

## **TANF: A Great Innovation or a Massive Policy Failure?**

### **A Response to Arthur Brooks**

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March 4, 2017

In “The Dignity Deficit: Reclaiming Americans’ Sense of Purpose,” Arthur Brooks, president of the American Enterprise Institute (AEI), emphasizes the importance of work requirements for welfare programs and suggests that the 1996 welfare reform law provides a model for other safety net programs:

Putting more people to work must also become an explicit aim of the social safety net. Arguably, the greatest innovation in social policy in recent history was the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The PRWORA, which became synonymous with the phrase “welfare reform,” made several major changes to federal policy. It devolved greater flexibility to the states but established new constraints, such as a limit on how long someone could receive federal welfare benefits and a work requirement for most able-bodied adults.<sup>2</sup>

PRWORA made changes to a number of welfare programs – the Supplemental Security Income (SSI) program, Food Stamps (now SNAP) and various child nutrition programs, child support enforcement, and child care; it also restricted welfare and public benefits for immigrants. However, what Brooks is referring to is the creation of the Temporary Assistance for Needy Families (TANF) block grant – this is the program conservatives believe is a success and the model for reforming other safety net programs. So, when Brooks claims the 1996 law is “the greatest social innovation in social policy,” he is referring to TANF, not PRWORA.

For the past two years, I have been writing papers as a citizen to highlight TANF’s many problems. My hope is that conservatives will adopt more “rigor” in their assessment of the 1996 law and use evidence rather than ideology in developing reform proposals. This response addresses two claims made by Brooks about TANF’s putative success, namely, that it reduced poverty and is a model for reforming other safety net programs. Each claim is followed by a “PC Response.” (“PC” is short for “Peter the Citizen.”) Each response is relatively brief, but includes references to other “Peter the Citizen” papers that provide more supporting details.

### **Did TANF reduce poverty?**

**Arthur Brooks:** “The PRWORA was denounced at the time as a callous right-wing scheme. Critics insisted that people were only jobless because there were no opportunities to work and that the new requirements would force single mothers and vulnerable children into poverty. The opposite has happened. According to the poverty expert Scott Winship, child poverty in single-parent homes has fallen by more than ten percent since 1996. Overall child poverty now sits at

an all-time low. This demonstrates that commonsense limits on welfare can increase people's incentives to seek employment without crushing them or their families.”

**PC Response:** This claim has no credible empirical support, particularly the suggestion that a decline in poverty is the result of TANF's time limit and work requirements.

First, the 1996 law did send a symbolic message about the importance of work requirements and time limits, but neither of these elements has been implemented in the way Congress intended. In fact, TANF is not “welfare reform” at all, but a flexible funding stream that states can use for a wide variety of benefits and services. In a nutshell, the enactment of TANF set in motion changes that would: (1) initially provide a large windfall of federal funds for states, but also put in place a funding structure that in the longer term would provide insufficient resources due to inflation and demographic changes; (2) allow states to convert TANF (over time) to a giant slush fund with minimal reporting and accountability provisions, including the ability to use federal funds to supplant existing state expenditures and fill budget holes; and (3) give states excessive flexibility to avoid or evade virtually all of the federal requirements in the law, most notably work requirements. For more detail, see:

- *TANF is Broken! It's Time to Reform “Welfare Reform” (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015, available at: <https://petergermanis.com/wp-content/uploads/2020/09/TANF-is-Broken.072515.pdf> .

Second, a simple comparison of poverty rates before and after welfare reform is not a credible way for assessing the impact of a policy change, yet this is the approach most conservatives have taken. Indeed, most conservative assessments of TANF's effects on poverty: ignore important factors related to causal inference (i.e., they do not try to disentangle the effects of TANF from other possible influence, such as the economy and increased aid to the working poor); disregard rigorous research findings (particularly random assignment experiments conducted during the same time period that poverty rates fell fastest, i.e., the 1990s, that suggest welfare reform had modest impacts); use inappropriate time periods (often starting years before TANF was enacted); use the wrong poverty measure, i.e., the poverty *rate* rather than a measure that also includes the *depth* of poverty; and confuse TANF with welfare reform – TANF is nothing more than revenue sharing, with a myriad of ineffective and even counterproductive federal requirements. For more detail, see:

- “Welfare Reform *Increased* Poverty and No One Can Contest It, A Note to Conservatives,” April 24, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Welfare-Reform-Increased-Poverty.pdf>.

