TANF is a Massive *Policy* Failure, But Other "Liberal" Welfare Policies Reduced Poverty: A Response to Scott Winship

***A First Draft*[1]**

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In a June 3, 2016, radio address, Speaker Ryan said:

> For years—decades now—Washington has spent trillions of dollars on dozens of programs to fight poverty. But we have barely moved the needle. The war on poverty is a stalemate at best.[3]

This statement is seriously misleading, because the data are based on the "official" poverty measure – one that most experts believe provides an inaccurate picture of contemporary poverty. Scott Winship, a senior fellow at the Manhattan Institute, shows that Speaker Ryan and the conservative members of Congress who drafted the "Poverty, Opportunity, and Upward Mobility" (released as part of a series of reports under the rubric of *A Better Way*) are simply wrong in making this claim.[4] As Winship demonstrates in "Poverty After Welfare Reform," we have made significant progress since the start of the War on Poverty.[5] Increased spending on the Supplemental Nutritional Assistance Program (SNAP), the Earned Income Tax Credit (EITC), the refundable part of the Child Tax Credit, Medicaid, and other low-income assistance programs have indeed played an important role in reducing poverty. Winship makes a convincing case for the success of the safety net, but he should have stopped there.

Winship goes too far in suggesting that "welfare reform" in 1996, as reflected in the creation of the Temporary Assistance for Needy Families (TANF) block grant, is a success. Indeed, he defends the status quo and goes so far as to suggest its "lessons" should be extended to other safety net programs:

> The idea that rolling back welfare reform would help the poor is wholly unjustified by the evidence. Obviously, much depends on the details of future proposals, but the facts do not even imply that extending the lessons of welfare reform to other safety-net programs would be harmful to the very poor.[6]

The problem with this statement is that Winship presents absolutely no "facts" about TANF or any "evidence" of its impacts beyond merely asserting that it increased employment and reduced poverty. His analysis of poverty rates, while impressive, is not a basis for making causal inferences about the effects of "welfare reform" and his focus on various poverty *rates* does not fully capture distributional effects and changes in the depth of poverty. Moreover, TANF cannot be understood without examining its actual implementation, something Winship does not do here or in anything he has written. If he had, he would realize that TANF is without a doubt the nation's most dysfunctional social program. Winship does not describe the "lessons" of TANF, but I elaborate on them at length in my July 2015 paper, *TANF is Broken! It's Time to Reform*

"Welfare Reform."[7] Extending TANF's "lessons" to other safety net programs would be a serious mistake.

The Need for a Better Poverty Measure

Perhaps the most significant shortcoming of the official poverty measure for purposes of assessing the effectiveness of anti-poverty programs is that it is based on *pretax, cash* income. As Robert Greenstein of the Center on Budget and Policy Priorities explains:

> The official measure counts as income only those government benefits that are provided through spending programs which pay benefits in cash. It ignores SNAP, rental assistance, the EITC, the refundable part of the Child Tax Credit, and more. This means it ignores virtually all anti-poverty assistance created or expanded over the past half century, while counting the main form of assistance cut sharply over this period — cash assistance for poor families with children. You can't learn anything about the efficacy of most anti-poverty programs by using a measure that doesn't count them.[8]

Another problem is that the official poverty thresholds have been adjusted for inflation by a price index – the CPI-U – which most economists believe has overstated the cost of maintaining a constant standard of living. (On the other hand, many experts have argued that the poverty thresholds are generally too low – not too high.) An alternative preferred by some economists is the chain-price index for Personal Consumption Expenditures – the "PCE index." There have also been changes in cohabitation and a growing problem with underreporting of income on household surveys, neither of which are properly addressed in the Census Bureau's calculations using the official poverty measure.

In "Poverty After Welfare Reform," Winship tackles each of these issues and shows how each factor affects a variety of poverty rates – the child poverty rate, the poverty rate of children in single-mother families, deep child poverty rates for those in single-mother families, and extreme ($2 a day) child poverty rates for those in female-headed families. His analysis is comprehensive and impressive. However, it is likely that other poverty experts would take issue with some of his assumptions about how to value non-cash benefits, the sharing of income among cohabiting couples, and the use of a PCE index; and some may point to other possible changes in the treatment of medical expenses work-related expenses, and the equivalence scales used to establish the poverty thresholds. My purpose is not dispute his findings, only to indicate that as with all social science research, there is some uncertainty, and policy conclusions about "welfare reform's" effects should not be based on any one study.

