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Hearing on Ideas to Improve Welfare Programs to Help More Families Find Work and Escape Poverty

Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives
Thank you for the opportunity to share the Center for Law and Social Policy’s (CLASP’s) views regarding changes that should be made to improve the Temporary Assistance for Needy Families (TANF) program. CLASP advocates for public policies that reduce poverty, improve the lives of poor people, and create ladders to economic security for all, regardless of race, gender or geography. We have extensive experience working on income and work support programs at both the federal and state levels.

The focus of the discussion at the recent hearing was on TANF’s effectiveness in creating pathways to economic security through work. However, it is important to remember that TANF has a dual mission:

- To alleviate poverty and prevent material hardship among children and families, especially those who are particularly vulnerable due to circumstances such as disability, domestic violence, or homelessness; and
- To create effective pathways to economic security, including access to quality education and training programs and individualized services for those with barriers to employment.

The aspiration of welfare reform was that states would use the flexible funding included under the TANF block grant to provide poor families with children individualized supports and services to enable them to both meet immediate basic needs and access and retain jobs that would lead to economic security. TANF has not lived up to this promise.

In this testimony, I begin by laying out the evidence that TANF has not been successful in meeting either of its goals. I then turn to a discussion of two primary reasons why TANF has not been effective -- the block grant funding structure of TANF, which means that less and less money in real terms has been available for income support and work programs, and the work participation rate, which does not provide states an incentive to operate effective programs, particularly for the most disadvantaged workers with children. In each of these areas, I lay out possibilities both for overhauling the current structure entirely, and for more modest changes that would still move TANF in the right direction. Finally, I turn to a brief discussion of why TANF is not a model for other safety net programs.

**TANF is not an effective safety net**

The number of families receiving assistance had started to decline even before national welfare reform in 1996, and this decline accelerated in the wake of welfare reform. The number of families receiving assistance fell from 4.4 million in an average month of 1996 to 2.2 million in 2001 and then continued to decline, although more slowly, through the 2001 recession and the “jobless recovery” that followed to 1.7 million families in 2008. While cash assistance caseloads rose in most states during the recent Great Recession, TANF was not nearly as responsive to the steep rise in unemployment as other safety net programs, notably the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps). Nationally, TANF caseloads are declining again, reaching a new low of 1.67 million families in the first three quarters of FY 2014.¹
Moreover, many of the families receiving TANF assistance are so-called "child-only" cases, meaning that no adult receives benefits. In the average month of FY 2014, 43 percent of families receiving assistance were “no-parent cases.” In 17 states, these cases accounted for more than half of families receiving cash assistance. This means that there are less than a million TANF cases including adults nationwide. Putting TANF caseloads and poverty figures together, the Center on Budget and Policy Priorities has calculated that in 2013, for every 100 poor families with children in the U.S. only 26 received TANF assistance, down from 68 when TANF was created.

This decline in the share of poor families receiving cash assistance is driven by multiple factors: low eligibility standards that deny families seeking assistance help if they earn as little as $10,000 a year in the median state; up-front job search requirements that create obstacles to families seeking assistance; full-family sanctions for those who are unable to comply with participation requirements; and time limits on benefit receipt even for those who do everything that is asked of them. In 9 states, less than 10 families receive TANF for every 100 poor families with children.

Moreover, the families that do receive assistance remain deeply poor due to inadequate benefit levels. In 2014, for a family of three with no other income, every state’s TANF benefits were an amount that totaled less than 50 percent of the poverty line. In 34 states, such a family would qualify for benefits worth less than 30 percent of the poverty line. When compared to 1996 levels and adjusted for inflation, the real value of TANF benefits has declined by over 20 percent in 37 states. Even when combined with SNAP benefits, TANF still leaves families below 60 percent of the poverty line in at least 36 states.

