

TANF in Texas: The Need for “A *Much* Better Way”: A Cautionary Tale for Ways and Means Chairman Brady

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Many conservatives view the 1996 welfare reform law (particularly the creation of the Temporary Assistance for Needy Families or TANF block grant) an unprecedented success and a model for reforming other safety net programs. For example, on August 22, House Ways and Means Chairman Kevin Brady issued the following statement:

Twenty years ago, Republicans successfully concluded a multi-year, national effort to reform America’s cash welfare program. The reform was based on one simple idea: the best way to change lives and help people out of poverty is a job.²

The suggestion that TANF is a successful reform and helps people out of poverty is, by any objective analysis, wrong. 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. In fact, TANF is not “welfare reform” at all, but a fixed and flexible funding stream that has failed to provide an adequate safety net or an effective welfare-to-work program. In many states, it has become a slush fund used to supplant state spending and fill budget holes. It is really welfare for states, not needy families.

TANF’s Withering Cash Assistance Safety Net in Texas

Chairman Brady, in describing TANF’s “success,” said:

This approach has delivered lasting results for children and families, lowering poverty over the past 20 years by increasing work and earnings. From 1995 through 2007, 1.5 million single mothers went to work, and the share of children in poverty fell dramatically. And, despite the severity of the most recent recession, this success has endured. The number of families receiving cash assistance from the TANF program has fallen more than 60 percent since 1996 to roughly 3.8 million today – a decrease of more than 10 million people since 1994.³

The increase in the employment rate and drop in child poverty rates didn’t “last”; the positive trends suddenly stopped in 2000 and have been going in the wrong direction since. Moreover, most of the positive results would have happened regardless of whether TANF was enacted or not, due to the strong economy, increased aid to the working poor, and welfare reform being conducted through waivers. To the extent TANF played a role, it was a strong work “message” (not work requirements) and the fact that in TANF’s early years Congress gave states a massive windfall in federal funding because the block grant was based on welfare spending years earlier when caseloads were at historic highs.

TANF is best examined state-by-state. In Texas, between 1995 and 2014 the number of poor families with children rose from 552,200 to 707,100, as did the number in deep poverty, from

218,600 to 281,000. Meanwhile, the TANF caseload plummeted 87 percent, from 257,800 to 34,300. As a result, the TANF-to-poverty ratio in Texas fell from 47 to 5.⁴ In other words, in 2014, for every 100 poor families with children, only 5 received TANF cash assistance. These results are a dramatic indication of the collapse of the cash assistance safety net in Texas.

Chairman Brady, suggested that TANF's "success has endured" despite the severity of the recession. Between 2007 and 2014, the number of poor families with children rose from 638,600 to 707,100, even as the cash assistance caseload fell even further, from 62,500 to 34,300. How exactly is this "success" for a program that it supposed to be a safety net?

TANF as a Slush Fund in Texas

Chairman Brady asserted that flexibility and resources are a key part to TANF's success, "Importantly, TANF provided states with flexibility and resources to develop innovative local solutions that would best meet the needs of people in their communities."⁵ In fact, TANF gave states *excessive* flexibility, allowing them to use TANF as a slush fund and, in many cases, to circumvent federal requirements, most notably work requirements. TANF is a blank check with no accountability.

The Texas experience demonstrates that TANF is often little more than revenue sharing. Like many other states, Texas uses a considerable share of its TANF funds to simply supplant state expenditures, a trend that started with TANF's inception, as described in 2006 by the Center for Public Policy Priorities (CPPP):

Over the last decade Texas has spent an increasing share of the block grant on child protection and foster care – first to "supplant" (replace) the general revenue that used to fund these services and later to expand funding for these services. As a result, fewer TANF funds are spent on cash assistance and other work support programs designed to help parents make the transition from welfare to work. For example, spending on cash assistance accounted for 67% of the block grant in 1997; now it makes up only 22%. Further, funding for employment and training has not increased since 1999, and no federal TANF funds are used to fund child care for "working poor" families – families who make too much to qualify for TANF but too little to afford child care. Texas' use of the TANF block grant to supplant state spending on child protection also leaves funding for child protection vulnerable to potential changes at the federal level, both in the form of cuts to the TANF block grant or changes in how child protection is financed.⁶

