

**NEXT STEPS FOR WELFARE REFORM: IDEAS TO
IMPROVE TEMPORARY ASSISTANCE FOR NEEDY
FAMILIES TO HELP MORE FAMILIES FIND WORK
AND ESCAPE POVERTY**

HEARING
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTEENTH CONGRESS

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**NEXT STEPS FOR WELFARE REFORM: IDEAS
TO IMPROVE TEMPORARY ASSISTANCE FOR
NEEDY FAMILIES TO HELP MORE FAMILIES
FIND WORK AND ESCAPE POVERTY**

THURSDAY, APRIL 30, 2015

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to call, at 3:17 p.m., in Room 1100, Longworth House Office Building, Hon. Charles Boustany [Chairman of the Subcommittee] presiding.
[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
Thursday, April 23, 2015
No. HR-03

CONTACT: (202) 225-3625

Chairman Boustany Announces Hearing on Next Steps for Welfare Reform: Ideas to Improve Temporary Assistance for Needy Families to Help More Families Find Work and Escape Poverty

Today, Ways and Means Human Resources Subcommittee Chairman Charles Boustany (R-LA) announced that the Subcommittee will hold a hearing titled, *"Next Steps for Welfare Reform: Ideas to Improve Temporary Assistance for Needy Families to Help More Families Find Work and Escape Poverty."* **The hearing will take place at 3:00 p.m. on Thursday, April 30, in room 1100 of the Longworth House Office Building.**

In view of the limited time available, oral testimony at this hearing will be from invited witnesses only. Witnesses will include experts who administer the Temporary Assistance for Needy Families (TANF) program or who provide support to States operating the program. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee for inclusion in the printed record of the hearing.

BACKGROUND:

In announcing the hearing, Chairman Boustany stated, **"Welfare reforms in the 1990s helped millions of low-income parents leave welfare for work. Not only did welfare caseloads drop by more than half as a result, but the share of families with children who were living in poverty fell significantly as well. Despite this progress, recent evidence suggests States may not be helping as many welfare recipients find work or prepare for work as they have in the past. In addition, Congress hasn't undertaken a full assessment of the program since 2006. It's time for Congress to review this program and develop ways to help more low-income families find work and escape poverty."**

The TANF program is designed to end the dependence of needy families on government benefits by promoting work, marriage, and personal responsibility. Unlike its predecessor, the Aid to Families with Dependent Children program, which was primarily a cash welfare program for low-income families with children, the 1996 welfare reform law created TANF to fund a variety of services to help low-income parents get jobs and become self-sufficient. States are required to engage 50 percent of adults in TANF families in work activities such as employment, on-the-job training, job search, and vocational education.

As a result of these and other reforms, in the years following the 1996 law's passage, welfare caseloads declined significantly, employment among low-income families increased, and poverty declined. However, recent evidence suggests States are not engaging many adults receiving TANF in services designed to help them get jobs and move up the economic ladder. In recent years, States have *reported* zero hours of work—or participation in activities leading to work—for over half of the adults receiving TANF assistance each month. Recent *reports* have highlighted ways States have used loopholes in current law to sharply reduce the share of adults they must engage in work or work activities.

FOCUS OF THE HEARING:

This hearing will focus on how States assist welfare recipients today, ways to increase State efforts to engage more recipients in work and activities leading to work, and how these efforts can help these individuals become self-sufficient, escape poverty, and move up the economic ladder.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "Please click here to submit a statement or letter for the record." Once you have followed the online instructions, submit all requested information. Attach your submission as a Word document, in compliance with the formatting requirements listed below, **by May 14, 2015**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225-1721 or (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word format and **MUST NOT** exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TDD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available online at <http://www.waysandmeans.house.gov/>.

Chairman BOUSTANY. The Subcommittee will come to order. I want to thank our witnesses for being here today and thank everyone for coming to today's hearing on how we can improve welfare and help more families and individuals find work and escape poverty.

Before we get into the meat and potatoes of the hearing, I want to welcome—I see he is not here yet, he is probably on his way over—I want to welcome the newest Member of our Subcommittee

and the full Committee, Congressman Bob Dold. We had a vacancy that arose and Bob was just placed on the full Ways and Means Committee, and yesterday it was decided that he will be a Member of this Subcommittee. I look forward to working with Bob in the 114th Congress on these important issues. I think he is going to bring a lot of talent as an individual to this Subcommittee.

I would also like to take this time to thank Congressman Tom Reed, a Member of the full Committee. He is leaving this Subcommittee and his talents will be missed. He has made many substantive contributions during his time here. Tom, I know, will still be very active on these issues even though he is not directly a part of the Subcommittee.

So with all that, let's move on to the business at hand. We know that welfare reforms of the 1990s helped millions of low-income parents go to work, move up the economic ladder. The key was increasing work and work opportunities.

After work-based welfare reform, employment by single mothers who head households, the most likely to go on welfare, rose sharply. That increased work and earnings caused poverty and dependence on welfare checks to fall substantially for key groups. Poverty among African American households with children reached record lows; poverty among female head of households with children remains lower today than before 1996, despite two recessions.

Now, while that story is positive, it is not enough. Recent years have seen troubling trends, especially on whether State welfare programs are doing enough to engage adults in work. For instance, according to HHS, States recorded that in 2011 a full 55 percent of adults on welfare did zero hours of work or other activity while collecting benefit checks. Despite welfare's apparent work requirements, States did so through a grab bag of accounting gimmicks, loopholes and exceptions.

Then in mid 2012, the Obama Administration released their unprecedented guidance, suggesting States could waive work requirements altogether. While no States sought waivers, that move sent a clear signal that work requirements don't matter to the Administration. Add in the fact that the last comprehensive reauthorization of welfare was in 2006, it is clearly past time for a full review and reauthorization of the critical program.

That is what we are here today to do, to review how we can improve welfare to help more parents find work so their families can escape the trap of poverty, which starts with rejecting the Obama Administration's guidance waiving work requirements. It certainly doesn't end there. Other more important bipartisan policies can strengthen the work requirements and improve the program.

For example, the President's budget would prohibit the use of nongovernmental third-party expenditures to meet State maintenance of effort requirements, and includes a provision to ensure that States use these welfare funds for benefits and services to needy families. We should be able to find agreement on that that would strengthen welfare and focus its resources on families who most need the help. We should also reduce marriage penalties, simplify the program administration and pave the way for broader reforms, improving opportunity and upward mobility.

This is about more than abstract policies here in Washington, D.C. And so that is why today, I think, the Committee's going to be really benefited greatly by being joined by Sherrie Smoot, who spent years on welfare without getting the kind of help she really needed, how to find, get and keep a job. For example, her example shows what can happen when we actually really do have programs that help people solve problems instead of just dispensing checks year after year. That is the real goal of the hearing today, for more people to succeed like Sherrie.

I look forward to all the testimony and working with Members on both sides of the aisle to do just that. With that, I will be pleased now to turn to the esteemed Ranking Member of the Subcommittee, Mr. Doggett, for the purposes of an opening statement.

Mr. DOGGETT. Thank you, Mr. Chairman, and thanks to each of our witnesses for coming. I look forward to hearing the diverse testimony that each of you have to offer. I think that we saw in 1996 an opportunity to change welfare, move welfare to work. I joined in that effort by supporting the reform that occurred then. We had significant early promise from the program, but I think that promise has slowed, and that we have allowed spending to be directed away from help to people to go to work. The TANF funds have not kept pace with inflation, they have prevented the small amount of financial assistance that we give to families from providing any real support. We called on the States to do more to incentivize work, but, in some cases, Federal TANF monies have been little more than a slush fund for States to use for whatever social service purpose they wanted where they were spending money and simply replacing it with Federal dollars and shifting that to something else.

We see the share of TANF funds that are spent on promoting work accordingly from the States has declined over time. As Dr. Donna Pavetti says in her written testimony, the States are now using only about 8 percent of their TANF funds for work activity. Perhaps even more troubling, TANF's current provisions designed to encourage work are short-sighted. The participation requirements measure the amount of time that an individual spends in Federally defined work activities rather than on how many welfare recipients are able to find and maintain a job.

There, I think, we do have a bipartisan part, that finding and retaining a job at a livable wage is the best path out of poverty and the objective for which we should be striving. This troubling focus is reflected in the fact that the amount of people on TANF who may participate in vocational education is capped, and the amount of time a person can spend learning an in-demand job skill is limited.

How can we expect struggling parents to find long-term work to help them avoid needing assistance in the future when we so severely restrict training opportunities? A recent report from the Government Accountability Office described how the current system "discourages States," and "lacks incentives to foster broader adoption of promising approaches to help those on TANF find long-term work."

As Utah's Republican Governor Gary Herbert explained in 2012 to our Committee, TANF participation requirements do not lead to

meaningful employment outcomes. Officials in Kentucky have even explained that some of the current limitations are adding to the overall program cost.

In just my own State of Texas, we have seen outside of welfare-to-work dollars how programs like Project QUEST in San Antonio and Capital IDEA in Austin partner with community colleges and local businesses to successfully train low-income individuals for living wage jobs that are in high demand in our communities. Allowing the States the use of such programs will put more people into careers they can use to climb the economic ladder. I was particularly interested in State Secretary Eloise Anderson's written testimony concerning the importance of strengthening the ability of States to use these types of education programs and double the amount of time those on TANF can participate in them. I look forward to hearing other proposals from our witnesses.

We, as you know, have September 30 approaching, an opportunity to focus on work, not on peripheral issues, not on shaming the poor, but on work and ways to encourage that work in these livable wage jobs.

Mr. Chairman, I look forward to our work together toward that deadline in finding meaningful changes in TANF and renewing it at an acceptable level. I yield back, and thank you.

Chairman BOUSTANY. I thank the gentleman. I think there is going to be a lot of common ground to actually spread this program. I appreciate the gentleman's statement.

Without objection, each Member will have the opportunity to submit a written statement and have it included in the record. I want to remind our witnesses as we go forward with your oral statements, we are going to go 5 minutes. We have your written testimony. We have been able to review it. Try to keep your comments to 5 minutes as is customary here so we can get through the hearing in a timely way and leave plenty of time for questions.

We have a very distinguished panel today. This is going to be a very good hearing, a very informative hearing. First, we will hear from Peter Cove, founder of America Works. Next, we are going to hear very compelling testimony from Sherrie Smoot, former America Works client, who is going to give us some real-life experience in working through these programs.

Next, Eloise Anderson, no stranger to the Subcommittee, and Co-chair of the Secretaries' Innovation Group and Secretary of Wisconsin Department of Children and Families. Then we will hear from Heather Reynolds, President and CEO of Catholic Charities Fort Worth. Tracy Wareing, Executive Director, American Public Human Services Association, and then last and certainly not least, LaDonna Pavetti, Vice President for Family Income Support Policy, Center on Budget and Policy Priorities.

I want to thank you all for being here. You bring tremendous expertise to this hearing and we will start with Mr. Cove. So thank you for being here and please proceed with your testimony.

**STATEMENT OF PETER COVE, FOUNDER,
AMERICA WORKS OF NEW YORK, INCORPORATED**

Mr. COVE. Chairman Boustany, good afternoon. My name is Peter Cove and I am the founder of America Works of New York.

Before I begin, I would like to thank House Ways and Means Chairman Paul Ryan, Human Resources Subcommittee Chairman Charles Boustany, and the rest of the Committee Members for allowing me to speak today.

America Works was founded in 1984 to help welfare recipients to get jobs. It was the first for-profit company dedicated to this effort. There are four principles which we are passionate about. First, people on welfare can and want to go to work. Prior to welfare reform, the assumption was that people needed to stay home or they couldn't go to work.

Second, work combined with on-the-job training curriculum designed by employers, not training in isolation, is central to that effort. For far too many years, welfare recipients were sent to training programs that never led to employment.

Third, companies should be paid for performance. Only when a person gets and keeps a job should a vendor be paid.

Fourth, getting a job is easy, but keeping the job is hard. So we developed retention services for the first 6 months to provide counseling, on-the-job coaching, interventions to navigate workplace issues, and attach workers to a host of financial incentives. In the 1980s, we ran modest-sized programs around the country with our program design, and they attracted the media and the interest of politicians. Newt Gingrich was an early supporter, as was the Democratic Leadership Council, the DLC, which was headed by Bill Clinton, among many others.

America Works was involved in providing information to both the House and White House during the implementation of the 1996 TANF law. Once the law passed in 1996, America Works expanded its services in a number of States around the country. During the first 10 years, there was a great deal of experimentation with different service models, but always with a primary focus on employment and not abstract training unrelated to jobs.

In 2006, when the bill was reauthorized, the focus of each of the contracts was directed toward participation rates. This will be part of the presentation as I go on. Since the start of America Works 31 years ago, we have placed over 500,000 people in jobs. We have expanded the services we provide to other populations, including ex-offenders, veterans, the homeless, and people with disabilities.

I would like to address seven areas in which I believe TANF needs to be strengthened. First, although the law directs the local governments to have 50 percent of their caseload looking for work, most do not. States have elaborate ways of reporting the data so that far fewer able-bodied people are actually participating. This is accomplished by moving recipients in and out of the denominator that determines the 50 percent rate, in some cases into separate State programs not subject to Federal requirements. In addition, there are reductions in participation requirements based upon caseload reductions and State spending on the population beyond the expected maintenance of work level.

Second, despite the law, which directs localities to limit welfare to 5 years, many places do not do that.

Third, very few cases are ever sanctioned. A history of granting good cause waivers, conciliation and appeal hearings has led to

welfare departments retaining a culture of not aggressively using the sanction process as it was intended.

Fourth, every State has a pool of people who are exempted from participation for medical reasons. However, since all that is required is a doctor's note, some of these cases are not legitimate.

Fifth, in a related issue, there are many TANF recipients whom States would like to remove from their rolls, and instead place in SSI and SSDI. Again, this is appropriate for those who clearly cannot work, but inappropriate for many others.

Sixth, there is an increasing number of programs at the Federal, State and government levels which are being contracted out only to not-for-profits. As we have seen in New York City, the most effective jobs programs are those run by the for-profit industry. We see no reason that for-profit companies should be excluded from participating, there is no reason.

Seventh, and the final point, has to do with work verification procedures that were made unduly complicated in the 2005 reauthorization. Here I believe there is the law of unintended consequences. The intent was to close the loophole where States were allowing people to do these kinds of non-work related activities. The effect on the ground is a tremendous amount of administrative paperwork on contractors such as America Works, and this really takes away from the program activities.

I want to just add one other comment, and I want to reiterate something I said before. People talk about best practices in welfare reform. To me there is only one, and that is government should only be paying those who are responsible for getting people jobs, if they get people jobs. They shouldn't be paying them for their program, they shouldn't be paying them for their staff, they should be paying them for getting them jobs and keeping them in jobs. We pioneered that back about 30 years ago. I have to tell you, it still is difficult to get governments to agree to that. Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Cove follows:]



AMERICA WORKS
of New York, Inc.

Statement for the Record

Peter Cove

Founder

America Works of New York, Inc.

April 30, 2015

United States House Committee on Ways and Means

Subcommittee on Human Resources

Next Steps for Welfare Reform: Ideas to Improve TANF to Help More Families Find Work and

Escape Poverty

Chairman Charles W. Boustany
Subcommittee on Human Resources
United States House of Representatives
Washington, D.C. 20515
April 30, 2015

Chairman Boustany:

Good afternoon. My name is Peter Cove and I am the Founder of America Works of New York, Inc. Before I begin, I would like to thank House Ways and Means Chairman Paul Ryan, Human Resources Subcommittee Chairman Charles Boustany and the rest of the committee members for allowing me the opportunity to speak today.

America Works was founded in 1984 to help welfare recipients get jobs. It was the first for-profit company dedicated to this effort. There are four principles, which we are passionate about. First, people on welfare can and want to go to work. Prior to welfare reform the assumption was that people needed to stay home. Second, work combined with on- the- job training curriculum, designed by employers, not training in isolation, is central to that effort. For far too many years

welfare recipients were sent to training programs that never led to employment. Third, companies should be paid for performance. Only when a person gets and keeps a job should a vendor be paid. Fourth, getting a job is easy, but keeping the job is hard. So we developed retention services for the first six months to provide counseling, on-the-job coaching, interventions to navigate workplace issues, and attach workers to a host of financial incentives.

In the 1980s we ran modest sized programs around the country with our program design and they attracted media and the interest of politicians. Newt Gingrich was an early supporter as was the Democratic Leadership Council (DLC), which was headed by Bill Clinton among many others. America Works was involved in providing information to both the House and the White House during the implementation of the 1996 TANF law.

Once the law passed in 1996, America Works expanded its services in a number of states around the country. During the first 10 years there was a great deal of experimentation with different service models, but always with the primary focus on employment and not abstract training

unrelated to jobs that were actually available in the states and cities where we operated ten years later, in 2006 when the bill was reauthorized, the focus of each of the contracts was directed towards participation rates. This will be part of the presentation later regarding changes we would like to see.

Since the start of America Works 31 years ago we have placed over 500,000 people into jobs. We have expanded the services we provide to other populations. Included in this are ex-offenders, veterans, the homeless, people with disabilities on SSI, children aging out of foster care, food stamp recipients and non-custodial parents who are unemployed and cannot pay child support. I would like to address seven areas in which I believe TANF needs to be strengthened.

First, although the law directs the local governments to have 50 percent of their caseload looking for work, most do not. States have elaborate ways of reporting the data so that far few able-bodied people are actually participating. This is accomplished by moving recipients in and out of the denominator that determines the 50 percent rate and in some cases into separate state programs not subject to federal requirements. In

addition there are reductions in participation requirements based upon caseload reductions and state spending on the population beyond the expected maintenance of effort level. So, for example, in New York State, because of the additional revenue they spend, only 33% of the caseload actually has to participate in required work activities and thus the State does not receive penalties. This regulatory loophole needs to be reexamined almost 20 years later as it was based on the theory that states would greatly reduce welfare payments in a so called race to the bottom. But that has not happened.

Second, despite the law, which directs localities to limit welfare to five years, many places do not. There are exemptions for certain cases or certain geographic areas. This also needs to be strengthened in the reauthorization of TANF.

Third, very few cases are ever sanctioned. A history of granting good cause waivers, conciliation and appeal hearings has led to welfare departments retaining a culture of not aggressively using the sanction process as it was intended to make clear that there are consequences for not seriously engaging in work activities. We have seen this in a

variety of states and it occurs despite what the Governor, Mayor or Commissioner might believe is occurring. Decisions are made to lift sanctions by case managers for a host of reasons, before they are applied. There are elaborate appeals processes that are almost always overturned by administrative judges. Although we believe most people do want to work, unless they actually see first-hand other people finding jobs and moving ahead, they do not see concrete examples of success. We believe that the threat of actual sanctions will be effective in getting people to show up and then we can motivate them. Almost every state has a full case sanction for failure to comply with work requirements, whether they actually apply it or not, but New York remains an outlier in that only the adult portion of the grant can be withheld

Fourth, every state has a pool of people who are exempted from participation for medical reasons. However, since all that is required is their own doctor's note, some of these cases are not legitimate. In fact in certain locations people who want to work are not allowed to participate with us because they are "exempt" and we cannot get them a job. I found cases where people had carpal tunnel or other minor

ailments and were exempted forever. A consistent system of referring people to independent evaluations should be put in place to avoid these exemptions. We suggest a much smaller exemption for medical issues reserved for those who have clear and severe physical or mental disabilities. The vast majority of people should first be sent to job search and other activities aimed at finding employment, before an exemption is given.

Fifth, in a related issue, there are many TANF recipients, whom states would like to remove from their rolls and instead place into SSI/SSDI. Again, this is appropriate for those who clearly cannot work, but inappropriate for many others who secure federal disability benefits often for less severe ailments such as back pain and depression. The person is then off the State rolls when they could be working and subsequently enrolled in the much more costly SSI/SSDI system. This is less costly to the States but much more costly to the federal government and taxpayers. In fact the SSDI program, unless changes are made, faces a shortfall of funding in the very near future. Incentives to move adults from TANF to SSI and SSDI should be reexamined and


reserved only for those who cannot perform any work in the labor economy when TANF is re-authorized.

Sixth there are an increasing number of programs at the federal, state and local governments, which are being contracted out only to not-for-profits or community based programs. As we have seen in New York City the most effective jobs programs are those run by the for profit industry. We believe TANF reauthorization should address this by allowing a full range of providers to bid including for profit, not for profit, and community based programs. Excluding for profit companies either by law, regulation or grant specific instructions makes little sense. This is especially true under the growing movement towards performance-based contracts in TANF where for-profits may actually be more motivated to be successful in the delivery of services because they are more at risk if they fail.

Seventh, and the final point, has to do with work verification procedures that were made unduly complicated in the 2005 reauthorization. Here I believe there is the law of unintended consequences. The intent was to close the loophole where States were

allowing people to do all kinds of non-work related activities. The effect on the ground is a tremendous amount of administrative paperwork on contractors such as America Works. Attendance and tracking is a daily activity, with each hour of the day documented and scanned into government agencies. Excuse documents, hearings, doctor's appointments, school meetings, court appearances, reams of daily rosters for attendance noting internal and external activities classes, job interviews, clothing referrals simply goes on and on and is largely irrelevant to getting someone a job. It makes staff and the clients we serve miserable since it takes everyone's attention away from the real work of helping the person get the skills and the tools they need to find employment. We recommend that the reauthorization, while maintaining real participation rates, also instructs HHS to make the reporting requirements more flexible to eliminate undue burden on the participants, government and contractors.

Thank you for the opportunity to address you today. I would be happy to answer any questions now and/or provide further information after the hearing.



Chairman BOUSTANY. Now we will hear from Ms. Smoot. And I want to say we are very, very happy that you are able to be with us today to share your personal story. It always takes quite a bit of courage to do that publicly, so we deeply appreciate it because it will be very informative to us in this discussion, and also in how we proceed going forward. So with all that, Ms. Smoot, please proceed and we would love to hear your testimony.

**STATEMENT OF SHERRIE SMOOT,
FORMER AMERICA WORKS CLIENT**

Ms. SMOOT. Thank you for allowing me the opportunity to testify before you today. My name is Sherrie Smoot, and I am grateful to share my story, a story that shows what perseverance and support can do for someone receiving public assistance.

My mother, brothers and I had moved a bit when I was young. I went from Washington, D.C. to New York and returned to Washington, D.C. for good when I was around 12 years old. My mother did not have my transcripts upon our return to Washington, D.C., so I was sent to Woodland Job Corps Center program. I was in Woodland Job Corps Center for 2 years and was doing really well in my business and clerical coursework. Soon afterward, I graduated from Woodland Job Corps Center with certificates in the trades I had studied.

When I returned to the District, I had nowhere to go and was staying house to house. My brother and his girlfriend took me in. I was trying to find work, but no one would hire me. I knew nothing about writing resumes, cover letters or thank-you letters. I did not have enough money or enough experience to be seen as qualified. A few months later I became pregnant with my daughter, Danniele Lee. I tried to get public assistance but was turned away. They said I had to be 6 months pregnant, so my brother's girlfriend, she took care of me. After 6 months, I started receiving public assistance. After becoming pregnant with my second child Frank Lee, Jr., the children's father and I separated.

After I had my son, I had to join a jobs program at a local non-profit. I gained computer skills and earned certificates. Soon after, I earned a temporary position working with Douglas Resources, Incorporated.

I was not successful in retaining positions due to health and personal concerns. I was mandated to another program where I was able to obtain my GED and gain additional work experience with some temporary and contract positions. Two years later, I went to the University of the District of Columbia after receiving aid from the TAPIT program. I have since received my Bachelors of Computer Information Systems science. Around a year and a half later, I earned my first IT temporary job working for Corestaff at the Advisory Board Company.

When that contract ended, I was sent another letter to join a workforce program. I picked America Works of Washington, D.C., where I learned how to write cover letters, build resumes, and build self-confidence, and how to prepare for interviews. I also had the opportunity to build my own resume by participating in a work experience assignment with the District's Department of Human Resources. While at America Works, I was also warmly referred to

the program recruiter for the Veterans Group. Although not a veteran, I was invited to attend the Veterans Group and took up CompTIA A+ Security+, Network+, CCNA, CCENT, Microsoft Windows Server and MCTS classes in which I graduated with a security administration and network administration completion certificate, and as a Microsoft certified technology specialist.

I now work with Teksystems at the Environmental Protection Agency as a call center central analyst. My daughter is in college aiming to be a United States Marshal; my oldest son is graduating from high school this year, and going to college aiming to be an FBI agent. And my youngest son is in junior high school. My TANF case has been successfully closed since 2014.

Honestly speaking, America Works is a program that has the best staff, and they make you achieve when you think you can't. They taught me how to express myself and how to have confidence and now the road that I am on has inspired me to shoot for the stars. Thank you for allowing me this opportunity. I look forward to any questions.

[The prepared statement of Ms. Smoot follows:]

Statement for the Record

Sherrie Smoot

Central Analyst

April 30, 2015

United States House Committee on Ways and Means

Subcommittee on Human Resources

*Next Steps for Welfare Reform: Ideas to Improve TANF to Help More Families Find Work and
Escape Poverty*

Chairman Charles W. Boustany
Subcommittee on Human Resources
United States House of Representatives
Washington, D.C. 20515

April 30, 2015

Chairman Boustany:

Thank you for allowing me the opportunity to testify before you today. My name is Sherrie Smoot and I am grateful to share my story – a story that shows what perseverance and support can do for someone receiving public assistance.