**TANF is not an effective work program**

TANF has also largely failed to live up to the goal of engaging recipients of assistance in effective work programs that lead to economic security. TANF’s reputation as successful in promoting employment derives from the dramatic increase in employment rates for single mothers during the 1990s, climbing from 57.3 percent in 1993 to 72.8 percent in 2000. However, credit for this increase must be shared between the overall booming economy and major expansions of work supports such as the Earned Income Tax Credit (EITC), child care subsidies, public health insurance, and improved child support enforcement and distribution, as well as welfare reform. One study found that single mothers who were exempted from work requirements due to having young children were just as likely to work as comparable mothers in other states who were required to work as a condition of TANF. Moreover, after the economy faltered in 2000, this progress stalled and has since lost ground, with single mothers’ employment rate falling to 67.5 percent in 2014. Since 2000, employment rates for less-educated women with and without children have been nearly identical, suggesting that broader economic forces are having far more impact than TANF policy.

Most states offer very little in the way of employment services to TANF recipients. As noted by Dr. Pavetti in her testimony, states spent 8 percent of their TANF and related state funds in 2013 on work activities, with 14 states spending less than 5 percent. Moreover, even this is an overestimate of spending on families receiving cash assistance, as the funds that some states use
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to support scholarship or workforce services for a broader population of low-income families are also reported under this category. While a few states have invested both money and effort into engaging clients in more intensive activities, such as Kentucky Ready to Work, Oklahoma's Special Projects, Maine's Parents as Scholars, and Washington State Community Service Jobs, these are exceptions to a general pattern of low investment in work activities.\textsuperscript{13}

As discussed both at the hearing and below, the work participation rate (WPR) is a flawed measure of state performance. However, it provides some perspective on the types of activities that recipients are engaged in. Since 2007, the WPR has hovered just below 30 percent. In 2011, the most recent year for which data are available, over half of those counted participated in unsubsidized employment, most often jobs that people found on their own. Of those counted toward the rate, 24 percent were counted based on participating in job search. Job search is a reasonable first activity for many TANF recipients, most of whom desperately want to work. However, far too many TANF programs do not have anything else in the way of a work activity to offer, so recipients who don't find jobs just get sent through job search programs over and over again, to little effect.\textsuperscript{14} In 2011, less than a fourth of individuals who are counted toward the rate were engaged in education and training activities, and only 2.2 percent were engaged in subsidized jobs.

**The funding structure of TANF has undermined its effectiveness**

One of the primary reasons that states have not developed stronger work programs under TANF is simply funding. Since TANF was created, the real value of the basic TANF block grant has declined 32 percent due to inflation. The grant has also not been adjusted for population growth. Moreover, since FY 2012, Congress has not funded the supplemental grants previously received by 17 states that received lower initial allotments.

The flexibility of the TANF block grant and related state funds also means that cash assistance and work programs must compete for funding with many other activities. During the boom years immediately after TANF was created, when jobs were easier to find, states used the flexibility of TANF to focus on other goals of the program -- such as keeping children with their families and helping parents maintain jobs by ensuring their children had nurturing child care while they were working. As a result, states spent significant portions of the block grant funding to support other critical needs for low-income families, including child care subsidies and child welfare activities. In some cases, states used these funds to substitute for state investments in these areas. When unemployment surged and the need for cash assistance and work programs increased, many states found it politically difficult to shift funds away from these other areas, particularly since state revenues were also affected by the recession. In addition to cash assistance, work programs and flexible funding to address individual barriers to employment were cut in multiple states.

It is worth highlighting that the recession also provides evidence of the power of additional funding to drive state choices. During FYs 2009 and 2010, a temporary TANF Emergency Fund was available to states that increased spending on cash assistance, subsidized employment, or short-term payments or services. Few states made changes to their basic cash assistance programs in order to draw down these funds; however, it appears that the availability of these funds protected most TANF programs from cuts. Some 39 states, the District of Columbia,
Puerto Rico, the Virgin Islands, and eight Tribal TANF programs received approval to use $1.3 billion from the fund to create new subsidized employment programs or expand existing ones. These programs placed about 260,000 low-income individuals in subsidized jobs, split roughly evenly between year-round programs that served mostly adults, along with summer and year-round programs that served youth (up to age 24). Most programs did not start until late in 2009 or early 2010, so these results were achieved in less than two years. These programs received bipartisan support at the state and local level and helped both disadvantaged workers and employers who were struggling in the recession. This experience proved that there was sufficient interest to operate such programs at scale. In addition to the immediate benefit of wages, participants got real work experience, along with connections to employers and other workers.\textsuperscript{15}

