HEARING ON WHERE IS ALL THE WELFARE MONEY GOING? RECLAIMING TANF NON ASSISTANCE DOLLARS TO LIFT AMERICANS OUT OF POVERTY

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

JULY 12, 2023

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United States House Committee on

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CHAIRMAN JASON SMITH

FOR IMMEDIATE RELEASE CONTACT: 202-225-3625
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Chairman Smith and Work & Welfare Subcommittee Chairman LaHood Announce Subcommittee Hearing on "Where is all the Welfare Money Going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty"

House Committee on Ways and Means Chairman Jason Smith (MO-08) and Work & Welfare Subcommittee Chairman Darin LaHood (IL-16) announced today that the Subcommittee on Work & Welfare will hold a hearing on reclaiming Temporary Assistance for Needy Families (TANF) dollars to support work and lift Americans out of poverty. The hearing will take place on **Wednesday, July 12, 2023, at 2:00pm in the Sam Johnson room located in 2020 Rayburn House Office Building**.

Members of the public may view the hearing via live webcast available at https://waysandmeans.house.gov. The webcast will not be available until the hearing starts.

In view of the limited time available to hear the witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMSubmission@mail.house.gov.

Please ATTACH your submission as a Microsoft Word document in compliance with the formatting requirements listed below, **by the close of business on Wednesday, July 26, 2023**. For questions, or if you encounter technical problems, please call (202) 225-3625.

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All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Please indicate the title of the hearing as the subject line in your submission. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

ACCOMMODATIONS:

The Committee seeks to make its facilities accessible to persons with disabilities. If you require accommodations, please call 202-225-3625 or request via email to WMSubmission@mail.house.gov in advance of the event (four business days' notice is requested). Questions regarding 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 on the Committee website at http://www.waysandmeans.house.gov/.

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WORK & WELFARE SUBCOMMITTEE HEARING ON "WHERE IS ALL THE WELFARE MONEY GOING? RECLAIMING TANF NON-ASSISTANCE DOLLARS TO LIFT AMERICANS OUT OF POVERTY

Wednesday, July 12, 2023

House of Representatives,

Subcommittee on Work and Welfare,

Committee on Ways and Means,

Washington, D.C.

The subcommittee met, pursuant to call, at 2:23 p.m., in Room 2020, Rayburn House Office Building, Hon. Darin LaHood [chairman of the subcommittee] presiding.

Chairman LaHood. The committee will come to order.

I want to welcome everybody today to our subcommittee hearing for the Work and Welfare Subcommittee.

The title of our hearing today is: Where is all the welfare money going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty.

My name is Darin LaHood, and I represent Illinois' 16th District of Illinois, covering much of central and northwest parts of the State.

Recently, Republicans were able to secure a major victory with the Fiscal Responsibility Act, which strengthened work requirements in the direct cash assistance portion of the temporary assistance for needy families program. Those changes followed our hearing in March in this room highlighting loopholes in the current law that allowed States to game the work participation rate.

This hearing will take the next step by focusing on the other side of TANF, which is non-assistance spending. Non-assistance funding constitutes the majority of the TANF block grant, nearly 78 percent of combined Federal and State spending. This is spending that is not for basic assistance or direct checks to welfare recipients.

Concerns have emerged that the non-assistance part of TANF lacks guardrails and is not focused on helping people move from welfare to work. National headlines fueled by a massive embezzlement scandal in Mississippi have drawn increased scrutiny about TANF leaving people to ask where is all the welfare money going?

In June, Republican members of the Ways and Means Committee sent a letter to HHS asking the agency about their response to Mississippi and their efforts to safeguard Federal funds in other States. In response, HHS outlined a number of statutory limitations that constrain their ability to conduct oversight and indicated a willingness to work with the committee to improve the TANF program.

I have heard from my colleagues on both sides of the aisle who have expressed frustration on this point. In fact, during our last hearing, my friend from Wisconsin, Ms. Moore, shared her concern about how States are using TANF money and commented about questionable use of funds in Wisconsin for luxury apartments. I agree with Ms. Moore and many others.

Current TANF law lacks basic financial safeguards included in most other Federal programs making it easy for States to divert funds and increasing the risk of fraud and abuse. Here are some of the examples: First, current law permits States to use Federal grants in, quote, "any manner that is reasonably calculated," unquote, to achieve one of TANF's four purposes, which is to provide assistance to needy families, independence of needy parents on government benefits, reduce out-of-wedlock pregnancies and, fourth, promote the formation of two-parent families.

These are worthy goals, but it is rare for allowable spending in a Federal program to be solely defined by vaguely written purposes.

Second, unlike most Federal programs, the TANF statute does not put limits on administrative costs or obligation deadlines for spending funds. As a result, program management is one of the four largest expenditure categories. Further, with no deadline to spend TANF dollars, many States have built up large reserves instead of spending them on families who need them.

Third, TANF is not subject to the Payment Integrity Information Act. Even though the Office of Management and Budget identified TANF as a susceptible program, HHS has never reported an improper payment rate estimate.

Finally, TANF law allow States to spend funds on a wide variety of the social services, like social welfare and child care but with none of the Federal rules that normally apply. This is resulted in TANF being spent on programs that are not tracked for outcomes or the quality of services been paid for with Federal tax dollars. All of this adds up to a vulnerable program that makes it possible for fraud and abuse to occur, like what happened in the State of Mississippi.

One of our witnesses today, Mr. Shad White, has firsthand knowledge of the Mississippi case and is here to provide recommendations on how this can be avoided in other States in the future.

Today we will also hear from witnesses' examples of how States have been able to use TANF non-assistant funds to strategically support initiatives that do effectively move individuals from welfare to work. Some States have also built their strong financial controls and audit practices, which can be remedied -- can be used in other States.

I think all of these things should be bipartisan issues. We should be able to work together to improve accountability in this vital program. It is time to reclaim TANF funds to ensure dollars are intentionally focused on removing barriers to work, reducing dependency, and growing the capacity of individuals to realize their full potential.

I am honored to have our guests here today and look forward to your testimony.

With that, I am pleased to recognize the ranking member, the gentleman from Illinois, Ranking Member Danny Davis.

Mr. Davis. Thank you. Thank you, Mr. Chairman.

And let me welcome all who have come and express thanks and appreciation to all of our witnesses and thank you.

The Temporary Assistance for Needy Families program fails to help the vast majority of families in need. It is shameful, but it is the result of policies my colleagues demanded. Republicans insisted on making it so hard for States to help poor families who need cash assistance, education, training, and childcare to escape poverty that States started diverting funds to other uses called non-assistance spending.

In 2020, States spent only about 20 percent of their Federal and State TANF funds on cash assistance and only about 10 percent on work, education, and training. Some States, like Mississippi and Tennessee, chose to stash tens of millions of dollars in a bank account rather than help poor families.

Republicans insisted on imposing crushing administrative burdens designed to kick families off direct cash assistance under the guise of accountability. Even though Republican witnesses recommended less than work requirements and restrictions on education and training, the GOP debt limit provisions doubled down on harsh work requirements.

These Republican-driven policies trapped families in poverty by rejecting them altogether. Pushing families into meager child-only TANF are forcing them into poverty-level jobs rather than building economic security.

Republicans insisted on TANF being a block grant that gave States wide latitude to fund activities that do not help poor parents. Incredibly, unlike any other law, Republicans insisted on a statutory prohibition on Federal oversight that limits transparency, fraud detection, and enforcement.

When Mississippi advocates asked this subcommittee for help years ago to get the

Trump administration to examine how the State was using TANF, we had to direct them to State officials to investigate this issue due to this prohibition on enforcement. Unfortunately, even after the fraud revelation, advocates still cannot get answers about how TANF is used locally. I hope that our witness, State auditor White, will help remedy that lack of transparency.

It is also deeply troubling that less than 24 hours after the TANF fraud was announced, Mississippi lawmakers, at the urging of State auditor White, advanced a bill to allow him to review the tax returns of TANF cash recipients, a requirement that was not imposed, to my knowledge, on the many TANF subcontractors and businesses.

So let us be clear. TANF is working exactly as the Republican TANF system was designed. Democrats absolutely think TANF needs a fundamental overhaul, but any reform should start with improving family stability by reducing burdensome requirements and providing sufficient access to financial support, child care, education, and career pathways to help families strive.

Families need stability before parents can be reliable workers, and reliable workers need quality jobs to escape poverty. Predictable financial assistance is central to stability for parents to hold self-sustaining jobs. We saw during the pandemic that reliable financial assistance via the child tax credit helped cut child poverty by 40 percent.

Further, a recent report by Chapin Hall details how State policies that increase access to TANF and cash assistance are associated with decreased child maltreatment. For example, $100 increase in TANF cash benefits is associated with reduction in maternal self-reported physical child maltreatment. In contrast, for families receiving TANF who experienced maternal hardship, such as difficulty meeting basic needs, they are three times more likely to experience a neglect investigation and four times more likely to experience a physical abuse investigation.

TANF benefits in most States remain at their lowest value since the program started in 1996, yet research shows that for families with children under the age of five receiving an extra $3,000 per year boost children's adult earnings by 17 percent. So, investing in cash assistance now would help lift children out of poverty both now and in the future.

The failure of TANF falls disproportionately on children of color whose families experience greater barriers to economic stability. Black, American Indian, and Alaskan Native, Asian, and Latino children experience higher poverty rates than White children. Yet, 48 percent of Black children live in States with the benefit amounts below 20 percent of the Federal poverty level, compared to only 35 percent of White children.

I served on this committee back when there was a good-faith bipartisan effort to reform TANF. Now those efforts have been repeatedly torpedoed by extremists demanding harsh work requirements.

Limiting States from using non-assistance dollars will do nothing to lift Americans out of poverty if we do nothing to help States serve low-income families by providing cash assistance and work supports while also removing the ineffective work requirements.

I thank you, Mr. Chairman, and yield back.

Chairman LaHood. Thank you, Mr. Davis.

It is my pleasure now to yield to the full chairman of the Ways and Means Committee, Mr. Jason Smith.

Chairman Smith. Thank you, Chairman LaHood and Ranking Member Davis for holding this hearing about how Congress can strengthen the non-direct assistance side of the Temporary Assistance for Needy Families, or TANF, to lift more Americans out of poverty and protect the taxpayers who fund the program.

I would also like to give a special welcome to one of our witnesses today, Mr. Robert Knodell, the director of the Department of Social Services in my home State. He is a native of God's country, the best congressional district in the entire Nation, Missouri's 8th, which happens to be my district, and also a graduate of Southeast Missouri State. He is a fighting redhawk. We are glad you are here, Robert.

Robert combines his love of Missouri with a career that is dedicated to service, focusing on improving education and social services. Robert, thank you so much again for being here. It is an honor to have you.

In hearings all around the country, we have heard how small businesses are being impacted by the labor shortage. The Fiscal Responsibility Act, it delivered a major win for families and small businesses by strengthening work requirements in the TANF program. It also put an end to attempts by States to exploit loopholes around the work participation rate and forced them to measure outcomes that matter like how many recipients get a job.

This was a major step toward restoring the program to its core mission, acting as a bridge out of poverty. We have more work to do, though. Almost 8 in every $10 in this program are spent on something other than direct checks to families. TANF was meant to help people get a job, but we need basic financial guardrails to guarantee taxpayer money is not wasted. That lack of accountability has opened the door for States to treat TANF non-assistance funds like a slush fund.

In some cases, States use the funds to fill budget gaps for unrelated purposes. In others, these funds pay for social programs that the Federal Government already pays for but avoids Federal rules on how States can use that money, creating even more duplication and overlap.

In the worst cases, the lack of controls and accountability has led to outright fraud and abuse. For example, in Mississippi 77 million in non-assistance TANF dollars was misspent through waste, fraud, and abuse. To put this in perspective, Mississippi receives 86 million in TANF annually and has the highest rate of child poverty in the entire country. Money that should have gone towards the vulnerable went instead toward building volleyball courts.

Every Ways and Means Republican has asked Secretary Becerra if HHS has taken any action to correct this situation.

On its current path, TANF non-assistance is failing beneficiaries who need economic security, and it is also failing taxpayers whose money should be spent intentionally and strategically to support work. The basic problem at hand is the lack of accountability. More money tomorrow does not solve the problem of misspending money today.

Thank you to each of our witnesses for testifying today about how to ensure TANF fulfills its mission of lifting people out of poverty through work.

I yield back, Mr. Chairman.

Chairman LaHood. Thank you, Chairman Smith.

We are pleased to have our witnesses here today, and we have a tremendous amount of experience here today with all of you, and so we want to thank you for being here today. I will now introduce them.

Mr. Clarence Carter -- I will start from my left to right -- is the Commissioner of the Tennessee Department of Human Services. Mr. Shad White is the State auditor for the State of Mississippi. Mr. Robert Knodell is the director of the Missouri Department of Social Services. Ms. Kristi Putnam is the secretary of the Arkansas Department of Human Services. And Dr. Aisha Nyandoro is the CEO of Springboard to Opportunities in Jackson, Mississippi.

Welcome to you all.

Mr. Carter, I will now recognize you for 5 minutes to deliver your opening statement.

STATEMENT OF CLARENCE CARTER, COMMISSIONER, TENNESSEE DEPARTMENT OF HUMAN SERVICES

Mr. Carter. Chairman LaHood, Ranking Member Davis, and members of the subcommittee, thank you for the opportunity to testify on potential reforms to the TANF program specifically and on the broader safety net in general.

My name is Clarence H. Carter, and I currently serve as commissioner of the Tennessee Department of Human Services in the administration of Governor Bill Lee. Tennessee is my last stop in a 32-year career in the administration of public safety net programs and agencies at the federal, state, and local levels of government. During that career, I have had the blessing and good fortune of serving two presidents, four governors, and a mayor in this, my life's purpose and passion.

My career predates the welfare reform of 1996. I harken back to the excitement and anticipation of that era. At that time, I was serving as Virginia's commissioner of the Department of Social Services. I recall a conversation I had with one of our consumers regarding her experience with the new program. She said to me, when they told me I would have to work, I was scared.

She had not been employed since the birth of her first child 15 years prior, and as such, had serious concerns about her ability to successfully rejoin the workforce. She recounted how her case manager believed in her and assisted her in finding a job.

She went on to say, do you know what I did with my first paycheck? I took my kids out for pizza. With tears streaming down her face, finally she said, with pride, Mr. Carter, at the beginning, I was afraid, but now I know I will never be on welfare again because I know I can do this.

I share this reflection because it is that very inspiration, hope, and vision that drives me every day in this work. Mere subsistence is not enough. Individuals need hope and the ability to determine their own destiny. Our system of public support should be about freeing people to act in their own best interest, not making them wards of an ever-expanding and complex public assistance system.

The TANF program was built on two fundamental principles, work for receipt of benefits and time limits. While those twin pillars are as important today as they were 27 years ago, we have fallen far short of the lofty goals envisioned at the signing of the legislation.

In the previous administration, I served as director of the Office of Family Assistance, the program office within HHS tasked with administering the TANF program. Upon arrival in 2017, we saw that there was in excess of $5 billion in unexpended TANF funds nationwide. We sent a letter encouraging States to use their unexpended balances to demonstrate innovations in the program. Unfortunately, our encouragement fail flat.

States needed more than encouragement from the Federal Government. They needed a mechanism and additional funding to do so. It was with that understanding that guided us in crafting the opportunity and economic mobility demonstrations, which were included as part of the President's budget in fiscal year 20 and fiscal year 21. I have included those budget proposals with my written testimony.

Little did I know that the next stop in my professional journey would afford me the opportunity to put into practice what I had encouraged at the Federal level. Of the unexpended TANF monies nationwide, Tennessee had the largest amount in excess of $700 million.

This brings us to what we are doing with TANF in Governor Lee's administration. In conjunction with our Department of Human Services, the State legislature and governor crafted the TANF Opportunity Act. This legislation was designed to serve families in need and mandated a four-spending mechanism. Perhaps most impactful for this committee, this legislation also authorized seven large-scale demonstrations aimed at helping families overcome the challenges they face.

The objective of these three-year demonstrations is to test unique community-designed collaborative models for building the economic, social, and developmental capacity of TANF recipients. Their results will provide valuable insight into how best to refine our overall TANF model.

Another important component of this legislation is its emphasis on evaluation and finding out what works. To accomplish this, we engaged an evaluation firm to design random control trials for each of the seven demonstrations, the gold standard in scientific evaluation.

In closing, we find ourselves in an important crossroads in the history of our Nation's safety net. The work of this subcommittee can positively impact the lives of millions of Americans. I believe that the interventions we have undertaken in Tennessee offer a framework that can launch the next generation of safety net reform.

I want to thank you again for the opportunity to share this testimony, and I applaud your courage to embark upon this necessary journey. I can state unequivocally that under the leadership of Governor Bill Lee, Tennessee is dedicated to partnering with you in this effort.

[The statement of Mr. Carter follows:]

******** COMMITTEE INSERT ********

Committee Testimony

Testimony of Clarence H. Carter
Commissioner, Tennessee Department of Human Services
Hearing of the House Ways and Means Subcommittee on Work and Welfare
On Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty
July 12, 2023

Chairman LaHood, Ranking Member Davis, and Members of the Ways and Means Subcommittee on Work and Welfare, thank you for the opportunity to testify on potential reforms to the Temporary Assistance for Needy Families (TANF) program specifically and on the broader safety net in general.

My name is Clarence H. Carter. I currently serve as Commissioner of the Tennessee Department of Human Services (TDHS) in the administration of Governor Bill Lee. Tennessee is my last stop in a 32-year career in the administration of public safety net programs and agencies at the federal, state and local levels of government. During that career I have had the blessing and good fortune of serving two presidents, four governors and a mayor in this - my life's purpose and passion.

My career predates the welfare reform of 1996. In 1994, as Commissioner of the Virginia Department of Social Service, I led the development and execution of its 1115 Wavier Demonstration which provided the framework for the state's welfare reform approach: the Virginia Initiative for Employment Not Welfare (VIEW)[1]. As such, I have been intimately involved with the intention, design, and implementation of the TANF program since its inception.

I harken back to the excitement and anticipation that accompanied the new opportunities associated with what President Clinton famously described as "ending welfare as we know it." I remember how one of our county agencies installed a bell in the office and every time a public assistance consumer got employment, they would enthusiastically ring the bell. I recount a personal experience when I questioned a consumer about her experience with the new program. She said to me, "When they told me I would have to work, I was scared." She had been unemployed since the birth of her child 15 years prior, and as such had serious concerns about her ability to successfully rejoin the workforce. She recounted how her case manager believed in her and helped her to find a job. She went on to say, "Do you know what I did with my first paycheck? I took my kids out for pizza!" She began to cry. Finally, she said, "Mr. Carter, at the beginning I was afraid but now I know I will never be on welfare again because I know I can do this."

I share those reflections because it is that very inspiration, hope, and vision that drives me every day in this work. Our system of public supports should be about freeing people to act in their own best interest, not making them wards of an ever-expanding and complex public assistance system. It is in that spirit I offer this testimony.

The TANF program, which is the backbone component of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, was built on two fundamentally important principles: work for receipt of benefits and time limits. Work is fundamental because any job that is legal, moral, and ethical

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[1] https://rga.lis.virginia.gov/Published/1999/HD46/PDF

(and its attendant earnings) creates a pathway beyond dependency. Time limits are necessary to create a sense of urgency for both the consumer and government agencies to create a life beyond the scraps from the public assistance table. Mere subsistence is not enough. Individuals need hope and the ability to determine their own destiny.

While those twin pillars are as important today as they were 27 years ago, and there have been many successes, we have fallen far short of the lofty goals envisioned at the signing of the legislation. That is why the work of the Subcommittee is so important and I am proud and honored to lend my years of experience and service to your efforts.

I would like to focus particularly on what we are currently doing in Tennessee, but before I do - I want to share some of my experiences heading this program at the federal level. In the previous Administration, I served as Director of the Office of Family Assistance, the program office within the U.S. Department of Health and Human Services tasked with administering TANF. Upon arrival in 2017, we saw that there was a significant unexpended balance of TANF funds nationwide (in excess of $5 billion). We encouraged states to use their unexpended balances to demonstrate ways to grow capacity to reduce dependency of their consumers served through the TANF program. Unfortunately, our encouragements fell flat.
What became clear is that states would need not only a letter of encouragement from the federal government, but a mechanism and additional funding to do so.

It was that understanding that guided us to craft a budget proposal that would provide waiver authority (beyond TANF) and additional funding to support the proposed demonstrations. That budget proposal made it into the last two president's budgets (FY2020 &FY2021). I have attached those budget proposals to my written testimony.

Little did I realize that the next stop in my professional journey would afford me the opportunity to put into practice what I had encouraged states to do during my time at the Office of Family Assistance.
Of the $5 billion of unexpended TANF monies nationwide, Tennessee had the largest amount with an excess of more than $700 million. The state had appropriately been getting publicly excoriated for its failure to spend down this surplus which had accumulated over many years. It was not that there weren't eligible families, it was that previous administrations had not been very creative beyond cash assistance in seeking innovative solutions to meet the economic, social and developmental challenges of our consumers.

This brings us to what we are doing with TANF in Governor Lee's Administration, which I believe provides a broad blueprint for safety net reform. Importantly when addressing this surplus, the Governor and Legislature resisted the urge to simply get the unexpended balance out the door to reduce the public pressure. Instead, in conjunction with our Department of Human Services, they designed and executed legislation that would serve families in need and mandate a forced spending mechanism. Over time this mechanism reduces the unexpended balance to a rainy-day fund not to exceed $191 million (the amount equal to one year of the state's annual TANF block grant award). The second part of the legislation, and most impactful for the Committee, is the authorization of seven large-scale demonstrations aimed at helping families overcome the challenges they face. The legislation was approved without opposition in both chambers of the Tennessee legislature and signed into law by Governor Lee in 2021.

The objectives of the three-year demonstrations are to test unique community-designed, collaborative models for building the economic, social and developmental capacity of TANF eligible families to reduce their dependency on public supports. The seven pilots are testing a wide range of interventions from remediation of the draconian benefits cliff, to strengthening families by focusing on more intentionally engaging fathers and leveraging and aligning existing programmatic resources to make system navigation more efficient. The results of the demonstrations over the next three years will provide insights into how we will refine our overall TANF model.

Another important component of the legislation is its emphasis on evaluation. It was the stated desire of the Governor and Legislature to learn what works and is most effective. To accomplish this, TDHS engaged an evaluation firm to design randomized controlled trials (RCTs) - the gold standard in scientific evaluation. Interestingly, the $5 million we spent on our evaluation partner was deemed an ineligible TANF expense by the Office of Family Assistance, and as such had to be funded solely by state dollars. This is an area the Committee may wish to examine in subsequent hearings and future legislation. Allowing states to evaluate their TANF related programs with Federal TANF funds would help to ensure the efficacy of our interventions and improve the lives and experiences of the families we serve.

Tennessee's TANF Opportunity Act provides the foundation for a comprehensive reform of our state's safety net, one that is dedicated to growing capacity to reduce dependency for all Tennesseans. Our efforts in Tennessee work within the confines of existing bureaucracy of TANF law, regulation and policy, and by virtue of that are limited to TANF-eligible families. We would like to propose a bolder vision for the future.

In a chapter titled "A Safety Net for the Future: Overcoming the Root Causes of Poverty"[2] included in American Renewal, a policy volume published by the American Enterprise Institute, AEI fellows Angela Rachidi, Matt Weidinger, and Scott Winship propose a series of reforms to current safety net programs. Key takeaways from their chapter include:

- The 1996 welfare reform reduced poverty dramatically by putting millions of poor Americans on a path to self-sufficiency, but policymakers have since increased the number of Americans receiving unconditional transfers, often from programs not covered by welfare reforms.
- Policymakers should recast safety net programs to better encourage work and marriage, thereby addressing the key underlying causes of long-term poverty and public dependency.
- Policy should also encourage state governments to promote upward mobility by allowing them to innovate with program design and holding states financially accountable to achieve the aims of antipoverty programs.

I wholeheartedly agree with these findings and feel they provide a helpful outline for future reforms in the TANF arena.

It is clear that we find ourselves at an important crossroads in the history of TANF and our nation's safety net. The work that this Subcommittee is engaged in is vital and can positively impact the lives of millions of Americans. I believe that the interventions we have undertaken in Tennessee offer a framework that can launch the next generation of safety net reform.

In closing, I want to thank you again for the opportunity to share this testimony, and I applaud your courage to embark upon this necessary journey. I can state unequivocally that under the leadership of Governor Bill Lee, Tennessee is dedicated to partnering with you in this effort.

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[2] https://www.americanrenewalbook.com/a-safety-net-for-the-future-overcoming-the-root-causes-of-poverty/

Chairman LaHood. Thank you, Commissioner Carter.

I now turn to auditor White. You are recognized for 5 minutes.

STATEMENT OF SHAD WHITE, STATE AUDITOR, MISSISSIPPI OFFICE OF THE STATE AUDITOR

Mr. White. Thank you, Mr. Chairman and Ranking Member Davis. It is an honor to be here with you.

My name is state auditor Shad White. I am the 42nd state auditor of Mississippi. I run a team of about 140 CPAs, career investigators, attorneys, and support staff. And 3 years ago, we uncovered what is now the largest public fraud scheme in the history of the State of Mississippi, and it was fueled almost entirely by TANF dollars.

What I thought I would do is tell you a little bit about how that case came about, and then I have some thoughts and recommendations on policies that might be implemented to prevent what we saw in Mississippi from happening in other places that I would be happy to get into.

In the summer of 2019, this case started when we received a whistleblower tip that suggested that there may be a kickback between the head of the Department of Human Services in Mississippi, the agency that handles TANF, and a vendor to DHS, our Department of Human Services. I then ordered an investigation by our career investigators and simultaneously told our auditors who were doing our single audit at the time, that's the audit that we do for you, the Federal Government, to describe how Federal funds are spent, to look at what was going on with TANF dollars in the State of Mississippi.

We audited and investigated for about 6, 7 months, and at the end of that time, we determined that north of $90 million of both TANF funds and other welfare funds had been misspent in the State, and we also determined that there were likely multiple fraud schemes that had gone on.

So, at that point, we knew that some of the organizations, one nonprofit in particular that was receiving funds and misspending them, was likely to also get an additional grant, so we had to act quickly in the auditor's office. I took what we had found to a local prosecutor in Hinds County. He acted quickly and indicted six individuals, successfully cutting off the flow of funds and stopping the misspending. That was in February of 2020.

We also concluded our single audit a few months later, and in that single audit what we found was multiple instances of misspent TANF funds outside of the fraud cases.

So, I will catch you up a bit to where we are today. Six individuals have now pleaded guilty to either State or Federal charges. Those charges range from money laundering, fraud, RICO charges. And that case, that criminal case is still ongoing, so I will be limited in what I can say about the criminal case right now.

My office has turned over everything that we have to the FBI, and the FBI and Federal prosecutors at the Department of Justice have asked to take the leading role in indicting and investigating anyone who is new beyond the original six people that we investigated. We agreed to that arrangement, and we have been assisting them since then. That was about 3 years ago.

As far as the other misspent money goes, the State is now suing multiple individuals to get some of that money back, and I won't tell you every example of misspent funds in Mississippi, but I will give you a bit of the flavor of what we found in our single audit. We found that TANF dollars had gone to pay for advertisements at out-of-state college ball games. We found that TANF money had gone to pay for advertisement at

NCAA bracket games outside of Mississippi. We found that TANF dollars had gone to pay celebrities and athletes in Mississippi with little or no work product required.

We found that one nonprofit in particular, a nonprofit run by Nancy and Zach New, that is a mother and son duo, had received tens of millions of dollars of TANF money, and they had misspent much of that money, some of it to their personal benefit. So, Mr. New repaid a loan from his 401(k) program with TANF dollars. They paid for a house for Ms. New using government money. They paid for cars for themselves. They paid for technology, like iPads. This list goes on and on and on.

If you would like to see the full list of what we uncovered, I would suggest that you read our single audit from 2020 or the 2 years after that, and that details some of those findings.

What I would like to say mainly is thank you to all of you for inviting all of us here and for looking into this because my hope is that the country can learn from Mississippi's experience so that what we saw, the fraud that we saw in Mississippi doesn't happen in other States.

Thank you, Mr. Chairman. Thank you, Ranking Member Davis.

[The statement of Mr. White follows:]

******** COMMITTEE INSERT ********

STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR

Mr. Chairman and Members of the Committee,

My name is Shad White, and I am the 42nd State Auditor of Mississippi, an attorney, and a Certified Fraud Examiner. I run a state agency of 140 CPAs, attorneys, career investigators, and support staff. Our charge is to ensure taxpayer dollars are spent in accordance with the law. To do this, we perform routine audits of government entities. This includes the annual Single Audit of federal funds in the state. We also have a law enforcement division with trained state police who investigate white-collar crime involving public funds. If we discover such a crime, we work with prosecutors to hold the perpetrators accountable.

In my five years as State Auditor, the most notable case my office uncovered involved TANF funds. Tragically that case has been covered on the pages of The New York Times, The Washington Post, and in newspapers abroad. It is the painful story of how tens of millions of TANF dollars were misspent from 2016-2019 in Mississippi.

In the summer of 2019, my office was alerted to a potential kickback scheme involving the head of the Department of Human Services (DHS). This is the agency in Mississippi that handles the TANF block grant. We immediately launched an investigation. I also simultaneously instructed our auditors to include DHS in their Single Audit for the year and to press farther than most Single Audits to determine how TANF dollars were spent.

After six months of investigating and auditing, we determined tens of millions of dollars had been misspent and that multiple people had committed felonies with TANF dollars. Two of those people—Nancy and Zach New—ran a nonprofit that had drawn down millions of TANF dollars. And in December of 2019, they obtained another Intent to Award letter from DHS. It signaled that the News were about to be given another multi-million dollar infusion of TANF funds. My office had to act quickly.

We took our findings to the local district attorney in January 2020. By February, he indicted six individuals based on our work. Those individuals included the former head of DHS, Nancy and Zach New, their accountant, and a former television wrestler named Brett Dibiase. All five have now pleaded guilty in either state or federal court to a range of crimes involving the TANF funds, from fraud and money laundering to RICO charges.

My office also released our Single Audit of DHS in the spring of 2020. The final verdict was startling: we questioned the spending of over $90 million in federal funds. We also requested that DHS hire an independent forensic audit firm to confirm our findings. This was to give the public some assurance that my team had plumbed the depths of the problem. DHS eventually hired a private CPA firm from Maryland to perform this audit. While the Maryland firm was only allowed to look at TANF spending (not the other federal anti-poverty programs that DHS oversees), the Maryland firm validated my team's work. They found at least $77 million in TANF funds had been misspent in recent years.

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After the release of this audit, I used my legal authority to demand the repayment of more than $96 million dollars of TANF funds from those who could be held legally liable under Mississippi law. DHS, under new leadership, then followed up by hiring private attorneys to sue many of these people. This case is now in litigation in state court in Mississippi.

I should also note that the criminal investigation is still ongoing. In February 2020, a few days after the indictments in state court, my office briefed the FBI and Department of Justice on our case. The FBI has been given everything in our evidence file on the case. They have asked to take the leading role in investigating anyone new who might face charges here. My office agreed to that arrangement and has assisted them since that time three years ago. I also allowed federal investigators to work from my office when they needed to. In the last few months, federal prosecutors obtained a guilty plea against a new defendant who was not among the first defendants the state indicted. They also indicted Teddy Dibiase, Jr., another professional wrestler, for the first time. Beyond these facts, I will be limited in what I can say about the criminal case, as the investigation is still ongoing.

Our Single Audits, however, are public record, and they provide an alarming set of examples of how TANF money was misspent in Mississippi. DHS spent TANF money advertising at a college bowl game and out-of-state NCAA tournament games. Celebrities and athletes were given TANF funds with little or no work product delivered. DHS's director John Davis had family members paid. For instance, Davis's nephew was paid more than twice the Mississippi governor's salary to teach coding classes the nephew was not qualified to teach. Davis's brother-in-law was paid for being a "leadership outreach coordinator," whatever that means, while Davis was living with him. Consulting firms and lobbyists were paid without a clear contract or work product to show at the end. Nancy New directed federal dollars to make a down payment on a home for herself in a wealthy part of Jackson, Mississippi. She also purchased cars and iPads for her family and even paid one of her own speeding tickets with TANF funds. TANF funds rented a field for a private travel softball team called the Mississippi Bombers. Brett Dibiase was sent to a luxury drug rehab facility in Malibu using TANF dollars. When my team asked what he was doing there, we were initially told he was paid to teach drug rehab classes, which was a lie. Millions were sent to a private experimental concussion drug company with a celebrity endorser.

The list goes on and on. If you want to read more, I would encourage each member to read our 2020-22 Single Audit reports to the federal government.

My hope, now that this misspending is public, is that our nation will learn the lesson of the Mississippi case. In my experience, anti-poverty programs are particularly vulnerable to fraud. My office has uncovered other examples of anti-poverty programs being defrauded, sometimes by the very people who are running the programs or spending the grant dollars. National headlines confirm the risk of these programs. For example, federal agents have alleged that more than $250 million was stolen by a group of people in Minnesota who drew down a grant intended to feed the poor.

It is worth reflecting on why these programs are vulnerable. My sense is that the perpetrators believe the people they are serving may not have access to decision makers or law enforcement to report any suspected theft. I also believe that the relaxed rules attached to these programs may lead to fraud.

I believe block grants were made to be flexible by a bipartisan group of lawmakers who, in good faith, wanted the grants to work. They wanted to give states, the laboratories of democracy, the chance to implement the best ideas to meet their specific challenges. I know they hoped the best uses of anti-poverty interventions would bubble to the top, giving other states a roadmap to follow.

In light of the Mississippi scandal, though, it's important to acknowledge that flexibility also comes with a cost. In our fraud case, we hypothesize that the seeds of the corruption started with the relaxed four TANF purposes and the freedom that the agency head believed he had to interpret those to his liking. We believe that flexibility sent a message to agency employees that, if they worked hard enough, they could shoehorn almost any use of dollars into one of the four purposes.

The second way flexibility led to fraud was through the agency's use of nonprofits. The agency sent large cash grants to nonprofits up front, no reimbursement required. If the agency head didn't find enough legal justification to spend TANF money on an object in his own office, he might then just ask the nonprofit to spend money in this way. This sort of a workaround was obviously illegal, but it happened because the parties involved likely did not believe anyone was watching.

I should note, though, that flexibility alone was not enough to create this fraud. John Davis and the nonprofit had to agree to spend money in violation of the law together. The nonprofit executives likely knew that, as long as they agreed to do what Davis said, the TANF money would keep flowing from DHS. Eventually, those nonprofit executives probably came to believe no one was watching the money at all, so they spent it in ways that benefitted themselves. In short, flexibility plus a willingness to engage in fraud led to years of misdeeds.

What guardrails, then, could have prevented this scheme? First, the federal government should send a stronger message to agency heads that they will be held accountable for telling the truth about where TANF dollars are going. Agency heads should sign statements under penalty of perjury about their spending of TANF dollars and the number of TANF-eligible recipients who have been helped.

Second, the federal government should ensure agency heads, who must monitor the nonprofits that receive their grants, do so. In Mississippi, according to our investigation, John Davis told DHS employees to avoid monitoring Nancy and Zach New's nonprofit. This should not be allowed to happen, and the federal Department of HHS should respond swiftly when state auditors flag a lack of appropriate monitoring.

Third, HHS should respond swiftly to our Mississippi case to show the nation that this type of fraud will not be tolerated. My office turned over its explosive Single Audit to the federal government in May 2020. To this day, HHS has not given an indication of when they might debar any of the nonprofits involved, when they will demand back any money, or when they will level any penalties. As I mentioned earlier, the Department of Justice has also been working on the case for three years, too, and the taxpayers of this nation will eventually deserve answers on who they will charge and who they will not. It is slow going, but my hope is that all those who were responsible will be held accountable.

Fourth, HHS should be required to report improper spending to Congress. My office is required to report all instances of improper spending in state or local government to the Mississippi legislature in August of each year. My understanding is this reform is being discussed in your proposed TANF reforms.

Fifth, Congress should ensure TANF dollars cannot flow to anyone over 200% of the federal poverty line—that the dollars will only help the truly needy. Squishy determinations around who is "needy" helped fuel the Mississippi scandal while those in actual need often missed out. Again, my understanding is this reform is also being considered.

Finally, states that have proven they do not have the ability to properly monitor nonprofits or do not have relationships with strong nonprofits should move away from granting money to nonprofits. These states should focus on research-backed interventions that move people into the workforce. The emphasis when awarding funds should be on providing dollars with clear oversight of outcomes and focused spending on proven interventions. Leaving a nonprofit to experiment can lead to death by a thousand tiny cuts of waste. Leaving a nonprofit to spend money without outcomes can lead to no good outcome at all. The provisions of the JOBS for Success Act that limit the number of exceptions for dollars flowing to employment-related activities is a good example of limiting flexibility in a way that can promote a stronger program.

In conclusion, I want to credit the men and women of the Mississippi Office of the State Auditor for their hard work in their case. One of them was awarded the American Institute of Certified Public Accountants' highest award for her work on the TANF matter. The team, collectively, has recovered more money in the last four years than in any other four-year period in Mississippi history. They are the professionals who spent months wading through invoices, poring over accounting entries, and interviewing witnesses, and the credit for uncovering this case is theirs.

Mr. Chairman and Ranking Member Davis, thank you for the opportunity to tell Congress their story.

Chairman LaHood. Thank you, Mr. Auditor.

We will next turn to Director Knodell from the State of Missouri. You are recognized for 5 minutes.

STATEMENT OF ROBERT KNODELL, DIRECTOR, MISSOURI DEPARTMENT OF SOCIAL SERVICES

Mr. Knodell. Thank you.

Rob Knodell, director of Missouri's Department of Social Services. And thanks to Chairman Smith, and thank you, Chairman LaHood and Ranking Member Davis and members of the committee.

I am honored to serve in the gubernatorial appointed position as director of our Missouri Department of Social Services and on behalf of our 5,700 hardworking team members and the over two million Missourians that our department serves every day. We appreciate the opportunity.

Missouri is fortunate to currently have an unemployment rate of 2.5 percent, among the lowest of any State. However, we have experienced a steady decline in our labor force participation rate since the 1990, and while we rank above the national average, our current rate, as of May of this year, is 63.4 percent, which is the lowest during any non-COVID pandemic month since 1985.

Like most States Missouri's population is aging with more and more citizens approaching retirement, and especially in rural communities and inner cities, our population is not growing. This creates labor force challenges and communities looking to staff healthcare nursing facilities, provide school bus drivers, hire child care workers, and fill other critical jobs that make cities and towns great places to call home.

TANF in Missouri, if it achieves its full potential, dovetails very well with Governor Mike Parson's paramount priority of workforce development. Lifting citizens out of poverty by equipping them with the skills, education, and attainable expectations to become self-sufficient and family supporting does wonders to strengthen families, improve communities, and save and, indeed, grow tax dollars, making the American dream more attainable.

And that is what we are doing in Missouri with our TANF block grant. More than ever we are looking for ways to meaningfully assist our able-bodied neighbors who encounter barriers to self-sufficiency and do face that unfortunate lifetime of dependency on public assistance to survive otherwise. These citizens need the American dream, and the American dream needs them.

Our communities are counting on us, both through this committee and throughout our States to lift up families to be full participants as creators and consumers so that we can function and thrive in a way that fulfills our social contract. Our TANF block grants, if funded and administered with the necessary balance of flexibility and strict accountability, can deliver on that promise.

Missouri serves hundreds of thousands of citizens through our block grant programs, providing the necessary skills, training, mentoring, nutrition, and removal of barriers to ensure a successful path to employment.

We all know the difference between somebody who starts a job that they aren't prepared for, as opposed to starting a job that they are well equipped and trained to succeed in. The former often returns to public assistance programs in short order and the latter does not. Missouri invests TANF dollars into the jobs for American graduates, or JAG program, boasting a 98 percent graduation rate with 86 percent of graduates transitioning to either college, a job, or military service.

We operate four excel centers, which are adult high schools with four satellite facilities offering free high school education with flexible schedules and life coaching within our State. 83 percent of graduates end up employed and another 10 percent enroll in college or an advance skills training.

One shinning example of what our TANF dollars are doing when properly expended is Denise Hayes. With the onset of the COVID pandemic, she was at a crossroads. After 8 years of working at a local nursing center, she was laid off, and when public schools transitioned to remote education, she had a child care barrier to consider.

While staying home with her children, she attempted to find part-time employment, but opportunities were scarce due to her remote and rural location. After 18 months of unemployment and once her children returned to in-person schooling, Denise applied and was approved for temporary assistance benefits. As a participant, she qualified for the Missouri work assistance, or MWA, program.

Having previously worked in a nursing facility, she had some knowledge of the medical field and was interested in a phlebotomy program at a local community college. MWA not only helped pay for her training program but they were also able to help with the gas expense, as she faced a 120-mile roundtrip in order to attend those classes. When Denise got to the point in her program that she needed scrubs to wear, MWA was able to help cover this expense.

Denise recently began work at the Rivers Oaks Nursing Home in Pemiscot County in the Missouri boot hill and is preparing to take her State test for certification, after which she has plans to apply for those better jobs. As a CPT, she will have more stable and higher paying job opportunities. Denise is grateful for the financial assistance that MWA provided during her journey.

I will caution this committee that as pandemic relief dollars go away and if and when State tax revenues tighten or decline, State agencies will be under increasing pressure to color outside the lines and push boundaries when it comes to TANF spending. Program integrity measures from both State and Federal levels will be more important than ever, and we urge you to consider strategically enhancing and leveraging TANF dollars within the four corners of the program to provide benefits, and we encourage you to consider enhanced program integrity measure to make clear not only to States but our partner agencies of what appropriate and inappropriate uses of TANF dollars are.

Thank you for the opportunity.

[The statement of Mr. Knodell follows:]

******** COMMITTEE INSERT ********

MICHAEL L. PARSON, GOVERNOR • ROBERT J. KNODELL, DIRECTOR
P.O. BOX 1527 • BROADWAY STATE OFFICE BUILDING • JEFFERSON CITY, MO 65102-1527
WWW.DSS.MO.GOV • 573-751-4815 • 573-751-3203 FAX

Testimony of Robert J. Knodell
Director, Missouri Department of Social Services

Before the U.S. House of Representatives
Committee on Ways and Means
Subcommittee on Work and Welfare
July 12, 2023

INTRODUCTION

Thank you, Chairman Smith, Chairman LaHood, Ranking Member Davis, and Members of the Committee. I am honored to serve in the gubernatorial-appointed position of Director of the Missouri Department of Social Services. On behalf of our 5,700 hard-working team members and the over 2 million Missourians our Department serves, we appreciate the opportunity you've given me to speak to you today.

The State of Missouri is fortunate to currently have an unemployment rate of 2.5%, among the lowest of any of state. However, we have experienced a relatively steady decline in our labor force participation rate since the late 1990's, and—while we rank above the national average—our current rate as of May of this year is 63.4%, the lowest during any non-COVID pandemic month since 1985. Like most states, Missouri's population is aging—with more and more citizens approaching retirement—and, in numerous rural communities and inner cities, the population is not growing. This creates labor force challenges in communities for those looking to staff healthcare and nursing facilities, provide school bus drivers, hire childcare workers, and fill other critical jobs that make cities and towns great places to call home.

The Temporary Assistance for Needy Families, or TANF, program—if it achieves its full potential—dovetails with Missouri Governor Mike Parson's paramount priority of workforce development. Lifting citizens out of poverty by equipping them with the skills, education, and attainable expectations to become self-sufficient and family-supporting does wonders to strengthen families, improve communities, save, and indeed, grow tax dollars, and make the American Dream more obtainable for more people.

Now more than ever we need to look at ways to meaningfully assist our able-bodied neighbors who encounter barriers to self-sufficiency and, all too often, face a lifetime of dependency on public assistance to survive. These citizens need the American Dream, and the American Dream needs them. Our communities are counting on us to lift families up to be full participants—as creators and consumers—so that all communities can fully function and thrive in a way that fulfills our social contract.

TANF block grants, if funded and administered with the necessary balance of flexibility and strict accountability, can deliver on that promise. Missouri serves hundreds of thousands of citizens though our block grant programs, providing the necessary skills, training, mentoring, nutrition, and removal of barriers to ensure a SUCCESSFUL path to employment. We all know the difference between someone who starts a job they are not prepared for as opposed to starting a job they are well-equipped and trained to succeed in. The former often returns to public assistance programs in short order, and the latter does not.

Missouri invests TANF dollars into the Jobs for America's Graduates (or JAG) program, boasting a 98% graduation rate, with 86% of graduates transitioning to either college, a job, or military service. We also operate four Excel Centers (adult high schools) and four satellite facilities, offering free high school education with flexible schedules and life coaching, within our state. 83% of graduates end up employed, and another 10% enroll in college or advanced skills training.

