"Wage War on Poverty, Not Poor People": A Comment on the Heartland Institute's "Roadmap" for Winning the War on Poverty

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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." TANF is not "welfare reform"; it is a form of revenue sharing with a myriad of dysfunctional federal requirements. 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."

This critique is not intended to be a complete assessment of The Heartland Institute's report on "winning" the War on Poverty; it is simply intended to identify some of the most egregious statements that reflect bias or misinformation, followed by a brief explanation called a "PC Response." ("PC" is short for "Peter the Citizen.") Since I have by now addressed similar issues in other responses to fellow conservatives, I will be brief here, referring readers to other papers for supporting details.

The most recent conservative anti-poverty plan, *After 50 Years of Failure, We Can Win the War on Poverty*, comes as a joint publication by Peter Ferrara of The Heartland Institute and Lewis Uhler of the National Tax-Limitation Committee. It is part of a series of reports on various topics under the rubric of "Roadmap for the 21st Century."[2] Reading the report made me think of Jeff Daniels' character (Will McAvoy) in the opening episode of HBO's *The Newsroom* who, in response to a question from a college student asking him to support the statement "America is the greatest country in the world," replied that America is not the greatest country in the world. He then offered a long list of "facts" to support his claim, including the following statement about our nation's efforts to reduce poverty: "We used to wage war on poverty, not poor people." One could take issue with many of McAvoy's "facts," but I was reminded of the episode because The Heartland Institute's "Roadmap" has nothing to do with developing effective policies to reduce poverty – its recommendations would indeed amount to "waging a war on the poor."

Most conservatives, including the authors of this latest plan, believe that the 1996 welfare reform, particularly the creation of the Temporary Assistance for Needy Families (TANF) block grant has been a success and is a model for reforming other safety net programs. While the law sent a symbolic message about the importance of work requirements and time limits, 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 form of revenue sharing used to supplant state spending and fill budget holes.

I favor an alternative conservative approach based on a model developed in the Reagan Administration, one which provided states flexibility, but had strong accountability provisions – most notably cost neutrality and rigorous evaluation – to ensure that states actually help needy families. Our welfare system does have serious problems, but improving it requires developing policies based on a fair presentation of facts and credible evidence from rigorous evaluations – not conservative talking points. Turning the money over to the states and assuming the best – the TANF model – has proven to be a failed approach. (See *TANF is Broken! It's Time to Reform "Welfare Reform."*[3])

> **NOTE:** One of the Roadmap's authors, Peter Ferrara, worked in the Reagan White House in the early 1980s; he was part of a group of conservatives that believed in the "block grant" approach to welfare reform. I came to the Reagan White House 1984 and worked for Chuck Hobbs, who developed President Reagan's 1986 welfare reform proposal, described in *Up from Dependency: A New National Public Assistance Strategy* and subsequently implemented it on a smaller scale through administrative action using existing legislative authority.[4] Unlike the block grant approach, which involves fixed funding and little accountability, the 1986 model provided state flexibility through waivers of existing program rules, but with strict accountability and rigorous evaluation, typically a random assignment evaluation to determine whether a state's welfare policies actually helped needy families or not. Ironically, the flexibility provided through the waiver process led to the *political* support for the 1996 welfare reform legislation and TANF replaced this promising approach with a blank check to states with no meaningful accountability or evaluation requirements.

Introduction

Heartland Institute: "The U.S. poverty rate currently stands at 14.8 percent, where it was when the War on Poverty began, despite the expenditure of $16 trillion. Nearly 50 million Americans remain in poverty, just about the most ever. In other words, we fought the War on Poverty, and poverty won."

PC Response: This statement is seriously misleading, because the data are based on the "official" poverty measure – one that most experts believe provides an inaccurate picture of contemporary poverty. A full assessment of the poverty measure is beyond the scope of this response, but a few examples of the factors ignored by the "Roadmap" authors illustrate the problem with a statement that suggests "poverty won." Perhaps the most significant shortcoming of the "official" poverty measure for purposes of assessing the effectiveness of the War on Poverty programs is that it is based on *pretax*, *cash* income. As Robert Greenstein of the Center on Budget and Policy Priorities explains:

> The official measure counts as income only those government benefits that are provided through spending programs which pay benefits in cash. It ignores SNAP, rental assistance, the EITC, the refundable part of the Child Tax Credit, and more. This means it ignores virtually all anti-poverty assistance created or expanded over the past half century, while counting the main form of assistance cut sharply over this period – cash assistance for poor families with children. You can't learn anything about the efficacy of most anti-poverty programs by using a measure that doesn't count them.[5]

Similarly, Robert Rector of The Heritage Foundation notes, "When the Census Bureau informs the public that 15 million U.S. children are poor, it is important to understand that nearly all of the welfare state is excluded from that calculation."[6]

Another factor that affects the measurement of poverty is that the poverty thresholds have been adjusted for inflation by a price index – the CPI-U – which most economists believe has overstated the cost of maintaining a constant standard of living. An alternative preferred by many economists is the chain-price index for Personal Consumption Expenditures – the "PCE index." Christopher Jencks of Harvard recently examined the impact of these factors on the 2013 poverty rate and the impact over time. He concludes, "With these corrections the official poverty rate falls from 14.5 to 4.8 percent, making the 2013 rate roughly a quarter of the 1964 rate (19.0 percent)."[7]

Figure 2

APPROXIMATE REDUCTIONS IN THE OFFICIAL 2013 POVERTY RATE NEEDED TO MAKE IT COMPARABLE TO THE 1964 RATE

Official percent poor in 1964	19.0%
Official percent poor in 2013	14.5%
Reduction to correct for:	
Value of noncash benefits	-3.0%
Omission of refundable tax credits	-3.0%
Replacing CPI-U with PCE index	-3.7%
Adjusted percent poor in 2013	4.8%

Source: Christopher Jencks, "The War on Poverty: Was It Lost?," *The New York Review of Books*, April 2, 2015, available at: http://www.nybooks.com/articles/2015/04/02/war-poverty-was-it-lost/.

There are many other possible adjustments and approaches to measuring poverty, but most experts would agree that the level of poverty is nowhere near "where it was when the War on Poverty began."

Heartland Institute: "They [the Democratic Party and intellectuals on the left] view any new ideas or possible reforms with suspicion, as if those proposals must ultimately involve a plot to abolish all aid and assistance to the poor."

PC Response: I'm not a Democrat, but I can understand the skepticism of those on the left. The TANF experience, and the continued support of the "TANF model" by many conservatives, should give anyone pause about conservative efforts to reform the safety net.

While the 1996 welfare reform undoubtedly cut caseloads, it also increased the depth of poverty for millions of families. Between FY 1996 and FY 2015, spending on TANF cash assistance declined by nearly $25 billion, from $31.3 billion to $7.8 billion (in 2015 dollars).[8] This reduction in spending is not due to a reduction in the number of poor families with children or families with incomes low enough to qualify for aid – those numbers are about the same as they were in 1996. The reduction reflects the impact of inflation and the excessive flexibility of states to divert spending to fill state budget holes rather than to spend the money on core welfare reform purposes (i.e., basic assistance, welfare-to-work activities, and child care). (For more on TANF's impact on poverty, see: "'Welfare Reform' *Increased* Poverty and No One Can Contest It: A Note to Conservatives."[9])

The block grant approach is incompatible with a safety net program, particularly when there is no meaningful accountability. (For more detail, see: "Saving Speaker Ryan: 20 Reasons Why TANF is NOT 'Welfare Reform,' NOT a Model for Reforming the Safety Net, and NOT Conservatism."[10])

Heartland Institute: "Among intellectuals, Brooks and Ferrara are the two most aggressive in arguing that we know how to win the War on Poverty and urging free-market conservatives to take the lead in doing so."

