

## The Best Way Forward on TANF is to Start Over: A Response to Angela Rachidi

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Most conservatives believe the 1996 welfare reform, particularly the creation of the Temporary Assistance for Needy Families (TANF) block grant, is a success. In “A Way Forward on TANF,” Angela Rachidi of the American Enterprise Institute (AEI) contends that TANF has been an effective program, but acknowledges that after more than 20 years some changes are needed.<sup>2</sup> In this regard, she offers her insights into some of the reforms proposed in a recently released TANF reauthorization discussion draft prepared by the House Ways and Means Committee.<sup>3</sup> Rachidi’s assessment is incomplete and often misleading. Moreover, her recommendations fail to address TANF’s underlying structural problems and thus do not offer a real path forward. The *best* way forward would be to start over.

This response addresses some of the claims made by Rachidi about TANF. Each claim is followed by a “PC Response.” (“PC” is short for “Peter the Citizen.”)

**Angela Rachidi:** “Most people agree that TANF reforms are needed. Like many policies, TANF was created to address particular challenges facing the country at the time of its passage. In 1996, 12.6 million people were receiving cash assistance in the average month from AFDC, the precursor to TANF, and it offered little in terms of a path out of poverty. Most people recognized that it likely added, rather than reduced, despair for poor families in America.”

**PC Response:** TANF was a mistake from the start – there is nothing about the “challenges facing the country at the time of its passage” that would lead one to conclude the transforming a cash assistance safety net program into an overly flexible block grant with dysfunctional federal requirements (most notably work requirements) would be a good idea. While there were legitimate concerns about TANF’s predecessor (AFDC), Rachidi ignores reforms already underway that would have addressed the “challenges” far more effectively.

*Waivers with accountability.* In 1987, President Reagan started encouraging states to use existing authority to conduct welfare reform experiments – through waivers of AFDC’s rigid rules (and, to a lesser extent, food stamp and Medicaid rules due to more limited waiver authorities for those programs). This approach was continued by President Bush and President Clinton. When the 1996 law passed, many states simply continued these policies – they didn’t need TANF to enact “welfare reform.” This process did not provide a fixed level of funding, like block grants. Instead, it relied on an approach that would provide a real counterfactual using the “gold standard” of evaluation – random assignment.<sup>4</sup> As a result, it would be possible to know whether state reforms actually reduced welfare dependency by increasing self-sufficiency. The next step would have been to refine this process and expand waiver authorities in other programs.

*A modest, but real, work requirement.* In addition, states were still implementing the Job Opportunities and Basic Skills Training (JOBS) program, enacted as part of the Family Support

Act of 1988. By FY 1995, states were to have 20 percent of their nonexempt caseloads involved in a work, education, or training activity for an average of 20 hours per week. This was a modest requirement, but here too it was something to build on. Instead, TANF's work requirements are unreasonable, dysfunctional, and are not about work. Their main function has been to cut caseloads through a process known as "bureaucratic disentanglement." Even with sharply reduced caseloads, states have resorted to loopholes and gimmicks to satisfy federal work requirements that are unrealistic. As a result, most states have never served large numbers of families in actual work activities. For a detailed discussion of TANF's work requirements, including a listing of loopholes, 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 at: <http://mlwiseman.com/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf>.
- "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>.

Instead of building on this foundation, TANF replaced these approaches with a blank check to states with virtually no accountability – including no meaningful work requirement.

**Angela Rachidi:** "Fast forward 20 years, and TANF now serves approximately 3.5 million in the average month, a decline of more than 70%."

**PC Response:** In FY 2017, the *real* average monthly TANF/SSP caseload was only about 2.6 million. Rachidi counts about 900,000 recipients in separate state programs (SSPs) funded with state maintenance-of-effort dollars receiving "token payments." These are small amounts (e.g., \$10 a month) to families that would otherwise have no connection to the cash assistance caseload. The dozen or so states that make these payments do so to artificially inflate their TANF work participation rate. (These payments are possible because TANF made "unsubsidized employment" a work activity.) Excluding these recipients brings the decline in the caseload to nearly 80 percent. What is striking and one reflection of TANF's failure is that one-fourth of the caseload receiving TANF/SSP benefits today is on the rolls solely because of a gimmick states use to game the work requirements.

