

Expanding Work Requirements in Non-Cash Welfare Programs: TANF is NOT a Model, but a Cautionary Tale

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Most conservatives believe 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. For example, writing in 2013 for the *Wall Street Journal*, Speaker Ryan said:

After the welfare reforms of 1996, child poverty fell by double digits. This budget extends those reforms to other federal aid programs.²

In his December 3, 2015, speech at the Library of Congress, he reiterated this message:

In 1996, we created a work requirement for welfare. But that was just one program. We have to fix all the others now.³

The idea that TANF created a “work requirement” and “fixed” a welfare program is, by any objective analysis, wrong. While the law sent a symbolic message about the importance of work requirements and time limits, in practice, neither of these elements have been implemented in the way Congress intended. In fact, TANF is not “welfare reform” at all, but a 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.

Today, there is a debate about expanding work requirements in non-cash welfare programs like Medicaid, SNAP (the Supplemental Nutrition Assistance Program, formerly known as “food stamps”), and housing assistance. Some, like Speaker Ryan, have argued that TANF’s work requirements can serve as a model. This is troubling, because it does not reflect an understanding of TANF generally or how its work requirements have been implemented in practice. Moreover, the “evidence” used to support TANF’s putative success is limited to a cursory examination of broad data trends in the immediate years following TANF’s enactment and generalizations from random assignment experiments evaluating mandatory work programs that operated over 20 years ago that have little resemblance to TANF-like work requirements.

This paper is not intended to be a complete description of TANF’s work requirements, but rather to highlight some of the most problematic assertions by those who advocate using its work requirements as a model. It also emphasizes the importance of policy details and evidence – if the goal is to develop “well-designed work requirements” that are an “investment” in poor families.

TANF Work Requirements as a Model

A careful examination of the TANF experience suggests that its work requirements should not be considered a model for non-cash welfare programs, both because they operate within a flexible block grant structure and because the requirements themselves are poorly constructed. Both problems are related, but each also raises different concerns, so they are discussed separately.

Block Grant Issues

TANF is a flexible block grant that states can use for a wide variety of benefits and services that (at least in theory⁴) advance one of its four purposes, which are to: (1) provide assistance to needy families so that children can be cared for in their own homes or the homes of relatives; (2) end dependency of needy parents on government benefits through work, job preparation, and marriage; (3) reduce out-of-wedlock pregnancies; and (4) promote the formation and maintenance of two-parent families. When TANF is used to provide “assistance” (primarily cash aid), an array of federal rules apply, including work requirements, but when funds are used to provide “non-assistance” (i.e., benefits and services that meet a TANF purpose other than providing for basic needs), there are few federal requirements.

Diverting funds from core welfare reform activities. TANF’s vast flexibility has allowed states to shift money from core welfare reform purposes (i.e., basic assistance and welfare-to-work programs) to other purposes and to fill budget holes including using federal TANF funds to supplant existing state expenditures.⁵ In fiscal year (FY) 1996, about 85 percent of federal and state AFDC funds were spent on basic assistance and welfare-to-work activities. By FY 2016, the value of the block grant (and associated state maintenance-of-effort or MOE requirement) had been eroded by over one-third due to inflation *and* only 33 percent of that diminished amount was used for these core welfare reform purposes – despite the fact that the number of poor families with children was about the same in both years. In many states, TANF has become a form of revenue sharing.

Gaming TANF’s work requirements. TANF’s block grant structure has not only reduced funding that might otherwise have gone for basic assistance and work activities, but states have also used its flexibility to circumvent (i.e., to *game*) its work requirements. The most obvious way the block grant structure contributes to this problem is by allowing states to engage in what is known as a “funding swap,” whereby federal TANF funds used to provide assistance are diverted instead to supplant an existing (non-TANF) state expenditures (e.g., college scholarships).⁶ This frees up state general revenue funds that can be used for any purpose, including to provide assistance outside the TANF structure in what is known as a “solely state funded” (SSF) program that is not subject to any of TANF’s rules. This “swap” does not involve more spending, only rearranging funding streams within a state to avoid the work requirement.⁷ For example, only about half the states provide assistance to two-parent families under TANF because of the much steeper two-parent work requirement – instead, they serve them in a SSF program. (Note: there are many other “loopholes” that arise because the work requirement provisions were poorly drafted, as discussed below.)

Inadequate and inequitable funding allocations. In addition to problems related to the flexibility to divert funds and game work requirements, welfare-to-work programs involve significant costs and a block grant is a poor approach for funding them. The TANF block grant and related MOE requirement were based on historic spending levels in the Aid to Families with Dependent Children (AFDC) program and related programs. Under AFDC, states had considerable flexibility to set benefit levels and determine other program parameters, resulting in vast differences in spending across states. These differences were locked in when the block grant was established.

Table 1 presents, for selected years between 1996 and 2015, the number of poor families with children and the federal block grant amount per poor family (in 2015 \$) for the nation as a whole and for two states – New York and Texas. It shows the vast disparity in funding across states based on initial differences in AFDC-related spending and how they have changed over time because the block grant is not adjusted for changing economic and demographic conditions. For the nation as a whole, the *annual* amount of federal block grant per poor family initially rose, from \$3,971 in 1996 to \$4,334 in 2000, as the number of poor families fell faster than inflation reduced the value of the block grant. Since that time, an increase in the number of poor families and inflation have steadily reduced the annual federal TANF block grant amount per poor family to just \$2,436 in 2015 (44 percent less than in 1996). Aside from the variability, the TANF block grant dollar amount per poor family pales in comparison to the poverty threshold of \$19,100 (for a family of three),⁸ as well as to the average cost of a work program under TANF of about \$5,000.⁹

Table 1 also demonstrates the importance of examining TANF at the state level. New York and Texas had nearly the same number of poor families with children in 1996, but New York received about *five* times more per poor family in federal funds than Texas (\$6,621 vs. \$1,339). While inflation eroded the block grant amounts equally in both states, the number of poor families in New York fell by about 31 percent, while the number in Texas grew by about 20 percent. As a result, in 2015, New York received nearly *nine* times as much per poor family as Texas (\$6,332 vs. \$731).

Table 1: TANF as a Funding Stream					
(Federal TANF Block Grant \$ per Poor Family with Children – 2015 \$)					
	Year				
	1996	2000	2005	2010	2015
U.S.					
# Poor	6,316,094	5,254,030	5,975,388	7,068,760	6,772,912
\$ per Poor Family	\$3,971	\$4,334	\$3,397	\$2,545	\$2,436
NY					
# Poor	550,562	442,098	450,076	463,828	379,309
\$ per Poor Family	\$6,621	\$7,493	\$6,560	\$5,638	\$6,332
TX					
# Poor	552,220	550,800	627,483	745,596	664,693
\$ per Poor Family	\$1,339	\$1,219	\$953	\$710	\$731

TANF block grant = \$16.5 billion (U.S.); \$2.4 billion (NY); and \$486 million (TX)

Table 2 adds the required MOE spending to the federal block grant.¹⁰ This increases the funding somewhat, but exacerbates state disparities. Now, New York has *ten* times the resources per poor family as Texas (\$10,818 vs. \$1,086).

Table 2: TANF as a Funding Stream					
(Federal TANF Block Grant + Required MOE \$ per Poor Family with Children – 2015 \$)					
	Year				
	1996	2000	2005	2010	2015
U.S.					
# Poor	6,316,094	5,254,030	5,975,388	7,068,760	6,772,912
\$ per Poor Family	\$6,474	\$7,065	\$5,538	\$4,148	\$3,972
NY					
# Poor	550,562	442,098	450,076	463,828	379,309
\$ per Poor Family	\$11,310	\$12,801	\$11,207	\$9,631	\$10,818
TX					
# Poor	552,220	550,800	627,483	745,596	664,693
\$ per Poor Family	\$1,988	\$1,808	\$1,416	\$1,055	\$1,086

TANF block grant + basic MOE requirement = \$26.9 billion (U.S.); \$4.1 billion (NY); \$722 million (TX)

These *per family* calculations are based on the full TANF block grant plus the basic MOE requirement. For Texas, this amounts to \$722 million. However, Texas has diverted its funding to other purposes, despite the rise in the number of poor families with children. In FY 2015, it spent just \$136 million on basic assistance, work activities, and work supports. This represents \$205 per poor family per year for what should be welfare reform related spending.

Bottom-Line. TANF’s block grant structure creates a situation in which states don’t have the resources to run meaningful welfare-to-work programs, as the amount is not adjusted for inflation or demographic changes. This problem is compounded when states treat TANF as a form of revenue sharing and divert spending away from core welfare reform purposes and use its flexibility to game its work requirements. Unless the advocates of the TANF model believe Medicaid, SNAP, and housing assistance should also be transformed into flexible block grants with enormous funding disparities across states, then whatever work requirements are ultimately imposed would bear little similarity to TANF’s requirements.

TANF’s Work Requirements are Dysfunctional and NOT about Work

Leaving aside the problems associated with a flexible block grant, TANF’s work requirements are unreasonable (for recipients), unrealistic (for states), and are not based on a careful interpretation of evidence regarding: (1) impacts on important outcomes (e.g., employment, welfare receipt, and poverty); and (2) the feasibility of attaining high levels of participation. The discussion below is a vastly oversimplified description of these issues; it is intended to simply highlight some of the main deficiencies with TANF’s work requirements.

Unreasonable. To count in TANF’s overall work participation rate a family with a work-eligible individual must participate for an average of 30 hours per week in a month in one of 12 work activities, 20 hours of which must be in one of nine “core” activities. This equates to 130 hours per month. (A single parent with a child under six can satisfy the requirement by participating for an average of 20 hours per week, or 87 hours per month, in one of the nine

“core” activities.) In 2017, the average TANF grant for a family of three in the continental U.S. ranged from \$170 a month in Mississippi to \$789 a New York (and \$432 in the median state).¹¹ Failure by an individual to comply can result in a partial and in many states complete loss of benefits. As a result, in most states, individuals are expected to value their time at between \$1.50 and \$4 an hour.¹² It should not be surprising that many families do not participate, even though their incomes are low enough to qualify for assistance.