PC Response: As far as I know, Arthur Brooks has written only in general terms about the principles for reducing poverty; he has not laid out a specific plan like the "Roadmap" report that would decimate the safety net. Moreover, simply giving states a block grant and hoping for the best hardly requires any "intellectual" prowess. (As indicated throughout this response, the supporting evidence for the "Roadmap" proposal contains factual errors and is devoid of any understanding of how the TANF block grant has been implemented or what it would take to implement a serious work requirement. Of course, I don't consider myself an "intellectual," like one of the "Roadmap" authors, so the reader can decide.)

The Poverty of Welfare

Heartland Institute: "With the government offering generous and wide-ranging welfare benefits – from housing to medical care to food stamps to outright cash, and many others – to those with low incomes or who are not working at all, naturally many choose to reduce or eliminate their work effort and take the free benefits. As a matter of incentives, it is as if the government is generously paying people not to work and to have low incomes.

A seminal study by the federal government in the 1970s confirms this argument. In a carefully studied experiment, the government provided extra-generous packages of welfare benefits to groups of beneficiaries in Seattle and Denver. The welfare packages included everything more liberal policymakers could hope for, effectively providing a generous guaranteed income. Conducted from 1971 to 1978, the effort became known as the Seattle/Denver Income Maintenance Experiment, or 'SIME/DIME.'

The dramatic bottom-line result? For every $1 of extra welfare given to low-income workers, those workers reduced their labor and earnings by 80 cents. No wonder the War on Poverty has failed!"

PC Response: The "Roadmap" authors don't cite a specific page number for their 80-cent finding and I did not see it in the SIME/DIME final report; nor can I find any other credible source that reports this estimate. (There were a small number of secondary sources that used this figure, but these were not well documented either.)

A summary of the findings from four negative income tax experiments, including SIME/DIME, by Gary Burtless of The Brookings Institution examined the work and earnings response by family composition, benefit guarantee, and tax rate.[11] For plans that guaranteed income around the poverty line, the estimated earnings reduction for two-parent families ranged from 35 to 52 percent of net program costs; these are sizable work disincentives, but still nowhere near the 80-cent figure suggested by the "Roadmap" authors. For single-parent families the estimated earnings reduction ranged from 0 percent to 20 percent of net program costs – again, well below what the "Roadmap" authors reported. Interpreting the findings of the negative income tax experiments is far more complicated than simply summarizing a few findings; my only purpose is to indicate that the 80-cent finding used by the "Roadmap" authors is not consistent with a fair interpretation of the experimental results.

Aside from misstating the results of the experiment (or presenting a highly misleading one), the "Roadmap" authors draw erroneous conclusions about the impact of income support programs. The average negative income tax plan in SIME/DIME was set at 115 percent of the poverty level and it was taxed away at a rate of about 50 percent. (In 2015, the basic benefit for a family of three would be about $21,850 in guaranteed cash per year with a breakeven level of $43,700.) At the time of the experiment, the maximum AFDC benefit with food stamps in the median state was 73 percent of the poverty level (or about $13,870 if applied against the 2015 poverty threshold) and families would probably lose eligibility for any aid at about 130 percent of poverty (about $24,700). (Note: most families do not receive the maximum benefit for a full year, if at all; I simply use the annual figures for ease of illustration in this paragraph and the next.) If one wants to make an argument about the labor supply effects of income support programs, the counterfactual should be a comparison of existing programs to "no programs" – not to a negative income tax that is far more generous than the existing welfare programs.

Today, most poor families do not receive TANF cash assistance or housing assistance. Instead of $21,850 they would have received under the SIME/DIME negative income tax or the $13,870 they would have received in AFDC/food stamps in the 1970s, they get $6,000 in SNAP food benefits. (Even the maximum TANF and SNAP benefit in the median state is only about $10,500 or 55 percent of the poverty threshold for a family of three). The reason we're not winning the War on Poverty is because we have shredded the cash assistance safety net and TANF's work requirements reach just 1 percent of the nation's poor families with children.

Last, the results of the negative income tax experiments don't necessarily apply to in-kind transfers like Medicaid and SNAP, whose benefits are smaller than those of the negative income tax plans, cover certain items of expenditure, and vary in a variety of other ways. The existing empirical literature on these programs doesn't show, for the most part, very large work reductions from these programs.[12] And, if there were meaningful work activity requirements, the results may be different still.

The Poverty Trap

Heartland Institute: "About one-third of the U.S. workforce earns between 150 percent and 200 percent of the federal poverty level, a point at which welfare benefits typically phase out. This raises another work-disincentive problem, labeled by Art Laffer and Steve Moore as the Poverty Trap."

PC Response: This statement is problematic for a number of reasons. First, expressing earnings as a percent of poverty means the authors would have had to compare individual earnings to poverty thresholds adjusted for family size. For a single person, this means earnings between about $18,000 and $24,000 a year. For a single parent with two children, this is between $28,644 and $38,192. The authors didn't footnote a source, but I am dubious that they actually compared earnings to the 150 to 200 percent of poverty range adjusted for family size. And, even if they did, this number is of limited relevance because many of those in the workforce are in two-parent (or multiple-adult) households, where both parents (or other adults) work, so what would be more relevant is *combined* earnings as a function of the poverty thresholds. Later in this section, the authors make a similar, but substantively different statement: "The work disincentives of the Poverty Trap spread throughout the bottom one-third of the workforce below 200 percent of the poverty line." So, now one-third of earners are in households below 200 percent of poverty. While this may seem like a trivial wording issue, it is an important distinction because the two statements yield a very different picture of the potential size of the problem.

Second, the income range at which "benefits typically phase out" is not 150 percent to 200 percent. There is considerable variation across programs. For example, 150 percent of poverty is well above the income limits for programs like TANF, SSI and SNAP, and well below the phase out for the Additional Child Tax Credit (ACTC). This leaves four main "programs". Two – housing assistance and child care subsidies – are available only to a minority of eligible families, so for broad generalizations, they should be ignored. The Congressional Research Service estimated the percentage of the eligible population served in 2012 by some of the major means-tested programs.[13] Housing assistance and child care subsidies reached just 18.2 percent and 16.9 percent of eligible persons, respectively.[14] The Earned Income Tax Credit (EITC) is provided once a year – it is unlikely most recipients see a clear connection between their earnings and the amount of the EITC. Similarly, Medicaid is complicated because it has varying eligibility thresholds with "notches" where adults or children lose eligibility for benefits. Even then, the availability of "medically needy" programs under Medicaid and various options under the Affordable Care Act, make determining the phase out more complicated than it might seem.

Third, the labeling of the problem as a "Poverty Trap" is misleading – the authors are describing the phase at of benefits at incomes above poverty – between 150 and 200 percent of poverty. This is why the study they cite is titled – "The Twice Poverty Trap: Tax Rates Faced by AFDC Recipients."[15]

The labor supply effects of welfare programs are important and a fair topic; the foregoing are mainly criticisms about the carelessness in which the authors describe the problem.

Heartland Institute: "Since welfare is phased out as income rises, the loss of welfare benefits is eonomically the same as a tax on the rising earnings.**"**

PC Response: There is an important difference – lowering income tax rates reduces the marginal tax rate for everyone; reducing benefit phase out rates does not. A lower phase out rate for those already receiving welfare does reduce their effective marginal tax rate; however, this also expands eligibility and thus imposes higher marginal tax rates on those made newly eligible. Thus, while the policy increases the incentive to work for some, it reduces the incentive for others and these differential effects need to be considered.