One shining example of what TANF dollars can do, when properly expended, is Denise Hayes. With the onset of the COVID-19 pandemic, Denise was at a crossroads. After eight years of working for a local Nursing Center, she was laid off, and with schools transitioning to remote education, she had a childcare barrier to consider. While staying home with her children, she attempted to find part-time employment, but opportunities were scarce due to her remote and rural location.

After 18-months of unemployment, and once her children returned to in-person schooling, Denise applied and was approved for Temporary Assistance (TA) benefits. As a TA participant, she qualified for the Missouri Work Assistance (MWA) program. Having previously worked in a nursing facility, she had some knowledge of the medical field and was interested in a Phlebotomy program at a local community college. MWA not only helped pay for Denise's training program, but they were also able to help with the gas expense, as she faced a 120-mile round trip in order to attend classes. When Denise got to the point in her program in which she needed scrubs, MWA was also able to help cover this expense.

Denise recently began work at River Oaks Nursing Center in Pemiscot County, and is preparing to take her state test for her Phlebotomy certification, after which she has plans to apply for those better jobs. As a Certified Phlebotomy Technician (CPT), she will have more stable and higher-paying job opportunities.

Denise is grateful for the financial assistance MWA provided during her journey. She also credits the MWA team with pushing her to practice "accountability," and motivating her to believe in herself. She says they continuously pushed her forward, and it truly made all the difference.

Missouri has also found great success with responsible parenthood initiatives, which provide a double benefit for TANF block grant dollars. These initiatives remove barriers to provide economic stability and self-sufficiency for non-custodial parents, who can also then provide stable and steady child support to their children. In our Fatherhood Initiatives Programs, 68% of the enrolled participant cases received a child support payment in the most recent month, as opposed to 45% for the general population child support enforcement cases in our state. These are only a few of the programs our state offers with TANF block grant dollars and our state maintenance of effort funding.

States continually seek maximum flexibility in all block grant programs, but headlines detailing scandalous misuse of TANF funds in certain other states have made the news recently. Blatant misuse of TANF dollars not only violates the law, but it violates the intent of this committee and the Congress, while robbing citizens of valuable benefits and their best pathways to seek the American Dream.

Missouri takes TANF block grant program integrity very seriously. Strict procurement and contracting requirements, eligibility verifications, invoice and payment controls, continuous program monitoring, and performance and outcome measurements are hallmarks of our program.

We measure performance and outcomes based on four categories: activity, quality, program impact, and program efficiency. These measures are tracked with metrics surrounding wages earned, benefit usage reduction, additional funding leveraged, and obtaining or continuing education or employment. These measurements are publicly published annually.

Lawmakers in the Missouri General Assembly are often eager to appropriate or earmark TANF dollars to meet community needs in their districts. Our experience tells us that these initiatives are almost always well-intended and worthwhile in their purpose, but they sometimes don't fit within the four purposes of TANF. We engage aggressively to educate legislators and steer them away from TANF when it isn't an appropriate funding source. Just two weeks ago, Governor Parson vetoed $7.9 million in TANF funding, including some for purposes outside the scope of the program.

I will caution this committee that as federal pandemic relief dollars go away, and when and if state tax revenues tighten or decline, state agencies will be under increasing pressure to "color outside the lines" and push the boundaries when it comes to TANF spending in the absence of other funding sources. Program integrity measures from both the state and federal levels will be more important than ever.

When considering the future of the TANF program and its funding, the Missouri Department of Social Services urges this committee to consider three things:

1. **Common-sense work requirements** and objectives that strengthen the program as a pathway to enhance and sustain workforce participation, especially in distressed communities.
2. **Strategically enhancing and leveraging TANF dollars** within the four corners of the program guidelines to provide ancillary public policy benefits in areas such as up-skilling, parental responsibility, and provision for high-need areas such as child care.
3. **Enhanced program integrity measures** and clear guidance to states and program partners alike in terms of appropriate and inappropriate uses of TANF dollars.

CLOSING

Once again, it is my privilege to share our perspectives with this Committee, and to express Missouri's sincere desire to work together with Congress to improve TANF as a ladder to prosperity for America's families, as opposed to a gateway to lifetime dependency. Thank you.

Chairman LaHood. Thank you, Director Knodell.

We will next turn to Secretary Kristi Putnam of Arkansas. You are recognized for 5 minutes.

STATEMENT OF KRISTI PUTNAM, SECRETARY, ARKANSAS DEPARTMENT OF HUMAN SERVICES

Ms. Putnam. Thank you, Mr. Chair.

Chairman Smith, Chairman LaHood, Ranking Member Davis, I am incredibly grateful for the opportunity to speak to this committee. I am Kristi Putnam. I am the secretary of Arkansas' Department of Human Services.

My whole life's work has provided me perspective as a State and Federal grant manager, a State and Federal grant recipient, an employer seeking to participant in TANF and other workforce programs as a partner, and a potential benefits seeker. I could have been a TANF recipient at several points in my life when I was a single mother.

I now have experience in several States working with the very program I believe can be leveraged to promote thriving families and communities. Thanks to Arkansas Governor Sarah Huckabee Sanders' trust in me and our amazing team at the Department of Human Services, we now have an opportunity to completely revisit how TANF is being used in Arkansas to support and strengthen families and communities.

We are taking a wholistic approach to our TANF work by focusing on family-centric practices, community empowerment, and what we call the ABC workforce development concept. We want people to have a job, then a better job, and then a career.

Specifically, steps we have already taken include integrating our TANF case management workforce with our human services eligibility specialists so families in need of support can access TANF workforce supports, food assistance, child care, and healthcare in one location. This is family centric. Mobilizing these same services to serve communities and families for whom transportation is an issue, this is also family centric. Meeting with employers, community organizations, philanthropic entities, and human services staff to determine family needs, employment opportunity, gaps in services, and how best to address, this is community empowering and is results driven.

Further, on February 9th of this year, Governor Sanders established the Arkansas workforce cabinet and chief workforce officer in executive order 23-16. The Arkansas workforce cabinet is comprised of all six State agencies that provide or coordinate career and technical education and workforce development.

Led by the chief workforce officer, we, the secretaries of these six cabinets, meet monthly along with the secretary of transformation and shared services to prepare and recommend a data driven strategic plan that will ensure a talent and outcome-driven education and workforce system. These will fit into Governor Sanders' three priorities of education, public safety and economic development, and tax cuts.

We will do this through strategic cross-cabinet collaboration, working to align resources that help people first find a job, then a better job, and, finally, a career. A job entry level is a start but not a way to sustain a household. A better job is next level that provides better income and experience, and a career in which people contribute and feel fulfilled in giving back is the goal.

Meaningful work encourages individuals and families to overcome hardships, increases intergenerational economic mobility, and supports better physical and mental health. TANF will be an important tool for the workforce cabinet in our efforts to increase Arkansas' workforce participation rate and family economic success and decrease dependency on public assistance.

The Arkansas legislature was also instrumental in changing how we use our TANF dollars by passing legislation during the 2023 session to transfer the program from the Division of Workforce Services to the Department of Human Services. Legislative leadership recognized that in order to promote family economic stability and maximize the effectiveness of workforce development funding and initiatives, DHS could offer coordinated services, including prevention and family preservation services that wholistically meet the four purposes of TANF and provide assistance in removing barriers to work.

With its transfer to DHS, we plan to integrate TANF internal controls for reconciliation of cash draws to expenditures and grant reporting processes with our existing finance and accounting unit that oversees draws for all other federally funded assistance programs.

Arkansas is looking to be transformative while improving accountability for TANF expenditures and outcomes, particularly around non-cash assistance initiatives. To this end, I have three recommendations for this committee around TANF policy. First, continue to support States' abilities to contract with private faith-based and community organizations if appropriate oversight is demonstrated.

Second, consider allowing States to reinstate high performance bonuses with payment not to the State for high performance but to employers and families that successfully move their employees and themselves off of welfare.

Third, review definitions and requirements for TANF that conflict with or are duplicative of other benefits programs and seek to consolidate such policy to be consistent across all programs. Our children and families do not come to us in pieces. We need to stop planning and budgeting for them as if they do.

In closing, I would like to express my sincere appreciation again to Ways and

Means Chairman Smith, Work and Welfare Subcommittee Chairman LaHood, Ranking Member Davis, and all of the members of the committee.   I look forward to your leadership on TANF policies that allow us and the States to be transformative, and Arkansas stands ready to work in partnership with the families and communities we serve.

Thank you.

[The statement of Ms. Putnam follows:]

******** COMMITTEE INSERT ********

Ways & Means Chairman Smith, Work & Welfare Subcommittee Chairman LaHood, Ranking Member Davis – I am incredibly grateful for the opportunity to speak to this committee. It is with a humble heart and mind, as a public servant, that I appear before this esteemed gathering.

I started my career as a classroom teacher, and that experience bridged me quickly to child welfare and human services policy. In my classroom, I witnessed a microcosm of family struggles. There were kids who came to my classroom hungry. Some fell asleep in class because they stayed up late to care for younger siblings while parents worked at night. There were parents who struggled to pay for school supplies but who were not able to come meet me during open house because they were working several jobs just to make it financially. I also have stood in line to apply for benefits as a single mother of two young children – with a job that didn't pay enough or have benefits that would allow me to support my family. I could have been a TANF recipient at several points in my life.

In addition to teaching, I have worked in state government in Florida, Kentucky, and now Arkansas in child welfare, early childhood and school readiness, education policy, and public assistance policy, including SNAP, Medicaid, childcare assistance, and TANF. I have spent some time in the non-profit and corporate worlds as well, so some might look at my work experience to date and think I just can't keep a job.

My whole life's work has provided me perspective as a state and federal grant manager, a state and federal grant recipient, an employer seeking to participate in TANF and other workforce programs as a partner, and a potential benefits seeker. I now have experience in several states working with the very program I believe can be leveraged to promote thriving families and communities. In Florida, where I served as the statewide Child Welfare Services Manager, TANF helped fund childcare, foster care, and some of our prevention services. It was the same in Kentucky, where I served as Deputy Secretary of the human services cabinet. I have said if I was ever asked to lead human services, restructuring and maximizing how we use TANF funding would be a priority for me. Be careful what you ask for. Thanks to Arkansas Governor Sarah Huckabee Sanders' trust in me and our amazing Department of Human Services team, and with the support and leadership of our partners in the Arkansas Legislature, we now have an opportunity to completely revisit how TANF is being used in Arkansas to support and strengthen families and communities.

We are only here to talk about TANF today, but I would be remiss if I didn't mention that the myriad of federal programs intended to increase capacity to reduce dependency – by their very nature of being in different departments, cabinets, agencies, funding streams, and politically favored status – create more barriers in and of themselves. From a holistic perspective, we need to recognize at the federal level that our children and families don't come to us in pieces – so why do we plan and budget for them as if they do? For today, in this committee and in Arkansas, we can begin to serve people holistically by starting with TANF.

As this committee well knows, these are the purposes of the Temporary Assistance for Needy Families as outlined in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), the law that created TANF, replacing the Aid to Families with Dependent Children (AFDC) and related programs.

- Provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives;
- End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- Prevent and reduce the incidence of out-of-wedlock pregnancies, and;
- Encourage the formation and maintenance of two-parent families.

In Arkansas, we are taking a holistic approach to our TANF work by focusing on families, community empowerment and also the ABC workforce development concept: we want people to have A job, then a BETTER job, and ultimately, a CAREER. Specifically, steps we already have taken include:

- Integrating our TANF case management workforce with our eligibility specialists so families in need of support can access TANF workforce supports, food assistance, childcare, and health care in one location. This is family-centric.
- Mobilizing these same services to serve communities and families for whom transportation is an issue. This is family-centric.
- Meeting with employers, community organizations, philanthropic entities, and human services staff to determine family needs, employment opportunities, gaps in services, and how best to address. This is results driven.

We plan to adopt a TANF strategic investment strategy similar to what Oklahoma has done, under the leadership of Human Services Secretary Justin Brown. This strategy expands relationships with nonprofits and the philanthropic organizations that support them by incorporating government grant opportunities, helping communities make the most of the money the state and federal governments send their way. By aligning on the mutually beneficial goal of economically stronger families and communities, specifically two-parent households not dependent on public assistance, these relationships between public and private partners and funding streams will not only foster shared success, but also shared understanding of and action to resolve barriers to economically thriving families and communities.

Further, on February 9 of this year, Governor Sanders established the Arkansas Workforce Cabinet and Chief Workforce Officer in Executive Order 23-16. The Arkansas Workforce Cabinet is comprised of all six state agencies that provide or coordinate career and technical education and workforce development. They are:

- Department of Commerce;
- Department of Corrections;

- Department of Education;
- Department of Human Services;
- Department of Labor and Licensing, and;
- Department of Veterans Affairs.

Led by the Chief Workforce Officer, we - the Secretaries of these Departments – meet monthly, along with the Secretary of the Transformation and Shared Services, to prepare and recommend a data-driven strategic plan that will ensure a talent-driven education and workforce system. We must address current and future needs for Arkansas employers and individuals, strengthen Arkansas' operational efficiency by integrating state and federal resources, simplify the processes and remove unnecessary barriers for Arkansans to access workforce education and training, and provide strategic alignment for state agencies and organizations driving workforce, education, and economic development. Our workforce participation rate is 57%, one of the lowest in the nation, and we are ranked 45 out of 50 states for workforce participation.[1] Nearly 21% of Arkansas children under the age of 18 live in poverty, and that number increases to 24% for children under age five. 25% of Arkansas children live in families that receive public assistance.[2]

These are frequently quoted data points, but they don't tell us the underlying story of what needy families are experiencing. These are families who likely don't own their homes, who may have a high housing cost burden, who may be in crowded housing. These are families who may have little or no confidence in their ability to pay their next rent or mortgage payment on time, if at all. We appreciate the need for a public assistance safety net, but we must work to connect families with meaningful paths out of reliance on public support.

In Arkansas, we are doing this through strategic cross-cabinet collaboration, working to align resources that help people first find A job, then a BETTER job, and finally, a CAREER. Meaningful work encourages individuals and families to overcome hardships, increases intergenerational economic mobility, and supports better physical and mental health.[3] The Arkansas Workforce Cabinet will align priorities in our PreK – 12 curriculum, career and technical paths, college and university offerings, labor and licensing policy, economic development initiatives, reentry opportunity initiatives, and workforce support services based on what our employers and communities tell us they need. This will provide opportunities for meaningful work and corresponding economic expansion. TANF will be an important tool for the Workforce Cabinet in our efforts to increase Arkansas's workforce participation rate and decrease dependency on public assistance.

This cross-cabinet collaboration also will serve as an advisory group, in coordination with local communities and businesses, to help determine best use of funding for fatherhood initiatives and workforce/education/training programs and seek to expand both; Arkansas historically has

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[1] https://www.usnews.com/news/best-states/rankings/economy/employment/labor-force-participation

[2] https://datacenter.aecf.org/data?location=AR#AR/2/16/17,18,19,20,22,21,2720/char/0

[3] https://www.heritage.org/welfare/report/why-work-matters-and-how-the-safety-net-should-encourage-it

spent about 20% on each in TANF funding. We already have established a partnership between our Department of Corrections, Office of Skills Development, Department of Human Services, and a CDL training company to explore providing training to reentry individuals on community release and potentially those inside our prisons who are close to their release date. We also are in discussions with pregnancy support groups and fatherhood-focused organizations about ways to partner with youth in our juvenile justice system.

The Arkansas Workforce Cabinet is not the only new approach we are taking with TANF. The Arkansas Legislature was also instrumental in changing how we use our TANF dollars by passing legislation during the 2023 session to transfer the program from the Department of Commerce, Division of Workforce Services, to the Department of Human Services (DHS). Legislative leadership recognized that, in order to promote family economic stability and maximize the effectiveness of workforce development funding and initiatives, DHS could offer coordinated services, including prevention and family preservation services, that holistically meet the four purposes of TANF and provide assistance in removing barriers to work. In addition, when the 2005 Arkansas Legislature transferred TANF from DHS to Commerce, DHS retained responsibility for determining eligibility for TANF assistance, thus bifurcating functions between state agencies. This transfer will reduce our cost of program management and streamline delivery of eligibility, case management, program services, and administrative operations, thereby optimizing TANF resources available to help Arkansans return to work and support their families.

The Legislature sets time limits for the length of time families participating in TANF can receive cash assistance, and in the 2023 session, reduced this time limit to 12 months. Further, they provide the statutory parameters for Arkansas DHS to spend its non-cash assistance TANF funding. Our strategic shift in TANF to more non-cash assistance supports aligns with our legislature's goal of reducing dependence on cash benefits and improving accountability in the TANF program.

With its transfer to DHS, we plan to integrate TANF internal controls for reconciliation of cash draws to expenditures and grant reporting processes with our existing finance and accounting unit that oversees draws for all other federally funded assistance programs. We also have established a TANF policy unit with existing staff who transferred from Commerce/DWS to review all proposed projects to confirm whether they meet a TANF purpose. Subgrantees who are approved to receive funding will be jointly monitored for compliance by the DHS finance and accounting team and the TANF policy unit. Through such joint monitoring, efforts, we plan to increase oversight of TANF funds to include thorough scrutiny prior to the execution of agreements with subgrantees to identify potential risks that need to be proactively addressed, and institute a more rigorous examination of documentation submitted for payment.

Arkansas is looking to be transformative while improving accountability for TANF expenditures and outcomes. To this end, I have three recommendations for Congress around TANF policy. First, continue to support states' abilities to contract with private, faith-based, and community organizations if appropriate oversight is demonstrated. Such oversight should include establishing contracts with TANF service providers that incorporate active contract management, applying data-driven performance management with concrete outcomes or deliverables. The Arkansas Act 1705 of 2005 created the Community Investment Initiative, which authorized the use of TANF funds to contract with private or community organizations, including faith-based organizations, to offer services and support to parents, children, and youth in their communities, and we are taking steps to strengthen our contracts and increase the rigor of performance management interactions with these TANF providers. Second, consider allowing states to reinstate high performance bonuses, ideally through existing funds contributed from state TANF reserves, with payments not to the state for high performance, but to employers with high rates of hiring and retaining individuals transitioning off of TANF and to families who transition off of TANF support and show income growth in their two years post-TANF support. Third, review definitions and requirements for TANF that conflict with or are duplicative of other benefits programs such as SNAP and Medicaid, and seek to consolidate such policy to be consistent across all programs. That would be a tremendous start in serving our families holistically, not in pieces.

In closing, I would like to express my sincere appreciation to Chairman Smith, Chairman LaHood, Ranking Member Davis, and all of the members of the committee. I look forward to your leadership on TANF policies that allow us in the states to be transformative in partnership with the families and communities we serve, increasing their capacity to reduce dependency, and thereby strengthening our great country.

Chairman LaHood. Thank you, Secretary Putnam.

We will now recognize Dr. Nyandoro who is the CEO of Springboard to Opportunities from Jackson, Mississippi. You are recognized for 5 minutes.

STATEMENT OF DR. AISHA NYANDORO, CEO, SPRINGBOARD TO OPPORTUNITIES

Ms. Nyandoro. Thank you, Chairman LaHood, Ranking Member Davis, and members of the subcommittee. Thank you for the opportunity to present testimony today on the urgent matter of effective solutions to lift families out of poverty.

To begin, I would like to acknowledge that all of us sitting here share one common goal, to ensure that Federal funding has the strongest possible impact on ending the devastation of poverty in America. To date, many arguments on this issue have focused on imposing more restrictions on recipients to achieve this, which has proven to only intensify the inefficiencies present in the current policy.

In effect, we are blaming the families for their poverty rather than interrogating the policies that allow these inadequacies to occur.

I lead Springboard to Opportunities, which works with families living in Federally subsidized affordable housing in Jackson, Mississippi, families who are meant to be served by Temporary Assistance for Needy Families. Most are Black women, mothers working full-time, many overtime but still living on the fringes of poverty. On average, the families we work with make less than $13,000 annually.

The population I work with is the very population in which TANF was designed to support. However, I know of only one person out of the thousands that I work with that is currently receiving TANF. Brandy, who has consistently worked while also raising her children, like many low-wage workers, she has experienced brief breaks of unemployment while going between jobs. When she applied for TANF and didn't meet the State requirement of getting a job within a week, she was forced to be a volunteer at the Mississippi Department of Human Services' office filing paperwork for less than minimum wage until she found what her caseworker deemed adequate employment.

But Brandy's story is not unique. 90 percent of Mississippians who apply for TANF do not receive it. Families I work with cite the barriers to entry, including burdensome paperwork, a lack of supportive services, fear of sanctions, and inefficient financial support.

Ashala is a perfect example of this reality. She was working in the food services industry and is a full-time caregiver for her grandparents. The only way she could maintain both responsibilities was to pay for child care for her daughter totaling over $360 a month. The $170 per month she would have received from the State program would not have even covered the cost of her child care.

Officials will claim that restrictions are intended to prevent abuse and fraud, but they continue to track families in a cycle of generational poverty while the actual perpetuators of fraud have been the people in power overseeing the program. If anything can be learned from the TANF scandal in Mississippi, in which non-assistance funds went to pay for horse stables rather than helping fund, keeping funds in the basic assistance category to help families pay for the necessities like diapers for babies or food for families living in poverty is that we are focused on the wrong problem.

Additional restrictions on recipients are not the answer. Instead of increasing burdens that reduce the efficiency of the program and further push parents and children into poverty, we should cut out the bureaucratic red tape.

That is exactly what we have been doing for the last 5 years with the Magnolia

Mother's Trust, a program that Springboard started because so many government programs, including TANF, do not work. Instead of endless applications and heavy restrictions, the Magnolia Mother's Trust offers $1,000 a month in cash assistance to moms in poverty for 1 year without restrictions. In addition to cash support, our moms receive one-on-one support from trained staff to help them identify their goals and support them along the way.

And what we have learned is that this money allows families to thrive. Yes, they spend it on basic needs, such as child care, groceries, and utility bills, but it also allows them to plan for the future, like Ebony who started her own business as a salon owner. She is not only an entrepreneur, but she is also employing others. Or Anquinette who just graduated with a high -- with a degree in early childhood education and is on her way to a higher paying job.

Additionally, recipients are able to better provide for their children who, in turn, perform better in school. These results are lasting with our longitudinal research showing that families continue to reap the benefits of our 1-year program years after it ends. In the 5 years in which we have been running this program, we have learned that the dignity and agency that cash without restriction provides allows the family to dream about their future and reach toward it.

Let's reimagine what is possible with TANF as we have done with the Magnolia Mother's Trust that provides cash assistance without work requirements because then we can truly enable families to break free from the cycle of poverty and achieve economic security.

Thank you for your attention, and I look forward to answering any questions you may have.

[The statement of Ms. Nyandoro follows:]

******** COMMITTEE INSERT ********

WRITTEN TESTIMONY FOR THE RECORD
FOR THE HEARING "WHERE IS ALL THE WELFARE MONEY GOING? RECLAIMING TANF NON-ASSISTANCE DOLLARS TO LIFT AMERICANS OUT OF POVERTY"
WORK & WELFARE SUBCOMMITTEE, COMMITTEE ON WAYS & MEANS
JULY 12, 2023

BY AISHA NYANDORO, Ph.D.
CEO, SPRINGBOARD TO OPPORTUNITIES

Chairman LaHood, Ranking Member Davis, members of the subcommittee.

Thank you for the opportunity to present testimony today on the urgent matter of TANF policy and other policy solutions to effectively pull families out of poverty.

As we gather to discuss policies that deeply impact the lives of vulnerable individuals and families, we must acknowledge our shared goal: to ensure that federal assistance has the most impact possible on ending the scourge of poverty in America.

To date, many arguments on this issue have focused on imposing more restrictions on recipients to achieve this, which is proven to only exacerbate the inefficiencies present in current policy. In effect we are blaming the victims for their poverty, rather than interrogating the policies that allow these inadequacies to occur.

As the CEO of a direct service organization working with families living in Jackson, Mississippi's affordable housing apartment complexes, I work each day with those who are meant to be served by the Temporary Assistance for Needy Families program. To paint a picture of my service population, it is mostly female head of household; Black mothers working full time – but still living on the fringes of poverty. Mississippi still uses the federal minimum wage of $7.25 hourly. On average, the families we work with make less than $13,000 annually. These women while working (in many instances multiple jobs) are simultaneously raising children without adequate childcare or other supportive services. The population I work with is the very population in which TANF was designed to support. However, I only know of one person out of the thousands I work with who is currently actually receiving TANF.

Brandy is a mother of four who has consistently worked while also raising her children. Like many low-wage workers, she has experienced brief breaks of unemployment while going between jobs that are often inconsistent in nature, such as waitressing and house cleaning. When she applied for TANF and didn't meet the state requirement of getting a job within a week of receiving her meager benefits, she was forced to be a "volunteer" at the Department of Human Service office, filing papers for less than minimum wage. Further citing her frustration with TANF during a Senate hearing in Mississippi Brandy stated: "When you apply for TANF, it takes nearly a month for your application to be processed. But when you need money in hand immediately, waiting a month for help only digs you further into the ground," she continued. "Communication with the office is poor. You can't directly contact your caseworker. And your caseworker is often changed without you knowing. It hurts to know that this program was taken advantage of by people who already make more money than I could ever imagine. A former quarterback received in a lump sum, over 300 times what I have ever received from TANF."

Unfortunately, Brandy's story is not unique. Ashala, isn't able to work a job she loves caring for the elderly because she cannot consistently afford the $90 weekly daycare bill for her young daughter. Ashala and so many other low-income families have experienced the same frustrations when dealing with TANF. "The programs are just really difficult," she said. "If you work, then they cut down your food stamps, but then you can get TANF. But TANF is only around $100 a month, which just isn't enough."

When speaking with families who have previously received TANF or made the cost benefit analysis not to apply, they regularly cite the burden of paperwork, the lack of supportive services, fear of being sanctioned, or the limited financial support provided as barriers to entry.

Mississippi's TANF program is filled with bureaucratic red tape and punitive sanction policies:[1]

- People don't lose TANF because they move out of poverty or because they've exhausted the assistance, they are eligible for.
- MS opts for the strictest sanction policies allowed under federal law for things as simple as missing an appointment with a case worker.
- Reasons other than employment and earnings account for 69.2-percent of closed TANF cases.
- Mississippi punishes the whole household with full family sanctions, including babies and toddlers.

This is not aiding, families; this is punishing them for experiencing poverty. It is also unnecessary, as contrary to misinformation spread by those intent on demonizing people

[1] TANF is currently not working for Mississippi's Poorest Families, but here's how it could – MLICCI (mschildcare.org)

experiencing poverty, studies consistently show that most public assistance recipients actively seek employment when provided with adequate support and opportunities.[2]

In Mississippi, the head of Human Services states that 90% of people who apply for TANF do not receive it. Of roughly 190,000 children living in poverty in the state, just 2,600 receive the monthly aid.[3]

For the few who do make it through the cumbersome and invasive application process, the payments received are among the lowest in the nation. These restrictions are intended to prevent abuse of the system, but they are focused on blaming the victims — families trapped in a cycle of generational poverty within a system that only holds them down further — while the actual perpetrators of fraud have been those overseeing the program.

If anything can be learned by the TANF scandal in Mississippi, in which "non-assistance" funds went to paying for horse stables rather than keeping funds in the "basic assistance" category in order to help families pay for necessities like diapers for babies living in poverty, it's that we are focused on the wrong problem. Additional restrictions on recipients are not the answer — in fact, research shows that work requirements imposed on TANF have likely led to the worsening of deep poverty[4]. Instead of increasing burdens that reduce the efficiency of the program and further push parents and children into poverty, we should cut out bureaucratic red tape.

That is exactly what Springboard To Opportunities has done with the Magnolia Mother's Trust, a program we started five years ago because so many government programs — including TANF — do not work. Launched in 2018, the Magnolia Mother's Trust (MMT) meets the economic needs of vulnerable families. MMT provides $1,000 in unconditional cash monthly for one year to Black mothers living in affordable housing apartment complexes in Jackson, Mississippi. Instead of endless applications and heavy restrictions, the Magnolia Mother's Trust has zero work requirements, red tape or restrictions. Families spend their money on basic needs like childcare, groceries, and utility bills, while also having the ability to plan for the future by starting their own business or getting a degree that helps them obtain a higher-paying job.

In addition to cash support, MMT mothers receive one-on-one support from staff who help them identify their goals during the program and the steps that they need to take to get there. Staff are trained to provide compassionate support that honors where each individual is at that time and provides steps and support based on individual needs. Participants are also invited to regular programming that they identify as needed. These can include opportunities to practice and learn more about self-care exercises and mental health supports to courses on building credit and

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[2] Evidence Doesn't Support Claims of Success of TANF Work Requirements | Center on Budget and Policy Priorities (cbpp.org)

[3] Advocates say state still isn't aiding the poor after welfare scandal - Mississippi Today

[4] Microsoft Word - 11-13-18tanf.docx (cbpp.org)

establishing relationships at banks that can help them with financial goals. Additionally, participants are provided with a community of support from other mothers.

For many in the program, this is one of the highlights they talk most about. Mothers are able to offer advice and support to one another in hard times and come out recognizing that they are not alone and have others they can lean on and learn from within their own community.

The program is also highly effective in helping recipients become more economically secure. Mothers are better able to provide for their children, who in turn perform better in school. Our latest evaluation found the program made it 15 times more likely that moms had money in savings for the inevitable emergencies that arise when raising children. More than a quarter of families were able to move out of subsidized housing. The number of moms who reported feeling stress related to finances was cut in half. The amount of moms who were employed rose by more than 50%. These results are lasting, with our longitudinal research showing that families continue to reap the benefits of the one-year program even years after it ends[5]. Moms like Tiyonda, who was unable to afford childcare prior to MMT. Thanks to the assistance provided by the program, she put her two kids in daycare so she could work full-time. She's now able to put gas in her car, cover her bills and ensure there's always food in the fridge.

Cash assistance programs, such as MMT, that are grounded in trust and dignity provide a model for the necessary support that mothers trapped in poverty need to thrive. Sustained economic mobility requires major policy changes and structural shifts. The programmatic impact of MMT can provide a significant "springboard" for mothers. However, restructured and improved government support systems that honor those who use their resources are needed to sustain the positive momentum.

This is supposed to be the point of cash assistance programs but is almost never the reality. That's because our current public assistance system fails to adequately address the structural barriers that perpetuate poverty, especially among marginalized communities. Trusting people works, punishing them does not. Investing in the well-being of vulnerable populations is not only a moral imperative, but also fiscally responsible — reducing long-term costs and societal burdens.

By loosening restrictions on TANF, as we've done with the Magnolia Mother's Trust that provides cash assistance without work requirements, we can provide greater access to essential resources and opportunities, enabling individuals and families to break free from the cycle of poverty and achieve economic security.

Thank you for your attention, and I look forward to answering any questions you may have.

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[5] Alumni Study Executive Summary (springboardto.org)

APPENDIX

Alumni Study Executive Summary

The Context

Launched in 2018 by Springboard to Opportunities, the **Magnolia Mother's Trust is the country's longest-running guaranteed income program, having served 230 Black mothers over the course of three 1-year cohorts.**[1] Meeting the economic needs of one of the most vulnerable populations, MMT provides $1,000 in unconditional guaranteed income for one year to Black mothers living in subsidized housing in Jackson, Mississippi.

Despite evidence of significant positive outcomes,[2] **proponents of guaranteed income continue to contend with pejorative attitudes towards poverty and harmful narratives about social welfare** which are not based on evidence but rather are rooted in anti-blackness, classism, and sexism.[3] As a result, some policymakers are reluctant to fully embrace guaranteed income as a solution to economic insecurity and poverty.

As the longest-running guaranteed income program, MMT is uniquely positioned to enhance the evidence for guaranteed income programs **by documenting the longer-term impacts and lifting up the voices of participants' children.**

Springboard to Opportunities partnered with Social Insights Research for this **Alumni Study**[4] with mothers from the past three Magnolia Mother's Trust cohorts and some of their children. The study captures a robust long-term perspective on the impacts on mothers and their children's lives within the context of current social policies.

The **132 mothers** and **10 children** we heard from have been working to thrive amidst the dire realities of the prevailing economic conditions of the COVID-19 pandemic, soaring inflation, and unpredictable job markets.[5] The conditions of low-income Black mothers are the result of historical intersecting systems of race, class, and gender and ongoing exploitation in labor, housing, and financial markets. These broader social inequalities, however, are often framed as individual-level problems. This cultural messaging is amplified by stereotypes attached to single Black mothers. **MMT moms are striving to ensure that their families have the resources they need within a societal context that seeks to *diminish* them rather than *build them up.***

The Children

While in the program, mothers felt great pride in being able to provide for their children more assuredly and to operate from a place of abundance rather than scarcity. The children experienced the types of fundamental changes that have life-long impacts. For example, the children were able to:

- learn and practice financial skills such as budgeting and saving, giving them a sense of financial independence;
- experience improved parent-child interactions because they got to spend more quality time with their moms;
- have richer, more varied life experiences that come with travel and extracurricular activities.

"I think this program is a good example of [giving families resources that strengthen their agency] I think it does that for the kids as well. You can see that these [things] can change. They don't have to just stay in [the state of] not having a lot of money."
- child of MMT program participant

1. First 3 cohorts: 2018-2019 (n=20), 2020-2021(n =110), and 2021-2022 (n=100)
2. Neighly et al. (2022). An examination of cash transfers in the US and Canada. *Economic Security Project*. ***https://economicsecurityproject.org***
3. Bhattacharya et al. (2021). Why all guaranteed income is narrative work. Best practices for centering dignity, race, and gender in cash-based programs. *Insight Center*. ***https://insightcced.org/wp-content/uploads/2021/12/INSIGHT_NarrativesGI_brief_7.pdf***
4. The full details of the study methods and the comprehensive findings are available in the ***full Alumni Study Report***
5. Desmond, M. (2023). Why Poverty Persists in America. *Washington Post.* ***https://www.nytimes.com/2023/03/09/magazine/poverty-by-america-matthew-desmond.html***

MMT had a positive impact on parenting efficacy, parent-child relationships, and children's mental health.

As a result of MMT...

76% of moms reported more confidence in their parenting

63% reported their children noticed a positive difference in their lives

58% reported their children continue to experience joyful moments

51% reported more positive interactions with their children

Self-Efficacy, Confidence, Mental Health

"MMT made me ***believe*** *in myself."*

Self-efficacy is one's belief in their ability to achieve their goals and overcome obstacles to obtain success.[6] Studies show that self-efficacy is a critical internal resource for Black mothers as a means of coping with and navigating against oppressive systems[7]. MMT positively impacted mothers' self-efficacy both during and after the program. **83% reported feeling *more in control of their lives*** as a result of MMT. This increased feeling of control was significantly correlated* with their self-efficacy, suggesting an association between MMT program participation and long-term shifts in self-efficacy.

The average self-efficacy score was 4.1 on a scale of 1 to 5. Moms with higher self-efficacy were significantly* more likely to have:

- positive perceptions of MMT's impact
- higher income
- money in savings
- stable employment
- lower mental health distress
- better parent-child relationships
- more confidence in their parenting

As a result of MMT...

76% feel more confident in themselves

78% feel more confident in their ability to accomplish goals

74% feel more hopeful about their future

80% feel more hopeful about their children's future

These findings highlight the importance of *intrapersonal* gains in facilitating sustained impacts and disrupt the narrative that guaranteed income programs are demotivating.

"They used to come and do meditations with us. And I had never thought about it before MMT. ***Even now, 3 years later, I meditate every single day****."*

"Most single moms, we had this doubt in our minds, because we got to do this by ourselves. But being in the program, let me realize, okay, ***you can do it****."*

"So it really helped me on my budgeting skills, being able to know my limits and what not to do. ***It gave me hope.*** *It's a big push for me to be like, 'Yeah, okay, I can get out and do this.' I did end up saving and leaving [subsidized housing]."*

Long-Term Economic Mobility

Even after the program ended, many mothers continue to report changes in their lives that were seeded or launched during the program. Mothers identified Magnolia Mother's Trust as a direct reason they were motivated to go back to school or seek out additional educational opportunities. Some shared how this trickled down into talking to their children about attending college.

"I have been able to ***pay off debts****, pay interest off on my vehicle, pay a down payment on my house that I'm moving in the next couple of weeks."*

"MMT helped me to gain a financial foundation. ***I was able to create a savings account that I still have today.*** *I was also able to pay for my first arm of grad school. I'll always be grateful."*

6. Bandura, A. (1977). Self-efficacy: Toward a unifying theory of behavioral change. *Psychological Review*, 84(2), 191–215. ***https://doi.org/10.1037/0033-295X.84.2.191***

7. Anton, M. et al. (2015). Socioeconomic status, parenting, and externalizing problems in African American single-mother homes: A person-oriented approach. *Journal of Family Psychology*, 29(3), 405. ***https://psycnet.apa.org/manuscript/2015-24732-005.pdf***

*Correlations reported are statistically significant at $p<.05$.

*"MMT was a **booster** for me. I was able to go back to school & receive a certificate in Business Management."*

A the time of Alumni Study Survey,

- **61%** reported being employed
- **42%** reported positive shifts in their jobs or careers
- **19 moms** were enrolled in an education program
- **18 moms** completed a degree or education program since MMT
- **14 moms** earned certification or a professional license since MMT
- **14 moms** started or grew their own business

These findings disrupt the assumption that providing unrestricted guaranteed income to economically marginalized people diminishes their desire and will to work. The findings are also consistent with existing evidence that suggests guaranteed income does not negatively impact the labor force.[8]

Systemic Barriers

The progress made by the mothers while in the program was significantly impacted by systemic inequalities in the labor market, housing, opportunities for building wealth, government assistance programs, and other social mobility factors. Within the intersection of multiple oppressions, mothers persist in crafting pathways to financial well-being. For example, moms applied money management skills learned during the MMT program to budget and save even with the more limited finances after the program ended.

Income & Employment Challenges

Despite being employed and even having multiple jobs, the mean monthly income for the mothers is **$751 - $1000.** Many of them reported **inconsistent work income or jobs that did not pay a living wage**.

Work income is often not enough to meet expenses or to substitute the guaranteed income they received during the program. Funds they had set aside for a "rainy day" while in MMT are often being used for day-to-day expenses. Moms' shared that their progress toward financial independence is also stifled by lack of access to affordable childcare or employers who are not sensitive to parental demands. With these barriers in place, it is not surprising that some moms are not where they would want to be financially post-MMT.

- **11%** have money in savings
- **67%** have at least one type of debt
- **65%** feel stressed about money
- **81%** can't *always* pay bills *on time*

"Once I get [money], it's going out to bills. I'm a little relieved now because I got the opportunity to do this other job. Right now, I probably have four jobs. Just trying to juggle to keep those bills and stuff under control and eventually try to save."

*"[My financial situation] now is nothing like it was when I was getting that money every month. Sometimes I get paid, **my whole check be gone on bills**. Then the kids have something going on in school, so I'm like, we need to borrow [money]."*

Government Assistance

Most MMT moms have no choice but to rely on government assistance to take care of their households. **94% of moms rely of at least one type of government assistance program.**

While these programs offer support, they limit upward mobility in many ways. When asked to compare MMT to public assistance, most moms focused on the fact that MMT comes with "no strings attached," whereas government assistance programs have restrictions based on income, household size, and how you can use the funds. Some moms also remarked on the **holistic nature of MMT, which centers moms' experiences, giving them a voice and providing support that helps them reach personal goals.**

*"People feel like everybody that's on stamps don't want work, don't want to do nothing for themself. But that's truly not the case. Some people just, **this is something they need to survive**."*

*"**In [MMT], they actually listen to us** and care about the issues that we face. They don't get into your business or look down on you."*

The biggest barriers to financial stability and upward mobility are systemic. Government assistance does not always fully meet moms' needs and punitive policies stifle their growth. Although most alumni moms are employed, the lack of livable wages and accommodations for parents in the workplace makes it difficult to progress toward financial stability.

Conclusion

Guaranteed income programs, such as MMT, that are grounded in trust and dignity provide a model for the necessary support that mothers trapped in poverty need to thrive. **Sustained economic mobility requires major policy changes and structural shifts**. The programmatic impact of MMT can provide a significant "springboard" for mothers. However, restructured and improved government support systems that honor those who use their resources are needed to sustain the positive momentum.

"It also just let me know that even though struggles can come... you can always change it. You just have to strive. I do know that with the confidence that they gave me back in the program, even if I run into a bumper in the road, I can strive and try a little harder to reach that confidence again. To just don't throw the towel in.
That's what MMT gave me."

8. Hasdell, R. (2020) What we know about Universal Basic Income: A cross-synthesis of reviews. *Stanford, CA: Basic Income Lab.* ***https://basicincome.stanford.edu/uploads/Umbrella%20Review%20BI_final.pdf***

Recommendations

1. Policymakers must consider a multi-year federal guaranteed income program as a sustainable and transformative pathway to upward mobility for poor families.

A federal guaranteed income program that is not limited by time and is instead based on recipients' specific circumstances would provide the safety-net mothers living in poverty need to boost their self-efficacy and have a sustainable path towards the overall well-being of their families. In addition, it is imperative for federal and state governments to institutionalize policies such as the Child Tax Credit as a more permanent and consistent means of supporting economically marginalized families. These types of shifts would be transformative and ultimately contribute to the permanent (rather than temporary) movement out of poverty.

2. Government programs should prioritize policies that incorporate the voices of those they are serving.

When designing their programs, government support systems must actively engage the expertise of mothers who access their services. As experts of their own experiences, mothers who are economically marginalized are uniquely positioned to articulate their needs, rather than having their needs defined by others. This would ensure policies that center humanity and dignity and increase economic stability instead of revoking or reducing support at the first sign of or due to a temporary improvement in their economic situation.

3. Public benefits programs must shift towards asset- and trust-based perspectives.

Public benefits programs often approach mothers from a paternalistic and deficit-based perspective. There is an opportunity for these programs to learn from community-based organizations such as Springboard to Opportunities to take an asset-based approach that builds on mothers' self-efficacy and works in partnership with the mothers. Government benefits programs should incorporate opt-in community support groups that focus on building support networks. Programs should also provide accessible space and resources for culturally relevant self-care programming. These should not be “required” as mothers should be trusted to access the resources they need and are able to attend based on their specific circumstances.

4. Government programs should provide targeted financial support to those who have transitioned out of subsidized housing.

There is a need for government-instituted initiatives that offer focused assistance to families who have moved out of public housing to ease their transition, enabling them to sustain their progress and move forward without setbacks. This approach would foster self-efficacy among the families and promote sustainable outcomes.

5. Philanthropic institutions and the broader guaranteed income community must continue to play a role in the absence of government supports and structural changes.

In the absence of the shifts recommended for government supports, philanthropic institutions need to continue supporting organizations that are filling the gaps by implementing and generating evidence for guaranteed income programs and advocating for more widespread institutionalization of such programs.

6. Funders and guaranteed income programs should continue to explore dual-generational perspectives in their evidence-generation and narrative change efforts.

There is a pressing need to counter the pejorative attitudes toward cash transfer programs by disseminating stories that center the voices of the mothers and their children. Supporting research that emphasizes the humanity and dignity of all who benefit from guaranteed income program initiatives is crucial for strengthening narrative change work.

** A detailed list of insights and recommendations is available in the full **Alumni Study Report***

Springboard TO Opportunities

POLICY POINTS

Temporary Assistance for Needy Families

Temporary Assistance for Needy Families, or TANF, is a government program aimed at supporting families with basic needs for a limited time frame. TANF replaced Aid to Families with Dependent Children (AFDC) in 1996. Although TANF reaches far fewer families than AFDC once did, the programs share some similarities. Both have provided cash assistance to low-income families; many individuals may know this under the title of "welfare."

The Basics

TANF is funded through both the federal and state governments. The federal government gives states money for TANF programs through a fixed block grant. However, states must spend money to get the grant. The state's contribution is called "maintenance of effort" or MOE spending. States can choose to spend their TANF funds in a variety of ways, and money does not all go as a direct cash benefit to low-income families. In fact, there are four broad purposes that states are allowed to use TANF funds for, outlined in the 1996 law:

1. Assisting families in need so children can be cared for in their own homes or the homes of relatives;
2. Reducing the dependency of parents in need by promoting job preparation, work, and marriage;
3. Preventing pregnancies among unmarried persons; and
4. Encouraging the formation and maintenance of two-parent families.

States define what constitutes a "needy" family for the first and second purposes and do not have to limit assistance to needy families for the third and fourth purposes."[1] This leaves a lot to the discretion of individual states, including the requirements for who receives cash benefits, and how much families can receive if they do qualify for the program. However, states do have to meet certain standards required by federal law relating to work requirements for a specific percentage of families.

The Issues

For many families in Springboard communities, TANF is seen as taboo. In 2021, Mississippi had the lowest approval rate for TANF benefits per month in the nation at 7.1%.[2] In addition to applications regularly being denied, many residents do not apply for TANF because they are keenly aware of the lack of accessibility to the program. Furthermore, many mothers speak of the figurative hoops that must be jumped through in order to complete the application or maintain benefit status.