"Child Poverty Fell After Welfare Reform and Remains Historically Low"

Winship and most conservatives consider the creation of TANF in 1996 to be "welfare reform." This is the "program" they believe to be "unprecedented success" and a model for reforming other safety net programs. For example, Winship writes:

> Liberals today increasingly argue that PRWORA [the acronym for the bill that included TANF] was a terrible mistake, and that it is time to revisit or rollback welfare reform to

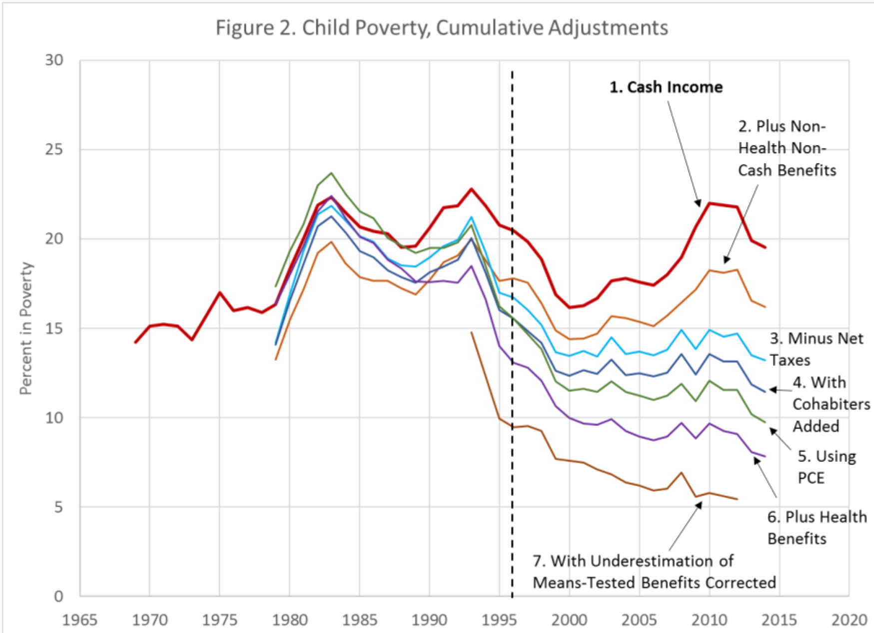
> undo the damage and reduce child poverty. There is just one problem here: children – and in particular, those in single-mother families – are significantly less likely to be poor today than they were before welfare reform.[9]

Notably, the title of Winship's paper is poverty *after* "welfare reform." He shows changes in poverty rates over time using a number of adjustments, but presents no evidence that "welfare reform" *caused* those changes. There are many factors that affect poverty beyond "welfare reform" – the economy; the expansion in health spending and aid to the working poor; and changes in drug use, crime, teen pregnancy, and other social behaviors. Indeed, if anything, Winship's analysis shows that spending more money on other safety net programs reduces poverty. These expansions offset *some* of the negative effects of TANF, but that by no means makes TANF a success.

For purposes of this response, I use one of Winship's figures, "Figure 2: Child Poverty, Cumulative Adjustments." I chose this figure because I also have data on federal expenditures for children for the main programs included in Winship's review (see Table 1 below) for 2000 and 2014. (It would have been better to have spending data for 1996, but that was not readily available; however, federal expenditures on children rose between 1996 and 2000, so for this "first draft" I use the column for 2000 as a conservative proxy for pre-TANF spending on means-tested safety net programs.[10]) Because a central topic of this analysis is the impact of TANF, I also include *total* (federal and state) AFDC/TANF cash assistance spending for children in 1996, 2000, and 2014. All dollars are in constant 2014 dollar amounts and they include only the share of benefits provided to children, so they understate total aid to *families with children*. To provide context, I also include the number of children, the number of children in "official" poverty, and the number of children receiving AFDC/TANF.

Winship's Analysis Shows that "Liberal" Policies Work! Winship's figure showing the child poverty rate trends over time is shown below. The bolded red line shows the trend in the official "cash income" poverty rate for children between 1969 and 2014. Note that this includes the direct impact of cash assistance (most notably AFDC/TANF and SSI).[11] Winship points out that, "the official child poverty rate had fallen from its Great Recession peak and was one percentage point below the 1996 rate (19.5% versus 20.5%)."[12] Thus, based on the official measure, Winship implies that "welfare reform" worked.

The orange line immediately below the "cash income" line adds the value of non-cash benefits from SNAP, rental assistance, several child nutrition programs, and energy assistance. Winship reports the direct impact of adding these non-cash benefits as reducing the poverty rate from 19.5 percent to 16.2 percent in 2014, a 3.3 percentage point reduction. He notes that these non-cash programs had a smaller impact in 1996, when they reduced the child poverty rate by just 2.7 percentage points. This should not be surprising, as federal expenditures for children from these same programs increased by $29.1 billion (77 percent), from $37.6 billion in 2000 (my proxy for 1996) to $66.7 billion. Winship's analysis shows the more we spend, the greater the impact.



Source: Scott Winship, *Poverty After Welfare Reform* (Manhattan Institute, August 2016), p. 38, available at: http://www.manhattan-institute.org/sites/default/files/R-SW-0816.pdf.

Next, Winship adds the direct impact of refundable tax credits – the EITC and the Child Tax Credit, as reflected in the light blue line. The child poverty rate falls 3 more percentage points, from 16.2 percent to 13.2 percent. The direct impact in 2014 is larger than in 1996 (3 percentage points vs. 1.1 percentage points). This should not be surprising, as federal expenditures for children from these tax credits increased by $42.1 billion (128 percent), from $33 billion in 2000 (my proxy for 1996) to $75.1 billion. Winship's analysis again shows the more we spend, the greater the impact.