A comprehensive, permanent solution to resolve the painful tradeoffs that inadequate funding has forced would include expanded and dedicated funding outside of TANF for child care and child welfare services (including prevention as well as foster care). For example, even with transfers from TANF included, child care assistance programs reached just 17 percent of eligible children in 2011,\textsuperscript{16} and the number of children served has declined since then.\textsuperscript{17} Similarly, federal IV-E funds cover a declining share of state child welfare costs, and funding for preventative services under IV-B has also declined.\textsuperscript{18}

In the absence of such overall reform, it would still be beneficial to reform and expand the contingency fund along the lines of the Emergency Fund. In particular, the Emergency Fund approach of limiting the use of funds to a few specified activities effectively increased spending in those areas, rather than displacing state spending. At the same time, the Emergency Fund was accessible to a broader range of states than those able to meet the higher state spending requirements needed to access the regular contingency fund. A reformed program might include a sliding-scale schedule of matching rates so that the states with the highest unemployment rates are required to provide the lowest share of program costs. Given the high levels of interest in subsidized employment--and the difficulties of maintaining employer relations with inconsistent funding--it is also worth considering permanent, dedicated funding for subsidized employment, either within TANF or the workforce system.

A significant portion of TANF recipients – especially those receiving TANF for more than two years – have various barriers to employment, such as physical or mental health limitations, a child with a health problem, or an experience with domestic violence.\textsuperscript{19} Others with similar limitations are among the “disconnected,” neither working nor receiving cash assistance.\textsuperscript{20} The cost of providing high-quality assessments, case management, and appropriate activities has often discouraged states from providing appropriate services to these low-income families, as it is far cheaper to exempt them from participation requirements -- or simply to allow them to be sanctioned off the rolls -- than to provide intensive services. At the same time, such families are often not disabled enough to qualify for vocational rehabilitation services given the requirement to prioritize the most severely disabled applicants.\textsuperscript{21} Therefore, specialized work programs for families facing multiple barriers to employment could be another area for targeted funding.
The work participation rate is a flawed measure of state performance

At the hearing, witness after witness (who had been invited by both Republicans and Democrats) agreed that the WPR, the primary measure by which states are held accountable under TANF, is a flawed measure of state performance. Ms. Anderson, the Secretary of Wisconsin’s Department of Children and Families, noted in her written testimony that the “participation requirements, as currently structured, must be revised to ensure that the standards align with the ultimate goal of the TANF program: moving recipients from welfare to work.”

As the witnesses noted, the WPR is a process measure, showing whether recipients were present at countable activities for the required number of hours. It does not measure whether these activities increased the participants’ employability or earnings. In order to receive credit towards the WPR, states must monitor and document all hours of participation. As a result, caseworkers must devote significant effort to verifying participation hours rather than on assisting families. There is no “partial credit” — for instance, states receive no credit for someone who participates fully in WPR-allowed activities for three weeks in a month, but misses most of a fourth week due to a sick child or other crisis. Monitoring and tracking participation consumes a great deal of state resources; one study of employment counselors in Minnesota found that they spent 53 percent of their TANF time on documentation activities such as verifying, collecting, and reporting information for WPRs, and 47 percent on direct service activities such as creating employment plans, identifying barriers to work, and assisting with job search.

