

# **The Welfare Reform and Upward Mobility Act: The Epitome of Dysfunctional Conservatism – An Explanation for Rachel Sheffield**

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In a recent *Issue Brief* for The Heritage Foundation, Rachel Sheffield suggests that the “Welfare Reform and Upward Mobility Act,” introduced in the House by Representative Jim Jordan (R-OH) and in the Senate by Senator Mike Lee, can “restart welfare reform.”<sup>2</sup> Sheffield seems to believe that when Congress created the Temporary Assistance for Needy Families (TANF) block grant 20 years, the result was “welfare reform.” While the law sent a symbolic message about the importance of work requirements and time limits, in practice, neither of these elements have been implemented in the way Congress intended. In fact, TANF is not “welfare reform” at all, but a flexible funding stream that has failed to provide an adequate safety net or an effective welfare-to-work program. In many states, it has become a slush fund used to supplant state spending and fill budget holes. (For more detail, see: *TANF is Broken! It’s Time to Reform “Welfare Reform”*<sup>3</sup>)

I am a conservative who believes in the value of work requirements. Like Sheffield herself, I believe welfare reform should transform welfare programs “from a handout to a hand up.”<sup>4</sup> TANF’s work requirements, however, are one of the most notable examples of misguided conservative policymaking – they are unreasonable, dysfunctional, and are not about work. Their main function has been to impose barriers and cut caseloads through a process known as “bureaucratic disentitlement.” Even with sharply reduced caseloads, states have resorted to gimmicks to satisfy federal work rate targets that themselves are unreasonable. Such gimmickry does nothing to help the poor get connected to work opportunities. I have documented these problems in many papers, including – “The Failure of TANF Work Requirements: A Much Needed Tutorial for the Heritage Foundation and the American Enterprise Institute.”<sup>5</sup>

As I describe in “The Welfare Reform and Upward Mobility Act: A Conservative Plan to Eviscerate the Safety Net,”<sup>6</sup> the Jordan-Lee bill would not “restart” welfare reform, it would shred the safety net by imposing unreasonable and unattainable work requirements for both TANF and food stamps (now the Supplemental Nutrition Assistance Program or SNAP), with draconian penalties on both states and individuals if they cannot comply with the new requirements. In my opinion, the conservatives that propose or support requirements like those described in the Act are not serious about work requirements or helping the poor – their only real intention is minimizing the federal role in providing a safety net as quickly as possible, under the (in my view) erroneous belief that states will fill the void.

The “Welfare Reform and Upward Mobility Act” would risk the well-being of millions of poor children. Its requirements and penalties are unprecedented in their magnitude. At the very least, conservatives should test the approach in a few states first, starting with Ohio and Utah (home states to the bill’s main sponsors), delaying national implementation for at least two to three years. If this bill is as wonderful as Sheffield and the sponsors believe, we should see the results within a few years and could then more confidently expand to the rest of the nation. On the other

hand, if the states can't implement the new law's requirements and if families are impoverished, we can prevent a national tragedy.

This paper addresses a number of the claims made by Sheffield about TANF's current work requirements and her support of the Act's various provisions. Selected statements by Sheffield are followed by a "PC Response" (where PC refers to my pseudonym – "Peter the Citizen").

**Rachel Sheffield:** "The vast majority of Americans (89 percent) hold that able-bodied adults receiving means-tested welfare assistance should work or prepare for work. The support for work requirements is equally strong on both sides of the political aisle: 87 percent of Democrats and 94 percent of Republicans support the idea that able-bodied individuals receiving government aid should work or prepare for work as a condition of receiving that aid."

**PC Response:** Like most Americans, I too support work requirements, but the problem with using a simple survey question to judge public policy is that details matter. If the public understood how TANF's work requirements or those in "Welfare Reform and Upward Mobility Act" work in practice, they might have a different opinion. For example, the degree of support might fall if the questions were asked as follows:

- Do you support work requirements that require a single mother with an infant to participate 130 hours per month in exchange for a cash benefit of as little as \$140?
- Do you support work requirements that would require a single mother caring for a severely disabled child to participate in work activities for 100 to 130 hours per month – and then take away her entire cash and SNAP benefits if she can't comply because her child has a medical emergency?
- Do you support work requirements that require a disabled parent to participate in work activities for 130 hours per month so she can receive cash benefits for her children?

These are all possibilities under the "Welfare Reform and Upward Mobility Act." Or, a survey might ask questions about the competency and administrative feasibility of work requirements.

