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Comments on Discussion Draft of TANF Reauthorization Bill
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 on the subcommittee's discussion draft bill to reauthorize the Temporary Assistance for Needy Families (TANF) program for fiscal years (FYs) 2016-2020. 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.

In this response, we build upon the [testimony for the record](#) we submitted for the April 30, 2015 hearing on improving TANF, as well as previous recommendations regarding TANF reauthorization. In our testimony, we emphasized 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.

In these comments, we assess the discussion draft bill primarily by whether it would make states more or less likely to accomplish these goals with their TANF programs. We will provide additional technical comments directly to the subcommittee staff. In our previous testimony, we identified two primary reasons why TANF has not been effective: (1) the block grant funding structure of TANF means less money in real terms has been available for income support and work programs, and (2) the Work Participation Rate (WPR), which has been the primary performance measure for TANF, does not provide states an incentive to operate effective programs, particularly for the most disadvantaged workers with children.

Overall, the discussion draft takes significant steps forward in improving the WPR to give states credit for the range of activities that would support TANF recipients in obtaining and succeeding in employment. In particular, the bill would give states greater flexibility to serve individuals with barriers to employment and other disabilities, and would recognize the realities of today's labor market in counting more education and training activities toward the rate. This section

includes many recommendations we have previously made, and we strongly applaud the changes to the WPR.

However, the draft does not partner this new flexibility with additional federal resources to expand services. Because providing appropriate services for highly needy individuals with major barriers to work is expensive, the experience in other workforce programs, as well as TANF, is that without clearly targeted resources and carefully designed incentives, employment measures can have the unintended consequence of encouraging “creaming” – failing to serve the most vulnerable families. This is particularly worrisome in TANF, where some states have a history of such exclusion, yet where excluding the neediest families directly contradicts the core anti-poverty purpose. Moreover, in addition to the lack of resources, the elimination of some tools that states have previously used to meet the WPR may make it challenging for some states to meet the rate. We remain concerned that states failing to meet the new rate may respond by restricting access to cash assistance for the most vulnerable families, rather than by expanding services. We therefore provide some recommendations for how to build on the discussion draft to strengthen both parts of TANF’s dual mission.

Goals of TANF

For the first time, the draft discussion bill explicitly adds poverty reduction as a goal of TANF, although only through the mechanism of employment. This is an important step towards signaling the centrality of poverty reduction to TANF. However, without incentives to ensure that states provide a meaningful safety net to poor families with children, this addition is largely symbolic. As discussed more in the performance measurement section, we would support including measures to ensure states do not respond to budgetary and performance measurement pressures by denying assistance to poor families.

One example of such a measure is the TANF/poverty ratio. 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.¹ In 9 states, less than 10 families receive TANF for every 100 poor families with children.² 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 line³.

Block grant structure

The bill makes minimal changes to the block grant structure and federal funding. It does not adjust the overall block grant, which has declined by 32 percent due to inflation since 1996, and has also not been adjusted for population growth. It also does not restore the supplemental grants (provided until FY 2012) for 17 states that were disadvantaged by the original funding formula. Overall, we are concerned that the declining block grant funding combined with higher expectations for services for those who receive assistance will lead states to further restrict access for families.

Moreover, the bill eliminates the contingency fund and redirects the resources for targeted grants, leaving no source of resources to respond to economic downturns. The recent recession vividly demonstrated the challenges of a block grant structure. TANF generally failed to respond to spiking unemployment, suggesting the need for **more** resources, not fewer. Because the proposal eliminates the contingency fund without replacing its role, there will be no aspect of TANF funding designed to respond to greater economic need. While we see the proposed discretionary grants as generally positive, they should not trade off against the core need for a funding strategy that can respond to economic distress, whether state-specific or national.

We strongly urge the Committee to increase the block grant by at least \$5 billion to bring the grant up to the real value it had in 1996, and to include an inflation adjustment going forward. In addition, we urge funding for a new contingency fund that could be used for cash assistance or subsidized employment in times of economic downturn.

