State Policy Choices

The welfare reform of 1996 was conceived in the main as an experiment with radical decentralization of policy. How is that decentralizing experiment faring? Five experts—Gordon Berlin, Michael Wiseman, Robert Greenstein, Raquel Hatter, and Don Winstead—weigh in.

The Tug of War Between Worrying About Poverty and Worrying About Dependency

Gordon Berlin, President, MDRC

Historically, there's been a tug of war between those who worry about dependency and those who worry about poverty, a tug of war that is revealed in the ways in which states have implemented the TANF program. This variability in implementation plays out across four key issues: the allocation of block grants, the implementation of time limits on the receipt of assistance, the design of cash assistance programs, and the design of welfare-to-work policies. I briefly review how these issues have evolved since the passage of welfare reform and, in particular, how states have differed in their approach to worrying about dependency and poverty.

Block Grants: The flexibility of the block grant gave enormous discretion to the states to choose how to spend their TANF dollars. Under the maintenance-of-effort provision, states were required to maintain their TANF spending at 80 percent of the level of their historical welfare spending. However, states were allowed to use that money on any programs that helped achieve the TANF goals, including providing cash assistance, promoting independence, reducing out-of-wedlock births, and promoting marriage. Over time, the states spent less and less money on basic cash assistance. In 1997, 70 percent of TANF maintenance-of-effort dollars went toward basic assistance. By 2014, that figure had fallen to 26 percent.[1] Thus, the block grant has devolved into a form of revenue sharing for the states, and as a result, TANF is no longer principally a cash assistance program for the poor. Thus, on this dimension, worries about dependency have come to dominate worries about reducing or ameliorating deep poverty via cash grants.

Time Limits: Time limits on TANF receipt became the most controversial provision in the law, but exceptions were permitted from the beginning. For example, time limits didn't apply to child-only cases, and states were also permitted to use TANF funds to provide assistance to 20 percent of families in the TANF program beyond 60 months. Time limits nonetheless sent an important message: Caseworkers and clients alike were very aware during those first few years that welfare was ending. However, in practice work and eligibility noncompliance determinations end more cases than time limits do. Unsurprisingly, policies vary dramatically from state to state. About half of TANF families live in states that rarely or never close cases because of time limits.[2] On the other hand, a quarter of TANF families live in states that usually terminate benefits after 60 months. On this dimension, then, we see much state variability in resolving the tug of war between dependency and poverty.

Cash Assistance Program: The third big decision for the states was how to design cash assistance programs, and again, they ended up with a mind-boggling number of variations. The monthly cash grant amount for a family of three with no income is $170 in Mississippi, yet it totals $923 in Alaska.[3] Almost all states allow welfare recipients to keep some of their welfare grant as they begin to earn money. But a few don't: The amount of income that is excluded from eligibility determination varies dramatically, from zero in Arkansas to 100 percent (up to the federal poverty level) in Connecticut.[4] The tug of war was, here again, resolved in very different ways in different states.

Welfare-to-Work Policies: For welfare-to-work policies, the states had much more limited options. The law restricted the extent to which participation could be conditional on training, education, or job search, while also requiring that 50 percent of recipients work 30 hours a week. These were unrealistic requirements that no state could achieve. But the states had an escape hatch, known as the "caseload reduction credit." It reduced a state's work requirement participation rate, point by point, for any fall in the welfare caseload. This brought the effective work rate target to zero in most states in the early years. Congress tried to strengthen the law and the work requirements in the Deficit Reduction Act of 2005, which led to a renewed effort to circumvent the requirement. Because the states did not have expansive control over the welfare-to-work requirements, they instead often exercised discretion at the point of entry into welfare by establishing stringent eligibility requirements; applying strict re-enrollment criteria; and requiring proof of residency, a home visit, and a work test. These rules, taken together with the time-limit message and work requirements, likely kept the caseload down during the Great Recession and thus revealed, here again, an abiding worry with dependency.

In conclusion, spending on basic assistance has declined from about $21 billion in FY 1997 to roughly $8 billion today.[5] Take-up rates among eligible individuals have plummeted from roughly 85 percent under AFDC to about 30 percent under TANF.[6] But the number of children in deep poverty has risen by nearly 50 percent.