- Do you support work requirements that are unattainable and that cause states to fail year after year? (This is the case in Speaker Ryan's home state of Wisconsin.)
- Do you support work requirements that have a seemingly stringent work rate requirement, but also have a host of loopholes that allow states to meet them without actually engaging families? (This is the TANF's current work requirement.)
- Do you think it makes sense for the government to impose three sets of work requirements for the same population, with different rules on who is counted, which activities count, how many hours of participation are needed to count, penalties for individuals who do not comply, and penalties for states that fail to meet their work requirements? (This is what the "Welfare Reform and Upward Mobility Act" would do.)
- Do you think it is fair to impose a penalty on a state that just barely misses its work participation rate target that is many times greater than what it actually spends on cash welfare? (This is what could easily happen under the "Welfare Reform and Upward Mobility Act's" work requirement for TANF because the penalty is based on the federal

block grant amount, rather than the amount spent on cash assistance, and is based on a 100 percent standard rather than the degree of shortfall. For example, when the target rate is 50 percent, if a state achieves a work rate of 49 percent, its penalty would be 51 percent of the TANF block grant.)

Yes, Americans support work requirements, but most would want such requirements to be realistic, reasonable, and about connecting poor families to work. That's not what TANF's requirements are about, and that is most certainly not what the "Welfare Reform and Upward Mobility Act" is about. Both are the epitome of dysfunctional conservatism.

**Rachel Sheffield:** "States that have implemented work requirements for ABAWDs [Able-Bodied Adults Without Dependent Children] on food stamps provide examples of the effectiveness of work requirements." Sheffield goes on to cite statistics from Maine and Kansas that show dramatic declines in SNAP caseloads for this population, and in the case of Kansas, increases in income.

**PC Response:** ABAWDs can only get SNAP for 3 months in 3 years after which, to be eligible, they must work or participate in qualifying education and training activities for 20 hours per week. Notably, states are not required to provide a placement in a qualified work or training opportunity and many do not.<sup>7</sup> A single adult that satisfies the work requirement would then receive \$194 a month in SNAP benefits. However, many states have received "waivers" of the time limit in areas with high unemployment, i.e., so that individuals living in a waived area are not subject to this work requirement. The law also permits various exemptions from this work requirement. As the economy improves, the number of individuals living in waived areas is declining. Sheffield's reference to "implementing" work requirements for ABAWDs refers to states that re-imposed the work requirement statewide.

There is no doubt that imposing the work requirement led to a reduction in the ABAWD SNAP caseload as some adults either couldn't participate (e.g., because the state did not provide a placement in a qualifying activity) or left the rolls to avoid the "hassle" associated with a relatively small benefit amount. The precise impact on SNAP caseloads and other outcomes, which include employment and income, cannot be determined without a formal evaluation and a real counterfactual that controls for changes in economic conditions and other factors. This type of evaluation should have been conducted when the ABAWD requirement was first implemented; it should be done now. Instead of relying on simplistic research methods to make conclusions about program effectiveness, a randomized control trial conducted in several states would address important questions and at least partially settle some of the claims about this requirement.<sup>8</sup> (There are many reasons to question both the findings Sheffield cites and the design of the ABAWD work requirement, but this "response" is focused on work requirements for families with children.)

The main focus of the "Welfare Reform and Upward Mobility Act" is the new TANF requirement for adults who are not working (or work less than 40 hours per month) and new SNAP requirement for adults with dependent children. It would be wrong to try to extrapolate from the putative "success" of the ABAWD requirement to these requirements<sup>9</sup> because the target populations and benefit amounts are very different. In particular, the new TANF and

SNAP requirements are aimed at families *with children*. Compare the \$194 a single ABAWD would receive to the \$511 a single mother with two children would receive from SNAP. If she also received TANF, her combined benefits would range from about \$700 to \$1,250 a month (due to the variation in TANF benefits across states). Adults with children have more to think about themselves, so they won't be "hassled" off as easily as ABAWDS might be. (The collapse of TANF as a cash assistance safety net may suggest otherwise, but the loss in TANF alone in most states was about \$200 to \$400 a month. The stakes under the Act's new work requirements are much higher – from \$511 to \$1,250 a month for a family of three, and more for larger families.)

In addition, the cost of serving families with children is higher because the minimum hours requirements are longer and there are added costs associated with child care that are not required to implement the ABAWD requirement (and, notably, the Act does not provide for added funding to implement its new work requirements). Also, both new work requirements would require previously excluded groups to participate, most notably parents caring for a disabled family member and parents who are ineligible for assistance due to their immigration status. The new TANF requirement would also apply to disabled parents and single mothers with infants from the day the child is born. (Even the ABAWD requirement excludes disabled adults.)

