

**The Failure of TANF Work Requirements:  
A Much Needed Tutorial for The Heritage Foundation and the  
American Enterprise Institute**

Peter Germanis<sup>1</sup>

August 7, 2016

**A Personal Note from “Peter the Citizen”**

Arthur Brooks, president of the American Enterprise Institute, once said, “What is most important on the right is not to shut down the competition of ideas.” I welcome that spirit, and that is why I offer an alternative conservative perspective to the conventional wisdom that the 1996 welfare reform law, and the creation of the Temporary Assistance for Needy Families (TANF) block grant, was an “unprecedented success.” In fact, I argue that TANF is a massive policy failure and should not be held out as an example of “conservatism.” I favor an alternative conservative approach based on a model developed in the Reagan Administration, which provided states flexibility, but had strong accountability provisions – most notably cost neutrality and rigorous evaluation – to ensure that states actually help needy families. For the past year, I have been writing critiques of TANF and “responses” to those who advocate welfare reform based on the “TANF model.” The ancient Greek philosopher, Diogenes of Sinope, once said, “Other dogs bite only their enemies, whereas I bite also my friends in order to save them.” I am trying to save conservatives and to help them not only “talk the talk,” but also “walk the walk.”

In a recent paper on the “TANF work participation rate,” Rachel Sheffield of The Heritage Foundation asserted that the putative success of the 1996 welfare reform law was due to TANF’s work requirements:

It is now widely recognized that work requirements were the secret to the success of the 1996 welfare reform. How the work requirements worked is less well understood, and that leaves us poorly prepared to maintain and build on that reform to help more Americans achieve self-sufficiency.<sup>2</sup>

A careful and objective assessment of TANF’s work requirements suggests that they represent the single most dysfunctional social policy intervention of the past century, but Sheffield is right about one thing – the work requirements are poorly understood. This latter problem, however, is due in large part to the misinformation about welfare reform in papers produced by conservative think tanks, most notably The Heritage Foundation and the American Enterprise Institute.

As described below, the publications of The Heritage Foundation and the American Enterprise Institute:

- (1) Fail to describe TANF’s work requirements accurately (and, in legislation, “words” matter);
- (2) Fail to analyze TANF’s work data and trends accurately;

(3) Fail to recognize that conservatives themselves are responsible for “gutting” work requirements;

(4) Fail to assess the impact of “welfare reform” and TANF’s work requirements in a comprehensive and methodologically rigorous fashion; and

(5) Fail to develop effective and detailed policy solutions to address the problems in TANF’s work requirements, but instead resort to conservative talking points as a substitute for policy analysis.

The misinformation and misguided policy advice provided by both think tanks has important consequences, as both organizations seem to have considerable influence on members of Congress and is reflected in policy documents, such as Speaker Ryan’s *A Better Way* report on “Poverty, Opportunity, and Upward Mobility” and the Republican Study Committee’s chapter, “Strengthening Our Safety Net to Empower People” in its *Blueprint for a Balanced Budget 2.0*. Indeed, Speaker Ryan himself has often asserted the success of TANF’s work requirement. Speaking to the Heritage Foundation in September 2012, he said:

[The 1996 welfare reform law] is the crown jewel and the centerpiece of some of the most successful social policy legislation we’ve passed. It lowered child poverty rates, it moved people from welfare to work – because of these work requirements.<sup>3</sup>

In February 2015, he said:

Preserving the work requirement – not weakening it – is the least we can do to promote opportunity for those who need it the most. This principle is critical to helping people get back on the payroll and building a healthier economy for all.<sup>4</sup>

In the sections that follow, I critique passages from several representative papers from both think tanks. I identify the author(s) of specific statements that are either wrong, misleading, misguided, or simply too vague to be useful for policy purposes, followed by a brief explanation called a “PC Response” (where “PC” is short for “Peter the Citizen”). [Note to reader: I have worked at both think tanks and written about the importance of work requirements; this paper does not challenge the potential value of such requirements, instead, it is intended to set the record straight about the failure of TANF’s work requirements.]

### **Describing the Work Requirements Accurately – Words and Details Matter**

Writing about the politics of the 1996 legislation, Robert Rector of The Heritage Foundation stated: “It isn’t enough to get the technical details of a policy right. Words and symbols matter, too.”<sup>5</sup> Unfortunately, when it comes to the TANF legislation, Congress got virtually every technical detail wrong. While the law sent a symbolic message about the importance of work requirements, conservatives gutted the modest pre-TANF work requirements in enacting the

1996 law. One reason – the failure to pay attention to “words” and “technical details.” This carelessness is obvious in the papers produced by these “think tanks.”

**Background:** The Family Support Act of 1988 imposed the first real work requirements on states under the new Job Opportunities and Basic Skills Training (JOBS) program. 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. About half of the Aid to Families with Dependent Children (AFDC) caseload was exempt (primarily single mothers with a child under the age of three) and thus excluded from the participation rate calculation.

The 1996 law changed the overall work participation rate for a state by requiring that at least 50 percent of TANF families with an adult engage in one or more of 12 specified work activities for a minimum average of 30 hours per week in a month,<sup>6</sup> of which at least an average of 20 hours per week must be in one or more of the nine “core” activities (see Table 1).<sup>7</sup> The three other “non-core” activities may count for any remaining hours beyond the “core hours” requirement. The requirement for a single-parent with a child under six is an average of 20 hours per week in a month and only in the nine core activities. A teen parent (under age 20) who is a work eligible individual may count toward the work participation rate without regard to the hours and activities requirements if he or she maintains satisfactory attendance in secondary school (or the equivalent) or participates in education directly related to employment for an average of at least 20 hours per week in the month.

TANF initially extended work requirements to families with an adult (or minor child head of household) receiving TANF assistance. Those exempted or disregarded from participation requirements were “child-only” families, single parents with child under 1 (12-month lifetime limit), and those who are sanctioned (up to 3 months in a 12-month period). After the Deficit Reduction Act of 2005 the work requirements included families with a “work-eligible individual” (including some non-recipient parents) in both TANF and separate state programs funded with maintenance-of-effort funds.

TANF restricted a state’s ability to count toward the participation rate hours of participation in certain activities. It limited counting participation in job search and job readiness assistance to no more than 6 weeks in a 12-month period (or 12 weeks in a 12-month period if a state meets the definition of a “needy state” for the TANF Contingency Fund) and no more than 4 consecutive weeks. Similarly, vocational educational training is limited to a lifetime of 12 months for any individual for participation rate purposes. In addition, not more than 30 percent of those counting toward each participation rate for a month may do so because they are participating in vocational educational training or the teen parent educational activities.

The law also included a caseload reduction credit, which reduces a state’s required participation rate by one percentage point for each percentage point that the state’s assistance caseload for the prior year (the comparison year) falls below the caseload in a base year (initially FY 1995; later changed to FY 2005), not counting reductions due to federal or state eligibility changes since the base year.

<b>Table 1: Countable Work Activities</b>	
<b>“Core” Activities</b>	<b>“Non-Core” Activities</b>
Unsubsidized employment	Job skills training directly related to employment
Subsidized private sector employment	Education directly related to employment
Subsidized public sector employment	Satisfactory attendance at secondary school or in a GED program
Work experience	
On-the-job training	
Job search /job readiness assistance	
Community service programs	
Vocational educational training	
Providing child care to a participant in a community service program	

This is a simplified description of TANF’s work requirements for background purposes. The following statements highlight some of the misstatements of conservatives in describing these work requirements, and the PC response explains why the misstatements are important.

[**Note to Reader:** In this section, I am overly picky. I realize that it is sometimes prudent to take short-cuts in describing legislative provisions, but it is the lack of attention to detail in the TANF law that created many of its problems.]

**Rachel Sheffield:** “In 1996, Congress inserted work requirements for able-bodied adults into one of the largest cash assistance welfare programs, Aid to Families with Dependent Children (AFDC). AFDC was transformed into Temporary Assistance for Needy Families (TANF), and for the first time, able-bodied adult welfare recipients were required to work or prepare for work in exchange for receiving benefits.” Later, she writes, “The welfare reform law required that 50 percent of work-eligible TANF recipients work or perform some type of work preparation, such as job training, job search, or community service.”<sup>8</sup>

**PC Response:** First, Congress did not insert work requirements into AFDC, but rather TANF replaced AFDC with a different set of work requirements. The Family Support Act of 1988 was the *first time* real work requirements were imposed on states, not TANF. Congress would have been wiser to work within the AFDC structure to strengthen its work requirements, but by creating a block grant with excessive state flexibility it gutted the very requirements it was trying to reform (see discussion below).

Second, TANF’s federal work requirements apply to *states*, not to “able-bodied adults” or “work-eligible TANF recipients.”<sup>9</sup> The participation rates are measured based on the family unit, not individual adults or work-eligible recipients. Initially, they were applied to *families with an adult receiving assistance under the TANF program*. This wording, however, allowed some states to exclude certain child-only families and all families funded in separate state programs from the work requirements – two loopholes discussed in greater detail below. The Deficit Reduction Act of 2005 modified the work requirements by replacing the reference to “adult” with “work-eligible individual” as defined by the U.S. Department of Health and Human Services (HHS) and extended the requirements to include families funded with *qualifying state*

*expenditures (which are not considered to be “under the TANF program, but nevertheless count as maintenance-of-effort expenditures), primarily those in separate state programs.*

Third, TANF’s work requirements make no reference to “able-bodied adults.” TANF did away with most exemptions, so the work rate calculation includes families with adults that have disabilities and other barriers to participation, unless the disability is serious enough to qualify the adult for the Supplemental Security Income (SSI) program.<sup>10</sup> It is also the case that the work requirements exclude certain able-bodied individuals – those caring for a disabled family member are not considered “work-eligible individuals.”

Last, Sheffield suggests that TANF has a 50 percent work requirement. But, this is only the statutory rate. She fails to mention the caseload reduction credit, which lowered the work participation targets to the extent states lowered caseloads below FY 1995 levels. For example, if a state’s caseload fell 30 percent from FY 1995 to FY 2001, its target rate requirement for the overall rate for FY 2002 would have been 20 percent instead of 50 percent. The national TANF caseload peaked in March 1994 and then started a six-year period of steady decline. Since most states did not implement TANF until sometime in 1997 (as late as July 1), they received credit for declines that occurred before TANF was implemented. And, most of the decline even after TANF implementation would have occurred regardless of whether TANF was enacted or not, whether it was due to the economy, expansions in aid to the working poor, or the welfare reforms begun using state waivers.<sup>11</sup> Through FY 2011, about 20 to 30 states had work requirement targets of 0 percent! In other words, there was no requirement. This provision will be discussed in more detail below, but since the subject of Sheffield’s paper is the work participation rate, this is an important factor and should have been mentioned.

**Robert Doar:** “The Temporary Assistance for Needy Families (TANF) work participation rate is the percentage of adult ‘work-eligible’ recipients of federally funded cash welfare who are working or engaged in some work-like activity for at least 30 hours a week. Work-like activities can include searching for a job or participating in a workfare program or even volunteering at a community-based nonprofit.”<sup>12</sup>

**PC Response:** The overall work rate applies to *families with a work-eligible individual*, not to “work-eligible recipients.” And, work requirements are not limited to families receiving “federally funded” cash assistance; prior to FY 2007 they included families receiving assistance with segregated state maintenance-of-effort funds and from FY 2007 they also included families funded through separate state programs. (Doar should be aware of this, as he was Commissioner of the New York State Office of Temporary and Disability Assistance when the state used the separate state program funding mechanism as a way to bypass the federal 60-month time limit. This also removed those families from the work participation rate calculation.<sup>13</sup>) The hourly requirement is not “at least 30 hours a week,” but rather at least *an average of 30 hours per week over the month* and, significantly, for a single parent with a child under 6, the requirement is an average of at least 20 hours per week over the month.

The most notable omission in Doar’s description, however, is that TANF made “unsubsidized employment” a work activity (rather than an exemption), which provided a windfall to states by

allowing them to count those who combined work and still received welfare.<sup>14</sup> For example, in 2005, while Doar was Commissioner of the New York State Office of Temporary and Disability Assistance, New York achieved an overall work participation rate of 35.3 percent. Of those adults with enough hours for the family to count in the rate, 51.4 percent were in “unsubsidized employment,” compared to 12.3 percent in work experience, 23.4 percent in community service, and 1.4 percent in job search and job readiness assistance.<sup>15</sup> Indeed, since TANF’s inception, “unsubsidized employment” has accounted for the majority of countable hours in the work rate calculation. This is significant because it is a relatively low cost “activity” (i.e., the amount of the grant for those with enough hours to count in the rate is generally small) and involves relatively little supervision on the part of the state. Any description of TANF’s work activities should include a mention of “unsubsidized employment.”

**Robert Rector:** “This section establishes a workfare system with three core elements:

1. Around 30 percent to 40 percent of the ‘work-eligible’ adult TANF caseload is required to engage in work activities.
2. Work activities are defined very broadly and include unsubsidized employment; subsidized employment; on-the-job training; up to 12 months of vocational education; community service work; job search (for up to six weeks) and job readiness training; high school or GED education for recipients under age 20; and high school or GED education for those 20 and over 20 if combined with other listed activities.
3. Individuals are required to engage in activities for 20 hours per week if the individual has a child under age six in the home and 30 hours per week if all children are over six.

This TANF workfare framework is simple and quite flexible.”<sup>16</sup>

**PC Response:** TANF’s statutory rate is 50 percent and Rector doesn’t explain how he arrived at a 30 percent to 40 percent work rate target. He doesn’t mention the caseload reduction credit, a conceptually flawed provision that lowered the work target to 0 percent for 20 to 30 states for TANF’s first 15 years. At the time Rector wrote this article, the latest work participation rate data available was for FY 2009, when 22 states had a 0 percent target, compared to just 7 that had a 30 to 40 percent target. If Rector is not referring to the credit here, that is a major omission; if this is a reference to the credit, he grossly underestimated its effect.

