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Subcommittee on Human Resources
On Jobs and Opportunity: Legislative Efforts to Address the Jobs Gap

Reauthorizing TANF: Making a good program better

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Chairman Smith, Ranking Member Davis, and members of the committee: Thank you for the opportunity to testify today on your committee's proposal for reauthorization of the Temporary Assistance for Needy Families (TANF) program.

By taking steps to improve TANF, this committee dedicates itself to making a good program even better. I have written in the past that TANF is a bright spot in the history of American social policy, and that it demonstrates how to replace welfare with work while providing a safety net for families facing difficult circumstances. This remains true.

TANF does have its critics, though not all the criticism is based on the facts. One common critique is that TANF has failed to remedy – or has even exacerbated – extreme poverty in the United States. Some researchers claim that a consequence of the 1996 bipartisan welfare reform that created TANF was a surge of 130 percent in the number of households with children living on no more than \$2 per day. These scholars assert that many needy Americans are turned away from receiving TANF entirely, because of stringent work or process requirements and limited funding, and their children suffer dramatic material deprivation.

But thanks to the work of my AEI colleague and University of Chicago economist Bruce Meyer, we can respond that these claims are demonstrably false. Dr. Meyer has shown that the best way to measure severe poverty is either to measure income by combining census survey data with administrative data from government programs or to measure what Americans can consume, providing a better sense of how many Americans are living in severe deprivation. Using the metric of consumption poverty, it is clear that the claim that severe poverty has gotten worse since the advent of TANF is wrong.

Dr. Meyer has found that the rate of Americans living in consumption poverty has gone from 8.5 percent in 1996 steadily down to 3 percent in 2016. Similarly, 13.2 percent of children lived in consumption poverty in 1996, but by 2016 the number had declined to 4.1 percent. The claim that TANF led to an overall increase in severe poverty is simply not supported by the data -- the data point to a 75% decrease in extreme poverty in the US since the enactment of TANF.

Dr. Meyer's forthcoming work also shows that after accounting for in-kind transfers, people who report hours worked for pay but don't report their earnings, and people with substantial assets, and after integrating administrative program receipt and tax data, no more than one-tenth of one percent of households live in the extreme deprivation that is sometimes blamed on TANF. This, of course, does not mean that we cannot improve how we help recipients of TANF or other government assistance—only that this committee should not be motivated by the desire to solve a problem that does not exist.

TANF has been a component of our antipoverty efforts for 20 years now. Material deprivation in the United States is now at an all-time low not simply because TANF provides a benefit that allow poor Americans to live a bit more comfortably, but because it encourages them to work and earn income. Yet another prominent criticism is that through this emphasis on work TANF has left many poor Americans behind. Americans, especially single mothers who have not been able to find or keep work, the argument goes, are left with minimal earnings and no benefits.

What's misleading about such a claim is that these disconnected mothers are not really disconnected. Though they are not working, they are still receiving benefits from various government programs like SNAP and Medicaid. The government still has contact with these people through the administration of a variety of safety net programs. Nonetheless, the goal of welfare reforms of any kind should be to reach these mothers and families too, by engaging recipients of programs like SNAP and Medicaid in work so they can benefit on their way up to full self-sufficiency.

What this illustrates is that our social safety net is multifaceted – this, too, is important, because we cannot claim that TANF alone deserves credit for reductions in poverty. The earned income tax credit and other government-funded supports for working families play a large role as well; and we should also recognize the role of a healthy growing economy, which makes helping families escape poverty much, much easier.

On the whole, TANF has been a success. Notably, it has helped people escape poverty while shrinking in cost. Though the value of the block grant that funds TANF has declined significantly since 1996, the program has helped millions of Americans – especially single mothers and their children – into employment and out of poverty.

Nonetheless, even good programs can be improved, and TANF could be by recommitting itself to the principles that made it successful: Effective work engagement activities that move applicants and recipients towards regular earnings with a focus on employment as the primary desired outcome. These activities keep low-income Americans connected to the labor force; they maintain the balance between contributing and receiving that even poor Americans agree should exist; and they nudge welfare recipients towards more earnings and eventual independence from public assistance entirely.