For the sake of argument, even if one accepts that both Maine and Kansas have successful ABAWD work requirements, it is instructive to see how these states have fared implementing TANF's work requirements for families with children.

- Between 1996 and 2014, the number of families with children in Kansas in deep poverty increased, from 14,400 to 26,100; nevertheless the number of families receiving cash assistance plummeted from 25,900 to 6,900.<sup>10</sup> If TANF's work requirements were such a success, one would have expected the caseload decline to be accompanied by a reduction in deep poverty – that hasn't happened. In terms of work activities, the state serves about 200 to 250 families a month in a real work activity like work experience, community service, vocational educational training, and job search and job readiness assistance.<sup>11</sup> The state has met its participation rate, not by providing a hand up, but by cutting its TANF caseload by shortening time limits and imposing other restrictions on receiving assistance.<sup>12</sup>
- Between 1996 and 2014, the number of families with children in Maine in deep poverty increased, from 7,500 to 10,800; nevertheless the number of families receiving cash assistance plummeted from 13,500 to 6,500 (not including token payments to game the work rate, as described below).<sup>13</sup> If TANF's work requirements were such a success, one would have expected the caseload decline to be accompanied by a reduction in deep poverty – that hasn't happened. In terms of work activities, the state serves about 250 to 300 families a month in a real work activity like work experience, community service, vocational educational training, and job search and job readiness assistance.<sup>14</sup> The state has met its participation rate by cutting TANF caseloads and by gaming the work rates by paying token benefits (\$15 a month) to about 20,000 families that contain a child and work enough hours to count in the work rate. (These cases are funded in a separate state program with maintenance-of-effort dollars – I do not include them in the caseload

statistics above, but they do count in calculating work participation rates.) This token payment is considered assistance and artificially inflates the work rate.

While both states met TANF's overall work rate in FY 2014, they did not do so by placing individuals in the kinds of activities that would be needed to meet SNAP's work rate. Indeed, the lack of commitment to providing concrete work activities to TANF recipients, despite TANF's supposedly rigorous work requirement, should be a cautionary tale of conservatives contemplating a bill as draconian as the "Welfare Reform and Upward Mobility Act." (Sadly, the experience of both states is typical of what has happened in many states across the country – it is a direct result of TANF's block grant structure with excessive state flexibility and dysfunctional work requirements.)

**Rachel Sheffield:** "The Welfare Reform and Upward Mobility Act also puts into place work requirements for able-bodied parents on food stamps. The work requirement is phased in gradually. Beginning in the first year after implementation, a state is required to have 20 percent of its able-bodied parents participating in work or work activity. Within five years, a state is required to have 80 percent of its able-bodied parents participating in work or work activity."

**PC Response:** There is nothing "gradual" about the implementation of this new requirement. An 80 percent work rate requirement is unprecedented and unachievable. For TANF's first 15 years, 20 to 30 states regularly had a target of 0 percent due to an ill-conceived provision called the caseload reduction credit. Even those states with a positive work rate target generally met it by just counting people who combined work with welfare. Most states only placed about 10 to 15 percent of families subject to work requirements into a real work activity like the ones contemplated in the SNAP requirement.

In my assessment of the Act's work requirements (see "The Welfare Reform and Upward Mobility Act: A Conservative Plan to Eviscerate the Safety Net"<sup>15</sup> for the details), I estimate the increase in work participation that might be required under the Act's new work requirement for SNAP adults with children. In FY 2014, there were about 1 million individuals who were parents who received TANF cash assistance and/or whose children received such assistance and who would likely be subject to SNAP's work requirement and thus go into the denominator of the work rate calculation. Since TANF has the only real work requirement for families with children, this forms the baseline. The Act's new SNAP work requirement would apply to about 4 million households – a four-fold increase. (This second estimate is roughly similar to that derived by Robert Rector and Rachel Sheffield themselves, who state: "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."<sup>16</sup> Of course, economic and demographic changes may cause this estimate to change by FY 2018 – the Act's first year of a binding work rate requirement.)

