



**Secretary's
Innovation
Group**



**Testimony before the Committee on Ways and Means
Subcommittee on Human Resources**

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Greetings, Members of the Ways and Means Committee.

My name is Jason Turner, formerly Mayor Giuliani's commissioner for welfare, Medicaid and WIA during his second term. Now I serve as the executive director of the Secretary's Innovation Group, a network organization composed of 18 state human service secretaries (and also labor secretaries) representing governors in states with more than half the population. Our secretary members hail from Wisconsin, Michigan, Pennsylvania, New Jersey, Virginia, South Carolina, Florida, Louisiana, Texas, Arizona and six others. We exchange state innovative program ideas and support national policies which favor work and economic self-reliance, healthy families, budget discipline, and an orientation toward limited government.

I would like to take this opportunity to describe the circumstances in the period leading up to the passage of the Temporary Assistance for Needy Families program in 1996, and how it relates to the current discussion over work requirements in the law.

During the 1980s there was increasing public concern over the growth of the TANF predecessor program AFDC or welfare as you know. To address this concern, HHS sponsored a large scale experiment in which some families received fairly generous unrestricted cash benefits (via a negative income tax) and a control group that did not, to see what the positive or negative effects would be. This experiment showed that those receiving the unrestricted welfare benefits worked significantly fewer hours and experienced higher levels of family dissolution than those in the control group.¹ In other words, free money without obligations resulted in bad social consequences, something our grandmothers may have remarked did not require an experiment to predict.

¹ Overview of the Final Report of the Seattle-Denver Income Maintenance Experiment; HHS, 1983



Partly as a result of this large-scale experiment, along with general public dissatisfaction, the Congress passed the Family Support Act in 1988, an education and training program intended to move recipients to work, and based on the premise that welfare adults would qualify for jobs and accept them if they were provided additional education and training to improve their skill levels. However, experience showed that the new provision of education and training did not have this effect. In fact the opposite occurred from what had hoped - - in the first five years after the program was activated in 1989, rather than declining, the caseload *increased by one-third* to its highest level ever².

Faced with these disappointing results, HHS conducted a multi-state, multi-year comparison of the effectiveness of the education and training model embedded in its existing Family Support Act model, against a work-first intervention, otherwise known as a Labor Attachment model. Under the Work-First approach, welfare recipients are encouraged to get into the labor force as soon as they can find a job, and improve their employment and wage circumstances from there - - as opposed to the skills model where they remain out of the labor force while undergoing remedial education and training.

The results unequivocally favored the Work-First labor attachment model. The research concluded: *[Employment-focused] programs generally had larger effects on employment, earnings and welfare receipt than [education-focused] programs. Given the large number of programs examined and their variety of served populations, implementation features, and labor markets, these results provide more support for the advantages of employment-focused programs than for education-focused ones.*³

With all these considerations in mind, the Congress spent a great deal of time evaluating alternatives as it crafted the 1996 welfare reform legislation. In the

² AFDC caseload 1989: 3,798 million; 1994: 5,033 million; HHS.

³ How Effective Are Different Welfare to Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs; MDRC, 2001.



resulting enacted TANF program, the Congress allocated funds to states with substantial operational flexibility ***but with the understanding that states must place an increasing number of adult recipients into employment or work related activities.*** Congress carefully defined the work requirements that states must meet in order to comply with the law and was specific in its definition of the ten work activities and number of hours which would qualify as participation. Other activities not falling into these categories were severely circumscribed.

Why didn't the Congress just allocate funds via an unrestricted block grant and let the states decide what to do? I can answer this from my perch at the time in the early 1990's as the HHS director of the AFDC welfare program, and subsequently as a state welfare director in Wisconsin while all this was going on.

In general, states find it easy to run *voluntary* programs of remedial education and training where the slots are already available via community colleges or WIA, and recipients can take advantage of these or not as they wish. From a State's standpoint it is bureaucratically hard to run a *mandatory* program based on work activities. This is because a mandatory work programs require more supervision, more creation of qualifying activities, more attendance tracking and more follow-up to assure progress is being made, as opposed to the easier remedial education and training model. But we know from experience the harder approach is necessary.