Third, Brooks cites the work of Scott Winship noting that his analysis of poverty trends shows that “child poverty in single-parent homes has fallen by more than ten percent since 1996.” In *Poverty After Welfare Reform*, Winship demonstrates that the nation has made significant progress since the start of the War on Poverty, as well as since 1996.<sup>3</sup> This progress has not been in reducing the “official” poverty rate, but in a broader measure – one that includes the value of non-cash benefits such as SNAP, rental assistance, child nutrition programs, energy assistance and health benefits, most notably Medicaid. It also includes refundable tax credits such as the

Earned Income Tax Credit and the Child Tax Credit. Winship’s analysis of poverty rates is not a basis for making causal inferences about the effects of “welfare reform,” as he presents no evidence regarding TANF’s time limits, work requirements, or other provisions (most notably its flexibility to use the “program” as a form of revenue sharing). If Winship’s analysis shows anything, it is that spending more money on safety net programs is effective in reducing poverty. Between 1996 and 2014, TANF cash assistance spending declined by about \$22 billion, from about \$30.8 billion to \$8.4 billion (in 2014 dollars); meanwhile, federal spending on the programs included in Winship’s analysis, excluding Medicaid/CHIP, grew by \$120 billion, from about \$157 billion to \$277 billion (in 2014 dollars).<sup>4</sup> Is it really a surprise then that the child poverty *rate* adjusted for noncash benefits and refundable tax credits declined?

My preferred approach to assessing TANF’s effects on poverty is based on a different model. Table 1 shows the change in the average monthly number of families eligible for assistance compared to the average monthly number receiving assistance for selected years from 1996 through 2013. In 1996 (before TANF), about 5.6 million families were eligible to receive benefits, and about 4.4 million (79 percent) did so. In 2013 the number eligible for TANF was the same (5.6 million), but the number receiving benefits had dropped over 60 percent to 1.7 million (or 31 percent of eligible families). Using the conventional conservative pre-post method for assessing impact (not my preferred approach but one that seems to resonate with conservatives), a reasonable question is: If TANF is such a success and if families had really been “helped” (or motivated to get jobs), why isn’t the number of families with incomes below TANF’s eligibility thresholds lower today?<sup>5</sup>

Table 1: Number and Percentage of Eligible Families Participating in TANF (Average Monthly Data, Selected Years, 1996-2013)				
Year	TANF			
	Eligible (millions)	Participating (millions)	Eligible, Not Participating (millions)	Participation Rate (%)
1996	5.6	4.4	1.2	78.9
2000	4.4	2.3	2.1	51.8
2004	5.1	2.2	2.9	42.0
2008	5.2	1.7	3.5	33.0
2013	5.6	1.7	3.9	30.7

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

The more important statistic that can be derived from this table is the increase in the number of families that were eligible to receive TANF, but that did not. This number grew from 1.2 million in 1996 to 3.9 million in 2013. This is an increase of 2.7 million very poor families that were eligible for assistance but did not receive it. For the affected families, this represents a loss in benefits of about \$200 to \$750 per month (the maximum grant for a family of three, depending on the state). Most of these families were poor before being pushed off TANF (or deterred from coming on it) and are poor afterwards. This may not be reflected in a change in the poverty *rate*, but certainly the fact that they are deeper in poverty should be a matter of concern.<sup>6</sup>

While some conservatives like to argue that other means-tested programs have been created or expanded to offset the loss in cash assistance, these programs have generally benefited the working poor, leaving those who don't work or can't work with less assistance and less help. Even for the working poor, the expansion in tax credits are an imperfect substitute for the loss of a monthly cash assistance check. For more detail, see:

- “TANF is a Massive Policy Failure, But Other ‘Liberal’ Welfare Policies Reduced Poverty: A Response to Scott Winship,” August 22, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Winship-Poverty-After-WR.pdf>.
- “TANF is a Step Backward for the Poor and for Conservatism: An Explanation for Shawn Fremstad,” December 21, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Fremstad.pdf>.
- “Losing Ground on TANF: AEI’s *The Reach of the Cash-Based Safety Net* Misses the Big Picture,” March 1, 2017, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Losing-Ground-on-TANF.pdf>.

And, none of the conservative arguments about TANF’s effects on poverty address its dysfunctional requirements, which alone would be reason enough to conclude that TANF is a massive policy failure and not a model for reforming other safety net programs. For more detail, see:

- “TANF has been a massive policy failure – Let’s start over: A Response to Robert Doar,” October 22, 2015, available at: <https://petergermanis.com/wp-content/uploads/2021/02/A-Response-to-Doar.102215.pdf>.

### **Should TANF’s “lessons” be extended to other safety net programs?**

**Arthur Brooks:** “This demonstrates that commonsense limits on welfare can increase people’s incentives to seek employment without crushing them or their families. Congress should apply that lesson to other programs. Housing vouchers and food stamps have weak work requirements that are rarely enforced. Simply bringing those requirements closer to the ones created by the PRWORA could help many Americans reenter the labor force.”