Uses of Funds

In addition to the declining real value of the federal block grant, one of the major reasons why TANF spending on core services, including cash assistance, work programs, and child care, has been limited is that the great flexibility of the TANF block grant, and the required state spending under the maintenance of effort (MOE) requirement, means these activities must compete against a wide range of other services. Under current law, states have full flexibility to define a “needy” family, and some have set income standards for some TANF- or MOE-funded services at significantly higher levels. The draft discussion bill limits TANF and MOE expenditures to families with incomes under 200% of the poverty line at the time of application for assistance in order to direct services to low-income families. While we are generally supportive of this provision as it applies to services and benefits provided directly from TANF, we would recommend clarifying that the provision does not apply to transfers to the Child Care and Development Block Grant (CCDBG). As states seek to manage CCDBG funds to ensure smooth access to and transition out of CCDBG (with no “cliff” effect) and to implement the new CCDBG reauthorization with its goals of quality and access for working families, having separate requirements from TANF will make it harder to create a successful unified system. We are also interested in learning from states whether there are other services where this limit would have unanticipated ill effects. (We make further comments related to this issue in the section on program alignment at the end of the testimony.).

The discussion draft bill also includes a placeholder for an unresolved issue of whether to set a floor and require states to spend a minimum amount of their TANF/MOE funds on core activities including cash assistance, work activities, and child care. At the hearing, a minimum level of 50 percent was suggested. We strongly support limiting state legislatures' ability to divert TANF funding from these core purposes, while recognizing that such a requirement might need to be phased in over time, as nearly half of the states currently fall below that proposed floor. Since states currently spend on average just 28 percent of their combined TANF/MOE funds on cash assistance, 6 percent on work activities, and 16 percent on child care⁴, a 50 percent floor would both help remove the incentive for states to limit access to cash assistance and increase the available resources for workforce training and child care, enabling states to meet the new

performance goals. In addition, we would recommend all additional MOE funds that states are required to expend as part of a penalty should be limited to these core areas.

One new use of funds that would be allowable under the bill is transfers to Title IV-B, which funds child welfare services. While we strongly support adequate funding for child welfare activities, adding them to TANF as an allowable use of funds is likely to put additional pressure on the block grant; therefore we cannot recommend this provision.

Finally, another approach the Committee could consider as part of targeting state funds more effectively to the core activities is narrowing the provision in current law that allows spending on activities authorized by state AFDC and Emergency Assistance plans prior to the 1996 TANF legislation. After almost 20 years, this would be an opportune time to reassess the rationale for grandfathering prior uses.

MOE Requirement

The discussion draft bill attempts to strengthen the MOE requirement to ensure continued state investment in the purposes of TANF by preventing states from claiming third party (non-governmental expenditures) as MOE, with this limitation phased in over several years. This practice allows states to meet the MOE requirement without actually spending state or local dollars on needy families, and therefore we support this change. At the same time, it is worth noting that the elimination of the contingency fund takes away the incentive many states had to spend at higher levels of MOE (in order to access the contingency fund, states had to spend at the 100 percent MOE level, rather than 75 percent or 80 percent). We do not know whether, on net, these provisions will result in any increase in state MOE spending when implemented.

Work participation rate improvements

We applaud provisions in the draft bill to more effectively support work by lifting restrictions that limit states' ability to receive credit towards the WPR for engaging TANF recipients in meaningful work-related activities. CLASP has called for these changes for many years and enthusiastically supports them. These changes bring the TANF statute into far closer alignment with the evidence around effective workforce development activities, and with the key elements of the recent bipartisan workforce reauthorization, the Workforce Innovation and Opportunity Act (WIOA).

One set of changes would make it easier for states to provide individualized services for individuals with barriers to employment, including disabilities. The bill would allow job readiness activities to count as work-related activities, as long as they were determined appropriate as part of the new Individual Opportunity Plans. While the bill does not offer a definition for job readiness, this would presumably allow for the counting of activities such as mental health services or safe housing for an individual experiencing domestic violence, as well as activities in service plans mandated under transitional housing, child welfare, or justice systems. This would be an important improvement over current law, under which 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" and therefore

only countable for a few weeks per year. A significant share of TANF recipients experience such conditions, and these individuals are particularly poorly served by the "one-size-fits-all" approach many states have adopted in response to the WPR restrictions.⁵ In addition, states could get half credit for individuals participating at least half of the required hours, and possibly get full partial credit if their tracking systems are up to standard.

Several changes would expand states' ability to receive credit for engaging recipients in education and training activities – all of which are consistent with the most up-to-date evidence about what works, as well as with the bipartisan WIOA reauthorization. These include: removing the distinction between “core and non-core” activities—which would allow increased counting of job skills training and education related to employment—and allowing vocational education to be counted for up to 24 months, rather than the 12 months currently countable. The bill would also expand the provision allowing teen parents to meet the work requirements through high school attendance, or the equivalent, or education related to employment to young adults through age 25. This is critical because having a high school diploma or its equivalent is strongly linked to employment and is a prerequisite to postsecondary education. Postsecondary credentials open doors to good jobs and wages, and available data clearly demonstrates significantly lower annual wages for adult full-time workers with a high school diploma or less. These changes increase the likelihood that states will allow welfare recipients to participate in education and training programs that will help them to permanently escape poverty.