Winship then makes adjustments for cohabitation, what he argues is a better price index, and then adds the value of employer and federal health benefits; combined, these adjustments reduced the child poverty rate to 7.8 percent. Notably, federal expenditures for children on the Medicaid/CHIP programs increased $53.6 billion (162 percent), from $33 billion to $86.6 billion. This increase excludes the state match, but Winship only values them at one-quarter their market value. (Accounting for health is particularly challenging; for example, the more inefficient and costly the health system is, the less poor everyone is!)

Bottom-line. Winship's adjustments for non-cash spending show lower poverty, and the increase in such spending in the last two decades has reduced poverty significantly. If one adds SSI to the mix, then federal expenditures for children from major means-tested programs more than doubled since 2000, from $110.0 billion to $242.5 billion in 2014. (Part of the increase is due to the Great Recession, but means-tested spending grew steadily even beforehand.) The *increase* in spending alone represents over $8,600 per "officially" poor child. Even excluding federal health expenditures, the increase is still substantial ($72.6 billion) – from $77 billion in 2000 to $153.1 billion. The *increase* in non-health spending alone amounted to nearly $4,700 per poor child.

Table 1: Federal Expenditures for *Children* + TANF Cash Expenditures for *Children*: FY 2010 – FY 2014 (billions of 2014 $)			
	2000	2014	Change (2000-2014)
SSI	6.4	11.3	4.9
SNAP	12.9	33.4	20.5
Child Nutrition and WIC	16.7	24.9	8.2
Housing Assistance	8.0	8.4	0.4
EITC (refundable $)	31.9	53.6	21.7
CTC (refundable $)	1.1	21.5	20.4
Medicaid/CHIP	33.0	86.6	53.6
TOTAL (minus TANF)	$110.0	$239.7	$129.7
TANF (cash – fed/state for children) 1996 = $23.2 billion	11.6	6.3	2000-2014: -5.3 1996-2014: -16.9
TOTAL	$121.6	$242.5	
# of children <18 (1996: 70.7 million)	71.7 million	73.6 million	
# poor children <18 (1996: 14.5 million)	11.6 million	15.5 million	
# AFDC/TANF children (1996: 8.7 million)	4.5 million	2.9 million	

Note: For programs that benefit both children and adults, the figures include only the share that go to children. *Sources:* Federal expenditures for children in 2000: Heather Hahn, Julia Isaacs, Sara Edelstein, Ellen Steele, and C. Eugene Steurle, *Kids' Share 2014: Report on Federal Expenditures on Children Through 2013* (Washington, DC: The Urban Institute), Table 4, p. 36, available at: http://www.urban.org/sites/default/files /alfresco/publication-pdfs/413215-Kids-Share--Report-on-Federal-Expenditures-on-Children-Through--.PDF and are converted to 2014 dollars (from 2013 dollars); figures for FY 2014 are in the *Kids' Share 2015* edition; and for AFDC/TANF cash assistance expenditures for children and for number of children: 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, p. A-6 and p. A-9, available at: https://aspe.hhs.gov/sites/default/files/pdf/116161/FINAL%20Fourteenth%20Report%20-%20FINAL%209%2022%2015.pdf.

What about TANF? AFDC/TANF spending for cash assistance for children declined steadily from $23.2 billion in 1996 to $11.6 billion in 2000 to just $6.5 billion in 2014 (all in 2014 dollars). The decline from 1996 to 2014 is $16.7 billion – compared to an increase (between 2000 and 2014) of $129.7 billion in other safety net programs ($76.1 billion if one excludes health programs).

Winship could have examined the direct effect of AFDC/TANF spending on the poverty rate the same way he examined the direct effect of non-health, non-cash programs, tax credits, and health programs. Instead of starting with the "cash income" line, he could have started with a *prewelfare* cash income line to examine what happens to both SSI and TANF over time. Presumably, the expansion of SSI, from $6.4 billion to $11.3 billion (from 2000 to 2014) would show a decline in poverty and a bigger decline in 2014 than in earlier years. As with his other adjustments, the effect could be seen by a widening in the gap between the poverty rate lines in the years since 1996.

BUT, if the same approach were applied to TANF, we would see a narrowing of the lines, as spending between 1996 and 2014 fell 72 percent.[13] So, while Winship is right that the child poverty rate, measured more comprehensively than the official rate, is lower today, that is only because other parts of the safety net compensated for the failure of "welfare reform." (Most of the expansion in other safety net programs was aimed at the "working poor"; many of the families without workers are likely deeper in poverty.) A better approach would be to implement a "welfare reform" approach that actually helps needy families so that the needed for expanding other safety net programs is reduced.

A Bizarre Argument. The fact that non-TANF spending grew and offset the failure of TANF as a safety net is not really a defense of TANF, although Winship does use this argument:

> The question is what would have happened in the absence of the welfare reform we actually implemented. This is a very difficult question to answer. If the AFDC program circa 1991 remained with us today, would policymakers have expanded SNAP, Medicaid, and the EITC as much as they actually did? Would they have created the Children's Health Insurance Program, made the Child Tax Credit refundable, or passed Obamacare? Would the antipoverty policy response during the Great Recession have been as strong?[14]

This is an unusual argument. Winship is suggesting that shredding the cash assistance safety net led to an expansion in other parts of the safety net. So, if we extend the TANF model to SNAP, can we expect to see child allowances, an increase in the minimum wage, and universal health care?