Rector could be referring to three provisions that allow states to disregard certain families from the denominator of the work participation rate – single parents with child under 1 (12-month lifetime limit), those who are subject to a work sanction (but not more than 3 months in the preceding 12-month period), and participants in a tribal work program. In FY 2009, adjusting for these disregards would have reduced the effective participation rate target to 44 percent, not the 30 to 40 percent cited by Rector.

Rector inappropriately uses the term “work-eligible adult TANF caseload.” TANF’s work requirements apply to families, not individuals, as stated in the law itself under the heading “ALL FAMILIES” in describing the work rate. Prior to FY 2007, the reference would have been to families with an adult *or minor child head of household* receiving assistance under the TANF

program. From FY 2007 forward, the reference would be to families with a “work-eligible individual” receiving assistance under the TANF program *or a separate state program*. In addition to adding families receiving assistance in separate state programs, the changes added some families with non-recipient parents to the denominator, and excluded others (most notably where a parent was caring for a disabled family member). Again, this includes the minor child head of household, not just adults.

Rector says that the work activities are “defined very broadly.” Initially, Congress considered simply listing 12 activities to be a “definition,” which led some states to indeed develop their own broad definitions such as bed rest, smoking cessation, and exercise to count as work activities. While some states, most notably Wisconsin, included such activities in their definitions of work activities, it does not appear that any state counted a significant number of such families in the work rate. Of course, they didn’t have to, because the work rate target was 0 percent or near 0 percent in most states. This problem could have been avoided if Congress had actually defined the activities, instead of just listing them. In the Deficit Reduction Act of 2005, Congress directed HHS to do so and there are now common-sense definitions for each of the activities.

The real issue is not the “definitions” of the activities, but rather the rules related to what states can count as participation. Here Rector confuses the definition of activities with limits on counting hours of participation in certain activities; the latter are not part of the definition. In describing the list of activities, he places the parenthetical “(for up to six weeks)” after “job search”, but it should follow the term “job search and job readiness assistance”; this is one activity and the six-week limit applies to both components together, not to job search alone. (And, since mid-2009 through the present, the limit has been 12 weeks in all states but Wyoming and is likely to remain there for the foreseeable future – due to a flawed triggering mechanism in the TANF statute.) Rector suggests that “high school or GED education for those 20 and over 20 if combined with other listed activities” is an activity; this is only partially true. Hours in such education can be counted for those with a “30-hour requirement” as a non-core activity, but for single parents with a child under 6 with a 20-hour requirement, these activities don’t count at all (except for teen parents); they can only participate in core activities. Rector notes the 12-month lifetime limit on counting vocational educational training, but fails to mention what may be the more serious constraint on education and training activities – the restriction that no more than 30 percent of families that a state counts toward its work rates may be counted by virtue of participation in vocational educational training or, for parents under age 20, school attendance or education directly related to employment.

Rector states, “Individuals are required to engage in activities for 20 hours per week if the individual has a child under age six in the home and 30 hours per week if all children are over six.” What about those with a child exactly six years old? (I realize this is very picky.)

Most states might not agree with the suggestion that the “TANF workfare framework is simple and quite flexible.” First, Rector fails to discuss TANF’s work verification procedures. Many state administrators argue that these requirements consume a disproportionate amount of staff time that could otherwise be used helping recipients find jobs. For example, according to one study, “employment counselors in Minnesota found that they spent 53 percent of their TANF

time – more than half – on documentation activities, rather than actually helping customers find and keep jobs.”<sup>17</sup> While verification procedures can be important, it is misleading to suggest the “workfare framework is simple” without describing the challenges of actual implementation.

Second, many state administrators have complained about TANF’s inflexibility and the limits on counting certain activities. For example, Cynthia Dungey, Director of the Ohio Department of Job and Family Services, recommended “changing a number of federal TANF rules that make it difficult to customize case management based on an individual’s employment readiness needs.”<sup>18</sup> Among the changes she recommended include removing the distinction between core and non-core activities, increasing the 12-month limit on counting time in vocational education to 36 months, and modifying some of the time limits on counting job search and job readiness assistance. Notably, Ohio Governor Kasich played an instrumental role in the 1996 legislation and now seems to believe that it is too inflexible.

Third, if TANF’s work requirements are so simple and flexible, why can’t most states meet them without taking advantage of gimmicks? Speaker Ryan’s home state of Wisconsin has now failed the work requirements three consecutive years (FY 2012 to FY 2014). Wisconsin’s Secretary of the Department of Children and Families Eloise Anderson has argued that the changes made in the Deficit Reduction Act of 2005 “greatly restricted the autonomy necessary for operating TANF programming to fit the individual needs of states.”<sup>19</sup>

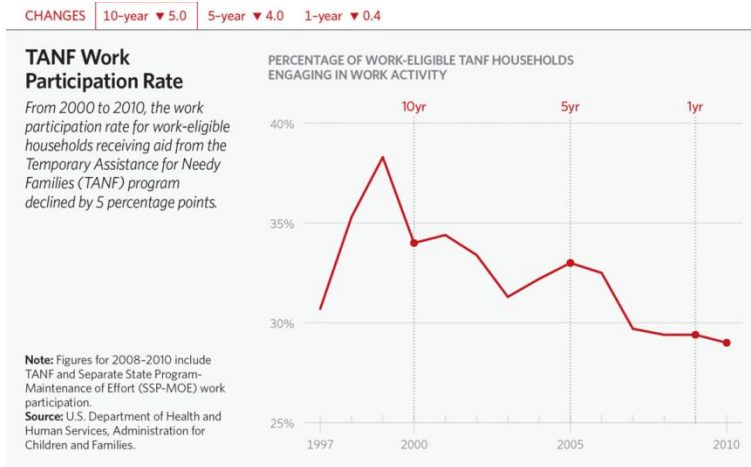
### **Understanding the TANF Work Rate Data**

When conservatives examine the TANF work rate data, they tend to make broad generalizations that are often not supported by a more careful examination of the underlying data and context in which the programs operate.

#### ***The 50 Percent Work Rate***

**Robert Doar:** “From 2000 to 2010, the work participation rate for work-eligible households receiving aid from the Temporary Assistance for Needy Families (TANF) program declined by 5 percentage points.”





Source: Robert Doar, "Off the Track on Workfare," July 7, 2015.

“Despite the drop in overall cash welfare recipients, the nationwide work participation rate for the remaining recipients has failed to rise above 30 percent since 2006. And the federal oversight agency tasked with enforcing this core component of welfare reform has shown little interest in pursuing this objective. Consequently, regarding the TANF work rate, we are not only on the wrong track, but off the track. An important federal policy has lost its way. Restoring the original purpose of welfare reform requires reinvigorating the work-participation rate.”<sup>20</sup>

**PC Response:** Doar suggests that the decline in the work rate from 34 percent in FY 2000 to 29.0 percent in FY 2010 shows a weakening of work requirements and that “we are not only on the wrong track, but off the track.” I agree that we are “off the track,” but the derailment occurred in 1996 when conservatives enacted TANF’s work requirements. Doar’s analysis ignores many measurement differences over the years that contradict his conclusions.

First, the FY 2000 work participation rate was 34 percent, but this was based on factoring in the continuation of section 1115 waivers from the AFDC era. States with section 1115 welfare reform waivers when the 1996 welfare reform law was enacted were allowed to continue the waiver policy to the extent it was inconsistent with TANF through the end of the approved project period. While states still had to meet the new work participation rate targets, they could continue to operate under pre-TANF policies that often gave them a distinct advantage in the meeting these rates. Twenty (20) states continued such waivers, which included provisions related to exemptions, countable work activities, and hours of participation.<sup>21</sup> The rate without waivers was just 29.7 percent – about the same as in FY 2010. And, indeed, the “30 percent” standard when work rates are measured without waivers (i.e., in a *more* comparable fashion<sup>22</sup>) was roughly constant throughout the FY 2000 to FY 2011 period (see Table 2).

**Table 2: TANF Work Participation Rates (FY 2000-FY 2014)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official	34.0	34.4	33.4	31.3	31.2	33.0	32.5	29.7	29.4	29.4	29.0	29.5	34.4	33.5	36.6
W/o waiver	29.7	29.9	28.9	27.5	29.4	30.3	30.6	-	-	-	-	-	-	-	-

Second, there is a dip in FY 2007, which may have contributed to Doar’s belief that the work rate got “off track.” That dip (from 32.5 percent to 29.7 percent), however, was caused by the expiration of the last of the section 1115 waivers and by changes in the Deficit Reduction Act of 2005 that, in general, increased the number of families required to participate, most notably by adding families in separate state programs and certain families with non-recipient parents, as well as by changing work activity definitions and imposing new work verification requirements. Notably, in FY 2012, the work rate went up to 34.4 percent and by 2014 rose to 36.6 percent, arguably the highest ever. (The FY 1999 rate was higher, but that included the effect of waivers; the rate without waivers was not published prior to FY 2000.) Sadly, much of the increase in FY 2012 is due to gimmicks – gimmicks that conservatives created in the 1996 law (and discussed in more detail below).

Despite having one of the most generously funded TANF programs, Doar’s own performance in managing TANF’s work requirements never resulted in a rate near TANF’s statutory 50 percent. For example, in FY 2005, New York achieved a 35.2 percent work rate – barely better than the national work rate of 33.0 percent that year and not that much higher than the 29.0 percent he considers “off the tracks.” Indeed, considering that New York has receives about seven times as much federal funding per poor child as a state like Texas, Doar should be more realistic about what other states can achieve, particularly if the goal is to maintain both a safety net and to run a meaningful welfare-to-work program.

**Rachel Sheffield:** “Initially, welfare reform was successful. ... Today, however, most states’ TANF work programs are at best mediocre. The work rate for TANF recipients is low. On average, only 33.5 percent of adults in TANF fulfilled the work requirement in fiscal year (FY) 2013, the most recent year for which data are available.”<sup>23</sup>

**PC Response:** As noted in Table 2 above, the 33.5 percent is actually higher than the work rates achieved in TANF’s early years – years that Sheffield considers a success. For example, in FY 2000, it was just 29.7 percent when waivers are excluded. So, why is the FY 2013 work rate “mediocre,” when it is higher than in any of TANF’s early years? And, in FY 2014 the rate rose to 36.6 percent – the highest in the history of the program (without counting waivers). If Sheffield believes the TANF work rate is a meaningful indicator, she should be pleased.

**Robert Doar:** “Returning the WPR to a true 50 percent would re-establish it as a meaningful accountability measure.”<sup>24</sup>

From 2003 to 2006, Doar was Commissioner of the Office of Temporary and Disability Assistance in New York with responsibility for TANF. New York’s participation rate ranged from 35.2 percent to 37.8 percent during this period – a respectable rate, but well below the 50 percent standard he wants to re-establish. And, what target rate did Doar face? ZERO percent – thanks to the caseload reduction credit. How was this a “meaningful accountability measure”?

### *The “Zero Hours” Cases*

**Rachel Sheffield:** “TANF’s rolls are filled with many adults who are doing little if any work at all. In FY 2013, 56 percent of TANF recipients were completely idle, performing zero hours of work or work preparation in an average month.”<sup>25</sup>

**PC Response:** The 56 percent figure is not of “TANF adults” or “TANF recipients,” but of “work-eligible individuals” in families receiving assistance from TANF as well as those in a *separate state program*. (It would have been “TANF adults” prior to FY 2007.) It also includes a nontrivial number of *non-recipient* parents, mainly in states like California that remove an adult’s needs when applying sanctions or time limits. The term also *excludes* adults receiving assistance who are caring for a disabled family member.

In terms of the analysis, it is wrong to conclude that the 56 percent were “performing zero hours of work or work preparation.” The hours of participation were limited to activities that are countable under TANF’s work requirements, so they do not include hours spent in activities that cannot be counted or that have limits on how many hours can be counted, most notably in educational and training activities. They also do not include hours that have not been verified, hours that exceeded statutory time limits, or hours that states simply chose not to report. In particular, the 1996 law placed durational limits on counting job search and job readiness assistance and vocational educational training. Some individuals have exceeded these limits, but have continued to participate in these activities. However, states cannot count such hours toward their participation rates. These limits also discourage states from reporting such hours even when they can be counted. For example, vocational educational training can only be counted by a state for 12 months over an individual’s lifetime. If a state can satisfy the work requirement without counting individuals in this activity, the incentive is not to include their hours of participation – instead, the incentive is to save those hours for the future, as they may be needed to meet a future work participation rate.

In addition, many individuals may also have legitimate reasons for not participating. Common reasons that a work-eligible individual has zero hours include he or she is: subject to a sanction or in the process of being sanctioned; the second parent in a two-parent family in which the other parent is participating in TANF’s activities; ill or temporarily disabled; in the first month of assistance and no activity has been assigned or has been assigned to an activity that has not yet begun; the parent of a child under 6 and no child care is available; or a number of other factors.

The reasons for zero hours was discussed at great length in an HHS report, *Claims Resolution Act - Engagement in Additional Work Activities and Expenditures for Other Benefits and Services, April-June 2011* – any discussion of this subject should at least address some of these factors.<sup>26</sup>

Conservatives like to think this is a recent phenomenon, but it has been an issue from the beginning. Sheffield believes that welfare reform was a success and this success was due to its “work requirements.” As Table 3 indicates, the current percentage of zero hours for work-eligible individuals is less than in TANF’s early years; if Sheffield believes TANF was successful in its early years, why isn’t it successful today?

