Many conservatives claim that the 1996 welfare reform law, and the creation of the Temporary Assistance for Needy Families (TANF) block grant, was an “unprecedented success” and that it should be used as a model for reforming the rest of the safety net. This view is reflected in a chapter in a recent volume on entitlement reform in *The ANNALS*, a publication of the American Academy of Political and Social Science. In “The Temporary Assistance for Needy Families Program: Time for Improvements,” Ron Haskins and Matt Weidinger describe and assess the TANF program. At the time the law was enacted, both served as staff members on the House Ways and Means Committee and played a major role in the drafting of the legislation. They are often considered the “architects” of welfare reform. Their chapter is divided into the following sections: “TANF Program Description,” “Understanding TANF Work Requirements,” “Effects: Changes in Economic Measures Associated with TANF,” “Issues with TANF,” “Possible Reforms of TANF,” and “Lessons for Entitlement Reform.” They conclude that despite some “issues,” TANF has been a success and should be seen as a model for other safety net programs:

The TANF program’s combination of fixed but flexible funding, work requirements, time limits, and other programmatic features have limited receipt of welfare checks and at the very least promoted additional work and earnings that contributed to subsequent reductions in poverty. Further reforms to TANF should be about strengthening, not replacing, those key program features. Reformers in other programs would do well to mimic these sorts of outcome-oriented features if they seek to achieve similar results elsewhere.

The suggestion that TANF has been a success and a model for reforming other safety net programs is unfortunate and misguided. Indeed, an objective analysis of TANF should lead one to conclude that it is an unprecedented failure. 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 fixed and flexible funding stream that has failed to provide an adequate safety net or an effective welfare-to-work program. In many states, it has become a form of revenue sharing used to supplant state spending and fill budget holes.

TANF’s flaws stem from the statute itself, particularly conceptual errors in the design of the “program” and bureaucratic “complexification,” i.e., the tendency to take what should be a simple concept and make it unnecessarily complicated, ineffective, and administratively burdensome. There is virtually nothing in the TANF statute that “works” or “works as intended” if the goal is to provide an adequate safety net, work requirements that provide a hand up, or otherwise promote any of its stated purposes. (A few features do work as intended, such as eliminating the entitlement to assistance, but that provision has undermined TANF’s role in providing cash aid and its first purpose – “to provide assistance to needy families…”

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The Haskins-Weidinger chapter is a straightforward description of TANF’s main provisions and basic facts about the “program.” However, their description of TANF’s provisions has numerous factual errors and it often fails to put some of the basic facts into context. Its assessment of TANF’s “effects” is based on simplistic comparisons of data trends and often does not examine the full range of the most plausible factors that might explain the changes in key outcomes and without examining important distributional effects. None of the policy options described in the section on “Possible Reforms of TANF” would lead to a meaningful improvement, in large part, because TANF cannot be fixed with more tinkering. What is needed is a far more comprehensive approach that deals with its underlying structural problems – primarily the block grant structure and giving states excessive flexibility without any meaningful accountability.

The main purpose of this response is to identify TANF’s flaws and provide additional context and information that may lead to improved policymaking, particularly for policymakers who are now considering TANF reform and similar reforms to other programs. This response addresses many of the statements made in the Haskins-Weidinger chapter. Each statement is followed by a “PC Response” – short for “Peter the Citizen.” This includes an assessment of the accuracy of each statement and may provide additional context and possible reforms that would be “real improvements.” However, as long as TANF remains a block grant with excessive state flexibility, TANF will remain a seriously flawed program.

Comment: The large number of factual and conceptual errors in this chapter highlight TANF’s complexity and point to the need for much greater attention to policy details, program implementation, and research evidence – something that has been lacking in the debate leading to TANF and its first 25 years of operation. This response adds considerably more detail to the discussion, but even it just scratches the surface of issues that must be addressed in any meaningful reform. A much simpler and more effective alternative, however, may be to recognize that fixing TANF is too late – it is time to start over.

TANF Program Description

TANF Purposes

Haskins & Weidinger: “The purposes of the TANF program are to (1) provide assistance to needy families so children can be cared for at home, (2) end the dependence of families on government assistance, (3) reduce nonmarital pregnancies, and (4) promote the formation and maintenance of two-parent families. To accomplish those tasks, states have broad flexibility in spending TANF funds.”

PC Response: TANF’s purposes are too broad and give states too much flexibility without any meaningful accountability.

TANF is best known for funding cash welfare for needy families with children – the focus of its predecessor program – the Aid to Families with Dependent Children (AFDC) program, along with a modest welfare-to-work program, the Job Opportunities and Basic Skills Training (JOBS) program. These functions are covered in TANF’s first two purposes, but the law added two new purposes: to reduce nonmarital pregnancies; and to promote the formation and maintenance of two-parent families. In addition, it eliminates the entitlement to assistance and gives states
considerable flexibility to provide a wide range of benefits and services that are “reasonably calculated” to promote a TANF purpose. 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.

**TANF as a Form of Revenue Sharing.** The addition of the last two purposes, combined with eliminating the entitlement to cash aid and giving states unprecedented flexibility, has in many states effectively transformed TANF from a safety net program to a form of revenue sharing. As a result, *tens of 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 evidence to suggest these expenditures advance these purposes, beyond simplistic correlations and unsupported assumptions about causal effects. While these activities may be worthwhile, TANF funds are often used to simply supplant existing state expenditures and, more importantly, they divert funds that should be spent providing basic support to needy families with children.

College scholarships for single adults and childless couples are a prime example of how TANF funds have been misallocated, at least if the goal is to promote the stated objectives of the law. One of the first examples is described in a 2004 *Annual Report on State TANF and MOE Programs* submitted by Robert Doar (a former Commissioner of the Office of Temporary and Disability Assistance in New York and now president of the American Enterprise Institute). The state’s rationale for counting its Tuition Assistance Program (TAP) is that it meets a purpose 3 or purpose 4 goal:

New York targets TANF reimbursement for the Tuition Assistance Program (TAP) to TAP recipients with incomes below 200% of the Federal poverty level because low-income individuals are more at risk of out-of-wedlock pregnancies, and are less likely to be a part of a two-parent family. TAP grants to these students were then categorized by married and unmarried individuals that had received the awards.

TANF-eligible TAP costs for unmarried students are claimed under purpose three. New York uses TANF funding for TAP under TANF purpose three (prevention of out-of-wedlock pregnancies) because college attendance is relevant in two important ways:

(1) Attending college directs individuals toward future goals of both academic and economic achievement. In the absence of educational opportunities, such as those made available through TAP, it is more likely that young people become susceptible to negative peer pressure that leads to high-risk behaviors; and

(2) By enabling young adults to attend college, TAP can fulfill the promise made to younger teens about opportunities that could be available to them if they stay in school.
and avoid pregnancy in their high school years. In this second TAP pregnancy prevention role, TAP can also contribute to pregnancy prevention among younger students, as well as among those currently receiving TAP aid, because the program tangibly demonstrates that financial support for higher education is available and that aspirations of college and professional level employment are realistic.\footnote{4}

And, for purpose 4:

New York also uses TANF funding for TAP under TANF purpose four (encouraging the formation and maintenance of two-parent families) because research has demonstrated that college graduates are more likely to marry and less likely to separate.\footnote{5}

Note that Doar presents no actual empirical data or research to back up his claims but points only to simplistic correlations.

In fiscal year (FY) 2019, just 21.1 percent of federal TANF and state maintenance-of-effort (MOE) funds were used to provide basic assistance (vs. 71 percent in 1995).\footnote{6} A good indication that TANF expenditures have gone well beyond what the drafters envisioned is evidenced by Haskins’ remarks at a conference on the 20th anniversary of TANF:

At the time the block grant was a good idea, it really shook things up. It gave the governors like Tommy Thompson, Engler, and others a lot of control and they used it wisely. …But then it turned out that the governors became enmeshed in politics and they had a lot of pressures – they had to do something about their child protection caseload, they had to do something about daycare, they had to give scholarships for college, so they were pulled in all different directions. We gave them the flexibility. It was poorly drafted and so they had tons of flexibility. But we’re still in charge; we still write the statutes. Why aren’t Republicans doing something? This problem has been obvious for a long, long time. It could be changed, so for example we could change tomorrow the statute that the governors can only spend TANF on cash welfare and work programs – that’s it and nothing else. I think that would be a great improvement.\footnote{7}

Robert Rector of The Heritage Foundation, dubbed the “godfather of welfare reform” for his role in developing TANF’s work requirements, has levied a similar criticism, stating: “States do not spend money on the purposes of welfare reform.”\footnote{8} And, “Overall, the states have radically abused the program. Almost every state government has failed to carry out the principal objectives. Promoting work is the key idea of the act and they do virtually nothing – both red and blue states.”\footnote{9}

\textbf{Comment}: There is no credible evidence to suggest the governors like Tommy Thompson and Engler used their block grants “wisely,” because states were no longer required to evaluate their reforms under TANF as they were when receiving waivers under AFDC. A cursory examination of state caseload and poverty trends gives little reason to believe their “reforms” helped most needy families.

- In Wisconsin, between 1996 (TANF’s enactment) and 2001 (the end of Thompson’s tenure), the number of families with children in poverty remained about the same – 77,500 and 75,700, respectively. Meanwhile, the number of families receiving TANF fell over 70 percent, from
63,100 to 18,100. As a result, the TANF-to-poverty ratio fell from 81 to 24. (In 2019, it was 23.)

- In Michigan, between 1996 (TANF’s enactment) and 2003 (the end of Engler’s tenure), the number of families with children in poverty declined modestly – from 208,200 to 190,800. Meanwhile, the number of families receiving TANF fell over 70 percent, from 183,800 to 75,200. As a result, the TANF-to-poverty ratio fell from 88 to 39. (In 2019, it was just 11.)

Real “wisdom” would be finding a way to reduce the caseload by reducing the number of poor families; that is not what happened in either Wisconsin or Michigan.

**TANF’s Accountability Problem.** TANF expenditures can be divided into two categories – “assistance” and “non-assistance.” “Assistance” is spending for basic needs; “non-assistance” is virtually everything else as long as it is “reasonably calculated” to promote a TANF purpose, including (but not limited to) child care for those who are employed, preK, refundable tax credits, non-recurrent short-term benefits, services for children and youth, programs to prevent out-of-wedlock pregnancies, fatherhood and two-parent family formation and maintenance programs, child welfare services, home visiting programs, program management, and anything else that meets a TANF purpose. The rules regarding “assistance” are far more rigid than those for “non-assistance.” For example, many provisions, including federal time limits, work requirements, and data collection requirements apply only to families receiving benefits that count as “assistance.”

Conservative lawmakers often complain about the lack of accountability in social programs, as reflected in the House Budget Committee’s FY 2017 budget recommendation to terminate the Social Services Block Grant (SSBG). The Committee characterized it as a payment to states “without any matching, accountability, or evaluation requirements...” These concerns pale in comparison to those of TANF, yet the same Committee report suggests 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 $7 billion in FY 2019 and just 21 percent of total spending), 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.

TANF’s lack of accountability can be seen by comparing child care spending within TANF vs. the Child Care and Development Fund (CCDF). In FY 2019, states spent about $3.7 billion of TANF funds directly on child care and transferred another $1.3 billion, for a total of about $5 billion, compared to $10.3 billion spent on child care through the CCDF. If child care is provided by the CCDF, it is subject to numerous rules and requirements. For example, there are rules related to eligible families, eligible children, eligible providers, payment methods, payment rates, licensing, health and safety, minimum expenditures on quality, etc. On the other hand, if TANF is used to provide child care directly, there are virtually no rules. In addition, CCDF-funded child care is subject to reporting on the numbers and characteristics of families and children served. In contrast, there is no required data reporting for child care funded by TANF directly. As a result, despite TANF’s significant contribution to child care funding, it is impossible to get a complete picture of child care usage patterns and other important issues.
The fact that TANF can be used for child care also makes federal policymaking with respect to child care challenging. For example, suppose Congress wants to expand child care subsidies and increases child care funding within CCDF by $1 billion. States that don’t share this goal can simply reduce their TANF-related child care by the amount added to the CCDF. This would free-up TANF resources to again be used for any purpose. Or, suppose Congress chooses to establish new rules regarding the use of CCDF funds; if states don’t agree, they can at least partially circumvent the rules by transferring less to CCDF and spending the money directly on child care through TANF.

This example is just one program. TANF funds hundreds of programs across the nation. These same issues can arise with child welfare spending, preK spending, and numerous other programs.

**Real Improvements:** Narrow TANF’s purposes and increase federal oversight. As noted by Haskins (elsewhere) and many others, the extent of flexibility exercised by states has gone well beyond what anyone envisioned in 1996. TANF has become a blank check with no meaningful accountability and can no longer be considered effective as a safety net or welfare-to-work program.

To improve its effectiveness, TANF should be limited to its first two purposes: providing assistance to needy families so that children can be cared for in their own homes or in the homes of relatives; and ending the dependency of needy parents by promoting job preparation, work and marriage. Purposes 3 and 4 should be removed altogether (along with the reference to marriage in purpose 2), as these purposes have been used by states to transform TANF from a “program” to a form of “revenue sharing.” If Congress wants to examine interventions promoting marriage and reducing non-marital pregnancies/births, it should fund those separately and include an evaluation component to find out what works in achieving those objectives. Funding for child care, child welfare, and social services should be moved to programs where there is more accountability, either by Congress reallocating funds or adjusting TANF’s transfer limits.

Section 417, which limits federal oversight, should also be eliminated. As Haskins noted elsewhere, “States did not uphold their end of the bargain. So, why do something like this again?” It’s long past time to add some accountability.

**TANF Benefit Levels**

**Haskins & Weidinger:** “Benefits vary by state but average $425 per month.”

**PC Response:** While this statement is descriptive and accurate (for FY 2017), it fails convey several elements related to the adequacy of the benefits, such as how the amount has changed over time, how it varies across states, and how easily benefits can be accessed.

Between 1996 and 2017, the average benefit payment has declined by $162 a month (28 percent), from $587 to $425 (both in 2017 dollars). However, the average benefit paid can be misleading for purposes of examining trends over time, because it is influenced by factors such
as changes in family size, the distribution of the caseload across states, and the funding stream used by states to pay benefits.

The maximum benefit for a single parent family of three in July 2020 ranged from $170 a month in Mississippi (9.4 percent of the poverty line) to $1,086 a month in New Hampshire (60 percent of the poverty line). The latter is an outlier, with New York as the next highest in the continental U.S., at $789 a month (43.6 percent of the poverty line); this reflects the maximum in New York City, which is generally higher than the maximum elsewhere in the state. The median is $468 a month in Nebraska.

- The maximum benefit for a family of three has fallen by 20 percent or more since 1996 in 33 states, after adjusting for inflation.
- Fourteen (14) states had the same nominal benefit levels in July 2020 as in 1996, meaning that benefits have fallen in inflation-adjusted terms by 40 percent.
- In four states (Arizona, Hawaii, Idaho, and Oklahoma), TANF benefits were below their 1996 levels. After adjusting for inflation, benefits in Arizona, Hawaii, and Oklahoma have fallen by over 40 percent or more from their 1996 levels.

Not only have benefits declined in nearly all states (adjusted for inflation), but so has access as measured by the take-up rate among eligible families, from about 80 percent in 1996 under AFDC to about 24 percent in 2018. Most TANF families receive food assistance benefits from the Supplemental Nutrition Assistance Program (SNAP), but even the combined benefits are under 75 percent of the monthly poverty guideline for a family of three in all but two states and as little as 45 percent of in 15 states. While many other means-tested programs have been expanded since the 1990s, these have tended to benefit those who work and often who are not poor.

Note: The recent expansion in the child care tax credit, particularly making the credit refundable, monthly, and available to those who don’t work is a major exception. For purposes of this “response,” this expansion will be ignored because it is not permanent (at least not yet).

Real Improvements. Restore the entitlement to assistance, establish a minimum benefit standard, and index the minimum benefit to inflation.

Virtually all major non-health means-tested programs that are funded in whole or in part by the federal government have a minimum benefit standard and most are indexed to inflation. States can supplement these payments (as many do with the Supplemental Security Income (SSI) program and the Earned Income Tax Credit (EITC)). Why should TANF be any different? Establishing a reasonable minimum benefit is meaningless, unless individuals have access to benefits, so the entitlement to assistance should also be restored. Again, why should TANF—which targets the poorest families of all the major means-tested programs—be more restrictive than other federal safety net programs?

Some conservatives will express concerns that these reforms would promote dependency and undermine work. There is little evidence in the empirical literature about the relationship between welfare and work to indicate that this would be a serious problem (though the magnitude of any effect would depend on the policy details). The expansion in policies to “make
work pay” over the last 25 years would continue to make work a financially attractive alternative to relying solely on assistance. Moreover, many studies find that poverty can have harmful impacts on children and that income support programs can improve children’s economic, health, and academic outcomes.¹⁹

The TANF Caseload

Haskins & Weidinger: “As of January 2019, of the roughly 1.2 million households on TANF, 429,000 were in California and 128,000 were in New York. These figures on caseload size are somewhat misleading because many states conduct what are called separate state programs (SSP) that are supported solely with state and local funds and thus operate under less rigorous rules than their regular TANF programs that are supported with federal funds.”

Correction: The caseload data cited by Haskins and Weidinger reflect the average monthly caseload in FY 2018 (not the caseload in January 2019, which was nearly 100,000 families lower); their caseload figure includes cases in both the TANF and the SSP-MOE caseload. As noted below, many of the SSP-MOE cases are not part of a state’s main TANF cash assistance caseload but involve nominal payments (as little as $1 per month) to artificially inflate work participation rates.

PC Response: Haskins and Weidinger note that the caseload data are “somewhat misleading,” but don’t elaborate on the cause, explain the full extent of the problem, or discuss the policy and research implications of the “misleading” data. They are correct that the data are “misleading,” but in many states they are “highly misleading.” The single most important reason is TANF’s dysfunctional work requirements, which have led states to take advantage of various loopholes that artificially overstate or understate the true number of families receiving assistance in a state (as well as obscure the characteristics of the caseload).

Haskins and Weidinger point to SSPs and suggest the reason they lead to misleading “figures” is because they “operate under less rigorous rules than their regular TANF programs.” This is not the reason the data are misleading, and the authors seem to confuse SSPs with solely state funded (SSF) programs. Understanding the difference in how programs are financed between these funding streams is important – SSPs count toward the state’s basic MOE requirement and families receiving assistance in SSPs are included (since FY 2007) in the calculation of TANF work participation rates. SSF programs operate outside the TANF/MOE structure and are not subject to any of TANF’s rules. As described below, SSF programs can be created at no additional cost by states by using TANF’s broad flexibility to “swap” the funding streams used to pay for TANF and various non-TANF state-funded activities.

Token Payments Artificially Overstate the Real Caseload. One loophole states use to raise their work participation rate involves making “token payments” to families that otherwise have no connection to the cash assistance caseload, because they have minor children and a parent that works sufficient hours to count in the work rate. These payments are small (e.g., $1 a month in Massachusetts and $10 a month in California) and most states using this strategy find these families among those receiving SNAP benefits. Their only purpose is to artificially inflate the caseload with families that would meet the work participation rate. They are typically in the SSP caseload so that certain federal requirements do not apply to these families, e.g., the 60-month federal time limit.
To see the impact of these “token payments” on the work participation rate (and thus the reason some states have adopted this strategy), one can subdivide the official work participation rate into two components – the TANF portion and the SSP portion. Table 1 provides examples for the four states with the largest “token payment” programs in FY 2019. In each state, the work participation rate for the traditional TANF program is below 50 percent, but by adding the “token payment” cases in their SSP program, where participation rates are around 90 percent or more, their combined (official) work participation rate rises to above 50 percent. Even though most states have not adopted this strategy (relying instead on caseload reduction credit and/or other loopholes), the impact on the national work participation rate is substantial, raising it from 29.8 percent to 47.1 percent.

Table 1: The Impact of “Token Payments” on TANF’s Work Participation Rate FY 2019 (selected states)

<table>
<thead>
<tr>
<th>State</th>
<th>TANF</th>
<th>SSP</th>
<th>Combined (official)</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>34.0%</td>
<td>89.9%</td>
<td>55.3%</td>
</tr>
<tr>
<td>Maine</td>
<td>39.4%</td>
<td>94.4%</td>
<td>87.7%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>15.4%</td>
<td>98.3%</td>
<td>66.4%</td>
</tr>
<tr>
<td>Oregon</td>
<td>4.7%</td>
<td>87.5%</td>
<td>65.9%</td>
</tr>
<tr>
<td>National</td>
<td>29.8%</td>
<td>79.4%</td>
<td>47.1%</td>
</tr>
</tbody>
</table>


Counting “token payment” cases as part of the cash assistance caseload, as Haskins and Weidinger do, significantly overstates the caseload receiving conventional cash assistance benefits. In FY 2019, they accounted for about 160,000 (about 15 percent) of the 1.1 million families receiving TANF/SSP assistance in an average month. They account for nearly one-third of families with a work-eligible individual, i.e., those subject to TANF’s work requirements. (States do not submit caseload data for “token payment” cases, but these can be estimated from various state documents and a careful examination of the characteristics of families receiving assistance under TANF and especially SSPs.21) These “token payment” cases obscure caseload trends nationally, but especially at the state level. For example, when California adopted its token payment program in October 2014 it saw its TANF/SSP caseload rise by nearly 100,000 (19 percent) in one month, from 528,764 to 623,725.22 This wasn’t a real increase; it was artificially inflated by a gimmick. (The actual number of “token payment” cases was about 150,000, but the state made a simultaneous shift in its TANF caseload of over 50,000 families to an SSF, discussed below.)

SSF’s Artificially Understate the Real Caseload. Most states take advantage of a second loophole that artificially understates their true TANF caseload in the data collected by the U.S. Department of Health and Human Services (HHS). Under this approach, states divide TANF families into those likely to meet federal work requirements and those unlikely to meet them, providing assistance to those in the latter group with non-MOE state funds, i.e., in SSF programs. By moving families unlikely to meet the work rate outside the TANF/MOE structure, the
remaining caseload is composed of families more likely to satisfy the work requirements and thus artificially raises the work participation rate. Researchers at Mathematica describe 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.23

In this example, the District shifted about two-thirds of its total average monthly cash assistance caseload to an SSF program. Illinois also employs this strategy, shifting about half its caseload to an SSF program. It’s largest is aptly titled, “Single Parent Families Not in a Countable Activity Paid with State Only Funds.”

Creating a SSF program does not require additional state spending. A state can simply “swap” funding by identifying current state expenditures that it could count (but has not counted in the past) toward the TANF MOE requirement, freeing up those funds to allow the state to fund the SSF program with state dollars that do not need to be claimed toward the MOE requirement. It can use federal funds that were used to provide assistance to supplant existing state expenditures not counted as MOE and then use the freed up state funds for an SSF outside the TANF-MOE structure. There are no official HHS data on SSF programs, but a rough approximation based on state-specific caseload data is that in FY 2019, about 140,000 families were receiving assistance through such programs. Nearly half the states have moved their entire two-parent caseloads to SSF programs to avoid the more stringent two-parent work participation rate requirement.

The Real Caseload. To understand the policy implications of trends in TANF caseloads, work participation rates, and other related data, particularly at the state level, it is important to understand how states can manipulate their caseloads and funding streams. A more accurate source for data on caseloads is produced by the Center on Budget and Policy Priorities.24 Their data series provides caseload information by year and by state, from 1979 on, and beginning September 2006 they make adjustments for “token payments” and SSF programs to provide a more accurate picture of the number of families receiving assistance.

Haskins and Weidinger highlight the caseload figures in California and New York; together they account for about 45 percent of the national caseload, up from about 30 percent in 1996. If the caseload figures nationally were adjusted to subtract out token payment cases and add back SSF cases, the caseloads in these two states would represent roughly 40 percent of the national caseload. This might suggest to some, that California and New York are too “liberal” in terms of their provision of assistance, but this would be wrong. Both states have over time served a
smaller share of poor families with children. What this really reflects is the fact that many other states have decimated their cash assistance programs under TANF and now serve very few needy families, even though TANF’s very first purpose is “to provide assistance to needy families…”

**The Need for a Broader Perspective.** It is useful to put these caseload numbers and trends into a broader perspective by comparing the number of families receiving assistance to the number eligible for aid. Between 1996 and 2018, the number of families receiving cash assistance fell by about 75 percent, from 4.4 million to 1.0 million. If this decline had been achieved by increasing employment that in turn led families to no longer need assistance, TANF could be judged a success. But independent reviews by the Congressional Research Service (CRS), the Government Accountability Office (GAO), and HHS suggest that about 60 to 90 percent of the decline was achieved by reducing the take-up rate among eligible families, pushing many of them deeper into poverty.25 (The estimate of the magnitude is sensitive to the time frame selected and the state of the economy.)

Table 2 shows the average monthly number of families eligible for assistance compared to the average monthly number receiving assistance for selected years from 1981 to 2018. Between 1981 and 1996, AFDC served nearly 80 percent of those eligible for assistance. In 1996 (before TANF), 5.6 million families were eligible to receive benefits and 4.4 million did so (79 percent of those eligible). In 2018, 4.2 million families were eligible to receive assistance, but only 1 million did so (24 percent of those eligible). In other words, the number of families eligible for assistance, but not receiving it, grew by 2 million, from 1.2 million in 1996 to 3.2 million in 2016. These 2 million families were very poor (given TANF’s low income eligibility thresholds) and most were pushed deeper into poverty. Notably, in 2018, the economy was strong. Because TANF is not responsive to economic changes, in some years the increase in the number eligible but not participating is considerably higher.

<table>
<thead>
<tr>
<th>Year</th>
<th>Eligible (millions)</th>
<th>Participating (millions)</th>
<th>Eligible, Not Participating (millions)</th>
<th>Participation Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>4.8</td>
<td>3.8</td>
<td>1.0</td>
<td>80.2</td>
</tr>
<tr>
<td>1987</td>
<td>4.9</td>
<td>3.8</td>
<td>1.1</td>
<td>76.7</td>
</tr>
<tr>
<td>1992</td>
<td>5.6</td>
<td>4.8</td>
<td>0.8</td>
<td>85.7</td>
</tr>
<tr>
<td>1996</td>
<td>5.6</td>
<td>4.4</td>
<td>1.2</td>
<td>78.9</td>
</tr>
<tr>
<td>2000</td>
<td>4.4</td>
<td>2.3</td>
<td>2.1</td>
<td>51.8</td>
</tr>
<tr>
<td>2004</td>
<td>5.1</td>
<td>2.2</td>
<td>2.9</td>
<td>42.0</td>
</tr>
<tr>
<td>2008</td>
<td>5.2</td>
<td>1.7</td>
<td>3.5</td>
<td>33.0</td>
</tr>
<tr>
<td>2012*</td>
<td>5.4</td>
<td>1.7</td>
<td>3.7</td>
<td>32.4</td>
</tr>
<tr>
<td>2016*</td>
<td>4.9</td>
<td>1.2</td>
<td>3.7</td>
<td>24.9</td>
</tr>
<tr>
<td>2018*</td>
<td>4.2</td>
<td>1.0</td>
<td>3.2</td>
<td>24.2</td>
</tr>
</tbody>
</table>

*Source: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: Twentieth Report to Congress*, July 15, 2021, available at: [https://aspe.hhs.gov/reports/welfare-indicators-20th-rtc](https://aspe.hhs.gov/reports/welfare-indicators-20th-rtc). The eligibility estimates are derived using the TRIM model, which has been used for nearly 50 years by administrations of both parties to calculate eligibility for TANF and other programs. Program administrative data are used for the number of families receiving benefits. *Adjusted to exclude “token payment cases.”*
In 2010, the GAO concluded:

The decline in the number of poor families receiving cash assistance from 1995 to 2005 reflects declines in both the number of eligible families and in eligible families’ participation. The strong economy of the 1990s, TANF’s focus on work, and other factors contributed to increased family incomes and a decline in the number of eligible families. However, most of the caseload decline – about 87 percent – resulted from fewer eligible families participating in the program, perhaps in response to TANF work requirements, time limits, and sanction and diversion policies. [Emphasis added.]

More recently, Gene Falk of the CRS reported a similar result:

The cash assistance caseload decline has been seen as one of the prime indicators that TANF made progress in achieving the goal of ending the dependence of needy families on government benefits. However, most of the caseload decline has resulted from a decline in the rate at which people eligible for assistance actually receive benefits, rather than a decline in the population in need. In 2015, 18.0 million people were eligible for TANF assistance, but 4.9 million (27%) received it. [Emphasis added.]

A similar conclusion can be reached by examining the TANF-to-poverty ratio. In 1996 for every 100 families with children in poverty, 68 received cash assistance from AFDC, but under TANF this ratio was just 23 in 2017. A statement by the Center on Budget and Policy Priorities succinctly states the issue as follows:

TANF could be serving 2.5 million more families. In 2017, TANF helped 1.3 million families. But if it had the same reach as in 1996, it could have helped 3.8 million families. [Emphasis added.]

_A Real Improvements._ Limit TANF spending to cash assistance, work activities and related administrative costs; and restore the entitlement to assistance. Caseloads should be reduced by reducing the need for assistance, not simply pushing families off cash aid as TANF has done. As a transitional step, states could be required to spend minimum percentages on these activities that rise over time.

**TANF Complications: Not Just Assistance vs. Non-assistance**

Haskins & Weidinger: “Further complicating matters is that TANF spending on families can be divided into assistance and nonassistance. Assistance is cash and cash equivalents, some child care funds, and payments for transportation and job search for an unemployed family. Nonassistance includes nonrecurrent short-term benefits, case management, employment-related services that do not provide basic income support, and other services.”

