Would Reinstating the pre-1996 AFDC Program Reduce Poverty?
A Response to the National Academies of Sciences

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A recently released 600-page report from the National Academies of Sciences, Engineering, and Medicine (NAS) examines "evidence-based" policy options to "cut the child poverty rate by as much as 50 percent while at the same time increasing employment and earnings among adults living in low-income families."[2] The report was produced by a team of scholars – the Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years. Its mission was to prepare "a nonpartisan, evidence-based report that would provide … the most effective means for reducing child poverty by half in the next 10 years."[3]

The NAS report focused on what it considered to be evidence-based programs and policies, but it also included a chapter describing program and policy ideas that were considered, but not included because the research evidence was not strong or "it was not feasible to simulate the magnitude of the effect."[4] One such "program" was the Temporary Assistance for Needy Families (TANF) block grant. In the case of TANF, the committee concluded that "…the evidence suggests that the TANF law did in fact reduce poverty in the short run, if not the long run, so it is unlikely that the poverty rate would decline if the pre-1996 system were reinstated."[5]

The suggestion that TANF reduced poverty, particularly in the long run, flies in the face of reality and common sense – TANF has undoubtedly pushed *millions* of families *deeper* into poverty. As described in an earlier "Peter the Citizen" response to the NAS report, the committee placed too much emphasis on highly uncertain econometric studies, while ignoring policy details, an examination of how TANF was implemented, and other data trends.[6] Its conclusion also appears to be based on an assessment of TANF's impact on the poverty *rate*, ignoring the fact that its main impact would have been on the *depth* of poverty rather than the poverty *rate*.

This response focuses on the second part of the NAS committee's conclusion, that is, that "…it is unlikely that the poverty rate would decline if the pre-1996 system were reinstated."[7] This preTANF "system" was the Aid to Families with Dependent Children (AFDC) program. While AFDC was far from ideal, in nearly every important respect it would have outperformed TANF if the goal were poverty reduction. Suggesting otherwise gives ammunition to those who consider TANF a template for reforming other safety net programs and even undermines the committee's own claims that a child allowance would reduce poverty. Of course, politically and practically it is too late to "reinstate" the AFDC program, so replacing TANF with a child allowance and enhancing programs that fund work activities and supports may be the most effective policy option.

Criteria for Comparing the Anti-Poverty Effectiveness of TANF vs. AFDC

Writing for the American Enterprise Institute (AEI), Ron Haskins, considered the "architect" of the 1996 welfare reform and also a member of the NAS committee lists five key "features" that distinguish TANF from its predecessor, AFDC:

> Although the TANF program has many complexities, its essence is captured by five features: a focus on ending entitlement, block grant, work requirements, time limits, and sanctions. Not only do these features mark a radical change from the old Aid to Families of Dependent Children (AFDC) program that TANF replaced, but they also distinguish TANF from every other federal means-tested program.[8]

In assessing "the impacts of TANF on work and poverty," he also notes that policies can have important distributional effects:

> Virtually all policies produce positive and negative impacts. Too often, especially in political settings, Republicans and Democrats tend to overemphasize the success of policies they support and attack the shortcomings of policies they oppose. What is needed is a balanced appraisal that forthrightly reviews policies' successes and failures. This approach is especially important because using evidence to improve programs is a vital characteristic of the evidence-based culture both Republicans and Democrats say they support.[9]

It is impossible to create a true counterfactual to evaluate TANF relative to AFDC, but a careful examination of how TANF was actually implemented suggests that each of these "features" likely increased poverty relative to the AFDC program (i.e., where the negative impacts outweighed the positive impacts). Unlike the NAS committee, which was mandated to examine the impact of policies on the poverty *rate*, this response is based on a broader assessment of TANF's likely impact on poverty with a focus on distributional effects and the *depth* of poverty (and not just the change in the relatively small number of families that cross the poverty thresholds).

This response is not a commentary on the committee's full report or its recommendations – only a statement explaining why the committee is wrong to conclude that poverty would not "decline if the pre-1996 system were reinstated." It compares AFDC and TANF according to the five "features" highlighted by Haskins as central to welfare reform.

#1 Ending the Entitlement

Haskins asserts that the "most important change embodied by TANF is the end of entitlement." He explains:

> A key characteristic of AFDC and many other means-tested programs, such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP; formerly Food Stamps), is that everyone who meets the program's qualifications has a legal right to the benefits. By contrast, many federal programs, such as housing and day care, have a fixed

appropriation each year and are given to recipients on a first-come, first-serve basis, with many eligible families left out. During the welfare-reform fight in the mid-1990s and previously, Republicans were intent on implementing the principle that welfare recipients should not just sit back and get guaranteed benefits. Rather, to retain eligibility, they should have to actually work or prepare for work.[10]

Under TANF, there is no entitlement to assistance for needy families, as under AFDC, so states can adopt policies that push families off assistance (or discourage them from coming on) even when they are otherwise eligible for aid (and, even when they comply with work requirements). Indeed, this is exactly what happened.