The WPR is a poor measure of state’s effectiveness in operating work programs for TANF recipients. It does not distinguish between states that have low participation rates because they are doing a poor job of engaging recipients in any activity and states that have carefully assessed recipients and assigned some to reduced hours of participation or to activities that are not federally countable, such as full-time basic education. Moreover, it is easier and cheaper for a state to improve its WPR by serving fewer families who need assistance, than to raise the WPR by running a more effective program. In the wake of the tightened rules that HHS promulgated to implement the last reauthorization of TANF, the majority of states have adopted full-family sanctions, which have the effect of removing non-participating recipients from the caseload, and thus from the WPR. States particularly have little incentive to serve people with significant barriers to employment who are likely to require more time and extensive services before they are able to participate at the levels needed to be counted toward the WPR. States with high WPRs may have achieved them by working hard to engage all recipients, or by placing hurdles to keep individuals with significant challenges out of the program.

A particular problem of the WPR is that it discourages states from engaging recipients in education and training activities. Specifically, except during the one year for which vocational education can be counted as a core activity, education and training is generally only countable when combined with at least 20 hours per week of another core activity. Given the unpredictably shifting hours of many low-wage jobs, it can be difficult for recipients to combine education and training with employment, and many are simply denied the opportunity to meet any of their participation requirements through education. In the face of an economy that increasingly requires a post-secondary credential for all but the lowest-paying jobs, this policy makes it harder for welfare recipients to escape poverty.
Research and evaluations of job training programs for adults find that “a postsecondary education, particularly a degree or industry-recognized credential related to jobs in demand, is the most important determinant of differences in workers’ lifetime earnings and incomes.”\textsuperscript{24} Moreover, at times of slack labor demand, workers without a postsecondary credential may be simply unable to find work. In the months after the recession, overall unemployment peaked at 10 percent in October 2009. At that time, the unemployment rate for adults with less than a high school diploma was 14 percent and for adults with a high school diploma was 10.2 percent, compared to 8.5 percent among workers with some college and 4.6 percent for workers with at least a bachelor’s degree. For young workers between ages 16 and 24, 20 percent were unemployed one year after the recession ended.\textsuperscript{25} Even today, the unemployment rate of adults who have not completed a high school education is over three times that of those with at least a bachelor’s degree.\textsuperscript{26}

In addition, there is evidence that workforce development and adult education programs can pay off not only for today’s participants, but also for the next generation. According to one synthesis of the research, “improving the educational and employment prospects for parents in the workforce today may also do the same for their children as they enter the workforce tomorrow.”\textsuperscript{27} Indeed, there is a well-documented connection between parents’ level of education and their children’s skills, academic outcomes, and health. Forty percent of children whose mothers have not completed high school do not graduate on time themselves, compared to just 2 percent of children whose mothers have a bachelor’s degree.

The WPR also makes it challenging for states to receive credit for providing appropriate activities to individuals with disabilities and other barriers to full participation. States may not receive partial credit for engaging recipients for less than the minimum required hours, even if they have modified the participation requirement as part of an accommodation required under the Americans with Disabilities Act. Barrier removal activities such as mental health services and substance abuse treatment are only countable toward the work participation rate as part of “job search/job readiness,” which is only countable for a few weeks per year. Moreover, if part-time participation in such an activity is combined with other activities, it still uses up a full week of eligibility.

**Importance of measuring and tracking outcomes across TANF goals**

There is increasing consensus that the effectiveness of public programs should be measured, as much as possible, by their effects on outcomes for the populations that they are designed to serve. At the hearing, multiple witnesses spoke of the need to shift away from the work participation rate to a system that rewards states for achieving the desired outcomes, particularly employment. CLASP has long argued that Congress should replace the WPR with outcome-based performance measures that will help foster and improve the effectiveness of these programs. At the same time we urge proceeding carefully and thoughtfully, lest we replace the WPR with outcome measures that also have perverse consequences, including discouraging states from providing TANF assistance to families where the parents face barriers to employment.
Federal workforce development programs have been subject to outcome-based performance management policies for more than 25 years, starting in earnest with the implementation of the Job Training Partnership Act (JTPA) in 1982. JTPA was replaced by the Workforce Investment Act in 1998, which in turn was replaced by the Workforce Innovation and Opportunity Act (WIOA), which passed with broad bi-partisan support last year. Since the enactment of JTPA, advocates and policymakers have consistently expressed concerns that the outcomes measures under workforce programs may encourage states and localities to "cream," or limit services to those who are most likely to succeed. Such creaming can undermine both equity and impact (as creaming may result in providing services mostly to those who would have succeeded anyway). Creaming is even more alarming in the context of public benefits, where the easiest way to exclude someone from the outcome measures is to deny them cash assistance.