**PC Response:** A simplistic comparison of poverty rates at two points in time demonstrates nothing. The suggestion that TANF’s “limits” and requirements should be extended to other programs based on this “evidence” is grossly irresponsible. In his article, Brooks talks about learning from the “mistakes” of the War on Poverty:

Only by properly understanding the mistakes made in that war – mistakes that have deprived generations of Americans of their fundamental sense of dignity – can the country’s current leaders and political parties hope to start fixing them. And only once they properly understand the problem will they be able to craft the kind of cultural and political agenda that can heal the country’s wounds.

I wholeheartedly agree. And, this same approach can be used to assess the mistakes of the 1996 “welfare reform.” I will highlight some of TANF’s most serious “mistakes” by posing them in the form of a question, as I did for Speaker Ryan in “The Need for Common-Sense Conservative Welfare Reform: Ten Questions for House Speaker Paul Ryan.”<sup>7</sup> Speaker Ryan didn’t answer my questions, but perhaps Dr. Brooks can explain which of the following questions could be answered in the affirmative. After each question, I will briefly explain why I believe the answer to each question should be “no” and include one or more references to other “Peter the Citizen” papers that provide a more detailed explanation.

**1. Does it make sense to have work requirements that don’t work and that states regularly game?**

TANF’s work requirements are unreasonable, dysfunctional, and are not about work. Their main function has been to impose barriers and cut caseloads through a process known as “bureaucratic disenfranchisement.” Even with sharply reduced caseloads, states have resorted to loopholes and gimmicks to satisfy federal work requirements that are unrealistic. Such gimmickry does nothing to help the poor get connected to work opportunities. 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 exacerbated when state politicians divert scarce funds to plug budget holes. 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. It should be about giving needy families a hand up, but instead, under TANF, it has abandoned them. For more detail, see:

- “TANF Work Requirements: An Epic Fail,” in *TANF is Broken! It’s Time to Reform “Welfare Reform” (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: <https://petergermanis.com/wp-content/uploads/2020/09/TANF-is-Broken.072515.pdf>.
- “The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute,” August 12, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/The-Failure-of-TANF-Work-Requirements.pdf>.
- “The Failure of TANF Work Requirements in 2015: The Need for ‘A *Much Better* Way,’” December 20, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/The-Failure-of-TANF-Work-Requirements-1.pdf>.
- “The Failure of TANF Work Requirements in Wisconsin: A Note for Speaker Ryan,” August 22, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/The-Failure-of-TANF-Work-Requirements.Wisconsin.pdf>.

**2. Does it make sense to have a funding structure for a safety net program that is unresponsive to changes in economic and demographic circumstances?**

There are more families with children in poverty today than when TANF was created. (The same is true of other related measures – the number of families with children in

deep poverty and the number of families eligible for TANF cash assistance.) Yet, since 1994 (before the 1996 law), the caseload has steadily declined – in good times and bad. The TANF-to-poverty ratio fell from 68 in 1996 to 23 in 2014. In Wisconsin, Michigan, and Texas the disparities are even worse, as reflected in the sharper decline in the TANF-to-poverty ratio. I could pick virtually any state, but I chose these because they represent the states of the current and former *conservative* chairmen of the House Ways and Means Committee (Speaker Ryan, former Rep. Camp, and current Chairman Brady). Moreover, in 1995-96, the average monthly AFDC caseload exceeded the number of families in *deep* poverty (i.e., the number of families with incomes below 50 percent of the poverty thresholds) in all three states, but by 2013-2014 none of the states came even close to serving all of the families in *deep* poverty. Table 2 below shows these figures, though I changed the acronym for TANF to “Truly a National Failure.” How can anyone look at these figures and think TANF has been a success in reducing poverty?

<b>Year* and Region</b>	<b>TANF caseload</b>	<b>Families with children in poverty</b>	<b>Families with children in deep poverty</b>	<b>TANF-to-poverty ratio</b>
U.S.				
1996	4,380,430	6,400,950	-	68
2014	1,643,160	7,068,069	-	23
Wisconsin				
1995-96	63,100	77,500	22,000	81
2013-14	26,200	99,400	44,300	26
Michigan				
1995-96	183,800	208,200	89,100	88
2013-14	39,000	213,000	93,900	18
Texas				
1995-96	257,800	552,200	218,600	47
2013-14	34,300	707,100	281,000	5

\*Two-year averages are used for state-specific poverty numbers to reduce sampling error.

Source: Ife Floyd, LaDonna Pavetti, and Liz Schott, “TANF Continues to Weaken as a Safety Net,” October 27, 2015, available at: <http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net>.

For more detail, see:

- “The Need for Common Sense Conservative Welfare Reform: Ten Questions for House Speaker Paul Ryan,” January 6, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Germanis2016Need.pdf>.
- “Saving Speaker Ryan: 20 Reasons Why TANF is NOT ‘Welfare Reform,’ NOT a Model for Reforming the Safety Net, and NOT Conservatism,” April 24, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Saving-Speaker-Ryan.pdf>.