This dynamic is best reflected in the dramatic drop in the percentage of families *eligible* to receive benefits that actually *receive* it.¹³ Table 3 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 to 2015. In 1996 (before TANF), about 5.6 million families were eligible to receive benefits and about 4.4 million (79 percent of those eligible) did so. By 2015, the number eligible for TANF was higher (6.1 million), but the number receiving benefits fell over 60 percent to 1.6 million (26 percent of those eligible). As a result, the number of families that were eligible for TANF cash assistance but that did not receive it grew by 3.3 million, from 1.2 million to 4.5 million. If TANF (and its work requirements) were a success in getting needy families to work, one would expect the number eligible and the caseload to decline in tandem.

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
2012	5.7	1.9	3.8	32.4
2015	6.1	1.6	4.5	26.3

Source: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: Seventeenth Report to Congress*, May 4, 2018, p. A-11, available at: <https://aspe.hhs.gov/system/files/pdf/259196/WELFAREINDICATORS17THREPORT.pdf>.

The “unreasonableness” of TANF’s work requirements are not the only factor responsible for the sharp decline in participation, but anecdotal evidence suggests that they play a role. TANF’s benefits in most states are smaller than those provided by SNAP, Medicaid, and housing assistance – and, these programs (particularly SNAP and Medicaid) functioned as a safety net of last resort. The consequences of extending work requirements to non-cash programs may be very different in terms of their impacts on families and potential costs to states if participation in work programs is increased significantly.

Unrealistic. Under TANF states were required to engage (by FY 2002) at least 50 percent of TANF families with an adult (now work-eligible individual) in one or more of 12 specified work activities for a minimum average of 30 hours per week in a month,¹⁴ of which at least an average of 20 hours per week must be in one or more of the nine “core” activities. (Two-parent families

are also subject to a separate two-parent rate, set at 90 percent with higher hourly requirements; this requirement is not discussed here as the same general issues apply, except more so.)

There was nothing in past experience under the AFDC-JOBS¹⁵ program (which had an average 20-hour per week requirement and a 20 percent work rate target for a smaller non-exempt population) or in the random assignment evaluations of mandatory welfare-to-work programs that advocates of the TANF model cite that suggested these requirements were realistic. Indeed, Gordon Berlin, president of MDRC – the firm which evaluated over two dozen mandatory welfare reform programs – noted that *none* of the programs would have come close to meeting TANF’s work participation standards:

Determining whether a particular participation standard is “feasible” depends on what counts as participation (the numerator) and who gets counted (the denominator) when determining the rate. None of the welfare-to-work programs that MDRC has evaluated to date – including the most effective programs – would have achieved ... the participation rates currently in place (ignoring the caseload reduction provision)..., primarily because few of them could have met the weekly hours requirement.

For example, in a just-completed study that began in the 1990s, MDRC collected uniquely detailed participation data from several successful mandatory welfare-to-work programs to determine what the participation rate would have been had these programs been required to meet a 20-hour per week participation standard. We found that even though all of these programs vigorously enforced the participation mandate, increased employment, and reduced welfare, their monthly participation rates did not exceed 10 percent. ...Only if criteria are relaxed substantially to count any activity in the month, regardless of the number of hours, could these same sites have reached participation rates of roughly 50 percent.¹⁶

Although TANF’s work requirements seem strong on paper, the reality is that states were never really put to the test, as they could easily meet these requirements *without* engaging a significant number of families in actual work activities because the 1996 law included a caseload reduction credit, made “unsubsidized employment” an activity (rather than an exemption), and gave states opportunities to exploit a number of loopholes.

Caseload reduction credit. The caseload reduction credit reduces a state’s required participation rate by one percentage point for each percentage point that the state’s assistance caseload for the prior year (the comparison year) falls below the caseload in a base year (initially FY 1995; later changed to FY 2005), not counting reductions due to federal or state eligibility changes since the base year. Throughout most of TANF’s history, about 15 to 30 states have had a 0 percent target for their overall work participation rate, meaning they had to do nothing to meet TANF’s work requirements.

“Unsubsidized employment” as an activity. TANF also made “unsubsidized employment” a work activity (rather than an exemption), which provided a windfall to states by allowing them to count those who combined work and still received welfare.¹⁷ Since TANF’s inception, “unsubsidized employment” has accounted for the majority of countable hours in the work rate

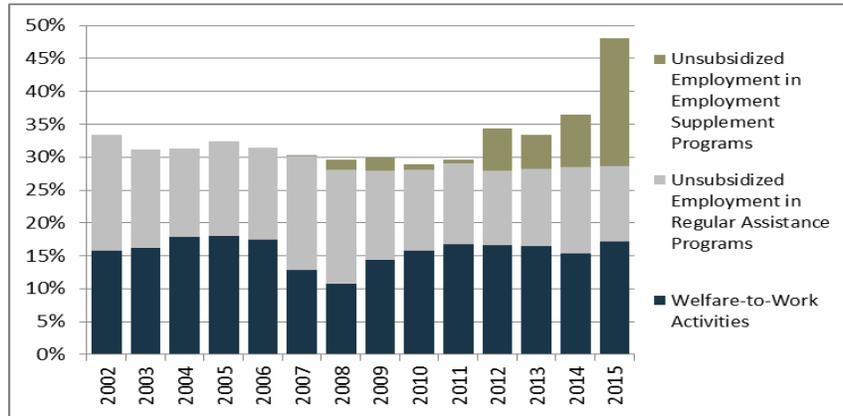
calculation. This is significant because it is a relatively low cost “activity” (i.e., the amount of the grant for those with enough hours to count in the rate is generally small) and involves little supervision on the part of the state. Most states have been able to meet the work requirements by either the caseload reduction credit alone, or for those who still had a target above 0 percent, by counting those in “unsubsidized employment.”

Loopholes. For those states that still could not meet their work participation rate targets the law created a variety of (mostly unintended) loopholes.¹⁸ During TANF’s first decade, these included separate state programs, loose definitions of work activities, exempting child-only cases when an adult’s needs were removed from the grant due to a sanction or time limit, and the extension of section 1115 waiver policies. Congress tried to close these loopholes in the Deficit Reduction Act of 2005 by including families in separate state programs in the work rate calculation and directing the U.S. Department of Health and Human Services (HHS) to define “work-eligible individual” and each of TANF’s 12 work activities (beyond merely listing them). This simply led to new loopholes, including solely state funded programs (in lieu of separate state programs), the “excess MOE” provision of the caseload reduction credit (a regulatory provision that is an artifact of the block grant structure), and token payments to employed families with a full-time worker but who otherwise have no connection to the cash assistance caseload.

A full description of loopholes is beyond the scope of this response, but virtually all states take advantage of them to meet their work rate targets. (See the Appendix for a brief overview of the main loopholes states have used since TANF’s inception.) Wisconsin, often cited as a model for welfare reform, was one of the few states that “played by the rules.” However, it failed to meet TANF’s work rate targets for five consecutive years (FY 2012-FY 2016) and was potentially subject to large penalties. So, in FY 2017, the state took advantage of the “excess MOE” loophole and met its work rate target.

The Reality. Despite a statutory target of 50 percent, states have typically achieved a work rate well below that – about 30 percent. Figure 1 below (from the Congressional Research Service) shows the national average TANF work participation rate from FY 2002 to FY 2015.¹⁹ It divides the rate into three components: welfare-to-work activities (e.g., job search and job readiness assistance, work experience, community service, and vocational educational training), unsubsidized employment, and “unsubsidized employment in employment supplement programs.” As the figure demonstrates, TANF has never been particularly successful in engaging families in real “welfare to-work activities,” with only about 15 percent of those required to participate engaged in an actual welfare-to-work activity for enough hours to count. Another 15 percent have typically been in unsubsidized employment, combining work and welfare. The growth in token payment cases (called “employment supplement programs” in the figure) began in FY 2007, an unintended response to the 2005 TANF reauthorization. It does not reflect real engagement but is a gimmick used by states to artificially inflate the work rate.

Figure 1: TANF Work Participation Rate, by Type of Activity (FY 2002 – FY 2015)



Source: Gene Falk, “Temporary Assistance for Needy Families (TANF): The Work Participation Standard and Engagement in Welfare-to-Work Activities,” Congressional Research Service, February 1, 2017, p. 10, available at: https://www.everycrsreport.com/files/20170201_R44751_b7093fe9349fcb8c25170eca4d9725d907ad535e.pdf.

Another indicator of TANF’s failure to engage families in meaningful work activities is the percent of those subject to work requirements that have *zero hours* of reported participation.²⁰ As Table 4 indicates, the percentage of adults/work-eligible individuals with zero hours of reported participation fluctuated between 55 and 60 percent between FY 2000 (the first year such data was reported) and FY 2014. (For FY 2015 to FY 2017, the percentage fell to about 40 percent because of the explosion in “token payment” cases.)

Table 4: TANF Adults (pre-FY 2007)/Work Eligible Individuals (FY 2007 on) with Zero Hours of Countable Participation (FY 2000-FY 2014)

	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

The low level of participation in activities other than “unsubsidized employment” and the fact that the majority of those subject to work requirements have zero reported hours is a cautionary tale regarding proposals that would substantially expand SNAP requirements nationwide and Medicaid requirements statewide in states seeking waivers. States have not developed an infrastructure to implement large-scale employment and training programs. Of course, that assumes the motivation is to provide a “hand up,” as opposed to simply cutting caseloads.