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
% w/0 hrs.	60.3	56.8	58.3	58.8	57.5	56.6	55.3	62.1	60.5	58.2	59.0	58.0	55.1	56.7	54.7

Not only has the percentage of work-eligible individuals with zero hours declined, the “56 percent” figure cited by Sheffield compares favorably to the “zero hours percentage” achieved by Sheffield’s conservative colleague at the American Enterprise Institute Robert Doar while he was running a “model” TANF program in New York. (Doar’s bio states: “Before joining the Bloomberg administration, he was commissioner of social services for the state of New York, where he helped to make the state a model for the implementation of welfare reform.”) In FY 2005, the national average of “TANF adults” was 56.6 percent – about the same as the FY 2013 figure that Sheffield considers a sign of failure. What was New York’s percentage of TANF adults with zero hours under Robert Doar’s leadership? It was 66.1 percent! Does Sheffield consider Doar’s tenure a failure? Her comments about idleness suggest that it was.<sup>27</sup>

**Rachel Sheffield:** “Missouri ranked highest in “idleness” with 77 percent of its work-eligible TANF caseload performing zero hours of work or work preparation per month. A few states are doing well in engaging their TANF recipients in work: Idaho (only 6 percent of work-eligible TANF recipients idle in a given month); Illinois (10 percent); Maine (16 percent); and Wyoming (18 percent).”<sup>28</sup>

**PC Response:** The TANF data on the share of work-eligible individuals is best understood in the context of broader state decisions about how states have used TANF’s funding and flexibility. Sheffield suggests four states are “doing well.” A closer examination suggests otherwise:

- Illinois reported that 10 percent of work-eligible individuals had no hours of participation. The state had an overall work participation rate of 69.0 percent in FY 2013. It reported an average monthly TANF caseload of 20,916, with 8,072 included in the denominator of the work rate. The state was able to achieve this high work rate by shifting 24,904 cases to various solely state funded programs,<sup>29</sup> including:
  - 12,437 in “Single Parent Cases Not in a Countable Activity Paid with State Only Funds”;
  - 1,235 in “First Time Pregnant Women Paid with State Only Funds”;
  - 599 in “Refugee Cases Paid with State Only Funds”;
  - 9,292 in “Child Under One Cases Paid with State Only Funds”; and
  - 1,341 in “Two Parent Cases Paid with State Only Funds”;

Assuming the first four programs have one work-eligible individual and the last program for two-parents has two, then the state moved 26,245 work-eligible individuals completely outside the TANF/MOE structure just to game the work requirement.

Compare that to the 8,194 work-eligible individuals in the TANF-MOE program, with 7,407 work-eligible individuals “with hours of participation.” Adding the 26,245 to 8,194, results in 34,439 work-eligible individuals. If none of the 26,245 work-eligible individuals have *countable* hours of participation, then Sheffield’s “idleness” percentage would rise from 10 percent to 78 percent. (Note that many of the cases are not “idle”; many are in activities that simply don’t count under TANF’s rules.)

- Maine reported that 16 percent of work-eligible individuals had no hours of participation. The state had an overall work participation rate of 76.6 percent in FY 2013. It reported an average monthly TANF/SSP caseload of 28,289, with 25,340 included in the denominator of the work rate and 19,405 “participating families.” This sounds impressive until one breaks out the work rate achieved in TANF (13.5 percent) and the state’s “separate state program” (90.8 percent) separately. The latter was made up of 21,390 cases that no longer received a regular TANF benefit, but worked enough hours to otherwise count in the work rate and were provided a \$15 a month “worker supplement” to artificially boost the state’s participation rate. (Using a “separate state program” to pay token benefits avoids triggering the federal time limit and other requirements when federal TANF funds are used.) Here is how the Alexander Group, consultants to Maine, described it:

Maine corrected the overall WPR through a corrective-compliance plan as required under 45 CFR 262.6. This was achieved by the end of FFY 2012. Maine achieved this compliance by adding a worker-supplement benefit (\$15 per month), which allowed Maine to count families that have transitioned from TANF and are working the required number of hours to meet the work participation requirement. This benefit is provided to approximately twenty thousand families per month and is included as part of the TANF-MOE caseload. The following charts provide data on how these cases were added to the monthly MOE caseload beginning 2012. Without this new initiative, Maine would not achieve its WPR.<sup>30</sup>

The published data does not permit calculating a rate of “idleness” here, but given the vast number of “worker supplement” cases and the low TANF work participation rate of 13.5 percent, the percentage of work-eligible individuals with zero hours of participation may easily be 80 percent or higher once the “worker supplement” cases are excluded.

The apparent “success” in Illinois and Maine is illusory. Illinois artificially reduced its denominator by shifting over half of its cash assistance caseload outside the TANF/MOE structure; and Maine artificially increased its numerator by more than doubling its TANF/SSP caseload to add cases with full-time workers that otherwise would have no connection to the cash assistance caseload.

Idaho and Wyoming are so small, the results are hardly generalizable, but their “success” in reducing “idleness” is also misleading.

- In Idaho, between 1996 and 2014, the number of poor families with children declined from 27,600 to 24,100, but the TANF caseload plummeted from 9,000 to 1,900. As a result, the TANF-to-poverty ratio fell from 32 to 8.<sup>31</sup>
- In Wyoming, between 1996 and 2014, the number of poor families with children declined from 10,000 to 8,000, but the TANF caseload plummeted from 4,800 to 400. As a result, the TANF-to-poverty ratio fell from 45 to 5.<sup>32</sup>

TANF cash assistance is virtually dead in Idaho and Wyoming – needy families with children simply don't receive it. If work requirements were intended to help families become more self-sufficient, that does not appear to be the case in these states – they have simply pushed them off.

### **Gutting Work Requirements – An Epic Failure in Conservative Policymaking**

On July 12, 2012, the U.S. Department of Health and Human Services (HHS) issued guidance that would give states more flexibility to test alternative welfare-to-work programs:

HHS has authority to waive compliance with this 402 requirement and authorize a state to test approaches and methods other than those set forth in section 407, including definitions of work activities and engagement, specified limitations, verification procedures, and the calculation of participation rates. As described below, however, HHS will only consider approving waivers relating to the work participation requirements that make changes intended to lead to more effective means of meeting the work goals of TANF.<sup>33</sup>

Conservative critics wrote article after article claiming that President Obama was gutting TANF's work requirements, with sensationalist headlines like "Obama Administration Ends Welfare Reform as We Know It" and "How Obama has Guttled Welfare Reform." Regardless of the substance of the waiver proposal, the fact of the matter is that conservatives themselves gutted work requirements in 1996.

**Robert Rector and Kiki Bradley:** "Today, the Obama Department of Health and Human Services (HHS) released an official policy directive rewriting the welfare reform law of 1996. The new policy guts the federal work requirements that were the foundation of the reform law. ... The result is the end of welfare reform."<sup>34</sup>

**PC Response:** This like "the pot calling the kettle black." In an interview, Rector admits to being the primary author of TANF's work requirements: "I happen to have written most of these requirements. What the Obama administration has done is taken these and said (tears a sheet of paper). 'They are gone! They are out of the picture.'"<sup>35</sup> This statement reveals just how little he understands about the legislation he himself has written. The Obama Administration's guidance was issued in July 2012, so it is instructive to examine exactly how states were meeting TANF's work requirements in FY 2012 – even a cursory examination shows that most states were taking advantage of loopholes conservatives themselves created (directly or indirectly). Whatever one

thinks about the waiver proposal, any “gutting” through waivers would have paled in comparison to the loopholes states were already using under TANF.

The following is a brief summary of *some* of TANF’s work requirement loopholes, all of which are the result of conservative policymaking; they are described in more detail in “TANF Work Requirements: An Epic Fail,” in *TANF is Broken!* Some of the loopholes have been closed, but they are listed here to emphasize the importance of paying attention to policy details and the need to anticipate unintended consequences.

- **The caseload reduction credit.** The 1996 law changed the overall work participation rate for a state by requiring that at least 50 percent of TANF families with an adult engage in specified work activities. The caseload reduction credit reduced the work participation targets to the extent states lowered caseloads below FY 1995 levels (changed to FY 2005 starting in FY 2007). For most years since TANF’s inception through FY 2011, 20 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). States already have an incentive to reduce the caseload because the number of cases they would have to place in work activities would decline; giving them further credit in reducing the target rate all the way to 0 percent was a massive conceptual error that totally gutted the work requirements in most states. Solution: Select a target rate that is reasonable, predictable, and constant.
- **Limiting work requirements to TANF adult recipients.** TANF work requirements initially were applied to a family with an adult receiving assistance. In some states, sanction policies and time limits removed an adult’s needs from the benefit calculation. Since no adult was receiving assistance, the family was no longer included in the work participation rate calculation, even though the adult was able-bodied and the children continued to receive assistance. After the Deficit Reduction Act of 2005, the work requirements included families with a “work-eligible individual” (including some non-recipient parents) in both TANF and separate state programs. Solution: None needed; this loophole illustrates the need for care in drafting legislation in the first place – “words” matter.
- **Excess MOE provision of the caseload reduction credit.** The Deficit Reduction Act of 2005 recalibrated the base year for caseload reduction credit from FY 1995 to FY 2005. In many states, caseload declines had stalled, but a regulatory provision allowed states to reduce their comparison year caseload by spending in excess of their MOE requirement. (Note: While this is a regulatory provision, it is only possible because Congress replaced the federal-state match with a block grant and a separate MOE requirement. The concept of “excess MOE” would not exist in a federal-state matching program.) The “excess MOE” provision allows a state that is investing state MOE funds in excess of its basic MOE amount to include only the pro rata share of caseloads receiving assistance that is required to meet basic MOE requirements. This led many states to simply find more third-party spending to count as MOE, including third-party nongovernmental expenditures, just so that they could artificially inflate the caseload reduction credit.

And, reported MOE did rise sharply – from \$12 billion in FY 2006 to \$13.7 billion in FY 2008 to over \$15 billion in FY 2009 and most subsequent years.

The “excess MOE” provision allows a state that is investing state MOE funds in excess of the required 80 percent or 75 percent basic MOE amount to include only the pro rata share of caseloads receiving assistance that is required to meet basic MOE requirements. A May 2012 report by the Government Accountability Office (GAO), explained the growing significance of this provision:

MOE is now playing an expanded role in TANF programs, as many states’ excess MOE spending has helped them meet work participation rates. While one state had used MOE expenditures toward its caseload reduction credit before fiscal year 2007, over half of the states (27) relied on these expenditures to increase their credits and help them meet their required work participation rates in one or more years between fiscal years 2007 and 2009.<sup>36</sup>

It further noted:

In fiscal year 2009, 32 of the 45 states that met their required work participation rates for all TANF families claimed excess state MOE spending toward their caseload reduction credits. Sixteen of these states would not have met their rates without claiming these expenditures.<sup>37</sup>

Conservatives will point out that this is a regulatory provision first put in place by the Clinton Administration in 1999. This is true, but the very concept of “excess MOE” is a direct result of TANF’s block grant structure – it did not exist in a federal-state matching program. And, closing this loophole is easy – change the regulations. The problem is that as long as there is “excess MOE,” it is just as easy for states to use that for solely state funded programs to remove families from the denominator of the work rate. Indeed, due to changes in the “excess MOE provision,” its attractiveness has declined, as state can now only claim a percentage of all excess MOE based on the ratio of assistance expenditures to total expenditures in the state. Solution: Get rid of the block grant structure with its separate MOE requirement; revert to a federal-state match.

- **Separate state programs.** Until FY 2007, families assisted through separate state programs were not subject to TANF’s work requirements. Congress was either careless in writing the law by failing to include families receiving assistance with “qualifying state expenditures” or it intentionally created a massive loophole. By FY 2005, over half the states had such programs and their primary purpose was to remove families from the work rate calculation that would not help them meet the work rate targets, most notably two-parent families, because the 90 percent work participation rate target was considered unachievable. States also moved other families that were not likely to meet the work requirements to these separate state programs, including those applying for SSI, with employment barriers, or caring for a disabled family member. Although Congress included families in separate state programs in the work rate starting in FY 2007, this was too little, too late. It simply led to a new loophole – solely state funded programs.



Solution: None needed; this loophole illustrates the need for care in drafting legislation in the first place – “words” matter.

- **Solely state funded programs.** Congress eliminated the separate state program loophole in the Deficit Reduction Act by requiring states to include such families in the work participation rate calculation. However, the TANF law has made it very easy for states to meet their basic MOE requirement without spending more money and most states report an “excess” amount of MOE. Indeed, states were only required to spend 75 or 80 percent of their previous spending (depending on whether they met their work rates), resulting in an immediate state savings. Inflation has further reduced the state requirement so that it is 50 percent of what it was before TANF. Add to this the fact that under TANF states can count virtually any state expenditure that meets a TANF purpose and even the value of third-party non-governmental “donations,” it’s easy for most states to generate a significant amount of “excess MOE.” As noted above, this can be used to maximize the caseload reduction credit, but a state can also just fund part of its assistance caseload outside the TANF/MOE structure in solely state funded programs so those families are not subject to TANF’s work requirements.