**3. Does it make sense to give states so much flexibility they can count virtually any expenditure as “reasonably calculated” to achieve a TANF purpose?**

TANF is best known for funding cash welfare for needy families with children, but provides considerable flexibility to states to offer a wide range of benefits and services that are “reasonably calculated” to promote a TANF purpose. The four purposes of TANF 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.

The decision as to what is “reasonably calculated” to meet a TANF purpose has largely been left to the states, because section 417 of the Social Security Act (added by TANF) constrains the ability of federal officials in regulating the conduct of states:

No officer or employee of the Federal Government may regulate the conduct of States under this part or enforce any provision of this part, except to the extent expressly provided in this part.

As a result, billions of dollars have been diverted from TANF’s initial core welfare reform benefits and services to fund activities like preK, child welfare, and college scholarships (for adults without children) under the guise of advancing purposes 3 or 4. There is little credible empirical evidence to suggest that many of these expenditures actually advance these purposes beyond simple correlations, e.g., of educational attainment and out-of-wedlock births or marital stability for college scholarships, but given the broad flexibility Congress provided and the limits it imposed on federal oversight, states have been claiming college scholarships and related higher education costs for over a decade.

In fiscal year (FY) 2015, just 25 percent of TANF funds were used to provide basic cash assistance and just 7 percent were for work-related activities, despite the fact that the number of poor families with children was higher in 2015 than in 1996. In many states, TANF has become a slush fund used to supplant state spending and fill budget holes. For more detail, see:

- “The Need for Common Sense Conservative Welfare Reform: Ten Questions for House Speaker Paul Ryan,” January 6, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Germanis2016Need.pdf>.
- “Funding and Flexibility: How Congress Shot Itself in the Foot” in Peter Germanis, *TANF is Broken! It’s Time to Reform “Welfare Reform” (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: <https://petergermanis.com/wp-content/uploads/2020/09/TANF-is-Broken.072515.pdf>.

**4. Does it make sense to permit states to use TANF to supplant existing state expenditures and use it as a giant slush fund?**

Since TANF's inception, states have used tens of billions of federal TANF dollars to simply replace existing state spending. For example, Jon Peacock of the Wisconsin Budget Project explains how "a significant portion of the federal funding for ... assistance is being siphoned off for use elsewhere in the budget, to the detriment of the Wisconsin Works (W-2) program and child care subsidies for low-income working families."<sup>8</sup> It would be one thing if poverty had declined in Wisconsin since TANF's enactment, but the poverty rate for children in Wisconsin grew from 14.3 percent in 1997 to 18.4 percent in 2011. If the supplanted funds were used to fund other programs for poor families, the practice would be less harmful, but that doesn't seem to be what happens in Wisconsin. According to Peacock, "That shell game uses TANF funds to free up state funds [general purpose revenue] (GPR) to use for other purposes, such as the proposed income tax cuts."<sup>9</sup>

Congress did attempt to ban supplantation with state maintenance-of-effort (MOE) dollars. State and local governmental expenditures on programs that existed in fiscal year (FY) 1995 and were not part of the state's AFDC and related programs can only be claimed as MOE to the extent that they are higher than the spending in FY 1995. In other words, only new spending on qualifying activities can count. Of course, since that level is not adjusted for inflation, over time states can count more preexisting spending that rises simply because of inflation. In effect, this permits supplantation with MOE funds as well.

Some states even hire consultants and pay them on a contingency fee basis to find additional spending they can supplant or count as MOE. For example, Maura Corrigan, former Director of the Michigan Department of Human Services, explains that the state hired a consultant to find additional countable expenditures:

In order to maximize TANF MOE spending and avoid these penalties [penalties for failing to meet TANF's basic MOE requirement], DHS contracted with the Public Consulting Group (PCG) on a contingency fee basis to assist the state in meeting the basic Fiscal Year 2010 TANF MOE requirement. PCG employed numerous strategies in this effort including assisting with claims for refundable earned income credit payments, Early Childhood Investment Corporation expenditures, United Ways and 211 expenditures, independent foundation expenditures, and TANF eligible programs operated by the county of Wayne.<sup>10</sup>

A better use of a consultant would be to identify policies that might actually help needy families. Between 1995/96 and 2013/14, the number of poor families with children in Michigan grew from 208,200 to 213,000, while the number of families receiving AFDC/TANF fell by nearly 80 percent, from 183,800 to 39,000. As a result, for every 100 poor families with children in 2014, only 18 received cash assistance, down from 88 before TANF was enacted.<sup>11</sup> In FY 2014, the state spent just 12 percent of its

TANF/MOE funds on basic assistance, whereas before TANF it was 80 percent.<sup>12</sup> For more detail, see:

- “Did a Flexible Block Grant for Welfare Spur State Innovation? Absolutely – But That ‘Innovation’ Didn’t Help Poor Families,” January 14, 2017, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Block-Grants-and-Innovation.pdf>.
- “TANF in Texas: The Need for “A *Much* Better Way”: A Cautionary Tale for Ways and Means Chairman Brady,” September 1, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/TANF-is-Broken-in-Texas.pdf>.
- “TANF in Michigan: Did We Really “Fix” Welfare in 1996? A Cautionary Tale for Speaker Ryan,” May 25, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/TANF-is-Broken-in-Michigan.052716.pdf>.