It follows that the ongoing tug of war between those who worry about dependency and those who worry about poverty has, on balance, been resolved in favor of the former. Dependency is clearly down but at the cost of a rise in deep poverty and without a commensurate increase in self-sufficiency, which after all is the ultimate objective of TANF's focus on work. At the same time, TANF's maintenance-of-effort flexibility has resulted in much of the block grant dollars being spent on a category called "other." Increasing self-sufficiency and improving the targeting of TANF dollars should be at the top of any future reform agenda.

Why Haven't the States Become Authentic "Laboratories of Democracy"?

Michael Wiseman, Research Professor of Public Policy, Public Administration, and Economics, George Washington University

Consider two extreme depictions of what states do. One is the "laboratories of democracy" model. This model presumes a common national interest in providing aid to the poor, and in consequence there are benefits to be gained nationally from allowing flexibility for states to try alternative strategies and tactics. Over time, this experimentation is anticipated to clarify which strategies and tactics work best. As this knowledge is exchanged, we would expect some convergence in procedures across states, and we would expect public support for welfare to grow because experimentation teaches how to gain more for the buck.

An alternative, the "suspicious states" model, begins with the presumption that the central function of state government is to save money for state taxpayers. While some common national interest in providing aid to the poor exists, responses to this interest by state governments are tempered by suspicion about authenticity of the need of those seeking help and concern that other states are shirking and thereby creating, through low taxes, a competitive economic advantage. In this model, managers gain little benefit from improving aid to the poor, and consequent lack of progress erodes political support.

Famously, the 1996 law established four goals (or at least purposes) for state TANF programs: helping families, ending dependence by promoting work and marriage, reducing out-of-wedlock pregnancy, and sustaining two-parent families. With four objectives, policy theorists tell us that states need at least four "instruments" (policies). The laboratory model would predict that the challenges posed by the multiple TANF objectives would stimulate cross-state collaboration in finding policies that work, possibly even leading to some specialization in research. But despite an initial increase in welfare funding, the new funding mechanism came with an effect on prices. Any dollar saved from welfare operation is, on the margin, a dollar gained for other state purposes. This was not true under AFDC. The price effect encourages contraction and management retrenchment.

TANF also came bundled with a participation standard that requires, among other things, that half of adult recipients be engaged in work-related activities at any point in time. This requirement is odd. It focuses on process, not outcome—the architects didn't trust states to really make work an obligation. There is also no basis for the choice of the 50 percent value. And the same standard applies to all states, yet the resources nominally differ by a factor of *eight* between the worst- and best-off states. Federal assistance per poor child is a *positive* function of state per capita income. This makes the TANF "playing field" dramatically uneven and discourages accomplishment comparison.[1]

Returning to the two models, my point is that while the laboratory model is celebrated, the outcome seems hardly consistent with it. The laboratories have produced very little innovation. The convergence that the laboratory model predicts is also missing. There is far more variation across states in the help that an applicant might receive than existed under AFDC, and, at least with respect to cash benefits, the variation is growing. There are currently 39 different ways of adjusting benefits when recipients take jobs. It is hard to link observed variation in benefits or other program components to anything other than race, political culture, ill-informed choice, and the lingering influence of AFDC funding. The laboratory model also predicts increasing political viability of the system. But the constriction of basic assistance and lack of innovation seems, if anything, to signal a diminution of political support since 1996.

My bottom line is this: Without significant craftsmanship, the portent of what we now know about TANF for the future is continued constriction and ossification as stakeholder resistance to changing the system grows. To be sure, there are some places where program operations, if not admirable, are at least decent. But the job of national political leadership would seem to be to establish mechanisms for identifying the exemplary and for leading others to emulation. Adding a new objective, even something as admirable as "reducing poverty," will not change the dynamic because, taken alone, such words do not change incentives.

A Shrunken TANF

Robert Greenstein, President, Center on Budget and Policy Priorities

Why is there now so little cash assistance delivered via TANF? The answer to this question can be found in the two defining features of the TANF block grant: very broad state flexibility and fixed funding. A key design problem with TANF involves the intersection of these two features. That is, states have excessive flexibility in choosing how to spend their TANF money, yet they face near-constant financial pressure because they're required to balance their budgets every year. There's enormous temptation to use federal TANF money to fund services the state had previously been funding, thus freeing up those state dollars to plug budget holes. On top of that, federal block grant dollars have been frozen since 1996, causing a big erosion in their purchasing power.