Heartland Institute: "A 1996 Urban Institute study by Linda Ginnarelli and Eugene Steuerle on the same issue similarly found the poor faced effective marginal tax rates of 70 percent to 101 percent. The authors wrote, 'A significant portion of the population faces tax rates of 100 percent or more for work at a fulltime minimum wage job or for increasing their work effort beyond some minimal level. The net impact of this system, in our view, is pernicious.'"

PC Response: The Urban Institute research is a credible source, but the study cited examines the welfare system that existed over 20 years ago and it was focused on AFDC recipients, as stated in the title to the article the authors cite ("The Twice Poverty Trap: Tax Rates Faced by AFDC Recipients"). Since that time, there have been changes to means-tested programs and tax credits for low-income families. Most notably, there has been a collapse in the cash assistance safety net. Using the Urban Institute's research on this topic, it is worth noting that about 80 percent of families eligible for AFDC received it in 1996, only 30 percent did in 2013.[16] This is important because AFDC had the highest statutory tax rates of all the programs involved.[17] For the dwindling number of families that still receive cash assistance, most states have significantly reduced these tax rates (first, with waivers under AFDC, and then under TANF). So, this study, good as it is, is outdated.

A more recent analysis of this issue was conducted by the Congressional Budget Office (CBO) and examined the effective marginal tax rates faced by taxpayers in 2016, grouped by income as a function of the federal poverty level (FPL). The calculations included federal income and payroll taxes (including refundable tax credits), state income taxes, and benefits from SNAP and the cost-sharing subsidies for health insurance. Their results suggest the following:

> CBO estimates that the median marginal tax rate will rise sharply, from 14 percent (for those with earnings of less than 50 percent of the FPL) to 34 percent (for taxpayers with earnings between 100 percent and 149 percent of the FPL). The median marginal tax rate then will level off to between 32 percent and 34 percent among groups with higher earnings.

CBO further notes that there is considerable variation, particularly for those with incomes below 150 percent of the FPL:

> Much of that variation is due to differences in family characteristics, which affect eligibility for refundable tax credits and assistance programs and the extent to which people take up those benefits. (Some eligible people do not.) As earnings in relation to the FPL increase, taxpayers are less likely to be eligible for the refundable tax credits and SNAP, and so the variation in marginal tax rates decreases.

In addition to the median marginal tax rate, CBO also estimated the range that separates the 10th and 90th percentile of subgroups of taxpayers. For those with incomes below 50 percent of FPL, the range if from about *negative* 20 percent to a positive 25 percent; for those with incomes between 50 and 99 percent of the FPL, the range is from about 10 percent to about 50 percent; for those with incomes between 100 percent and 149 percent of FPL, the range is from about 20 percent to about 60 percent; and for those with incomes between 150 and 200 percent of the FPL, the range begins to narrow and decline – from about 25 percent to about 50 percent. The authors note, "The median marginal tax rate then will level off to between 32 percent and 34 percent among groups with higher earnings." (Of course, if housing assistance and child care subsidies were included, these tax rates would be somewhat higher, but as noted above, less than 20 percent of those eligible to receive these benefits actually get them, and even fewer would receive *all* of the benefits.)

Any discussion of effective marginal tax rates and "poverty traps" should use current data and current research and should present a balanced picture, and not use extreme examples. (This is also a problem in Speaker Ryan's *A Better Way* report dealing with the problem of poverty; see: "Speaker Ryan's 'Poverty, Opportunity, and Upward Mobility Report': The Need for 'A *Much* Better Way'."[18])

The Origins of Welfare Reform

Heartland Institute: "After Reagan became president (one of the authors of this Roadmap report, Peter Ferrara, worked directly for Carleson in the White House Office of Policy Development), they faced a roadblock in the Democrat controlled House in getting the necessary changes in federal law to implement workfare nationwide. But in 1987, Reagan won changes that would allow states to experiment with a broad range of work requirements and other welfare innovations, with a federally granted waiver of traditional program requirements."

PC Response: This description of the history of welfare reform confuses several Reagan Administration proposals and their timing. In particular, there were four main initiatives: 1) the push for mandatory work for welfare; 2) block grant proposals; 3) welfare reform through waivers; and 4) the Family Support Act of 1988. None of these involved "winning" changes *in 1987*. Again, while this may seem like a trivial point to some, understanding the history of welfare reform is important so that policy can better be informed by past efforts.

Mandatory work. Carleson and others did push for a mandatory workfare requirement for AFDC recipients in 1981.[19] Although Congress did not adopt this approach, it did give states a number of new work program options. The 1981 Omnibus Budget Reconciliation Act (OBRA) and subsequent legislation in 1982 and 1984 gave states new authority to develop work-related programs for AFDC recipients. The first option, known as the WIN Demonstration program, gave states more flexibility in the mix of activities they could provide and shifted responsibility for the delivery of these services from the state employment agency to the state AFDC agency. Three additional options were authorized under Title IV-A of the Social Security Act (WIN was part of Title IV-C): (1) Community Work Experience Programs, which allowed states to make workfare mandatory for AFDC recipients; (2) work supplementation programs (also called grant diversion), which gave states authority to divert a recipient's welfare grant to a private employer as a wage subsidy; and (3) job search programs, which gave states the option to require applicants, as well as recipients, to participate in job search for up to eight weeks. Although the latter three activities were already allowed under WIN, there were several important programmatic differences. It was these changes in the early 1980s (not in 1987) "that would allow states to experiment with a broad range of work requirements." In 1982, the Manpower Demonstration Research Corporation (MDRC), began a series of large-scale, multi-year randomized experiments in eight states to study the effectiveness of innovative state work programs. These early legislative changes, however, did *not* allow states to experiment with "other welfare innovations, with a federally granted waiver of traditional program requirements."[20]

Block grant proposals. OBRA of 1981 consolidated 75 categorical grant programs (and 2 existing block grants) into 9 new, or revised, block grants, primarily in education, health, and social services. Congress did not approve a 1982 request for "a $20 billion 'swap' in which the federal government would return to states full responsibility for funding Aid to Families With Dependent Children (AFDC) (now Temporary Assistance for Needy Families) and food stamps in exchange for federal assumption of state contributions for Medicaid."[21] This history, however, is not relevant to "winning" changes in 1987 that would go on to encourage welfare-to-work or other innovative "welfare reform" experiments.

The Family Support Act of 1988. The welfare-to-work "experiments" in the 1980s helped build the empirical support for some of the provisions of the Family Support Act of 1988, which 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. The law made a number of other changes and was signed by President Reagan on October 13, 1988, but it added no meaningful authority for "welfare reform" waivers for significant "welfare innovations." (TANF gutted even the modest work requirements in this law; see: "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for The Heritage Foundation and the American Enterprise Institute."[22])

Waiver experiments. In 1986, President Reagan announced a bold new strategy to reform the welfare system, described in *Up from Dependency: A New National Public Assistance Strategy*.[23] This proposal was a more comprehensive version of Speaker Ryan's "Opportunity Grants" proposal, in that it would have allowed states to consolidate funds from all means-tested welfare programs to test alternative welfare reform approaches.

Although Congress did not pass President Reagan's legislation, the exercise ultimately resulted in an interagency waiver process for welfare reform that provided states considerable flexibility to test alternative approaches. On July 20, 1987, President Reagan signed an Executive Order creating the Interagency Low-Income Opportunity Advisory Board and the 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 may be what the "Roadmap" authors meant when they referred to President Reagan "winning" changes "that would allow states to experiment with a broad range of work requirements and other welfare innovations, with a federally granted waiver of traditional program requirements." The waiver authority for AFDC already existed – it was created under section 1115 of the Social Security Act in 1962; it didn't require "winning" any legislative changes.