My mother, brothers, and I had moved a bit when I was young. I went from Washington, D.C. to New York, and returned to Washington, D.C. for good when I was around 12 years old. My mother did not have my transcripts upon our return to Washington, D.C. so I had to be sent to the Woodland Job Corps program. I was in Woodland Job Corps Center for two years and was doing really well in my business and clerical coursework. Soon afterward, I graduated from Woodland Job Corps with certificates in the trades I had studied.

When I returned to the District, I had nowhere to go and was staying house to house; my brother and his girlfriend took me in. I was trying to find work but no one would hire me. I knew nothing about writing resumes, cover letters, or thank you letters. I did not have enough experience to be seen as qualified. A few months later I became pregnant with my daughter Danniele Lee. I tried to get Public Assistance but was turned away. They stated I had to be six months' pregnant so my brother's girlfriend took care of me and after six months, I started receiving Public Assistance. After becoming pregnant with my second child, Frank Lee Jr., the children's father and I separated. After I had my son I had to join a jobs program at a local nonprofit. I gained computer skills and earned certificates. Soon after, I earned a temporary position working with Douglas Resources Inc.

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Veterans Group. Although not a Veteran, I was invited to attend the Veterans Group and took up CompTIA A+, Security+, Network+, CCNA, CCENT, Microsoft Windows Server and MCTS classes in which I graduated with a Security Administration and a Network Administration Completion Certificate and as a Microsoft Certified Technology Specialist.

I now work with Teksystems at the Environmental Protection Agency as a Call Center (Central Analyst). My daughter is in college aiming to be a United States Marshal, my oldest son is graduating from high school this year and going to college aiming to become a FBI agent, and my youngest son is in junior high school. My TANF case has been successfully closed since August 2014.

Honestly speaking, America Works is a program that has the best staff, and they make you achieve when you think that you can't. They taught me how to express myself and how to have confidence, and now the road that I am on has inspired me to shoot for the stars.

Thank you for allowing me this opportunity. I look forward to any questions.



Chairman BOUSTANY. Thank you very much.

Ms. SMOOT. You are welcome.

Chairman BOUSTANY. Ms. Anderson, you may proceed now.

**STATEMENT OF ELOISE ANDERSON, SECRETARY, WISCONSIN
DEPARTMENT OF CHILDREN AND FAMILIES, AND CO-CHAIR,
SECRETARIES' INNOVATION GROUP**

Ms. ANDERSON. Chairman and Ranking Member, thank you for the invitation. As you know by my testimony, I am Secretary of the Department of Children and Families for the State of Wisconsin, and I am also the Chairperson for the Secretaries' Innovation Group.

I want to talk about TANF, Temporary Assistance for Needy Families. I believe TANF was intended to engage parents in work and job preparation activities to promote family self-sufficiency and reduce long-term dependence on welfare.

The WPR, which is the Workforce Participation Rate, was established as a performance measure to ensure States' programs reflected full engagement in helping parents enter the workforce. We support the accountability message surrounding the WPR, and believe that the focus on work must be maintained to encourage family stability through employment. Participation requirements, as currently structured, must be revised to ensure that the standards align with the ultimate goal of TANF programs moving recipients from welfare to work.

The issues are that, in its current state, the work participation rate is entirely process-driven in that its rate measures the number of families in the State TANF caseload participating in assigned work and work-related activities for a required number of hours. There is currently no outcome-based performance measure. I want to go back over that. There is currently no outcome-based performance measure established to evaluate success in increasing the employment of low-income families.

Rule changes surrounding TANF in the Deficit Reduction Act of 2005 greatly restricted the autonomy necessary for operating TANF programs to fit individual needs of States. I think it is very difficult for a centralized government to understand how all the States need to perform.

Recommendations that we are putting on the table is to revise the work participation rate to support employment outcomes. Our recommendations are for revising and enhancing the work participation rate where we derive from our experience with pay-for-performance contracts. In Wisconsin, we have all our operators who we contract with on a pay-for-performance system. I think that is the way the TANF program needs to go overall.

We believe that we should be funding job attainment, job retention and wages. We believe that the system should reward employment outcomes and allow for our programs to help participants achieve long-term financial independence, and also provide information about which services and opportunities are most effective in achieving those goals.

So, if you really support job attainment, job retention, and job wages and allow States to be able to freely figure out how to do

that, we will learn a lot more than you guys directing all the traffic.

Three general categories that I want you to think about are, restore the enhanced areas of the State flexibility that were generally undermining the DRA; maintain a focus on work and balance, the individual activities and that there needs to be that balance for able-bodied employment, and to support long-term job retention; and three, enhance the Workforce Participation Rate by developing additional performance measures, all focused on work, retaining work, and keeping work for the long term, with particular emphasis to those related to employment outcomes.

We believe that if we take our focus from the process focus to really look at the outcomes of who is getting a job and how long they are staying on a job, for long-term people we will have a better outcome across the Nation. My conclusion is, implementing changes to increase the focus on employment, job retention and higher wages through continued skill development is consistent with the overarching goal of TANF. We believe it is vital that the provisions surrounding the Workforce Participation Rate are enhanced to expand performance measures to employment outcomes and allow States greater flexibility in creating program approaches that best fit the individual States needs as well as the individual participants' need, and provides an opportunity to demonstrate what approaches are most effective. Consider using the contingency fund the way you use title 4(d) as an incentive for outcomes. We believe that what we do in 4(d), which is the child support program, that what we do in there really forces States to want to compete with each other in outcomes, but it also creates—it rewards the outcomes. So I would like you to look at the 4(d) model as a way to use a contingency fund if we go forward with that.

Thank you.

[The prepared statement of Ms. Anderson follows:]

**Testimony of Eloise Anderson
Secretary
Wisconsin Department of Children and Families and
Chairperson of the
Secretaries Innovation Group
Before the Committee on Ways and Means
Subcommittee on Human Resources
U.S. House of Representatives
April 30, 2015**

Chairman Boustany, Ranking Member Doggett, and Members of the Committee:

Thank you for the invitation to testify before the members of the House Committee on Ways and Means today. I'm honored to serve as Wisconsin's Secretary of the Department of Children and Families, however, today I am testifying on behalf of the Secretary's Innovation Group, a membership organization of state human service and workforce agency secretaries that favor healthy families, work, economic self-reliance, budget responsibility and limited government. I consider it a privilege to have the opportunity to speak about strengthening the Temporary Assistance for Needy Families Program (TANF) and provide recommendations for improving the Work Participation Rate (WPR) requirement. My current focus is on enhancing the WPR to measure the outcomes intended by the implementation of the TANF program.

Introduction

The implementation of the TANF program in 1996 brought sweeping changes to social welfare through a time-limited, work-first approach to cash assistance. TANF was intended to engage parents in work and job preparation activities to promote family self-sufficiency and reduce long-term dependence on welfare. The WPR was established as a performance measure to ensure that states' programs reflect full engagement in helping

parents enter the workforce. The WPR also serves the purpose of holding parents responsible for taking steps to achieve independence from public assistance. Wisconsin supports the accountability message surrounding the WPR and believes the focus on work must be maintained to encourage family stability through employment. However, 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.

Issue

In its current state, the WPR is entirely process-driven in that the rate measures the number of families in a state's TANF caseload participating in assigned work and work-related activities for the required number of hours. Minimum WPR standards require that 50% of all families meet participation requirements, while the rate increases to 90% for two-parent families. A caseload reduction credit (CRC) may allow states to lower their target rate based on a caseload decline compared to a designated base year regardless of whether TANF recipients leave welfare for employment. There is currently no outcome-based performance measure established to evaluate success in increasing the employment of low-income families. Further, most states are no longer achieving the minimum WPR as a result of increased challenges following rule changes surrounding TANF in the Deficit Reduction Act (DRA) of 2005. The new provisions greatly restricted the autonomy necessary for operating TANF programming to fit the individual needs of states.

Recommendations

Revising the WPR to support employment outcomes, in addition to high program engagement, would better reflect the original purposes of the TANF program and fits with effective strategies for helping recipients obtain employment. Wisconsin's recommendations for revising and enhancing the WPR were derived through our experience with Pay for Performance contracts for the agencies that administer Wisconsin Works (W-2) and related Programs. W-2 contractors receive Performance Outcome Payments for achievements related to employment outcomes such as job attainment, job retention, and wages. The decision to reward employment outcomes allows the State of Wisconsin to focus our programs on helping participants achieve long-term financial independence and also provides information about which services and opportunities are most effective in achieving this goal.

Recommendations for revising and enhancing WPR fall into three general categories.

1. Restore and enhance areas of state flexibility that were greatly undermined in the DRA.

- a. Provide prorated credit for parents who are assigned fewer hours than the current minimum when calculating the WPR. As it stands, work credit is all or nothing, when we should be providing credit for part-time work.
- b. Eliminate the disincentive to marry or be in a stable family by treating two-parent and one-parent families the same. Currently, two-parent families have a 90% work participation rate while the WPR for all families is 50%.

2. Maintain a focus on work in balance with individualized activities that help prepare able-bodied adults for employment and support long-term job retention.

- a. Eliminate the limit for Job Search/Job Readiness activities.
- b. Increase the lifetime limit for vocational education training to 24 months.
- c. Eliminate the distinction between core and non-core hour requirements.

3. Enhance the WPR by developing additional performance measures, with particular emphasis on those related to employment outcomes.

- a. Allow states to demonstrate improvement from a state's own performance from a previous year.
- b. Replace the Caseload Reduction Credit with an Employment Credit. Revise the WPR to allow states to count recipients who leave TANF for work for up to 12 months, even if they are no longer receiving assistance. This would eliminate the penalty for a state actually placing a worker in a good job instead of the state paying a person a monthly subsidy in order to continue to count them in the TANF population.
- c. Provide additional credit to reduce the state's WPR by a greater proportion for employment achievements by parents previously designated as long-term unemployed and/or welfare-dependent.
- d. Provide additional credit for parents in unsubsidized employment that provides health insurance, paid leave, and/or higher wages.
- e. Provide additional credit for "rapid attachment" to the workforce. The sooner an unemployed individual can get back into the workforce, the better.
- f. Consider an incentive funding mechanism similar to that used in the IVD (Child Support) Program that rewards high performing states with extra funding based on

exceptional outcomes consistent with TANF program goals and program efficiency as reflected in costs to achieve those outcomes.

Conclusion

Implementing changes to increase focus on employment, job retention, and higher wages through continued skill development is consistent with the overarching goal of TANF to help families achieve independence from public assistance. It is vital that the provisions surrounding the WPR are enhanced to expand performance measures to employment outcomes. Such enhancements would allow states greater flexibility in creating program approaches best fit for the individual needs of their participants as well as provide an opportunity to demonstrate what approaches are most effective.

Thank you.

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Chairman BOUSTANY. I thank you. Ms. Reynolds, you may proceed.

**STATEMENT OF HEATHER REYNOLDS, PRESIDENT AND CEO,
CATHOLIC CHARITIES FORT WORTH**

Ms. REYNOLDS. Chairman Boustany, Ranking Member Doggett, and Members of the Subcommittee on Human Resources, thank you for the opportunity to speak with you today. My name is Heather Reynolds, and I am CEO of Catholic Charities Diocese of Fort Worth. Over 100,000 people come to our organization every year for help. Three hundred eighty-four employees are back at Catholic Charities Fort Worth right now working to move clients out of poverty.

Our team knows that individualized, holistic case management is the critical element in moving someone from a place of dependence on government or charity to a place of self-sufficiency. Many government programs intended to help people out of poverty only meet basic needs, but never give what is truly needed to be self-sufficient. Simply put, it is my belief that pouring more money into TANF just doesn't make sense. Using existing funds in a smarter, better way does.

As a businesswoman running a \$30 million agency, I would never simply add more resources to an already well-funded, yet failing system or service. More money is not the answer. In the case of TANF, overhaul is. I have three suggestions for reforming this program. First, allowing funding at both the Federal and State levels to be flexible enough to allow us to pair assistance with intensive case management and other services.

If TANF was structured more like some of our refugee programs, would it also mirror their success? The Federal voluntary agency matching grant program for refugees, which we participate in, in Fort Worth is a successful, federally-funded, anti-poverty program in the United States. More than 80 percent of our refugee clients are completely self-sufficient after 6 months. It is extremely rare for any of our refugee clients to even access TANF because they usually don't qualify since they entered the workforce.

Second, we need individualization. State TANF laws and policies need to be more flexible so this benefit can be used in a way that will help individual families the most. For example, TANF clients enrolled in our workforce program receive vouchers that they can use for child care while they attend employment-related classes or apply for jobs, but these vouchers can only be used at certain child care centers. The centers often have wait lists, are over an hour away, or are not near a bus stop. The inflexibility of this benefit makes it extremely difficult for clients to actually access the help that these vouchers are supposed to provide.

The current Texas TANF structure requires them to follow a prescribed program that may not meet their needs or help them make any progress along the path of self-sufficiency. By failing to customize benefits to individual needs, something that is intended to help can actually become a barrier to getting families out of poverty.

Third, rather than abruptly ending once a client starts working, TANF's benefits should be gradually reduced to offer continued

support until a person can reach a living wage. By actually raising the income limit for applicants, TANF can supply supplemental support while the client is working, helping them get completely out of poverty, and eliminating the need for them to access government benefits again in the future.

The end goal of TANF and other welfare programs should be supporting people to secure living wage work so they can live healthy, self-sufficient, fulfilling lives. Simply helping them survive is not enough.

Gallup recently released study findings related to managing human capital in the workforce. Gallup found that developing the already innate strengths of individual employees leads to an exponentially more employee potential. Gallup found that when employees know and use their strengths, they are far more productive and their performance is spectacular.

If government assistance can be structured in a similar way, shifting from a complicated set of criterion processes in order to attempt to fix people, to allow for case management systems that would support them using their own strengths, what is right with them, what would be the result? I think it would be more people successfully employed, leaving behind reliance on government, welfare, or charitable assistance forever.

We often say in Fort Worth that we hope to put ourselves out of business. Making TANF more flexible, individualized, and responsive would be a step in the right direction.

It is not okay for the greatest Nation on Earth to allow 46 million men, women and children to struggle in poverty day after day and year after year. It is an affront to the values that Americans everywhere hold dear. As children reciting the Pledge of Allegiance, we learn of the ideal America, "One Nation under God, with liberty and justice for all." We must do better. To accept the status quo would be to turn our backs on millions of Americans seeking self-sufficiency and the pursuit of happiness. Thank you.

[The prepared statement of Ms. Reynolds follows:]



Testimony of Heather Reynolds
President/CEO
Catholic Charities Fort Worth
Fort Worth, Texas

Committee on Ways and Means
United States House of Representatives

April 30, 2015

Chairman Boustany, Ranking Member Doggett, and members of the Subcommittee on Human Resources, thank you for the opportunity to speak to you today. My name is Heather Reynolds, and I am the President/CEO of Catholic Charities, Diocese of Fort Worth. It is my honor to be able to share my thoughts on reforms to the United States welfare system, specifically to the Temporary Assistance to Needy Families program, in order to help more poor Americans find work and escape poverty.

Over 100,000 people come to Catholic Charities Fort Worth every year for help. All of them are experiencing poverty of some kind, whether income poverty or asset poverty. Most of them are in poverty due to many interrelated and complex factors.

Understanding the factors that keep people in poverty is not easy. But 384 employees are back at Catholic Charities Fort Worth right now,

working to understand and serve our clients – they do this day after day after day. As a result of our experience, we know that individualized, holistic case management is the critical element in moving someone from a place of dependence on government or charity to a place of self-sufficiency.

According to the Census Bureau, more than 45 million people are living in poverty in our country. 14.7 million children live in households at or below the federal poverty line. Is this the best we can do for our fellow Americans? How does this fact fit in with our belief that all people deserve respect and dignity?

If we as Americans agree that each person should be able to achieve their full, God-given potential – and I think we all could agree on that – we need to ensure that every American can access safe housing, plentiful and nutritious food, honest work for a fair wage, and full participation in community life.

Right now, for far too many, these cornerstones of economic opportunity and personal self-sufficiency are unfortunately well out of reach. Many government programs intended to help them out of poverty only meet their basic needs, but never give them what they truly need to be self-sufficient. Does enrolling people in a program that only ensures their continued dependency respect their dignity? We must reform programs like TANF so the end goal is not just day-to-day survival, but a complete and permanent escape from poverty.

Simply put, pouring more money into TANF just doesn't make sense - using existing funds in smarter and better ways does. As a businesswoman running a \$30 million agency, I would never simply add more resources to an already well-funded, yet failing system or service. More money is not always the answer. In the case of TANF, overhaul is.

I firmly believe that government oversight, that tends to promote a one-size-fits-all solution from DC, is not the answer to private sector needs. The right non-profits can meet these needs best. We are proud to work in partnership with federal, state, and local governments, but the fact of the matter is that we are the ones in local communities, seeing the daily challenges facing the people we serve and accompany out of poverty. Outdated or excessive regulations, lack of local flexibility to structure programs in ways that work best for our clients, and a lack of accountability prevent us from being able to be as effective as we could be in providing the services that we know work to get people out of poverty, for good.

The welfare reform of the late 1990s was a good change – imposing time limits and work requirements was key to helping people move forward. But the reforms didn't go far enough. TANF alone will never eliminate poverty by itself, but it has the potential to be a tool – one of many – that helps propel a family from government and community assistance to self-sufficiency, through employment. However, TANF's current structure makes it too uncoordinated and siloed to make much of an impact on any of the complex challenges that families in poverty face.

My staff who work with TANF-eligible families report rigid rules that keep them from truly helping people in need. Oftentimes, qualifying individuals don't even bother to apply for TANF. They feel that the small payoff is not worth the hoops they have to jump through and regulations they need to comply with. In short, applying for TANF is a lot of work, with little benefit. Further, TANF benefits often come with an awful stigma, and recipients are made to feel ashamed for receiving them.

TANF, in its current form, doesn't truly provide a lasting hand-up to the people it purports to serve. More money is not the answer. Change is, and I have three suggestions for reforming this program.

First, if TANF at both the federal and state levels were structured more like some of our refugee programs, would its success also mirror their success? The federal Voluntary Agency Matching Grant Program for refugees, which we participate in at Catholic Charities Fort Worth, is a successful, federally-funded anti-poverty program in the U.S. In Fort Worth, our success rate of moving individuals from poverty to self-sufficiency is high because the **funding is flexible enough to allow us to pair intensive case management with ancillary services, in order to help more people find good jobs.**

Our refugees are extremely motivated to move into the workforce. More than 80% of our refugee clients are completely self-sufficient through employment by the time they have been in our community for six months. It is extremely rare for any of our refugee clients to access TANF – in fact, they usually don't even qualify since they begin working soon after their arrival, and receive the case management, financial assistance, and other services that are so crucial to their success.

Second, **we need individualization.** State TANF laws and policies need to be more flexible, so this benefit can be used in a way that will help individual families most. Let me give you an example. TANF clients enrolled in our Workforce Development programs receive vouchers that they can use for childcare while they attend employment-related classes and appointments. Unfortunately, the vouchers can only be used at certain childcare centers. These centers often have a wait list, are over an hour away, or are not near a bus stop. The inflexibility of

this benefit makes it extremely difficult for clients to actually access the help that the vouchers are supposed to provide.

Many of our clients can clearly articulate the help they need to bring them greater independence from the system. But the current Texas TANF structure requires them to follow a prescribed program that may not meet their needs or help them make any progress along the path to self-sufficiency. By failing to customize benefits to individual needs, we rob people of the right to be experts on their own lives, to manage their own situations, and to fully participate in the process of achieving their highest potential.

Let's give ownership of their situations back to these men and women who are so bravely and desperately trying to make a better life for their families. Let's listen to them tell us what will help them find good jobs and escape poverty, then help them develop and leverage their individual strengths to overcome their situations.

Third, rather than abruptly ending once a client starts working, **TANF benefits should be gradually reduced to offer continued support** until the person is earning a living wage. By actually raising the income limit for applicants, TANF can provide supplemental support while the client is working, helping them get completely out of poverty and eliminating the need for them to access government benefits again in the future.

The end goal of TANF and similar programs should be supporting people to secure living-wage work so they can live healthy, self-sufficient, fulfilling lives. Simply helping them survive is not enough.

Gallup recently released study findings related to managing human capital in the workforce. Most leaders view employee development as a process of finding out what's wrong with their people and then

attempting to fix it. But Gallup found that developing the already-innate strengths of individual employees leads to exponentially more employee potential. Gallup found that when employees know and use their strengths, they are far more productive, and their performance is "spectacular."

If government assistance could be structured in a similar way – shifting from a complicated set of criteria and processes in an attempt to “fix” people, to supporting them in developing their own strengths – what’s RIGHT with them – what would be the result? I think it would be more people, successfully employed, leaving behind reliance on government welfare or charitable assistance forever. We often say we hope to put ourselves out of business – making TANF more flexible, individualized, and responsive would be a step in that direction.

It is not OK for the greatest nation on earth to allow 46 million men, women, and children to struggle in poverty, day after day, year after year. It is an affront to the values that Americans everywhere hold dear. As children reciting the Pledge of Allegiance, we learned of the ideal America - “one nation, with liberty and justice for all.” But while so many live in need, we must do better. To accept the status quo would be to turn our back on the millions of Americans seeking self-sufficiency and the pursuit of happiness.

TANF needs to be restructured so it can be a truly useful tool. More flexible, individualized, and responsive benefits will allow us to work with our clients in the ways we know are best to get them out of poverty, for good. They deserve it. America deserves it.

Thank you for your time today, and thank you for serving people in need throughout our country. I would be happy to answer any questions you may have.

Chairman BOUSTANY. Thank you very much, Ms. Reynolds. Ms. Wareing, you may proceed.

**STATEMENT OF TRACY WAREING, EXECUTIVE DIRECTOR,
AMERICAN PUBLIC HUMAN SERVICES ASSOCIATION**

Ms. WAREING. Good afternoon, Mr. Chairman and Members of the Subcommittee. I am Tracy Wareing Evans, Executive Director of the American Public Human Services Association. We appreciate the opportunity to share insight from governor-appointed service leaders, like Eloise, as well as many local agency directors that we represent at APHSA, and how we can more effectively connect Americans to the workforce and to a sustainable career path.

Mr. Chairman, your description for today's hearing expresses this Subcommittee's intention to examine ways to make the Federal welfare program more efficiently and effectively a hand-up from poverty, not a handout. We, too, are interested in what evidence tells us actually works and how public investments can return real and lasting value.

We urge the Subcommittee to look beyond TANF. As laid out in our member's pathway agenda, success in the marketplace is a function of not just TANF and other human service programs, but a wide segment of the broader community, including education and training, employers, nonprofit groups and other government agencies.

My remarks about TANF today are provided within this broader context. While our members do recommend some changes in TANF's details, and we have noted those in my written statement, and I think you have heard them from the panelists today, our overarching concerns are with the full workforce engagement system, and how its components must work better together to make real progress. We must support changes in that human services system that more effectively deliver what we call engagement that matters, ultimately getting parents into sustainable jobs with wage progression and advances in opportunities.

At its core, TANF was designed to help low-income parents build a pathway out of poverty and toward economic security for their family, while assuring the safety and well-being of their children. Our members believe that TANF participants who can move directly into jobs should have the opportunity to do so. But our members also know that most TANF participants are families in crisis and face various obstacles that require targeted and appropriate support to become work-ready, get a job with a family-supporting wage, and stay in the workforce over time.

Indeed, their very presence on the TANF caseload typically means that faster and more direct routes to sustain employment haven't worked for them. States such as Utah are using a variety of strategies to better engage families through intergenerational approaches, as well as alliances with a business and education community that trains students in high demand skills. A compelling example of what we mean by engagement that matters is occurring in Washington State. There they began with a focus on stabilizing families in crisis by identifying what is causing the instability.

Employment counselors look at what is happening with the family, and they ask questions about their strengths and their challenges. They ask how are your kids doing in school? Are you caring for an elderly parent? Do you have a child with special needs? Is there a substance abuse or mental health condition in the home? Once stabilized and the family dynamic is understood, the assessment evaluates work-readiness through educational levels and work history.

This extended look at what is happening with a family allows for engagement that matters, leading to better-informed interventions and early attention to barriers that might otherwise result in parents failing to secure a job or to achieve the economic security that we desire for them.

Let me be clear, engagement is not about ignoring sanctions or extending time limits, these remain important motivators, it is about getting to the core issues sooner and eliminating the barriers, helping to assure long-term success and preventing families from recycling on and off the rolls.

I think it is fair to say that our members are disappointed that TANF has now, for a decade, been subjected to an accountability scheme that tracks participation metrics, that doesn't use actual paid employment or independence from government support as its outcome measures.

The work participation rate is extremely complicated. As a result, the system directs energy to process and paperwork, but tells us little about whether participants are truly moving toward greater self sufficiency. States are hamstrung by arbitrary limits to prevent many in the caseload who come with a wide variety of existing skill levels from receiving the tailored service that you just heard about from Heather that are aimed at getting them into long-term employment.

So exactly how should we move forward? States are encouraged by the opportunities that the Workforce Investment and Opportunity Act is offering them and urge a more aggressive approach. We should give States the ability to opt into performance measurements based on actual employment, retention, and advancements, as well as the measures of the child's well-being, rather than the current process-focused activities of the WPR.