The Center for Public Policy Priorities describes this approach for meeting work rates as the “take-out strategy”:

Under this approach, states divide TANF recipients into two categories: those likely to meet federal work requirements and those unlikely to meet the requirements. States then provide assistance to those recipients unlikely to meet the requirements with non-MOE state funds.<sup>38</sup>

In a summary of solely state funded programs in the immediate aftermath of the Deficit Reduction Act of 2005 (i.e., during the Bush Administration), Liz Schott and Sharon Parrott also described how this funding approach can work without the need for additional state funds:

The state funding for benefits and administration of a solely state-funded program, by definition, does not count toward the state’s maintenance-of-effort requirement. This does not mean, however, that additional state spending is required for a state to implement such an approach. SSFs typically serve families that otherwise would be served in the state’s TANF- and MOE-funded programs, so establishing the SSF does not increase overall state assistance costs. If a state does not want to increase state expenditures, it can “swap” funding by identifying current state expenditures that it could count (but has not counted in the past) toward the TANF maintenance-of-effort requirement to allow the state to fund the SSF program with state funds that do not need to be claimed toward the MOE requirement. It also could do a similar swap with TANF funds.<sup>39</sup>

In a 2008 survey, Mathematica found that 26 states had adopted solely state funded programs, 24 of which used them to serve two-parent families, 14 to serve hard-to-employ families, and 7 to serve families in college.<sup>40</sup> (The number of states with such

programs probably would have been larger, but in FY 2008 over 20 states had a 0 percent target rate due to the caseload reduction credit.) The survey also indicated, “In a few instances, SSF programs are explicitly targeted to families that are not meeting their work participation requirement.”<sup>41</sup> LaDonna Pavetti, Linda Rosenberg, and Michelle Derr of Mathematica described how this works in the District of Columbia:

The District of Columbia caseload provides an illustration of the importance of considering participation in TANF and SSF programs to accurately track the number of families receiving cash assistance. According to the data reported by HHS, between FY 2005 and 2008 the District’s TANF/SSP caseload declined by 69 percent, from 17,254 to 5,375 cases. Data maintained by the District on all of its cases show a decline of just 12 percent, to 15,171 cases in FY 2008. The District employs a systematic strategy for assessing their caseload and assigning cases to different funding groups depending on their characteristics and their level of participation in work activities. This means that the number of families on the TANF/SSP caseload is dependent on the number of families meeting the work requirement in any given month, not on the number of families receiving assistance. While the federal TANF/SSP data show the District’s caseload declining between FY 2007 and 2008, the local data show the caseload starting to increase.<sup>42</sup>

Illinois is another state that makes extensive use of solely state funded programs. In fact, in FY 2014, the number of such cases outnumbered the actual number of TANF cases (an average monthly caseload of 24,349 in solely state funded programs vs. 20,050 in TANF).<sup>43</sup> And, this isn’t a recent phenomenon. Several of the programs were created effective October 1, 2006, including: “Two-Parent Families Paid with State Only Funds,” “First Time Pregnant Women Paid with State Only Funds,” “Refugee Cases Paid with State Only Funds,” and “Child Under One cases Paid with State Only Funds.” Then, in FY 2012, the state implemented another solely state funded program aptly called “Single Parent Cases Not in A Countable Activity Paid with State Only Funds.”

Over time, the number of states with solely state funded programs and the number of families in such programs has grown.<sup>44</sup> The use of this “loophole” is likely to grow, as work participation rate targets have increased in many states since FY 2011 and the “excess MOE” provision of the caseload reduction credit has become less generous.<sup>45</sup> Solution: Get rid of the block grant structure with its separate MOE requirement; revert to a federal-state match.

- **The failure to *define* work activities.** When Congress wrote the TANF statute, it “defined” work activities simply by listing 12 activities. Some states were defining work activities to include bed rest and personal care activities as part of recovery from a medical problem, physical rehabilitation including massage and exercise, personal journaling and motivational reading, participation in a smoking cessation program, and other activities typically not considered “work activities.” (Note: Many of these activities could be found in Wisconsin’s 2004 Annual Report on State TANF Programs.) Congress addressed this loophole in the Deficit Reduction Act of 2005 by requiring HHS to

actually define work activities, instead of just listing them. Solution: None needed; this problem illustrates the need for care in drafting legislation in the first place.

- **Waiver inconsistencies.** States with section 1115 welfare reform waivers when the 1996 welfare reform law was enacted were allowed to continue the waiver policy to the extent it was inconsistent with TANF through the end of the approved project period. While states still had to meet the new work participation rate targets, they could continue to operate under pre-TANF policies that often gave them a distinct advantage in the meeting these rates. Twenty states continued such waivers, which included provisions related to exemptions, countable work activities, and hours of participation. Aside from weakening TANF's work requirements, it is unclear why Congress thought it was fair to give some states such a huge advantage in meeting their work targets (and potentially avoiding a financial penalty) for as long as 5 to 10 years after enactment of TANF. Solution: As a matter of fairness, particularly when penalties may be involved, all states should face the same rules. While transition periods for change are worth considering, they should be reasonable and relatively short.
- **Counting “unsubsidized employment” as an activity.** Under TANF's predecessor program, AFDC/JOBS, a full-time worker was exempt from participation requirements; TANF made it a countable activity. This made it considerably easier for states to meet their work rates. The states that gained most from this decision are those with the highest breakeven levels (which are a function of the generosity of benefits and earnings disregards). This was basically a windfall for states in being able to count individuals as “participants” and combined with the caseload reduction credit meant that most states had to do little or nothing in terms of placing individuals in actual work or training activities. Indeed, participation in actual work activities has plummeted since TANF was created, falling even faster than the caseload – yet the number of needy families with incomes low enough to receive TANF has remained the same. Solution: Full-time, unsubsidized employment is the goal; it should be an exemption, not an activity.
- **“Unsubsidized employment” as a “gimmick.”** One of the gimmicks states employ to meet work rates is to pay a token benefit (e.g., \$10 a month) to full-time working families just to be able to count them in the work rate calculation. For example, in 2011, Governor Kasich of Ohio submitted a corrective compliance plan to address three years of failing to meet work rates (2007 to 2009 – before he became governor)<sup>46</sup> in an attempt to avoid about \$135 million in penalties. The central element of the corrective compliance plan had nothing to do with engaging more families in work activities. Instead, the plan would make \$10 payments to SNAP participants who have a child and have enough work hours to be counted toward the TANF work rate.<sup>47</sup> Here is how officials at the Ohio Department of Jobs and Family Services (ODJFS) describe the action:

ODJFS also initiated the Ohio Works Now Program, which provided a \$10 monthly OWF benefit to families on the Food Assistance Program who were working. By receiving this benefit, these working families could be counted toward the state's TANF work participation rate. This program was only in effect

from January to June 2012. About 72,323 assistance groups received benefits on average each month. Benefits totaled \$4.3 million and were paid from TANF funds.<sup>48</sup>

So, by investing \$4.3 million in what is really a gimmick, the state gutted the work requirement in FY 2012 and in doing so not only met the overall rate for that year, but potentially reduced a significant share of penalties from prior years.<sup>49</sup> This did virtually nothing to help low-income families get jobs and wasted federal and state staff time dealing with a gimmick.

In FY 2015, these cases account for over 15 percent of the TANF/SSP caseload; they have nothing to do with “welfare reform,” yet they will dominate the countable participants in the work participation rate. This gimmick is possible because conservatives made unsubsidized employment an activity; it would not have been available if it had remained an exemption as under JOBS. Solution: Full-time, unsubsidized employment is the goal; it should be an exemption, not an activity.

***Taking advantage of multiple loopholes.*** In FY 2012, Michigan achieved an overall work participation rate of 43.1 percent, exceeding its target rate of 37.5 percent (the 50 percent statutory rate reduced by a 12.5 percentage point caseload reduction credit). But, Michigan was only able to meet TANF’s work rate and avoid potential federal penalties by taking advantage of a number of loopholes. Specifically, it artificially reduced its denominator by moving nearly one-quarter of its caseload (cases that don’t help it meet the rate) to a solely state funded program not subject to TANF’s work requirements (including all of its two-parent families so it is not subject to the two-parent rate at all), artificially inflated its numerator by providing token benefits of \$10 to families that would otherwise have left the rolls, and artificially inflated its caseload reduction credit by hiring a consultant to find more maintenance-of-effort (MOE) funds the state could count and thus lowered its target rate by taking advantage of the “excess MOE” provision of the caseload reduction credit. It also cut its caseload sharply by adopting stricter time limits, so it had fewer cases to deal with. It would be one thing if the state had invested in programs to help recipients make the transition to self-sufficiency, but in FY 2012 Michigan just spent 5 percent of its TANF/MOE dollars on work activities.<sup>50</sup> Nevertheless, The Heritage Foundation considers this a big success.<sup>51</sup>

***Bottom-line.*** These are just some of the loopholes conservatives created – states have been using them for two decades. And Robert Rector, Kiki Bradley, and other conservatives are worried about waivers?

**Robert Rector:** “The previous two proposed policies – work exemptions for the hard-to-serve and work exemptions for the disabled – are examples of one of the oldest ploys in welfare: shrinking the work rate denominator. This is a standard deception that allows welfare bureaucracies to appear to maintain high levels of work participation while, in reality, requiring few recipients to engage in work activities.

It works as follows. If a state has 100 able-bodied TANF recipients and a target work participation rate of 50 percent, that state would ordinarily need to have 50 recipients in work activities to meet its target rate. However, if the state is quietly permitted to exempt half its caseload from work participation, the denominator for purposes of calculating work participation shrinks to 50 recipients. To achieve its 50 percent target participation rate, the state would then need to engage only 25 recipients in work activities. The state would continue to proclaim loudly that half of its caseload was working when the real number was 25 percent.

This type of deception was the norm in welfare prior to 1996, when it was used regularly to deceive not just the public, but also legislators. ‘Shrinking the denominator’ was the centerpiece of the Family Support Act, a sham welfare reform law enacted by the Democratic Congress in 1988. When Bill Clinton ran on the promise to ‘end welfare as we know it,’ he was running against the Family Support Act and its false promises.”<sup>52</sup>

**PC Response:** While the previous Family Support Act work requirements could have been strengthened, Rector ignores TANF’s massive loopholes that make anything under the Family Support Act pale by comparison. Since TANF’s inception, states have used the flexibility of the block grant structure to shrink the denominator – first through separate state programs, now through solely state funded programs. As described above, over half of the caseload in Illinois is in various solely state funded programs just to shrink the denominator. And this is just one approach – TANF also permits states to artificially inflate the numerator by making token payments to full-time workers and to reduce the work requirement through the conceptually flawed caseload reduction credit.

**Robert Rector:** “The GAO report clearly shows that some state welfare bureaucracies, if left to their own devices, will game the welfare system, creating deceptive work programs that define bogus activities by recipients as work. By deliberately loosening the requirements on states, the Administration’s policy will intensify this problem.”<sup>53</sup>

**PC Response:** When states move families to solely state funded programs, they can define work activities as they wish for families in those programs. When states pay token benefits to families with no connection to cash assistance to artificially inflate the numerator, they can meet the work requirement simply by counting those receiving such payments – they can then define work activities as they wish for everyone else. TANF has set the conservative case for work requirements back two decades – the real concern is not that states are counting “bogus activities,” but that they don’t offer work activities of any kind.

**Robert Rector:** “HHS asserts that it seeks to grant waivers to states so that they can count post-secondary education and vocational educational training beyond one year as a work activity for purposes of fulfilling federal participation rate standards. It is true that the current law does not allow a state to count attending college or vocational education (beyond one year) as work.

On the other hand, the typical state is required to have only 30 percent to 40 percent of its work-eligible TANF caseload participate in any of the 12 broad ‘work activities’ listed in the law. The

state is completely free to do as it pleases with the remaining 60 percent to 70 percent of its work-eligible caseload. It can let them do nothing or engage in any activity whatsoever that it chooses. If a state wishes, it can send all of the remaining recipients to college. Nothing in federal law prevents that.”<sup>54</sup>

**PC Response:** Many states simply place families with individuals in post-secondary education in solely state funded programs. Or, they can pay token benefits to families that have no connection to cash assistance to meet the work rate and then place other families in post-secondary education without worrying about meeting the rate. And, at the time Rector wrote this article, the latest work participation rate data available was for FY 2009, when 22 states had a 0 percent target, compared to just 7 that had a 30 to 40 percent target (and 4 with a 40 to 50 percent target). So, those states were free to do whatever they wanted with 100 percent of their “work-eligible caseload.” Instead of worrying about waivers, conservatives would do better to focus on TANF’s glaring deficiencies, which are most visible in its dysfunctional work requirements.

**Robert Rector:** “Certain ‘fact checkers’ have claimed that the Obama Administration is not guilty of gutting the law’s work requirements because the Administration will replace those requirements with new standards. This is a distinction without much difference. If someone tears down an existing building and replaces it with another building, the first building is still gone. Under the waiver plan, states will no longer be required to comply with the work participation requirements in the TANF law. A law that no one has to obey is no longer a law.”<sup>55</sup>

**PC Response:** When it comes to work requirements, conservatives “tore the house down” in 1996. It is inconceivable that any policy can “gut” TANF’s work requirements any more than they are already “gutted.” States have made a mockery of the TANF law since its beginning. And, any reasonable observer cannot blame them – TANF’s work requirements (absent gaming) are unreasonable, unrealistic, and unhelpful.

**Governor Mitt Romney (in response to The Heritage Foundation claim about the Obama Administration’s “gutting welfare reform”):** During the campaign, Governor Romney’s team ran a TV ad dismissing President Obama’s policy initiative, claiming that it would “gut welfare reform”:

Romney TV Ad, “Right Choice”: President Obama quietly announced a plan to gut welfare reform by dropping work requirements. Under Obama’s plan, you wouldn’t have to work and wouldn’t have to train for a job. They just send you your welfare check. And welfare-to-work goes back to being plain old welfare. Mitt Romney will restore the work requirement because it works.<sup>56</sup>

**PC Response:** It is ironic that Governor Romney’s campaign claimed that he would restore “the work requirement.” In 2005, in the midst of his term as governor, Massachusetts had the lowest work participation rate in the nation (when measured according to TANF rules) at just 12.6 percent. Nevertheless, Massachusetts did not face a work participation rate penalty for falling below TANF’s 50 percent work requirement. That’s because states with section 1115 welfare

reform waivers when the 1996 welfare reform law was enacted were allowed to continue their waiver policies to the extent they were inconsistent with TANF through the end of the approved project period; Massachusetts was able to continue its waiver policies through the end of 2005. Governor Romney's use of these waivers allowed the state to exempt parents with a child under six years of age and waived TANF's strict limits on how long education activities can be counted. Thus, the state's work rate with the waivers was 59.9 percent. Why was it "gutting" welfare reform when President Obama proposed more flexibility in counting education and training activities, but not when Governor Romney took advantage of similar flexibility? And, based on what experience would Governor Romney have restored a real TANF-like work requirement?