Table 1 shows the *average monthly* number of families eligible for assistance compared to the *average monthly* number receiving assistance for selected years from 1981 to 2016. Between 1981 and 1996, AFDC served nearly 80 percent of those eligible for assistance. In 1996 (before TANF), 5.6 million families were eligible to receive benefits and 4.4 million did so (79 percent of those eligible). In 2016, 4.9 million families were eligible to receive assistance, but only 1.2 million did so (25 percent of those eligible). <u>In other words, the number of families eligible for assistance, but not receiving it, grew by 2.5 million, from 1.2 million in 1996 to 3.7 million in 2016. These 2.5 million families were very poor (given TANF's low income eligibility thresholds) and most were pushed deeper into poverty.</u>

Table 1:
Number and Percentage of Eligible Families Participating in TANF
(Average Monthly Data, Selected Years, 1981-2016)

Year	**TANF**			
	Eligible (millions)	Participating (millions)	Eligible, Not Participating (millions)	Participation Rate (%)
1981	4.8	3.8	1.0	80.2
1987	4.9	3.8	1.1	76.7
1992	5.6	4.8	0.8	85.7
1996	5.6	4.4	1.2	78.9
2000	4.4	2.3	2.1	51.8
2004	5.1	2.2	2.9	42.0
2008	5.2	1.7	3.5	33.0
2012	5.7	1.9	3.8	32.4
2016	4.9	1.2	3.7	24.9

Source: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: Seventeenth Report to Congress*, May 4, 2018, p. A-11, available at: https://aspe.hhs.gov/system/files/pdf/259196/WELFAREINDICATORS17THREPORT.pdf; 2016 data from Gene Falk, Congressional Research Service. The eligibility estimates are derived using the TRIM model, which has been used for over 40 years by administrations of both parties to calculate eligibility for TANF and other programs.[11] Program administrative data are used for the number of families receiving benefits.

While this "analysis" is a vast oversimplification of TANF's impact on poverty, it does suggest that the elimination of the entitlement (along with other TANF changes) has left many very poor families without a cash assistance safety net and deeper in poverty, something the NAS committee's analysis did not capture because it focused on the poverty *rate*.

In 2010, the U.S. Government Accountability Office (GAO) reached a similar conclusion:

> The decline in the number of poor families receiving cash assistance from 1995 to 2005 reflects declines in both the number of eligible families and in eligible families' participation. The strong economy of the 1990s, TANF's focus on work, and other factors contributed to increased family incomes and a decline in the number of eligible families. However, most of the caseload decline – about 87 percent – resulted from fewer eligible families participating in the program, perhaps in response to TANF work requirements, time limits, and sanction and diversion policies.[12] [Emphasis added.]

More recently, Gene Falk of the Congressional Research Service reported the same result:

> The cash assistance caseload decline has been seen as one of the prime indicators that TANF made progress in achieving the goal of ending the dependence of needy families on government benefits. However, most of the caseload decline has resulted from a decline in the rate at which people eligible for assistance actually receive benefits, rather than a decline in the population in need. In 2015, 18.0 million people were eligible for TANF assistance, but 4.9 million (27%) received it.[13] [Emphasis added.]

A similar conclusion can be reached by examining the TANF-to-poverty ratio. In 1996 for every 100 families with children in poverty, 68 received cash assistance from AFDC, but under TANF this ratio was just 23 in 2017.[14] A statement by the Center on Budget and Policy Priorities succinctly states the issue as follows:

> TANF could be serving 2.5 million more families. In 2017, TANF helped 1.3 million families. But if it had the same reach as in 1996, it could have helped 3.8 million families.[15] [Emphasis added.]

Which program, AFDC or TANF, would be more likely to reduce poverty? Over the past 25 years, spending on means-tested programs has grown sharply, but this expansion has primarily benefited those who work and are not poor.[16] Eliminating the entitlement aspect to assistance is one important factor in the sharp decline in the take-up rate of benefits. It is hard to see how the NAS committee could conclude that restoring TANF's reach to what it was under AFDC would not reduce poverty (again, focusing on the *depth* of poverty, rather than the poverty *rate*).

Answer: AFDC.

Additional Comment: The NAS report concludes "the TANF law did in fact reduce poverty in the short run." It is true that in the immediate aftermath of the 1996 welfare reform law, the number of poor families declined sharply, from 6.4 million in 1996 to 5.1 million in 2000.[17] Aside from the fact that much of this decline is due to other factors, most notably the strong economy and expanded aid to the working poor (e.g., refundable tax credits, child care, and Medicaid), it is again useful to put the caseload decline into perspective. While the number of poor families with children fell by 1.3 million (and the number eligible for assistance fell by 1.2 million), the number of families receiving assistance fell by much more – by 2.1 million (from 4.4 million to 2.3 million).

It is also important to understand that TANF in the "short run" bears little resemblance to TANF in the "long run." In the "short run," its main provisions were being phased in – the required work rate targets were low (often 0 percent) and no families had reached the 5-year time limit on federally funded assistance. Most states still focused on traditional welfare reform activities, as they generally continued their AFDC waiver policies (described below). It was also a period in which states received a large windfall, because the block grant was based on historic funding levels when caseloads had peaked. The GAO estimated that if all states had received the full TANF block grant in 1997 (some didn't because they had until July 1, 1997, to implement TANF) they would have $4.7 billion more than they would have spent in 1997 under AFDC: "On average, given the actual caseload in 1997, we estimated that states would have had about 25 percent more budgetary resources under TANF than they would have had under AFDC funding rules."[18] In other words, *if* TANF had some role in reducing poverty in the "short run," it would have been the additional funding and the message about work. In the "long run," the windfall is gone and the message carries little weight, because states spend so little on cash assistance and caseloads are so low. In the "long run," TANF has become a form of revenue sharing in most states, not "welfare reform."