Not evidence-based. Supporters of TANF’s work requirements often claim that the law’s provisions are based on evidence. While some random assignment experiments of mandatory work programs conducted in the 1980s and 1990s showed modest impacts on employment and welfare receipt, many of TANF’s work requirement provisions have no empirical support. For example, there was no evidence that a 50 percent requirement was feasible or desirable, that the 20- or 30-hour per week requirements were appropriate, or that the restrictions on countable work activities would result in more effective programming. As Gordon Berlin observes:

None of the welfare-to-work programs evaluated by MDRC to date – even the most effective ones – would have met the standards currently in place (that is, had states received no credit for caseload reductions), primarily because too few people participated in them for at least the minimum number of hours per week.²¹

This observation is echoed by Gene Falk of the Congressional Research Service:

The 50% and 90% targets are aspirational, rather than evidence-based. They were not selected based on success rates of past programs in moving recipients from assistance to work. They call for higher participation rates than what evaluated pre-1996 programs achieved, including the most successful of those programs. Even so, the standard has mostly been met, though usually by means other than engaging recipients in activities. That is, states might be “hitting the target, but missing the point.”²²

Similarly, TANF’s work-first orientation was based on a limited number of studies, reflecting preliminary findings. Subsequent research published after 1996 suggests that a mixed-model approach was the most effective, but TANF’s restrictions on counting education and training would preclude states from adopting such a model, at least if they wanted credit for counting all hours of participation toward TANF’s work rate. Again, Berlin explains the importance of a more flexible approach:

The challenge for policymakers is to find ways to maintain the employment orientation that underlies reform’s success, while opening the door to additional education and training. Results from carefully designed tests of job-search-first programs, education-first programs, and mixed-strategy programs provide strong support for the idea that education and training have an important, although probably subsidiary, role to play in the future of welfare reform. The evidence indicates that both job-search-first and education-first strategies are effective but that neither is as effective as a strategy that combines the two, particularly a strategy that maintains a strong employment orientation while emphasizing job search first for some and education first for others, as individual needs dictate. There is little evidence to support the idea that states should be pushed to one or the other extreme.²³

Before TANF, states could receive waivers to experiment with different types of work requirements (and other welfare reforms); there was real accountability, as states were required to rigorously evaluate their programs to show that they actually helped promote self-sufficiency and reduce dependency. Unfortunately, TANF replaced such an approach with its rigid and ineffective (even counterproductive) work requirements. While states can easily game these requirements and substitute their own requirements, the block grant has resulted in a significant diversion of funding to other non-welfare reform activities, so TANF agencies do not have the resources to mount large-scale welfare-to-work programs.

Bottom-Line. The problems with TANF’s work requirements are now widely known. Even the two main drafters of the 1996 legislation acknowledge its problems.

- Ron Haskins, considered the “architect” of the 1996 law: “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.”²⁴
- Robert Rector, considered the “godfather” of welfare reform: “...the work requirements in the Temporary Assistance for Needy Families, or TANF, program, created by welfare reform in the 1990s, are more nominal than real.”²⁵

It is, thus, surprising that anyone would choose TANF as a model. Real welfare reform requires adequate funding, realistic work requirements, and rigorous evaluation so that we can learn what works and what doesn’t and build on an evidence base.

Mischaracterizing the Evidence

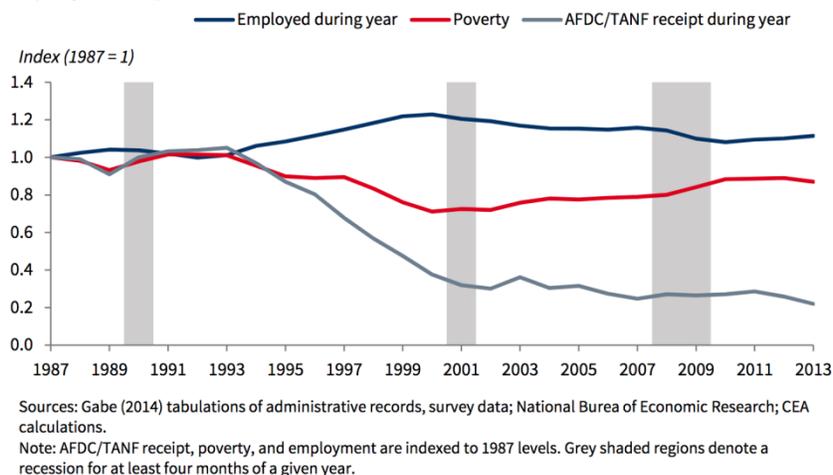
Proponents of using TANF’s work requirements as a model typically emphasize two types of “evidence: (1) the positive employment and poverty rate trends in the immediate aftermath of the 1996 law; and (2) the results of evaluations of mandatory work programs in the early to mid 1990s.

The TANF Experience. The President’s Council of Economic Advisers (CEA) recently released a report advocating the expansion of work requirements to Medicaid, SNAP, and housing assistance.²⁶ The main focus of that report was estimating the potential number of work-capable recipients who might be subject to these work requirements. However, it also claimed that TANF was a successful model, based on trends from 1996 to 2000:

Figure 12 shows for single mothers with children, (i) AFDC/TANF receipt, (ii) employment, and (iii) poverty, each expressed as a rate in the population and then indexed to 1987 values. Between 1996 and 2000, single mother caseloads fell by 53 percent. Over the same period, their employment rate increased by 10 percent, and their poverty rate fell by 20 percent.²⁷

While the report claims that this is evidence of success, a more careful analysis suggests that such a conclusion is not warranted.

Figure 12. Index of Percent of Female-Headed Families Employed, in Poverty and Receiving AFDC/TANF, 1987–2013



Problem #1: Making faulty causal inferences. A pre-post assessment of “welfare reform” based on examining trend lines in a figure is not a credible way to establish causality. There are many other economic, demographic, and policy-related changes that influence poverty and employment rates. In particular, TANF was enacted in the midst of a period of strong economic growth and increased aid to the working poor, most notably expansions in the Earned Income Tax Credit (EITC), child care subsidies, and Medicaid and related health care coverage. And, states were already experimenting with “welfare reform” through waivers; they didn’t need the 1996 law to test new welfare policies for cash assistance. While some advocates of the TANF model acknowledge these factors, few try to disentangle the relative importance of each and are happy to leave the impression that reductions in poverty and employment gains were *caused* by TANF.

Problem #2: Cherry-picking the time period. Advocates of the TANF model often highlight the 1996 to 2000 period. This ignores the fact that the positive employment and poverty trends began in 1992 (and welfare caseloads began to fall in March 1994), well before TANF’s work requirements were a factor. More important, as can be seen from the CEA’s Figure 12, the positive employment and poverty trends ended in 2000 (before TANF’s work requirements were fully implemented in 2002) and began moving in the opposite direction and eventually disappeared. (Note: most of the caseload decline is undoubtedly due to TANF, as there is no other plausible explanation, particularly given the fact that the employment and poverty rates eventually returned to their 1996 levels. While both employment and poverty rates have improved since 2013 – the endpoint in the CEA’s figure – it would be hard to make a case for a TANF role in this improvement.)

Problem #3: Failing to put the data into proper perspective. The CEA highlights the fact that, for female-headed families, between 1996 and 2000, “caseloads fell by 53 percent” while “their employment rate increased by 10 percent and their poverty rate fell by 20 percent.” These trends, however, only emphasize the fact that the number receiving assistance fell much faster

than the number gaining employment or lifted out of poverty. Indeed, by 2013, the endpoint of the CEA analysis, the employment and poverty rates are about the same as in 1996, but the percent receiving welfare declined by about 75 percent. If anything, the CEA figure should be a cautionary tale about TANF (and its work requirements).

Problem #4: Ignoring the complete collapse of the safety net in many states. Given the vast flexibility states were provided and the enormous variation in resources stemming from the funding formula, TANF’s effects would also be expected to vary considerably across states. The 11 states listed in Table 5 have requested work requirement waivers for Medicaid. Between 1996 and 2015, the number of poor families with children rose in 10 of the 11 states by 168,105 (17 percent), from 997,123 to 1,165,228. Meanwhile, the cash assistance caseload plummeted in all of the states – by 449,029 (73 percent), from 612,939 to 163,910. Whereas TANF served 61 families for every 100 poor families with children in 1996 in these 11 states, it served just 14 per 100 in 2015. Certainly, TANF’s direct effect in reducing poverty was diminished, as few families in these states now receive cash assistance, despite the increase in poverty.²⁸

	1996	2015	Change (1996-2015)
AZ - # Poor	153,388	185,299	31,911 (21%)
AZ - TANF Caseload	64,905	12,205	-52,700 (-81%)
AR - # Poor	70,528	84,262	13,734 (19%)
AR - TANF Caseload	23,105	4,421	-18,684 (-81%)
IN - # Poor	92,933	144,650	51,717 (56%)
IN - TANF Caseload	56,412	9,513	-46,899 (-83%)
KS - # Poor	50,142	61,294	11,152 (22%)
KS - TANF Caseload	25,860	5,997	-19,863 (-77%)
KY - # Poor	131,634	138,277	6,643 (5%)
KY - TANF Caseload	72,538	26,151	-46,387 (-64%)
ME - # Poor	22,808	26,918	4,110 (18%)
ME - TANF Caseload	20,744	6,525	-14,219 (-69%)
MS - # Poor	124,326	90,901	-33,425 (-27%)
MS - TANF Caseload	48,904	7,448	-41,456 (-85%)
NH - # Poor	9,858	13,221	3,363 (34%)
NH - TANF Caseload	9,836	3,260	-6,576 (-67%)
OH - # Poor	238,331	274,034	35,703 (15%)
OH - TANF Caseload	212,377	60,471	-151,906 (-72%)
UT - # Poor	25,670	46,105	20,435 (80%)
UT - TANF Caseload	15,205	4,194	-11,011 (-72%)
WI - # Poor	77,505	100,267	22,762 (29%)
WI - TANF Caseload	63,053	23,725	-39,328 (-62%)
11-State Total - # Poor	997,123	1,165,228	168,105 (17%)
11-State Total - TANF Caseload	612,939	163,910	-449,029 (-73%)
11-State Total – TANF-to-Poverty Ratio	61	14	-47

Even with sharply reduced caseloads, these states do little to provide a “hand up.” Across all 11 states, in FY 2015, an average monthly 9,384 work-eligible individuals were participating enough hours to count in the work rate in an activity other than “unsubsidized employment.”

This represents just 5.7 percent of their combined TANF caseloads and less than 1 percent of their total number of poor families.²⁹ These states have not demonstrated the capacity to run large-scale work programs in TANF, and there is little reason to believe they will be successful doing so with their Medicaid caseloads. The more likely result will be little change in employment, but large losses in Medicaid coverage.

