Comments on Discussion Draft of TANF Reauthorization

Subcommittee on Human Resources, Committee on Ways and Means
U.S. House of Representatives

July 29, 2015

Thank you for the opportunity to comment on the discussion draft bill reauthorizing the Temporary Assistance for Needy Families (TANF) program for fiscal years 2016 through 2020.[1] The Georgetown Center on Poverty and Inequality works with policymakers, researchers, practitioners, and advocates to develop effective policies and practices that alleviate poverty and inequality in the United States. The center's areas of anti-poverty work include national, state, and local policy and program recommendations that help marginalized girls, promote effective workforce and education policies and programs for disconnected youth, and develop policy to combat deep poverty.[2] Through our Project on Deep Poverty, we are developing innovative ideas for policy and program improvements that would address the needs of especially vulnerable children, youth, and families—particularly those living with incomes below roughly half the poverty line in the United States.[3] TANF reauthorization offers policymakers a chance to address poverty in general, and the troubling growth in deep poverty since the mid-1990s in particular.[4]

Overview

Our overall view of the discussion draft bill is that **while this package of changes would at the margins improve the program for those who can participate—and thus warrants advancing—the proposal needs improvement, especially to increase access to TANF.** It will be important to ensure that this proposal is strengthened and not weakened as it moves through the legislative process.

To be clear, most provisions in the proposal move in the right direction and underscore positive principles for poverty reduction by increasing state accountability and reflecting to some extent the reality of poverty and the labor market today. However, without key changes, including structural ones unaddressed by the discussion draft, the proposal should be expected to have only modest impacts.

The proposed legislation would add as a goal to TANF reducing "poverty by increasing employment entry, retention and advancement,'' a notable omission from current law. A program's ability to reduce poverty depends on both its effectiveness for individual participants and families and its ability to reach its target population. Yet, even as the draft bill would improve the likelihood that TANF participants would exit poverty, the proposal would do little to expand access to the program, and—by imposing

[1] Ways and Means Discussion Draft. 114th Congress. 10 July 2015. http://waysandmeans.house.gov/wp-content/uploads/2015/07/JDG_705_xml.pdf.

[2] Georgetown Center on Poverty and Inequality. Accessed 29 July 2015. http://www.law.georgetown.edu/academics/centers-institutes/poverty-inequality/.

[3] Current Projects. Georgetown Center on Poverty and Inequality. Accessed 29 July 2015. http://www.law.georgetown.edu/academics/centers-institutes/poverty-inequality/current-projects/Project-on-Deep-Poverty.cfm.

[4] Sherman, Arloc and Danilo Trisi. "Deep Poverty Among Children Worsened in Welfare Law's First Decade." Center on Budget and Policy Priorities. 23 July 2014. http://www.cbpp.org/research/deep-poverty-among-children-worsened-in-welfare-laws-first-decade.

greater costs on states without additional federal funding—could even decrease overall access to TANF (especially for the most disadvantaged), which is already out of reach in many parts of the country.

Though proposed changes are modest, a modified discussion draft is worth advancing

Most provisions in the proposal follow constructive principles for poverty reduction, but are limited in scope. Though it does not have much immediate effect, the proposed language establishing poverty reduction through employment is worthy of inclusion. The draft also puts forth new employment and earnings performance measures to add to the existing work participation rate measure. Other provisions in the draft would provide modest funds for subsidized employment, career pathways, and sectoral employment programs. These three labor market initiatives could increase somewhat the ability of TANF to reduce poverty by connecting people to full-time work, but they represent just $225 million a year of repurposed TANF funds—a fraction of the $1.3 billion that the temporary TANF Emergency Fund successfully spent on subsidized employment alone in less than 18 months in 2009 and 2010.[5]

Forthcoming data on deep poverty to be published by the Georgetown Center on Poverty and Inequality will underscore the importance of full-time work for avoiding deep poverty (i.e. living below 50 or 75 percent of the poverty line). Preliminary estimates suggest that families with one full-time worker have less than one-third the poverty rate and less than one-fourth the deep poverty rate as families without any workers in a given year.[6] Keeping in mind that some families experiencing poverty and deep poverty have serious work-limiting disabilities and poor health, as this forthcoming research will also highlight, making available and preparing people for quality full-time employment and other meaningful work activities with advancement opportunities should be fundamental to any strategy for reducing poverty among children and families.