Our member states in the Secretary's Innovation Group are not calling for the weakening of TANF work requirements, but the opposite. Our TANF policy brief lays out just such a policy agenda and is included as an appendix to this statement.

Without reciprocal work requirements in exchange for benefits, welfare programs tend spin out of control. Exhibit One is the Food Stamp program as currently constituted (SNAP). This program, existing without work requirements for the vast majority of beneficiaries, has increased in cost from \$17 billion in 2000 to almost \$80 billion today. The program has virtually no reciprocal requirements and has left behind its original purpose of feeding those who might literally go



hungry, while cutting a swath deep into the middle class. The Secretary's Innovation Group recommends that the Food Stamp program be converted to a fixed allocation to States with work requirements, conceptually similar to TANF, but with certain differences to match its differing population.

Finally, as a former federal executive branch official and also a former state welfare director, I tend to naturally favor executive branch authority and flexibility which can result in experimentation and improved program effectiveness. But I also know that this impulse can be taken too far and lead some states to take the easy way out, when we know from robust experimentation and the results of the TANF program, that an ambitious work-first program will lead to increased employment and decreased dependency. Policies should be carefully considered by Congress, not abandoned by executive fiat.

APPENDIX FOLLOWS



PRESERVING AND STRENGTHENING THE TANF PROGRAM

By The Secretary's Innovation Group

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The law creating the Temporary Assistance for Needy Families (TANF) program in 1996 is no doubt the single greatest social policy achievement since the War on Poverty began. It is perhaps the only nationally-implemented program which significantly improved social health across a range of important indicators. And yet now this program, along with its critical work activation mission, finds itself under stress.

In July of this year, the Department of Health and Human Services (HHS) granted itself authority to “waive compliance” with all of the work provisions in the Temporary Assistance for Needy Families (TANF) program.

HHS has declared that the work requirements written in the law are no longer legally binding and that they can and will be replaced by alternative rules devised unilaterally by HHS. This action violates the clear letter and intent of the welfare reform law, and has the effect of cutting at the heart of what has made TANF the most successful social reform in forty years.

In 1996, Congress enacted welfare reform legislation that replaced the old Aid to Families with Dependent Children (AFDC) program with TANF. The immediate effects of welfare reform were striking. During the four decades prior to the 1996 welfare reform, the welfare caseload had never significantly decreased. By 1995, nearly one in seven children were receiving AFDC. However, in just five years after implementation of the TANF reform, these were some of the results:

- *Welfare dependency was cut nearly in half.* The national welfare caseload dropped from five million to two million.
- *Employment levels among the former welfare population ballooned.* Work activation encouraged idle recipients to enter the workforce and thousands upon thousands did so. Whereas only 16% of single mothers without high school diplomas were in the labor force in New York City 1996, that percentage jumped to 44% just five years later by 2001.
- *Overall poverty and child poverty dropped substantially.* Although some predicted that welfare reform would push an additional 2.6 million persons into poverty, the U.S. Bureau of the Census reported 3.5 million fewer people living in poverty six years after reform than in the year before the reform.
- *Decreases in poverty were greatest among African American children.* In fact, the poverty rate dropped to the lowest point in U.S. history.
- *There was a pause in the explosive growth of out-of-wedlock childbearing.* The share of children living in single-mother families fell and the share of living in married-couple families increased, especially among African American families.