This committee's draft legislation is a first step toward a worthwhile and needed effort to refocus TANF on its core mission, which is work. This comes at an auspicious time for increasing work, given how badly American employers need workers and the role that TANF could be playing with its state and federal resources of more than \$30 billion a year.

From the perspective of workers or potential workers, the economy is as strong as it has been in years. The labor market has added over 200,000 jobs per month so far in 2018 and the unemployment rate is at its lowest level since the turn of the century. The number of job openings has soared to more than 6 million and the number of people receiving unemployment benefits fell to the lowest level since December 1969.

While these economic statistics are encouraging, one problem remains: Labor force participation has not returned to pre-recession levels. There are many different factors that have contributed to this problem. But one thing is clear – the combined effect of benefits from SNAP, Medicaid, housing assistance, and other programs have financed non-work. Too many working-age nondisabled American adults are not working.

That brings me back to TANF. After more than 20 years, TANF can improve by refocusing the program on engagement to help more Americans enter and remain in the work force.

Many states have exploited loopholes to get around the work requirement while diverting TANF funds for other purposes. TANF has an opportunity to fix this problem by limiting spending on assistance to families below 200% of the poverty level. It should do so. And while states should enjoy some flexibility in how they use excess federal funds, they must be sure to keep their eyes on the ball and prioritize programs that will help TANF recipients into work.

TANF should revitalize its work requirement by expecting universal engagement and incorporating outcome measures that focus on what matters most: Moving individuals into sustainable work.

It should also make an affirmative statement about the value of case management. Key decisions about services and benefits should be made at the local level, and caseworkers should have access to a wide range of tools, including programs funded beyond TANF, because different families face different challenges.

Reforms that focus on measuring outcomes are also critical to TANF's success. TANF would do well to enact "dashboard" alerts that will catch the attention of the Department of Health and Human Services when certain states report too many work-eligible individuals with zero hours of participation in work-related activities. And the work participation rate, the current outcome measure which has been ripe for state manipulation, could be replaced with measures centering on unsubsidized employment after an individual leaves the TANF rolls, which would better reflect successful transitions to employment. While I have reservations about TANF agencies' ability to ensure that former enrollees remain employed months down the line, some form of job placement and retention measure is a welcome innovation.

Transparency and accountability are critical in order to shed light on states' engagement of their caseload and ensure that they are moving towards desired outcomes – and I applaud the direction of this draft bill in advancing those values. However, I do have some concerns about outcome measurement that I believe are worth raising. Employment is an appropriate outcome because TANF aspires to grow capacity to reduce dependency, but the program also must uphold the essential American value of reciprocity, making engagement of *current* recipients an important goal in and of itself, beyond its role in leading to earnings down the road.

In the current discussion draft, states would have "sole discretion" to determine what activities can count as caseload engagement. They also would be free to design their own work verification procedures (the regulations that make sure that the work participation that states report actually took place). The original TANF legislation identified 12 allowable work activities and prioritized

9 core activities that prioritized work first, over education and training. When the Government Accountability Office uncovered that many states were counting “bed rest” and “motivational reading” as work activities, Congress and the Department of Health and Human Services tightened the definitions of the 12 allowable activities.¹ Congress and HHS also added new work verification procedures that required states to verify that any work activity that they reported to the federal government actually took place. Any reform should be careful not to compromise the federal role in ensuring TANF’s success by returning the definition of work activities and the procedures for work verification completely to the states. The universal engagement requirement should have some accountability provisions in place that ensure that states will be pushed to engage their current caseload in work or work-related activities.

