Secretary's
Innovation
Group

A Progress Report on the War on Poverty: Reforming Federal Aid

House Committee on the Budget

Testimony of Jason A. Turner

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Dear Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before this committee. I am the executive director of the Secretaries' Innovation Group (SIG), made up of seventeen state secretaries of human service agencies (and an affiliated group of workforce secretaries) reporting to their governors from states representing 34% of America. We exchange ideas and examples of state program innovations and press for national solutions which favor work, healthy families, economic growth and budget responsibility. In 2012 our members proposed a policy recommendation[1] which would rebalance the relationship between the states and federal government. These remarks are adapted from this policy as developed and agreed upon by our member secretaries.

Whenever our organization meets with members of Congress, our secretaries always ask for *less* money and *more* accountability. To take an example, our members requested through our Food Stamp policy proposal, a fixed federal allocation (block grant) with a 50% federal/state shared risk for annual changes in benefit expenditures up or down, rather than the 100% expenditure risk borne by the federal government as in current law.[2]

Adapting this proposal into a legislative initiative last year, we proposed to the House agriculture committee that willing states be authorized to 100% self-fund a new Food Stamp work program comparable to TANF for similarly situated SNAP recipients, with benefit savings resulting from increased work levels as independently verified, if any, shared 50/50. Our members were pleased to advance this proposal in partnership with Rep Steve Southerland, which as the members of this committee know passed the House, and in modified form, without the shared risk funding mechanism we had advanced, was enacted into law - - the first new federal work program since 1996.

In two other proposals made by our secretaries - - for UI and Disability - - we proposed federal/state shared risk financial models on an opt-in basis, with the states designing and owning the overall system to achieve better results with lower anticipated expenditures.[3] A federal/state shared risk model can be adapted *to any program with entitlement-based expenditures.* Our member secretaries constitute a pool of proven

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[1] *Returning the Proper Balance of Responsibility for the Welfare State*, November 2012 secreatarysinnovationgroup.org at the policy papers tab.

[2] *Reforming Food Stamps (SNAP),* November 2012 http://secretarysinnovationgroup.org/images/Reforming%20Food%20Stamps%20SNAP.pdf

[3] Policy papers tab, http://secretarysinnovationgroup.org/

risk managers who through the example of our own proposed reforms, are willing and able to consider shared financial risk models as proposed by Congress in exchange for program management and operating control.

The Fix we are in

From about 24% of GDP today, federal spending is expected to jump to between 45% and 67% of GDP after the baby boom generation is fully retired. State and local governments will consume at least 15% more.[4]

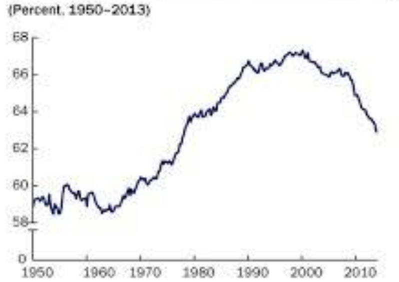
There are an estimated 60 means-tested programs operated by the federal government (or 79 including means-tested health and education).[5] These parts of the welfare state include:

12 programs providing food aid;
12 programs funding social services;
11 housing assistance programs;
10 programs providing cash assistance;
9 vocational training programs;
3 energy and utility assistance programs; and,
3 child care and child development programs.

What have we gotten for all of that spending? The poverty rate fell sharply after World War II until it reached 12% in 1969. Then, as the negative effects of dependency and other induced problems reduced labor participation and family cohesion, the rate in 2011 ended up higher than when the war on poverty began, at 15%. Worse, the substitution of alternatives for earned income sent the male labor force participation rate into decline (the overall effects concealed for a time by the introduction of women into the paid labor market).

Rate of Participation in the Labor Force

(Percent, 1950–2013)



Sources: Congressional Budget Office; Bureau of Labor Statistics.

[4] Source: *Dan Mitchell, CATO 2012*
[5] Source: *Heritage Foundation*
http://www.heritage.org/research/testimony/2012/06/welfare-state-69-means-tested-programs-and-940-billion-in-annual-spending

How TANF shows the way forward

The adoption of TANF and the energy its reforms unleashed – adults newly finding and taking jobs, caseworkers oriented to work-first, time limits inducing urgency, and new program purposes such as the promotion of two parent families – is an example of how states can operate under the proper federal/state partnership. After TANF was created, welfare rolls dropped by roughly half while poverty reached its lowest recorded level ever among African Americans.