TANF as a Massive *Policy* Failure

In addition to the direct effects, one could argue that TANF's work requirements and other features produced powerful incentive effects and induced more employment and lowered the poverty rate. Indeed, Winship has made such an argument in several papers, most notably in an article in which he boldly claimed "Welfare Reform Reduced Poverty and No One Can Contest It."[15] Despite his confidence, Winship and others who claim TANF reduced poverty make a number of conceptual and analytical mistakes. A more comprehensive assessment suggests that TANF had little impact on the poverty rate (regardless of how it is measured), but increased the depth of poverty for our nation's neediest families.

In fact, I did contest Winship's claims, noting that: a pre-post examination of poverty rate trends is an oversimplistic approach for causal inference; evidence from randomized control trials of welfare reform showed modest impacts on employment and very little impact on the poverty *rate*, even as national trends on these outcomes showed large changes; the poverty *rate* is the wrong measure for TANF and ignores distributional effects; and he confuses "welfare reform" with TANF (a form of revenue sharing with a myriad of dysfunctional federal requirements for cash assistance). I elaborate on these and other points in my response, "'Welfare Reform' *Increased* Poverty and No One Can Contest It: A Note to Conservatives."[16]

TANF's Dysfunctionality. Winship believes TANF may be a model for reforming other safety net programs. First, he claims,

> The idea that rolling back welfare reform would help the poor is wholly unjustified by the evidence.[17]

His paper actually provides NO evidence of TANF's impact on poverty. At least for the other safety net programs, he showed their direct effect in lowering the poverty rate; he didn't do that for TANF. He continues:

> …the facts do not even imply that extending the lessons of welfare reform to other safety net programs would be harmful to the very poor.[18]

What are these "lessons"? Winship has never written in any level of detail about TANF's provisions, much less the lessons from implementation. I have written extensively about TANF's failures not just in terms of its effects, but more so about its dysfunctionality from a policy perspective. It is on this basis that I conclude that TANF has been a massive *policy* failure; it defies common sense.

In *TANF is Broken! It's Time to Reform "Welfare Reform,"* I explain that the creation of TANF as a block grant with *excessive* state flexibility is not "welfare reform," but a form of revenue sharing. It set in motion changes that would: (1) initially provide large windfalls of federal funds for states, but also put in place a funding structure that in the longer-term would provide insufficient resources due to inflation and demographic changes (with similar effects for the state funded maintenance of effort provisions); (2) give states excessive flexibility to use federal funds to supplant their own spending (by tens of billions of dollars since TANF was created); (3) give states excessive flexibility to convert TANF (over time) to a giant slush fund with minimal reporting and accountability provisions, which includes but is not limited to supplanted funds); (4) impose a Rube Goldberg-like set of bureaucratic and ineffective funding formulas and requirements; and (5) give states excessive flexibility to avoid or evade virtually all of the federal requirements in the law, most notably work requirements and time limits. The result of this misguided effort is a cash assistance safety net with large holes – one that is not effective in providing either basic assistance to needy families or ensuring that low-income parents receive the work-related activities and services they need.

Ten Questions. If Winship and conservatives want to use TANF as a model for reforming other safety net programs, they should actually study the implementation of the "program" and ask themselves the following 10 questions about TANF:

1. Does it make sense to have work requirements that don't work?
2. Does it make sense to have a funding structure for a safety net program that is unresponsive to changes in economic and demographic circumstances?
3. Does it make sense to give states so much flexibility they can count virtually any expenditure as "reasonably calculated" to advance a TANF purpose?
4. Does it make sense to permit states to use TANF funds to supplant existing state expenditures and use it as a giant slush fund?
5. Does it make sense to replace a simple and effective federal-state matching approach with an ineffective, Rube Goldberg-like financing scheme?

6. Does it make sense to give states so much flexibility they can duplicate the benefits and services of dozens of other low-income programs with virtually no accountability?
7. Does it make sense to provide funding for safety net programs that have either no income limit or that permit states to set very high income limits?
8. Does it make sense to impose rules that are ineffective and/or needlessly complicated?
9. Does it make sense to ignore evidence-based research?
10. Does it really make sense to use TANF as a model for reforming other welfare programs?

TANF has failed with respect to each of the first nine questions (see *TANF is Broken!*) and thus the answer to question #10 should be a resounding "no" – it should not be a model for reforming other welfare programs. If Winship disagrees, he should explain how any of this dysfunctionality is a "lesson" for reforming other safety net programs.

A More Direct Assessment of TANF's Impact on Poverty

Winship argues that TANF is a success because poverty rates that count spending on other safety net programs and adjust for other factors are lower today than in 1996. Other researchers using different data sets and/or different approaches come to different conclusions about TANF's effects. For example, Danilo Trisi and Arloc Sherman recently examined the same issue, but they examined the children of single mother families by income groups (tenths), making a number of adjustments similar to those that Winship did. They found that incomes fell for the poorest tenth of children of single mothers.[19]

I prefer a different approach and a dose of common sense. My preferred approach compares caseload changes to changes in the number of families *eligible* to receive assistance. The data on TANF families eligible for benefits is estimated using simulation models. The estimates are produced by experts using survey and administrative data, with careful attention to reporting issues and program rules. For TANF, the eligibility estimates come from the TRIM model, which has been used for over 40 years by administrations of both parties to calculate eligibility for TANF and other programs.[20] Program administrative data can be used for the number of families receiving benefits.