**Rachel Sheffield:** "One of the reasons why so many states have low work participation is loopholes in the law. States can lower their work participation rate requirement by contributing extra state funds to TANF or by simply counting money spent by other organizations on low-income families rather than actually requiring people to work or prepare for work. Some states have artificially boosted the number of working TANF recipients by providing TANF checks to working individuals on other welfare programs.

The biggest problem, however, is that the original 50 percent work participation rate is simply too low: 50 percent of TANF recipients can be doing no work at all, and a state can fulfill its work requirement. The main reason why the work rate was set at 50 percent was pressure from governors at the time the law was passed; for the most part, they sought to keep required work participation as low as possible.

The goal of welfare should be to promote self-sufficiency for able-bodied adults, and work requirements play a critical role in achieving that aim. A work requirement establishes reciprocity between the individual who receives assistance and the taxpayers who provide it. Most important, a work requirement makes assistance available to those who need it while ensuring that individuals are encouraged toward self-sufficiency through work."<sup>57</sup>

**PC Response:** Sheffield is right – the goal of welfare and work requirements should be to promote self-sufficiency, but TANF's work requirements have mainly been used as a tool of bureaucratic disentanglement – a fact that Sheffield and other conservatives blindly ignore.

The problems Sheffield is alluding to have existed from the beginning thanks to misguided conservative policymaking. Douglas Besharov and I noted many of them in a 2004 report for *AEI – Toughening TANF*, stating:

The complexity of TANF's participation requirements stems largely from the politics of how the original law described participation requirements. The drafters wanted to show they were serious about reform, so they set a high putative requirement (eventually 50 percent). But they compromised on the real requirements through a slew of exclusions and exemptions that substantially watered down the 50 percent requirement (even before the impact of the caseload reduction credit).<sup>58</sup>

And, what is Sheffield's response now? She says the work requirements are "too low." Doesn't it say something about TANF when most states can't come anywhere close to making a 50 percent work requirement without taking advantage of loopholes? Doesn't it say something about TANF, when a state like Wisconsin, home to conservatives like Speaker Ryan and Governor Walker, has failed the work requirements for three consecutive years (FY 2012-FY 2014)? Or, when Robert Doar – who claims to have run a model program for the nation – can only attain a work rate of 35 percent?

Sheffield has no professional experience to qualify her to make a judgment about what a reasonable work requirement should look like. What do people who actually know something about the subject say?

- Eloise Anderson, Wisconsin's Secretary of the Department of Children and Families, testifying before the House Ways and Means Committee, argued that the "the participation requirements, as currently structured, must be revised to ensure that the standards align with the ultimate goal of the TANF program: moving recipients from welfare to work."<sup>59</sup> Based on her experience, she recommended a number of changes to the work requirements, including eliminating the distinction between core and non-core hours, recognizing the need for more flexibility in counting educational and training activities. Given that Wisconsin has failed the work rate three years in a row, it seems unlikely that she would believe the rate is too low.
- What does Gordon Berlin, president of MDRC, the research organization that evaluated dozens of welfare-to-work programs over the last three decades say?

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>60</sup>

It certainly is the case that states should be engaging more welfare families in work activities, but the TANF block grant structure and dysfunctional work requirements do not "promote self-sufficiency for able-bodied adults." It's time to start over and design a safety net and work requirement that makes sense and that actually helps needy families.

**American Enterprise Institute:** "Eroding the work requirement would undermine the work-first approach that made the 1996 reform so successful in helping people move up. Softening these requirements would likely draw people into the program who would have sought and secured work in the absence of an alternative that offers benefits without work."<sup>61</sup>

**PC Response:** Rigorous evaluations of welfare-to-work programs suggest that at best they have modest impacts on employment and earnings – and in most cases, such impacts fade out over time.<sup>62</sup> And, even if some families "moved up," far more have been pushed deeper into poverty.<sup>63</sup> In 1996 (before TANF), about 5.6 million families were eligible to receive benefits, and about 4.4 million (79 percent) did so. By 2012 the number eligible for TANF was higher



(5.7 million), but the number receiving benefits had dropped over 50 percent to 1.9 million (32 percent). If TANF is such a success and if these families had really been helped, why are there more families with incomes below TANF's eligibility thresholds? Many have not "moved up," but have been pushed deeper into poverty.<sup>64</sup>

"Eroding the work requirement"? As noted above, throughout most of TANF's history, 20 to 30 states had a 0 percent target. And, for the rest, the decision to count "unsubsidized employment" as an activity allowed most states to meet the work requirement without having to serve anyone in a real activity. While the work targets have increased since FY 2011, states have taken advantage of the loopholes conservatives themselves created. Most states use gimmicks to meet these work requirements, rather than actually connecting needy families to welfare-to-work activities that might help.

- In FY 2015, some states artificially inflated their work rates by paying token benefits (e.g., \$10 a month) to low-income families that otherwise would not be on welfare to artificially boost their work rates. This accounted for over 15 percent of the national caseload – 250,000 families, all of whom were already working and who otherwise had no connection TANF cash assistance.<sup>65</sup>
- In FY 2015, over 100,000 families were shifted to "solely state funded" programs because they did not have enough hours to count in the work rate; this is possible because TANF is a flexible and fungible funding stream.<sup>66</sup>
- By way of comparison, in FY 2014 (the latest year for which data are available), relatively few of the TANF families that were counted as "participating" were in a real activity:
  - Vocational educational training: 31,000
  - Work experience: 21,000
  - Job search and job readiness assistance: 61,000

Since some individuals may be in more than one activity, a rough approximation is that in an average month, 100,000 work-eligible individuals participated in a real activity enough hours to count.<sup>67</sup> This represents just 6 percent of the cash assistance caseload and about 1-2 percent of poor families with children.

Is this really the status quo AEI wants to defend? How does creating a work requirement structure that encourages states to use gimmicks rather than engage families in a real activity help needy families? Indeed, TANF's work requirements are unreasonable and have done more to push families off welfare than help them achieve greater self-sufficiency. This isn't "welfare reform"; this isn't success; this is *Truly a National Failure (TANF)*.

**Robert Rector and Kiki Bradley:** "The welfare reform law is often characterized as simply giving state governments more flexibility in operating welfare programs. This is a serious misunderstanding. While new law (the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) did grant states more flexibility in some respects, the core of the act

was the creation of rigorous new federal work standards that state governments were required to implement.”<sup>68</sup>

**PC Response:** In most states, TANF is revenue sharing. Indeed, in FY 2014, states spent just 26.5 percent of their TANF/MOE dollars on basic assistance, and in a dozen states, that percentage was less than 10 percent. TANF’s work requirements are dysfunctional, but as states convert TANF to a giant slush fund, they are becoming even less relevant.

### **Misreading Research to Justify TANF’s Work Requirements**

Most conservative advocates who suggest that TANF reduced poverty rely on simplistic pre-post data comparisons that ignore a host of potential influences on the outcomes of interest and confuse TANF with welfare reform. Further, their support for TANF’s narrow “work first” approach is based on outdated research studies and speculative generalizations.

### ***Relying on Simplistic Approaches to Assess the Effectiveness of TANF Work Requirements***

**American Enterprise Institute:** “Despite predictions of disaster from some politicians and pundits, the poverty rate among single mothers and their children fell from 44 percent in 1994 to 33 percent in 2000 – a decline of 25 percent. While the booming economy of the late 1990s certainly helped, studies show that a significant portion of the caseload reductions came from the new rules, which advanced a work-first approach.”

**PC Response:** AEI’s conclusion that TANF produced dramatic results is overly simplistic and highly misleading. (Note: TANF did without-a-doubt reduce caseloads, but the key to success should be caseload decline due to increased employment and reduced poverty.) AEI’s claim should be put into proper perspective; consider the following:

First, most claims of TANF’s putative success in reducing poverty rely on simplistic comparisons in employment and poverty rates over time. A pre-post assessment of “welfare reform” is an extremely weak approach to establishing causality. Obviously, there are many other economic, demographic, and policy-related changes that influence poverty rates. In particular, TANF was enacted in the midst of a period of strong economic growth and increased aid to the working poor, most notably expansions in the Earned Income Tax Credit (EITC), child care subsidies, and Medicaid and related health care coverage.

Researchers at RAND prepared a comprehensive synthesis of the impact of dozens of state welfare reform programs on welfare caseloads, child poverty, and a range of other outcomes.<sup>69</sup> The random assignment evaluations they reviewed examined programs in the very period when caseloads and poverty fell rapidly nationally. While most reform programs showed declines in welfare receipt, and some showed reductions in poverty, the magnitude of the impacts was considerably smaller than suggested by the simple trends in national data. This is because the

control group also benefitted from a strong economy and increased aid to the working poor. The failure to disentangle causative factors

Second, AEI cites the decline in the poverty rate of single mothers and their children starting in 1994 well before TANF was implemented by states in 1997. It defies common sense to believe the trend would have stopped in 1997 as the economy continued to be strong through 2000. And, why stop at 2000? The poverty rate began rising after that and today is comparable to what it was in 1996 (38.0 percent in 2013 vs. 39.8 percent in 1996).<sup>70</sup> If TANF is such a successful model, why did the poverty rate begin trending upward in 2000 before the work requirements were even fully phased in (in FY 2002)?

Third, AEI equates TANF and “welfare reform.” In fact, states were already experimenting with “welfare reform” through waivers; they didn’t need the 1996 law to test new welfare policies. TANF is a flexible funding stream. In the first-half decade, TANF provided states with a massive influx of federal funding (because the block grant was based on historic funding levels years before TANF was enacted when welfare caseloads were at a historic high) and gave them added flexibility in determining how those funds could be spent.

Fourth, even if one believes TANF reduced poverty, what is the plausible causal mechanism? States already had flexibility with cash assistance and TANF added little to this as most states simply continued their waiver policies. The issue AEI should consider is, what did TANF add to this existing flexibility that could reduce poverty? Could it be work requirements, more funding flexibility, or new federal rules and requirements? Not likely.

- TANF’s work requirements are unreasonable, dysfunctional, and are not about work. For individuals to count in the work rate, they must participate 130 hours per month for a small grant. In 14 states, the maximum TANF benefit is under \$300. The TANF expectation that families in these low-benefit states value their time at \$2 per hour or less is unreasonable. In no state, does the maximum grant for a family of three divided by 130 hours per month result in an hourly valuation as high as the minimum wage. And few states offer more than a handful of recipients “educational or job training programs” because of the law’s unjustifiable restrictions on those activities. As such, their main function has been to impose barriers and cut caseloads through a process known as “bureaucratic disentanglement.” Even with sharply reduced caseloads, states have resorted to gimmicks to satisfy federal work rate targets that themselves are unreasonable (see “TANF Work Requirements: An Epic Fail” in *TANF is Broken!*<sup>71</sup>). Such gimmickry does nothing to help the poor get connected to work opportunities.
- TANF gave states the flexibility to divert funding from basic assistance and work activities to fill budget holes. States now spend billions of dollars each year on college scholarships, preK, and child welfare among dozens of other activities. While these may be useful activities, each dollar spent in this way reduces the amount for needy families with children. This type of diversion is particularly problematic when it simply reflects supplantation – the practice of using federal funds to replace state funds. In many states, TANF has become welfare for the state, not needy families. Diverting funds away from core welfare reform purposes and supplantation are not likely to reduce poverty.

- The 1996 law took a simple, straightforward funding mechanism and replaced it with a myriad of flawed funding formulas and requirements that complicate the program and allow states to further game some aspect of the program (see “Funding and Flexibility: How Congress Shot Itself in the Foot” in *TANF is Broken!*<sup>72</sup>). Such “overcomplexification” does not reduce poverty.

This leaves the big increase in federal funding and jaw-boning as potential factors in the early years. Over the long-term, all of the aforementioned problems have remained, but the initial windfall has disappeared and is now a large deficit (as inflation eroded the value of the block grant) and states have become far more adept at using TANF like a slush fund and in gaming its work requirements.

**Robert Rector and Rachel Sheffield:** “What was at the heart of the progress made by the TANF reform? Its carefully crafted federal work requirement. The 1996 reform focused on work and self-sufficiency, clearly specifying requirements for able-bodied adults to work, prepare for work, or look for work in exchange for receiving welfare assistance. This held the state bureaucracies administering welfare programs accountable for ensuring that assistance provided with federal dollars provided a hand up not a handout.”<sup>73</sup>

**PC Response:** “Carefully crafted”? “Robust”? Nothing could be further from the truth. The TANF statute is full of loopholes that weakened even the modest JOBS requirements that existed before TANF. While it closed some of these loopholes in the Deficit Reduction Act of 2005 (effective FY 2007), the result was new loopholes and other unintended effects (e.g., incentives to artificially inflate MOE, including counting third-party nongovernmental expenditures).

### *Misapplying Research to Design Work Requirements*

**American Enterprise Institute:** “...policymakers should be especially wary of proposals that would weaken a rare success in American social policy. For example, loosening or eliminating the work requirement or the distinction between work and non-work activities would change TANF from a work-first program (one that prioritizes directing recipients to employment) to one with an education focus. This would be a mistake, as evidence shows that a work-first approach is more successful in increasing employment and earnings and reducing welfare receipt.”<sup>74</sup>

**PC Response:** What is the evidence that AEI cites? A 2001 study by MDRC, *How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs.*<sup>75</sup> This is an important study, but it examined programs that operated between 1991 and 1999 and that started *before* TANF was created. Are those findings generalizable to today’s TANF program, 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); economic conditions; demographic characteristics of the caseload; and an array of other factors?

Even ignoring the issues of generalizability, conservatives have been unable to translate their ideas into effective policies.

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>76</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.