How Health and Human Services policy actions will weaken TANF

Notwithstanding the deep recession that began in 2007, current TANF caseloads remain close to their record lows. As before, new applicants for benefits still expect they must participate in work activity as a condition of receiving benefits which has the effect of assuring benefits go to those serious about their needs and obligations. The TANF work standards have three parts: They require (1) 30–40 percent of able-bodied TANF recipients (2) to engage in any of 12 different work activities (3) for 20–30 hours per week. In its guidance memorandum and related documents regarding efforts to waive work requirements, HHS outlined the types of changes it was seeking in the TANF program. HHS stated that it would:

- Lower the work participation rates in TANF by exempting substantial and loosely defined groups of recipients from the work rates;
- Likely broaden the definition of “work activities”;
- Replace the requirement that recipients engage in work activities for 20–30 hours per week with looser standards, perhaps as little as one hour per week; and
- Replace the TANF work participation requirements entirely with alternative standards (such as exits due to work) which do not accurately reflect improvements in employment and caseload reduction.

All of these changes are likely to substantially increase the number of TANF recipients who receive benefits without working.

Why exactly has TANF worked so well?

- It re-oriented participants toward employment as the highest and most secure source of ongoing family support by eliminating an individual entitlement to forever benefits.
- It combined new and appropriate federal program objectives such as work and marriage in place of the earlier AFDC counterproductive income-transfer purpose.
- It set constructive federal measurements such as work activation and participation, while allowing states credit for positive outcomes such as dependency reduction resulting from employment (caseload reduction credit).
- It permitted states operational freedom to experiment, (e.g. private competition) which allowed multiple approaches to achieve the self-sufficiency goal.



- It permitted states which reduced caseloads to re-use benefit funds for more constructive purposes than cash transfers, thereby unleashing agency bureaucratic energy in the constructive direction of employment and case closure.

The Secretary's Innovation Group calls for TANF not to be weakened; and that States be given new authorities which, combined with current law, will strengthen the program and lead to still greater employment outcomes and reductions in dependency:

1. Require full check sanctions.

This provision was part of the original law, although it was ignored by the Clinton Administration in its rule making (the “pro-rata” provision). It requires that individuals who are not active in complying with their work activities be removed from benefits until they comply. This is comparable to circumstances of employment, and has been shown to have a constructive effect on cooperation and employment outcomes. The absence of this provision results in many on the caseload not doing anything but receiving partial benefits. The inclusion of this provision will have the greatest effect on outcomes of anything the Congress can do.

2. Standardize the work participation level for two parent cases.

The current law sets an unrealistic standard of 90% participation in work activities for two parent families. Even the most robust program cannot meet this because of “friction”, i.e. lost time in scheduling, enrollment, sanctions and other unavoidable processes. Instead, the two-parent participation level should match the standard for all families of 50%, while retaining the current provision that two parents have a combined work activity level of 55 hours per week.

3. Require a marriage component, but change the outcome. The current expectation is that marriages will be increased as a result of TANF interventions. Instead make the outcome a raised awareness among the low income population of the connection between marriage and healthy family outcomes including reductions in poverty.

Experimentation with TANF for the recent ten years has indicated that improving marriage rates through direct program interventions is difficult to achieve. However, experiments which seek to improve the background cultural awareness of the importance of marriage to poverty and family well-being have been shown to be possible, forming the groundwork for future gains in this critical area.



4. Properly count those in sanction status to determine program work levels

State program operators are constantly reaching out to find and re-connect participants so they are back in compliance with TANF's work participation requirements. This is important because one of the teaching results from running a good work program is the improvement in habits of reliability and attendance, learned by work program recipients by doing it. However, the due process requirements during the period the program attempts to bring these non-compliant recipients back, places them temporarily out of reach of the program's work participation mandate. Therefore, these recipients should be ignored in the participation rate calculation.

5. Eliminate “gaming” of the work requirement

A provision of current rules allows states to use “excess maintenance of effort” (MOE) funds to reduce the proportion of individuals required to participate in work activities. The law already provides for a reduction in state work activity requirements if they are able to reduce their caseload through moving recipients into employment and other constructive steps. But this excess MOE provision technicality allows states credit for things having nothing to do with welfare to work - in one example highlighted before a Congressional hearing, one state was imputing the monetized value of Girl Scout troop leaders’ time in assisting low income children! This form of abuse should be ended.