#2 The Block Grant

Haskins describes how replacing AFDC's federal-state matching approach with a block grant gave "states a financial incentive to help families leave the rolls":

> The federal government gives money to states in many ways. The block-grant method typically gives states abundant flexibility in using federal money to achieve goals specified in federal law.
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> …A particular advantage of replacing AFDC with a block grant is that the incentives for state policy and practice are much more in line with the goal of helping people leave welfare. Under the AFDC entitlement, every time states added someone to the welfare rolls, the feds gave them an average of about $0.55 for each dollar they spent on benefits. Many AFDC critics saw this financing mechanism as providing states with a financial incentive to add people to the rolls. Similarly, for every person who left the rolls, sometimes because the state helped them find a job, the federal government reduced their payment by an average of $0.55 on the dollar.
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> By contrast, under the block grant, if the states add someone to the rolls, they must pay the entire cost out of their block grant. But if they help a recipient leave the rolls, they get to keep all the money that had been paying for that person's benefits. Thus, the block grant's structure gives states a financial incentive to help families leave the rolls.[19]

Haskins' description emphasizes two points – flexibility and the financial incentives faced by states.

Flexibility. AFDC was targeted to very poor families and its funding was limited to core welfare reform activities – basic assistance, work activities, and work supports. Given its broad purposes and the restrictions placed on federal oversight, states have used TANF funds to supplant existing state expenditures and otherwise fill budget holes. In many cases, funds have been diverted to activities that have no direct impact on poverty (e.g., child welfare or preK) or that involve individuals who are not from families with a minor child (e.g., college scholarships). These expenditures also often support those who have incomes above the poverty line because under TANF states can establish their own income limits and for some activities have no income limit at all.

With respect to cash assistance, states did not need TANF's "flexibility" to enact new policies. They were already implementing welfare reform under a process started by President Reagan that allowed them to experiment with changes to their AFDC programs by receiving waivers to test policy changes. These waivers were subject to requirements for rigorous evaluation – typically random assignment – and cost neutrality (but not a fixed amount like a block grant). With a rigorous evaluation it was possible to determine whether families were "helped" under a particular reform plan. If it appeared the waiver policies pushed many families deeper into poverty, the waivers could be revoked or modified. If implemented properly, this is a responsible and evidence-based approach to giving states flexibility.

Unlike AFDC there is no requirement under TANF that states evaluate their programs. As a result, very little has been learned about welfare reforms related to those receiving or eligible to receive cash assistance.[20] Robert Moffitt of Johns Hopkins University and also a NAS committee member recently lamented the fact that there have been relatively few RCTs (randomized control trials) since TANF's enactment:

> Why haven't we had any RCTs since the 1990s? In the 1990s, ACF was out there, you know, subsidizing dozens of these things. Where's the ACF?[21]

ACF is the Administration for Children and Families, the agency within the U.S. Department of Health and Human Services (HHS) that administers the TANF program. ACF has a long history of supporting and funding RCTs and even in the TANF era, it has an extensive portfolio of RCTs of employment programs for welfare recipients and other low-income populations. But, there are major gaps in what could have been learned about time limits, sanctions, mandatory work programs, and many other TANF provisions, not because of a lack of interest or support by ACF, but because the law provides limited funding for evaluation and does not require states to evaluate these policies even when many are likely to have pushed families deeper into poverty.

Financial incentives. AFDC benefits were funded at the Medicaid matching rate, which could range from 50 percent for higher-income states to 83 percent for lower-income states; administrative costs and Emergency Assistance were matched at a 50 percent rate. In contrast, TANF is a fixed block grant, with a maintenance-of-effort (MOE) requirement for state spending; both are based on historic spending levels for AFDC and related programs.

The block grant and basic MOE requirement remain fixed, regardless of the state of the economy, demographic shifts, and other factors that might affect the need for assistance.

- There is no adjustment for inflation. The real (inflation-adjusted) value of the block grant and basic MOE requirement have declined by 37 percent 1996, whereas the number of poor families with children fell just 13 percent (from about 6.4 million in 1996 to about 5.6 million in 2017).[22] This may be one reason why 20 states have not increased their benefit amounts since 1996; 16 states had the same *nominal* benefit level in 2018 as in 1996 (a reduction of 37.3 percent in real terms) and four lowered benefits in *nominal* terms, even as all of these states also reduced access to TANF benefits as reflected by a sharp drop in the TANF-to-poverty ratio between 1996 and 2017.[23]

- There is no *meaningful* adjustment for economic downturns or population growth that results in a greater need for assistance. Consider the following examples representing periods of rising poverty and unemployment:

    - Under AFDC, between 1989 and 1993, the number of poor families with children rose by 1.5 million families, from 5.6 million to 7.1 million (and the unemployment rate rose from 5.3 percent to 7.5 percent); meanwhile, the AFDC caseload rose by 1.3 million (from 3.7 million to 5 million).

    - Under TANF, between 2007 and 2011, the number of poor families with children rose by 1.4 million, from 6 million to 7.4 million (and the unemployment rate rose from 4.6 percent to 8.9 percent); meanwhile, the TANF caseload rose by just 200,000, from 1.8 million to 2 million.