This approach had bipartisan support and was continued by President Bush and President Clinton. It did not provide a fixed level of funding, like block grants. Instead, it relied on a real counterfactual using the "gold standard" of evaluation – random assignment – for both cost neutrality and evidence-based learning.[24] The findings from random assignment experiments are considered the most credible, because the experimental and control groups are alike and subject to the same external conditions, with the only difference being the intervention itself. Any difference in outcomes between the groups can be attributed to the intervention – welfare reform – itself. Thus, policymakers could have confidence in whether state reforms actually reduced welfare dependency and poverty by increasing self-sufficiency. And, the experience of the control group could be used to ensure cost-neutrality, as the budgetary effects of any programmatic changes would be measured by examining the experimental-control group differences in costs. This approach provided credible evidence about the impacts of welfare reform, including many examples of state experiments that increased employment and earnings, and also reduced welfare dependency and poverty.[25]

By August 1996, 43 states had received welfare waivers to test a wide variety of reforms. When the 1996 law passed, many states simply continued these policies – they didn't need TANF to enact "welfare reform" because they had already done it through waivers. The vast flexibility provided through this process led to the *political* support for the 1996 welfare reform legislation. Ironically, TANF replaced this promising approach with a blank check to states with no meaningful accountability or evaluation requirements.

It is the failed "TANF model" that the "Roadmap" authors now want to impose on the nation; instead, they should look to President Reagan's "waiver model" as the way for real reform.

Heartland Institute: "At first, many conservatives did not expect the legislation to be effective. But it helped to spawn a welfare revolution among the states, with the most comprehensive and successful reforms achieved by Gov. Tommy Thompson in Wisconsin. Thompson was able to implement the full workfare plan of Reagan and Carleson. The Thompson reformers were granted a waiver for the plan by President George Bush's Department of Health and Human Services, in probably the best domestic policy move of his presidency. … The results of the Thompson/Turner reforms were truly dramatic. The AFDC caseload in Wisconsin fell by 81 percent."

PC Response: The "Roadmap" authors may be thinking of skepticism by some conservatives about the Family Support Act of 1988, but that legislation had nothing to do with the waivers states were granted. While the Bush Administration did grant Wisconsin waivers of various AFDC rules, they were not the ones cited in the "Roadmap" report that would lead to the implementation for a "full workfare" plan. Most of the Bush waivers to Wisconsin tended to liberalize benefits and generally affected a relatively small population.[26] The "Roadmap" authors may be thinking of the waivers granted in 1995 for the "Pay for Performance."[27] President Bush will likely be disappointed that his "best domestic policy move" was really a Clinton Administration action.

The state's implementation of the JOBS program was undoubtedly a far more important contributor to changes in welfare caseloads in the state than any waivers. As Michael Wiseman, then a professor at the University of Wisconsin-Madison, observed:

> Wisconsin's JOBS record is, as one might infer, exceptional. By (federal) fiscal year 1993 the state managed to have 30.9 percent of those adult welfare recipients who were not exempted from JOBS participation active in welfare-to-work effort. The required rate was 11 percent.[28]

While a 30.9 percent work rate was exceptional, it is nowhere near the universal work requirement envisioned in the Reagan-Carleson plan of 1981. Even then, making claims about "success" is ill-advised without a credible counterfactual. As Wiseman noted:

> The key question is, of course, what did this effort accomplish? It is not possible to say with much precision because of the difficulty of sorting out benefit, labor market, and JOBS effects. …the state's caseload began to fall again in mid-1992. This turnaround is roughly coincident with the decline in the state's unemployment rate…, and it comes after three years of increased outlays for JOBS. It may be that, just as WEJT [the state's welfare-to-work program] set the stage for JOBS, JOBS set the stage for turning the state's good economic fortune to the advantage of welfare recipients. What does seem clear is that the outcome has little if anything to do with the direct effect of the waiver demonstrations.[29]

To the extent the JOBS program was the driving force in caseload declines, it suggests that the key to "success" had nothing to do with block grants. Instead of TANF, Congress should have expanded and refined the waiver process, and built on the foundation laid by the JOBS program.

And, claims of success should not be based on caseload changes alone, but should consider other outcomes, such as family income and poverty status. In this regard, it is noteworthy to examine what has happened in Wisconsin since TANF was implemented. Between 1995/96 and 2013/14, the TANF caseload continued to go down, from 63,100 to 26,200. But is this really success – the number of poor families with children rose from 77,500 to 99,400 (and the number of families with children in deep poverty more than doubled, from 22,000 to 44,300)?[30] And, what about TANF's work requirements in Wisconsin? The state has failed to meet those for four consecutive years and faces the prospect of significant penalties. TANF's work requirements are unreasonable, unrealistic, and not about connecting needy families to work. (For more detail, see: "The Failure of TANF Work Requirements in Wisconsin: A Note for Speaker Ryan."[31])

Welfare Reform Goes National

Heartland Institute: "To give the states broad flexibility in designing the new program, the federal eligibility standards and benefit level requirements of the old AFDC program were repealed. That entailed repealing the entitlement status of AFDC, as states could not be free to redesign their programs if their citizens were entitled to coverage and benefits as specified in federal standards. States were explicitly authorized to use program funding for child care so parents could work, and for wage supplements for those who moved into private employment. The one remaining condition of federal funding was that the new state programs must require work as a condition of receiving cash benefits. AFDC benefits were subject to time limits for the first time, with each family limited to five years of benefits. The name of the program was changed to Temporary Assistance for Needy Families (TANF)."

PC Response: States already had broad flexibility under the preTANF waiver process to design their programs, they didn't need TANF. Aside from funding, a key difference in the two approaches is that states had to evaluate their policy changes with a rigorous evaluation under waivers; they have no meaningful accountability under TANF.

Notably, not all states have eliminated the "entitlement" to assistance, and these states have a much better track record in terms of poverty reduction than do the states that have adopted harsh provisions, such as full family sanctions or time limits that cut off the entire assistance grant. (See: "Does Making Welfare Much 'Less Appealing' Reduce Poverty?"[32]) While states were authorized to use funding for child care and work, the "Roadmap" authors are apparently unaware of the fact that many states now use TANF as a slush fund to supplant state spending or otherwise fill budget holes – all with virtually no accountability. In FY 2015, states spent less 25 percent of all TANF and associated maintenance-of-effort (MOE) funds for basic assistance – in some states, it was just 5 percent!

TANF's federal work requirements and federal time limit don't function as intended. Even calling TANF a "program" is misleading. As I describe in a section called "Funding and

Flexibility: How Congress Shot Itself in the Foot" in *TANF is Broken!*, the creation of the TANF block grant with *excessive* state flexibility set in motion changes that would: (1) initially provide large windfalls of federal funds for states, but also put in place a funding structure that in the longer-term would provide insufficient resources due to inflation and demographic changes (with similar effects for the state funded maintenance of effort provisions); (2) give states excessive flexibility to use federal funds to supplant their own spending (by tens of billions of dollars since TANF was created); (3) give states excessive flexibility to convert TANF (over time) to a giant slush fund with minimal reporting and accountability provisions, which includes but is not limited to supplanted funds); (4) impose a Rube Goldberg-like set of bureaucratic and ineffective funding formulas and requirements; and (5) give states excessive flexibility to avoid or evade virtually all of the federal requirements in the law, most notably work requirements and time limits. The result of this misguided effort is a safety net with massive holes – one that is not effective in providing either basic assistance to needy families or ensuring that low-income parents receive the work-related activities and services they need.

If the "Roadmap" authors think TANF is a model for "winning the War on Poverty," they are sorely mistaken.

Heartland Institute: "The rolls were reduced even more in states that pushed work most aggressively: Wyoming (97 percent), Idaho (90 percent), Florida, Georgia, Illinois, and Louisiana (each 89 percent), North Carolina (87 percent), Oklahoma (85 percent), and Mississippi, Texas, and Wisconsin (each 84 percent)."