We should examine additional ways to blend and brave funding from multiple sources in the workforce system, and you might want to look at the disconnect youth partnership pilots that were recently enacted that work across existing resources, not new resources, across HHS, education, and labor.

In conclusion, we really believe that we have to spend more time talking about what is actually going to work as a career pathway to serve individuals with those more complex needs and we look forward to working with you.

[The prepared statement of Ms. Wareing follows:]



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House of Representatives

Committee on Ways and Means

Subcommittee on Human Resources

Hearing

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

April 30, 2015

Testimony by

American Public Human Services Association (APHSA)

Tracy Wareing Evans, Executive Director

Contact: Larry Goolsby, (202) 682-0100, x239, lgoolsby@aphsa.org



Mr. Chairman and members of the Subcommittee, thank you for this opportunity today to share insights from state and local human service leaders on how we can more effectively connect Americans to the workforce and to a successful and sustainable career path. I am Tracy Wareing Evans, executive director of the American Public Human Services Association (APHSA), and I represent the views of our state and local public human services agency members across the nation.

Our member agencies are responsible for directly implementing and managing the Temporary Assistance for Needy Families (TANF) program and a broad array of other health and human services programs, including child welfare services, nutrition assistance, services to the elderly and people with disabilities, as well as a wide range of other populations. APHSA also represents human services program managers across the nation, including those who direct each state's TANF program and who are organized within APHSA as the National Association of State TANF Administrators (NASTA).

APHSA also houses the Center for Workforce Engagement, a new initiative this year that is bringing together our members, representatives from other public agencies, and stakeholders from the private, nonprofit, and philanthropic sectors to collaborate on innovative practices and successful solutions for connecting more of our customers to gainful employment and sustainable careers.

Perspectives on the Human Services System

APHSA and its members have a long-standing interest in assuring that all human services programs provide positive and lasting impacts both for the populations they serve and for the nation at large. We commend the Subcommittee for this series of hearings on how we can better address poverty, strengthen work engagement, and build the capacity of individuals and communities. We are especially pleased that you have addressed improving the evidence base in human services, investing in what actually works, and securing meaningful and sustainable returns on the investments we do make. APHSA's *Pathways* initiative is our member-driven set of policy and practice recommendations that promotes these and related values and ways we can practically implement them.

Through *Pathways*, we are actively working to create a transformed human services system that can lift individuals toward greater independence and health, add value to communities, and strengthen families while reducing costs to taxpayers. Thriving communities depend on healthy individuals and strong families, sufficient income to meet needs, and educational and skills attainment that leads to sustainable employment. When the circumstances that enable these critically important outcomes are more widely available – without regard to where families live, or their histories, or what disruptions occur in their lives – the nurturing and successful communities that result benefit us all.

Pathways is designed around enabling our customers to achieve four significant outcomes: stronger families and communities; healthier individuals; the sustained well-being of children and youth; and

gainful employment and greater independence. Among these four outcomes, gainful employment and the many benefits that flow from it have long been a key priority.

To help more Americans attain gainful employment, our members recommend some TANF reforms that I will share today. However, I will first focus on a larger set of concerns about the human services system as a whole that must be addressed before changes to any single program can have sustained and meaningful impact. Our members administer TANF and other human services programs on behalf of what are often the same populations who want to achieve the same broad outcome goals I have just cited. For the most part, these programs exist alone: they came into being at different times and for different purposes; are overseen by different federal agencies; are usually limited to narrowly defined populations; and are typically complex, unaligned with each other, and judged by how well they meet numerical process standards rather than how well they actually serve customers and taxpayers.

This frequent absence of integration, reasonable levels of flexibility, broad measures of meaningful outcomes, and aligned policies and funding all significantly curtails effective use of the human services system's limited financial and administrative resources for critical common goals, especially gainful employment and the bridge supports it requires.

Examples within human services include child support, the Supplemental Nutrition Assistance Program (SNAP), child care assistance, and housing assistance; all help enable working parents to get a job and successfully maintain it, but all are very different in their approach and reach. Beyond our direct purview are the Earned Income Tax Credit and other tools that enable savings, asset-building, and otherwise strengthen financial capacity; training programs through the Department of Labor; and the many education and training initiatives provided by community colleges, other parts of the education system, and private business. So long as these programs touch different eligibility groups using unique funding streams, different rules, and separate measures of success – all the while having the same basic goal of greater and more successful attachment to work – we will continue failing to use our funds and talents to the best effect.

How a More Integrated and Effective System Should Look

An integrated, outcomes-focused approach would allow all these systems to work together in:

- enabling sustainable employment outcomes;
- delivering tailored services at the right time and for the right duration;
- being accountable for real impacts and social return on investment;
- encouraging strong partnerships that can leverage other sectors and community resources to achieve collective impact; and
- encouraging and rewarding widespread testing and prompt implementation of sound, bold, and innovative solutions.

We recognize that the Workforce Innovation and Opportunity Act (WIOA) and its recently issued draft regulations provide encouraging opportunities to advance on some of these fronts. As we continue our analysis of WIOA's new rules, we sincerely hope they will contribute to more effective integration between human services and its workforce partners and to leveraging resources and expertise on behalf of all those needing workforce services. We are encouraged that WIOA can help achieve the following:

- a truly aligned set of outcome measures that will evaluate all work engagement programs, including TANF, on their customers' sustainable progress along a career path;
- the state option to include TANF and SNAP in unified planning for work engagement;
- greater emphasis on the ability to identify and pursue career pathways;
- clarified definitions of the eligibility of certain populations, such as the homeless and people with disabilities; and
- greater emphasis on adult education and on-the-job training.

As we examine the potential improvements we hope WIOA can make, TANF will continue as a tool available to support our work engagement goals. TANF has done much over the years to assure the well-being of our children and families by moving parents into the workforce and toward greater independence. The program's underlying flexibility that allows it to play multiple roles in addressing its general goals – keeping children in their own homes, forming and maintaining two-parent families, and promoting job preparation and work – must be retained and strengthened. TANF has especially made possible highly cost-effective “light-touch” supports and early interventions such as one-time payments for rent, overdue utility bills, or car repair, and similar bridge assistance that gets families past temporary setbacks and avoids unnecessary and far more costly crises down the road.

Specific TANF Recommendations

However, TANF has shortcomings that must be addressed if it is to succeed among the rapidly changing realities evident in the economy, technology, social structures, and demographics. TANF must change so that it can:

- Move from participation that counts to engagement that matters.¹ Despite its block grant nature, TANF's Work Participation Rate (WPR) restrictions focus far too much on activity and process and too little on meaningful customer results. Much the same is true for its 90 percent participation requirement for two-parent families. States should at the least have the ability to opt into performance measurements based on employment entry, retention, and advancement rather than the current process-focused activities of the WPR.
- Engage with families based on the services and activities that are right for them at the time; e.g., what is needed for a family with small children may be job training hours leading to eventual employment that is part-time, or with the flexibility of hours that match their children's school hours.
- Leverage resources and partnerships beyond TANF, especially those now housed under WIOA and other programs in Labor and Education, including post-employment supports to move a participant along a career pathway and assure sustainable employment.
- Consider the needs of the whole family – over both generations – when developing person- and family-centered engagement plans that lead to successful outcomes, such as the increased risks to children in many TANF families that reduce their likelihood of graduating from high school.
- Quickly identify barriers such as chemical dependency and behavioral health issues so participants can access services appropriate to addressing such barriers – a need difficult to serve under current WPR restrictions.

¹ See Washington State's WorkFirst Subcabinet report: *Resetting Washington's Workfirst for the 21st Century* (January 2011).

- Modernize our service delivery approaches and analytical tools – e.g., use predictive tools to identify at-risk families earlier, understand the impact of low executive functioning, incorporate new findings from brain science telling us that the stresses of inadequate income lead to poor long-term decisions, and tailor services more effectively to low-skilled and under-skilled groups.
- Support assistive technologies for workers with disabilities and other modern technological tools and applications that can let hard-to-serve populations compete more successfully in the workforce.
- Take full advantage of linkage opportunities that arise in other programs, such as the recently reauthorized Child Care and Development Block Grant Act requires partnerships with other sectors to provide coordinated consumer education and information on other economic support programs – efforts that can address challenges more holistically with minimal administrative burdens.

Short of a new accountability structure, there are changes to the WPR that would help better direct energies to the goal of employment and retention, including:

- Recognizing the role of education in employment success by allowing educational and vocational training to count beyond the limit of 30 percent; consider exempting participants successfully participating in designated career pathways programs from WPR.
- Extending the time required to successfully complete substance abuse treatment or mental health counseling to match the realities of the time it takes for some parents to successfully complete.
- Providing appropriate proportional credit to individuals and families for any activity that moves them toward TANF's goals, for example part-time work, leaving the program due to getting a job, and enrolling in English as a Second Language classes.
- Providing a mechanism for lifting the current 12-week limit for job search during a recession to match the reality of what it takes to get a job during tough economic times.
- Revamping the verification requirements to avoid unnecessary time spent collecting paperwork instead of working directly with families in job search, retention and progression.
- Removing WPR's incentives to identify as few customers as possible as "work eligible" even when they may be borderline or capable of working limited hours.

Modernizing TANF in these ways is an important step in ensuring that more Americans can attain gainful employment and move their families out of poverty. I would like to cite a few examples from our members that show how these principles can be applied in practice. While these examples are certainly successful, current rules keep them limited in scope and difficult to scale up and maximize their impact.

Utah has improved the state's ability to connect its TANF customers more effectively to the workforce through two recent initiatives, one that assesses the impacts of intergenerational poverty and a second that strengthens its workforce alignment tools. The state's new five- and 10-year plan to mitigate intergenerational poverty – in which children remain in the same situation as their parents – helps families overcome those barriers by addressing better health care, child abuse and neglect, language proficiency, and a number of other skills and capacity issues. Utah has found this a complex yet surmountable challenge – one that is beginning to yield results through this coordinated and holistic approach. The state's workforce alignment initiative, known as the Cluster Acceleration Partnership, brings together education,

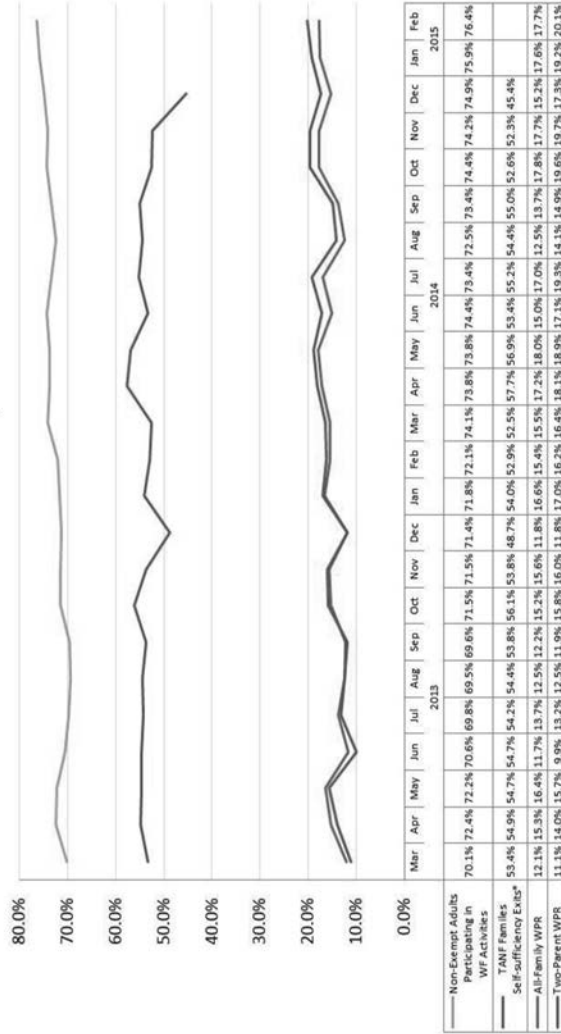
workforce/economic development, and the business community to train students in high-demand skills.

Washington State is using a WorkFirst Engagement index that highlights the differences between engaging in activities designed to eliminate barriers and move people to work, and participating in a narrowly defined set of activities or hours regardless of circumstances. I have attached a recent graphic from the state dramatically illustrating these differences in performance. Washington is also embracing a whole-family (two-generation) approach – focusing on stabilization, family dynamics, and employability – that allows the agency to intervene earlier when barriers are present that will diminish the possibilities of success. If families in crisis are not first stabilized, they will likely have little chance of doing well in the job market and workplace.

While we encourage Congress to take up TANF reauthorization, we strongly urge you to undertake this task as I have outlined here – that is, refashion and modernize the program in the context of broader workforce engagement systems and move beyond technical modifications that do not address the serious concerns our members have raised. APHSA and its members will be glad to work closely with you to develop the details of these proposals.

Mr. Chairman and members of the Subcommittee, thank you again for this opportunity. I look forward to answering any questions you have and to continuing this important dialogue.

Monthly WorkFirst Engagement Index March 2013 - February 2015



*Self-sufficiency exits are for increased income or at customer request that lasted three or more months. Data for the most recent two months is not yet available due to the three-month time frame.

Chairman BOUSTANY. Thank you very much, Ms. Wareing. Ms. Pavetti, you may proceed.

**STATEMENT OF LADONNA PAVETTI, VICE PRESIDENT FOR
FAMILY INCOME SUPPORT POLICY, CENTER ON BUDGET
AND POLICY PRIORITIES**

Ms. PAVETTI. Thank you for the opportunity to testify today. I am LaDonna Pavetti. I am Vice President for Family Income Support at the Center on Budget and Policy Priorities. I have spent most of my career studying TANF programs and working in States to help improve them. In my testimony today, I am going to first provide five key facts that demonstrate how little TANF does to help families find work and escape poverty, then I will suggest policy changes to improve the program.

First the facts. Number one, TANF provides cash assistance to very few needy families. When TANF was enacted, 68 families received assistance for every 100 families in poverty. That number has since fallen to just 26 families for every 100 families. And in 10 States, fewer than 10 families receive cash assistance for every 100 families in poverty.

Fact number two: TANF lifts many fewer children out of deep poverty than AFDC did. The share of children living in deep poverty has increased since welfare reform was implemented and research suggests that the loss of TANF benefits has contributed to that growth.

Fact number three: States spend little of their TANF funds to help improve recipient's employability. One of the key ideas behind block granting TANF was that if States had more flexibility, they could use the funds previously used for cash grants to help recipients find jobs, and to cover the cost of work supports like child care. However, this is not what States did. In 2013 States spent only 8 percent of their TANF funds on work activities, and only 16 percent on child care.

Number four: Most of TANF's early employment gains have since been lost. Employment among never-married mothers with limited education peaked in 2000, 14 years ago and has fallen considerably since then. Since 2000, never-married mothers have been just as likely to work as comparable single women without kids.

Fact number five: The successive work program is vastly overstated. Studies completed in welfare reform's early years are often used to tout the success of programs that encourage recipients to get a job quickly rather than taking the time to increase their skills so they can get a better job. The problem is that the studies are decades old and they did not lead to steady employment for most participants. In one of the programs deemed most successful, only 38 percent of the participants were employed steadily. More recent rigorous studies demonstrate the training is effective. Evaluations of at least three different training programs show that earnings increased by 27 to 32 percent in the second year after participants commenced.

Now I would like to turn to a discussion of how to make TANF a better program. In developing my recommendations, I considered two questions: First, what do we want States to do that they are not doing now? And second, what changes would encourage them

to move in that direction? My answer to the first question is that we want States to provide assistance to families in need and we want them to support multiple pathways to work that take into account individual strengths and limitations, and not just focus on meeting work rate.

So what changes could Congress make that would help move States in this direction? I will focus on four recommendations here and have additional recommendations that echo many of the recommendations of my colleagues on the panel in my written testimony.

First, require greater investments in work activities. If States don't spend more on work activities, it is hard to see how we will improve TANF work programs. All States could be required to spend a specified portion of their TANF dollars on work activities. And rather than paying penalties, States that do not meet performance measures could be required to invest additional funds from work activities.

Second, establish a demonstration project that encourages State experimentation. This demonstration could build on the bipartisan demonstration project that Congress created to encourage States to do the same thing with SNAP recipients.

Third, redesign the TANF contingency fund to focus on subsidized employment and training. The recent recession exposed serious flaws in the design of the contingency fund, which is unnecessarily complicated and poorly targeted to achieve its purpose. It is one of the funds we could use to actually do something better.

And fourth, identify ways to integrate TANF work programs into the broader workforce system. Last year Congress passed bipartisan workforce legislation that emphasized coordination, training participants for today's labor market, and serving those in need. Those same principles should be applied to TANF so that the two systems are in sync with one another.

Finally, I think it is important to keep in mind that TANF is part of a larger safety net that plays a critical role in supporting families when they go to work. Success in TANF will require that those supports are in place. We have learned a lot over the last 18 years about what does and doesn't work in TANF. We should use that knowledge to create a more effective system that will build parents' capabilities and will provide a brighter future for our children with a future of kids that are served by TANF and hopefully for those who are not served by TANF now, but should be. Thank you.

[The prepared statement of Ms. Pavetti follows:]



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April 30, 2015

**Testimony of LaDonna Pavetti, Ph.D.
Vice President, Family Income Support Policy,
Before the House Ways and Means Committee,
Subcommittee on Human Resources**

Thank you for the invitation to testify today. I am LaDonna Pavetti, Vice President for Family Income Support at the Center on Budget and Policy Priorities, a policy institute located here in Washington. I conducted some of the very first studies on the implementation of welfare reform and now spend most of my time working with state administrators and local and state non-profit organizations to improve the program.

My testimony today will cover three topics. First, I will provide five key facts that demonstrate how little TANF does to help families find work and escape poverty. Then, I will suggest policy changes to improve TANF's ability to reach families in need and improve their employment prospects. I will conclude with evidence of the safety net's important role in supporting and encouraging work.

Five Key Facts about TANF Programs

We have observed over the last 18 years how TANF performed in both good and bad times. The labor market was extraordinarily strong in TANF's early years, while in more recent years it has been one of the worst on record. When assessing TANF's accomplishments, it is important to consider how it has performed over the full period. Proponents use data from TANF's early years (through 2000) to tout TANF as a resounding success, but that view ignores what has happened during the last 14 years.

To be sure, TANF's early years were marked by unprecedented declines in the number of families receiving cash assistance — and unprecedented increases in the share of single mothers working, especially those with a high school education or less. But since then, TANF's record has been dismal. TANF provides basic assistance to few families in need and responded only modestly to the significant increase in unemployment nationally during and after the Great Recession — and not at all in a number of states, including some of those hardest hit.

Taking into account the full 18 years of TANF's history, here are five key facts that I would encourage the Committee to keep in mind in considering how to improve TANF programs to help more families find work and escape poverty:

- TANF provides cash assistance to very few needy families.

- TANF lifts far fewer children out of deep poverty (incomes below *half* of the poverty line) than its predecessor, Aid to Families with Dependent Children (AFDC), did.
- States spend little of their TANF funds to help improve recipients' employability.
- Most of the early employment gains among never-married single mothers after TANF's creation have been lost.
- The success of "work first" programs, which emphasize getting participants into the labor market quickly, is vastly overstated. Although employment increased, the vast majority of were not stably employed.

Below, I provide more detail on each of these key facts.

Fact #1: TANF Provides Cash Assistance to Very Few Needy Families

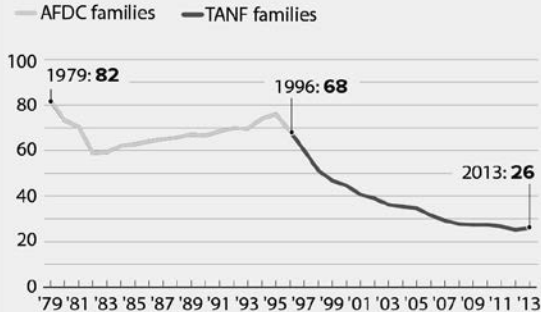
Over the last 18 years, the national TANF average monthly caseload has fallen by almost two-thirds — from 4.7 million families in 1996 to 1.7 million families in 2013 — even as poverty and deep poverty have worsened. The number of families with children in poverty hit a low of 5.2 million in 2000, but has since increased to more than 7 million. Similarly, the number of families with children in deep poverty hit a low of about 2 million in 2000, but is now above 3 million.

These opposing trends — TANF caseloads going down while poverty is going up — mean that TANF reaches a much smaller share of poor families than AFDC did. When TANF was enacted, nationally, 68 families received assistance for every 100 families in poverty; that number has since fallen to just 26 families receiving assistance for every 100 families in poverty. (See Figure 1.) And, in a number of states, TANF provides cash assistance to a much smaller share of poor families than the national data suggest. In ten states, *fewer than 10 families* receive cash assistance for every 100 families in poverty.

FIGURE 1

TANF's Role as a Safety Net Has Declined Sharply Over Time

Number of families receiving AFDC/TANF benefits for every 100 families with children in poverty



Source: CBPP analysis of poverty data from the Current Population Survey and AFDC/TANF caseload data from Health and Human Services and (since 2006) caseload data collected by CBPP from state agencies.

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Fact #2: TANF Lifts Many Fewer Children out of Deep Poverty Than AFDC Did

The share of children living in deep poverty has increased since welfare reform was implemented, and research suggests that the loss of TANF benefits contributed to that growth. TANF benefits are too low to lift many families out of poverty, but they can reduce the *depth* of poverty. Unfortunately, TANF has proven far less effective at lifting families out of deep poverty than AFDC, mostly because fewer families receive TANF than received AFDC. (The erosion in the value of TANF benefits also contributed.) While AFDC lifted more than 2 million children out of deep poverty in 1995, TANF lifted only 629,000 children out of deep poverty in 2010. (See Figure 2.)

FIGURE 2

Researchers Luke Shaefer and Kathryn Edin have found that the number of households with children with monthly cash incomes equivalent to less than \$2 per person per day, a standard of poverty more associated with third-world countries, has more than doubled since 1996.¹ Counting the value of tax credits and non-cash benefits — housing assistance, tax credits, and SNAP (formerly food stamps) — lowers these numbers considerably, but the growth in extremely poor households with children remains troubling: a 50 percent increase, to 613,000 families in 2011. This measure of extreme poverty rose “particularly among those most impacted by the 1996 welfare reform,” Shaefer and Edin found.

TANF* Lifts Many Fewer Children out of Deep Poverty** Than AFDC Did

TANF (2010)

Lifted 24% of children who otherwise would have been in deep poverty

629,000
children

AFDC*** (1995)

Lifted 62% of children who otherwise would have been in deep poverty

2,210,000
children

*Temporary Assistance for Needy Families

**Deep poverty = Income less than 50 percent of the federal poverty line

***Aid to Families with Dependent Children

Source: CBPP analysis of Current Population Survey, additional data from HHS TRIM model.

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Fact #3: States Spend Little of Their TANF Funds to Help Improve Recipients' Employability

One of the key reasons for block granting TANF was to give states greater flexibility to help cash assistance recipients find and maintain work so they would no longer need assistance. The idea was that if states had more flexibility, they could use the funds previously used for cash grants to help recipients find jobs and to cover the costs of work supports like child care and transportation.

¹ H. Luke Shaefer and Kathryn Edin, “Extreme Poverty in the United States, 1996 to 2011,” National Poverty Center Poverty Brief #28, February 2012, http://www.npc.umich.edu/publications/policy_briefs/brief28/policybrief28.pdf.

While states modestly increased spending in these areas in TANF's early years, however, they have not sustained the increases.

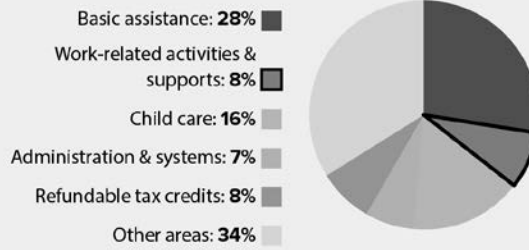
Overall, states spent only 8 percent of their state and federal TANF funds on work activities in 2013 (see Figure 3), with 14 states spending less than 5 percent. States spent 16 percent of these funds on child care, with 13 states spending less than 5 percent. States spent about a third of their TANF funds on other services such as child welfare, early education, afterschool programs, and pregnancy

prevention programs. States are required to document how they spend their state and federal TANF funds, but there are no performance standards to measure whether those investments have resulted in improved outcomes for children or families.

FIGURE 3

Only About 8 Percent of Federal and State TANF Dollars Went to Work-related Activities in 2013

Spending by category



Note: Total does not add to 100% due to rounding

Source: CBPP analysis of HHS 2013 TANF financial data

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Fact #4: Most of TANF's Early Employment Gains Have Since Been Lost

The employment situation for never-married mothers with a high school education or less — the group of mothers most affected by welfare reform — has changed dramatically over the last several decades. In the early 1990s, when states first made major changes to their cash welfare programs, only about half of these mothers worked — a much lower share than among single women *without* children who had similar levels of education. This large employment gap suggested that there was substantial room for these never-married mothers to increase their participation in the labor force.

By 2000, the employment gap between these two groups of women closed, and it has not reopened. But in the years since, the employment rate for both groups has fallen considerably. (See Figure 4.) The employment rate for never-married mothers is now about the same as when welfare reform was enacted 18 years ago. This suggests that limited employment among never-married mothers reflects the economy and low education levels, not the availability of public benefits or anything particular to never-married mothers.

