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Committee on Ways and Means
U.S. House of Representatives

Mr. Chairman, Members of the Committee, thank you for the opportunity to share CLASP's views regarding changes that should be made to improve the Temporary Assistance for Needy Families (TANF) program. CLASP develops and advocates for policies at the federal, state and local levels that improve the lives of low income people. In particular, we focus on policies that strengthen families and create pathways to education and work. TANF has the potential to contribute toward both of these goals, but this potential is rarely realized.

A few days after this Committee held its hearing, the U.S. Census released the official poverty numbers for 2010. These numbers reveal a story of increasing hardship among America's children, particularly its youngest children. In 2010, 22 percent of children were in families with incomes under the poverty level, and 10 percent were in families in extreme poverty — with incomes less than half of the official poverty level. More than one in four children under the age of 5 were in poverty, with 12 percent in extreme poverty.

We know that such poverty is associated not just with immediate hardships — inadequate nutrition, unstable housing, low quality child care, increased rates of child abuse and neglect — but also long term effects on educational outcomes and adult earning potential. When compared with children from more affluent families, poor children are more likely to have low academic achievement, to drop out of school, and to have health, behavioral, and emotional problems. These linkages are particularly strong for children whose families experience deep poverty, who are poor during early childhood, and who are trapped in poverty for a long time. With child poverty and extreme poverty at these rates, we cannot consider TANF a success.

Based on the experience of other countries, we can conclusively reject the claim that we must accept persistently high levels of poverty and deprivation as the necessary price for ensuring high levels of labor force participation. Countries like the Netherlands — which now has a higher rate of female labor force participation than the United States[1] — prove that it is not necessary to threaten parents with destitution as the alternative in order to engage them in work. The combination of job training, assistance in finding employment, and supports that make it possible for parents to work have been demonstrated to be an effective option for promoting employment, even while benefits that remain far more generous than those in the United States provide all families with a measure of economic security.

In my testimony, I will discuss first the question of funding for TANF, both federal and state. Then I will turn to the issue of work participation rates, and what they mean. Finally, I will briefly discuss some of the questions raised by the Chairman at the hearing, regarding testing recipients for substance abuse and controlling the locations at which TANF benefits may be withdrawn.

TANF Funding

I begin with the question of funding, because in a federally funded, state-operated program like TANF, the level of funding sets the basic framework for what we can expect to accomplish. If

[1] Data downloaded from St Louis Federal Reserve, FRED Economic Data, Data series NLDLFPWNA and USALFPWNA

we are dissatisfied with what states are doing with the TANF program, we must either provide more funding, or accept that they will do less of some things that they are currently doing in order to do more of other things.

The TANF block grant has not been adjusted to account for either inflation or population growth since its creation in 1996. Inflation alone has eroded more than 30 percent of the real value of the block grant. Moreover, this year, for the first time since TANF was created, the Supplemental grants provided to 17 states with historically low grants or rising populations were not fully funded. The TANF extension bill that Chairman Davis introduced and that the House has approved does not provide funding for these grants in FY 2012. This means that these states will have less money available to serve needy families than in previous years, even in nominal terms.

These cuts have had real effects on the TANF program and on the families whom it serves. The recession has put states into a bind, squeezed between significant increases in the demand for assistance and services, and drastic declines in state tax revenue. Even before the recession, benefits had been eroded by inflation, but since the expiration of the TANF Emergency Fund a year ago, several states have cut benefit levels, while others have shortened time limits. Many states have cut back on the support services they provide to TANF recipients and those leaving cash assistance for jobs. These choices are not based on what policymakers believe are good for children and families, but simply on the need to cut spending.

In the face of budget shortfalls, some states are making choices that would literally have been unimaginable a few years ago. For example, Arizona has enacted a law that says that cases where a relative other than a parent is caring for a child, and where the relative is not receiving assistance for herself, should be subject to the same time limit as families where the parent is receiving assistance. This means that grandparents and other caregiver relatives who take in children, keeping them out of state custody and foster care, are cut off from assistance after just 24 months. This policy is both short-sighted and cruel.

I urge this Committee to extend the Supplemental grants along with the TANF block grant. In addition, when TANF is reauthorized, it is critical that some form of countercyclical additional funding for TANF be provided on a permanent basis. This funding should not be available to all states at all times, but should include "triggers" so that it automatically kicks in when warranted by economic conditions, without the need for Congressional action. With this exception, CLASP believes that the Emergency Fund is a better model than the original Contingency Fund created by the 1996 legislation. The Contingency Fund was never accessed during the 2001 recession, and in practice has rewarded states that are more aggressive about claiming existing spending as Maintenance of Effort, rather than encouraging increased spending on core income supports. By contrast, the Emergency Fund encouraged states to develop new subsidized employment and short-term benefit programs, and largely protected cash assistance programs from cuts.