As a result, we've experienced a large decrease in the share of TANF money going to three key areas: job training and other employment services, child care, and basic cash assistance. The share of poor children and families that receive assistance through TANF has fallen significantly. In the mid-1990s, for every 100 poor families with children, about 70 received cash assistance through AFDC. Today, for every 100 poor families with children, only 23 get cash aid through TANF, and in about a dozen states, it's fewer than 10.[1] Additionally, poor families that do receive cash assistance have experienced large declines in benefits. The TANF benefit level in most states is below 30 percent of the poverty line. In 30 states, the TANF benefit level is below half of the fair market rent, which is the basic rent for a modest apartment.[2] And states provide very little job training, particularly for people with the greatest barriers to employment.

What does this reduction in assistance mean for poor children? It likely reduces their opportunities for mobility. In a landmark study, Hilary Hoynes, Diane Schanzenbach, and Douglas Almond compared counties that had access to food stamps in the early 1970s with counties that didn't. They found that young children with access to food stamps not only had more food on the table in the short term, but also benefited significantly in the long term in the form of health improvements, increases in high school graduation rates, and, among girls, greater self-sufficiency in adulthood. There's also important early-stage research showing that, on average, very poor children experience higher levels of toxic stress, which appears to be linked to impairments in brain development that then can impact health, school performance and employment, and earnings in adulthood. This line of research suggests that significantly reducing assistance for very poor children could harm their employment and earnings as adults.

It may be surprising that even though TANF is not faring well, one of the main welfare reform proposals now being put forward entails emulating TANF. I'm referring here to the proposal to extend TANF-style work requirements to other safety net programs, including the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and housing programs. Given the critical role these programs play in helping families meet basic needs, this isn't a policy choice we should make without solid evidence that it will improve outcomes for families and not put children at greater risk. For example, compared with TANF, SNAP has been very responsive in recessions, and it plays a particularly important role in the South, where cash-assistance benefit levels have historically been lower. A growing body of evidence attests to the importance of income and income-like support (e.g., SNAP) in early childhood. The TANF experience strongly indicates that imposing rigid work requirements, capping federal funding, and according states vast flexibility over program funds would likely result in the removal of significant resources from poor children and could put many at risk of serious problems, including homelessness.

We should not take this risk unless we have clear evidence that we are getting substantial returns in exchange that outweigh these drawbacks. But we don't have such evidence. A major study is currently under way testing various approaches to work requirements and work supports in SNAP in multiple states. Let's wait for the evidence, rather than rushing to impose work requirements across the safety net, with possible adverse effects on poor children.

The Practitioner's Perspective

Dr. Raquel Hatter, Former Commissioner, Tennessee Department of Human Services; Deputy Director of Human Services, The Kresge Foundation

We need to improve TANF so that it works better both for the families who receive TANF and for the human services workers who administer it. I briefly review six areas in which improvements are needed.

Reduce Bureaucracy. The first item on my list: States need the freedom to move away from the TANF-mandated focus on *counting* outputs. It is important in this regard not to confuse output counting with actual outcomes and real impact. This is because output counting has nothing to do at the end of the day with a formal evaluation of what's working and what's not. It's just output counting. And the costs of output counting are high: Tennessee has a human services family assistance staff of more than 1,500 who spend most of their time counting work participation activity. The requirements are tedious and time-consuming—there are core and noncore activities, subcategories within the core activities, rules about counting studying hours, and on and on. As a result, the staff is consumed with laborious tasks that don't serve to move people forward. We need to free up their time to deliver services that make a difference.

Simplify. The second item: Let's make the rules governing TANF simpler. It is difficult enough for human services staff to navigate the TANF system, but it's near impossible for the families living in poverty who are trying to use these services. These families are already under a lot of stress, and the complexities of the current TANF system only exacerbate that stress. We can simplify.