Provisions strengthening the work participation rate measure can be sound policy, but risk real harm without additional funds

Removing the caseload reduction credit, as the draft bill considers, could be a useful step in encouraging states to engage more participants in activities that promote work. The caseload reduction credit has well-known flaws, as it allows states to both engage fewer families in work-related activities and consider it a success even when TANF fails to assist families with clear need.[7] However, removing the credit without additional funding likely would mean that states choose to serve families that are most

---

[5] Rosenberg, Linda, et al. "Using TANF Funds to Support Subsidized Youth Employment: The 2010 Summer Youth Employment Initiative." Mathematica Policy Research.29 July 2011. http://wdr.doleta.gov/research/FullText_Documents/ETAOP_2012_02.pdf.

[6] These estimates come from a forthcoming analysis to be published by the Georgetown Center on Poverty and Inequality, and use a poverty measure similar to the Census Bureau's Supplemental Poverty Measure.

[7] A provision in the draft proposing to eliminate third-party maintenance-of-effort spending also would affect the caseload reduction credit. For more on the caseload reduction credit, see Pavetti, LaDonna. Testimony, Hearing on "State TANF Spending and its Impact on Work Requirements." House Ways and Means Committee, Subcommittee on Human Resources. 17 May 2012. http://www.cbpp.org/testimony-of-ladonna-pavetti-phd-vice-president-family-income-support-policy-before-the-house-ways-1.

prepared for work—at the exclusion of those with the largest barriers to employment. The caseload reduction credit should be modified or eliminated only with appropriate levels of additional funding.

Eliminating the markedly higher (and often unattainable) work participation rate for two-parent families, as the draft proposes, would lead to more states serving two-parent families and bolstering family stability. Currently, many states do not serve two-parent families through their federally-funded or state maintenance-of-effort TANF programs due to the existing work participation rate.[8] A more reasonable two-parent family work participation rate should be seen as strengthening work engagement and requirements overall by making it more attractive for states to serve two-parent families through more accountable programs. However, without additional federal funding, removing even the sharpest disincentives for states to serve more families likely would not result in more families assisted overall. This and other structural problems that would continue to limit TANF's reach—and thus its effectiveness in reducing poverty—are discussed later in this document.

Provisions expanding access to education and training are crucial and should be taken further

There is little disagreement among experts that postsecondary training and education is increasingly essential for labor market success.[9] The discussion draft rightly envisions greater freedom for participants to equip themselves with the skills and knowledge needed to secure and maintain quality employment. For example, the draft eliminates the distinction between core and non-core work activities (essentially education and training that can only count toward work participation under special circumstances). The draft would also extend the lifetime time limit on vocational education from 12 months to 24 months. These two steps would expand access to education and training that prepare participants for work. However, states would still face work participation rate targets that cap how many participants in education can count toward the work participation rate. To truly make these improvements meaningful, it would be wise to adjust the cap on education as work participation, as the discussion draft notes is under consideration.

Access to TANF remains a glaring concern under the proposal

The proposal, which places additional requirements upon states even as it allows federal funding for TANF to continue to decline in real terms, may be more likely to reduce rather than increase access to TANF, particularly for the most disadvantaged families. Poor families have no guaranteed access to TANF, and it should raise some concern that for a program intended to help those who need it most, TANF as is only reaches a very small share of people in poverty (compared with the 68 out of every 100 families with children in poverty that received TANF benefits in 1996, TANF reached only 25 out of every 100 families in 2012).[10]

---

[8] Falk, Gene. "The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions." Congressional Research Service. 9 July 2015. https://fas.org/sgp/crs/misc/RL32760.pdf.

[9] "The Future of the U.S. Workforce: Middle Skills Jobs and the Growing Importance of Postsecondary Education." http://www.achieve.org/files/MiddleSkillsJobs.pdf.

[10] Chart Book: TANF at 18. Center on Budget and Policy Priorities. 22 August 2014. http://www.cbpp.org/research/chart-book-tanf-at-18.

Additional burdens on states, however well-intentioned, can reduce the already-limited reach and value of TANF assistance

The bill envisions states doing more with flat funding (declining in real-terms). States have already called attention to the high cost of administering TANF and have suggested remedies such as simplified tracking and verification processes of hours for participants. Eliminating the caseload reduction credit, requiring states to improve upfront assessments of participants, and establishing new performance measures may well be helpful for some participants, but should be accompanied by additional funding for state administration. Otherwise, these provisions would pose additional burdens for states, and would likely result in fewer families being served or the shrinking of the package of services and benefits they offer. These provisions and others should be designed with these concerns in mind.

Also particularly worrisome are unintended incentives for states to cream, or serve only those who are easiest to assist. The discussion draft is right in principle to propose new performance measures based on outcomes related to employment and earnings of participants, as well as partial credit toward the work participation rate for partial engagement of participants. Unfortunately, the proposed performance measures are sufficiently rigid—and the penalties for failure so severe—that they would tend to encourage states to serve those with the least barriers to employment and would be inappropriate during times when the economy deteriorates. Unless these issues of access are addressed, TANF's poverty-reducing impact will dwindle even further.