Similarly, a report on the state's workforce investment policies reinforces the notion that TANF is not "welfare reform" but a flexible funding stream:

Texas currently invests little of its TANF block grant in providing education, training and work supports for working poor Texans. In fact, Texas has not taken an overall strategic approach to using its block grant to provide services to working poor families. In particular Texas does not use direct or transferred TANF spending on child care for working poor families. Texas has come to view the TANF block grant as yet another fungible source of federal funds available to supplant state spending. As a result, the

funds now underwrite major portions of the child welfare budget and tangential services at numerous other state agencies. Of the annual allocation of over \$500 million, precious little TANF funding is targeted at the purported purposes of the program.⁷

In fiscal year (FY) 2014, Texas used just 20 percent of its TANF/MOE funds on core welfare reform activities – basic assistance, work activities, and child care.⁸ Shawn Fremstad of the Center for American Progress hit the nail on the head in his assessment of the Texas TANF program – and indeed TANF programs across the nation – when he said:

As the Texas TANF slush fund example shows, Temporary Assistance is failing. Instead of going to 50 state slush funds, the federal government should use the federal funds in the program to create a coherent, effective, and fair program of job search and unemployment assistance for low-income parents.⁹

In terms of “resources,” Chairman Brady suggested that TANF provides states with adequate funding to develop solutions. Each state’s allocation is based on historic funding levels in TANF’s predecessor programs (AFDC, Emergency Assistance, and JOBS). This locked in historical differences in federal funding across states. Gene Falk of the Congressional Research Service notes that the difference in federal grants per poor child per year in FY 1995 ranged from \$263 in Arkansas to \$2,530 in Connecticut (\$402 to \$3,871 in 2013 dollars, respectively).¹⁰ In 2013, the differences ranged from \$280 in Texas and to \$2,572 in Vermont. As a welfare program, the vast disparity in federal funding per poor child is troubling. But, TANF is really revenue sharing, so why federal taxpayers would fund a revenue sharing program today based on historic spending in TANF’s predecessor programs makes no sense at all.

Note to Chairman Brady: Your colleague, Rep. Tom Reed of New York, also believes TANF is a success. In 2013, New York received \$2,555 in federal block grant funding per poor child per year, more than nine times the \$280 in federal block grant funding per poor child per year in Texas. How is this disparity a good deal for Texas? Do you really believe Texas can provide an adequate safety net and meaningful welfare-to-work activities with federal TANF funding of \$280 per child per year?

TANF Work Requirements Are Irrelevant in Texas

With respect to TANF’s work requirements, Chairman Brady said: “In 1996, Congress eliminated this New Deal-era program and replaced it with Temporary Assistance for Needy Families (TANF), which established strong requirements for states to help welfare recipients prepare for and find work.”¹¹

When it comes to welfare reform, conservatives have been unable to translate their ideas into effective policies – this is no more evident than in the case of TANF’s work requirements. TANF’s work requirements have never worked. The block grant structure has created a situation in which many states don’t invest the resources to run meaningful welfare-to-work programs, as the amount is not adjusted for inflation or demographic changes. And, the excessive state flexibility means that states can game the requirements to meet the federal work rate targets and, then divert the funds to uses unrelated to core welfare reform activities. TANF’s work

requirements are unreasonable, unrealistic, unhelpful, and are not about work. The most disappointing way some states have met work requirements is by slashing TANF caseloads even as the number of families in deep poverty has risen. This is exactly what has happened in Texas. TANF's work requirements in Texas are largely irrelevant – virtually no one receives cash assistance!

