

TANF Can't be Reformed – It Must be Repealed and Replaced: A Brief Explanation for Angela Rachidi

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In “Reforms to the safety net for families who can work,” Angela Rachidi of the American Enterprise Institute (AEI) examines the three main means-tested programs that “affect work-able families” – the Earned Income Tax Credit (EITC), the Temporary Assistance for Needy Families (TANF) block grant, and the Supplemental Nutrition Assistance Program (SNAP).² In the article, and a related monograph,³ she examines TANF’s “successes” and “shortcomings.”

In terms of “shortcomings,” Rachidi explains that some extremely poor families have fallen “through the cracks.” She points to problems with the work participation rate, noting that some provisions in the law may be too “restrictive,” while others are too flexible. She also notes that the work rate is a process measure that “makes it difficult to measure how effective states are in transitioning recipients into the workforce.” To address these “shortcomings,” she outlines several “reforms”:

States should be held accountable for meeting TANF’s goals, including an assurance that funding is spent on poor families and that work programs are increasing employment. This means moving away from process measures to outcome measures, making the work participation rate more meaningful (including giving states credit for engaging hard-to-serve families), and maintaining a strong work-first focus while allowing states to experiment with various program activities, such as education and training.

To her credit, Rachidi is one of a few conservatives to acknowledge that TANF has “shortcomings.” Too many conservatives, including Speaker Ryan, still believe that it is an “unprecedented success” and a model for reforming other safety net programs. Nevertheless, Rachidi’s proposed “reforms,” while addressing some of TANF’s “shortcomings,” are just general statements without any policy details. More important, because she fails to address TANF’s structural problems, stemming from the block grant structure and excessive state flexibility, her recommendations would not achieve the desired results.

The following is a brief explanation as to why Rachidi’s recommendations are not solutions to TANF’s very real problems. This response assumes the reader is familiar with TANF’s problems, as described in *TANF is Broken! It’s Time to Reform “Welfare Reform.”*

Recommendation #1: hold states accountable for “meeting TANF’s goals, including an assurance that TANF funding is spent on poor families.”

This is a great recommendation and if implemented properly would address the fact that many states use TANF as a slush fund to supplant existing state spending and fill budget holes. But, Rachidi offers no policy details on how she would accomplish this. The solution is simple – limit TANF spending to core welfare reform purposes, mainly cash assistance and welfare-to-work activities, and set an income limit for assistance, say at 100 percent of the poverty line.⁴

Recommendation #2: make the work rate more meaningful (including giving states credit for engaging hard-to-serve families).

As long as TANF is a block grant with excessive state flexibility, the work rate will remain a meaningless measure of state performance. TANF's requirements are "weak" with respect to holding states accountable for engaging needy families in work activities, "punitive" in terms of their treatment of *many* needy families, and largely "ineffective" as a tool for promoting work.

In many states, work requirements are largely irrelevant, because the states don't use TANF to fund cash assistance anymore. For example, in Texas, in 2014, there were 707,093 poor families with children, but only about 37,000 received TANF cash assistance and only about 10,000 had an adult that was required to participate in work activities.⁵ When only 1-2 percent of poor families with children are subject to work requirements, it isn't hard for a state to meet those requirements.

Even in states with a semblance of a cash assistance safety net, TANF's work requirements are a travesty.⁶ Most states use gimmicks to meet them, rather than actually connecting needy families to welfare-to-work activities that might help. I have documented this at great length in numerous publications, including "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute."⁷

I am a conservative who believes in the value of work requirements and it is exceedingly frustrating that conservatives consistently fail to appreciate the failure of TANF's work requirements and advance simplistic and vague reforms like "making the work participation rate more meaningful." Unless conservatives address the block grant structure, the excessive state flexibility to spend TANF funds on anything that remotely relates to a TANF purpose, and misguided statutory provisions, states will continue to take advantage of the loopholes conservatives themselves created.

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.

Recommendation #3: refocus TANF on outcomes and away from process measures.

Unless TANF is transformed from a block grant that is just a form of revenue sharing to a real "program," this recommendation would do little more than force states to engage in a largely useless data collection exercise. Of course, as with other recommendations, there are no policy details, but such a transformation would face the same problems as TANF's process measure – the work rate. As noted above with respect to TANF's process measure, a focus on outcomes would have little value in states that no longer use TANF as cash assistance. And, if there are financial consequences for failing to meet new outcome standards, even if states have a cash assistance program, they can be expected to game the outcomes just as easily as they do the work rate. Even more likely, they may simply fund all of their cash assistance families in a solely state funded program and use TANF to fund other social services and activities.

Again, the only way to address this problem is to deal with the block grant structure with its excessive state flexibility. Thus far, conservatives have been unwilling to address this reality.

Recommendation #4: allow states to experiment with various program activities, such as education and training.

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

The result is that, 19 years after TANF's creation, we still have no rigorous evidence to inform debates about expanding work requirements to other programs. Similarly, because few states have implemented innovative employment strategies for families with substantial personal and family challenges, we still have very limited knowledge about how to significantly improve their employment outcomes. In short, states had an opportunity to innovate and rigorously evaluate new approaches to service delivery, but that is not the path they chose.⁸

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

With respect to experimenting with education and training, there is nothing to prevent states from doing that now. Even the barriers to counting such activities in the work rate are trivial, as states can meet the work requirements by taking advantage of the loopholes in the law, e.g., placing families in such activities in a solely state funded cash assistance program.

The real problem is that TANF undid the experimental approach to welfare reform that *required* states to test and evaluate changes to welfare policies by obtaining waivers. Prior to TANF, there were dozens and dozens of experiments underway to test various approaches to welfare reform and welfare-to-work activities. TANF replaced this with a blank check with no meaningful accountability.

It is easy to say that states should be held “accountable” and that work requirements should be strengthened, but the devil is in the details. Conservatives have a long way to go to achieve the goals they claim to support. In the meantime:

TANF must be repealed and replaced!

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

² Angela Rachidi, "Reforms to the safety net for families who can work," American Enterprise Institute, February 22, 2017, available at: <https://www.aei.org/publication/reforms-to-the-safety-net-for-families-who-can-work/>.

³ Angela Rachidi, *The American Safety Net: A Primer on Welfare Programs for Low-Income Families* (Washington, D.C.: American Enterprise Institute, January 25, 2017), p. 4, available at: <https://www.aei.org/publication/the-safety-net-for-low-income-work-able-families-in-america-where-to-go-from-here/>.

⁴ This recommendation should be phased in over several years.

⁵ Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," Center on Budget and Policy Priorities, October 27, 2015, available at: <http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net>; and U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Work Participation Rates – Fiscal Year 2014," Table 4A, July 26, 2016, available at: <http://www.acf.hhs.gov/ofa/resource/work-participation-rates-fiscal-year-2014>.

⁶ Peter Germanis, "The Failure of TANF Work Requirements in 2015: The Need for 'A Much Better Way,'" December 20, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements.2015.pdf>.

⁷ 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>.

⁸ Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," October 27, 2015, available at: <http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net>.