The increase in labor force participation among never-married and other single mothers that occurred in the 1990s is often cited as a major accomplishment of welfare reform. Rigorous research suggests, however, that a strong labor market and the expansion of the Earned Income Tax Credit (EITC) played an even greater role. A highly regarded study by University of Chicago economist Jeffrey Grogger found that welfare reform accounted for just 13 percent of the total rise in employment among single mothers in the 1990s.² The EITC

(which policymakers expanded in 1990 and 1993) and the economy accounted for 34 percent and 21 percent of the increase, respectively. Grogger also finds that welfare benefit levels accounted for an additional 7 percent of the increase, but this variable captures state-level variation in benefit levels that is unrelated to welfare reform.

The growing gap between the number of single parents who are not working and the number of families receiving TANF also shows TANF's limited reach to families in need. In 1995, the number of families receiving cash assistance in an average month exceeded the number of single mothers who were not employed over the course of the year. By 2013, the number of unemployed single mothers was more than 2.4 times the number of families receiving TANF in an average month. This gap was considerable even before the recession, but it grew substantially during the years of, and just after, the recession. (See Figure 5.)

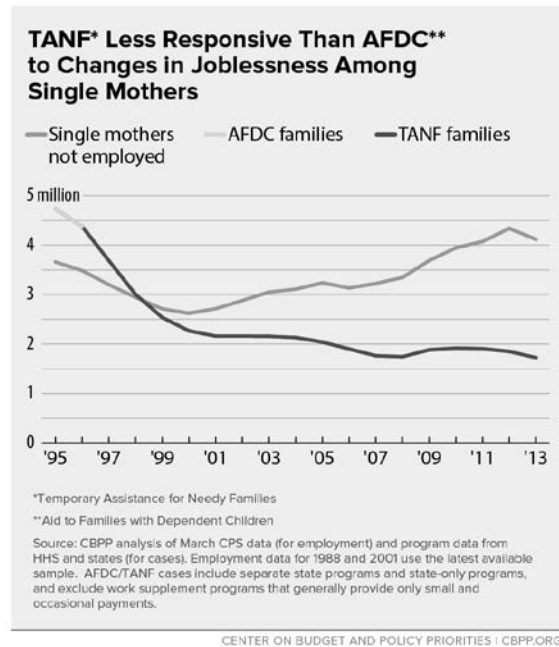
FIGURE 4



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² Jeffrey Grogger, "The Effects of Time Limits, the EITC, and Other Policy Changes on Welfare Use, Work, and Income among Female-Head Families," *Review of Economics and Statistics*, May 2003.

FIGURE 5



Fact #5: The Success of “Work First” Programs Is Vastly Overstated

While there is evidence from several rigorous randomized control trials that “work first” programs significantly increased employment among welfare recipients, those studies are decades old, and what the programs did and did not accomplish is not well understood. In addition, today’s labor market is very different than the booming labor market of the 1990s.

Rigorous evaluations of work first programs in Portland, Oregon and two locations in California (Los Angeles and Riverside), conducted prior to welfare reform and in its early years, found that individuals randomly assigned to the programs were significantly more likely to be employed than those not assigned to participate.³ However, the majority of the program participants were not *stably* employed, defined as having earnings in four consecutive quarters. For example, in the Portland

³ Stephen Freedman *et al.*, “The Los Angeles Jobs-First GAIN Evaluation: Final Report on a Work First Program in a Major Urban Center,” MDRC, June 2000, http://www.mdrc.org/sites/default/files/full_568.pdf; Gayle Hamilton *et al.*, “How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs,” MDRC and Child Trends, December 2001, http://www.mdrc.org/sites/default/files/full_391.pdf.

program, just 38 percent of participants were stably employed; the comparable percentages for the Riverside and Los Angeles programs were 26 and 27 percent, respectively.

The context in which TANF employment programs operate today suggests the need to move beyond work first. Unemployment is high and the employment prospects for less-educated individuals are more limited than in the 1990s. By 2020, 65 percent of all jobs will require postsecondary education and training beyond high school, with 35 percent requiring a bachelor's degree and 30 percent requiring some college or an associate's degree, a study by the Georgetown Center on Education and the Workforce estimates. At the current rate, the United States will have 5 million fewer workers with these education levels than the economy will need, according to the study.⁴

Research shows that additional education or training can yield substantial earnings gains – which means that participants with more education or training will need less government assistance to meet their basic needs. Some recent studies find that one additional year of schooling can lead to earnings gains averaging 10 to 15 percent per year.⁵ Shorter-term post-secondary training, e.g., certificate programs that require less than two years of training, also has been shown to have valuable returns. Recently, professional certification or license holders earned more than those without these credentials at each level of education below a bachelor's degree.⁶ Post-secondary training programs that result in credentials related to technology, licensure, and in-demand occupations have shown particularly positive outcomes.⁷

In addition, several recent randomized control trials suggest that alternative approaches may produce substantially better outcomes than the early work first programs. For example, Building Nebraska Families, a home visiting program that focused on working with participants to set goals and build life skills (such as time and financial management skills), produced substantially larger impacts on stable employment than the most successful work first programs. The program boosted stable employment (defined as remaining employed for 12 consecutive months) by almost 17 percentage points, to 46 percent.⁸ Recent rigorous evaluations suggest that training programs also can produce significant earnings increases, although there is sometimes a short lag before program participants reap the benefits of training.

For example, a randomized control trial of a 15-week computer repair training program showed a 32 percent (\$4,700) increase in earnings in the second year of the study. A comparable study of a

⁴ Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, *Recovery: Job Growth and Education Requirements through 2020*, Georgetown Center on Education and the Workforce, 2013.

⁵ C. Goldin and L. F. Katz, *The Race between Education and Technology*, The Belknap Press, Cambridge, MA, 2008.

⁶ S. Ewert and R. Kominski, "Measuring Alternative Educational Credentials: 2012," U.S. Census Bureau, 2014.

⁷ H. J. Holzer and R. I. Lerman, "The Future of Middle-Skill Jobs," Brookings Institution, 2009, http://www.brookings.edu/~media/research/files/papers/2009/2/middle%20skill%20jobs%20holzer/02_middle_skill_jobs_holzer.pdf; L. S. Jacobson, R. J. LaLonde, Sullivan, "Estimating the Returns to Community College Schooling for Displaced Workers," *Journal of Econometrics*, 125(1-2), 2005, <http://repec.iza.org/dp1017.pdf>; C. Jepsen, K. Troske, and Paul Coomes, "The Labor-Market Returns to Community College Degrees, Diplomas, and Certificates," University of Kentucky Center for Poverty Research Discussion Paper Number 2009-08, 2009, <http://www.ukcpr.org/Publications/DP2009-08.pdf>.

⁸ Alicia Meckstroth *et al.*, "Teaching Self-Sufficiency Through Home Visitation and Life Skills Education," *Trends in Family Programs and Policy, Issue Brief #3*, Princeton, NJ: Mathematica Policy Research, 2009.

program that worked with employers to train individuals for construction, health care, and (to a lesser extent) manufacturing jobs led to a 27 percent (\$6,300) increase in earnings in the second year.⁹ A recent study of a year-long program for young adults that included classroom training and a paid internship increased earnings in the second year by 30 percent (\$3,500).¹⁰

Recognizing the changing labor market and the payoffs from additional education and training, last year Congress passed the Workforce Innovation and Opportunity Act (WIOA) on a bipartisan basis to retool the nation's workforce system. The legislation shifted the focus of the workforce system to building a skilled labor force and addressing barriers that keep people from finding or maintain employment. TANF's work programs should also be retooled with those same goals in mind.

Creating TANF Work Programs that Improve Employment Outcomes and Promote Opportunity

The complexity and rigidity of TANF's work requirements has caused states to design their TANF work programs in ways that compromise, rather than promote, the goal of connecting parents to work. Since the work participation rate is the primary measure by which states' TANF programs are judged, states have designed their programs to maximize their success in meeting the work rate, often at the expense of actually helping the individuals with the largest employment barriers overcome those barriers and find jobs. Yet these are the individuals who have the most to gain from more extensive employment assistance.

Moreover, monitoring TANF recipients' work participation is burdensome and costly for states. States are required to track and document *every hour* of every recipient's participation. This means that states devote significant staff time to tracking hours rather than providing direct service to individuals that could improve their prospects for securing employment or make them more job-ready.

State TANF programs are built around an expectation of work, and many states argue that they could operate more effective work programs if they had more flexibility. Congress has several options to make TANF work programs more effective. The goal should be to bring TANF's focus to *work*, not just work *rates* (or, as one state put it, to move "from participation that counts to engagement that matters"). Those options include:

- **Require greater investments in work activities.** One way to strengthen TANF work programs is to require states to spend a specified share of their TANF resources on activities designed to prepare recipients for work. In addition, states that do not meet applicable performance measures should be required to invest additional funds in work-related activities. The current penalty structure *withdraws* federal funds from state TANF programs, further shrinking state resources to meet families' employment needs. Rather than pay a fiscal penalty, a state that fails to meet performance measures should be required to increase the

⁹ Carol Clymex *et al.*, "Tuning In to Local Labor Markets: Findings From the Sectoral Employment Impact Study," Public/Private Ventures, 2010.

¹⁰ Anne Roder and Mark Elliott, "A Promising Start: Year Up's Initial Impacts on Low-Income Young Adults' Careers," Economic Mobility Corporation, 2011.

share of its state and federal TANF spending that goes to work-related activities for families receiving assistance.

- **Establish a demonstration project that encourages states to experiment with new approaches to increasing employment among TANF recipients.** Some states are eager to redesign their TANF employment programs to make them more effective but are concerned about the potential impact on the TANF work participation rate. Building on the bipartisan demonstration project Congress created to encourage states to experiment with alternative approaches to improve the work outcomes of SNAP recipients, Congress could establish a demonstration project to encourage a new round of innovation in TANF work programs. To encourage increased investments in work, in order to participate they could be required to spend an increased share of their TANF funds on activities that are designed to prepare recipients for work. Participating states also would have to agree to participate in a rigorous evaluation and measure employment outcomes for all recipients. The purpose of the demonstration project would be to encourage states to adopt evidence-based practices and to produce new evidence of what works best and for whom.
- **Redesign the TANF Contingency Fund to focus on subsidized employment and training.** The Contingency Fund was created to provide states with additional resources during hard economic times. The recent recession exposed flaws in the design of the fund, which is unnecessarily complicated and poorly targeted to achieve its purpose. The fund could be redesigned to provide additional resources to states that want to improve their work programs. In keeping with its original purpose to help states during hard economic times, we suggest redesigning the fund to encourage states to operate subsidized employment programs for recipients who have been unable to find jobs. A portion of the fund could also be set aside to train TANF recipients for high-demand occupations or to support the development of two-generation approaches aiming to improve outcomes for parents and children simultaneously.
- **Integrate TANF work programs into the broader workforce system.** In many states, TANF work programs operate entirely separately from the broader workforce system. When Congress replaced the Workforce Investment Act (WIA) with WIOA, it created a framework to promote greater coordination and collaboration among several agencies that provide similar services. To encourage greater coordination among the WIOA and TANF systems, Congress could: (1) deem participation in a WIOA-funded project as meeting an individual's TANF work requirement and (2) allow TANF agencies that become full partners in the One Stop Career Centers to measure their performance using the WIOA performance measures instead of the TANF work participation rate. Meeting the TANF work participation rate imposes an extra burden (and hence extra costs) on workforce programs, discouraging agency collaboration and making workforce programs reluctant to serve TANF recipients.
- **Focus states' incentives on improving actual employment placements.** Under the current work rate and caseload reduction credit, a state gets no more recognition for preparing and placing a recipient in employment than it does for simply excluding a family from its caseload and giving it no employment help at all. States should receive credit for successful employment outcomes, not for failing to serve needy families and children. Possible steps include: (1) eliminating the caseload reduction credit or limiting how many percentage points of credit a state can use to reduce its work rate; (2) providing an employment credit in lieu of the caseload reduction credit; or (3) allowing a state to count persons who have left TANF for employment toward the work rate for a period of time.

- **Simplify the work requirements and reduce paperwork burdens.** Part of the tremendous amount of staff time that states spend tracking what activities can count toward the work rate and how many weeks or months of participation individuals have already used — as well as verifying every hour of participation in each activity — could better be spent focused on improving actual employment outcomes. Simplification efforts could include: (1) streamlining countable activities by easing complex limits on when certain activities can count, including limits on job search/job readiness and the distinction between core and non-core activities; and (2) allowing participation in more education activities to count based on documentation of enrollment and satisfactory progress.
- **Redesign the work measures to support engagement of all recipients in activities that will prepare them for work, including job readiness and education and training activities.** A work measure that recognizes state efforts to address the full range of work-preparation needs of the TANF caseload would give states credit for a broader array of activities and for various levels of engagement. Within the context of the current work requirements, changes that would further this goal include: (1) allowing a wider range of activities, including those addressing serious barriers to employment, to count (separate from the job search/job readiness category, which has severe restrictions); (2) lifting certain limits on when particular activities, like vocational education or job search, can count; (3) easing restrictions that make participation in education programs difficult; and (4) allowing partial credit for recipients who are engaged in activities for less than the required 20 or 30 hours per week.

The Importance of Maintaining a System of Work Supports

TANF is part of the larger safety net that plays a critical role in supporting families when they go to work. Those supports need to remain available to working families to help them make ends meet. Extensive research finds that the EITC is particularly effective at increasing work effort among single mothers.¹¹ It is widely considered one of the most effective policies for increasing the work and earnings of female-headed families and has been a key factor behind the large increases in work among single mothers since the early 1990s. Moreover, one study shows that raising low-income families' incomes produces significant benefits for the *next* generation — receipt of an additional \$3,000 when children are young results in an addition 135 hours per work per year when they become adults.¹²

Major improvements in the EITC and Child Tax Credit were enacted in 2009 and extended at the end of 2010 and 2012 but are scheduled to expire after 2017. These improvements lift 16 million people, including nearly 8 million children, out of poverty or closer to the poverty line each year, CBPP analysis of Census data shows.¹³ Thus, if they expire after 2017, some 16 million people will be pushed into or deeper into poverty — and we will lose the benefits that accrue to the next generation.

¹¹ Chris M. Herbst, “The labor supply effects of child care costs and wages in the presence of subsidies and the earned income tax credit,” 2009, www.chrisherbst.net/files/Download/C_Herbst_Labor_Supply_Effects.pdf.

¹² Greg Duncan and Katherine Magnuson, “The Long Reach of Early Childhood Poverty,” *Pathways*, 2011, https://web.stanford.edu/group/scspi/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf.

¹³ The improvements lifted 1.8 million people above the poverty line in 2013 and made another 14.8 million poor people less poor by lifting their average family income by close to \$1,000, based on the Supplemental Poverty Measure.

A recent landmark study of the impact of food stamp benefits on children provides further evidence of long-term impacts of income support and similar assistance. The researchers, led by economist Hilary Hoynes of the University of California at Berkeley, used the gradual roll-out of the Food Stamp Program in the early 1970s to compare poor children who had access to food stamps in the early 1970s with comparable poor children from counties that hadn't yet instituted the program. They examined records of these children for the subsequent decades and found that access to food stamps in early childhood (and the prenatal year) was associated with an 18 percentage-point increase in high school completion rates, lower rates of metabolic syndrome (obesity, high blood pressure, heart disease, and diabetes) in adulthood, and among girls, increases in "self-sufficiency" (using an index of education, earnings, income, and decreases in welfare receipt in adulthood).¹⁴

These studies demonstrate that the federal government has a critical role in increasing opportunity for the poor. In contrast, our experience with TANF shows that we cannot rely solely upon states to take on this responsibility. When states' cash assistance caseloads fell substantially in the late 1990s, states could have used some of the freed-up funds to increase recipients' employability. Instead, they made other choices, including using TANF funds to fill budget holes and to substitute for state funds they had previously used to provide assistance to poor families. If they wanted to increase opportunity now, they could do so by using more of their TANF funds to help TANF recipients and other low-income parents gain the education and skills they need to qualify for jobs that will help them escape poverty.

Finally, in light of the growing body of research on the importance of income — and the devastating impact of poverty — on children's early development, safety net programs other than TANF need to continue playing an extremely important role in reducing poverty and deep poverty. The evidence from TANF suggests that applying TANF-like changes (such as block granting) to other safety net programs would likely push more families into deep poverty and make some deeply poor families even poorer.

TANF reform is long overdue. We should fix its problems, not repeat its failures.

¹⁴ Hilary W. Hoynes, Diane Whitmore Schanzenbach, and Douglas Almond, "Long Run Impacts of Childhood Access to the Safety Net," NBER Working Paper 18535, 2012, www.nber.org/papers/w18535.

Chairman BOUSTANY. Thank you very much, Ms. Pavetti. We will now move to questions. I will begin here.

Ms. Smoot, first I want to start with an apology to you. You should not have had to wait all those years to get the kind of help that you really needed. We have to do a better job of aligning these programs, holding them responsible for actually helping people like yourself and others who are caught in this trap. And you deserve that, your kids deserve it, the taxpayers deserve to get value for what they are providing to help needy individuals. This is about individual lives trapped in a cycle of poverty. And we are just moving along at the same pace.

I think all of you in your testimony have put this out there about very important things that we could consider to reform the program. My background, I was a physician, so I dealt with individuals. And I like the idea of casework and individual approaches, the flexibility, take advantage of the potential, what each individual brings to the table, help them find their path, but put them on a path to growth. I think this is critical.

So Ms. Smoot, you spent 2 years in Job Corps, got a GED, and finally obtained a college degree all without being able to successfully land a stable job. During much of that time you were able to collect the benefits. Is that correct?

Ms. SMOOT. Yes.

Chairman BOUSTANY. So what do you think about the TANF program, as well as the other programs that you dealt with? What could we do to get more help, substantive help quickly to you and others who are in similar situations to get you back to working and supporting your family and achieving your dreams?

Ms. SMOOT. Well, going to America Works, that really helped me. Going to the Veterans' Group, that really helped me. It is all about getting either certifications for something you want to do or getting the education for something you want to do. I mean, I have seen girls go—well, some people go to programs and they go out there and they get jobs working at the Safeway, or Payless, or something making less than \$9 or \$10 an hour. Now, personally, getting off of public assistance, it is going to take you maybe \$15, \$16 an hour. The money—if you sit with \$10 an hour on PA, you are not going to get off that way, not unless you are working two or three jobs.

So I would say if somebody wanted to get off, they would have to find a position making that type of money or more. And I mean that is just right for me, because the position I have now is paying just about that much or more and I am hoping not to ever leave that position, but I like what I am doing. And I am hoping that whoever tries to get off likes what they are doing, because if you don't love your job, it is not a job to you. And what I am doing now, it is not only my job, the people I am around are my family, you can say. So I mean that—it is—it is nice.

Chairman BOUSTANY. So when you first got started and you were told, okay, you have to find work and—tell me a little bit more about the people trying to help you. Did they actually say, well, what do you want to do? What do you picture yourself doing? How can we help you get there? Did they give you options, you know, on a way to grow into a career rather than simply take a

job at a convenience store or something like that to get minimum wage or slightly above minimum wage?

Ms. SMOOT. No, the only ones that really helped me was America Works, and that is why today I am where I want to be. Back then, I mean, I got my certificates, but I didn't have the training. I mean, I walked into an interview and she looked at my resume and said, you have never had a job. No, I had training, I had education, but I didn't have experience.

So the minute I got home I got the phone call saying I wasn't qualified. And that really hurt me to my heart not having the experience and then no one wanted to train me. And now, look. I got the experience, I had the certifications, and I have my position that I really want doing something I love.

Chairman BOUSTANY. It is a testament to your spirit that you just kept going through all that.

Ms. SMOOT. Yes.

Chairman BOUSTANY. Ms. Anderson, do you want to comment on what you just heard? This is quite a remarkable story.

Ms. ANDERSON. Well, I have been in this business too long. One of the things I learned early is that we tend not to line our programs up with people's interests, and we tend not to line our programs up with people's aptitudes. And we put people in jobs that they have no interest in, that they cannot see a future in, and they collapse and they don't stay.

One of the things I think that I learned early and we are trying to put in our programs is that people need to be in a job that they enjoy and that they can see a future in. If they don't see a future, they are not staying in that job, they are not giving everything they have. Now, I am an employer, and I tell my employees all the time, I want you to love what you are doing, because if you love what you are doing, you will give me everything you have. Why would I think different for people we have in our programs? And so the disconnect for me is that we say, I am going to put you in any job, and I believe that is the wrong move to make.

The other thing that we try to do is that if we look at the requirement on 12 months of training in Wisconsin, I can't get a person a good job with that simply because our jobs are manufacturing and high skills, and it takes 2 years.

Chairman BOUSTANY. Two years, yeah.

Ms. ANDERSON. So in 2 years I can get you an associate degree. You can become a machinist, you can become a carpenter. There are all kinds of skilled jobs that I can get you in 2 years that are high-paying jobs. In 12 months, I can hardly get you anything. And we have jobs in Wisconsin that are going open because we can't get skills to fill them. So what she said is what we are experiencing in our programs.

Chairman BOUSTANY. Yeah, we don't want a program that takes somebody trapped in a hopeless situation and moves them into a trap of just despair. You can either put them—you know, hopefully have programs that help them achieve some growth and a career track, something they can embrace as their own, be proud of, and to advance their own—

Ms. ANDERSON. I think what she also said is something that is subtle, her children are following her.

Chairman BOUSTANY. I know. I was getting ready to make that point. That is a very important point——

Ms. ANDERSON. Successful.

Chairman BOUSTANY. Because we have seen too many families now where you have multiple generations who get caught in the same trap. And so you have now, Sherrie, allowed your children to see a path and you have a tremendous hope of achieving the American Dream.

Thank you. I now yield to Mr. Doggett.

Mr. DOGGETT. Mr. Chairman, I think you made some good points, and it doesn't help to get someone out of one dead end and into another. Secretary Anderson, I think you just made that point as well.

Ms. Smoot, you were saying that really, to get by, you have to get up to the \$15-, \$16-, \$17-an-hour level, depending on where you are in the country to get what is considered to be not just a wage, but a liveable wage, right?

Ms. SMOOT. Yes.

Mr. DOGGETT. And there is no way you could get by on a minimum wage job, is there?

Ms. SMOOT. No.

Mr. DOGGETT. It won't keep food on the table and won't pay the rent. So often these programs seemed aimed at just getting somebody—just the numbers, just getting somebody into a temporary position. One of those jobs that you said might be at Payless or might be at Safeway sacking groceries, nothing dishonorable about that, but usually not a way that you can afford to keep paying the Safeway bill and the rent bill.

I was impressed by, though you came at it in different ways and I know there is not total consensus on this, but that each member of our panel from the different perspectives you bring all seem to be saying that our current TANF work participation rules, our requirement is flawed. I guess I would just begin with Dr. Pavetti and go across to each of you and ask you if you do agree that we need to modify the TANF work requirement to make it more focused on results and not just on a process? And should the bottom line performance measure be the number of TANF recipients who find and maintain a good job and how might that requirement be more adequately stated?

Ms. PAVETTI. I definitely think we should be focusing on——

Chairman BOUSTANY. Turn on your mike.

Ms. PAVETTI. I definitely think we should be focusing more on results than on process. I think that what we need to think about is, one of the things that I think is important is there is a difference between work requirements and imposing work requirements on individuals, and the work participation rate. And I have been in enough States that I don't think any State would move away from actually expecting people to either be in work or to be in training or to do something. I think that is very much a part of our culture. But I think what we measure needs to be what happens when people participate in that.

I think we really need to look at the workforce system so that we have a blending across and we are not treating TANF recipients differently than we are treating everybody else. And so I think

there is a need on the work requirements themselves, the activities, to make those simpler and also to look at exactly the measures that you indicated to come up with a better system.

Mr. DOGGETT. Thank you. Ms. Wareing.

Ms. WAREING. Yeah, I would echo what LaDonna has said. I think that there—you have to talk about have you been employed, have you had an opportunity—are you retained in that employment? There has to be some period of time where you continue to stay with a family, and what does your wage progression look like? I think it is interesting, I heard from one State that is looking at SNAP employment in training dollars, one of the States that was awarded those extra dollars from last year. They are looking at whether or not they can take families who actually transition off of cash assistance because they are employed, but following them because oftentimes they remain for a period of time receiving SNAP assistance.

So they are employed, receiving SNAP assistance and can they receive that continued case management that is so important to progressing through the job career pathway, could we tie that in? I think that is a fascinating idea, and one we have to watch closely as Washington is doing that.

Chairman BOUSTANY. Ms. Reynolds.

Ms. REYNOLDS. Great. Thank you for your question. I think accountability is key, and I agree with my colleagues that the end result needs to be focused on not the process. You know, so many programs that are aimed at combating social issues, infant mortality, financial success for families, they really measure indicators, you know. Instead of measuring how much we are reducing infant mortality, we just measure if somebody has a medical home and stop there, we say we want to get someone to a financially successful place and then we just measure if they have reduced their debt by 10 percent, which, if you have \$10,000 worth of debt and you reduce it to \$9,000, that is good, but you still have a long way to go so—

What I would encourage is outcome measures, really. What the impact is we want to have would be four things: First, getting people into jobs. I think it is really important to get people working. The second would be retention, keeping those jobs because it is one thing, like one of our colleagues, Sherrie, to get a job, it is a different thing to keep a job. The third though, and this is where case management can come in, is to build skills. We know those with more education, I am not talking 4-year degrees even, I am talking certificate programs, vocation programs, we know they are less likely to be in poverty. So help people build skills and then eventually getting people to a living wage job. And I believe that those accountability metrics as good case management supporting families during those steps would be great.