Further exacerbating the stressful environment of raising children without sufficient resources, some individuals are required to volunteer for the Department of Human Services for less than minimum wage if they do not quickly identify employment. This affects their ability to find gainful employment and does not provide significant cash assistance to strengthen their support.

For a mom like Ashala, the paperwork and requirements weren't worth it for such a small amount of money. She was working in the food service industry and trying to be a full-time caregiver for her grandparents. The only way she could maintain both was to pay for childcare for her daughter, which was $90 per week. The $170 she could receive monthly from Mississippi's TANF program (recently raised to $260) wasn't worth it, especially if it could not even cover the cost of childcare.

Reimagining What's Possible

As we've seen the impacts on a local and national scale of the pitfalls of TANF, recommendations include an overhaul of the program to prioritize the needs of the people who could benefit most from the program. Some of these recommendations involve creating a less burdensome on-boarding process and prioritizing increased, consistent, and direct cash transfers. We also believe that punitive policies that guide TANF, involving work requirements and other paternalistic prerequisites, should be removed. There are widespread learnings from years of program failure that could allow TANF to effectively support parents in gaining more education, skills, and access to high quality jobs that can support their short and longer-term success.

1 Policy Basics: Temporary Assistance for Needy Families. (2022, March 1). Center on Budget and Policy Priorities. https://www.cbpp.org/research/family-income-support/temporary-assistance-for-needy-families

2 Mississippi's Temporary Assistance for Needy Families (TANF) Program at 25. (2022, October). Mississippi Low-Income Child Care Initiative. https://www.mschildcare.org/wp-content/uploads/2022/10/MS-TANF-at-25_October-2022.pdf

Chairman LaHood. Thank you very much, Doctor.

And I want to thank all of you for your valuable testimony today and the contributions you make to your States and different agencies.

We will now proceed to the question-and-answer session of today's hearing, and I will begin by recognizing myself.

I will start with you, Auditor White. Could you go into some more detail on recommendations you have for us as Federal lawmakers as we hear about the scandal in Mississippi and trying to make sure that that doesn't happen again? And specifically, in your testimony you talked about policies related to making sure no one over 200 percent of poverty receives non-assistance funds and limiting the number of exceptions for dollars flowing to nonemployment-related activities.

Mr. White. Certainly. Thank you, Mr. Chairman.

Just a few recommendations that we have discussed in my office. One has to do with the lack of monitoring. So, what we saw at DHS in Mississippi was that large grants were being handed out to nonprofits and then the agency itself was not showing proof that they went out and monitored those nonprofits to ensure that the dollars were actually going to benefit the people who were eligible.

So, the Office of the State Auditor in Mississippi -- and this predates me, actually. It goes back to my predecessor back in 2013 -- found this happening at our Department of Human Services and wrote this in our single audit over and over, year after year. Our Department of Human Services is not monitoring its subgrantees, its nonprofits to ensure that the dollars are reaching needy folks.

And so, what we ultimately found is there was a reason these nonprofits weren't being monitored. The head of the agency did not want then monitored because he was handing large amounts of funds to the nonprofits, and then he and the nonprofit executives were discussing ways to spend those dollars in violation of the law and in violation of TANF regs.

So, one easy recommendation that I would make is any time HHS sees in a single audit that an agency is not monitoring their subgrantees, their nonprofits, something needs to be done about it. An OIG agent needs to be sent in. HHS needs to look closely at that nonprofit, level penalties against that agency. Monitoring needs to be taken seriously and it was not in the State of Mississippi.

Mr. Chairman, you mentioned the 200 percent comment that I made. One thing that we noticed in Mississippi was that dollars were going to entities and causes where there was no real proof that anyone participating in an event was needy. So, for example, we would see dollars going to rent a private softball field and then a softball team, a private softball team, travel softball team called the Mississippi Bombers would play on that softball field.

And when we asked is anybody on that softball team needy? The answer was, well, no, but TANF dollars can go to folks who are not needy. So, you know, maybe it is okay that this happened. And also, the softball field is in Jackson and Jackson metro area is home to tons of needy folks. So that was the justification from DHS.

In our opinion in the auditor's office, that did not comply with the four principles of TANF, and it did not comply with the intention of TANF in the first place because there was no proof that this was doing anything to advance any of the four principles.

So my point in making the comment about limiting the access of TANF funds to folks under 200 percent of the poverty level would be to say let's make it clear that this program is intended to benefit needy people and give State agency heads who might want to spend on folks who are not needy more constraints to focus those dollar on the folks who actually need to benefit from TANF.

Chairman LaHood. And then, Mr. Auditor, what have you done in Mississippi or has the State done to make sure this doesn't happen again?

Mr. White. So, the first few steps were obviously all audit steps. So, we performed our single audit. We then reported what we found in the single audit to HHS. Mr. Carter actually was at HHS at the time and was incredibly responsive when he was there when we reported all of this misspending to the Federal agency.

In addition to that, as we finished out our single audits, I encouraged our Department of Human Services to hire a private CPA firm to check our work, basically. And he then went out and hired a private CPA firm from Baltimore, Maryland who came in. They also determined that tens of millions of dollars of TANF funds had been misspent in violation of TANF.

And so then, after that happened, I used my legal authority to demand over $96 million back from the folks who either benefited from the TANF funds or the folks who authorized the spending of the TANF funds. After those demands were issued, the State of Mississippi has now sued many of those individuals.

And so that case, that civil case is alive in State court right now and is currently being litigated. As I said, on the other side of this, the criminal side of this, prosecutors are still considering who they would like to charge. Six folks have pleaded guilty. Two more have been indicted who have not pleaded guilty.

So that is where we are in terms of sending the public a message that this is not going to be allowed in Mississippi anymore.

Chairman LaHood. Thank you.

I will next turn to Director Knodell. In your testimony, you provided the example where Governor Parsons in Missouri vetoed 7.9 million in TANF funding, including some for purposes outside the scope of the program. Could you share more on what role your

State legislature plays in determining how State TANF non-assistance funds are used, and how do you work with State legislatures to ensure their proposed project fit within TANF statutory goals?

Mr. Knodell. Yes. Thank you, Mr. Chairman, for that question.

We do at the Department of Social Services work very closely with our general assembly, and our general assembly is very aggressive and very eager to strategically use TANF dollars, block grant dollars to meet community needs in their districts. Now, from time to time, you know, we find, and we have found in Missouri overwhelmingly that the projects that they seek funding for do, you know -- many cases do fit within, you know, the four purposes of TANF but sometimes they don't. And that doesn't mean that they are bad public policy or bad initiatives. It simply that means that they don't fit TANF.

So, we work very closely with members as they craft the State budget because our dollars are appropriated through the general assembly after which, you know, we go through a procurement contracting very close program monitoring process. But again, you know, legislatures are eager to use those dollars, and we are very aggressive to steer them away from TANF when it is not an appropriate use, and sometimes those projects will make it through the legislative process and reach the governor's desk.

For example, we had one project this year. It was a program that we have continued to fund year after year, a very worthy TANF program to the tune of about $3 million per year. An additional million was included for a building, and, you know, we realized that capital projects are not allowable TANF expenditures; therefore, that million dollars was line item vetoed by the governor.

There was another project that one of our partners in Kansas City was proposing that actually as the project matured and began to development would take place predominantly on the Kansas side of the Kansas City, Missouri regional area. So those dollars were reduced.

And we do, you know, our legislature, likes to very aggressively spend our TANF dollars. We don't want to put them in the bank, and so, you know, we do get very close and sometimes have to reduce if the legislature over appropriates the TANF dollars that we have available.

But it is constant communication. We do monitor these projects. And in Missouri, we have a very stringent procurement contracting process to make sure that standards are considered, that are followed, that are implemented, and we do monitor as a department and an employee contractual monitoring all the way to the subrecipient level.

Chairman LaHood. Thank you, Director.

Before I turn it over to Mr. Davis, one question for you, Director Putnam. How is your team reevaluating Arkansas' past assistance funding grants -- past non-assistance funding grants? And what is your process for re-focusing on outcomes, expediting reviews, and de-funding some grants and doubling down on others?

Ms. Putnam. Thank you for the question, Mr. Chair.

We are looking at all of the subgrants that have been awarded over the years. There are some subgrants that have yielded positive outcomes, so, you know, we will look at continuing those, but we are not automatically renewing. As you know, there have been some automatic renewals in the past.

We are also looking at the program management costs. By consolidating the TANF program into the Department of Human Services, working with our county offices that we have in every county across the State, we are also reducing the administrative cost to oversee the program and the financial controls necessary.

Chairman LaHood. Thank you for that.

I yield to Ranking Member Davis.

Mr. Davis. Thank you again, Mr. Chairman.

Dr. Nyandoro, I am appalled that many States have chosen to hoard roughly $6 billion in TANF rather than spend these funds as intended to help poor families with children. Could you talk about the disconnect between the ability for these families and individuals to receive the TANF benefits in the State of Mississippi?

Ms. Nyandoro. Yes. Thank you for that question.

So, I am sitting here and I have this visual of a Band-Aid trying to go over a geyser because I feel like this is the conversation that we are having right now as it relates to TANF. We are trying to -- we are talking about a Band-Aid over a geyser.

TANF is woefully inadequate in the State of Mississippi and other States as well. The families are so afraid of the sanctions and the burdensome paperwork that it takes to actually go about receiving these benefits that they have made a cost benefit analysis just not to receive the benefits at all.

And an example of this is that if you go through the process of trying to receive TANF in Mississippi and you don't go about fulfilling the requirements that are not laid out for you, so you don't actually know what those requirements are, they are at the whim of your caseworker, if you don't go about successfully fulfilling those requirements, you could be sanctioned, and that sanction could be you could lose your SNAP. You could lose your TANF, whatever the sanction is that the casework feels is appropriate, and that is a debilitating reality. And so, families just choose not to participate in it.

Less than 1 percent of families within Mississippi actually go about receiving cash assistance from TANF, and Mississippi is one of the poorest States within this country. So, there is a clear disconnect.

The argument that I have heard officials in Mississippi use is that they cannot find any poor people, in which I say go outside and throw a rock. You will eventually find one, as we are a State with a significant number of needs.

And instead of going about having the conversation of how do we truly make sure that families receive the cash assistance that they need so that they can live a life of dignity, so that they can raise their kids, so that they can get to work, and since we keep talking about work, so that they can get to work, which is very expensive, having a job is expensive when you are poor. You have to put gas in your car. You have to have a car. You have to be able to pay for the uniforms to work to get to work.

And instead of making it easy for those processes to happen, we keep penalizing families, and we keep providing families for what it is that we feel that they need instead of simply asking them what is it that you need in order to live a life of dignity?

RPTR WARREN

EDTR HUMKE

[3:20 p.m.]

Mr. Davis. Thank you.

Ms. Nyandoro. Uh-huh.

Mr. Davis. -- very much.

Commissioner Carter, I am aware of your work with Fatherhood programs and Fatherhood. That is work that I am very interested in myself.

In your testimony, you included the fiscal year 2021 Trump budget justification for TANF from your time with the administration. And I am glad to know that you are spending down the $700 million. But can you confirm that in the Trump budget recommended repeal in section 417 of TANF law that prohibits oversight?

Mr. Carter. I am sorry. Can you give me the end of the question again?

Mr. Davis. I think I am asking if that prohibition was in the budget or if you recall.

Mr. Carter. It was not in the -- in what we proposed to be demonstrated. What we -- we didn't speak to -- to not having Federal oversight.

The whole notion behind those demonstrations was to have States take a step back and look at how you could actually blend multiple safety net programs to achieve the objective of helping individuals and families grow beyond the social, economic, and developmental vulnerability that had them needs public support. But nothing in that spoke to lack of Federal oversight.

Mr. Davis. Well, thank you very much. And I look forward to interacting with you around the Fatherhood initiatives. I am very much interested in that.

Mr. Carter. Thank you, Mr. Chairman.

Chairman LaHood. Thank you, Mr. Davis.

Pursuant to committee practice, we will now move to two-to-one questioning.

I now recognize Dr. Wenstrup.

Mr. Wenstrup. Thank you, Chairman LaHood.

And thank you all for being here today and for holding this hearing.

And I want to thank all the witnesses for taking the time to be with us.

You know, based on the testimony we have heard today, there is clear need for better guardrails, accountability, and outcome measurement for TANF non-assistance spending.

Last Congress, I introduced the Workforce Opportunity Realignment Kickstart, WORK, Act. This bill is an example of how we can implement outcome measurements in TANF and support Americans' transition from assistance into the workforce.

Mr. Carter, very impressed with your resumé and years of experience. So, I want to -- I want to start with you. Thirty-two years, that is impressive.

And I think that what we are talking about for a lot of people is the -- is an opportunity to develop basically the knowledge, skills, and abilities that you need to enter the workforce and having those opportunities there.

So, when I look at that, I want to look at it, I guess, somewhat scientifically. I want to see what opportunities are missing for people.

And I will give you an example. You know, I go to a vocational school of kids that are learning welding senior year in high school. They are the happiest kids alive because they know they have got a job waiting for them that is going to pay them well. That is the hope I think you talk about.

Mr. Carter. That is right.

Mr. Wenstrup. You know, and sometimes it is in your education. Sometimes it is in your church. Sometimes it is in your family. But all of those things factor into the self-esteem that you may have and the life that you lead, but opportunities need to be there.

But let's just talk about poverty for a second. I practiced medicine privately for 27 years. I took some -- care of some of the poorest of the poor and I understand the struggles, transportation struggles, all those types of things. We tried to work with our patients on those.

But in -- for poverty itself, what are some of the common denominators that you find that people have in poverty?

And I don't mean to put words in your mouth. But I look at education, family structure, faith, all those types of things. You mentioned rural access because it is too far. What are some of the things that you have seen over the years?

Mr. Carter. Well, we certainly have seen the broad range of challenges and conditions that lead to poverty. And, quite frankly, the design and operation of our safety net, it doesn't address those.

Our argument is that our system has to become person- or family-centric. And what we mean by that is we have got to begin with that individual or that family, understand their unique problems, not try to fit them into our individual programs, but understand them in their totality. And then we are able to build a service plan that addresses the whole component or the whole person.

I think Secretary Putnam said the folks that we serve, they don't come to us in the bits and pieces of our programs. They come to us as whole and connected individuals and families, and our system isn't designed to address that.

Mr. Wenstrup. So that is what I think we need to be talking about a lot. And I will give you an example. There is a county in my district that was part of something under the Obama administration called Rural Impact, and that gave the caseworker authorities to make things happen fast for that individual or that particular family. I meet a family, and it is a couple with six kids.

And he says, I can't take that third shift job because I have nowhere to sleep when I come home, because we are living in a one-room cabin.

That is addressing the issue. And she was able, I see her a couple of months later after I met that family. I said, How they doing?

She said, I got them into a home with bedrooms. She is working, he is working, and we got childcare.

This is what we have to focus on, getting back to that individual and that family. And so -- and then in the process, have guardrails of how we are spending our money but -- and oversight over those decision-making processes that are taking place.

So, I appreciate it. I don't know of any of you heard of that Rural Impact program, but I suggest take a look at it because I think it was pretty successful for the short time that it served. And maybe we need to take another look at it here and talk about implementing some of those things.

That wasn't what I intended to ask about or talk about, but I think it was important.

So, anyway, I yield back. Thank you.

Chairman LaHood. Thanks, Dr. Wenstrup.

We recognize Mr. Carey from Ohio.

Mr. Carey. Okay.

Mr. Wenstrup. Rookie.

Mr. Carey. Yeah, I am a rookie here. I apologize.

Mr. Chairman, I just want to make a point here.

Is this the SEC committee? I am looking at everybody. It is all SEC team. As a Big Ten person, I was a little disappointed in not seeing any of our Buckeyes here.

But, Doctor, I want to -- you touched on a few things and I am going to ask some other questions.

First of all, really we all appreciate you making the trip to D.C. We know it is a lot. We know it is tough to get in, but do appreciate. We appreciate all of your testimonies. I know you all prepared. You worked on it, answering our questions.

But, Doctor, I just want to -- tell me a little bit more about the -- was it Magnolia Mother's Trust? And it is a -- and I was pulling it up as you were talking about it. Something you -- it is a cash ops -- where does the cash come from, number one? Number two, and it is -- it is only a year? They can't go on after that.

Ms. Nyandoro. Yes.

Mr. Carey. Am I correct?

Ms. Nyandoro. Yes, thank you for that question, chair -- Congressman.

Yes, it is a 1-year program. $12,000 is the total, and it is only for that time period. And it doesn't go beyond a year, and it is privately funded, all philanthropic funding.

Mr. Carey. So, it is all -- no government money comes into this program.

Ms. Nyandoro. No government money. We truly believe that the best way to lift families out of poverty is to give families money.

Mr. Carey. Yeah, I would ask my colleagues, if you haven't googled your program, to google it because I think it is a success story.

You started off with 20?

Ms. Nyandoro. Yes, sir.

Mr. Carey. And you are in your fourth iteration now?

Ms. Nyandoro. Yes, sir, we are going into our fifth year.

Mr. Carey. Yeah.

Ms. Nyandoro. And we supported over 320 mothers. But not only is it our program, it really is a model that can be replicated to show how you can go about giving family resources, cash resources.

Mr. Carey. Yeah.

Ms. Nyandoro. And the Federal Government is a perfect -- has a perfect example with the Child Tax Credit --

Mr. Carey.

Ms. Nyandoro. -- which we have for 6 months, as well, of how to go about giving families cash without restrictions.

Mr. Carey. Well, and as somebody who truly believes the Alexis de Tocqueville book "Democracy in America," it shows that the private sector, that is what made American great according to Alexis de Tocqueville.

And so really, really was good to read about your program. I think it is fantastic. So --

Ms. Nyandoro. Thank you.

Mr. Carey. Just a couple -- I do have a couple of questions here.

Mr. Knodell, Missouri spends a large portion of your TANF non-assistant work funds on work, education, training activities.

What are these programs, and how do you measure their success to make sure that TANF non-assistance spending is making a different?

Mr. Knodell. We do -- thank you, Representative, for that question.

In Missouri, we do monitor our programs with measurement. And, I mean, ultimately, you know, the measures -- and we publish -- publicly publish each year our performance measures as a department in terms of how our programs perform.

But each program is based on, you know, qual -- you know, program quality, how many people are learning a skill, successfully completed. And that is a certification.

That is a degree, you know, vocational training completion. It is employment rate.

We also measure, you know, whether that individual remains on public assistance or does not. We measure, you know, do they return to public assistance in a reasonably short, you know, amount of time?

And so, we also look at the efficiency of the dollars spent, whether that is administrative spending, whether that is, you know, overhead or actually dollars to a program that is providing a service to a family.

But our annual budget books that we are required by State statute to provide each year in the State of Missouri has detailed performance measures. We do, you know, issue corrective action plans and sanction providers that do not perform it at that level. And, again, based on a single audit finding that we had several years ago that our -- my State auditor to my right would attest to the importance of the single-audit process. We have implemented sub-recipient monitoring, as well.

Mr. Carey. Thank you. I appreciate that.

Mr. Carter, I am going to ask you a question.

Mr. White, I realize you are in the National Guard in Mississippi. Appreciate your service. What branch?

Mr. White. Air National Guard, sir.

Mr. Carey. Air --

Mr. White. Always --

Mr. Carey. -- National Guard.

Mr. White. Always tempted to salute Dr. Wenstrup when I see him, too.

Mr. Carey. So am I. So am I.

Commissioner Carter, what recommendations do you have to ensure that TANF continues to be targeted toward -- we don't have a lot of time.

So, you know what? I am going to yield back the balance of my time and then for the record, yeah. I will submit something for the record for you.

So, I yield back, Mr. Chairman.

Chairman LaHood. Thanks, Mr. Carey.

Recognize Ms. Moore from Wisconsin.

Ms. Moore of Wisconsin. Thank you so very, very much, Mr. Chairman.

And I just want to thank my colleagues for attending and all of our really great witnesses.

You know, this is prime time. And I am not talking about Prime Day under Amazon.

We are all agreeing on the fact that TANF is just a story of waste, fraud, and abuse. But it is not waste, fraud, and abuse of, you know, some recipient from Mississippi, you know, getting $265 to which they are not entitled. It is the design of this program. The program is designed to provide money. You know, it is building a huge bureaucracy. People are getting jobs to sanction welfare recipients.

They are getting jobs in Wisconsin, when we started the program. Wisconsin, of course, is where welfare reform started. We had a position called diversion specialist, and it was that person's job to tell you that you didn't need any aid.

Not only that, TANF was written, and it provided bonuses to for-profit agencies and incentivized States, you know, by giving them caseload reduction credits and money and stuff that they could use for decreasing the rolls. That doesn't mean that those recipients would get a job. Just throw them off, and you could keep the profit.

I am reading from a budget paper. I was in the State legislature when we passed -- we ended welfare as we know it in Wisconsin. I am just reading from one of the budget papers. I was on the Joint Committee on Finance at that time, and I pulled this out just to refresh my memory. This was unlimited money. There were no restrictions on the money. And we -- this particular year, 1999-2001 fiscal year, we provided $24 million in bonus money and then you get to keep it.

And I will submit all this stuff for record.

I am just looking at my colleagues here today.

Ms. Sewell, in your State, only 7 percent of the total $196 million your State got was spent on basic assistance. But 29 percent of it was spent on other services.

I am looking at California, which is, you know, is one of those woke States that where they spent 37 percent of their money on helping people and only 13 percent on other services.

Illinois, Mr. Chairman and Ranking Member, basic assistance, 4 percent and, you know, Mississippi -- oh, well, 6 percent on basic assistance.

Now, Commissioner Carter, you are not on the committee. But I thought I would look up what you guys do. And I don't want my time to run out because I do have a question. You guys spend, like, 37 percent of your -- 41 percent on basic assistance versus 1 percent -- versus 1 percent on other services.

Now I am sorry that you guys are picking on poor Brent Favre because he was a quarterback for Wisconsin. I was a fan. All I am saying is that this -- this didn't just start. I mean, I have had communities that have spent money on infrastructure, like I said, for luxury apartments. Brent Favre is just one of them. He is not all of them.

Now I do have a question for Dr. Nyandoro. These non-assistance spending is the topic here today. But what should we really be talking about in terms of solving poverty?

You mentioned a few things like your project, like the Child Tax Credit which cut poverty in half, and then the Earned Income Tax Credit, which in Wisconsin, you know, I was the one that negotiated at least using some of the TANF dollars to provide the earned income tax credit.

What would you say? I have 20 seconds left, and I will yield to you.

Ms. Nyandoro. All I need is five. We just need to figure out how to get families more money without restrictions. So we need to increase the basic assistance that is provided to them.

Ms. Moore of Wisconsin. I want to know. Trying to force people to work, how has that worked?

Ms. Nyandoro. It hasn't. That is why we are having this conversation.

Ms. Moore of Wisconsin. Well, thank you.

Mr. Knodell. Thank you.

Ms. Moore of Wisconsin. And, Mr. Chairman, I just want to thank you for this hearing. It is prime time because we all agree this program is a failure.

And I yield back.

Chairman LaHood. Thank you, Ms. Moore.

Recognize Mr. Moore of Utah.

Ms. Moore of Wisconsin. Oh, oh, excuse me.

I would like to ask unanimous consent to have more time to put things in the record, if that is appropriate now. Or I will wait.

Chairman LaHood. So, ordered.

[The information follows:]

******** COMMITTEE INSERT ********

Ms. Moore of Wisconsin. Okay. Can I tell you what I want to put in?

Chairman LaHood. Why don't you put them together, and then we will do it here when --

Ms. Moore of Wisconsin. Okay. Thank you, sir.

Chairman LaHood. Recognize Mr. Moore of Utah.

Mr. Moore of Utah. Thank you, Chairman.

Given the SEC comments, I would like to also add my opinion that I think playing only eight games against any real teams is kind of a travesty and puts it on in the legal -- on an unfair footing across the Nation. But I will -- I will -- I won't worry about that, where the Pac-12 actually engages in real competition.

So, Ms. Putnam, Utah's labor force participation rate, which I would say every single State, wish we could have them all higher, but we haven't fully recovered after the pandemic. A lot of that has to do with strong State leadership and our success of using TANF non-assistance dollars to fund work in preparation activities.

According to HHS, Utah spent nearly 20 percent of its TANF funds on work, education, and training programs in 2021. And the national average per comparison is -- is only 7.6 percent.

So, I don't think it is any surprise that our workforce is -- is doing really well among a lot of other factors. But that in particular is something that we really focused on in making sure that we were using the money very effectively to -- particularly as people were getting displaced and retraining and reskilling and all that type of stuff.

You mentioned that Arkansas has the lowest force labor force participation rate in the country. What is Arkansas' strategy to meet its residence where they are and help them get back into the workforce using TANF non-assistance funds?

Ms. Putnam. Thank you for the question.

It may not be the lowest, but it is very near the lowest. Our workforce participation rate hovers around 56 to 57 percent. Our plan again is we have the Workforce Cabinet which has the six cabinet secretaries who have anything to do with education, technical and career education, and workforce development. So, we are looking at strategic investment opportunities for TANF.

And what I mean by that is there is a -- Oklahoma actually has been leading on this but we -- we want to use the Workforce Cabinet and work with philanthropic organizations and community organizations and look at investment strategies that they are using, align them with the outcomes that we wish to accomplish, which include really redirecting education to be -- to come to meaningful outcomes, and be informed by employers and sector strategy by our labor force markets.

Mr. Moore of Utah. Thank you so much.

Mr. Carter, I may be biased but I -- prior to coming to Congress, I worked for a firm that did a lot of monitoring and evaluation as particularly in the social impact space.

And I notice in your testimony, I really appreciated you kind of highlighting that as, a State, you were very interested in putting together some evaluation of how your programs were going. And then you were prohibited from -- from doing that with the TANF non-assistance funds.

Can you just kind of share a little bit, elaborate a little bit more on that? And then as -- there was a previous question that I think you may have wanted to respond to as well.

Mr. Carter. Sure. Thanks for the question.

So, our Governor and legislature, when we put together this legislation to in an impactful way spend our TANF dollars, one of the things they said is we want to know what works. And so, we want to evaluate the things that you were going to spend these dollars on.

And so, we -- we went about trying to engage an evaluation firm but were informed by our Federal partners that it doesn't meet an eligible TANF purpose. So literally you couldn't spend money on the program to understanding what works. So, we had to spend our own State money in order to do that.

But we have done that, and we have random control trials for all seven of these. And they really are very much the gold standard. We will know when we get to the end of this -- these 3-year demonstration periods, we will know what component parts of the seven work, what don't work. And then that will help us reshape our overall TANF program going forward.

And the other thing I just wanted to speak to, okay, this idea of forcing people to work as if somehow work is a bad four-letter word, we believe that every employment opportunity that is moral, legal, and ethical and its intended earnings create a pathway to freedom.

And so, I then harken back to Secretary Putnam's ABCs, a job, a better job, a career. But there is nothing wrong. I mean, work is essential. And so, we -- we think that we need -- that that helps create the pathway beyond and so it is an important component part of how we are going about transforming Tennessee safety net.

Mr. Moore of Utah. Thank you so much.

And I will just kind of close with appreciate those comments and end before. As the Federal Government, all we do, we are -- we are pound and penny foolish. We refuse to spend a little bit of money smartly to have greater impact, and this is a clear example of that. So, thank you.

And I yield back.

Chairman LaHood. Thank you.

Recognize Mrs. Steel of California.

Mrs. Steel. Thank you, Mr. Chairman, for hosting this hearing.

And thank you to our witnesses for sharing concerns on how States are using non-assistance funding for TANF and issues with the current law. I hope we can work in a bipartisan manner to prevent waste, fraud, and abuse within the program.

Two major things I always hear about from our constituents, my constituents, and small businesses in my district is lack of workforce development and childcare.

Having said that, Auditor White, from your perspective, in what ways did the current TANF law help enable the kickback scheme scandal to unfold, grow, and continue?

Mr. White. Thank you for the question.

So, I discussed a little bit briefly about the lack of monitoring and then the lack of enforcement from HHS when an agency doesn't monitor. So, I would say that that -- that structure of the program helped enable the fraud that we saw in Mississippi.

I would add to that and say that, you know, I think that over the course of the last few years we have not seen the Federal Government take strong action when misspending does happen.

So, in Mississippi, for example, we submitted our single audit in the spring of 2020. That is obviously over 3 years ago. And to date, we don't know what HHS's response is -- response will be to that audit. So, the State of Mississippi is still waiting to hear. I think HHS and the Federal Government could send a strong signal to States that the program itself takes fraud and misspending very seriously by telling the State what it needs to remedy and then what penalties it is going to impose on the State.

Again, we are talking about in Mississippi likely north of $100 million of misspending when you add the TANF misspending to the other misspending in programs that don't include TANF, SNAP, and CCDF.

So, we have State lawmakers in Mississippi waiting to figure out how much they are going to have to pay back. So again, as a programmatic problem, there is not a strong signal being sent from the Federal Government that TANF misspending and TANF fraud is being taken seriously.

Mrs. Steel. Did you hear anything from HHS that they are going to respond right away, or they are not just -- or they just totally ignoring your States?

Mr. White. They did not totally ignore. So, we sent our single audit in, in the first half of 2020. Mr. Carter was actually at HHS at the time. He responded very quickly, and we had good communications with him.

But I would say that when the administration changed, there was a fall off in communication. My office has not communicated with HHS since August of 2021. I don't know how frequently our Department of Human Services communicates with HHS today. I don't know what sort of technical assistance that that office is providing to Mississippi's DHS.

But I can tell you there has been frustration that I have heard from our DHS that there is a lack of clarity about what the Federal Government is going to do about what happened in Mississippi.

Mrs. Steel. So, you hear from other States, too, or just only your State that you are stating today?

Mr. White. Mainly my communication is with our Department of Homeland Security, yes, ma'am.

Mrs. Steel. Thank you.

Secretary Putnam, some States spend TANF dollars on childcare directly, and others transfer to the Childcare and Development Block Grant.

Do you have insight as to why States spend directly, and does that create duplication in recommendation for families? And why do States choose to spend directly on childcare versus transferring, and do you think the 30 percent cap on transfers is the right amount?

Ms. Putnam. Thank you. I think there are several questions there for me.

Mrs. Steel. There are three.

Ms. Putnam. There are three questions.

Mrs. Steel. Yeah.

Ms. Putnam. The question about insight as to why States choose to spend directly on childcare versus making a transfer, I don't currently have insight into that. I seek to gain some insight as we have just taken over -- moved TANF over to DHS as of July 1 of this year.

The question about whether the 30 percent cap on transfers, I do think that -- that the 30 percent allows for flexibility. I think that conversations with this committee could yield whether or not that should be increased. Perhaps it should be decreased.

So there is a -- the transfer, I think, is not at issue as much as the -- your question about the fragmentation for families. That is the biggest question that I seek to answer, and I seek your help on because there is fragmentation not just with TANF across the different programs that it is able to fund statewide but also with the Federal programs that we have to as State leadership cobble together to try to serve that whole family.

I appreciated Dr. Wenstrup's comment about the rural program and the worker being able to work fast. We like to go fast in Arkansas. We would like to be able to move resources quickly to families, but we want to do it under the appropriate oversight.

And so, if that means that the transfer is an appropriate oversight and can be tracked, then that would be a good direction to move in.

Mrs. Steel. Thank you, Mr. Chairman.

I have another question, but I am just going to submit it so we can get the answer later on.

So, thank you.

Chairman LaHood. Thank you.

Mrs. Steel. I yield back.

Chairman LaHood. Thank you, Mrs. Steel.

I now yield to Mr. Evans of Pennsylvania.

Mr. Evans. Thank you, Mr. Chairman.

I would like to yield to Ms. -- my colleague from Wisconsin because I was in the State legislature in Pennsylvania.

Ms. Moore of Wisconsin. Thank you, Mr. Evans.

I will be brief. I just want to respond to Commissioner Carter.

I agree with you. Work is not a dirty word. All of us are at work now, but I make enough money to have cleaned this suit and got my hair done and to buy toothpaste. Work that is bereft of adequate benefits associated with it is called slavery. There is a name for that kind of work.

And I don't appreciate the Federal Government being a partner in trying to fill the needs of our local-wage workforce with TANF recipients and disallowing them good education and training so that they can indeed climb that career ladder.

What you tried to do in Tennessee, they told you that it wasn't -- it didn't work. You can't really help anybody become a nurse or anything like that under current rules.

Mr. Carter. Oh, I most certainly can.

Ms. Moore of Wisconsin. Really? To go to college?

Mr. Carter. Most certainly.

Ms. Moore of Wisconsin. No, you can't

Mr. Carter. Yes, ma'am, I can.

Ms. Moore of Wisconsin. All right.

So, anyway, I am going to yield back to Mr. Evans. And maybe he will take you up on that.

But the way this program is structured, work activities, you cannot get childcare and all of that unless you are meeting these work requirements which are very, very defined, and restricted.

I yield back to you, sir.

Mr. Evans. Thank you.

Mr. Chairman, I and my Democratic colleagues are serious about lifting American families out of poverty. There are many ways we can better support families.

If Republican colleagues are serious about lifting American families out of poverty, I would urge them to support expanding the Child Tax Credit.

If Republican colleagues are serious about lifting American families out of poverty, I would urge them to support a career pathway approach to workforce development like the Healthy Professional Opportunity Grant program is that under this committee's jurisdiction.

It is really incredible stressful for families to navigate the burdensome requirement tied by the Federal Government. Many families already struggle to afford necessities, the lack of access to important support services including paid family leave and medical service.

I see absolutely no need to impose drastic work requirements on Federal assistance that would make it much harder for families to thrive. I see absolutely no need to make it even more difficult for low-income families to access the help they need. Instead, we need to respect and trust families.

My congressional district encompasses a place called Philadelphia, our Nation's poorest big city. I represent many communities that are trying to rise above persistent poverty. They have been mired by generations due to racial policies including redlining. It is important, if we going to have a serious discussion, Mr. Chairman, we have some ideas.

Matter of fact, my colleague, Terri Sewell, my colleague, Gwen Moore worked under previous people to build on it. So we know what to do. But we just need do it.

Again, I would like to thank you and yield back to the chairman.

Chairman LaHood. Thank you, Mr. Evans.

I yield to Mr. Smucker of Pennsylvania.

Mr. Smucker. Thank you, Mr. Chairman. This is a great discussion.

And I would like to thank each of the panelists for the work that you are doing.

I think all of us, and to Mr. Evans' point, my colleague from Pennsylvania and great friend, you know, I think all of us, both parties, are very interested -- are grateful, I should say, to live in a country where there is a safety net, where people can get assistance when they need it, and when there is hopefully a pathway to that family-sustaining job that is really important.

And I think these kinds of discussions are critical to ensuring that we are doing the best that we can from our level and at every level to ensure that works.

And I think, Mr. Carter, some of the points that you made were really important. All of you did but, you know, I particularly related. You talked about families are a unit. And when they go to access programs, it is disjointed and there are silos, and it is very difficult to do that.

And in my community, there was an initiative before COVID, it sort of fell apart, but where we -- all of the individuals and groups came together and created a program and it was aptly named one -- One Great Job or something of that, essentially measured by people coming into the system and then being connected to a job.

But it was -- it was all of the agencies working together, actually software, where they, someone could sort of come into the system and be referred to help they needed and they didn't have to keep going around. And I wish we did more to incentivize that kind of work rather that creating silos.

And so I think to some degree, you know, we are not going to be doing that at the Federal level. It is going to have be done at your -- at your levels and even at the county level.

And so the question I have, I guess, and, Mr. Carter, back to you again, you talked about Tennessee. You said, I believe, before you came, they had the highest level at about $800 million that weren't spent for some reason. Well, Pennsylvania's right behind that.

Mr. Carter. Right.

Mr. Smucker. We were around $700 million.

I guess I would like to understand how that happens. I, frankly, don't know.

And then how can we at the Federal level give the States optimum flexibility but also ensuring that there is accountability in the process?

Mr. Carter. So, thanks for the question. I would say that how it happens is -- is a lack of innovation for how to use those dollars to grow the capacity of those served to reduce their dependency. Okay.

A lot of discussion here about -- about needing more cash assistance. I think that we need more innovation around the intention to help that family grow beyond the vulnerability so that one day they can take the baton of their life and run their own race.

We are not -- we have not designed this intentionally to achieve that objective. So what happens is you have your basic cash assistance and then whatever dollars the State chooses to use to achieve other objectives, the child welfare, childcare, what have you.

And then that which isn't spent, because there isn't a shelf life to it, it just accrues.

And so, over the course of years in Tennessee, we accrued north of $700 million. It wasn't that we didn't have eligible families. Okay. It was that we were not being innovative enough with how to put those dollars to use. And we have -- we have turned the ship on that.

Mr. Smucker. Yeah, thank you. I would love to continue that discussion.

Mr. White, maybe a similar question. After what you have seen in Mississippi, what kind of guardrails should we be thinking about here in this committee and at the Federal level to ensure that we don't have a repeat of what happened in Mississippi?

Mr. White. Thank you, sir, for the question.

And I would just generally point out I know that there is a tension, a natural tension between flexibility and accountability, too. I know agency has flexibility to engage in creative practices. And as an auditor, it is important to just point out sometimes too much flexibility can send a signal no one is watching where the money is going.

So, first, you engage in an innovative program. And then you decide, well, I am going -- I am just going to donate some TANF money to the American Heart Association because I like the American Heart Association and that seems fine. Then you start spending money on renting an office spate that you happen to own as a nonprofit head, but you are not actually using the office space.

I think these dominoes fall because people start to believe, people who are handling the money start to believe that no one is watching. So there is a -- there is a middle-ground balance to strike between flexibility and accountability.

And as just another example of an accountability measure that I think strikes that middle ground, Congressman Moore pointed this out. We did a terrible job in Mississippi of tracking outcomes and allowing DHS to track outcomes and demanding that the agency head sign statements that show how many people were actually helped with TANF dollars.

If that measure had been put into place, then I think you would see both a mix of innovation to drive outcomes and accountability where the outcomes would have to be proven to HHS.

Mr. Smucker. Thank you.

Chairman LaHood. I now yield to Mr. Smith of Nebraska.

Mr. Smith of Nebraska. Thank you, Mr. Chairman.

Thank to you all of our witnesses. I apologize. I had to step out briefly and missed some of your testimony.

But this is such a timely topic. And amidst the economic struggles that many are facing, I hope we don't make the mistake of focusing so many efforts on just tax dollars rather than human dignity.

And I had the honor of charge this subcommittee back in 2018 when I first introduce add bill called JOBS For Success Act, emphasis JOBS For Success, that it wasn't just the JOBS Act of 2018 but JOBS For Success.

And I worry that we perhaps in the interest of checking boxes, you know, will perhaps push someone toward a job but then that is it. Out the door. Out of our minds. And yet that is -- that in and of itself will likely not have a positive outcome unless that individual is in a position of upward trajectory and able to provide for his or her family and engage in the community. What -- I mean, there can be numerous definitions of success. I get that. But it -- I hope that we can focus on the ultimate outcomes rather than just checking boxes.

I think that when you look at various, you know, whether it is a State using TANF dollars to fund middle-class private college scholarships or the fraudulent case that was uncovered, Mr. White, by your efforts, I think we can do better. So, I am -- I am interested in working together so that we can focus on human dignity and doing better by individuals.

And I am curious, Auditor White, during your investigation, when you did uncover that TANF funds were not appropriately being used, you know, for low-income Americans, how -- how common or how in terms of frequency would you say dollars were spent where they ought not be spent?

Mr. White. I would say the norm from 2016 to 2019 in Mississippi was for the dollars to be misspent rather than spent on an allowable purchase.

So, when we started looking back, we realized that at some point in 2016, when former Director Davis took over, large dollar grants were being given to two specific nonprofits. And over the course of the next 3 to 4 years, the dollar amounts of those grants increased dramatically.

And so by the end, you were seeing the main bulk of TANF money in Mississippi going to the nonprofits and the nonprofits spending them in ways that at minimum they could not show it was leading to human flourishing or a benefit to anyone who was needy and, at worst, going to either line folks' pockets or being spent fraudulently.

So it was really -- it was really a tragedy that unfolded in a very short amount of maybe over the course of 3 to 4 years.

Mr. Smith of Nebraska. Thank you.

Mr. Knodell, how would you perhaps reflect on the monitoring and in tracking of the financial data and outcomes and what your insight what would be on that monitoring and tracking?

Mr. Knodell. Well, I think it is important that it occur in real time, you know, when we try to actually monitor programs with, you know, on-site visits and financial reviews within, you know, the first 6 months, you know, of a contract being awarded, you know, and a service, you know, being provided, because, you know, so much of the auditing world is done after the fact and after dollars are out the door, dollars that our fellow citizens have paid in, in taxes.

And so, you know, it is important to us. Again, you know, the programs that we fund in the State of Missouri, you know, are, you know, are, you know, generally, you know, very, very good public policy purposes. But sometimes you have new objections that lack the bandwidth, they lack the resources to properly account for their dollars. You know, they perhaps lack the back office support, you know, to be able to do that.

And so, you know, we -- we very much must have a culture of compliance. And I would echo, you know, Auditor White's comments that I think a robust Federal monitoring presence, a robust Federal Office of Inspector General presence around these programs will not only help States administer their programs correctly but also send a message to the providers out there that, hey, this is not the Wild West.

But, you know, again, for us, it is -- it is monitoring and really working hand in hand throughout -- throughout the process while the dollars are being spent as opposed to after -- a look back.

Mr. Smith of Nebraska. Thank you.

Thank you. My time has expired.

Chairman LaHood. Thank you.

I now yield to Ms. Sewell of Alabama.

Ms. Sewell. Thank you, Mr. Chairman.

And I want to thank all of our witnesses.

I think that the overwhelming conclusion one can take from listening to the testimony and the questioning is that the TANF programs are not working the way that we all would want them work because the reality is that, you know, it is not just a Federal program. It is a State program, too. Right? But the State would have to spend the money in order to get more Federal money.

And as I understand it, the ability to have so much waste, fraud, and abuse in a program and us continuously funding this program, knowing that this program is not addressing the real needs of the people who need that assistance.

When I think about the fact that -- you know, there are four funding sources. I guess, TANF can fund four different things. Right? It can fund assisting families. It can fund reducing the dependency of parents in need by promoting job -- you know, preparation in work. It can be used to prevent pregnancies among unmarried persons. And it can be used to encourage the formation and maintenance of two-parent households or two-parent households.

States can define needy whatever way they want to define needy. And I am here to tell you that the State of Alabama, like the State of Mississippi, like the state of Florida, -- I can go down the list -- define it in such a narrow way. I mean, people have to be downright dirt poor in order to get TANF when we know the cost of living has soared.

The fact that you have to have, you know, money not only for childcare but healthcare and the interdependency of these different programs, you know, I think about the fact that for the first two that I just said, you know, we define that, you know. We leave the discretion up to the States.

And I don't understand how the Federal Government continuously funds a program that does not actually do what it is meant to do.

So that is why I want to talk to you, Doctor, about whether or not, like, if you could -- how would you reimagine this program? How if you had, you know, a group of policymakers in front of you, how would you tell them to reimagine this program, policymakers, oh, by the way, that have the jurisdiction to change this program? Please.

Ms. Nyandoro. Thank you so much for that question.

If I had the power to reimagine TANF, I would reimagine it with the families at the center. We keep talking about having an audit and doing an audit of financial spending.

How about we actually do an audit of what families' needs are? How about we actually have a panel with families and say what is it that it is that you need? Where are you dreaming, and how do we meet you there?

So many families that live in poverty, we come in with them with this idea of telling them what it is that they need, what it is that they don't need, how they must govern their lives. We them that, oh, you should take your baton back. We shouldn't have their baton to begin with. So, I would start by auditing the families and having those conversations with them.

The four pillars that we have in TANF probably no longer make sense for where we are today.

Ms. Sewell. I think, just reading it aloud, I think that we all should think it is being very paternalistic.

Ms. Nyandoro. It is very paternalistic. The work requirements within TANF are paternalistic. They are some of the most paternalistic and restrictive.

We are not saying that families should not have to work. We are saying that families should not be required to take any job that we say they have to take.

In a lot of instances those jobs are minimum wage jobs with no benefits, no protections, no ability to be sick, to take care of your children. But we are saying that is what you have to do because you have to work, and we are tying work with dignity. And we have this very narrow definition of work just like we have a very narrow definition of needy.

So, if I had politicians at my whim, I would say let's --

Ms. Sewell. You definitely have an audience with them for the next two more minutes. Go for it.

Ms. Nyandoro. I would say let's reimagine TANF and really take ourselves out of the equation and put families at the center.