Problem #5: Ignoring the inconsistency with rigorous research. Researchers at RAND prepared a comprehensive synthesis of the impact of dozens of state welfare reform programs on caseloads, child poverty, and a range of other outcomes.³⁰ The random assignment evaluations they reviewed examined programs in the very period when caseloads and poverty fell rapidly nationally. While most reform programs showed declines in welfare receipt, and some showed reductions in poverty, the magnitude of the impacts was considerably smaller than suggested by the simple trends in national data. This is because the control group also benefitted from a strong economy and increased aid to the working poor. With regard to mandatory work programs, the authors of the synthesis note, “With a few exceptions, most of the poverty impacts are insignificant and small in magnitude.”³¹ The primary reason for these small impacts is that increases in earnings are offset by reductions in welfare payments from various programs.

Problem #6: Failing to provide a plausible explanation linking TANF (and its work requirements) to a decline in poverty. If one believes TANF reduced poverty and increased employment, what is the plausible causal mechanism? States already had flexibility with cash assistance and TANF added little to this (except for removing the entitlement altogether). In addition, work requirements were weakened, as 20 to 30 states had a 0 percent target (due to the caseload reduction credit) and other states took advantage of various loopholes created by the law itself. This leaves the big increase in federal funding and jaw-boning as potential factors in the early years. Over the long-term, all of the aforementioned problems have remained, but the initial windfall has disappeared and is now a large deficit (as inflation eroded the value of the block grant) and states have become far more adept at using TANF as a form of revenue sharing and gaming its work requirements.

Problem #7: Limited generalizability. Regardless of whether TANF’s work requirements are viewed as a success or a failure, the results should not be generalized across programs with very different funding structures and types of benefits (i.e., to Medicaid, SNAP, and housing assistance); population groups (e.g., from single parents with children to childless adults); and scale of operations, keeping in mind that TANF has actually engaged a small percentage of its caseload in real activities and most proposals to expand work requirements would require very high participation levels for 20 hours per week or more.

Rigorous Evaluations of Mandatory Welfare-to-Work Programs. Advocates of expanding work requirements in Medicaid, SNAP, and housing assistance also point to findings from rigorous evaluations of welfare-to-work programs conducted under the AFDC program. Consider the following statement from the CEA:

... prior to the 1996 passage of PRWORA, States conducted experiments with a number of specific changes to their cash welfare programs. Bloom and Michalopoulos (2001) analyzed the results of 29 randomized controlled trials (RCTs) conducted in the 1980s

and 1990s on the effects of various welfare reforms. The 20 RCTs that included work requirements overwhelmingly found that they substantially increased employment and earnings while reducing welfare spending.³²

This summary is superficial and misleading. The following provides a brief critique; readers are also encouraged to read an excellent summary by Gene Falk of the nonpartisan Congressional Research Service:

Gene Falk, “Research Evidence on the Impact of Work Requirements in Need-Tested Programs,” The Congressional Research Service, September 20, 2018, available at: <https://fas.org/sgp/crs/misc/R45317.pdf>.

Note: Falk’s summary was published after I completed this part of my critique, but he comes to many of the same conclusions. I highlight his paper here because he has written extensively about TANF and is highly respected in the field. Advocates of the TANF model could learn much by reading his papers.

Problem #1: Mischaracterizing the findings. While many of the experiments found statistically significant impacts, the magnitude of the impacts in most was small to modest, particularly when the longer-term impacts are examined, as the early gains in these experiments tended to fade out. Notably, the CEA chose to cite a summary report that included just three years of follow-up, even though other reports were available that showed impacts over five years. The National Evaluation of Welfare-to-Work Strategies (NEWWS) examined the impacts of 11 welfare-to-work programs, testing a variety of approaches – education-focused, employment-focused, and mixed strategy programs. (These 11 programs were among the 29 examined in the study cited by the CEA, but exclude older programs and those that combined work requirements with financial incentives. This response focuses on these 11 studies, but the story is not materially different if all 29 evaluations are included.) Over the first two years, 7 of the 11 sites reported statistically significant impacts on the percentage of recipients who were employed, with impacts ranging from about 4.5 percent to 33.6 percent. In the fifth year, however, only 3 of the 11 sites reported positive employment impacts, ranging from 6.5 percent to 12.5 percent. Most researchers would characterize these impacts as modest, at best.³³ They indicate that work requirements could have positive impacts, but the real implication is that much more research is needed to find interventions that “substantially” increase employment and earnings.

Gene Falk of the CRS summarizes the findings as follows:

Mandatory welfare-to-work programs often increased rates of employment and average earnings above what was observed in the absence of such programs. The positive impact on employment and earnings was usually modest in size. Some evaluations found that the employment and earnings impacts faded with time, so that the main effect of such programs was to accelerate entry into the workforce. (p. 3)

Problem #2: Limited generalizability to TANF. The random assignment experiments included in NEWWS are informative in that they suggest that mandatory work programs can have modest effects, but because the programs were initiated under AFDC, they differ in important respects

from the way programs have operated under TANF. First, *most* of the programs excluded single-parent families with children under three (though in a few sites this was as young as one), whereas under TANF most states set the age of youngest child exemption at “under one” or lower. Second, none of the programs included a time limit, a “substantial earned income disregard,” or emphasized “upfront practices aimed at diverting people from welfare” – policies common in most states under TANF. Third, the programs did not enforce TANF-like participation mandates in terms of required hours of participation and participation levels. In a review of six of these experiments, MDRC calculated a participation rate of just 5 to 10 percent when limited to those who “participated at least 20 hours per week during every week” or “were employed at least 15 hours per week every week.”³⁴ And, many of the hours of participation in these programs could not count under TANF’s limits on counting participation in various activities.

Gene Falk of the CRS echoes this caveat:

After the 1996 welfare reform law, mandatory welfare-to-work programs were no longer considered experiments, they were considered to be the policy. Thus, TANF was never evaluated.

...TANF differed from the piloted programs evaluated before 1996 in a number of ways that limit the automatic application of the findings from those experiments to TANF. There were differences in program rules, performance measurement, and incentives to reduce the caseload. (p. 8)

For a more extensive discussion of these differences and problems in generalizing from the experiments to TANF, readers are encouraged to read his paper.

Problem #3: Limited generalizability to non-cash welfare programs. The experimental findings from the 1990s welfare-to-work programs should not be generalized to non-cash welfare programs, as they were limited to the AFDC non-exempt population, generally single mothers without very young children. Even within this target group, further subgroup analysis shows that impacts vary by the baseline characteristics of the caseload, e.g., short-term vs. long-term welfare recipients, employment history, level of disadvantage, educational attainment, race and ethnicity, etc.³⁵ The significant variation of impacts by these characteristics within the AFDC population alone suggests that it is not appropriate to generalize the findings to entirely different populations in different programs, e.g., childless adults receiving SNAP or Medicaid. These programs have very different eligibility and benefit rules and financing structures; moreover, none of the non-cash welfare programs have extensive (or any) prior experience administering work programs.

Again, Gene Falk reaches the same conclusion:

As Congress debates work requirements in SNAP, Medicaid, and housing assistance, there is no large accumulated research base to draw from. Given the differences in populations, presence of those in the programs who are already working, goals, and

funding structures for employment and education services, the findings of the pre-1996 welfare-to-work experiments cannot be directly applied to the current debate. (p. 12)

For a more extensive discussion of these differences and problems in generalizing from the experiments to programs like Medicaid, SNAP and housing assistance, readers are encouraged to read his paper.

Problem #4: Generalizing across programs with different funding levels. The NEWWS evaluation also had data on the cost of programs. For example, the two most successful programs operated in Riverside, California, and Portland, Oregon. The per participant cost for employment-related services in these programs (in 2018 \$) was \$3,289 and \$4,204, respectively.³⁶ These programs, however, did not require the same level of hours that TANF requires or that is being discussed in most current work proposals for various non-cash welfare programs. The average annual cost of creating a work program slot may be considerably higher. Despite the cost of administering work programs, many current proposals provide relatively little (if any) additional funding, making it impossible to run the types of programs included in the NEWWS evaluation, much less more intensive ones.

As one would expect by now, Falk raises a similar caution:

Among the SNAP, housing assistance, and Medicaid programs, only SNAP has a funding mechanism for providing employment and educational services to its recipients. Housing and Medicaid lack funding for such services. (p. 11)

Problem #5: Speculating about Child Outcomes. Some advocates go so far as to speculate about the effects of work requirements on the children of those assigned to work activities, citing the evidence from these earlier studies, particularly one prepared by Pamela Morris and her colleagues at MDRC.³⁷ For example, the CEA notes that “when programs required work but offered no additional financial incentives, children’s academic achievement was unaffected, but when work requirements were paired with additional financial incentives, child outcomes improved.”³⁸

The Morris et al. study should not be used to generalize the impacts of work requirements on child outcomes. The RCTs reviewed in that study focused on findings under the AFDC program which operated under very different rules than most TANF programs. As noted above, exemptions were somewhat broader, the hourly requirements were considerably shorter, and the sanction for non-compliance was generally only the adult’s share of the grant (vs. the entire TANF grant in many states under TANF). As a result, under TANF, child outcomes may be very different. Unfortunately, because TANF requires little accountability, there is no evidence regarding child outcomes that is current or relevant to the debate about extending work requirements to other programs. It is even more speculative to make inferences about child outcomes if work requirements were extended to non-cash assistance programs, as these programs cushioned the loss of benefits under TANF somewhat – further sanctions would erode the safety net even more and could lead to substantial income losses for many families.

The Importance of Carefully Designed Work Requirements

Some work requirement advocates cite the foregoing “evidence” and favorable labor market trends to suggest that “now is the ideal time to expand carefully designed work requirements to non-cash welfare programs.”³⁹ “Carefully designed work requirements” could be a useful policy tool, but most proponents of extending work requirements to various non-cash programs offer few policy details beyond estimating the potential size of the Medicaid, SNAP, and housing assistance caseloads that might be subject to work requirements AND suggesting that work requirements “similar to those in place in TANF” would be the model.