Eliminate Fiscal Cliffs. Third, the TANF regulations often create a fiscal cliff in which benefit levels decline more steeply than earnings increase, resulting in a decrease in total resources at certain earnings thresholds. I've talked to families who are conflicted about whether to work part-time or full-time, because taking a full-time job means they will lose a valuable benefit. Our current system forces families to make these sorts of choices. It shouldn't.

Encourage Innovation. Fourth, states need the ability and freedom to innovate; indeed, innovation should be the rule rather than the exception.

Embrace a Two-Generation Strategy. Fifth, a two-generation strategy for fighting poverty holds real promise, and we thus need to experiment much more with it. Two-generation or multigenerational approaches focus on addressing needs of children and their parents together. Tennessee's two-generation strategy focuses on (a) delivering high-quality education for children and youth, and postsecondary training and education for parents and caregivers; (b) providing economic supports; (c) focusing on health and well-being; and (d) building social capital. In any two-generation or multigenerational strategy, we must of course stop marginalizing fathers and embrace them instead.

Tackle Inequality. Finally, we must remain mindful that poverty takes on very different forms across groups defined by race, gender, disability, and other attributes. Too much is at stake to overlook this elephant that's always in the room.

And that's my list. These reforms—if undertaken authentically and with intentionality —would work to maximize human potential and allow everyone to realize their own version of the American Dream.

Building an Evidence-Based TANF in the Sunshine State

Don Winstead, Former Deputy Assistant Secretary for Human Services Policy,
U.S. Department of Health and Human Services;
Principal and Founder, Don Winstead Consulting, LLC

There's a tendency for federal policymakers to believe that laws were well designed at the national level but poorly implemented at the state level. Twenty years after the enactment of welfare reform, it's important to remember that the primary statutory purpose of TANF was to increase the flexibility of states in operating the program. We have been retreating from that goal ever since.

I have a simple but important point to make here: In Florida, that flexibility was well exploited, largely because it was used to build a program around the evidence that was available at that time. Although Florida has by no means solved the poverty problem, my main point is that Florida's story is one of using the flexibility embedded in the welfare reform statute to a good end.

I worked at the Florida Department of Children and Families during the period of the TANF rollout. Prior to the passage of welfare reform, Florida had created the Family Transition Act, which was an AFDC demonstration pilot that operated primarily in Escambia County, Florida. The pilot program limited most families to 24 or 36 months of cash welfare assistance in any 60-month period and provided a wide array of services and incentives to help welfare recipients find work.

Based on what we learned from the Family Transition Act, we concluded that we wanted to build a TANF program with strong work requirements, financial work incentives, greater access and funding for child care, time limits, and strong sanctions. We reached some of these conclusions from formal evaluations, and others resulted from qualitative observations made by our caseworkers. Florida's program today still largely mirrors those policy choices that we made as a result of our experience with the Family Transition Act.

It's a program that's delivered in many ways. Although there is a perception—largely warranted on the basis of national data—that TANF was not countercyclical during the Great Recession, this was simply not true in Florida. From 2007 to 2010, the adult TANF caseload rose more on a percentage basis than the Supplemental Nutrition Assistance Program (SNAP) caseload.

Is Florida's TANF perfect? Of course not. The first unresolved issue: What's the best way to incentivize work? If someone works full-time but does not earn enough to provide for his or her family, what strategies work best to fill the gap and "make work pay"? Should the government provide benefits like food assistance, child care, or Medicaid to supplement earnings? Should the minimum wage be increased? Should low-wage work be subsidized either directly or through tax mechanisms like the Earned Income Tax Credit (EITC)? We currently have a mishmash of all those options, and a more coherent and coordinated policy approach is needed.

The second key challenge is that of responding to the needs of people who have not been able to sustain employment. Many families are struggling or disconnected, and we haven't come up with a satisfactory way to help them. It may well be helpful here to explore new policies that support families. As national policymakers consider TANF reauthorization, they need to recognize, for example, that extended family members often play an important role in caring for children.

The simple conclusion: In taking on these and other challenges, we need to retain flexibility in how TANF is implemented, as that flexibility is precisely what allows us to respond to evidence.

Notes

The Tug of War Between Worrying About Poverty and Worrying About Dependency

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1. See Meni, David, and Michael Wiseman. 2017. "The TANF Resources Problem." *Poverty & Public Policy* 9(1), 28–41.

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