Ms. Sewell. I also know that the paperwork is arduous. The fact of the matter is that you can only make a certain amount of money to stay on TANF. So you are not even encouraged to get a better job, let alone have the resources, you know, to actually go to school to better yourself. I feel like we are creating the perpetual cycle.

Mr. Chairman, I just -- and, Ranking member, I think that we would be well-served if we had a small task force of Republicans and Democrats to really focus in on redesigning TANF so that it really does get to the -- to the assistance of needy families, not all this other waste that is going on.

And we know it is going on, we hear about it is going on, but we don't do anything to change that. And I don't think that we should be punitive to families. We need to be punitive to the folks who are behind all this fraud. And we need to utilize the money, a lot of really, you know, good taxpayer money going for safety net. Let's really make a net that is safe.

Thanks. I yield back the rest of my time.

Chairman LaHood. Thank you, Ms. Sewell.

Recognize Ms. Tenney of New York.

Ms. Tenney. Thank you, Mr. Chairman. Thank you for having this meeting.

And thank you to the witness. Really appreciate what you do. I know this isn't easy.

And I thank you to my colleagues for your comments. And we know this is a tough issue. And look, nobody wants the truly needy not to get the services that they need.

And as Ms. Sewell just pointed out, we want to make sure that the people who are taking advantage of the system aren't able to take advantage any longer. And how do we really get to the people who are truly needy? So, I appreciate all your comments on that.

But I say I come from a State like New York where we don't have very good controls and we -- the HHS Office of Inspector General recently audited New York's TANF program and found significant areas of noncompliance with our Federal requirements, although we are obviously concerned about the nature of the Federal requirements, the focus of TANF.

But the OIG's findings concluded that New York could not ensure that its reported TANF program expenditures in 2016, which were over $4.8 billion, met Federal requirements and were used in accordance with the intended purposes of the program.

So, we do have a problem with people taking advantage and really hurting the people that are truly needy which is I think we need focus on that.

I was going to ask maybe Secretary Putnam first. How -- and I know this question was asked by Mr. Smith and others. How does Arkansas ensure that proper accountability for TANF funding contracts and projects funded through grantees and subgrantees and what process is used to ensure that they meet the purpose?

And I want to take just note of the fact that Mr. Smith talked about process versus outcomes, and I think it is really important that we deal with outcomes and not checking boxes.

And I think it actually harkens back to Ms. Nyandoro's let's talk about the families. What do they need? How do we make sure they have good outcomes and that a job is a fit? What would you do with some of these issues on the grantees, subgrantees? And how does Arkansas deal with that?

Like maybe we could help New York deal with a better job and save some money for the taxpayers, the highest tax in the country right now by the way. We beat California recently.

Ms. Putnam. Well, my husband is from New York. And there is a reason he no longer lives there.

But I will -- I will start by saying that, you know, again, we at DHS have recently inherited -- we have transferred the TANF program over to Department of Human Services. We are working with the Division of Workforce Services who previously had responsibility for the TANF grants and the subgrantees and recipients.

I think really to Auditor White's comments about paying attention, I think that, you know, recognizing that there does need to be flexibility, you know, there is a benefit to cash assistance as a component of this program.

There is also a huge benefit in the flexibility of the noncash assistance part to Commissioner Carter's comments about being able to support someone moving into a nursing position who wasn't in that position before.

So, I think the question really becomes all of us paying attention, collectively, together.

In Arkansas specifically, though, we are going to subject the subgrants made through TANF to the same kind of fiscal controls that we currently have with our other programs like SNAP, Medicaid, and the child care development program.

Ms. Tenney. Let me ask you. Is there enough flexibility in the program to tailor it to a family? Is that something that you can do in Arkansas under Arkansas laws?

Ms. Putnam. We believe there is enough flexibility to tailor it to the needs of the family.

But it -- to the doctor's point, it takes real relationships as well. It is not just about checking boxes and putting the requirements first. It is really about assessing the needs of the individuals, the needs of the communities, and working with those families and the communities to make sure that we are holding them accountable for the outcomes that they profess they want to meet for their communities and for the economic stability of their families.

Ms. Tenney. Well, thank you.

Mr. Carter, you are nodding your head. You mentioned the State advisory board for TANF output -- or input. What does that look like, and how do you have the flexibility? Is that a model we can replicate in New York to give the flexibility and the human touch to helping people with -- really everyone's unique? That is -- that is our system. You know, we recognize people are unique in our system of government. And that is why we have decisional law, not codes. Let's get away from process. Let's get towards outcomes and really dealing directly with families.

How have you been able to successfully do that your position?

Mr. Carter. First of all, begin that intention. I think when Chairman Smith talked about not just checking the box and looking at human dignity and that sort, what is troubling is that we are not held accountable for human dignity, for thriving, for freedom. We are held accountable for checking the box.

Ms. Tenney. Exactly.

Mr. Carter. Okay. And that is where we have to drive the kinds of changes in the system. It ought to be our intention, the day that that individual or family shows up on our doorstep, it ought to be our intention to help them meet the immediate crisis and then immediately pivot to how do we come alongside you and help you grow beyond this vulnerability.

It is not that we don't want to serve you. It is that we don't wish for any of our neighbors to have to live on the scraps from the public table. And so, it ought to be our societal intention to help folks grow beyond. And if you start with that -- with that notion in mind, you can absolutely tailor TANF to achieve that objective.

Ms. Tenney. My time is up, but I would love to hear more from you offline.

Thanks so much to the witnesses again.

Thank you, everyone, for your insight.

Chairman LaHood. Thank you, Ms. Tenney.

Yes, Ms. Moore.

Ms. Moore of Wisconsin. I would like to be recognized, sir, to add things.

Chairman LaHood. For what purpose do you want to be recognized?

Ms. Moore of Wisconsin. Thank you, Mr. Chairman.

I would like to add materials to the records to which I referred during my questioning, during my time.

Chairman LaHood. Without objection.

[The information follows:]

******** COMMITTEE INSERT ********

Ms. Moore of Wisconsin. Thank you.

First of all, some data from the Center on Budget and Policy Priorities where I selected some States representative of our committee and some of our witnesses on the amount of spending for basic assistance as compared to other categories, I would like to enter that into the record.

Chairman LaHood. Without objection, Ms. Moore, that will be entered.

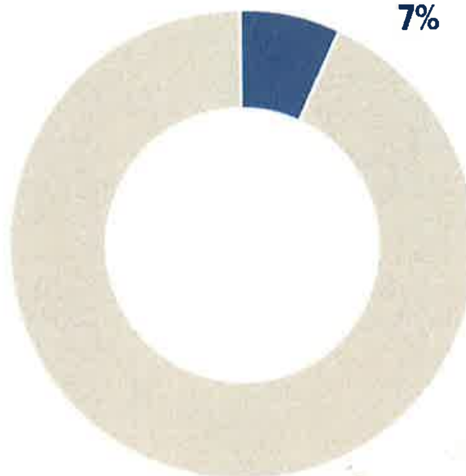
[The information follows:]

******** COMMITTEE INSERT ********

Alabama TANF Spending

Center on Budget and Policy Priorities

In 2021 Alabama spent about $196 million in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 7 percent of these funds on basic assistance**, generally as cash assistance to TANF families. In 2021 Alabama ranked 39th among the states and Washington, D.C. for percent of TANF funds spent on basic assistance.



Federal and State TANF Spending by Category, 2021

	Alabama		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$14	7%	23%
Work Activities	$7	3%	8%
Work Supports and Supportive Services	$3	1%	2%
Child Care	$22	11%	16%
Administration and Systems	$25	12%	11%
Tax Credits	$0	0%	9%
Pre-K	$31	15%	10%
Child Welfare	$44	22%	9%
Other Services	$58	29%	14%
Total	$196	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$35	$54	$26	$20	$14
Work Activities	$16	$24	$4	$6	$7
Child Care	$15	$9	$24	$6	$22

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Alabama was awarded its TANF block grant of $93 million and an additional $11 million in contingency funds.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, Alabama has accumulated $113 million in unspent TANF block grant funds, equal to 122 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Alabama met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Alabama

Federal Funds Awarded	$104 million
75% MOE Obligation	$39 million

2021 Federal and MOE TANF Expenditures for Alabama

Federal Spending	$83 million
MOE Spending	$113 million

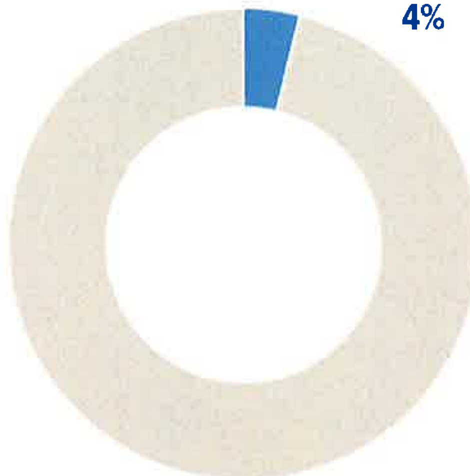
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Alabama's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Arkansas TANF Spending

Center on Budget and Policy Priorities

In 2021 Arkansas spent about $88 million in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 4 percent of these funds on basic assistance**, generally as cash assistance to TANF families. In 2021 Arkansas ranked 49th among the states and Washington, D.C. for percent of TANF funds spent on basic assistance.



Federal and State TANF Spending by Category, 2021

	Arkansas		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$4	4%	23%
Work Activities	$11	13%	8%
Work Supports and Supportive Services	$0.3	0.3%	2%
Child Care	$5	6%	16%
Administration and Systems	$15	17%	11%
Tax Credits	$0	0%	9%
Pre-K	$30	34%	10%
Child Welfare	$4	4%	9%
Other Services	$20	22%	14%
Total	$88	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$15	$16	$7	$4	$4
Work Activities	$15	$28	$15	$15	$11
Child Care	$28	$0.9	$8	$16	$5

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Arkansas was awarded its TANF block grant of $57 million and an additional $7 million in contingency funds.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021 Arkansas has accumulated $113 million in unspent TANF block grant funds, equal to 199 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Arkansas met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Arkansas

Federal Funds Awarded	$63 million
75% MOE Obligation	$21 million

2021 Federal and MOE TANF Expenditures for Arkansas

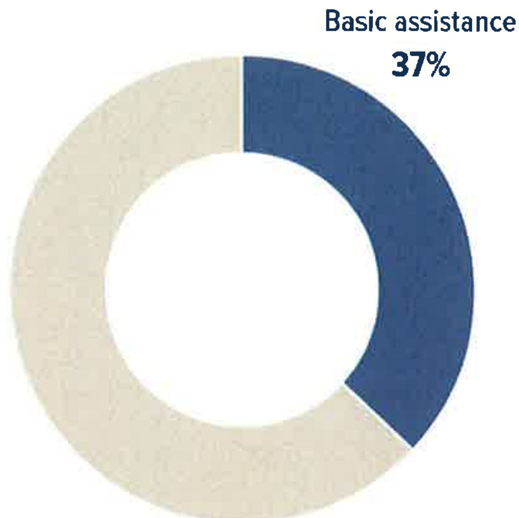
Federal Spending	$55 million
MOE Spending	$33 million

The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Arkansas's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

California TANF Spending

In 2021 California spent about $5.7 billion in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 37 percent of these funds on basic assistance**, generally as cash assistance to TANF families.



Federal and State TANF Spending by Category, 2021

	California		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$2300	37%	23%
Work Activities	$895	15%	8%
Work Supports and Supportive Services	$276	5%	2%
Child Care	$989	16%	16%
Administration and Systems	$852	14%	11%
Tax Credits	$0	0%	9%
Pre-K	$0.1	0%	10%
Child Welfare	$0	0%	9%
Other Services	$811	13%	14%
Total	$5700	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$3500	$3700	$2600	$2300	$230
Work Activities	$516	$627	$1300	$1800	$895
Child Care	$972	$921	$536	$743	$989

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 California was awarded its TANF block grant of $3.6 billion.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, California has accumulated $544 million in unspent TANF block grant funds, equal to 15 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 California failed to meet these requirements and was subject to the 80 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for California

Federal Funds Awarded	$3.6 billion
80% MOE Obligation	$2.9 billion

2021 Federal and MOE TANF Expenditures for California

Federal Spending	$2.8 billion
MOE Spending	$2.9 billion

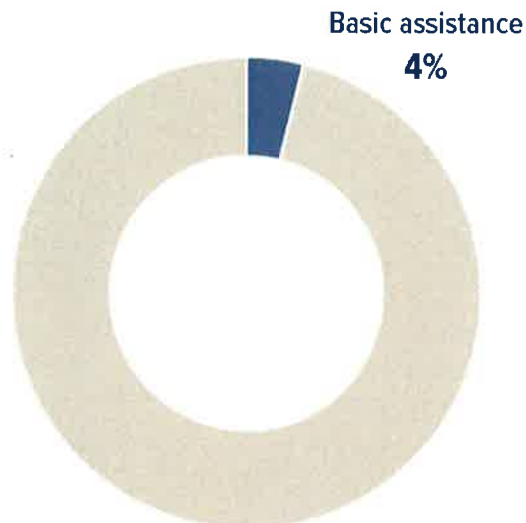
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. California's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Illinois TANF Spending

Center on Budget and Policy Priorities

In 2021 Illinois spent about $1.1 billion in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 4 percent of these funds on basic assistance**, generally as cash assistance to TANF families. In 2021, Illinois ranked 50th among the states and Washington, D.C. for percent of TANF funds spent on basic assistance.



Federal and State TANF Spending by Category, 2021

	Illinois		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$45	4%	23%
Work Activities	$18	2%	8%
Work Supports and Supportive Services	$6	0.5%	2%
Child Care	$535	47%	16%
Administration and Systems	$86	7%	11%
Tax Credits	$103	9%	9%
Pre-K	$113	10%	10%
Child Welfare	$230	20%	9%
Other Services	$13	1%	14%
Total	$1100	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$124	$106	$54	$32	$45
Work Activities	$71	$180	$18	$19	$18
Child Care	$406	$609	$626	$593	$535

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Illinois was awarded its TANF block grant of $583 million.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, Illinois has not accumulated any unspent TANF block grant funds.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Illinois met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Illinois

Federal Funds Awarded	$583 million
75% MOE Obligation	$430 million

2021 Federal and MOE TANF Expenditures for Illinois

Federal Spending	$583 million
MOE Spending	$566 million

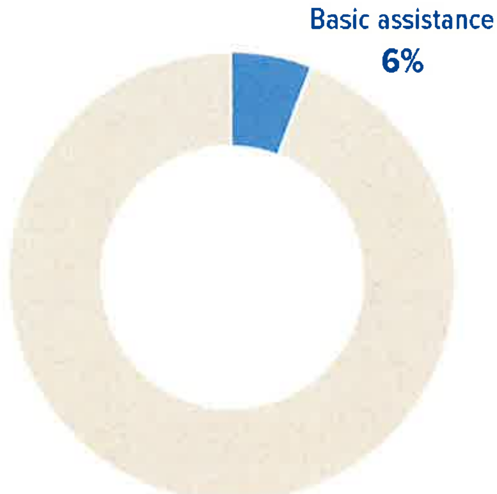
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Illinois's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Mississippi TANF Spending

Center on Budget and Policy Priorities

In 2021 Mississippi spent about $57 million in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 6 percent of these funds on basic assistance**, generally as cash assistance to TANF families. In 2021 Mississippi ranked 42nd among the states and Washington, D.C. for percent of TANF funds spent on basic assistance.



Federal and State TANF Spending by Category, 2021

	Mississippi		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$4	6%	23%
Work Activities	$20	34%	8%
Work Supports and Supportive Services	$0.6	1%	2%
Child Care	$2	3%	16%
Administration and Systems	$7	12%	11%
Tax Credits	$0	0%	9%
Pre-K	$0	0%	10%
Child Welfare	$15	27%	9%
Other Services	$10	17%	14%
Total	$57	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$22	$20	$10	$7	$4
Work Activities	$19	$47	$20	$28	$20
Child Care	$18	$20	$20	$2	$2

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Mississippi was awarded its TANF block grant of $86 million.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, Mississippi has accumulated $98 million in unspent TANF block grant funds, equal to 113 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Mississippi met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Mississippi

Federal Funds Awarded	$86 million
75% MOE Obligation	$22 million

2021 Federal and MOE TANF Expenditures for Mississippi

Federal Spending	$36 million
MOE Spending	$22 million

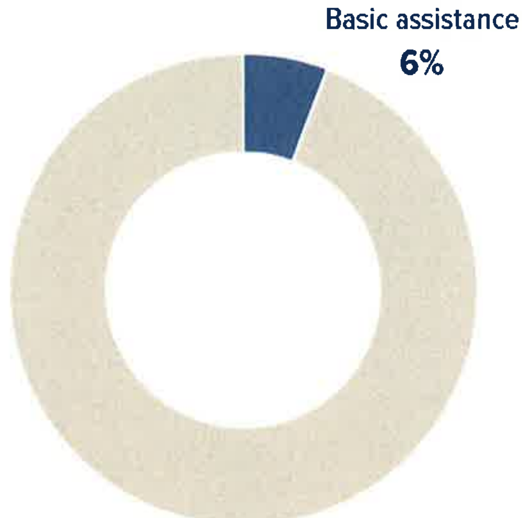
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Mississippi's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Missouri TANF Spending

Center on Budget and Policy Priorities

In 2021 Missouri spent about $352 million in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 6 percent of these funds on basic assistance**, generally as cash assistance to TANF families. In 2021 Missouri ranked 44th among the states and Washington, D.C. for percent of TANF funds spent on basic assistance.



Federal and State TANF Spending by Category, 2021

	Missouri		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$21	6%	23%
Work Activities	$71	19%	8%
Work Supports and Supportive Services	$8	2%	2%
Child Care	$23	6%	16%
Administration and Systems	$7	2%	11%
Tax Credits	$0	0%	9%
Pre-K	$0	0%	10%
Child Welfare	$120	32%	9%
Other Services	$124	33%	14%
Total	$352	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$122	$91	$52	$36	$21
Work Activities	$28	$8	$28	$77	$71
Child Care	$82	$78	$51	$49	$23

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Missouri was awarded its TANF block grant of $216 million.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, Missouri has not accumulated any unspent TANF block grant funds.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Missouri met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Missouri

Federal Funds Awarded	$216 million
75% MOE Obligation	$120 million

2021 Federal and MOE TANF Expenditures for Missouri

Federal Spending	$195 million
MOE Spending	$157 million

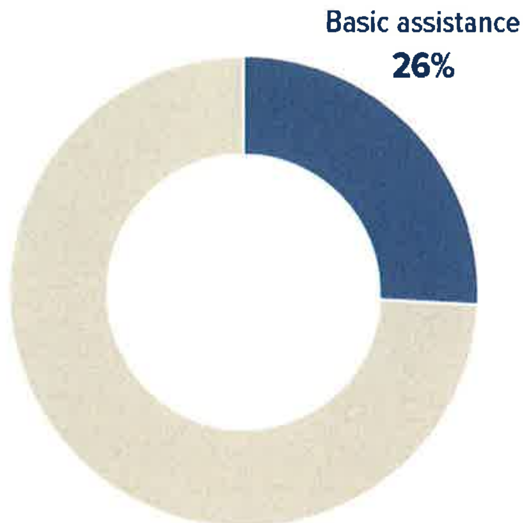
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Missouri's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Nebraska TANF Spending

Center on Budget and Policy Priorities

In 2021 Nebraska spent about $79 million in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 26 percent of these funds on basic assistance**, generally as cash assistance to TANF families.



Federal and State TANF Spending by Category, 2021

	Nebraska		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$21	26%	23%
Work Activities	$10	12%	8%
Work Supports and Supportive Services	$0	0%	2%
Child Care	$7	9%	16%
Administration and Systems	$3	4%	11%
Tax Credits	$29	37%	9%
Pre-K	$0	0%	10%
Child Welfare	$6	8%	9%
Other Services	$3	4%	14%
Total	$79	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$63	$28	$27	$26	$21
Work Activities	$16	$32	$15	$12	$10
Child Care	$15	$23	$23	$22	$7

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Nebraska was awarded its TANF block grant of $57 million.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, Nebraska has accumulated $121 billion in unspent TANF block grant funds, equal to 214 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Nebraska met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Nebraska

Federal Funds Awarded	$57 million
75% MOE Obligation	$29 million

2021 Federal and MOE TANF Expenditures for Nebraska

Federal Spending	$37 million
MOE Spending	$42 million

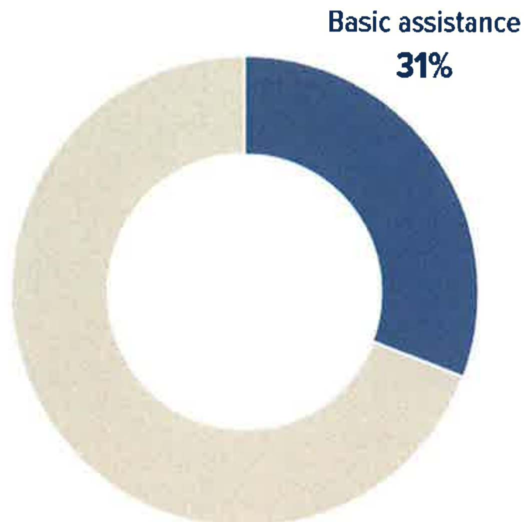
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Nebraska's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

New York TANF Spending

Center on Budget and Policy Priorities

In 2021 New York spent about $5.1 billion in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 31 percent of these funds on basic assistance**, generally as cash assistance to TANF families.



Federal and State TANF Spending by Category, 2021

	New York		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$1600	31%	23%
Work Activities	$141	3%	8%
Work Supports and Supportive Services	$40	1%	2%
Child Care	$376	7%	16%
Administration and Systems	$481	9%	11%
Tax Credits	$1000	19%	9%
Pre-K	$819	15%	10%
Child Welfare	$361	7%	9%
Other Services	$426	8%	14%
Total	$5100	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$1600	$1400	$1600	$1500	$1600
Work Activities	$209	$171	$125	$132	$141
Child Care	$651	$568	$479	$577	$376

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 New York was awarded its TANF block grant of $2.4 billion and an additional $290 million in contingency funds.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, New York has accumulated $1.3 billion in unspent TANF block grant funds, equal to 52 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This “MOE” requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 New York met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for New York

Federal Funds Awarded	$2.7 billion
80% MOE Obligation	$1.8 billion

2021 Federal and MOE TANF Expenditures for New York

Federal Spending	$2.2 billion
MOE Spending	$2.9 billion

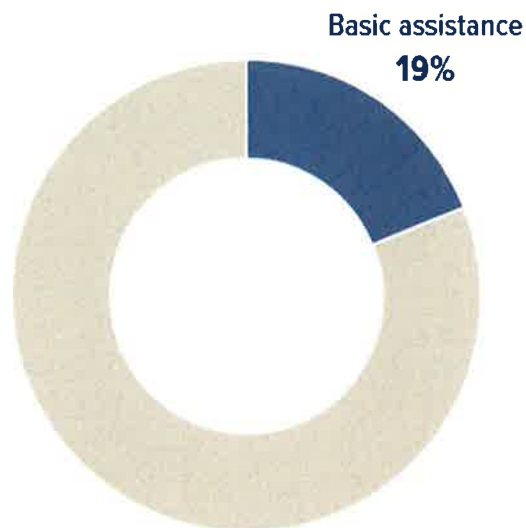
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. New York's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Ohio TANF Spending

Center on Budget and Policy Priorities

In 2021 Ohio spent about $1.1 billion in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 19 percent of these funds on basic assistance**, generally as cash assistance to TANF families.



Federal and State TANF Spending by Category, 2021

	Ohio		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$219	19%	23%
Work Activities	$84	7%	8%
Work Supports and Supportive Services	$65	6%	2%
Child Care	$420	36%	16%
Administration and Systems	$130	11%	11%
Tax Credits	$0	0%	9%
Pre-K	$0.6	0.1%	10%
Child Welfare	$18	2%	9%
Other Services	$215	19%	14%
Total	$1100	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$331	$440	$257	$237	$219
Work Activities	$60	$44	$82	$90	$84
Child Care	$302	$395	$419	$406	$420

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Ohio was awarded its TANF block grant of $726 million.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, Ohio has accumulated $619 million in unspent TANF block grant funds, equal to 85 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Ohio met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Ohio

Federal Funds Awarded	$726 million
75% MOE Obligation	$391 million

2021 Federal and MOE TANF Expenditures for Ohio

Federal Spending	$627 million
MOE Spending	$454 million

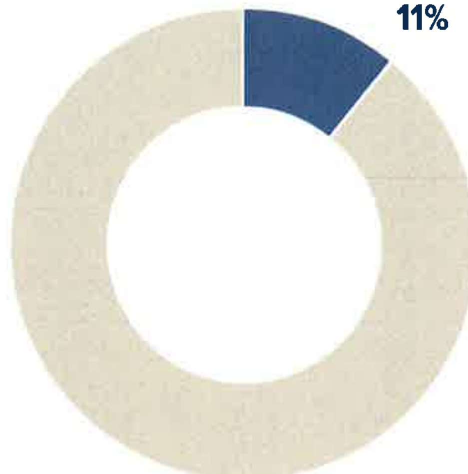
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Ohio's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Pennsylvania TANF Spending

Center on Budget and Policy Priorities

In 2021 Pennsylvania spent about $932 million in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 11 percent of these funds on basic assistance**, generally as cash assistance to TANF families. In 2021, Pennsylvania ranked 37th among the states and Washington, D.C. for percent of TANF funds spent on basic assistance.



Federal and State TANF Spending by Category, 2021

	Pennsylvania		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$106	11%	23%
Work Activities	$102	11%	8%
Work Supports and Supportive Services	$0.6	0.1%	2%
Child Care	$374	39%	16%
Administration and Systems	$55	6%	11%
Tax Credits	$0	0%	9%
Pre-K	$222	23%	10%
Child Welfare	$0	0%	9%
Other Services	$105	11%	14%
Total	$932	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$393	$189	$229	$167	$106
Work Activities	$162	$149	$97	$103	$102
Child Care	$262	$469	$568	$478	$374

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Pennsylvania was awarded its TANF block grant of $717 million.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, Pennsylvania has accumulated $797 million in unspent TANF block grant funds, equal to 111 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Pennsylvania met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Pennsylvania

Federal Funds Awarded	$717 million
80% MOE Obligation	$434 million

2021 Federal and MOE TANF Expenditures for Pennsylvania

Federal Spending	$518 million
MOE Spending	$414 million

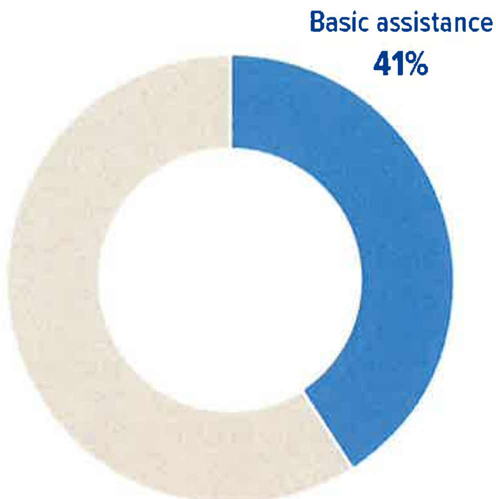
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Pennsylvania's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Tennessee TANF Spending

Center on Budget and Policy Priorities

In 2021 Tennessee spent about $271 million in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 41 percent of these funds on basic assistance**, generally as cash assistance to TANF families.



Federal and State TANF Spending by Category, 2021

	Tennessee		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$110	41%	23%
Work Activities	$20	7%	8%
Work Supports and Supportive Services	$2	1%	2%
Child Care	$8	3%	16%
Administration and Systems	$30	11%	11%
Tax Credits	$0.1	0.02%	9%
Pre-K	$83	31%	10%
Child Welfare	$15	5%	9%
Other Services	$3	1%	14%
Total	$271	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$104	$131	$71	$18	$110
Work Activities	$37	$93	$21	$8	$20
Child Care	$92	$91	$19	$0	$8

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Tennessee was awarded its TANF block grant of $191 million.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, Tennessee has accumulated $798 billion in unspent TANF block grant funds, equal to 418 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Tennessee met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Tennessee

Federal Funds Awarded	$191 million
75% MOE Obligation	$83 million

2021 Federal and MOE TANF Expenditures for Tennessee

Federal Spending	$182 million
MOE Spending	$88 million

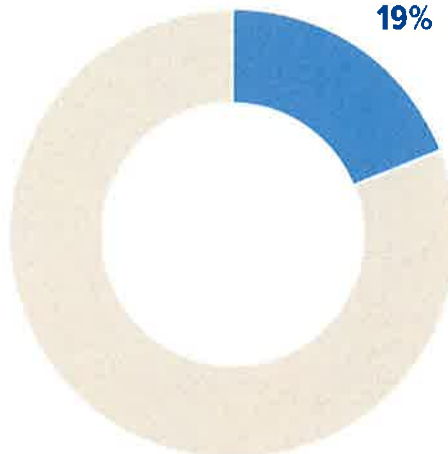
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Tennessee's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Utah TANF Spending

Center on Budget and Policy Priorities

In 2021 Utah spent about $76 million in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 19 percent of these funds on basic assistance**, generally as cash assistance to TANF families.



Federal and State TANF Spending by Category, 2021

	Utah		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$16	19%	23%
Work Activities	$16	20%	8%
Work Supports and Supportive Services	$3	3%	2%
Child Care	$22	27%	16%
Administration and Systems	$8	9%	11%
Tax Credits	$0	0%	9%
Pre-K	$2	2%	10%
Child Welfare	$1	1%	9%
Other Services	$15	18%	14%
Total	$76	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$37	$31	$21	$19	$16
Work Activities	$35	$31	$33	$23	$16
Child Care	$7	$10	$20	$23	$22

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Utah was awarded its TANF block grant of $75 million.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, Utah has accumulated $77 million in unspent TANF block grant funds, equal to 102 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Utah met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Utah

Federal Funds Awarded	$75 million
75% MOE Obligation	$25 million

2021 Federal and MOE TANF Expenditures for Utah

Federal Spending	$51 million
MOE Spending	$25 million

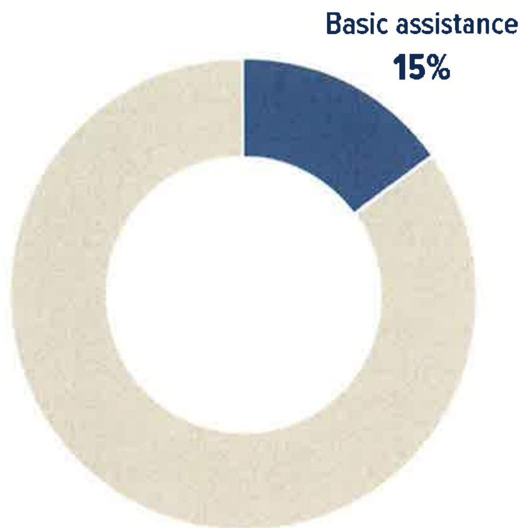
The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Utah's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Wisconsin TANF Spending

Center on Budget and Policy Priorities

In 2021 Wisconsin spent about $548 million in federal and state funds under the Temporary Assistance for Needy Families (TANF) program. **It spent 15 percent of these funds on basic assistance**, generally as cash assistance to TANF families. In 2021 Wisconsin ranked 30th among the states and Washington, D.C. for percent of TANF funds spent on basic assistance.



Federal and State TANF Spending by Category, 2021

	Wisconsin		National
	Millions of dollars	Share of spending	Share of U.S. spending
Basic Assistance	$82	15%	23%
Work Activities	$31	5%	8%
Work Supports and Supportive Services	$15	3%	2%
Child Care	$188	33%	16%
Administration and Systems	$30	5%	11%
Tax Credits	$70	12%	9%
Pre-K	$0	0%	10%
Child Welfare	$9	2%	9%
Other Services	$137	24%	14%
Total	$548	100%	100%

Federal and State TANF Spending on Select Activities (millions of dollars)

	2006	2011	2016	2018	2021
Basic Assistance	$111	$128	$84	$82	$82
Work Activities	$39	$63	$35	$26	$31
Child Care	$243	$211	$179	$203	$188

Federal TANF Allocation and State Maintenance-of-Effort (MOE) Amounts

- In 2021 Wisconsin was awarded its TANF block grant of $313 million.
- Since unspent block grant funds can be carried over to future years, a state may spend more or less than its annual block grant allocation in any given year. As of 2021, Wisconsin has accumulated $214 million in unspent TANF block grant funds, equal to 68 percent of its block grant.
- Every year each state must also spend, from its own funds, at least 80 percent of its historical spending on low-income families with children. (A state may spend more than its minimum.) This "MOE" requirement can be reduced to 75 percent if a state meets specific work participation rate requirements. In 2021 Wisconsin met these requirements and was subject to the 75 percent MOE obligation.

2021 TANF Allocation and MOE Obligation for Wisconsin

Federal Funds Awarded	$313 million
75% MOE Obligation	$169 million

2021 Federal and MOE TANF Expenditures for Wisconsin

Federal Spending	$290 million
MOE Spending	$258 million

The annual federal TANF block grant has been frozen since its creation and lost about 47 percent of its value between 1997 and 2021 due to inflation.

Source: The spending data are based on CBPP analysis of U.S. Department of Health and Human Services TANF financial data. Wisconsin's TANF block grant amount has been adjusted to exclude Tribal TANF and research expenditures.

Ms. Moore of Wisconsin. I also would like to -- I also referred to the structure of the program which Wisconsin has a credit for starting it in our State. We ended welfare as we know it first before anyone else, and so people modeled their programs after ours.

Chairman LaHood. Without objection, that will be entered.

[The information follows:]

******** COMMITTEE INSERT ********

Ms. Moore of Wisconsin. We created an incentive for people to provide profits to companies if they reduced their caseloads. So, I would like to enter a Workforce Development-Economic Support and Child Care, Legislative Fiscal Bureau paper to my pile of papers here.

And the last thing I want --

Chairman LaHood. Without objection.

[The information follows:]

******** COMMITTEE INSERT ********

99-01 LFB Comp. Summary of Budget

Administrative and ancillary services for the new contracts under the Governor's recommendation include estimated costs for the following: general overhead expenses; screening and treatment for alcohol and other drug abuse (AODA); services for participants in the food stamp employment and training program; post-employment and case management services for all W-2 cases; and an adjustment to provide a minimum amount of funding for smaller agencies.

Counties that have a large percentage of long-term and refugee cases would receive additional funding under the new contracts; however, the supplement for these cases would no longer be a separate budget item. In addition, the funding amounts reflect the elimination of the reserve for benefit payments for Milwaukee County. This funding had been provided for the W-2 agencies in Milwaukee County to offset the costs of an increase in benefit payments under 1997 Act 27. Under the new W-2 agency contracts, any dollars needed for benefit costs have been included in the administration's estimates.

The amounts for new agency contracts under the Governor's recommendation also include performance bonus payments. According to the administration, the maximum amount of profit that would be available for the next contracts would be 7% of the total budgeted amount (approximately $24.0 million statewide over the next contract period). Bonus funding would not be provided to each agency in the contract, but would be made available to an agency if it met certain performance criteria. These criteria have not yet been finalized; nor are these provisions specified in the bill.

The current W-2 agency contract provides that any funding in excess of that used for benefits and other allowable expenses is to be distributed according to a formula developed by DWD. The formula establishes a two-tier distribution mechanism for excess agency funds. Under the first tier, the agency is allowed to retain an amount equal to 7% of the implementation contract amount as unrestricted profit. Under the second tier, any remaining surplus funds are divided between the agency and the state as follows: (a) 10% is retained by the agency for unrestricted use; (b) 45% is retained by the agency for reinvestment in the community; and (c) 45% is retained by the state. If unexpended funds are less than 7% of the contract amount, the entire surplus is retained by the agency and the second-tier calculation does not apply. The contract provides for a preliminary profit distribution based on expenditures through August 31, 1998. Agencies were allowed to obtain a portion of their profit in December, 1998. A final distribution of profit will be made after the contract expires on December 31, 1999. None of these provisions are specified in the statutes.

Joint Finance: Approve the following modifications with regard to the W-2 agency contracts:

Contract Allocations: Modify the contract allocations for next W-2 agency contracts for the period January 1, 2000, through December 31, 2001 as outlined below:

99-01 LFB comparative summary budget

a. Reduce the amount identified for subsidized employment benefits by $7,661,800 in 1999-00 and $15,313,400 in 2000-01. In addition, reduce the amounts for performance bonuses by $536,300 in 1999-00 and $1,071,900 in 2000-01. This adjustment would make the benefit allocations in the bill consistent with the request for proposals (RFP) for the new contracts, but would not transfer the savings to the allocation for administration as recommended by the Governor.

b. Reduce the amount provided for benefit allocations related to funding for the next W-2 agency contracts to reflect both a minimum allocation for each agency of five cases per month and a projected 1.0% monthly decrease in the statewide caseload. Decrease funding by $6,688,900 in 1999-00 and $13,378,000 in 2000-01 for subsidized employment benefits and $468,300 in 1999-00 and $936,500 in 2000-01 for performance bonuses.

c. Reduce funding for W-2 contracts by $3,792,000 in 1999-00 and $7,583,900 in 2000-01 to account for sanctions imposed on W-2 recipients. Specify that sanctions would be recovered from the W-2 agency as they are imposed by the agency on participants.

d. Require the Department to promulgate administrative rules regarding the criteria for use of the community reinvestment funding (called the "restricted use performance bonus" under the RFP for the next W-2 agency contracts). Eliminate funding for the 4% performance bonus from the W-2 agency contract allocations. Instead, distribute this funding to counties, based on the final contract allocation, for community reinvestment in accordance with DWD's rules. Specify that the use of community reinvestment funds would have to be determined by the County Board. Require DWD to certify that such expenditures would comply with the federal restrictions regarding the use of TANF funding. Funding provided to counties under this provision is shown as "county community reinvestment" in Table 2.

Further, specify that any dollars withheld, reduced or recovered from a W-2 agency because the agency has failed to satisfactorily perform its responsibilities under the contract would be added to the unallocated balance of unexpended TANF revenues that would be carried forward to the next fiscal year.

Finally, the bill allocated funding on a fiscal year basis for the new W-2 agency contracts, but referenced these contracts as being "entered into after December 31, 1999." Because the new contracts would actually be signed prior to that date, the Committee approved a clarification that would refer to these contracts as "effective January 1, 2000, through December 31, 2001."

Performance Measures Used for Profit. Direct the Department to amend the request for proposals for administration of the W-2 program for the period January 1, 2000, through December 31, 2001 to: (a) define the term "entered employment transaction" under the job retention performance criterion; (b) define full and appropriate engagement for each individual who is required to participate in the food stamp employment and training (FSET) program as engagement in activities for a number of hours equal to the household's monthly food stamp benefit divided by the minimum wage; (c) eliminate the provision that would specify that full

2001-03 LFB Comp Summary

5. W-2 CONTINGENCY FUND [LFB Paper 1042]

Governor: Eliminate funding of $102,000,000 set aside as a contingency fund for program costs of W-2 agencies. These funds were available in the 1999-01 biennium for distribution under criteria established by DWD. The funds were placed in the Joint Committee on Finance's appropriation and any distribution of funds had to be approved by the Committee under s. 13.10. No funds were withdrawn from the contingency fund in 1999-01.

Joint Finance: Specify that any community reinvestment funds associated with the 1997-1999 W-2 contracts that have not been expended by December 31, 2001, would be placed in the Joint Committee on Finance's program supplements appropriation to be used as a contingency fund for W-2 cash benefits, child care subsidies and kinship care benefits. The maximum amount of the contingency fund would be $20,849,000, which is the amount of funding the Committee provided for community reinvestment associated with the 1997-1999 W-2 contracts in 2001-02.

Assembly: Limit the use of the contingency fund to W-2 cash benefits and child care subsidies and delete the provision allowing the contingency fund to be used for kinship care payments.

Conference Committee/Legislature: Include Joint Finance provision.

Veto by Governor [C-46]: Delete the provisions that would have allowed the contingency fund to be used for child care subsidies and kinship care benefits.

[Act 16 Sections: 961r, 1684b and 9258(2w)]

[Act 16 Vetoed Section: 961r]

6. W-2 PERFORMANCE BONUSES [LFB Papers 1041 and 1042]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
FED	$0	- $2,005,400	- $2,005,400

Governor: Eliminate the statutory allocation of funds for W-2 agency performance bonuses for the 2002-2003 agency contracts, but retain the provision that sets out the criteria DWD is required to use when providing performance bonuses. Performance bonuses are allocated to agencies that meet certain performance criteria in the W-2 contracts and are available for unrestricted use. For the current W-2 contracts, these bonuses equal approximately 4% of the W-2 contract amount. The bill would provide funding of $14,526,200 in 2001-02 to pay the entire amount for performance bonuses associated with these contracts. Although not specified in the bill, the administration indicates that $12,500,000 would be needed in 2003-04

2001-03 LFB Comp Summary

for performance bonuses associated with the 2002-2003 W-2 contracts. This would represent approximately 3.5% of the 2002-2003 W-2 contract amount.

Joint Finance/Legislature: Reduce the allocation for performance bonuses associated with the 2000-2001 W-2 contracts by $2,005,400 in 2001-02 to reflect a reduction of $53,600 in the final contract amount and a reduction of $1,951,800 based on the amount of bonuses agencies are projected to receive based on calendar year 2000 performance, resulting in a total allocation of $12,820,800 in 2001-02.

Direct DWD to place an amount equal to 4% of the contract amount for unrestricted performance bonuses in the contract terms for the 2002-2003 W-2 contracts. Agencies would be eligible for the first 2% if they meet the performance standards set in DWD's draft contract terms for restricted performance bonuses. In addition, agencies would be eligible for the second 2% if they meet performance standards in DWD's draft contract terms for unrestricted performance bonuses.

Veto by Governor [C-48]: Delete the provisions that would have set the amount for unrestricted performance bonuses at 4% of the 2002-03 W-2 contract amount. In addition, the Governor's veto deletes the provisions that would have specified the criteria for meeting the first and second bonus levels.

[Act 16 Section: 1681b]

[Act 16 Vetoed Section: 9158(9e)(b)]

7. W-2 COMMUNITY REINVESTMENT [LFB Papers 1041 and 1042]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
FED	$33,823,400	- $15,784,400	$18,039,000

Governor: Provide increased funding of $33,823,400 in 2001-02 for community reinvestment activities associated with W-2 contracts. Community reinvestment funds are provided to W-2 agencies to help families attain self-sufficiency who are eligible for funds from the TANF block grant, and to provide a supplemental funding base for the W-2 contract.

Base funding is $5,559,800. For 2001-02, the funds provided total $39,383,200, which includes: (a) $12,854,600 in unspent funds from the first six months of funding for the community reinvestment contracts associated with the 1997-1999 W-2 contracts; (b) $20,968,800 associated with the last six months of those contracts; and (c) $5,559,800 for the first 12 months of community reinvestment activities associated with the current W-2 contracts, which cover calendar years 2000 and 2001. For 2002-03, the funds provided total $5,559,800, which represents the last 12 months of community reinvestment activities associated with the 2000-2001 W-2 contracts.

2001-2003 LFB
comp Budget

Summary

pay is frozen for four years, while the rate for a newly-elected Governor is adjusted annually. The actual salary of the current Governor would be used as the limit. In 2000-01, the Governor's salary was $122,406 per year.

Conference Committee/Legislature: Delete provision.

62. BONUSES PAID TO W-2 AGENCY STAFF AND SUBCONTRACTORS

Senate: Specify that any bonuses paid to W-2 agency staff and subcontractors' staff must be based on an individual's success in helping W-2 participants increase their household income over the federal poverty level. In addition, require DWD to establish criteria against which an individual's performance must be measured in determining whether staff bonuses may be paid. Further, require the W-2 agencies to report quarterly to DWD on bonuses paid to agency staff and subcontractors' staff. This provision would be effective for W-2 contracts which begin on January 1, 2002. There are not any provisions under current law regarding bonuses paid to W-2 agency staff and staff of subcontractors.

Conference Committee/Legislature: Delete provision.

63. PUBLIC RELATIONS BY W-2 AGENCIES

Senate/Legislature: Prohibit W-2 agencies from using funds from the W-2 agency contracts for public relations purposes not specifically related to community outreach and informing participants about available services. Under current law, there are no specific provisions regarding the use of funds in the W-2 contracts for public relations.

Veto by Governor [C-44]: Delete provision.

[Act 16 Vetoed Section: 1660d]

64. W-2 PAY PERIOD

Senate: Specify that the participation period for a W-2 employment position must be from the 26th day of one month to the 25th day of the next month. In addition, require DWD to issue benefit payments on the first day of the month after the participation period ends, based on the number of days the individual participated during the participation period.