  AFDC was responsive; TANF was not.

- There is no adjustment for large variations in economic and demographic trends across states. For example, between 1996 and 2017, the number of poor families with children rose 113 percent in Nevada (from 21,045 to 44,768) whereas in New York the number fell 39 percent (from 550,562 to 336,973), yet the block grant and basic MOE requirement remained virtually unchanged in both states throughout this period.[24]

While the 1996 law did include special funding streams for states experiencing population growth and/or low historic grants relative to poverty in the state (Supplemental Grants) and adverse economic conditions (Contingency Fund), the funding formulas for both were seriously flawed and they did not operate as intended. Congress is not adept at devising formulaic adjustments for changes in need, making an open-ended program like AFDC (or even better, SNAP) a superior model for a safety net program.

Which program, AFDC or TANF, would be more likely to reduce poverty? The fixed nature of TANF funding along with the excessive flexibility to allow states to divert funds to any activity s "reasonably calculated" to advance one of TANF's broad four purposes has led to a cash assistance safety net with gaping holes, one that is not responsive to changes in economic need. In addition, the absence of a requirement in TANF to evaluate policy changes rigorously means there is little credible evidence to inform policymakers about future reform efforts.

Answer: AFDC.

#3 Work Requirements

Haskins notes the importance of work requirements in the TANF "message":

> To make sure states get the message about work, TANF requires every state to design a work program. The definition of work is spelled out in great detail in the law so that states have to provide job-search assistance, training for work, work itself, or education or training on a limited basis.
>
> When fully implemented, the law requires recipients to engage in work activities for 30 hours a week, and half the state's caseload had to meet the work requirement. If the states failed to do so, they were "fined" by having their block-grant allocation reduced. Education and training were restricted; individuals were allowed to count it toward the work requirement for a maximum of only one year, and only 30 percent of the state's work requirement could be fulfilled by recipients in education and training activities.[25]

The main goal of welfare-to-work programs should be to promote self-sufficiency, but TANF's work requirements have mainly been used as a tool of bureaucratic disentitlement. They are unreasonable for recipients, unrealistic for states, and are not based on evidence. Their main effect (along with the block grant structure) has been to push needy families off the rolls (or discourage them from coming on), as evidenced by the sharp drop in the take-up rate among eligible families. Since its inception, TANF has only engaged about 10 to 15 percent of those subject to work requirements in a work activity other than "unsubsidized employment" for enough hours to count in the rate.[26] Instead, states have relied on misguided provisions like the caseload reduction credit and/or a variety of "loopholes" to meet their work requirements.[27]

Writing elsewhere, Haskins acknowledges that TANF's work requirements have "major problems":

> The straightforward approach of using the TANF work requirements as a model for work requirements in other welfare programs because of their perceived "great success," as many Republicans want to do, is flawed because the TANF work requirements have major problems.
>
> …Examining these problems with the TANF work requirement leaves little doubt that the TANF approach to requiring work has not proven to be an effective way to help welfare recipients prepare for or find unsubsidized work. New attempts to strengthen the work requirement in TANF and other means-tested programs should learn from, but not follow, the TANF example. In fact, if TANF work requirements are any example, we must find and test new ways to help welfare recipients enter employment. This conclusion is especially important because the unprecedented decline in the TANF caseload has meant that there are now many more families living in poverty, and even deep poverty (below half the poverty level), that do not receive a cash benefit.[28]

Similarly, Gene Falk of the non-partisan Congressional Research Service observes:

> The 50% and 90% targets are aspirational, rather than evidence-based. They were not selected based on success rates of past programs in moving recipients from assistance to work. They call for higher participation rates than what evaluated pre-1996 programs achieved, including the most successful of those programs. Even so, the standard has mostly been met, though usually by means other than engaging recipients in activities. That is, states might be "hitting the target, but missing the point."[29]

Which program, AFDC or TANF, would be more likely to reduce poverty? AFDC's work requirements were more reasonable in terms of expected hours and the range of countable activities. They were also more realistic in terms of what states could achieve in terms of the expected participation rate targets and available funding (ignoring the fact that states primarily meet TANF's work requirements through an assortment of gimmicks rather than actually engaging families). As a result, the program was more about providing a "hand up" as opposed to TANF, which is more about "hassle." While there is no rigorous evidence to prove this (again, a failing under TANF to require the evaluation of policy changes), the low take-up rate in benefits suggests that TANF's work requirements (and other "features") have done more to increase poverty than to reduce it.

Answer: AFDC.