As described above TANF is not a model. In thinking about how to craft work requirements for non-cash assistance programs, policymakers should consider the following questions. The discussion that follows each question is just a brief overview of some of the issues that should be considered in developing work requirements. Those who consider TANF a model should examine TANF’s current rules for its work participation requirements and think about how they would apply those rules to work requirements to other programs. Consider the following questions:

- ***Who is subject to work requirements?*** There are no formal exemptions in calculating TANF’s work rate. However, because the calculation is limited to families with a “work-eligible individual,” it is limited to adults and excludes from the definition of this term those receiving SSI/SSDI and parents caring for a disabled family member. TANF rules also allow states to “disregard” single parents with a child under one (up to 12 months per lifetime) and those subject to a work sanction in the most recent 3 months in the preceding 12-month period. States can establish their own exemptions beyond these exclusions, but anyone so exempted would still remain in the federal work rate. This means the calculation *includes* the elderly, those who are temporarily ill/incapacitated or are disabled but do not qualify for federal disability benefits, live in a remote area, are pregnant, and otherwise face barriers that might give them “good cause” for not participating. Indeed, many states recognize the importance of these factors and offer additional exemptions despite the negative impact doing so may have on their participation rate calculation.⁴⁰ If advocates of the “TANF model” believe TANF’s work requirements are a success, would they maintain these narrow “exemptions” or modify them in some way. If so, how and on what basis?
- ***What are the allowable work activities and are there limits on counting them?*** TANF counts employment, job search and job readiness assistance, work experience/community service, vocational educational training, and various other activities. In addition, for purposes of counting hours of participation toward a state’s work participation rate, there are a variety of limits on counting participation in certain activities or counting them at all (e.g., core vs. non-core hours, three separate limits on job search and job readiness assistance, the 12-month lifetime limit on counting vocational educational training, and the 30 percent cap on participants who can be in vocational educational training or teen parents in high school). Unfortunately, these limits are not based on a reasonable interpretation of the evidence about the effectiveness of work activities and tracking them can be administratively difficult. If advocates of the “TANF model” believe TANF’s

work requirements are a success, would they maintain the same activities and limits on what can count? Or would they establish a different set of activities and limits or set no limits?

- ***How many hours are required to count in the work requirement?*** For the overall work participation rate, TANF requires an average of 30 hours per week in a month, with 20 hours from “core” activities; single parents with a child under 6 have a 20-hour per week requirement (limited to core activities). Two-parent families also have a separate two-parent work requirement with higher hourly participation requirements (but, unlike for the overall rate, the hours of both parents can count). In most states, these requirements result in a 130-hour per month requirement in exchange for a benefit of about \$200 to \$400 – i.e., forcing individuals to value their time at about \$2 to \$3 an hour. As with the limits on counting hours of participation in various activities, there is no empirical basis to support these minimum hourly standards and they have undoubtedly discouraged many eligible families from participating in the program. If advocates of the “TANF model” believe TANF’s work requirements are a success (and reasonable), would they continue to apply them? If not, how many hours would they require?
- ***What are the sanctions (for individuals) for non-compliance?*** Sanction policies for work requirements typically have several components: the amount; the duration; good cause exceptions; and criteria for curing a sanction. Under TANF, states specify these conditions. Prior to TANF, states could receive waivers to *test* changes in sanction policies (and other welfare reforms), which would then be evaluated using a random assignment design. TANF eliminated the entitlement to assistance and the requirement that states evaluate their policy changes, even when they involve full-family (and even lifetime) sanctions. If advocates of the “TANF model” believe TANF’s work requirements are a success, would they give states complete flexibility in designing sanction policies, including eliminating aid to the entire family? If not, how would they design sanction policies? Would there be any requirement to evaluate the effects of sanction policies, particularly if they involve terminating all or most of a family’s benefits? (Under TANF, there is no requirement.)
- ***What are the minimum work participation rate targets states are required to meet?*** TANF currently has a 50 percent work participation rate, which few states have actually had to meet. Rather, states have met TANF’s work requirements by receiving a caseload reduction credit that lowered their target rate and taking advantage of unintended loopholes created by careless drafting of the legislation. If advocates of the “TANF model” believe TANF’s work requirements are a success, would they adopt a participation rate structure like TANF’s or would they create a real target? If so, given the lack of engagement in real work activities (i.e., other than “unsubsidized employment”) and the lack of an infrastructure to place large numbers of individuals in work activities, would they consider modifications, e.g., phasing in the requirements (generally or by subgroup), providing partial credit for participation that doesn’t meet minimum hourly standards, and/or including a caseload reduction (hopefully not) or an employment credit? Or, would the requirement effectively apply to all non-exempt individuals much like the ABAWDs time limit operates under SNAP?

- What are the financial consequences for states that fail to meet work participation rate targets?*** A penalty (or bonus) structure would be needed to hold states accountable for engaging program recipients in work activities. TANF’s work participation rate penalty is a percentage of the block grant. States have several options to respond to a penalty before it’s actually imposed (e.g., dispute the penalty, seek reasonable cause, or enter into a corrective compliance plan). The process can be complicated and time consuming and is generally not viewed as an effective mechanism for getting states to engage families in work activities. Most states that fail to meet the work requirements enter into a corrective compliance plan that waives (or reduces) the penalty if a state achieves compliance. Many states then resort to one of TANF’s loopholes to satisfy the work requirement, rather than really engaging their caseloads. If advocates of the “TANF model” believe TANF’s work requirements are a success, would they use the same penalty structure for other programs? If not, how would they change it?
- How could states be prevented from gaming the work requirements?*** The gaming in TANF stems from the block grant structure and the excessive flexibility provided to states. The type of gaming in TANF is far less likely in other programs. Nevertheless, any new work requirement would have to be careful in defining who is subject to work requirements, the activities that count, and other policy parameters to minimize possible gaming. As Ron Haskins recently cautioned, “... the experience with TANF shows that states find ways to undermine work requirements. Congress must carefully craft legislation to ensure that this does not happen again.”⁴¹ If advocates of the “TANF model” believe TANF’s work requirements are a success, would they convert other programs to flexible block grants with enormous state flexibility? If so, how would they ensure that needy families and individuals are served and states don’t game the requirements? If not, how would they prevent other forms of gaming?
- How would work requirements be coordinated for individuals receiving benefits from more than one program?*** The work requirements could be integrated into a single cross-cutting requirement, or satisfying one program’s work requirements could constitute satisfying another program’s requirements. Which agency would have the lead role? If advocates of the “TANF model” believe TANF’s work requirements are a success, perhaps they believe the Office of Family Assistance within HHS (the agency that administers TANF) should have the lead role, but then again Medicaid and SNAP involve much larger numbers of individuals that might be subject to such requirements. Or, perhaps a new agency should be created.
- How much funding would be provided to states to offset the costs of the new work requirements and related support costs?*** Work programs entail a variety of costs (e.g., orientation, assessment, work activities, child care, other support services, and administrative expenses associated with dealing with non-compliance). How much funding would be provided? Would states share in the costs? Would the added funding (if any) be sufficient to meet the demands associated with the participation requirements? If advocates of the “TANF model” believe TANF’s work requirements are a success, would they continue to allow each state to determine the amount spent? Given that some

states spend virtually nothing on work activities, would they establish a minimum floor on how much would have to be spent?

- ***What is the role of evaluation?*** There has been relatively little rigorous evaluation of welfare-to-work programs over the last 20 years. Given that there is little evidence regarding the effectiveness of TANF’s work requirements, would advocates of the “TANF model” continue to allow states to implement work programs without any kind of evaluation? If not, would they include funding for rigorous evaluations of key work components, including work activities, sanction policies, and other parameters? If so, how much funding would be provided? How would work requirements be evaluated? Who would monitor the evaluations?

These are just some of the many questions that would have to be considered. If advocates of the TANF model are serious about policy details, they need to engage on these and other issues.

A Better Way

Advocates of the TANF model would do well to take a more comprehensive and serious examination of the evidence surrounding work requirements; if they did, they would see that TANF is not a model, but a cautionary tale. Given the limits of evidence, a more prudent approach would be to test a variety of welfare-to-work approaches and evaluate them rigorously (i.e., random assignment), before implementing them nationwide or even statewide. This experimental approach has been endorsed by those on the left and the right.

Robert Greenstein, president of the Center on Budget and Policy Priorities:

A growing body of evidence attests to the importance of income and income-like support (e.g., SNAP) in early childhood. The TANF experience strongly indicates that imposing rigid work requirements, capping federal funding, and according states vast flexibility over program funds would likely result in the removal of significant resources from poor children and could put many at risk of serious problems, including homelessness.

We should not take this risk unless we have clear evidence that we are getting substantial returns in exchange that outweigh these drawbacks. But we don’t have such evidence. A major study is currently under way testing various approaches to work requirements and work supports in SNAP in multiple states. Let’s wait for the evidence, rather than rushing to impose work requirements across the safety net, with possible adverse effects on poor children.⁴²

And, Ron Haskins, the “architect” of welfare reform:

The programs that encourage work have enjoyed only modest success, far too little to make a dent in solving the growing American problem of nonwork. This paper calls for establishing the principle that all non-working, able-bodied, nonelderly recipients of public benefits should face a work requirement. To put this principle into practice, I

propose that states be encouraged to conduct large-scale demonstration programs focused on involving recipients of all four of these welfare programs and perhaps other public programs as well. Moreover, I propose that states have the flexibility and financial support to not only increase employment but to increase skills that lead to higher earnings as well. The broad purpose of the demonstrations is to develop efficient and effective ways of bringing welfare recipients into the labor force and toward self-sufficiency. Success in this approach would reduce one of the major problems facing the nation and would also almost certainly improve the mental health, physical health, and family formation and maintenance of the many Americans searching for a better future.⁴³

Before TANF was enacted, this was the approach to welfare reform – state waivers with a requirement for a rigorous evaluation (i.e., random assignment). TANF replaced this with a blank check with no meaningful accountability. Its work requirements clearly don't work as intended and now we have to start over. Using TANF as a model for expanding work requirements in SNAP, Medicaid, and housing assistance would be waging war on the poor, not on poverty.

Appendix: A Brief Overview of TANF's Work Requirement Loopholes

The following is a brief summary of *some* of TANF's work requirement loopholes. Some of the loopholes have been closed, but they are listed here to emphasize the importance of paying attention to policy details and the need to anticipate unintended consequences.