There are not currently any statutory or regulatory provisions on the W-2 pay period. Under DWD's Wisconsin Works manual, the pay period currently runs from the 16th day of one month to the 15th day of the next, with payment on the 1st day of each month. If participation begins between the 1st and 15th day of the month, a prorated payment is issued in the first month and a full benefit payment is made in subsequent months. If participation begins between the

Ms. Moore of Wisconsin. -- is an audit from the Wisconsin legislature on Maximus, a Virginia-based for-profit agency on questionable expenses that they had.

Chairman LaHood. So, ordered.

[The information follows:]

******** COMMITTEE INSERT ********

Audit rebuffs Maximus for questionable expenses

Jul 28, 2000, 4:17pm CDT

The Wisconsin Legislative Audit Bureau delivered a strongly worded report to legislators July 28 that criticized Maximus Inc. for improper handling of Wisconsin Works (W-2) welfare funds.

Maximus, based in McLean, Va., already has repaid the state $138,840 in funds that were identified as unallowable costs, a Maximus spokeswoman said.

For the past six months, the Legislative Audit Bureau reviewed the time Maximus' W-2 staff spent on projects outside of Wisconsin; Maximus' use of a temporary employment agency that it owns; its personnel practices; and the appropriateness of its W-2 program expenditures.

Among the findings in the report, auditors identified 46 staff members who worked on projects unrelated to W-2 from September 1997 to March 2000. The report said that, of 73 percent of selected accounting transactions reviewed, auditors found $1.6 million in charges to W-2 that lacked sufficient supporting documentation.

The auditors identified $138,840 in unallowable costs and questioned an additional $276,407 in expenditures charged to W-2. The unallowable and questionable transactions included entertainment expenses for employees, donations to not-for-profit organizations and expenditures that appeared to be "excessive and unreasonable."

In the excessive or unreasonable category, the auditors found that Maximus spent more on advertising than all other W-2 agencies -- $1.1 million from 1997 to 1999. Some of the ad expenses also promoted company interests rather than providing information to assist prospective W-2 participants, said the report.

The report cleared Maximus of inappropriate use of MaxStaff, its sister temp service company. Maximus spent $6.6 million of W-2 funds to find jobs for former welfare participants through MaxStaff.

The audit bureau said the Wisconsin Department of Work Force Development has provided inadequate guidance and oversight to Maximus and other W-2 agencies.

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ADMINISTRATION OF THE WISCONSIN WORKS PROGRAM BY MAXIMUS, INC.

Maximus, Inc., is a private, for-profit corporation that manages and operates health and human service programs for state and local governments. It was established in 1975 and has grown rapidly; revenues increased more than 260 percent in the past five years, from $88.4 million in 1995 to $319.5 million in 1999. Maximus has provided consulting services for several State of Wisconsin agencies, and since fiscal year 1994-95 has contracted with the departments of Administration, Corrections, Health and Family Services, and Workforce Development (DWD).

In March 1997, DWD selected Maximus, as well as four other private entities, to deliver program services to eligible participants in Milwaukee County under the newly created Wisconsin Works (W-2) program. Maximus has since had three contracts related to the administration of W-2 in Milwaukee County, with a total value of $107.7 million:

- a $3.0 million contract to help prepare for W-2 implementation for the period from March 1997 through August 1998;

- a $58.3 million contract to provide W-2 services from September 1997 through December 1999; and

- a second $46.4 million contract to provide W-2 services from January 2000 through December 2001.

Maximus has been the subject of several recent media reports, including reports that questioned whether W-2 funds had been used for other purposes, such as to secure a welfare program contract in New York City. Some of these reports also raised questions about the use of MaxStaff Employment Services, a temporary employment agency operated by Maximus, in administering Maximus' W-2 contract; about the appropriateness of Maximus' personnel practices; and about the methods used to assign indirect costs to Wisconsin's W-2 contract.

We selected Maximus for review as part of our comprehensive audit of the statewide implementation of W-2, which is required by s. 49.141(2g)(a), Wis. Stats. However, to address recent concerns, we expanded the scope of our audit to include a review of:

- time spent by Maximus' W-2 staff on other Maximus projects throughout the country;

- the creation and use of MaxStaff to provide employment services;

- Maximus' personnel practices related to affirmative action and civil rights compliance and the hiring of family members;

- the process used to assign indirect costs to the State's W-2 program;

- whether any W-2 funds had been used improperly; and

- the adequacy of DWD's oversight of Maximus and other W-2 agencies in Milwaukee.

In conducting this expanded review, we interviewed staff of Maximus and DWD and analyzed the financial and program records they maintained.

This letter is the third in a series of reports issued under our statutory requirement to audit the W-2 program. Additional information on the performance of Maximus and all other W-2 agencies will be included in a subsequent report analyzing the provision of W-2 services statewide.

Maximus' Work in Other States

Wisconsin and New York media reports disclosed that Maximus staff, including some assigned to Maximus' W-2 project, participated in the development of a contract proposal for administration of a welfare program in New York City. As a result, questions were raised about whether any costs associated with the New York City proposal had been charged to Wisconsin's W-2 program.

Approximately 46 staff, or 18.3 percent of former and present employes assigned to Maximus' W-2 project, have also worked on other, unrelated projects in New York and other cities. This work is typically done outside of Milwaukee. To address concerns about whether staff costs associated with other projects may have been charged to Wisconsin's W-2 program, Maximus officials compared time sheets with travel reimbursement records. Earlier this year, they determined that four staff had incorrectly charged a total of 272 hours to W-2:

- 184 hours were associated with the New York City project;
- 80 hours were associated with a San Diego project; and
- 8 hours were associated with an Arizona project.

Earlier this year, Maximus reimbursed the State for $18,068 in salary and other costs associated with these hours and for travel expenses incorrectly charged to W-2. In a May 5 letter to DWD's Secretary, Maximus indicated that it had addressed all of the questions related to accuracy of W-2 billings and identified those hours billed inappropriately to W-2. However, in our review, we noted that 48 of the hours charged to the New York project had been correctly billed to W-2. Therefore, the State should have been reimbursed for only 224 incorrectly billed hours in May 2000.

After reviewing the methods Maximus used to identify its billing errors, we recommended additional testing that included comparisons of monthly travel management reports with information from staff time sheets. Based on our request, Maximus officials identified 500 additional hours that had been incorrectly charged to Wisconsin's W-2 program from September 1997 through March 2000. These hours, which were identified in June 2000, include:

- 124 hours associated with the New York City project;
- 112 hours associated with a Pennsylvania project;
- 104 hours associated with a San Diego project;

- 88 hours associated with an Arizona project;
- 40 hours associated with various corporate marketing projects;
- 24 hours associated with a Michigan project; and
- 8 hours associated with an Illinois project.

Maximus has agreed to reimburse the State $33,236 for the salary and other costs associated with these additional hours and for additional travel expenses incorrectly charged to the W-2 program.

Costs associated with a total of 724 staff hours (224 + 500) that had been incorrectly charged to the W-2 program from September 1997 through March 2000 will be reimbursed, and we found that Maximus' time-reporting procedures include measures to prevent incorrect staffing charges in the future. For example, the centralized payroll system is appropriately configured to avoid billing the same staff hours to more than one project; the employe manual provides guidance on time reporting and emphasizes the importance of accuracy; time-reporting is discussed during new staff orientation; and time sheets must be approved by a supervisor. However, the accuracy of project billing ultimately depends on the care staff take in reporting their time, and we found that a number of staff who worked on both W-2 and other Maximus projects incorrectly coded their hours associated with business trips that were unrelated to W-2. These errors were not noted by Maximus reviewers. Therefore, we believe additional training and oversight may be required, particularly for staff with multiple assignments.

As a result of new state expenditure codes that must be used by W-2 agencies working under the contract that runs through 2001, Maximus has begun to provide additional time-reporting training to its staff. In addition, project codes are being provided to Maximus' W-2 staff before they leave on business trips to work on other projects. These procedures may improve the reliability of time reporting; however, other controls may be needed. Therefore, *we recommend Maximus officials take additional steps to ensure that employe time and expenses are correctly charged to the appropriate project. Additionally, we recommend the Department of Workforce Development independently verify a sample of these transactions on an annual basis*.

MaxStaff Employment Services

Maximus established a temporary employment agency, MaxStaff Employment Services, in May 1998. MaxStaff is one of several projects housed in Maximus' Milwaukee W-2 offices.

Temporary employment agencies generally provide two types of services: they hire their own employes to meet the temporary employment needs of businesses with which they contract, and they assist businesses in finding staff and are paid a fee when their referrals are hired. Of the five private agencies administering W-2 in Milwaukee County, only Maximus reported using temporary employment services under its W-2 contracts. Further, Maximus did not use a temporary employment service until it established Maxstaff. Maximus officials indicate that temporary services were used to address staff turnover and prevent interruption in their delivery of services, to assist with work on short-term projects and projects needing immediate assistance, and for targeted positions requiring highly specialized skills or training.

Because Maximus' W-2 project and Maxstaff are operated by the same entity, questions have been raised about the appropriateness of purchasing services from MaxStaff using W-2 funds. In November 1997, DWD reviewed Maximus' proposal for the creation of Maxstaff and suggested that Maxstaff operations be kept separate to avoid the co-mingling of funds and the potential conflict of interest that would exist if the staff responsible for assisting W-2 participants in finding employment also had a financial interest in placing those participants as contract employes of MaxStaff.

The expenditure of W-2 funds for employment services purchased from MaxStaff is allowable under Maximus' W-2 contract, and the fees charged by MaxStaff for services provided to the W-2 program appear reasonable. However, given the circumstances under which these services were purchased, the use of MaxStaff created the appearance of a conflict of interest and provided Maximus with a limited financial benefit.

From May 1998 through March 2000, funds provided through the W-2 program represented 16.6 percent of Maxstaff's $2.9 million in total revenues. As shown in Table 1, from May 1998 through March 2000, W-2 funds totaling $489,000 were paid to MaxStaff for services rendered. That amount includes $303,800 in temporary staff expenditures for hiring 63 individuals under 97 separate contracts. Temporary staff expenditures include approximately $235,000 in salary and fringe benefit costs for temporary staff who worked on the W-2 program for Maximus, and $68,800 to reimburse MaxStaff for its operating costs.

The rates MaxStaff charged the W-2 program for temporary help averaged 156 percent of the hourly rate it paid those who were placed. That rate is consistent with what it charged other organizations for similar services, which averaged 155 percent of the hourly rate paid to those placed. Nineteen individuals who began as employes in temporary placements were ultimately hired for permanent positions at Maximus.

Table 1

W-2 Funds Paid to MaxStaff
May 1998 through March 2000

Type of Expenditure	Expenditure	Percentage of Total
Temporary staff	$303,800	62.1%
Commissions for staff recruitment	110,800	22.7
Software and training	67,900	13.9
Client skill-assessment testing	6,500	1.3
Total	$489,000	100.0%

In addition to providing temporary staff, MaxStaff referred a number of individuals to fill vacant positions within Maximus' W-2 operations. MaxStaff received $110,800 in commissions when 14 individuals were hired by Maximus to work on W-2. The commissions MaxStaff charged for these placements were consistent with its charges to other organizations for similar services. However, not using MaxStaff would have avoided some portion of the $110,800 in commissions the W-2 program was charged for staff recruitment, because it is likely that Maximus' human resources staff would have recruited candidates themselves, as they had done in the past.

Maximus also used W-2 funds to pay MaxStaff $67,900 for software and related training, as well as $6,500 for client skill-assessment services. MaxStaff used Maximus' existing contracts with private vendors to purchase software, software customization, software training, and client skill-assessment testing for its W-2 operations at advantageous rates. MaxStaff does not appear to have financially benefited from these transactions.

We identified no other costs associated with MaxStaff that were incurred by Maximus' W-2 operations. Start-up funding for MaxStaff was provided by corporate accounts, and three W-2 staff who also provided services to MaxStaff appear to have correctly charged their time to MaxStaff rather than W-2. MaxStaff will discontinue operations on July 31, 2000. Maximus officials indicate this decision was based on two factors: MaxStaff failed to generate a profit since it began operating and reported losses of $260,000 through March 2000; and Maximus believes it will be more successful focusing on its core services, which are government operations and consulting, rather than devoting resources to activities of lower priority.

Personnel Practices

A number of media reports have included allegations of discrimination in hiring, promoting, and retaining employes and have raised concerns about Maximus' personnel practices. Fifteen former W-2 project staff have accused Maximus of employment discrimination based on ethnicity, gender, and age in complaints that have been filed with the United States Equal Employment Opportunity Commission. Because these cases are currently under review by the Commission, we did not attempt to review their merits and cannot offer an opinion on their validity. However, we did compile basic information on the ethnicity, gender, and age of Maximus staff at different points in time. This information, which is presented in Appendix I, shows that overall, the proportions of minorities and women employed in the Milwaukee office have remained fairly consistent over time.

We also reviewed DWD's oversight of nondiscrimination requirements under its W-2 contracts with local agencies. The contracts require all W-2 agencies to develop an Affirmative Action and Civil Rights Compliance Plan within 30 days of signing, unless a similar plan has been approved by DWD or another state agency within the previous two years.

Affirmative Action and Civil Rights Monitoring

A W-2 agency's Affirmative Action and Civil Rights Compliance Plan, which also applies to its subcontractors, is required to include specific information on the agency's policies, procedures, and staffing, including:

- an equal opportunity policy, which is intended to ensure compliance with state and federal nondiscrimination policies in employment and service delivery;

- designation of an equal opportunity coordinator;

- verification of equal access to W-2 services by program participants; and

- appropriate complaint and grievance procedures.

Under the current W-2 contract, these plans were due from agencies on January 31, 2000. DWD records indicate that through July 19, 2000, 22 plans (30.6 percent) had not been submitted, and 23 submitted plans (31.9 percent) had not been reviewed. Maximus submitted its civil rights plan within the time period specified in the current contract and received a letter from DWD, dated April 17, 2000, approving its plan. On June 6, Maximus received another letter from DWD, requesting additional information and noting that DWD would like to address several areas "before we send you an approval letter for your plan," which DWD had already done on April 17. Maximus complied with the additional information requests but has not received a response from DWD concerning the adequacy of the additional information provided.

In addition to reviewing information submitted by W-2 agencies, DWD has the authority to conduct on-site monitoring for compliance with a W-2 agency's civil rights plan. To date, no on-site compliance monitoring has been conducted, even though DWD officials indicated in February 2000 that they intended to conduct on-site reviews of seven to ten agencies, including Maximus, in response to concerns that had been raised. They subsequently indicated that these efforts have been postponed pending DWD's internal review of the most effective ways to fulfill its monitoring responsibilities. Because adequate oversight is needed to ensure that W-2 agencies comply with state and federal civil rights and nondiscrimination laws, *we recommend the Department of Workforce Development*:

- *ensure all 22 W-2 agencies that have not submitted Affirmative Action and Civil Rights Compliance Plans do so by September 1, 2000*;

- *for all plans that have not been approved, complete a review and respond to the W-2 agencies that submitted these plans; and*

- *initiate on-site monitoring visits of a sample of W-2 agencies annually*.

Related Employes

Several individuals who have made complaints of discrimination note the large number of Maximus staff with family or other close personal relationships. This is not unexpected, given that Maximus officials encourage staff to refer family members and friends for position openings. Maximus believes doing so improves recruiting efforts and promotes job retention. In addition, Maximus believes the potentially negative aspects of hiring relatives has been addressed by a policy that does not allow employes to directly supervise family members. Corporate office approval must also be obtained before job offers are tendered to employes' relatives.

Data supplied by Maximus covering employes hired through December 1999 indicate that in Milwaukee, there were 25 instances of existing employes' relatives being hired by Maximus. Typically, family members worked at similar job levels but had different responsibilities. In no instance did a family member directly supervise a relative, although there were instances in which a family member worked within the chain of command of another. For example, a senior manager, who on occasion was required to approve staff time sheets, approved the time sheet of her spouse. While the approvals were appropriate, the familial relationship created the potential for a conflict of interest.

Indirect Costs Charged to W-2

While Maximus' staff salaries can be directly identified with and charged to W-2, some other costs must be charged indirectly. Most W-2 providers use the State's federally approved method of allocating indirect and administrative costs. However, Maximus developed its own indirect cost allocation methodology for W-2 and its other projects, primarily because its organizational structure differs significantly from those of most W-2 agencies, which are government agencies.

Maximus operates two core business services: consulting, which generally consists of short-term contracts with governments to provide information technology assistance, consulting for health and human services, and financial consulting; and government operations, which includes long-term contracts with governments for the administration of social service programs, including managed health care, child support enforcement, and welfare reform. The organizational structure of its two core business groups is presented in Appendix II. Maximus also owns ten subsidiary companies, which are listed in Appendix III.

Because there is generally a higher degree of concern with how indirect, rather than direct, costs are charged, and because Maximus used its own method to charge indirect costs, we reviewed the basis of its indirect cost allocations. We found that the methods used by Maximus to charge indirect costs to the W-2 program appear reasonable and appear to have been applied consistently. However, indirect cost projections exceeded actual expenditures in the first contract period, requiring Maximus to reimburse the State for the difference.

Indirect Cost Allocations

The allocation of costs that cannot be charged to W-2 directly, such as costs for administrative staff who spend their time on many different projects, is a complex process. Typically, these costs are recorded in categories known as "pools," which are then allocated among Maximus' various projects. A portion of Maximus' costs from four pools is charged to the W-2 program as indirect costs. Three of these pools accumulate costs incurred by the government operations group, to which Maximus' W-2 operations belong, and a fourth pool accumulates costs incurred by the corporate office in Virginia.

As shown in Table 2, the government operations group's fringe benefits cost pool is the largest source of indirect costs charged to W-2. Costs in this pool include employe benefits such as vacation, sick leave, and health insurance, as well as other payroll-related expenses such as social security taxes, unemployment taxes, and workers' compensation insurance. Fringe benefits expenses are allocated within the government operations group based on each project's proportion of total labor costs.

Table 2

Indirect Costs Charged to W-2*

	1997**	1998	1999
Government operations group:			
Fringe benefits	$329,600	$1,440,700	$1,646,700
Administration	179,100	509,800	472,200
Project proposals***	68,300	206,900	211,800
Corporate office:			
Management and support***	132,500	614,400	824,400
Total	$709,500	$2,771,800	$3,155,100

* Data are shown from Maximus' fiscal year, which ends September 30. They exclude $1.4 million in indirect cost charges that were repaid by Maximus in May 2000.

** 1997 costs do not reflect an entire year of operation.

*** The division of costs between these two categories was estimated.

The cost pool for administration of the government operations group includes indirect costs for its senior management and administrative services staff. These costs are allocated based on each project's proportion of total labor and fringe benefit costs. Because managers in the government operations group oversee projects whose costs are primarily staff-related, this allocation method appears to be reasonable.

The project proposals cost pool for the government operations group is the smallest source of indirect costs charged to W-2. Costs in this category include plan development, marketing, travel, and postage expenses incurred as part of efforts to obtain new contracts. These development costs are allocated proportionately among existing projects, based on the new projects' direct and indirect costs. Such an approach assumes that total indirect costs assessed to a project over time will be similar to the initial project development costs that were funded by other projects.

The final source of indirect costs charged to W-2 comes from the corporate office cost pool. Excluding a portion of corporate costs allocated to subsidiaries, corporate overhead costs—including corporate management, payroll processing, legal services, insurance, and taxes—are allocated among all of Maximus' businesses. The allocation is based on each project's proportion of total costs, which include labor and other direct costs, as well as fringe benefit, administrative, and project proposal costs.

Overestimated Indirect Costs

Initially, Maximus uses estimated rates to charge indirect costs to W-2. After all costs are known, final rates are determined and an adjustment is made to either credit the State or claim additional indirect cost reimbursement. Because its actual indirect costs were lower than what had been projected, Maximus owed the State approximately $1.4 million at the end of the first implementation contract in December 1999. The $1.4 million was the result of an unexpected increase in the number of new projects in Maximus' government operations group. Because administrative indirect costs grew more slowly than the number of new projects, a smaller share of indirect costs was allocated to each project, including W-2, resulting in savings to the State.

In May 2000, Maximus reimbursed the State for the $1.4 million in overestimated indirect costs. The State's W-2 contract does not specifically address the date adjustments should be made, although some W-2 agencies make monthly adjustments. Maximus typically makes adjustments at the end of a contract period to ensure the actual indirect costs are final. Given the size of the discrepancies between projected and actual costs that may occur, the State loses interest earnings if funds it is owed are not collected in a timely manner. Therefore, *we recommend the Department of Workforce Development require reconciliation of indirect costs charged to the W-2 program on at least an annual basis*.

Questioned Costs Charged to the W-2 Program

In addition to reviewing salaries and indirect costs charged to W-2, we reviewed the appropriateness and reasonableness of the direct costs (other than personnel) that Maximus charged W-2 from 1997 through 1999. We reviewed 811 transactions totaling $1.6 million, or 11.8 percent of all direct costs that were not related to staffing. Transactions were not selected randomly; rather, they were selected because of the dollar amount or type of vendor involved.

Maximus' financial procedures and controls have improved since 1997; however, the number and value of the questionable expenditures we identified suggest that additional improvement is needed to document the business purpose and vendor for each purchase and to ensure that purchases are appropriately authorized before they are made. In addition, we believe that DWD needs to improve its financial oversight to ensure that expenditures charged to the State by Maximus and other agencies are allowable under the terms of their W-2 contracts.

We used the standards identified in DWD's W-2 Financial Management Manual to test the appropriateness of Maximus' transactions. The manual describes state and federal program and financial compliance requirements; required internal controls, accounting records, and source documentation; and allowable cost criteria. It should be noted, however, that the manual lacks clarity and is confusing on a number of points. For example, a passage that refers to an Office of Management and Budget circular on cost principles related to for-profit organizations does not include a specific citation, and we were unable to identify the specific federal guideline to which it referred. However, for-profit organizations such as Maximus are subject to specific rules for determining the allowability of costs charged to W-2 contracts, which can be found in the Code of Federal Regulations, Chapter 48, Part 31. In addition, DWD's manual and the Code of Federal Regulations are clear that allowable costs are limited to what is reasonable for proper and efficient program administration.

A cost is considered reasonable if it:

- does not exceed the cost that would be incurred by a prudent person;
- is ordinary and necessary to the operation of the agency or the performance of the contract;
- is incurred in accordance with the agency's established procurement policy; and
- is supported by the agency's accounting records and adequate documentation.

Only costs that are directly attributable to specific work under a contract or to the administration of the contract are allowable. Costs that result in personal benefit, donations, and entertainment expenses are not allowable.

Our evaluation of the reasonableness of Maximus' transactions was complicated by a lack of supporting documentation for 590, or 72.7 percent, of the 811 transactions we reviewed. For example, of the 590 transactions that lacked sufficient supporting documentation:

- 463 (representing $108,626) did not include a manager's approval for payment or were approved by the individual who made the purchase;
- 463 (representing $364,022) did not include a stated business purpose for the expenditure;
- 63 (representing $18,213) did not include an adequate description of the item purchased; and
- 58 (representing $20,102) were paid without an invoice or receipt.

Although more than three-fourths of the transactions we reviewed lacked adequate support to justify reimbursement, the lack of documentation tended to be associated with smaller purchases. For example, 459 of the unsupported expenditures were for $250 or less.

Questioned Transactions

Of the 811 transactions and other costs we reviewed, we have identified 42 expenditures, representing $138,840 in costs charged to W-2, as unallowable. We have also questioned an additional 414 transactions, representing $276,407 in costs charged to W-2, as potentially unallowable. We have worked with Maximus staff to identify relevant supporting documentation for the transactions we reviewed, and documentation was provided at a number of points during our review. Unallowable and questioned costs are detailed in Appendix IV.

Costs that are unallowable based on the nature of the expenditure represented $138,840 in W-2 funds. They included:

- an overpayment and a late charge totaling $40,178, made to a vendor that provided Maximus' telephone system and to an office supply store. It should be noted that overpayments were noted for computer purchases in an earlier audit.

- $30,006 in entertainment expenditures, including a $23,000 payment to a nationally known musical performer for a speech to 40 W-2 participants and Maximus employes, and three concerts, two of which benefited a local theatre group;

- $15,741 in expenditures that benefited Maximus or its employes, including a meeting held at the Interlaken Resort, a holiday party at the Milwaukee Clarion Hotel, hotel rooms in Lake Geneva, corporate memberships, and agency-sanctioned parties and other social events;

- $12,026 in donations to various groups, including $11,425 in cash contributions to not-for-profit organizations and public schools; $451 for the purchase of goods that were donated to individuals and organizations; and a $150 check payable to a political campaign. This check was never cashed, but a stop-payment order was not issued until July 2000.

- $3,936 in expenditures charged directly to W-2 that should have been assigned to an account other than W-2;

- $1,899 in expenditures with a questionable benefit to W-2, including holiday party and other supplies; and

- $35,054 in expenditures identified from Maximus' accounting records that were not included in our sample, but that are unallowable because they were made for agency-sanctioned social activities.

As a private, for-profit corporation, Maximus may spend its own funds—including any "profits" it earns under its W-2 contracts—as it sees fit. However, federal regulations prohibit the use of W-2 funds for donations, entertainment, expenditures that primarily benefit a contractor or its employes, and expenditures that cannot be shown to directly benefit the W-2 program.

Second, we questioned expenditures that, in whole or in part, do not meet the standard of reasonableness prescribed in the Code of Federal Regulations and in DWD's W-2 Financial Management Manual, primarily because they appear to be either excessive, extraordinary, or unnecessary to agency operations or the performance of the W-2 contract. These expenditures represented $219,491 in costs charged to W-2 for 296 transactions that included:

- $195,745 for a range of advertising activities that appear to have been more promotional than informational and whose costs may not justify the benefits accrued, including $5,000 in sponsorship and tickets for Bastille Days, $5,000 for the African World Festival, and $1,111 for the Juneteenth Street Festival, as well as the purchase of a large number of backpack and compact disc cases inscribed with the Maximus logo;

- $22,248 for restaurants and other food purchases for which there was no documented business purpose, including $3,789 that was charged by the former head of Maximus' W-2 program in Milwaukee for 90 meals in the Milwaukee area; and

- $1,498 for flowers for which documentation was inadequate to justify a business purpose and for which both cost and frequency of purchase do not appear reasonable.

It should be noted that Maximus' total expenditures for meals and flowers are substantially greater than those included in our sample. Based on the proportion of these costs in the transactions we reviewed, we estimate that through December 1999, Maximus may have charged an additional $56,000 to the W-2 program for questionable meals, and an additional $3,000 for flowers.

Finally, we also questioned costs that were unauthorized or for which there was no record of a payee or an allowable business purpose. These represented 118 transactions that resulted in charges of $56,916 to W-2 and included:

- $23,976 for 36 transactions for which the vendor and/or product or service purchased could not be determined. For example, one vendor of low-cost items was recorded on 19 receipts for transactions that ranged in value from $50 to $900. The receipts indicate the number of items purchased and a total price, but not what was purchased or its business purpose.

- $9,170 for 16 transactions to purchase 734 gift certificates at a food and other stores, which ranged in value from $5 to $25. Maximus staff indicate the certificates were given to W-2 clients, but recipients' names were not documented and we were unable to determine if Maximus employes also benefited.

- $1,900 for computer software that was purchased from a vendor quote, and for which no invoice or receipt could be found.

We recommend the Department of Workforce Development require Maximus to repay $138,840 in unallowable costs charged to the W-2 program and to either repay the $276,407 in additional questioned costs or provide additional documentation that justifies the expenditure of program funds for those expenses Maximus believes are appropriate.

Advertising Expenditures

Because advertising costs are one of the largest categories we reviewed, we analyzed Maximus' total advertising expenditures more closely. In general, advertising costs that are promotional in nature and whose primary purpose is to promote company interests rather than to provide information to assist prospective participants in accessing services are not allowable for reimbursement. However, we were unable to determine the appropriateness of Maximus' advertising expenditures because informational and promotional advertising were combined in purchases of goods or services, and because of poor documentation of business purposes.

In addition, it is unclear whether the potential benefit derived from some advertising expenditures is sufficient to justify their cost. Maximus officials indicate that DWD expected Maximus and the other W-2 agencies in Milwaukee County to face the most difficult challenges in implementing W-2, particularly in familiarizing potential clients with their services. Maximus also faced a challenge because it was a new service provider in Milwaukee, while the other four agencies were more well-known. Milwaukee's W-2 agencies were encouraged by DWD to be especially innovative in the promotion and delivery of services. In response, we estimate that Maximus spent $1.1 million on advertising-related activities from 1997 through 1999, including:

- $396,700 for various public relations services, such as developing public advertising campaigns and coordinating public relations events;

- $239,300 to produce and air radio and television commercials that were intended to inform those who are eligible for W-2 of where and how to apply for benefits;

- $104,900 for products such as backpacks, fanny packs, and coffee mugs with imprints of the Maximus name, W-2 locations, and telephone numbers; and

- $16,000 for informational booths at fairs and festivals, which in addition to those already noted include the Celebrity Waiter Fiesta, the African World Festival, and the Indian Summer Festival's Charlie Lagrew Fiddle and Jig Contest.

Although other W-2 agencies in Milwaukee County also incurred advertising costs, three of those that we have reviewed to date reported spending substantially less on advertising than Maximus did. As shown in Table 3, advertising also represented a greater percentage of Maximus' total expenditures.

Table 3

Advertising Expenditures by W-2 Agencies in Milwaukee County
September 1997 through December 1999

Agency	Advertising Expenditures	Total Expenditures	Advertising as a Percentage of Total Expenditures
Maximus	$1,132,000	$ 52,653,000	2.2%
Opportunities Industrialization Center of Greater Milwaukee	492,000	48,657,000	1.0
United Migrant Opportunity Services, Inc.	625,000	41,272,000	1.5
YW Works	119,000	32,246,000	0.4
Total	$2,638,000	$174,828,000	1.5

None of the eight county-run W-2 agencies we have reviewed to date incurred substantial advertising expenses, presumably because they were more well-known. Maximus officials justify their spending on advertising by noting that Milwaukee County residents are not likely to be familiar with Maximus as a service provider and that advertising expenditures declined substantially in 1999. Nevertheless, current spending levels, which amounted to $193,136 in the last six months of Maximus' 1998-99 fiscal year, should be reviewed to assess their benefit for an established program. Moreover, some advertising that was purchased clearly has promotional components for Maximus. Therefore, *we recommend the Department of Workforce Development provide W-2 agencies additional guidance on what constitutes appropriate advertising services that may be paid for with W-2 program funds*.

Improving Accounting Practices and Oversight

In addition to addressing the specific problems identified in our review of Maximus' W-2 expenditures, we believe additional changes are needed to ensure that similar problems are avoided in the future. This will require enhanced controls over Maximus' accounting system and improved oversight by DWD.

Improving Accounting Practices

As noted, accounting practices at Maximus have improved in recent months. However, we believe that additional changes are needed to ensure adequate accountability for the expenditure of public funds. First, improved documentation of expenditures is needed. Of the transactions we reviewed, a total of 590 lacked sufficient supporting documentation.

Second, program expenditures need to be more discretely recorded. Our initial review of Maximus' W-2 expenditures involved a sample of 260 transactions selected from detailed accounting records that include a brief description of each expenditure, the payee, the date of the transaction, and the amount spent. However, we found that a number of the transactions we selected for review consisted of multiple and varied underlying transactions that could have been more accurately classified into other, more appropriate accounts. These problems are clearly identifiable in numerous entries to a "Direct Other" account in Maximus' general ledger, which should only include miscellaneous transactions that cannot be classified into another more discrete account. However, transactions were recorded under the generic vendor name "petty cash," making it difficult to determine who received payment. Transactions identified in this way include:

- one entry for $19,493 that consisted of 67 transactions, including 33 transactions for meals or grocery items; 17 for workshops, seminars, and similar training activities; 9 for unknown purposes; 5 for awards and gift certificates; and 3 for office supplies;

- a second entry for $9,737 that consisted of 38 transactions, including 19 for meals or grocery items; 12 for workshops, seminars, and similar training activities; 3 for gift certificates; 2 for contributions or promotional events; and 2 for unknown purposes;

- a third entry for $5,618 that consisted of 44 transactions, including 25 for meals or grocery items; 11 for workshops, seminars, and similar training activities; 3 for flowers; 3 for gift certificates; and 2 for office supplies; and

- a fourth entry for $1,279 that consisted of 10 transactions, including 2 for meals, 2 for workshops, 2 adjusting transactions, 2 for unknown purposes, 1 for supplies, and 1 for a political campaign contribution.

Failing to record individual transactions in a more discrete and accurate manner makes it difficult for auditors and other outside reviewers to discern how program funds have been spent. In addition, grouping dissimilar types of costs within a single general ledger entry makes the appropriate categorization of costs difficult and limits the usefulness of DWD's expenditure reporting requirements, which are an attempt to collect more specific information on W-2 expenditures under the current contract. Therefore, *we recommend that Maximus immediately modify its accounting practices to:*

- *provide complete documentation for all W-2 program expenditures, including vendor invoices, receipts, and a written description of the business purpose of purchases that justifies reimbursement under the W-2 contract; and*
- *provide a more accurate description of each transaction.*

Enhancing Program Oversight

To ensure that adequate oversight is provided, we believe DWD will need to take a more active role in monitoring W-2 program expenditures. With the exception of YW Works, Maximus is the only for-profit business that serves as a W-2 administrative agency. Given Maximus' for-profit status and that it had not previously provided similar types of services in Wisconsin, DWD could be expected to have taken steps to ensure that Maximus was provided with adequate guidance and was effectively monitored, especially during the initial contract period.

Although Maximus' W-2 program is subject to annual audit requirements, as are all other W-2 agencies, this requirement has been insufficient to provide effective monitoring and cannot be used as a substitute for adequate guidance. The Private Industry Council of Milwaukee County, which has had contracts totaling $2.0 million for program coordination and monitoring, was expected to play a role in overseeing program expenditures. However, the Council has not provided this type of oversight during the initial implementation contract and has, to date, provided limited financial oversight under the current contract. The Council's responsibilities and the reasons for its lack of oversight are the subject of some debate and will be discussed in our subsequent reports on W-2 performance.

The Council's lack of involvement during the first contract period heightened the need for oversight. However, until DWD took action to review concerns raised by New York media reports that suggested inappropriate billing of staff time had the potential to affect Wisconsin's W-2 program, DWD made little effort to provide adequate oversight. W-2 agencies also indicate that DWD officials encouraged them to spend money in innovative ways, the meaning of which was unclear to them. To ensure that all private and public agencies administering the W-2 program receive adequate guidance and that sufficient oversight is provided to ensure the appropriate expenditure of public funds under the W-2 program, *we recommend the Department of Workforce Development begin to review the appropriateness of W-2 expenditures among a selected number of local W-2 agencies annually, giving priority to those with the greatest likelihood of noncompliance with state and federal rules.*

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Appendix I

Staff Profiles

As shown in Table I-1, the number of staff employed in Maximus' W-2 operation has varied from a high of 162 in November 1998 to a low of 120 in May 2000.

Table I-1

Maximus' W-2 Staff

Time Period	Number of Staff
May 1998	136
November 1998	162
May 1999	137
May 2000	120

The percentage of staff that are minorities has ranged from a high of 74.7 percent to a low of 72.5 percent during the periods we reviewed. As shown in Table I-2, African-Americans have constituted the largest category of employes in each time period, ranging from a high of 48.5 percent in November 1998 to a low of 42.5 percent in May 2000.

Table I-2

W-2 Staff Ethnicity

Ethnicity	May 1998	November 1998	May 1999	May 2000
African-American	47.1%	48.5%	46.7%	42.5%
White	26.5	24.8	26.3	27.5
Hispanic	22.0	21.7	21.2	21.7
Asian	4.4	5.0	5.8	8.3
Total	100.0%	100.0%	100.0%	100.0%

The proportion of staff that is female remained relatively unchanged over time. As shown in Table I-3, during the periods reviewed the percentage of female staff has varied from a high of 78.7 percent in May 1998 to a low of 75.2 percent in November 1998.

Table I-3

W-2 Staff Gender

Gender	May 1998	November 1998	May 1999	May 2000
Female	78.7%	75.2%	78.1%	77.5%
Male	21.3	24.8	21.9	22.5
Total	100.0%	100.0%	100.0%	100.0%

We identified somewhat greater differences in the proportion of staff of different ages during the time periods reviewed. As shown in Table I-4, the proportion of staff in their twenties has declined at about the same amount as the increase in the proportion of staff in their thirties. The proportion of staff in their forties showed a modest increase.

Table I-4

W-2 Staff Age

Age	May 1998	November 1998	May 1999	May 2000
29 years old or less	37.5%	36.0%	35.8%	30.8%
30 to 39 years old	36.0	39.8	39.4	41.7
40 to 49 years old	15.5	14.3	15.3	16.7
50 years old or more	11.0	9.9	9.5	10.8
Total	100.0%	100.0%	100.0%	100.0%

Appendix II

Maximus' Organizational Structure

Maximus conducts its operations through two main business groups: government operations, and consulting.

Government Operations Group

Maximus' Government Operations Group administers and manages government health and human services programs, including disability services, managed health care enrollment, welfare-to-work and job readiness, and child support enforcement. The Government Operations Group has four operational divisions:

- **Child Support Division**—assists state and local government agencies in operating full-service and specialized-service child support projects, such as customer service, paternity and obligation establishment, enforcement, and payment processing, as well as related legal services.

- **Welfare Reform Division**—provides a wide range of welfare-to-work and welfare reform initiatives in ten states, including case management services to TANF recipients, employment-related initiatives, and child care and Supplemental Security Income (SSI) advocacy services.

- **Federal Services Division**—formed to extend Maximus' business into federal government markets, including disability services, substance abuse and mental health services, vocational rehabilitation, justice administration services, veterans services, housing and community development services, and general staffing support services.

- **Managed Care Enrollment Division**—provides individualized case management, outreach, marketing, education, eligibility determination, enrollment, and training to welfare and other health and human service populations. The division is reported to operate the largest managed care enrollment services contracts in the nation and is currently responsible for projects in 11 states.

Consulting Group

Maximus' Consulting Group provides consulting services to state, county, and local government agencies in areas such as health and human services, law enforcement, parks and recreation, taxation, housing, motor vehicles, labor, and education. The Maximus Consulting Group has six operational divisions:

- **System Planning and Integration Division**—provides a range of systems consulting support services to state and local government agencies, with an emphasis on management assistance to health and human services agencies seeking expertise in systems planning, design and integration, quality assurance, and procurement support. The focus is to help states integrate different systems so all services to a single client can be managed more effectively and efficiently.

- **International Division**—is engaged in health care and human services projects in Africa, the Middle East, and South America. The division typically undertakes projects involving the automation of human services agencies and the restructuring of those agencies in anticipation of privatization. The products and systems are provided by United States and foreign national staff.

- **Information Technology Solutions Division**—provides computer system engineering services for state and local government agencies. The division concentrates on recommending systems architectures, communications planning, database and information modeling, capacity planning, business system re-engineering, independent software verification and validation, and systems implementation monitoring.

- **Human Services Division**—provides state and local government agencies with program and financial consulting in the areas of health and human services. Much of the division's work entails identifying and obtaining additional federal funding for state agencies under Medical Assistance and other entitlement-based programs. The division also provides formal program evaluation services which include advising state agencies on policy, program, and operational changes that allow state services to be provided more effectively and efficiently.

- **Spectrum Division**—provides services that focus on helping government agencies better manage their information resources. The division has implemented consulting engagements in all areas of government organization and has extensive knowledge of the fiscal structure of states through work with state auditors, comptrollers, and treasurers. Spectrum also provides quality assurance services for child welfare, healthcare, and financial management systems to state governments.

- **Phoenix Division**—provides services in planning, implementing, and evaluating the use of electronic commerce and card technologies to enhance service delivery. Assistance is provided in electronic funds transfer, electronic benefits transfer, electronic commerce, card technologies, electronic toll collection, and automated fare collections.

Source: Maximus' Employee Handbook, 1999

Appendix III

Subsidiaries of Maximus, Inc.

As part of its growth strategy, Maximus, Inc., combined with four consulting firms during 1998 and one firm during 1999. It also purchased three consulting firms during 1999. Maximus' revenues have increased from $88.4 million in 1995 to $319.5 million in 1999. In addition, its profits over this period increased from $7.9 million to $27.6 million.

Companies Acquired Through the Exchange of Stock

Spectrum Consulting Group, Inc. and Spectrum Consulting Services, Inc.—assists public sector organizations in solving complex business problems related to automation. Maximus acquired the outstanding capital stock of Spectrum on March 16, 1998, in exchange for 840,000 shares of Maximus common stock.

David M. Griffith & Associates, Ltd. (DMG)—provides a broad range of consulting services to state and local government and other public sector clients that include financial planning, cost management, and various other consulting services aimed at the public sector. DMG prepares indirect cost plans for many county governments in Wisconsin. Maximus acquired all of the outstanding capital stock of DMG on May 12, 1998, in exchange for 1,166,179 shares of Maximus common stock.

Carerra Consulting Group—provides information technology and consulting services to city, county, and state governments. Carerra has implemented large-scale government human resource and financial systems, completed government systems requirements studies, and performed quality assurance projects for government human resource and financial system implementations. On August 31, 1998, Maximus acquired all of the outstanding shares of capital stock of Carerra in exchange for 1,137,420 shares of Maximus common stock.

Phoenix Planning and Evaluation, Ltd.—provides consulting services to public-sector entities by planning, implementing, and evaluating the utilization of various electronic commerce technologies, such as electronic benefits transfer, electronic funds transfer, and electronic card technologies. Maximus acquired the outstanding capital stock of Phoenix on August 31, 1998, in exchange for 254,545 shares of Maximus common stock.

CSI Group, Inc.—provides fleet management software and related services to public service entities. Maximus acquired the outstanding capital stock of CSI on February 26, 1999, in exchange for 700,210 shares of Maximus common stock.

Companies Purchased Through Cash Payments

Norman Roberts & Associates, Inc.—provides executive search services for the public sector. Outstanding capital stock was acquired by Maximus on March 31, 1999, for $1,930,000.

Unison Consulting Group, Inc. (Unison)—provides financial consulting services for government-owned airports. Outstanding capital stock was acquired by Maximus on June 1, 1999, for $7,074,000.

Network Design Group, Inc.—also known as the Center for Health Dispute Resolution, which is the sole national provider of external reviews for Medicare beneficiaries enrolled in HMOs. Outstanding capital stock was acquired by Maximus on September 30, 1999, for $2,070,000.