Mr. DOGGETT. Great. And I want to say as well I worked with Catholic Charities in San Antonio. They provided such important leadership on the needs of our immigrants, and the concern that many immigrant families, of course, we have many immigrant families that have American citizen children and other family members, and the work that I am sure you are doing in Tarrant County as well with our immigrant families is really important.

Ms. REYNOLDS. Thank you.

Mr. DOGGETT. Secretary Anderson.

Ms. ANDERSON. Well, I am going to take a slightly different turn. I think we should quit treating two-parent families differently than we treat single-parent families, and we do that a lot in this program. We have done that for at least 40 years. And I think the outcome of that is that we have more single-parent families than we do two-parent families. And a way in which we do that is around our work participation rating for single-parent families. So we should do all families the same, and eliminate the difference between the two-parent families. I think that would help.

I think the other thing that would be important is at least within our caseload, we have people who are ready to work, they just need skills. We also have people who have barriers, and those barriers are real important. And I think for those we need to figure out a way for our system to be incentivized to move people with long-term issues into the workplace, and that will be structurally different than people who we can send to a vocational education program. I think we have to come to grips, we have some families that the low-skill jobs are where they are going to be for the long term.

Mr. DOGGETT. Thank you.

Mr. Cove.

Mr. COVE. I just want to caution against us moving back toward the human capital approach for getting people jobs. Obviously, it differs from individual to individual what they are going to need to move them into a job and up in the job. But I used to argue with Senator Moynihan about this until he finally said to me, you are right, work first works better, then education and training and classrooms. And yes, education and training is terribly important and it should be there, because, as I mentioned in my testimony, it goes along with the employer and moving that person up in that job.

But we have to be very careful if we are going to say that everybody has to go into the best job possible. We have the earned income tax credit, we have many other supports that are there for individuals who are going into \$9- and \$10-an-hour jobs or even minimum wage jobs. I just want to caution, we don't want to go back there, and there is a tendency right now in this country to do that.

Mr. DOGGETT. Thank you. Thank you, Mr. Chairman.

Chairman BOUSTANY. No problem. Mr. Young.

Mr. YOUNG. Well, thank you, Mr. Chairman. I open again by—I want to tell Ms. Smoot how much her testimony affected me, it was gripping, it was touching. The level of motivation required to navigate this complex system that you had to deal with, it is very impressive that you persevered. Your level of motivation ought not be necessary in order to end up as one of the success stories.

In that sense, and because of the amount of time it took you to finally find a job that you saw offered a path forward, offered you a wage that made sense for you and your family, offered you opportunity and hope, in that sense, we have failed you, and so allow me to apologize as well and dedicate myself here today to trying to improve things however I can.

You did everything right. You listened to the experts. You took responsibility for actions, by your testimony and all accounts, and you played by the rules. So, clearly, we need to change some of those rules. And so, just thank you for being here very much. Impressive.

Ms. SMOOT. You are welcome.

Mr. YOUNG. Ms. Anderson, I would like to go back to the GAO report that our Ranking Member referenced in his opening remarks, highlighting the fact that the TANF program lacks incentives for large numbers of State and local TANF agencies to adopt and test promising approaches to help TANF cash assistance recipients gain employment. So it is a lack of incentives for these State and local agencies; that is the heart of the problem.

What might policymakers do to encourage more innovation within the TANF program and evaluation at the State and local levels to help more of these recipients attain jobs, attain employment, retain those jobs, develop more skills, and ultimately move themselves and their family out of poverty?

Ms. ANDERSON. Well, for me, we have a focus on work and skill development. They are not separate; they are together. You work.

So the way you are structured now is that the incentives are not to get people out of the program and into a job. You don't get any credit for that. You are getting credit for if I hold onto you in some way and support that.

We went to a pay-for-performance system, and we did two things. We looked at our food stamp population and said who were the people in there who were not in our program, and we went after them, so everybody thought we lost our minds. But we dropped our caseload because we have pay-for-performance systems and we pay our contractors to perform. You don't do the same thing for us.

In fact, if you look at the work participation rate failure across the country, the reason why people are failing for those States who are trying to get people jobs, they don't get credit for it. So if you just back up and start giving us incentives for putting people in jobs, I think you would have a complete turnaround.

Mr. YOUNG. Thank you. Thank you. So the focus on work and making sure that we have the outcomes right and we are rewarding the outcomes.

Ms. ANDERSON. Yeah. And there are a couple of things. You know, a lot of people go to work, but they still need a little help.

Mr. YOUNG. Right.

Ms. ANDERSON. But if we put them in a job where they don't need a subsidy and we still help them, the States get no incentive for that. And we view that when we put a person in a job and they come back to the agency like America Works and America Works is helping them to retain the job and then go up in the job, there is no credit for the State for that.

Mr. YOUNG. Thank you.

So, with roughly 1 minute left, I am going to give Ms. Reynolds an opportunity to take a crack at how we incentivize States, localities to be a bit more creative, to try new things, and then to evaluate those outcomes so that we all might learn from their best practices.

Ms. REYNOLDS. Yeah. I agree with a lot of what my colleague said. I feel like the Federal Government should hold the States accountable for outcomes, and those outcomes need to tie to job retention and then ultimately a career ladder where they are able to move from minimum wage to a little higher wage to ultimately living-wage employment based on geography as well as family composition.

Mr. YOUNG. Okay. Thanks.

I yield back.

Chairman BOUSTANY. I thank the gentleman.

Mrs. Noem, you are recognized.

Mrs. NOEM. Thank you, Mr. Chairman.

Ms. Pavetti, I was very interested in your testimony because it was news to me that a lot of States aren't utilizing a lot of their TANF dollars for workforce development. And I tend to be a person who usually sides on the side of the argument to give the States flexibility. So you give them block grants, you give them dollars to meet the needs that they have, because not every State is the same and not every population is the same; therefore, they can be more flexible and meet the needs of their people.

But if the States are making decisions that aren't investing in making sure that people can provide for their families and have a better future, then I think we have a real problem. And so I guess I would like to have you weigh in a little bit.

I come from South Dakota, so we have a very unique situation in that we have a very low unemployment rate. In fact, there are towns that have 15,000 to 25,000 people in them that have 1,500 to 2,000 open jobs. They are begging for people to move there and to work these jobs, and they will pay to train them to do that.

So if anybody wants to move to South Dakota, it is cold, but we will take you.

But we also have some Native American tribes that are the poorest in the Nation that have 90 percent unemployment. They are very isolated. They are in parts of the country that finding them a job would be extremely difficult. So we want programs to work for them and to give them skills and create economic development where it is needed, as well.

I guess I would like you to speak a little bit to, do you believe that the Congress should place some requirements on the States to invest in increasing workforce participation? And how do you see that coming down? What would be the best way to do that, while still maintaining some flexibility for the States to meet the needs of their people?

Ms. PAVETTI. I think if you don't mandate it States won't do it.

Mrs. NOEM. Why do you think that is? That seems to me—

Ms. PAVETTI. I think there are two reasons why States spend as little as they do on work and related programs.

One is because they serve very few people in TANF to start with. And the incentives are they get a caseload reduction credit, so if their caseload goes down, they have to put fewer people in work. So they don't need to spend it if they don't serve people. So there is that incentive.

And then the other incentive is that they can use the money to fill other budget holes. And we see States increasingly, and particu-

larly when they have constraints, they are shortening time limits, they are even serving fewer people, so they can move those resources to fill other things that the State would have paid for otherwise.

So there are lots of, sort of, incentives for States not to serve.

Mrs. NOEM. So you are saying they could move those dollars to——

Ms. PAVETTI. They can move them to pretty much——

Mrs. NOEM [continuing]. Early childhood development, things like that——

Ms. PAVETTI. Exactly.

Mrs. NOEM [continuing]. And that that is happening.

Is there a State out there that you can think of that is making the correct decisions?

Ms. PAVETTI. Well, I think States are—well, I will just tell you, I have the data for South Dakota.

Mrs. NOEM. Oh, that is great.

Ms. PAVETTI. Even though South Dakota, actually—South Dakota spends twice the share of dollars on work than the national average. So, even though they are a small State, they are actually investing.

I think there are States that are—the States are all over the map.

Mrs. NOEM. Yeah.

Ms. PAVETTI. So I don't think there is one State that points—some States are spending a lot on childcare; some States are spending none on childcare. But I think there isn't a message that says that work is what we want these dollars to go to.

So I think the way to actually make it happen is to have States be required to increase over time so they get to some point, so that you begin to, sort of, have those investments, to incentivize States that actually spend it, that they may be the ones that get the incentives.

And then the other piece, I think, is I really do think, if we maintain penalties, that is a problem, because what you do is you have States that don't meet the work requirement and then you take money out so they have even less requirement. So one thing could be to have States be required to spend more on work so that they begin to meet those metrics.

So I think that I wouldn't want to keep the work participation requirement, whatever that metric is. I think there are lots of different ways in which you could begin to incentivize States to have them move in that direction and spend more on work. And I think part of it has to be serving people who are in need——

Mrs. NOEM. Yeah.

Ms. PAVETTI [continuing]. So that you can't, sort of, just have States not serving anyone.

Mrs. NOEM. Ms. Anderson, could you weigh in on this a little bit? You spoke about incentivizing States to make the correct decisions. When they get more people in the workforce, in a long-term job situation, is there a way you think we can incentivize States to do that, as well?

Ms. ANDERSON. Well, I think you have to reward work. I mean, to me, it is pretty simple. We reward States' efforts in getting peo-

ple jobs. People go where the incentives are. A human animal is a pretty simple animal, you know. This is where the fruit is, that is where we are going to go.

Mrs. NOEM. Uh-huh.

Ms. ANDERSON. And so the way in which TANF is structured now, that is not where the fruit is. The fruit is someplace else.

Mrs. NOEM. Is there another program that does that that we could use as an example?

Ms. ANDERSON. I think the child support program actually does that. I mean, it is kind of strange that that would be the program, but the incentive system is around what the Federal Government says it wants, and that is where the incentives are, and that is what they pay for. And over in the collections part, where everybody is struggling, is where the most incentives are.

And so I think it is a good model for you to decide what your goals are, and then that is what you pay for. But paying for process, you need to stop that.

Mrs. NOEM. Okay.

Ms. ANDERSON. And the work participation rate is paying for process.

Mrs. NOEM. Appreciate it.

I am out of time. Thank you, Mr. Chairman.

Chairman BOUSTANY. I thank the gentlelady.

Mr. Davis, you are recognized.

Mr. DAVIS. Thank you very much, Mr. Chairman.

And I thank all of the witnesses for their testimonies and for being here.

Mr. Cove, you have put a lot of emphasis on getting a job and that that is what agencies are supposed to be able to do. And you also emphasized that your agency has been quite successful in terms of the numbers of jobs that you have been able to direct or acquire for people.

What percentage of those would you say were livable jobs, jobs that approach where Ms. Smoot might be?

Mr. COVE. The average wage at America Works, across the board, has been over \$10 an hour. That includes, obviously, as I mentioned before, other supports that the government provides.

Obviously, depending on what city you are in or what State, that may or may not be fully a livable wage. But it may well move you quickly, if things are organized properly, into what you would consider a living wage.

But I do consider work, any work, better than sitting home. And it is more money than sitting home.

Mr. DAVIS. I certainly agree that it is more money than no money.

Mr. COVE. Or than welfare.

Mr. DAVIS. And better than welfare.

So you are saying that, if the person is earning, say, \$10 an hour and there are some other supplements that they might be able to require, that they can feel better about themselves in terms of what they are contributing to self-sufficiency and well-being and moving on.

Mr. COVE. Well, without question. And I think we heard that testimony a few minutes ago. The children of the parents that go

out and start working are really affected by this, as is the person themselves in terms of their self-esteem.

I really do believe any job is better than no job. And I understand there are problems in various communities with, quote, "a living wage," but we can't solve everything. And the first thing I think we have to solve—and we have been talking about this in this panel—is how do you get the States incentivized in a way so that they get people working.

There are other issues, as well, but I am not sure I can take care of that.

Mr. DAVIS. Ms. Smoot, I think all of us are indeed impressed with your success and what you have been able to do. What would you say exactly that TANF did for you?

Ms. SMOOT. Basically, TANF just provided something, as far as me doing for my kids and for things for me to buy in the household. I couldn't afford a home, could hardly afford food until I got SNAP. That is about it. That is all I could really afford—get personal things, as far as the house, as far as taking care of the kids, as far as healthwise or any conditions in the home.

Mr. DAVIS. During the process, did that give you some of the energy that you needed, some of the hope that you needed, some of what you needed to keep moving?

Ms. SMOOT. Well, it provided me transportation to go look for jobs. That, and for my kids to maybe eat at school when they couldn't afford the food, as far as—I mean, sometimes they had the programs where you can get free food at school, but—it was mainly nothing, as far as trying to survive in the home.

I mean, look at the houses that they—condos are going up. They are running in the 200s, 300s for sale. And then other homes you rent, they are \$1,500, \$1,600 a month. I mean, no one on TANF can afford that. Not even if you are making \$10 an hour, you still can't afford that. The money I am making right now, I can't afford that.

So, money-wise, if you really want to be stable or comfortable, you have to be making at least \$50,000 a year. If you want to be stable, about \$30,000 a year. But that still is not going to get you off TANF.

If you want to get off TANF and stay off TANF to do on your own or for your kids or see your kids see you thriving and they want to do it, too, instead of them falling back on TANF—because my mom, she was on it. And I didn't see much of any good job where it was as though she could take care of me and my brothers. And it was just her. She couldn't afford it.

And I am looking—my kids look at me, and they see that I couldn't do it, and they are going to try to do for themselves before they can even try to think about TANF.

So, to get off of it, I say \$15, \$16 an hour, but if you want to be comfortable, it is \$50,000. I mean, these companies—I am thinking the companies today, some of them, they are not hiring permanently. They are hiring temporary. And, as you see, just about my whole life was temporary positions. That is the only way I could get experience. There were no stable positions, no permanent ones, because they weren't hiring for us. And basically they are still not. I am on a contract. I am not on a permanent roll.

And I am still trying to strive for it today. I am not looking back on TANF, no. I am not looking back. I am looking forward. I am trying to move up to own my own home, where my kids can do the same thing.

And my kids are now about to be successful because I picked myself up. I didn't want them to see me keep struggling along with them on my back, just keep it moving and keep it moving with them on my back. No, I wanted to keep it moving so they can go ahead, go before me, run for the stars. You shoot, you go ahead. I want you up there.

So I got up. America Works helped. Veterans Group helped. And I still say, if you want to get off TANF, that is the only way to go.

Mr. DAVIS. And I think you make a great case for job creation as being one of the great needs of our country. Thank you very much.

Secretary Anderson, when we talk about flexibility and providing more flexibility for States, what are we talking about?

Ms. ANDERSON. Well, I guess the first thing I can say is that, for Wisconsin, I don't think we are like Ms. Pavetti's States that she is looking at, because we don't want children in poverty, and so we do everything we can to make sure that parents have opportunities for work.

For us, what we need from you—and I have to now speak for Wisconsin—what we need from you is the ability for you to put some incentives in front of us so that when we put a person to work—and we do that a lot—that that is what we get credit for.

And the way we have tried to structure our programs is to do—we try to reward work, and, because these are family programs, we try to supplement childcare, because these are people with children. So we do that.

But there is another piece that we keep continually not wanting to look at that we need flexibility around, and that is that we want the fathers to be able to be incentivized to work, as well. Because when we get a dad paying child support and a mom working, we are putting income in that family that will help that family. So it is a two-parent thing; both of them need to be working.

And when you give us flexibility around that two-parent family, all family issues, we can start putting more and more fathers to work even if they are not in the home. And that is important. We cannot forget fathers are important to the well-being of their children. And we need more flexibility around allowing fathers to participate in the work programs and have the same kind of services that the mothers have.

Mr. DAVIS. And I am so delighted to hear you say that, because it seems to me that when we strengthen and enable the father, even though he may not be physically in the home, that you are actually strengthening the family and you are dealing with it as a family unit.

And I really appreciate that perspective, because we try to work a great deal with fatherhood. And we have something called a fatherhood initiative, where some focus is put on those individuals and the roles that they play.

Ms. Reynolds, if I could just—

Chairman BOUSTANY. Well, the gentleman's time has expired. I want to get to the others——

Mr. DAVIS. Okay.

Chairman BOUSTANY [continuing]. Because we are going to have votes coming up, too.

Mr. DAVIS. All right. Thank you very much, Mr. Chairman.

Chairman BOUSTANY. I thank the gentleman.

Mr. DAVIS. I yield back.

Chairman BOUSTANY. Mr. Holding.

Mr. HOLDING. Thank you, Mr. Chairman.

Mr. COVE, if you could take a minute and sketch out for me how it would have been different had Ms. Smoot met you on day one of entering into, you know, this maze. How would it have been different under your program?

Mr. COVE. Well, let me tell you why it would have been different first. The reason it would have been different is that we are—and I am going to sound like a broken record, but we are only paid if we get her a job and she stays in that job. Otherwise, I go out of business. And we do quite well as a company, and we do quite well because we quickly move people into the jobs and give them the help that they need to stay in the jobs, which is a terribly important thing. That point has been made by others here, as well.

We focus hard on moving the person quickly and attaching them quickly to the labor market——

Mr. HOLDING. Give me some specifics, just, you know, how your program works.

Mr. COVE. Sure.

Mr. HOLDING. I mean, just tick through it.

Mr. COVE. First, the person gets assessed, and we get a sense of what their strengths are.

Second, during that period of time, we have a very hard-nosed, hard-hitting sales force. Think of us as, like, Manpower, Inc., or Kelly or whatever. We have salespeople—we don't have job developers—we have salespeople who go out into the community, and they sell to companies and say, "We are going to get you someone who you are going to want to keep, and we are going to reduce your turnover. You are not going to do us any favors or the person any favors. You are going to do yourself a favor by hiring a person who we get to you." And that makes a significant difference.

We then have what we call corporate representatives who are available to the individual if they get into any issues that are in the way of work. I call it the static in their lives——

Mr. HOLDING. So transportation issues or childcare.

Mr. COVE. Exactly. All of those things. So, if the person is a good worker, we try to put a protective cocoon around them so that they are prepared to stay in the job and handle the things that maybe they wouldn't have been able to handle without us.

So you have this assessment of a person's strengths—and, by the way, you will hear a lot about barriers to employment. I just don't believe in it. I mean, of course there are people that have certain things that will keep them from certain jobs and certain things that might ultimately keep them from going to work. But, if you start with the issue that people have barriers, let's see what the

barriers are and let's get rid of those barriers, you don't get people into work.

About 20 percent of this country are working alcoholics. If a person came in to me and I knew that they were an alcoholic and I didn't place them and I said, "You have to go into an alcoholic treatment program," we would lose 10 to 20 percent of our working population here.

We have to be very careful. You don't know what barrier is going to get in the way. And that is why we have these corporate representatives, so when something does pop up, we are there to help.

And I don't mean to sound naive. Of course, someone comes in with a drug issue, we make sure that person goes into a drug treatment program. But it is a drug treatment program where they can work. And then we make sure that they continue in that drug treatment program.

Mr. HOLDING. So if a person comes to you and they have very few skills and you are not able to get them a job, I mean, what happens then?

Mr. COVE. They have very few skills?

Mr. HOLDING. Very few skills, and it just doesn't—you are not able to find them a job.

Mr. COVE. Well, let me give you something that might seem counterintuitive.

We place thousands of ex-offenders in jobs. Many or most of them don't have high school degrees, don't have hard skills. You know where we place a lot of them? Customer service, because they are very good at BS. And you put them behind a phone, and they can sell someone in South Dakota a refrigerator. They are amazing. It is backroom, so they don't have to interact with other people; you know, we are not worried about them getting in trouble. And they are highly successful doing that.

That is only one example. I could give you others, but that is an example.

Mr. HOLDING. Good. Thank you very much.

Mr. COVE. You are welcome.

Mr. HOLDING. Mr. Chairman, I yield back.

Chairman BOUSTANY. I thank the gentleman.

Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

I want to thank each and every one of you for your testimony.

Ms. Smoot, I have to tell you, I very much appreciate your testimony and listening to your questions and your responses. You have been a blessing—a blessing to this Committee and a blessing for me to sit here and hear your story.

And all that I can keep thinking over and over when you say that you want your kids to do better and that you are going to do better, you are the American Dream. You are what everyone strives for. And they will do better, and you will continue to do better. And I think that is a lot of hope and inspiration for myself and for so many people.

If you would talk to my grandparents, who none are alive today, they would tell you that they were all in poverty and now their grandson is a Member of Congress. They never had the opportunity to live and see that.

But I have to tell you, they will do better. Who knows—you know, the U.S. Marshal or whatever job—they could be a Member of Congress. And you have made a big step today. And I just want to say thank you for that, for myself.

Mr. Cove, I have a couple questions from the perspective, looking at the State of Missouri, where I am from. The general assembly just passed a piece of legislation that would change the TANF benefits because the scorecards have shown that they have rated F's in managing the programs and not really having a work requirement in receiving TANF benefits. And this would require a work benefit. It also would shorten the length of time from, I think, 60 months to 30 months.

The Governor vetoed it today, so now it has been sent back to the general assembly to either override it or to change it.

What are your thoughts on the work activity? I mean, do you think it is extremely important to have work activity tied to TANF, or—I would assume it is, but do you see a great advantage?

Mr. COVE. I think what has been mentioned is there is, as my wife calls it—she is the CEO; she just had to leave—“administrivia.” There is an awful lot of work that has to be done to show that people are there and that they are participating. I think that needs to be simplified.

I think, again, the effort has to be to look at whether the person is going into a job and getting a job. That, to me, is what is important. And, as Eloise said, incentivizing States to do that is, to me, so terribly important. And, again, incentivizing the delivery of these services through pay-for-performance is terribly important, as well.

So I think you are going to have to look carefully at that. The participation rate issue is a serious issue.

Mr. SMITH. Ms. Anderson, what are your thoughts?

Ms. ANDERSON. Well, I am just going to be repeating. Incentivize work. Treat us the way we in our State treat our contractors. We pay for performance, and they deliver. Pay us for performance, and we will deliver.

When you set out the performance criteria, it is hard to do something else, because it is—this is what you want, either we do it or we don't, and if we don't, we don't get paid for it, and if we do, we get paid for it. I think that is simple. And I think it is simple for you; it is simple for us. We spend a lot less work and time on administrative stuff, and we spend much more of our time on actually getting people jobs.

And what will happen is that—when I look at this system, in some places I don't see much change from the old AFDC program. Because a lot of the pieces in it, a lot of the structure in it are carryovers. And I want to get rid of the carryovers.

Make this a pay-for-performance system, and I think you will see the States deliver.

Mr. SMITH. Is there anything else any of you would like to—Ms. Reynolds.

Ms. REYNOLDS. We just cannot stop at getting a job, though. We have to work to move people to get skills, while they are working and respect the dignity of work, but we have to move them across the finish line. Because we have seen it time and time again

in our community, throughout the Nation, you get people employed, you support them a little, then you back off because you have your next client coming through the door, and then they cycle back into crisis. And so we need to make sure we move people across the finish line into that living-wage job.

In addition, if you just look at the economics of this, often what you will find is that people on TANF aren't just getting TANF. They are getting food stamps, they are getting public housing, they are getting a multitude of other benefits. And sometimes working a minimum-wage job or a \$9-an-hour job, depending on family composition, it is cheaper for them to—it is more economically sensible for them to live on all kinds of welfare programs.

And so what we have to do is support people across that finish line. Otherwise, we are disincentivizing people to ever get out of poverty.

Chairman BOUSTANY. The gentleman yields back.

Next, we will go to Mr. Dold.

Mr. DOLD. Thank you, Mr. Chairman.

And I also want to echo my thanks to all of you for your testimony, for taking your time to come and help us understand what is going on.

And, Ms. Smoot, I particularly want to thank you for sharing your story.

And I would like to start with you, if I may, because you have an interesting perspective that I think most don't have, in terms of actually understanding, going through these different programs, many of which didn't work.

Can you tell us from that perspective, kind of, what didn't work and what would you have liked to have seen differently? We know that, obviously, when you came to see Mr. Cove that things started to work, but before then?

Ms. SMOOT. Well, before, I didn't have the education. My obtaining my bachelor's degree, that was one. Having certifications and experience in what I have now, that is number two. And no other programs provided that. When I was in America Works, they enrolled me in Veterans Group, where I received my certifications.

And now I am doing everything I love, as far as all the education I have. I mean, the bachelor's degree was in computer information systems, which is IT, the certifications are IT—

Mr. DOLD. Right.

Ms. SMOOT [continuing]. And now I am in the IT field. So I am feeling, if anybody wants to do something they like doing, they have to get those skills and those certifications to do it.

Mr. DOLD. Well, and you are a testament to being—you know, your perseverance, as well. But I think your point also goes to what Ms. Pavetti said earlier in terms of just the percentage of what people are putting—or what some organizations are putting toward work.

And I think you had mentioned it was 8 percent?

Ms. PAVETTI. It is 8 percent nationally.