**5. Does it make sense to replace a simple and effective federal-state matching approach with an ineffective, Rube Goldberg-like financing scheme?**

The most obvious example of TANF’s needless complexity is its Rube Goldberg-like funding rules. TANF’s predecessor – the Aid to Families with Dependent Children (AFDC) program – had clearly defined activities and several matching rates (distinguishing between benefits, administrative costs, and welfare-to-work activities), but the process was simple and straightforward. TANF replaced a simple federal-state matching program, with a block grant and maintenance-of-effort (MOE) requirement. States must now consider the rules that apply to five types of funding streams (federal only, comingled, segregated MOE, MOE in a separate state program, and solely state funded programs). Then there are rules based on which purpose an activity meets, whether the expenditure is “assistance” or “non-assistance,” whether the recipient is in an “eligible family” or not, whether the expenditure is “authorized under prior law,” whether it is allowable under Healthy Marriage and Responsible Fatherhood Grants, which specific type of federal funding stream (e.g., block grant, Contingency Fund, Emergency Fund), and on and on.

Beyond complexity, none of the funding formulas is effective. As noted above, the block grant is not responsive to economic or demographic changes. And, each state’s allocation is based on historic funding levels in TANF’s predecessor programs (AFDC, Emergency Assistance, and JOBS). This locked in historical differences in federal funding across states. Gene Falk of the Congressional Research Service notes that the difference in federal grants per poor child in FY 1995 ranged from \$263 in Arkansas to \$2,530 in Connecticut (\$402 to \$3,871 in 2013 dollars, respectively).<sup>13</sup> In 2013, the differences ranged from \$280 in Texas and to \$2,572 in Vermont. As a welfare program, the vast disparity in federal funding per poor child is troubling. But, TANF is really revenue sharing, so why federal taxpayers would fund a revenue sharing program today based on historic spending in TANF’s predecessor programs makes no sense at all. For more detail see:

- “Funding and Flexibility: How Congress Shot Itself in the Foot” in Peter Germanis, *TANF is Broken! It’s Time to Reform “Welfare Reform” (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: <https://petergermanis.com/wp-content/uploads/2020/09/TANF-is-Broken.072515.pdf>.
- “The Need for Common Sense Conservative Welfare Reform: Ten Questions for House Speaker Paul Ryan,” January 6, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Germanis2016Need.pdf>.

**6. Does it make sense to give states so much flexibility they can duplicate the benefits and services of dozens of other low-income programs with virtually no accountability?**

Conservatives often complain about the lack of accountability in programs, as reflected in the House Budget Committee’s FY 2017 budget recommendation to terminate the Social Services Block Grant (SSBG), which it characterizes as a payment to states “without any matching, accountability, or evaluation requirements...”<sup>14</sup> These concerns pale in comparison to those of TANF, yet the Committee believes TANF is an unprecedented success. TANF has no meaningful matching requirement – its MOE requirement has been eroded by inflation and the broad flexibility states have in what counts as an allowable expenditure minimizes its usefulness in maintaining a serious state commitment. TANF’s main accountability measures are limited to “assistance” (less than \$9 billion); leaving little accountability for the \$20+ billion in “non-assistance” expenditures. There are hundreds of different state programs funded as “non-assistance,” with little information on what they do, their cost, the number of families served, and their effectiveness. For more detail, see:

- “The Need for Common Sense Conservative Welfare Reform: Ten Questions for House Speaker Paul Ryan,” January 6, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Germanis2016Need.pdf>.
- “Saving Speaker Ryan: 20 Reasons Why TANF is NOT ‘Welfare Reform,’ NOT a Model for Reforming the Safety Net, and NOT Conservatism,” April 24, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Saving-Speaker-Ryan.pdf>.

**7. Does it make sense to provide funding for safety net programs that have either no income limit or that permit states to set very high income limits?**

TANF *should* be for “needy families,” but Congress did not define the term and gave states excessive flexibility to spend federal TANF and MOE dollars on any activity that even remotely advances a TANF purpose. While state income limits for cash assistance are generally quite restrictive,<sup>15</sup> cash assistance accounted for less than 25 percent of all TANF/MOE funds in FY 2015. For other programs (primarily those classified as “non-assistance”), some states have set income limits at least as high as 600 percent of poverty.