**Angela Rachidi:** "Critics suggest this [the TANF caseload] is too low, even though the vast majority of poor families with children (87.4%) still receive some form of cash assistance from the government. But critics are correct that it's now from the earned income tax credit (EITC) and not TANF, suggesting that those who cannot work (and therefore do not benefit from the EITC) might be falling through the cracks.

**PC Response:** The 87.4 percent figure Rachidi cites is from a study she co-authored with Shijie Jin – *The Reach of the Cash-Based Safety Net for Poor Families with Children in America*.<sup>5</sup> The purpose of that study was to examine "the existing reach of government programs that provide cash income to poor families with children and how it has changed over time."<sup>6</sup> Their analysis

sought to address a concern raised by critics of the 1996 welfare reform law, namely that TANF shredded the cash assistance safety net. Rachidi and Jin suggest that the availability of cash aid from other programs, most notably the Supplemental Security Income (SSI) program and the Earned Income Tax Credit (EITC), has offset this loss and that the “vast majority of poor families with children receive cash assistance, although today it is in a form very different than it was before the reforms of the late 1990s.” According to Rachidi and Jin:

The ultimate conclusion, then, is that the current mix of cash-based benefits effectively lifts almost three million children out of poverty, and among families with children who remain in poverty (either according to the official or supplemental measure), the vast majority receive some cash benefit from the government. When noncash assistance is included, virtually all are covered. This reveals a social safety net that effectively covers most poor families with children in America.<sup>7</sup>

There are a number of problems with this conclusion. First, simply tabulating the percentage of poor families that receive benefits from one or more cash assistance programs over the course of a year and tracking a trend over time is far too simplistic a measure to make meaningful judgments about the adequacy and effectiveness of the cash assistance safety net. It is also important to examine the amount of benefits, their timing, and distributional effects.

Second, while Rachidi finds that 87 percent of poor families with children receive some form of cash assistance, this statistic alone leaves out several important details. According to figure 3 of the study Rachidi cites, between 1996 and 2012, the percent of poor families with children receiving TANF fell from nearly 60 percent to just 22.5 percent. Meanwhile, the percent of poor families with children receiving the EITC<sup>8</sup> and SSI remained about the same, at about 61 percent and 19 percent, respectively. So, the main difference is that nearly 40 percent of poor families with children lost TANF cash assistance. Notably, during this time period, the number of poor families with children rose as did the number of families with incomes low enough to qualify for TANF cash assistance.<sup>9</sup> These facts should lead anyone concerned about the adequacy of the safety net to question why what was once the nation’s primary cash assistance program has failed so many families.

Third, the timing of benefit payments matter. According to figure 2 of the study Rachidi cites, 36 percent of poor families with children received TANF or SSI in 2012 (down from about 65 percent in 1996). Another 46 percent received only the EITC and 18 percent did not receive any cash assistance from any one of these three programs. Because the EITC is paid once a year as a refund, there are many months in which millions of families would not have access to a cash payment. This is why TANF is such an important safety net. And, even among those families that still receive TANF cash assistance, the dollar value of benefits has failed to keep pace with inflation in nearly every state. Indeed, nearly half the states have not increased their benefit levels since 1996, representing a decline of 34.5 percent or more when adjusted for inflation, and some have actually reduced benefits.<sup>10</sup>

The nation’s safety net is generous and we have made enormous progress in reducing poverty since the War on Poverty, but the 1996 welfare reform law blew a massive hole in the cash

assistance safety net for the very poor and has done little to provide the “hand up” conservatives so often call for. For a more complete response, see:

- “Making Progress on TANF: A Response to Angela Rachidi,” February 12, 2017, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/TANF-Response-to-Rachidi.pdf>.