_Correction:_ A more accurate statement would be that “assistance” expenditures include benefits directed at meeting basic needs (e.g., food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses). While these are generally in the form of cash, this is not a requirement, e.g., expenditures for child care and transportation for the unemployed are a notable exception. Job search would not be considered “assistance” under any circumstance. Moreover, many forms of cash payments –
most notably diversion grants and refundable tax credits – are in the form of cash and do provide “income support” but are not considered “assistance.”

**PC Response:** The distinction between “assistance” and “non-assistance” is just one of many complications when examining TANF’s Rube Goldberg-like financing structure.

**TANF’s Rube Goldberg-like Funding Rules.** The AFDC program had clearly defined activities and several matching rates (distinguishing between benefits, administrative costs, welfare-to-work activities, some child care expenses, and emergency aid in some states), but the process was simple and straightforward. Under TANF, Congress created a situation in which states must 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,” whether the expenditure is “authorized under prior law,” whether it is allowable under Healthy Marriage and Responsible Fatherhood Grants, and which specific type of federal funding stream (e.g., block grant, Contingency Fund, Emergency Contingency Fund, and the Pandemic Emergency Assistance Fund). The process is far from simple.

The Center for Law and Social Policy (CLASP) depicts some of this complexity in Figure 1 and Table 3 below.
Table 3 shows the different rules that apply to each of these funding streams.

### Table 3: Rules for Assistance Under Different Program Configurations

<table>
<thead>
<tr>
<th>Funding Configuration</th>
<th>TANF Programs</th>
<th>Commingled Federal TANF and State MOE</th>
<th>Segregated State MOE Funds</th>
<th>Separate State Programs (MOE, but not TANF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>Limited to needy (as defined in state plan) families that include a minor child living with a parent or relative, or a pregnant woman. Non custodial parents may be members of such families.</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Others can receive if authorized under prior law</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Immigrant status restrictions apply</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Must be verified under IEVS</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Work participation rates</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Data collection requirements</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Federal five-year time limit</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Teen parent residency and school requirements</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Fraud and fugitive felon requirements</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Restrictions for individual convicted of certain drug related felonies, unless states opt out</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Child support must be assigned to state and may be retained to offset costs of assistance paid to family.</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Can count toward regular MOE requirement</td>
<td>State share</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Can count toward Contingency Fund MOE</td>
<td>State share</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>15% limit on administrative costs</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

*Note: Solely state funded programs are not subject to these requirements; however, states may impose their own rules on such programs so that they are comparable from the participant’s perspective.*


**Real Improvements.** Apply the same rules across all funding streams; and simplify the funding structure.

*Note: TANF’s funding rules are far too complex to describe in this response, but the foregoing figure and table from CLASP is a concise way to show some of the main issues that must be considered.*

**Haskins & Wedinger:** “The TANF program is a $16.5 billion per year block grant, meaning annual federal funding is fixed and not subject to change as open-ended entitlement programs are. In contrast, the prior AFDC program – like other major means-tested benefit programs including Medicaid, food stamps, and Supplemental Security Income – provide open-ended federal funds, resulting in significant increases in federal funding as caseloads increased over time.”

Writing elsewhere, Haskins describes how replacing AFDC’s federal-state matching approach with a block grant gave “states a financial incentive to help families leave the rolls”: 

15
The federal government gives money to states in many ways. The block-grant method typically gives states abundant flexibility in using federal money to achieve goals specified in federal law.

…A particular advantage of replacing AFDC with a block grant is that the incentives for state policy and practice are much more in line with the goal of helping people leave welfare. Under the AFDC entitlement, every time states added someone to the welfare rolls, the feds gave them an average of about $0.55 for each dollar they spent on benefits. Many AFDC critics saw this financing mechanism as providing states with a financial incentive to add people to the rolls. Similarly, for every person who left the rolls, sometimes because the state helped them find a job, the federal government reduced their payment by an average of $0.55 on the dollar.

By contrast, under the block grant, if the states add someone to the rolls, they must pay the entire cost out of their block grant. But if they help a recipient leave the rolls, they get to keep all the money that had been paying for that person’s benefits. Thus, the block grant’s structure gives states a financial incentive to help families leave the rolls.  

**PC Response:** Haskins and Weidinger provide a very cursory description of the block grant and issues surrounding it. They focus primarily on costs and caseloads, without addressing (at least in any meaningful way) other important issues related to adequacy, responsiveness, funding allocations, and other issues.

**Background.** The TANF block grant amount was established in the 1996 law based on historical spending for AFDC benefits, AFDC administration, Family Assistance Management Information Systems, Emergency Assistance, and the JOBS program. These were funded with a federal-state match. Some were open-ended: AFDC benefits (Medicaid matching rate, which could range from 50 percent to 83 percent), AFDC administration (50 percent), Emergency Assistance (50 percent), and the Family Assistance Management Information Systems Emergency Assistance (50 percent). Federal funding for JOBS was subject to an annual cap (and matched at 60 percent or the Medicaid matching rate, whichever is higher).

The amount of the block grant was determined based on federal spending on these programs for FY1992 through FY1995, giving each state the greatest of:

- the average federal share of expenditures in these programs for FY 1992 through FY 1994;
- the federal share of expenditures for these programs in FY1994, adjusted for states that amended their EA programs in FY 1994 or FY 1995; or
- 4/3 times the federal share of expenditures for these programs in the first three quarters of FY 1995.

The State Family Assistance Grant (SFAG) or block grant was initially set at $16.567 billion, but beginning with FY2017, it was reduced by 0.33% from its historical levels to fund TANF-related research and technical assistance. The reduced block grant amount is $16.512 billion. (The
amount of funds available for a state’s TANF program is also reduced by the amount of funding for tribal programs within the state. These grants total about $200 million nationally.)

Note: The following terms are sometimes referred to as the “block grant,” but there are important distinctions. The State Family Assistance Grant (SFAG) represents the entire block grant. The “SFAG payable” is the SFAG minus any reductions for Tribal Family Assistance Grants payable to Tribal grantees paid on behalf of Indian families residing in the state and any penalties imposed on the state. The “adjusted SFAG” is the SFAG payable less transfers to any transfers to the Social Services Block Grant (SSBG) or the Child Care and Development Fund (CCDF). For some purposes, such as determining the Contingency Fund amount, the SFAG payable is the relevant figure, but for other purposes, such as determining state penalties, the adjusted SFAG is used. These distinctions don’t come up in the Haskins-Weidinger paper, but they are yet another complication in understanding how TANF works. For example, why should a penalty for failing to meet work participation rate targets be based on the “adjusted SFAG,” where the penalty could be 30 percent lower if a state transfers the full allowable 30 percent under TANF’s transfer authority?

The amount of federal funding for the AFDC and related programs varied considerably across states due to differences in federal match rates and state decisions about eligibility and benefit levels. As a result, in FY 1995, the federal spending in TANF’s predecessor programs ranged from $343 per poor child per year in Mississippi vs. $2,403 in Alaska (both in 1995 dollars).37

The Short-Term Windfall. The block grant in most states was based on a period (FY 1992 to FY 1995) when caseloads were at historic highs, so initially states received a large windfall. According to the U.S. General Accounting Office (GAO) the size of the windfall (including state funds) for FY 1997 was substantial:

For the United States as a whole, we estimated that if all states had received a full year’s TANF allotment in 1997 and maintained state funding at 80 percent of historic levels, they would have had about $4.7 billion more than we estimate they would have spent in 1997 under prior methods of financing. On average, given the actual caseload in 1997, we estimated that states would have had about 25 percent more budgetary resources under TANF than they would have had under AFDC funding rules.38

Congress effectively bribed the governors to take a block grant, as former Senator Rick Santorum (R-PA) explains:

They will support block grants if there’s enough money to take care of the problem. So we learned in ’96 don’t make folks cast hard votes if they can cast an easy vote to give money to the states so they can do the hard work and they can say there’s plenty of money to do the work. And that’s what we did, that’s how Bill Clinton signed it, because we kept putting more money in.39

And, indeed, virtually all states got a substantial federal windfall for at least the first 5 years of TANF, relative to what they would have received under AFDC. While the then governors welcomed the deal with Congress, future governors had fewer resources to address the needs of TANF-eligible families. As Peter Edelman observed in 1997:
Many governors are currently crowing about this “windfall” of new federal money. But what they are not telling their voters is that the federal funding will stay the same for the next six years, with no adjustment for inflation or population growth, so by 2002 states will have considerably less federal money than they would have had under AFDC.\textsuperscript{40}

Indeed, funding has remained the same for nearly 25 years.

**Lack of Responsiveness.** The block grant (and basic MOE requirement discussed below) remain fixed, regardless of the state of the economy, demographic shifts, and other factors that might affect the need for assistance.

- There is no adjustment for inflation. The real (inflation-adjusted) value of the block grant and basic MOE requirement have declined by 40 percent since 1996.

- There is no meaningful adjustment for economic downturns. Consider the following examples representing periods of rising poverty and unemployment:
  
  - Under AFDC, between 1989 and 1993, the number of poor families with children rose by 1.5 million families, from 5.6 million to 7.1 million (and the unemployment rate rose from 5.3 percent to 7.5 percent); meanwhile, the AFDC caseload rose by 1.3 million (from 3.7 million to 5 million).

  - Under TANF, between 2007 and 2011, the number of poor families with children rose by 1.4 million, from 6 million to 7.4 million (and the unemployment rate rose from 4.6 percent to 8.9 percent); meanwhile, the TANF caseload rose by just 200,000, from 1.8 million to 2 million.

  - There is no adjustment for large variations in population changes over time and across states. For example, between 1996 and 2019, the number of poor families with children rose 116 percent in Nevada (from 21,045 to 45,499, with an intermediate high of 74,563 in 2014) whereas in New York the number fell 46 percent (from 550,562 to 296,290), yet the block grant and basic MOE requirement remained unchanged in both states throughout this period.\textsuperscript{41}

While the 1996 law did include special funding streams for states experiencing adverse economic conditions (Contingency Fund) or population growth and/or low historic grants relative to poverty in the state (Supplemental Grants), the funding formulas for both were seriously flawed and they did not operate as intended. (They are discussed in more detail below.)

**Flawed funding formulas.** 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. Joshua McCabe of the Niskanen Center describes these disparities as follows:
Existing allocation is enormously inequitable. Rather than base funding on fiscal capacity or population, the TANF block grant formula as it exists today is an anachronism of the old system it replaced. The previous system of matching grants used the FMAP matching formula, which favored wealthy states over poor states. When it was converted into a block grant in 1996, policymakers simply froze existing federal funding allocation. This had the effect of locking in previously existing inequities. The new law meant that the best funded state (NY) received more than six times the funding per child as the worst funded state (AL) as a block grant rather than a matching grant.

Differential growth in the population under 18 across states has exacerbated these inequities. Because the TANF block grant is allocated on a per state rather than per capita basis, states like Nevada (65% increase in population under 18) have had to do more with less while states like Vermont (25% decrease in population under 18) saw a rise nominal funding per child. The best funded state now receives more than nine times as much as the worst funded state.

Most alarmingly, federal funding is positively correlated with fiscal capacity. The states with the greatest ability to fund social assistance programs receive the most while the states with limited ability to fund them receive the least. This is the exact opposite of what might be expected of a progressive system of fiscal federalism.42

As a welfare program, the vast disparity in federal funding per child is troubling. TANF is really a form of revenue sharing in many states, 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.

**Excessive Flexibility to Divert.** AFDC was targeted to very poor families and its funding was limited to core welfare reform activities – basic assistance, work activities, and work supports. Given its broad purposes and the restrictions placed on federal oversight, states have used TANF funds to supplant existing state expenditures and otherwise fill budget holes. In many cases, funds have been diverted to activities that have no direct impact on poverty (e.g., preK) or that involve individuals who are not from families with a minor child (e.g., college scholarships). These expenditures also often support those who have incomes well above the poverty line because under TANF states can establish their own income limits and for some activities have no income limit at all.

**The Problem of Supplantation.** Since TANF’s inception, states have used tens of billions of federal TANF dollars to simply replace existing state spending. Examples from two states with leading political figures supporting welfare reform are notable – Wisconsin (with former Speaker Ryan) and Texas (with Rep. Kevin Brady who recently co-sponsored the leading Republican welfare reform bill).

Wisconsin. 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.”43 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.”

**Texas.** Texas also supplants a considerable share of its TANF funds, a trend that started with TANF’s inception, as described in a 2006 press release by the Center for Public Policy Priorities (CPPP):

Over the last decade Texas has spent an increasing share of the block grant on child protection and foster care – first to “supplant” (replace) the general revenue that used to fund these services and later to expand funding for these services. As a result, fewer TANF funds are spent on cash assistance and other work support programs designed to help parents make the transition from welfare to work. For example, spending on cash assistance accounted for 67% of the block grant in 1997; now it makes up only 22%. Further, funding for employment and training has not increased since 1999, and no federal TANF funds are used to fund child care for “working poor” families – families who make too much to qualify for TANF but too little to afford child care. Texas’ use of the TANF block grant to supplant state spending on child protection also leaves funding for child protection vulnerable to potential changes at the federal level, both in the form of cuts to the TANF block grant or changes in how child protection is financed.

**Inadequate Accountability.** With respect to cash assistance, states did not need TANF’s “flexibility” to enact new policies. They were already implementing welfare reform under a process started by President Reagan that allowed them to experiment with changes to their AFDC programs by receiving waivers to test policy changes. These waivers were subject to requirements for rigorous evaluation – typically random assignment – and cost neutrality (but not a fixed amount like a block grant). With a rigorous evaluation it was possible to determine whether families were “helped” under a particular reform plan. If it appeared the waiver policies pushed many families deeper into poverty, the waivers could be revoked or modified. If implemented properly, this is a responsible and evidence-based approach to giving states flexibility.

Unlike AFDC there is no requirement under TANF that states evaluate their programs. As a result, very little has been learned about welfare reforms related to those receiving or eligible to receive cash assistance. Robert Moffitt of Johns Hopkins University recently lamented the fact that there have been relatively few RCTs (randomized control trials) since TANF’s enactment:

> Why haven’t we had any RCTs since the 1990s? In the 1990s, ACF was out there, you know, subsidizing dozens of these things. Where’s the ACF?

ACF is the Administration for Children and Families, the agency within HHS that administers the TANF program. ACF has a long history of supporting and funding RCTs and even in the TANF era, it has an extensive portfolio of RCTs of employment programs for welfare recipients and other low-income populations. However, there are major gaps in what could have been
learned about time limits, sanctions, mandatory work programs, and many other TANF provisions, not because of a lack of interest or support by ACF, but because the law provides limited funding for evaluation and does not require states to evaluate these policies even when many are likely to have pushed families deeper into poverty.

**Real Improvements.** Base funding for a safety net program on economic need; not state expenditure patterns that existed more than a quarter century ago; limit allowable uses to core welfare reform purposes; and restore accountability. Congress is not adept at devising formulaic adjustments for changes in need, so replacing the block grant with an open-ended program like AFDC (or even better, SNAP) would ensure needed responsiveness.

**Haskins & Weidinger:** “To receive their full share of federal block grant funds, states must satisfy “maintenance of effort” (MOE), or state spending, requirements that collectively total about $10.3 billion per year. The basic MOE requirement is 80 percent of the annual state block grant but is reduced to 75 percent if the state meets its work requirement.”

**Correction:** The percentage figures are based on historic state spending, NOT the annual block grant amount. This can be a significant difference in many states. For example, in Texas, 80 percent of the block grant would be $388 million, which is 55 percent higher than the state’s basic MOE requirement at 80 percent of $251 million. In other states, the difference is smaller. In California, 80 percent of the block grant would be $2.908 billion, which is only 2 percent higher than its basic MOE requirement at 80 percent of $2.843 billion. The magnitude of the differences for states depends on a variety of factors – the federal-state matching rate under AFDC, state decisions about eligibility and benefits under AFDC, and differences in programs included in the basic MOE requirement vs. those used in the calculation of the block grant.

Haskins and Weidinger also say that “collectively” states can satisfy the MOE requirement by “state spending” of $10.3 billion. The $10.3 billion would be the amount if all states met their work requirements (and thus would be subject to the 75 percent requirement). However, a handful of states missed the two-parent work requirement in FY 2020, so they faced an 80 percent requirement, so the “collective” requirement was about $10.5 billion. The “collective” amount needed is contingent upon the number of states that fail one or both work participation rate requirements.

**PC Response:** As in their discussion of the block grant, Haskins and Weidinger provide a very cursory description of the MOE requirement and issues surrounding it. They focus primarily on dollar amounts, without addressing other important issues related to adequacy, responsiveness, and supplantation, among others.

**Background.** AFDC was based on a federal-state match. TANF requires states to maintain spending from their own funds as a maintenance-of-effort (MOE) requirement. This amount represents 80 percent of what was spent from state funds in FY1994 in TANF’s predecessor programs of AFDC, Emergency Assistance, JOBS, and AFDC-related child care. States are required to maintain their own spending of at least that level, and the MOE requirement is reduced to 75 percent of FY1994 spending for states that meet their TANF work participation requirements.

**Adequacy and Responsiveness.** Like the block grant, the basic MOE requirement remains fixed, regardless of the state of the economy, demographic shifts, and other factors that might affect the
need for assistance. As a result of inflation, the basic MOE requirement is now equal to less than 50 percent of FY 1994 spending due to inflation.

In addition, states can count a much broader range of expenditures made by state and local governments (vs. as under AFDC) as long as they are “reasonably calculated” to advance a TANF purpose. As a result, states count billions of dollars each year on activities like preK, refundable tax credits, child welfare, services for children and youth, and many others that were not part of the AFDC or related programs. While these benefits and services may be worthwhile, they represent a shift away from core welfare reform activities. In addition, states can, subject to certain requirements, count in-kind third-party non-governmental expenditures as state spending for MOE purposes.

**Flawed Formula.** As with the block grant, the MOE requirement is based on the preTANF matching formulas for the affected programs, which in turn were influenced by state decisions about eligibility and benefits. As a result, there is considerable variation in the expected MOE contribution per child (or per poor child) across states, locking in inequities from more than a quarter century ago.

**The Problem of Supplantation (Again).** Congress did attempt to ban supplantation with state 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 have also tried to reclassify “pre-existing” programs as “new” programs by asserting the modest changes in programmatic structure constitute a “new” program.

**Variable MOE Percentages Based on Work Requirement Status.** The basic MOE requirement for a fiscal year is 80 percent of historic spending, but states can lower this amount to 75 percent if they satisfy work requirements. The data on work requirements, however, is typically not published until about 9 to 12 months after the end of the fiscal year. In the past, some states used the 80 percent standard, but later made retroactive adjustments to their financial data once they were certain that they met their work requirements. A simpler approach would have been to apply the percentages for the basic MOE requirement for the fiscal year following the release of the work participation data. As a practical matter, the 5 percentage point difference is not much of a penalty, particularly given the way inflation has eroded the value of the basic MOE requirement and the ease with which states can identify other (previously uncountable) state, local, and even non-governmental expenditures.

**Haskins & Weidinger:** “The TANF block grant is not adjusted for inflation, meaning the federal block grant and effectively the state MOE requirement have remained fixed at the value enacted in 1996. In real terms, the value of the federal block grant has dropped by 37 percent since 1996 due to inflation. During the same period, the number of individuals receiving assistance under TANF fell by even more, most notably in the early years following enactment of the 1996 law.”
PC Response: The relevant comparison should not be to the number of individuals receiving assistance, but rather to the number eligible to receive benefits. As shown in Table 2 above, most of the reduction in TANF’s caseload has been due to a decline in eligible families NOT receiving benefits. This is not success.

Haskins & Weidinger: “The TANF block grant includes a ‘sunset date,’ requiring Congress to regularly review the program and extend its authorization. The original sunset date was the end of Fiscal Year (FY) 2002, and TANF’s authorization has been extended more than three dozen times since, with the only long-term reauthorization law enacted in 2006 and effective through FY2010. With minor exceptions, the provisions of the 2006 version of the law are still in effect.”

PC Response: The TANF experience highlights the problem of having a highly dysfunctional “program” that relies on “sunset dates” that require periodic congressional review. Despite many well-documented problems, Congress has failed time and again to effectively address its deficiencies – at all or in a meaningful way. Consider the following two examples.

Example 1: Supplantation. In the immediate aftermath of welfare reform, many states built up large reserves of unspent TANF funds as a result of the initial windfall from the design of the block grant and caseload decline. On March 16, 1999, former Rep. Nancy Johnson, then chair of the House Ways and Means Subcommittee on Human Resources, wrote individually to all 50 governors warning that more TANF funds needed to be spent or states risked having Congress take back some of the unspent funds or would have future grants reduced. This prompted states to shift more of their TANF/MOE funds to activities other than traditional “welfare reform.” Notably, these shifts did not necessarily represent new spending, but often the supplantation of existing state spending. In response, Rep. Johnson wrote another letter to all 50 governors in March 2000, stating:

I hope you will be careful to avoid supplanting TANF funds. By supplantation, I mean replacing state dollars with TANF dollars on activities that are legal uses of TANF funding. Supplantation, of course, is perfectly legal under the TANF statute. However, if the savings from supplanted federal funds are used for purposes other than those specified in the TANF legislation, Congress will react by assuming that we have provided states with too much money.48

The problem did get worse after 2000, yet Congress has done nothing about it.

Example 2: Dysfunctional Work Requirements. The Deficit Reduction Act of 2005 attempted to close some of TANF’s work requirement loopholes by recalibrating the base year for the caseload reduction credit (from FY 1995 to FY 2005), adding families in separate state programs to the work rate calculation, and changing the group required to participate from families with a “TANF adult” to families with a “work-eligible individual” (primarily adding certain non-recipient parents whose children receive assistance). States responded by shifting to new loopholes – solely state funded programs, generating “excess MOE” to inflate the caseload reduction credit, and making “token payments” to families with an individual working full-time...
but otherwise with no connection to the cash assistance caseload. (These loopholes are described in more detail below and in Appendix I.)

These new loopholes were evident immediately, but Congress has failed to act in a meaningful way to address them for the last 15 years.

NOTE: TANF’s work requirements have many problems beyond loopholes; they are unreasonable (for recipients), unrealistic (for states, and thus leading to loopholes), needlessly complicated and inflexible, and not based on a careful interpretation of the research.

**Real Improvements.** TANF’s sunset provision is meaningless, leading to about 50 – mostly short-term – extensions without any meaningful reform.\(^49\) The Deficit Reduction Act of 2005 made a number of seemingly substantive changes to the law, but it did not address TANF’s underlying structural problems or fix the program. Indeed, in many ways the law simply created new administrative hoops and paperwork burdens for states, e.g., resulting in multiple work participation rate failures leading states to enter into corrective compliance plans where they simply took advantage of new loopholes without any meaningful, practical change.

A real improvement would be to eliminate the sunset date. TANF is a fundamentally flawed program but forcing federal and state officials to prepare for funding lapses does nothing but produce uncertainty and needless paperwork.

**TANF’s Special Funding Streams for “Specific Goals”**

Haskins & Weidinger: “TANF included several funding streams designed to address specific goals, including (1) a ‘contingency fund’ – originally a fund equal to $2 billion and later an annual grant of over $600 million – designed to assist states experiencing economic distress; (2) ‘supplemental grants’ totaling $800 million over a four-year period (1998–2001) for seventeen states with historically high poverty rates or experiencing significant population growth (these grants were extended before lapsing in 2011); (3) $100 million per year in bonuses for states that successfully reduced out-of-wedlock births—a key driver of poverty and welfare dependence—without increasing the number or rate of abortions (this bonus fund was replaced by a research, demonstration, and technical assistance fund in 2006); and (4) $200 million per year in bonus funds for certain “high-performance” states (this bonus fund was repealed in 2006, with the savings used to provide additional child care).”

Comment: Haskins and Weidinger neglect to mention the Emergency Contingency Fund (ECF), authorized at $5 billion over FY 2009 and FY 2010. While the ECF was not part of the original TANF legislation, it should be included in a description of TANF and its funding streams, in part, because it is a significant improvement upon the original Contingency Fund.

PC Response: The following subsections highlight some of the main problems with each of these special funding streams, as well as the ECF.

**The Contingency Fund.** The intent of the Contingency Fund was to help states provide basic assistance during periods of “economic distress.” It was originally established as a fund equal to $2 billion. It was depleted in FY 2010 as a result of the Great Recession and replaced by annual grants of over $600 million.
**Flawed Triggers.** A state can qualify for the Contingency Fund by meeting a what was intended to be a test of “rising need”: 1) its seasonally adjusted unemployment rate averaged over the most recent 3-month period is at least 6.5 percent and at least 10 percent higher than its rate in the corresponding 3-month period in either of the previous 2 years; or 2) its SNAP caseload over the most recent 3-month period is at least 10 percent higher than the adjusted caseload in the corresponding 3-month period in FY1994 or FY1995, adjusted by subtracting out an estimate of participants who would have been ineligible for food stamps under the 1996 welfare law had it been in effect in those years. (The major group made ineligible was noncitizens.)

Both triggers are seriously flawed and needlessly complicated. The unemployment rate trigger makes states eligible if they have high and rising unemployment rates. However, as was the case during the Great Recession and its immediate aftermath, many states would not have qualified for many years – if qualification were based solely on this trigger – despite having a high unemployment rate. For example, Michigan’s unemployment rate rose from 6.6 percent in October 2005 to a peak of 14.0 percent in June of 2009. For Contingency Fund purposes, the state would have lost eligibility based on this trigger in January 2011, because the three-month average for the period November 2010 to January 2011 was 10.8 percent, which was no longer at least 10 percent higher than the three-month period two years earlier when it was 10.2 percent.

The SNAP trigger was presumably selected because it is a proxy for the number of poor people; however, population growth combined with eligibility expansions and outreach in the SNAP program created a situation in which nearly all states were qualified for the last decade and the indefinite future, even when the economy is strong. For example, in 2019, all but three states qualified to receive Contingency Funds despite a national unemployment rate of 3.7 percent. Even North Dakota and Vermont with the lowest unemployment rates in the nation (2.3 percent) were eligible based on the SNAP trigger.

Both triggers are needlessly complicated, requiring ongoing calculations of three-month averages for comparison purposes to determine the 10 percent change calculation (though in most months, this should be obvious without a formal computation).

**Ineffective MOE requirement.** A state must meet a 100 percent of historic (FY 1994) state spending MOE requirement. This MOE requirement is based on a different calculation of state spending than the basic MOE requirement, as child care expenditures on the pre-TANF programs are subtracted from the historic spending figures. In addition, not all TANF-related spending that counts for the basic MOE requirement counts for purposes of qualifying for the Contingency Fund. MOE expenditures on child care and those in separate state programs do not count toward the 100 percent requirement or subsequent matching.

While some states report that the higher 100 percent Contingency Fund requirement is a barrier to receiving funds, others have been more aggressive about seeking out additional third-party spending. For example, the state of Washington worked with consultants to identify third-party spending in local communities and other spending that significantly exceeded the 100 percent MOE standard for the state in FY 2009 (and for most years afterwards). Despite receiving
contingency funds each year, the state later cut TANF benefits and made time limit changes that reduced the state’s caseload by about 10 percent.  

*Needlessly complex formula.* Monthly payments are limited to one-twelfth of 20 percent of a state’s block grant; the amount is based on the number of months a state is eligible for the Contingency Fund during the fiscal year, its FMAP rate, and how much it spends above the FY1994 threshold. (A state that meets either trigger in just one month would be considered an “eligible state” for two months.) States may receive these monthly payments on an advance basis. While most states are now eligible indefinitely (due to the SNAP trigger), if there are any whose eligibility fluctuates from month to month, this approach creates uncertainty about the amount of contingency funds they will receive and the amount of matching funds needed for the year and thus makes it difficult to plan.

*Inadequate appropriation levels.* The original $2 billion Congress authorized for the Contingency Fund was depleted in early FY 2010. Since then, Congress has provided just over $600 million most fiscal years. The capped funding is an artificial number based solely on political considerations, regardless of economic conditions or the number of states requesting funds. The Fund is regularly depleted around the middle of each fiscal year. In the event of a serious economic downturn, the Contingency Fund’s arbitrary cap would be grossly inadequate.

*No requirement to increase spending on basic assistance – or anything at all.* Arizona received about $277 million in contingency funds from FY 2008 through 2019. During that period, it enacted a series of TANF cuts, including a reduction in the maximum monthly benefit for a family of three from $347 to $278 (a reduction of 50 percent since 1996 in inflation adjusted dollars – the largest cut in the nation) and reduced the length of the time limit on assistance from 60 months to 12 months (the shortest in the nation). As a result, during this period, its caseload fell 82 percent, from 37,710 to 6,723. The TANF-to-poverty ratio declined from an already low 22 in 2008 to just 6 in 2019. In FY 2019, Arizona spent just 12.8 percent of its TANF/MOE funds on core welfare reform activities: 12.6 percent for basic assistance, 0.2 percent on work, education, and training activities; and 0 percent on child care. Instead of using its contingency funds to boost spending on basic assistance and other core welfare reform activities, it uses its TANF and contingency funds to fill state budget holes.

While contingency funds must be spent in the fiscal year they are awarded, states can use the funds to pay for benefits and services that otherwise would have been paid for out of the block grant. Thus, there may be no increase in overall spending, but a larger unobligated balance in the regular block grant. For example, during FY 2016, Tennessee’s unobligated balance rose by $144 million, from $243 billion at the end of FY 2015 to $387 million at the end of FY 2016. Nevertheless, in FY 2016 it received $18.8 million in contingency funds. Between FY 2006 and FY 2016 Tennessee claimed over $243 million in contingency funds. Meanwhile, its caseload fell 53 percent from 69,690 to 32,920, even as the number of poor families with children rose from 137,370 to 141,868. As a result, the TANF-to-poverty ratio fell from 51 to 23.