And, federal spending on activities that fall under TANF's third and fourth purposes can be for programs and activities without regard to whether the recipients are needy or whether they are in an "eligible family" (i.e., needy and with a minor child).<sup>16</sup> For example, Michigan "spends about \$100 million a year in TANF dollars on college scholarships – and many recipients are from families that earn more than \$100,000 year."<sup>17</sup> Meanwhile, in FY 2014, the state spent just 12 percent of its TANF/MOE funds on basic assistance<sup>18</sup> and only 18 out of every 100 poor families with children in 2013-14 received cash assistance, down from 88 out of 100 when TANF was enacted.<sup>19</sup>

Under AFDC, virtually all spending was limited to poor families, as state income limits for cash assistance were generally quite low. Given the fixed funding of a block grant, permitting states to divert spending to non-poor populations for purposes unrelated to welfare reform means there is less funding for cash assistance and welfare-to-work programs *for the poor*. For more detail, see:

- "The Need for Common Sense Conservative Welfare Reform: Ten Questions for House Speaker Paul Ryan," January 6, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Germanis2016Need.pdf>.
- "Did a Flexible Block Grant for Welfare Spur State Innovation? Absolutely – But That 'Innovation' Didn't Help Poor Families," January 14, 2017, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Block-Grants-and-Innovation.pdf>.

## **8. Does it make sense to impose rules that are ineffective and/or needlessly complicated?**

There are few rules that govern nearly three-quarters of spending – that devoted to "non-assistance." Virtually all of TANF's programmatic requirements apply to cash assistance. But, most of these requirements can be manipulated or are ineffective, adding needless complexity. The most notable example of such manipulation is TANF's work requirement (see question #1 and the related references), but there are dozens of other examples.

Despite TANF's very real problems, conservatives and Congress have failed to do anything more than tinker away. For example, in 2012, Congress passed legislation requiring states to maintain policies and practices to prevent TANF assistance funds from being used in an EBT transaction in liquor stores, casinos, and strip clubs – despite a paucity of evidence that such use was a significant problem. Obviously, if someone wants to spend their TANF dollars at these establishments, they can go to an ATM at a bank or grocery store to withdraw the cash and then use it on the prohibited purposes. How has this accomplished anything?

The Ways and Means Committee's press release of June 17, 2015, "From Welfare to Work: A Bipartisan Effort to Improve Our Social Safety Net," extolled the virtues of a "discussion draft" to reform and reauthorize Temporary Assistance for Needy Families

(TANF) program. The subtitle of the press release suggests that this is the “biggest redesign of TANF in its history.” In fact, it was nothing more than rearranging deck chairs on the *Titanic*. To their credit, the authors of the draft bill made a number of positive changes to the TANF program, but they failed to address the root cause of TANF’s problems – the block grant structure and excessive state flexibility. As a result, states would continue to take advantage of loopholes and America’s low-income families with children would fall deeper into poverty.

TANF does not work as a safety net or a welfare-to-work program; this is what Congress should focus on. For more detail, see:

- “Time Limits and Other Federal Requirements” and “TANF 3: Treating the Symptoms and Not the Real Problems,” in *TANF is Broken! It’s Time to Reform “Welfare Reform” (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015, available at: <https://petergermanis.com/wp-content/uploads/2020/09/TANF-is-Broken.072515.pdf>.

## 9. Does it make sense to ignore evidence-based research?

In describing his vision of welfare reform, Speaker Ryan has emphasized the importance of building an evidence base:

...let states try different ways of providing aid and then to test the results – in short, more flexibility in exchange for more accountability. ...Put the emphasis on results. ...[w]e would not expand the program until all the evidence was in. The point is, don’t just pass a law and hope for the best. If you’ve got an idea, let’s try it. Test it. See what works. Don’t make promise after promise. Let success build on success.<sup>20</sup>

This approach is exactly right; sadly, TANF does just the opposite. There is no requirement for states to evaluate their policy changes. Now, 20 years after TANF’s creation, there is no rigorous evidence to inform policymakers about work requirements, time limits, sanctions, family caps, diversion programs, and an array of other provisions. Some policies have undoubtedly helped families move toward self-sufficiency, others have just as surely pushed them deeper into poverty.