#4 Time Limits

Under AFDC, families were entitled to receive assistance for as long as they met the eligibility standards; there was no federal limit on the length of time a family could receive assistance.[30] Haskins explains how concerns about long-term dependency led to the enactment of TANF's five-year time limit:

> Another highly controversial feature of the welfare reform law was the five-year time limit placed on benefit receipt for any given individual. From its appearance in House Republican proposals as early as 1991, the idea of time limits was a feature of every subsequent House Republican proposal, including the bill President Bill Clinton signed into law in 1996. The concept of time limits is incompatible with the AFDC entitlement and embodies the basic idea of Republican welfare philosophy that welfare is not forever.
>
> The version in the bill that passed Congress stipulated that individual families could not receive cash welfare for longer than five years. At that point, cash benefits would terminate. Poor parents would need to plan their lives so that once they had used cash welfare for five years, they could rely on another source of income, presumably earnings. The severity of this provision is considerably softened by a provision that allows states to continue benefits beyond the five-year limit for up to 20 percent of their caseload.[31]

TANF added little to the flexibility of states to develop time limit policies. Under AFDC, 32 states received waivers setting time limits on the receipt of benefits. These time limits fell into three main categories: (1) "termination" time limits resulted in a total loss of benefits; (2) "reduction" time limits reduced the amount that was received (e.g., by a percentage or removing the adult's needs); and (3) "work requirement" time limits required participants to comply with mandatory work requirements to continue receiving benefits.[32] When TANF was enacted, there was no evidence that time limits were an effective anti-poverty strategy, as most waiver experiments were still in their early stages. The prudent course of action would have been to wait for the research results before mandating any specific time limit proposal. (The federal 60-month time limit is more symbolic than real, as there are a variety of ways stays can avoid imposing it, which begs the question, why bother?[33])

Which program, AFDC or TANF, would be more likely to reduce poverty? The main difference between AFDC and TANF was not in the flexibility to design time limits, but under AFDC states were subject to a rigorous evaluation requirement so that policymakers could determine their impact on earnings, welfare receipt, and total income. If time limits appeared to increase poverty, the waivers could be withdrawn, whereas under TANF states are *not* required to evaluate their time limit policies and they can continue to impose whatever time limit they wish irrespective of their impact on family and child well-being.

While many of the time limits states have adopted under TANF (in addition to the federal five-year limit) are the same or similar to those they had with waivers, TANF allows states to adopt much harsher time limits on a larger scale than is likely would have been the case under AFDC waivers – particularly since some state time limits have cut families off without giving them any advance notice. Perhaps the most notable example was Arizona's decision to reduce the time limit to 12 months in July 2016. (This policy change followed a series of earlier reductions in time limits starting in 2010.) While the federal five-year time limit has had little impact, states that have dramatically shortened their time limits have seen sharp drops in TANF caseloads. While the loss of benefits may have motivated some families to move into employment quicker, most have probably fallen deeper into poverty, but without an evaluation to document the impacts of these policies, the extent of harm is difficult to assess.

Answer: AFDC.

#5 Sanctions

Under AFDC, individuals who were assigned to JOBS activities could be sanctioned for failure to participate in assigned work activities. (JOBS was the name of the welfare-to-work program under AFDC – the Job Opportunities and Basic Skills Training program.) The sanction was removal of the adult's needs from the grant amount for a minimum period of time. The first failure to comply lasted until compliance; a second sanction lasted until compliance or for three months, whichever was longer; and any subsequent sanctions lasted until compliance, or for six months, whichever was longer.

Haskins suggests that the sanctions under AFDC were too lax and that TANF created the opportunity (indeed, the requirement) to enact sanctions that would increase the likelihood of compliance.

> One way to overcome people's reluctance to aggressively prepare for and seek work is to impose sanctions on those who do not meet work requirements. The authors of the

> TANF program believed that sanctions were an important part of getting welfare recipients to work. As a result, the law requires all states to reduce the welfare benefits of recipients who do not fully cooperate with work requirements. States are free to design their own system of sanctions, but it had to include benefit reductions.
>
> Most states used a graduated system of benefit penalties, usually beginning with a loss of part of the benefit for a few months and then, if the recipient continues to violate the work requirement, moving to a loss of more benefits and for longer periods. By 2010, 36 of the 50 states had adopted policies that allowed them to eventually terminate the entire welfare check.[34]

TANF added little to the flexibility of states to develop sanction policies. Under AFDC, many states had already received waivers to modify the size, duration, and other aspects of their sanction policies. In fact, 23 states had received waivers to impose full-family sanctions for continued non-compliance.[35]

Which program, AFDC or TANF, would be more likely to reduce poverty? There was little substantive difference between AFDC and TANF in terms of sanction-related policy changes, but the AFDC waivers were subject to a rigorous evaluation requirement so that policymakers could determine the impacts of sanctions and other provisions on earnings, welfare receipt, and total income. If sanctions appeared to increase poverty, the waivers could be withdrawn, whereas under TANF states are *not* required to evaluate their policies and they can continue to impose whatever sanctions they wish irrespective of their impact on family and child well-being.

Answer: AFDC.

Concluding Thoughts

AFDC (with waivers) was superior to TANF. The AFDC program, though far from perfect, had many advantages over TANF:

1. It was an entitlement targeted to families in deep poverty;
2. Its funding structure was responsive to economic, demographic and other factors that affect the need for assistance, and states could not divert the dollars to supplant existing state expenditures or fill budget holes;
3. Its work requirements were reasonable, realistic, and flexible enough to permit states to develop work programs based on evidence rather than ideology; and
4. Policies like time limits and sanctions that have the potential to push families deeper into poverty were subject to rigorous evaluations and waivers that proved harmful could be withdrawn.