*Other issues.* If a state receives contingency funds, but does not spend them, they revert to the Treasury. In most circumstances, this would be fine, but given that TANF’s Contingency Fund is capped at a low level relative to demand (as evidenced by the fact that it has been regularly
depleted for the last decade midway through a fiscal year), any funds that revert to the Treasury are funds that could have gone to other states. This would be an important shortcoming if the Fund functioned as it should—as a source of funding during economic distress rather than as it actually does—as a form of revenue sharing.

Each state’s allocation is based on the block grant, thus extending the inequitable funding allocations that exist in TANF’s basic funding structure. One might expect that a “Contingency Fund” would direct funds in accordance to increased need as reflected in the degree of change in variables like child poverty, the unemployment rate, population growth, or some other factor. Instead, each state can qualify for a maximum of 20 percent of the block grant. As with the block grant generally, basing a funding stream’s allocation on historic AFDC spending makes little sense today.

Contingency funds are only available to the 50 states and District of Columbia. Tribes and the territories are ineligible for contingency fund grants. This may be due to limits on the data available given the triggers, but that only suggests an alternate formula could be developed for these jurisdictions, rather than excluding them.

**Real Improvements.** Assuming TANF’s current block grant structure remains in place, some basic improvements include: replacing the flawed triggers with a single, simple trigger (e.g., a 6.5 percent or higher unemployment rate); eliminating the Contingency Fund MOE requirement; extending the eligibility period once a state meets a trigger from two months to some longer period; and replacing the FMAP with a reimbursement (e.g., at 80 percent) for increases in spending on basic assistance and work activities above an earlier base period. Other changes would be needed to address potential unintended effects. For example, states should not receive credit for an increase in basic assistance spending if it’s achieved by shifting families from a solely state funded program back to TANF.

Even with these improvements, the Contingency Fund would remain too bureaucratic, complex, and subject to unintended effects. Ideally, TANF’s funding structure would be revamped to work more like SNAP’s, where the program can respond quickly to changes in need caused by an economic downturn or other factors.

**Supplemental Grants.** Additional funding was provided to states that had high population growth and/or low historic grants relative to poverty in the state; 17 states qualified for supplemental grants: Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Louisiana, Mississippi, Montana, Nevada, New Mexico, North Carolina, Tennessee, Texas, and Utah. These states received an increase in federal funding of about 10 percent from FY 2001 to FY 2010 (and a reduced amount in fiscal years 1998-2000 and 2011).

The initial formula was flawed and left out a number of states, such as South Carolina, South Dakota, Virginia, and Kentucky, which receive far less funding per poor child than the national average. Moreover, the formula was not adjusted for subsequent changes in economic and demographic conditions that led to changes in the number of poor families with children. For example, between 1996 and 2011 when the grants were terminated, 8 of the 17 states had increases in the number of poor families in excess of 30 percent, while 5 other states
not on the list had increases greater than 30 percent (Indiana, Kansas, Missouri, New Jersey, and Wisconsin). Meanwhile, 5 of the 17 qualifying states experienced a decline in the number of poor families with children.

**Real Improvements.** Funding for what should be an income support program should be based on the population in need, not state funding decisions and allocations set over 25 years ago.

**Emergency Contingency Fund.** Haskins and Weidinger neglect to mention the Emergency Contingency Fund (ECF), enacted as part of the American Recovery and Reinvestment Act (ARRA), which provided for an additional $5 billion for FY2009 and FY2010. While the structure of the Fund wasn’t without problems, if was far superior to the original Contingency Fund and has features that should be replicated if additional funding is authorized for economic downturns (either in lieu of or as a supplement to the existing Contingency Fund).

**Background.** Emergency contingency funds were made available to reimburse states, territories and tribes (jurisdictions) for increased spending in three areas: basic assistance (i.e., cash or non-cash intended to meet ongoing basic needs for low-income families with children); non-recurrent short-term benefits (i.e., benefits or services that are designed to deal with a specific crisis situation or episode of need; are not intended to meet recurrent or ongoing needs; and will not extend beyond four months); and subsidized employment for low-income parents and youth. A jurisdiction could receive up to 50 percent of its annual TANF block grant from the combination of the new ECF and the regular Contingency Fund, subject to the availability of funds.

To receive funds, a jurisdiction had to demonstrate increased spending in a quarter over the comparable quarter in the base year – either FY 2007 or FY 2008 – in one or more of the three specified categories. If the jurisdiction demonstrated increased spending over the base year quarter, it qualified for 80 percent reimbursement of the increased costs. A jurisdiction’s increased spending can come from federal TANF or MOE funds. To qualify and receive funds, a jurisdiction could submit an estimate of its expenditures in each of the three categories prior to the start of the quarter. It was then required to update the estimates with actual expenditures and return any funds received in excess of the amount for which they qualified. If actual expenditures were higher than the original estimate, they could qualify for additional funds, subject to availability.

The ECF model is superior to the Contingency Fund in several respects – the amount of funding available to respond to an economic downturn; a requirement to spend more in key program areas (i.e., basic assistance, non-recurrent short-term benefits, and subsidized employment); and funding for territories and tribes. However, it also had some design flaws that undermined its effectiveness.

**Insufficient Funding for All Jurisdictions.** Each jurisdiction’s maximum award was limited to 50 percent of its block grant (less any amount received from the regular Contingency Fund). If all jurisdictions applied for the full amount, the amount requested would be over $8 billion (ignoring the interaction with the regular Contingency Fund), yet only $5 billion was authorized. Indeed, the ECF was exhausted prior to the end of FY 2010 and HHS had to put some jurisdictions on a waiting list, should additional funds become available. Eventually, all states
received their full request.) A better approach would have been to set aside an amount for each jurisdiction to claim its fair share of the added funding. (This is the approach used for the current Pandemic Emergency Assistance Fund, not discussed in detail in this response, with any funds that are not used later reallocated to other states.)

Applying Based on Estimates of Future Expenditures. Some jurisdictions overestimated their expected expenditures, particularly for subsidized employment. This led to needlessly complex reconciliation procedures. Worse, the Fund was exhausted and could not reimburse all requests from eligible jurisdictions – at least initially. There was no penalty for making erroneous estimates and indeed the capped funding level gave states incentives to apply as quickly and as for much as possible. A better approach would have been to reimburse states for actual expenditures, rather than for estimates. (This is not a concern if each jurisdiction is guaranteed its fair share of the total fund.)

Including Non-Recurrent Short-Term Benefits, Without Limitations. One of the ECF categories was non-recurrent short-term benefits, which is defined in regulations as a benefit that: (1) is designed to deal with a specific crisis situation or episode of need; (2) is not intended to meet recurrent or ongoing needs; and (3) will not extend beyond four months. The problem with this category is that it does not describe a specific benefit, but rather the conditions under which a benefit could be treated as a non-recurrent short-term benefit and thus qualify for reimbursement. As a result, many states began reclassifying expenditures from other categories, most notably refundable tax credits, child care, transportation, and education and training. These were never really considered non-recurrent short-term benefits before, but as long as they met the criteria, jurisdictions could be reimbursed for increases in spending.

As a result of the ECF experience, the more recent Pandemic Emergency Assistance Fund authorized payments for non-recurrent short-term benefits but narrowed their scope. To qualify for reimbursement, a jurisdiction can only include expenditures such as emergency assistance and diversion payments, emergency housing and short-term homelessness assistance, emergency food aid, short-term utilities payments, burial assistance, clothing allowances, and back-to-school payments. The legislation authorizing the Fund excludes refundable tax credits, child care, transportation, and short-term education and training.

Permitting Claims Based on the Spending of Third-Party Non-Governmental Entities. MOE expenditures can come from state funds or (with the appropriate agreements) as contributions from third parties, such as non-profit organizations providing non-recurrent benefits or employers contributing to the costs of a subsidized jobs program. Under the ECF, many states entered into agreements with non-governmental third-parties, most notably food banks. A challenge in dealing with such entities is that the expenditures must be limited to needy families with a minor child. Most organizations that serve the low-income population generally don’t break out expenditures by income and family type. This requires a state and the third-party non-governmental entity to develop a “reasonable estimate.” This often requires difficult judgment calls about the adequacy of the data and the assumptions used to derive the estimates.

Other Issues. As with the Contingency Fund and Supplemental Grants, each state’s allocation is based on a percentage of the block grant, thus extending the inequitable funding allocations that
exist in TANF’s basic funding structure. One might expect that an “Emergency Contingency Fund” would direct funds in accordance to increased need as reflected in the degree of change in variables like child poverty, the unemployment rate, population growth, or some other factor. Instead, each state can qualify for a flat maximum of 50 percent of the block grant (less any regular contingency funds). As with the block grant generally, basing a funding stream’s allocation on historic AFDC spending makes little sense today.

**Real Improvements.** Allocate funds using a more reasonable formula, e.g., based on the distribution of poor children vs. the block grant. Limit emergency funding needs to basic assistance and welfare-to-work activities, with consideration to also suspending work requirements and time limits (including state-specific time limits) during these periods. Even with the more restrictive guidance regarding non-recurrent short-term benefits, there can be challenges in determining whether a particular expenditure qualifies. For example, utility payments would normally be considered a basic need and are incurred on ongoing basis, so assessing whether a particular utility payment qualifies or not is a difficult judgment call and leads to added administrative burdens for federal and state officials. The spending of third-party non-governmental entities should not count as MOE under any circumstance or for any purpose.

**Note:** The Pandemic Emergency Assistance Fund does have a more equitable allocation formula. For states, funding is based on a two-part formula, one half based on child population and the other half based on prior state expenditures on non-recurrent short-term benefits, basic assistance, and emergency assistance authorized solely under prior law. All states will have access to the full amount they are entitled to. Any that don’t spend their funds will later have them used for a second reallocation to states that need them.

**Bonus for Reducing Out-of-Wedlock Births.** One of the biggest arguments during the welfare debate preceding the 1996 law was about the role of welfare in encouraging nonmarital childbearing. In the development of the 1996 law, Ron Haskins acknowledges that there was little evidence regarding effective approaches to reduce non-marital births, so the law included a number of provisions designed to address this issue. He noted, “Undaunted, Republicans argued that the best approach was to do everything possible to attack the problem, especially by rewarding states that tried new approaches and even by cutting off some or most of the welfare benefits of unmarried teens who had babies.”

**Background.** One of these provisions – the “illegitimacy bonus” – authorized a total of $100 million in annual bonuses for FY 1999-FY 2002 for the five states with the largest reductions in non-marital births, while also reducing their abortion rate below the 1995 level. (The bonuses were later extended through FY 2005.) The bonus was divided equally between the five states with the greatest decline; if fewer than five states qualified in any given year, each was to receive $25 million.

The reduction in non-marital childbearing was based on the change in the “illegitimacy ratio” – the number of non-marital births divided by the number of all births to residents in the state. The ratio was calculated using data from the National Center for Health Statistics for the most recent two years for which data were available and then compared to the ratio in the preceding two years. If the ratio declined, the difference in the ratios was then divided by the ratio from the earlier period to determine the percent decline.
In FY 1999, five states received the bonus – California, Washington D.C., Michigan, Alabama, and Massachusetts. From FY 1999 through FY 2005 a total of $650 million in bonuses was paid to qualifying states (and one territory). The design of the bonus, however, was problematic because it was based on an imperfect measure and did not function as an effective incentive.

An imperfect measure. The illegitimacy ratio is an imperfect measure of trends in non-marital childbearing because it is affected not only by changes in non-marital births, but by changes in marital births, as well as the size and composition of the population of unmarried women. Although the numerator of the ratio is unmarried births, the denominator is all births and heavily influenced by factors affecting marital fertility, such as changes in the timing of marriage and the number of children. As a result, a state in which non-marital births remained stable, or even rose, could receive the bonus if marital births increased and thereby lowered its illegitimacy ratio. In contrast, a state could experience a decline in non-marital births, but could be ineligible for the bonus, if its marital births declined more rapidly, because this would cause the illegitimacy ratio to rise.

A Flawed Incentive. While there were some “winners,” it does not appear that the bonus was a significant factor in incentivizing states. First, the initial awards reflected changes in non-marital births that predate any initiatives that might have been launched in response to the bonus. For example, the bonuses to five states awarded in FY 1999 reflected changes in the ratio between 1994/95 and 1996/97. As Heather Boonstra of the Guttmacher Institute observed:

Realistically, any effects state initiatives have will not show up in the data for some time; even then, of course, it may not be possible to demonstrate cause and effect. When the winners of round two were announced, a DHHS spokesperson acknowledged that the bonus may be more a reflection of demographic changes (such as an increase in marital births or in the number of teenage women) than of program initiatives. A state’s illegitimacy ratio could very well change without any policy intervention.57

Second, it appears that the bonus was not effective as a motivating factor. The Lewin Group surveyed states receiving the bonus about their views and experiences regarding their policies to prevent or reduce non-marital childbearing. One finding was that, “Officials in nearly all study states said that potential availability of the bonus had little, if any, impact on state efforts to reduce non-marital childbearing, and among study states receiving the bonus, only one of three directed bonus funds toward non-marital pregnancy prevention activities.”58 The report noted that among the winning states, some had made no special efforts in response to the bonus and indeed one state was so surprised that it won that it only examined the bonus provision after winning the bonus. Instead, the bonus seemed to reward states more due to demographic shifts than policy responses to the bonus or anything else in the 1996 welfare reform law.

Third, the ratio includes all women, not just those on welfare, suggesting limits in how effective welfare policies may be in reducing the non-marital birth ratio, particularly in states with relatively few women at high risk and on welfare.

Fourth, the amount of the bonus was the same irrespective of the size of a state or its performance. For example, in FY 1999, California and the District of Columbia each received
$20 million despite the fact that California’s population was nearly 60 times greater than D.C.’s and it achieved a greater reduction in the ratio (-5.665 percent vs. -3.708 percent). In California, the bonus represented less than 0.5 percent of the state’s block grant and not much of an incentive; in D.C. it was about 22 percent of the block grant and thus a much more significant incentive.

_No Evidence Building_. The “illegitimacy bonus” is determined based on data the states already submit to the federal government. States are not required to report the activities they took to compete for the bonus, nor do they have to share this information with other states so they might learn from each other. And, once the money is awarded, it can be used for any purpose, not just interventions designed to address non-marital childbearing.

_Real Improvements_. A better use of the funds that went toward the “illegitimacy bonus” would have been to fund rigorous evaluation on discrete interventions designed to reduce non-marital childbearing. At least then it would have been possible to learn more about interventions that were effective (or not) in promoting this goal. Instead, nothing of significance was learned from the bonuses and the problem has worsened.

**High Performance Bonus.** TANF’s high performance bonus provided $200 million annually for “high performing” states. Like the “illegitimacy bonus,” it too was fundamentally flawed.

_Background_. To receive a bonus, a state had to perform well relative to other states on various measures. These measures fell into three main categories: 1) work-related outcome measures (including measures related to job entry, job retention, earnings gains); 2) work support measures (including measures related to food stamp participation by working families, participation in Medicaid or CHIP by adults and children in families leaving TANF, and access to child care); 3) a family formation measure (the share of children below 200 percent of poverty in married couple families). States were ranked in each category based on their absolute level of performance and/or improvement and in some cases on composite measures. The top states in each category were awarded a share of the amount set aside for each performance measure. The number varied by category, but for many the bonuses went to the top 10 performing states. The maximum total of all bonuses paid to a state could not exceed 5 percent of a state’s block grant.

The TANF high performance bonus was repealed by the Deficit Reduction Act of 2005 and funding for these bonuses was diverted to new competitive grants for healthy marriage and responsible fatherhood initiatives.

**Flawed Measures of Performance.** Success under the work-related outcome and family formation measures was based on comparing absolute outcomes or improvements in outcomes. Consider two measures related to job entry.

The “Job Entry Rate” means the unduplicated number of adult recipients who entered employment for the first time in the performance year (job entries) as a percentage of the total unduplicated number of adult recipients unemployed at some point in the performance year.
The Increase in the Job Entry Rate means the positive percentage point difference between the job entry rate for the performance year and the job entry rate for the comparison year.

The measures focused on “adult recipients” – a better focus would have been those adults who are subject to work requirements (or “work-eligible individuals”). The much bigger problem with measuring outcomes in this way is that there is no meaningful counterfactual. Job entries are affected by a host of factors – the state of the economy, the characteristics of adult recipients, and other policies unrelated to TANF. To really capture “performance” a credible counterfactual is needed, e.g., like a control group in a randomized control trial.

The various work support measures used a similar approach. For example, the Food Stamp absolute measure was based on:

…the number of low-income working households with children (i.e., households with children under age 18 which have an income less than 130 percent of poverty and earnings equal to at least half-time, full-year minimum wage) receiving Food Stamps as a percentage of the number of low-income working households with children (as defined in this paragraph) in the State.

The Food Stamp improvement measured was based on:

…the improvement in the number of low-income working households with children (i.e., households with children under age 18 which have an income less than 130 percent of poverty and earnings equal to at least half-time, full-year Federal minimum wage) receiving Food Stamps as a percentage of the number of low-income working households with children (as defined in this subparagraph) in the State.

While these measures provide useful descriptive information, they too may not reflect state performance as much as they do external factors.

Notably, there were no measures related to how accessible TANF was to needy families. Of course, any such measure could be manipulated by states. For example, suppose there had been a measure reflecting improvement in a state’s TANF-to-poverty ratio. A state could manipulate the measure by reducing benefit amounts and using the savings to extend small benefits to additional families, much as they use “token payments” to inflate TANF’s work participation rates.

A Poor Incentive. The $200 million per year allocated for bonuses represents just 1.2 percent of the block grant and was spread across multiple categories and states. It does not appear that these bonuses provided any meaningful incentive for states to engage in activities to qualify for them.

No Evidence Building. While politicians often took credit for winning awards in certain categories, nothing of value was learned despite the $1.4 billion spent on bonuses. This money
could have been better used to fund rigorous evaluations of discrete interventions to give states evidence of effective reforms.

Real Improvements. As to providing incentives for “performance,” Congress should have left in place the AFDC waiver approach, which measured net impacts—a far superior approach as it isolated the impact of the policy change from other confounding factors. Moreover, that approach was based on a principle of cost neutrality that allowed states to use savings achieved from effective interventions on other related benefits or services. (Of course, states should not receive credit for savings achieved simply by cutting caseloads.)

Haskins & Weidinger: “States can reserve unspent TANF funds from year to year, in effect creating ‘rainy day’ funds in anticipation of rising needs due to a recession or other causes. As of the end of FY2017, states had collectively reserved $3.3 billion in this way.”

PC Response: TANF block grant funds are available until spent and states should have been encouraged to save them for a “rainy day,” but Congress discouraged this practice early on. As noted above, in TANF’s early years, Congress provided states huge windfalls. As a result, many states had large amounts of unspent TANF dollars. Congress threatened to take their funds away unless they spent them. On March 16, 1999, former Rep. Nancy Johnson, then chair of the House Ways and Means Subcommittee on Human Resources, wrote individually to all 50 governors warning that more TANF funds needed to be spent or they risked having Congress take back some of the unspent funds or would have future grants reduced:

According to our budget analysts, states have about $6 billion in unspent funds left over from fiscal years 1997 and 1998. My colleagues and I on the Committee on Ways and Means are fighting to save this money from those who would like to spend it on other priorities, but I want you and all the other governors to understand that unless states begin spending more of this money, we will eventually lose the battle to protect it here in Washington.60

As a result, many states did begin to spend federal TANF funds, diverting spending from core welfare reform activities and using federal dollars to supplant state spending.

Some states have ignored this congressional warning and Congress has done nothing about this issue for over 20 years. The most notable example is Tennessee, which had $732 million in unspent funds at the end of FY 2019, nearly four times its block grant of $191 million. Meanwhile, the state’s TANF-to-poverty ratio declined from 67 to 18 between 1996 and 2019 and its grant for a single parent family of three remained flat at $185 a month (a decline of about 40 percent in inflation-adjusted dollars). (Due to political pressures, Tennessee is beginning to spend its surplus TANF funds and has raised its basic benefit level.)

One administrative issue associated with the fact that states can keep grants until fully expended is that some states have multiple grant awards open, including some that go back more than 10 years. Determining annual spending by fiscal year then requires examining and adding spending from multiple grant awards—a minor administrative nuisance.
**Real Improvements.** Create a funding structure that automatically adjusts to economic and other conditions so that there isn’t a need for a “rainy day” fund. In addition, there should be a limit on how long states have to spend their TANF grant awards. For example, for the CCDF’s Discretionary Fund, funds “must be obligated in the fiscal year in which they are awarded, or in the following fiscal year. Any Discretionary Funds unliquidated by the end of the first two fiscal years, must be liquidated by the end of the following fiscal year (the third fiscal year).”61 This would be a reasonable policy for TANF as well.

**Five-Year Time Limit**

**Haskins & Weidinger:** “TANF assistance is generally limited to no more than five years per adult recipient, although states may make limited exceptions for hardship or use state funds to pay benefits beyond this limit. States may also choose to shorten the maximum duration individuals may collect federal TANF funds to fewer than five years, and some twenty states have opted to do so.”

*Correction:* Haskins and Weidinger mischaracterize the federal five-year time limit – it applies to *families in which an adult* (not just “per adult recipient”) has received *federally-funded assistance.* In addition, state funds can be used to exempt families from the application of the time limit, not just “to pay benefits beyond this limit.”) States define “hardship,” so the exceptions may not be as “limited” as suggested by the authors. The ability of states to set a time limit shorter than five years is not limited to “federal TANF funds”; they can extend this limit to MOE funds that are not comingled with federal TANF funds.

**PC Response:** The five-year time limit was a central feature of the 1996 law, but it has been more symbolic than real, as there are a variety of ways stays can avoid imposing it, which begs the question, why bother?

**Background.** Under AFDC, families were entitled to receive assistance for as long as they met the eligibility standards; there was no federal limit on the length of time a family could receive assistance.62 Writing elsewhere, Haskins explains how concerns about long-term dependency led to the enactment of TANF’s five-year time limit:

Another highly controversial feature of the welfare reform law was the five-year time limit placed on benefit receipt for any given individual. From its appearance in House Republican proposals as early as 1991, the idea of time limits was a feature of every subsequent House Republican proposal, including the bill President Bill Clinton signed into law in 1996. The concept of time limits is incompatible with the AFDC entitlement and embodies the basic idea of Republican welfare philosophy that welfare is not forever.

The version in the bill that passed Congress stipulated that individual families could not receive cash welfare for longer than five years. At that point, cash benefits would terminate. Poor parents would need to plan their lives so that once they had used cash welfare for five years, they could rely on another source of income, presumably earnings. The severity of this provision is considerably softened by a provision that allows states to continue benefits beyond the five-year limit for up to 20 percent of their caseload.63

TANF added little to the flexibility of states to develop time limit policies. Under AFDC, 32 states could receive waivers setting time limits on the receipt of benefits. These time limits fell
into three main categories: (1) “termination” time limits resulted in a total loss of benefits; (2) “reduction” time limits reduced the amount that was received (e.g., by a percentage or removing the adult’s needs); and (3) “work requirement” time limits required participants to comply with mandatory work requirements to continue receiving benefits. When TANF was enacted, there was no evidence that time limits were an effective anti-poverty strategy, as most waiver experiments were still in their early stages. The prudent course of action would have been to wait for the research results before mandating any specific time limit proposal.

**TANF’s Symbolic Time Limit.** TANF’s five-year time limit is more symbolic than real. There are a variety of provisions that allow states to largely ignore it, except for the bureaucratic hoops that it imposes.

- **Manipulating funding streams.** The time limit only applies to families with an adult receiving federally-funded assistance. Federal and state MOE funds are largely fungible, so if a state wants to exempt families from the federal 60-month time limit or extend their assistance beyond 60 months, it can simply fund the families using MOE with segregated state funds or in separate state programs (SSPs). For example, New York funds families that otherwise would run up against the TANF time limit in an SSP-MOE program that accounts for nearly 30 percent of its total TANF/SSP-MOE caseload.

- **The hardship exemption.** TANF specifically allows states to extend assistance for up to 20 percent of the caseload by reason of “hardship,” with hardship defined by the states. The 20 percent calculation applies to the entire caseload, including child-only cases that are not subject to time limit. (About half the national TANF caseload has no adult receiving assistance, so the exemption is really about 40 percent for the share of the caseload that is subject to the federal time limit – with considerable variation across states.)

- **Manipulating the assistance unit.** A state could avoid the federal time limit by paying benefits just to the children (and even increase the payments to the children to offset the reduction from removing the adult).

For states that do not want a time limit, these “loopholes” just waste resources by forcing them to engage in gimmicks.

**State-specific Time Limits.** In addition to the federal time limit, about half the states have established their own time limits that differ from the federal time limit in the duration and/or exemption/extension criteria. These states now must monitor and enforce two different time limits.

While many of the state-specific time limits are the same or similar to those they had with waivers, some states have adopted much harsher time limits. Perhaps the most notable example was Arizona’s decision to reduce the time limit to 12 months in July 2016. (This policy change followed a series of earlier reductions in time limits starting in 2010.) While the federal five-year time limit has had relatively little impact, states that have shortened their time limits have often seen large declines in their TANF caseloads. The loss of benefits may have motivated
some families to move into employment quicker, but most have probably fallen deeper into poverty. Without an evaluation to document the impacts of these policies (as required under AFDC waivers), the extent of harm is difficult to assess.

**Real Improvements.** Reestablish an entitlement to assistance with no time limit. There are no time limits for families with children in SNAP or other safety net programs, why should TANF, which serves the poorest families, be an exception?

If a time limit is considered important for signaling that aid should be temporary, a better approach would be to allow states to set their own time limit, with a requirement for a rigorous evaluation. If a state’s time limit appears to increase poverty or result in substantial negative impacts, the waivers could be withdrawn.

**Understanding TANF Work Requirements**

TANF’s work requirements require calculating a work rate and a work rate target. The summary by Haskins and Weidinger is superficial and ignores many important points about why TANF’s work requirements are needlessly complex, dysfunctional, and not about work. Studying program implementation and focusing on policy details is crucial if the goal is to design work requirements that help needy families move into employment. (Many readers may object to any work requirement and given the TANF experience; this is a legitimate viewpoint. Appendix II provides a list of questions and issues that work requirement advocates should address. To date, most have not done this and thus they repeat the problems that went into the design of TANF’s work requirements.)

**Haskins & Weidinger:** “TANF includes work participation requirements for both adults receiving assistance and states operating the program (Congressional Research Service 2017). States generally are expected to engage at least 50 percent of households with a work eligible individual in one or more of twelve ‘work activities’ (or nine activities in the case of single-parent families with a child under age six). The list includes private sector employment and job search, participation in employment and training, and other activities.”

Comment: Some of the activities have limits on how long participation can count or whether it can be counted at all. These add complexity and limit state flexibility. It is a major omission to ignore these limits, as they are a central concern for state officials, and anyone interested in promoting evidence-based policymaking.

**Haskins & Weidinger:** “The work requirements in the 1996 legislation appeared on their face to be stronger than anything even contemplated by Congress in the past. When fully implemented, states were required to have 50 percent of their welfare caseload in work or education and training programs for at least 30 hours per week, although the states’ ability to count education and training toward fulfilling the work requirement was limited.”

Correction: The requirement is for an **average** of 30 hours per week over a month (not “at least 30 hours per week). For a single parent or caretaker relative with a child under six, the requirement is reduced to an **average** of 20 hours per week over a month. States generally collect hours of participation for a month and convert those to average weekly amounts, e.g., by taking the monthly hours and dividing by 4.33. A more
useful way to think about the requirement is that it is 130 hours per month (87 hours for a single parent or other caretaker relative with a child under six).

Saying that “50 percent of their welfare caseload” must be in work or education and training programs may be fine for shorthand, but any serious discussion about TANF’s work requirements should be more precise, i.e., 50 percent of families with a work-eligible individual. Only about half of the “welfare caseload” is in the denominator of the overall work participation rate, as many families do not have a work-eligible individual, and some are disregarded due to having a child under 1 or having been subject to a work sanction for no more than 3 months in the preceding 12-month period. Even this is somewhat misleading, as about one-third of those in the denominator are “token payment” cases.

**PC Response:** Haskins and Weidinger provide a superficial and overly simplistic description of work requirements. TANF’s work requirements are unreasonable for recipients, unrealistic for states, and are not based on a credible interpretation of the research. They are also unnecessarily complex and limit state flexibility to design effective welfare-to-work programs based on research (vs. ideology). However, states can also use TANF’s flexibility to game the requirements raising the question of whether there should be any work requirements.

**Background.** The TANF statute specifies the work participation rate requirements for states. States must meet both an overall and a two-parent work participation rate or face a financial penalty. The overall work participation rate for a state requires that at least 50 percent of TANF families with a work-eligible individual (WEI) engage in specified activities for a minimum number of hours per month (converted to an average weekly standard). For a family to count in the state’s overall work participation rate for a month, a WEI in the family must participate for an average of 30 hours per week in a month, of which at least an average of 20 hours per week must be in one or more of the nine “core” activities. The three other “non-core” activities may count for any remaining hours beyond the “core hours” requirement. The hourly requirement for a single parent or caretaker relative with a child under 6 is an average of 20 hours per week in a month but is limited to the 9 core activities.

These hourly requirements are minimums – if a family falls even one hour short, the state cannot count the family in work participation rate. This means there is no partial credit, even when participation has been substantial and falls short for valid reasons.