Under the Act, 35 percent of "eligible participants" in FY 2018 would be required to participate in one of the Act's specified work activities. Assuming 4 million households with dependent children are subject to the SNAP work requirement this means 1.4 million would have to participate in countable activities for at least 100 hours a month<sup>17</sup> for a state to avoid a penalty. In FY 2014, there were about 100,000 individuals who participated in activities like work

experience, community service, vocational educational training, and job search and job readiness assistance for enough hours to count under TANF's work requirement and thus could potentially count toward, or come close to counting toward, SNAP's requirement.<sup>18</sup> This is a 14-fold increase – this is not gradual and it is unlikely any state could meet this requirement so quickly. (When fully phased in, the SNAP work rate would be 80 percent. With a 4 million caseload subject to the work requirement, this would lead to states having to place 3.2 million individuals – a 32-fold increase.)

Making it even more unlikely that the Act will produce the increases in work participation that its supporters may envision is the fact that it does not provide new funding for work activities, but simply encourages states to use existing TANF funds, as well as those available through the Workforce Investment Act and the SNAP Employment and Training Program. The latter includes funding at a 50-50 federal-state matching rate. The cost of work programs is not cheap; a modest estimate of cost per annual slot would be \$7,500 to include costs related to administering the program and funding programs activities and support services, like child care. Thus, the expected total cost of increasing participation by 1.3 million parents would be nearly \$10 billion in the first year alone; this would rise rapidly in successive years as the participation rate rises. Of course, the reality is that states won't be able to implement these requirements as written, so the more likely result will be federal savings from penalties imposed on states and from families receiving reduced SNAP payments.

Setting up states and needy families to fail is not "welfare reform"; a better approach would be to phase in work requirements more slowly and to conduct experiments to determine the best programmatic approaches in terms of target populations, hours and activities required, and sanction policies. The authors and supporters of this legislation have no foundation for their particular approach and should exercise more caution in what they propose.

**Rachel Sheffield:** "The work requirement would apply only to non-disabled adults between the ages of 19 and 55. They would be required to work, look for work, or participate in work activity for an average of 100 hours per month (25 hours per week)."

**PC Response:** The SNAP work requirement is expanded to include groups exempt from TANF's current work requirement, most notably parents *caring for* a disabled family member and non-citizen parents who are ineligible for assistance due to their immigration status. Engaging both populations could pose challenges and put states at risk of either failing the work rate (particularly when it is 80 percent) or having to penalize vulnerable families. Notably, the new TANF work requirement goes even further, expecting disabled parents and parents with infants to participate 130 hours per month.

A notable exemption from the work requirement – one that Sheffield doesn't mention – is that a household must have received SNAP benefits "for more than 3 months in the year." The term "in the year" is not defined – it could be referring to a "fiscal" or "calendar" year or a "preceding 12-month period." This provision softens the work requirement and its penalties, but creates needless administrative burden. For example, it means that a state can remove at least 25 percent of "eligible participants" from the work rate calculation each month, because each household can be excluded for one-quarter of the year. (The actual figure is likely to be higher, because many

families on the rolls are on for a short time, e.g., a family that receives SNAP just three months would be exempt altogether – of course, if they had enough hours to count, the state would include them in the calculation.) A simpler approach would simply be to include everyone, but lower the target rates, e.g., instead of 80 percent, reduce it to 50 percent.

**Rachel Sheffield:** “The same number of work hours would be required of married households as of single-headed households in order to avoid inadvertently discouraging marriage by placing disproportionate burdens on married couples.”

**PC Response:** While the Act’s treatment of married households relative to those headed by single parents is reasonable, its treatment of two-parent households where the parents are not married is not. To expect two parents who are not married to participate 200 hours vs. 100 hours for the same benefit does not seem fair; it may encourage couples who shouldn’t marry to do so or it may lead one parent to leave the home. The Act’s requirements are unreasonable to begin with; penalizing cohabiting couples and their children only makes this worse. At the very least, this policy could be tested experimentally. Conservatives, including myself, should be willing to have their pre-conceived ideas about the effectiveness of policy options tested.

**Rachel Sheffield:** “Recipients can fulfill the work requirement through multiple options, such as:

- Formal employment,
- Job training,
- Community service,
- Subsidized private-sector or public-sector employment, or
- Supervised job search.

Parents who are employed for at least 100 hours per month automatically fulfill the requirement; those who are not employed at all or who work very little are nudged toward greater work and self-support.”

**PC Response:** Notably, the Act continues TANF’s limits on counting education and training, based on a “work-first” preference that is not supported by research findings. A better approach would be to give states more flexibility in allowable activities while rigorously evaluating their results.