Appendix IV

Unallowable and Questioned Costs for Maximus, Inc.
March 1997 through December 1999

UNALLOWABLE COSTS

Payee/Vendor	Description	Amount
Benefits to Agency and Staff		
Clarion Hotel	Winter holiday party for employes	$ 6,742
The Cove of Lake Geneva	Hotel rooms for managers' retreat	1,149
Abraham Hernandez	Entertainment for employe retreat in Lake Geneva	150
Interlaken Resort	Room and other charges	4,050
Meurer Bakery	Cake and party supplies--going away party for employe	62
Milwaukee County Parks	Deposit for company picnic	50
Milwaukee County Transit System	Commuter value certificates for employes	525
Milwaukee Minority Chamber of Commerce	Corporate membership	1,000
Project Equality of Wisconsin	Corporate membership	1,700
Toys R Us	Baby toys coded as expenditure for agency-sanctioned employe social event	193
West Allis Rotary Club	Corporate membership	120
Donations		
B.C. Art Gallery	Picture frame and print--"donation" noted on documentation	188
Friends of Womens Studies--UW-Milwaukee	Women's Studies Opportunity Scholarships	500
Granny Shalom House	Donation	500
The Greater Milwaukee Literacy Coalition	Donation	25
Hudson Institute	Contribution to Fatherhood Summit	10,000
K-mart	Gifts to Rotary Club--boys and girls jeans and gift boxes, games, and toys	263
Milwaukee Public Schools	Contribution	200
Minnie Love Scholarships Fund	Donation	200
People for Finley	Political campaign contribution	150
Entertainment		
The Hunter Group	500 tickets for "Roll thru the Zoo" event	1,750
High Roller Bike and Skate Rental	Skate and bike rental--"Roll thru the Zoo"	799
Play It Again Sports	Skate and bike rental--"Roll thru the Zoo"	507
Milwaukee Symphony	Holiday symphony performance	3,000

Payee/Vendor	Description	Amount
Six Flags Great America	30 Great America tickets, including meal tickets	$ 950
Sykes Communications	Performance by Melba Moore: lodging, airfare, pianist, piano rental, and other expenses	23,000
Fees and Overpayments		
Office Max	Late charge	578
Williams Telecommunications	Vendor overpayment for telephone system	39,600
Overhead or Other Maximus Projects		
Artist and Display Supply	Frame corporate promotional posters	56
Holiday Inn	Telephone and room charges--Chicago Jett Con Conference	193
Jett Con 99 Conference	Should be charged to overhead marketing account	2,160
Maximus employe	Rental Car--Phoenix, Arizona for 1.5 weeks (2/3-2/12/99)	412
Maximus employe	Travel advance--Jett Con Conference	540
Maximus employe	Travel to Jett Con Conference	210
Maximus employe	Travel advance--Jett Con Conference	365
Questionable Benefit to W-2		
Factory Card Outlet	Party goods, cake server, cutlery, and other party supplies	236
Factory Card Outlet	Gift and novelty	42
K-mart	Christmas supplies	270
Tony Kearney, Sr.	Subcontractor travel to SETA Conference in Lexington, KY	1,135
Unknown	Fishing supplies	16
YWCA	Luncheon tickets--Circle of Women Conference	200
Maxclub		
Agency-sanctioned employe social activities	September 1997 through December 1999	35,054
TOTAL UNALLOWABLE COSTS		$138,840

QUESTIONED COSTS

Payee/Vendor	Description	Amount
Advertising and Public Relations		
A Branovan Company	Fanny packs & CD cases with Maximus logo, for clients and employes	$ 8,623
African American State Fair	Sponsorship of International Stage	4,500
African World Festival	Community service booth	5,000
America's Black Holocaust Museum	Advertisment and table for 8	1,000
Black Education Hope Fund	Sponsorship for media reception	2,250
Black Education Hope Fund	Black & White Ball sponsor	1,000
Black Education Hope Fund	25 tickets	625
Black Excellence Awards	10 tickets	500
Campaign for a Sustainable Milwaukee	Full-page ad	500
Christ the King Church	Sponsorship for Praise in the Park	2,501
Clowns Around Town	Clowns for Midwest Express Center open house	1,500
Clowns Around Town	Clowns for African World Festival at the Summerfest grounds	1,125
East Town Association	1998 Bastille Days Festival Milwaukee Street Stage Sponsor	5,000
Express Promotions	5,000 backpacks with Maximus logo	23,637
Fox 6-WITI--Milwaukee	TV commercial--July 18-July 25, 1998	12,495
Hispanic Chamber of Commerce	4 tickets to 8th Annual Banquet	140
Indian Summer Festivals	Title sponsorship of Charlie Lagrew Fiddle & Jig Contest; booth; tickets; advertisment	2,500
Karls Rental Center	Booths--Job Fair at Miller Pavillion	1,457
Kendall Public Relations	Various public relations projects	6,025
La Causa, Inc.	1998 Celebrity Waiter Fiesta benefiting La Causa nursery and family resource center	1,000
Mary Church Terrell Club	One information booth and premium full-page ad	3,350
Milwaukee Urban League	Black & White Ball--Platinum table	2,750
NAACP	Annual Freedom Fund Banquet--Bronze sponsorship	1,000
National Governors Association Annual Meeting	Registration fee for special corporate sponsor	750
Scott Paulus	Purchase of 1999 assignment photos and copyrights, and all future photos	2,623
Shepherd Express	Advertising	665
Sponsorship of Spirit of Truth Worship Center	Sponsorship	2,000
Sykes Communications	Marketing and coordination for the Maximus Career Fair	5,500
Sykes Communications	Coordination for presence at Juneteenth Street Festival, including staffing	1,111
Sykes Communications	Coordination of production for advertising	32,075
Sykes Communications	Radio spot coordination and production costs	11,290
Tri-Marq Communications, Inc.	Production expenses related to creation of television commercial	32,023

Payee/Vendor	Description	Amount
Tri-Marq Communications, Inc.	Production expenses related to creation of television commercial	$ 15,730
Volunteer Center of Greater Milwaukee	Official Sponsorships of Milwaukee Cares Days--May 15, 1999	2,500
Women's Fund	Sponsorship table at Women in Public Policy luncheon	1,000
Florists		
Alan Preuss Florist--FTD	Flowers	58
Alan Preuss--Brookfield	Gourmet gift basket	59
American Florist	None noted	48
Custom Grown Greenhouse	35 poinsettias	148
Maximus employe	5 charges for flowers	250
House of Flowers	None noted	250
House of Flowers	None noted	100
House of Flowers	None noted	100
House of Flowers	None noted	50
House of Flowers	None noted	50
House of Flowers	None noted	50
House of Flowers	None noted	50
House of Flowers	None noted	50
House of Flowers	None noted	50
House of Flowers	None noted	40
House of Flowers	None noted	50
Pioneer Floral and Gift--FTD	None noted	53
Scarvaci Florist	None noted	42
Gift Certificates		
Best Buy	Gift certificates	100
Fleming Company	Gift certificates for region 6 holiday party	5,700
Maximus employe	Gift certificates for focus group--no receipt	500
Pick'n Save	25 $20 gift certificates	500
Pick'n Save	Gift certificates--6 @ $10, 8 @ $25, 12 @ $20	500
Pick'n Save	Gift certificates--12 @ $5 and 12 @ $20	300
Pick'n Save	10 $25 gift certificates	250
Pick'n Save	Gift certificates	200
Pick'n Save	Gift certificates	100
Pick'n Save	Gift certificate	50
Pick'n Save	Gift certificates	50
Pick'n Save	20 $25 gift certificates	500

Payee/Vendor	Description	Amount
Pick'n Save	"Gift certificate" noted on copy of check, which is only documentation	$ 70
T.J. Maxx	Gift certificates	200
T.J. Maxx	Gift certificates	50
Unknown	Mall gift certificate	100
Restaurant Meals and Related Purchases		
Alverno College	Meals--food service	75
Annies Café	Meals--reimburse Maximus employe	18
Applebees	Meals--reimburse Maximus employe	25
Applebees	Meals--reimburse Maximus employe	23
Balistreri's Bluemound Inn	Meals--reimburse Maximus employe	22
Balistreri's Restaurant	Meals--reimburse Maximus employe	72
Balistreri's Restaurant	Meals--reimburse Maximus employe	19
Banquet Food, Hyatt Regency Milwaukee	Meals--Milwaukee	440
Banquet Food, Hyatt Regency Milwaukee	Meals--Milwaukee	265
Bartolotta	Meals--reimburse Maximus employe	119
Bartolotta	Meals--reimburse Maximus employe	46
Bartolotta	Meals--reimburse Maximus employe	73
Begher Bar and Grill	Meals--reimburse Maximus employe	15
Bellissimo Italian Restaurant	Meals--reimburse Maximus employe	91
Big Apple Bagels	Meals--Milwaukee	90
Buca Little Italy	Meals	64
Caterinas Restorante	Meals--reimburse Maximus employe	98
Caterinas Restorante	Meals--reimburse Maximus employe	63
Caterinas Restorante	Meals--reimburse Maximus employe	61
Chancery Restaurant	Meals--reimburse Maximus employe	60
Chancery Restaurant	Meals--reimburse Maximus employe	47
Chancery Restaurant	Meals--reimburse Maximus employe	44
Chancery Restaurant	Meals--reimburse Maximus employe	37
Chancery Restaurant	Meals--reimburse Maximus employe	29
Chancery Restaurant	Meals--reimburse Maximus employe	28
Chancery Restaurant	Meals--reimburse Maximus employe	27
Chancery Restaurant	Meals--reimburse Maximus employe	24
Chancery Restaurant	Meals--reimburse Maximus employe	21
Chancery Restaurant	Meals--reimburse Maximus employe	20
Chancery Restaurant	Meals--reimburse Maximus employe	18
Chancery Restaurant	Meals--reimburse Maximus employe	17

Payee/Vendor	Description	Amount
Chancery Restaurant	Meals-Milwaukee	$ 15
Chancery Restaurant	Meals--reimburse Maximus employe	15
County Clare	Meals--reimburse Maximus employe	50
Cousins Subs	4 party subs	275
Cousins Subs	Food	169
Cousins Subs	Food	135
Cousins Subs	Food	125
Cousins Subs	Food	103
Cousins Subs	Food	78
Cousins Subs	Food	72
Cousins Subs	Food	70
Cousins Subs	None noted--check only	56
Cousins Subs	Meals--reimburse Maximus employe	24
Cousins Subs	Bottomless Closet--food	17
Cousins Subs	Food	15
Cousins Subs	Meals--reimburse Maximus employe	14
Cousins Subs	Meals--reimburse Maximus employe	10
Crawdaddy's	Meals	206
Deliciously Different	Meals	2,382
Deliciously Different	Meals	536
Deliciously Different	Meals	350
Deliciously Different	Meals	236
Deliciously Different	Meals	220
Deliciously Different	Meals	156
Deliciously Different	Meals	139
Deliciously Different	Meals	98
Deliciously Different	Meals	80
Deliciously Different	Meals	76
Deliciously Different	Meals	69
Deliciously Different	Meals	27
Dunkin' Donuts	66 boxes of donuts	259
Earl's Southern Bar-B-Que	Meals--Milwaukee	99
Einstein Bros. Bagels	Meals--reimburse Maximus employe	16
Gunkers Restaurant	Meals--reimburse Maximus employe	26
Heinemann's Restaurant	Meals--reimburse Maximus employe	30
Heinemann's Restaurant	Meals--reimburse Maximus employe	29
Heinemann's Restaurant	Meals--reimburse Maximus employe	21

Payee/Vendor	Description	Amount
Heinemann's Restaurant	Meals--Milwaukee	$ 20
Heinemann's Restaurant	Meals--reimburse Maximus employe	18
Heinemann's Restaurant	Meals--reimburse Maximus employe	15
Heinemann's Restaurant	Meals--reimburse Maximus employe	15
Heinemann's Restaurant	Meals--reimburse Maximus employe	14
Heinemann's Restaurant	Meals--reimburse Maximus employe	14
Heinemann's Restaurant	Meals--reimburse Maximus employe	14
Heinemann's Restaurant	Meals--reimburse Maximus employe	13
Heinemann's Restaurant	Meals--reimburse Maximus employe	12
Holiday Inn	Meals--reimburse Maximus employe	33
Holiday Inn	Meals--reimburse Maximus employe	11
Honeydip Donuts	Food	511
Honeydip Donuts	Food	284
Honeydip Donuts	Food	205
Honeydip Donuts	Food	197
Honeydip Donuts	Food	194
Honeydip Donuts	Food	185
Honeydip Donuts	Food	175
Honeydip Donuts	Food	170
Honeydip Donuts	Food	10
Houlihans	Meals--reimburse Maximus employe	21
Kentucky Fried Chicken	Food	406
Kohl's	Food and supplies	79
Kohl's	Soda, plastic silverware, cleaning supplies	49
Kohl's	Food and supplies	42
Kohl's	Lost receipt	35
Kohl's	Food	32
Kohl's	Food and supplies	12
Kohl's	Food and supplies	12
Kohl's	Meals	4
Kohl's	Food	3
Kohl's West Allis	Meals--West Allis	18
Kohl's West Allis	Meals--West Allis	13
Kohl's West Allis	Meals--West Allis	11
M&M Club	Meals--reimburse Maximus employe	29
M&M Club	Meals--reimburse Maximus employe	21
M&M Club	Meals--reimburse Maximus employe	18

Payee/Vendor	Description	Amount
Mama Mia	Meals-West Allis	$ 212
Mama Mia	Meals--West Allis	396
Mama Mia	Meals--West Allis	218
Mama Mia	Meals	80
Mama Mia	Meals	69
Mama Mia	Meals	35
Mama Mia	Meals--Milwaukee	30
Mama Mia	Meals--West Allis	29
Mama Mia	Meals--reimburse Maximus employe	27
Mama Mia	Meals--reimburse Maximus employe	23
Mama Mia	Meals--reimburse Maximus employe	23
Mama Mia	Meals--reimburse Maximus employe	18
Mangia	Meals--reimburse Maximus employe	40
Meinhardts Shorewood Inn	Meals--reimburse Maximus employe	83
No vendor name present	Meals--reimburse Maximus employe	43
No vendor name present	Meals--reimburse Maximus employe	29
No vendor name present	Meals--reimburse Maximus employe	25
O&H Danish Bakery	Food	44
Olive Garden	Meals--reimburse Maximus employe	53
Olive Garden	Meals--reimburse Maximus employe	46
Omega	Meals--Milwaukee	62
Omega	Meals--reimburse Maximus employe	38
Omega	Meals--reimburse Maximus employe	28
Omega	Meals--reimburse Maximus employe	27
Omega II	Meals--reimburse Maximus employe	16
Packing House	Meals--reimburse Maximus employe	38
Palomas Restraurant	Meals--reimburse Maximus employe	18
Panda Hut	Meals--reimburse Maximus employe	23
Panda Hut	Meals--reimburse Maximus employe	18
Pick'n Save	Food and supplies	200
Pick'n Save	Food and supplies	103
Pick'n Save	Food and supplies	103
Pick'n Save	Food and supplies	99
Pick'n Save	Food	79
Pick'n Save	Food and supplies	77
Pick'n Save	Food and supplies	75
Pick'n Save	Food and supplies	66

Payee/Vendor	Description	Amount
Pick'n Save	Food and supplies	$ 65
Pick'n Save	Food and supplies	64
Pick'n Save	Unreadable	55
Pick'n Save	Food	55
Pick'n Save	Food	54
Pick'n Save	Food	53
Pick'n Save	Food and supplies	49
Pick'n Save	Food	42
Pick'n Save	Food and supplies	40
Pick'n Save	Meals--Harvard visit	35
Pick'n Save	Food and supplies	34
Pick'n Save	Food--CSN Meeting	32
Pick'n Save	Food	31
Pick'n Save	Food	30
Pick'n Save	Food	27
Pick'n Save	Food, soda, and plates	25
Pick'n Save	Food	21
Pick'n Save	Food	16
Pick'n Save	Food	16
Pick'n Save	Food--MaxStaff assessment	14
Pick'n Save	Food and supplies	13
Pieces of Eight	Meals--reimburse Maximus employe	126
Pilsner Place--Hyatt Regency	Meals--reimburse Maximus employe	41
Pizza Hut	Meals--West Allis	218
Pizza Hut	Meals--West Allis	206
Pizza Hut	Meals	137
Pizza Hut	Meals--West Allis	107
Pizza Hut	Meals--West Allis	88
Pizza Hut	Meals--West Allis	88
Pizza Hut	Meals--West Allis	76
Pizza Hut	Food for workshop	66
Pizza Hut	Meals	56
Pizza Hut	Meals--West Allis	53
Pizza Hut	Meals--West Allis	50
Pizza Hut	Meals--West Allis	50
Pizza Hut	Meals--West Allis	49
Pizza Hut	Meals--West Allis	48

Payee/Vendor	Description	Amount
Pizza Hut	Meals--West Allis	$ 47
Pizza Hut	Meals--West Allis	45
Pizza Hut	Meals--West Allis	45
Pizza Hut	Meals--West Allis	45
Pizza Hut	Meals--West Allis	45
Pizza Hut	Meals--West Allis	43
Pizza Hut	Meals--West Allis	43
Pizza Hut	Meals--West Allis	36
Pizza Hut	Meals--reimburse Maximus employe	36
Pizza Hut	Food for lunch meeting	34
Pizza Hut	Meals--West Allis	33
Pizza Hut	Meals--West Allis	30
Pizza Hut	Meals--West Allis	28
Pizza Hut	Meals--West Allis	28
Pizza Hut	Meals--West Allis	28
Pizza Hut	Meals--West Allis	28
Pizza Hut	Meals--West Allis	28
Pizza Hut	Meals--West Allis	27
Pizza Hut	Meals--West Allis	26
Pizza Hut	Meals--West Allis	26
Pizza Hut	Meals--West Allis	20
Plaza Café	Meals--reimburse Maximus employe	18
Pomodoro's	Meals--reimburse Maximus employe	19
River Brook Family Restaurnt	Meals--reimburse Maximus employe	23
River Brook Family Restaurnt	Meals--reimburse Maximus employe	16
Roasters	Catering for 100 people	582
Salvatores III Restaurant	Meals--reimburse Maximus employe	42
Sam's	Food and supplies	304
Sam's	Food and supplies	180
Sam's	Food	165
Sam's	Catering request for 150 people	161
Sam's	Food and supplies	136
Sam's	Crackers and cookies--no receipt	132
Sam's	Food and supplies	126
Sam's	Food	97
Sam's	Food and supplies	91
Sam's	Food	90

Payee/Vendor	Description	Amount
Sam's	Food and supplies	$ 86
Sam's	Food and supplies	67
Sam's	Food	60
Sam's	Food	43
Sam's	Food	14
Sam's	Food	6
Shakey's Pizza	Meals--West Allis	13
Sheraton Inn Milwaukee North	Meals--Milwaukee banquets	245
Sheraton Inn Milwaukee North	Meals--Milwaukee	59
Stevens Restaurant	Meals--reimburse Maximus employe	25
Stevens Restaurant	Meals--reimburse Maximus employe	25
Supersaver	Food and supplies	106
Supersaver	Food	44
Taqueria Jalisco	Meals--reimburse Maximus employe	25
Trysting Place Pub	Meals--reimburse Maximus employe	19
United Community Center	Catering for 150 people	1,466
Unreadable vendor	Appears to be restaurant check stub--no restaurant name, amount only	77
Unreadable vendor	Meals--reimburse Maximus employe	23
Unreadable vendor	Food	18
Unreadable vendor--charge slip notes "2 dinners"	Meals--reimburse Maximus employe	51
Unreadable vendor--restaurant charge slip	Meals--reimburse Maximus employe	69
Unreadable vendor--restaurant charge slip	Meals--reimburse Maximus employe	23
Unreadable--possibly Heinemann's Restaurant	Meals--reimburse Maximus employe	25
Unreadable--possibly Heinemann's Restaurant	Meals--reimburse Maximus employe	17
Verna DeSilva	3 sheet cakes	90
Woodman's--Kenosha	Soda, balloons, streamers, bakery cake	62
WWBIC Luncheon	Meals--West Allis	500
Other		
Advance Data Solutions	Techworks 16Mb DRAM memory modules	251
AMAI Padgett Thompson	No receipt--copy of check with amount only	417
American	TV/VCR, other electronic equipment	1,482
American	25" television and VCR	496
Bartz's	No receipt--copy of check with amount only	200
Best Buy	Supplies	704
Best Buy	Unknown--receipt only	53
The Boelter Companies	Could not identify purchase by invoice copy--product not specified	584

Payee/Vendor	Description	Amount
Capitol Rubber Stamp	None noted--check only	$ 40
Children's Service of Wisconsin	Handwritten receipt only, with amount	187
Comp USA	Unreadable	1,156
Constructive Playthings	Children's toys for on-site day care--could not locate receipt	1,647
Dollar Bill$	Unreadable receipt--only copy of check without amount	Unknown
Dollar Bill$	Receipt with quantities but no product type listed	900
Dollar Bill$	Receipt with quantities but no product type listed	768
Dollar Bill$	No receipt--only copy of check without amount	698
Dollar Bill$	Receipt with quantities but no product type listed	500
Dollar Bill$	Receipt with quantities but no product type listed	371
Dollar Bill$	Receipt with quantities but no product type listed	359
Dollar Bill$	Receipt with quantities but no product type listed	352
Dollar Bill$	Receipt with quantities but no product type listed	300
Dollar Bill$	Receipt with quantities but no product type listed	206
Dollar Bill$	Receipt with quantities but no product type listed	200
Dollar Bill$	No receipt--only copy of Maximus check	144
Dollar Bill$	Receipt with quantities but no product type listed	79
Dollar Bill$	Receipt with quantities but no product type listed	69
Dollar Bill$	Receipt with quantities but no product type listed	60
Dollar Bill$	Receipt with quantities but no product type listed	57
Dollar Bill$	Receipt with quantities but no product type listed	54
Dollar Bill$	No receipt--only copy of check with amount	50
Dollar Bill$	Receipt with quantities but no product type listed	30
Factory Card Outlet	Unreadable receipt	Unknown
Factory Card Outlet	No receipt--only copy of check with amount	300
Factory Card Outlet	Supplies	140
Factory Card Outlet	Unreadable receipt--copy of check without amount	34
ForeFront	MCSE 4.0, CNE 4.11, Micro House Tech Library, data recovery--paid from price quote, Maximus was unable to locate receipt	1,900
Fred Pryor Seminars	None noted--petty cash receipt only	1,365
Harry W. Schwartz Bookstore	Unknown product	66
Harry W. Schwartz Bookstore	Unknown product	41
Hillside Terrance Resource Center	No receipt--copy of check with amount only	318
Horizon Travel Agency Inc.	Fly Maximus employe from Washington to Milwaukee	464
HUD--Resource Center	Petty cash receipt with no vendor receipt	100
Karls Rental Center	Unknown (credit card slip only)	119
K-mart	Unknown	23

Payee/Vendor	Description	Amount
Lelesis Institute	None noted--check only	$ 204
Los Angeles Black Business	Registration	1,100
MATC	No receipt--copy of check with amount only	100
MATC	No receipt--copy of check with amount only	50
Maximus	Adjusting journal entry--Intercompany A/R Maxstaff	9,740
Maximus employe	Out of town travel, Milwaukee-Madison, no receipts for the trip	253
Maximus employe	Sheraton, Embassy Suites banquet and room charges--March	1,493
Milwaukee Council on Alcoholism	Vendor receipt only--no purpose noted	1,320
Milwaukee Council on Alcoholism	None noted	550
Milwaukee Mental Health	Petty cash receipt with no vendor receipt	45
Milwaukee Transport Services, Inc.	100 sheets of full-fare tickets	1,050
National Baking	Unreadable copy	Unknown
Nola Cross	Legal fees	250
Personnel Evaluation Inc.	Vendor receipt only--no purpose noted	285
Pier 1 Imports	Blank check with hard-to-read receipt	253
Sam's	None noted--blank check only	Unknown
Sam's	TV/VCR and boom box	441
Sam's	No receipt--copy of check with amount only	90
Sam's Club	Print Shop software and coffee	60
Seminar receipt-copy difficult to read	Unknown--receipt only	42
Spic and Span	Drycleaning	36
Stein Garden & Gift	Ribbon wrap cane	55
Unknown	Unknown	5,302
Unknown	No documentation--listed on calculator tape only	826
Unknown	No documentation-listed on calculator tape only	753
Unknown	No documentation--listed on calculator tape only	500
Unknown	No documentation--listed on calculator tape only	350
Unknown	Unknown	300
Unknown	Unknown	235
Unknown	No documentation--listed on calculator tape only	194
Unknown	No documentation--listed on calculator tape only	169
Unknown	No documentation--listed on calculator tape only	140
Unknown	No documentation--listed on calculator tape only	128
Unknown	No documentation--listed on calculator tape only	119
Unknown	No documentation--listed on calculator tape only	106
Unknown	No documentation--listed on calculator tape only	100
Unknown	No documentation--listed on calculator tape only	88

Payee/Vendor	Description	Amount
Unknown	No documentation--listed on calculator tape only	$ 88
Unknown	No documentation--listed on calculator tape only	51
Unknown	No documentation--listed on calculator tape only	51
Unknown	No documentation--listed on calculator tape only	44
Unknown	No documentation--listed on calculator tape only	40
Unknown	No documentation--listed on calculator tape only	39
Unknown	No documentation--listed on calculator tape only	35
Unknown	Could not identify purchase by invoice copy--product not specified	33
Unknown	No documentation--listed on calculator tape only	32
Unknown	No documentation--listed on calculator tape only	29
Unknown	No documentation--listed on calculator tape only	24
Unknown	Change from check deposited to petty cash	8
Unreadable	2 VHS VCRs, camera, tripod, and VHS tapes	2,154
Unreadable	Unreadable copy--amount from calculator tape	484
Unreadable	Unable to read invoice	211
Unreadable	Unreadable copy--amount from calculator tape	78
Unreadable	Unreadable copy--amount handwritten--possibly restaurant	40
Unreadable	Could not identify purchase by invoice copy--product not specified	32
Unreadable	No documentation--listed on calculator tape only	22
View Sonic	No receipt--copy of check with amount only	60
Wal-mart	Wash cloths and bath towels	180
TOTAL QUESTIONED COSTS		$276,407
TOTAL UNALLOWABLE COSTS		138,840
TOTAL UNALLOWABLE AND QUESTIONED COSTS		$415,247

Ms. Moore of Wisconsin. Okay. Thank you.

Mr. Davis. Mr. Chairman.

Chairman LaHood. Thank you.

Yeah, Mr. Davis.

Ms. Moore of Wisconsin. I yield back.

Mr. Davis. I would like to submit for the record the bulletins from Chapin Hall.

Chairman LaHood. So ordered, without objection.

[The information follows:]

******** COMMITTEE INSERT ********

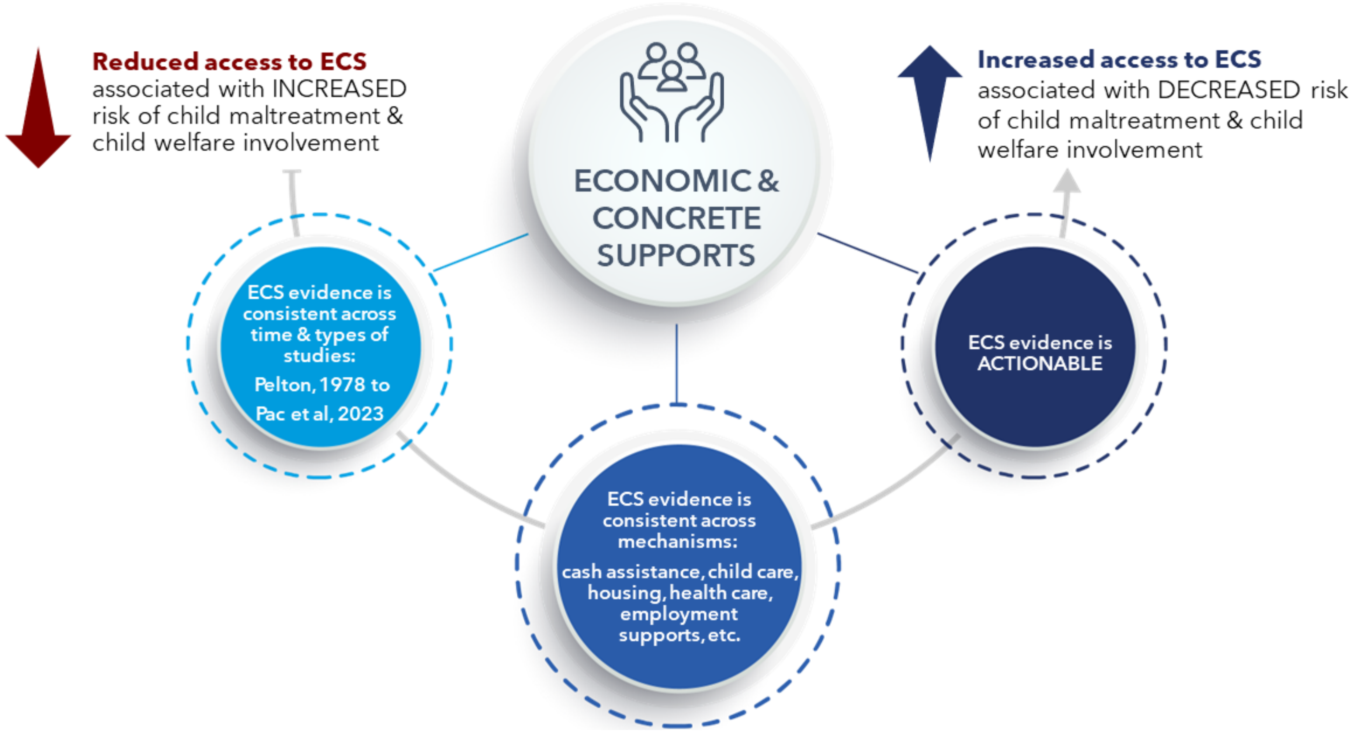
The Role of TANF in Economic Stability and Family Well-Being and Child Safety

July 2023

Chapinhall.org

CHAPIN HALL POLICY BULLETIN

Economic and Concrete Supports (ECS): An Overview



OVERVIEW

Economic and concrete supports are "protective factors"—factors that prevent families from becoming involved in the child welfare system. The evidence indicates that increasing access to these supports may be an effective strategy to prevent child maltreatment, keep families together, and address racial inequities.

The central role of economic hardship as a driver of child welfare system involvement underscores the importance of addressing the concrete needs of families and promoting economic stability (Dolan et al., 2011; Conrad-Hiebner & Byram, 2020; Cai, 2022). A large body of research demonstrates the positive impact an array of economic and concrete supports has in reducing risk—from tax credits to child care to Temporary Assistance to Needy Families (TANF) and more (Grewal-Kök et al, 2023). For families who receive TANF, experiencing material hardship (difficulty meeting basic needs) is associated with increased risk for both neglect and physical abuse investigations. If these families experience at least one type of material hardship, they are three times more likely to experience a neglect investigation and four times more likely to experience a physical abuse investigation. And, if they experience multiple types of material hardships after not having experienced any, they are up to seven times more likely to experience an investigation for physical abuse (Yang, 2015).

States have wide discretion in how they administer TANF funds and make policy choices in establishing TANF cash benefit levels, income eligibility thresholds (up to the maximum allowable percentage of federal poverty level), time limits for receiving benefits (up to a 60-month lifetime limit), and sanctions for not meeting TANF requirements. Total TANF spending on cash assistance has declined by 69% since the program began. Today, 15 states spend less than 10% of their TANF funds on cash assistance to families (Puls et al., 2021).

EVIDENCE SPECIFIC TO TANF & CHILD WELFARE

The first statutory goal of TANF is to support needy families so that children remain safely at home or with relatives. The evidence suggests that decision making in TANF is associated with whether children are able to remain at home. Studies show that when TANF resources are more available to families, risk for involvement with child welfare decreases. Conversely, when TANF resources decrease, risk for involvement with child welfare is shown to increase.

Increasing Access to TANF

State policies that increase family access to TANF benefits are associated with reductions in foster care placements. An estimated 29,112 fewer children would have entered foster care nationally (from 2004 to 2016) if states had made it easier for families to receive TANF cash assistance (Ginther & Johnson-Motoyama, 2022). Another study found that a 10% increase in state public benefit levels (AFDC/TANF and the value of food stamps) for a family of four was predicted to reduce foster care placements by 8% (Paxson & Waldfogel, 2003).

Decreasing Access to TANF

State policies that limit family access to TANF benefits—including reducing the maximum allowable cash benefit amount—are associated with increases in maternal self-reported physical child maltreatment (Spencer et al., 2021). Lifetime limits on receipt of TANF benefits and sanctions for noncompliance are associated with higher levels of substantiated maltreatment and foster care entries (Paxson et al., 2003; Ginther & Johnson-Motoyama, 2022). For example, states that implemented TANF time limits of less than 60 months experienced a 34.4% increase in substantiated maltreatment reports and a 37.3% increase in substantiated neglect reports (increases observed from 2004 to 2015; Ginther & Johnson-Motoyama, 2017). Another study found that a 10% reduction in the average monthly AFDC/TANF cash benefit amount for a family of three was associated with a 2.3% increase in state-level foster care caseload rates from 1985 to 2000 (Swann & Sylvester, 2006).

TANF, CHILD CARE, AND CHILD WELFARE

TANF funds can also be used for childcare. Childcare access is another protective concrete support. Each additional month that mothers who are low income receive a childcare subsidy is associated with a 16% decrease in the odds of a neglect referral to child welfare and a 14% decrease in the odds of a physical abuse referral (Yang, 2019). The childcare investments proposed in Build Back Better would be associated with a 6% reduction in substantiated maltreatment, a 3% reduction in foster care placements, and a nearly 12% reduction in child fatalities (Puls et al, 2022). Lack of access to childcare and childcare assistance is associated with increased risk for child maltreatment investigations (Klevens et al., 2015), especially for neglect (Yang & Maguire-Jack, 2016), and self-reported maternal neglectful behavior and physical aggression (Ha et al., 2019).

References: https://shorturl.at/hvKU8 **More Resources: https://shorturl.at/hmtCM**

CONTACT INFORMATION

Chapin Hall is an independent, nonpartisan policy research center at the University of Chicago that provides public and private decision-makers with rigorous research and achievable solutions to support them in improving the lives of children, families, and communities. We partner with policymakers, practitioners, and philanthropists to construct actionable information, practical tools, and, ultimately, positive change for families. Chapin Hall's areas of research include child welfare systems, community capacity to support children and families, and youth homelessness. For more information about Chapin Hall, visit www.chapinhall.org or @Chapin_Hall.

Chapin Hall experts are available to speak to and testify about this topic. They include:

Clare Anderson
Senior Policy Fellow
canderson@chapinhall.org

Yasmin Grewal-Kök
Policy Fellow
ygrewalkok@chapinhall.org

Chairman LaHood. Thank you.

That concludes our question-and-answer period today.

Let me just -- I want to thank all of the members here today for their questions and, obviously, the witnesses before us for your substantive testimony, your suggestions, your ideas, the things that you caused us to think about here today, very, very helpful as we continue to do our work on figuring out how we reimagine TANF, as Ms. Sewell said, and keeping in mind, obviously, the taxpayer and how we are fiscally responsible with the money that we spend with taxpayer money, which is always important, and then figuring out, I think, as you said, Commissioner Carter, how do we help grow you out of poverty. I think you used the analogy of creating the opportunity to give you the baton to run your own race. And that stuck with me.

And so, we, again, are grateful for you being here today. And I think everyone here shares the belief and understanding that our responsibility to taxpayers and low-income families is to ensure that TANF funds are spent wholly to lift Americans out of poverty.

And so I am hopeful that we can work together on developing bipartisan reforms to this program to make sure critical welfare dollars are being used for their intended purposes.

So please be advised that members will have 2 weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal record.

And, again, I want to thank you all for the time and effort it took to be here. We look forward to staying in touch.

The committee is adjourned.

[Whereupon, at 4:17 p.m., the subcommittee was adjourned.]

MEMBER QUESTIONS FOR THE RECORD

STATE OF TENNESSEE
DEPARTMENT OF HUMAN SERVICES
JAMES K. POLK BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1403

TELEPHONE: 1-833-772-TDHS (8347) FAX: 615-741-4165
TTY: 1-800-270-1349
www.tn.gov/humanservices

BILL LEE
GOVERNOR

CLARENCE H. CARTER
COMMISSIONER

August 7, 2023

The Honorable Mike Carey
1433 Longworth House Office Building
Washington DC, 20515-3515

Dear Congressman Carey,

Thank you for the follow-up question and your continued interest in this important issue. In your letter, you inquired about how we could best help TANF families achieve independence through work and non-assistance spending beyond the basic benefit. My response will be a little expansive as the question has depth and dimension to it.

I begin with context; a primary problem with TANF, and related safety net programs, is that they are not grounded in the intention of freeing people from public supports and empowering them to act in their own best interest. TANF, with its work requirements and time limits, provides a statutory framework that moves in that direction. However, its regulatory and policy application do not support the ideals expressed in its framework.

As the years have passed, many states have become complacent in their approach to TANF spending. While there was a flurry of experimentation in the 1990s, now more than a quarter century after the establishment of TANF, much of the innovation has gone out of programing at the state level. To get the most out of TANF and other safety net programs, we need to break this stagnation and encourage states to find out exactly what works best in moving people beyond public dependency.

This is an issue I took on as the former Director of the HHS Office of Family Assistance. During my time in the previous Administration, we included language in the President's Budget (FY 2020 & FY 2021) for the creation of Opportunity and Economic Mobility Demonstrations. In this program, a select number of states would have been given broad waiver authority to develop a comprehensive vision for growing the capacity and reducing the dependency of the economically, socially, and developmentally vulnerable in their state. The plan would have also required rigorous evaluation of the demonstrations to ensure the effectiveness of these new interventions. Full copies of these proposals were included as part of my original written testimony for the subcommittee.

While this proposal would not be the silver bullet to human wellbeing and TANF reform, I believe it helps to demonstrate that we must begin with a different end in mind. That end must be that the safety net is a mile marker in a life's journey; not a destination unto itself. The statutory, regulatory, and policy construction of ALL safety net programs must support this notion of individual growth beyond government supports. Unless we make this fundamental change, we will continue to emphasize a safety net that focuses on outputs not outcomes, and dollars spent instead of lives changed for the better.

I hope you find this response useful. I would be pleased to continue to support the work of the Subcommittee in this effort. Again, thanks for the opportunity to respond and your interest.

Respectfully,

Clarence H. Carter

Clarence H. Carter
Commissioner
Tennessee Department of Human Services

STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR

Ranking Member Davis,

This is in response to your questions under heading 1.

a. Mississippi State Senate Bill 2257 of 2020, which is now law, gives my office the right to "such [state] tax returns as are necessary for auditing the Department of Revenue and auditing benefits administered under the United States Department of Health and Human Services and the United States Department of Agriculture." My office does not have the authority to view federal tax returns.
b. We have never used the legal authority in S.B. 2257 to ask for the tax return information of any TANF recipient.
    i. No such penalties have been imposed by my office, as this is outside our authority.
    ii. My office does not run the state TANF program, so any questions about the documents applicants must provide to obtain TANF benefits should be directed to the appropriate state agency.
c. We do not operate the state's TANF program. If you would like information on whether TANF recipients are required to file tax returns, you should direct those questions to the appropriate state agency.
d. None.
e. We have never used the legal authority in S.B. 2257 to ask for the tax return information of any TANF recipient. As for access to other personally identifiable information (PII) obtained in other audits, only the auditors who need to see such PII to conduct an audit are allowed to access it. Auditors only view PII as appropriate to satisfy requirements of the 2 cfr Part 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS.

The responses above render questions under item 2 moot with the following exceptions:

As to question 2(d): the Office of the State Auditor maintains a strict cybersecurity posture to avoid spillage of private information that we might obtain in any audit. That includes routine training of employees on phishing. Certain PII is redacted before documents are saved to a secure server with limited access.

As to question 2(e): there have been no breaches of the Office of the State Auditor during my tenure to my knowledge.

Sincerely,

Shad White, CFE

POST OFFICE BOX 956 • JACKSON, MISSISSIPPI 39205 • (601) 576-2800 • FAX (601) 576-2650

8/7/2023

ATTN: Ben Hobbs
Professional Staff Member, Subcommittee on Work and Welfare, Committee on Ways and Means, U.S. House of Representatives,
1139 Longworth House Office Building,
Washington, DC 20515

Dear Representative Evans,

Thank you for the questions. Work requirements are honestly some of the most paternalistic and detrimental requirements when it comes to public benefits. For starters, any family you would talk to applying for assistance recognizes that safety net benefits are not enough to live on. The $260 per month payment from TANF is not enough to care for a family of 3. In all honesty, $1,000 per month like MMT provides is not enough to care for a family of 3. Participants tell us all the time that they view the funds as a supplement and an income floor to catch them in an emergency. Not something to live off of.

The requirement to be working of start an employment program within 10 days like TANF in Mississippi forces recipients to take whatever job they can find, which is often something at $7.25 per hour, unpredictable hours, and no benefits. Even if individuals can receive childcare stipends, if working hours do not line up with when childcare facilities are open, such as food service jobs, they'll likely be forced to quit or could be fired for missing shifts. TANF recipients are not allowed to be enroll in community college or higher education to fulfill employment stipulations, even though that might allow them to work toward a higher-paying career.

In reality, it takes cash up front to be able to work. Take Tiyonda as an example, when she entered The Magnolia Mother's Trust, she was working less than 20 hours a week because she could only rely on family for childcare for her 7-year-old and 1-year-old. When she started The Magnolia Mother's Trust, she had enough to provide full-time daycare for her kids, take care of her car, and afford the gas she needed for her job as a home health aide. She started working a full-time schedule and was able to put away money for savings during the program and is ending better than she started.

Or Shaquille – she was able to reduce her hours as a waitress during MMT to attend school to become a dental hygienist. She had started and been forced to stop many times before due to finances. She was finally able to finish her degree and is moving into a more stable and predictable career that will allow her to support and care for herself and her two kids.

Mississippi opts for the strictest sanction policies allowed under federal law. Recipients can lose their assistance for things as small as missing an appointment with a case worker or failing to provide a document under short notice. When families are being forced to work low-wage jobs typically with no paid leave and little flexibility or predictability, how are they expected to make all the required meetings? Families often tell us that when they go into these offices, they feel like they are on trial and needing to prove that they are deserving enough. We hear from families that it is not uncommon to be cut off from benefits with absolutely no notice. Even when it is a mistake on the part of the DHS office, recipients will be required to present paperwork again and meet with case workers and it can take up to 6 months for benefits to be reinstated. For families living in poverty with no savings, that means they will have no money to feed their family, pay for rent, or otherwise survive.

In contrast, one of the highlights from our evaluation from our most recent MMT cohort was the difference families experienced working with Springboard staff who centered their goals, well-being, and dignity in contrast to the typical experience at a DHS office. Participants cited feeling respected and encouraged by our staff and that that laid a stable foundation for them to start pursuing their dreams.

The supports we offer are suggested by our families, not created based on assumption about what individuals need. For example, moms told us that stress and anxiety hindered their ability to parent, so we co-designed with our mothers a 4-week course around stress reduction, mental health, and self-care. At the end of that course, mothers reported better physical and mental health for both them and their children, regularly practicing healthy coping strategies, a significant reduction in difficulty with mood and mental health, and ultimately becoming a stronger parent. When family voice is centered, we actually get to the root causes of issues and create real solutions as opposed to surface level band-aids that assume the worst about low-income mothers and their families.

Sincerely,

Aisha D. Nyandoro, Ph.D.

CEO

PUBLIC SUBMISSIONS FOR THE RECORD

Statement for the Record: How Fiscal Responsibility Act Refocuses TANF on Employment and Self-Sufficiency

Ways and Means Committee

Work & Welfare Subcommittee Hearing on "Where is all the Welfare Money Going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty"

Leslie Ford

Introduction

On July 24, 2023, the Work & Welfare Subcommittee hosted a hearing on using non-assistance funds to lift Americans out of poverty. During the course of this hearing, there were some statements that questioned why work is a key intervention for beneficiaries to find opportunity.

While one of the main purposes of the U.S. safety net is to help individuals vulnerable to poverty provide for their basic needs and avoid hardship, there exists an important additional purpose: for individuals and families to escape dependence and achieve self-sufficiency. If we want to measure safety net programs' role in contributing to upward mobility, the Fiscal Responsibility Act's reforms are important steps forward. These reforms follow the evidence from 1996 bipartisan welfare reform which demonstrates that employment is a key intervention to break the cycle of intergenerational poverty, and that subsidizing nonworking families generally leads to more families excluded from the workforce.

The Debt Deal's TANF Reforms

In his opening statement, Worker & Welfare Subcommittee Ranking Member Danny Davis asserted that the "the GOP debt limit provisions doubled-down on harsh work requirements."[1] The Fiscal Responsibility Act did enact key TANF reforms that will reestablish employment as a centerpiece of the program. Section 301 reestablishes work requirements in the program by recalibrating the caseload reduction credit to 2015, effective FY2026. Section 302 creates a pilot program for five states to meet performance measures in work and family outcomes. Finally, Section 304 requires reporting on work outcomes after beneficiaries leave the program, measuring work and earnings two and four quarters after exit.

In order to receive the TANF block grant, states must engage 50 percent of their single-parent families and 90 percent of their two-parent families in work or preparation for work.[2] The law states that parents must work or participate in education and training programs for an average of 30 hours a week (20 hours a week for single parents with children under age six).[3] In the Deficit Reduction Act of 2005, Congress reset the TANF caseload reduction credit from 1995 to 2005, permitting states to lower their work participation rate one percentage point for each percent decline in the caseload from the base year.

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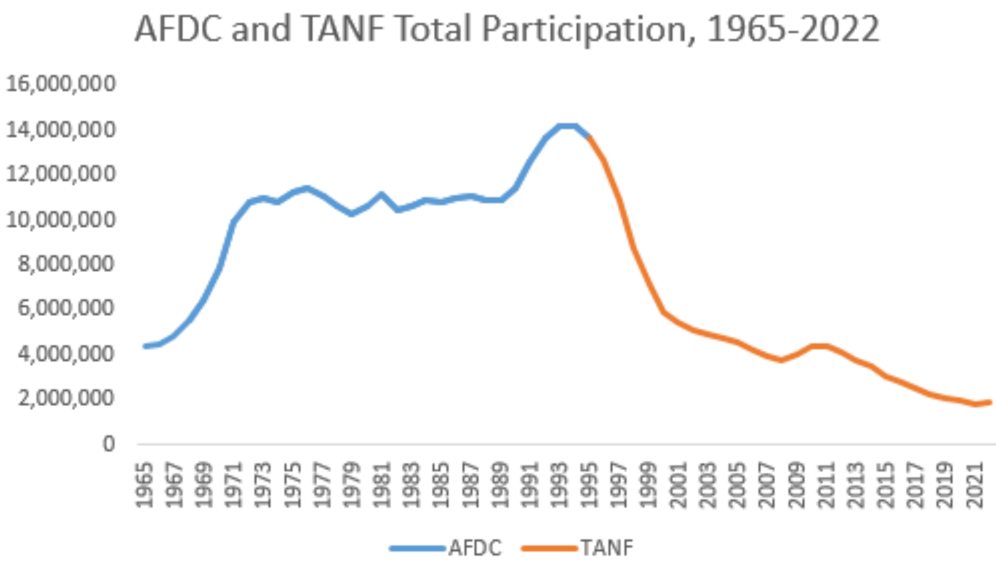
1 "TANF: Davis Opening Statement at Ways and Means Worker and Family Support Subcommittee Hearing," July 12, 2023, https://davis.house.gov/media/press-releases/tanf-davis-opening-statement-ways-and-means-worker-and-family-support

2 The TANF statute defines 12 activities that fulfill the work requirement, many of which go beyond paid work, including community service, vocational educational training, completion of secondary school, and even providing childcare to other beneficiaries.