In fact, TANF replaced an evidence-based welfare reform model, which had strict accountability measures, one started by President Reagan. In 1987, the Reagan Administration began encouraging states to use existing authority to conduct welfare reform experiments – through waivers of AFDC’s rigid rules (and, to a lesser extent, food stamp and Medicaid rules due to more limited waiver authorities for those programs). This approach was continued by President Bush and President Clinton. This process did not provide a fixed level of funding, like block grants. Instead, it relied on an approach that would provide a real counterfactual using the “gold standard” of evaluation – random assignment.<sup>21</sup> It provided rigorous evidence about the impacts of welfare reform,

including many examples of state experiments that increased employment and earnings, and also reduced welfare dependency and poverty.<sup>22</sup> The next step would have been to refine this process and expand waiver authorities in other programs. Instead, TANF replaced it with a blank check to states with no accountability. Why? Apparently governors convinced Congress that states knew best how to reform welfare and didn't need federal approval. As Ron Haskins, an architect of the 1996 law, now concedes, "States did not uphold their end of the bargain. So, why do something like this again?"<sup>23</sup> For more detail, see:

- "The Need for Common Sense Conservative Welfare Reform: Ten Questions for House Speaker Paul Ryan," January 6, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Germanis2016Need.pdf>.
- "Making 'Opportunity Grants' Great Again: A Worthy but Challenging Prospect," December 18, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Making-OG-Great-Again.pdf>.

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

The answer to questions 1-9 should be "NO" and thus TANF should not be a model for reforming other welfare programs. TANF most certainly NOT "greatest innovation in social policy in recent history," but instead it is the epitome of dysfunctional conservatism.

#### **Conclusion**

Most conservatives claim that TANF was an "unprecedented success" and that it should be used as a model for reforming the rest of the safety net. It should be clear that the conventional conservative wisdom is wrong. TANF is a massive policy failure and should not be held out as an example of "conservatism" or a model to be replicated. For more detail, see:

- "Did a Flexible Block Grant for Welfare Spur State Innovation? Absolutely – But That 'Innovation' Didn't Help Poor Families," January 14, 2017, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Block-Grants-and-Innovation.pdf>.
- "'Wage War on Poverty, Not Poor People:' A Comment on the Heartland Institute's 'Roadmap' for Winning the War on Poverty," January 7, 2017, available at: <https://petergermanis.com/wp-content/uploads/2020/09/Wage-War-on-Poverty.010117.pdf>.
- "A 'Super Block Grant' is a Super Bad Idea: A Response to Gary Alexander," February 19, 2017, <https://petergermanis.com/wp-content/uploads/2021/02/Gary-Alexander.pdf>.

There is "a *much* better way" – it is President Reagan's waiver-based approach. It relies on a concept of cost neutrality (not a fixed block grant) and includes a requirement for rigorous

evaluation. The 1996 welfare reform should have built on this approach, expanding and refining the waiver process for evidence-based learning. Instead, TANF replaced it with a blank check to states. TANF has become a form of revenue sharing – welfare for state politicians’ wish lists rather than needy families. It is time for conservatives to develop an alternative approach to welfare reform – one that adequately protects our nation’s neediest families and gives them real opportunities to achieve self-sufficiency. For more detail, see:

- “Making Welfare Reform Great Again: Five Recommendations for President Elect Donald J. Trump,” November 29, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Making-WR-Great-Again.pdf>.
- “Making ‘Opportunity Grants’ Great Again: A Worthy but Challenging Prospect,” December 18, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Making-OG-Great-Again.pdf>.

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<sup>1</sup> The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I am a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush. This paper assumes the reader has a basic understanding of the TANF program, but for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: <https://petergermanis.com/wp-content/uploads/2020/09/TANF-is-Broken.072515.pdf>.

<sup>2</sup> Arthur C. Brooks, "The Dignity Deficit," *Foreign Affairs*, March/April 2017, available at: <https://www.foreignaffairs.com/articles/united-states/2017-02-13/dignity-deficit>.

<sup>3</sup> Scott Winship, *Poverty After Welfare Reform* (Manhattan Institute, August 2016), available at: <http://www.manhattan-institute.org/sites/default/files/R-SW-0816.pdf>.

<sup>4</sup> Unpublished tables from the Congressional Research Services. See also, Gene Falk, "Low-Income Assistance Programs: Trends in Federal Spending," Congressional Research Service, May 7, 2014, available at: <https://www.fas.org/sgp/crs/misc/R41823.pdf>.

<sup>5</sup> It is true that the number of families with children grew by about 10 percent during this period, so one might expect a larger number of potentially eligible families, but TANF's financial eligibility rules have become more restrictive over time, particularly since benefit levels and income eligibility limits have not kept pace with inflation.

<sup>6</sup> In addition, nearly half the states have not increased their benefit levels since 1996 and some have actually reduced them, representing a decline of 34.5 percent or more when adjusted for inflation. Whereas the participation rate of eligible families was about 80 percent for the 15 years preceding the 1996 law, the erosion in the real value of AFDC/TANF benefits started in the 1970s. So, even those families remaining on assistance have been pushed deeper into poverty. Ife Floyd and Liz Schott, "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode," Center on Budget and Policy Priorities, October 15, 2015, available at: <http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states>.