In addition to the federal block grant, the second key component of TANF funding is the state Maintenance of Effort (MOE) requirement. As you recall, AFDC, the predecessor to TANF, was a matching program. When the TANF block grant was created, Congress required states to continue to spend at least 75 percent of what they had spent under AFDC (80 percent if they failed to meet the work participation rate requirements). Both spending under TANF and increases in spending on other programs serving needy families can be counted as MOE. This was designed to ensure that states would continue to invest their own funds in programs serving low-income families.

I was therefore deeply concerned by Secretary Alexander's testimony recommending that the MOE requirement be removed. Secretary Alexander suggests that this requirement penalizes states that run programs more effectively and efficiently. However, as long as millions of children remain in poverty, the notion that there is no valuable way that states could spend this money to assist these families is simply ludicrous. Given the wide range of services that can be claimed as MOE, and the fact that this requirement is not adjusted for inflation, the MOE requirement has become increasingly easier to meet over time. A state that is at risk of falling below the MOE threshold is a state that has chosen not to prioritize the needs of the most vulnerable families in our society. In fact, many state administrators have told me that the MOE requirement is helpful in enabling them to avoid even deeper budget cuts in this time of fiscal retrenchment.

However, in order to ensure that the MOE requirement continues to have its original intent, I believe that when TANF is reauthorized only spending by governmental entities (including counties and other sub-state entities) should be countable. While it made sense for states to claim spending by non-governmental third parties to access the Emergency Fund, and draw down badly needed funding for programs for low-income populations, allowing this policy to continue has the potential to completely undermine the MOE requirement. A reasonable limit should also be set on the definition of "needy families" so that states may not claim expenditures on families earning well above the median income.

I would love to see TANF funding restored to the level that it would have been today had the original 1996 welfare legislation included an adjustment for inflation. However, I recognize the low probability of this occurring given the current focus on deficit reduction and the many competing priorities for spending. In the absence of additional funding, it is important to be realistic about what states can reasonably accomplish, and to seek out areas in which savings could be achieved without harming low-income families.

Work and the Work Participation Rate

The evidence presented by the Government Accountability Office (GAO) and others indicates that the changes made to the work participation rate requirement by the Deficit Reduction Act of 2005 had little if any positive effect. They did, however, force states to spend more resources documenting that individuals receiving assistance are participating in countable work activities, leaving fewer resources available for actually providing services, including those that help individuals succeed in employment. There is no reason to believe that further tightening the work requirements would do anything other than exacerbate this situation.

Members of this committee have repeatedly expressed concern about the low levels of work participation among TANF recipients, and have stated that states are not taking the requirement to engage recipients in work seriously. I respectfully suggest that this is simply not the case. To a remarkable degree, TANF agencies have internalized the mission of engaging recipients in activities leading to self-sufficiency, and would continue to enforce a work expectation even in the absence of any federal requirements.

In support of this statement, I note that during the past years, the provision included in the American Recovery and Reinvestment Act that allowed states to continue to benefit from the caseload reduction credit achieved in FY 2008 substantially reduced the effective work participation rate requirement for most states. However, the overwhelming majority of states made absolutely no modifications to the work expectations for recipients, even as unemployment rates doubled, or even tripled. A recent Congressional Research Service analysis of Census data found that in 2009 just 11.4 percent of all poor single mothers received cash assistance but did not work at any point during the year, down from over 40 percent in the early 1990s.[2]

If this is true, why are the work participation rates reported by states so low? The Department of Health and Human Services (HHS) recently issued a report summarizing the data on work activities provided by states in response to the requirement included in last year's Claims Resolution Act. HHS found that in March 2011, just under one-quarter of work eligible individuals were in fact participating enough to count toward the federal work participation rate requirement. A similar number were participating in some work-related activity, but did not count toward the federal participation rate, because they did not have enough verified hours, the activity did not meet the federal definitions, or other such reason. This figure is almost certainly an undercount, as many states did not have the capacity to collect data on uncountable activities. Another 10 percent of work eligible individuals (about 20 percent of those not participating for any hours) were under sanction or in the process of being sanctioned.

Of those not participating, 30 percent were exempted under state rules, based on illness or disability of the recipient or family member, caring for an infant, domestic violence, or other reason established by the state. Many of these exemptions were likely appropriate. But assume for the moment that some of these individuals could have benefited from appropriate work-related activities and should not have been exempted. Is it likely that making the work participation rate target higher would encourage states to change their exemption policies? Based on the evidence of the DRA, it appears not, because the state would still not get credit for engaging these individuals in appropriate activities. By contrast, allowing partial credit and expanding the list of countable activities might encourage states to engage these individuals in appropriate activities, as they would have a reasonable hope of getting credit for doing so. However, even with the possibility of getting credit, states may decide that they cannot afford to provide more intensive supports and work activities for individuals with extensive barriers to employment.

