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October 8, 2024

The Honorable Jason Smith
Chairman, House Committee on Ways and Means
1139 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member, House Committee on Ways and Means
1139 Longworth House Office Building
Washington, DC 20515

Re: House Committee on Ways and Means Hearing on Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Funds Leaves Poor Families Behind

Dear Chairman Smith, Ranking Member Neal, and members of the committee:

Thank you for the opportunity to submit written comments for the hearing record on access and accountability for Temporary Assistance for Needy Families (TANF) block grant funds. I have been conducting research on TANF since its inception, on such topics as state policy choices and program approaches, eligibility and participation, outcomes measurement and performance management, tribal TANF programs, county-administered TANF programs, TANF for two-parent families, and the relationship between TANF and the workforce development system. I have conducted extensive interviews and focus groups with people seeking TANF and those administering the program, and I have previously testified before Congress, submitted public comments, and written extensively on the issues related to this hearing. The views expressed in this comment are my own and should not be attributed to the Urban Institute, its board, or its funders.

State flexibility is a central tenet and hallmark of the TANF block grant. However, in practice, states have used this flexibility to both creatively promote and questionably stretch the purposes of TANF, with the block grant often referred to as a "slush fund." Using funds for activities seemingly unrelated to the program's core goals, even if technically legal, undermines not only those aims but also the integrity of TANF itself.

Work is another central tenet of TANF. As a condition of receiving cash assistance through the program, parents must engage in work or work activities, with some exceptions. My comment provides supporting evidence that parents with low incomes have intrinsic motivations for employment, that TANF work requirements can be counterproductive, and that shifting TANF funding to the broader workforce development system could leave recipient families behind.

In the following sections, I offer evidence-based recommendations on how TANF can better support the families it is meant to serve.

Sincerely,

Heather Hahn
Associate Vice President, Center on Labor Human Services, and Population
Urban Institute

Ensuring TANF Supports Children in Need

Focusing TANF–funded benefits and services on families with needy children is a valuable investment in their well-being. The evidence shows that children have better immediate and long-term outcomes when their families have greater financial security and increased access to benefits and services that mitigate the effects of poverty. "Investments that reduce poverty and direct resources at very young children have particularly high payoffs," according to strong evidence presented in a recent Urban Institute report.[1] Research finds that increased income from cash payments leads to several near-term improvements: reduced material hardship, reduced adverse childhood experiences, improved brain development, and improved parenting habits. In the longer term, these lead to improvements in high school completion, college enrollment, and physical health. Improvements in children's long-term well-being also yield positive outcomes for the nation, as they become adults who pay more in taxes and are less likely to need additional public supports.

Proposed rules by the US Department of Health and Human Services (HHS) would help ensure that federal flexibility and state creativity are in the service of supporting needy children and improving their well-being.[2] In my expert opinion, as I stated in my public comment on the proposed rulemaking, these proposed rules appropriately maintain state flexibility while ensuring TANF funds directly support children in need.[3] The Notice of Proposed Rulemaking reinforces states' ability to determine how they use TANF funds to assist needy families but addresses the issue of some states using TANF block grant funds more loosely than intended.

"Reining in" the billions of dollars of current TANF spending that are not reasonably calculated to accomplish the purposes of the program could result in billions of dollars of unspent funds. To maximize support for children in need, it will be important not only to rein in TANF spending that doesn't advance the program's goals but also to encourage or incentivize states to spend their block grants so "misused" funds do not become merely "unspent" funds.

Congress or HHS could consider establishing rules about what share of unused funds states can keep and how to incentivize states to use their TANF block grant and maintenance-of-effort funds. States already have clear ways to increase the share of their TANF spending that supports children in need, such as raising their benefit amounts, expanding eligibility criteria, and easing burdens on eligible families seeking TANF cash assistance.

- **Raising cash benefit amounts** would be reasonably expected to improve child outcomes. The maximum monthly TANF cash payment amounts for a family of three with no other income in 2021 averaged $501 and ranged from $204 in Arkansas to $1,098 in New Hampshire.[4]
- **Expanding income eligibility for TANF cash assistance** would also expend additional TANF funds appropriately and extend the reach of this vital support to more children in need. On average, across all states in 2021, a family of three applying for TANF could have monthly earnings of no

[1] Elaine Maag, Cary Lou, Michelle Casas, Hannah Daly, Gabriella Garriga, and Lillian Hunter, *The Return on Investing in Children: Helping Children Thrive* (Washington, DC: Urban Institute, 2023).