3 In addition, TANF completely exempts mothers with children under the age of one and gives states the option to exempt mothers with children under the age of six if they cannot find appropriate childcare, which most states do.

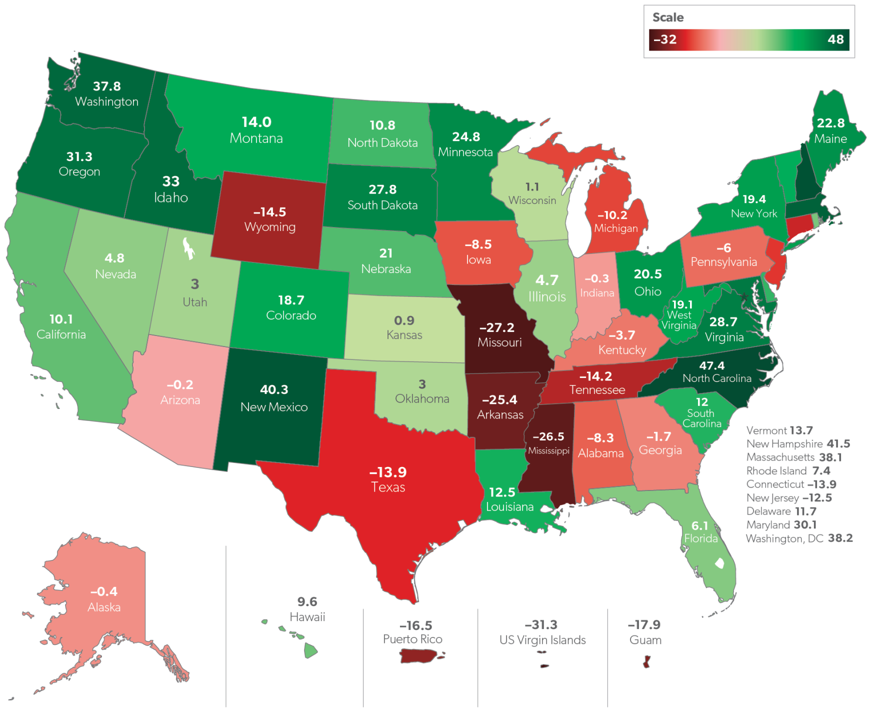
In 2017, 21 states had a work engagement target of zero percent.[4] That number was 34 in 2023. The total TANF caseload was 4,548,503 in 2005, dropping to 3,074,779 in 2015. In 2022, enrollment sits at 1,862,756.[5]



Each state will have to recalculate their individual caseloads and thus their state work participation rate when implemented in FY2026, but using the most recent 2022 FY data, 20 states would have a zero percent participation rate, with the rest ranging from 1 percent to 47 percent.

4 Congressional Research Service, *Temporary Assistance for Needy Families (TANF): The Work Participation Standard and Engagement in Welfare-to-Work Activities*, Updated February 1, 2017. https://crsreports.congress.gov/product/pdf/R/R44751

5 U.S. Department of Health and Human Services, Administration for Children & Families, https://www.acf.hhs.gov/ofa/resource-library?f%5B0%5D=program%3A270&f%5B1%5D=program_topic%3A634&sort_by=combined_publication_date&sort_order=DESC&items_per_page=10



Based on FY 2022 data, the reform would move 14 states from a zero percent work participation rate to some level of a work participation rate. In order to meet Section 304's requirement to track the employment outcomes of all work-eligible participants, states will have to focus on measuring more than simply sending benefits. They must also assess whether beneficiaries move towards lasting well-being by tracking whether recipients are employed and how much they are earning after exiting the program.

Why Work Matters

In the same opening statement, Worker & Welfare Subcommittee Ranking Member Danny Davis attested: "These Republican-driven policies trap families in poverty by rejecting them all together, pushing families into meager child-only TANF, or forcing them into poverty-level jobs rather than building economic security."[6] This doesn't accurately reflect the history of TANF and work requirements.

In fact, TANF's history points to employment as a key intervention to break the cycle of intergenerational poverty, and that subsidizing nonworking families generally leads to more families excluded from the workforce. Before 1996, TANF was called the Aid to Families with Dependent Children (AFDC) program. AFDC provided low-income recipients with monthly cash payments without requiring them to work or engage in work-related activities. Work among the recipient parents was very low, with only a little over 1 in 10 families included a worker. Most families were also stuck in long-term poverty;[7] and most families on AFDC

6 "TANF: Davis Opening Statement at Ways and Means Worker and Family Support Subcommittee Hearing," July 12, 2023, https://davis.house.gov/media/press-releases/tanf-davis-opening-statement-ways-and-means-worker-and-family-support

7 U.S Department of Health and Human Services, National Center for Health Statistics, Report to Congress on Out-of-Wedlock Childbearing, 1995, September 1995, pp. xiii, https://www.cdc.gov/nchs/data/misc/wedlock.pdf

received the benefits for more than eight years.[8] Unwed births rose year-over-year for decades.[9] And all of this made intergenerational child poverty worse, as one in seven children were dependent on AFDC benefits.[10]

The contentious 1996 welfare reform bill centered around whether work should be required in exchange for receiving welfare benefits. Many on the left condemned President Clinton[11] and predicted that poverty would increase after the 1996 reforms.[12] But the exact opposite occurred.[13] Dependency declined for the first time in a half century.[14] Employment rose, particularly among single mothers who didn't graduate high school. The employment-to-population ratio for never-married mothers grew from 46.4 percent in the five years before the 1996 bill to 62.6 percent in the five years after the bill's passage. Child poverty, which had been static for decades, fell by more than 60 percent.[15]

States should focus on returning beneficiaries to work as soon as possible. Keeping unemployment short-term is essential to economic mobility. As these mothers secured employment, researchers found that financial strain and food insecurity dropped. However, if they remained in the safety net long-term, their incomes, physical health, and psychological well-being declined.[16]

When studying the broader population, particularly after a recession, research has found that prolonged unemployment makes it harder to return to self-sufficiency. Finding a new job after long-term unemployment results in a stagnation of skills, due to the loss of work connections or even because of the stigmatization frequently associated with unemployment. This compounds into sustained lower wages and mobility, causing many to experience as much as a five percent annual loss for 20 years.[17]

Even more importantly, states should emphasize employment because of the non-economic impacts. When unemployment lasts more than six months, researchers find decreased well-

8 U.S Department of Health and Human Services, National Center for Health Statistics, Report to Congress on Out-of-Wedlock Childbearing, 1995, September 1995, pp. xiii, https://www.cdc.gov/nchs/data/misc/wedlock.pdf

9 https://www.cdc.gov/nchs/fastats/unmarried-childbearing.htm

10 U.S Department of Health and Human Services, National Center for Health Statistics, Report to Congress on Out-of-Wedlock Childbearing, 1995, September 1995, pp. xiii, https://www.cdc.gov/nchs/data/misc/wedlock.pdf

11 Peter Edelman resigned as Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services. Peter Edelman, "The Worst Thing Bill Clinton Has Done," The Atlantic, March 1997, https://www.theatlantic.com/magazine/archive/1997/03/the-worst-thing-bill-clinton-has-done/376797/

12 Sheila R. Zedlewski, Sandra J. Clark, Eric Meier, and Keith Watson, "Potential Effects of Congressional Welfare Reform Legislation on Family Incomes," Urban Institute, July 26, 1996, http://www.urban.org/sites/default/files/publication/67221/406622-Potential-Effects-of-Congressional-Welfare-Reform-Legislation-on-Family-Incomes.pdf

13 Scott Winship, "Poverty After Welfare Reform," Manhattan Institute, August 22, 2016, https://www.manhattan-institute.org/html/poverty-after-welfare-reform.html

14 https://trumpwhitehouse.archives.gov/wp-content/uploads/2018/07/Expanding-Work-Requirements-in-Non-Cash-Welfare-Programs.pdf

15 Scott Winship, "Poverty After Welfare Reform," Manhattan Institute, August 22, 2016, https://www.manhattan-institute.org/html/poverty-after-welfare-reform.html

15 https://trumpwhitehouse.archives.gov/wp-content/uploads/2018/07/Expanding-Work-Requirements-in-Non-Cash-Welfare-Programs.pdf

16 Coley, Rebekah Levine et al. "Maternal Functioning, Time, and Money: The World of Work and Welfare." *Children and youth services review* vol. 29,6 (2007): 721-741, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1948836/

17 Justin Barnette and Amanda Michaud, "Wage Scars and Human Capital Theory," Kent State University and Indiana University Working Paper, 2017, https://ammichau.github.io/papers/JBAMWageScar.pdf (accessed October 1, 2021). Also see Louis Jacobson, Robert LaLonde, and Daniel Sullivan, "Earnings Losses of Displaced Workers," American Economic Review, Vol. 83, No. 4 (September 1993), https://www.jstor.org/stable/2117574 (accessed September 27, 2021).

being[18] including substantial mental health effects, like depressive symptoms.[19] Prolonged unemployment also comes with significant physical health declines and even shorter lifespans. Long-term joblessness measurably affects mortality by as much as a year and a half for a 40-year-old worker.[20]

Some argue that safety-net benefits are a net positive for not only workers but their families, even if a family was detached from work. The evidence does not support this claim. In fact, several comprehensive studies demonstrate that safety-net receipt had a harmful impact on children whose parents did not work, and that increasing benefits did not produce better outcomes. When mothers who were formerly dependent on welfare end up finding employment, we see increased physical, emotional, and psychological health,[21] [22], as well as a connection of better health and behavioral outcomes for children in those families. Research even shows a connection of better health and behavioral outcomes for those children whose mothers had moved from welfare dependence to work.[23]A 1994 study found that a mother's welfare dependence, whether single or married, was associated with a reduction in her child's math and verbal-ability test scores.[24] A 1992 study found that girls who were raised in aid-recipient families were 1.4 times less likely to graduate high school than their peers whose parents did not receive aid.[25] A similar 2003 study found that "exposure to one year of welfare in early adolescence is associated with a reduction in schooling of about 0.3 year."[26]

It is a step in the right direction that Congress has mandated the collection of basic employment outcome data. By focusing on employment, the TANF program will better help low-income and vulnerable Americans to achieve self-sufficiency and overall well-being. The next step is for Congress to apply outcome measurements for capacity building interventions.

The Next Step: Measure Capacity-Building Interventions

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18 Steven J. Davis and Till Von Wachter, "Recessions and the Costs of Job Loss," Brookings Papers on Economic Activity (Fall 2011), https://www.brookings.edu/wp-content/uploads/2011/09/2011b_bpea_davis.pdf (accessed September 29, 2021), and Till Von Wachter, Jae Song, and Joyce Manchester, "Long-Term Earnings Losses Due to Mass Layoffs During the 1982 Recession: An Analysis Using US Administrative Data from 1974 to 2004," Semantic Scholar, 2009, https://www.semanticscholar.org/paper/Long-Term-Earnings-Losses-Due-to-Mass-Layoffs-the-Wachter-Song/23e0a55e85c61deb94edd38f611ebbb737ec062b

19 Austin Nichols, Josh Mitchell, and Stephan Lindner, "Consequences of Long-Term Unemployment," Urban Institute, July 2013, https://www.urban.org/sites/default/files/publication/23921/412887-Consequences-of-Long-Term-Unemployment.PDF

20 Justin Barnette and Amanda Michaud, "Wage Scars and Human Capital Theory," Kent State University and Indiana University Working Paper, 2017, https://ammichau.github.io/papers/JBAMWageScar.pdf (accessed October 1, 2021). Also see Louis Jacobson, Robert LaLonde, and Daniel Sullivan, "Earnings Losses of Displaced Workers," American Economic Review, Vol. 83, No. 4 (September 1993), https://www.jstor.org/stable/2117574

21 Slack, Kristen Shook et al. "How Are Children and Families Faring a Decade After Welfare Reform? Evidence from Five Non-Experimental Panel Studies." *Children and youth services review* vol. 29,6 (2007): 693-697, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4260333/

22 Coley, Rebekah Levine et al. "Maternal Functioning, Time, and Money: The World of Work and Welfare." *Children and youth services review* vol. 29,6 (2007): 721-741, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1948836/

23 Rebekah Levine Coley et al., "Maternal Functioning, Time, and Money: The World of Work and Welfare," Children and Youth Services Review, Vol. 29, No. 6 (June 2007), https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1948836/

24 M. Anne Hill and June O'Neill, "Family Endowments and the Achievement of Young Children with Special Reference to the Underclass," Journal of Human Resources, Vol. 29, No. 4 (Fall 1994), pp. 1090 and 1091, https://www.jstor.org/stable/146134?refreqid=excelsior%3A15414ac8f891afe9c8c805d4bb7fb30e&seq=27#metadata_info_tab_contents

25 Renata Forste and Marta Tienda, "Race and Ethnic Variation in the Schooling Consequences of Female Adolescent Sexual Activity," Social Science Quarterly, Vol. 73, No. 1 (March 1992), pp. 23 and 24 (Table 3), http://www.jstor.org/stable/42862986

26 Inhoe Ku and Robert Plotnick, "Do Children from Welfare Families Obtain Less Education? Demography, Vol. 40, No. 1 (February 2003), p. 166, https://link.springer.com/article/10.1353/dem.2003.0005. The studies cited in footnotes 11-14 controlled for income or they compared families for which each extra dollar in benefits would represent a net increase in overall financial resources. If benefits disconnected from work are incontrovertibly beneficial, the extra income should have had positive effects on the well-being of the children, yet the evidence demonstrates the opposite.

Many safety net recipients simply experience short-term need. In these instances, transfer payments (e.g., cash, food, or housing assistance) with a time-limit and a modest work requirement may bring the best results.

Other recipients might have certain obstacles where they could benefit from a specific intervention as they seek self-sufficiency, such as employment training, effective substance abuse treatment, or parenting classes. States do not currently focus most of their block grants on these activities. In FY 2021, states expended 22.6 percent of TANF and Maintenance of Effort funds on basic assistance, 7.6 percent on work, education, and training activities; and 16.2 percent on childcare.[27] States may have to emphasize more effective immediate and short-term interventions to build these individual's capacity. The five states who receive the pilot created in the Fiscal Responsibility Act's Section 302 should direct their funds on measuring work and family outcome of capacity-building programs.

Tracking these program's performance outcomes will allow states to focus their funds on capacity-building interventions in order to empower individuals to build and maintain a meaningful life. This can take many forms, depending on the specific need. It may take the form of an intensive work search for the unemployed to obtain work; short-term housing or apprenticeship programs for formerly incarcerated individuals to avoid recidivism; or residential treatment programs for those trapped in addiction to find sobriety.

Collecting outcome measurements will allow states and federal programs to conduct randomized controlled trials (RCT)[28] and third-party evaluations.[29] Regrettably**,** the current evidence for these interventions is similarly inadequate. Right now, the current RCT analysis of federal programs' data indicates that most capacity-building programs do not achieve measurable impacts for participants. [30,31] Few capacity-building programs track results and even those that are effective usually have modest impacts. As summarized in a 2018 review of the 13 known large RCTs of federal programs, "Eleven of the 13 RCTs found that the programs produced either no significant positive effects on the key targeted outcomes or small positive effects that dissipated shortly after participants completed the program."[32] Running capacity-building programs with few if any expected results both wastes taxpayer resources and could generate despair and alienation among recipients who deserve better.

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27 https://www.acf.hhs.gov/ofa/data/tanf-financial-data-fy-2021

28Tom Kalil, Obama White House, "Funding What Works: The Importance of Low-Cost Randomized Controlled Trials," July 9, 2014, https://obamawhitehouse.archives.gov/blog/2014/07/09/funding-what-works-importance-low-cost-randomized-controlled-trials (accessed September 15, 2020)

29 "Practical Evaluation Strategies for Building a Body of Proven-Effective Social Programs," Coalition for Evidence-Based Policy, October 2013, http://coalition4evidence.org/wp-content/uploads/2014/05/Practical-Evaluation-Strategies-2013.pdf (accessed September 15, 2020)

30 David Muhlhausen, "Testimony: Evidence-Based Policymaking: An Idea Whose Time Has Come," March 17, 2015, https://www.heritage.org/article/testimony-evidence-based-policymaking-idea-whose-time-has-come

31 http://thf_media.s3.amazonaws.com/2014/pdf/BG2884.pdf

32 These gold standard program evaluations include education-focused programs such as Head Start, Even Start, Community Learning Centers, Abstinence Education, Teacher Incentive Fund, Student Mentoring, and Upward Bound. The evaluations also include job training programs like Job Corps and National Guard Youth Challenge. "When Congressionally-authorized federal programs are evaluated in randomized controlled trials, most fall short. Reform is needed." *Straight Talk on Evidence,* June 13, 2018, https://www.straighttalkonevidence.org/2018/06/13/when-congressionally-authorized-federal-programs-are-evaluated-in-randomized-controlled-trials-most-fall-short-reform-is-needed/ (accessed September 15, 2020)

One successful example of this approach was part of the reforms initiated by Mayor Rudy Guiliani in New York City.[33] In 1999, the administration replaced the standard fee-for-service contracts for job placement and training organizations with a system that gave a higher percentage of new contracts to the best performers. The new contracts incentivized the desired outcomes through payments based on the number of job placements. Within a year, the number of job placements doubled.[34] Mayor Michael Bloomberg's administration continued this outcome-based strategy and revised contracts to financially reward organizations for participant job retention. Under the new contract incentives, the percentage of individuals retaining jobs at 90 days doubled and 180-day retention increased more than five times.[35]

By tracking outcomes, policymakers would have solid evidence to determine whether the capacity building programs are effective. To create more successful capacity-building interventions, states should track outcomes and reward providers who provide clear and verifiable results.

Conclusion

While the safety net can deliver on its promise to alleviate material deprivation, the long-term goal should be for all parents and their children to break out of the cycle of dependence and poverty through self-support and social mobility.

The TANF reforms in the Fiscal Responsibility Act is a step in the right direction. By requiring states to engage more participants in employment and then report on their employment outcomes, states will add to recipient well-being. Federal policymakers should carry these reforms to other safety net programs by tracking clear and verifiable outcomes in the lives of vulnerable individuals.

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33 The reform featured a "full engagement" policy requiring welfare recipients to participate in job search, training or community service five days per week. The payment for outcome system complemented full engagement.

34 Swati Desai, Lisa Garabedian, and Karl Snyder, *Performance-Based Contracts in New York City* (Rockefeller Institute, 2012), 23, http://136.223.201.223/pdf/workforce_welfare_and_social_services/2012-06-Performance-Based_Contracts.pdf.

35 Swati Desai, Lisa Garabedian, and Karl Snyder, *History of Welfare-to-Work Performance-Based Contracts in NYC: Lessons Learned* (2011), http://umdcipe.org/conferences/Moscow/papers/Desai_History%20of%20Welfare-to-work%20Performance-based%20Contracts%20in%20NYC_Lessons%20Learned.docx. (Page 7 and in figures 3 and 4)

APHSA
American Public Human Services Association

July 26, 2023

The Honorable Jason Smith
Chairman
House Committee on Ways and Means
1011 Longworth HOB
Washington, DC 20515

The Honorable Darin LaHood
Chairman
Subcommittee on Work and Welfare
1424 Longworth HOB
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
House Committee on Ways and Means
372 Cannon HOB
Washington, DC 20515

The Honorable Daniel Davis
Ranking Member
Subcommittee on Work and Welfare
2159 Rayburn HOB
Washington, DC 20515

Dear Chairman Smith, Subcommittee Chairman LaHood, Ranking Member Neal, and Ranking Member of the Subcommittee Davis,

On behalf of the American Public Human Services Association, the bipartisan organization representing state and county human service agencies across the country and the Temporary Assistance for Needy Families (TANF) programs they administer, we are grateful for this opportunity to submit comment in response to the hearing held July 12, 2023, titled *Where is all the Welfare Money Going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty.*

We wish to thank Chairman LaHood for anchoring this discussion in TANF's original intent as a poverty alleviation program. As TANF's four purposes indicate, assisting families in attaining economic mobility through supports such as employment or cash assistance is effective only when we address root barriers impeding them and systematically disrupt cycles of poverty.

As demonstrated by both the Work and Welfare Subcommittee hearing on March 29th of this year and this second related conversation, the current statutory construct of TANF falls short of our shared beliefs about what TANF should be for our communities. As we together look toward bipartisan TANF reform, we must commit to following the evidence of what works, to requiring monitoring and reporting of non-assistance spending that will reestablish national trust in the program, to protecting TANF's flexibilities that allow jurisdictions to accommodate their region's needs, and to maintaining our focus on meaningful solutions found through comprehensive TANF reform.

Guided by these community-centered aims and an unflagging belief in human potential, we can assess and identify effective antipoverty strategies. Ranking Member Davis referenced research from 2010 that demonstrated if families with children under the age of five receive an extra $3,000 per year, this boosts children's adult earnings by 17%.[i] Additional research published in 2021, disseminated by Chapin Hall, demonstrates that each additional $1,000 that states spend annually on public benefit programs of cash assistance or near-cash assistance is associated with significant reductions in child maltreatment reports, foster care placements, and reduction in child fatalities due to maltreatment.[ii] Through states, local agencies, and community organizations and with bipartisan reform, TANF has the capacity to provide families across the nation living below the poverty line with cash, low-income housing infrastructure development, child care assistance, employment opportunities, and other life-saving economic and concrete supports.

While the misuses of funds such as the public fraud that previously occurred in Mississippi understandably raise questions that must be addressed, they should not obstruct the way forward for families and communities.[iii] Taking measures to ensure visibility and accountability in how TANF agencies use non-assistance funds and contract with critical community partners in upstream anti-poverty measures is imperative to preserving trust in the program as it stands today and in what it might become. While adding monitoring and reporting requirements of TANF spending is necessary, curtailing states' spending flexibilities in the process—especially in the absence of comprehensive, community-centered TANF reform—is counterproductive to our shared goal of customizing services to meet the unique needs of each individual, family, and community with which human service agencies work.

APHSA and its membership of state and local human services agencies are eager to advance lasting reforms that wield TANF's significant capability to support families' path out of poverty and proactively promote wellbeing. For this reason, we have developed a set of Core Principles for TANF Modernization that articulate our North Star in what TANF policies and practices should reflect, and a Legislative Framework for TANF Reform that translates those principles into a roadmap from which Congress can enact a reauthorization. Further, we continue to embed these core principles into our work, constructing them into the collage of state and local practice changes happening around the country that are generating new insights on how to modernize TANF.

For inclusion in the hearing record, we have enclosed with this comment a copy of our TANF Core Principles and Legislative Framework and welcome further opportunities to discuss ways to thoughtfully and comprehensively improve the program. Please direct any follow-up to Matt Lyons, Senior Director of Policy and Practice, at mlyons@aphsa.org, or Christine Johnson, Assistant Director of Policy, at cjohnson@aphsa.org.

Sincerely,

Matt Lyons

Senior Director, Policy & Practice
APHSA

Christine Johnson

Assistant Director, Policy
APHSA

Babette Roberts

Chair, APHSA National Association of State TANF Administrators

Fariborz Pakseresht

Chair, APHSA Leadership Council

[i] Duncan, Ziol-Guest, and Kalil, 2010. Center for Budget and Policy Priorities confirmed by one of the authors show that this is a typographical error and 17 percent is correct.

[ii] Puls, 2021.

[iii] As was evidenced during the July 12th hearing, beginning in August 2019, Mississippi Department of Human Service leadership has made significant efforts to shape policies and improve internal controls to enforce transparency and accountability for subgrantees and Request for Proposals, including MDHS Executive Director Robert G. "Bob" Anderson's issuance of a forensic audit of the agency. Read more at https://www.mdhs.ms.gov/mdhs-issues-rfi-for-a-forensic-audit-of-the-agency/

American Public Human Services Association

Core Principles for TANF Modernization: A Legislative Framework for TANF Reform

Revised May 2022

This year marks the 25th anniversary of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), establishing the Temporary Assistance for Needy Families (TANF) program. TANF provides millions of parents and caregivers with economic supports to help meet their basic needs; employment and training skills to earn family-sustaining wages; early childhood care that fosters development during children’s formative years; and services that prevent and mitigate childhood stress and trauma.

Over these past 25 years, we have learned much about what works—and what doesn’t—to help families succeed for the long-term and get to the root of barriers communities face to promote opportunity for all. As our nation faces unprecedented new challenges in response to the COVID-19 pandemic, we have simultaneously made bold new investments in the foundational supports we all rely on to thrive. TANF has the potential to catalyze and transform these investments into economic mobility for millions of Americans by working in true partnership with people to remove roadblocks to their economic and family well-being.

Working with TANF administrators and human services leaders across the country, the American Public Human Services Association (APHSA) embraces the call to reimagine how TANF can work in support of the families it serves and has established a set of TANF Modernization Core Principles to guide our vision for the future of TANF. Grounded in these Core Principles, APHSA’s members have laid out a legislative framework to unlock the potential of TANF. We call upon Congress to use this framework as a starting point to build common ground to achieve a TANF reauthorization that promotes a more equitable and prosperous future for all Americans.

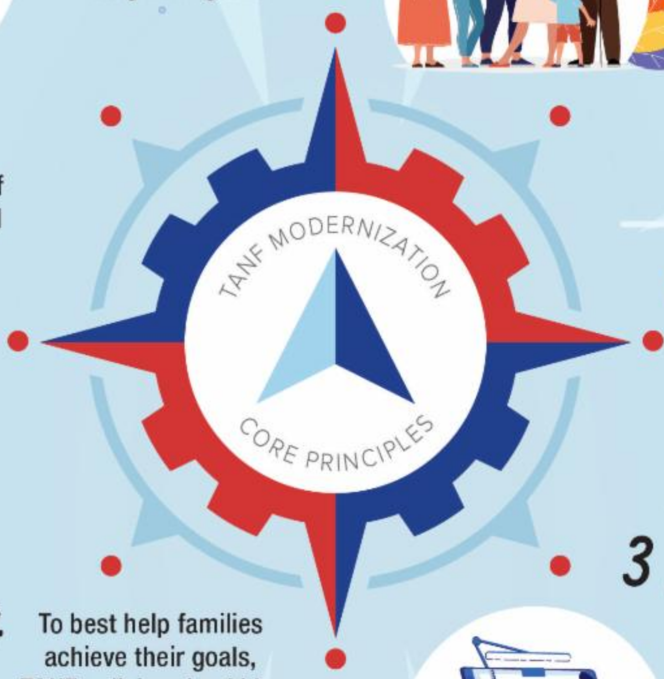
For inquiries or more information, contact Matt Lyons, Senior Director of Policy & Practice at mlyons@aphsa.org.

American Public Human Services Association

TANF MODERNIZATION CORE PRINCIPLES

We maintain the values of equity, inclusion, and the limitless possibilities of human potential as a clear North Star, guiding each of the Core Principles and all of our work; these values must serve as the foundation for building modern TANF programs to support child and family well-being for generations to come.

To advance these values, we pull each Core Principle through a race equity lens.



1 To help families achieve economic mobility, TANF must support the physical, social, and emotional well-being of individuals and their family.

2 TANF must prioritize tailored solutions that help families succeed for the long term.

3 TANF should foster conditions that advance a person's sense of agency over their life and belonging within their community.

4 To best help families achieve their goals, TANF policies should be centered in evidence and promising practices that reflect the lived experiences of families.

5 The broader workforce system must provide a coordinated continuum of services that supports all jobseekers' strengths, goals and needs.

6 Families must have access to adequate assistance and services that allows them to meet their basic needs while working to achieve their long term goals.

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Reimagining Family Engagement in TANF

VISION FOR TANF:

Families should be in the driver's seat of their own lives, co-creating plans with TANF agencies that support their family well-being and long-term economic mobility. Families should receive individualized assessments that are used to place them in customized activities that reflect their input and expertise. These plans should be reviewed and updated over time with participants and staff jointly evaluating progress as they work together to achieve agreed upon goals.

CONGRESS SHOULD:

> Establish a Framework for Customized Career and Family Success Plans

- Direct the Department of Health and Human Services (HHS) to establish common standards for states to develop individualized assessments for TANF participants that consider families' economic, social, emotional, and physical well-being.
- Direct states to co-create with TANF participants customized Career and Family Success Plans that put into action a plan to achieve mutually agreed upon goals based on individualized assessments.
- Use individualized assessments to measure progress towards goals and update Career and Family Success Plans bi-annually and as otherwise requested by TANF families.
- Require states to submit to HHS their methodology for conducting individualized assessments to develop Career and Family Success Plans (replacing the existing Work Verification Plan requirement) using state performance data, participant feedback, and social and economic indicators to inform changes and revisions.

> Use Career and Family Success Plans to Reimagine the Role of TANF Agencies to Support Pathways to Economic Mobility

- Replace arbitrary and convoluted Work Participation Rate (WPR) requirements and associated restrictions on countable hours and activities with economic mobility and child and family well- being components jointly identified with participants through their individualized Career and Family Success Plans.
  - Economic mobility activities may include education, training, and employment activities and/ or work readiness activities that help support successful entry and long-term success and growth in the workforce.
  - Child and family well-being activities may include services and resources that address children and caregivers' physical, behavioral, social, and emotional needs.
- Tailor economic mobility and child and family well-being activities to the specific needs of TANF participants and their families using a trauma-informed approach, accounting for families' participation in other economic mobility and child and family well-being programs and advancing a strategy towards family-sustaining wages.

- Require states to reassess and update, in consultation with TANF participants, Career and Family Success Plans, when participants are not meeting Plan requirements.
- Limit sanctioning of TANF participants to instances where individuals are not meeting Career and Family Success Plan requirements and proactive outreach has failed to reengage TANF participants in jointly reviewing and realigning their Success Plans with relevant and achievable goals and activities.
- Prohibit “full family” sanctions, fostering continued service provision and support that meet the needs of children in the home.

> Provide a Minimum Five-Year Lifetime Limit for TANF Participation

- As a condition of accepting the TANF block grant, states must provide a minimum five-year lifetime limit for TANF cash assistance.
- States should have discretion to propose through State Plans to increase their lifetime limit for TANF assistance beyond five years.

Establishing Performance Measures Focused on Outcomes

VISION FOR TANF:

TANF services should be centered in evidence of what works for families, informed by the perspectives, goals, and needs of individuals served. The success of TANF programs should be measured by their ability to achieve employment and economic well-being outcomes, as captured through progress towards and attainment of family-sustaining wages. Further, TANF programs should measure family stabilization outcomes that assess whether participants have the child and family supports they need to effectively pursue their career goals.

CONGRESS SHOULD:

> Establish Employment & Economic Well-Being Performance Measures Aligned with WIOA

- Direct HHS to establish TANF Employment and Economic Well-Being Measures that:
  - Align with WIOA measures of employment rates (Q2 and Q4), median earnings (Q2), and credential attainment rates (within 1 year) after exit, and measurable skills gains rates for program participants.
  - Are adapted to the specific characteristics of TANF participants, such as measuring skill gains and credential attainment that consider improvements in executive functioning and soft skills while participating in TANF.
  - Include a list of acceptable supplemental measures that consider whether TANF recipients are achieving long-term economic mobility or incremental progress towards removing barriers to economic mobility, which states may report on to be factored into determining whether they have met performance standards.
- Provide a three-year transition period for states to adopt new outcome-based performance measures, including grant funding and technical assistance to collect the data needed for performance reporting.
  - Establish state-specific TANF baselines using data on TANF participant employment and economic well-being outcomes in the three years prior to implementation of new outcome- based performance measures.
  - Fund pilots during the three-year transition period for states with existing capabilities to track and evaluate outcome measures.

> Establishing Federal Oversight to Assess Progress in State Performance Outcomes

- Direct HHS to develop criteria for acceptable employment and economic well-being outcomes based on states falling within an acceptable range of performance targets.
    - Metrics should include data that enable states to identify and track progress towards addressing disparities in outcomes among TANF participants.
- Permit states that fail to meet performance standards in a reporting period to establish a corrective action plan to avoid penalties, contingent on performance outcomes in the following reporting period.
- Require states under penalty to increase state Maintenance of Effort spending to improve performance outcomes rather than withhold a share of the TANF block grant.
- Direct HHS to determine aspirational thresholds for employment and economic well-being measures and establish a high-performance bonus structure that rewards states that reach aspirational thresholds and maintain high TANF penetration rates within eligible populations.
- Grant HHS discretion to waive penalties in exceptional circumstances.

> Establish Family Stabilization Metrics to Measure Child and Family Well-Being

- Direct HHS to establish acceptable state and/or county-level Family Stabilization Measures for assessing child and family well-being overall, prioritizing identifying and tracking progress towards addressing disparities in outcomes among TANF participants.
- Require states to identify within their State Plan which Family Stabilization Measures they will track. Measures selected should be informed by community assessments that include input from current or former TANF recipients.
- Provide a three-year transition period for states to adopt and implement Family Stabilization Measures.
- Direct HHS to offer technical assistance to states on establishing, measuring, and improving outcomes within Family Stabilization Measures.

Moving TANF Upstream Through Cross-Systems Alignment

VISION FOR TANF:

TANF must act as a bridge to create alignment with the constellation of programs and services critical to optimizing career and family well-being outcomes for people experiencing poverty.

CONGRESS SHOULD:

> Require States Spend at Minimum 50% of Federal TANF Funding Towards Core Activities

- Core activities include cash assistance, case management, and economic mobility and child and family well-being activities that are part of Career and Family Success Plans, as well as non-recurrent short-term benefits and family support/family preservation/reunification services.
  - Countable core activities may include activities included in a Career and Family Success Plan intended to support non-custodial parents, grandfamilies, and other non-traditional caregivers of TANF assistance recipients in financially and socially supporting their families.
  - Countable core activities may include activities funded by TANF transfers to another program so long as they are part of a TANF assistance recipient's Career and Family Success Plan.
  - Provide a two-year transition period for states to come into compliance with core activities requirements.

> Require TANF Transfers to Demonstrate Coordination Across Programs

- Require states that choose to transfer TANF funds to CCDBG, SSBG, WIOA, or child welfare to document within State Plans how funds are being coordinated in pursuit of TANF goals through policy and system alignment, data sharing, referrals, shared metrics, and customer feedback.
- Direct HHS to develop a schedule for key reporting and administrative requirements that supports coordination with other major federal program planning and reporting schedules.

> Adequately Fund Mutually Supportive Systems to Work Effectively with TANF

- Ensure that systems aligned with TANF to help families achieve success, such as child welfare, child care, child support, and workforce development, are adequately funded, allowing states the ability to prioritize TANF funds towards core activities.

> Direct HHS to Evaluate Alignment of TANF Cash and Supportive Services with Aligned Economic Mobility and Child and Family Well-Being Programs

- Reserve funding to enhance research, technical assistance, and pilots that increase the evidence base on best practices and impacts of aligning TANF with child welfare prevention services, housing, WIOA, and WIOA one-stop partners.
- Expand the scope of the Pathways to Work Evidence Clearinghouse to warehouse evidence of what works in alignment with the full scope of TANF Career and Family Success Plans.

Updating TANF Funding and Resourcing

VISION FOR TANF:

TANF must be adequately resourced to invest in families' short-term stability and long-term economic mobility goals. States must be able to make investments in people and services in ways that mitigate benefit cliffs, clearing a path to economic mobility and supports healthy, thriving families. TANF must also be responsive in times of public health emergencies, natural disasters, and economic downturns; families must have adequate resources to weather the storm.

CONGRESS SHOULD:

> Invest in TANF's Potential to Align Benefits and Supportive Services to Help Families Out of Poverty

- Immediately increase the TANF block grant from 1995 spending levels to compensate for lost value due to inflation.
- Index future block grant levels to inflation to prevent future loss in value.

> Modify the Calculation of Individual State's Block Grant Levels to Reflect Current Need

- In conjunction with an increase to the TANF block grant and holding states harmless from a reduction to existing TANF state grant amounts, charge HHS to transition from the current state allocation formula that is based on outdated AFDC spending levels to reflect more equitable distribution across states based on current economic needs of families with children.

> Provide Cash Assistance, Paired with Career and Family Services, that Meets Families' Basic Needs to Support their Path Out of Poverty

- Require states to demonstrate how TANF benefits and services, in conjunction with other economic supports, provide TANF participants enrolled in Career and Family Success Plans with the resources needed to meet their basic needs while working towards career and family well-being goals.
- Grant authority for states to exempt TANF cash assistance from countable income for other means-tested programs when TANF benefits would result in benefit cliffs that reduce net wealth as TANF participants' earned income rises.
- Incentivize states to adopt and expand child support pass through policies by fully waiving the federal share of child support collections for TANF cash assistance on passed-through child support payments.

> Limit States' TANF Reserves to 100% of Their Annual Block Grant

- Limit states reserves of overall, unobligated TANF block grant funds at the end of each fiscal year to no more than 100% of the state's current fiscal year allocation of TANF funds.
- Allow States with current reserves above this threshold two fiscal years from the date of the policy change to obligate excess funds with an additional year to expend excess funds.

For inquiries or more information, contact Matt Lyons, Senior Director of Policy & Practice at mlyons@aphsa.org.

Comments for the Record
United States House of Representatives
Committee on Ways and Means
Work and Welfare Subcommittee
Hearing on Where is all the Welfare Money Going?
Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty
Wednesday, July 12, 2023, at 2:00 PM.

By Michael G. Bindner
The Center for Fiscal Equity

Chairman LaHood and Ranking Member Davis, thank you for the opportunity to submit these comments for the record to the Subcommittee on this topic, which magnifies those presented earlier this year to the Subcommittee.

TANF should be abolished. It is designed to train poor people with limited literacy and skills to do dirty, lower wage work in hospitality or medical assistance. It is one stage below computer systems training at community college through what was once the H-1B technical skills training program (which I staffed in the Department of Labor, although at the time, we also trained medical assistants).

Almost thirty years into the program, its main success is pruning the welfare rolls because of the penalties it put in place for non-compliance. Suc non-compliance is easy to fall into for those who are less than fully literate.

The focus of human services spending, which is best provided through the private, charitable or cooperative economy, is to keep people in training or transition them to disability in however much time it takes to do so. There should be no weeding out of the non-compliant.

When I graduated from Loras College and began graduate studies at the American University, the Washington Area Consortium of Universities held a conference on poverty. **Every speaker in every topic area cited education as the key avenue to upward mobility.**

For those who are homeless or families in bad housing, the first goal should be decent housing at public expense, although such situations should be supervised to make sure that program beneficiaries know how to run their own households. Program housing should be available until participants are able to find a job or long term educational placement which either pays enough to attain or offers through a longer term educational setting.

Food Stamps should also be abolished and replaced with a child tax credit that provides income which is adequate to feed, clothe and house an additional child, which can be up to $1000 per month. The current amount, which is set to expire in 2025, is $2000 per year. It will revert to $1000 per year, or less, because it is non-refundable. During the pandemic, it was $3,000 per year, or $3,600 for younger children. The President's Budget proposes this amount be restored and made permanent. It is not adequate, but it's a start.

The President's Budget also includes funding the first two years of education at community college. The same level of funding should be provided to students in technical training after grade ten and should be available to students at both public and accredited private schools, including religious schools. In *Espinoza v. Montana*, prohibitions on funding private schools (Blaine Amendments) were found to be unconstitutional. New (and existing) funding should reflect that fact.

Local public, charitable (including religious) and private social welfare and educational providers should provide both case management and housing, as stated above.

Participants should be paid a stipend of at least the minimum wage (which also needs to be increased to $11 per hour with a 30 hour week. For those unable to work or study, that amount should be paid to fund temporary disability. Again, SNAP would be discontinued. Participants in drug court with unmet literacy needs and the disabled in need of either psychiatric rehabilitation services or occupational therapy would be paid to attend education and rehabilitation activities.

In 2021, the House proposed increasing the minimum wage to $15 per hour as part of reconciliation. Until the Senate Parliamentarian ruled that this was out of order and the votes did not exist to overrule her, the Republican Minority counter-offered a $10 per hour. An $11 wage makes up for cutting hours from 40 a week to 32. For training program participants, 30 hours per week is more than enough.

A main problem with current training regimes is that potential students have opportunity costs that are not covered by training. TANF is simply too narrowly tailored and directs too many people to low wage work, especially in the dirtiest jobs in the medical field. The woke among us do not have to look hard for the intrinsic sexism and racism in this scheme.

Providing minimum wage pay to attend school will assure that, when the wage is increased, those without skills will not be priced out of the economy - as some fear when opposing raising the wage. One reason to raise the minimum wage is precisely so no one lives only on their child tax credit proceeds. There are some in both parties who believe that the child tax credit should have a work requirement. I agree if that work includes being paid to go to school.

Paid training must be provided to those whom the education system and the former culture of dependency has failed. The caricature of the welfare cheat was never reality, however those who were and are trapped in poverty usually have educational deficits, as well as a history of family incarceration due to the war on drugs and its disproportionate penalties for Black and Hispanic men.

English as a Second Language should not only be free, but workers should be paid to attend, irrespective of immigration status. Part-time workers should also be eligible for this benefit.

Payments for tuition, stipends and family support would be funded by employer-paid subtraction value added taxes. Ideally, both state and federal subtraction VAT will be enacted. A federal VAT would be levied to assure that a minimum amount of funding is available should states underfund their programs, which some will.

Our attachment on Consumption Taxes provides information on how this tax would work. These proposals are what the Fair Tax would look like if it was designed to work effectively and provide family benefits without making the Social Security Administration and state government the paymaster for delivering prebates. The proposed (Credit) Invoice VAT replaces the current deduction for sales taxes paid with full crediting of the same amount (and then adding the federal portion).

Tax reform undertaken during this process would end tax filing for most families (and certainly all poor ones). The more generous child tax credit and higher minimum wage (including for training) allows for the abolition of the EITC.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

Attachment - Consumption (Fair) Taxes, March 24, 2023

Subtraction Value-Added Tax (S-VAT). Corporate income taxes and collection of business and farm income taxes will be replaced by this tax, which is an employer paid Net Business Receipts Tax. S-VAT is a vehicle for tax benefits, including

- Health insurance or direct care, including veterans' health care for non-battlefield injuries and long term care.
- Employer paid educational costs in lieu of taxes are provided as either employee-directed contributions to the public or private unionized school of their choice or direct tuition payments for employee children or for workers (including ESL and remedial skills). Wages will be paid to students to meet opportunity costs.
- Most importantly, a refundable child tax credit at median income levels (with inflation adjustments) distributed with pay.

Subsistence level benefits force the poor into servile labor. Wages and benefits must be high enough to provide justice and human dignity. This allows the ending of state administered subsidy programs and discourages abortions, and as such enactment must be scored as a must pass in voting rankings by pro-life organizations (and feminist organizations as well). To assure child subsidies are distributed, S-VAT will not be border adjustable.

Invoice Value-Added Tax (I-VAT). Border adjustable taxes will appear on purchase invoices. The rate varies according to what is being financed. If Medicare for All does not contain offsets for employers who fund their own medical personnel or for personal retirement accounts, both of which would otherwise be funded by an S-VAT, then they would be funded by the I-VAT to take advantage of border adjustability.

I-VAT forces everyone, from the working poor to the beneficiaries of inherited wealth, to pay taxes and share in the cost of government. As part of enactment, gross wages will be reduced to take into account the shift to S-VAT and I-VAT, however net income will be increased by the same percentage as the I-VAT. Inherited assets will be taxed under A-VAT when sold. Any inherited cash, or funds borrowed against the value of shares, will face the I-VAT when sold or the A-VAT if invested.

I-VAT will fund domestic discretionary spending, equal dollar employer OASI contributions, and non-nuclear, non-deployed military spending, possibly on a regional basis. Regional I-VAT would both require a constitutional amendment to change the requirement that all excises be national and to discourage unnecessary spending, especially when allocated for electoral reasons rather than program needs. The latter could also be funded by the asset VAT (decreasing the rate by from 19.25% to 13%).

Contact Sheet

Michael Bindner
Center for Fiscal Equity
14448 Parkvale Road, Suite 6
Rockville, MD 20853
240-810-9268
fiscalequitycenter@yahoo.com

Committee on Ways and Means
Work and Welfare Subcommittee
Hearing on Where is all the Welfare Money Going?
Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty
Wednesday, July 12, 2023, at 2:00 PM.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears:

This testimony is not submitted on behalf of any client, person or organization other than the Center itself, which is so far unfunded by any donations.