**Angela Rachidi:** “Other concerns center on a number of TANF provisions that have lost their impact. Work requirements, state spending requirements, service mandates, and reporting efforts – all were carefully legislated in the original law, but now are largely meaningless.”

**PC Response:** Carefully legislated? When it comes to the TANF legislation, Congress got virtually every technical detail wrong. The creation of the TANF block grant with *excessive* state flexibility set in motion changes that would: (1) initially provide large windfalls of federal funds for states, but also put in place a funding structure that in the longer-term would provide insufficient resources due to inflation and demographic changes; (2) allow states to use federal funds to supplant their own spending (by tens of billions of dollars since TANF was created); (3) permit states to convert TANF (over time) to a giant slush fund with minimal reporting and accountability provisions; (4) impose a Rube Goldberg-like set of bureaucratic and ineffective funding formulas and requirements; and (5) give states excessive flexibility to avoid or evade virtually all of the federal requirements in the law, most notably work requirements and time limits. TANF is anything but “carefully legislated.”

It is surprising to hear Rachidi now suggest that “work requirements, state spending requirements, service mandates, and reporting efforts ... now are largely meaningless.” The problems Rachidi is alluding to have existed from the beginning. For more detail, see:

- *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>.

**Angela Rachidi:** “And little is known about what services low-income people on TANF are actually receiving.”

**PC Response:** TANF’s main accountability measures are limited to “assistance” (less than \$8 billion) and even these are of limited usefulness; there is virtually no meaningful accountability for the \$20+ billion in “non-assistance” expenditures. There are hundreds of different state programs funded as “non-assistance,” with little information on what they do, their cost, the number of families served, and their effectiveness. If the legislation were “carefully legislated,” as Rachidi suggested, one would think there would have been a larger role for federal oversight.

**Angela Rachidi:** “Even though TANF led to many positive outcomes (as my AEI colleague Robert Doar recently argued), what remains is a shell of what was originally intended – namely to move poor, primarily single mother parents into employment.”

**PC Response:** There is nothing in Robert Doar’s testimony that points to a causal relationship between TANF and “many positive outcomes.” He points to a reduction in material deprivation over the last 20 years:

TANF has been a component of our antipoverty efforts for 20 years now. Material deprivation in the United States is now at an all-time low not simply because TANF provides a benefit that allow[s] poor Americans to live a bit more comfortably, but because it encourages them to work and earn income.<sup>11</sup>

This may be true, but it does not mean TANF had a role in this decline. Spending on means-tested public assistance programs has increased by hundreds of billions of dollars in real terms over this time span, most notably in the form of refundable tax credits, Medicaid, and SNAP (formerly food stamps). Most of the spending increases have been targeted to those who work and many of whom have incomes above the poverty line. Meanwhile, spending on TANF cash assistance has declined by over \$30 billion in real terms – a very significant loss affecting many who don’t or can’t work. For more detail, see:

- “TANF is a Massive Policy Failure, But Other ‘Liberal’ Welfare Policies Reduced Poverty: A Response to Scott Winship,” August 22, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/Winship-Poverty-After-WR.pdf>.

It is also worth noting that Doar’s assessment is based on an analysis of trends in poverty using consumption data by his AEI colleague and University of Chicago economist Bruce Meyer. While this work is important, there are a number of other studies that find trends in other measures of poverty and material hardship that are quite different. For example, Luke Shaefer and Joshua Rivera of the University of Michigan compared trends in a number of different metrics – their results do not support Doar’s description:

In contrast, the Meyer and Sullivan consumption poverty series follows a path that is dissimilar to all of the other metrics during the past two decades, and yields very different conclusions about trends in poverty and hardship. For instance, the Meyer and Sullivan consumption series would lead to the conclusion that poverty was markedly lower during the Great Recession than in the early 2000s, even as income poverty, food insecurity, non-food material hardship, and medical hardship were markedly higher.<sup>12</sup>

While the debate over poverty and material hardship is important, none of these studies provide support for Rachidi’s claim that “TANF led to many positive outcomes.”