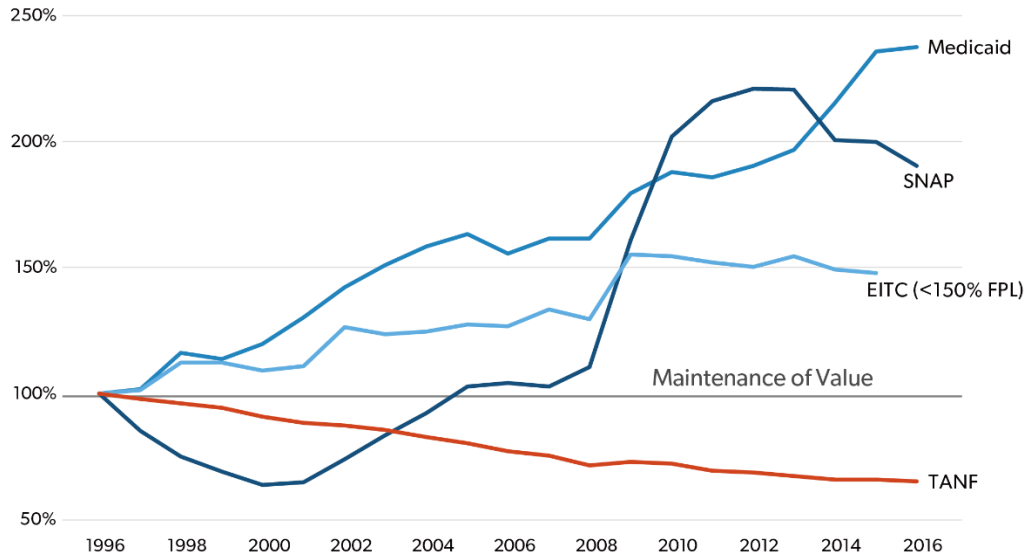
In that spirit, reforming TANF should entail finding a balance between state flexibility and a focus on work. As a former administrator of TANF in New York, I know that state flexibility is a cornerstone of TANF’s success. But that doesn’t mean there shouldn’t be limitations. States must be held accountable for engaging their caseload with activities that really do lead to work, and they should answer to federal administrators to ensure that is the case. This should include tracking enrollee attendance as well as reporting on how state initiatives are achieving core TANF objectives.

Changes to TANF will strike the right balance if the federal government leaves room for innovation, while still holding states accountable for engaging their current caseload in work activities. While it would be good for each state and the federal administration to negotiate performance targets that allow states some flexibility, in the absence of a work participation rate, states should be required to provide baseline measures to ensure that incremental improvements can be compared to current outcomes.

Any reform should also maintain level funding for the TANF program. As I mentioned, TANF isn’t the only show in town; nearly all families receiving TANF assistance are also receiving Medicaid or CHIP and SNAP benefits, just to name a few. And while TANF, after adjusting for inflation, now spends about two-thirds of the taxpayer money it did in 1996, federal spending on programs like Medicaid, SNAP, the earned income tax credit, and the refundable child tax credit has greatly increased. Effectively, we’ve moved from funding non-work to making work pay. The current funding structure has been a key to TANF’s unique success, and any accounting for its decrease in value must acknowledge the array of other programs that assist the poor.

¹ <https://www.gao.gov/products/GAO-05-821>

Expenditure as a Percentage of 1996 Spending



Sources: Internal Revenue Service, US Department of Agriculture, US Department of Health and Human Services, Centers for Medicare and Medicaid Services, Bureau of Labor Statistics
Note: In 2016 \$, inflation adjusted

Finally, the process for allocating resources to each state should be done in a way that targets poverty more directly and more fairly, and to its credit, the discussion draft makes progress on this point. Each state's share of funding should be determined at least in part by their current levels of poverty. The system in place, which allocates money to states based on historical expenditures, does not adequately distribute funds in accordance with where they are needed, and federal funds should both reward state spending on pro-work activities and target higher poverty areas.

I conclude by commending the subcommittee for taking on TANF. When it focused on work in the 1990s, we saw great reductions in poverty and improved outcomes for children and families. It's time to return to those principles, and I think this proposal moves us in the right direction.