

Testimony of Eloise Anderson
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and
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U.S. House Committee on Ways and Means, Subcommittee on Human Resources
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Chairman Reichert, Ranking Member Doggett and Members of the Ways and Means Subcommittee on Human Resources:

Thank you for inviting me to speak to this committee. I am Eloise Anderson, Secretary of the Wisconsin Department of Children and Families. I also serve as the Chair of the Secretary's Innovation Group, an organization made up of 18 state human services department secretaries and a comparable number of workforce secretaries from states representing 37 percent of America. Our objective is to share innovative program ideas and advance policies which favor work, economic self-sufficiency and healthy families. We believe an effective, secure safety net should be built around these carefully defined objectives.

The present federal policy is not in alignment with these objectives, which we believe are needed to provide long-term solutions. Combined with the explosive growth in the federal budget the current state of the federally-directed system is neither effective nor efficient.

There are currently 60 means-tested programs funded and directed by the federal government. There are 12 programs providing food aid; 12 programs funding social services; 11 programs for housing assistance; 10 programs providing cash assistance; 9 vocational training programs; 3 energy and utility assistance programs; and 3 childcare and child development programs. In addition, there are an overabundance of similar programs funded and operated at the state and local level.

Federal and state governments spend close to a trillion dollars a year on these benefit programs even before the costs of Social Security and Medicare are added. Based on Census Bureau poverty estimates, our current welfare spending totals four times more than what would be necessary to bring all of the poor above the poverty line if the taxpayers were to simply give them a cash payment. Obviously, this type of unrestricted cash hand out would be a mistake, however the statistic rightfully warrants raised eyebrows. We can offer a better solution.

In 1996 AFDC (Aid for Families with Dependent Children) was replaced with TANF (Temporary Assistance for Needy Families). The adoption of TANF and the energy its reforms unleashed – adults newly finding and taking jobs, caseworkers oriented towards work-first, urgency inducing time limits, and programs that focused on the family, like the promotion of two parent homes – showed how a federal and state partnership could work together to create the right institutional incentives to create positive change.

The success of the law which created TANF is well known to this committee. In just five years after implementation of the TANF reform, these were some of the results:

- Welfare dependency was cut by more than half, with the national welfare caseload dropping from five million to two million.
- Employment levels among the former welfare population ballooned. Encouraged by work activation, thousands upon thousands of idle welfare recipients entered the workforce. In 1989, the work force participation rate for never married mothers was 63 percent. By 1999, after TANF was implemented it had increased to 75.4 percent.
- Overall poverty and child poverty dropped substantially. Although some predicted that welfare reform would push an additional 2.6 million people into poverty, the U.S. Census Bureau reported 3.5 million fewer people living in poverty six years after the TANF reform. Most remarkable, but not surprising to many of us, was the effect of welfare reform on black child poverty. The black child poverty rate declined to the lowest rate 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 children living in married-couple families increased, especially among African American families. Between 1950 and 1996, the percentage of black families headed by married couples declined from 78 percent to 34.1 percent.

TANF surprised almost all policymakers – from both the left and the right – with its success. It's worth asking what made TANF successful.

The short answer is that TANF aligned the incentives for all three major participants – recipients, the states and the federal government – to behave in ways constructive to achieving the TANF objectives of work and family cohesion.

The more in-depth answer is that first, TANF re-oriented participants toward employment, the highest and most secure source of ongoing family support, by eliminating the individual entitlement to forever benefits with time limits.

Second, it combined new and appropriate federal program objectives, such as work and marriage, in place of the earlier counterproductive income-transfer model.

Third, it permitted those states that reduced caseloads to re-use benefit money for more constructive purposes, such as work support or experimentation, rather than cash payments to recipients.

Fourth, it induced the states to enact budget discipline through its fixed allocation formula instead of the former entitlement formula. Fifth, it set constructive federal measurements, including work activation and participation, while giving states credit for positive outcomes like the reduction of dependency through employment (caseload reduction credit).

And finally, it permitted states operational freedom to experiment with multiple approaches to achieve the goal of self-sufficiency.

These features are what made TANF successful, yet few of them are present in other means tested programs, many of which aren't experiencing as much success. The federal government pays 100 percent of the benefit costs of three of the fastest growing benefit programs: Food Stamps (SNAP), Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI). However, SNAP has no effective work requirement and it has grown by threefold in only a few years; SSI, which is particularly damaging to the life prospects of children who transition right into the adult program, has seen a significant increase; and SSDI has tripled since 1990 without any evidence of a health epidemic.

When the federal government pays 100 percent of benefits, states are not incentivized to adopt interventions to help families succeed. Some make the case that "free" federal money for Food Stamps for example, should be widely distributed, ending the prior practice that families should use their own resources first before asking for taxpayer help. Under the current counterproductive federal funding formula, states have an incentive to place as many people as possible in the SSI disability program because it saves state TANF dollars. And states are largely indifferent to the costs of adding new SSDI recipients onto the national caseload, even though the social security actuary estimates that each new recipient who could otherwise work has an average lifetime net federal cost of more than \$250,000.

A discussion of a broader vision of what constitutes healthy federal policies across programs is dramatically needed in Washington and in many States. Several policies could be amended to better help low-income families. For example:

Work activity should be a requirement across programs.

Food Stamps, TANF and Housing are three subsidy programs that are intended to help low income families, yet the three do not share common obligations to participate in activities leading to self-sufficiency. If work activities were integrated into all transfer programs as a consistent requirement, in many instances citizens would accept available employment prior to accessing these benefits. Still others would take greater advantage of work and training opportunities with more dedication. The work experience gained through work activation requirements would make the road to higher income and self-reliance faster and easier.

Section 8 certificates could be provided to those who are working or satisfying program activity requirements first, and then to others.

Additionally, the waiting list for these certificates could prioritize individuals willing to accept rental assistance time limits. It's worth investigating to see whether this would enable people to move faster into unsubsidized apartments and free up the same number of certificates to cover larger numbers of low income families.

Require individuals applying for SSI or SSDI who are deemed ineligible at the initial determination stage because they are able to work participate in a work integration effort with a vocational rehabilitation service for some period.

Currently, many individuals who are deemed ineligible for this reason hire a lawyer to appeal the decision to an Administrative Law Judge, which adds a substantial amount of time to the process. A work integration effort would mitigate this problem.

Conclusion

For too long now, we have witnessed the devastating effects of our abandonment of our Founding Fathers' idea of a decentralized, limited government. Our long-term objective should be to return to the proper federalism balance as envisioned by the Founders and practiced for 150 years.

As we work to achieve this, the Secretary's Innovation Group would like to see a large scale expansion of the concepts in TANF that made it so successful. Under our proposal, States would implement demonstrations of TANF adaptations to other programs.

The goal is to transfer TANF funds from other programs, such as food stamps or housing, into a TANF special account. This account would be administered on the state level, with each state responsible for determining how to fund individual programs to best meet the needs of their citizens. As under TANF, states would have wide latitude in how the merged benefits are designed and operated.

Recipients who were eligible for benefits under the old formula would retain eligibility in similar programs run by the state, but would have to meet many of the provisions of TANF, such as work obligations and time limits, as conditions for those benefits. The demonstrations of how individual state programs work will form the knowledge basis for a thorough re-evaluation of the effectiveness of the national means tested system as presently constituted. The TANF program, now fifteen years old, is a model of what can be achieved. TANF has produced results which we can expect across the spectrum if states are offered the opportunity.

Thank you.