[2] "Strengthening Temporary Assistance for Needy Families (TANF) as a Safety Net and Work Program," Office of Family Assistance, Administration for Children and Families, US Department of Health and Human Services, October 2, 2023, https://www.federalregister.gov/documents/2023/10/02/2023-21169/strengthening-temporary-assistance-for-needy-families-tanf-as-a-safety-net-and-work-program.

[3] Heather Hahn, "Public Comment on Proposed Rulemaking on Strengthening Temporary Assistance for Needy Families (TANF) as a Safety Net and Work Program," Urban Institute, December 4, 2023, https://www.urban.org/research/publication/public-comment-proposed-rulemaking-strengthening-temporary-assistance-needy.

[4] Sarah Knowles, Ilham Dehry, Katie Shantz, and Linda Giannarelli, *Welfare Rules Databook: State TANF Policies as of July 2021*, OPRE Report 2023-001 (Washington, DC: Urban Institute, 2023).

more than $673 (less than 37 percent of the federal poverty level). This threshold ranged from $268 in Alabama to $2,413 in Minnesota (the only state with an initial income eligibility threshold above the poverty level).[5] For context, 200 percent of the federal poverty guideline for a family of three in 2021 was $3,660 a month.

- **Ensuring eligible families can access TANF cash assistance** would also extend the reach of the program. Only 21 percent of eligible families received TANF cash assistance in 2019. The reasons eligible families do not receive assistance include lack of awareness of the program, inability to navigate application and renewal processes, feelings of belittlement and unfair treatment, and not wanting the government "in their business."[6]

Ensuring TANF Supports Employment

People receiving public assistance want to work and support their families. In my research, which involves listening to low-income parents across the country, I consistently and clearly hear them say they want to work, be self-sufficient, and no longer rely on public assistance.[7] One mother in Michigan said, "I would give anything and trade all the TANF I could ever get for a stable job," with other women in the same discussion sharing the same sentiment. Parents have genuine incentives to finds jobs without a work requirement; what they need is access to skills development, training, employment services, and other work supports.

Making ends meet is increasingly difficult for American workers. Almost one in eight workers holds an occupation whose median wage is barely enough to lift families out of poverty. These include jobs such as retail salespeople, cashiers, food service workers, wait staff, stock clerks, and personal care aides.[8] Many low-wage jobs in the current economy are also temporary or involve unpredictable, fluctuating schedules and have few benefits, making it difficult for people to support themselves and their families—even if they want to work full time.[9]

Because adults receiving TANF cash assistance are required to work or engage in work activities, and because receipt of benefits is time limited, the link between TANF and workforce development is clear. The bipartisan framework Congress developed in the Workforce Investment and Opportunity Act (WIOA) set the stage for people to have better access to valuable workforce development services that can help them find and keep jobs and increase their wages. WIOA made TANF a mandatory partner and revised the

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[5] Knowles, Dehry, Shantz, and Giannarelli, *Welfare Rules Databook: State TANF Policies as of July 2021*.

[6] Heather Hahn, Linda Giannarelli, David Kassabian, and Eleanor Pratt, *Assisting Two-Parent Families through TANF* (Washington, DC: Urban Institute, 2016); Eleanor Pratt and Heather Hahn, "What Happens When People Face Unfair Treatment or Judgment When Applying for Public Assistance or Social Services?" (Washington, DC: Urban Institute, 2021); Heather Hahn, Gina Adams, Shayne Spaulding, and Caroline Heller, *Supporting the Child Care and Workforce Development Needs of TANF Families* (Washington, DC: Urban Institute, 2016); Eleanor Pratt, Marla McDaniel, Heather Hahn, Jennifer M. Haley, Dulce Gonzalez, Soumita Bose, Sarah Morriss, and Laura Wagner, "Improvements in Public Programs' Customer Service Experiences Could Better Meet Enrollees' Needs and Help Build Trust in Government" (Washington, DC: Urban Institute, 2023).