In his AEI paper and elsewhere,[36] Haskins acknowledges many of these and other shortcomings, noting that funding for the block grant "shrinks every year," the funding formula is "flawed," state use of the block grant funds has often been "questionable," the work requirements have "major problems," many eligible families do not receive assistance, and the number of families with children in deep poverty is higher than it otherwise would have been. In fact, he has gone so far as to say, "States did not uphold their end of the bargain. So, why do something like this again?"[37]

Suggesting that TANF Reduced Poverty has Troubling Policy Implications. The suggestion by a prestigious group like the NAS committee that TANF reduced poverty in the short-run and did not increase it in the long-term is dangerous because of the policy implications for other means-tested programs. TANF did undoubtedly reduce caseloads and costs. If doing so did not increase poverty relative to a more traditional and structured program like AFDC, then why not do the same for other programs like Medicaid, SNAP, Supplemental Security Income (SSI), and housing assistance programs? In fact, the NAS committee's child allowance proposals are a strong statement that the 1996 law created or at least contributed to today's policy void with respect to cash assistance to meet ongoing basic needs for our most economically disadvantaged families with kids.

It is unclear why the committee believes the child allowance would reduce poverty, but that restoring the preTANF cash assistance safety net would not. If AFDC could be magically reinstated, the direct impact on poverty using a measure like the poverty gap would be significant, as it would likely increase funding for cash assistance by about $20 to $25 billion, much of which would go to those living in deep poverty. Indeed, it would be a less costly and better targeted option than the NAS committee's recommendation to provide a $2,000 to $3,000 per year child allowance.

It is Too Late to "Reinstate" AFDC and TANF Cannot be Reformed. It is unrealistic to think that the preTANF AFDC program could be "reinstated" and most current efforts to reform TANF make incremental changes that would have little impact on poverty (e.g., the Democrats' RISE Out of Poverty Act and the Republican 2018 version of the JOBS for Success Act) and in some cases would exacerbate TANF's negative effects (e.g., the 2019 version of the JOBS for Success Act).[38] The main problem with these efforts is that they build on TANF's flawed foundation and do not address the underlying problems stemming from the block grant structure and excessive state flexibility. In *TANF is Broken!* I outlined a budget-neutral framework for real reform – the Simple Welfare, Employment, Education, and Training (SWEET) program. Haskins summarized my approach and its prospects as follows:

> Although Germanis has a wide range of criticisms, perhaps his most far-reaching is that states have taken advantage of the spending flexibility offered by the block grant to game federal rules and, in many cases, conduct a small and ineffective TANF cash benefit program while using block grant dollars for other purposes. He cites this flaw in TANF as a major reason so few poor families are receiving TANF cash payments. One of his central recommendations is to repeal the block grant and adopt a federal-state matching program, perhaps capped at the current level of the TANF block grant, which would require states to spend their own dollars on core TANF purposes and only then have their expenditures matched by federal dollars. Although most Republicans and states would oppose a change of this magnitude, Germanis' criticisms are reasonable and well supported by evidence. Congress and the administration would be well advised to carefully consider ways TANF could be reformed to minimize the game playing that

many states now use to avoid spending TANF dollars on core TANF purposes and to avoid the federal work requirement.[39]

It May be Time for a Child Allowance. If taking on the block grant directly is a futile effort, then perhaps the best approach is to replace TANF with a federally funded minimum benefit across all states like the child allowance – with additional funding for existing employment and training programs, e.g., the Workforce Innovation and Opportunity Act (WIOA) and work supports, e.g., the Child Care and Development Fund (CCDF) and the Social Services Block Grant (SSBG). Providing funding for these activities through existing programs, as opposed to TANF, would ensure at least some accountability and transparency, as each of these programs has data reporting and other requirements that currently do not exist in TANF. Given that much remains unknown about the effects of a child allowance on important outcomes like work and poverty, the federal government should be required to evaluate different benefit levels and phase out rates.

What about Work Requirements? Providing an unconditional cash benefit may be controversial, but given the absence of credible evidence about the effectiveness of such requirements and the monumental failure of TANF's requirements, it is time to start over. This means new experiments and rigorous evaluations. In the meantime, it is time to repair the damage to the cash assistance safety net caused by TANF. A child allowance, with funding for experimentation, may be the best path forward.

Note: Since TANF's inception, 15 to 30 states faced a 0 percent target to meet TANF's overall work rate and those that did not often used various loopholes to meet the requirement. TANF's "mandatory" work requirements have never been effective in getting states to engage families in work activities and as long as the block grant structure remains, states will be able to easily avoid its work requirements. If policymakers believe a work requirement is important, it is time to start over, but such requirements should be based on credible evidence about what helps individuals move up the economic ladder, not the talking points of conservative ideologues.

[1] The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I am a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush.

[2] Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years, *A Roadmap to Reducing Child Poverty* (Washington, D.C.: National Academies Press, 2019), news release, available at: https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty.

[3] Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years, *A Roadmap to Reducing Child Poverty* (Washington, D.C.: National Academies Press, 2019), p. ix, available at: https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty.

[4] Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years, *A Roadmap to Reducing Child Poverty* (Washington, D.C.: National Academies Press, 2019), p. 195, available at: https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty.

[5] Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years, *A Roadmap to Reducing Child Poverty* (Washington, D.C.: National Academies Press, 2019), p. 214, available at: https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty.

[6] Peter Germanis, "TANF *Deepened* Poverty: A Note to the National Academies of Sciences," March 9, 2019, available at: https://petergermanis.com/wp-content/uploads/2021/02/TANF-Increased-Poverty-Response-to-NAS.pdf.