In addition to neglecting the increasingly limited reach of TANF, the discussion draft also fails to address the issue of inadequate benefits, another symptom of and contributor to TANF's problems with access. TANF benefits are so meager that by 2014, they failed to afford fair market rent for a family of three in every state.[11] The decline in the value of TANF benefits comes even as mounting research shows that income assistance significantly improves long-term outcomes for poor children.[12]

Modest steps can significantly enhance TANF's ability to reduce insecurity and expand opportunity

To truly make TANF a tool for poverty reduction, other changes explicitly focused on access are needed. A first step is reworking the proposed performance measures and caseload reduction credit as highlighted above. Improvements should reduce any creaming or other access-limiting incentives. We appreciate that the draft would allow states to propose alternative work participation rates, a smart step that might encourage innovative measures that do not suffer from these flaws. But additional performance measures relating to program access and child well-being are also needed. For example, the committee should consider including a measure of the share of poor families with children participating in TANF and a measure of TANF cash assistance adequacy, such as the ability of a

[11] Floyd, Ife and Liz Schott. "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode." Center on Budget and Policy Priorities. 30 October 2014. http://www.cbpp.org/research/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states-and-continue-to-erode.

[12] Sherman, Arloc, Danilo Trisi, and Sharon Parrott. "Various Supports for Low-Income Families Reduce Poverty and Have Long-Term Positive Effects On Families and Children." Center on Budget and Policy Priorities. 30 July 2013. http://www.cbpp.org/research/various-supports-for-low-income-families-reduce-poverty-and-have-long-term-positive-effects.

participating family to afford fair market rent in an appropriate unit in a neighborhood that provides both children and parents access to opportunity.

Other modest steps would expand the population of people facing economic hardship who could be served by TANF. Eliminating the ban on individuals with drug-related convictions, which the discussion draft identifies as an open issue, could also expand TANF's reach and anti-poverty impacts. Eliminating this counterproductive ban is also sound criminal justice policy, as it would promote reintegration and reduce recidivism. Encouraging or requiring states to substantially increase asset limits or eliminate asset tests would also ensure that struggling families are not discouraged from[13] or penalized for having assets that promote economic security and opportunity (such as a car or modest savings). Several states[14] have already eliminated asset tests in TANF and realized administrative savings from doing so.[15]

TANF suffers from additional structural flaws that the draft proposal neglects

Much has been learned about TANF during its almost 20 years of existence. One of the key lessons is that states behave rationally in response to program funding structure and performance measures accompanied by penalties. The fixed block grant structure, especially in tandem with the work participation rate and caseload reduction credit, has not been judged kindly by history.[16] From its declining value due to inflation to unresponsiveness during economic downturns and misuse of funds, TANF's structural issues have created and reinforced some of the program's biggest weaknesses. Unfortunately, the discussion draft glosses over these fundamental flaws, asking states to do more with less and allowing TANF funding to continue on a downward path disconnected from need.

TANF's funding structure has made it disappointingly unresponsive to recessions, even ones as deep and long as the recent Great Recession.[17] In contrast, programs such as SNAP, which responded robustly during the Great Recession,[18] and the Earned Income Tax Credit (EITC) have had to pick up some of the slack left in the safety net by TANF. Building into TANF strong countercyclical elements such as

---

[13] Hamilton, Leah, Ben Alexander-Eitzman, and Whitney Royal. "Shelter From the Storm: TANF, Assets, and the Great Recession." 19 February 2015. http://sgo.sagepub.com/content/5/1/2158244015572487.

[14] "Assets & Opportunity Scorecard: Asset Limits in Public Benefit Programs." CFED. Accessed 29 July 2015. http://scorecard.assetsandopportunity.org/latest/measure/asset-limits-in-public-benefit-programs.

[15] Brown-Robertson, Latanya and Charlotte Otabor. "The Cost of Asset Testing for the CalWORKs Program." January 2015. http://www.coas.howard.edu/centeronraceandwealth/reports&publications/CalWORKs%202015%20Revised.pdf.

[16] Dutta-Gupta, Indi and Kali Grant. "TANF's not all right." 30 April 2015. http://thehill.com/opinion/op-ed/240666-tanfs-not-all-right.

[17] Pavetti, LaDonna and Liz Schott. "TANF's Inadequate Response to Recession Highlights Weakness of Block-Grant Structure." Center on Budget and Policy Priorities. 14 July 2011. http://www.cbpp.org/research/family-income-support/tanfs-inadequate-response-to-recession-highlights-weakness-of-block?fa=view&id=3534.