In 2001, MDRC released a report covering impacts over 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>77</sup>

That report also 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 all 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>78</sup>

And, if AEI considered research beyond 2001, it might have reached a different conclusion. For example, a recent National Bureau of Economic Research paper by James Ziliak summarized a study that reexamined one of the more successful welfare-to-work programs – The Riverside Miracle. The study suggests that the early results were misleading:

Hotz, Imbens, and Klerman (2006) noted that the treatment effects across the GAIN sites could differ because of differences in populations served, how treatment was assigned, and in local economic conditions. They proposed a new method of how to evaluate differential effects of alternative treatments such as HCD and work first. Using these methods they then re-examined the results of GAIN by focusing on impacts nine years after random assignment, which should be a sufficiently long period for HCD to have an effect. They found that much of the “Riverside Miracle” was not due to the work-first strategies of the GAIN program in the county, rather it was an anomalous result of a very strong local economy three to five years post assignment. Moreover, by six years after assignment the longer-run gains in employment were more pronounced for those treated with an HCD approach than work-first, suggesting that HCD programs may impart long-term benefits for mothers leaving welfare.<sup>79</sup>

The Ziliak paper goes on to cite other studies that suggest other program models might be more effective than work-first programs. If research is to guide policymakers, it should be based on a comprehensive and objective view of the literature; instead, AEI selectively picks findings that support its viewpoint.

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. Liz Schott, LaDonna Pavetti, and Ife Floyd of the Center on Budget and Policy Priorities observe:

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>80</sup>

As laboratories to test new ideas, states have been creative in finding ways to divert TANF/MOE funds from core welfare reform activities and exploiting loopholes to game work and other federal requirements.

It is time to invest in research and investigate programmatic approaches with an open mind. 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>81</sup>

Conservatives should always be open to testing alternatives to the status quo – and rigorously evaluating them. The research used to justify the work first approach was limited in the scope of interventions tested and under very different conditions; it should not be generalized to TANF today. And, since the law was enacted, new research suggests that there should be a more flexible approach.<sup>82</sup>

Research on program models is important and arguably could be used to focus work requirements on particular activities, but the past research did not investigate important issues like minimum hourly requirements and the appropriate work rate targets, among other participation rate design issues. It should be obvious by now that TANF's work requirements are a massive policy failure notwithstanding the relative effectiveness of work first models vs. other programmatic approaches.

### **Policy Options – It's Time for Details**

Conservatives are beginning to recognize that there are problems with work requirements, but are unable to describe options that would close these loopholes. Yet, they continue to advocate extending work requirements to other programs, without providing any detail on the substance of those proposals. Without such detail, the result might be another TANF debacle.

#### ***Closing TANF Loopholes***

**American Enterprise Institute:** “We should not turn away from the pro-work philosophy of the 1996 law. However, after 20 years, we have learned lessons that call for improvements. For instance, states should be required to meet a real work participation rate (WPR) that is not vulnerable to state manipulation. Under TANF, states must engage 50 percent of their recipients in work activities to avoid losing funds. Many states game the system by manipulating federal rules that allow states to lower their required WPR by reducing the number of recipients or by claiming that state spending on related activities justifies a reduced WPR. Other states provide very small benefits to workers to boost their work-engagement numbers. These loopholes should be closed.”

**PC Response:** Real welfare reform requires adequate funding, realistic requirements, and rigorous evaluation so that we can learn what works and what doesn't and build on an evidence base. Rather than focusing on reforms to ensure a meaningful safety net with real work requirements, AEI's main recommendation is to close the work requirement "loopholes." This is problematic for several reasons.

First, this recommendation is largely irrelevant in many states because the TANF cash assistance is virtually non-existent; instead, it has become a slush fund. Consider the following statistics:

- In 1996, the TANF-to-poverty ratio for the nation was 68; in 2014 it was 23.<sup>83</sup> (The TANF-to-poverty ratio compares the average monthly AFDC/TANF cash assistance caseload per 100 poor families with children.)
- In 1995, Alabama had the lowest TANF-to-poverty ratio at 34; in 2014, 44 states had a TANF-to-poverty ratio lower than this.<sup>84</sup>
- In 2014, 12 states had a TANF-to-poverty ratio of less than 10 – more than two-thirds lower than Alabama's pre-TANF level.<sup>85</sup>

The spending figures tell the same story. In FY 2014, 10 states spent less than 10 percent of their funds on basic assistance, 24 states spent less than 20 percent of their funds on basic assistance, and 40 states spent less than 30 percent of their funds on basic assistance.<sup>86</sup> And, in most states, this spending hasn't been diverted to work-related activities, as this accounted for just 8 percent of spending.<sup>87</sup>

### Work requirements are irrelevant when virtually no one receives assistance!

Sadly, AEI does not recognize this or do anything to change the fact that TANF has become nothing more than revenue sharing.

Second, conservatives, including the authors of the AEI report, have yet to write anything that shows any understanding of what the "loopholes" are or how to close them. The last time conservatives tried to close loopholes was in the Deficit Reduction Act of 2005. They recalibrated the base year of the caseload reduction credit, added separate state programs to the work rate calculation, and made other changes. What happened? States used the block grant structure and the excessive flexibility to apply new loopholes.

What *exactly* would AEI do to close the loopholes? The report says:

Many states game the system by manipulating federal rules that allow states to lower their required WPR [work participation rate] by reducing the number of recipients or by claiming that state spending on related activities justifies a reduced WPR. Other states provide very small benefits to workers to boost their work-engagement numbers. These loopholes should be closed.



This is vague, but it appears to point to three factors. “Reducing the number of recipients,” depending on how it’s done,<sup>88</sup> would provide a larger caseload reduction credit. Is AEI acknowledging that the caseload reduction credit is a misguided provision? If so, I would agree, but eliminating the credit without other changes would simply lead states to exploit other loopholes. “Claiming that state spending on related activities justifies a lower WPR” might be referring to the “excess MOE provision” of the caseload reduction credit (which may lower a state’s work rate target if it spends above its basic MOE level), but closing this loophole would only lead to greater exploitation of the solely state funded option – an option available to states with “excess MOE.” Providing “small benefits” for the sake of boosting work engagement numbers might be an option, but what would be the criteria? For example, setting a minimum dollar amount, say \$50, may simply lead states to set such payments at the new level. Or, they may redesign earnings disregards in a way that accomplished a similar result. As long as “unsubsidized employment” is an activity, rather than an exemption as before TANF, this will be a low-cost way of boosting work participation rates.

AEI has not presented real solutions. As long as TANF is a block grant with excessive state flexibility, loopholes remain. Again, as Douglas Besharov and I noted, *writing for AEI in 2004*, “the structure of the TANF block grant would enable states to avoid *all* additional participation requirements...”<sup>89</sup> If AEI is serious about ending loopholes, the first step would be to end the block grant structure; the second would be to limit spending to basic assistance and work activities – nothing else; and the third would be to focus on requirements that are reasonable and reflect operational realities. Welfare reform should be about giving needy families a hand up, but instead, under TANF, it has abandoned them.

**Rachel Sheffield:** “The biggest problem, however, is that the original 50 percent work participation rate is simply too low: 50 percent of TANF recipients can be doing no work at all, and a state can fulfill its work requirement. ... The goal of welfare should be to promote self-sufficiency for able-bodied adults, and work requirements play a critical role in achieving that aim.”<sup>90</sup>

**PC Response:** The biggest problem is the design of TANF’s work requirements. Simply raising the 50 percent work rate target will just lead to more gaming.

**Kiki Bradley:** “States discovered a loophole that would help them shrink their required work participation rate by spending more than their required amount of state dollars on welfare-type activities, called ‘excess MOE.’ The more excess MOE a state claims, the smaller its work participation rate. ... Without having to help a single welfare recipient find a job or prepare to enter the workforce, states are getting credit for putting people to work. The excess MOE loophole is destroying the very provision that made welfare reform a success. It is gutting the work requirement and keeping families dependent on government-provided welfare. ... As Congress looks to reauthorize the TANF program in the near future, it should ensure that this loophole is eliminated.”<sup>91</sup>

**PC Response:** This suggestion is typical of the thinking that led to the Deficit Reduction Act of 2005. Conservatives believe closing a loophole solves a problem, without ever considering how it might simply lead to other loopholes. In particular, because TANF is block grant with a separate MOE requirement, a state can just as easily use the “excess MOE” to create solely state funded programs as it can to maximize the caseload reduction credit.

Some states have found a new way to maximize MOE, called the “swap.” They use federal TANF funds to pay for an existing state activity that meets a TANF purpose and is an allowable use of federal funds, but not MOE funds (because MOE can only be spent on “eligible families,” i.e., those that are needy and have a minor child). For example, California has used federal TANF funds that were used to fund basic assistance to instead pay for college scholarships that were previously funded with state general fund dollars. The freed up general fund dollars are then used to pay for the assistance that had been funded with state general fund dollars. In short, this is a gimmick that allows a state to inflate its MOE to either maximize excess MOE or to help it create solely state funded programs to bypass federal requirements. Here is a description of how the “swap” works in California, involving nearly \$1 billion in expenditures:

### **TANF–CSAC Funding Swap Provides Additional State Flexibility**

*Swap Has No Net Impact on CalWORKs Funding Levels or Overall General Fund Spending.* The 2012–13 enacted budget redirected \$804 million in Temporary Assistance for Needy Families (TANF) block grant funds from the California Work Opportunity and Responsibility to Kids (CalWORKs) program to the California Student Aid Commission (CSAC) to be used for expenditures in the Cal Grants program that are allowable under federal rules that govern the use of TANF funds. Reduced TANF funds in CalWORKs were replaced dollar for dollar with General Fund monies from CSAC, resulting in no net impact on funding levels for Cal Grants and CalWORKs or General Fund spending overall.

*Spending Above MOE Has Important Implications.* Having higher General Fund expenditures in CalWORKs than is required by the MOE provides potential benefits to the state. First, should the state choose to do so, General Fund and county spending above the MOE could be counted as excess MOE to obtain an additional reduction in the required work participation rate (WPR), thereby lowering the risk of federal penalties.<sup>92</sup>

The initial inclination for dealing with this issue might be to eliminate (or limit) the “excess MOE” provision of the caseload reduction credit, as suggested by the Heritage Foundation<sup>93</sup> and GAO.<sup>94</sup> This recommendation would not solve the problem; it would just lead to a different loophole. Indeed, the description of California’s “swap” goes on to note this very thing:

Second, General Fund and county spending above the MOE could, at the state’s choosing, not be counted towards the MOE requirement. This opens the door to CalWORKs spending on purposes that are not allowed under TANF rules but that benefit the state. For example, the state can fund CalWORKs benefits for individuals that it wishes to exclude from the state’s WPR in a so-called “solely state-funded program,” as discussed in more detail in the body of the CalWORKs analysis. Finally, should the need

arise in the future, the state has greater flexibility to enact policy changes—including those that would reduce General Fund spending in the CalWORKs program—without coming up against the constraint of the MOE requirement.<sup>95</sup>

So, eliminating the “excess MOE” provision would simply lead to a different loophole – solely state funded programs. In fact, given changes to the “excess MOE” provision that affected many states starting in FY 2012, solely state funded programs may become a more favored loophole.<sup>96</sup> Then, the hunt will be for MOE to satisfy TANF’s basic MOE requirement and any “excess” to simply fund assistance cases outside the TANF/MOE structure. And, with fewer assistance cases, TANF will become more of a slush fund than it already is with limited information and accountability due to the limitations Congress placed on HHS data collection.

**Robert Rector and Rachel Sheffield:** “*Strengthen Work Requirements in the Temporary Assistance for Needy Families Program.* The TANF program was created by the welfare reform law of 1996. A key premise of that law was that work-capable TANF recipients should be required to work or prepare for work. However, the current work programs in TANF are quite lax. In the average state, more than half of work-capable recipients are completely idle. Typically, state welfare bureaucracies engage less than a fifth of recipients in activities intended to increase employment and reduce dependence. The federal TANF work rules should be greatly strengthened to require that two-thirds of non-employed TANF recipients engage in training, perform community service, or at least search for a job under supervision in exchange for their benefits.”<sup>97</sup>

**PC Response:** This recommendation is vague. Would the new “two-thirds” work requirement for non-employed TANF recipients be in lieu of or in addition to TANF’s current work requirement? Would all the rules affecting the calculation of the denominator and the numerator for the current work rate apply to this new requirement? Would someone working as little as one hour a month be excused from this requirement (i.e., is there a minimum threshold of hours one has to reach to be considered employed and not subject to the new requirement)? What would be the penalty for states that failed to meet the new requirement and how does it relate to the current TANF work requirement penalty (and penalty process)? These are just some of the questions that should be addressed in a serious policy proposal.

Regardless of the answers to the foregoing questions, as long as TANF is a block grant with a separate MOE requirement and excessive state flexibility in determining spending priorities, it would be easy to simply create a solely state funded program to avoid this requirement, just as about half the states now do to avoid TANF’s two-parent requirement and, to a lesser extent, to remove non-participating families from the overall work rate.

And, what does this do for the poor in states that have virtually eliminated their cash assistance programs, e.g., Texas and Georgia? When families are pushed off TANF, they simply rely more on other assistance programs, like SNAP, that have no work requirement. The answer might have been to extend work requirements to these programs, but conservatives should fix TANF first; they are not qualified (yet) to design work requirements for other programs.

### *Extending Work Requirements to Other Means-Tested Programs*

**Robert Rector and Rachel Sheffield:** “*Work Requirements for Able-Bodied Parents on Food Stamps.* In an average month in 2014, there were 8 million to 9 million able-bodied parents receiving food stamp benefits; around half of these were not employed. In general, families with an employed parent will have incomes substantially higher than those who are fully dependent on welfare. Moreover, a family with a parent who works full-time (even at low wages) will typically have a combined income from earnings and welfare that is well above poverty. Welfare programs should therefore seek to promote parental employment rather than long-term dependence. Able-bodied, non-elderly parents who have received food stamp benefits for over three months and who are not currently employed should be required to undertake training, community service, or at least supervised job search in exchange for benefits.”<sup>98</sup>

**PC Response:** Where are the details? What would be the rate, how many hours would be required, would there be any exemptions or disregards in calculating a participation rate, what activities would be allowed and what (if any) limits would be placed on counting hours of participation, how would this requirement relate to the TANF requirement for those receiving cash assistance, what would be the penalty for states that fail to meet the standard, how would other food stamp rules be changed (e.g., those related to exemptions and sanctions)?