Why did TANF work so well?

- TANF eliminated an individual entitlement to forever benefits, re-orienting participants toward employment as the highest and most secure source of ongoing family support.
- It combined new and appropriate federal program objectives such as work and marriage in place of the earlier counterproductive income-transfer purpose.
- It set constructive federal measurements such as work activation and participation, while allowing states credit for positive outcomes such as dependency reduction resulting from employment (the caseload reduction credit).
- It permitted states operational freedom to experiment with multiple approaches to achieve the self-sufficiency goal.
- It permitted states which reduced caseloads to re-use benefit money for more constructive purposes than cash payments to recipients.
- Its fixed allocation capped growth in the program as compared to the former entitlement formula, thereby introducing greater budget discipline.

What are some of the ways states would innovate were they provided the necessary authority, comparable to TANF?

The examples below from states using their existing, broad TANF authority for innovative purposes, should be adapted to other means-tested programs.

Consolidate overlapping programs into units that make more sense

In its attempts to bring families together, Wisconsin focuses on providing subsidized employment opportunities to non-custodial fathers whose children are covered under TANF, and is considering a family TANF grant which includes the father, rather than one which goes exclusively to the mother.

Introduce competition among program providers and government

For ten years, Florida has privatized certain parts of its child welfare system using some TANF funds in which providers compete for renewed contracts on the basis of carefully structured performance metrics such as time in foster care waiting for adoption.

Permit lower levels of government (such as counties) to have the same flexibility to innovate as that granted to the states

In 2012 Pennsylvania devolved much of its TANF budget, policy and management, where requested and granted, to local levels of government.

Re-orient programs to place energy and focus on true sources of social dissolution

Under TANF authority former governor McDonnell instructed his welfare bureaucracy to begin the process of retraining and orienting line staff to assess and refer clients to interventions that improve family outcomes such as conflict resolution, parenting skills, marriage and fatherhood, rather than merely managing the symptoms through the distribution of money.

Shift program emphasis from amelioration to prevention and activation

Texas instructed its generally ignored Job Service system to prioritize incoming UI beneficiaries immediately to re-employ as many as possible within the first ten weeks, resulting in a sharp increase from 28% to 43% of new UI recipients re-employed within that carefully monitored time frame.

Require universal engagement in welfare-to-work activities

New York City knows where every one of its TANF recipients reside in its sprawling work program system (JobSat) and engages each of them in ongoing obligations to work, including those reporting a work limitation.

Reduce expenditures through aggressive detection of ineligible recipients or fraudulent providers

While states may use any number of steps to detect ineligible TANF recipients (such as finger imaging, data cross matching or applicant job search), certain federal restrictions related to Food Stamps limit the ability of states to go after food vendor fraud or tests for filing multiple applications (e.g. finger imaging). Such restrictions would be obviated in state designed program [Note: our SIG organization recommends that Congress pass a resolution to clarify that states may pursue all forms of potential fraud, including trafficking of food stamps by food vendors].

Recommit savings from effective program administration to other purposes including returning funds to taxpayers

TANF fathered multiple successes. Not only did it increase employment and earned income while reducing expenditures cash benefits, it also freed up billions of dollars for more constructive support of low income such as child care for working parents. Only 29% of TANF expenditures now go for cash payments.[6]

What is the Secretaries' Innovation Group calling for?

Our long-term objective is to return to the proper federalism balance as envisioned by our Founders and practiced for 150 years. We have witnessed the effects of our abandonment of their idea of a decentralized, limited government.

In the meantime, our member Secretaries wish to expand, on a large scale, the concept of TANF that made it so successful - for policy reasons related to *budget control and program effectiveness.*

[6] http://www.acf.hhs.gov/sites/default/files/ofa/fy2012_expenditures.pdf

Under our proposal, States will implement demonstrations of adaptations of TANF to other programs. The simplest way to think about this is as the reverse of the current law transfer of TANF funds to other programs (transferring funds from TANF into child care and the Social Services Block Grant). The principle is that funds could be transferred from other programs (e.g. food stamps, housing etc.) into a TANF special account, with individuals eligible for the former benefits now eligible for similar benefits, but with some of the components of TANF (such as work or other provisions) integrated into the merged program. As under TANF, states would have wide latitude in how the merged benefits are designed and operated.

These demonstrations will form the knowledge basis for a searching re-evaluation of the effectiveness of the national means tested system as presently constituted (see the attachment below for an example of an implementation model).