Mr. DOLD. What do you think that the number should be, in terms of the emphasis for organizations?

Ms. PAVETTI. That is a hard one. I mean, I think that there is such a, sort of, wide range, that I think what we want to do is to

figure out a way to gradually increase it so that people are spending more. But, again, I agree with Eloise that you have to incentivize States to focus on getting people jobs and paying for those results. So I don't think just spending the money is what you want.

Although I do think that one thing that is important is that there is no real correlation between how much a State spends and their work participation rates. So some States don't spend much because they don't have anybody on TANF.

Mr. DOLD. And I also think one of the big problems that we see is that a one-size-fits-all mentality—

Ms. PAVETTI. Exactly.

Mr. DOLD [continuing]. From the government is oftentimes the response coming from Washington, and that really doesn't work.

Ms. PAVETTI. Right. And I think that paying for results, though—then you allow States to use the strategies that work in their communities. If it is a Native American community, that is going to be different than an urban area.

And so, if you are paying for the end result, you want to take into account the employment situation and the differences there. But, again, if you are paying for results, you allow States that flexibility, that they can do things differently if that is what they choose to do.

Mr. DOLD. What would you say—because there are those that would say, listen, there are those who just need help and they are not going to be able to find a job and we need to make sure they do it, we just need to make sure we help them.

What are your claims—Ms. Reynolds, what would you say to someone that says, listen, we just can't do that?

Ms. REYNOLDS. Yeah. I think you have to look at poverty in several different ways. You have to look at it from a situational poverty situation. Somebody comes through your doors, you know, has run on hard times, and you just have to give them a little bit of intervention and support to get them back on their feet.

You have folks in generational poverty, you know, families who have not seen anything different, not seen mom or dad go to work in the morning, who have been on welfare for generations. And so those folks, again, work, same as with situational folks.

But then there is a group who will always be in chronic poverty and, because of mental abilities, disabilities, several things like that, may not have the ability to work.

I think the most important thing is we figure out in all groups how they can contribute to society, depending on what level of contribution folks can make based on their individual circumstances.

Mr. DOLD. Well, and I think in your opening statement you were talking about individualization, so—

Ms. REYNOLDS. Absolutely.

Mr. DOLD [continuing]. How do we target programs for the individual as opposed to, "This is what you might fit into"?

Ms. REYNOLDS. Right. Right.

Mr. DOLD. Can you talk to me a little bit more about that and what you are doing to—

Ms. REYNOLDS. Absolutely.

So, like, for example, in our organization, we will have a focus on pulling families out of poverty. And what we mean by "out of poverty" is a living wage, 3 months of living-wage savings, so if they fall on hard times they still have some savings in order, no government or charity assistance needed, as well as appropriate levels of debt. So that is the end goal. That is what we are trying to accomplish. That is the result we intend to have.

But then what we do is we sit down, we thoroughly assess what is going on in that family's life. We understand what their strengths are so we can build on those strengths that the family has. And then we will work on a customizable plan for that family.

And we are aggressive about it. You know, in one of our services, we are saying—you know, every 7 days we are having contact with our family, and every 21 days they are making progress on their individual goals. And we are sticking with them for a long period of time. People do not often move out of poverty in 6 to 12 months. People move out of poverty in usually about 18 to 36 months because they need to get a skill to get to a wage where they can support their family.

Mr. DOLD. Well, I certainly hope that we can focus on what unites us. And I know that we can all agree that we want to get people out of poverty into work, where they can support themselves and have better opportunities for their children.

Mr. Chairman, my time has expired.

But, again, I want to just thank you all for your testimony and for what you are doing out in the workforce. Thank you.

Chairman BOUSTANY. I thank the gentleman.

We will go now to Mr. Meehan.

Mr. MEEHAN. Thank you, Mr. Chairman.

And thanks to each and every one of you for the work that you are putting into this very, very important area and making the difference in so many families' lives.

But it is a complex situation, including—we are often dealing with families, and you sort of identified it, in a particular context. There are a lot of other factors that play in. I saw a lot of transients when I was a prosecutor dealing with families' movement, other kinds of factors.

How do you deal—you have a flexible program, but you have these other elements that are part of the family circumstance. Some may be of their control, some beyond their control.

Ms. Reynolds, you have impressed me not just with your enthusiasm but this idea of working through to a point, staying with them. So how do you accommodate these various stages in which a lot of curve balls can be thrown in the process?

Ms. REYNOLDS. It is not easy, and it is complex; there is no doubt about it. But there are a variety of interventions.

Number one, it is about engagement. It is about, from the moment you meet a family that you are serving, starting to meet their basic need, because if someone does not have a roof over their head or wonders where their next meal is coming from, they are not thinking about self-sufficiency. And so, first of all, it is meeting a client where they are at.

But, second of all, it is instilling hope in them, giving a picture of a tomorrow and what life could look like—

Mr. MEEHAN. I don't want to interrupt your——

Ms. REYNOLDS. Yes?

Mr. MEEHAN [continuing]. Answer, but let me ask: Are you getting—because one of the things that Ms. Pavetti and I think Ms. Wareing and some others have said, we want to reward success and progress. But are there abilities to be able to measure those things? Are we giving you the capacity to be able to measure that as a success? Or are some people going to say, well, it has been 9 months and, you know, you are still dealing with hope, we still haven't gotten them to work?

Ms. REYNOLDS. I don't think the Federal Government needs to measure if we are creating hope or if they are engaged. I think that gets into the very problem of all these indicators and no end result. I think the end result needs to say what folks are saying: jobs, and I would argue living-wage jobs, as the ending point.

But I would say, we know on the ground that if you do not have engagement, if you don't create hope, if you don't take a client where they are at and move them step by step by step and help support them, bring out their individual strengths and what is going on in their family—they are survivors—how you move them forward, I don't think you all need to be involved in those metrics and measuring. I think the end result needs to remain on jobs. It is our work to make sure we get clients across that finish line.

Mr. MEEHAN. Can any of the panel say their followup on that thinking?

Or, as well, sometimes we often hear—and there was testimony already that there is a variety of other programs out there, competing programs, and the families often qualify for multiple things simultaneously. How do you deal with the variety of programs being out there together?

Ms. Wareing, you are raising your hand.

And is there a way for us to get to a point in which none of the programs are so completely needed?

Ms. WAREING. Yeah, I think we have a huge opportunity, Mr. Meehan, to align our programs. And it is not that those other programs are always out of line. They can be very important and supportive. I think the notion about how much we spend on work in the States has to also look at what that spending on work supports, like childcare. So someone can't go to a job if they have a young child and don't have support, knowing what childcare costs, to have some subsidy supports for that.

But the biggest opportunity I see right now is one that Congress put before us last year, which is we reauthorized the Workforce Investment and Opportunities Act. And one of the things you all did was say TANF should be a mandatory partner. Now, States can opt out, but TANF can be a mandatory partner.

And that means looking at the entire workforce engagement system, how all those supports work together, and thinking about how other supports—TANF should be short-term, TANF subsidy and cash assistance should be short-term—help someone so that their kids have food on the table and they can pay their bills, and get to the place where then we have moved someone into a job, into a job that has progression, into a job with a living wage, and then

we have to have a mechanism by which those other supports slowly scale down.

And our end game is someone is employed with a living wage and not on government support. And I think all of us agree that has to be what we are aiming for.

Mr. MEEHAN. Ms. Pavetti.

Ms. PAVETTI. I just would like to make one comment, that I think it is important to recognize that there is this huge diversity of people who are receiving TANF as well as other public benefits, and their ability to move into work is varied. And I think what Heather said about really thinking about what contribution can people make—it is not always going to be work. It is not always going to be work at 40 hours, 20 hours.

So I think we have to recognize there are families who have extreme limitations and that we need to think about what is the support we provide for them so that their kids always have some basic level of support, a roof over their head, and food. They need to be able to provide for them.

So I think we need to be thinking of the diversity and moving people as far as they can go. But I think that if we assume everybody can go to work, we are fooling ourselves. There aren't enough jobs in every place, and there are also some people who have just very significant issues.

Mr. MEEHAN. Can you quantify success, though, in that category? Because you were saying, "Pay us for success."

Ms. PAVETTI. Right. And I think you are not going to have success with everybody, but I think success will be different for different people. So, again, I think what you want is to aim for work and get as close as you can, but recognize that for some people they may not be able to sustain work all the time.

There was a program in Chicago called Project Match. What they did was they created jobs that were 10 hours a week, where they paid people stipends to be part of their communities so that they were making a contribution. I think we have to be thinking about what can we do to create opportunities for people to be part of their communities, where they feel like they are making a contribution, if they can't sustain, sort of, being in the regular labor market.

That is going to be a small group of people, but we can't leave them behind. We have to make sure that we have a safety net and a way to help that group of people, as well.

Mr. MEEHAN. Well, thanks, each and every one of you, for your insights.

Well, Mr. Chairman, my time is up, but there is a—one of the panelists wants to—

Chairman BOUSTANY. Yeah, that is fine.

Mr. MEEHAN [continuing]. Have testimony.

Ms. ANDERSON. Yeah, I just have to step in on this one.

The mentally ill and people with physical disabilities need to be not looked at as people who can't work. They can work. Every morning, I see people come into our garage at our work going to work who have some serious disabilities.

We may need to think about having both rehab and TANF do more collaborative work. Goodwill has done an excellent job at putting people to work. So I don't like hearing people can't go to work.

One of the things that got me started in this work was a person walking in—wheelchairing himself into my office, with no ability to use his hands, he had to use a pencil in his mouth, saying, “I want a job.” That did it for me. If somebody can come in my office with nothing going for him in terms of physical capability saying, “I want a job, and I want to work,” we need to throw this notion out of our heads that people with mental disabilities and physical disabilities cannot work.

There are jobs out there for them, and we have a lot of agencies that prove that. So I don’t—I don’t like hearing that. I get very upset—

Ms. PAVETTI. Can—

Ms. ANDERSON [continuing]. Because, when you are in the workforce, however you are in it, you are part of the community. And we have to quit isolating people and making them less than human. And, in our society, the first thing we ask people when we go to parties or whatever we do is, what do you do? We don’t even ask you what your name is. So let’s not isolate people.

Ms. PAVETTI. Can I just—

Ms. ANDERSON. I am sorry, but that is my soapbox for today.

Ms. PAVETTI. Can I just make one quick clarification?

I think that we need to just sort of—I don’t disagree that people can work, but I think the evidence of what we can do is quite limited, and we need to accept that there are alternative pathways.

New York City did an experiment, at one point, where they took the group of people with the most significant barriers to employment and put them in a special program where they provided very significant resources and really tried to move them on a path to work. And they did have an increase in the number of people who went to work, but, in the end, they got about a third of that group of people into jobs. So we have a long way to go to learn how do we get people into jobs who have those barriers.

So I agree that we should believe that everybody can work, but I think the reality of what we have been able to accomplish is different than getting everyone in. So I think that we can’t, sort of, assume that we have the answers, because we don’t.

Chairman BOUSTANY. Mr. Cove.

Mr. COVE. I want you to understand that what you are hearing here are two very different ways of approaching the world.

Part of what you are hearing is what we had before TANF, which was, there are lots of people who are broken, there are lots of people who need a lot of services. And you know what happened with that? No one went to work.

What you want now is you want to recognize that that may exist but not start from the position that the barriers are there. You have to start from the position that everyone can go to work and then deal with those who turn out they cannot work. But if you start with the other position, you are going to end up where we were before TANF.

Thank you, Mr. Chairman.

Chairman BOUSTANY. Thank you. That is a very great closing argument on all of this.

I want to thank all of you. This was really compelling testimony, very helpful to us, as we are trying to shed light on this funda-

mental issue on how can we improve the TANF program and get individuals and families back into the work world and escape poverty. And I think your testimony was very important in shedding light on that and helping us to understand what steps we need to take. I think you all did a terrific job, so I want to say thank you.

And, with that, we will conclude the hearing. This hearing is adjourned.

[Whereupon, at 5:03 p.m., the Subcommittee was adjourned.]

[Submissions for the Record follow:]

Elizabeth Lower-Basch, Center for Law and Social Policy
 April 30, 2015 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."² In 17 states, these cases accounted for more than half of families receiving cash assistance.³ 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.⁴

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;⁵ 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.⁶

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.⁷

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.⁸ 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.⁹ 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 2014.¹⁰ Since 2000, employment rates for less-educated women with and without children have been nearly identical,¹¹ 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.¹² Moreover, even this is an overestimate of spending on families receiving cash assistance, as the funds that some states use

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.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.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.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 2011,¹⁶ and the number of children served has declined since then.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.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.¹⁹ Others with similar limitations are among the "disconnected," neither working nor receiving cash assistance.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.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."²²

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.²³

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."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.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.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."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.²⁸ 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.²⁹ 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.³⁰
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.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.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.³³ 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.³⁴ 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.

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² Ibid.

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⁵ CLASP calculation based on *Welfare Rules Databook: State TANF Policies as of July 2013*, Table I.E.4: "Maximum Income for Initial Eligibility for a Family of Three, July 2013", Urban Institute, September 2014.

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**Statement for the April 30, 2015
Hearing Record**

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

**Submitted by the
County Welfare Directors Association of California**

The County Welfare Directors Association of California (CWDA) welcomes the opportunity to submit a statement for the record for the hearing entitled: *Ideas to Improve Welfare Programs to Help More Families Find Work and Escape Poverty*.

CWDA represents the human service directors from each of California's 58 counties. CWDA's mission is to promote a human services system that encourages self-sufficiency of families and communities and protects vulnerable children and adults from abuse and neglect.

In California, counties administer and provide county financial support for social services programs, with oversight from the state.

California's Temporary Assistance for Needy Families (TANF) program is known as CalWORKs. The program serves over one million children in 551,000 cases. During Federal Fiscal Year (FFY) 2013, CalWORKS served over 50 percent of California's children living in poverty. In contrast, less than 18 percent of children in poverty nationally receive TANF assistance.

Unlike some states, CalWORKS responded to the great recession. At its peak, caseloads grew by 30 percent from 2007-2011. Given a slow recovery, average monthly caseloads have declined by about nine percent from 2010-2011 when the program was serving approximately 587,000 cases to a projected average monthly caseload in 2014-15 of

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slightly less than 544,000. And our state has continued to place a priority on providing cash assistance benefits, albeit with grant levels that have declined dramatically over the years. According to an analysis by Center on Budget and Policy Priorities, California ranks third, after Maine and Nevada, in the percentage (45.9%) of federal and state TANF funds spent on basic assistance in 2013.

But this county-administered program has weathered some very tough financial times over a number of years, at the expense of our most-needy families and children. CWDA is working with the state legislature and the California Department of Social Services to re-invigorate and reform CalWORKS.

As a nation and as a state, we have a long way to go to lift more children and families out of poverty. According to recent data from the California Budget and Policy Center, more than 2.5 million Californians have incomes below half of the federal poverty line, often known as 'deep poverty.' For a family of three, living in deep poverty means surviving on less than \$200 per week. Nearly one-third of those Californians are children (32.7%), even though children make up less than one-fourth (24.3%) of the state population. In fact, the Census Bureau's Supplemental Poverty Measure indicates that the state has the worst child poverty rate in the nation at 27 percent.

We believe that that CalWORKs program as originally crafted was well-conceived to meet the twin goals of reducing poverty and moving people from welfare to work. In 1997, when CalWORKs was created, grants were at 57% of the Federal Poverty Level, helping keep children out of "deep poverty." With the original CalWORKS program, there were reasonable time limits, work requirements, work supports and incentives. It was a safety net for children.

Despite its success, CalWORKs has been the target of constant, relentless change, deep cuts to services and grants, and a diminution of work incentives and the inevitable lessening of work requirements due to those cuts. At the same time counties responded to the great recession by placing more families on the program, CalWORKS suffered unprecedented, massive cuts. Over a billion dollars was cut over the years from work supportive services, lifetime limits on receipt of CalWORKS decreased from 60 to 48 months, grant levels were cut and cost of living adjustments eliminated. The huge caseload

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increases collided with huge cuts in CalWORKS resources, rendering serious damage to the capacity and culture of the program.

County human services agencies are beginning to implement CalWORKS changes made by the state legislature over the last two years. Our members face big challenges, but also the promise for an improved system to serve families. Most of the policy elements are being put into place to rebuild and reinvigorate the program. While CWDA opposed the shortening of time limits to 24 month for parents unable to secure employment or participate in very limited number of activities for a certain number of hours, there are a number initiatives we did support and mark a welcome change to CalWORKS policies. We also believe some of the changes may help inform the national debate on TANF reauthorization.

Changes include:

- increasing cash assistance grants which have fallen to 40 percent of the federal poverty level;
- a new appraisal tool being developed by the state in collaboration with counties to assesses a family holistically and comprehensively;
- family stabilization for clients and their families who are in crisis who are not immediately welfare-to-work ready;
- greater flexibility in providing an array of services, whether it is education, counseling and treatment services, employment, or some combination thereof;
- a restored earned income disregard; and,
- the creation of a new Housing Support Program to rapidly re-house homeless CalWORKs families, placing them in permanent housing and providing the necessary supportive services they need in order for them to retain their home.

Rebuilding and reinvigorating CalWORKS will take time and the families county agencies serve often face multiple challenges and barriers. All in all, we believe that the pieces are there to re-imagine CalWORKs into a program that serves the families we serve now, but we will continue to need the support and time to implement the programmatic improvements, weave them together, and reinvigorate the culture of a damaged program.

Our agencies and the families they serve directors still face significant challenges. Low grant levels do not protect children against the well-documented, lifelong effects of poverty

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and do not provide a modicum of economic stability to allow their caregivers to better focus on work and work preparation. Additionally, given the very high cost of housing in California, the inability of families to find and retain affordable, safe, and decent housing is a huge barrier to employment.

Clearly, finding and retaining a well-paying job with growth potential is key to moving from welfare to self-sufficiency. Our counties were very proud of the national leadership they took when they implemented subsidized jobs program under the TANF Emergency Contingency Fund (TANF-ECF) created by the American Recovery and Reinvestment Act (ARRA). TANF-ECF also provided low-income families with non-recurring short term assistance or basic assistance to meet ongoing needs.

California's counties and their private and non-profit partners created approximately 45,000 subsidized jobs for CalWORKs and summer youth recipients in those positions, allowing these participants to gain vital skills and maintain a work history in a time when many were unable to find even part-time positions. In Los Angeles County alone, more than 10,000 CalWORKs recipients and 15,000 summer youth were placed into subsidized jobs. In addition, the San Francisco Jobs NOW program placed over 3,800 low-income persons into subsidized jobs. Nationwide, about 260,000 persons were placed into jobs with TANF-ECF funding.

While subsidized employment continues to be a key component in moving individuals from welfare to work, county agencies are facing challenges in expanding programs. Our members report that the population they are serving today is harder to employ, and employers are more difficult to recruit than when the ARRA-funded program was being administered. During the ARRA, counties had many CalWORKs recipients who were recently unemployed and were work-ready, and employers were welcoming of the opportunity and financial incentives to re-employ people.

As the state emerges from the recession, a number of our counties report that homelessness among CalWORKs families continues to grow. Clearly, without stable housing, it is extremely challenging for those families to gain a foothold on the path to self-sufficiency. Los Angeles County is one of our members that has seen a spike in homeless CalWORKs families. Between July 2006 and November 2014, their overall caseload

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increased 11 percent, to 169,910 families but their homeless caseload increased 188 percent to 15,814 families.

Last year, the legislature established the Housing Support Program (HSP) for those families. Funded initially at \$20 million for 20 of the 58 California counties, HSP is projected to place more than 3,000 homeless CalWORKs families in permanent housing, using a rapid re-housing model. HSP brings evidenced-based employment and supportive services together with housing supports, including rental assistance, credit repair and financial literacy.

This year, CWDA is supporting a \$30 million increase in HSP funding, so that more of our counties are able to respond to this critical need.

TANF Reauthorization Priorities

Subsidized Employment: Due to its success in getting individuals back to work, CWDA urges that a robust subsidized employment program be created in a TANF reauthorization bill. As noted above, we had particular success in administering a program under ARRA.

Although ARRA funds were no longer available following the Act's expiration, our state Legislature and the Brown Administration have been supportive of continuing the investment in this important support. In 2013, subsidized employment was expanded through the 2013-14 California state budget in order to create more opportunities for individuals to participate in the labor force, with funding increased even further the following year, as part of the 2014-15 state budget. These investments demonstrate the state and counties' ongoing commitment to supporting individuals and families through increased earnings, employment, and the acquisition of marketable skills.

Recent research demonstrates the effectiveness of subsidized employment. In Los Angeles County, individuals who participated in subsidized employment were shown to have higher earnings in the year after their participation, suggesting that such participation leads to an improvement in income and job prospects (2013, Economic Mobility Corporation).

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While not a perfect solution, data indicate that many CalWORKs do indeed transition off into unsubsidized employment after participating in a subsidized job. California Department of Social Services' data demonstrate that 48 percent of participants found unsubsidized employment after completing a six to 12-month job placement. Sixty-three percent of San Francisco's "Jobs Now" participants during July 2011 and March 2013 had earnings in the quarter after the subsidy ended and 60 percent had earnings in the second quarter.

When a public program benefits all involved, it's considered sound policy. Subsidized employment is just such a sound policy – it has positive effects for individuals, families, businesses and the economy. Given broad bipartisan agreement that the surest path out of poverty is a good job, subsidized employment can provide an important step forward on that pathway for those who have struggled to gain a foothold in the country's economic recovery.

Four Guiding Principles for Reauthorization

As the Subcommittee considers reauthorization of TANF, CWDA have crafted a set of TANF reauthorization priorities delineated below.

These recommendations are organized around four guiding principles:

- Maintain the overall work focus of the program, while recognizing that "work first" does not mean "work only." Research indicates that the most successful welfare-to-work programs combine work with training and supportive services, as appropriate.
- Restore and enhance state (and, in California, county) flexibility to tailor work and family stabilization activities and services such as child care to families' individual needs.
- Measure states' performance in a fair and comprehensive manner that recognizes multiple potential positive outcomes for families.
- Rebuild the partnership between the federal government, states and counties and move forward with common goals.

Maintain Work Focus, With Training and Support for Families

1. Recognizing that not every family can immediately enter the workforce, especially in the current economic climate, countable work hours should be expanded to include:
 - a. Vocational training and education for up to 24 months (the current limit is 12).
 - b. A longer period of job search and job readiness training, including participation in job search/job readiness through the life of a case if

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combined with work and elimination of the four-consecutive-week constraint for job readiness activities.

- c. English as a Second Language training and GED preparation.
 - d. Additional supportive activities such as mental health and substance abuse treatment.
2. Encourage and enhance linkages across programs to better serve families. Because many families have involvement in multiple systems, encourage collaboration and give states a clear ability to share basic information between TANF and other agencies, such as child welfare, education, workforce development and child support agencies. Incentivize states to serve families across these programs. As the final rules and guidance are issued for the new Workforce Innovation and Opportunity Act, CWDA looks forward to engaging with its partners in providing WIOA services to more CalWORKs participants.

Restore and Enhance Flexibility and Trust

- 1. Recognize participation in work activities in a manner that reflects labor market conditions and the realities of families served by TANF. by:
 - a. Establishing a pro-rata credit for partial participation in work and work-related activities, including hours spent in non-core activities.
 - b. Eliminating the unrealistic 90% two-parent participation rate. The all families rate should apply to all cases.
 - c. Restoring the pre-Deficit Reduction Act (DRA) exclusion of families without an aided adult from the work participation rate calculation. States like California chose to aid children independent of their parents or caregivers in a number of circumstances, which allows the counties to keep in contact with these families, spot problems and work with families to overcome issues that arise. Federal rules should not penalize states like California for this decision or, worse, force these states into a situation where they have no choice but to consider cutting off assistance to these children and losing all contact with struggling families.
 - d. Recognizing activities that help stabilize families as participation in work activities.
- 2. Encourage stable funding and maximize effectiveness of TANF funds, by increasing the availability of funds to offset lost purchasing power due to the TANF block grant, with new funding targeted toward cash assistance for families or services to help aided parents, and non-custodial parents, find and retain employment. To the extent that state participation is required, use a more traditional matching structure rather than an all-or-nothing MOE.
- 3. Provide for reasonable time to engage families. Specifically, states should have the option, on a case-by-case basis, of excluding new cases from the work participation rate for the month of application and the month following application, recognizing that most states take 30 to 45 days to process an application and

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provide benefits retroactively, making the third month of assistance the first month in which a family can realistically be engaged in work activities for a full month.

Measure Performance Fairly and Comprehensively

1. Give states the option to use additional performance measures. The work participation rate is not the only measure of program success. Additional measures should be developed, in partnership between the federal government, states and counties, which could be used to measure the impact of both TANF assistance and non-assistance expenditures. Possible examples include employment wages and job retention.
2. Recognize the impacts of unemployment on TANF participation. States should be given additional credit toward their work participation rates if the state's unemployment rate has risen above an established base rate. A Beacon Economics study (2009) cited several studies indicating that a one-point rise in unemployment rates raised TANF caseloads by as much as 6 percent.