PC Response: Again, the "Roadmap" authors focus on caseload decline, even though their report is purportedly about poverty reduction. A closer look at each of these states during the TANF era suggests troubling trends. As noted above, the number of poor families with children in Wisconsin is up since the 1996 law and the state hasn't met its work participation rate for four consecutive years. One could pick any of the above states, or indeed any state in the nation, but I will focus on two from the foregoing list that are both large in size and represent the chairmen of powerful House Committees – Texas and Georgia.

House Ways and Means Chairman Kevin Brady recently said: "…we will focus on modern anti-poverty solutions proven to help move Americans from government benefit checks to real paychecks and the unlimited opportunity our people deserve."[33] The search for "modern anti-poverty solutions" should begin with the rejection of the TANF model. Between 1996 and 2015, the number of poor families with children in Texas grew by over 112,000 (20 percent), yet the TANF caseload plunged by 219,000 (89 percent).[34] One reason is that the state no longer uses TANF for welfare reform related activities. Whereas in FY 1995, the state spent 70 percent of its AFDC/JOBS (TANF's predecessor programs) funds on basic assistance and work activities, this fell to just 13 percent in FY 2015.[35] The Texas experience demonstrates that TANF is often little more than revenue sharing. Like many other states, Texas uses a considerable share of its TANF funds to simply supplant state expenditures – in this case on child protection and foster care. (For more detail, see: "TANF in Texas: The Need for "A *Much* Better Way": A Cautionary Tale for Ways and Means Chairman Brady."[36])

The story is the same in Georgia, home state of former House Budget Committee Chairman Tom Price, who recently said, "We are demanding that government measure success by how many people have been able to rise up and out of poverty rather than how much money Washington has spent."[37] While I agree with Chairman Price's measure of "success," under TANF, by this measure, Georgia has failed. Between 1996 and 2015, the number of poor families with children grew by over 123,000 (76 percent), yet the TANF caseload plunged by nearly 113,000 (90 percent).[38] Like Texas, the state no longer uses TANF for welfare reform related activities. In FY 1995, the state spent 83 percent of its AFDC/JOBS funds on basic assistance and work activities, this fell to just 14 percent in FY 2015.[39] Moreover, if the calculation were limited to federal or state funds – the percentage would be even lower. Some states, most notably Georgia, count the spending of third-party non-governmental sources toward their state maintenance-of-effort (MOE) requirement, essentially rewarding states for spending outside groups would have undertaken in the absence of TANF. These expenditures must meet a TANF purpose, but otherwise can count as a donation that is considered MOE. In FY 2014, Georgia counted $99 million in food bank spending as its MOE contribution, representing 57 percent of the state's MOE contribution. This means the state could spend that much less of its own money on needy families, despite the rise in poverty. (For more detail, see: "Profiles in (Dis)courage(ment)."[40])

In these and many other states, TANF has become welfare for state politicians, not poor families. What about federal work requirements in these states? There are none. In Texas and Georgia, the sharp caseload declines have reduced the target for the overall work rate to 0 percent (due to a conceptually flawed provision called the caseload reduction credit). In FY 2015, in both Texas and Georgia, the percentage of poor families with children that were *both* receiving TANF cash assistance and engaged in a welfare-to-work activity was under 1 percent. (For more detail, see: "The Failure of TANF Work Requirements in 2015: The Need for 'A *Much* Better Way.'."[41])

How is this record consistent with "winning the War on Poverty"?

Heartland Institute: "…the reform was remarkably successful, exceeding even the predictions of its most ardent supporters. The old AFDC rolls were reduced by two-thirds nationwide, from a high of 14.2 million in 1993, the year before the state waiver experiments began to have an effect, to 4.6 million in 2006."

PC Response: By starting with 1993, the authors reveal that they do not understand the difference between "welfare reform" (AFDC with waivers and a modest work requirement) and revenue sharing (TANF). The former involved changing the rules of welfare programs in a "cost neutral" environment, whereas the latter is revenue sharing with excessive state flexibility to spend dollars on virtually any activity that can be "reasonably calculated" to advance a TANF purpose. Initially, states had a huge windfall, it is not a deficit, but most important it is really just a funding stream.

If the main metric by which "success" is measured is caseload reduction, TANF was a success. But, cutting the caseload takes little skill – it can and has easily been accomplished by imposing an array of restrictive rules that push families off the rolls or keep them from coming on. The "Roadmap" report is supposed to be about poverty. By this metric, TANF has failed, particularly if the focus is not on the poverty *rate*, which is the wrong measure, but the depth of poverty. (For more on TANF's impact on poverty – particularly the depth of poverty, see: "'Welfare Reform' *Increased* Poverty and No One Can Contest It: A Note to Conservatives."[42])

Table 1 shows the change in the average monthly number of families eligible for assistance compared to the average monthly number receiving assistance for selected years from 1996 through 2013. In 1996 (before TANF), about 5.6 million families were eligible to receive benefits, and about 4.4 million (79 percent) did so. In 2013 the number eligible for TANF was the same (5.6 million), but the number receiving benefits had dropped over 60 percent to 1.7 million (or 31 percent of eligible families). Using the conventional conservative pre-post method for assessing impact (not my preferred approach but one that seems to resonate with conservatives), a reasonable question is: If TANF is such a success and if families had really been helped, why isn't the number of families with incomes below TANF's eligibility thresholds lower today?[43]

Table 1:
Number and Percentage of Eligible Families Participating in TANF
(Average Monthly Data, Selected Years, 1996-2013)

Year	TANF			
	Eligible (millions)	Participating (millions)	Eligible, Not Participating (millions)	Participation Rate (%)
1996	5.6	4.4	1.2	78.9
2000	4.4	2.3	2.1	51.8
2004	5.1	2.2	2.9	42.0
2008	5.2	1.7	3.5	33.0
2013	5.6	1.7	3.9	30.7

Source: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: Fourteenth Report to Congress*, August 22, 2016.

The more important statistic that can be derived from this table is the increase in the number of families that were eligible to receive TANF, but that did not. This number grew from 1.2 million in 1996 to 3.9 million in 2013. This is an increase of 2.7 million very poor families that were eligible for assistance but did not receive it. For the affected families, this represents a loss in benefits of about $200 to $750 per month (the maximum grant for a family of three, depending on the state). Most of these families were poor before being pushed off TANF (or "discouraged" from coming on it) and are poor afterwards.[44]

How is this record consistent with "winning the War on Poverty"?

Heartland Institute: Total federal and state spending on TANF by 2006 was nearly 10 percent below the 1995 peak in AFDC spending. In real, inflation-adjusted dollars, total TANF spending by 2006 was down 31 percent from AFDC spending in 1995.

PC Response: This is a ridiculous measure. A block grant is fixed and spending will inevitably decline when adjusted for inflation. This says nothing about the program's effects on poverty, which is supposed to be the topic of the report.

Between FY 1996 and FY 2015, spending on cash assistance declined by nearly $25 billion, from $31.3 billion to $7.8 billion (in 2015 dollars).[45] Given that the number of families eligible for cash assistance hasn't changed and TANF's work requirements provide few concrete services, how is this record consistent with "winning the War on Poverty"?

Heartland Institute: "Haskins wrote,

> …from 1993 to 2000 the portion of single mothers who were employed grew from 58 percent to nearly 75 percent, an increase of almost 30 percent, and…
>
> Between 1994 and 2000, child poverty fell every year and reached levels not seen since 1978. In addition, by 2000 the poverty rate of black children was the lowest it had ever been. The percentage of families in deep poverty, defined as half the poverty level … also declined until 2000, falling about 35 percent during the period."