The draft raises the question of whether to lift the cap on the share of recipients who can be counted as participating based on vocational education and high school attendance. We urge Congress to do so, because otherwise states may feel compelled to keep restrictions. The Congressional Research Service (CRS) has estimated that 32.2 percent of work-eligible individuals in TANF are 24 and under.⁶

Finally, the bill would allow job search to count for up to half the required hours of participation without time limit (and for three months as a stand-alone activity). While it is not productive to send people to full-time job search over and over,⁷ it makes sense for states to receive credit for clients who combine job search with part-time work or training.

The discussion draft also eliminates the separate and higher work participation rate for two-parent families. This rate was so unachievable that 25 states and the District of Columbia have opted not to provide any assistance to two-parent families through TANF.⁸ We strongly support this provision, which contributes to family stability and reduces the marriage penalty.

Taking advantage of the increased flexibility to implement high-quality training and job readiness activities will require more resources than most states currently spend on work activities. While some resources may be available from non-TANF sources, it is important to recognize that those funding streams (such as WIOA) have also frequently been capped or reduced over the last decade. Therefore, states must be both enabled and encouraged to spend more of their TANF and MOE funds on work-related services.

One way to do this would be to simplify the tracking and verification of hours of participation, which is left as an open question in the discussion draft. It is essential that this change be

included, particularly because monitoring and tracking participation consumes a great deal of state resources. As mentioned in the hearing, 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.⁹ Given the lack of additional funds, if Congress expects states to take seriously the new expectations in the bill regarding assessment and case management, states must be able to spend less time documenting participation and more time helping participants succeed. Both caseworkers and participants would welcome the reduced burden of documentation.

Another important and welcome change to the WPR is the replacement of the current penalty structure—which takes federal funds away from states that fail to meet the target rates—with a revised penalty requiring states that fail the rates to invest more of their own funds through an increased MOE requirement. As noted before, states should be required to invest these additional funds in cash assistance, work services, or child care.

State Incentives and Penalties

At the same time the bill broadens in a very positive way the activities that can be included as work participation, it also includes provisions that will make it significantly harder for states to meet the work participation rate. While we support some of the provisions individually, we are concerned that without additional resources or incentives to serve needy people, an unintended consequence will be that states exclude more families from TANF. We have some suggestions here and would be pleased to discuss more options with the Committee.

Specifically, the bill would eliminate the caseload reduction credit (CRC), which lowers the target rate states must achieve. This is a major change. In FY 2012, the most recent year for which WPR data are available, only 11 states would have met the WPR without the benefit of the CRC. Thirteen states would have fallen 20 points or more short of their target rate.¹⁰

CLASP has long had concerns about the CRC and the incentives it provides to reduce cash assistance caseloads, regardless of need. Under none of the stated goals of TANF is it plausible to consider someone a success who leaves assistance without any source of income, yet states receive 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. However, we are concerned states may respond to the loss of the CRC in undesirable ways, given that this change is not paired with additional funding or minimum expectations for serving needy families.

In addition, the bill requires HHS to determine how to exclude from WPR calculations the people who receive assistance under programs that provide a minimal benefit under different rules “solely or primarily” created to boost state’s WPR. In 2010, the Government Accountability Office reported that 23 states were operating worker supplement programs,¹¹ although it is not clear that all of them would be affected by the language in the bill. It is important to recognize that states may operate cash assistance under different rules for purposes other than the WPR, such as to serve caregiver relatives caring for children who would otherwise

be in foster care, or to assist newly employed workers with the additional costs incurred by going to work. Congress should be careful not to unduly restrict such efforts.

As noted earlier, even with the expanded activities allowable under the discussion bill, it is likely to remain 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. The cost of providing high-quality assessments, case management, and appropriate activities has often discouraged states from providing appropriate services to low-income families with significant barriers to employment. Simple math shows it is far cheaper to create procedures that make it hard for the most disadvantaged families to get help in the first place, to exempt them from participation requirements, or simply to allow them to be sanctioned off the rolls than it is to provide intensive services. Therefore, we recommend these provisions that raise the target rate states must achieve be phased in over a few years, giving states an opportunity to revamp their services. In addition, as discussed below, we believe performance measures should include indicators of access to cash assistance as well as indicators of states' effectiveness in serving those who receive such assistance.