Sheffield says those employed 100 hours per month would “automatically fulfill the requirement.” This is a bit misleading. Once an individual works 100 hours per month, he or she becomes exempt and no longer counts in the work rate. This is less advantageous than being able to count them, as TANF’s current work rate does, though it still helps by reducing the size of the required participant pool (the denominator).

Sheffield suggests the work requirements would “nudge” recipients toward “greater work and self-support.” The Act sets new minimum sanctions, so that the minimum penalty is at least proportional to the degree of non-compliance. So, if a required participant can only participate half the required hours, they would receive only half the SNAP benefit. States have the option to

make these sanctions more (but not less) punitive, including terminating the grant entirely. For example, if a single mother caring for a disabled child has a family emergency and can't participate one month, her entire SNAP grant could be terminated. This is more than a "nudge" – to immediately rush to such harsh minimum sanctions without any evidence regarding their impact is irresponsible. Again, the more prudent approach would be to conduct rigorous evaluations of different sanction policies.

**Rachel Sheffield:** "In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act, or welfare reform. The heart of the reform was a work requirement that was inserted into the Aid to Families with Dependent Children (AFDC) program. AFDC became Temporary Assistance for Needy Families or TANF. Under the reform, states were required to have 50 percent of their able-bodied adult caseload working or participating in work activity. The reform was initially a major success. Within about five years of its implementation, TANF caseloads dropped by half, child poverty plummeted, and employment rates among single mothers with less than a high school education increased."

**PC Response:** This statement reflects the conventional conservative view of the 1996 law, but it is based on a mischaracterization of the law, it ignores how it was implemented, and it is based on a simplistic approach to causal inference. I wrote in considerable detail about these problems in many of my papers, e.g., see "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute."<sup>19</sup> For example, in her statement, Sheffield states that the 1996 law required "50 percent of their able-bodied caseload working or participating in a work activity." This statement is wrong in that the 1996 law made no reference to limiting work requirements to "able-bodied individuals"; it is misleading because she neglects to mention that a conceptually flawed provision called the "caseload reduction credit" drove the required participation rate target to 0 percent for the 20 to 30 states for TANF's first 15 years. And, because conservatives made employment an activity, rather than an exemption, many of the other states could satisfy TANF's work rates simply by those who were already combining work and welfare. And, when that is not enough, states can take advantage of any number of loopholes conservatives created when they wrote the law. TANF's work requirements have been a massive policy failure; they are not a model for reforming other safety net programs.

In terms of the drop in child poverty and employment rates, note that Sheffield limits her "analysis" to the first five years. What she doesn't mention is that the implementation of TANF coincided with a strong economy, increased aid to the working poor, and other favorable social trends. Moreover, Congress gave states a windfall of about 20 to 30 percent TANF's early years – a windfall that inflation, demographic changes, and state spending practices has wiped out. Establishing causality is not as easy as simply looking at poverty and employment trends over a cherry-picked time period. TANF has not held up over time; I have written in more detail about the challenges of establishing causal effects in several papers, e.g., "'Welfare Reform' *Increased* Poverty and No One Can Contest It: A Note to Conservatives."<sup>20</sup>

**Rachel Sheffield:** "Today, however, the majority of work-eligible TANF recipients (an average of 56.2 percent across the states) are completely idle, neither working nor preparing for work. Part of the reason for the high rates of "idleness" on TANF rolls is that states are taking

advantage of loopholes that allow them to fulfill the work requirement without actually having to move recipients into work activity.”

**PC Response:** The 56.2 percent figure (it’s actually 56.7 percent) is not of “TANF recipients,” but of “work-eligible individuals” in families receiving assistance from TANF as well as those in a *separate state program*. This 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 contrast to the bill’s new TANF requirement.

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 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; and 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>21</sup> Any legislative proposal should consider these realities; as described below, the “Welfare Reform and Upward Mobility Act” ignores many of these factors and imposes new requirements that no state has met without the use of loopholes – loopholes created by conservatives themselves.

Conservatives like to think the high percentage of individuals with “zero hours” 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 1 indicates, the percentage of zero hours for work-eligible individuals in recent years is less than in TANF’s early years; if Sheffield believes TANF was successful in its early years, why isn’t it successful today? Sadly, this isn’t a reflection of greater success in engaging individuals in work activities,

but rather an increase in state’s gaming the work requirements, as described in more detail in a companion paper.

	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

Sheffield and other conservatives have made vague references to these “loopholes;” I am the only conservative who has written with any degree of specificity about these loopholes.