July 26, 2023

The Honorable Jason Smith
Chairman
House Committee on Ways and Means
1011 Longworth HOB
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
House Committee on Ways and Means
372 Cannon HOB
Washington, DC 20515

The Honorable Darin LaHood
Chairman
Subcommittee on Work and Welfare
1424 Longworth HOB
Washington, DC 20515

The Honorable Daniel Davis
Ranking Member
Subcommittee on Work and Welfare
2159 Rayburn HOB
Washington, DC 20515

Dear Chairman Smith, Subcommittee Chairman LaHood, Ranking Member Neal, and Ranking Member of the Subcommittee Davis,

Chapin Hall at the University of Chicago appreciates the opportunity to submit testimony to the Ways and Means Committee's Work & Welfare Subcommittee in response to its recent hearing on "Where is all the Welfare Money Going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty." Chapin Hall is an independent, nonpartisan policy research center at the University of Chicago that provides public and private decision-makers with rigorous research and achievable solutions to support them in improving the lives of children, families, and communities. Chapin Hall's areas of research include child welfare systems, community capacity to support children and families, and youth homelessness.

- A large body of research demonstrates the positive effect an array of economic and concrete support has as a protective factor in reducing family risk for involvement with child protective services or a child experiencing foster care placement—from tax credits to child care to TANF and more (Grewal-Kök et al., 2023). Evidence shows that economic and concrete supports are associated with reduced risk for child maltreatment, child protective services (CPS) investigations, removal of children from their homes and placement into foster care, and significant injury and death due to maltreatment. The central role of economic and material hardship and substantial resource constraints as drivers of child welfare system involvement underscores the importance of addressing the concrete needs of families and promoting economic stability (Dolan et al., 2011; Conrad-Hiebner & Byram, 2020; Cai, 2022; Pac et al., 2023; Drake et al., 2023). A recent analysis from Pac et al. (2023) states "… research suggests that the relation between income and CPS involvement is likely causal, implying that, all else equal, increased household income should directly reduce risk of CPS involvement" (p. 44). Cancian et al. (2013) found, through a randomized control trial, that mothers who participate in TANF and are eligible to receive full child support for their children (and child support is disregarded in determining welfare benefits) are 10% less likely to have a child subject to a screened-in maltreatment report *(compared to mothers who are eligible to receive only partial child support payments).*

- **The first <u>statutory goal of TANF is to provide *assistance* to needy families so that children can be cared for in their own homes or in the homes of relatives.</u> The evidence suggests that decision making in TANF is associated with whether children are able to remain at home with their families and in their communities.** Each year approximately 200,000 children enter foster care (The Annie E. Casey Foundation, 2023). Early analyses showed the overlap between families receiving Aid to Families with Dependent Children and families involved with the child welfare system (Goerge et al., 1993; Slack et al., 2023). Nearly 85% of families investigated by child protective services have incomes below 200% of the federal poverty line (Dolan, 2011). Families below the poverty line are three times more likely to be substantiated for child maltreatment (Drake & Jonson-Reid, 2014).

- TANF is an important source of cash assistance for families facing economic hardship; however, few families are able to access this benefit. According to the Congressional Research Service, basic assistance accounted for $6.9 billion (23%) of the $30.3 billion in TANF spending in FY2021 (Falk, 2023), with 31 states spending less than 20% of TANF funds on cash assistance (OFA, FY 2021 TANF data). From FY 2020 to FY 2021, the amount of funds used for basic assistance decreased by $194 million (OFA, FY 2021 TANF data). As a result, presently less than 1 million families in the US receive TANF basic assistance and, in some states, the majority of those families are relatives receiving the child only benefit (U.S. Department of Health and Human Services, 2023). Even for families who are able to access TANF benefits, the monthly payments are often not sufficient to meet basic needs. According to the Congressional Research Service, only one state has a maximum TANF assistance amount for a family of two in excess of 50% of the poverty-level income (Falk, 2023).

Given the growing evidence base demonstrating linkages between economic hardship and risk factors for child welfare involvement, families need access to holistic supports that promote stability and economic security, including high-quality childcare, stable housing, living wages, and sustainable employment. Policies and programs upstream of child welfare can support families to reduce risk, for example as described in the first statutory goal of TANF. When families are faced with complex challenges, evidence-based programs and services can support healing and recovery (Grewal-Kök et al., 2023).

For the purposes of this testimony, Chapin Hall submits this letter and the following evidence related to TANF for inclusion in the hearing record. Thank for the opportunity to contribute this information.

Sincerely,

Clare Anderson
Senior Policy Fellow
Chapin Hall at the University of Chicago
canderson@chapinhall.org

Yasmin Grewal-Kök
Policy Fellow
Chapin Hall at the University of Chicago
ygrewalkok@chapinhall.org

Testimony to Work and Welfare Subcommittee Hearing on "Where is All the Welfare Money Going?" Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty"

- *Material Hardship & Child Welfare System Involvement among Families Receiving TANF*
  For families who receive TANF, experiencing material hardship (difficulty meeting basic needs) is associated with increased risk for both neglect and physical abuse investigations. If these families experience at least one type of material hardship, they are three times more likely to experience a neglect investigation and four times more likely to experience a physical abuse investigation. And, if they experience multiple types of material hardships after not having experienced any, they are up to four times more likely to experience a CPS investigation and seven times more likely to experience an investigation for physical abuse (Yang, 2015).

- *Decreased Family Access to TANF*
  State policies and decision-making that limit family access to TANF benefits—including reducing the maximum allowable cash benefit amount—are associated with increased risk of involvement with child welfare (Slack et al., 2023) and increases in maternal self-reported physical child maltreatment (Spencer et al., 2021). Lifetime limits on receipt of TANF benefits and sanctions for noncompliance are associated with higher levels of substantiated maltreatment and foster care entries (Paxson et al., 2003; Ginther & Johnson-Motoyama, 2022). For example, states that implemented TANF time limits of less than 60 months experienced a 34.4% increase in substantiated maltreatment reports and a 37.3% increase in substantiated neglect reports (increases observed from 2004 to 2015) (Ginther & Johnson-Motoyama, 2017). Another study found that a 10% reduction in the average monthly AFDC/TANF cash benefit amount for a family of three was associated with a 2.3% increase in state-level foster care caseload rates from 1985 to 2000 (Swann & Sylvester, 2006). Ginther & Johnson-Motoyama (2022) also found that each additional state policy that restricts access to TANF is associated with an additional 22 per 100,000 thousand children entering foster care due to abuse and an additional 21 per 100,000 children entering foster care due to neglect (increases observed from 2004 to 2016).

- *Increased Access to TANF*
  As Ranking Member Davis mentioned, state policies that increase family access to TANF benefits are associated with reductions in foster care placements. An estimated 29,112 children would not have entered foster care nationally (from 2004 to 2016) if states had made it easier for families to receive TANF cash assistance (Ginther & Johnson-Motoyama, 2022). Another study found that a 10% increase in state public benefit levels (AFDC/TANF and the value of food stamps) for a family of four was predicted to reduce foster care placements by 8% (Paxson & Waldfogel, 2003).

- *Increased Family Access to Child Care via TANF*
  TANF funds can also be used for early education and care, with states spending 16% of TANF funds on child care (OFA, FY 2021 TANF data). Child care access is a protective concrete support. Each additional month that mothers who are low income receive a child care subsidy is associated with a 16% decrease in the odds of a neglect referral to child welfare and a 14% decrease in the odds of a physical abuse referral (Yang, 2019). The child care investments proposed in the 2020 federal Build Back Better plan

would be associated with a 6% reduction in substantiated maltreatment, a 3% reduction in foster care placements, and a nearly 12% reduction in child fatalities (Puls et al., 2022). Lack of access to child care and child care assistance is associated with increased risk for child maltreatment investigations (Klevens et al., 2015), especially for neglect (Yang & Maguire-Jack, 2016) and self-reported maternal neglectful behavior and physical aggression (Ha et al., 2019).

- *Human Capital and Fiscal Implications*
  The possible human capital and fiscal cost savings of keeping children safely at home, preventing maltreatment, and averting the deployment of CPS are significant. Gelles & Perlman (2012) estimated the direct and indirect costs of child maltreatment at $80 billion annually. Peterson et al. (2018) estimated the economic burden of investigated child maltreatment at $2 trillion of lifetime costs incurred annually in the United States. Adverse childhood experiences, of which five of the ten experiences relate to child maltreatment, are associated with erosion in human capital and potential including increased disease burden and early death (Felitti et al., 1998). Although foster care remains a necessity for some children, involvement with child welfare is associated with poor long-term outcomes and, as a result, yields significant negative social returns (Doyle, 2007). One estimate found that every $1 spent on foster care for a child results in a negative social return of -$3.64 to -$9.55 (Nielson & Roman, 2019).

- *TANF Decision-Making at Family and Community Levels*
  States have wide discretion in how they administer TANF funds at the family and community levels and make many policy choices. At the family level, policy choices include establishing TANF basic assistance cash benefit levels, income eligibility thresholds (up to the maximum allowable percentage of federal poverty level), time limits for receiving benefits (up to a 60-month lifetime limit), and sanctions for not meeting TANF requirements. At the community level, policy choices include programs and services to fund including work and training programs, child care, early education programs, child welfare programs, and other programming for youth, fatherhood involvement, and marriage promotion (Falk, 2023).

  States also have discretion in determining how much TANF funding to hold in reserve, and several states have considerable amounts of these TANF funds. As of 2021, states were holding up to $6.2 billion in federal TANF funds in reserve (OFA, FY 2021 TANF financial data table).

- *TANF Funds in Child Welfare*
  States spend around 6% of TANF funds on child welfare, including foster care (OFA, FY 2021 TANF data). Child Trends conducts a bi-annual survey of states to understand the use TANF funds to support spending by title IV-E child welfare agencies. TANF spending by child welfare agencies equaled approximately $2.6 billion in FY 2020, down 5% from FY 2018. Child welfare agencies use these funds for a number of purposes with the most common being family preservation services (15 states) among the 36 states reporting. Seven states report using these funds for foster care. States also report via the survey that TANF funds are used for “other child welfare services” (13 states) and “other” (6 states), thereby reducing the ability to understand how funds are used and which TANF statutory goal undergirds their spending decision making. There are no federal requirements that states report how TANF funds are used by child welfare agencies beyond those described in the TANF Financial Report Form, which is set to expire in February 2024 (U.S. Department of Health and Human Services, 2023).

- *TANF Pilots in Fiscal Responsibility Act of 2023*
  The Fiscal Responsibility Act of 2023 provides authority in TANF for new pilot projects in five states for promoting accountability through the negotiation of performance benchmarks for work and family outcomes. The benchmarks and performance metrics are to include, among others, indicators of family stability and well-being. These pilots will last for six years with the first year devoted to establishing benchmarks and targets with the Department of Health and Human Services. Given the focus in the pilots on family stability and well-being and the first statutory goal in TANF to **provide *assistance* to needy families so that children can be cared for in their own homes** or in the homes of relatives, these five pilots provide an opportunity to test how decision making in TANF is or could be brought more into alignment with this goal.

Thank you for the opportunity to submit this testimony.

Additional references are available here: https://www.chapinhall.org/wp-content/uploads/Chapin-Hall-ECS-Reference-List_July-2023.pdf

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U.S. House of Representatives Committee on Ways and Means
Subcommittee on Work & Welfare

Written Comments for Hearing, "Where is all the Welfare Money Going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty"

Chairman Smith, Ranking Member Neal, Subcommittee Chairman LaHood, Subcommittee Ranking Member Davis, and Members of the House Committee on Ways and Means, thank you for the opportunity to submit this statement for the record.

The Child Welfare League of America (CWLA) is a coalition of hundreds of private and public agencies that, since 1920, has worked to serve children and families who are vulnerable. Our expertise, leadership and innovation on policies, programs, and practices help improve the lives of millions of children across the country. Our impact is felt worldwide.

We appreciate the opportunity to submit our recommendations on the future of the Temporary Assistance for Needy Families (TANF) block grant. As we noted in our comments for the record regarding the March 29th hearing, *"Welfare is Broken: Restoring Work Requirements to Lift Americans Out of Poverty,"* TANF is important to child welfare for three reasons: its role in providing support to relative caregivers, its significant financial support to wrap-around child welfare services, and its potential to address child poverty.

Our previously submitted comments included several recommendations to strengthen the TANF program, many of which were focused on the eligibility requirements for receiving cash assistance. For our comments today, we have chosen to focus TANF's potential to address child poverty, which research has shown is a risk factor in abuse and neglect. Should the subcommittee choose to put forward a bill to reauthorize TANF, CWLA makes the following recommendations:

1. Include poverty reduction as one of the core purposes of the program.
2. Increase transparency and accountability in how non-cash assistance funds are spent by the states.
3. Optimize family preservation efforts, complementary to the goals of the Family First Prevention Services Act.
4. Significantly increase the funding for the TANF block grant.

Poverty Reduction as a Core Purpose

CWLA supports the inclusion of poverty reduction as one of the core purposes of the act, as we did more than two decades ago. We feel this is an important step in helping to focus TANF on assistance for poor families. TANF reform is an opportunity to focus on reducing poverty for children, and re-focusing the mission of the TANF program on child poverty would provide critical relief to families both in and outside of the formal child welfare system and could reduce reports of suspected child maltreatment due to poverty-related neglect.

Recently, the New York Times with Child Trends released a study, Expanded Safety Net Drives Sharp Drop in Child Poverty, which examined the impact of various federal programs on reducing child poverty. The positive news is that the analysis found that child poverty had been reduced by 59 percent between 1993 and 2020 (before the COVID-19 pandemic began) but the decrease was not the result of TANF.

While that analysis found that multiple forces reduced child poverty, including the employment rate, labor force participation and state minimum wage increases, the story went on to state, *"But a dominant factor* [in reducing child poverty] *was the expansion of government aid.*[1]*"*

The federal programs that had the greatest impact between 1993 and 2019 included, in order of significance: the Earned-income tax credit (EITC), Social Security, SNAP, Housing assistance, Free and discounted school lunch, Supplemental Security Income, Cash assistance, Women/children nutrition (WIC), Unemployment insurance, and Home energy assistance.

The New York Times-Child Trends analysis found that cash assistance had reduced child poverty by 5 percent in 1993 but by only 2 percent in 2019. By comparison the EITC had reduced child poverty by 5 percent in 1993 and by 22 percent by 2019. The only two federal programs that had not increased its reduction in child poverty between 1993 and 2019 were TANF and unemployment insurance.

TANF has been largely ineffective in significantly reducing child poverty to date. When AFDC was converted into the TANF block grant in 1996, over 65 percent of poor families were receiving cash assistance through AFDC. In recent years that percentage has shrunk to less than 1 in four of poor families receiving cash assistance. "Because expenditures in the TANF program have fallen so dramatically, the cash component of the program currently contributes very little to poverty reduction. Eliminating TANF would increase the child poverty rate by about one-half of one percentage point.[2]" While we believe that TANF can reduce some deep poverty (families at one-half the federal poverty level), if TANF is to live up to its potential to reduce poverty for children and

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[1] DeParle, J. (2022, September 11). Expanded Safety Net Drives Sharp Drop in Child Poverty. *New York Times.* https://www.nytimes.com/2022/09/11/us/politics/child-poverty-analysis-safety-net.html.

[2] Ibid., p. 213 footnote.

families, it will be necessary to implement significant reforms that refocus the program on poverty reduction and increase efficacy and access for families in need of support.

Increase Research, Transparency and Accountability

More than five years ago, CWLA President and CEO Chris James-Brown served on the Congressionally mandated committee for National Academies of Sciences, Engineering, and Medicine to study evidence-based strategies to reduce child poverty by half within a ten-year period. This Congressionally driven study resulted in the 2019 National Academy of Sciences report, *A Roadmap to Reducing Child Poverty.*

After nearly two years of work, the Committee completed a review of the research literature and commissioned analyses to answer some of the most important questions surrounding child poverty and its eradication in the United States. The Committee found there was no single approach that could reduce child poverty in half within ten years. The Academy report identified a combination of evidence-based, work-based and income support packages that would reduce child poverty and deep poverty within the ten year timeframe and recommended four different approaches, which did not include TANF but instead focused on expansions of tax credits like the Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), and the Child and Dependent Care Tax Credit (CDCTC), increasing the minimum wage, and expanding access to basic needs through SNAP and housing vouchers[3]. These programs and tax incentives were grounded in sufficient research to be selected as the most effective way to reduce child poverty.

The Committee did examine TANF and other anti-poverty programs but as the Committee stated in *CONCLUSION 7-4*:

"There is insufficient evidence to identify mandatory work policies that would reliably reduce child poverty, and it appears that work requirements are at least as likely to increase as to decrease poverty. The dearth of evidence also reflects underinvestment over the past two decades in methodologically strong evaluations of the impacts of alternative work programs.[4]

The Report further detailed, "…***very little evidence concerning the impact of block grants on poverty rates meets the standard of rigor we imposed on the other reforms we simulated****. Second, block grants come in a variety of forms, and knowing how they are constructed is crucial in assessing any poverty impacts they might have. Accordingly, there is no simple answer to the question of whether block grants are likely to increase or reduce poverty,*[5]*"* (emphasis added).

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[3] National Academies of Sciences, Engineering, and Medicine. 2019. A Roadmap to Reducing Child Poverty. Washington, DC: The National Academies Press. https://doi.org/10.17226/25246.
[4] Ibid., p. 210
[5] Ibid., p. 211

The Report notes that there is some evidence that TANF had short-term impacts on poverty at the time of its implementation, but there was insufficient research to prove its long-term impact as a poverty-reduction program.

This lack of evidence was highlighted by witnesses in both TANF hearings this year. Any TANF reauthorization should include an effort to gather more information and data about how TANF dollars are spent and to measure whether these funds are effective at reducing poverty rates of recipients for both cash assistance benefits and non-assistance funds.

It is particularly important that more information is provided about how states spend non-assistance funds. As Mr. Shad White from the Mississippi Office of the State Auditor highlighted in his remarks in the July 12th hearing, the lack of accountability and transparency surrounding these funds has resulted in them being misspent or not spent at all, with some states accumulating funds rather than using them. Non-assistance spending under TANF and the flexible ways it can help families is a critical support but because of this lack of information, there is currently little concrete evidence to support the effectiveness of non-assistance TANF expenditures in reducing poverty and supporting families.

Optimize Family Preservation Efforts

Safety net programs, and welfare programs in particular, were originally created to support some of the most precarious needs in our country, primarily focusing on supporting single mothers with very low incomes to stay home and raise their children, rather than forcing them to find work. These programs were designed to promote family preservation, unification and permanency. Importantly, the first goal of TANF is to support needy families so that children remain safely at home.

As funding streams and programs have diversified and child welfare work has been separated from economic supports and cash assistance, this focus on family preservation has been weakened over time. When families experience material hardship, they are more likely to be the subject of a child abuse or neglect investigation. Nearly 85 percent of families investigated by child protective services have incomes below 200 percent of the federal poverty line[6]. Child welfare workers often don't have access to funds that would allow them to address the pressing needs of the families that they serve, and therefore are often unable to effectively help children to stay in their homes.

In federal fiscal year (FY) 2020, at least 15 states spent more than 15 percent of their TANF funds directly on child welfare services. CWLA recommends that these non-assistance TANF funds that are spent on child welfare services be both strengthened and increased under the TANF block grant as well as the Title IV-B Child Welfare Services

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[6] Melissa Dolan et al., "NSCAW II Baseline Report: Introduction to NSCAW II Final Report OPRE Report 2011–27a," Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, August 2011, https://www.acf.hhs.gov/sites/default/files/documents/opre/nscaw2_intro.pdf.

block grant to create a more thoughtful set of earmarks for child welfare, primarily to be used for foster care placement prevention. This approach would complement other federal child welfare legislation, such as the Family First Preservation Services Act, and would align with the original goals of welfare and TANF's predecessor, Aid to Families with Dependent Children (AFDC). With additional accountability and transparency measures in place, giving resources to child welfare agencies to provide concrete and economic supports directly to families would reduce the number of children placed in out-of-home care.

CWLA recommends that an alignment between the goals of TANF and child welfare systems be created in partnership with experts in these fields, including people with lived expertise in both child welfare and TANF, and with leaders in tribal communities, where interfamily and community connectedness has proven successful in breaking down silos and supporting and preserving families.

TANF also supplements some out of home placements, a critical support given that Title IV-E foster care and kinship care assistance continues to erode due to the ongoing eligibility link to the July 1996 AFDC eligibility requirements. Less than 40 percent of the foster care population are now covered through Title IV-E. In addition to aligning TANF goals with the goals of Title IV-B Child Welfare Services, CWLA recommends de-linking Title IV-E eligibility from the AFDC eligibility requirements so that more children and youth in out-of-home care are covered by federal dollars, reducing states' reliance on TANF funds to support placements.

It is also vital to note that access to cash assistance benefits in TANF has been shown to have a substantial impact on child welfare involvement as well. A study published in the Health Affairs Journal in December 2022, demonstrated that increases in TANF caseloads were associated with significant reductions in numbers of neglect victims and foster care placements. Additionally, the findings show that restrictions on TANF access were associated with more than forty-four additional neglect victims per 100,000 child population and between nineteen and twenty-two additional children per 100,000 placed in foster care[7]. Research on the impact of economic and concrete supports on child welfare involvement by Chapin Hall has also shown correlation between reduced access to TANF assistance and increases in reports of neglect and foster care entries[8].

Cash benefits for families are a crucial strategy in reducing child maltreatment and keeping families together. To that end, TANF reform must include reducing barriers to cash assistance for families. CWLA has previously recommended a variety of reforms, such as: eliminating the caseload credit; improving how and what qualifies as work, such as partial work credits and a broader definition of work; removing the cap on vocational

[7] Ginther, Donna K. and Johnson-Motoyama, Michelle. "Associations Between State TANF Policies, Child Protective Services Involvement, And Foster Care Placement." Health Affair Journal, Vol. 41 Number 12. December 5, 2022. https://www.healthaffairs.org/doi/10.1377/hlthaff.2022.00743

[8] Chapin Hall. "Child and Family Well-being System: Economic & Concrete Supports as a Core Component." March 2023. https://www.chapinhall.org/wp-content/uploads/Economic-Supports-deck.pdf

education; eliminating the current blanket prohibition on assistance to anyone with a past conviction of a drug related crime; and eliminating the separate and too rigorous work requirements and standards for married families.

Increase TANF Funding

Similar to other block grants that convert entitlement funds to a fixed allocation or block grant, the value of TANF has been eroded by more than 40 percent by inflation. Some of the funding was actually eliminated in 2012 with the elimination of the supplemental state TANF grants. The block grant funds are insufficient to meaningfully reduce poverty, which ought to be a primary purpose of the TANF program. As noted in the Roadmap Report, "block grants that are inadequately funded, fail to be sustained, or lack provisions for countercyclical adjustment have resulted in reduced support for low-income families and in increased poverty.[9]"

We hope Congress will do much more as part of a poverty reduction strategy, including restoring the Child Tax Credit as it existed during the pandemic. For now, regarding this particular program, we propose a substantial increase in overall funding in addition to the reforms noted above to better address and reduce child and family poverty and to promote family preservation and permanency for children.

Thank you again for the opportunity to offer these recommendations for the record and for your consideration and attention to our comments. CWLA is eager to work with the Committee in implementing thoughtful and effective reforms to the TANF program.

[9] National Academies of Sciences, Engineering, and Medicine. 2019. A Roadmap to Reducing Child Poverty. Washington, DC: The National Academies Press. https://doi.org/10.17226/25246. P. 213

Mississippi Low Income Child Care Initiative (MLICCI) Public Comments re: Chairman Smith's and Subcommittee Chairman LaHood's Sub-committee Hearing

"Where is all the Welfare Money Going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty"

July 2023

The Mississippi Low Income Child Care Initiative (MLICCI) is submitting public comments in response to Chairman Smith's and Subcommittee Chairman LaHood's sub-committee hearing on "Where is all the Welfare Money Going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty". MLICCI is a non-profit advocacy organization working in Mississippi to advocate for policies and systems that make child care more affordable for parents, that support gender equity in the state labor market and that make safety net programs work for moms. MLICCI released a report on TANF in 2017 that revealed one of the nation's lowest rates of TANF cash assistance and large amounts of TANF funds going unspent on critical needs, like child care, job training and cash assistance. In 2020, one of the nation's largest embezzlement scandals involving TANF was revealed by Mississippi's State Auditor and investigative reporting by Mississippi Today has since revealed how tens of million of TANF dollars in Mississippi were for years systematically directed to politically connected individuals and not focused on direct services for families below poverty. In 2022, MLICCI released an updated report, "TANF at 25: After a Scandal and the Failure of TANF as a Safety Net Before and During the Pandemic, Major Reforms are Needed to Turn the Tide". Below are the main findings of that report and our recommendations that we respectfully submit as relevant to this sub-committee's subject matter.

Welfare reform measures passed by Congress in 1996 dramatically altered the structure of the nation's basic cash assistance program, commonly referred to as "welfare". States were given wide discretion in determining eligibility and how funds were to be spent. What was an entitlement program became a block grant and this governance structure has resulted in years of ineffective uses of funds at best and, at worst, illegal misuse of funds. During the past 25 years, many states have demonstrated an ineffective use of TANF as an anti-poverty program. In many states, this policy-making discretion has led to spending outside of services proven to be effective at reducing poverty, such as direct cash assistance, child care assistance and tangible support services for employment, job training and education. The result has been a widespread decline in the number of families receiving cash assistance and participating in the TANF program. In Mississippi, TANF quite literally became a slush fund benefitting politically connected individuals and a source for fixing state mistakes with federal money (MS is currently using federal TANF funds to support its public foster care system, which has been under a consent decree after a federal lawsuit found many severe deficiencies, while spending few state dollars on the system). Mississippi's federal TANF funds have also been used in some cases to fund successful direct services to families in need, but without significant reform at the state and federal level, TANF in Mississippi and in other states will continue falling far short of its potential as an anti-poverty program.

TANF Caseloads in Mississippi are at Historically Low Levels

Mississippi's TANF Cash Assistance Caseload Reached its Lowest Point During the COVID-19 Pandemic, with 176 adults statewide receiving cash assistance in May 2021

Mississippi spends few TANF federal dollars on direct cash assistance to individuals and the caseload data shows that very few Mississippians receive TANF assistance. During FFY 2021, MS served a monthly average of 222 adults. It is important to understand that Mississippi's TANF cash assistance caseload is primarily "child-only" cases, or "no-parent" families. These are families receiving TANF cash assistance calculated only to benefit children in the home through a caregiver, guardian or through a protective payee, or where parents are ineligible for TANF due to reasons other than income, such as failing to comply with state drug testing requirements or with child support enforcement requirements.

During FFY 2021, MS served a monthly average of 2,658 children and 222 adults – across the entire state

Caseload data only reflects individuals receiving Basic Cash Assistance. It does not include counts of individuals who may have received services through a TANF sub-grant or work supports, such as transportation assistance or transitional child care assistance. While Mississippi's TANF cash assistance caseload was already abysmally low and one of the nation's lowest before the COVID-19 Pandemic, Mississippi's TANF caseload began a precipitous decline after the onset of the COVID-19 Pandemic. This caseload reduction has held steady month-to-month and as of June 2022, Mississippi has yet to recover to pre-Pandemic cash assistance caseload levels. This caseload reduction cannot be explained solely by the potential influence of Pandemic Unemployment Insurance, as monthly figures during calendar years 2020, 2021 and 2022 do not correspond with the beginning and end of temporary UI and no sustained upticks after the end of UI are evident.

Caseload Monthly Average, Federal Data for Federal Fiscal Year 2021

Average Monthly Number Families served	**1,681**
Average Number of 1-parent Families	**222**
Average Number of No Parent Families	**1,460**
Average Number of Recipients	**2,880**
Average Number of Adult Recipients	**222**
Average Number of Child Recipients	**2,658**

Source: U.S. Department of Health and Human Services, Administration of Children and Families, https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2021_tanf_caseload.pdf; Mississippi Department of Human Services, https://www.mdhs.ms.gov/about/, Monthly Statistical Report, Field Operations Programs.

Mississippi's TANF Cash Assistance Amount is Too Low to Help Move Families Out of Poverty, at only $260 per month for a Family of 3

Mississippi increased its annual cash assistance amount to $260 per month for a family of 3 during the 2021 MS Regular Legislative Session. While this increase was a welcome change, the reality is that so few individuals receive TANF cash assistance, the change will not have a wide impact and will not cost the state much of its TANF block grant.

It would take a Mississippi family of three a total of 352 years of full TANF cash assistance payments each month to receive as much TANF funds as one famous NFL quarterback received in one TANF-funded sub-grant, even after the 2021 increase, according to reports about Mississippi's ongoing TANF scandal[1]

The Mississippi Department of Human Services (MDHS) 2021 Annual Report shows an average of 1,827 households and 3,076 people received TANF. The agency reports a total of $3,236,081.00 of TANF Basic Cash assistance benefits disbursed.

Source: Mississippi Department of Human Services 2021 Annual Report, https://www.mdhs.ms.gov/annual-reports/.

The most recent month of available 2022 data shows the average monthly amounts received by family and the average recipient amount. The average family payment was $289.94 and the average recipient payment was $173.56.

Source: MDHS, https://www.mdhs.ms.gov/about/, Monthly Statistical Report, Field Operations Programs.

Mississippi is still rejecting more than 9 in 10 people who apply for TANF cash assistance

Mississippi's TANF cash assistance application approval rate was 7.1% and its denial rate was 92.8% in 2021. This low rate of TANF cash assistance approval corroborates the historically low number of individuals receiving direct cash assistance from TANF in Mississippi.

Applications	**2020**	**2021**
Received	1,378	1,383
Approved	115	99
Denied	1,264	1,284
Approval Rate	8.3%	7.1%
Denial Rate	91.7%	92.8%

Source: U.S. Department of Health and Human Services, Administration for Children and Families. Calendar Year 2020, https://www.acf.hhs.gov/sites/default/files/documents/ofa/cy2020_application_tanf_0.pdf. Calendar Year 2021 data, https://www.acf.hhs.gov/sites/default/files/documents/ofa/cy2021_application_tanf.pdf.

[1] The TANF funded sub-grant is in reference to a $1.1 million dollar sub-grant awarded for public speaking and promotional work and was reportedly paid back by the individual after a Mississippi State Auditor report. Please see Mississippi Today's *The Backchannel* for in-depth reporting: https://mississippitoday.org/the-backchannel/.

Mississippi's TANF program is overwhelmed by bureaucratic red tape and punitive sanction policies. People don't lose TANF because they move out of poverty or because they've exhausted assistance they're eligible for. Mississippi opts for the strictest sanction policies allowed under federal law and clients lose access to TANF for reasons as simple as missing an appointment with a case worker.

Reasons other than employment and earnings account for 69.2% of closed TANF cases. MS also punishes the whole household with full family sanctions. A federal analysis shows that MS closed 2,427 family TANF cases in FFY 2020. Approximately 42% of cases were closed due to a sanction or failing to comply with one of MDHS's many punitive bureaucratic requirements, such as a MS state law that requires drug screening. Another 27.3% of case closures fall into an undefined category labeled "other". Only 7.9% of cases closed due to the individual earning more than TANF allows, while 22.8% of cases closed due to employment, which TANF could be used to continue supporting.

Reason for TANF Case Closure	**Percent of Family TANF Cases Closed**
Employment	22.8%
Work Related Sanction (not meeting a work requirement)	14.8%
Other Sanction (sanction not specific to work, such as failure to comply with child support enforcement)	10.6%
Excess Income	7.9%
Failure to Comply (missing appointments, not turning in required documents or not complying with some other eligibility requirement)	16.5%
"Other" (largely undefined category, may include when a child ages out of services or other reasons not captured in other categories)	27.3%

Source: U.S. Department of Health and Human Services, Administration for Children and Families, https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2020_characteristics_data_final.pdf.

Mississippi does not spend the majority of its TANF funds on direct assistance to individuals, such as basic cash assistance, child care or work supports

Note on TANF Federal vs. State MOE Funds

Federal TANF funds represent actual TANF funds the state receives and expends. States are allowed to carryover unspent federal TANF funds. A state Maintenance of Effort (MOE) is required to receive TANF federal funds and funds appear in federal reporting to be "state funds". In practice, states are allowed to report other non-TANF state expenditures to count toward the TANF MOE, such as state spending on college scholarships or double-counting state spending to meet matches on other federal block grants. State MOE funds counted from other state programs are not explicitly targeted to TANF recipients and are often not explicitly connected to the state's TANF program, but certain state spending can legally be counted toward the state's TANF MOE. TANF MOE data is reported by MS to HHS ACF via the ACF-204, but this data lacks detail sufficient to analyze and more importantly has quality issues that make it insufficient to rely upon as a data source.

Mississippi currently spends the largest portions of its federal TANF dollars on child welfare services (paying for the Mississippi Department of Protective Services' operations), fatherhood/two-parent family formation and maintenance programs and program management (administrative costs and systems).

The state appears to be spending a considerable amount of TANF on work, education and training programs, but most of this money is reported by MS as TANF State MOE dollars and these MOE dollars may be counted from other state spending that may not be explicitly connected to its TANF program or may be completely unrelated but allowably countable. Data states are required to report on TANF MOE spending is too limited to determine how much MS is spending from TANF dollars on work, education and training programs that provide resources directly to individuals. Additionally, MS allocates TANF funds through specific sub-grants funded through TANF to private third-party vendors to provide services to individuals, but this data is not publicized or reported on public databases. However, it is assumed that such sub-grant expenditures are being captured in the general reporting categories, however, no breakdown by sub-grant or any program service numbers of sub-grantees is available without a public records request or contacting programs directly.

MS does not spend down its TANF block grant aggressively to fight poverty; MS had $102,156,439 in federal TANF dollars to spend during FFY 2020, but it only spent $55 million and ended the year with $47 million unobligated

TANF Federal Funds Received and Expended, Federal Fiscal Year 2020

Fund Category	Federal Funds
Total Annual Federal TANF Block Grant Amount Received	$86,481,245
Carryover of Previous Fiscal Year TANF Block Grant	$15,675,194
Total Federal Funds Available	$102,156,439
Transferred to Child Care and Development Fund (MS Child Care Payment Program)	$0
Transferred to Social Services Block Grant	$0
Federal Funds Available for TANF	$102,156,439
Total Federal Expenditures	$55,119,534
Unliquidated Obligations	$0
Unobligated Balance	$47,036,905

Source: TANF Financial Data, FY 2020, U.S. Department of Health and Human Services, Administration for Children and Families, https://www.acf.hhs.gov/ofa/data/tanf-financial-data-fy-2020.

TANF Federal and State Maintenance of Effort Expenditures by Category, FFY 2020

These are only categories MS reported expenditures in – there are many other categories and possible uses of TANF funds MS did not report spending in.

MS spent none of its federal TANF dollars on child care and it spent twice as much of its federal funds on administrative costs than it did on Basic Cash Assistance or Work, Education and Training Activities

Fund Category	**Federal Funds**	**State MOE in TANF and Other State Programs**	**All Funds**
Basic Cash Assistance	$3,732,140	$342,247	$4,074,387
Work, Education and Training Activities	$4,060,613	$18,707,997	$22,768,610
Work Supports and Support Services	$1,684,862	$38,454	$1,723,316
Early Care and Education	$0	$1,715,340	$1,715,340
Fatherhood and Two-Parent Family Formation and Maintenance Programs	$15,387,010	$0	$15,387,010
Child Welfare Services	$21,756,278	$0	$21,756,278
Program Management (administrative costs and systems)	$8,498,631	$920,270	$9,418,901
Total Funds Used	**$55,119,534**	**$21,724,308**	**$76,843,842**
Total transfers	$0		
Total Unobligated Balance	$47,036,905		

Source: TANF Financial Data, FY 2020, U.S. Department of Health and Human Services, Administration for Children and Families, https://www.acf.hhs.gov/ofa/data/tanf-financial-data-fy-2020.

Mississippi is ranked nearly last among states in spending categories that actually get resources in the hands of individuals and families (cash assistance and child care), but ranks highest in categories that are amorphous, such as Work Activities that aren't clearly defined including sub-grants or state MOE spending that isn't reported publicly, and in Child Welfare, where MS is using federal TANF money to fix a foster care system that the state chronically failed to invest in so that it can comply with the federal *Olivia Y.* settlement agreement that requires corrective action to the MS foster care system.

Compared to other states and based on expenditure categories, Mississippi is ranked:

- 1st in TANF spending on Work Activities (29.63% of TANF funds)
- 6th in TANF spending on Child Welfare (28.31% of TANF funds)
- 13th in TANF spending on Fatherhood and Two Parent Family Formation and Maintenance programs (20.02% of TANF funds)
- 17th in Program Management, administrative costs, and systems (12.26% of TANF funds)
- 22nd in Work Supports and Support Services (2.24% of TANF funds)
- **47th in Basic Cash Assistance (5.3% of TANF funds)**
- **47th in Child Care (2.23% of TANF funds)**

Source: Center on Budget and Policy Priorities (CBPP), detailed spreadsheet, https://www.cbpp.org/research/family-income-support/state-fact-sheets-how-states-spend-funds-under-the-tanf-block-grant.

Mississippi TANF Sub-Grants

Mississippi legally sub-grants TANF funds to various entities to perform various types of services.[i] Some of these entities, which represent a mix of public and private organizations, may use funds to provide services and assistance directly to low-income individuals, such as direct child care or transportation assistance paid directly to or on behalf of individuals, or the state may spend funds on other expenses that aren't direct assistance, such as operational costs for a program providing job training.[ii] There are some federal parameters, but few, so the state has discretion in designing RFPs. The MDHS has designed a competitive RFP process and makes awards based on internal procedures and timelines. Data on sub-grantee services and expenditures is not publicly reported, but MDHS indicates the types of programs it will fund through its RFPs. Below is a sample of available RFPs, but this list is not comprehensive. Specific award amounts are not available. While MDHS does create and follow sub-grantee policies, information about services performed by sub-grantees is only available through the specific agreements and scopes of work between MDHS and third-party service providers. Therefore, available data is not sufficient to determine how much these sub-grants account for in the general expenditure data reported by MS to the federal agency, but this report assumes sub-grants awarded are captured in the expenditure data.

Award Year*	Amount Obligated in RFP	Services
2019	$6,000,000	Family Dynamics
2019	$15,000,000	Workforce Training and Education Programs
2020	$30,000,000	Afterschool Activities and Parenthood programs
2020	$36,000,000	Workforce Training and Education Programs, Afterschool Activities and Parenthood Initiative
2022	$16,000,000	Workforce Training and Education Programs

*The award year may not coincide with the TANF grant year. For instance, MDHS may publish an RFP in 2020 and use TANF grant funds from that fiscal year or carryover from a previous fiscal year. Source: Mississippi Department of Human Services, See the procurement archives here, https://www.mdhs.ms.gov/subgrant-procurement-archive/, and current RFPs here, https://www.mdhs.ms.gov/solicitation/request-for-proposals-rfp/.

TANF cash assistance in Mississippi is NOT a safety net, much less a path out of poverty. TANF reaches an almost negligible number of Mississippi families below poverty and only 0.06% of impoverished adults.

Mississippi has one of the nation's lowest percentages of families and individuals below poverty receiving TANF benefits. Using the federally reported FFY 2021 data, Mississippi's TANF program reaches virtually no adults below poverty, 1.4% of children below poverty and 2.2% of poor families.

	Received TANF FFY 2021, Average	**Below Poverty 2021**	**Percent Below Poverty Receiving TANF**
Families	1,681	75,948*	2.21%
Adults	222	365,585**	0.06%
Children	2,658	188,567***	1.41%

*Number of families with related children of the householder below age 18 below poverty, 2021 American Community Survey, U.S. Census Bureau, Table S1701
**Number of adults below poverty, ages 18 and over, 2021 American Community Survey, U.S. Census Bureau, Table S1701
***Number of children less than 18 years of age below poverty, 2021 American Community Survey, U.S. Census Bureau, Table S1701

Policy Recommendations

Beyond the intentional, illegal abuses of the TANF block grant that MS has seen in recent years, MS policymakers currently have no strategic plan for how to maximize the reach of TANF and put the money in the hands of those who need resources. To expand the reach of TANF so that it functions more as a real safety net for Mississippians, our recommendations include:

Federal Recommendations:

- Index TANF block grant amount to inflation
- Implement more federal guard rails to ensure TANF funds are used for tangible benefits to families below poverty
- Eliminate mandatory child support enforcement compliance and sanction policies
- Revise the 4 federal purposes of TANF to focus on cash assistance, child care assistance, and support services for job training and education
- Restructure TANF federally to operate as an entitlement program and limit state discretion in eligibility and spending policies

State Recommendations:

- **Make TANF Cash Assistance a major spending priority and drastically increase the cash assistance caseload:**
    - There are current examples in MS, such as The Magnolia Mother's Trust, a Springboard to Opportunities program, providing a model on how direct cash assistance programs should be structured to support families as they become more economically stable. Adopting such a model for Mississippi's TANF cash assistance program would make the program supportive rather than punitive.

- **Prioritize TANF spending on child care:**
  - Spend TANF dollars on child care directly for TANF recipients and transfer 30% of the annual TANF block grant to the Child Care and Development Fund (CCDF) each federal fiscal year
- **Don't Use Mississippi's limited federal TANF funds to fix Mississippi foster care and protective services failures:**
  - MS should stop spending the state's limited federal TANF funds on the MS foster care and protective services agency and instead invest ***state*** and other federal funds to repair and invest long-term in the system. Spending federal TANF dollars on this critical system drastically limits what MS can spend on essentials like cash assistance, child care and tangible work supports. Mississippi should not take from Mississippi's most impoverished families to plug budget holes in its mismanaged protective services system to comply with a federal settlement agreement.
- **Invest TANF funds in program models that are designed to provide resources to families in need and move them out of poverty –**
  - Federal TANF funds can be spent directly on child care and other support reimbursements to training and education providers to cover child care and other supportive services costs necessary to support trainees or students. The Moore Community House Women in Construction program provides child care and wrap-around supports to train women in general construction trades, focusing on a higher-wage career pathway. MLICCI's Employment Equity for Single Moms (EESM) program provides immediate child care assistance to moms who are employed, entering employment or enrolled in training/education, coupled with intensive case management, assistance with applying to longer-term support services and career coaching to help moms connect to a living wage career pathway.
- **Eliminate TANF drug testing requirement**
  - The MS state legislature must eliminate the mandatory up-front drug screening and drug-testing requirement. This requirement falsely suspects TANF applicants of drug use, acting as a deterrent to needed assistance.
- **Eliminate mandatory Up-Front Job Search for TANF cash assistance applicants**
  - People below poverty need support to enter employment, not employment to enter supports. Mississippi currently has this backwards and eliminating this first step would make the TANF program more supportive of individuals' efforts to work, rather than punitive and overly rigid on the front-end.

- **Provide child care, transportation and other supports for initial TANF orientation meetings so applications are not denied for missing front-end appointments due to a lack of these or other supports**
- **Reform state TANF sanction policies to reduce the number of closed TANF cases due to non-compliance with work or other requirements**, particularly when a family is still below poverty. Mississippi should focus on meeting employability needs of TANF recipients and connecting them to employers instead of punishing them for not meeting an arbitrary work requirement that simply checks a box.
- **End extended disqualification periods, full household sanctions and permanent disqualifications in TANF**

    - Amend state law to restore MDHS's discretion to reverse strict work requirement penalties, particularly during times of national or state emergency and economic downturn (the so-called "HOPE Act" in its final legislative version made the strictest options under federal law state statute in MS)
- **Spend federal TANF funds more aggressively on cash assistance, child care and workforce/education programs demonstrated to move families out of poverty.**
    - Mississippi should leave no federal TANF dollars unspent, particularly when TANF-to-Poverty ratios reveal how limited TANF's reach is relative to the number of families and children below poverty in this state.

Please contact the Mississippi Low Income Child Care Initiative for any questions:

www.mschildcare.org

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[i] Links to RFPs: https://www.mdhs.ms.gov/wp-content/uploads/2022/06/RFP-20220101-TANF-WTEP-2022-Services-2.pdf; https://www.mdhs.ms.gov/wp-content/uploads/2019/10/RFP-No.-19100102-TANF-FD-Family-Dynamics.pdf; https://www.mdhs.ms.gov/wp-content/uploads/2019/10/RFP-No.-19100103-TANF-WTEP-Workforce-Training-Education-Programs.pdf; https://www.mdhs.ms.gov/wp-content/uploads/2020/07/TANF-2021-RFP-Final-v10-Issue-7-6-20-1.pdf; https://www.mdhs.ms.gov/wp-content/uploads/2020/11/RFP-No.-20200104-Nov.-TANF-2021-Services.pdf.

[ii] MLICCI has been awarded a TANF sub-grant to pay for child care costs for participants of the Employment Equity for Single Moms (EESM) program.