<sup>7</sup> Peter Germanis, "The Need for Common Sense Conservative Welfare Reform: Ten Questions for House Speaker Paul Ryan," January 6, 2016, available at: <https://petergermanis.com/wp-content/uploads/2021/02/Germanis2016Need.pdf>.

<sup>8</sup> Jon Peacock, Wisconsin Budget Project, "Funding for Low-Income Families Siphoned off for Other Uses," April 29, 2013, available at: <http://www.wisconsinbudgetproject.org/>.

<sup>9</sup> Jon Peacock, Wisconsin Budget Project, "Funding for Low-Income Families Siphoned off for Other Uses," April 29, 2013, available at: <http://www.wisconsinbudgetproject.org/>.

<sup>10</sup> Letter from Maura Corrigan, Director, Michigan Department of Human Services, to the Honorable Bruce Caswell, Chair, Senate Appropriations Subcommittee on DHS and the Honorable David Agema, Chair, House Appropriations Committee on DHS, February 23, 2011, available at: [https://www.michigan.gov/documents/dhs/TANF\\_MOE\\_sources\\_348466\\_7.pdf](https://www.michigan.gov/documents/dhs/TANF_MOE_sources_348466_7.pdf).

<sup>11</sup> Center on Budget and Policy Priorities, "Michigan: TANF Spending Fact Sheet," October 2, 2015, available at: [http://www.cbpp.org/sites/default/files/atoms/files/tanf\\_spending\\_la.pdf](http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_la.pdf).

<sup>12</sup> FY 1995 spending based on unpublished data from the Congressional Research Service; and Center on Budget and Policy Priorities, "How TANF and MOE Dollars Were Spent in Michigan over Time," 2015, available at: [http://www.cbpp.org/sites/default/files/atoms/files/tanf\\_spending\\_mi.pdf](http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_mi.pdf).

<sup>13</sup> Gene Falk, "Temporary Assistance for Needy Families (TANF): Financing Issues," Congressional Research Service, September 8, 2015.

<sup>14</sup> U.S. House of Representatives, Committee on the Budget, *Concurrent Resolution on the Budget – Fiscal Year 2017*, March 2016, p. 67, available at: [http://budget.house.gov/uploadedfiles/fy2017\\_budget\\_resolution.pdf](http://budget.house.gov/uploadedfiles/fy2017_budget_resolution.pdf).

<sup>15</sup> For details on state rules pertaining to cash assistance, see the Urban Institute's "Welfare Rules Database," available at: <http://anfdata.urban.org/wrd/wrdwelcome.cfm>.

<sup>16</sup> MOE funds are restricted to those in an "eligible family," unless they are one of the specially-designated Healthy Marriage or Responsible Fatherhood activities.

<sup>17</sup> Krissy Clark, Caitlin Esch, and Gina Delvac, "Everything but the kitchen sink," June 9, 2016, available at: <http://www.marketplace.org/2016/06/08/wealth-poverty/uncertain-hour/s1-04-everything-kitchen-sink>.

<sup>18</sup> FY 1995 spending based on unpublished data from the Congressional Research Service; and Center on Budget and Policy Priorities, "How TANF and MOE Dollars Were Spent in Michigan over Time,"

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2015, available at: [http://www.cbpp.org/sites/default/files/atoms/files/tanf\\_spending\\_mi.pdf](http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_mi.pdf).

<sup>19</sup> Center on Budget and Policy Priorities, “Michigan: TANF Spending Fact Sheet,” October 2, 2015, available at: [http://www.cbpp.org/sites/default/files/atoms/files/tanf\\_spending\\_la.pdf](http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_la.pdf).

<sup>20</sup> Rep. Paul Ryan, “Expanding Opportunity in America,” July 24, 2014, available at: <http://paulryan.house.gov/news/documentsingle.aspx?DocumentID=389081>.

<sup>21</sup> For an excellent summary of the issues and deliberations during this period, see Judith M. Gueron and Howard Rolston, *Fighting for Reliable Evidence* (New York, NY: Russell Sage Foundation, June 2013).

<sup>22</sup> Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002),

[http://www.acf.hhs.gov/programs/opre/welfare\\_employ/res\\_synthsis/reports/consequences\\_of\\_wr/rand\\_report.pdf](http://www.acf.hhs.gov/programs/opre/welfare_employ/res_synthsis/reports/consequences_of_wr/rand_report.pdf).

<sup>23</sup> Eduardo Porter, “The Republican Party’s Strategy to Ignore Poverty,” *The New York Times*, October 27, 2015, available at: <http://www.nytimes.com/2015/10/28/business/economy/a-strategy-to-ignore-poverty.html>.