**Angela Rachidi:** “This is why more than twenty years later, it’s time to fix the things that have not worked well in TANF, and strengthen those that have.”

**PC Response:** TANF was flawed from the start and even Rachidi’s assessment points to little that “worked well” and should be “strengthened.”

## **Rachidi's "key positive changes"**

Rachidi outlines "a few key positive changes as proposed by the House Ways and Means TANF discussion draft."

**Angela Rachidi: "Refocus TANF funds on the neediest families.** One concern with how TANF has evolved is that states use TANF funds for things that were not the original intent of the program. Rather than providing cash assistance and employment-related services, states use TANF money to fill budget gaps in other areas. The discussion draft tightens spending requirements by only allowing TANF funds to be used to serve families that are below 200% of the federal poverty line. It also specifies how much can be transferred to workforce development and child welfare. The intent is to ensure that states do not supplant state funding in these areas with federal TANF money."

**PC Response:** Setting a maximum income limits on TANF benefits and services is a step in the right direction, as does requiring states to transfer child care and child welfare funds to more appropriate programs to ensure some accountability. However, the draft otherwise does little to curtail state flexibility on spending or the problem of supplantation with respect to the mandatory portion of the grant (and related MOE spending). The new matching grant *may* encourage states to spend more on assistance and work activities, but the extent to which this is the case is uncertain.

A better approach would be to limit spending to those with incomes below 100 percent of poverty, to replace the entire funding structure with a federal-state match (even if capped), and to require all spending to be on core activities, i.e., assistance, work activities, and work supports.

**Angela Rachidi: "Strengthen the focus on employment and individualized services.** Another concern with TANF is that states found ways around doing the hard work of providing services aimed at increasing employment. Under current law, states are required to engage 50% of their TANF caseload in employment-related activities, but too many exceptions are allowed that make this rate meaningless in many states. The discussion draft gets rid of the 50% work participation rate (and all the exceptions) and instead requires that states engage all TANF recipients in something. It also encourages states to develop individual employment plans and to use case management."

**PC Response:** While TANF sent a strong message about work, its work requirements have, practically speaking, been "meaningless" in many states. For most years since its inception, 15 to 30 states faced a 0 percent work target (meaning that in order to avoid a penalty, they had to engage 0 percent of their caseload a certain number of hours per week in the statutorily prescribed work activities). Virtually all states have taken advantage of one or more loopholes to meet TANF's work rate targets, thus making the requirements nothing more than a nuisance states have had to work around. As long as TANF is a block grant with excessive state flexibility, loopholes will remain. Doug Besharov and I noted as much in a 2004 report for *AEI* – *Toughening TANF*, stating that "the structure of the TANF block grant would enable states to avoid *all* additional participation requirements..."<sup>13</sup>

While a work requirement can be a useful policy tool, TANF's is not. Getting rid of the 50 percent work participation rate and all its requirements would reduce needless administrative burdens and give states the opportunity to adopt what may be more effective approaches.

**Angela Rachidi: “Promoting outcomes.** With the elimination of the work participation rate, the discussion draft adds four outcomes that are related to employment and are intended to hold states accountable for helping recipients into employment. States will be required to set a target for these outcomes and report progress to the federal government. The outcomes include the percent of families who exit TANF with employment, the percent who exit and are employed 6 and 12 months post-exit, median earnings after exit, and the percent of those attending high school or an equivalency program who complete it.”

**PC Response:** Rachidi lists this among the “positive changes” in the discussion draft, but does not elaborate on why. Indeed, she later cautions, “Outcome measures are not enough to hold states accountable.”