- **The caseload reduction credit.** The 1996 law changed the overall work participation rate for a state by requiring that at least 50 percent of TANF families with an adult engage in specified work activities. The caseload reduction credit reduced the work participation targets to the extent states lowered caseloads below FY 1995 levels (changed to FY 2005 starting in FY 2007). For most years since TANF's inception through FY 2011, 20 to 30 states faced a 0 percent work target (meaning that in order to avoid a penalty, they had to engage 0 percent of their caseload a certain number of hours per week in the statutorily prescribed work activities). States already have an incentive to reduce the caseload because the number of cases they would have to place in work activities would decline; giving them further credit in reducing the target rate all the way to 0 percent was a massive conceptual error that totally gutted the work requirements in most states. Solution: Eliminate the caseload reduction credit; select a target rate that is reasonable, predictable, and constant.
- **Limiting work requirements to TANF *adult recipients*.** TANF work requirements initially were applied to a family with an adult receiving assistance. In some states, sanction policies and time limits removed an adult's needs from the benefit calculation. Since no adult was receiving assistance, the family was no longer included in the work participation rate calculation, even though the adult was able-bodied and the children continued to receive assistance. After the Deficit Reduction Act of 2005, the work requirements included families with a "work-eligible individual" (including some non-recipient parents) in both TANF and separate state programs. Solution: None needed; this loophole illustrates the need for care in drafting legislation in the first place – "words" matter.
- **Excess MOE provision of the caseload reduction credit.** The Deficit Reduction Act of 2005 recalibrated the base year for caseload reduction credit from FY 1995 to FY 2005. In many states, caseload declines had stalled, but a regulatory provision allowed states to reduce their comparison year caseload by spending in excess of their basic MOE requirement. (Note: While this is a regulatory provision, it is only possible because Congress replaced the federal-state match with a block grant and a separate MOE requirement. The concept of "excess MOE" would not exist in a federal-state matching program.) The "excess MOE" provision allows a state that is investing state MOE funds in excess of its basic MOE amount to include only the pro rata share of caseloads receiving assistance that is required to meet basic MOE requirements. This led many states to simply find more third-party spending to count as MOE, including third-party nongovernmental expenditures, just so that they could artificially inflate the caseload reduction credit. And, reported MOE did rise sharply – from \$12 billion in FY 2006 to \$13.7 billion in FY 2008 to over \$15 billion in FY 2009 and most subsequent years.

A May 2012 report by the Government Accountability Office (GAO), explained the growing significance of this provision:

MOE is now playing an expanded role in TANF programs, as many states' excess MOE spending has helped them meet work participation rates. While one state had used MOE expenditures toward its caseload reduction credit before fiscal year 2007, over half of the states (27) relied on these expenditures to increase their credits and help them meet their required work participation rates in one or more years between fiscal years 2007 and 2009.⁴⁴

It further noted:

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

Even if this loophole is eliminated, as long as there is “excess MOE,” it is just as easy for states to use that for solely state funded programs to remove families from the denominator of the work rate. Solution: Get rid of the block grant structure with its separate MOE requirement; revert to a federal-state match.

- **Separate state programs.** Until FY 2007, families assisted through separate state programs were not subject to TANF’s work requirements. Congress was either careless in writing the law by failing to include families receiving assistance with “qualifying state expenditures” or it intentionally created a massive loophole. By FY 2005, over half the states had such programs and their primary purpose was to remove families from the work rate calculation that would not help them meet the work rate targets, most notably two-parent families, because the 90 percent work participation rate target was considered unachievable. States also moved other families that were not likely to meet the work requirements to these separate state programs, including those applying for SSI, with employment barriers, or caring for a disabled family member. Although Congress included families in separate state programs in the work rate starting in FY 2007, this was too little, too late. It simply led to a new loophole – solely state funded programs. Solution: None needed; this loophole illustrates the need for care in drafting legislation in the first place – “words” matter.
- **Solely state funded programs.** Congress eliminated the separate state program loophole in the Deficit Reduction Act by requiring states to include such families in the work participation rate calculation. However, the TANF law has made it very easy for states to meet their basic MOE requirement without spending more money and most states report an “excess” amount of MOE. Indeed, states were only required to spend 75 or 80 percent of their previous spending (depending on whether they met their work rates), resulting in an immediate state savings. Inflation has further reduced the state requirement so that it is 50 percent of what it was before TANF. Add to this the fact that under TANF states

can count virtually any state expenditure that meets a TANF purpose and even the value of third-party non-governmental “donations,” it’s easy for most states to generate a significant amount of “excess MOE.” As noted above, this can be used to maximize the caseload reduction credit, but a state can also just fund part of its assistance caseload outside the TANF/MOE structure in solely state funded programs so those families are not subject to TANF’s work requirements.

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

Under this approach, states divide TANF recipients into two categories: those likely to meet federal work requirements and those unlikely to meet the requirements. States then provide assistance to those recipients unlikely to meet the requirements with non-MOE state funds.⁴⁶

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

The state funding for benefits and administration of a solely state-funded program, by definition, does not count toward the state’s maintenance-of-effort requirement. This does not mean, however, that additional state spending is required for a state to implement such an approach. SSFs typically serve families that otherwise would be served in the state’s TANF- and MOE-funded programs, so establishing the SSF does not increase overall state assistance costs. If a state does not want to increase state expenditures, it can “swap” funding by identifying current state expenditures that it could count (but has not counted in the past) toward the TANF maintenance-of-effort requirement to allow the state to fund the SSF program with state funds that do not need to be claimed toward the MOE requirement. It also could do a similar swap with TANF funds.⁴⁷

In a 2008 survey, Mathematica found that 26 states had adopted solely state funded programs, 24 of which used them to serve two-parent families, 14 to serve hard-to-employ families, and 7 to serve families in college.⁴⁸ (The number of states with such programs probably would have been larger, but in FY 2008 over 20 states had a 0 percent target rate due to the caseload reduction credit.) The survey also indicated, “In a few instances, SSF programs are explicitly targeted to families that are not meeting their work participation requirement.”⁴⁹ LaDonna Pavetti, Linda Rosenberg, and Michelle Derr of Mathematica described how this works in the District of Columbia:

The District of Columbia caseload provides an illustration of the importance of considering participation in TANF and SSF programs to accurately track the number of families receiving cash assistance. According to the data reported by HHS, between FY 2005 and 2008 the District’s TANF/SSP caseload declined by 69 percent, from 17,254 to 5,375 cases. Data maintained by the District on all of

its cases show a decline of just 12 percent, to 15,171 cases in FY 2008. The District employs a systematic strategy for assessing their caseload and assigning cases to different funding groups depending on their characteristics and their level of participation in work activities. This means that the number of families on the TANF/SSP caseload is dependent on the number of families meeting the work requirement in any given month, not on the number of families receiving assistance. While the federal TANF/SSP data show the District's caseload declining between FY 2007 and 2008, the local data show the caseload starting to increase.⁵⁰

Illinois is another state that makes extensive use of solely state funded programs. In fact, in FY 2014, the number of such cases outnumbered the actual number of TANF cases (an average monthly caseload of 24,349 in solely state funded programs vs. 20,050 in TANF).⁵¹ And, this isn't a recent phenomenon. Several of the programs were created effective October 1, 2006, including: "Two-Parent Families Paid with State Only Funds," "First Time Pregnant Women Paid with State Only Funds," "Refugee Cases Paid with State Only Funds," and "Child Under One cases Paid with State Only Funds." Then, in FY 2012, the state implemented another solely state funded program aptly called "Single Parent Cases Not in A Countable Activity Paid with State Only Funds."

Over time, the number of states with solely state funded programs and the number of families in such programs has grown.⁵² The use of this "loophole" is likely to grow, as work participation rate targets have increased in many states since FY 2011 and the "excess MOE" provision of the caseload reduction credit has become less generous.⁵³ Solution: Get rid of the block grant structure with its separate MOE requirement; revert to a federal-state match.

- **The failure to *define* work activities.** When Congress wrote the TANF statute, it "defined" work activities simply by listing 12 activities. Some states were defining work activities to include bed rest and personal care activities as part of recovery from a medical problem, physical rehabilitation including massage and exercise, personal journaling and motivational reading, participation in a smoking cessation program, and other activities typically not considered "work activities." (Note: Many of these activities could be found in Wisconsin's 2004 Annual Report on State TANF Programs.) Congress addressed this loophole in the Deficit Reduction Act of 2005 by requiring HHS to actually define work activities, instead of just listing them. Solution: None needed; this problem illustrates the need for care in drafting legislation in the first place.
- **Waiver inconsistencies.** States with section 1115 welfare reform waivers when the 1996 welfare reform law was enacted were allowed to continue the waiver policy to the extent it was inconsistent with TANF through the end of the approved project period. While states still had to meet the new work participation rate targets, they could continue to operate under pre-TANF policies that often gave them a distinct advantage in the meeting these rates. Twenty states continued such waivers, which included provisions related to exemptions, countable work activities, and hours of participation. Aside from weakening TANF's work requirements, it is unclear why Congress thought it was fair to give some

states such a huge advantage in meeting their work targets (and potentially avoiding a financial penalty) for as long as 5 to 10 years after enactment of TANF. Solution: As a matter of fairness, particularly when penalties may be involved, all states should face the same rules. While transition periods for change are worth considering, they should be reasonable and relatively short.

