Secretary's Innovation Group

RETURNING PROPER BALANCE OF RESPONSIBILITY FOR THE WELFARE STATE

By The Secretary's Innovation Group

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The welfare state is not a principality. It is a vast empire bigger than the entire budgets of almost every other country in the world. And yet this mostly federally funded and driven system of means tested assistance has been a failure by any important measure.

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The Secretary's Innovation Group is made up of eighteen state secretaries of human service and workforce agencies from states representing 43% of America. We argue here that the federal government must return key program and budget authority to states. An effective, secure safety net can be built around clearly delineated federal objectives that include work, economic self-sufficiency and healthy family life. But present federal policy is not advancing these goals.

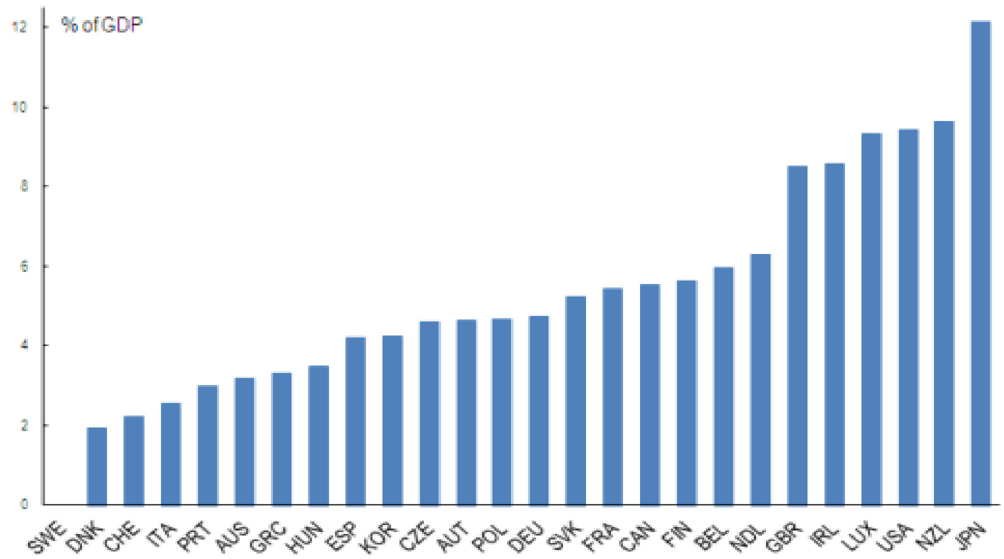
Finally, we observe the obvious – that the explosive growth in the federal budget allocated to means-tested benefit programs is unsustainable.

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. Compared to other nations, our sovereign debt burden trails only Japan and New Zealand.

Sovereign Debt as a Percent of GDP

USA #3



Source for chart and spending figures: Daniel Mitchell, CATO 2012

Federal and state governments spend close to a trillion dollars a year just on means tested benefit programs, which does not include Social Security and Medicare. Based on Census Bureau poverty estimates, our current welfare spending totals four times what would be necessary just to give all of the poor the cash to bring them up to the poverty line.

There are 60 means-tested programs operated by the federal government (or 79 including means-tested health and education). 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 poverty rate grew to 15% by 2011, higher than when the war on poverty began.

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 dropped to its lowest recorded level among African Americans.

Why did TANF work so well?

- It 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 (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.

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

The examples below come from states using their existing, broad TANF implementation authority for innovative purposes that should be adapted for 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.

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.

Introduce competition among program providers and government

For ten years, Florida has run a privatized child welfare system using some TANF funds in which providers compete for renewed contracts on the basis of carefully structured metrics.

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

Pennsylvania has devolved much of its TANF policy, budget and management to local levels of government, which request such authority and are granted it by the state.

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

Virginia has gone deep into its bureaucracy to begin the process of retraining and orienting line staff to assess and refer clients to supportive services that improve family outcomes such as conflict resolution, parenting skills, marriage and fatherhood, rather than merely managing the symptoms.

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, resulting in a sharp drop in the proportion of UI recipients still without a job after ten weeks.

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 job search at the applicant stage to detect unreported work, other means tested programs, such as Food Stamps, have rules against carrying out sensible tests to constrain double dipping (or vendor theft).

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 reduce expenditures for benefits, but it also significantly reduced the ratio of combined funds expended on administration such as federal reports and filings, making new funds available for program purposes.

What is the Secretary's 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, we Secretaries want 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.*

Under our proposal, States will implement demonstrations of TANF adaptations to other programs. The simplest way to think about this is as the reverse of the transfer of TANF funds to other programs, which is already permissible and taken advantage of (transferring funds from TANF into child care and the Social Services Block Grant). The principle here is that funds could be transferred from other programs (e.g. food stamps, housing etc.) into a TANF Self-Sufficiency Account, with individuals eligible for the former benefits now eligible for similar benefits, but with many of the provisions of TANF such as work obligations as a condition. In addition, as under TANF, states would have wide latitude in how the merged benefits are designed and operationalized. 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 for an example of an implementation model].

CONCLUSION

We eighteen 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 fifteen 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 Wagner-Peyser, 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.

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	Same as above	Same as above for unemployed work eligible recipients

		purpose as TANF		
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.