See Table 4 for a list of the countable work activities.
### Table 4: Countable Work Activities

<table>
<thead>
<tr>
<th>“Core” Activities</th>
<th>“Non-Core” Activities</th>
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<tbody>
<tr>
<td>Unsubsidized employment</td>
<td>Job skills training directly related to employment</td>
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<tr>
<td>Subsidized private sector employment</td>
<td>Education directly related to employment</td>
</tr>
<tr>
<td>Subsidized public sector employment</td>
<td>Satisfactory attendance at secondary school or in a GED program</td>
</tr>
<tr>
<td>Work experience</td>
<td></td>
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<tr>
<td>On-the-job training</td>
<td></td>
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<tr>
<td>Job search and job readiness assistance</td>
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<tr>
<td>Community service programs</td>
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<tr>
<td>Vocational educational training</td>
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<tr>
<td>Providing child care to a participant in a community service program</td>
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</tbody>
</table>

**Needless Complexity and Restrictions on State Flexibility.** Aside from a variety of hourly standards, based on family type, TANF’s work participation requirements have an array of special rules and limits about how various activities and hours of participation are counted in the numerator and about who is counted (beyond the WEI definition) in the denominator. Many of the rules impose administrative burdens, limit state flexibility, and needlessly complicate the calculation of the work participation rate. None are based on evidence of effectiveness, as Haskins noted elsewhere:

> …having been involved in writing the TANF legislation, I would assert that many of the specific work standards in TANF were guesses – guesses informed by a desire among Republicans to fashion a demanding work program, which may have caused them to err on the side of tough requirements.65

Table 5, “TANF’s Ineffective and Bureaucratic Work Requirements,” highlights the problem. The table alludes to a far simpler approach, but it is not described in full because any meaningful change should consider a variety of factors beyond who the work participation rate is calculated (e.g., the how the target rate is set, the available funding, the penalty structure, etc.).
Table 5: TANF’s Ineffective and Bureaucratic Work Requirements

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<tr>
<th>Provision</th>
<th>Explanation</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Calculating the denominator. Work participation rates are based on families that include a work-eligible individual, i.e., an adult (or minor head-of-household) receiving assistance or a non-recipient parent living with a child receiving assistance unless the non-recipient parent is disabled and receiving Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI), ineligible for TANF due to immigration status, or a parent providing care for a disabled family member that requires the parent to remain in the home. States can also “disregard” some families from the work rate denominator. The following are the two main disregards.</td>
<td>A single parent can be disregarded in the work-rate calculation for only 12 months over her lifetime, regardless of whether she has additional children.</td>
<td>It’s easy to keep track of the youngest child’s age, but keeping track of how many months since TANF’s enactment (1996) a family has been disregarded for this purpose is more difficult. Also, these types of time limits create incentives for strategic claiming. For example, a state with a 0 percent target should not disregard any families for this reason, because it doesn’t need to and thus can save the months to disregard for some future date when they may need it. (Most states are not this strategic.) In addition, because most states submit sample data to HHS to calculate work participation rates, this provision cannot be monitored from the data submitted.</td>
</tr>
<tr>
<td>Parents in single-parent families that contain a child under age 1</td>
<td>States can disregard families subject to a sanction for failure to meet work requirements for no more than 3 months in the preceding 12 months.</td>
<td>While not particularly complicated, keeping track of sanction periods for rolling 12-month periods is more bureaucratic than necessary. In addition, because most states submit sample data to HHS to calculate work participation rates, this provision cannot be monitored from the data submitted. This provision may also give states incentives to adopt full-family sanctions because such families would be removed from the denominator, thus raising a state’s work participation rate. After three months, states with a partial sanction could not disregard the family and that would lower its work participation rate.</td>
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<tr>
<td>Families under sanction for failure to meet work requirements</td>
<td>A simpler approach would be to eliminate the disregards and just adjust the target work participation rate. For example, the two main disregards affect about 10 percent of those in the denominator. So, the work participation rate target could be reduced from 50 percent to 45 percent. This is simpler and deals with the problem that there is no way to effectively monitor the accurate application of the two disregards.</td>
<td>Calculating the numerator: TANF has 12 work activities that can count toward the work rates; nine are “core” activities that can count toward any hours of work participation for a work-eligible individual, while participation in the three “non-core” activities generally counts only after meeting an average of 20 hours per week (in a month) in a core activity.</td>
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<td>Provision</td>
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<tr>
<td>Core/non-core activities</td>
<td>For a family to count in the overall work rate, it must have at least an average of 20 hours per month in a core activity. The remaining 10 hours for those with a 30-hour requirement can be in a non-core activity. For a single parent or relative caretaker with a child under 6, the work participation rate is limited to the nine core activities. The core/non-core rules for two-parent families are similar, but no discussed here.</td>
<td>There is no credible research to support the distinction between core and non-core activities, particularly with respect to the treatment of basic education. Some of the activities could be consolidated (e.g., subsidized private sector employment, subsidized public sector employment, and on-the-job training as the definitions are nearly identical) or eliminated (e.g., providing child care for someone in community service, as that could be either “unsubsidized employment” or “community service”).</td>
</tr>
<tr>
<td>Limit on counting vocational educational training</td>
<td>There is a 12-month lifetime limit on counting vocational educational training.</td>
<td>There is no credible research to support a 12-month limit on counting vocational educational training. It is unreasonable to expect states to keep track of the number of months an individual has participated in vocational education (and been counted in the work rate) since TANF’s enactment (1996). In addition, because most states submit sample data to HHS to calculate work participation rates, this provision cannot be monitored from the data submitted. These types of time limits also create incentives for strategic counting of hours. For example, a state with a 0 percent target should not count any months for families in vocational educational training, because it doesn’t need to and thus can save the countable months for some future date when they may need to count them. (Most states are not this strategic.)</td>
</tr>
<tr>
<td>30 percent cap on counting certain educational activities</td>
<td>No more than 30 percent of families that a state counts toward its work rates may be counted by virtue of participation in vocational educational training or, for parents under age 20, school attendance or education directly related to employment.</td>
<td>There is no credible research to support a 30 percent limit on counting these education activities. If a state exceeds the 30 percent cap, some cases are not counted and the numerator is reduced; this leads to an ongoing recalculation (by HHS) because each time the numerator is reduced, there has to be a recalculation of the number of cases that fall under the 30 percent limit. While there is a mathematical formula for this, it is more complicated than it needs to be and creates uncertainty for states. Indeed, some of the cases not counted by HHS nevertheless have the months applied against the 12-month limit for counting vocational educational training.</td>
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Table 5: TANF’s Ineffective and Bureaucratic Work Requirements

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<tr>
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</tr>
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<tbody>
<tr>
<td>Education for minor parents</td>
<td>Secondary or GED-related school attendance or education directly related to employment can count as full participation for parents under age 20 even if it would otherwise be a non-core activity that can only count after 20 hours per week in a core activity.</td>
<td>Secondary/GED-related school attendance and education directly related to employment are considered “non-core” activities. Except for this circumstance, they don’t count at all for single parents with a child under 6 and only for others who have met the core activities requirement. There is no credible research to suggest that education should be limited in this way, i.e., where all participation counts while under age 20 and none counts afterwards for a single parent with a child under 6.</td>
</tr>
<tr>
<td>Job search and job readiness assistance: 6/-12-week limit on job search and job search assistance</td>
<td>Job search and job readiness assistance can generally be counted for 6 weeks in a 12-month period. This can be extended to 12 weeks if a state has an unemployment rate at least 50 percent greater than the unemployment rate of the U.S. or the state meets the definition of a “needy State” for the TANF Contingency Fund. (As noted above, the Contingency Fund triggers are seriously flawed.)</td>
<td>There is no credible research to support a 6-week limit on counting participation in job search and job readiness assistance, particularly since the latter includes activities that may require more time – substance abuse treatment, domestic violence support or services, mental health activities or rehabilitative activities. Prior to FY 2007, a single hour of participation in job search and job readiness assistance would count as a week against this limit, effectively discouraging states from constructing programs the combine activities with job search. Effective FY 2007, the limit was converted to an hourly equivalent, i.e., 120 hours for those with a 20-hour requirement, 180 hours for those with a 30-hour requirement, and 210 hours for the two-parent rate. This approach gives states greater flexibility but can be more difficult to administer requiring on-going lookbacks over the preceding 12-month period. The 12-week limit on job search and job readiness assistance was intended to provide more time to be counted when economic conditions worsen; now, due to the SNAP trigger of the Contingency Fund and the growth in SNAP caseloads, nearly every state has qualified for the 12-week extension for over a decade and will do so for the foreseeable future. (The 12-week limit is also converted to an hourly equivalent, effective FY 2007.) In addition, because most states submit sample data to HHS to calculate work participation rates, this provision cannot be monitored from the data submitted. These types of time limits also create incentives for strategic counting of hours. For example, a state with a 0 percent target should not count any weeks for families in job search and job readiness assistance, because it doesn’t need to and thus can save the countable weeks for some future date when they may need them. (Most states are not this strategic.)</td>
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### Table 5: TANF’s Ineffective and Bureaucratic Work Requirements

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</tr>
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<tbody>
<tr>
<td>Job search and job readiness assistance limited to 4 consecutive weeks</td>
<td>Self-evident.</td>
<td>The intent of this provision may have been to keep states from placing individuals in ongoing job search and job readiness assistance, but it is another bureaucratic monitoring complication. States submit average weekly hours of participation for a month – not week-by-week participation – so there is no way to monitor this provision, regardless of whether the state submits survey data or universe data. It can also be easily circumvented, e.g., by requiring more hours of participation in the weeks preceding the fifth week and/or following it and thus does nothing to improve the effectiveness of the program.</td>
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<tr>
<td>Job search and job readiness assistance – limited authority to count less than a full week of participation</td>
<td>On not more than one occasion per individual, the state shall consider the participation of the individual for 3 or 4 days during a week as a week of participation by the individual.</td>
<td>This provision makes no sense. Even if one could make sense of it, states report average weekly hours of participation for a month – not week-by-week participation. There is no way to monitor this provision and there is nothing in the data reporting instructions related to this provision.</td>
</tr>
<tr>
<td>24-month work requirement</td>
<td>Apart from the mandatory work participation requirements, states are supposed to require a parent or caretaker receiving assistance under the program to engage in work (as defined by the state) once the state determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive).</td>
<td>There is no penalty or mechanism to enforce this provision. Why put anything into the law that has no practical effect? The TANF statute is already needlessly complex.</td>
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</table>

The foregoing highlight some of the administrative complexities associated with TANF’s work requirements – something Haskins and Weidinger ignore. The real problem, however, is that TANF’s work requirements are unreasonable for recipients, unrealistic for states, and not based on a credible interpretation of the research evidence.
Unreasonable. There are several features of TANF’s work requirements that make them unreasonable for recipients. Two, in particular, are the minimum hourly requirements and sanction policies.

“Punishing” Hourly Requirements. 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 9 “core” activities. This equates to 130 hours per month. (A single parent or caretaker relative with a child under 6 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 July 2020, the maximum 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 $486 in the median state). 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. (Note: The hourly standards are not adjusted by family size or the amount of assistance actually received.)

Even Robert Rector of The Heritage Foundation, the self-proclaimed author of TANF’s work requirements, should recognize the unreasonableness of TANF’s requirements, as he did with a 2018 work requirement proposal for SNAP developed as part of the House Agriculture Committee’s farm bill. That legislation would have required able-bodied adults between the ages of 18 and 59 without children under 6 to work or participate in a work program for at least 20 hours per week in exchange for a benefit of about $150 to $185 a month. For those who are not employed, this equates to about $2 in benefits per hour of participation in a work-related activity. Failure to meet the bill’s work requirements would result in a one-year loss of benefits for the first infraction and three years for a subsequent one.

These requirements are considerably harsher than the current rules for able-bodied adults without dependents (ABAWDs), where the hours of participation in a workfare or community service program can be based on the SNAP allotment divided by the minimum wage – resulting in a weekly requirement of about 6 hours per week. Rector rightly expressed serious reservations about the House bill, particularly the unreasonableness of its hourly requirement:

It was easy defending the Maine program [referring to Maine’s implementation of a work requirement for ABAWDs], because I could say it only asked for six hours of community service, but it has to be proportionate. The idea here is not to punish these people.

TANF’s hourly requirements are even more unreasonable for many families – families that also have children to care for.

“Counterproductive” Sanction Policies. To enforce TANF’s work requirements, states have unprecedented flexibility to sanction individuals (and their families) for non-compliance. Under the prior AFDC program, individuals who were assigned to JOBS activities could be sanctioned for failure to participate in assigned work activities, subject to federal guidelines. The sanction was removal of the adult’s needs from the grant amount for a minimum period of time. The first failure to comply lasted until compliance; a second sanction lasted until compliance or for three months, whichever was longer; and any subsequent sanctions lasted until compliance, or for six
months, whichever was longer. States could receive waivers to test alternative sanction policies but were required to evaluate them (along with any other reforms) using a randomized control trial. If sanctions appeared to increase poverty or otherwise undermine the well-being of families, the waivers could be withdrawn, whereas under TANF states are not required to evaluate their policies and they can continue to impose whatever sanctions they wish irrespective of their impact on family and child well-being.

Writing elsewhere, Haskins suggests that the sanctions under AFDC were too lax and that TANF created the opportunity (indeed, the requirement) to enact sanctions that would increase the likelihood of compliance.

One way to overcome people’s reluctance to aggressively prepare for and seek work is to impose sanctions on those who do not meet work requirements. The authors of the TANF program believed that sanctions were an important part of getting welfare recipients to work. As a result, the law requires all states to reduce the welfare benefits of recipients who do not fully cooperate with work requirements. States are free to design their own system of sanctions, but it had to include benefit reductions.

Most states used a graduated system of benefit penalties, usually beginning with a loss of part of the benefit for a few months and then, if the recipient continues to violate the work requirement, moving to a loss of more benefits and for longer periods. By 2010, 36 of the 50 states had adopted policies that allowed them to eventually terminate the entire welfare check.71

Under TANF, many states adopted unduly harsh sanction policies. Here again, Rector has some useful insights about sanction policies in the work requirement proposal for SANP in the House Agriculture Committee’s 2018 version of the farm bill. In particular, he raised concerns about the duration of the sanctions – an entire year for the first infraction and three years for subsequent ones:

That’s exactly what you don’t want to do. You want to have a work program where it’s very firm but it’s very forgiving: If you didn’t do what you were supposed to do last month, okay, we’re not going to give you the benefit, but if you want to do the right thing this month we’ll put you back on the rolls.72

…The severity of these penalties is unnecessary and counter-productive. The sanctions’ severity means that they are not likely to be enforced; bureaucracies will face incentives to find other legal ways to determine that recipients met work requirements regardless of whether they actually did.73

In many states the unreasonableness of TANF’s sanction policies may have had this effect, but for too many families the sanctions were enforced for failure to comply with unreasonable requirements. For states, the advantage is that this frees up funding for what can only be regarded as a slush fund in many states.
**Real Improvements.** The “unreasonableness” of TANF’s work requirements are reflected in the sharp decline in the take-up rate (see Table 2 above). They are not the only factor responsible for the drop in participation, but anecdotal evidence suggests that they play an important role. If the goal of work requirements is to engage individuals in work activities, a more reasonable approach would be to base the monthly required hours of participation on the amount of assistance divided by the minimum wage. For a family of three, in Mississippi, this might equate to 23 hours per month and in New York 79 hours per month (assuming a minimum wage of $10 per hour in New York). This calculation should not include the SNAP benefit, as is the case of deeming core hours for work experience and community service under TANF. (Under the deeming policy, a work eligible individual who is in work experience or community service can satisfy TANF’s core hours requirement by participating the number of hours taking the combined TANF plus SNAP grant divided by the higher of the federal or state minimum wage.)

With respect to sanctions, a better approach would be to return to the AFDC policy. If states want to test alternatives, they should request waivers as they did under AFDC and be required to evaluate these policies using a randomized control trial.

**Unrealistic.** States were required to engage (by FY 2002) at least 50 percent of TANF families with an adult (changed to work-eligible individual since FY 2007) in one or more of 12 specified work activities for a minimum average of 30 hours per week in a month, of which at least an average of 20 hours per week must be in one or more of the 9 “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.)

**Unrealistic Work Participation Rate Targets.** There is nothing in past experience under the AFDC-JOBS 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 conducted prior to TANF that suggests these requirements were realistic. Indeed, Gordon Berlin, past president of MDRC – the firm which evaluated over two dozen mandatory welfare reform programs – notes that none of the programs that were subject to rigorous evaluation 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.⁷⁶

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. 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 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.

For a brief description of the loopholes, see Appendix I. Some are also described below in greater detail.

The Reality. Despite a statutory target of 50 percent, states have typically achieved a work participation rate well below that – about 30 percent. Figure 2 below (from the Congressional Research Service) shows the national average TANF work participation rate from FY 2002 to FY 2015.⁷⁷ 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 Deficit Reduction Act of 2005. It does not reflect real engagement but is a gimmick used by states to artificially inflate the work rate.
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. 78

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.”79

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.80

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 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 and properly funded welfare-to-work programs.

The Caseload Reduction Credit

Haskins & Weidinger: “There are two major ways states could lower the 50 percent requirement. When the TANF program was first enacted in 1996, states could subtract the percentage reduction in their caseload relative to 1995 from the 50 percent requirement. For example, if a state reduced its caseload by 30 percent between 1995 and 2000, it would have to meet a 50 percent minus 30 percent or only 20 percent requirement.”

Correction: Haskins and Weidinger leave out an important qualification, i.e., that changes due to federal or state eligibility requirements since the base year do not count toward the decline. As described below, this calculation can be a highly bureaucratic and imprecise exercise.

In addition, TANF’s work participation rate targets were phased in, starting at 25 percent in FY 1997 and then rising by 5 percentage points per year to 50 percent in FY 2002. In FY 2001, the target rate was 45 percent, so a 30 percent decline in the caseload (between FY 1995 and FY 2000) would have resulted in a 15 percent target – not “20 percent.” (Haskins and Weidinger didn’t make it clear which fiscal year’s work participation rate target would be reduced. In their example, the base year is FY 1995 and the comparison year is FY 2000, so this decline would be for the FY 2021 work participation rates, as the comparison year for the caseload reduction credit is always the immediately preceding fiscal year.)

PC Response: The caseload reduction credit is conceptually flawed and is administratively burdensome and imprecise.
**Background.** The caseload reduction credit has sharply reduced TANF’s work participation rate targets. As Table 5A shows, many states had no requirement or a near-zero percent target rate throughout TANF’s first 10 years. For example, in FY 2002, the first year in which TANF’s work participation rate target reached 50 percent, 20 states had a 0 percent target, 20 states had a target between 0.1 percent and 10 percent, and 7 states had a target between 10.1 percent and 20 percent. Only 4 states had a target higher than the JOBS 20 percent requirement.

For TANF’s first 10 years, about 15 to 30 states had work requirement targets of 0 percent! In other words, there was no requirement. Some of the critics of the new child tax credit complain that it would return us to the days of “no strings” cash welfare under AFDC. Apparently, they haven’t studied the TANF experience.

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Source: Annual HHS work participation rate reports.

**Conceptually Flawed.** While the caseload reduction credit was intended, in part, to motivate states to reduce caseloads by creating incentives for families to leave welfare for work, it does not make any distinction between caseload changes due to welfare-to-work efforts and the economy, demographic changes, or many policy changes. Moreover, states already have an incentive to reduce the caseload because the number of cases they would have to place in work activities to meet a specified target rate would decline; giving them further credit in reducing the target rate (and all the way to 0 percent) is a massive conceptual error – at least for those who believe in the importance of mandatory work requirements.

**Adjusting for eligibility changes.** The caseload reduction credit calculation can also be administratively burdensome and very imprecise due to the requirement to adjust the comparison year caseload for federal or state eligibility changes since the base year. For example, if a state adopted a full-family sanction and a shorter time limit since the base period, it is expected to estimate the impact of each change on the comparison year caseload. The share of any caseload decline due to these eligibility changes would not count in calculating the size of the credit.

State estimates of the combined impact of federal and state eligibility changes on caseloads are undoubtedly imprecise. It is difficult to estimate the impacts of eligibility changes without a counterfactual (e.g., like a control group in a randomized control trial). One common approach to estimating the impact of a time limit or full-family sanction is to use data on case closures. This data would provide the number of cases closed directly due to these benefit termination policies. What cannot be estimated with precision, however, is the number of families that voluntarily left the rolls either to conserve time-limited months of assistance or to avoid a lifetime sanction, or how much longer the terminated families would have remained off the rolls.
absent this eligibility change. Further complicating the calculation is the fact that many states have multiple eligibility changes that can have important interaction effects. As a result, any estimate of the net effect of all eligibility changes on the comparison year caseload is a rough approximation, at best.

In addition, states must report on virtually all eligibility changes, no matter how big or small, creating a reporting burden for states with many changes. It is not uncommon for states to report changes that affect only a handful of cases. There can also be challenges in determining what eligibility changes should be considered. For example, if a state adopts a diversion program that results in fewer cases – should that be considered an eligibility change because it reduces the cash assistance caseload? It doesn’t affect the eligibility of anyone for TANF, but it certainly reduces the caseload.

In short, federal and state officials waste thousands of hours each year in a massive bureaucratic exercise deriving what in the end can only be considered “guesstimates.”

**Real Improvements.** Eliminate the caseload reduction credit; set realistic work participation rate targets for those who aren’t working (i.e., excluding those in “unsubsidized employment”). A reasonable starting target, based on state experience to date, would be 10 percent. As an alternative, replace the caseload reduction credit with an employment credit that reflects the extent to which those leaving TANF are employed. This too is imperfect, but it lessens the incentive to just push families off the rolls and allows politicians the cover to start with higher participation rate targets.

**Haskins & Weidinger:** “As a result of this credit, the steep caseload decline, and a work requirement phase-in rate, states had little trouble satisfying their work participation requirement in the early years after enactment, often without placing very many recipients in work programs. For this reason, the 2006 reauthorization law [the Deficit Reduction Act of 2005 was signed in 2006] rebooted the caseload reduction credit to use more recent – and much lower – caseloads as a baseline, raising the work participation rate requirement back to 50 percent for most states. …This reform greatly increased the share of recipients who would be required to work for states to meet the work requirement.”

**Correction:** Only one state (South Dakota) faced a 50 percent target in FY 2007, the first year in which the recalibrated base year for the caseload reduction credit took effect. Notably, three states (Alabama, Arkansas, and New Jersey) had a 0 percent target despite the change. In FY 2008, 20 states had a 0 percent target.

**PC Response:** Recalibrating the base year for the caseload reduction credit from FY 1995 to FY 2005 had little long-term impact on TANF’s work participation rate targets and increased the reliance on the use of new loopholes. As Table 5B, the recalculation did reduce the number with a 0 percent target initially, as that number fell from 17 in FY 2006 to just 3 in FY 2007. However, by FY 2008 it was up to 21 due to reliance on the “excess MOE” provision of the credit calculation (discussed in greater detail below). In FY 2012, the generosity of this provision was sharply curtailed due to a change in how the provision was applied and the expiration of a statutory hold harmless provision from ARRA; as a result, the number of states with a 0 percent target fell to just 4. But, as before, the number began to creep up and reached 28
in FY 2020. This time, however, it was because caseloads continued to decline and possibly because the estimates of eligibility changes became more imprecise, i.e., that they understated the real impact of such changes.

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Notably, after FY 2011, the number of states facing a 50 percent target rose from 1 to 10. This is partly due to the fact that the recalibration of the caseload reduction credit led some states to use a different loophole – the token payment. While these cases aren’t part of a state’s main cash assistance caseload, they do receive a nominal payment (as little as $1 a month) and they do count in the comparison year caseload. In some states, it also reflects the change in the “excess MOE” provision and caseload increases associated with the Great Recession.

**The Caseload Reduction Credit: Excess MOE**

**Haskins and Weidinger:** “A second way to reduce the work requirement, as established by TANF regulations, was for the state to spend more money on their TANF program than required by the state’s MOE requirement.”

**Comment:** The “excess MOE” provision is a regulatory provision, but it is only possible because of the block grant structure and the reliance on an MOE requirement for state spending. This provision would not exist with a federal-state match or purely federal program. Moreover, if a state has “excess MOE” it can use that “excess” to create a solely state funded program for families with a work-eligible individual that don’t meet the hourly requirements to count in the work participation rate. Removing these families would artificially inflate the work participation rate and would have an even bigger impact on the work participation rate than the impact of the “excess MOE” provision on the adjusted work participation rate target.

In their section on policy reforms, Haskins and Weidinger recommend eliminating this provision. What they don’t understand is that from FY 2012 on, this provision has had little impact on the size of the caseload reduction credit in most states because the effective amount of “excess” that could be counted was reduced from all “excess MOE” to the fraction attributable to cash assistance – or less than 20 percent in most states. Moreover, its elimination will simply lead states to adopt new loopholes.

**PC Response:** Congress tried to address the problem of excessive caseload reduction credits in the Deficit Reduction Act of 2005 by recalibrating the base year from FY 1995 to FY 2005. Nevertheless, it wasn’t long before states used the credit to drive down their effective target rates – over 20 states had a 0 percent target for the FY 2008-FY 2011 period. This wasn’t primarily due to real caseload declines, but because of a regulatory provision that allowed states to reduce their comparison year caseload by spending above their MOE requirement.
The “excess MOE” provision allows a state that is investing state MOE funds in excess of the required 80 percent (or 75 percent) basic MOE amount to include only the pro rata share of caseloads receiving assistance that is required to meet basic MOE requirements. This provision was established in 1999 and was intended to ensure that states whose caseloads rose because of additional state spending were not penalized by a reduced caseload reduction credit. Given the sharp decline in TANF caseloads, this is no longer a concern and the “excess MOE” now reported in many states is not related to welfare reform related activities, but rather reflects reporting more existing state spending that meets one of TANF’s broad purposes. As a result of this provision, reported MOE rose 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.

Some states found a new way to maximize MOE, called the “swap” (also described earlier in this response). For example, they can use federal TANF funds to pay for an existing state activity that meets a TANF purpose and is an allowable use of federal funds, but not MOE funds (because MOE can only be spent on “eligible families,” i.e., those that are needy and have a minor child). For example, California took federal TANF funds for basic assistance to instead pay for college scholarships that were previously funded with state general fund dollars. The freed up general fund dollars are then used to pay for the assistance that had been funded with state general fund dollars. In short, this is a gimmick that allows a state to inflate its MOE to either maximize excess MOE or to help it create solely state funded programs to bypass federal requirements. Here is a description of how the “swap” works in California, involving nearly $1 billion in expenditures:

_TANF–CSAC Funding Swap Provides Additional State Flexibility_

**Swap Has No Net Impact on CalWORKs Funding Levels or Overall General Fund Spending.** The 2012–13 enacted budget redirected $804 million in Temporary Assistance for Needy Families (TANF) block grant funds from the California Work Opportunity and Responsibility to Kids (CalWORKs) program to the California Student Aid Commission (CSAC) to be used for expenditures in the Cal Grants program that are allowable under federal rules that govern the use of TANF funds. Reduced TANF funds in CalWORKs were replaced dollar for dollar with General Fund monies from CSAC, resulting in no net impact on funding levels for Cal Grants and CalWORKs or General Fund spending overall.

**Spending Above MOE Has Important Implications.** Having higher General Fund expenditures in CalWORKs than is required by the MOE provides potential benefits to the state. First, should the state choose to do so, General Fund and county spending above the MOE could be counted as excess MOE to obtain an additional reduction in the required work participation rate (WPR), thereby lowering the risk of federal penalties. 81

The initial inclination for dealing with this issue might be to eliminate (or limit) this “loophole,” as suggested by The Heritage Foundation 82 and the GAO. 83 This recommendation would not solve the problem; it would just lead to a different loophole. Indeed, the description of California’s “swap” goes on to note this very thing:

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Second, General Fund and county spending above the MOE could, at the state’s choosing, not be counted towards the MOE requirement. This opens the door to CalWORKs spending on purposes that are not allowed under TANF rules but that benefit the state. For example, the state can fund CalWORKs benefits for individuals that it wishes to exclude from the state’s WPR in a so-called “solely state-funded program,” as discussed in more detail in the body of the CalWORKs analysis. Finally, should the need arise in the future, the state has greater flexibility to enact policy changes—including those that would reduce General Fund spending in the CalWORKs program—without coming up against the constraint of the MOE requirement.\footnote{Emphasis added.}

So, eliminating the “excess MOE” provision would simply lead to a different loophole—solely state funded programs. In fact, since changes to the “excess MOE” provision that took effect in many states starting in FY 2012, solely state funded programs have become a more favored loophole.\footnote{84}

**Real Improvements.** Eliminate the caseload reduction credit and set realistic work participation rate targets; replace the block grant structure with federal funding or a federal-state match to rule out “excess MOE” and the incentive to create solely state funded programs.

**Loopholes**

**Haskins & Weidinger:** “However, many states have since [the 2006 reauthorization] used other loopholes in TANF law and regulation to keep from directly engaging 50 percent of adults on assistance in work or related activities, which has led to calls for further reforms.”

**Comment:** Since TANF’s inception, states have used 10 major loopholes (see Appendix I). All are a direct result of a poorly constructed law. Again, the 50 percent target is not 50 percent “of adults,” but of “families with a work-eligible individual.”

**PC Response:** Most states have used loopholes since TANF was first created, not just “since” the 2006 reauthorization. Indeed, one of the motivations for that reauthorization was to close some of the loopholes used by states, most notably removing families from the work participation rate calculation by placing them in separate state programs or removing the adult’s needs from the grant or loose work activity definitions. The 2006 reauthorization closed some loopholes, but led to new ones. As long as TANF is a block grant with excessive state flexibility, loopholes will remain. As Douglas Besharov and I noted in 2004, “the structure of the TANF block grant would enable states to avoid all additional participation requirements…”\footnote{86} And, as discussed in more detail below, there is nothing in any current congressional proposals or anything Haskins and Weidinger have proposed that would end the gaming of work requirements. In fact, some proposals are more likely to accelerate the use of loopholes, particularly the solely state funded program.

**The Two-Parent Work Requirement**

**Haskins & Weidinger:** “In addition to the 50 percent work requirement for single-parent families, there is a separate work requirement of 90 percent for the TANF two-parent program. Few states have managed to meet the 90 percent requirement. For example, in 2017, of the
133,172 work-eligible families in the two-parent caseload, only 69 percent met the work requirement for the nation as a whole.