The goal of an employment-related outcomes performance measurement approach in the draft bill is worthy of consideration, but it does not provide a reasonable timeframe to implement such an approach, nor does it reflect the fact that the empirical data needed to develop this approach do not exist. It also does not provide time needed to develop the data collection infrastructure and test approaches to target setting that reflect the desire to improve employment outcomes. While the Committee's draft bill aligns the performance measures with those in Workforce Innovation and Opportunity Act (WIOA), it is important to recognize that the target populations are very different, with WIOA serving actual participants in an employment and training program, whereas the TANF measures would be based on work-eligible individuals who leave TANF regardless of whether they have participated in any activity. As a former official in New York City's Department of Social Services, where she oversaw the agency's policy research and program evaluation efforts, her insights on these issues would have been constructive.

A more serious problem is that switching from a process measure to outcomes doesn't eliminate the incentive for gaming, particularly if there is a serious penalty for states that fail to meet their outcome targets. For example, a state might gradually shift more families to a solely state funded program, particularly those with barriers to employment to increase the likelihood that those remaining have positive employment outcomes when they leave the TANF rolls. Or, it could provide token benefits to families with full-time workers for a month or two, as these families would become “leavers” and boost employment outcomes.

These problems could have been avoided (or at least minimized) had Congress continued to build on the preTANF waiver approach with its emphasis on impacts, rather than process or outcome measures.

**Angela Rachidi: “Revisits the funding formula.** Research suggests that the existing funding formula for TANF does not equitably allocate funds to states. The discussion draft updates the funding formula to more closely reflect child poverty rates by state. It also introduces federal matching funds, which can only be used on core employment activities. This will increase the incentive for states to spend TANF funds on employment-related activities.”

**PC Response:** It doesn't take "research" to see that TANF funding is not equitably allocated. In 2013, the amount of the TANF block grant per poor child ranged from \$280 in Texas to \$2,555 in New York and \$2,572 in Vermont.<sup>14</sup> (Even if one believed basing funding for assistance on prior spending levels under AFDC was reasonable, a bill that sought to impose stringent work requirements should have made allowance for the fact that the cost of implementing work programs is significant and not subject to such wide variation.) And, it's not just inequitable across states, but over time as well. When TANF was enacted, the nation's governors worked out a deal where they all received a massive federal windfall relative to what they would have received in the absence of "welfare reform." But because the block grant isn't adjusted for inflation or demographic changes, all states are "losers" now. Even worse, the lack of serious limits on state flexibility meant that many states have diverted TANF dollars to supplant existing state expenditures or otherwise filling budget holes. Indeed, TANF is really revenue sharing, so why federal taxpayers would fund a revenue sharing program today based on historic spending under AFDC makes no sense at all.

Rachidi notes that the Ways and Means draft introduces federal matching funds that can be used for "employment-related activities," but fails to mention that the funds can be used for "assistance" as well – a reminder that AEI seems to have little concern for the cash assistance safety net for the nation's neediest families. And, whether the incentive of the matching funds induces states to invest more in core activities remains to be seen; Heather Hahn, a senior fellow at the Urban Institute, warns of potential unintended consequences:

This change leaves open the possibility that states could reduce their spending and pass up the federal matching funds.

In the proposal, the amount of federal matching funds each state could access would be based on a formula reflecting the number of children living in poverty in each state. This would shift funds away from states that historically invested more in supporting low-income families and toward those that invested less. It is unclear whether the states that historically invested less in low-income families would now opt to invest the additional state funds that would be required to access the full federal match.<sup>15</sup>

### **Rachidi's "areas of concern"**

Rachidi also suggests "a few areas of concern remain."

**Angela Rachidi:** "Lack of evidence to support change in work activities. When TANF was created in 1996, a large body of research on welfare-to-work strategies predated it. This research led to a program design that focused on core activities (quick job placement, for example) and to a lesser extent education and training activities."