CONCLUSION

Our seventeen member secretaries, carrying out immense responsibilities on behalf of our citizens as entrusted to us by our governors, require a return to the proper state and federal relationship. The TANF program, now eighteen years old and a model of what can be achieved, has produced results we can expect across the spectrum if states are offered this opportunity.

ATTACHMENT
Example Model for Implementation

States should be permitted to set up a new TANF Self Sufficiency supplementary account into which the state may absorb resources from a range of means tested federal programs. These could include TANF, Food Stamps (SNAP), public housing and Section 8 rent subsidies, labor department programs such as WIA and Job Service, and those under the Department of Educations' Adult Education and Family Literacy Act.

1. The purpose of the supplementary TANF Self-Sufficiency account is to ***merge multiple program resources around self-reliance as their common goal.*** This means that a merged program's existing purpose will be paired with the TANF general purpose of temporary assistance and self-sufficiency through employment.

2. The merged program goals of self-reliance will also ***incorporate general recipient obligations*** to actively participate in activities leading to work for those not employed. The benefits will be ***temporary in nature*** as is TANF.

3. States ***will not be bound by current program rules of the merged programs***, but may use the funds in any number of ways to deliver the result of self-reliance and work as they can now under TANF, while providing the underlying service or benefit contained in the program transferred.

4. For each merged program into the Self-Sufficiency Account, the state will define a measure of success in which ***increased self-reliance is the primary indicator.***

5. To manage the programs within the Self-Sufficiency Account, states could set up a ***separate management unit, or utilize the existing TANF infrastructure*** with additions and modifications.

6. ***Illustrative Example -*** The chart below shows examples of programs in column A that could be merged into a Self-Sufficiency Account. We will use Section 8 Housing vouchers as shown in the chart as an example:

a. The US Department of Housing and Urban Development allocates twenty percent of the new Section 8 vouchers that would otherwise have been delivered to communities within the state*, instead to the state Self-Sufficiency Account.*

b. The *existing general program purpose* of Section 8 housing is to lower the net cost of private housing to low income beneficiaries, as shown in column B.

c. The *modified general purpose* of these Section 8 certificates in this illustration, column C, might now be to provide low cost housing while encouraging work activity as a condition of lease renewal, and time limits to encourage movement out of subsidized housing into the fully private market. The state might use its broad program authority to encourage work - for example in its distribution of housing vouchers it might give preference to those applicants with greater number of work hours in the prior year; or it might give preference to applicants who agree to a shorter lease time limit in order to increase movement out of the system

d. *The state measure of success* in this illustration might be the increased proportion of rent that is earned among beneficiaries (lowering the subsidy) and a swifter move into fully unsubsidized housing resulting from increased earnings.

e. In each instance *beneficiaries must contribute* time and effort toward self-sufficiency comparable to that required by TANF for generally similarly situated recipients.

f. In this illustrative example we have used increased work and income as the program indicator for self-reliance, but the *other purposes of TANF, such as the promotion of two parent families,* might equally be used in a state designed demonstration.

SEE EXAMPLE BELOW

A. Example of program to be merged	**B. Current general purpose**	**C. Modified general purpose**	**D. Measure of success**	**E. Required beneficiary contribution toward self -sufficiency**
TANF	Temporary cash assistance leading to employment	Same as current purpose	Reduced duration on assistance due to increase in earned income	At least 30 hours in work related activity leading to full-time employment
Food Stamps (SNAP)	Purchase of food	Temporary food subsidy provided under similar conditions and purpose as TANF	Same as above	Same as above for unemployed work eligible recipients
Section 8 Housing vouchers	Lower the net cost of private housing	Lower the cost of housing for a maximum time limited period and conditioned on concurrent work activity.	Increased proportion of subsidized rent which is earned, and faster exit into unsubsidized housing	Same as above
Public housing	Provide low cost long term dwelling	Low cost dwelling for a time limited period; improved environment through work contributions on-site; greater proportion of employed tenants.	Reduce duration of stay by speeding exits into unsubsidized dwellings resulting from increased earned income.	Same as above; may include work contributions on site.
Job Service	Help match job seekers with employment	Reduce the duration of unemployment obviating need for public assistance	Speedy work-first employment outcome for those concurrently enrolled in a means tested benefit program	30 hours/wk in work search.
Federal assistance to community college system	Education to acquire skills for advancement	Provide vocational skills upgrades matched to specific employer needs	Increase graduation rate resulting in accession into employment	Continued attendance in a vocation specific program leading to graduation over a time specific period.