[7] Hahn, Giannarelli, Kassabian, and Pratt, *Assisting Two-Parent Families through TANF*; Heather Hahn, Michael Katz, and Julia B. Isaacs, "What Is It Like to Apply for SNAP and Other Work Supports? Findings from the Work Support Strategies Evaluation" (Washington, DC: Urban Institute, 2017).

[8] Brynne Keith-Jennings and Vincent Palacios, *SNAP Helps Millions of Low-Wage Workers: Crucial Financial Support Assists Workers in Jobs with Low Wages, Volatile Income, and Few Benefits* (Washington, DC: Center on Budget and Policy Priorities, 2017).

[9] Liz Ben-Ishai, "Volatile Job Schedules and Access to Public Benefits" (Washington, DC: Center for Law and Social Policy, 2015); Jessica Gehr, "Doubling Down: How Work Requirements in Public Benefit Programs Hurt Low-Wage Workers" (Washington, DC: Center for Law and Social Policy, 2017).

performance measures to reduce prior disincentives to serving people with employment challenges. **Nonetheless, one of the greatest barriers to accessing WIOA opportunities for people receiving TANF cash assistance remains the program's work requirements.**

People who need additional job skills could benefit from expanded access to workforce development programs, but the narrow definition of work activities and convoluted TANF work requirement rules in federal law create perverse incentives for states that can get in the way of people seizing opportunities in the workforce development system. TANF law holds states accountable not for moving people into jobs but for ensuring that people are engaged in a specific set of work activities for a minimum number of hours. Federal TANF rules strongly emphasize immediate work rather than longer-term workforce development activities. These rules limit the types of activities that count toward the federal work participation rate requirement and the time states can count for adults in training, creating incentives for states to limit the range of activities available and steer families away from longer-term education, training, and even basic skills education. Some states have made creative use of TANF block grant funds to help families access the supports they need for improved long-term well-being.[10]

TANF and WIOA are mandatory partners, but states and communities rarely give TANF recipients access to the full range of workforce development activities available, including adult education, training, and postsecondary education services, as well as intensive job placement support. Even in states with highly integrated TANF and WIOA systems, TANF clients usually do not have the same access to intensive and training services as non–TANF clients. The coordination between TANF and one-stop centers typically includes common policies and procedures for upfront service delivery, such as common entry points, upfront job skills, job readiness services, and job development and placement.[11] Because TANF families often face personal challenges and exceptional disadvantages, they need the highest-quality child care and most intensive workforce development services, but these same challenges mean they also are among the most difficult families for existing systems to serve.[12] The combination of family characteristics and program rules makes it hard for TANF–receiving families to access intensive, high-quality services.

Recent changes to TANF in the Fiscal Responsibility Act have incentivized states to steer more TANF–receiving adults toward basic education and workforce development programs. As I have recommended in the past, state TANF programs will now report selected employment and education outcomes.[13] A focus on outcomes can encourage states to continue helping families seize immediate employment opportunities as well as allow them to access the full range of workforce development opportunities to achieve even greater self-sufficiency outcomes. A handful of states will now also report on family well-being outcomes and, importantly, will not be held to the current work participation rate requirement. The remaining states will still be required to meet a work participation rate that counts only the more limited work-related activities and for a limited time.

In order for TANF–receiving adults to access the full range of workforce development opportunities, the program needs to remove these remaining restrictions and disincentives. Simply shifting funds from TANF to the workforce development system, as some have proposed, is likely to leave recipient families behind.

As the committee continues its work, please do not hesitate to reach out to me through Justine Davenport, Urban's senior federal government affairs adviser, at jdavenport@urban.org. I am happy to be a resource and offer further evidence-based insights.

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[10] Heather Hahn, Eleanor Pratt, and Eve Mefferd, "Using TANF Funds to Provide Cash to Families: Considerations and Resources" (Washington, DC: Urban Institute, 2024).

[11] Gretchen Kirby, Julia Lyskawa, Michelle Derr, and Elizabeth Brown, *Coordinating Employment Services Across the TANF and WIA Programs* (Washington, DC: Mathematica Policy Research, 2015).

[12] Hahn, Adams, Spaulding, and Heller, *Supporting the Child Care and Workforce Development Needs of TANF Families*.

[13] Hahn, Giannarelli, Kassabian, and Pratt, *Assisting Two-Parent Families through TANF*.