What Sheffield doesn’t explain is that conservatives are responsible for all of TANF’s “loopholes,” such as the conceptually flawed caseload reduction credit, separate state programs (before FY 2007) and solely state funded programs (from FY 2007 on), paying token benefits to full-time workers who otherwise have no connection to TANF cash assistance rolls, and many others. I describe these and other loopholes in more detail in *TANF is Broken! It’s Time to Reform “Welfare Reform”* in the section aptly titled “TANF Work Requirements: An Epic Fail,” as well as in “The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute.”<sup>22</sup>

Conservatives have yet to propose an approach that would close the loopholes – in TANF – and instead continue to advance solutions that do nothing to address TANF’s underlying structural problems.

**Rachel Sheffield:** “However, the main reason for the weak work requirement is that the work participation rate was simply set too low from the start: Only 50 percent of able-bodied adults were required to participate in work activities, meaning that the other 50 percent of the caseload could be completely idle and the state would still be fulfilling the requirement.”

**PC Response:** 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 the American Enterprise Institute – *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>23</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?<sup>24</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 such engagement, nor do they promote self-sufficiency effectively. It's time to start over and design a safety net and work requirement that makes sense and that actually helps needy families.

**Rachel Sheffield:** “Moreover, among the half of TANF recipients that fulfill the work requirements, most are simply working part time. In most cases, state welfare bureaucracies will have done little or nothing to promote this employment but nonetheless take the credit. Overall, states engage fewer than one in five TANF recipients in activities designed to increase employment, improve skills, or reduce dependence.”

**PC Response:** This is true, but conservatives are the ones who made “employment” an activity. This would not have been a problem had conservatives focused on strengthening the pre-TANF work requirements, instead of replacing them with unachievable standards but for all the loopholes conservatives themselves created.

**Rachel Sheffield:** “The Welfare Reform and Upward Mobility Act strengthens TANF’s work requirement by focusing directly on the idle half of the caseload. It requires constructive activity by recipients who are currently idle. By the third year of the law’s implementation, states are required to have 75 percent of their non-employed TANF caseload participating in work activities for 20–30 hours per week (depending on the age of children in the home). States would no longer be allowed to sit idly by, mailing out checks and doing little to promote work and reduce dependence.”

**PC Response:** The fact that Sheffield now believes that states “sit idly by, mailing out checks and doing little to promote work” is in itself an indictment of the 1996 reform. Aside from creating a myriad of loopholes, which allow states to game the work requirements, the block grant structure hinders their ability to meet them. For TANF’s first five years, states received a large windfall in federal funds. Inflation, however, has since eroded the value of the block grant by over one-third. And, the excessive state flexibility has allowed states to divert the funds to non-welfare reform-related purposes. So, even if state TANF agencies wanted to serve more families, they are constrained because the block grant doesn’t give them the resources to do so.

Because TANF grants are based on historical spending patterns under the prior Aid to Families with Dependent Children (AFDC) program, the per capita dollar amounts vary considerably across states. For example, in 2013, the federal block grant amount per poor child ranged from \$280 *per year* in Texas to \$2,572 *per year* in Vermont.<sup>25</sup> The number of poor families with children rose 28 percent between 1996 and 2014 in Texas<sup>26</sup> – how exactly is the state supposed to provide basic assistance *and* implement a meaningful work requirement with such a small amount of funding? (It doesn’t help that Texas has diverted most of its funding to other, non-welfare reform-related activities.) If conservatives are serious about work requirements, they should fund them and the funding should not be based on historic AFDC spending levels.

**Rachel Sheffield:** “The Welfare Reform and Upward Mobility Act scales back the federal government’s role in the means-tested welfare system. Ninety percent of means-tested welfare funding for cash, food, and housing programs is paid for with federal dollars.

The Act also moves the welfare system towards true federalism by requiring states to take more financial responsibility – with their own money – for one portion of the means-tested welfare system: housing assistance programs. The bill gradually phases down the amount of federal funding for means-tested housing programs (\$52 billion in fiscal year 2015), reducing it by 50 percent over a 10-year period. States would determine the extent to which they would continue to fund means-tested housing programs using their own funds.”

**PC Response:** This is, again, an untested and drastic solution under the naïve assumption that state creativity or new state funding will fill in the gap. Given the potential for harm, a more reasonable approach would be to begin implementing this approach in sooner in some states – say in Utah and Ohio – to see just how this work outs, before gambling with the lives all the nation’s poor families. (My apologies to the families of Utah and Ohio.)

