Reforming "Welfare Reform" New York Style:
A Possible Doar-Germanis Compromise?

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I have had a long-standing debate with fellow conservatives about the putative "success" of the 1996 welfare reform law. Robert Doar of the American Enterprise Institute (AEI) is a strong proponent of the law. He recently wrote, "Temporary Assistance for Needy Families (TANF) replaced Aid to Families with Dependent Children (AFDC), moving away from an entitlement program that asked little of recipients and toward a block grant with work requirements that pushed states to help low-income Americans get a job." He adds, "Based on 20 years of program performance, we can say that TANF has been a success. In the checkered history of US social policy, TANF is a bright spot: Few programs have generated such strong gains in poverty reduction and employment." Doar attributes TANF's success to its "robust work requirement, accountability of state performance, and expanded administrative flexibility."

I take a different perspective. 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. I favor an alternative conservative approach based on a model developed in the Reagan Administration. It provided state flexibility, but had strong accountability provisions, most notably cost neutrality and rigorous evaluation, to ensure that needy families are actually helped. (It is a more refined version of what Speaker Ryan now calls "Opportunity Grants.") In contrast to the "Reagan model," most conservatives today, like Doar, follow the "TANF model," an approach that provides a block grant and has virtually no *effective* accountability provisions. TANF has, without a doubt, exacerbated the depth of poverty for millions of families.

A Possible Compromise?

Robert Doar bases much of his support of TANF on his experience in New York. From 2000 to 2006, he served first as Executive Deputy Commissioner and then as Commissioner of the New York State Office of Temporary and Disability Assistance. From 2007 to 2014 he was Commissioner of the New York City Human Resources Administration, Department of Social Services. On the other hand, I base my criticism of TANF on its implementation across the nation and a more rigorous and comprehensive assessment of TANF's effects on the safety net. Is there a way we could agree? I believe I have the solution – require all states to adopt the

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[1] The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I consider myself a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush. This paper assumes the reader has a basic understanding of the TANF program, but for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: https://petergermanis.com/. The idea for this paper stems from a conversation with Michael Wiseman about what the vision for an ideal cash assistance program may look like. The paper is not intended to describe such an ideal, but to provoke thinking about design issues.

"New York model" that Doar once administered, but give states the flexibility with accountability that we provided in the Reagan Administration to test alternative approaches.

The following lays out the broad framework for a potential agreement.

Concessions to Doar: Key Elements of the New York Model

I examined New York's experience under Doar's leadership in 2001, when TANF was in its prime and the state achieved its highest work participation rate. (I only have access to state data, but this analysis could be repeated for *any* year, and it could be applied to his tenure in New York City.) The TANF block grant structure has failed everywhere, including New York, but for the sake of argument, I will assume that TANF was a success in New York.[2] Compromise, after all, involves give-and-take.

1. **Give every state a block grant equal to what New York received – about $2,150 per poor child per year.[3]** Much of New York's "success" is undoubtedly due to the generous financial support the state received from the federal government. States like Texas and Georgia received much less, $316 and $291 per year.[4] This fact should be of interest to House Ways and Means Chairman Brady (Texas) and House Budget Committee Chairman Price (Georgia). And, if we adjust for inflation to better reflect Doar's operating budget, the federal grant should be $2,900 per poor child per year.[5]

2. **Establish a work participation rate target of 15 percent in "real" work activities.** In FY 2001, New York under Doar's leadership achieved a work rate of 41.4 percent, but most "participants" were people combining work and welfare due to the state's relatively generous benefits and earnings disregards (see #3 concession below). The number of participants in a core activity other than "unsubsidized employment" was about 19,000; and the number of families with an adult potentially subject to work requirements was

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[2] The safety net has been weakened in New York under TANF, as the TANF-to-poverty ratio fell from 79 in 1995/96 to 40 in 2013/14, as caseloads fell much faster than the number of poor families with children. This is partly the inevitable result of the block grant structure and partly policy choices to divert funds to other purposes, including supplanting existing state and local expenditures. And, the state has taken advantage of loopholes, like the excess MOE provision to maximize its caseload reduction credit, also an artifact of the block grant structure.

[3] The TANF block grant was based on historical spending on AFDC and related programs; the figures used here represent the FY 1995 value of such expenditures as a proxy for the level of assistance provided TANF in its early years and the differential impact across states. Over time, inflation and demographic changes affect the value of federal funding per poor child. Indeed, by 2013, even before adjusting for inflation, the differences widened between New York ($2,555) and Texas ($280)/Georgia ($310). See Figures 2 and 3 in: Gene Falk, Temporary Assistance for Needy Families (TANF): Financing Issues," Congressional Research Service, September 8, 2015.