Table 2 shows the change in the average monthly number of families eligible for assistance compared to the average monthly number receiving assistance for selected years from 1996 through 2012. In 1996 (before TANF), about 5.6 million families were eligible to receive benefits, and about 4.4 million (79 percent) did so. By 2012 the number eligible for TANF was higher (5.7 million), but the number receiving benefits had dropped over 50 percent to 1.9 million (32 percent). Using the conventional conservative pre-post method for assessing impact, a reasonable question is: If TANF is such a success and if these families had really been "helped," why are there more families with incomes below TANF's eligibility thresholds? (It is true that the number of families with children grew by about 10 percent during this period, so one might expect a larger number of potentially eligible families, but TANF's financial eligibility rules have become more restrictive over time, particularly since benefit levels and income eligibility limits have not kept pace with inflation.)

Table 2: Number and Percentage of Eligible Families Participating in TANF (Average Monthly Data, Selected Years, 1996-2012)				
Year	TANF			
	Eligible (millions)	Participating (millions)	Eligible, Not Participating (millions)	Participation Rate (%)
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

Source: 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.

The more important statistic that can be derived from this table, however, is the increase in the number of families that were eligible to receive TANF, but that did not. This number grew from 1.2 million in 1996 to 3.8 million in 2012. This is an increase of 2.6 million very poor families that were eligible for assistance but did not receive it. For the affected families, this represents a loss in benefits of about $200 to $700 per month (the maximum grant for a family of three, depending on the state). Most of these families were poor before being pushed off TANF (or "discouraged" from coming on it) and are poor afterwards. The poverty ***rate*** would not pick this up, but certainly the fact that they are deeper in poverty should be a matter of concern.[21]

One might ask whether Winship's adjustments would affect the conclusion that many of these families have been pushed deeper into poverty.

- Most of these families likely receive SNAP and child nutrition benefits, some may be in housing; TANF is unlikely to have had a significant impact on their receipt of and the amount of benefits. (The 2009 Recovery Act did include a sizeable temporary benefit increase, but to the extent this helped, it is not an indication of TANF's effectiveness.)
- Most of these families have low earnings, so would not benefit significantly from the EITC or CTC. (There is a complication here because the timing of these benefits does not coincide with the period the TANF eligibility estimates are based on, but for those families that have not worked at all, the expansion in these benefits is of no value.)

As shown in Table 1, federal expenditures on means-tested programs for children have increased since the 1996 law, but these increases have generally not helped the neediest families – those with incomes low enough to qualify for TANF cash assistance. Robert Moffitt of Johns Hopkins University has documented a decades-long change in spending on means-tested program away from the very poor (those with incomes below 50 percent of the federal poverty line) to those with incomes as much as 200 percent above the poverty line.[22] He observes, "You would think that the government would offer the most support to those who have the lowest incomes and provide less help to those with higher incomes. But that is not the case."[23]

And, what about Winship's other adjustments?

- Using a different inflation measure – the PCE vs. the CPI – would not affect the conclusions regarding the estimates of families eligible for TANF cash assistance, as they rely on the actual income eligibility limits of a particular year and there is no need to adjust them for inflation, as there is with the poverty thresholds.
- Adjusting for cohabitation may have some effect, but if both cohabitors are the biological parents of a child, they would be treated as a two-parent families for TANF eligibility purposes.

One significant difference between my preferred approach and that of Wnship and Trisi/Sherman is that the data on participation among eligible families is based on monthly data, not annual data.

Regardless of the methodological approach in assessing the impact of TANF and other safety net programs, distributional effects matter. With regard to the 1996 law, Harvard professor Christopher Jencks recently discussed the importance of distinguishing between “winners” and “losers”:

> People who were able to find work, either because they live in places where work was available, or because they were better qualified than the average welfare recipient, have done pretty well. People who can’t find work are where they were before they had welfare at all. That’s a big problem. People have no means of support for themselves or their children.[24]

Notably, in 2004, Jencks co-authored an article with Scott Winship that declared, “Welfare reform is now widely viewed as one of the greatest successes of contemporary social policy.”[25] He now acknowledges, “I was wrong.”[26]

Conclusion

Arthur Brooks, president of the American Enterprise Institute, recently said “Whether or not welfare reform worked is an empirical question. Almost all the data shows it did.”[27] (His statement was a response to an earlier article by Scott Winship.) I disagree with this conclusion – there is considerable data to suggest that welfare reform has failed the poor. Moreover, empirical data without looking at state policies and how they were implemented is of only limited value. Indeed, TANF cannot be evaluated using conventional research tools because it is not a “program,” but rather a flexible funding stream. It is no longer a story about work requirements and time limits and other policies traditionally associated with “welfare reform,” but rather a story about how many states use it as revenue sharing to supplant existing state expenditures and fill budget holes. Even when funds are used for basic assistance, the rules regarding work requirements, time limits and other provisions are unnecessarily complicated and simply don’t work. In particular, TANF’s work requirements are an epic failure in conservative policymaking. Based on this broader perspective it would be a mistake to extend the TANF model to other safety net programs.