**Rachel Sheffield:** “The massive U.S. welfare system is in dire need of reform. The 1996 welfare reform should have been a stepping stone towards greater reform rather than a stopping point. Now is the time to restart the momentum toward reform, and the Welfare Reform and Upward Mobility Act would do just that. Addressing the many problems in the means-tested welfare system is a long-term effort. The Welfare Reform and Upward Mobility Act sets the course and takes impressive strides toward that end.”

**PC Response:** The “Welfare Reform and Upward Mobility Act” is not a “stepping stone” that would promote meaningful welfare reform – it is a giant step backwards. In particular, its work requirements are so harsh and administratively burdensome, that neither states nor families will be able to meet them. The result will be increased hardship and poverty. If conservatives go too far – and this Act certainly does that – when political fortunes change, it will be easy to replace these “reforms” with liberal policies, like the universal child allowance. Any credibility that conservatives have regarding work requirements will be gone.

Conservatives need a better approach. For this, I will summarize what I have said in dozens of other papers. We need to look back to the model initiated by President Reagan. In 1987, the Reagan Administration started encouraging states to use existing authority to conduct welfare reform experiments – through waivers of AFDC’s rigid rules (and, to a lesser extent, food stamp and Medicaid rules due to more limited waiver authorities for those programs). This approach was continued by President Bush and President Clinton.

This process did not provide a fixed level of funding, like block grants, or assume that the federal government had a monopoly on designing the most effective work requirements. Instead, it relied on an approach that would provide a real counterfactual using the “gold standard” of evaluation – random assignment – for both cost neutrality and evidence-based learning.<sup>27</sup> Thus, policymakers could have confidence in whether the state reforms actually reduced welfare dependency and poverty by increasing self-sufficiency.

This approach provided rigorous evidence, including many examples of state experiments that increased employment and earnings, and also reduced welfare dependency and poverty.<sup>28</sup> TANF ended this approach to welfare reform and now there is virtually no evidence on state welfare reform efforts. While the waiver process could have been improved, particularly if the goal was to provide nationally-relevant policy information,<sup>29</sup> this approach actually provides the information needed to reform the welfare system in a responsible way. This may not produce results as quickly as some would like, but short-term political “victories” are not the way to win the fight against poverty in the long-term.

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

<sup>2</sup> Rachel Sheffield, "Welfare Reform and Upward Mobility Act Can Restart Welfare Reform," The Heritage Foundation, October 28, 2016, available at: [http://www.heritage.org/research/reports/2016/10/welfare-reform-and-upward-mobility-act-can-restart-welfare-reform#\\_ftn12](http://www.heritage.org/research/reports/2016/10/welfare-reform-and-upward-mobility-act-can-restart-welfare-reform#_ftn12).

<sup>3</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>4</sup> Rachel Sheffield, "Lee Introduces Plan to Reform Welfare," February 20, 2014, available at: <http://dailysignal.com/2014/02/20/senator-lee-introduces-plan-reform-welfare/>.

<sup>5</sup> Peter Germanis, "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute," August 12, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements-1.pdf>.

<sup>6</sup> Peter Germanis, "The Welfare Reform and Upward Mobility Act: A Conservative Plan to Eviscerate the Safety Net," November 27, 2016; see: <http://mlwiseman.com/?portfolio=peter-the-citizen>.

<sup>7</sup> Stacy Dean, "Balancing State Flexibility Without Weakening SNAP's Success," Testimony Before the House Committee on Agriculture, March 2, 2016.

<sup>8</sup> One of the shortcomings of a random assignment experiment is that it often misses "entry effects." For example, aggressive implementation of the ABAWD work requirement might discourage individuals from applying for SNAP assistance. If implemented aggressively, this effect might be large. Nevertheless, for those ABAWDs receiving SNAP assistance, the result would be important and directly relatable to the types of outcomes Sheffield reported on, as the studies she cited also missed entry effects for outcomes like employment and income.

<sup>9</sup> Sheffield does not make such a leap in logic in this paper, but elsewhere she and her colleague Robert Rector extol TANF's work requirements and write: "Food Stamps should be similarly reformed. States like Maine and Kansas have experienced dramatic reductions in their caseloads of able-bodied adults without dependents after requiring work. Food stamp's work requirement should also be extended nationwide to able-bodied parents on food stamps." Since the new SNAP requirement for adults with dependent children is so similar to the ABAWD requirement, she is making that leap. See Robert Rector and Rachel Sheffield, "The Right Way to Fight Poverty (and Why Paul Ryan's Plan Misses the Mark)," The Heritage Foundation, June 7, 2016, available at: <http://dailysignal.com/2016/06/07/the-right-way-to-fight-poverty-and-why-paul-ryans-plan-misses-the-mark/>.