**Correction:** There is no “single-parent” work requirement; it is an overall (or “all-families”) requirement – one that also includes two-parent families and some with other adult caretaker relatives.

**Comment:** The hours of one parent in a two-parent family are counted toward the overall work participation rate requirement (the parent with the most hours) and the hours for both parents can count toward the two-parent requirement. This can lead to situations in which the family meets one of the requirements but fails the other. For example, suppose both parents participate an average of 20 hours per week in a core work activity. They would satisfy the two-parent requirement, but they would fail the overall requirement. Or, if one parent has 30 hours in a core work activity but the other parent has no hours. In this case, the family would satisfy the overall requirement, but fail the two-parent requirement.

Haskins and Weidinger note that “few states have managed to meet the 90 percent requirement.” What they don’t mention is that those who have relied on a loophole – the token payment. No state can meet a 90 percent requirement without relying on one.

**PC Response:** With respect to the two-parent requirement, the example cited by the Haskins and Weidinger is misleading. Here’s what Haskins and Weidinger omit from their discussion:

- Twenty-four (24) states didn’t have a two-parent program in TANF, because most had moved their two-parent families to a solely state funded program to avoid the requirement. (Prior to FY 2007, they had shielded these families in separate state programs.)
- Due to the caseload reduction credit, only 5 states faced the 90 percent target; for most it was quite a bit lower. For the 5 states with a 90 percent target, it is important to understand the factors leading to it:
  - Three of the states (California, Massachusetts, and Maine) faced a 90 percent two-parent requirement because they adopted the “token payment” strategy for meeting the overall work rate. Thus, their two-parent caseload was artificially inflated by these cases and thus they didn’t get credit for a decline. Notably, for Maine and Oregon, this strategy also led to two-parent work participation rates of 97.6 percent and 98.6 percent, respectively, so they satisfied this requirement, despite the 90 percent target.
  - Nevada has experienced tremendous population growth, contributing to caseload increases.
  - Wyoming didn’t submit a caseload reduction credit report, so it automatically faced a 90 percent target for the two-parent rate.

Haskins and Weidinger note that “only 69 percent” met the work requirement for the nation as a whole. The term “only” is misplaced – a 69 percent work participation rate would be a remarkable achievement if it were real. In FY 2017, the official TANF two-parent rate was inflated by the reliance of several states on “token payments.” One way to exclude the impact of these token payments is to divide the official rate into two components – the TANF portion (37.5 percent) and the SSP-MOE portion (86.3 percent). The latter consists almost entirely of token payment cases and doesn’t represent real engagement. A more accurate reflection of what states achieved was 37.5 percent. Even this has to be qualified by the fact that half the states no longer
had a two-parent rate in TANF, even though most still serve two-parent families in a SSF program.

**Real Improvements.** Eliminate the two-parent work participation rate; these families are already included in the overall work participation rate.

**Penalty Structure**

**Haskins & Weidinger:** “Failure to meet this 50 percent standard can result in loss of some or all federal TANF funds,…”

**Correction:** The maximum penalty is 21 percent of the “adjusted SFAG” – not all federal funds. The adjusted SFAG is the block grant minus any reductions for Tribal Family Assistance Grants and any transfers to CCDF and the SSBG. The penalty also excludes other “federal funds,” e.g., the Contingency Fund. Moreover, it would take at least nine consecutive years of failure to meet the overall work requirement to reach the 21 percent penalty and even this assumes it would not receive a reduced penalty due to reductions related to the “degree of noncompliance” or for making “significant progress” if part of a corrective compliance plan.

**Haskins & Weidinger:** “Even states that violate the work requirement have the opportunity to avoid penalties by signing a ‘corrective compliance plan,’ and most have done so.”

**PC Response:** The description of TANF’s work requirement penalty structure by Haskins and Weidinger is not only wrong, but it is vastly oversimplified and ignores the role of penalties in encouraging states to take advantage of loopholes and the administrative burdens the penalty process imposes on federal and state staff for little practical effect.

A program’s penalty structure can play an important role in ensuring that states focus on a program’s mission. State officials administering TANF often express concerns about penalties. For example, in 2007, Robert Doar – then commissioner of the New York’s Office of Temporary and Disability Assistance – explained his concern as follows:

> Another [priority] is, we’ve got to meet the work participation rates required for those who are on cash assistance. We’re required by the federal law. That’s a very, very high priority. If we fail to do so we would face significant penalties.⁸⁷

TANF’s penalty structure for work requirements is bureaucratic and ineffective. Despite the fact that states have been issued penalty notices that amount to $3 billion or more since TANF’s inception (mainly after FY 2006), virtually nothing has been collected. (The total in penalty notices is based on the documented penalties for California and Ohio and a cursory examination of states that failed after FY 2006.) In practice, most states have found ways to avoid penalties even when they occur over multiple years, as several examples below demonstrate. Doing so, however, has involved entering into corrective compliance plans and then relying on loopholes to meet their work participation requirements. The result – bureaucratic paperwork requirements and no meaningful improvement in participation in work-related activities.
**Background.** A state that does not meet its overall work participation requirement faces a penalty of up to 5 percent of its adjusted SFAG; this penalty amount can increase by up to 2 percentage points each year for subsequent failures, up to a maximum penalty of 21 percent. The law also requires that this penalty be based “on the degree of noncompliance.” Thus, actual penalties may be lower than the amounts based on the percentages set in statute. A state subject to a penalty must spend additional state funds to replace reduced TANF block grant funds.

Once a state receives a penalty notice, it can: dispute the data HHS used; request “reasonable cause” for failing to meet the requirement and have the penalty waived; request that HHS reduce the penalty because the failure was due to “extraordinary circumstances” (e.g., a regional recession); or enter into a corrective compliance plan under which the penalty will not be assessed if the state comes into compliance (or have the penalty reduced if the state makes “significant progress” toward its plan); or accept the penalty. A state may elect these options consecutively. If the state exhausts these options, it can appeal a penalty to the HHS Departmental Appeals Board. If a state chose to avail itself of all of these options consecutively, it could mean a decade or more elapses between the time of the failure and the imposition or removal of the penalty. (The process is time-consuming, as it involves issuing penalty notices, reviewing and responding to various penalty relief requests from states, calculating and recalculating penalties, monitoring corrective compliance plans and whether “significant progress” is made if they fall short, etc.)

**Bureaucratic and Ineffective.** When a state fails a work participation rate, the result can be years of paperwork that in the end produces nothing of value. The most common form of penalty relief is a corrective compliance plan. The goal of such plans is to get states to run meaningful programs, but the reality is that years after the initial failure a state may simply use a loophole to meet TANF’s work requirement and avoid (or minimize) a penalty not only for that year, but for many years prior to that.

One of the most obvious gimmicks states employ to meet work rates (and address past penalties) 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. The following three examples (from Ohio, Maine, and California) illustrate the problems with this process. The examples may seem redundant, but the repetition emphasizes just how broken this process is. This use of loopholes to manipulate TANF’s work requirements does nothing to help low-income families get jobs and wastes federal and state staff time dealing with a gimmick.

Some states had the foresight to engage loopholes before incurring a penalty, as described in the New Hampshire example below.

**Ohio.** In 2011, Governor Kasich of Ohio (one of the main authors of the 1996 welfare reform law) submitted a corrective compliance plan to address three years of failing to meet work rates (2007 to 2009 – before he became governor) to avoid $135 million in penalties. The central element of the corrective compliance plan had nothing to do with engaging more families in work activities. Instead, it was offering $10 payments to SNAP participants who have a child and have enough work hours to be counted toward the TANF work rate. 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.92

So, by investing $4.3 million in what is really a gimmick, the state gamed the work requirement in FY 2012 and in doing so not only met the overall rate for that year, but reduced a significant share of penalties from prior years.93

**Maine.** Maine failed its overall work participation rate requirement from FY 2007 to FY 2011 and the two-parent requirement from FY 2008 to FY 2011. It entered into a corrective compliance plan and met its work requirements by using a loophole. Here is how the Alexander Group, consultants to Maine, described the strategy:

Maine corrected the overall WPR [work participation rate] through a corrective compliance plan. This was achieved by the end of FFY 2012. Maine achieved this compliance by adding a worker-supplement benefit ($15 per month), which allowed Maine to count families that have transitioned from TANF and are working the required number of hours to meet the work participation requirement. This benefit is provided to approximately twenty thousand families per month and is included as part of the TANFMOE caseload. ...Without this new initiative, Maine would not achieve its WPR.94

These token payment cases accounted for about 70 percent of Maine’s TANF/SSP-MOE caseload.

**California.** The CalWorks Annual Summary published March 2020 outlines the status of California’s penalties from FY 2008-FY 2018.95 The state failed the overall work participation rate from FY 2007 through FY 2014 and the two-parent rate for all years from FY 2012 through FY 2020. (California was able to meet the two-parent rate for FY 2007-FY 2011 by taking advantage of a generous calculation method for the “excess MOE” provision of the caseload reduction credit; the calculation method effective FY 2012 became much less generous and triggered subsequent two-parent rate failures.)

Table 5H from the Annual Summary document shows how California accumulated a total of $1.836 billion in potential penalties, but may pay just $58.9 million (3 percent of the original base penalty amounts or just 0.1 percent of the total federal TANF funds received over this period) or even less if it is successful in its “dispute” of penalties from FY 2015 to FY 2018. (There may be additional penalty issues, as the state failed its two-parent work requirement in FY 2019 and FY 2020.)

California was able the avoid penalties for its work requirement failures from FY 2008 through FY 2011 ($587 million) through successful corrective compliance – again by relying on
loopholes. The corrective compliance plan years for these failures were either FY 2015 or FY 2016. Between FY 2014 and FY 2015, the state’s overall work participation rate rose from 29.8 percent to 55.7 percent. This increase is entirely due to the use of work requirement loopholes.

- Effective October 2014 (the start of FY 2015), the state went from having 0 SSP-MOE cases to 150,000+ cases all receiving $10 token payments to they could inflate the work rate.
- The state’s FY 2015 “TANF” work rate was 35.9 percent, but the “SSP-MOE” work rate was 85.1 percent, raising the combined and official work rate to 55.7 percent and thus met its 50 percent target.
- Effective October 2014 (the start of FY 2015), the state shifted 50,000+ cases from TANF to a solely state funded (SSF) program, where the families were not subject to any work requirements. These families were among the least likely to meet TANF’s work requirements, so this too raised its work participation rates.

By adopting two gimmicks, California was able to wipe out nearly $600 million in penalties, but the whole process took about eight years for the oldest penalty for FY 2008, as the FY 2015 work rates were not published until 2016.

The original base penalties for FY 2012-FY 2014 totaled over $1.1 billion. The base penalty amounts for this three-year period is significantly higher than FY 2008 to FY 2011, because the failure to meet work requirements can rise by 2 percentage points a year, from up to 5 percent to up to 21 percent. If a state makes “significant progress” after a failure, the penalty amount can be reduced. This progression in the penalty is why California’s FY 2012 to FY 2014 penalties were so high. Once the state satisfied its work rates for FY 2008 to FY 2011, the amount of the penalty for FY 2012 had to be recalculated to effectively start over at the 5 percent level (less
any adjustment for “the degree of noncompliance.” This in turn affected the FY 2013 and FY 2014 base penalty amounts. The penalties for FY 2012 to FY 2014 were then further reduced because the state met the overall work requirement for FY 2016 and FY 2017, the corrective compliance plan years for these failures. The penalties weren’t reduced to zero because the state failed the two-parent rate. The state estimates that it will ultimately have to pay about $22 million (about 2 percent of the original base penalty total and 0.2 percent of total federal TANF funds received over the three-year period).

The state also received penalty notices for its two-parent failures from FY 2015 to FY 2018. In this case, the state has taken a more sequential approach to penalty relief by first disputing the penalty. A dispute can involve significant time by requiring back and forth communications between the state and HHS. If the state loses its dispute, it can then move to another penalty relief option. Table 5H indicates that the next step may be a corrective compliance plan but lists the date as “TBD,” which suggests the dispute process was not resolved as of March 2020.

When penalties for work requirements occur over multiple, consecutive years, the result can be years of calculations and recalculations based on a number of factors.

**New Hampshire.** Terry Smith, former Director of New Hampshire’s Department of Health and Human Services, Division of Family Assistance, explains how he helped the state avoid the penalty process altogether by relying on a loophole.

> …in 2007 fifteen states failed to meet the 50% work participation rate target, even with the opportunity to use the variety of new loopholes.

I’m going to be honest here. I guided New Hampshire into using loopholes too. One loophole, for instance, is to provide a $20 TANF benefit to food stamp families that have children and are employed at least thirty hours a week. The benefit can be used for food only, but has the advantage of allowing the state to count the family toward the work participation rate. I don’t like doing it that way. But it is legal and protected New Hampshire from penalty because…who knows…maybe the feds will call in those debts someday.

But probably not. As of this writing, the federal government has failed to hold any State going back to 1996 accountable for actually paying a financial penalty. Twenty years of poor performing states and not one has been held accountable to the law.96

**Losing All Federal Funds?** Haskins and Weidinger were wrong to suggest a state could lose “all federal funds” for failing its work rate requirement. But, in an important way, what they say is true. Some states spend so little on cash assistance, particularly the subset of families that are subject to work requirements, in about a dozen states, a penalty equal to 5 percent of the block grant (really, adjusted SFAG) would exceed the amount spent on behalf of families subject to the work requirement. If Congress tries to take away loopholes like “token payments,” the “excess MOE” provision of the caseload reduction, and even the caseload reduction credit, these (and other states) will simply shift the families subject to a work requirement to a solely state funded program.
**Real improvements.** Eliminate the entire penalty process. Instead of a complex process that takes years to resolve and ends up collecting nothing, a better alternative would be to set aside funds for a bonus. If states have a realistic target and they meet it, the bonus could be given the year following the publication of the work participation rates. Note, the issuance of a bonus can occur within a year vs. penalty resolution that can easily take 5 or more years to complete, particularly if states adopt their penalty relief options sequentially.

**Effects: Changes in Economic Measures Associated with TANF**

**Haskins & Weidinger:** “Except for a large increase in 1981, a recession year, the number of families on AFDC increased only slightly between 1980 and 1989. Then in the five years after 1989, the average monthly caseload jumped by more than 25 percent, from under 4 million to 5 million, one of the greatest short-term increases in the program’s history.”

Comment: There was also a recession from July 1990 to March 1991. In addition, one reason for the “slight” increase in the 1980s is due to policy changes in the Omnibus Budget Reconciliation Act of 1981, which reduced the average monthly caseload by an estimated 442,000 cases. On the other hand, the Family Support Act of 1988 included some programmatic expansions which increased caseloads, e.g., a requirement for all states to adopt a two-parent (AFDC-UP) program and modest expansions in earnings disregards. Haskins and Weidinger might have mentioned these legislative changes when comparing caseloads over the two periods.

**PC Response:** Between 1989 and 1994, the AFDC grew by 1.160 million (31 percent), from 3.766 million to 4.926 million. The number eligible for assistance, which reflects economic and demographic conditions, grew even faster – by 1.491 million (33 percent), from 4.506 million to 5.997 million. The rise in cases and eligible families undoubtedly had much to do with the state of the economy (among other factors), as the unemployment rate rose from 5.1 percent to 6.3 percent, with an intermediate high of 7.5 percent in 1992. The fact that the caseload along with the number with incomes low enough to qualify suggests that AFDC, unlike TANF, was responsive to change in economic need.

**Haskins & Weidinger:** “This increase was widely noted and gave a boost to Republican claims that welfare needed to be reformed to emphasize work.”

**PC Response:** Welfare reform was already underway, as states were implementing the Family Support Act of 1988 and HHS was granting states waivers to test policy changes – subject to cost neutrality and rigorous evaluation. Many of the waivers emphasized work. Congress should have built on this effort. Instead, it transformed a safety net program with modest work requirements into a slush fund with an array of dysfunctional requirements – most notably the work requirements, with no meaningful accountability. Recognizing the need to transform programs to “emphasize work” and accomplishing that goal requires an understanding of research evidence and paying attention to policy details. This was missing in the 1996 welfare “reform.”

**Haskins & Weidinger:** “The caseload began declining in 1995, even before enactment of welfare reform in 1996.”
Correction: The AFDC caseload peaked in March 1994.

**PC Response:** The AFDC caseload began declining in March of 1994 and any discussion of “welfare reform” should include a discussion of the implementation of the Family Support Act of 1988 (which unlike TANF created modest but real work requirements) and more importantly the state reforms with waivers, which built the political but not empirical support for the 1996 law.

**Haskins & Weidinger:** “It then declined for 14 consecutive years, from 5.05 million families in 1994 to 1.63 million families in 2008, an unprecedented drop of nearly 70 percent. Thus, the welfare rolls were declining throughout the period immediately before and following welfare reform.”

**PC Response:** While the caseload fell about 3.4 million (nearly 70 percent), the number of families eligible for assistance declined by less than 1 million (16 percent), from 5.997 million to 5.033 million (see Table 2 above). Real success would be reducing the caseload by reducing the need for assistance. Because TANF didn’t have the same reach in 2008 as AFDC did in 1994, 2.5 million families were pushed deeper into poverty. Even this doesn’t reflect the fact that even among the 1.63 million receiving aid in 2008, the level of benefits paid in most states had lost ground to inflation since 1996.

In addition, any chapter on “TANF” should not use data before 1996/1997 to make claims about the 1996 law. The key distinguishing fact between the period before the 1996 welfare law and after is that the take-up rate of benefits among eligible families was relatively stable before whereas it plummeted afterwards, falling from 78.9 percent in 1996 to just 33.0 percent in 2008 (and just 24 percent in 2018).

**Haskins & Weidinger:** “…Figure 2 suggests that mothers who left welfare and similar low-income mothers with backgrounds that could have led to spells on welfare increased their work rates and then maintained a historically high level of work. …The seven-year period leading up to 2000 saw strong increases in the LFP rates of all single mothers, never-married single mothers (the most disadvantaged group and the most likely to be on welfare), and married mothers. After the recession of 2001 and the deep recession of 2007–2009, neither the groups of all single mothers nor never-married mothers returned to the very high LFP rates that they had achieved in 1999 and 2000, but they remained well above their averages prior to welfare reform.”
**PC Response:** First, it is important to note that about half the increase in the labor force participation of never-married mothers in 1990s occurred before states implemented TANF in 1997 and much of the increase after that likely would have occurred whether TANF was enacted or not. TANF should not be confused with welfare reform prior to TANF. Haskins and Weidinger seem to conflate them, but any increase prior to 1997 should not be attributed to the 1996 law.

Second, there are many factors that contributed to the positive employment effects, most notably the strong economy and the expansion of programs/policies designed to “make work pay” that occurred during this same time frame.

Third, even if one believes welfare reform was responsible for the increase in employment, what part of it should be credited? TANF added little to the flexibility states had with respect to cash assistance and TANF’s work requirements were weaker than those under AFDC-JOBS (due to the caseload reduction credit and a myriad of loopholes). From 1997 to 2000, the main causal factors were the strong work message and a huge federal windfall in funding, some of which did go to child care and work supports. Over time, the work message weakened and the windfall disappeared and many states diverted money to fill budget holes. It is important to take a longer-term perspective with TANF – the conditions in the early period that Haskins and Weidinger rely on to make their case won’t be repeated.

Fourth, employment (and poverty) impacts from random assignments experiments of “welfare reform” and “welfare-to-work programs” conducted during the 1990s showed much more modest effects than indicated by the pre-post changes Haskins and Weidinger cite as evidence. This suggests factors other than welfare reform (whether AFDC waivers or TANF) were responsible for much of the employment increase.
Finally, any employment gains, even if attributable to TANF pale in comparison to caseload decline. Policymaking involves trade-offs. The main effect of the 1996 “reform” was to reduce caseloads by pushing eligible families off the rolls, not increasing employment.

**Haskins & Weidinger:** “Given the increases in work and income by unmarried mothers, there is little surprise that the poverty rates of children have been declining in most years since the enactment of welfare reform in 1996 (Figure 4), depending on what measure of poverty is being used. Under the official poverty measure, 20.8 percent of children were in poverty in 1995. But the rate fell continuously over the next five years to around 16.2 percent in 2000. It then rose following the recession of 2001, stayed nearly constant until the recession that began in 2007, and then rose continuously to 22 percent in 2010. Child poverty has declined since 2012 to about 18 percent in 2016 under the official measure.”

![Figure 4: Child Poverty Rates Using Two Measures of Poverty, 1990-2016](https://www.cbpp.org/child-poverty-has-fallen-to-record-low-once-government-aid-is-counted)

**PC Response:** The poverty rate is the wrong measure – most TANF families would be poor whether they receive TANF or not. A better measure would capture the depth of poverty and distributional effects.

**Haskins & Weidinger:** “The picture of child poverty in the United States is remarkably different under a newer Census Bureau measure called the Supplemental Poverty Measure (SPM). An important insight for understanding child poverty and changes in poverty during the welfare reform era is that the official measure does not count a host of government benefits such as those delivered through the tax code as well as housing, food stamps, and other noncash benefits. Many of these benefits, especially the ones delivered through the tax code, increased at about the same time as welfare reform was enacted and have continued to grow since then. The Earned Income Tax Credit (EITC), the biggest income supplement that has the biggest impact on poverty, goes to millions of low-income working families; the Child Tax Credit, another major supplement to the income of working families, was enacted in 1997 and has been expanded since
Without making claims about causality, the SPM shows that much more progress has been made against child poverty since enactment of welfare reform than under the official measure (Figure 4). In every year since 2003, poverty as measured by the SPM is lower than under the official measure. Under both measures, child poverty declined between 1992 and 2000. But child poverty declined under the SPM almost every year after 1993, falling from about 27 percent to about 15 percent in 2015, one of its lowest rates ever.”

**PC Response:** The significant expansion of tax credits and non-cash aid had a large and direct effect on reducing poverty as measured by SPM. This suggests that “liberal” solutions work, but the Haskins-Weidinger chapter is about TANF. For TANF, the more relevant measure is the Official Poverty Measure (OPM). Based on their analysis, a more important question is why did the positive trends in poverty stop in 2000 and reverse direction? Based on their own figure, the child poverty rate in 1997 is about the same as in 2016, and was higher in many of the intervening years.

**Haskins & Weidinger:** “As is the case in all major social reforms, there are serious issues of causation raised by both the scope of the founding legislation and the many contextual factors that influence most of the outcomes related to various provisions in the legislation... Perhaps for this reason, many reviewers across the political spectrum … have attributed improvements in the rates of work, income, and poverty following the 1996 reforms to a combination of a strong economy, other reforms like the increases in the EITC, and welfare reform policies themselves.”

**PC Response:** Many of the “positive” outcomes worsened after 2000. And, as noted above, aside from a strong message, the single biggest factor during the first five years after welfare reform was a federal windfall. During this period, states had not become as adept at diverting funds to non-welfare-reform related purposes. Even if one believes welfare reform reduced poverty in the short-run, few would consider it an effective anti-poverty program today and a model to emulate.

### Issues with TANF

**Haskins & Weidinger:** “Even though there have been positive developments associated with TANF in terms of increased work and earnings and decreased poverty and dependence, there are concerns about the program, several of them becoming more pronounced over time. Our goal in this section is to review several of the major issues, with an eye toward proposing policy changes in the next section.”

**PC Response:** The review of “issues” is notable for the number of it misses and misdiagnoses.

#### Failure to engage recipients in work activities

**Haskins & Weidinger:** “A key concern with the current TANF program is that caseload reduction credits, along with loopholes like excess MOE credits and ‘token checks,’ are allowing...”
states to satisfy the work participation rate without actively engaging a significant share of adults in work activities.”

Comment: The loopholes associated with TANF’s work requirements are not limited to the “current TANF program”; they have existed from the beginning.

PC Response: The “key concern” about TANF should not be about work requirement loopholes, but that it has wiped out the cash assistance safety net for needy families with children.

Of course, it is also a concern that TANF’s work requirements are so dysfunctional. But who should be blamed? Haskins and Weidinger, along with Robert Rector, designed these dysfunctional work requirements.

Writing elsewhere, Haskins has acknowledged more directly the problems with TANF’s work requirements and cautioned against using at as a model:

The straightforward approach of using the TANF work requirements as a model for work requirements in other welfare programs because of their perceived “great success,” as many Republicans want to do, is flawed because the TANF work requirements have major problems.98

And,

Examining these problems with the TANF work requirement leaves little doubt that the TANF approach to requiring work has not proven to be an effective way to help welfare recipients prepare for or find unsubsidized work. New attempts to strengthen the work requirement in TANF and other means-tested programs should learn from, but not follow, the TANF example. In fact, if TANF work requirements are any example, we must find and test new ways to help welfare recipients enter employment. This conclusion is especially important because the unprecedented decline in the TANF caseload has meant that there are now many more families living in poverty, and even deep poverty (below half the poverty level), that do not receive a cash benefit.99

Haskins & Weidinger: “A related concern is the nature of the work participation requirements themselves, insofar as states are expected to engage current recipients in work and other activities without being held accountable for longer-term outcomes, such as whether former recipients are entering, staying in, or advancing in work. An obvious step in the right direction would be to measure the success of TANF work requirements in helping recipients to get jobs, keep the jobs, and move up the income ladder.”

PC Response: Holding states accountable for longer-term outcomes is important, but what Haskins and Weidinger ignore is that the creation of TANF undermined an evidence-based approach to welfare reform that did just this. Starting in 1987, the Reagan Administration began encouraging states to use existing waiver authority to experiment in how they provided welfare – through waivers from AFDC’s rigid rules (and, to a lesser extent, from food stamp and Medicaid rules due to more limited waiver authorities for those programs). The idea (at that time) was that
states and communities were best positioned to find solutions to welfare dependency and, perhaps more important, to provide an alternate avenue to program reform.

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 – itself. As a result, we would know whether the state reforms actually reduced welfare dependency by increasing self-sufficiency. By August 1996, 43 states had received welfare waivers from HHS. The next step would have been to expand waiver authorities in other programs. Instead, TANF replaced this evidence-based approach to welfare reform with a blank check with no accountability.

One of the arguments for the block-grant approach is that states would become laboratories for testing new approaches to promote self-sufficiency among welfare recipients. In fact, the opposite happened, as states were no longer required to rigorously evaluate their welfare reforms. Now we know little about the effects of most reform policies. Writing in 2015, Liz Schott, LaDonna Pavetti, and Ife Floyd of the Center on Budget and Policy Priorities observed:

The result is that, 19 years after TANF’s creation, we still have no rigorous evidence to inform debates about expanding work requirements to other programs. Similarly, because few states have implemented innovative employment strategies for families with substantial personal and family challenges, we still have very limited knowledge about how to significantly improve their employment outcomes. In short, states had an opportunity to innovate and rigorously evaluate new approaches to service delivery, but that is not the path they chose.

The knowledge gap is not limited to work requirements. There is little evidence regarding the impact of time limits, sanctions, family caps, diversion programs, and an array of other provisions. Some policies have undoubtedly helped families move toward self-sufficiency, but others have just as surely pushed them deeper into poverty. (Many policies can have effects going both ways, so it’s important to examine the relative impact, which is why distributional effects are so important.)

Haskins and Weidinger say, “An obvious step in the right direction would be to measure the success of TANF work requirements in helping recipients to get jobs, keep the jobs, and move up the income ladder.” Interestingly, when the Obama Administration proposed waivers to allow testing of work requirement policies that differ from TANF’s, conservatives accused them of “gutting” welfare reform. One Republican staffer recounted the panic the incident sparked:

My Blackberry started going crazy and I looked and there were all these messages from Matt Weidinger from the House side who said “you have to call me right away.” I called and he said: “we’ve gotten word that, later today, HHS is going to put out this document granting themselves welfare waiver authority.”
Conservative critics wrote article after article claiming that President Obama was gutting TANF’s work requirements, with sensationalist headlines like “Obama Administration Ends Welfare Reform as We Know It” and “How Obama has Gutted Welfare Reform.” Presidential candidate Mitt Romney made it a central theme of the candidate.

Regardless of the substance of the waiver proposal, the fact of the matter is that conservatives themselves gutted work requirements in 1996 and again in 2006, with Haskins (1996) and Weidinger (1996 and 2006) playing a key role. Consider the following facts:

- At the time the waiver guidance was issued, the latest work participation rate data showed that 21 states had a 0 percent target for their overall work rate due to the caseload reduction credit.
- Twenty-five (25) states had no two-parent rate to worry about because they had moved their two-parent families subject to work requirements to a solely state funded program; 13 more had a 0 percent target for the two-parent rate due to the caseload reduction credit and the initially generous “excess MOE” calculation.
- Only 6 states had failed their overall work rate; they would later become the leading users of the “token payment” and/or solely state funded strategies.
- Governor Kasich of Ohio, who also played an important role in the passage of the 1996 law, gave the green light to using $10 “token payments” to artificially inflate the work rate starting in FY 2012 as part of a corrective compliance plan.

Given all the loopholes, the work requirements were already gutted. And what waivers were Republicans so afraid of?

- “Projects that test the impact of a comprehensive universal engagement system in lieu of certain participation rate requirements.”
- “Projects that demonstrate attainment of superior employment outcomes if a state is held accountable for negotiated employment outcomes in lieu of participation rate requirements.”

Both are key aspects of the JOBS for Success Act, the Republican proposal Haskins and Weidinger later promote – despite the lack of evidence. Perhaps if they had taken the waiver proposal seriously, they might have learned something before proposing a nationwide reform.

Some of the other possibilities outlined in the waiver guidance include:

- “Projects that improve coordination with other components of the workforce investment system” … or “test an innovative approach to use performance-based contracts and management in order to improve employment outcomes.”
- “Projects that improve collaboration with the workforce and/or post-secondary education systems to test multi-year career pathways models for TANF recipients that combine learning and work.”
• “Projects that demonstrate strategies for more effectively serving individuals with disabilities, along with an alternative approach to measuring participation and outcomes for individuals with disabilities.”