**PC Response:** Rachidi should cite the "large body of research" that justifies TANF's narrow work-first approach. There were certainly many studies underway, but the evidence base in 1996 was limited. In developing its list of countable work activities, Congress used early research findings testing the impact of two welfare-to-work models. One approach was the "Labor Force



Attachment” (LFA) approach, which emphasized rapid job entry and focused on job search assistance, followed by work experience or short-term education or training activities. The second approach was the “Human Capital Development” (HCD) approach, which permitted participation in longer, skill-building education and training activities. The impacts of these programs on employment, earnings, welfare receipt, and other outcomes were evaluated using random assignment. A 1995 report describes the program’s preliminary, two year impacts on employment, earnings, and welfare receipt in three sites (Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California).<sup>16</sup> The LFA model raised earnings 25 percent and reduced welfare receipt by 22 percent, compared to the HCD model, which had no impacts on earnings, although it did reduce welfare payments by 14 percent. And, the LFA approach was considerably less costly than the HCD approach. These findings influenced the development of TANF’s work activities, but the conclusions based on this research were premature.

A 2001 study by MDRC, *How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs*,<sup>17</sup> updated these findings and to cover a five-year period and found that the gap between the two approaches had largely dissipated:

Directly comparing the LFA and HCD programs in the three sites in which these programs were run side by side (thus using the most rigorous method for assessing the relative effectiveness of employment- and education-focused programs), employment and earnings levels over five years were largely similar for the two types of programs.

In the three LFA-HCD sites, LFA sample members left welfare at a slightly faster pace than HCD sample members in the first year of follow-up, but the gap narrowed in subsequent years. Only in one site did the LFA and HCD programs differ with respect to the number of months on welfare or welfare expenditures over five years. In this site, welfare months and expenditures were lower in the LFA program than the HCD program.<sup>18</sup>

These findings are hardly clear-cut evidence that one approach was so much more superior to the other to justify mandating it into law. Moreover, that report also examined impacts using a variety of program models in other states. It found that the most effective program was one that operated in Portland, Oregon, which relied on a flexible approach in assigning individuals to job search or short-term education and training, depending on caseworkers’ assessment of recipients’ skills and needs. The program increased average five-year earnings by 25 percent and reduced welfare receipt by 24 percent. But, TANF’s limits on counting education and training activities would not permit a state to run this approach and count most of the hours of participation. In fact, it is noteworthy that none of the programs that were evaluated would have met TANF’s 50 percent work participation requirement. As Gordon Berlin of MDRC 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.<sup>19</sup>

It is also worth noting that the programs in the report operated between 1991 and 1999 and that started *before* TANF was created. Those findings are not directly generalizable to programs in the TANF era, given the differences in: the populations that were required to participate; the hourly expectations in pre-TANF programs vs. TANF programs; the work rate structure faced by states (a 20 percent requirement vs. a loophole-ridden 50 percent requirement under TANF); other TANF policy choices (e.g., sanctions and time limits); economic conditions; demographic characteristics of the caseload; and an array of other factors.

It is long past time to abandon the rigid work-first model supported by Rachidi and most conservatives. As Gordon Berlin, president of MDRC explains:

The challenge for policymakers is to find ways to maintain the employment orientation that underlies reform's success, while opening the door to additional education and training. Results from carefully designed tests of job-search-first programs, education-first programs, and mixed-strategy programs provide strong support for the idea that education and training have an important, although probably subsidiary, role to play in the future of welfare reform. The evidence indicates that both job-search-first and education-first strategies are effective but that neither is as effective as a strategy that combines the two, particularly a strategy that maintains a strong employment orientation while emphasizing job search first for some and education first for others, as individual needs dictate. There is little evidence to support the idea that states should be pushed to one or the other extreme.<sup>20</sup>

**Angela Rachidi:** “The discussion draft eliminates this distinction and allows states maximum flexibility to determine the appropriate activities people engage in. States have long requested this change, and perhaps it is time to move in this direction. But it would be a major change in the original TANF law. Without research to suggest that this change would be successful, it risks placing people in services that will not benefit them. Before making this change, Congress should allow for several demonstration projects to test different approaches against the existing core/noncore activity approach.”

