

Profiles in (Dis)Courage(ment)

Peter Germanis¹

May 15, 2016

Profiles in Courage is a 1957 Pulitzer Prize-winning book by President John F. Kennedy. It describes acts of political courage by eight United States Senators “who defied the opinions of their party and constituents to do what they felt was right and suffered severe criticism and losses in popularity because of their actions.”² Sadly, when it comes to welfare reform and looking out for the well-being of our nation’s neediest families, conservatives in Congress lack such courage and are willing to let another year go by without addressing glaring deficiencies in “one of the nation’s most important anti-poverty programs.”³

President Kennedy’s words have inspired me to respond to this failure:

In a democracy, every citizen, regardless of his interest in politics, “holds office”; every one of us is in a position of responsibility; and, in the final analysis, the kind of government we get depends upon how we fulfill those responsibilities. We, the people, are the boss, and we will get the kind of political leadership, be it good or bad, that we demand and deserve.⁴

Most conservatives believe the 1996 welfare reform, particularly the creation of the Temporary Assistance for Needy Families (TANF) block grant has been an “unprecedented success” and is a model for reforming other safety net programs. For the past year, I have been writing papers, as a citizen, offering an alternative conservative perspective. In fact, I argue that TANF is a massive policy failure and should not be held out as an example of “conservatism.” I favor an alternative conservative approach based on a model developed in the Reagan Administration, which provided states flexibility, but had strong accountability provisions – most notably cost neutrality and rigorous evaluation – to ensure that states actually help needy families.

Sadly, my efforts do not seem to have influenced conservative policymakers, as they continue to ignore TANF’s structural problems and base their reforms to other safety net programs on the “TANF model.” While the 1996 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.

Committee (Again) Takes NO Action to Help Families Escape Poverty

On May 11, 2016, the House Ways and Means Committee passed four bills to “reform” the TANF program and issued a press release stating, “Committee Takes Action to Help Families Escape Poverty.”⁵ The statement goes on to say that the “action” represents a “common sense package of proposals [that] will help ensure our welfare system is effectively spending taxpayer dollars, delivering results, and serving those most in need.”⁶ This conclusion means either that members of Congress don’t understand the TANF program, don’t care about the poor, and/or lack the political courage to make needed reforms. (In the past year, I have written a dozen

papers outlining the problems of the TANF program and sent them to congressional staff and conservatives who influence them – I now believe the problem is all three.)

As I describe in *TANF is Broken!*, the creation of the TANF block grant with *excessive* state flexibility set in motion changes that would: (1) initially provide large windfalls of federal funds for states, but also put in place a funding structure that in the longer-term would provide insufficient resources due to inflation and demographic changes; (2) allow states to use federal funds to supplant their own spending (by tens of billions of dollars since TANF was created); (3) permit states to convert TANF (over time) to a giant slush fund with minimal reporting and accountability provisions; (4) impose a Rube Goldberg-like set of bureaucratic and ineffective funding formulas and requirements; and (5) give states excessive flexibility to avoid or evade virtually all of the federal requirements in the law, most notably work requirements and time limits.⁷ The result of this misguided effort is a safety net with huge holes – one that is not effective in providing either basic assistance to needy families or ensuring that low-income parents receive the work-related activities and services they could use to escape poverty.

Describing the full extent of TANF’s problems is beyond the scope of this paper and they have been well-documented elsewhere.⁸ The purpose of this commentary is to highlight the abdication of responsibility by conservatives in Congress to deal with an important programmatic failure, even as they claim to have a “conservative heart.”

So, what did the Ways and Means Committee do?

Social Impact Partnerships to Pay for Results Act

The Social Impact Partnerships to Pay for Results Act would take \$100 million from TANF’s Contingency Fund for “social impact partnerships.” The idea is that private investors would pay to implement social programs and would be “repaid” if the programs achieve certain outcomes. While the Committee members on both sides of aisle supported the concept, some members expressed concern that funding might be diverted from programs for children. During the debate, Representative Todd Young of Indiana expressed concern that changing the bill may undercut the political balance needed to support it, adding that the “human cost would be too great” [if the bill didn’t pass].

This bill may test an important new concept, but the real “human cost” is in the unwillingness of Congress to tackle TANF’s very real problems. While Representative Young bemoans the potential loss of \$100 million for this purpose, Congress would do better to consider the “human cost” of the status quo:

- The \$8 billion per year (and growing) decline in the real value of the block grant, even as the number of poor families with children has increased.
- The loss in human potential from dysfunctional work requirements that have been used to hassle families off the rolls and encouraged states to use gimmicks to avoid federal penalties.
- The tens of billions of federal dollars that states have used to simply supplant existing state expenditures, with no gain for the poor or federal taxpayers.

- The drop in the TANF-to-poverty ratio from 68 in 1996 to 23 in 2014, reflecting the failure of the program to act as a safety net.
- The unnecessary “complexification” of rules governing the use of funds and other federal requirements.

These are the issues Congress should be tackling – whether the social impact partnerships bill is enacted or not is trivial in comparison.

Ironically, TANF replaced an evidence-based welfare reform model that would have made the social impact partnerships unnecessary. In 1987, President Reagan started encouraging states to use existing authority to conduct welfare reform experiments – through waivers of AFDC’s rigid rules (and, to a lesser extent, food stamp and Medicaid rules due to more limited waiver authorities for those programs). This approach was continued by President Bush and President Clinton. This process did not provide a fixed level of funding, like block grants. Instead, it relied on an approach that would provide a real counterfactual using the “gold standard” of evaluation – random assignment. The findings from random assignment experiments are considered the most credible, because the experimental and control groups are alike and subject to the same external conditions, with the only difference being the intervention itself. Thus, any difference in outcomes between the groups can be attributed to the intervention – welfare reform. As a result, it would be possible to know whether state reforms actually reduced welfare dependency by increasing self-sufficiency. TANF replaced this approach with one that essentially gives states a blank check with no accountability.