[7] Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years, *A Roadmap to Reducing Child Poverty* (Washington, D.C.: National Academies Press, 2019), p. 214, available at: https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty.

[8] Ron Haskins, "Temporary Assistance for Needy Families," in Robert Doar (editor), *A Safety Net That Works: Improving Federal Programs for Low-Income Americans* (Washington, D.C.: American Enterprise Institute, February 13, 2017), p. 129, available at: https://www.aei.org/wp-content/uploads/2016/10/A-Safety-Net-That-Works-final.pdf#page=151.

[9] Ron Haskins, "Temporary Assistance for Needy Families," in Robert Doar (editor), *A Safety Net That Works: Improving Federal Programs for Low-Income Americans* (Washington, D.C.: American Enterprise Institute, February 13, 2017), p. 133, available at: https://www.aei.org/wp-content/uploads/2016/10/A-Safety-Net-That-Works-final.pdf#page=151.

[10] Ron Haskins, "Temporary Assistance for Needy Families," in Robert Doar (editor), *A Safety Net That Works: Improving Federal Programs for Low-Income Americans* (Washington, D.C.: American Enterprise Institute, February 13, 2017), pp. 129-130, available at: https://www.aei.org/wp-content/uploads/2016/10/A-Safety-Net-That-Works-final.pdf#page=151.

[11] U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: Fourteenth Report to Congress*, September 22, 2015, available at: https://aspe.hhs.gov/sites/default/files/pdf/116161/FINAL%20Fourteenth%20Report%20-%20FINAL%209%2022%2015.pdf; and, The Urban Institute, "TRIM3: Transfer Income Model, Version 3," available at: http://trim.urban.org/T3Technical.php.

[12] U.S. Government Accountability Office, *Temporary Assistance for Needy Famlies: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State* (Washington, D.C.: GAO, February 2010), available at: https://www.gao.gov/new.items/d10164.pdf.

[13] Gene Falk, "Temporary Assistance for Needy Families," Congressional Research Service, March 27, 2018.

[14] See data tables found at: Ife Floyd, Ashley Burnside, and Liz Schott, "TANF Reaching Few Poor Families," Center on Budget and Policy Priorities, November 28, 2018, available at: https://www.cbpp.org/research/family-income-support/tanf-reaching-few-poor-families.

[15] Center on Budget and Policy Priorities, 2019, available at: https://www.cbpp.org/tanf-could-be-serving-25-million-more-families.

[16] See Hilary W. Hoynes and Diane Whitmore Schanzenbach, "Safety Net Investments in Children," Brookings, March 8, 2018, available at: https://www.brookings.edu/bpea-articles/safety-net-investments-in-children/.

[17] See data tables found at: Ife Floyd, Ashley Burnside, and Liz Schott, "TANF Reaching Few Poor Families," Center on Budget and Policy Priorities, November 28, 2018, available at: https://www.cbpp.org/research/family-income-support/tanf-reaching-few-poor-families.

[18] U.S. General Accounting Office, *States are Restructuring Programs to Reduce Welfare Dependence*, June 1998, p. 78.

[19] Ron Haskins, "Temporary Assistance for Needy Families," in Robert Doar (editor), *A Safety Net That Works: Improving Federal Programs for Low-Income Americans* (Washington, D.C.: American Enterprise Institute, February 13, 2017), p. 131, available at: https://www.aei.org/wp-content/uploads/2016/10/A-Safety-Net-That-Works-final.pdf#page=151.

[20] TANF's main accountability measures are limited to "assistance" (about $7 billion); leaving little accountability for the nearly $25 billion in "non-assistance" expenditures. There are hundreds of different state programs funded as "non-assistance," with little information on what they do, their cost, the number of families served, and their effectiveness.

[21] American Enterprise Institute, "Practical perspectives on 'A Roadmap to Reducing Child Poverty," July 17, 2019, available at: http://www.aei.org/events/practical-perspectives-on-a-roadmap-to-reducing-child-poverty/.

[22] Ife Floyd, Ashley Burnside, and Liz Schott, "TANF Reaching Few Poor Families," Center on Budget and Policy Priorities, November 28, 2018, available at: https://www.cbpp.org/research/family-income-support/tanf-reaching-few-poor-families.

[23] Ashley Burnside and Ife Floyd, "TANF Benefits Remain Low Despite Recent Increases in Some States," Center on Budget and Policy Priorities, January 22, 2019, available at: https://www.cbpp.org/research/family-income-support/tanf-benefits-remain-low-despite-recent-increases-in-some-states; and Ife Floyd, Ashley Burnside, and Liz Schott, "TANF Reaching Few Poor Families," Center on Budget and Policy Priorities, November 28, 2018, available at: https://www.cbpp.org/research/family-income-support/tanf-reaching-few-poor-families.

[24] See data tables found at: Ife Floyd, Ashley Burnside, and Liz Schott, "TANF Reaching Few Poor Families," Center on Budget and Policy Priorities, November 28, 2018, available at: https://www.cbpp.org/research/family-income-support/tanf-reaching-few-poor-families.

[25] Ron Haskins, "Temporary Assistance for Needy Families," in Robert Doar (editor), *A Safety Net That Works: Improving Federal Programs for Low-Income Americans* (Washington, D.C.: American Enterprise Institute, February 13, 2017), pp. 131-132, available at: https://www.aei.org/wp-content/uploads/2016/10/A-Safety-Net-That-Works-final.pdf#page=151.