**PC Response:** As noted above, the current TANF model is not supported by research and the conversion to a block grant ended a period of widespread experimentation. 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.<sup>21</sup>

**Angela Rachidi:** “**Lack of research support.** Encouraging states to use individualized employment plans and case management similarly was added without much evidence. Congress should add incentives or requirements that states rigorously evaluate their case management approaches so that more can be learned about whether it is an effective strategy in TANF.”

**PC Response:** It’s encouraging that AEI is beginning to emphasize evidence in policy-making, but it is noteworthy that none of TANF’s key provisions – work requirements and time limits – had a strong evidence base. Similarly, there is little evidence regarding the impact of state-specific time limits (in addition to the federal time limit), sanctions, family caps, diversion programs, and an array of other provisions. Some policies have undoubtedly helped families move toward self-sufficiency, others have just as surely pushed them deeper into poverty. If Rachidi is worried about having evidence of individualized employment plans and case management, she should explain why it wasn’t important to have evidence for any other provision mandated in federal law or chosen as a state option.

**Angela Rachidi:** “Outcome measures are not enough to hold states accountable. The discussion draft allows each state the opportunity to negotiate the target outcome measure, and no penalties are specified for not meeting the targets. Experience from other workforce development efforts suggest that states are able to manipulate outcome measures in ways that benefit them. This does not suggest that outcomes measures can’t be useful, but they should not be the only accountability metric.”

**PC Response:** Rachidi is right to be concerned about accountability and is correct that outcome measures alone are not sufficient. But, unless she is willing to undertake real reform – reform that addresses the block grant structure and excessive state flexibility, many states will continue to game any requirement and the result will just be a wasted bureaucratic exercise.

The best approach for measuring real progress in employment and other outcomes is to go back to the preTANF waiver-based approach to reform with a requirement for a random assignment experiment.

**Angela Rachidi:** “In addition to outcome measures, the [Assistant] Secretary of the Administration for Children and Families (ACF), which oversees TANF, must have the authority to restrict funding to states that are not operating their TANF program in accordance with the intent of the law.”

**PC Response:** TANF is a blank check with no meaningful accountability; however, Rachidi’s recommendation lacks important detail about what she means by the “intent of the law” and what it would mean to “restrict funding.” Some might note that the current TANF program is operating in a way consistent with the “intent of the law” as section 401(a) of the Social Security Act describes the “purpose” of TANF to “increase the flexibility of States in operating a program designed to...” and then goes on to list the four main goals of the program.

**Angela Rachidi:** “The House Ways and Means TANF discussion draft is a good starting place to refocus TANF on employment and make many needed changes to the law. Although some

concerns remain about abandoning the “work-first” approach that TANF currently takes, allowing states the opportunity to test whether different approaches can be effective would be a good compromise.”

**PC Response:** It is ironic that Rachidi would recommend “allowing states the opportunity to test whether different approaches can be effective”; when the Obama Administration proposed a waiver-based approach for doing this, conservatives accused the President of “gutting” work requirements.

## **Conclusion**

The best way forward on TANF is to start over and design a “program” that makes sense and that is based on rigorous evidence about what works and what doesn’t. This means looking back to the foundation that existed before TANF and trying to build on that. TANF cannot be fixed; it must be repealed and replaced.

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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 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>.

<sup>2</sup> Angela Rachidi, "A Way Forward on TANF," American Enterprise Institute, May 11, 2018, available at: <http://www.aei.org/publication/a-way-forward-on-tanf/>.

<sup>3</sup> U.S. House of Representatives, Committee on Ways and Means, "Brady, Smith Release Legislation to Reauthorize TANF, Close Jobs Gap," May 8, 2018, available at: <https://waysandmeans.house.gov/brady-smith-release-legislation-to-reauthorize-tanf-close-jobs-gap/>.

<sup>4</sup> The findings from random assignment experiments are considered the most credible, because the experimental and control groups are alike and subject to the same external conditions, with the only difference being the intervention itself. Thus, any difference in outcomes between the groups can be attributed to the intervention – welfare reform – itself. For an excellent summary of the issues and deliberations during this period, see Judith M. Gueron and Howard Rolston, *Fighting for Reliable Evidence* (New York, NY: Russell Sage Foundation, June 2013).