<sup>10</sup> Center on Budget and Policy Priorities, "Kansas: TANF Caseload and TANF-to-Poverty Ratio Fact Sheet," available at: [http://www.cbpp.org/sites/default/files/atoms/files/tanf\\_trends\\_ks.pdf](http://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_ks.pdf).

<sup>11</sup> See Table 4A at: [http://www.acf.hhs.gov/sites/default/files/ofa/wpr2014\\_final.pdf](http://www.acf.hhs.gov/sites/default/files/ofa/wpr2014_final.pdf).

<sup>12</sup> See Ife Floyd, "Kansas Cuts TANF Time Limits – Again," May 16, 2016, available at: <http://www.cbpp.org/blog/kansas-cuts-tanf-time-limits-again-0> and Andy Marso, "More Kansans Will Drop From Welfare Rolls As Requirements Stiffen," *Salina Post*, November 11, 2016, available at: <http://salinapost.com/2016/11/11/more-kansans-will-drop-from-welfare-rolls-as-requirements-stiffen/>.

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<sup>13</sup> Center on Budget and Policy Priorities, “Maine: TANF Caseload and TANF-to-Poverty Ratio Fact Sheet,” available at: [http://www.cbpp.org/sites/default/files/atoms/files/tanf\\_trends\\_me.pdf](http://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_me.pdf).

<sup>14</sup> See Table 4A at: [http://www.acf.hhs.gov/sites/default/files/ofa/wpr2014\\_final.pdf](http://www.acf.hhs.gov/sites/default/files/ofa/wpr2014_final.pdf).

<sup>15</sup> Peter Germanis, “The Welfare Reform and Upward Mobility Act: A Conservative Plan to Eviscerate the Safety Net” November 27, 2016; see: <http://mlwiseman.com/?portfolio=peter-the-citizen>.

<sup>16</sup> Robert Rector and Rachel Sheffield, “Setting Priorities for Welfare Reform,” The Heritage Foundation, February 24, 2016, available at: <http://www.heritage.org/research/reports/2016/02/setting-priorities-for-welfare-reform>.

<sup>17</sup> Or, for 3 months in a 3-year period, in a “interim work activation” program with a shorter hourly requirement

<sup>18</sup> Parents on SNAP who work less than 100 hours would count, but they would be required to participate in these activities as well to reach the minimum of 100 hours. If they increase their hours of employment to more than 100 hours, they are no longer subject to the work requirement and come out of the participation rate calculation.

<sup>19</sup> Peter Germanis, “The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute,” August 12, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements-1.pdf>.

<sup>20</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>21</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>22</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> and Peter Germanis, “The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute,” August 12, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements-1.pdf>.

<sup>23</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>24</sup> For more details to support these statements, see: Peter Germanis, “The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute,” August 12, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements-1.pdf>.

<sup>25</sup> Gene Falk, Temporary Assistance for Needy Families (TANF): Financing Issues,” Congressional Research Service, September 8, 2015, available at: [http://digital.library.unt.edu/ark:/67531/metadc795456/m1/1/high\\_res\\_d/R44188\\_2015Sep08.pdf](http://digital.library.unt.edu/ark:/67531/metadc795456/m1/1/high_res_d/R44188_2015Sep08.pdf).

<sup>26</sup>

<sup>27</sup> See Judith M. Gueron and Howard Rolston, *Fighting for Reliable Evidence* (New York, NY: Russell Sage Foundation, June 2013) and Michael E. Fishman and Daniel H. Weinberg, “The Role of Evaluation in State Welfare Reform Waiver Demonstrations,” in *Evaluating Welfare and Training Programs*, edited by Charles Manski and Irv Garfinkel, (Harvard University Press, January 1992), pp. 115-142.

<sup>28</sup> Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), [http://www.acf.hhs.gov/programs/opre/welfare\\_employ/res\\_synthesis/reports/consequences\\_of\\_wr/rand\\_report.pdf](http://www.acf.hhs.gov/programs/opre/welfare_employ/res_synthesis/reports/consequences_of_wr/rand_report.pdf).

<sup>29</sup> For a discussion of some of these issues, see Michael L. Wiseman and Mark Greenberg, “Fixing Welfare Waiver Policy,” *Public Welfare*, Winter 1995, pp. 10-17. These are two separate articles, but share the same title.