Appendix: Addressing Other TANF-Related Statements

Most of Winship's paper is about poverty measurement issues, but he does make some claims about TANF that should be addressed. In what follows, I quote several statements, followed by an explanation called a "PC Response" (where PC refers to my pseudonym – "Peter the Citizen").

Winship: "On their blog, Edin and Shaefer cite CBPP estimates showing that the ratio of families receiving TANF cash assistance to poor families with children was 0.23 in 2014, down from 0.68 AFDC families per poor family with children in 1996. Along the same lines, Peter Germanis cites figures from the Department of Health and Human Services indicating that 34% of eligible families participated in TANF cash assistance in 2011, compared with a 79% participation rate for AFDC in 1996.

But many additional families receive services funded by TANF without getting cash assistance. In 1996, 71% of the federal and state spending on which TANF block grants were based went toward cash assistance, compared with 43% of TANF spending in 2000. A sizable share of TANF funds are spent on child care; job search, placement, and readiness services; case management oriented toward employment; transportation; and short-term loans."[28]

PC Response: Winship suggests that the decline in cash assistance caseloads is offset by spending for other programs, pointing in particular to work activities and child care.

First, for the decline in cash assistance, Winship compares the percentage spending on cash assistance in 1996 to 2000, even though the percentage continued to decline after that point. For 2014, it was just 26 percent. And, percentages are misleading for TANF, because the size of the pie is shrinking. Inflation has eroded over one-third of the value of the block grant and corresponding the state maintenance-of-effort requirement. So, the size of the pie is shrinking, even as the number of poor families with children and the number of families eligible for assistance has grown.

Second, "welfare reform" was about cash assistance and work activities – in FY 2014, this accounted for just one-third of all spending (and of a smaller pie). Many of the other activities TANF funds are spent on may be worthwhile, but because TANF is a block grant, spending more on one activity means less for TANF's original core purposes – cash assistance and work activities.

Third, a considerable share of TANF/MOE spending does not reflect an *increase* in spending on other activities, but rather the use of federal TANF funds to simply supplant state spending. And, for MOE, it often means counting existing state spending that meets a broad TANF purpose, and even counting the spending of non-governmental entities as a state's own spending (e.g., nearly $100 million in Georgia's MOE spending comes simply from counting the spending of food banks).

Fourth, Winship cites national figures. To a large extent, the national average is driven by California, which still maintains a focus on core welfare activities. Instead, TANF is best viewed at the state level – states like Texas, Georgia, Michigan, and Arizona spend less than 20 percent on core welfare reform purposes (and adding child care doesn't make a big difference in these states); TANF in these states is nothing more than a slush fund.

Winship: "One study by the U.S. General Accounting Office (GAO) found that in the early 2000s, the number of families receiving cash assistance was over one-third lower than the total number of families served by TANF. Adjusting by this factor the participation rate figures cited by Germanis would put the 2001 rate at 70% rather than 48%—much closer to the 1996 AFDC participation rate of 79%. Adjusting the CBPP ratio of families receiving TANF cash assistance to poor families with children raises it from 0.40 to 0.58 (compared with 0.68 in 1996)."[29]

PC Response: The suggested adjustment advanced by Winship is inappropriate. First, it assumes that the participants in the various other non-assistance programs are receiving benefits because of increased spending, rather than supplantation or states simply counting existing state-spending as MOE. Second, the income eligibility thresholds for most "non-assistance" programs are considerably higher than the eligibility limits for cash assistance. The denominator for the participation rate I refer to is families eligible for cash assistance. Adding families that are not eligible for assistance and that may have considerably higher incomes to the numerator would be misleading.

Winship: "Other families are eligible for TANF but not receiving cash assistance because of the increased availability of other government benefits. Food stamps lifted more children out of deep poverty than did cash welfare even in 1996, but food stamp participation among eligible families rose from 65% to 83% between 1996 and 2011. Families eligible for TANF can get benefits not only from SNAP, but from Medicaid, CHIP, Obamacare, child care assistance, SSI, subsidized housing programs, and cash welfare funded solely by states rather than through federal TANF funds."[30]

PC Response: Most families that were receiving AFDC, were already getting food stamps and Medicaid. In many cases, their loss of cash assistance was not compensated by increases in new benefits. SSI is limited to families with a disabled family member and while there has been an increase in participation, it would have affected a minority of those families who lost TANF cash assistance. Child care assistance can help people work or engage in work activities by offsetting a work expense, but it doesn't help meet basic needs, like food and shelter. Most important, "welfare reform" should be assessed on its own merits. The fact that other safety net programs expanded says nothing about TANF's effectiveness.

Winship: "All of the charts in this paper show a dashed line through 1996 to facilitate an assessment of post-welfare-reform trends. In reality, there is no simple way to date welfare reform's start. Between 1992 and 1995, 20 states began implementing major reforms under state waivers granted by the Department of Health and Human Services. Furthermore, it took some time for states to implement PRWORA after it became law, with the last state, California, doing so in January 1998."[31]

PC Response: Winship confuses "welfare reform" through waivers with TANF. The former operated until 1997 – the waivers gave states flexibility to test changes to their cash assistance programs, subject to rigorous evaluation and cost neutrality (not fixed funding). When TANF was enacted, it didn't add much to the flexibility states had (except doing away with the entitlement). Instead, it provided a fixed block grant that resulted in a windfall for most states in the first 5-10 years, but then considerably less over the longer-term. TANF is a blank check to states with no accountability; conservatives try to equate the two because it adds to the "success" of "welfare reform," but "welfare reform" before TANF is very different.