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 they are designed to serve. CLASP has long argued 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 have urged 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.

The draft bill creates new performance measures, based on employment of welfare leavers in the 2nd and 4th quarters. Starting in 2018, a portion of the states' block grants would be withheld and could only be earned back by achieving target goals in these measures. The penalties for not meeting targets in the draft are draconian compared to other federal education and workforce programs with measures, targets, and sanctions. For example, under WIOA, the penalty for not meeting performance goals is 5 percent of the Governor's set-aside, which is a small percentage of the total WIOA funding.

Such high-stakes performance measures, particularly using indicators that have not previously been collected and benchmarked, create large incentives for "creaming" (e.g., denying service to harder-to-serve populations) and other ways of manipulating measures in ways that are unrelated to actual performance. Evaluations of programs for the most disadvantaged participants confirm that 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.¹² Therefore, a program that includes such individuals will achieve much lower outcomes than one that screens them out and denies them services.

Therefore, while supportive of the overall desire to incorporate outcome-based measures into the TANF system, CLASP makes the following recommendations:

- Revise proposed outcome measures to match the comparable WIOA performance measures so that states do not have to calculate slightly different measures for overlapping populations;
- Collect data and set baselines for performance on new measures before requiring states to commit to target rates;
- Take into account the populations served, either through a regression model, as used under WIOA, or by asking states to describe subgroups within their TANF population and set different targets for each rate;
- Include measures of states' performance in providing access to benefits, such as the TANF-to-poverty ratio, as well as employment measures;
- Instead of penalizing states that fail to achieve their targets with a loss of a portion of their the block grant, the sanction should instead be increased MOE requirements (as under the revised WPR penalty) and/or reduced flexibility to use TANF and MOE funds to support services other than cash assistance, work activities, and child care; and
- Congress should give states the ability to add additional performance measures, such as "Measurable Skill Gains," the interim measure of progress tracked under WIOA.

CLASP will separately provide additional technical comments on the specific measures proposed in the draft bill and how better to align them with the performance measures under WIOA. As currently written, we have deep concerns about both the details of the measures and the significant funding gap caused by the lag between when funds will be withheld and the period when the data will be available to measure state performance.

Alignment with other programs

WIOA. The draft bill strongly encourages states to include TANF in a Combined Plan under WIOA, an approach that generally makes sense since TANF is a required one-stop partner under WIOA unless the Governor opts out. The suggestion above for performance measures to be aligned across TANF and WIOA is even more important in the context of such joint planning, as separate measures make it far more difficult for programs to align. In addition, we would be glad to work with the Committee staff on technical changes to the proposed opt-out provision in this draft; the current version actually entails more intensive alignment and coordination with workforce programs than would Combined Planning itself, so it inadvertently undercuts the Governor's opt-out authority.

CCDBG. Consistent with the broad interest in program alignment reflected in the draft bill, we recommend that the Committee consider requiring that the provision of the bipartisan CCDBG reauthorization apply to child care funded directly through TANF, as well as through transfers to CCDBG. This would ensure that all children, including the most vulnerable children on TANF, receive the appropriate protections from CCDBG including health and safety requirements and

provisions that ensure stability of care. Should this provision be included, the CCDBG federal eligibility limit of 85 percent of median income limit would apply to these funds as well, rather than the new 200% of poverty limit under TANF.

Discretionary grants

In general, the purposes of the proposed discretionary grants are valuable. Our one concern, as noted earlier, is the elimination of the contingency fund with no provision for another approach to adding resources for economic downturns. We have two specific comments: on the case management demonstrations and the Social Impact Bond demonstrations.

While the TANF caseload is heterogeneous, and no one strategy will work for everyone, there are certainly multi-need families that would likely benefit from a close relationship with a skilled case manager. In addition, research suggests that the effectiveness of case management strategies depends on the availability of services – that is, case managers succeed by providing a trusting relationship that helps families choose, access, and succeed in services, not by substituting for services.¹³ For example, if a parent is caring for a disabled child and does not have a high school education, the case manager can give her hope and a sense of practical goals that will enable her to move through these issues, but the case manager cannot substitute for a high-quality and reliable child care setting and an effective education and training pathway. For this reason, we believe these demonstrations will be far more likely to show success if the bill includes provisions we have suggested elsewhere to strengthen services, including more resources for states and changes in state incentives.