Note to Chairman Brady: In most of my state profiles, at this point, I would describe the various loopholes a state takes advantage of to meet TANF's work requirements – loopholes created by Congress itself. I won't do that here, because, as noted above, TANF cash assistance is virtually dead in Texas and work requirements are irrelevant. However, as Chairman of the Ways and Means Committee, you may find some of my more detailed papers describing TANF's failed work requirements of interest, such as "The Failure of TANF Work Requirements: A Much Needed Tutorial for the Heritage Foundation and the American Enterprise Institute" or "TANF Work Requirements: An Epic Fail," in *TANF is Broken!*¹² You also might find the struggles faced by Wisconsin, a state where the safety net was somewhat responsive during the recession and that is not taking advantage of loopholes; see "The Failure of TANF Work Requirements in Wisconsin: A Note for Speaker Ryan."¹³

Do House Republicans Have "A Better Way"?

Chairman Brady suggested that TANF's lessons be extended to other safety net programs:

House Republicans have a vision for the next round of welfare reforms that will help more people find jobs, escape poverty, and move up the economic ladder. As laid out in our "Better Way to Fight Poverty," we are committed to attacking poverty at its roots through personalized solutions that break down barriers to a better life.

As the 1996 welfare reform demonstrated, by expecting welfare recipients to work or prepare for work in exchange for receiving benefits, we can transform millions of lives and provide low-income Americans with real paths out of poverty.

We have a responsibility to apply these successful lessons to help all those who remain trapped in poverty today.¹⁴

The American Enterprise Institute recently held an event discussing the Republican Study Committee's "Empowerment Initiative" report on strengthening the safety net. Harry Holzer, a professor of economics at Georgetown University, was a panelist commenting on the report. In his opening remarks, he said:

I took a quick look at the report; I'm going to have to say a lot of critical things. ... politeness is not always my strong suit. ... To me, this is a very blunt report, and it merits a very blunt response. Anything less than that would be dishonest. I'm going to try to get the right balance of politeness and bluntness. If I fail to get that right balance, I apologize. My reaction to this report was really pretty negative. ... I found the report to be extremely partisan, extremely ideological. It's nasty in tone... It's polarizing, it's

polemical... There are many statements in the report that I believe are demonstrably false if you look carefully at the research evidence.¹⁵

Professor Holzer was right¹⁶ and the same can be said about the “Poverty, Opportunity, and Upward Mobility” report that was released as part of a series of reports under the rubric of *A Better Way*.¹⁷ The report is devoid of any meaningful substance and lacks policy details, as I describe in some detail in my paper, “Speaker Ryan’s ‘Poverty, Opportunity, and Upward Mobility Report’: The Need for ‘A Much Better Way’.”¹⁸

I believe I am uniquely qualified to make this statement. I am a conservative, I appreciate conservative principles, and I have a long history in welfare policy. From 1986 to 1996, I was involved in the development and implementation of President Reagan’s 1986 welfare reform proposal, described in *Up from Dependency: A New National Public Assistance Strategy*.¹⁹ Unlike the “A Better Way” report, a mere 35 pages with a host of colorful charts that provide little substantive value, President Reagan’s *Up from Dependency* reports came to nearly 2,000 pages. They included an in-depth description of welfare programs and the welfare system, an examination of Census data on poverty to assess the effectiveness of the nation’s anti-poverty programs, a catalog of self-help programs, and an overview of the academic research on welfare’s effects on work, family formation and a range of other topics. These reports were not conservative talking points; they were a fair and balanced assessment of the welfare system and its effects. This should be the starting point for thinking about reform proposals.

Speaker Ryan was right when he said: “The House is broken. We are not solving problems. We are adding to them.”²⁰ The Task Force’s Report for reforming the safety net is a seriously flawed document – it would not solve problems; it would add to them. It is time for conservatives to learn TANF’s real lessons – one place to start is Texas.

As described above, TANF is not “welfare reform”; it is not a “success”; it is ***Truly a National Failure (TANF)***. The fact that conservatives do not understand this suggests that they do not have “A Better Way” – they have “The Wrong Way.”