Winship: "One report by the Council of Economic Advisers estimated that state waivers were responsible for 15% to 31% of the decline in the share of people receiving cash welfare between 1993 and 1996."[32]

PC Response: Nobody disputes the fact that welfare reform and TANF have reduced caseloads. Winship's paper is about the effects of "welfare reform" on poverty. Moreover, there were many econometric studies that found widely differing effects due to different time periods, data sets, and methodologies.

Winship: "The kind of reforms that Edin and Shaefer, and other critics of the 1996 welfare law, call for—such as an increase in publicly subsidized work—might create perverse incentives that would actually cause more families to join the welfare rolls and end up stuck in dead-end, make-work employment rather than gaining new skills in the private sector. Or perhaps they would cause out-of-wedlock childbearing to increase again. These kinds of unanticipated consequences could reverse some of the progress the nation has made in reducing poverty rates, even as extreme poverty declines."[33]

PC Response: Winship is right to be concerned about new policy proposals, particularly if they are untested. The Georgetown Center on Poverty and Inequality's recently issued a report on subsidized employment, *Lessons Learned from 40 Years of Subsidized Employment Programs*, is the most extensive review on this topic to date.[34] There is a basis for considering policy options about subsidized employment. There was no empirical basis for a block grant like TANF! (Neither the waiver approach, nor the evaluations conducted under that approach, suggest that either a block grant or specific TANF reforms had any merit.)

Ironically, TANF replaced an evidence-based welfare reform model, which had strict accountability measures, with a blank check with virtually no meaningful accountability. In 1987, President Reagan started encouraging states to use existing authority to conduct welfare reform experiments – through waivers of AFDC's rigid rules (and, to a lesser extent, food stamp and Medicaid rules due to more limited waiver authorities for those programs). This approach was continued by President Bush and President Clinton. When the 1996 law passed, many states simply continued these policies – they didn't need TANF to enact "welfare reform." This process did not provide a fixed level of funding, like block grants. Instead, it relied on an approach that would provide a real counterfactual using the “gold standard” of evaluation – random assignment. The findings from random assignment experiments are considered the most credible, because the experimental and control groups are alike and subject to the same external conditions, with the only difference being the intervention itself. Thus, any difference in outcomes between the groups can be attributed to the intervention – welfare reform – itself. As a result, it would be possible to know whether state reforms actually reduced welfare dependency by increasing self-sufficiency. And, the experience of the control group could be used to ensure cost-neutrality, as the budgetary effects of any programmatic changes would be measured by examining the experimental-control group differences in costs. TANF replaced this approach with one that essentially provides states a blank check with no accountability.

The even bigger irony is that Winship has no problem accepting that TANF is a “success” based on simple trend lines, without ever actually looking in the black box.

[1] Scott Winship's paper is an interesting and informative discussion of poverty *after* welfare reform. However, he also makes unsubstantiated and irresponsible claims about the 1996 welfare reform law and TANF in particular. He goes so far as to suggest that the lessons from that law should be extended to other safety net programs. Winship has no meaningful discussion of the elements of that law and more importantly how they were implemented. Any objective analysis would have to conclude that TANF is a massive policy failure, not just in its effects on poverty, but also in terms of the dysfunctionality of its main provisions. I will continue to refine my arguments and update data, but I post this "first draft" because it is important to emphasize that TANF is not a model for other safety net programs. Please send comments and suggestions to: petergermanis1@gmail.com.

[2] 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 consider myself 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. This paper assumes the reader has a basic understanding of the TANF program, but for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: https://petergermanis.com/wp-content/uploads/2020/09/TANF-is-Broken.072515.pdf. For more comprehensive reforms to the safety net, I support a model developed in the Reagan Administration. It provided state flexibility, but had strong accountability provisions, most notably cost neutrality and rigorous evaluation, to ensure that needy families are actually helped. In contrast to the "Reagan model," most conservatives today follow the "TANF model," an approach that provides a block grant and has virtually no effective accountability provisions and has, in my view, exacerbated poverty. I believe it is important that conservatives first learn the lessons of TANF (and fix it) before undertaking more comprehensive reforms to avoid repeating the mistakes of the past.

[3] Speaker Paul Ryan, "Weekly Republican Address: This is a Better Way," June 3, 2016, available at: http://www.speaker.gov/press-release/a-better-way.

[4] "Poverty, Opportunity, and Upward Mobility," in *A Better Way: Our Vision for a Confident America*, June 7, 2016, available at: http://abetterway.speaker.gov/_assets/pdf/ABetterWay-Poverty-PolicyPaper.pdf.

[5] Scott Winship, *Poverty After Welfare Reform* (Manhattan Institute, August 2016), available at: http://www.manhattan-institute.org/sites/default/files/R-SW-0816.pdf .

[6] *Ibid*, p. 8.