Rebuild the Partnership

1. Identify and build on common goals. The four purposes of TANF, which are clearly delineated in the 1996 enabling legislation, provide a framework for the program's next phase. Reauthorization offers an opportunity to consider how to best work together at all levels of government, and across program lines, to help children and families in poverty move toward self-sufficiency. Counties encourage the federal government to view us as partners and to engage us in TANF reauthorization as well as the development of program rules and regulations.
2. Revise onerous work verification requirements. The Deficit Reduction Act and subsequent program rules moved states away from the task of enhancing work participation and family self-sufficiency and back towards the process-heavy Aid to Families with Dependent Children model. Overly stringent work verification requirements negatively impact employers, educational institutions, service providers, clients and counties. States and counties welcome effective program oversight, but urge a more outcome-driven focus more consistent with the TANF program envisioned in 1996.

Thank you for giving CWDA the opportunity to submit this statement for the record. We stand ready to assist the Subcommittee as it prepares to reauthorize the program.

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**Comments for the Record
United States House of Representatives
Committee on Ways and Means
Subcommittee on Human Resources**

**Hearing on Next Steps for Welfare Reform: Ideas to Improve Temporary Assistance for
Needy Families to Help More Families Find Work and Escape Poverty
April 30, 2015**

By Peter Germanis

Chairman Boustany, Ranking Member Doggett, and members of the subcommittee,

Thank you for the opportunity to submit written comments on the next steps for welfare reform, particularly ideas to improve the Temporary Assistance for Needy Families (TANF) program find work and escape poverty. I am writing as a citizen and in my capacity as a conservative welfare expert to express my concerns on this topic. I was a political appointee in President Reagan's White House and senior aide to Chuck Hobbs, the chief architect of President Reagan's 1986 welfare reform proposal, *Up from Dependency: A New National Public Assistance Strategy*. I have also worked for and written about welfare at conservative think tanks like the Heritage Foundation and the American Enterprise Institute. My advice to you is simple: start over – TANF is a massive policy failure!

Many conservatives believe the 1996 welfare reform law, especially the creation of the TANF program, was an “unprecedented success” and a model for reforming other welfare programs. Contrary to conventional conservative wisdom, I believe that the creation of TANF in the 1996 law gutted the welfare reforms of President Reagan -- the modest JOBS work requirements in the Family Support Act of 1988 and the evidence-based approach to welfare reform through waivers. I am not trying to idealize these reforms, but they were something that Congress could have built on.

The creation of TANF, a block grant with excessive state flexibility, set in motion changes that would: (1) initially provide large windfalls of federal funds for states, but also put in place a funding structure that in the longer-term would provide insufficient resources due to inflation and demographic changes (with similar effects for the state funded maintenance of effort provisions); (2) give states excessive flexibility to use federal funds to supplant their own spending; (3) give states excessive flexibility to convert TANF (over time) to a giant slush fund with minimal reporting and accountability provisions; (4) impose a Rube Goldberg-like set of bureaucratic and ineffective funding formulas and requirements; and (5) give states excessive flexibility to avoid or evade virtually all of the federal requirements in the law, most notably work requirements and time limits. The result is a safety net with massive holes – one that is not effective in providing either basic assistance to needy families or ensuring that low-income parents receive the work-related activities and services to lift themselves out of poverty.

While a full analysis of these issues is beyond the scope of this written testimony, I am preparing a lengthy statement that will address these points. My main concern about TANF is its effects on poor families, but my written comments today will focus on TANF's work requirements and will demonstrate how the 1996 law itself gutted the modest work requirements in place at the time.

Background

The Family Support Act of 1988 imposed the first real work requirements on states under the new Job Opportunities and Basic Skills Training (JOBS) program. By fiscal year (FY) 1995, states were to have 20 percent of their nonexempt caseloads involved in a work, education, or training activity for an average of 20 hours per week. About half of the Aid to Families with Dependent Children (AFDC) caseload was exempt (primarily single mothers with a child under the age of three) and thus excluded from the participation rate calculation.

On paper, TANF sounds much tougher. TANF raised participation requirements to 50 percent of all families and 90 percent of two-parent families. It also narrowed exemptions and made changes to the countable work activities (permitting states to count hours in employment and restricting the hours and types of educational activities that can be counted). However, the work participation standards are reduced by a caseload reduction credit, initially by the percentage caseload decline from FY 1995 (not counting reductions due to federal and state eligibility changes) and later from FY 2005 (effective with the work participation rates starting in FY 2007). Thus, the effective standards states face are often less than the 50 percent (overall rate) and 90 percent (two-parent rate) targets, and vary by state. States that fail to meet work requirements are at risk of a financial penalty in the form of a reduced block grant.

How TANF Gutted Work Requirements

The TANF law was written in such a way that it gave states a variety of loopholes to avoid the work requirements. For most states, the caseload reduction credit alone was sufficiently generous to avoid the need for any gimmicks or loopholes, but – when it was not – other options were available. None of these loopholes was allowed under the previous AFDC/JOBS program.

#1. Caseload Reduction Credit (before the Deficit Reduction Act). The caseload reduction credit lowered the work participation targets to the extent states lowered caseloads below FY 1995 levels. For example, if a state's caseload fell 30 percent from FY 1995 to FY 2001, its target rate requirement for the overall rate for FY 2002 would have been 20 percent instead of 50 percent. The national TANF caseload peaked in March 1994 and then started a six-year period of steady decline. The caseload reduction credit gave states credit for declines starting in FY 1995 (using the average monthly caseload). Since most states did not implement TANF until sometime in 1997 (as late as July 1), they received credit for declines that occurred before TANF was implemented. And, most of the decline even after TANF implementation would have occurred regardless of whether TANF was enacted or not, whether it was due to the economy, expansions in aid to the working poor, or the real welfare reforms begun using state waivers.¹

¹ TANF is not "welfare reform"; it is largely just a change in federal-state funding arrangements and responsibilities.

As a result, the credit largely eviscerated the work requirements as many states have had no requirement or a near-zero percent target rate throughout TANF's first 15 years. (See Table 1: The Myth of the 50 Percent Work Requirement.) Indeed, through FY 2011, about 20 to 30 states had work requirement targets of 0 percent. In other words, there was no work requirement!

Table 1: The Myth of the 50 Percent Work Requirement														
	Fiscal Year													
Target	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
0%	6	24	31	28	20	19	16	15	17	3	21	21	21	22
1-10%	23	19	11	13	20	14	17	16	14	5	0	1	3	2
11-20	16	6	5	7	7	13	11	14	14	6	10	10	8	8
21-49%	6	2	4	3	4	5	7	6	6	36	18	18	18	18
50%	0	0	0	0	0	0	0	0	0	1	2	1	1	1

Source: Annual HHS work participation rate reports.

In testimony before the Senate Finance Committee, Ron Haskins, a key congressional staffer involved in drafting the law, acknowledged that "...because of the caseload reduction credit, the average state now has only a 5 percent work participation requirement and many states have a zero requirement. States argue that they have done a good job even without a true work requirement."²

One of the conceptual problems of the caseload reduction credit is that it does not make any distinction between caseload changes due to welfare-to-work efforts and the economy, demographic changes, or other policy changes such as expansion of the Earned Income Tax Credit. So, during good times, if caseloads fall, states get an added benefit of a reduced work rate target. Conversely, during an economic downturn, they may not receive a credit, even if they are running effective welfare-to-work programs. States already had an incentive to reduce the caseload because the number of cases they would have to place in work activities would decline; giving them further credit in reducing the target rate all the way to 0 percent (or near-zero) gutted the work requirements in most states. Most of the decline that occurred after the 1996 law would have happened anyway, whether due to the economy, increased aid to the working poor, and welfare reform through waivers. To the extent TANF had an effect it was because Congress vastly overpaid states by basing the block grant on historic spending levels, rather than the amount that they would have otherwise received. (States did not need TANF to implement changes to their cash assistance programs; they could do that through waivers.)

Congress should have picked a target rate that is reasonable, predictable, and constant. The pre-TANF 20 percent standard was a tougher standard in most states than TANF's putative 50 percent rate and it was certainly less subject to gaming and manipulation (see loopholes below).

#2. Caseload reduction credit after the Deficit Reduction Act – the discovery of “excess MOE.”

Congress tried to address the problem of excessive caseload reduction credits in the Deficit Reduction Act of 2005 (DRA) by recalibrating the base year from FY 1995 to FY 2005.

² Testimony of Ron Haskins, Senior Fellow, Brookings Institution, and Senior Consultant, Annie E. Casey Foundation, before the U.S. Senate Committee on Finance, February 20, 2003, available at: <http://www.brookings.edu/~media/research/files/testimony/2003/2/20welfare-haskins/20030220.pdf>.

Nevertheless, it wasn't long before states used the credit to drive down their effective target rates—over 20 states had a 0 percent target for the FY 2008-FY 2011 period. Much of the post-DRA caseload reduction reflected in the credit wasn't due to real caseload declines, but because of a regulatory provision that allowed states to reduce their comparison year caseload by spending in excess of their maintenance-of-effort (MOE) requirement (often referred to as the “excess MOE” provision.) The technical details of this provision are beyond the scope of this statement, but this has encouraged states to go out and find spending that could be counted as MOE. As Grant Collins, former TANF official in HHS, explained in testimony before the House Ways and Means Committee:

Because of the excess MOE credit, States began looking at spending in other departments throughout government that could be claimed in the TANF program, as is allowed under current program rules. So a State may begin counting new child care programs, prekindergarten classes, or earned income tax credits as TANF spending. The State may even count volunteer hours as MOE by multiplying the hours by an estimated wage and reporting this as TANF spending. States can also report spending by third parties as MOE. For example, a State may count the value of food given out at food banks as TANF spending.

In closing, I want to point out that none of these practices are illegal. None of them are questionable according to current policy. States cannot be blamed for working within rules and regulations to meet Federal requirements. However, based on my experience as overseeing the TANF program and implementing the Deficit Reduction Act regulations, I believe that this combination of factors has resulted in weaker work requirements, less investment in TANF families, and fewer families becoming self-sufficient.³

Indeed, one of the unintended effects of the DRA was to lead states to simply find more third-party spending to count as MOE, including third-party nongovernmental expenditures, just to artificially inflate the caseload reduction credit. As Collins notes, this led to even weaker work requirements; it also undermined the integrity of the program as a whole.

The initial inclination for dealing with this issue might be to eliminate (or limit) this “loophole,” but this would simply lead to a different loophole – solely state funded programs. Then, the hunt will be for MOE to satisfy TANF's basic MOE requirement and any “excess” to simply fund assistance cases outside the TANF/MOE structure.

#3. *Separate state programs.* When Congress created TANF, it replaced a federal-state matching rate with a block grant and a MOE requirement. And, because of the wording of the law, cash assistance could be provided under a variety of funding streams – federal funds, comingled funds (federal and MOE funds together), segregated state MOE funds, or separate state program funds that count as MOE. Families assisted through separate state programs were not subject to most of TANF's requirements, including work requirements. This loophole arose either because of careless statutory construction or Congress intentionally created a massive loophole. A 2005 GAO report noted that some states had placed families in separate state

³ See: Hearing on State TANF Spending and its Impact on Work Requirements, at: <http://waysandmeans.house.gov/news/documentsingle.aspx?DocumentID=319232>.

programs to “remove those families from the calculation of work participation rates.”⁴ Over half the states had such programs. The most common populations that were moved to this funding stream were two-parent families, because the 90 percent work participation rate target was considered unachievable. States also moved other families that were not likely to meet the work requirements, including those applying for Supplemental Security Income (SSI), with employment barriers, or caring for a disabled family member.

#4. Solely state funded programs after the Deficit Reduction Act. Congress eliminated the separate state program loophole in the Deficit Reduction Act of 2005, by requiring states to include such families in the work participation rate calculation. However, the TANF law has made it very easy for states to meet their basic MOE requirement without spending more money and indeed most states report an “excess” amount of MOE. Indeed, states were only required to spend 75 percent of their previous spending, resulting in an immediate state savings. Inflation has further reduced the state requirement so that it is 50 percent of what it was before TANF. Add to this the fact that under TANF states can count virtually any state expenditure that meets a TANF purpose and even the value of third-party non-governmental spending, it’s easy to see how states can have a significant amount of “excess MOE.” As noted above, this can be used to maximize the caseload reduction credit, but a state can also just fund part of its assistance caseload outside the TANF/MOE structure so those families are not subject to work requirements. And, in FY 2007, the first year the DRA’s provisions went into effect, many states did indeed create such programs to meet their work rates.⁵

#5 Broad state definitions of work activities. When Congress wrote the TANF statute, it “defined” work activities simply by listing 12 activities that could be counted toward the work rates. An August 2005 report by the GAO explained that some states were defining work activities to include bed rest and personal care activities as part of recovery from a medical problem, physical rehabilitation including massage and exercise, personal journaling and motivational reading, participation in a smoking cessation program, and other activities typically not considered “work activities.”⁶

In its response to the GAO report, HHS noted that while it had the authority to regulate the definitions of work activities, it initially had chosen not to because of the law’s emphasis on state flexibility. The HHS response also noted that “consistency” in the measurement of work rates was not a goal of the 1996 law, as Congress explicitly gave 20 states authority to continue their earlier waivers which permitted different definitions of work activities and other provisions related to the work requirements. It also allowed states to place families in separate state programs that count as maintenance-of-effort and are totally excluded from the federal work participation requirements. If Congress wanted specific definitions, it should have defined the activities itself or directed HHS to do so (as it did in the Deficit Reduction Act of 2005).

⁴ GAO, *HHS Should Exercise Oversight to Help Ensure TANF Work Participation Is Measured Consistently across States*, August 2005, available at: <http://www.gao.gov/assets/250/247482.pdf>.

⁵ See Liz Schott and Sharon Parrot, “Designing Solely-State Funded Programs: Implementation Guide for One “Win-Win” Solution for Families and States,” Center on Budget and Policy Priorities, July 16, 2007.

⁶ *HHS Should Exercise Oversight to Help Ensure TANF Work Participation Is Measured Consistently across States*, August 2005, available at: <http://www.gao.gov/assets/250/247482.pdf>.

It is interesting to note that Wisconsin, which is often hailed as a model when politicians point to TANF's success, was one of the pioneers in the use of these broad definitions.⁷ In fairness to Wisconsin and other states, it is unlikely that many states counted significant numbers of people in these activities; after all, many states like Wisconsin had a 0 percent target due to the caseload reduction credit. However, for states that needed this loophole, it was available.

#6 Waiver inconsistencies. States with section 1115 welfare reform waivers when the 1996 welfare reform law was enacted were allowed to continue the waiver policy to the extent it was inconsistent with TANF through the end of the approved project period. While states still had to meet the new work participation rate targets, they could continue to operate under pre-TANF policies that often gave them a distinct advantage in the meeting these rates. Twenty states continued such waivers, which included provisions related to exemptions, countable work activities, and hours of participation.⁸

It is ironic that Governor Mitt Romney, while in the midst of his presidential campaign, asserted, "We must restore, and I will restore, work into welfare." In FY 2005, in the midst of his term as governor, Massachusetts had the lowest work participation rate in the nation (when measured according to TANF rules) at just 12.6 percent; however, the state's pre-TANF waivers gave it a huge advantage in meeting the work rate by exempting parents with a child under six years of age and removing TANF's strict limits on how long education activities can be counted. Thus, its rate with the waivers was 59.9 percent.⁹ It is unclear why Congress thought it was fair to give some states such a huge advantage in meeting their work targets (and potentially avoiding a financial penalty) for as long as 5 to 10 years after enactment of TANF.

7 Adding unsubsidized employment as a countable work activity. Under JOBS, a full-time worker was exempt from participation requirements; TANF made it a countable activity. This made it considerably easier for states to meet their work rates. The states that gained most from this decision are those with the highest breakeven levels (which are a function of the generosity of benefits and earnings disregards). Historically, most states have simply counted the hours of unsubsidized employment to meet most of their work requirements, lessening the focus to place individuals in real activities. In many states, fewer than 10 percent of families were involved in an actual work activity. Writing in 2004, Doug Besharov and I recommended "toughening TANF" by requiring a 10 percent target, but in more narrow, but real, work activities: "Establish a separate minimum participation rate for work experience, on-the-job training, and other designated forms of education and training of 10 percent—to add a needed focus on activities that build human capital."¹⁰ Even today, this would be a tougher standard to meet than the actual TANF requirements.

⁷ See Wisconsin's 2004 Annual Report: <http://archive.acf.hhs.gov/programs/ofa/data-reports/MOE-04/wisc-04.htm>.

⁸ For more detail, see Gene Falk, *Temporary Assistance for Needy Families: Welfare Waivers*, Congressional Research Service, September 6, 2012, at:

<http://democrats.edworkforce.house.gov/sites/democrats.edworkforce.house.gov/files/documents/112/pdf/TANF-CRSMemo-9.6.12.pdf>.

⁹ See HHS data, Table 1B available at: <http://www.acf.hhs.gov/sites/default/files/ofa/wpr2005.pdf>.

¹⁰ See Douglas J. Besharov and Peter Germanis, *Toughening TANF: How Much? And How Attainable?* March 23, 2004, available at: http://www.welfareacademy.org/pubs/welfare/toughening_tanf.pdf.

#8 Unsubsidized employment as a loophole. One of the gimmicks states employ to meet work rates, either to avoid a penalty or as part of a corrective compliance plan to meet the rate and cure a penalty, is to pay a token benefit to full-time working families just to be able to count them in the work rate calculation. For example, Ohio submitted a corrective compliance plan to address three years of failing to meet work rates (FY 2007-2009) in an attempt to avoid about \$135 million in penalties. The central element of its corrective compliance plan had nothing to do with engaging more families in work activities. Instead, the plan would make \$10 payments to SNAP participants who have a child and have enough in earnings to be counted toward the TANF work rate.¹¹ According to the Ohio Department of Jobs and Family Services, the program operated for only six months in FY 2012, serving an average of 72,323 families per month at a cost of \$4.3 million.¹² So, by investing \$4.3 million in what is really a gimmick, the state gutted the work requirement in FY 2012 and in doing so may not only meet the rate for that year, but potentially wipe out accumulated penalties from prior years. This did virtually nothing to help low-income families get jobs and wasted federal and state staff time dealing with a gimmick.

Ohio is just one of many states that have used this loophole or similar programs. Again, this practice began widespread starting in FY 2007, when the new DRA rules took effect.¹³ So, now states add tens of thousands of cases to the welfare rolls just to evade the work requirements. This loophole is possible because Congress made unsubsidized employment an activity; it would not have happened if it had remained an exemption as under JOBS.

#9 Creating child-only cases. TANF work requirements initially were applied to a family with an adult receiving assistance. In some states, sanction policies and time limits removed an adult's needs from the benefit calculation. Since no adult was receiving assistance, the family was no longer included in the work participation rate calculation. In contrast, if a state had an alternative sanction or time limit policy, e.g., reducing the family's grant by a fixed dollar amount or percentage, the adult was still considered to be receiving assistance. While only about a dozen states had such policies, California was one of the states so the number of families effectively exempted by this loophole was not trivial. This loophole was also created by the law, because it limited work requirements to families in which a TANF adult was receiving assistance. This policy was largely ended by the DRA, when HHS issued regulations including certain non-recipient parents in the work rate calculation. Of course, this just led states to adopt other loopholes.

#10 Creating diversion programs. Many states have provided TANF applicants non-recurrent short-term benefits (i.e., diversion payments) as a way to help them overcome a short-term crisis without actually going on the assistance rolls. Because short-term (less than four months) benefits are not considered "assistance," many TANF requirements do not apply, most notably the federal 60-month time limit and work requirements. Shortly after passage of the DRA, a number of states began operating diversion programs for all or most TANF applicants, because many could not immediately be transitioned into work activities and would thus lower a states

¹¹ See: John Kasich, Executive Order 2011-19K, <http://www.governor.ohio.gov/Portals/0/pdf/executiveOrders/2011-19K.pdf>.

¹² See: <http://www.lsc.state.oh.us/fiscal/redbooks130/jfs.pdf>.

¹³ See Liz Schott, "Using TANF or MOE Funds to Provide Supplemental Assistance to Low-Income Working Families," Center on Budget and Policy Priorities, July 23, 2007.

work participation rate. For example, Pennsylvania created a Work Support Component (WSC) Program for employable adults. Families could participate for 4 months in a 12-month period and would receive benefits that were essentially the same as those of TANF families receiving assistance. During the initial period in WSC, families develop a work plan and engage in job search and job readiness activities. As soon as the family participates enough hours in a countable activity, it is seamlessly transferred to the TANF assistance and counted in the work participation rate. So, the state could exclude families from the work participation rate for up to four months if not participating sufficient hours to count, but then transfer them as soon as it could.¹⁴ HHS issued guidance warning states about this practice.¹⁵

While the HHS guidance may have limited the most egregious examples of states taking advantage of this loophole, the decision about whether one form of diversion is gaming or not is ultimately a judgment call. Given the limits Congress placed on the Executive Branch in section 417 of the Social Security Act, this loophole remains a potential option, at least to some degree.

TANF is Broken!

It is not surprising that poverty declined throughout most of TANF's early years – the economy was strong, aid to the working poor was expanded (most notably the EITC), states had embarked on welfare reform before TANF was enacted (and didn't need TANF to test innovative reforms), and the block grant provided states massive windfalls of federal funds in the first five to ten years. But, the longer-term effects of TANF were predictable and they have been devastating. The TANF block grant is not adjusted for inflation, population growth, or economic conditions; and, states have learned how to avoid most federal requirements. So, consider the following thought experiment:

Suppose (without affixing blame to any party or branch of government) 15 years after TANF was enacted, federal fiscal and/or monetary policies, corporate greed, the real estate bubble, and other factors caused a Great Recession that caused child poverty to rise above the levels that existed in 1995 (and between 1995 and 2010 child poverty did rise from 14.7 million to an all-time high of 16.4 million; and even by 2013 it had fallen only to the 1995 level). And, suppose due to inflation the TANF block grant and maintenance-of-effort (MOE) requirement have declined in real purchasing power by about one-third (and, for MOE, this was already set at just 75 percent of historic spending). And, suppose states have used federal TANF funds to supplant existing state expenditures and to divert the funds away from core welfare reform purposes. And, suppose states have learned how to count third-party expenditures, including those from non-governmental organizations, to reduce their own MOE commitment. And, suppose states have figured out how to take advantage of loopholes in the law to avoid work requirements, time limits, and other federal requirements.

¹⁴ See Liz Schott, "Up-Front Programs for TANF Applicants," Center on Budget and Policy Priorities, July 16, 2007.

¹⁵ TANF-ACF-PI-2008-05 (Diversion Programs) (AMENDED), May 22, 2008, at: <http://www.acf.hhs.gov/programs/ofa/resource/policy/pi-ofa/2008/200805/pi200805>.

Well, that's exactly what happened, so even if TANF were successful in the beginning, there is no way it could be successful now.

Interestingly, Wisconsin, a state long lauded by conservatives for its welfare reforms, is a prime example of TANF's failure as a safety net and work program. Unlike Governor Thompson, who reaped a massive windfall from TANF (as Congress overpaid all states), Governor Walker is getting far less in TANF funding when adjusted for inflation and is dealing with a nearly 40 percent increase in the number of poor families with children. And, unlike Governor Thompson, who faced a 0 percent work target throughout most of his Administration thanks to the caseload reduction credit, Governor Walker (according to the Wisconsin Legislative Fiscal Bureau) will face a 50 percent requirement and fail in 2012 and 2013. Wisconsin thus faces the prospect of significant financial penalties. Table 2, "A Tale of Two Governors: The Best of Times and the Worst of Times," contrasts TANF in these two eras.

Table 2		
A Tale of Two Governors: The Best of Times and the Worst of Times		
	Gov. Thompson (1997)	Gov. Walker (2012)
TANF Block Grant (2014\$)	\$467.8 million	\$327.7 million
Windfall/Deficit vs. 1996 (2014\$)	\$105.7 million	-\$34.4 million
# of poor families w/children	82,984	114,395
\$ per poor family w/children (2014\$)	\$5,637	\$2,865
Work Rate Targets	1997: 8% 1998-2006: 0%	2011: 0% 2012-2014: 50%

Sources: CBPP for poverty data; GAO for state-specific 1996 spending and block grant amounts and thus the calculation of the windfall in federal funds. For Wisconsin work rate targets, see: Wisconsin Legislative Fiscal Bureau, *Wisconsin Works (W-2) and Other Economic Support Programs*, January 2015. Wisconsin's deficit in FY 2012 is relatively smaller than most states because it got one of the biggest windfalls when TANF was enacted. This deficit will continue to grow in the future.

The sharp reduction in funding, along with the fact that Wisconsin has used TANF dollars to fill other budget holes (as have most states), means the state has done a poor job in serving families in poverty. Before TANF, the ratio of families receiving TANF to families with children below poverty was 96 per 100 poor families; by 2012/13 this had dropped to 24 per 100.¹⁶ Can anyone in good faith call this success?

Wisconsin is not alone. This same story is playing out across the country. And, TANF's failure is not the fault of today's governors, but rather TANF's block grant structure. Of course, any state that fails to meet its work requirements can avoid a penalty by entering into a corrective compliance plan, and then use gimmicks (that became available to the states when the law passed), like a number of other states already have, but that does nothing to provide for the needs of the poor or help them become self-sufficient.

¹⁶ Center on Budget and Policies, "Wisconsin: TANF Caseload and TANF-to-Poverty Ratio Fact Sheet," available from: http://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_wi.pdf.

Please note that I am not blaming any governor here or in earlier examples for taking advantage of loopholes. Given TANF's structure, it is inevitable.