<sup>5</sup> Angela Rachidi and Shijie Jin, "The Reach of the Cash-Based Safety Net for Poor Families with Children in America," *AEI Economic Perspectives*, February 2017, available at: <https://www.aei.org/wp-content/uploads/2017/02/The-Reach-of-the-Cash-Based-Safety-Net.pdf>.

<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*

<sup>8</sup> The percent receiving the EITC did rise to a peak of about 70 percent in 1999, but then declined again so that the 1996 and 2012 percentages are about the same.

<sup>9</sup> For the number of poor families with children over time, see Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," Center on Budget and Policy Priorities, October 27, 2015, Table 2, available at: <http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net>; and for changes in the number of families eligible for TANF cash assistance, see 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.

<sup>10</sup> Ife Floyd and Liz Schott, "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode," Center on Budget and Policy Priorities, October 15, 2015, available at: <http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states>.

<sup>11</sup> Robert Doar, "Reauthorizing TANF: Making a good program better," Statement before the House Committee on Ways and Means, Subcommittee on Human Resources, May 9, 2018, available at: <https://www.aei.org/publication/reauthorizing-tanf-making-a-good-program-better/>.

<sup>12</sup> H. Luke Shaefer and Joshua Rivera, "Comparing Trends in Poverty and Material Hardship Over the Past Two Decades," Poverty Solutions at the University of Michigan Working Paper Series #5-17, available at: <http://poverty.umich.edu/wp-content/uploads/sites/55/2018/03/Shaefer-Rivera-3.14.18.pdf>.

<sup>13</sup> *Ibid.*, p. 3.

<sup>14</sup> Gene Falk, "Temporary Assistance for Needy Families (TANF): Financing Issues," Congressional Research Service, September 8, 2015, available at: <https://fas.org/sgp/crs/misc/R44188.pdf>.

<sup>15</sup> Heather Hahn, "A proposal to modernize TANF could bring new incentives and unintended consequences," May 11, 2018, available at: <https://www.urban.org/urban-wire/proposal-modernize-tanf-could-bring-new-incentives-and-unintended-consequences>.

<sup>16</sup> Stephen Freedman and Daniel Friedlander, *The JOBS Evaluation: Early Findings on Program Impacts in Three Sites* (New York, NY: MDRC, June 1995), available at: <http://www.mdrc.org/sites/default/files/Early%20Findings%20on%20Program%20Impacts%20in%20Three%20Sites%20ES.pdf>.

<sup>17</sup> Gayle Hamilton, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams-Ciardullo, Anna Gassman-Pines, Sharon McGroder, Martha Zaslow, Surjeet Ahluwalia, and Jennifer Brooks, How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs

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(New York, NY: MDRC, December 2001), available at: <http://www.mdrc.org/publication/how-effective-are-different-welfare-work-approaches>.

<sup>18</sup> Gayle Hamilton, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams Ciardullo and Anna Gassman Pines (all of MDRC) and Sharon McGroder, Martha Zaslow, Jennifer Brooks and Surjeet Ahluwalia (all of Child Trends), *How Effective Are Different Welfare to Work Approaches? Five Year Adult and Child Impacts for Eleven Programs* (New York, NY: MDRC, December 2001): ES-15, 18, and 20, available from: [http://www.mdrc.org/sites/default/files/full\\_391.pdf](http://www.mdrc.org/sites/default/files/full_391.pdf).

<sup>19</sup> Gordon L. Berlin, "What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization," MDRC, June 2002, available at: [http://www.mdrc.org/sites/default/files/TANFGuide\\_Full.pdf](http://www.mdrc.org/sites/default/files/TANFGuide_Full.pdf).

<sup>20</sup> 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](http://www.mdrc.org/sites/default/files/TANFGuide_Full.pdf).

<sup>21</sup> 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>.