We are very pleased the case management, subsidized employment, two-generation, and in-demand sectoral employment pilots are all targeted to very needy families and individuals, whether current TANF recipients, recent recipients, or (as in the case of subsidized employment) certain unemployed and low-income people. We would recommend the Social Impact Bond demonstration include similar language, targeting the resources to TANF recipients or recent recipients. As we noted in a recent paper summarizing the status of Social Impact Bond-financed initiatives¹⁴, while this funding mechanism has the potential to expand the scope of effective public programs for the poorest and most-vulnerable citizens using private capital, there are significant up-front costs for project development, which this bill would provide federal funding to support. TANF funds should not be used to support the costs of projects that would not benefit needy families.

Conclusion

Thank you very much for your attention to these important issues regarding the TANF program and, in particular, for the Committee's commitment to improving the work participation rate and the pathways to work for the nation's most vulnerable families. We appreciate the opportunity to comment on both the draft bill's strengths and the areas where it could go further and achieve greater success. We stand ready to work with the Committee to provide any information and assistance that would be helpful.

¹ *Chart Book: TANF at 18*, Center on Budget and Policy Priorities, August 22, 2014, <http://www.cbpp.org/cms/?fa=view&id=3566>.

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- ² These states are Arizona, Georgia, Idaho, Indiana, Louisiana, North Carolina, Oklahoma, Texas and Wyoming. Center on Budget and Policy Priorities, “State Fact Sheets: Trends in State TANF Caseloads”, November 2014, <http://www.cbpp.org/research/state-fact-sheets-trends-in-state-tanf-caseloads>.
- ³ Elizabeth Lower-Basch, *TANF 101: Cash Assistance*, CLASP, May 2015, <http://www.clasp.org/resources-and-publications/publication-1/TANF-101-Cash-Assistance.pdf>.
- ⁴ Elizabeth Lower-Basch, *TANF 101: Block Grant*, CLASP, May 2015, <http://www.clasp.org/resources-and-publications/publication-1/TANF-101-Block-Grant.pdf>.
- ⁵ Dan Bloom, Pamela J. Loprest, and Sheila R. Zedlewski, *TANF Recipients with Barriers to Employment*, Urban Institute, August 2011, <http://www.mdrc.org/sites/default/files/TANF%20Recipients%20with%20Barriers%20to%20Employment.pdf>.
- ⁶ Gene Falk, *Temporary Assistance for Needy Families (TANF): Welfare-to-Work Revisited*, Congressional Research Service Report R42768, October 2012, <http://fas.org:8080/sgp/crs/misc/R42768.pdf>.
- ⁷ Cheng Hsaio, “Evaluating the effectiveness of Washington state repeated job search services on the employment rate of prime-age female welfare recipients”, *Journal of Econometrics* 60 (July 2008), <http://www.sciencedirect.com/science/article/pii/S0304407608000511>.
- ⁸ Office of Family Assistance, *Work Participation Rates - Fiscal Year 2012*, “Table 1A: Combined TANF and SSP-MOE Work Participation Rates, Fiscal Year 2012”, Administration for Children and Families, U.S. Department of Health and Human Services, May 2015, <http://www.acf.hhs.gov/sites/default/files/ofa/wpr2012table01a.pdf>.
- ⁹ Dani Indovino et al, *The Flexibility Myth: How Organizations Providing MFIP Services are Faring Under New Federal Regulations*, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, May 2008.
- ¹⁰ Office of Family Assistance, *Work Participation Rates - Fiscal Year 2012*.
- ¹¹ Government Accountability Office, *Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates*, Report GAO-10-525, May 2010, <http://www.gao.gov/new.items/d10525.pdf>.
- ¹² Dan Bloom, Cynthia Miller, and Gilda Azurdia, *The Employment Retention and Advancement Project: Results from the Personal Roads to Individual Development and Employment (PRIDE) Program in New York City*, MDRC, July 2007.
- ¹³ Karin Martinson, Caroline Ratcliffe, Elizabeth Harbison, and Joanna Parnes, *Minnesota Integrated Services Project: Participant Characteristics and Program Implementation*, Urban Institute, September 2007, <http://www.urban.org/research/publication/minnesota-integrated-services-project-1>.
- ¹⁴ Elizabeth Lower-Basch, *Social Impact Bonds: Overview and Considerations*, March 2014, <http://www.clasp.org/resources-and-publications/publication-1/CLASP-Social-Impact-Bonds-SIBs-March-2014.pdf>.