[4] The differences in federal funding per poor child stem from the fact that the prior AFDC program was based on a federal-state match, in which states determined many eligibility provisions and established benefit levels. Thus, federal funding was a function of a state's matching rate and policy choices. This paper assumes that the TANF program in New York is the model, so the goal is to match that as closely as possible by equalizing federal funding per poor child.

[5] Even this understates the funding per poor child available to Doar in 2001, since child poverty had been on a steady decline since the early 1990s, well before TANF was enacted, and for reasons other than TANF itself, but we can work out the details of how much larger the federal block grant amount should be at a later point.

about 121,000 – a 15 percent real work rate.[6] To Doar's credit, this was a significant improvement over the national average, but far short of TANF's 50 percent target. If a 50 percent requirement is the ultimate goal, we should start with a realistic requirement – say Doar's 15 percent rate and raise the target rate gradually based on state experience and rigorous research on the effectiveness of such requirements.[7]

3. **Establish a minimum benefit of $750 and an earnings disregard of 50 percent.** In July 2001, New York's TANF benefit for a three-person family was $577, about the seventh highest in the nation. Adjusted for inflation, this would be about $775 – just about what is today. In addition, New York's earnings disregard was $90 plus 47 percent. (As a compromise, I simplified the earnings disregard a bit.) Doar's generosity was permitted in large part because of the generous TANF block grant New York received, which in turn helped him achieve a 41 percent work participation rate, even though participation in real activities was much lower.

4. **Restore the entitlement to TANF.** The 1996 law eliminated the entitlement to assistance, which allowed states to adopt lifetime, full family sanctions and time limits that cut families off the rolls without regard to the results. Under Doar, this didn't happen, as New York did not adopt lifetime full family sanctions or automatically discontinue families when they reached TANF's five year limit (instead, transferring them to a "separate state program").[8] If state policymakers want to adopt full family sanctions and time limits, the responsible thing would be to evaluate the effects of such policies – which was the case before TANF replaced President Reagan's evidence-based approach to welfare reform. And, if Doar is correct, eliminating the entitlement was not needed in New York – TANF was a success.

Concession to Germanis: The "Reagan Model"

Requiring all states to adopt Doar's "New York-style" welfare model would be much more expensive than current law,[9] but it would help shore up the cash assistance safety net for the nation's neediest families that was decimated by TANF and provide much needed funding for welfare-to-work activities and work supports. I seek just on concession for this compromise. I believe state experimentation can foster improvements to the safety net, even to Doar's "successful" New York program.

1. **Restore the waiver-based approach to experimentation, with rigorous evaluation and cost neutrality.** States should be required to spend their TANF dollars on core welfare reform activities as Congress intended, not use it as a slush fund to pay for

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[6] This approach replaces TANF's current work requirements with its credits, disregards, and loopholes with a simple target rate; those who have enough hours in unsubsidized employment to count in the rate would become "exempt" and excluded from the denominator. For a fuller discussion of TANF's loopholes and the rationale for excluding "unsubsidized employment" as an activity, see "TANF Work Requirements: An Epic Fail," in *TANF is Broken!*

[7] Of course, this is a bit less than the 20 percent requirement under JOBS (TANF's predecessor), but it is important to rebuild gradually; TANF set the conservative case for work requirements back by 20 years.

[8] The entitlement provision in New York is the result of a state constitutional provision.

[9] Some of the added cost would be offset by savings in SNAP, housing assistance, and other programs that count TANF benefits as income in determining eligibility and benefits.

college scholarships for single adults, child welfare, or to simply fill other state budget holes. With this understanding, some states may want to experiment with alternatives to Doar's "New York model," including testing the impact of harsher sanctions or time limits, trying different welfare-to-work models, or varying any number of policy variables. They should be allowed to do this, but only if they evaluate the changes using a random assignment evaluation that can isolate the effects of welfare policies. Indeed, this is a far superior approach to the "Pay for Success Model" that conservatives, including those at AEI, endorse, because it requires direct rigorous evidence of "success." More important, under this approach, states could only use TANF funds for other activities if they first demonstrate that dependence is reduced by promoting self-sufficiency, not as under TANF by diverting funding to other purposes and then watching caseloads fall.

Do We Have a Deal?

Mr. Doar, if TANF was a success in New York, let's mandate that approach nationally and then permit evidence-based experimentation. Of course, the most important element would be to increase the amount of federal funding per poor child in all states to equal what New York receives – this would give all states the chance to have the success you claim.

If you reject this deal, then you should more closely look at the results in some other States. Quite frankly, TANF has been a massive policy failure throughout the United States, and you do a disservice to the nation's poor when you suggest that states like Texas and Georgia can achieve the results you did with one-tenth the funding (again, *assuming* New York is the success you believe it to be).

Chairman Brady (Texas) and Chairman Price (Georgia) are leading the effort to reform our safety net. Please, look at the TANF programs in their states, and then tell us the TANF model is a "success"!