don’t spend it, they may lose it.<sup>9</sup> As a result, many states shifted spending from core welfare reform purposes to a range of other activities – preK, college scholarships, child welfare, etc. Tens of billions of dollars have been used to simply supplant existing state expenditures. In 2014, the amount spent on core welfare reform purposes dropped to 50

percent – but even this is misleading, as it is influenced by California.<sup>10</sup> In some states, the percentage is far less than that, e.g., Texas (home to Ways and Means Chairman Brady) spends just 20 percent on core purposes and Georgia (home to Budget Committee Chairman Price) spends even less – just 16 percent.<sup>11</sup> Surely, you agree that supplantation and diverting funds to non-welfare reform purposes does little to reduce poverty and that TANF’s poverty-reducing effects could be enhanced by adopting this provision, right?

3. **Limit TANF spending to families with incomes below the poverty line, as most states did in 2000.** One of the downsides of states diverting funding to various non-welfare reform purposes is that many of the programs either have no income limit or very high limits. For example, Krissy Clark and her colleagues at Marketplace noted that Michigan “spends about \$100 million a year in TANF dollars on college scholarships – and many recipients are from families that earn more than \$100,000 year. Meanwhile, just 18 out of every 100 families living in poverty receive basic cash assistance.”<sup>12</sup> Clearly, diverting spending to those above poverty won’t reduce poverty; this is a no-brainer, right?
  
4. **Give states the flexibility to develop their own work requirements – or not have work requirements at all – the reality in 2000.** The creation of TANF gutted the even modest work requirements that existed before the 1996 law. While TANF has a 50 percent overall work rate target, for most years since TANF’s inception through FY 2011, 20 to 30 states faced a 0 percent work target because of the “caseload reduction credit.” In fact, in 2000, 31 states had a 0 percent target, meaning that in order to avoid a penalty, they had to do nothing. Most other states easily met the work rate because Congress made “unsubsidized employment” an activity and many states got a windfall from counting people who simply combined work and welfare, regardless of whether TANF had anything to do with that employment. Even when Congress tried to reestablish meaningful targets in the Deficit Reduction Act of 2005, states just took advantage of various congressionally-created loopholes, such as paying full-time workers token benefits to artificially inflate the numerator of the calculation or creating solely state funded programs for those unlikely to count in the work rate to artificially reduce the denominator.<sup>13</sup> In FY 2014, only about 100,000 families with a “work-eligible individual” were engaged in a real activity like work experience, vocational education, or job search for enough hours to count in the rate.<sup>14</sup> This represents just 6 percent of the cash assistance caseload and about 1-2 percent of the 7 million poor families with children. TANF’s work requirements don’t work, so why not dispense with the bureaucracy and leave it to the states?

### **Do We Have a Deal?**

Even with these reforms, there are still many problems with TANF, including needlessly complex and ineffective federal requirements, and I actually support the idea of work requirements that help move families from welfare to work. But, alas, the data and analysis from pre-post conservatives point to a different model, so I am willing to compromise. Are you?

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<sup>1</sup> The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I consider myself a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush. This paper assumes the reader has a basic understanding of the TANF program, but for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: <http://mlwiseman.com/?portfolio=peter-the-citizen>. The idea for this paper stems from a conversation with Michael Wiseman about what the vision for an ideal cash assistance program may look like. The paper is not intended to describe such an ideal, but to provoke thinking about design issues.

<sup>2</sup> For a summary of this approach, see Judith M. Gueron and Howard Rolston, *Fighting for Reliable Evidence* (New York, NY: Russell Sage Foundation, June 2013).

<sup>3</sup> Robert Doar, "TANF has been a success – Let's make it better," American Enterprise Institute, September 29, 2015, available at: <https://www.aei.org/publication/tanf-has-been-a-success-lets-make-it-better/>.

<sup>4</sup> Rachel Sheffield and Robert Rector, "Paul Ryan's New Anti-Poverty Plan Should Take Work and Marriage Seriously," July 25, 2014, available at: <http://dailysignal.com/2014/07/25/paul-ryans-new-anti-poverty-plan-take-work-marriage-seriously/>.

<sup>5</sup> Scott Winship, "Welfare Reform Reduced Poverty and No One Can Contest It," *Forbes*, January 11, 2016, available at: <http://www.forbes.com/sites/scottwinship/2016/01/11/welfare-reform-reduced-poverty-and-no-one-can-contest-it/>.

<sup>6</sup> Peter Germanis, "'Welfare Reform' Increased Poverty and No One Can Contest It: A Note to Conservatives," April 24, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2015/11/Welfare-Reform-Increased-Poverty.pdf>.

<sup>7</sup> Speaker Ryan uses #ConfidentAmerica; confidence is fine, but conservatives should first focus on competent policies; TANF is not one of them.

<sup>8</sup> A pre-post conservative might argue that this estimate exaggerates the amount needed because TANF reduced the number of poor children. As I've explained elsewhere, I don't believe TANF had a large impact on poverty, but we can renegotiate this estimate, e.g., by using the amount of federal funding per poor child in 1996.

<sup>9</sup> For an example of the letter sent to each governor, see: <http://fiscalpolicy.org/text-of-march-161999-letter-from-nancy-l-johnson-sent-individually-to-all-50-governors>.

<sup>10</sup> Center on Budget and Policy Priorities, "State Fact Sheets: How States Have Spent Federal and State Funds Under the TANF Block Grant," October 2, 2015, available at: <http://www.cbpp.org/research/family-income-support/state-fact-sheets-how-states-have-spent-federal-and-state-funds-under>.

<sup>11</sup> *Ibid.*

<sup>12</sup> Krissy Clark, Caitlin Esch, and Gina Delvac, "Everything but the kitchen sink," June 9, 2016, available at: <http://www.marketplace.org/2016/06/08/wealth-poverty/uncertain-hour/s1-04-everything-kitchen-sink>.

<sup>13</sup> See Peter Germanis, "The Failure of TANF Work Requirements: A Much Needed Tutorial for the Heritage Foundation and the American Enterprise Institute," August 12, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements-1.pdf>.

<sup>14</sup> These figures are from U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Work Participation Rates – Fiscal Year 2013," January 12, 2016, available at: <http://www.acf.hhs.gov/programs/ofa/resource/wpr2013>. See Table 4A.