PC Response: The "Roadmap" authors finally address poverty, but they cherry-pick their data and ignore a number of important factors. First, TANF wasn't really implemented until sometime in FY 1997[46], so they give credit for positive effects that occurred before it even existed. Both employment rates and poverty rates started improving in 1992 and would have continued to do so in the absence of TANF. But, more important, it is now 2017! The positive outcomes they are referring to began to fade away after 2000 and have largely disappeared. The "Roadmap" authors also picked a time period of strong economic growth and expanded aided to the working poor, particularly the expansion of the Earned Income Tax Credit. And, states were already implementing welfare reform under the waiver process started by President Reagan many states simply continued these policies – they didn't need TANF to enact "welfare reform." (For more detail on these arguments, see: "Making Progress on TANF: A Response to Scott Winship"[47] and "Making Progress on 'Welfare Reform': A Response to Scott Winship."[48])

In the first 5 years, TANF gave states a large federal windfall – 20 to 30 percent more than they otherwise would have received – because it was based the block grant on historically high spending levels. So, if the "Roadmap" authors really want to replicate the TANF experience, then perhaps they should increase their proposed block grant from $1 trillion to $1.250 trillion, as the greatest period of TANF's putative success involves considerably more funding. (For more detail, see: "Pre-Post Conservatives Say TANF is a 'Success': Let's Make It Even Better – A Possible Compromise"[49])

<u>Winning the War on Poverty</u>

Heartland Institute: "The 1996 welfare reform had one big shortcoming: It reformed only one program, AFDC. The federal government operates more than 150 additional means-tested welfare programs. The same 1996 AFDC reforms – which have proven wildly successful – can and should be extended to every one of these federal programs as well. The suggestion that all these programs could be reformed just as AFDC was in 1996 comes from Ron Haskins, now a senior fellow at the Brookings Institution."

PC Response: TANF didn't "reform" a program; it converted AFDC/JOBS to revenue sharing. Many states today see TANF as a funding stream. And, even if they provide assistance, nearly all states game the work requirements to meet them because they are unrealistic. In commenting on *TANF is Broken! It's Time to Reform "Welfare Reform,"* Haskins writes: "Germanis' criticisms are reasonable and well supported by evidence. Congress and the administration would be well advised to carefully consider ways TANF could be reformed to minimize the game playing that many states now use to avoid spending TANF dollars on core TANF purposes and to avoid the federal work requirement."[50] And, specifically with respect to the block grant and whether all programs should "be reformed just as AFDC was in 1996," he now says, "States did not uphold their end of the bargain. So, why do something like this again?"[51]

Heartland Institute: "Ideally, all federal means-tested welfare programs would be block-granted back to the states – not individually but in one lump sum, with the states free to use the money for assistance to the poor as they each deem best and most effective."

PC Response: This recommendation is beyond irresponsible. The TANF experience alone should show that block grants are bad public policy, particularly if the goal is to enact "the same 1996 AFDC reforms." The 1996 reforms were not a pure block grant – they included a host of dysfunctional requirements. Is this what the "Roadmap" authors want?

In "The Need for Common-Sense Conservative Welfare Reform: Ten Questions for House Speaker Paul Ryan,"[52] I posed 10 questions to the Speaker about TANF (and any welfare reform proposal). He didn't answer my questions, but maybe the "Roadmap" authors can explain which of the following questions could be answered in the affirmative – maybe then we would understand why we should rely on "the same 1996 AFDC reforms":

1. Does it make sense to have work requirements that don't work and that states regularly game?
2. Does it make sense to have a funding structure for a safety net program that is unresponsive to changes in economic and demographic circumstances?
3. Does it make sense to give states so much flexibility they can count virtually any expenditure as "reasonably calculated" to achieve a TANF purpose?
4. Does it make sense to permit states to use TANF to supplant existing state expenditures and use it as a giant slush fund?
5. Does it make sense to replace a simple and effective federal-state matching approach with an ineffective, Rube Goldberg-like financing scheme?
6. Does it make sense to give states so much flexibility they can duplicate the benefits and services of dozens of other low-income programs with virtually no accountability?
7. Does it make sense to provide funding for safety net programs that have either no income limit or that permit states to set very high income limits?
8. Does it make sense to impose rules that are ineffective and/or needlessly complicated?
9. Does it make sense to ignore evidence-based research?

10. Does it make sense to use TANF as a model for reforming other welfare programs?

The answer to questions 1-9 should be "NO" and thus TANF should not be a model for reforming other welfare programs. It is indeed a giant step backward for social policy and for conservatism.

I suspect the authors don't really understand the details of the 1996 law. 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."[53] I could not agree more. Unfortunately, when it comes to the "1996 AFDC reforms," Congress got virtually every technical detail wrong. (For more detail, see: "Saving Speaker Ryan: 20 Reasons Why TANF is NOT 'Welfare Reform,' NOT a Model for Reforming the Safety Net, and NOT Conservatism."[54])

Heartland Institute: "State control also would allow experimentation among the states, with real-world results proving what works and what doesn't. Economic and political competition among the states would lead them to adopt what has proven to work best. This is the conservative policy of federalism."

PC Resonse: 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, under TANF, 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. As a result, 20 years after TANF's creation, there is no rigorous evidence to identify effective anti-poverty strategies or about the impacts of important provisions like work requirements, time limits, sanctions, family caps, diversion programs, and an array of other provisions. Some policies have undoubtedly helped families move toward self-sufficiency, others have just as surely pushed them deeper into poverty.

Unlike the AFDC waiver experiments, which could be evaluated using random assignment to assess their impacts on welfare dependency and self-sufficiency, TANF as a whole cannot be evaluated in this manner (or using other conventional evaluation methods). TANF is not a "program"; it is first and foremost just a funding stream. There is no counterfactual that could be constructed in any rigorous way to determine its impacts. <u>To assess TANF, it is not only important to examine trends in key outcomes, but also to examine how the law is written, how the policies are implemented, and apply a good dose of common sense</u>. That is the approach I take in *TANF is Broken! It's Time to Reform "Welfare Reform."*[55]

Notably, the "Roadmap" authors offer absolutely no specific policy guidance about "what works and what doesn't." They cite cherry-picked time trends and occasionally make a vague reference to a policy like "work requirements," but they offer no specifics and their paper reflects no understanding of how TANF was actually implemented. In fact, the authors don't seem to realize that the 1996 law actually gutted President Reagan's waiver-based approach, one that provided credible evidence about what works and what doesn't. The next step would have been to increase the waiver authorities in other programs and to refine that approach. Instead, TANF ended this evidence-based approach to welfare reform.

Heartland Institute: "…the best estimate of the total current cost of these more than 150 means-tested welfare programs is $10.3 trillion for the years 2009 to 2018. Granting there are significant differences among these 150 programs and the results will not be the same for each, we can assume as a working hypothesis that the resulting savings would be on par, overall, with the savings achieved by the 1996 AFDC reforms. Bottom line: The net cost to the taxpayers would ultimately be reduced by half from where it would be otherwise, with a savings of $4 trillion to $5 trillion over 10 years."

PC Response: Using a 2009 paper that *estimated* spending over a 10-year period (2009 to 2018) for what might happen over the 2018 to 2027 period is hardly the basis of a credible estimate. A proper estimate would be based on actual spending for the most recent years and a projection of future spending based on assumptions about the economy, demographic changes, and other factors that influence welfare spending.