Conclusion

My written testimony just scratches the surface of TANF's failures. To fix TANF, Congress must address its core problems, which stem from the block grant structure and excessive state flexibility, and, in the case of work requirements, some poor decisions, most notably the caseload reduction credit and counting employment as an activity. While some may think that the loopholes I have outlined above can be closed, that would be a mistake – at least as long as it is a block grant. Trying to fix TANF's work requirements by addressing one loophole at a time, as Congress tried to do in the DRA, may simply result in another decade in which nothing meaningful happens to deal with the program's deficiencies. The first steps to reform should involve getting rid of the block grant structure, which allows states to segregate federal and state funds in ways to undermine all federal requirements, and narrowing the range of allowable activities to focus on core welfare reform purposes – basic assistance and welfare-to-work activities and supports.

I feel like the ancient Greek philosopher, Diogenes of Sinope, who once said, "Other dogs bite only their enemies, whereas I bite also my friends in order to save them." This testimony is a harsh criticism of TANF and the congressional process that produced this law, but it is also intended to be an honest and helpful account that will help you avoid future policy failures. I believe you are sincere in your statements about wanting to give the poor a "hand up." The TANF program, particularly one with a fixed level of funding and excessive state flexibility, is not well-suited to do this.

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I am writing as a citizen and my statement reflects my personal views. It does not represent the views of any organization I have ever been or am now affiliated with.



United States Government Accountability Office

Statement for the Record to the House
Committee on Ways and Means, Human
Resources Subcommittee

For Release on Delivery
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TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

An Overview of Spending, Federal Oversight, and Program Incentives

Statement for the Record by Kay E. Brown, Director,
Education, Workforce, and Income Security Issues

GAO Highlights

Highlights of GAO-15-572T, a statement for the record to the House Committee on Ways and Means, Human Resources Subcommittee

Why GAO Did This Study

The TANF block grant provides \$16.5 billion annually in federal funding to states for cash assistance as well as a variety of other benefits and services to meet the needs of low-income families. TANF requires states to maintain a specified level of their own past welfare spending to receive all of their TANF funds. In fiscal year 2013, states spent a total of \$31.6 billion in federal TANF and related state funds on cash assistance and other services for low-income families. GAO was asked to provide information from its recent reports to inform a hearing on next steps for welfare reform.

This statement addresses (1) states' use of TANF funds, (2) TANF's accountability framework, and (3) innovation and evaluation in the TANF program, drawing primarily from GAO reports issued from 2010 to 2014. For these reports, GAO reviewed and analyzed state TANF data reported to HHS from fiscal year 1997 through 2013, reviewed relevant federal laws, regulations, and guidance; interviewed HHS and state TANF administrators; and conducted visits in selected states.

What GAO Recommends

In its prior work, GAO recommended that HHS take steps to improve TANF expenditure reporting and identify potential changes to address the lack of incentives in the TANF program. HHS has taken some action. GAO has also suggested Congress consider ways to improve performance information when TANF is reauthorized. Consequently, GAO is not making any new recommendations at this time.

View GAO-15-572T. For more information, contact Kay Brown at (202) 512-7215 or brownk@gao.gov

April 2015

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

An Overview of Spending, Federal Oversight, and Program Incentives

What GAO Found

While the Temporary Assistance for Needy Families (TANF) block grant serves as the nation's major cash assistance program for low-income families with children, states increasingly use it as a flexible funding stream for supporting a broad range of allowable services. For example, in December 2012 GAO found that nationwide, in fiscal year 1997, states spent about 23 percent of TANF funds on services other than cash assistance, such as child welfare or child care. In contrast, states spent more than 66 percent of TANF funds for these purposes in fiscal year 2013, according to the most recent available data from the Department of Health and Human Services (HHS).

TANF's accountability framework has limitations in both the approach used for measuring work participation and the information that is available on trends in services other than cash assistance. One program performance measure, the work participation rate, measures the extent to which states engage work-eligible TANF cash assistance recipients in work activities as defined by federal law. In May 2010, GAO found that states often relied on several options allowed in law, including credits for caseload reductions, to reduce the percentage of families they needed to engage in work to meet their work participation rate requirements. Thus, GAO concluded that the rate's usefulness as an indicator of TANF performance is limited. There are also no reporting requirements mandating performance information specifically on families receiving services other than cash assistance. To fully assess how funds are being used, GAO suggested Congress should consider ways to improve performance information when TANF is being reauthorized. In response to GAO's 2012 recommendation that HHS develop a detailed plan to revise reporting categories for TANF expenditures to provide a more complete picture on the use of TANF funds, HHS has taken steps such as revising its reporting form and accounting methodology for expenditure data. HHS has also cited a statutory provision as preventing it from reporting an improper payment estimate for the TANF program, but says it will seek statutory modifications to allow for such an estimate when the program is reauthorized.

Incentives are often lacking for state and local TANF agencies to adopt and test promising approaches for moving cash assistance recipients from welfare to work, according to a November 2014 GAO report. State use of federal TANF funds for services that are not necessarily related to welfare-to-work activities may compete with funding for developing promising approaches for TANF cash assistance clients. Also, the federal work participation rate requirements may discourage states from pursuing approaches that incorporate longer-term education and training or treatment services, or from engaging hard-to-employ individuals in work activities as states can meet their work participation rate requirements by using the law's other options. In addition, little incentive exists for states to evaluate their TANF programs, and states are not required to do so, although these evaluations can provide useful information on program effectiveness. GAO recommended that HHS, in consultation with Congress, identify potential changes to address the lack of incentives to adopt and test promising approaches and submit a legislative proposal outlining those changes. HHS agreed with the recommendation but has not yet suggested program changes.

United States Government Accountability Office

Chairman Boustany, Ranking Member Doggett, and Members of the Subcommittee,

I am pleased to submit this statement on our recent work covering key aspects of the Temporary Assistance for Needy Families (TANF) block grant. As you know, in 1996 the federal government made sweeping changes to federal welfare policy by replacing the previous cash assistance program with the TANF block grant to states. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA),¹ which created TANF, ended the Aid to Families with Dependent Children (AFDC) program that had entitled eligible low-income families to monthly cash assistance. Instead, TANF provides \$16.5 billion per year in fixed federal funding to states to operate their own welfare programs within federal guidelines. This funding can help cover the costs of cash benefits, administrative expenses, and services primarily targeted to needy families; the amount does not vary according to the number of cash assistance recipients. States are also required to maintain a specified level of their own past welfare spending to receive all of their TANF funds. In fiscal year 2013, states spent a total of \$31.6 billion in federal TANF and related state funds on cash assistance and other services for low-income families, according to the most recent available data from the U.S. Department of Health and Human Services (HHS). At the federal level, HHS is responsible for overseeing TANF programs. We were asked to provide information from our recent reports on TANF to inform a hearing on next steps for welfare reform.

My statement today—based primarily on reports we issued from 2010 to 2014—will address (1) states' use of TANF funds, (2) TANF's accountability framework, and (3) innovation and evaluation in the TANF program.² We used multiple methodologies to conduct the work for these reports. We reviewed and analyzed state TANF data reported to HHS

¹Pub. L. No. 104-193, 110 Stat. 2105.

²This statement is also based on updates to TANF expenditures. We obtained these updates in April 2015 by consulting publicly available data. Reports are cited throughout and include: GAO, *Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates*, GAO-10-525 (Washington, D.C.: May 28, 2010); *Temporary Assistance for Needy Families: More Accountability Needed to Reflect Breadth of Block Grant Services*, GAO-13-33 (Washington, D.C.: Dec. 6, 2012); and *Temporary Assistance for Needy Families: Action Is Needed to Better Promote Employment-Focused Approaches*, GAO-15-31 (Washington, D.C.: Nov. 19, 2014).

from fiscal year 1997 through 2013; reviewed relevant federal laws, regulations, and guidance; interviewed HHS officials; reviewed research summaries and syntheses of rigorous research on promising approaches for engaging TANF recipients in employment and increasing their earnings; and collected information from TANF officials using different methods for different studies, including interviewing state TANF administrators and conducting visits in selected states. We assessed the data we received and concluded that the data were sufficiently reliable for the purposes of our reports. (More information on the scope and methodology of our work is contained within our published reports.)

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

TANF Has Evolved from a Cash Assistance Program to a Flexible Funding Stream

Since PRWORA's passage, cash assistance caseloads have declined, freeing up TANF funds for states to use for other allowable purposes. In May 2013, we reported that when states implemented TANF during fiscal year 1997, an average of 3.9 million families a month were receiving cash assistance.³ This number declined by over half within the first 5 years of TANF. Since that time, the average number of families receiving cash assistance each month has remained well below the initial number of 3.9 million families. An average of about 1.5 million families received cash assistance each month in 2014, according to the most recent available data from HHS.

In December 2012 we noted that several factors have affected the early decline and continued low levels of cash assistance since states implemented TANF.⁴ The initial decline occurred during a strong economy in which federal support for work supports such as child care increased and TANF provided new program emphasis on work. Many

³GAO, *Temporary Assistance for Needy Families: Potential Options to Improve Performance and Oversight*, GAO-13-431 (Washington, D.C.: May 15, 2013).

⁴GAO-13-33.

former welfare recipients increased their income through employment, and employment rates among single parents increased. At the same time, some families worked more and had higher incomes, others had incomes that left them still eligible for cash assistance. However, many of these eligible families were not participating in the program. According to our estimates in a February 2010 report, about 87 percent of the caseload decline through 2005 can be explained by the decline in eligible families participating in the program, in part because of changes to state welfare programs.⁵ These changes included mandatory work requirements; changes to application procedures; lower benefits; policies such as lifetime limits on assistance; diversion strategies such as providing one-time, non-recurring benefits instead of monthly cash assistance to families facing temporary hardships; and sanctions for non-compliance, according to a review of the research.

Our December 2012 report found that while the TANF block grant still serves as the nation's major cash assistance program for low-income families with children, states have also increasingly used it as a flexible funding stream for supporting a broad range of allowable services.⁶ Under the TANF block grant, states have generally maintained access to their full TANF allocation each year. As the number of families receiving cash assistance declined, states shifted their TANF priorities to other forms of aid, or non-cash services, which can include any other services meeting TANF purposes. We found that states spent significant amounts of TANF funds on services such as child welfare or child care. We reported that nationwide, in fiscal year 1997, states spent about 23 percent of TANF funds on non-cash services. In contrast, states spent more than 66 percent of TANF funds for these purposes in fiscal year 2013, according to the most recent available data from HHS.⁷

TANF's funding structure has given states flexibility in making decisions regarding non-cash services. In December 2012, we also reported states

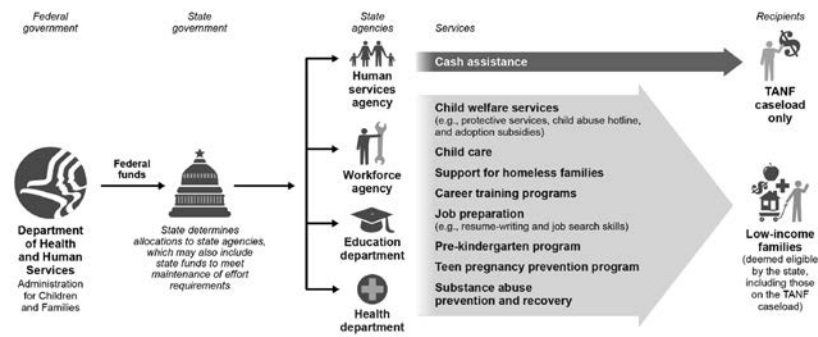
⁵GAO, *Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State*, GAO-10-164 (Washington, D.C.: Feb. 23, 2010).

⁶GAO-13-33.

⁷These figures include both federal TANF funds and the state "maintenance of effort" funds that states are required to spend to receive their full federal TANF allocation. State maintenance of effort funds are discussed further below.

spent federal TANF funds on existing or new programs according to state legislative priorities and, as a result, funds are often allocated to and administered through multiple state and local agencies (see fig. 1). This is in contrast to TANF's predecessor program, AFDC, which was typically administered through state welfare agencies. Our work showed that the multiple state and local agencies that receive TANF funds may serve low-income families beyond the TANF cash assistance caseload.

Figure 1: Example of Possible Allocation of TANF Funds by a State



Source: GAO analysis based on examples of programs and services funded by Temporary Assistance for Needy Families (TANF) in various states. | GAO-15-572T

TANF's Accountability Framework Has Limitations

States Have Generally Met Work Participation Rates by Using Credits Allowed by Law

Because job preparation and employment are key goals of TANF,⁸ one of the federal measures of state TANF programs' performance is the proportion of TANF cash assistance recipients engaged in allowable work activities.⁹ Generally, states are held accountable for ensuring that at least 50 percent of all families receiving TANF cash assistance and considered work-eligible¹⁰ participate in one or more of 12 specified work activities for an average of 30 hours per week.¹¹ Our work has shown that over the years, states have engaged about one third of families receiving TANF cash assistance in federally-defined work activities nationwide.¹² For example, according to HHS data, in fiscal year 2011—the most recent year for which data are available—states engaged 29.5 percent of work-eligible cash assistance families nationwide in work activities.

As we reported in May 2010, many states have been able to meet their work participation rate requirements because of various policy and funding options in federal law, and regulations that allow states to reduce their required rate.¹³ Specifically, factors that influenced states' work participation rates included not only the number of families receiving TANF cash assistance who participated in work activities, but also

⁸42 U.S.C. § 601(a)(2).

⁹42 U.S.C. § 607.

¹⁰Work-eligible individuals are generally adult recipients of cash assistance or certain non-cash recipient parents of children receiving assistance who count toward the work participation rate.

¹¹The work participation rate requirement is generally 90 percent for two-parent families.

¹²GAO-15-31. This was the case both before and after the Deficit Reduction Act of 2005 (DRA) that reauthorized TANF and included provisions generally expected to strengthen the work requirements.

¹³GAO-10-525.

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1. decreases in the number of families receiving TANF cash assistance,
 2. state spending on TANF-related services beyond what is required,¹⁴
 3. state policies that allow working families to continue receiving TANF cash assistance, and
 4. state policies that provide nonworking families cash assistance outside of the TANF program.¹⁵

Beyond families' participation in the 12 work activities, the factor that states have commonly relied on to help them meet their required work participation rates is the caseload reduction credit.¹⁶ Specifically, decreases in the numbers of families receiving TANF cash assistance over a specified time period are accounted for in each state's caseload reduction credit, which then essentially lowers the states' required work participation rate from 50 percent.¹⁷ For example, if a state's caseload decreases by 20 percent during the relevant time period, the state receives a caseload reduction credit equal to 20 percentage points, which results in the state work participation rate requirement being adjusted from 50 to 30 percent. While state caseload declines have generally been smaller after a 2006 law changed the base year for the comparison from fiscal year 1995 to fiscal year 2005, many states are still able to use caseload declines to help them lower their required work participation rates. In fiscal year 2011, the most recent year for which data are available, 49 of 50 states received a caseload reduction credit, including 22 that reduced their state's work participation rate requirement to 0 percent, according to HHS data.

In addition, states' spending of their own funds on TANF-related services has also been a factor in some states' credits. As stated previously, states are required to spend a certain amount of their funds every year—their maintenance of effort (MOE) funds—in order to receive all of their federal TANF block grants. However, if states spend in excess of the required amount ("excess MOE"), they are allowed to functionally

¹⁴To receive all of its annual federal TANF block grant, each state is generally required to spend 75 or 80 percent of what it was spending in fiscal year 1994 on welfare-related programs. 42 U.S.C. § 609(a)(7).

¹⁵For a more detailed discussion of these factors, see GAO-10-525.

¹⁶GAO-10-525.

¹⁷42 U.S.C. § 607(b)(3).

increase their caseload reduction credits.¹⁸ We reported in May 2012 that MOE, including expenditures by third parties, is playing an expanded role in TANF programs due, in part, to some states' reliance on excess MOE to help meet their work participation rates.¹⁹ We also noted that if states' MOE claims do not actually reflect maintaining or increasing service levels, low-income families and children may not be getting the assistance they need and federal funds may not be used in the most efficient manner.

In addition to the caseload reduction credits and excess MOE discussed above, we also reported in May 2010 that some states have made changes to their TANF programs that may affect which families are counted in their work participation rates, such as providing assistance to non-working families outside of the TANF program, as providing TANF assistance to such families would lower states' work participation rates. Given these various factors, we noted that the work participation rate does not allow for clear comparisons across state TANF programs or comparisons of individual state programs over time. Thus, we concluded that because of the various factors that affect the calculation of states' work participation rates, the rate's usefulness as a national performance measure for TANF is limited.²⁰

**Performance Information
for Non-Cash Services is
Incomplete**

As stated above, we reported in December 2012 that the TANF block grant has evolved into a flexible funding stream that states use to support a broad range of allowable services. In that report, we also reported that the accountability framework in place in federal law and regulations had not kept pace with this evolution.²¹ While funding for non-cash services

¹⁸45 C.F.R. § 261.43. When calculating the caseload reduction credit, federal regulations allow a state that spent in excess of its required amount in the year preceding the current one to include only the pro rata share of the total number of families receiving state-funded cash assistance required to meet the state's basic requirement.

¹⁹GAO, *Temporary Assistance for Needy Families: State Maintenance of Effort Requirements and Trends*, GAO-12-713T (Washington, D.C.: May 17, 2012). In addition to its own spending, a state may count toward its MOE certain in-kind or cash expenditures by third parties—such as nongovernmental organizations—as long as the expenditures meet other MOE requirements, including those related to eligible families and allowable activities. 45 C.F.R. § 263.2(e).

²⁰GAO-10-525.

²¹GAO-13-33.

represents the majority of TANF spending, there were no reporting requirements mandating performance information specifically on families receiving non-cash services or their outcomes. There was also little information related to TANF's role in filling needs in other areas such as child welfare, even though this has become a more prominent spending area for TANF funds in many states. We reported that while states prepared state plans and expenditure reports that individually provided some information on non-cash services, when considered together, these did not provide a complete picture on state goals and strategies for uses of TANF funds.

Thus, in our December 2012 report, we recommended that HHS develop a detailed plan with specific timelines to assist it in monitoring its progress on revising its financial reporting categories for expenditures of federal TANF and state maintenance of effort funds. In response to our recommendation, HHS has taken some steps to improve expenditure reports from states. Specifically, HHS revised its reporting form and accounting methodology to collect more detailed and accurate expenditure data for the TANF program. The agency told us it also plans to provide technical assistance to states to help make the transition to this new reporting form and methodology easier.

Despite these efforts by HHS, without more information that encompasses the breadth of states' uses of TANF funds, Congress will not be able to fully assess how funds are being used, including who is receiving services or what is being achieved. We suggested that Congress should consider ways to improve reporting and performance information in our December 2012 report. Changes to the program could be considered as part of a full reauthorization of TANF in the future.

HHS Has Not Reported an Improper Payment Estimate for the TANF Program

In March 2015, we reported that HHS did not report an improper payment estimate for the TANF program in fiscal year 2014, even though the program is considered susceptible to the risk of improper payments.²² In general, federal executive branch agencies are required to report improper payment estimates²³ that include payments that should not have been made or were made in the incorrect amount.²⁴ We concluded that the lack of an improper payment estimate for TANF and other risk-susceptible programs constrains the federal government's ability to determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them. HHS cited a statutory provision as prohibiting it from requiring states to estimate improper payments for TANF²⁵ and stated that when legislation is considered to reauthorize TANF, the agency plans to encourage Congress to consider statutory modifications that would allow for a reliable error rate measurement. In the meantime, the agency reported that it has taken actions to assist states in reducing improper payments, such as working with states to analyze noncompliance findings from audits related to TANF and requiring more accurate information about the ways states used TANF block grants.

²²GAO, *Improper Payments: Government-Wide Estimates and Use of Death Data to Help Prevent Payments to Deceased Individuals*, GAO-15-482T (Washington, D.C.: March 16, 2015).

²³The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012, requires federal executive branch agencies to (1) review all programs and activities, (2) identify those that may be susceptible to significant improper payments, (3) estimate the annual amount of improper payments for those programs and activities, (4) implement actions to reduce improper payments and set reduction targets, and (5) report on the results of addressing the foregoing requirements.

²⁴An improper payment is defined by statute as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Pub. L. No. 107-300, § 2(g)(2), as amended, codified at 31 U.S.C. § 3321 note. Office of Management and Budget guidance also instructs agencies to report as improper payments any payments for which insufficient or no documentation was found.

²⁵See 42 U.S.C. § 617, which generally states that no employee of the federal government may regulate the conduct of the states under the laws governing TANF except to the extent expressly provided in such laws.

Several Factors Limit Incentives for Innovation and Evaluation in the TANF Program

In a November 2014 report, we concluded that while selected state and local programs are making use of some promising approaches for moving TANF recipients into employment and increasing their earnings, incentives are lacking for large numbers of state and local TANF agencies to adopt and test such approaches under the structure of the TANF program.²⁶ We pointed to some of the factors outlined above—TANF’s funding structure and accountability measures—as factors that may limit incentives for states to experiment. Specifically, we found:

- States face competing priorities for use of TANF funds. TANF allows states to spend funds on a wide range of programs and services that are not necessarily related to welfare-to-work activities as long as these services support one of TANF’s four statutory purposes.²⁷ Our December 2012 report found that states spent significant amounts of TANF funds on services such as child welfare or child care, and we noted that state use of federal TANF funds for these and other services can create tensions and trade-offs in state funding decisions.²⁸ In our November 2014 report, we found that any additional resources needed for implementing more costly promising approaches for TANF cash assistance clients may compete with other allowable uses of TANF funds. Officials we interviewed for that report whose three programs exclusively used TANF funds to implement elements of promising approaches said that their programs had been continuously funded for many years and that it would be difficult to find funding for the programs were they beginning at that time.
- The federal work participation rate requirements do not necessarily serve as an incentive for states to implement certain promising approaches, according to our interviews and prior work. Work participation rate requirements can play an important role in encouraging states to move TANF recipients into work. However, our November 2014 review indicated some ways that current policies may be discouraging states from engaging some TANF recipients with

²⁶GAO-15-31.

²⁷42 U.S.C. §§ 601(a), 604(a). The four purposes for the TANF block grant are: (1) provide assistance to needy families so that children may be cared for in their own homes or homes of relatives; (2) end dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce out-of-wedlock pregnancies; and (4) encourage two-parent families. .

²⁸GAO-13-33.

complex needs and from providing an appropriate mix of activities. Some experts and HHS officials we interviewed suggested that limits on the amount of time that certain job readiness and training activities may be counted toward a state's work participation rate²⁹ may discourage states from pursuing approaches that involve longer-term treatment or education.³⁰ In addition, our November 2014 report included factors discussed above, such as the caseload reduction credit, that have allowed states to reduce the percentage of families they needed to engage in work to meet their work participation rate requirements. We found that states may have less incentive to use promising approaches to engage hard-to-employ individuals in work activities as they can meet their work participation rate requirements without them.

Additionally, we reported in November 2014 that state and local TANF agencies have little incentive to test the effectiveness of new approaches.³¹ States are not required under federal TANF law to conduct impact evaluations of their TANF programs, although these evaluations can provide useful information on program effectiveness. We have previously found that although HHS has a strong tradition of leading and supporting rigorous welfare research, there are fewer incentives for states to evaluate their programs under TANF than existed under the previous welfare program with its evaluation and funding provisions.³² Indeed, although HHS maintains an active research agenda, TANF agency participation in some recent and ongoing HHS evaluations has been limited. An HHS official we interviewed reported that engaging TANF programs in evaluations of promising approaches is difficult because of the administrative burden on the state or locality. Officials added that HHS has no authority to require state agency participation in research and evaluation and no dedicated funding to provide states or localities incentives to participate. We concluded that limited participation by TANF agencies in HHS evaluations may slow the development and adoption of new promising approaches, leaving TANF without a continuous improvement process.

²⁹See 42 U.S.C. § 607(c).

³⁰GAO-15-31.

³¹GAO-15-31.

³²GAO, *Welfare Reform: More Information Needed to Assess Promising Strategies to Increase Parents' Incomes*, GAO-06-108 (Washington, D.C.: Dec. 2, 2005).

Consequently, to encourage broader adoption and evaluation of promising approaches, we recommended that HHS, in consultation with Congress, identify potential changes that would address the lack of incentives for states and localities to adopt promising approaches and then develop and submit a legislative proposal outlining those changes. HHS agreed with our recommendation and noted that in the Administration's Fiscal Year 2015 Budget Request, it stated, "when Congress takes up reauthorization, the Administration will be prepared to work with lawmakers to strengthen the program's effectiveness in accomplishing its goals. This effort should include using performance indicators to drive program improvement and ensuring that states have the flexibility to engage recipients in the most effective activities to promote success in the workforce, including families with serious barriers to employment." HHS made this same statement in its Fiscal Year 2016 Budget Request. We maintain that HHS should develop more concrete proposals to address the lack of incentives within the TANF program itself, and noted that the agency need not wait for Congress to take up reauthorization to do so.

Chairman Boustany, Ranking Member Doggett, and Members of the Subcommittee, this concludes my statement for the record.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact Kay E. Brown, Director, Education, Workforce, and Income Security, at 202-512-7215 or brownke@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this statement include Alexander Galuten, Gale Harris, Kristen Jones, Michael Pahr, and Walter Vance.

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