For example, under TANF, many programs have imposed up-front job search or community service requirements that have the effect of screening out individuals who are less likely to participate in work activities and thus will probably drag the state’s WPR down. This reduces the value of the WPR as a measure of the program’s effectiveness in engaging recipients in work activities, because non-participants are removed from the denominator. Simply moving from the process measure of the WPR to an outcome measure of job entries would not solve this problem.

The evidence of programs for the most disadvantaged participants confirms that even programs with proven impacts are likely to have outcomes that appear disappointing when compared to programs serving people with recent work history. For example, MDRC evaluated New York City’s Personal Roads to Individual Development and Employment (PRIDE) program, an initiative that provided specialized work experience and job search services to individuals who had previously been exempted from work requirements due to disability, but who did not qualify for federal disability benefits. This program increased employment rates by more than 25 percent compared to a control group – but only a third of the recipients assigned to PRIDE ever worked in formal jobs during the two years after assignment, and only 3 percent worked every quarter of those two years. Unreasonable expectations simply discourage states from serving low-income families with significant barriers to employment.

Based on CLASP’s expertise with both workforce and welfare performance measures, we offer the following recommendations regarding outcome measures:

1. Data should be collected on a wide range of outcome measures, reflecting the safety net goal of TANF as well as the employment goals. For example, Washington state now collects data on the educational outcomes for children in families receiving TANF, including high school graduation rates. Performance measures that only capture one aspect of a program can result in that aspect being emphasized and others neglected.

2. One lesson from WIOA is the value of including interim measures that track the progress or “momentum points,” that a participant makes along a pathway that may be attained prior to employment. Examples may include educational level gains, high school diploma or equivalency attainment, postsecondary developmental/remedial education completion, among others. These metrics will increase the focus on the progression and success of participants over time and can reduce disincentives to serve participants with lower education and skill levels and barriers to college and labor market success.
3. Another lesson is the importance of adjusting performance targets to reflect both economic conditions and the characteristics of the clients being served. Most policymakers and practitioners agreed that the "negotiated standards" under WIA did not sufficiently adjust in challenging circumstances, and therefore WIOA restores the use of regression models. Such adjustments also encourage states and localities to conduct thorough assessments of clients' needs to ensure that they receive full credit for serving more disadvantaged workers. Minnesota currently compares counties' performance on the self-sufficiency index to their predicted performance, based on economic conditions and other factors.\footnote{31}

4. Indicators of the well-being of poor children and families should also be tracked without regard to whether or not they receive cash assistance, which reduces the incentive to deny families benefits. States should be accountable for the choices they make about how easy or difficult it is for needy families to access benefits.

5. TANF reauthorization should include a clear expectation that states will be held accountable for the outcomes they achieve, but also provide a reasonable period to review the outcomes now being tracked by states, refine measures, collect and report data on measures, and establish baselines before consequences such as loss of funding flexibility are associated with them.

Assuming that the WPR is not going away immediately, there are also some modest changes that could significantly reduce the negative effects of the rate as currently designed:

- First, the caseload reduction credit should be replaced by an employment credit. Under none of the stated goals of TANF is it plausible to consider someone a success who leaves assistance without any source of income. Even from the perspective of saving public money, this is a failure, as these families are likely to show up needing help in even more costly systems, such as child welfare and emergency shelters. Yet states receive just as much credit toward the WPR for someone who is sanctioned off or reaches the time limit without work as for someone who earns enough to no longer need assistance.