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- 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 Rep. Kevin Brady, "Twenty years after welfare reform, the path ahead," August 22, 2016, available at: <http://waysandmeans.house.gov/icymi-chairman-brady-op-ed-hill-20th-anniversary-welfare-reform/>.
- ³ Rep. Kevin Brady, "Twenty years after welfare reform, the path ahead," August 22, 2016, available at: <http://waysandmeans.house.gov/icymi-chairman-brady-op-ed-hill-20th-anniversary-welfare-reform/>.
- ⁴ 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>. The dates are really two-year average (for sample size reasons) and for simplicity, I used the second year. So, when I refer to 1995, it is actually a two-year average of 1994 and 1995.
- ⁵ Rep. Kevin Brady, "Twenty years after welfare reform, the path ahead," August 22, 2016, available at: <http://waysandmeans.house.gov/icymi-chairman-brady-op-ed-hill-20th-anniversary-welfare-reform/>.
- ⁶ Center for Public Policy Priorities, "TANF at 10: Was Welfare Reform a Success in Texas," August 21, 2006, available at: <http://library.cppp.org/files/3/tanf10.pdf>.
- ⁷ Jason Sabo, Carlos Romo, Patrick Bresette, and Chris Pieper, *Texas at Work: Today and Tomorrow – The Case for Sound Workforce Investment Policies*, Center for Public Policy Priorities, September 2003, available at: http://www.workingpoorfamilies.org/small_states/assessment/texas.pdf.
- ⁸ Administration for Children and Families, Office of Family Assistance, TANF Financial Data – FY 2014," July 7, 2015 available at: <http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2014>.
- ⁹ Shawn Fremstad, "Temporary Assistance for Families Should Empower Working-Class Parents Not Serve as a Slush Fund for States," Center for Economic and Policy Research, February 28, 2013, available at: <http://cepr.net/blogs/cepr-blog/temporary-assistance-for-families-should-empower-working-class-parents-not-serve-as-a-slush-fund-for-states>.
- ¹⁰ Gene Falk, "Temporary Assistance for Needy Families (TANF): Financing Issues," September 8, 2015, available at: http://digital.library.unt.edu/ark:/67531/metadc795456/m1/1/high_res_d/R44188_2015Sep08.pdf.
- ¹¹ Rep. Kevin Brady, "Twenty years after welfare reform, the path ahead," August 22, 2016, available at: <http://waysandmeans.house.gov/icymi-chairman-brady-op-ed-hill-20th-anniversary-welfare-reform/>.
- ¹² Papers by Peter the Citizen are available at: <http://mlwiseman.com/?portfolio=peter-the-citizen>.
- ¹³ Papers by Peter the Citizen are available at: <http://mlwiseman.com/?portfolio=peter-the-citizen>.
- ¹⁴ Rep. Kevin Brady, "Twenty years after welfare reform, the path ahead," August 22, 2016, available at: <http://waysandmeans.house.gov/icymi-chairman-brady-op-ed-hill-20th-anniversary-welfare-reform/>.
- ¹⁵ See the video of Holzer's remarks at American Enterprise Institute, "Empowering Americans in poverty: A proposal for reforming the safety net," July 11, 2016, available at: <https://www.youtube.com/watch?v=UXvXI1fr7c0&feature=youtu.be&t=3121>.
- ¹⁶ Peter Germanis, "Republican Study Committee Blueprint on the Safety Net: It's Time to Go Back to the Drawing Board," May 14, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/RSC.052216.pdf>.
- ¹⁷ "Poverty, Opportunity, and Upward Mobility," in *A Better Way: Our Vision for a Confident America*, June 7, 2016, available at: <http://abetterway.speaker.gov/assets/pdf/ABetterWay-Poverty-PolicyPaper.pdf>.
- ¹⁸ Papers by Peter the Citizen are available at: <http://mlwiseman.com/?portfolio=peter-the-citizen>.
- ¹⁹ Executive Office of the President, *Up from Dependency: A New National Public Assistance Strategy. Report to the President*, December 1986, available at: https://archive.org/details/ERIC_ED316587.
- ²⁰ Speaker Paul Ryan, "Speaker Ryan's Remarks to the House of Representatives," Speaker Ryan's Press Office, October 29, 2015, available at: <http://www.speaker.gov/press-release/speaker-ryans-remarks-house-representatives>.