Most important, are any additional resources provided to fund these work programs? Notably, the current ABAWDS work requirement is quite limited in this regard. Last, given the complete failure of TANF’s work requirements, on what basis should the American public trust conservatives in creating a new work requirement? Fix TANF; then, maybe, conservatives will have credibility again.

**Robert Rector and Jennifer Marshall:** “First and foremost, work requirements should be established throughout the welfare system. There is no reason why only TANF should have a work requirement while other major welfare programs are treated like old-style entitlements. The food-stamp program and federal housing programs, for instance, could easily be reformed along the same lines by setting work as a condition of receiving benefits.”<sup>99</sup>

**PC Response:** Again, no policy details – which programs would be included, what would be the countable activities, what would be the hourly requirements, how would such requirements be coordinated across programs, and how much funding would be made available (if any)? These are just some of the policy details that should be specified. Otherwise, the result could be another policy disaster like TANF.

**Robert Doar and Kiki Bradley:** “The welfare reforms of the 1990s showed that work requirements in return for assistance can play an important and effective role in helping poor Americans enter the labor force, attain and hold jobs, and move up and out of poverty. But since 2000, those forms of assistance that lack a strong work expectation – Supplemental Nutrition Assistance Program (SNAP), Medicaid, housing assistance, disability assistance – have grown in

size and reach. More Americans have found themselves trapped in a safety net that does little to promote employment and self-sufficiency.

Federal policy must integrate stronger work requirements into these other forms of assistance. Able-bodied adults receiving assistance from these programs should be expected to seek employment.”<sup>100</sup>

**PC Response:** Conservatives should first address TANF’s dysfunctional work requirements. They do not have the knowledge or track record to devise and extend work requirements to other programs. At the very least, they should move from broad generalizations to policy specifics. The devil is in the details and as the foregoing discussion shows, conservatives got virtually every technical detail wrong in drafting TANF’s work requirements.

## **Conclusion**

In describing the Obama Administration’s waiver proposal, Robert Rector and Jennifer Marshall state, “This gambit follows the habitual pattern of liberal opponents of welfare reform: using bold-sounding but vague language (like ‘universal engagement’) to camouflage efforts to weaken workfare.”<sup>101</sup>

I am not a “liberal” – I am a conservative challenging the competency of conservative policies. 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. 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; they are an embarrassment to conservatism.

---

<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/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf>.

<sup>2</sup> Rachel Sheffield, "Most Work-Eligible Welfare Recipients Are Not Working," July 11, 2016, available at: <http://bestthenews.com/article/most-work-eligible-welfare-recipients-are-not-working-mon-07112016-2305.html>.

<sup>3</sup> Cited in Rob Bluey, "Paul Ryan: HHS Welfare Work Waiver Will Undermine 1996 Reforms," *The Daily Signal*, September 13, 2012, available at: <http://dailysignal.com/2012/09/13/paul-ryan-hhs-welfare-work-waiver-will-undermine-1996-reforms/>.

<sup>4</sup> House Ways and Means Committee, "Reed Introduces Bill to Preserve Work Requirements in Welfare," February 27, 2015, available at: <http://waysandmeans.house.gov/reed-introduces-bill-to-preserve-work-requirements-in-welfare/>. The irony of this title is that it suggests that preserving the status quo somehow ensures meaningful work requirements.

<sup>5</sup> Robert Rector, "Bill Clinton was Right," *The Washington Post*, August 23, 2006.

<sup>6</sup> The two-parent work participation rate requires states to have at least 90 percent of two-parent families in work activities for at least an average of 35 hours per week (or 55 hours per week for a family receiving federally subsidized child care) in a month.

<sup>7</sup> Similarly for the two-parent rate, 30 of the 35 average weekly hours (or 50 of 55 hours for a family receiving federally subsidized child care) must come from the same nine work activities.

<sup>8</sup> Rachel Sheffield, "Most Work-Eligible Welfare Recipients Are Not Working," July 11, 2016, available at: <http://bestthenews.com/article/most-work-eligible-welfare-recipients-are-not-working-mon-07112016-2305.html>.

<sup>9</sup> The law does include the following clause: "Require a parent or caretaker receiving assistance under the program to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive), whichever is earlier." However, this provision has no teeth and for all practical purposes is meaningless.

<sup>10</sup> Some, like Sheffield's colleague Robert Rector, have argued that a person is not "disabled" unless receiving SSI: "the federal means-tested program for persons with disabilities is Supplemental Security Income (SSI), not TANF. Adults receiving TANF benefits are by definition not disabled." Aside from applying a strict definition of disability, this fails to recognize that it can take up to two years for a qualified applicant to receive benefits; during this entire time, the disabled individual would be considered a "work-eligible individual."

<sup>11</sup> As explained throughout this communication, TANF is not "welfare reform," it is largely just a change in federal-state funding arrangements and responsibilities, along with a number of largely ineffective federal requirements and many new bureaucratic complexifications of the welfare law.

<sup>12</sup> Robert Doar, "Off the Track on Workfare," July 7, 2015, available at: <https://medium.com/2014-index-of-culture-and-opportunity/tanf-work-participation-rate-930c3af3e3e2#.2i7d3j3ra>.

<sup>13</sup> The overall work rate in New York's separate state program was actually higher than in the TANF program (44.3 percent vs. 35.2 percent, but since the caseload reduction credit had reduced New York's target rate to 0 percent, the state didn't need these participants and instead choose to use the funding approach to bypass the federal time limit. See Table 1A and Table 9B, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Work Participation Rates – Fiscal Year 2005," August 1, 2007, available at: <http://www.acf.hhs.gov/ofa/resource/wpr2005>.

<sup>14</sup> Full-time unsubsidized employment as an exemption also makes it easier to meet TANF's work participation by reducing the denominator, but the effect is not as large; some states could meet TANF's work requirements simply by counting those in this activity without having to serve anyone in a real activity like job search and job readiness assistance, vocational educational training, or work experience.

<sup>15</sup> U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Work Participation Rates – Fiscal Year 2005," August 1, 2007, available at: <http://www.acf.hhs.gov/ofa/resource/wpr2005>.

- 
- <sup>16</sup> Robert Rector, “Obama’s End Run on Welfare Reform, Part II: Dismantling Workfare,” September 26, 2012, available at: <http://www.heritage.org/research/reports/2012/09/obamas-end-run-on-welfare-reform-part-two-dismantling-workfare>.
- <sup>17</sup> Dani Inovino *et al.*, “The Flexibility Myth: How Organizations Providing MFIP Services are Faring Under New Federal Regulations,” Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, May 2008).
- <sup>18</sup> Written testimony of Cynthia Dungey, Director of the Ohio Department of Job and Family Services, submitted to the U.S. House Ways and Means Committee, Subcommittee on Human Resources, July 15, 2015, available at: <http://humanservices.ohio.gov/WorkArea/DownloadAsset.aspx?id=2147639143>.
- <sup>19</sup> Eloise Anderson, Secretary Wisconsin Department of Children and Families and Chairperson of the Secretaries Innovation Group Before the Committee on Ways and Means Subcommittee on Human Resources U.S. House of Representatives April 30, 2015, available at: <http://waysandmeans.house.gov/wp-content/uploads/2015/06/Eloise-Anderson-Testimony-043015-HR3.pdf>.
- <sup>20</sup> Robert Doar, “Off the Track on Workfare,” July 7, 2015, available at: <https://medium.com/2014-index-of-culture-and-opportunity/tanf-work-participation-rate-930c3af3e3e2#.2i7d3j3ra>.
- <sup>21</sup> For more detail, see Gene Falk, *Temporary Assistance for Needy Families: Welfare Waivers*, Congressional Research Service, September 6, 2012, at: <http://democrats.edworkforce.house.gov/sites/democrats.edworkforce.house.gov/files/documents/112/pdf/TANF-CRSMemo-9.6.12.pdf>.
- <sup>22</sup> Given TANF’s many loopholes and changes in law and regulations, comparisons over time are suggestive at best.
- <sup>23</sup> Rachel Sheffield, “Most Work-Eligible Welfare Recipients Are Not Working,” July 11, 2016, available at: <http://bestthenews.com/article/most-work-eligible-welfare-recipients-are-not-working-mon-07112016-2305.html>.
- <sup>24</sup> Robert Doar, “Off the Track on Workfare,” July 7, 2015, available at: <https://medium.com/2014-index-of-culture-and-opportunity/tanf-work-participation-rate-930c3af3e3e2#.2i7d3j3ra>.
- <sup>25</sup> Rachel Sheffield, “Most Work-Eligible Welfare Recipients Are Not Working,” July 11, 2016, available at: <http://bestthenews.com/article/most-work-eligible-welfare-recipients-are-not-working-mon-07112016-2305.html>.
- <sup>26</sup> U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, *Claims Resolution Act - Engagement in Additional Work Activities and Expenditures for Other Benefits and Services, April-June 2011: Engagement in Additional Work Activities and Expenditures for Other Benefits and Services*, February 13, 2012, available at: <http://www.acf.hhs.gov/ofa/resource/cra-june2011.html>.
- <sup>27</sup> U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, “Work Participation Rates – Fiscal Year 2005,” Table 6C, August 1, 2007, available at: <http://www.acf.hhs.gov/ofa/resource/wpr2005>.
- <sup>28</sup> Rachel Sheffield, “Most Work-Eligible Welfare Recipients Are Not Working,” July 11, 2016, available at: <http://bestthenews.com/article/most-work-eligible-welfare-recipients-are-not-working-mon-07112016-2305.html>.
- <sup>29</sup> See the state’s caseload reduction credit report at: <http://www.dhs.state.il.us/OneNetLibrary/27897/documents/HCD%20Reports/TANF%20Reports/TANFCaseloadReductionReportFY2014.pdf>.
- <sup>30</sup> “Baseline Analysis of Maine’s Public Welfare System: A Review Submitted to the Commissioner of Health & Human Services, Final Report, May 2014.”
- <sup>31</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>.
- <sup>32</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>.
- <sup>33</sup> U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, “TANF-ACF-IM-2012-03 (Guidance concerning waiver and expenditure authority under Section 1115),” July 12, 2012, available at: <http://www.acf.hhs.gov/programs/ofa/resource/policy/im-ofa/2012/im201203/im201203>.
- <sup>34</sup> Robert Rector and Kiki Bradley, “Obama Guts Welfare Reform,” July 12, 2012, available at: <http://dailysignal.com/2012/07/12/obama-guts-welfare-reform/>.
- <sup>35</sup> See transcript of the Rush Limbaugh show, August 10, 2012, available at: [http://www.rushlimbaugh.com/daily/2012/08/10/rector\\_and\\_trumka\\_makers\\_vs\\_takers](http://www.rushlimbaugh.com/daily/2012/08/10/rector_and_trumka_makers_vs_takers).
- <sup>36</sup> U.S. Government Accountability Office, *Temporary Assistance for Needy Families: State Maintenance of Effort Requirements and Trends* (Washington, DC: GAO, May 17, 2012, p. 15, available at: <http://www.gao.gov/assets/600/590958.pdf>).
- <sup>37</sup> *Ibid*, p.15.

---

<sup>38</sup> Center for Public Policy Priorities, “A New Welfare-to-Work Approach for Texas,” February 2007, available at: [http://www.workingpoorfamilies.org/pdfs/TANF\\_reform\\_80th.pdf](http://www.workingpoorfamilies.org/pdfs/TANF_reform_80th.pdf).

<sup>39</sup> Liz Schott and Sharon Parrott, “Designing Solely State-Funded Programs: Implementation Guide for One ‘Win-Win’ Solution for Families and States,” Center on Budget and Policy Priorities, January 8, 2009, p. 5, available at: <http://www.cbpp.org/sites/default/files/atoms/files/12-7-06tanf.pdf>. An earlier version of this paper was published on July 16, 2007, and even this appears to be an update of an earlier paper, well before the final rule implementing the DRA was published.

<sup>40</sup> LaDonna Pavetti, Linda Rosenberg, and Michelle K. Derr, Understanding Temporary Assistance for Needy Families Caseloads After Passage of the Deficit Reduction Act of 2005 (Washington, DC: Mathematica, September 21, 2009), pp. 7-8, available at: [http://www.mathematica-mpr.com/~media/publications/PDFs/family\\_support/TANF\\_caseloads.pdf](http://www.mathematica-mpr.com/~media/publications/PDFs/family_support/TANF_caseloads.pdf).

<sup>41</sup> LaDonna Pavetti, Linda Rosenberg, and Michelle K. Derr, Understanding Temporary Assistance for Needy Families Caseloads After Passage of the Deficit Reduction Act of 2005 (Washington, DC: Mathematica, September 21, 2009), p. 7, available at: [http://www.mathematica-mpr.com/~media/publications/PDFs/family\\_support/TANF\\_caseloads.pdf](http://www.mathematica-mpr.com/~media/publications/PDFs/family_support/TANF_caseloads.pdf).

<sup>42</sup> LaDonna Pavetti, Linda Rosenberg, and Michelle K. Derr, Understanding Temporary Assistance for Needy Families Caseloads After Passage of the Deficit Reduction Act of 2005 (Washington, DC: Mathematica, September 21, 2009), p. 10, available at: [http://www.mathematica-mpr.com/~media/publications/PDFs/family\\_support/TANF\\_caseloads.pdf](http://www.mathematica-mpr.com/~media/publications/PDFs/family_support/TANF_caseloads.pdf).

<sup>43</sup> Illinois Department of Human Services, “TANF Caseload Reduction Credit Report FY 2015,” December 2, 2014, available at: <https://www.dhs.state.il.us/page.aspx?item=41152>.