In his testimony before the Committee, Professor Besharov flagged the role of education and training in preparing individuals for high quality jobs that require higher levels of education and skill. While I do not agree with all of Professor Besharov's remarks, this is an area in which we agree. Low-income parents will need better skills in order to have a chance at competing for the good jobs of tomorrow. Moreover, periods of high unemployment are indeed a particularly good time to invest in education and training, because the opportunity cost — the foregone opportunity

[2] Thomas Gabe, Welfare, Work and Poverty Status of Female-Headed Families with Children: 1987-2009, Congressional Research Service, July 15, 2011.

to build human capital through employment ─ is lower. An increasing number of education and training programs are being designed that combine basic education with specific vocational skills. These offer great potential for enabling low-wage workers to progress up the career ladder over time. However, as my colleague Julie Strawn testified before this Committee last year, too many TANF programs have adopted policies that limit recipients' ability to participate in education and training programs.[3] The federal rules and regulations are more of a hindrance than a help in this regard. In particular, I would urge the Committee to expand the time period during which education can be counted as a stand-alone activity, and to allow participation to be verified based on academic performance in lieu of hours.

Beyond such small modifications to the work participation rate, states that are willing to be held accountable for the outcomes they achieve in their programs, such as employment entry, job retention, or poverty reduction, should be given the ability to opt out of the process-focused participation rate either for the entire TANF population or for groups participating in specific programs such as career pathways initiatives. Several states are already using such measures internally, to monitor the performance of contractors or county agencies, and to guide policy development. Performance measures and targets should be negotiated between the states and HHS, with adjustments for populations served and economic conditions. States taking up this option should be required to report data that demonstrate that they are not "creaming" or setting up barriers that discourage services to less employable participants.

Other Requirements on States

In his opening statement at the hearing, Chairman Davis raised the possibility of adding additional requirements on states as part of reauthorization, such as requiring them to limit the locations at which cash benefits may be withdrawn, or mandating chemical testing of recipients for drugs. Both of these proposals raise significant concerns.

As Chairman Davis noted, California is among the states that have already limited the locations where TANF cash benefits may be withdrawn. This has come at significant financial cost to the state, as contractors have had to check the location of every ATM in the network, and to program the system to accept or reject each one. Moreover, the fact that a recipient withdrew cash at a casino does not mean that she used these funds for gambling ─ the gaming industry is a major employer of low-wage workers, and recipients may well be working at these locations. In very rural areas, a liquor store may have the only ATM for many miles.

Forcing states to use chemical drug tests on all applicants or recipients of assistance is even more misguided. As Professor Wetzler testified before the hearing, it is both more effective and more efficient to screen recipients for substance abuse by means of a combination of self-identification and functional assessments (e.g. seeing whether they are able to participate in other work activities). Such assessments are less expensive than chemical tests, identify individuals who are abusing alcohol as well as other drugs, and do not raise the constitutional concerns of suspicionless testing. The funds required to conduct drug tests would be far better invested in quality treatment and case management programs, such as those provided at Professor Wetzler's

[3] Julie Strawn, Testimony at Hearing on the Role of Education and Training in the TANF Program, CLASP, April 20, 2010. http://www.clasp.org/admin/site/publications/files/CLASP-Ed-and-Training-Testimony-final.pdf

program. The notion that widespread drug testing would save money is simply wrong, based on both inaccurate notions of how much money TANF recipients receive, and vast overestimates of the share of recipients who use drugs. (Note that Professor Wetzler's estimate of the prevalence of substance abuse is based on a caseload including single adults receiving general assistance, whom he acknowledges to be far more likely to have substance abuse issues than the parents who receive TANF cash assistance.)

Even beyond the specifics of these proposals, mandating such policies for states is an unwarranted and burdensome imposition on states, which is inconsistent with the notion of a flexible block grant. It is particularly disheartening to hear such unfunded mandates proposed at a time when state budgets are already stretched to the limit and effective programs are being cut for lack of funding. In this age of austerity, every dollar that is spent responding to a new federal requirement is a dollar less that is available to meet the real needs of children and families.

Conclusion

It has now been 15 years since TANF replaced AFDC. Lawmakers created TANF at a time when the economy was booming, and they based its policies on the assumption that jobs would be plentiful. Moreover, at the time, federal policymakers believed that states needed to be forced to think of TANF as a work-focused program.

Today, we are coming out of a deep and lingering recession. Unemployment levels remain very high, with less educated and inexperienced workers particularly hard-hit, as they must compete with dislocated workers or recent college graduates for even entry-level jobs. At the same time, state agencies have thoroughly internalized the notion of TANF as a work-focused program, with most states setting shorter time limits and more stringent sanction policies than those envisioned when TANF was created. With state budgets cut to the bone, there is a real risk that deeply needy families will not receive critical services.

As Congress considers reauthorization, I urge you to adopt policies that encourage states to provide adequate and accessible income supports to needy families and to prepare recipients for jobs of the future with opportunities for subsidized employment and education and training.

For a fuller discussion of CLASP's priorities for TANF reauthorization, see:
Elizabeth Lower-Basch, *Goals for TANF Reauthorization*, CLASP, Updated January 24, 2011.
http://www.clasp.org/admin/site/publications/files/TANF-Reauthorization-Goals.pdf