If "the 1996 AFDC reforms" are the basis for the estimate, then the savings to the *federal* government in the first 10 years would be small. Here's why – when Congress established the TANF block grant, it vastly overpaid states in TANF's early years (by about 20 to 30 percent), because it based on the block grant on historically high spending levels. It would take about 5 to 10 years for this windfall to be eroded by inflation. By the 10th year, federal savings compared to what costs would have been under AFDC were negligible. (For more detail on the windfall, see "Funding and Flexibility: How Congress Shot Itself in the Foot" in *TANF is Broken!*[56])

It is unclear how the authors arrive at an estimated savings of $4 trillion to $5 trillion (40 percent to 50 percent) over a 10-year period using the 1996 "reforms" as a guide and relatively old data. A better approach would be to compare the size of the fixed block grant to a baseline that reflects what spending "would be otherwise," but the authors made no attempt to estimate this counterfactual. Yet, such information is relatively easy to come by. For example, in a two-minute GOOGLE search, I came across the following Congressional Budget Office report that estimated spending on the major means-tested programs through FY 2023: *Growth in Means-Tested Programs and Tax Credits for Low-Income Households*, which estimated spending in nominal and real dollars under current law through FY 2023.[57] A subsequent letter to House Budget Committee Chairman Tom Price included estimates for the FY 2015 to FY 2025 period.[58]

Notably, the vast growth in projected means-tested spending over the FY 2015 to FY 2025 period is in health programs. Federal pending on the major income security programs is expected to grow from $268 billion to $295 billion. In contrast, federal spending on the means-tested health programs, mainly Medicaid, is projected to grow from $397 billion to $760 billion. So, if funding were frozen at the FY 2015 level and combined into one big grant, as the "Roadmap" authors suggest, the nominal savings in the tenth year would $27 billion in income security programs, but $363 billion in health programs. How exactly would "the 1996 AFDC reforms" be relevant to addressing what would be massive cuts in projected spending for

Medicaid and other health programs? A significant share of these health costs are associated with those who are elderly and disabled (including those in long-term care facilities), and the AFDC experience is irrelevant. Even with income security programs, the authors fail to appreciate the fact that their universal work mandate may cost *more*, at least initially, as the costs of administering and monitoring work programs can be significant, not to mention the associated child care and support service costs that may be required to engage recipients, particularly those with young children. (For more detail, see: "The Welfare Reform and Upward Mobility Act: A Conservative Plan to Eviscerate the Safety Net.[59])

Heartland Institute: "Federal requirements on the use of these funds by the states should be limited to just three: First, they must be used to assist poor and low-income families. Second, they must be used without discrimination in accordance with federal civil rights laws. Third, the assistance must be provided in return for work – except in the case of the disabled or retired seniors, who should no longer be expected to work."

PC Response: The "Roadmap" authors offer no policy details. For example, what would the income threshold be for determining "poor and low-income families"? Would it be based on monthly or annual income? Would there be income disregards or asset limits? Would eligibility be based on cash income (as most current programs are) or would it include non-cash benefits (and, if so, how would they be valued)? Or, would this first requirement be left to states to determine as it has under TANF? This hasn't worked out so well under TANF – the model the "Roadmap" authors use. For example, Krissy Clark and her colleagues at Marketplace recently noted that Michigan "spends about $100 million a year in TANF dollars on college scholarships – and many recipients are from families that earn more than $100,000 year. Meanwhile, just 18 out of every 100 families living in poverty receive basic cash assistance."[60]

Elsewhere, they suggest that there would be no income tests, because the work requirement would be used for screening purposes: "There would be no need to maintain and investigate eligibility requirements under this system. The incentives will take care of that adequately. If Warren Buffet or Bill Gates wants to show up for a work assignment before 9:00 a.m., no big deal. Trying to weed out higher-income people from showing up and working at an assigned day job is not worth the administrative costs of trying to enforce any such limitation." The problem with this approach is that it assumes a universal work requirement can be implemented; if it can't be (and there is no evidence that suggests it could be on the scale the authors suggest), having income tests would be important, yet the authors present no policy details.

With respect to the work requirement, would the details be spelled out in federal law? Who would be required to participate, what activities would count, how many hours of participation would be needed to count, what would be the expectations for states in meeting these requirements and what would be the penalties (if any) for failing to meet them? Would there be opportunities to request "reasonable cause" or enter into "corrective compliance" as under TANF? Given that work programs can be expensive, where would the initial funding come from? These are just some of the many questions that would arise in developing a legislative package, none of which the authors has contemplated. In particular, because the authors appear to have no appreciation for TANF's failure to actually engage families, they may not realize that states do not have the capacity, structure, or experience to develop a universal work requirement on the scale they suggest. And, they should not expect needy families to just fade away as they did with TANF. Under TANF, families were expected to participate 130 hours a month for about $200 to $400 a month, depending on the state (and in high benefit states, this usually reflected a partial loss of benefits). Under the "Roadmap" proposal, the potential loss of SNAP and Medicaid along with other programs makes it unlikely that the caseloads will decline so easily; instead families will expect states to place them in work slots. Given the cost of providing benefits and creating work slots, many states are likely to fail – they may then just use their new-found authority to simply cut families from the rolls, whether through short time limits or sanctions or other means. (For more detail, see: "The Welfare Reform and Upward Mobility Act: A Conservative Plan to Eviscerate the Safety Net.[61])

Notably, missing among the three requirements is a requirement for states to maintain their own spending (e.g., a maintenance-of-effort provision). Nor, is there a ban on supplantation, i.e., that would keep states from using the federal funds to replace existing state expenditures, freeing up state dollars for whatever purpose state politicians want. And, there is no requirement for states to evaluate their new programs to determine whether they work or not.

Rubio's Flex Fund Solution

Heartland Institute: "Sen. Mark Rubio's (R-FL) Flex Fund proposal is a means for carrying out precisely the above universal block grant proposal."

PC Response: Actually, the "Roadmap" proposal and Sen. Rubio's Flex Fund are very different, particularly in terms of funding. The former would provide a fixed block grant, while the latter would adjust the allotment by the number of people in poverty, as quoted in the "Roadmap" report itself:

> Available funding would remain the same. Funding formulas should be calculated as the number of people in a state that are in poverty multiplied by a fixed per-person amount that is determined by the amount of money spent on the repealed federal programs or tax expenditures. The fundamental change being proposed is that states would decide how to spend the money, not Washington politicians and bureaucrats.

While the Flex Fund's funding approach is flawed, there is at least some recognition that funding should be responsive to a measure of need – in this case, the number of people in a state. This adjustment is absent in the "Roadmap" report. (For more detail on some of the problems with the Flex Fund and similar proposals, see: "Making 'Opportunity Grants' Great Again: A Worthy but Challenging Prospect."[62])

The Guideposts

Heartland Institute: "In *The Conservative Heart*, Arthur Brooks explains the general principles of a conservative vision of 'social justice' and public assistance policy. He writes, 'To conservatives, a social justice agenda means making the starting line more equal for the vulnerable by improving education, expanding the opportunity to work, and increasing access to entrepreneurship.'"

PC Response: Like so much of the "Roadmap" report, this section primarily cites and quotes extensively from other sources, in this case, Arthur Brooks, president of the American Enterprise Institute. And, while the quotes are likely to resonate with conservatives – and even liberals – the problem is that the authors of the "Roadmap" offers no solution other than the block grant approach, based on a misguided view of the TANF experience.

<u>Speaker Ryan's Opportunity Grants</u>

Heartland Institute: "Ryan's proposed Opportunity Grant initiative is a pilot program 'to coordinate aid for families in need.' It follows in the Reagan/Carleson tradition, and the trend furthered by Rubio, of grounding successful reform on restoring traditional American federalism, with funding and power flowing back to the states, to try different experiments to prove what works, and relying on competition among the states to spread what works across the whole country."