- **Counting “unsubsidized employment” as an activity.** Under TANF’s predecessor program, AFDC/JOBS, a full-time worker was exempt from participation requirements; TANF made it a countable activity. This made it considerably easier for states to meet their work rates. The states that gained most from this decision are those with the highest breakeven levels (which are a function of the generosity of benefits and earnings disregards). This was basically a windfall for states in being able to count individuals as “participants” and combined with the caseload reduction credit meant that most states had to do little or nothing in terms of placing individuals in actual work or training activities. Indeed, participation in actual work activities has plummeted since TANF was created, falling even faster than the caseload – yet the number of needy families with incomes low enough to receive TANF has remained the same. Solution: Full-time, unsubsidized employment is the goal; it should be an exemption, not an activity.
- **“Unsubsidized employment” as a “gimmick.”** One of the gimmicks states employ to meet work rates is to pay a token benefit (e.g., \$10 a month) to full-time working families just to be able to count them in the work rate calculation. For example, in 2011, Governor Kasich of Ohio submitted a corrective compliance plan to address three years of failing to meet work rates (2007 to 2009 – before he became governor)⁵⁴ in an attempt to avoid about \$135 million in penalties. The central element of the corrective compliance plan had nothing to do with engaging more families in work activities. Instead, the plan would make \$10 payments to SNAP participants who have a child and have enough work hours to be counted toward the TANF work rate.⁵⁵ Here is how officials at the Ohio Department of Jobs and Family Services (ODJFS) describe the action:

ODJFS also initiated the Ohio Works Now Program, which provided a \$10 monthly OWF benefit to families on the Food Assistance Program who were working. By receiving this benefit, these working families could be counted toward the state’s TANF work participation rate. This program was only in effect from January to June 2012. About 72,323 assistance groups received benefits on average each month. Benefits totaled \$4.3 million and were paid from TANF funds.⁵⁶

So, by investing \$4.3 million in what is really a gimmick, the state gutted the work requirement in FY 2012 and in doing so not only met the overall rate for that year, but potentially reduced a significant share of penalties from prior years.⁵⁷ This did virtually nothing to help low-income families get jobs and wasted federal and state staff time dealing with a gimmick.

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

Taking advantage of multiple loopholes. In FY 2012, Michigan achieved an overall work participation rate of 43.1 percent, exceeding its target rate of 37.5 percent (the 50 percent statutory rate reduced by a 12.5 percentage point caseload reduction credit). But, Michigan was only able to meet TANF’s work rate and avoid potential federal penalties by taking advantage of multiple loopholes. Specifically, it artificially reduced its denominator by moving nearly one-quarter of its caseload (cases that don’t help it meet the rate) to a solely state funded program not subject to TANF’s work requirements (including all of its two-parent families so it is not subject to the two-parent rate at all), artificially inflated its numerator by providing token benefits of \$10 to families that would otherwise have left the rolls, and artificially inflated its caseload reduction credit by hiring a consultant to find more maintenance-of-effort (MOE) funds the state could count and thus lowered its target rate by taking advantage of the “excess MOE” provision of the caseload reduction credit. It also cut its caseload sharply by adopting stricter time limits, so it had fewer cases to deal with. It would be one thing if the state had invested in programs to help recipients make the transition to self-sufficiency, but in FY 2012 Michigan just spent 5 percent of its TANF/MOE dollars on work activities.⁵⁸

¹ The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now

² Paul Ryan, “The GOP Plan to Balance the Budget by 2023,” *The Wall Street Journal*, March 12, 2013, available at: <http://www.wsj.com/articles/SB10001424127887323826704578353902612840488>.

³ Speaker Paul Ryan, “#ConfidentAmerica: Full Text of Speaker Ryan’s Remarks at the Library of Congress,” December 3, 2015, available at: <http://www.speaker.gov/press-release/full-text-speaker-ryans-remarks-library-congress>.

⁴ TANF expenditures in theory are to be “reasonably calculated” to advance a TANF purpose, but the law gives states considerable flexibility in this regard. For example, some states use federal TANF funds to pay for college scholarships for childless adults on the theory that this would reduce out-of-wedlock pregnancies (purpose 3) and/or promote marriage (purpose 4). Aside from some correlations to suggest that postsecondary education is correlated with related birth outcomes, there is no direct evidence to support these claims.

⁵ TANF has no ban on supplantation with federal TANF funds, but it does prohibit supplantation with state maintenance-of-effort (MOE) dollars. However, the ban is not particularly effective and can be administratively burdensome and is part of what is known as the “new spending test.” State and local governmental expenditures on programs that existed in 1995 and were not part of the state’s AFDC and related programs can be claimed only to the extent that they are higher than the spending in 1995. In other words, only new spending counts. Of course, since that level is not adjusted for inflation, over time states can count preexisting spending that rises simply because of inflation. In effect, this permits supplantation with MOE funds as well.

⁶ For an example of a funding swap, see California Legislative Analyst’s Office, “The 2013-14 Budget: Analysis of the Health and Human Services Budget,” February 27, 2013, p. 50, available at: <http://www.lao.ca.gov/analysis/2013/ss/hhs/health-human-services-022713.pdf>.

⁷ Some states use the funding swap to simply reduce their own contribution to TANF, using the freed up funds for purposes unrelated to TANF or welfare reform, e.g., to pay for tax cuts.

⁸ The Census poverty threshold for one adult and two children.

⁹ There is significant variation in the cost of programs based on the duration and intensity of participation, the type of work activity, the administrative structure, and the need for support services. For more detail, see LaDonna Pvaetti, “Mandatory Work Programs are Costly, Have Limited Long-Term Impact,” Center on Budget and Policy Priorities, April 12, 2018, available at: <https://www.cbpp.org/blog/mandatory-work-programs-are-costly-have-limited-long-term-impact>.

¹⁰ The required, or basic, MOE level is used because many states report “excess MOE” to maximize their caseload reduction credit or qualify for the TANF Contingency Fund. These “excess” expenditures typically involve claiming existing state spending and do not reflect new spending.

¹¹ Ife Floyd, “TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode,” Center on Budget and Policy Priorities, October 13, 2017, available at: <https://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states>.

¹² Some of the states with the highest benefit levels do not impose full family sanctions, so this same calculation would hold in these states, most notably California and New York.

¹³ The data on TANF families eligible for benefits is estimated using simulation models. The estimates are produced by experts using survey and administrative data, with careful attention to reporting issues and program rules. For TANF, the eligibility estimates come from the TRIM model, which has been used for over 40 years by administrations of both parties to calculate eligibility for TANF and other programs. For more detail on the TRIM model, see: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: Fourteenth Report to Congress*, September 22, 2015, available at: <https://aspe.hhs.gov/sites/default/files/pdf/116161/FINAL%20Fourteenth%20Report%20-%20FINAL%209%2022%2015.pdf>; and, The Urban Institute, “TRIM3: Transfer Income Model, Version 3,” available at: <http://trim.urban.org/T3Technical.php>.

¹⁴ The three other “non-core” activities may count for any remaining hours beyond the “core hours” requirement. The requirement for a single-parent with a child under six is an average of 20 hours per week in a month and only in the nine “core” activities. A teen parent (under age 20) who is a work eligible individual may count toward the work participation rate without regard to the hours and activities requirements if he or she maintains satisfactory attendance in secondary school (or the equivalent) or participates in education directly related to employment for an average of at least 20 hours per week in the month. The two-parent work participation rate requires states to have at

least 90 percent of two-parent families in work activities for at least an average of 35 hours per week (or 55 hours per week for a family receiving federally subsidized child care) in a month.

¹⁵ JOBS was the Job Opportunities and Basic Skills Training program.

¹⁶ Gordon Berlin, Testimony on the Reauthorization of the Temporary Assistance for Needy Families Program, March 2002, available at: <https://www.mdrc.org/publication/testimony-reauthorization-temporary-assistance-needy-families-program>.

¹⁷ Full-time unsubsidized employment as an exemption also makes it easier to meet TANF's work participation by reducing the denominator, but the effect is not as large; some states could meet TANF's work requirements simply by counting those in this activity without having to serve anyone in a real activity like job search and job readiness assistance, vocational educational training, or work experience.

¹⁸ Of all the loopholes described in Appendix 2, only the caseload reduction credit and the extension of section 1115 waivers were "intentional" loopholes, and few observers predicted the large caseload decline that would effectively wipe out work participation rate targets in most states through the caseload reduction credit.

¹⁹ Gene Falk, "Temporary Assistance for Needy Families (TANF): The Work Participation Standard and Engagement in Welfare-to-Work Activities," Congressional Research Service, February 1, 2017, p. 10, available at: https://www.everycrsreport.com/files/20170201_R44751_b7093fe9349fcb8c25170eca4d9725d907ad535e.pdf.

²⁰ Some individuals with zero hours may be in activities that don't count or have hours the state chose not to report. See 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>.

²¹ Gordon L. Berlin, "What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization," MDRC, June 2002, pp. 36-37, available at: http://www.mdrc.org/sites/default/files/TANFGuide_Full.pdf.

²² Gene Falk, "Temporary Assistance for Needy Families," Congressional Research Service, March 27, 2018.

²³ Gordon L. Berlin, "What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization," MDRC, June 2002, pp. 36-37, available at: http://www.mdrc.org/sites/default/files/TANFGuide_Full.pdf.

²⁴ Ron Haskins, "TANF at Age 20: Work Still Works," *Journal of Policy Analysis and Management*, Winter 2015, available at: <http://mlwiseman.com/wp-content/uploads/2015/11/Haskins2015Age.pdf>.

²⁵ Robert Rector, "Work Requirements in Medicaid Won't Work. Here's a Serious Alternative," The Heritage Foundation, May 19, 2017, available at: <http://www.heritage.org/health-care-reform/commentary/work-requirements-medicaid-wont-work-heres-serious-alternative>.

²⁶ Council of Economic Advisers, *Expanding Work Requirements in Non-Cash Welfare Programs*, (Washington, D.C.: The White House, July 2018), available at: <https://www.whitehouse.gov/wp-content/uploads/2018/07/Expanding-Work-Requirements-in-Non-Cash-Welfare-Programs.pdf>.

²⁷ Council of Economic Advisers, *Expanding Work Requirements in Non-Cash Welfare Programs*, (Washington, D.C.: The White House, July 2018), p. 47, available at: <https://www.whitehouse.gov/wp-content/uploads/2018/07/Expanding-Work-Requirements-in-Non-Cash-Welfare-Programs.pdf>.

²⁸ For many of these families, the expansions in other parts of the safety net didn't help because those expansions generally benefitted those with earnings (e.g., EITC and CTC) and higher incomes (expansions in Medicaid and CHIP).