- Second, the restrictions on the counting of education and training should be eased, preferably eliminated. The current rules encourage states to limit recipients to very short-term certification programs, such as those to become home health aides. However, these jobs pay low wages, and it is often difficult for workers to get enough hours of work to cover their bills. Permitting longer periods of education and training would allow recipients to train for higher-paying jobs. As Ms. Anderson testified, increasing the lifetime limit for vocational education training to 24 months would better prepare able-bodied adults for employment and support long-term job retention.\footnote{32}

- Recipients who need basic skills courses in order to participate in training programs should also be allowed to take these classes. Under current rules, such classes are only countable when combined with 20 hours or more of “core” work activities. By contrast, we have been told by postsecondary financial aid offices that they rarely approve more than 10 hours per week of federal work-study funding, because they believe that more than that level of work interferes with student success.
• Third, in order to address the needs of the most vulnerable families—who have the greatest barriers to employment—states should be given more flexibility with regard to “job readiness” and barrier remediation activities and should be given partial credit for individuals who participate for less than the full required number of hours. Individuals who are dealing with homelessness, domestic violence, severe mental or physical illnesses, and addiction often need more than four weeks’ time to resolve these issues. TANF recipients have a broad range of work histories and personal experiences and are poorly served by one-size-fits-all approaches. Individuals who are complying with service plans mandated by transitional housing, child welfare, or justice systems should not be subject to contradictory requirements from TANF agencies.

• Finally, the WPR should be simplified to reduce the administrative burden. Many of the most promising programs, such as transitional jobs, combine work, learning, barrier reduction and support services in different ways, and these integrated approaches should be allowed without burdensome requirements to track each component separately. States should receive partial credit for clients who can participate but not for the full hours that are expected. Ongoing job search combined with part-time employment should not be time-limited.

**TANF is not a model for other programs**

The Great Recession, lasting officially from December 2007 to June 2009, highlighted the weakness of TANF as a safety net. As unemployment climbed, TANF caseloads did not immediately grow after June 2008 and climbed only 17 percent to over 2 million families in 2010, only to continue to fall again shortly thereafter. Some states experienced larger increases, while other states—including Arizona, Georgia, Indiana, and Rhode Island—had falling assistance caseloads throughout the recession even as unemployment rose sharply.

Various state policy and procedural changes made to TANF limited the number of people served under the program even as unemployment and poverty climbed. In several states, time-limit changes immediately cleared thousands of people from TANF caseloads, in some cases including child-only cases. For example, Arizona has just shortened its time limits for the third time since 2010, to a lifetime limit of just 12 months. Even in some states where TANF responded well to the recession, policymakers subsequently instituted policy changes in order to bring caseloads back down when the Emergency Fund expired.

Some federal policymakers, including members of the Ways and Means committee, have suggested that TANF offers a model for other safety net programs. This is not the case, even if the work participation rate were simplified or replaced with outcome measures. The combination of block grant funding that forces the marginal cost of any caseload increases onto a state, flexibility that allows funds to be spread across a wide range of programs, and no minimum standards for cash assistance programs has left the poorest families in many states with a deeply shredded net.

By contrast, other programs, particularly SNAP and the EITC, have been far more responsive to increased need. These programs were also expanded by the Recovery Act (and unlike the TANF
Emergency Fund, these increases were not abruptly ended in October 2010, well before the economy had recovered). However, researchers conclude that most of their increases were not due to these changes, but to their underlying structure that allowed them to respond automatically to increased need. As a result, SNAP and EITC are estimated to have each lifted more than 10 million people out of deep poverty in 2012 -- while TANF lifted just 1.3 million out of deep poverty. Therefore, using TANF as a model for changes to SNAP would undermine its effectiveness as a safety net and would put millions of people at risk.
2 Ibid.
11 Center on Budget and Policy Priorities, Chart Book: TANF at 18.
13 Descriptions of these programs are available at http://www.clasp.org/issues/postsecondary/pages/tanf-education-and-training-resources.


32 Anderson, “Next Steps for Welfare Reform”.