[18] Isaacs, Julia B. and Olivia Healy. "Public Supports When Parents Lose Work: A Fact Sheet." Urban Institute. 8 May 2014. http://www.urban.org/research/publication/public-supports-when-parents-lose-work-fact-sheet.

substantially higher funding for subsidized employment during economic downturns should be prioritized.

The program's built-in flexibility has also enabled states to use funds for non-core purposes, shrinking direct assistance and investments in helping working families prepare for, secure, and maintain adequate employment.[19] One open issue identified in the discussion draft is the wisdom of requiring states to spend a minimum share of TANF funds on child care, cash assistance, and work activities. We strongly support such a requirement, as states have all too often used TANF as a way to fund other programs and have neglected these core program activities. A reasonable floor for these three activities might be 50 percent, which would mean that at least half of spending in every state be on these activities that have been proven to reduce child and family poverty.

The funding structure of TANF is fundamental to many of the program's shortcomings. Since 1996, TANF's inflation-adjusted value has declined by 32.3 percent.[20] In maintaining the program's nominally flat funding level and structure, the discussion draft is proposing the continuation of this year-by-year shrinking of the value of the block grant. Because of this structural flaw, TANF is reaching a smaller and smaller number of poor children and is virtually irrelevant in many parts of the country. For example, there were fewer than 711 participants a month in Wyoming in 2014.[21] The Center on Budget and Policy Priorities (CBPP) finds that TANF benefits lifted just 1.4 million people out of poverty in 2005, compared to 5.1 million and 4.0 million by the Earned Income Tax Credit (EITC) and SNAP (formerly food stamps) respectively.[22] Similarly, CBPP finds that AFDC lifted 62 percent of otherwise deeply poor children above half the poverty line in 1995, while TANF lifted just 21 percent out of deep poverty in 2005.[23] This is particularly troubling, since early childhood poverty causes short- and long-term harm,[24] which in turn poses enormous costs to our economy.[25] Due to these structural inadequacies, TANF both reaches fewer families with children in poverty and provides them with increasingly minimal assistance. These trends are unlikely to reverse course without a change in the perpetually-declining funding structure of the program.

---

[19] Schott, Liz, LaDonna Pavetti, and Ife Floyd. "How States Use Federal and State Funds Under the TANF Block Grant." Center on Budget and Policy Priorities. 8 April 2015. http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant.

[20] Falk, Gene. "The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions." Congressional Research Service. 9 July 2015. https://fas.org/sgp/crs/misc/RL32760.pdf.

[21] TANF & SSP: Total Number of Recipients. Table. Administration for Children and Families. 23 April 2015. http://www.acf.hhs.gov/sites/default/files/ofa/2014_recipient_tanssp.pdf.

[22] Sherman, Arloc. "Safety Net Effective at Fighting Poverty But Has Weakened for the Very Poorest." Center on Budget and Policy Priorities. 6 July 2009. http://www.cbpp.org/research/safety-net-effective-at-fighting-poverty-but-has-weakened-for-the-very-poorest?fa=view&id=2859.

[23] Sherman, Arloc. "Safety Net Effective at Fighting Poverty But Has Weakened for the Very Poorest." Center on Budget and Policy Priorities. 6 July 2009. http://www.cbpp.org/research/safety-net-effective-at-fighting-poverty-but-has-weakened-for-the-very-poorest?fa=view&id=2859.

[24] Duncan, Greg J. and Katherine Magnuson. "The Long Reach of Childhood Poverty." Winter 2011. https://web.stanford.edu/group/scspi/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf.

[25] Holzer, Harry J., et al. "The Economic Costs Of Childhood Poverty in the United States." *Journal of Children and Poverty*. Vol.14, No.1, March 2008. http://home.uchicago.edu/ludwigj/papers/HolzerEtAlChildhoodPoverty.pdf.

Conclusion

Thank you again for the opportunity to provide feedback on this discussion draft. While it includes many positive steps for repairing TANF, it is important to acknowledge that if enacted the proposal likely would have very limited effects on poverty, largely due to what the proposal lacks: more resources and more effective program structure. We are eager to work with staff on improving the discussion draft and are available to provide more detailed comments on particular provisions. Should you have any questions, please contact:

Peter Edelman, Faculty Director, edelman@law.georgetown.edu

Indivar Dutta-Gupta, Director, Project on Deep Poverty, indi.duttagupta@law.georgetown.edu

Kali Grant, Program Assistant, kali.grant@law.georgetown.edu