[26] Douglas J. Besharov and Peter Germanis, "Toughening TANF: How Much? And How Attainable?," March 23, 2004, available at: http://www.welfareacademy.org/pubs/welfare/toughening_tanf.pdf; and Gene Falk, "Temporary Assistance for Needy Families: Work Requirements," Congressional Research Service, March 27, 2018.

[27] Peter Germanis, "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute," August 7, 2016, available at: https://petergermanis.com/wp-content/uploads/2021/02/The-Failure-of-TANF-Work-Requirements.pdf.

[28] Ron Haskins, *Using Government Programs to Encourage Employment, Increase Earnings, and Grow the Economy* (Arlington, VA: Mercaus Center, 2017) p. 25 and p. 32, available at: https://www.mercatus.org/system/files/haskins-employment-government-mercatus-wp-v1.pdf.

[29] Gene Falk, "Temporary Assistance for Needy Families," Congressional Research Service, March 27, 2018.

[30] States that did not have an AFDC-Unemployed Parent (UP) program at the time the Family Support Act of 1988 was enacted were permitted to limit aid to two-parent families to six months in a 12-month period. See U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, "A Brief History of the AFDC Program," available at: https://aspe.hhs.gov/system/files/pdf/167036/1history.pdf.

[31] Ron Haskins, "Temporary Assistance for Needy Families," in Robert Doar (editor), *A Safety Net That Works: Improving Federal Programs for Low-Income Americans* (Washington, D.C.: American Enterprise Institute, February 13, 2017), p. 132, available at: https://www.aei.org/wp-content/uploads/2016/10/A-Safety-Net-That-Works-final.pdf#page=151.

[32] For a list of the states that with pre-TANF time limit waivers, see U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Setting the Baseline: A Report on State Welfare Waivers* (Washington, D.C.: ASPE, June 1, 1997), available at: https://aspe.hhs.gov/report/setting-baseline-report-state-welfare-waivers.

[33] TANF's five-year time limit is more symbolic than real, as there are many ways to circumvent it. Aside from the 20 percent hardship exemption, it is limited to families with an adult receiving federally funded assistance. About half of TANF families now have no adult recipients (i.e., they are child-only cases), so the time limit doesn't apply

to them. Moreover, because federal and state MOE funds are largely fungible, a state exempt families from the federal time limit or extend their assistance beyond five years by funding these families using MOE with segregated state funds or separate state programs. Or, a state could just remove the adult from assistance benefit and pay benefits to just the children (and even increase the payments to the children to offset the reduction from removing the adult). For states that do not want a time limit, this just wastes resources by forcing them to take advantage of loopholes. And, states that want a different time limit are forced to monitor and enforce two different time limits.

[34] Ron Haskins, "Temporary Assistance for Needy Families," in Robert Doar (editor), *A Safety Net That Works: Improving Federal Programs for Low-Income Americans* (Washington, D.C.: American Enterprise Institute, February 13, 2017), p. 133, available at: https://www.aei.org/wp-content/uploads/2016/10/A-Safety-Net-That-Works-final.pdf#page=151.

[35] For a list of the states that with waivers related to sanctions, see U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Setting the Baseline: A Report on State Welfare Waivers* (Washington, D.C.: ASPE, June 1, 1997), available at: https://aspe.hhs.gov/report/setting-baseline-report-state-welfare-waivers.

[36] Ron Haskins, "Temporary Assistance for Needy Families," in Robert Doar (editor), *A Safety Net That Works: Improving Federal Programs for Low-Income Americans* (Washington, D.C.: American Enterprise Institute, February 13, 2017), pp. 138-143, available at: https://www.aei.org/wp-content/uploads/2016/10/A-Safety-Net-That-Works-final.pdf#page=151; and Ron Haskins, *Using Government Programs to Encourage Employment, Increase Earnings, and Grow the Economy* (Arlington, VA: Mercaus Center, 2017) p. 25 and p. 32, available at: https://www.mercatus.org/system/files/haskins-employment-government-mercatus-wp-v1.pdf.

[37] Eduardo Porter, "The Republican Party's Strategy to Ignore Poverty," *The New York Times*, October 27, 2015, available at: http://www.nytimes.com/2015/10/28/business/economy/a-strategy-to-ignore-poverty.html.

[38] See: "The JOBS for Success Act: A Noble but Futile Attempt to Reform 'Welfare Reform'," June 16, 2018, available at: https://petergermanis.com/wp-content/uploads/2021/02/The-JOBS-for-Success-Act.pdf; "TANF is Broken! Is Congress Fixing the Problems – or Just 'Kicking the Can Down the Road'? A Response to Senator Steve Daines," January 1, 2019, available at: https://petergermanis.com/wp-content/uploads/2021/02/Daines-Response.pdf; and "TANF Can't be Reformed – It Must be Repealed and Replaced: A Brief Explanation for Matt Weidinger" June 17, 2019, available at: https://petergermanis.com/wp-content/uploads/2021/02/Weidinger-Brief-Explanantion.pdf.

[39] Ron Haskins, "TANF at Age 20: Work Still Works," Journal of Policy Analysis and Management, Winter 2015, available at: https://petergermanis.com/wp-content/uploads/2020/09/Haskins2015Age.pdf.