PC Response: As described in the House Budget Committee's 2014 report, *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee*, "Opportunity Grants" has even less in common with the "Roadmap" report's "pure block grant" than the Flex Fund.[63] "Opportunity Grants" is described as a pilot project that would start in "a select number of states" and include funding from 11 means-tested programs. These funds would include about 15 percent of all means-tested programs, making his proposal closer to a SNAP block grant than the "Roadmap" proposal or Sen. Rubio's Flex Fund, which include Medicaid and a much larger number of means-tested programs.

While all three policy proposals use words like "experiment" and "test," only "Opportunity Grants" expresses a preference for testing "via randomized controlled trials when possible." There is, thus, at least some hope that something that could actually be learned that would have policy significance, as opposed to simply taking the judgments of conservative ideologues who selectively choose measures, statistics, and time periods to weave a particular storyline that supports their position. (For more detail on some of the problems with the Flex Fund and similar proposals, see: "Making 'Opportunity Grants' Great Again: A Worthy but Challenging Prospect."[64])

<u>Ryan Task Force on Poverty, Opportunity and Upward Mobility</u>

Heartland Institute: "Covering poverty and welfare reform was the Task Force on Poverty, Opportunity and Upward Mobility, which issued its report on June 7, 2016. The task force report notes federal and state taxpayers are currently spending $1 trillion a year on means-tested welfare programs for the poor. Yet poverty as measured by the poverty rate is no better than it was before the War on Poverty started. … The analysis of the task force report is quite good, and the recommended policies are quite sound, as far as they go."

PC Response: The "Roadmap" report authors could not be more wrong about the "Ryan Task Force" report. There were no bold new ideas or policy specifics; the report was a mere 35 pages, relying on colorful charts, rather than informed analysis. It presented a misleading and distorted picture of our nation's efforts to reduce poverty. Indeed, like the "Roadmap" report itself, the Task Force report reflects little understanding of the data and research surrounding the welfare system, is highly partisan and polarizing, and presents vague policy options. (I wrote extensively about the report's problems in a recent paper; see: "Speaker Ryan's 'Poverty, Opportunity, and Upward Mobility Report': The Need for 'A *Much* Better Way'."[65])

For this response, I will point to just two examples. First, there is the suggestion in the statement above that there has been no progress in reducing poverty. As described in more detail in the "Introduction" section of this response, and in my critique of the Ryan report, the "official" poverty measure is not a good measure for assessing the progress against poverty, in part, because it excludes 90 percent of means-tested spending. To ignore this and other problems with the "official" poverty measure and make a statement like the one in the Task Force report, and endorsed by the "Roadmap" authors, is irresponsible.

Second, the "Roadmap" authors appear to believe the Task Force's assessment of the work disincentive effects of benefit phase out rates is good "analysis." Like the "Roadmap" report itself, the Task Force's report lacks any real substance and is based on misleading examples. For example, the report examines the work disincentive effects of the welfare system using a specific example of a family receiving an array of welfare benefits in the state of Pennsylvania. The report then suggests, a single mother with two children earning the minimum wage of $7.25 in Pennsylvania would barely break even if she took a raise to $10.35. The task force report says, "the mother's taxes would increase as her welfare benefits decreased, leaving her with only 10 cents for each additional dollar she's earning. And, if she continued to earn a higher wage, she might end up worse off than when she started." That is an effective marginal tax rate of at least 90 percent.

The task force report suggests that it doesn't pay for welfare families to work. The problem with the example is that it relies on a benefit package that perhaps only 1 to 2 percent of low-income families actually receive. And, the "analysis" relies on a colorful chart instead of a discussion of economic theory and empirical studies of the impact of welfare benefits and phase out rates. And, what is the Task Force's recommendation? It is: "If states had more flexibility to design customized packages of benefits, that could help make sure anyone who works more ends up better off."[66] When it comes to maximizing work effort, the optimal phase out rate is an empirical question and may depend on a variety of factors. There are also trade-offs involved in cost and in the anti-poverty effectiveness of various policy options. A better way forward would be to fund experiments with random assignment evaluations rather than blindly assuming that state politicians know how to address this issue.

Heartland Institute: "The shortcoming of the report is that it is too shy about mentioning the real, full solution for poverty that is now readily apparent: expanding to *all* of the dozens of federal, means-tested welfare programs the enormously successful, fixed, finite block grants of the 1996 reform of AFDC."

PC Response: The task force report is "shy" with respect to policy details, but like the "Roadmap" report, it too is based on the misguided belief that the 1996 "reform" is a "success" and a model for reforming other safety net programs. Its failure to recommend expanding the block grant model to all means-tested programs is if anything a strength of the report.

Heartland Institute: "All responsibility for welfare should be sent to the states, where each state can fully redesign its welfare system from the ground up, based on the enormous wealth and experience we now have about what does not work."

PC Response: This is an odd choice of words. Even if one had evidence about what does *not* work, how does that help design policies that *do* work? Prior to 1996, the preTANF waiver process was building an evidence base about what works and what doesn't, based on the requirement that each state evaluate its welfare reforms using a random assignment methodology. TANF did away with the evidence building process and replaced with a blank check with no meaningful accountability.

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Heartland Institute: "Exactly how to do this would be left up to each state to experiment and compete in a national, 50-state competition."

PC Response: As noted above, 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. Unfortunately, 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. TANF replaced President Reagan's waiver-based welfare reform model, which had strict accountability measures and evaluation requirements. The next step would have been to refine this process and expand waiver authorities in other programs. Instead, TANF essentially provides states a blank check with no accountability. Why? Apparently governors convinced Congress that states knew best how to reform welfare and didn't need federal approval.

Heartland Institute: "Indeed, a work requirement for the able-bodied should be adopted even for Medicaid, which would eliminate the poverty trap tax for that biggest of all welfare programs. The poor would not lose Medicaid by working, but rather would have to work to gain it."

PC Response: While the 1996 law sent a symbolic message about the importance of work, TANF's work requirements are among 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 loopholes and gimmicks to satisfy federal work requirements that are unreasonable. Such gimmickry does nothing to help the poor get connected to work opportunities.

It is noteworthy that in FY 2015, about 1 million families were subject to TANF's work requirements. Of these, about 400,000 were in what could be called "gimmick cases"; these are cases that are manipulated in a way to artificially inflate work rates. The two largest gimmicks are: 1) paying token benefits (e.g., $10 a month) to families with a full-time worker that otherwise would not be on welfare (adding them to the rolls helps because hours in employment count toward the TANF's work rate); and 2) creatively using funding streams to shift families to what are called "solely state funded" programs where work requirements don't apply. In contrast, in an average month in FY 2015, less than 100,000 (about 1-2 percent of poor families with children) were in a true TANF work activity like work experience, community service, vocational education, or other educational activity. (For more detail, see: "The Failure of TANF Work Requirements in 2015: The Need for 'A *Much* Better Way.'"[67])

Conservatives have shown no aptitude in drafting legislation that would implement meaningful work requirements, particularly if the goal is to "win the War on Poverty." The first step should be to fix TANF and its work requirements, not extending work requirements to a program like Medicaid.

Conclusion

TANF should not be held out as an example of "conservatism." It is time for real conservative solutions – solutions that reflect conservative principles, common sense, and operational realities. The "Roadmap" report does not present a serious strategy to "win the War on Poverty." It is a seriously flawed document that ignores the real TANF experience, and yet it would impose that model on the entire safety net.

President Reagan did offer the answer – it's just not the one the "Roadmap" authors point to. It is building on the evidence-based waiver approach that existed before TANF. This approach enjoyed bipartisan support and offered real solutions, both necessary ingredients for lasting change in the War on Poverty. (See: "It Takes More than Bipartisanship for Enduring *and Successful* Policy: The 1996 'Welfare Reform' Law is Not a Model to Emulate – A Response to Governor Jon Huntsman."[68])

Adopting the "Roadmap" recommendations for the safety net would indeed be "waging war on the poor."

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

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