<sup>44</sup> There is no single source for information about solely state funded programs, as they are not subject to TANF data reporting requirements; this conclusion is based on my own informal search about such programs and the numbers of families in them.

<sup>45</sup> Normally, the comparison year for the caseload reduction credit is the previous fiscal year (e.g., FY 2010 for the FY 2011 work rate’s caseload reduction credit), but the American Recovery and Reinvestment Act of 2009 (ARRA) allowed a state the option of using FY 2007 or FY 2008 as the comparison year for rates in FY 2009, FY 2010, and FY 2011 if it was advantageous to the state. This hold-harmless provision was intended to prevent required state participation standards from rising if state caseloads rose as a result of the economic recession. The final rule implementing the Deficit Reduction Act of 2005, promulgated in February 2008, set forth a specific methodology effective FY 2009 for calculating the effect of “excess MOE” on the caseload reduction credit. The new approach essentially limited the amount of “excess MOE” that could be used by excluding cases to the share of a state’s total TANF/MOE spending devoted to assistance. Nationally, states spent about one-third of their TANF/MOE funds on assistance; therefore, effective FY 2009, the amount of “excess MOE” that could be used in the caseload reduction credit calculation decreased by about two-thirds nationally. (It would be more today, as spending on assistance continues to decline.) While the exact impact would vary considerably by state, many states found it advantageous to make use of the ARRA hold-harmless provision, both because caseloads in many states were lower in FY 2007 and FY 2008 and because the treatment of “excess MOE” was more generous. So, for FY 2012, the caseload reduction credit, which includes caseload adjustments due to excess MOE spending, reduced the overall rate requirement below the 50 percent statutory standard for all but ten states. However, following the expiration of the ARRA hold-harmless provision, instead of there being 22 states with caseload reduction credits large enough to reduce their overall target rates to zero (as was the case for FY 2011), only 4 states had a target rate of zero in FY 2012.

<sup>46</sup> Ohio failed the overall work rate in FY 2010 and FY 2011 and the two-parent rate in FY 2012.

<sup>47</sup> See: John Kasich, Executive Order 2011-19K, <http://www.governor.ohio.gov/Portals/0/pdf/executiveOrders/2011-19K.pdf>.

<sup>48</sup> Thomas A. Celmar and Justin Pinsker, *Legislative Service Commission: Analysis of the Executive Budget Proposal*, February 2013, p. 18, available at: <http://www.lsc.state.oh.us/fiscal/redbooks130/jfs.pdf>.

<sup>49</sup> The state met the overall work rate for 2012, but failed to meet the two-parent work rate, despite the use of this gimmick. See HHS table 1A at: [http://www.acf.hhs.gov/sites/default/files/ofa/wpr2012\\_final.pdf](http://www.acf.hhs.gov/sites/default/files/ofa/wpr2012_final.pdf).

<sup>50</sup> 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>.

<sup>51</sup> Sara Jones, “How Michigan’s Welfare Population Declined by 70% in 4 Years,” *The Daily Signal*, November 17, 2015, available at: <http://dailysignal.com/2015/11/17/how-michigans-welfare-population-declined-by-70-in-4-years/>.



- 
- <sup>52</sup> Robert Rector, “Obama’s End Run on Welfare Reform, Part II: Dismantling Workfare,” September 26, 2012, available at: <http://www.heritage.org/research/reports/2012/09/obamas-end-run-on-welfare-reform-part-two-dismantling-workfare>.
- <sup>53</sup> Robert Rector, “Obama’s End Run on Welfare Reform, Part II: Dismantling Workfare,” September 26, 2012, available at: <http://www.heritage.org/research/reports/2012/09/obamas-end-run-on-welfare-reform-part-two-dismantling-workfare>.
- <sup>54</sup> Robert Rector, “Obama’s End Run on Welfare Reform, Part II: Dismantling Workfare,” September 26, 2012, available at: <http://www.heritage.org/research/reports/2012/09/obamas-end-run-on-welfare-reform-part-two-dismantling-workfare>.
- <sup>55</sup> Robert Rector, “Obama’s End Run on Welfare Reform, Part II: Dismantling Workfare,” September 26, 2012, available at: <http://www.heritage.org/research/reports/2012/09/obamas-end-run-on-welfare-reform-part-two-dismantling-workfare>.
- <sup>56</sup> Eugene Kiely, “Does Obama’s Plan ‘Gut Welfare Reform’?,” FactCheck.Org, August 9, 2012, available at: <http://www.factcheck.org/2012/08/does-obamas-plan-gut-welfare-reform/>.
- <sup>57</sup> Rachel Sheffield, “Most Work-Eligible Welfare Recipients Are Not Working,” July 11, 2016, available at: <http://bestthenews.com/article/most-work-eligible-welfare-recipients-are-not-working-mon-07112016-2305.html>.
- <sup>58</sup> See Douglas J. Besharov and Peter Germanis, “Toughening TANF,” American Enterprise Institute, April 21, 2004, available at: <https://www.aei.org/publication/toughening-tanf/> and Douglas J. Besharov and Peter Germanis, “Toughening TANF: How Much? And How Attainable?,” March 23, 2004, available at: [http://www.welfareacademy.org/pubs/welfare/toughening\\_tanf.pdf](http://www.welfareacademy.org/pubs/welfare/toughening_tanf.pdf).
- <sup>59</sup> Eloise Anderson, Secretary Wisconsin Department of Children and Families and Chairperson of the Secretaries Innovation Group Before the Committee on Ways and Means Subcommittee on Human Resources U.S. House of Representatives April 30, 2015, available at: <http://waysandmeans.house.gov/wp-content/uploads/2015/06/Eloise-Anderson-Testimony-043015-HR3.pdf>.
- <sup>60</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>61</sup> Andrew G. Biggs, James C. Capretta, Robert Doar, Ron Haskins, and Yuval Levin, “Temporary Assistance for Needy Families,” in *Increasing the effectiveness and sustainability of the nation’s entitlement programs* (Washington, D.C.: The American Enterprise Institute, June 2016), pp. 39-41, available at: <http://www.aei.org/publication/increasing-the-effectiveness-and-sustainability-of-the-nations-entitlement-programs/>.
- <sup>62</sup> Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), available at: [http://www.acf.hhs.gov/programs/opre/welfare\\_employ/res\\_synthsis/reports/consequences\\_of\\_wr/rand\\_report.pdf](http://www.acf.hhs.gov/programs/opre/welfare_employ/res_synthsis/reports/consequences_of_wr/rand_report.pdf).
- <sup>63</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>64</sup> 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*, September 22, 2015, available at: <https://aspe.hhs.gov/sites/default/files/pdf/116161/FINAL%20Fourteenth%20Report%20-%20FINAL%209%202022%2015.pdf>.
- <sup>65</sup> This figure is derived from a wide range of documents; readers interested in more detail on sources for this information should email me at [petergermanis1@gmail.com](mailto:petergermanis1@gmail.com). See also *TANF is Broken!*
- <sup>66</sup> This figure is derived from a wide range of documents; readers interested in more detail on sources for this information should email me at [petergermanis1@gmail.com](mailto:petergermanis1@gmail.com). See also *TANF is Broken!*
- <sup>67</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.
- <sup>68</sup> Robert Rector and Kiki Bradley, “Obama Guts Welfare Reform,” July 12, 2012, available at: <http://dailysignal.com/2012/07/12/obama-guts-welfare-reform/>.
- <sup>69</sup> Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), available at: [http://www.acf.hhs.gov/programs/opre/welfare\\_employ/res\\_synthsis/reports/consequences\\_of\\_wr/rand\\_report.pdf](http://www.acf.hhs.gov/programs/opre/welfare_employ/res_synthsis/reports/consequences_of_wr/rand_report.pdf).
- <sup>70</sup> Thomas Gabe, “Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987-2013,” Congressional Research Service, November 21, 2014, available at: <https://www.fas.org/sgp/crs/misc/R41917.pdf>.

- 
- <sup>71</sup> 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>72</sup> 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>73</sup> Robert Rector and Rachel Sheffield, "Paul Ryan's New Anti-Poverty Plan Should Take Work and Marriage Seriously," July 25, 2014.
- <sup>74</sup> Andrew G. Biggs, James C. Capretta, Robert Doar, Ron Haskins, and Yuval Levin, "Temporary Assistance for Needy Families," in *Increasing the effectiveness and sustainability of the nation's entitlement programs* (Washington, D.C.: The American Enterprise Institute, June 2016), pp. 39-41, available at: <http://www.aei.org/publication/increasing-the-effectiveness-and-sustainability-of-the-nations-entitlement-programs/>.
- <sup>75</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* (New York, NY: MDRC, December 2001), available at: <http://www.mdrc.org/publication/how-effective-are-different-welfare-work-approaches>.
- <sup>76</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>77</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>78</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>79</sup> James P. Ziliak, "Temporary Assistance for Needy Families," National Bureau of Economic Research," 2015, available at: <http://www.nber.org/chapters/c13483.pdf>.
- <sup>80</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>.
- <sup>81</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>82</sup> See, for example, LaDonna Pavetti, "Facts Don't Support TANF's 'Work-First' Approach," Center for Budget and Policy Priorities, October 2, 2015, available at: <http://www.cbpp.org/blog/facts-dont-support-tanfs-work-first-approach>.
- <sup>83</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>.
- <sup>84</sup> *Ibid.*
- <sup>85</sup> *Ibid.*
- <sup>86</sup> Liz Schott, LaDonna Pavetti, and Ife Floyd, "How States Use Federal and State Funds Under the TANF Block Grant," Center on Budget and Policy Priorities, October 15, 2015, available at: <http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant>.
- <sup>87</sup> *Ibid.*
- <sup>88</sup> Caseload declines due to federal or state eligibility changes since the base year do not count toward the calculation of the caseload reduction credit.
- <sup>89</sup> *Ibid.*, p. 3.
- <sup>90</sup> Rachel Sheffield, "Most Work-Eligible Welfare Recipients Are Not Working," July 11, 2016, available at: <http://bestthenews.com/article/most-work-eligible-welfare-recipients-are-not-working-mon-07112016-2305.html>.
- <sup>91</sup> Kiki Bradley, "Loophole Guts TANF Work Requirements," May 23, 2012, available at: <http://daily.signal.com/2012/05/23/loophole-guts-tanf-work-requirements/>.
- <sup>92</sup> Legislative Analyst's Office, "The 2013-14 Budget: Analysis of the Health and Human Services Budget," February 27, 2013.

---

<sup>93</sup> Kiki Bradley, “Loophole Guts TANF Work Requirements,” May 23, 2012, at: <http://dailysignal.com/2012/05/23/loophole-guts-tanf-work-requirements/>.

<sup>94</sup> *Potential Options to Improve Performance and Oversight*, May 2013, at: <http://www.gao.gov/assets/660/654614.pdf>.

<sup>95</sup> Legislative Analyst’s Office, “The 2013-14 Budget: Analysis of the Health and Human Services Budget,” February 27, 2013.

<sup>96</sup> Normally, the comparison year for the caseload reduction credit is the previous fiscal year (e.g., FY 2010 for the FY 2011 work rate’s caseload reduction credit), but the American Recovery and Reinvestment Act of 2009 (ARRA) allowed a state the option of using FY 2007 or FY 2008 as the comparison year for rates in FY 2009, FY 2010, and FY 2011 if it was advantageous to the state. This hold-harmless provision was intended to prevent required state participation standards from rising if state caseloads rose as a result of the economic recession. The final rule implementing the Deficit Reduction Act of 2005, promulgated in February 2008, set forth a specific methodology effective FY 2009 for calculating the effect of “excess MOE” on the caseload reduction credit. The new approach essentially limited the amount of “excess MOE” that could be used by excluding cases to the share of a state’s total TANF/MOE spending devoted to assistance. Nationally, states spend about one-third of their TANF/MOE funds on assistance; therefore, effective FY 2009, the amount of “excess MOE” that could be used in the caseload reduction credit calculation decreased by about two-thirds nationally. (It would be more today, as spending on assistance continues to decline.) While the exact impact would vary considerably by state, many states found it advantageous to make use of the ARRA hold-harmless provision, both because caseloads in many states were lower in FY 2007 and FY 2008 and because the treatment of “excess MOE” was more generous. So, for FY 2012, the caseload reduction credit, which includes caseload adjustments due to excess MOE spending, reduced the overall rate requirement below the 50 percent statutory standard for all but ten states. However, following the expiration of the ARRA hold-harmless provision, instead of there being 22 states with caseload reduction credits large enough to reduce their overall target rates to zero (as was the case for FY 2011), only 4 states had a target rate of zero in FY 2012.

<sup>97</sup> Robert Rector and Rachel Sheffield, “Setting Priorities for Welfare Reform,” February 24, 2016, available at: <http://www.heritage.org/research/reports/2016/02/setting-priorities-for-welfare-reform>.

<sup>98</sup> Robert Rector and Rachel Sheffield, “Setting Priorities for Welfare Reform,” February 24, 2016, available at: <http://www.heritage.org/research/reports/2016/02/setting-priorities-for-welfare-reform>.

<sup>99</sup> Robert Rector and Jennifer A. Marshall, “The Unfinished Work of Welfare Reform,” 2013, available at: <http://www.nationalaffairs.com/publications/detail/the-unfinished-work-of-welfare-reform>.

<sup>100</sup> Robert Doar and Kiki Bradley, *Welfare Reform to Promote Work and Marriage* (Washington, DC: American Enterprise Institute and Conservative Reform Network, 2016), available at: [https://www.aei.org/wp-content/uploads/2016/07/CRN\\_Poverty\\_FINAL.pdf](https://www.aei.org/wp-content/uploads/2016/07/CRN_Poverty_FINAL.pdf).

<sup>101</sup> Robert Rector and Jennifer A. Marshall, “The Unfinished Work of Welfare Reform,” 2013, available at: <http://www.nationalaffairs.com/publications/detail/the-unfinished-work-of-welfare-reform>.