TANF Accountability and Integrity Improvement Act

A recent phenomenon is the growing tendency for states to count the spending of third-party non-governmental sources toward their state maintenance-of-effort (MOE) requirement, essentially rewarding states for spending outside groups would have undertaken in the absence of TANF. These expenditures must meet a TANF purpose, but otherwise can count as a donation that is considered MOE. Common examples of third-party non-governmental expenditures that states have claimed as MOE include expenditures by food banks and Boys/Girls Clubs for TANF-eligible families.

Some states, like Georgia, count these expenditures as MOE for the sole purpose of reducing their own commitment to programs for low-income families. Here is how the Georgia Budget and Policy Institute describes it:

A state can meet its TANF MOE with state funds or third-party funds each year in order to receive federal funds and to avoid financial penalties... Nearly half of Georgia’s TANF MOE (\$83.5 million) came from third-party funds in FFY 2011, an increase of 19.1 percent from FFY 2010.

Essentially, policymakers replaced state fund investment for TANF MOE with more private, third-party funds. However, these private funds may count existing services already offered by private organizations across the state. Counting private funds for

existing services in the community, while cutting state funds to TANF is an overall net cut to services for low-income Georgians.⁹

By FY 2014, the amount of third-party, non-governmental funds rose to \$99 million or 57 percent of the state's MOE contribution.¹⁰ The TANF Accountability and Integrity Improvement Act would prohibit this practice, but grandfathered the states that have been doing this. An earlier version of this bill last summer would have phased this out, but apparently the Committee members caved to Representative Tom Price of Georgia, who made the incredulous argument that this somehow promotes civil society and collaboration with non-profit organizations. Prohibiting this practice would not prevent such collaborations – it would simply require the state to pay its own way and actually serve more poor families.

Apparently, the collapse of the cash assistance safety net in Georgia is not something Mr. Price is concerned about. Between 1995/96 and 2013/14, the number of poor families with children in Georgia rose from 161,500 to 257,800, while its AFDC/TANF caseload dropped from 131,900 to 16,000. Its TANF-to-poverty ratio fell from 82 to 6.¹¹ There is no defense of Georgia's practice of counting third-party non-governmental spending; and there is no excuse for Congress to let this go on.

Reducing Poverty through Employment Act

The Reducing Poverty through Employment Act would “create a new core purpose of TANF: to reduce child poverty by increasing employment entry, retention, and advancement of low-income parents.” There is nothing binding with regard to this purpose or that would force states to change their behavior. If Congress is serious about reducing poverty, it should reexamine the block grant structure and the excessive flexibility it provided states to divert funding to fill budget holes and game federal requirements. It should refocus TANF on real welfare reform and reinstate the Reagan-era requirements of rigorous evaluation, particularly for policy changes that terminate or deny families assistance. Under TANF, state politicians make these decisions without any evaluation or concern as to whether the policies actually promote TANF's goals. For example, Arizona recently passed a one-year time limit on the receipt of cash assistance. In FY 2014, the state spent just 16 percent of its TANF/MOE funds on basic assistance, work activities, and child care.¹² Instead of helping needy families with children receive the help and assistance they need, the state uses TANF as a slush fund. This isn't “welfare reform”; this isn't success; this is ***Truly a National Failure (TANF)***.

Conclusion

As a conservative, I take to heart Speaker Ryan's admonition that if we protect the “status quo” we “must answer to the 46 million Americans living in poverty.”¹³ TANF has been broken for a very long time; it is not helping needy families. It is time for real conservative solutions – solutions that reflect conservative principles, common sense, and operational realities. In the words of President Ronald Reagan: “If not us, who? And if not now, when?”¹⁴

¹ The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. 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>.

² "Profiles in Courage," Wikipedia, available at: <https://www.google.com/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=profiles+in+courage>.

³ U.S. Congress, House Ways and Means Committee, "Committee Takes Action to Help Families Escape Poverty," Press Release, May 11, 2016, available at: <http://waysandmeans.house.gov/committee-takes-action-to-help-families-escape-poverty/>.

⁴ John F. Kennedy, *Profiles in Courage*, quote available at: <http://www.jfklibrary.org/Events-and-Awards/Profile-in-Courage-Award/About-the-Book.aspx>.

⁵ U.S. Congress, House Ways and Means Committee, "Committee Takes Action to Help Families Escape Poverty," Press Release, May 11, 2016, available at: <http://waysandmeans.house.gov/committee-takes-action-to-help-families-escape-poverty/>.

⁶ U.S. Congress, House Ways and Means Committee, "Committee Takes Action to Help Families Escape Poverty," Press Release, May 11, 2016, available at: <http://waysandmeans.house.gov/committee-takes-action-to-help-families-escape-poverty/>.

⁷ 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>.

⁸ Peter Germanis, "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>.

⁹ Claire S. Richie, "Georgia TANF Funds Sink to New Low Majority Still Spent on Indirect Purpose," September 2012.

¹⁰ Center on Budget and Policy Priorities, "Georgia: TANF Spending Fact Sheet," available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_ga.pdf.

¹¹ Center on Budget and Policy Priorities, "Georgia: TANF Caseload and TANF-to-Poverty Ratio Fact Sheet," available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_ga.pdf.

¹² Center on Budget and Policy Priorities, "Arizona: TANF Spending Fact Sheet," available at: http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_az.pdf.

¹³ 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>.

¹⁴ President Ronald Reagan, Second inaugural address, Jan. 21, 1985.