• “Projects that test systematically extending the period in which vocational educational training or job search/readiness programs count toward participation rates, either generally or for particular subgroups, such as an extended training period for those pursuing a credential. The purpose of such a waiver would be to determine through evaluation whether a program that allows for longer periods in certain activities improves employment outcomes.”

These are all reasonable suggestions and HHS and ACF, in particular, has a history of evaluating interventions using a randomized control trial. Whatever one thinks of the waiver proposal though, any “gutting” of work requirements was already accomplished by Congress, with the help of Haskins and Weidinger (and of course, Robert Rector of The Heritage Foundation).

Comment: It is ironic that Governor Mitt Romney, in reacting the President Obama’s waiver initiative, asserted, “We must restore, and I will restore, work into welfare.” In FY 2005, in the midst of his term as governor, Massachusetts had the lowest work participation rate in the nation (when measured according to TANF rules) at just 12.6 percent; however, the state’s pre-TANF 1115 waivers (an early loophole) gave it a huge advantage in meeting the work rate by exempting parents with a child under six years of age and removing TANF’s strict limits on how long education activities can be counted. Thus, its rate with the waivers was 59.9 percent.106

Haskins & Weidinger: “But for 20 years, it has proven difficult to maintain high TANF work participation rates, especially because states have exploited ways to undermine the participation rates. Congress tried to fix the participation problems in the 2006 reauthorization, but so far this has not been successful, as states have used a combination of further case reductions and loopholes like excess MOE credits and token checks to drive down the share of current TANF recipients they are expected to engage in work activities.”

Correction: Some of the most common state loopholes artificially inflate work participation rates, rather than making it difficult “maintain high TANF work participation rates.” In particular, “token payments” and shifting non-participating families to solely state funded programs make the participation rates higher than they otherwise would be, including pushing some above 90 percent.

Comment: At least here Haskins and Weidinger acknowledge their efforts to strengthen work requirements have “not been successful.” They should explain why conservatives are so adamant that they are a success and why they considered the 2012 waiver proposal “gutting” work requirements. If something doesn’t work, testing an alternative is a reasonable choice, particularly if subject to rigorous evaluation.

PC Responses: Instead of blaming states, Haskins and Weidinger should take a closer look at why states took advantage of loopholes. Any objective analysis would conclude that TANF’s work requirements are unrealistic, underfunded, and not designed to produce the best outcomes. Notably, if a state “undermines” the TANF rules by using loopholes, it can use TANF’s flexibility to design employment, training, and education programs that work best for the state and the recipient.
**Problems with TANF spending**

**Haskins & Weidinger:** “Large declines in TANF dependency – a key goal of the 1996 law – have left many states relatively flush with federal and state TANF funds previously spent on welfare checks.”

**PC Response:** Haskins and Weidinger refer to the tremendous drop in caseloads as “declines in TANF dependency” and suggest that was “a key goal of the 1996 law.” The very first “goal” of TANF is “to provide assistance to needy children so they can be cared for at home.” As noted above, the Congressional Research Service, the U.S. Government Accountability Office, and HHS all find that 60 to 90 percent of the decline was due to fewer eligible families receiving assistance. (The percentage is sensitive to the time period being examined and the state of the economy.) Reducing “TANF dependency” by pushing eligible families off the rolls is hardly consistent with TANF’s first goal. It may, however, have more in common with congressional intent:

> The intent of the Congress is to . . . provide States with the resources and authority necessary to help, cajole, lure, or force adults off welfare and into paid employment as quickly as possible, and to require adult welfare recipients, when necessary, to accept jobs that will help end welfare dependency.107

From TANF’s inception, TANF’s caseloads fell much faster than the number of poor families (or families eligible for cash assistance). While there may have been some “help,” much of the decline seems to come from efforts to “cajole, lure, or force” families off welfare (or keep them from coming on), whether they have jobs or not.

**Haskins & Weidinger:** “The dependency declines have been achieved in part by accounting ‘tricks’ that many states employ to meet the work participation standard.”

**PC Response:** Haskins and Weidinger refer to “accounting tricks” but they don’t describe any “tricks” or explain how big an impact they have. Perhaps they mean the caseload statistics don’t include families served in solely state funded programs. *If* that’s what they mean, the decline from this accounting maneuver is more than offset by a different one – the increase in cases due to “token payments.”

More important, their main concern should not be “accounting tricks,” but the fact that millions of eligible families have been pushed off assistance, as captured in the following graphic from the Center on Budget and Policy Priorities.108 (Note: the data used in the graphic does take into account these “accounting tricks,” assuming that’s what Haskins and Weidinger meant.)
Haskins & Weidinger: “Some states have responded by increased spending on ‘other services’ such as foster care, adoption, child welfare services, and efforts to prevent out-of-wedlock pregnancies. For example, according to the Congressional Research Service, in FY2017 several states reported using more than half of federal and state TANF funds for child welfare (e.g., Georgia and North Dakota), pre-K/Head Start (e.g., Arkansas), child care (e.g., Delaware and Illinois), or “other” services (e.g., Michigan); only Alaska and Kentucky spent more than half of program funds for basic assistance, and no state spent that much on work, education, and training (Falk 2019). In fact, as shown in Figure 6, TANF funding priorities changed substantially over the years between 1995 and 2017. While TANF cash assistance declined substantially, except for a brief period during the recession of 2007–2009, spending on work supports and other programs such as child welfare increasingly became part of overall TANF spending.
PC Response: Haskins and Weidinger provide no evidence that any of the states they mentioned actually “increased spending on ‘other services.’” In fact, some of the states they highlight as “increasing” spending are examples of “states behaving badly.” In many cases, the reported spending reflects the use of federal funds to supplant existing state spending (thus, freeing up those dollars for other purposes, including those that have no connection to welfare reform) or reporting more existing third-party spending as MOE, including spending from third-party, non-governmental entities. What is clear, is that the states they cited have slashed spending on cash assistance.

Earlier in their paper, Haskins and Weidinger suggested that states used “accounting ‘tricks’ … to meet the work participation standard.” The real accounting tricks are in the reporting of financial data – something the authors seem unaware of. Three of the states listed above are illustrative of the problem. These are not isolated problems, they are widespread.

TANF Spending in Michigan. Instead of spending its TANF/MOE funds on core welfare reform activities, Michigan has used federal TANF funds to supplant existing state expenditures and count existing third-party expenditures toward its MOE requirement.

Federal TANF Spending. Supplantation is the practice of states using federal funds to replace state spending on a program or activity. According to a 2001 report by the U.S. General Accounting Office (GAO), “Since 1998, Michigan has used TANF funds to replace about $126 million of state funds in a variety of state programs.”

Sharon Parks of the Michigan League of Human Services estimated that by 2002, 20 percent of the TANF block grant was used to supplant existing state spending. While supplantation is legal, it reduces the funding available for providing core TANF benefits and services.

MOE Spending. Michigan has increased its reliance on third-party sources to meet its basic MOE requirement. Prior to FY 2008, 80 percent of Michigan’s MOE came from its expenditures on FIP [the Family Independence Program] cash assistance and child care. Kevin
Koorstra, senior fiscal analyst for the nonpartisan House Fiscal Agency in Michigan, explains that beginning in FY 2008, MOE claims rose “as a result of the state’s efforts to identify additional existing programs and services…” Two examples illustrate the way state flexibility can be used (some would say “abused”) to generate increased MOE spending in ways that allow a state to cut back on its own commitment to the program, freeing up state dollars to be spent on any purpose – TANF-related or not.

First, the state began claiming a greater percentage of K-12 spending for “School Readiness and At-Risk programs,” presumably because such expenditures advance purpose 3 (reducing out-of-wedlock pregnancies). Koorstra explains:

The state TANF MOE increase is more the result of the state’s efforts to identify more MOE-eligible spending than an actual increase in spending for these programs. State TANF MOE claimable spending increased from 21% of gross School Readiness and At-Risk expenditures in FY 2005 to 56% in FY 2011.

His analysis shows that this category accounted for about half of Michigan’s MOE claim. He also notes that before FY 2010, the state only claimed the amount of such expenditures in excess of the FY 1995 level in recognition of the “new spending test” for MOE expenditures. (This is a provision that was intended to prevent supplantation with MOE funds.) However, starting in FY 2010, the state began claiming the entire amount based on the advice of a consultant:

After consultation with an outside vendor, the state determined that the current programs were different enough when compared to the FY 1995 programs that they could be categorized as new programs rather than existing programs and therefore the calculation was no longer required, which generated additional TANF MOE claims.

Second, the state “entered into memorandums of understanding (MOUs) with non-state entities that would allow the state to claim TANF MOE on the TANF eligible programs and services that those entities administer.” 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.

This simply counts as state MOE the spending of third-parties (including non-governmental entities) and does nothing to help low-income families. In fact, to the extent that it allows the state to spend less of its own money on core welfare reform purposes, it undermines the goals of welfare reform.
**Michigan’s Safety Net.** Between 1996 and 2019, the TANF-to-poverty ratio fell from 88 to 11 and the maximum TANF benefit for a single-parent family of three fell by 35 percent in inflation-adjusted dollars and equals just 27 percent of the federal poverty line.

**TANF Spending in Georgia.**

**Federal TANF Spending.** Georgia uses federal TANF funds to fill budget holes in the child welfare system. According to Alex Camardelle of the Georgia Budget & Policy Institute:

> Georgia lawmakers repeatedly choose to use TANF funds for things other than direct cash aid. In Fiscal Year 2021, Georgia will spend $315 million in federal TANF funds, and just 12 percent of that funding will be spent on basic cash assistance.

**Budget writers have become dependent on using TANF in order to continue their cuts-only approach to balancing the state budget** instead of raising new state revenues to adequately fund child welfare and deploying TANF funding for its intended purpose – cash aid to needy families.[117] [Emphasis added.]

Haskins and Weidinger express concern about TANF dependency – in Georgia and many other states, it is the politicians and “budget writers” who “have become dependent on using TANF” to balance “the state budget.”

**MOE Spending.** Georgia counts third-party non-governmental expenditures as MOE for the sole purpose of reducing their own commitment to programs for low-income families. Here’s how the Georgia Budget and Policy Institute describes what the state does:

> 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. In general, a state must spend TANF MOE on activities that serve eligible low-income families with children and satisfy one of the four broad purposes of TANF. A state may also count administrative costs for allowable purposes (not to exceed 15 percent).

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.[118]

By FY 2014, the amount of third-party, non-governmental funds rose to $99 million or 57 percent of the state’s MOE contribution.
Georgia’s Safety Net. Between 1996 and 2019, the TANF-to-poverty ratio fell from 82 to 5 and the maximum TANF benefit for a single-parent family of three fell by 40 percent in inflation-adjusted dollars and equals just 16 percent of the federal poverty line. (Georgia paid the same nominal benefit in 2020 as it did in 1996.)

TANF Spending in Arkansas. In FY 2017, Arkansas reported $105.2 million in spending on preK (all as MOE), representing 65 percent of total TANF/MOE spending of $161.4 million. The state’s basic MOE requirement that year was $20.8 million, but it reported $111.4 million in total MOE. As a result, the state had “excess MOE” of $90.5 million. Why? To maximize its caseload reduction credit AND to meet the higher Contingency Fund MOE requirement. In 2017, Arkansas had a 0 percent target work participation rate and with an unemployment rate of 3.7 percent it still qualified for contingency funds because it was a “needy state” (due to the flawed SNAP trigger). The preK claims helped it meet the TANF Contingency Fund and matching requirements.

Arkansas’ Safety Net. Between 1996 and 2019, the TANF-to-poverty ratio fell from 33 to 4 and the maximum TANF benefit for a single-parent family of three fell by 40 percent in inflation-adjusted dollars and equals just 11 percent of the federal poverty line. (Arkansas paid the same nominal benefit in 2020 as it did in 1996.)

Real Improvements. Narrow the scope of allowable activities, preferably to cash assistance and welfare-to-work activities; eliminate the ability to count third-party non-governmental spending as MOE.

Haskins & Weidinger: “Despite these positive developments, some argue that real declines in the value of the TANF block grant, especially when coupled with data about the number of families in deep poverty, warrant increasing federal TANF funds in the block grant.”

PC Response: As long as TANF is a block grant with excessive flexibility, giving states more federal funds is not the answer – the added funds may simply go to a state’s slush fund rather than to needy families.

Real Improvements. TANF funding should be increased, but states should be required to spend all of the increase, as well as more of their existing expenditures, on core welfare reform activities.

Haskins & Weidinger: “We address caveats about the number of families in deep poverty. We also argue that a more prudent policy than increasing federal funds would be to first require states to contribute their full MOE funds to TANF by closing several loopholes that have already resulted in the program becoming more federally funded than Congress intended in the 1996 law.”

PC Response: It is unclear what loopholes Haskins and Weidinger are referring to. They might be referring to the ability of states to count third-party non-governmental expenditures as a state’s own MOE. This certainly is a loophole worth closing, but with the exception of a few states, this does not appear to constitute a significant amount of reported MOE at the national
level. It is also unclear why they think the program has become “more federally funded.” Since FY 2007, states have reported substantially more MOE than before because of the “excess MOE” provision of the caseload reduction credit, but this made the program less federally funded.

Notably, in drafting the TANF legislation, Congress – with the help of Haskins and Weidinger – set the basic MOE requirement at 80 percent of historic spending (lowered to 75 percent if states met their work requirements.) That certainly made it more federally funded than AFDC.

**Haskins & Weidinger:** “Beyond using the flexibility afforded by TANF to spend program funds directly on ‘other services,’ some states have opted to divert funds altogether or use those funds to supplement other state spending and free up resources for non-TANF purposes.”

**PC Response:** This is a serious problem and it involves not just “supplementing” other state spending to supplanting and otherwise using it to fill budget holes.

**Real Improvements.** It’s too late and too difficult to develop procedures to prevent supplantation. The best approach, as noted above, is limit spending to core welfare reform purposes so that TANF doesn’t fund the program areas most susceptible to supplantation.

**Haskins & Weidinger:** “For example, about half the states currently avoid the separate and higher work requirement for two-parent families by putting these cases in a solely state-funded program where the work requirement does not apply.”

**PC Response:** It is unclear why Haskins and Weidinger would categorize this issue under “Problems with TANF Spending.” The shift to solely state funded (SSF) programs is primarily a work requirement issue. Nevertheless, the shift is only possible because TANF is a block grant with a maintenance-of-effort requirement. This would not be an issue with a federally funded program or one with a federal-state match.

The reason states use the SSF program option is because TANF’s work requirements are unrealistic and unattainable without the use of loopholes. There is nothing that Haskins and Weidinger propose in their recommendations that would eliminate this loophole and indeed their recommendations (discussed below) are likely to lead many states to shift all of their families with a work-eligible individual to an SSF program so work requirements become irrelevant.

**Real Improvements.** Replace the block grant and MOE requirement with a federally-funded program, a block grant limited to basic assistance and welfare-to-work activities, or federal-state match. The current block grant structure is the worst of all options.

**Haskins & Weidinger:** “Also, in 2015 sixteen states counted third-party spending as if it were state spending toward satisfying the MOE requirement, something states are permitted to do under TANF rules. In three of those states (Georgia, Alabama, and Missouri), third-party funds accounted for more than a third of state MOE; and in another eight states, it accounted for between 10 and 33 percent of state MOE. This factor both directly reduces the amount such
states need to contribute from state funds and could also allow these states to claim excess MOE credits toward the work participation requirement.”

Correction: Nearly all, if not all, states report third-party spending. The third-party spending examined in the GAO report cited by Haskins and Weidinger is third-party non-governmental spending, e.g., by a food bank or Boys/Girls Club.

PC Response: In addition to reducing the amount of state spending to meet basic MOE and/or generating “excess MOE” for the caseload reduction credit, such spending could also help a state meet the Contingency Fund MOE requirement. The main concern is the first – the reduction in a state’s own commitment to meeting the basic MOE requirement. The impact on the caseload reduction credit is now small and most states could find enough third-party governmental spending to meet the Contingency Fund MOE requirement if they tried.

Haskins & Weidinger: “And where state TANF spending has been rising – such as on child care and refundable tax credits (included in the “work support” category in Figure 6) – it is impossible to know whether such increased spending has been in addition to what states would have otherwise spent for those purposes. If not, the flexibility inherent in TANF has allowed states to claim this spending as TANF program spending, freeing state resources that would have otherwise been required for those uses to be spent on non-TANF purposes.”

PC Response: This has been a long-standing problem. As noted above, Congress issued a warning in 2000 about supplantation but has done nothing about it.

Haskins & Weidinger: “Data based on new reporting requirements imposed on states by HHS show how states use TANF dollars. The spending data for 2017 were carefully examined in a study by Schott, Floyd, and Burnside (2019) of the Center on Budget and Policy Priorities (CBPP) (Figure 7). These data show that only 23 percent of TANF funds were spent on basic assistance (cash payments to families) in 2017. Another 11 percent was spent on work activities and 3 percent on work supports. Even if the 16 percent spent on child care is included under work supports, only a total of 53 percent of TANF funds is spent on activities directly related to basic assistance and work.”

PC Response: Not only is the share of spending on core welfare reform activities shrinking, but because the block grant and MOE requirements are not adjusted for inflation, so is the amount in real terms.

Haskins & Weidinger: “A possible outcome of the reduced TANF spending on benefits could be an increase in the rate of deep poverty. …the share of Americans in deep poverty (or poverty under one-half the poverty level: $9,552.50 in 2017) rose in an uneven pattern from between 3 percent and 4 percent in the mid-1970s to between 6 percent and 7 percent from 2005 to 2009. It then fell to a little under 6 percent in 2017… However, just as the Official Poverty Level (OPM) leaves out many means-tested benefits from the calculation of the poverty level, the deep poverty measure also leaves these same means-tested benefits out of the accounting… Recent research by Bruce Meyer and his colleagues suggests that more than 90 percent of those considered to be in extreme poverty are not once the value of in-kind transfers are added to income, survey
reports of earnings and transfer receipt are replaced with administrative records that are more accurate, and the ownership of assets are accounted for.”

Comment: Haskins and Weidinger begin by addressing “deep poverty” (i.e., below half the poverty level), but conclude by referring to a study that examined the incidence of “extreme poverty” (i.e., living on less than $2/person/day). The finding that 90 percent of those considered to be in “extreme poverty” are lifted out of poverty when in-kind benefits are counted is hardly surprising. Just counting the value of SNAP benefits would do this. The argument about $2 a day is about cash – poor families like everyone else need cash assistance. In any event, if Haskins and Weidinger want to make an argument about the value of in-kind transfers, they should comment on how it affects “deep poverty,” not “extreme poverty.”

**PC Response:** Examining TANF’s impact on a rate – whether the poverty rate, the deep poverty rate, or the extreme poverty rate gives an incomplete picture. This just gives an indication of the change in people above or below an arbitrary poverty threshold. It says nothing about changes in “income” for those who start below (or above) and arbitrary threshold and whose incomes change. In the case of TANF, the declining reach and the erosion of benefits suggests that a much larger group is adversely affected than indicated by a change in a particular rate.

**Haskins & Weidinger:** “A decline in TANF spending on benefits for single mothers may have played a role in the increase in deep poverty under the OPM [Official Poverty Measure]. …the ratio of poor families receiving a TANF benefit has declined consistently since TANF was enacted in 1996, from 74 per 100 in 1996 to 20 per 100 in 2017.”

**Correction:** The TANF-to-poverty ratio decline from 68 to 23 between 1996 and 2017. In addition, the TANF-to-poverty ratio is not “the ratio of poor families receiving a TANF benefit,” but rather a comparison of the average monthly TANF caseload to the annual number of poor families.

**PC Response:** Again, TANF’s most important effect has been on the depth of poverty experienced by needy families.

**Haskins & Weidinger:** “Even so, we have already seen that poverty as measured by the SPM [Supplemental Poverty Measure] has been declining or stable in nearly all years throughout this period. Perhaps the rates would have declined more if more people had received TANF (although TANF alone does not usually remove people from poverty), but parents were able to make up for at least some of the loss of income from TANF by other means, among them wages and public benefits from work programs such as the EITC as well as other means-tested programs, especially Food Stamps.”

**PC Response:** As noted several times above, the change in a poverty rate is not a useful metric for assessing TANF because it misses distributional effects. (A credible counterfactual is also important.)

Most of the expansion in safety net program over the last three decades has been directed to those who work; many of those who don’t or can’t work have been left out. Robert Moffitt of Johns Hopkins University documented a decades-long shift in spending on means-tested program away from the very poor (those with incomes below 50 percent of the federal poverty line) to those with incomes as much as 200 percent above the poverty line. He observes:
You would think that the government would offer the most support to those who have the lowest incomes and provide less help to those with higher incomes. But that is not the case.  

**Haskins & Weidinger:** “There are other public programs that have also been increasing the income of disadvantaged families with children. We have referred to expansions of the EITC and the creation of the CTC in 1997. According to an estimate from the CBPP (Horton 2016), taken together the EITC and the CTC lifted 9.8 million people, including 5.1 million children, out of poverty in 2015.”

**PC Response:** While the significant expansion in spending on means-tested programs over the last two-and-a-half decades has undoubtedly reduced the poverty and material hardship for millions of families and individuals, this spending primarily benefited those who worked and were not poor. Many of those who can’t work or don’t work, however, were pushed deeper into poverty because of the collapse of TANF as a safety net. A recent report by Hilary Hoynes and Diane Whitmore Schanzenbach for The Brookings Institution depicts these dynamics by showing changes in spending on families with children in five major assistance programs based on whether the parent has earnings or not AND whether they are poor or not. A cursory examination of Figure 14 from their report clearly shows the sharp decline in spending on TANF for families with “no work” that is not fully offset by increases in SNAP and Medicaid. In contrast, spending on behalf of families in which parents “work” has skyrocketed. (Note: the blue shading represents spending for those with “no work”; the orange shading represents spending for those with “work.”)

![Figure 14: Spending on Children, by Parent Earnings, Select Programs](image)

Similarly, much of the added spending went to families that were not poor, as can be seen in their Figure 13. (Note: in this figure, the blue shading represents spending for those who have incomes below poverty; the orange shading represents spending for those with incomes above poverty.)
Hoynes and Schanzenbach explain the importance of examining the distributional effects of policies and efforts to reform them:

Welfare reform and the decline in unconditional cash assistance is fully felt by those with the lowest incomes. More than half of the increased spending for the EITC and more than three-quarters of the increased spending for the CTC goes to those with income between 100-200% of poverty. Most of the increases in Medicaid spending are also going to those above 100% of poverty. 122

Haskins & Weidinger: “We also note that the number of families receiving a cash benefit under TANF does not include those receiving other forms of TANF assistance (called “nonassistance”) like short-term assistance or services that fall under the rising “other” category...”

Comment: When Haskins and Weidinger refer to “Other” they mean spending that is not cash assistance or work supports. The TANF financial reporting system was changed effective FY 2015. One of the changes was adding and refining spending categories to minimize the amount reported in “Other.” For example, in FY 2014, 14.7 percent of TANF/MOE funds were reported as “Other” vs. just 0.8 percent in FY 2019.

PC Response: A significant portion of what Haskins and Weidinger refer to as “Other” reflects supplantation and counting existing third-party spending. Much of this spending does not go to needy families receiving TANF cash aid (or even those who are eligible, but don’t receive it).

Haskins & Weidinger: “TANF gathers almost no data on the number of people receiving such forms of help.”

PC Response: Congress limited data collection to “assistance.” HHS does not have the authority to collect this data.

Haskins & Weidinger: “In any case, we cannot take the decline in federal and MOE funds being spent on TANF cash benefits as a fully accurate indicator of the extent to which
government funds are helping the poor. There are many sources of government spending on the poor, some of which provide them with cash while others provide them with services.”

**PC Response:** Haskins and Weidinger provide no evidence with regard to the degree to which other sources of government spending offset the dramatic reduction in cash aid; they don’t even point to another program that was expanded that isn’t linked to having earnings. The truth of the matter is that a single mother with two children with no other income has only SNAP in many states, because TANF is so hard to get (or its receipt is with unreasonable conditions). This takes the family to one-third of the poverty line. Haskins and Weidinger should explain how these families are supposed to cope. Moreover, even if they work, it may take over a year for these families to receive benefits from the EITC and CTC. Where is the Ron Haskins who on TANF’s 20th anniversary said, “A great nation has to have a cash welfare program”?

Note: This response ignores the recent expansion in the CTC, which is available regardless of earnings and paid on a monthly basis. Indeed, the expansion is likely a direct response to the collapse of TANF as a meaningful cash assistance program. (Weidinger is on record opposing the expansion of the CTC because he considers it to be like AFDC.)

### Possible Reforms of TANF

**Haskins & Weidinger:** “To address these problems and concerns, TANF reform proposals have been put forward by a number of individuals and groups. These efforts have included a comprehensive five-year reauthorization bill crafted by senior Republicans on the House Committee on Ways and Means, which has jurisdiction over TANF, as well as by a senior House Democrat who subsequently became a member of the committee.”

**PC Response:** None of the legislative proposals to reform TANF represent meaningful reform in terms of addressing the “problems and concerns” Haskins and Weidinger identified or the many others they didn’t. These proposals are too timid and build on the flawed TANF block grant structure – until reformers think bolder and address the block grant structure, TANF will remain broken.

**Haskins & Weidinger:** “The Republican legislation was approved on a partisan vote in Ways and Means in May 2018 but was never considered on the House floor. Similar legislation was introduced in early 2019 by senior Republicans in the House and Senate but has not been acted on in either body.”

**PC Response:** The “Republican legislation” Haskins and Weidinger refer to is the Jobs and Opportunity with Benefits and Services (JOBS) for Success Act, or JOBS for Success Act. They note that bill was approved in the House Ways and Means Committee by a partisan vote but was never considered on the House floor. By suggesting the vote was “partisan,” the implication may be that it wasn’t considered on the House floor because of opposition by Democrats. In 2018, Republicans didn’t need the support of Democrats to pass the bill out of the House. The reason the bill stalled in Congress is because conservative ideologues opposed it, arguing that it was too weak on work. They circulated a paper, “Bipartisan Efforts to Undermine Work Requirements,” which stated:
In July 2012, the Obama Department of Health and Human Services issued a proposal to allow states to apply for waivers to the mandatory work requirements contained in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), a bill widely regarded as a seminal conservative achievement. The JOBS for Success Act, a bill introduced May 17th in the Ways and Means Committee and scheduled to be marked up on May 23rd, takes a similar approach, significantly vitiating the mandatory work requirements instituted by PRWORA. **Conservatives should oppose the proposal until provisions that weaken work requirements are removed from the legislation.**\(^\text{124}\) [Emphasis in original text.]

Why didn’t Haskins and Weidinger mention this? They also note that “senior Republicans” reintroduced “similar legislation” in 2019 in the House and Senate.” What they don’t explain is that the latest version of the JOBS for Success Act is considerably different – with much stricter work requirements for both recipients and states, ensuring that it would encourage states to push more families off assistance (or impose barriers to coming on) and/or to game the new requirements.

The updated version of the JOBS for Success Act doubles down on the failed TANF model. It effectively replaces TANF’s current work participation requirement with a universal engagement requirement. States must require that all work-eligible individuals who have been assessed and have an individualized plan (also a requirement) engage in specified activities for a minimum number of hours based on their family type (as under current law). Families with individuals who do not comply with these requirements would be subject to a “pro rata” sanction. In effect, the bill replaces TANF’s current (on paper) 50 percent work rate with a de facto 100 percent requirement. It also adds a new outcome measure that is subject to a penalty as well – the ratio of work-eligible individuals in unsubsidized employment six months after leaving to the average monthly number of families receiving assistance. In short, it makes the participation requirement more stringent and adds a new outcome requirement. States would be subject to the same penalties as under current law.

No state is anywhere near satisfying a universal engagement requirement and there is considerable uncertainty surrounding the outcome requirement. Given that the penalty can exceed the amount about a dozen states spend on families subject to these requirements, the most likely outcome is that states will simply exploit the solely state funded loophole by rearranging how they fund state programs. This is possible because TANF is first and foremost a form of revenue sharing and because they spend so little on families with a work-eligible individual (about 10 percent of TANF/MOE funds nationally, but much less in many states).

Consider Texas’ likely response if these provisions had been in effect in FY 2019:

In FY 2019, Texas spent $40 million on basic assistance ($4 million federal and $36 million as MOE). Only 30 percent of families receiving assistance were subject to work requirements. A reasonable estimate of the amount spent on basic assistance for this group is $12 million to $20 million. (Assume $20 million as MOE for this exercise.)
The state’s adjusted SFAG, the basis for determining penalties was $453 million. With the same penalty structure as current law, the state could be subject to a penalty of up to $23 million if it fails the new work-related requirements in the first year, potentially rising to a maximum of over $90 million. In other words, even the initial penalty may be more costly than the amount spent on families subject to a work requirement ($20 million).

What will the state do? With the stroke of a pen, it is likely to shift the families with a work-eligible individual to a solely state funded (SSF) program. The state can do this because its basic MOE requirement is $158 million, but it reported $394 million in MOE expenditures, so it had $236 million in “excess MOE.” As noted above, the state reports $36 million in basic assistance as MOE. It can just take the $20 million for basic assistance spent on families with a work-eligible individual and move them outside the TANF/MOE structure to an SSF program.

The result: MOE is reduced from $394 million to $374 million (still well above what’s needed); MOE for basic assistance is reduced from $36 million to $16 million; and the TANF caseload is reduced by 30 percent, leaving only families that are not subject to work requirements in the caseload.

The result? No risk of a penalty and no work requirement.

While the details may differ in other states, many if not most states would simply exploit what is likely to become TANF’s biggest loophole – the SSF program.