²⁹ U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Work Participation Rates – Fiscal Year 2015," Table 4A, December 15, 2016, available at: <https://www.acf.hhs.gov/sites/default/files/ofa/wpr2015.pdf>. The estimates are calculated by subtracting the number of families in "unsubsidized employment" from the number of "participating families." The following is the break-out by state: are: Arizona (416); Arkansas (128); Indiana (49); Kansas (116); Kentucky (1,594); Maine (227); Mississippi (964); New Hampshire (259); Ohio (3,388); Utah (38); and Wisconsin (2,205).

³⁰ Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), available at: http://www.acf.hhs.gov/programs/opre/welfare_employ/res_synthesis/reports/consequences_of_wr/rand_report.pdf.

³¹ Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), p. 166, available at: http://www.acf.hhs.gov/programs/opre/welfare_employ/res_synthesis/reports/consequences_of_wr/rand_report.pdf.

³² Council of Economic Advisers, *Expanding Work Requirements in Non-Cash Welfare Programs*, (Washington, D.C.: The White House, July 2018), p. 48, available at: <https://www.whitehouse.gov/wp-content/uploads/2018/07/Expanding-Work-Requirements-in-Non-Cash-Welfare-Programs.pdf>.

- ³³ Percent change calculated from LaDonna Pavetti, “Work Requirements Don’t Cut Poverty, Evidence Shows,” Center on Budget and Policy Priorities, June 7, 2016, available at: <https://www.cbpp.org/research/poverty-and-inequality/work-requirements-dont-cut-poverty-evidence-shows>.
- ³⁴ Gayle Hamilton, *Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies* (New York, NY: MDRC, July 2002), p. 50, available at: https://www.mdrc.org/sites/default/files/full_453.pdf.
- ³⁵ Gayle Hamilton, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams-Ciardullo, and Anna Gassman-Pines, *National Evaluation of Welfare-to-Work Strategies How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs* (New York, NY: Manpower Demonstration Research Corporation, December 2001), p. 26, available at: https://www.mdrc.org/sites/default/files/full_391.pdf.
- ³⁶ LaDonna Pavetti, “Mandatory Work Programs Are Costly, Have Limited Long-Term Impact,” Center on Budget and Policy Priorities, April 12, 2018, available at: <https://www.cbpp.org/blog/mandatory-work-programs-are-costly-have-limited-long-term-impact>. Also, see: Gayle Hamilton, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams-Ciardullo, and Anna Gassman-Pines, *National Evaluation of Welfare-to-Work Strategies How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs* (New York, NY: Manpower Demonstration Research Corporation, December 2001), p. 26, available at: https://www.mdrc.org/sites/default/files/full_391.pdf.
- ³⁷ Pamela A. Morris, Aletha C. Huston, Greg J. Duncan, Danielle A Crosby, and Johannes M. Bos, *How Welfare and Work Policies Affect Children: A Synthesis of Research* (New York, NY: Manpower Demonstration Research Corporation, March 2001), available at: https://www.mdrc.org/sites/default/files/execsum_15.pdf.
- ³⁸ Council of Economic Advisers, *Expanding Work Requirements in Non-Cash Welfare Programs*, (Washington, D.C.: The White House, July 2018), p. 48, available at: <https://www.whitehouse.gov/wp-content/uploads/2018/07/Expanding-Work-Requirements-in-Non-Cash-Welfare-Programs.pdf>.
- ³⁹ Council of Economic Advisers, *Expanding Work Requirements in Non-Cash Welfare Programs*, (Washington, D.C.: The White House, July 2018), p. 49, available at: <https://www.whitehouse.gov/wp-content/uploads/2018/07/Expanding-Work-Requirements-in-Non-Cash-Welfare-Programs.pdf>.
- ⁴⁰ Linda Giannarelli, Christine Heffernan, Sarah Minton, Megan Thompson, and Kathryn Stevens, *Welfare Rules Databook: State TANF Policies as of July 2016*, The Urban Institute, October 2017, Table III.B.1, available at: [https://wrds.urban.org/wrds/data/databooks/2016%20Welfare%20Rules%20Databook%20\(Final%20Revised%2001%2016%2018\).pdf](https://wrds.urban.org/wrds/data/databooks/2016%20Welfare%20Rules%20Databook%20(Final%20Revised%2001%2016%2018).pdf).
- ⁴¹ Ron Haskins, “Can Work Requirements in the Safety Net Work,” American Enterprise Institute, available at: <http://www.aei.org/spotlight/federal-work-requirements-debate/>.
- ⁴² Robert Greenstein, “A Shrunken TANF,” *Pathways*, Winter 2018, p. 31, available at: https://inequality.stanford.edu/sites/default/files/Pathways_Winter2018_WelfareReform.pdf.
- ⁴³ Ron Haskins, *Using Government Programs to Encourage Employment, Increase Earnings, and Grow the Economy* (Arlington, VA: George Mason University, Mercatus Center, November 2017), p. 54, available at: <https://www.mercatus.org/system/files/haskins-employment-government-mercatus-wp-v1.pdf>.
- ⁴⁴ U.S. Government Accountability Office, *Temporary Assistance for Needy Families: State Maintenance of Effort Requirements and Trends* (Washington, DC: GAO, May 17, 2012), p. 15, available at: <http://www.gao.gov/assets/600/590958.pdf>.
- ⁴⁵ U.S. Government Accountability Office, *Temporary Assistance for Needy Families: State Maintenance of Effort Requirements and Trends* (Washington, DC: GAO, May 17, 2012), p. 15, available at: <http://www.gao.gov/assets/600/590958.pdf>.
- ⁴⁶ Center for Public Policy Priorities, “A New Welfare-to-Work Approach for Texas,” February 2007, available at: http://www.workingpoorfamilies.org/pdfs/TANF_reform_80th.pdf.
- ⁴⁷ Liz Schott and Sharon Parrott, “Designing Solely State-Funded Programs: Implementation Guide for One ‘Win-Win’ Solution for Families and States,” Center on Budget and Policy Priorities, January 8, 2009, p. 5, available at: <http://www.cbpp.org/sites/default/files/atoms/files/12-7-06tanf.pdf>. An earlier version of this paper was published on July 16, 2007, and even this appears to be an update of an earlier paper, well before the final rule implementing the DRA was published.
- ⁴⁸ LaDonna Pavetti, Linda Rosenberg, and Michelle K. Derr, *Understanding Temporary Assistance for Needy Families Caseloads After Passage of the Deficit Reduction Act of 2005* (Washington, DC: Mathematica, September 21, 2009), pp. 7-8, available at: http://www.mathematica-mpr.com/~media/publications/PDFs/family_support/TANF_caseloads.pdf.

⁴⁹ LaDonna Pavetti, Linda Rosenberg, and Michelle K. Derr, Understanding Temporary Assistance for Needy Families Caseloads After Passage of the Deficit Reduction Act of 2005 (Washington, DC: Mathematica, September 21, 2009), p. 7, available at: http://www.mathematica-mpr.com/~media/publications/PDFs/family_support/TANF_caseloads.pdf.

⁵⁰ LaDonna Pavetti, Linda Rosenberg, and Michelle K. Derr, Understanding Temporary Assistance for Needy Families Caseloads After Passage of the Deficit Reduction Act of 2005 (Washington, DC: Mathematica, September 21, 2009), p. 10, available at: http://www.mathematica-mpr.com/~media/publications/PDFs/family_support/TANF_caseloads.pdf.

⁵¹ Illinois Department of Human Services, “TANF Caseload Reduction Credit Report FY 2015,” December 2, 2014, available at: <https://www.dhs.state.il.us/page.aspx?item=41152>.

⁵² There is no single source for information about solely state funded programs, as they are not subject to TANF data reporting requirements; this conclusion is based on my own informal search about such programs and the numbers of families in them.

⁵³ Normally, the comparison year for the caseload reduction credit is the previous fiscal year (e.g., FY 2010 for the FY 2011 work rate’s caseload reduction credit), but the American Recovery and Reinvestment Act of 2009 (ARRA) allowed a state the option of using FY 2007 or FY 2008 as the comparison year for rates in FY 2009, FY 2010, and FY 2011 if it was advantageous to the state. This hold-harmless provision was intended to prevent required state participation standards from rising if state caseloads rose as a result of the economic recession. The final rule implementing the Deficit Reduction Act of 2005, promulgated in February 2008, set forth a specific methodology effective FY 2009 for calculating the effect of “excess MOE” on the caseload reduction credit. The new approach essentially limited the amount of “excess MOE” that could be used by excluding cases to the share of a state’s total TANF/MOE spending devoted to assistance. Nationally, states spent about one-third of their TANF/MOE funds on assistance; therefore, effective FY 2009, the amount of “excess MOE” that could be used in the caseload reduction credit calculation decreased by about two-thirds nationally. (It would be more today, as spending on assistance continues to decline.) While the exact impact would vary considerably by state, many states found it advantageous to make use of the ARRA hold-harmless provision, both because caseloads in many states were lower in FY 2007 and FY 2008 and because the treatment of “excess MOE” was more generous. So, for FY 2012, the caseload reduction credit, which includes caseload adjustments due to excess MOE spending, reduced the overall rate requirement below the 50 percent statutory standard for all but ten states. However, following the expiration of the ARRA hold-harmless provision, instead of there being 22 states with caseload reduction credits large enough to reduce their overall target rates to zero (as was the case for FY 2011), only 4 states had a target rate of zero in FY 2012.

⁵⁴ Ohio failed the overall work rate in FY 2010 and FY 2011 and the two-parent rate in FY 2012.

⁵⁵ See: John Kasich, Executive Order 2011-19K, <http://www.governor.ohio.gov/Portals/0/pdf/executiveOrders/2011-19K.pdf>.

⁵⁶ Thomas A. Celmar and Justin Pinsker, *Legislative Service Commission: Analysis of the Executive Budget Proposal*, February 2013, p. 18, available at: <http://www.lsc.state.oh.us/fiscal/redbooks130/jfs.pdf>.

⁵⁷ The state met the overall work rate for 2012, but failed to meet the two-parent work rate, despite the use of this gimmick. See HHS table 1A at: http://www.acf.hhs.gov/sites/default/files/ofa/wpr2012_final.pdf.

⁵⁸ Administration for Children and Families, Office of Family Assistance, TANF Financial Data – FY 2014,” July 7, 2015, available at: <http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2014>.