[7] Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: https://petergermanis.com/wp-content/uploads/2020/09/TANF-is-Broken.072515.pdf.

[8] Robert Greenstein, "Welfare Reform and the Safety Net: Evidence Contradicts Likely Assumptions Behind Forthcoming GOP Poverty Plan," June 6, 2016, available at: http://www.cbpp.org/research/family-income-support/welfare-reform-and-the-safety-net.

[9] Scott Winship, *Poverty After Welfare Reform* (Manhattan Institute, August 2016), pp. 7-8, available at: http://www.manhattan-institute.org/sites/default/files/R-SW-0816.pdf.

[10] Personal communication from Heather Hahn, August 21, 2016. From 1996 to 2000, spending on a broader range of programs, not just those in Table 1, rose from $182 billion to $204 billion.

[11] The "direct effect" is limited to the impact of the cash transfer itself; it ignores indirect effects, most notably, effects on work effort and earnings.

[12] Scott Winship, Poverty After Welfare Reform (Manhattan Institute, August 2016), p. 38, available at: http://www.manhattan-institute.org/sites/default/files/R-SW-0816.pdf.

[13] This spending has declined in part due to inflation and in part due to state choices to shift spending to other benefits and services. The latter, in theory, could reduce poverty, but in fact considerable sums are used to supplant state spending or fill budget holes, not expand spending. And, even if it were, many of the most commonly funded "non-assistance" benefits would not have an immediate impact, e.g., preK or child welfare services.

[14] Scott Winship, *Poverty After Welfare Reform* (Manhattan Institute, August 2016), p. 38, available at: http://www.manhattan-institute.org/sites/default/files/R-SW-0816.pdf .

[15] Scott Winship, "Welfare Reform Reduced Poverty and No One Can Contest It," *Forbes*, January 11, 2016, available at: http://www.forbes.com/sites/scottwinship/2016/01/11/welfare-reform-reduced-poverty-and-no-one-can-contest-it/.

[16] Peter Germanis, "'Welfare Reform' Increased Poverty and No One Can Contest It: A Note to Conservatives," April 24, 2016, available at: https://petergermanis.com/wp-content/uploads/2021/02/Welfare-Reform-Increased-Poverty.pdf.
[17] Scott Winship, *Poverty After Welfare Reform* (Manhattan Institute, August 2016), p. 8, available at: http://www.manhattan-institute.org/sites/default/files/R-SW-0816.pdf .
[18] *Ibid*, p. 8.
[19] Danilo Trisi and Arloc Sherman, "Incomes Fell for Poorest Children of Single Mothers in Welfare Law's First Decade," Center on Budget and Policy Priorities, August 11, 2016, available at: http://www.cbpp.org/research/family-income-support/incomes-fell-for-poorest-children-of-single-mothers-in-welfare-laws.
[20] For more detail on the TRIM model, see: 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.
[21] In addition, nearly half the states have not increased their benefit levels since 1996 and some have actually reduced them, representing a decline of 34.5 percent or more when adjusted for inflation. Whereas the participation rate of eligible families was about 80 percent for the 15 years preceding the 1996 law, the erosion in the real value of AFDC/TANF benefits started in the 1970s. So, even those families remaining on assistance have been pushed deeper into poverty. Ife Floyd and Liz Schott, "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode," Center on Budget and Policy Priorities, October 15, 2015, available at: http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states.
[22] "U.S. Welfare Spending Up – But Help for the Neediest Down," Press Release, May 6, 2014, available at: http://releases.jhu.edu/2014/05/06/u-s-welfare-spending-up-but-help-for-the-neediest-down/.
[23] *Ibid*.
[24] Max Ehrenfreund, "Bernie Sanders is right: Bill Clinton's welfare law doubled extreme poverty," *The Washington Post*, February 27, 2016, available from: *https://www.washingtonpost.com/news/wonk/wp/2016/02/27/bernie-sanders-is-right-bill-clintons-welfare-law-doubled-extreme-poverty/*.
[25] *Ibid.*
[26] *Ibid.* In fairness to professor Jencks, the weaknesses of the TANF model were masked in the early years by a strong economy and the federal funding windfall and many observers considered the reform a success. Clearly, today it is not.
[27] Arthur Brooks on Twitter, January 14, 2016.
[28] Scott Winship, *Poverty After Welfare Reform* (Manhattan Institute, August 2016), p. 35, available at: http://www.manhattan-institute.org/sites/default/files/R-SW-0816.pdf .
[29] *Ibid*, p. 35.
[30] *Ibid*, p. 35.
[31] *Ibid*, pp. 8-9. The waiver approach to welfare reform began in the mid-1980s and all states had to adopt TANF by July 1, 1997.
[32] *Ibid*, p. 9.
[33] *Ibid*, p. 39.
[34] Indivar Dutta-Gupta, Kali Grant, Matthew Eckel, and Peter Edelman, *Lessons Learned from 40 Years of Subsidized Employment Programs: A Framework, Review of Models, and Recommendations for Helping Disadvantaged Workers* (Washington, DC: The Georgetown Center on Poverty and Inequality, Spring 2016), available at: http://www.law.georgetown.edu/academics/centers-institutes/poverty-inequality/current-projects/loader.cfm?csModule=security/getfile&PageID=269877.