To be fair, the JOBS for Success Act raises important questions about TANF’s effectiveness, but it does not “fix” the problems, it merely treats their symptoms. It is easy to say that states should be held “accountable” and that work requirements should be strengthened, but the devil is in the details. Conservative policymakers and their think tank advisers (including Haskins and Weidinger) have yet to get those right and they have a long way to go to achieve the goals they claim to support.

Haskins & Weidinger: The Democrat bill, titled the “RISE Out of Poverty Act,” introduced by Rep. Gwen Moore (D-WI), would significantly expand TANF and child care funding; replace the current Contingency Fund with one modeled after the Emergency Contingency Fund included in the 2009 stimulus law; and make a number of changes in work requirements, time limits, and other policies that would tend to increase TANF caseloads and spending.”

PC Response: The bill would make a number of improvements to TANF, but it too is fundamentally flawed because it builds on the block grant structure. In particular, it would significantly expand TANF spending but do little to ensure that the added funds go to core welfare reform purposes. Instead, the result may simply be more funding to supplant existing state funds and fill budget holes. (Undoubtedly, many states would use the funds wisely, but TANF’s structure should be reformed to ensure all the funds are used for their intended purposes.)

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Haskins & Weidinger: “In each case, the legislation provides an indication of key TANF issues under debate. What follows is an overview of possible reforms that respond to most of the problems and concerns that we have outlined. Most have at least some promise of attracting bipartisan support.”

PC Response: As noted, none of the reforms proposed by Congress to date address TANF’s structural problems stemming from the block grant and excessive state flexibility. As demonstrated below, none of the reforms outlined by Haskins and Weidinger is likely to be a meaningful improvement.

**Strengthening TANF Work Requirements**

Haskins & Weidinger: “The original TANF legislation required states to engage at least 50 percent of adult recipients in work and related activities while receiving assistance. Various credits and exceptions have reduced that requirement, including in an estimated twenty states, to zero, effectively absolving such states of the need to engage any adults in work and other activities.”

Update: Twenty-eight (28) states had a zero percent target in FY 2020 and the number is likely to rise in FY 2021 as caseloads continue to decline – even in the face of a pandemic.

PC Response: It is important to remember that it was Haskins and Weidinger, with the “help” of Robert Rector, who designed the work requirements – along with all the loopholes.

Haskins & Weidinger: “The Republican bill would address these flaws in a number of ways, including by transitioning to an outcome-focused performance measurement system. In addition, it would phase out by 2023 the ability of states to count third-party spending as state spending, which would minimize the degree to which ‘excess MOE credits’ could reduce the target work rate.”

Correction: The bill would not eliminate all third-party MOE, just third-party non-governmental MOE, as the legislation refers to funds that “are attributable to the value of goods and services provided by a source other than a State or local government.” States would be able to continue to count other third-party governmental MOE, e.g., state spending on preK, refundable tax credits, etc.

Correction: The JOBS for Success Act replaces the current work participation rate structure, including the caseload reduction credit, and holds them accountable for meeting engagement and outcome standards. In other words, “excess MOE credits” are moot, as there is no “target work rate.”

PC Response: Haskins and Weidinger have no reason to be concerned about the role of “excess MOE” with respect to the current TANF work requirements, as they are replaced with a universal engagement and outcome metric. There is no caseload reduction credit.

Eliminating third-party non-governmental spending as MOE is still a positive step. However, even if the current work requirements were continued, the change would have little overall impact on “excess MOE” provision of the caseload reduction credit because only a few states abuse this provision. The more important reason to eliminate this provision is to keep states from substituting such expenditures to meet the state’s basic MOE requirement. As noted above,
in Georgia, in some years, such third-party “donations” accounted for over half of the spending devoted to meeting its basic MOE requirement.

**Haskins & Weidinger:** “This policy is bolstered by 2012 research conducted by the Government Accountability Office, which found that in 2009 ‘16 of 45 states that met the TANF work participation rate would not have done so without the credit they received for excess state MOE spending’ (Government Accountability Office 2012).”

Comment: As noted above, Haskins and Weidinger misread the JOBS for Success Act. The role of the caseload reduction credit is not relevant. The following response, however, addresses the statements about the “excess MOE” provision because here too Haskins and Weidinger make errors in their analysis that should be addressed, because the JOBS for Success Act did not become law, and the provision continues to be used.

**PC Response:** The GAO finding for FY 2009 is not relevant to the “excess MOE” discussion today because the policy changed dramatically starting in FY 2012 due to the implementation of a new regulatory approach that significantly limits the value of this provision. However, as the Texas example above shows, any state with “excess MOE” can generate a bigger bank for the buck by using that excess to create a solely state funded program – including doing away with work requirements altogether. The fact that they haven’t so far simply reflects the fact that most easily meet their work participation rate targets without resorting to that strategy.

**Background.** The “excess MOE” provision of the caseload reduction credit is not part of the statute but was added as part of the original 1999 regulations implementing welfare reform. The provision did not receive much attention before FY 2007, because most states did not need it to meet their work rate target(s) due to large caseload declines, the ability to count unsubsidized employment as a work activity, and a variety of loopholes (e.g., separate state programs, converting cases subject to work requirements to child-only cases, the broad definition of work activities because Congress did not actually define them, and in some states the continuation of section 1115 waivers from earlier AFDC demonstration projects). When Congress passed the Deficit Reduction Act of 2005 and recalibrated the base year for the calculation of the credit from FY 1995 to FY 2005, most states discovered this provision and began using it.

The comments by Haskins and Weidinger about the credit do not reflect how the “excess MOE” provision has changed over time. It became much less generous after FY 2011, so many of their concerns are greatly exaggerated.

**Excess MOE (FY 2007-FY 2011).** After the Deficit Reduction Act of 2005 recalibrated the base year for the caseload reduction credit, many states had questions about how this provision worked. Only one state had used it prior to FY 2007. HHS had not specified a methodology, so it allowed for state flexibility in determining how to count such “excess MOE.” The most common method was to take the amount of excess MOE (i.e., the MOE amount above a state’s basic MOE requirement) and divide that by the average cost of providing assistance (which was derived by taking total federal/state spending on assistance and dividing by the average monthly caseload). This method proved to be very generous and had a big impact on state work participation rate targets. Many states went out to “hunt” for more third-party MOE that they could count. (This “hunt” primarily focused on third-party governmental spending, not from
third-party, non-governmental entities, with a few notable exceptions.) As a result, many states again faced zero or near-zero work participation rate targets. For example, in FY 2008, when the comparison year was FY 2007, 21 states had a 0 percent target for their overall work rate. (For the two-parent rate, states could assume all of the excess MOE funded two-parent cases, bringing 13 two-parent rate targets to 0 percent. Even with the generous “excess MOE” provision, 23 states ceased operating a two-parent program in TANF, with most choosing to serve them in a solely state funded program.)

To address this “problem,” the final rule implementing the Deficit Reduction Act of 2005 (DRA) was issued February 5, 2008, and it described a new methodology that was to become effective in FY 2009. The new approach essentially limited the amount of “excess MOE” that could be used to the share of a state’s total TANF/MOE spending devoted to “assistance.” The assistance portion of the excess MOE is then divided by the average cost per case for assistance, as described above, to arrive at the number of cases that can be subtracted from the comparison year caseload. At the time the rule was promulgated, assistance expenditures averaged about one-third of total expenditures. This effectively reduced the amount of caseload decline by about two-thirds, though the impact varied considerably across states, depending on the share of their expenditures devoted to assistance. For states that spent less than one-third of their total expenditures on assistance, this provision provided less help in reducing their work rate targets. (States could no longer assume that all the excess MOE funded two-parent cases.)

An example can help illustrate the difference. Under the original methodology, if a state had “excess MOE” of $50 million and spent an average of $5,000 per assistance case per year, it could exclude 10,000 cases from the comparison year caseload. Using the methodology in the final DRA rule, the amount of “excess MOE” would be multiplied by the share of total TANF/MOE expenditures devoted to assistance. If this were 20 percent, the amount of “excess MOE” used for the calculation would be limited to $10 million. Dividing that by the cost per assistance case would allow the state to exclude just 2,000 cases from the comparison year caseload – a reduction of 80 percent.

However, the implementation of this provision was effectively delayed as a result of legislation in response to the Great Recession. When Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA), it included a provision designed to mitigate the impact that rising caseloads might have on the caseload reduction credit so that states with rising caseloads due to the economic downturn would not see their target work participation rate(s) rise as well. Normally, the caseload reduction credit for a year is based on the state’s assistance caseload and spending for the prior fiscal year (the comparison year). Under the ARRA provision, a state had the option in fiscal years 2009, 2010, and 2011 to use the credit it qualified for when the comparison year was FY 2007 or FY 2008, whichever had the lower caseload. If a state chose the FY 2007 comparison year, it would also be able to take advantage of the more generous excess MOE calculation – and that’s what most states did.

**Excess MOE (FY 2012 – present).** It was not until FY 2012 that the new “excess MOE” methodology became effective in many states and they again faced higher work participation rate targets. But because caseload have continued to decline into FY 2021, eliminating the “excess MOE” provision of the caseload reduction credit today would have little impact in most states as
most could meet the work requirements without the provision. Many of the states with 0 percent targets would continue to face no requirement even without excess MOE due to caseload decline and this number will only grow as TANF caseloads continue to decline.

**Haskins & Weidinger:** “Even liberal organizations have recognized that the availability of such credits may entice states to ‘claim as MOE certain existing expenditures they hadn’t previously claimed’ (Schott, Floyd, and Burnside 2019, 17).”

**PC Response:** “Conservatives” would do well to read and study the papers of “liberal” organizations like the Center on Budget and Policy Priorities (CBPP); they have written extensively and clearly about this and many other provisions. This might help them better understand the impact of the provision and avoid exaggerating its importance in the public debate.

The CBPP analysis of state spending also points out that states can use “excess MOE” from third-party sources to qualify for the Contingency Fund. This too seems to be inconsistent with congressional intent. After all, what’s the point of having a higher Contingency Fund requirement if all a state has to do is report more existing state spending as MOE to qualify?

The CBPP also has a good understanding of how states can use “excess MOE” to create solely state funded (SSF) programs. Thus, they understand that eliminating the “excess MOE” provision of the caseload reduction credit would simply lead to a new loophole. Indeed, given the post-FY 2011 approach to calculating the impact of the “excess MOE” provision of the caseload reduction credit, the SSF program approach has become the loophole of choice for many states.

Perhaps one day, conservatives will focus on policy details like the CBPP. Reforming (or replacing) TANF need not be a liberal vs. conservative issue; many of the needed reforms just require common sense and an understanding policy details.

**Haskins & Weidinger:** “If reforms result in the retention of the work participation rate system, we propose strengthening the system for current recipients by also explicitly ending excess MOE credits as well as updating the baseline for calculating caseload reduction credits on an annual basis for the latest caseload. These reforms will better ensure that a significant share of current work-eligible adults engage in work and other productive activities and that states are held accountable for that result, as current law intends.”

**PC Response:** Recalibrating the base year for the caseload reduction credit “on an annual basis for the latest caseload” would dramatically increase work participation rate targets, as year-to-year caseload declines are much smaller than the declines from the current base year of FY 2005. It is naïve to believe that this “reform” would “ensure that a significant share of current work-eligible adults engage in work and other productive activities” or that it would hold “states accountable.” It would simply encourage states to take advantage of other loopholes or provisions, e.g., token payments and solely state funded programs.
Haskins & Weidinger: “There is also merit, and potentially bipartisan support, for holding states more accountable for helping TANF recipients enter, remain, and advance in employment, as the Ways and Means bill would do. As CBPP has noted, ‘The primary measure of TANF’s success should be whether families leave the program with employment and are on a path to earn enough to provide for their families, not simply whether they participate in a pre-defined set of activities that may or may not prepare them for employment and help them move out of poverty. The measure should . . . align TANF with other workforce programs under the Workforce Innovation and Opportunity Act.’”

PC Response: There is no evidence that a shift in accountability from a participation rate to an outcomes-based approach would lead to better results. There are several challenges that such a shift would involve.

First, there is the issue of whose outcomes will be measured. The JOBS for Success Act focuses on work-eligible individuals who leave TANF, presumably because WIOA tracks outcomes of participants who exit the program. Historically, employment-related outcomes under TANF (e.g., those used under the High Performance Bonus) have focused on TANF adult recipients and more recently TANF work-eligible individuals. Regardless of whether the focus is on current recipients or leavers, these approaches are very different than WIOA. WIOA measures outcomes for those who are engaged in an employment and training activity. Under TANF, most participants do not actually receive services.

Second, there is the issue of what outcome states will be held accountable for. The original JOBS for Success Act had four outcomes related to employment, earnings, and for work eligible individuals under 24 – enrollment and completion in a high school degree or equivalency program. In the more recent version of the Act, these are only “indicators of performance.” The only real outcome measure that states will be held accountable for through the penalty process is the percent of work eligible individuals in unsubsidized employment six months after exit over the average monthly number of families receiving assistance. Aside from the fact that there is no empirical basis for choosing this outcome measure, there are a number of technical problems with some of the specifics: 1) employment data are available on a quarterly basis, not monthly; 2) the data do not distinguish between unsubsidized and subsidized employment; and 3) the denominator of the Act’s calculation is based on the entire caseload, not just the families with a work-eligible individual.

Third, the time frame to begin holding states accountable for outcomes in the JOBS for Success Act is unrealistic due to data limitations and other factors. For example, penalties for failing to achieve negotiated outcomes start in FY 2023. What the authors of the legislation may not appreciate is that the data to do the calculations does not exist. Reporting forms and instructions would have to be modified. For example, in the data on closed cases, there is no indicator for whether there is a work-eligible individual. Without this information, on what basis would HHS and states negotiate performance levels? And, if the outcomes are to be part of a statistical adjustment model, even further changes to existing data collection would be needed. In WIOA, outcomes are tracked for participants and detailed data on participants is collected when they enroll in the program. That level of detail does not exist in TANF. Even if one believes
statistical models are an effective way of assessing performance, it would be many years before a model could be developed.

Finally, and as noted above, the risk of a penalty is likely to lead many states to shift their dwindling caseload of families with a work eligible individual to a solely state funded program.

**Haskins & Weidinger:** “Others see risks in expecting states to engage more adults in work and related activities.”

**PC Response:** The risks “others” see are not about expecting states to engage more adults in work activities. Rather, given TANF’s history, the “risks” are about the unreasonable, unrealistic, and dysfunctional work requirements conservatives repeatedly advocate, both for TANF and – because they view TANF’s work requirements as a model – for other safety net programs. This is a valid concern.

**Haskins & Weidinger:** “The Democrat ‘RISE Act’ moves in the opposite direction by adding new exceptions to the work requirements (such as for those applying for disability benefits), removing restrictions on the counting of vocational education as work, and reducing to 20 the number of hours of participation required to be counted as ‘working,’ among other changes.”

**PC Response:** When Haskins and Weidinger suggest that the “Democrat ‘RISE Act’ moves in the opposite direction” – they are right. The RISE Act would do far more to engage needy families in education, training, and work activities by providing additional funding and relaxing some of TANF’s most unreasonable requirements. However, the RISE Act is not real reform, because it builds on fundamentally flawed block grant structure. The JOBS for Success Act’s most likely effect is not with respect to engagement, but making TANF an even bigger slush fund it already is because of the incentive to put families in solely state funded programs.

**Haskins & Weidinger:** “Given states’ proven capacity to minimize – even to the point of eliminating – any effective work requirement for adults on TANF, renewing that fundamental feature of the TANF program, as the Republican bill would do, seems an overdue improvement to ensure more families are making progress toward work, and states are held accountable for that result.”

**PC Response:** This is an incredibly naïve conclusion. As noted above, states will game the new requirements by relying on the solely state funded program. In one sense, Haskins and Weidinger are right – the Republican bill would renew a “fundamental feature of the TANF program” – the use of loopholes to meet or entirely avoid work requirements.

Haskins and Weidinger erroneously shift blame for the lack of an effective work requirement in TANF from Congress, themselves, and Robert Rector to the states. TANF set the case for work requirements back by 25 years and maybe permanently. A better option would have been to build on the JOBS requirement, the AFDC waiver projects, and to develop an evidence base.
Focus Funding on Core Activities

Haskins & Weidinger: “To counteract concerns about TANF funds being diffused on purposes other than the core goals of paying benefits and promoting work, a number of reforms could be made. For example, the Republican bill requires a minimum of 25 percent of federal and state TANF funds to be spent on core purposes, including assistance, work supports and supportive services, work, wage subsidies, and nonrecurring short-term benefits. …Policy-makers should review whether a 25 percent floor is sufficient in the context of the overall reform proposal, or a higher floor is merited, but some reform that guarantees that some percentage of TANF funds are spent on core activities seems reasonable and consistent with both the basic intent of TANF and changes needed to better satisfy that intent in the future.”

Comment: Instead of making the floor a function of “federal and state TANF funds,” a better alternative would be to make it a function of the block grant and the basic MOE requirement. Federal and MOE expenditures can vary significantly due to a variety of factors, e.g., the use of carryover funds, excess MOE, etc. This makes the spending target uncertain.

PC Response: A 25 percent floor would only affect the worst performing states. It would not represent a meaningful floor for basic assistance alone, much less one that adds work supports and supportive services, work, wage subsidies, and non-recurrent short-term benefits. Also, a 25 percent floor would continue to lose value over time. Haskins and Weidinger are right that policymakers “should review whether a higher floor is merited.” If they did, they might conclude as Haskins did, speaking on TANF’s 20th anniversary, when he said:

…we could change tomorrow the statute that the governors can only spend TANF on cash welfare and work programs. That’s it! Nothing else! I think that would be very prudent.\textsuperscript{126}

Ensuring a Focus on Poor Families

Haskins & Weidinger: “Some concerns about insufficient TANF spending on poor families seem to reflect little more than a desire for mandating the payment of basic cash assistance, hearkening back to the former AFDC program.”

PC Response: Ensuring that the nation has an adequate cash assistance safety net is a concern that is widely shared by all but conservative ideologues. By any objective standard, TANF has failed in this regard – a problem Weidinger and many conservatives largely ignore. And, while AFDC was far from perfect, it certainly was vastly superior to TANF in terms of providing a minimal safety net and in engaging families in welfare-to-work activities.

If conservatives had taken TANF’s deficiencies seriously and advanced reasonable, realistic, and evidence-based reforms, the need for a child allowance to address the holes in the safety net could have been avoided. And, had conservatives (and Bill Clinton) built their reforms around the AFDC waiver experience (vs. giving states a blank check), there would have been more evidence from rigorous evaluations about a wide array of reforms.
**Haskins & Weidinger:** “For example, the Democrat ‘RISE Act’ mandates that TANF benefits be ‘sufficient to meet the basic economic needs (including food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses) of a family’; it also proposes what amounts to a $150-billion-plus increase in TANF funding over the next 10 years by adjusting the block grant for past and future inflation and changes in child population by state.

**PC Response:** Unless one’s sole concern is budgetary, adjusting a safety net program for inflation and changes in child population by state makes sense. The RISE Out of Poverty Act is not a real solution, however, as there are factors other than inflation and population growth affect the need for assistance.

Haskins and Weidinger are right to be concerned about the “RISE Act’s” $150 billion-plus increase “in TANF funding” (over 10 years), but only because the legislation doesn’t do enough to address TANF’s role as a slush fund for states. Given that the nation spends well over $1 trillion per year on means-tested programs, spending $15 billion a year (just over 1 percent of the total) to help fill the hole in the safety net caused by TANF would be a bargain.

**Haskins & Weidinger:** “While it is difficult to imagine Republican support for such expensive changes, there are other possible reforms that could promote more poverty reduction. For example, the Republican bill would add as a program purpose ‘to reduce child poverty by increasing employment entry, retention, and advancement of needy parents.’ The Democrat “RISE Act” would similarly make the first program purpose of TANF to ‘reduce poverty among children.’”

**PC Response:** During the four years of the Trump Administration, Republicans showed little concern about “expensive changes” and have supported efforts that pushed deficits far above what the “RISE Act” would cost. For example, the Tax Cuts and Jobs Act of 2017 is estimated to increase the debt by $1 to $2 trillion over a 10-year period.

Adding a purpose “to reduce child poverty” is an empty gesture. States are already failing in meeting TANF’s two main purposes – providing for needy children and preparing parents for work.

**Haskins & Weidinger:** “The Republican bill also would target program spending on families with incomes below 200 percent of poverty.”

**PC Response:** Under TANF, states can set whatever income limit they want and for some activities there need not be an income limit at all. Given that most of the expansion in means-tested programs over the last 25 years has been for families and individuals with earnings and who have incomes above the poverty line, an income limit is long past due, but 200 percent is too high. Why not limit eligibility to families with incomes below 130 percent of poverty (the SNAP gross income limit) to ensure even better targeting?

**Haskins & Weidinger:** “In addition, the bill would take various steps to tighten program spending on the core purposes of work and basic assistance, which could be expected to increase incomes and reduce poverty as well.”
Comment: Are Haskins and Weidinger acknowledging that requiring states to spend more on basic assistance would increase incomes and reduce poverty? Of course, it would, so why is expecting states to spend ALL of their money on core purposes such a challenge for them (or, at least for Weidinger)?

PC Response: A 25 percent floor that includes a loosely defined category like non-recurrent short-term benefits is hardly “tightening” program spending.

Better Assisting States in Economic Emergencies

Haskins & Weidinger: “The original TANF legislation contained a provision called the ‘Contingency Fund,’ which provided $2 billion for additional assistance to states experiencing economic distress. These funds were depleted by the Great Recession of 2007-2009. Congress then appropriated in the 2009 economic stimulus law $5 billion in an ‘Emergency Contingency Fund’ (ECF) for states to use in FY2009 and FY2010 to conduct activities to recover from or mitigate the effects of the recession (Falk 2017, 14). Since 2013, approximately $600 million per year has been appropriated for the contingency fund, with funds broadly available to and spent by states even as unemployment has continued to decline (Falk 2017).”

Correction: The Contingency Fund was depleted in FY 2010. Some additional funding was made available during FY 2011 ($332 million), FY 2012 ($599 million), and FY 2013 ($529 million). The “approximately $600 million began since FY 2014. Also, the ECF’s $5 billion in funding was what states could earn based on their spending in three areas in FY 2009 and FY 2010, but the funds could be spent on any allowable TANF purpose and were available until expended.

Haskins & Weidinger: “There are several practical concerns with the current contingency fund, including that the triggers for states to access funds do not accurately reflect real need for additional funding.”

PC Response: First, Haskins and Weidinger don’t explain their concerns about the triggers. Are they worried that they are too generous or that they exclude states with a “real need” during an economic downturn? Second, and as noted above, there are many “practical concerns with the current contingency fund” that Haskins and Weidinger fail to address beyond the flawed triggers, including: the ineffective Contingency Fund MOE and matching requirements; inadequate appropriation levels, causing the Fund to be depleted in about 6 months (for the last decade); the fact that the funds can be spent on any allowable activity, even as states slash spending on basic assistance (see Arizona and Washington examples above); the fact that states can use the contingency funds to supplant basic block grant spending and build up huge reserves of unobligated funds (see Tennessee example above); the overly complex formula used to determine the Contingency Fund award, particularly when a state is not eligible the full year; the fact that contingency funds are not available to tribes or territories; and the fact that unused funds revert to the Treasury as opposed to being redistributed to eligible states that did not receive their full allotment. Any serious discussion of reforming the Contingency Fund should discuss all of these issues.

Haskins & Weidinger: “Meanwhile, concerns about the effectiveness of the 2009 stimulus law and recent dysfunction in Congress reflected in the prolonged government shutdown that began in 2018 have caused some prominent former Obama administration officials to question whether
future ‘temporary’ stimulus measures like the ECF could be enacted in the event of another serious national recession (Weidinger 2019).”

Correction: The dysfunction in Congress is not a recent phenomenon.

PC Response: If there are concerns about the ECF funded as part of the 2009 stimulus law, then Haskins and Weidinger should mention them. Otherwise, raising general and vague concerns about the entire 2009 stimulus law is of little value in a chapter about TANF.

Haskins & Weidinger: “That concern may be why the Democrat ‘RISE Act’ would permanently append a modified version of the ECF to the TANF program (providing up to $2.5 billion per year to states whose unemployment rates exceed 6.5 percent) as well as add a new open-ended entitlement program to provide federal employment subsidies, which would involve significant expenses. Especially in the context of legislation that would better focus TANF spending on core purposes, increase real state MOE spending, and promote continued state savings for a ‘rainy day,’ a reasonable compromise would be to provide contingency funds only when needed during a national recession, while reducing or eliminating this funding when the economy is strong. Key features, such as requiring states to have increased their own spending (without receiving credit for spending by third parties), should be part of a potential bipartisan agreement, with any additional federal funds fully offset.”

PC Response: Congress is not very good and developing formulas to adjust funding during an economic downturn. Haskins and Weidinger do not provide enough specifics to judge how they would improve on the Contingency Fund, but if the past is any guide, a better solution would be to revamp TANF’s overall funding structure, making it more like SNAP’s. Even the AFDC funding structure would be more responsive.

TANF Performance Measures

Haskins & Weidinger: “There is widespread agreement among researchers that measures of performance are usually superior to measures of process. Yet the required measures in the TANF program do not focus on performance. To fully evaluate the TANF program, measures of outcomes are necessary.”

Correction: It is impossible to “fully evaluate the TANF program” using conventional evaluation methods. TANF has become a form of revenue sharing that varies from state-to-state. It is not possible to identify a counterfactual that would form a basis for drawing on causal conclusions.

PC Response: This is an incredible statement by some of the primary authors of the 1996 law. The approach to welfare reform prior to TANF was to grant waivers to states to test alternative policy options, subject to a rigorous evaluation – a randomized control trial. TANF did away with this evidence-based approach to reform. Collecting data on “outcomes” without a meaningful counterfactual is not a serious alternative and would not permit a “full evaluation” of TANF or even key components of the law, such as work requirements and time limits.

Haskins & Weidinger: “It would also be important for HHS by regulatory policy or Congress by new legislation to encourage high-quality studies, especially randomized controlled trials, on
major issues being raised about TANF. One of the most important issues with the TANF program is that the emphasis on random-assignment studies prior to passage of the 1996 legislation has all but disappeared.”

**PC Response:** Haskins and Weidinger again highlight a shortcoming in the TANF law – one that they, as the “architects” are responsible for. The 1996 law gave states the flexibility to make policy changes without any requirement to evaluate their impact, even when such changes may have adverse effects on families. It is not enough to “encourage high-quality studies.” Congress should suspend work requirements, full family sanctions, time limits, and family caps. There is no evidence to support any of these policies. If Haskins and Weidinger want an evidence base, it is time to start over.

**Haskins & Weidinger:** “HHS should focus funding on exploring the questions now being raised by the data and studies…, including whether families leaving welfare are better off financially than families on welfare, whether the training programs being used by states are helping families improve their earnings, and whether children leaving welfare are less or more likely to be poor and to be better off in other ways than children on welfare.”

**PC Response:** Given that caseloads have fallen so far, at this point a research agenda focused on families receiving TANF assistance is of limited value. Today, an area of greater concern should be the families with incomes low enough to qualify for TANF, but who don’t receive them. Identifying and evaluating policy options to address their needs is arguably a higher priority.

**Pro Tip:** Direct HHS to develop the evaluation questions and give them the additional funding for more RCTs and other needed data collection and evaluation.

**Alleviating marriage penalties**

**Haskins & Weidinger:** “Two of the four purposes of the original TANF legislation concerned family composition because, according to Republicans, promoting marriage and the formation of two-parent families would likely have the effect of diminishing the need for families to rely on welfare benefits. Thus, Republicans included provisions designed to increase marriage rates and reduce nonmarital births, despite that research on earlier efforts to promote marriage had been at best modestly encouraging. …There have now been several reviews of the evidence on whether work requirements or other features of the TANF legislation had the effect of increasing marriage or reducing nonmarital births. …Thus, the welfare reforms implemented as a result of the 1996 legislation have not had major impacts on family composition. Even so, given the positive impacts on financial well-being and children’s development of increases in two-parent families, it seems wise to include at least modest efforts to promote the formation of two-parent families in TANF reforms.”

**PC Response:** The main issue of concern should not be including “modest efforts to promote the formation of two-parent families in TANF reforms.” The real issue to address in TANF is the fact that purposes 3 and 4 (reducing non-marital births and promoting marriage) have been used to fund a wide range of activities that are not directly related to these purposes and that
otherwise have no connection to core welfare reform purposes. The two largest are college scholarships for young adults without children and preK. These should not be allowed, but this requires limiting the excessive flexibility granted to states under TANF.

If Haskins and Weidinger are serious about promoting the formation of two-parent families, the better solution is to eliminate purposes 3 and 4 (and the mention of marriage in purpose 2) and instead fund evaluations of discrete interventions that are directly related to this goal.

**Haskins & Weidinger:** “These should include provisions to remove current programmatic marriage penalties, such as the separate and higher work participation rate that applies to two-parent households…”

**PC Response:** The authors provide no evidence that the two-parent work participation rate is a marriage disincentive. For married *couples* or those contemplating marriage, the main difference between the overall work participation rate and the two-parent rate is that the minimum average hours per week requirement rises from 30 to 35 hours – hardly a significant marriage disincentive, particularly given the fact that for the two-parent rate the hours of both parents can count. (For the overall work rate, only one parent’s hours are counted toward the calculation of the overall rate; the hours of both parents count toward the calculation of the two-parent work rate.)

The real challenge related to the two-parent work participation rate is for *states*, not parents, as the statutory work rate target is set at 90 percent. This target rate is unrealistic, which is why most states have gamed it from the start. For example, about half the states placed such families in a separate state program (SSP) before the Deficit Reduction Act of 2005 or in a solely state funded (SSF) program afterwards (i.e., since FY 2007). In these states, there is no two-parent requirement. Other states have relied on the caseload reduction credit or token payments. Even the few states that have failed to meet the two-parent rate can either accept a small penalty (as it is prorated based on the share that two-parent families represent of the total caseload) or can often avoid any penalty by entering into and meeting the conditions of a corrective compliance plan. In short, the two-parent work requirement should be removed because it is unrealistic about what states can achieve, but it is not a serious “marriage penalty.”

As Haskins and Weidinger are the “architects” of welfare reform, it would have been interesting to hear more about why they included such a misguided provision in the 1996 law in the first place.

**Haskins & Weidinger:** “And given the centrality of strong families and the desire of many low-income parents to marry, other policies that temporarily overcome financial disincentives to marry inherent in means-tested programs like TANF merit consideration as well (Zirger 2018).”

**PC Response:** Given the uncertain impact of policies that change financial incentives on costs, marriage, employment, and other outcomes, such policies certainly merit consideration, but they should be rigorously evaluated before being enacted on a national scale.
Lessons for Entitlement Reform

Haskins & Weidinger: “The creation and operation of the TANF program offers important process lessons as well as negative and positive lessons for entitlement reform more generally.”

PC Response: The authors’ description of TANF, its effects, and possible reforms are superficial and many of the statements are wrong or misleading. So too are the lessons they outline below.

Haskins and Weidinger: “Process lessons of TANF start with the challenge of achieving major changes in important entitlement programs like cash welfare. Key process lessons include that major entitlement reform is difficult, requires political tenacity, and depends on popular support to get across the finish line.

PC Response: Haskins and Weidinger are right to note that entitlement reform is difficult. One of the factors they left out was money. As former Senator Rick Santorum notes:

…we learned in '96 don’t make folks cast hard votes if they can cast an easy vote to give money to the states...127

Congress effectively bribed the nation’s governors at the time, giving them a great deal by giving them a block grant about 25 percent more generous than what they would have spent. However, that same deal ensured that future governors would have less even during hard economic times.

Popular support is important, but sadly that doesn’t translate automatically into good policy. As described in this response to the architects of welfare reform, they got virtually every policy detail wrong. Even today, after 25 years, supposed “experts” on welfare reform and poverty don’t appreciate the role of policy details and continue to make factually incorrect or highly misleading statements, while advancing misguided policy solutions.

Haskins & Weidinger: “Negative lessons are evident from experience as TANF has been implemented. While it was fashionable to ‘trust the states’ when TANF was created, the program included specific programmatic ‘strings’ that required states to engage recipients in work and other productive activities. In practice, however, many states have exploited loopholes and gimmicks to minimize the actual engagement of recipients in work activities in keeping with federal law.”

Comment: Haskins and Weidinger provide no support for the statement that it was “fashionable to ‘trust the states.’” During the AFDC waiver era prior to TANF, states were required to agree to specific Terms and Conditions to receive waivers. There was no unconditional trust. And, if there was a belief states could be “trusted,” why did Congress have to bribe them with a significant federal windfall. The truth of the matter is that the main concern for conservatives was enacting a block grant that would wither away with inflation – a point Weidinger often emphasizes in his work at AEI.

PC Response: This is not a serious list of “negative lessons”; any comprehensive assessment of TANF’s negative lessons should also include a discussion of: using a block grant for a safety net
program that is unresponsive to changes in need; the excessive flexibility given to states to divert funding for purposes unrelated to welfare reform; a funding formula that provides vastly different amounts to states per poor child; a funding structure that is needlessly complicated and that allows states to game federal requirements by creative use of funding streams; the lack of accountability for nearly 80 percent of TANF/MOE expenditures (i.e., expenditures on non-assistance); the failure to address the problem of supplantation; the absence of an income limit to ensure that funds go to needy families; and replacing an evidence-based approach to welfare reform (AFDC with waivers requiring an RCT to test policy changes) with a blank check with no accountability.

Any serious assessment of “lessons” should have addressed these points.

**Haskins & Weidinger:** “For example, the Congressional Research Service (2017) noted that ‘more than half’ of recent ‘improvements’ in the national work participation rate resulted from the establishment of California’s earnings supplement program, which offered small ‘token’ welfare checks to individuals who were already working so they could be counted toward meeting the state’s work participation rate.”

*Comment:* Congress, with the help of Haskins, Weidinger, and Robert Rector wrote the TANF legislation that is responsible for this loophole. Instead of making full-time employment an exemption, as under AFDC-JOBS, they made “unsubsidized employment” an activity – this is what opened the door to “token payments.” Of course, even without “token payments,” there are numerous other loopholes that states have exploited or could exploit.

**PC Response:** This statement is correct but deserves additional context and qualifications. First, most states have taken advantage of various loopholes since TANF’s inception because the requirements are not realistic. California’s use of “token” payments is reflected in the work participation rate data. Other states rely on other loopholes that are less obvious. In the post Deficit Reduction Act of 2005 era, these would be the use of solely state funded (SSF) programs and the “excess MOE” provision of the caseload reduction credit. There is no published database on SSF programs and HHS does not publish information on the magnitude of the effect of the “excess MOE” provision on a state’s work participation rate target. Both these loopholes are a result of the block grant structure and while the “excess MOE” provision could be ended by regulation, it would only make the SSF program the loophole of choice. (Other states just rely on the caseload reduction credit, as they have decimated their cash assistance caseloads – the worst of all the strategies.)

Second, California’s “token” payment has a disproportionate impact on the work participation rate (as well as the caseload) because California has maintained a semblance of a safety net, whereas many other states have not. It is regrettable that states use loopholes to meet their work requirements, but many, like California, do work within the spirit of the law. Haskins and Weidinger would do well to examine how other states have satisfied the work requirement. By way of illustration, Table 6 below compares California to UTAG (UTAG is a composite “state” representing Utah, Texas, Arizona, and Georgia). The UTAG states were selected because the combined number of poor families with children in these states in 1996 matched those of California (892,000 and 893,000, respectively) and they represent two different approaches to
meeting TANF’s work requirements. The analysis below ends with 2015 to reflect the date in the Haskins-Weidinger statement, but the end date does not materially affect the conclusions.

<table>
<thead>
<tr>
<th>Table 6: California vs. UTAG</th>
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<tr>
<td># of Poor Families with Children (000s)</td>
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<tr>
<td>California</td>
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<td>UTAG</td>
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Key facts:

- In 1996, California and UTAG had the same number of poor families with children, BUT California served a larger share of poor families, as reflected in the TANF-to-poverty ratio – 101 vs. 53.
- Between 1996 and 2015, caseloads fell everywhere – by 40 percent in California but by 87 percent in UTAG.
- The number of poor families with children fell by 7 percent in California, even as it rose in UTAG by 32 percent.
- The TANF-to-poverty ratio fell from 101 to 65 in California, but in UTAG it fell from 53 to 5. TANF as cash assistance safety net has weakened everywhere, but it is virtually nonexistent in UTAG.
- The UTAG states don’t need to use “token payments” or other loopholes because they have wiped out their cash assistance caseloads and have a 0 percent target.

Haskins & Weidinger: “Still other states have replaced state spending with third-party spending and claimed ‘excess spending credits’ that reduced the expectation they engage recipients even more.”

Correction: There is no “excess spending credit” in TANF, as that could apply to federal or state spending. Rather, there is an “excess MOE” provision that could be used to increase the size of a state’s caseload reduction credit and thus reduce the adjusted target rate(s) it faces. In addition, states do not have to “replace” state spending with third-party spending (which would be supplantation), but rather can simply report more existing third-party state, local, and non-governmental expenditures.

PC Response: The main lesson from the TANF experience is that a block grant with a maintenance-of-effort requirement that gives states unprecedented flexibility will never be an effective approach for enforcing work or other requirements. States WILL game federal requirements deemed unrealistic.

Haskins & Weidinger: “This experience suggests that the authors of the 1996 reform law were right to include a programmatic sunset in the TANF program that requires regular review to ensure the program continues to fulfill its mission. Even so, actual updates to the TANF program have been rare, resulting in a status quo of low work participation for over a decade.”
**PC Response:** What the “experience suggests” is that it is important to get the basic structure of a program right from the start so that it doesn’t need congressional updating. As noted above, Congress identified supplantation as a problem as far back as 2000 when Rep. Nancy Johnson issued a warning – yet nothing has been done. The only major reauthorization – the Deficit Reduction Act of 2005 – was an epic failure if the goal was to incentivize states to engage families in work activities. Yet, Congress has done nothing since it passed 15 years ago. One reason for the inaction – the hysterical reaction to President Obama’s 2012 waiver proposal when conservatives attacked the Administration for “gutting” work requirements. As this document demonstrates, the work requirements have never operated as intended and it is the authors of the law themselves who “gutted” work requirements.

**Haskins & Weidinger:** “States have formed a powerful block in favor of maintaining if not increasing federal program funding, minimizing state spending requirements, and maintaining low expectations when it comes to engaging recipients in constructive activities. Reformers targeting other entitlement programs should heed this experience, especially if they presume state compliance with the text and spirit of new federal program requirements. The cooperation of states should not be assumed; Congress must include provisions that give states strong incentives to cooperate, including penalties that are imposed if they fail to cooperate.”

**PC Response:** Haskins and Weidinger don’t explain what they mean by “targeting other entitlement programs,” but presumably they are referring to extending work requirements to programs like SNAP, housing assistance, and Medicaid. (This presumption is based on their inordinate focus on this topic.) Even if one believes work requirements should be extended or strengthened in these programs, TANF is a cautionary tale. Haskins and Weidinger provide absolutely no concrete recommendations on how to improve them within TANF. Simply referring to “incentives to cooperate” and “penalties” is not helpful. It’s long past time for conservatives to focus on policy details.

**Haskins & Weidinger:** “Still, the positive lessons of TANF outweigh the negative and offer hope for broader entitlement reforms in other programs. The first and perhaps most important lesson from TANF is that significant reform to entitlement programs is possible. The former open-ended AFDC entitlement program was replaced with a capped block grant that has not been adjusted even for inflation now for more than 20 years. It would have been hard to imagine in 1996, but TANF continues to be regularly reauthorized with bipartisan support – even with modest annual funding cuts due to this lack of an inflation adjustment, which has reduced the real value of the block grant by 37 percent since 1996.”

**PC Response:** The only “positive” lessons Haskins and Weidinger cite are that major entitlement reform is possible and that a block grant can achieve savings. The only negative lesson they highlighted earlier was that states can’t be trusted to implement work requirements. This is hardly a balanced or comprehensive assessment.

**Haskins & Weidinger:** “Even sharper declines in TANF receipt have muted the appeal of calls for increased federal program funding; if anything, reform should focus on ensuring states actually contribute their fair share of funds to the program.”
PC Response: More funding for TANF is not a solution until Congress addresses the block grant structure and excessive state flexibility. The “declines in TANF receipt” are one of the main reasons we now have an expanded and refundable child tax credit – at a cost substantially higher than the cost of making reasonable reforms to TANF.

Haskins & Weidinger: “Even as this and other program reforms are under discussion, the basic structure of TANF remains intact and is likely to endure.”

PC Response: While TANF’s structure may remain intact (though it shouldn’t), the fact that conservatives, including Haskins and Weidinger, have ignored the hole in the safety net created by TANF is one reason for the growing popularity of a child allowance or refundable child tax credit. For conservatives who now complain about the refundable child tax credit – well, they have no one to blame but themselves.

Haskins & Weidinger: “The TANF program’s combination of fixed but flexible funding, work requirements, time limits, and other programmatic features have limited receipt of welfare checks and at the very least promoted additional work and earnings that contributed to subsequent reductions in poverty.”

PC Response: This statement has little basis in fact, particularly in the long run. Even if TANF had a modest impact on the poverty rate, this ignores the far larger number of families pushed deeper into poverty as measured by the decline in the take-up rate among eligible families and the decline in the real value of state benefit payments.

The Need for a Broader Perspective. Haskins and Weidinger, like most conservatives base their claims about increased work and less poverty based on simplistic data trends before and shortly after TANF. This approach is a weak one for assessing causality, because it doesn’t control for a wide range of confounding factors, most notably the strong economy and expansions in programs and policies that “make work pay.” During the Trump Administration, the Council of Economic Advisers (CEA) released a report claiming that TANF was a successful model, primarily based on employment and poverty 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.128
While the report claims that this is evidence of success, a more careful analysis suggests that such a conclusion is not warranted. As the figure shows, the employment gains and reductions in poverty pale in comparison to caseload declines. (This is also reflected if one were to compare changes in the absolute number of female-headed families employed/in poverty vs. the number receiving assistance.) It is also noteworthy that in the 1996 to 2000 period, the most significant change was the large windfall in federal funds most states received, because the block grant was based on historic funding levels when caseloads were at an all-time high. Notably, the target work participation rate in the median state in 2000 was 0 percent due to the phase in of work requirements and the caseload reduction credit.

**AFDC vs. TANF and the Robert Doar Experience in NYC.** Did giving states unprecedented flexibility to divert funding, establish harsh sanction and time limit policies, and otherwise adopt “programmatic features” that restrict welfare really reduce poverty? An interesting example based on the experience of Weidinger’s colleague, AEI president Robert Doar, suggests otherwise.

Robert Doar says he ran a “model” TANF program in New York – both at the state level and in New York City. (Doar’s bio states: “Before joining the Bloomberg administration, he was commissioner of social services for the state of New York, where he helped to make the state a model for the implementation of welfare reform.”129) Doar is proud of New York City’s track record in reducing poverty:

In America’s biggest cities, more and more Americans are now living in poverty. From 2000 to 2013, the poverty rate in America’s 20 largest cities grew by 36 percent, to an average of 22.7 percent. Nationally, the poverty rate has risen too, from 11.3 percent in 2000 to 14.8 percent in 2014.

But there’s one stand-out exception to this phenomenon: New York City.
Over the last decade, New York City’s poverty rate has defied national trends by declining. While New York once suffered one of the highest poverty rates among the country’s large cities, today it boasts one of the lowest.\textsuperscript{130}

Indeed, Doar presents data to show that between 2000 and 2013, the percent change in poverty in New York City was \textit{minus} 0.9 percent – the lowest in the nation among major cities, followed by Los Angeles and San Diego (plus 3.6 and plus 7.5 percent, respectively). At the opposite end of the spectrum, with the largest increases in poverty, were Indianapolis (81.5 percent), Charlotte (67 percent), and Detroit (57.9 percent).

Notably, both New York and California (the states with the top three cities) have much \textit{more appealing} and AFDC-like TANF programs than Indiana, North Carolina, and Michigan (the states with the bottom three cities) and they have become \textit{relatively} more appealing over time. New York and California didn’t eliminate the entitlement (an important component of “welfare reform” for conservatives), they don’t impose full family sanctions or enforce the federal 5-year time limit (California removes the adult’s needs after 48 months but children continue to receive benefits; New York simply continues assistance with state funds.)\textsuperscript{131} Both states have among the most generous benefits, paying over $700 a month for a family of three. In contrast, the states with the cities in the bottom three have lower benefits ($272 to $492 a month for a family of three), do impose full-family sanctions and do enforce the federal 5-year limit and two have shorter time limits (24 months in Indiana – for adults – and 48 months in Michigan – for the entire family).\textsuperscript{132}

While Indiana, North Carolina and Michigan were “less appealing” in 1996 (and 2000) than both California and New York, they have become much, much less appealing over time. For example, between 1996 and 2014, the TANF-to-poverty ratio (the ratio of families receiving cash assistance per 100 poor families with children) fell from 101 to 65 in California and from 79 to 40 in New York. The declines were much larger in Indiana (61 to 8), North Carolina (74 to 8), and Michigan (88 to 18).\textsuperscript{133} The maximum benefit for a family of three fell 23 percent in real terms in California and 10 percent in New York; compare that to Indiana (-34 percent), North Carolina (-34 percent), and Michigan (-30 percent). TANF is failing as a safety net everywhere, but much more so in some places than others.\textsuperscript{134} (Note: the data here are a bit dated to better fit Doar’s data comparisons.)

Doar ran an AFDC-like program (under TANF) whereas other states took advantage of TANF’s flexibility to implement “less appealing” programs. His experience suggests that the move away from AFDC was a mistake.

\textbf{Haskins & Weidinger:} “Further reforms to TANF should be about strengthening, not replacing, those key program features. Reformers in other programs would do well to mimic these sorts of outcome-oriented features if they seek to achieve similar results elsewhere.”

\textbf{PC Response:} TANF is a cautionary tale, not a model. Anyone contemplating reform of TANF or extending the model to other programs should ask themselves the following ten questions:

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

The answer to each question should be “NO!” TANF has failed with respect to each of the first nine questions and thus should not be a model for reforming other welfare programs.

Weidinger and camp, ryan, brady

Conclusion

Writing about the politics of the 1996 legislation, Robert Rector of The Heritage Foundation and a major participant in the drafting of the law once said, “It isn’t enough to get the technical details of a policy right. Words and symbols matter, too.” Unfortunately, when it comes to the TANF legislation, Congress got virtually every technical detail wrong. One reason—the failure to pay attention to “words” and “technical details.”

TANF can’t be fixed; it’s time to repeal and replace it with something that works.
Appendix I: TANF’s Top 10 Work Requirement Loopholes

The following is a brief summary of the most commonly used work requirement loopholes. Some have been closed, but they are listed here to emphasize the importance of paying attention to policy details in drafting legislation and the need to anticipate unintended consequences.

1. 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 2020, 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 is a massive conceptual error that has weakened or totally eliminated work requirements in most states.

2. Counting “unsubsidized employment” as an activity. Under the AFDC/JOBS program, 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. Full-time, unsubsidized employment is the goal; it should be an exemption, not an activity.

3. 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 the Deficit Reduction Act of 2005 added families in separate state programs to the work rate calculation starting in FY 2007, this was too little, too late. It simply led to a new loophole – solely state funded programs (discussed below).
4. 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. (Congress directed HHS to define the term.)

5. 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.

6. 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. 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.

7. 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.

8. “Unsubsidized employment” as a “loophole.” Some states pay a token benefit (e.g., $10 a month) to full-time working families with children to count them in the work rate calculation – typically found in the In FY 2020, 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. Full-time, unsubsidized employment is the goal; it should be an exemption, not an activity.

9. Diversion. Many states have provided TANF applicants non-recurrent short-term benefits (i.e., diversion payments) as a way to help them overcome a short-term crisis without actually going on the assistance rolls. Because short-term (less than four months) benefits are not considered “assistance,” many TANF requirements do not apply, most notably the federal 60-month time limit and work requirements. Shortly after passage of the Deficit Reduction Act of 2005, a number of states began operating diversion programs for all or most TANF applicants, because many could not immediately be transitioned into work activities and would thus lower a states work participation rate. For example, Pennsylvania created a Work Support Component (WSC) Program for employable adults. Families could participate for 4 months in a 12-month period and would receive benefits that were essentially the same as those of TANF families receiving assistance. During the initial period in WSC, families develop a work plan and engage in job search and job readiness activities. As soon as the family participates enough hours in a countable activity, it is seamlessly transferred to the TANF assistance and counted in the work participation rate. So, the state could exclude families from the work participation rate for up to four months if not participating sufficient hours to count, but then transfer them as soon as it could.136

HHS issued guidance warning states about this practice, noting:

Nonrecurrent, short-term benefits must not be intended to meet recurrent or ongoing needs. In particular, these benefits are not for the purpose of providing basic income support to meet a current recurring ongoing need that is expected to continue beyond the short-term period. Providing basic income supports to eligible families that have been diverted or shifted from receiving or continuing to receive Federal TANF or MOE-funded assistance because they have barriers to work participation, undermines the intent of section 407 of the Social Security Act. Such “diversion” payments more closely resemble traditional welfare benefits because they are designed primarily to meet basic needs; therefore, the payments constitute assistance. States should not divert cases from their Federal TANF or MOE-funded assistance program solely to avoid the work participation requirements. This not only reduces State accountability for ensuring that needy families take appropriate steps toward achieving self-sufficiency, but also has the effect of inflating a State’s work participation results.137
While this guidance may have limited the most egregious examples of states taking advantage of this loophole, the decision about whether one form of diversion is gaming or not is ultimately a judgment call. And, given the limits Congress placed on the Executive Branch in section 417, this loophole remains a potential option, at least to some degree.

10. **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 is 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.\(^\text{138}\)

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.\(^\text{139}\)
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.\textsuperscript{140} (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.”\textsuperscript{141} 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.\textsuperscript{142}

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).\textsuperscript{143} 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.\textsuperscript{144} 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.

This loophole is a function of the block grant structure with its separate MOE requirement; unless the funding structure and excessive state flexibility is addressed, it will remain.
Appendix II: The Importance of Carefully Designed Work Requirements

Some work requirement advocates suggest that “now is the ideal time to expand carefully designed work requirements to non-cash welfare programs.” Some have suggested extending them to the recently expanded child tax credit. “Carefully designed work requirements” could be a useful policy tool, but most proponents of extending work requirements to other programs offer few policy details and even suggest work requirements “similar to those in place in TANF.”

As described above TANF is not a model. In thinking about how to craft work requirements for other 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.

There are many reasons to reject extending work requirements to other programs and even removing the ones that exist. This section is simply designed to show the level of detail that is needed if advocates propose them.

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 participation 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. 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.” 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.
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.


U.S. House of Representatives, Committee on the Budget, Concurrent Resolution on the Budget – Fiscal Year 2017, March 2016, p. 171.


The average cited here is based on TANF alone and does not reflect benefits paid in a separate state program or as a solely state funded program.

All data citations in this section are from Ali Safawi and Ife Floyd, “TANF Benefits Still Too Low to Help Families, Especially Black Families, Avoid Increased Hardship,” Center on Budget and Policy Priorities, October 8,


21 The following links provide more detailed examples from three states with large token payment programs: California: https://www.sccgov.org/sites/ssa/debs/CP/chapters/cpchap66.pdf; Maine, https://legislature.maine.gov/doc/2356 and http://digitalmaine.com/cgi/viewcontent.cgi?article=1003&context=oms_docs; and Oregon: https://apps.state.or.us/cf1/cf/af/A/461-135-1260.htm. In addition, data on the characteristics of TANF and SSP recipients (separately) can shed light on the presence and size of these programs. See U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, Characteristics and Financial Circumstances of TANF Recipients – Fiscal Year 2019, November 5, 2020, available at: https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy19_characteristics_final.pdf. Table 65, for example, shows that that all of the SSP cases in California and Massachusetts are receiving token payments of $10 and $1 a month, respectively. In other states, it is less clear because the average benefit amounts are much higher, due to the fact that states use SSPs for other types of programs as well.


In this analysis, AFDC/TANF caseload data from January 1979 through August 2006 were collected from the U.S. Department of Health and Human Services (HHS). Beginning in September 2006, this analysis uses caseload data collected directly from the states rather than the official data reported by HHS, as the state data more consistently reflect the number of families with children receiving cash assistance in each state over time.

These state data differ from the official HHS TANF data in two important ways. First, they include cases from solely state-funded programs. In most instances, these families had been in a state TANF programs but were shifted to a solely state-funded program on or after October 2006, when the Deficit Reduction Act of 2005 (DRA) took effect, because states anticipated these families would not be able to meet TANF work participation requirements and thus would lower the state’s work participation rate. These cases are not included in the data reported to HHS as no TANF or state maintenance-of-effort (MOE) funds are used. While these families are not counted in the HHS TANF caseload numbers, they generally are seen as part of the state’s cash assistance program and continue to receive the same or comparable benefits as when they were on TANF.

Second, unlike the HHS data, the state data exclude cases in worker supplement programs, through which states provide modest TANF- or MOE-funded cash payments to working families. States generally created these programs after the passage of the DRA. Because these supplements make additional families eligible (or make current recipients eligible for a longer period of time), they increase the TANF or MOE caseloads that states report to HHS. Often, states provide a very small cash grant to these families – as little as $8 to $10 per month. The main purpose of these small grants is to raise the percentage of TANF families who
are meeting their work participation requirement, thereby helping states meet their work participation requirement.

Including solely state-funded programs and excluding worker supplement programs in the caseload data used for our analysis provides us with a more consistent trend of the number of families receiving cash assistance in each state over time.


31 Solely state funded programs are not part of the TANF/MOE funding mix, but because Congress set the basic MOE requirement at 75 or 80 percent of historical state spending, did not index that amount to inflation and allows states great flexibility in what they count, it is easy for states to meet the basic MOE requirement and shift funds that otherwise would have been part of the TANF/MOE mix to this funding stream. They do this primarily to game the work requirement, but it is nevertheless a funding stream that most states consider in the design of their programs.

32 “Assistance” refers to expenditures for basic needs; “non-assistance” refers to “expenditures that fulfill at least one of the four purposes of TANF (provide assistance for needy families; promote job preparation, work, and marriage; prevent and reduce out-of-wedlock pregnancies; and encourage the formation and maintenance of two-parent families) but do not meet the definition of assistance.” See: Administration for Children and Families, “Categories and Definitions for TANF and MOE Funds,” available at: http://www.acf.hhs.gov/sites/default/files/ofa/categories_and_definitions_for_tanf_and_moe_funds.pdf.

33 For an excellent summary of the many issues, see the CLASP policy brief by Elizabeth Lower-Basch, “Guide to Use of Funds,” Center of Law and Social Policy, March 1, 2011.


48 For an example of the letter sent to each governor, see: http://fiscalpolicy.org/letter-from-nancy-l-johnson-sent-individually-to-all-50-governors.
55 If five states that qualify for the bonus, each received $20 million. If four or fewer states qualified, the bonus was $25 million per state.
56 The bonus amounts would be reduced slightly if Guam, the Virgin Islands, or American Samoa qualified.
60 For an example of the letter sent to each governor, see: http://fiscalpolicy.org/text-of-march-161999-letter-from-nancy-l-johnson-sent-individually-to-all-50-governors.
62 States that did not have an AFDC-Unemployed Parent (UP) program at the time the Family Support Act of 1988 was enacted were permitted to limit aid to two-parent families to six months in a 12-month period. See U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, “A Brief History of the AFDC Program,” available at: https://aspe.hhs.gov/system/files/pdf/167036/1history.pdf.
66 This range excludes New Hampshire, which has the highest benefit at $1,086 a month. New Hampshire is excluded because it is an anomaly and a fairly recent development. In 2016, its benefit was just $675 – high compared to other states, but in the same range described above.
68 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.
69 The adult could only regain eligibility by becoming employed for at least 20 hours per week or becoming exempt, e.g., for age or disability.
74 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.
75 JOBS was the Job Opportunities and Basic Skills Training program.


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 DRA, 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 spend 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. 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.

Ibid, p. 3.


The statute requires a reduction in the work participation penalty based on the degree of the State’s noncompliance. The TANF regulations include a formula for calculating such reductions. This formula incorporates the following: (1) a reduction for failing only the two-parent work participation rate (prorating the penalty based on the proportion of two-parent cases in the State); (2) two tests of achievement for any further reduction; and (3) a reduction based on the severity of failure. The formula combines three measures for determining the severity of a state’s failure: (1) the amount by which it failed to meet the rate; (2) the state’s success in engaging families in work; and (3) how many consecutive penalties it had and how many rates it failed to meet.

A state that fails to meet a participation rate has 60 days to submit a request for a reasonable cause exception or submit a corrective compliance plan. To ensure state accountability, HHS has defined a limited number of circumstances under which states may demonstrate reasonable cause. The general factors that a State may use to claim reasonable cause exceptions include (1) natural disasters and other calamities; (2) federal guidance that provided incorrect information; and (3) isolated problems of minimal impact. In addition, there are also two specific reasonable cause factors for failing to meet the work participation rate: (1) federally-recognized good cause domestic violence waivers; and (2) alternative services provided to certain refugees.

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


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

99 Random assignment studies are not perfect either; they may miss entry and general equilibrium effects. And, the control group may be influenced by the “atmospherics” surrounding welfare reform, thus muting its effects. 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).
100 Even with random assignment, there are many challenges to cost neutrality, such as sample size, crossover, control group contamination, the representativeness of sites selected, and so on. A full discussion of these issues is beyond the scope of this paper, but for a discussion of some of the challenges, see: Anne Gordon, Jonathan Jacobson, and Thomas Fraker, *Approaches to Evaluating Welfare Reforms: Lessons from Five State Demonstrations* (Washington, DC: Mathematica Policy Research, Inc., October 1996).
103 Even with random assignment, there are many challenges to cost neutrality, such as sample size, crossover, control group contamination, the representativeness of sites selected, and so on. A full discussion of these issues is beyond the scope of this paper, but for a discussion of some of the challenges, see: Anne Gordon, Jonathan Jacobson, and Thomas Fraker, *Approaches to Evaluating Welfare Reforms: Lessons from Five State Demonstrations* (Washington, DC: Mathematica Policy Research, Inc., October 1996).
111 Cited in Kent County Family and Children’s Coordinating Council meeting minutes, April 16, 2002.
112 Kevin Koornstra, “Temporary Assistance for Needy Families (TANF),” *Fiscal Focus*, November 2012, available at: http://www.house.mi.gov/hfa/PDF/HumanServices/Fiscal_Focus_TANF.pdf. Among other requirements, a state must increase its MOE expenditures from at least 75 to 80 percent of historic spending to more than 100 percent to qualify for additional federal funds from the Contingency Fund.
114 While TANF has no ban on supplantation with federal TANF funds, it does prohibit supplantation with 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 be claimed as MOE 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. In this case, Michigan seems to have taken expenditures that were similar, but argued that changes to the programs were sufficiently broad as to make them different programs and thus “new” expenditures.


120 Ibid.


122 Ibid.


124 See “Bipartisan Efforts to Undermine Work Requirements”; this paper has no author or date, but is available on request; contact me at petergermanis1@gmail.com.


138 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.


143 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.

