

The 1996 Welfare Reform is NOT a Model for Reducing Poverty: An Explanation for Scott Winship – & a Reminder for Samuel Hammond

Peter Germanis¹

May 10, 2022

“Is the Child Tax Credit good public policy?” was the title of a webinar held online by the R Street Institute on May 4, 2022.² Two of the panelists – Scott Winship of the American Enterprise Institute and Samuel Hammond of the Niskanen Center – made erroneous or misleading claims about the 1996 welfare reform and the creation of the Temporary Assistance for Needy Families (TANF) program. In particular, Winship asserted that the 1990s welfare reform was a “fantastic example” of “shielding” vulnerable families from work requirements, that it reduced poverty, and that it was “a model for how we can reduce child poverty and hopefully increase upward mobility.” Hammond stated that “the welfare reform of the 1990s was a necessary and important reform” because the “old AFDC program paid people not to work and that was hugely problematic.” Each of the selected statements below is followed by a “PC Response” – short for “Peter the Citizen.”

By way of background, I have a long history of writing responses to Scott Winship’s statements – highlighting factual errors, simplistic claims of causality, misinterpretations of research findings, and misguided policy prescriptions. I am not aware of any prior statements by Hammond suggesting that the 1996 welfare reform was “necessary and important” – I believe this may have been a momentary lapse in judgment. He is one of the nation’s strongest proponents of a child allowance – a policy that is designed to specifically address the hole in the safety net created by the 1996 welfare “reform.”

* * *

Scott Winship: “There will always be some categories of parents and families that we do need to shield from work requirements. Welfare reform of the 1990s was a fantastic example of that. In practice, it set out fractions of states’ caseloads that were not subject to the work requirements that everybody else had.” Winship later adds that he would be concerned about imposing work requirements on “people who have severe developmental disabilities, people who have such extraordinary personal challenges that they’re just not going to be able to maintain a job and essentially are going to have to be wards of the state. ...we shouldn’t send new mothers into the workforce ... 2 months after they deliver. There are categories of people for whom work requirements don’t seem quite right, but that’s a very small group of people.”

PC Response: The 1996 “welfare reform” law did a lot of things – but shielding families from work requirements was not one of them. The response to these claims is divided into two parts: did the 1996 welfare reform “shield” families generally; and did it exempt “categories of parents and families” from work requirements?

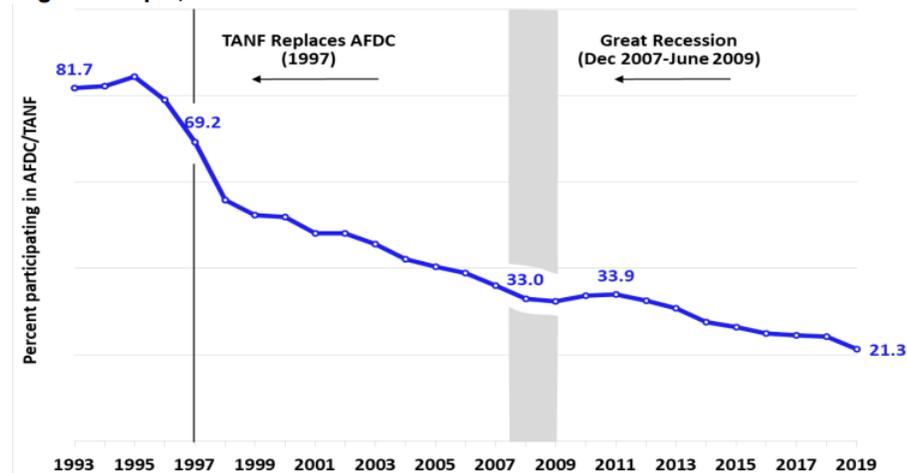
Did the 1996 welfare reform “shield” families generally? Despite the fact that TANF’s first statutory purpose is “to provide assistance to needy children so they can be cared for at home,”

the TANF experience is not about “shielding” families, but about pushing them off the rolls. Indeed, congressional intent was expressed as follows:

The intent of the Congress is to . . . provide States with the resources and authority necessary to help, cajole, lure, or force adults off welfare and into paid employment as quickly as possible, and to require adult welfare recipients, when necessary, to accept jobs that will help end welfare dependency.³

From its inception, TANF’s caseloads fell much faster than the number of families eligible for cash assistance (or living in poverty or that got jobs). The figure below shows that the participation or take-up rate fell from 78.9 percent in 1996 to just 21.3 percent in 2019. (The percentage is calculated by taking the *average monthly* number receiving assistance and dividing that by the *average monthly* number of families estimated to be eligible for assistance.) In 1996 (before TANF), 5.6 million families were eligible to receive benefits and 4.4 million did so. For 2019, these figures were 4.360 million families and 929,000, respectively, i.e., the caseload fell much faster than those eligible. As a result, the number of families eligible for assistance and NOT receiving it grew by about 2.3 million. (In some years, this number exceeded 3 million – largely because TANF is not responsive to economic conditions.) If TANF were successful in “shielding” families, one would expect the changes in the caseload to align more closely with changes in the eligible population.

Figure 7. Rates of Participation in AFDC/TANF Cash Assistance, Among Eligible People, 1993 to 2019 ^{xiv}



Source: Administrative caseload data is from the U.S. Department of Health and Human Services, Administration for Children and Families. The participation fraction is from microsimulation model TRIM3 and its input data the Current Population Survey’s Annual and Social Economic Supplement.

This finding is from the Urban Institute and prepared for the U.S. Department of Health and Human Services.⁴ It is echoed by other nonpartisan observers like the U.S. Government Accountability Office and the Congressional Research Service (CRS). For example, Gene Falk of the CRS observes:

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.⁵ [Emphasis added.]

A similar conclusion can be reached by examining a related measure – the TANF-to-poverty ratio. In 1996 for every 100 families with children in poverty, 68 received cash assistance from AFDC. This ratio was just 21 in 2020.⁶ A statement by the Center on Budget and Policy Priorities succinctly states the issue as follows:

If TANF had the same reach in 2020 as its predecessor, Aid to Families with Dependent Child (AFDC), did in 1996, 2.38 million more families nationwide would have received cash assistance.⁷

Clearly, the 1996 law itself did not “shield” most of those eligible for assistance from TANF’s work and other requirements – it left the decision of who, if anyone, should be shielded entirely to the states, without regard to the impact these choices might have on the well-being of needy families and children.

Did the 1996 exempt “categories of parents and families” from work requirements? Winship’s discussion of how work requirement policies “shielded” vulnerable families from work requirements describes two approaches – formal exemptions and work participation targets. His discussion is short on policy details, but clearly reflects a distorted understanding of how work requirements (and related policies) have been implemented.

The role of exemptions. AFDC was an entitlement and states could require recipients who did not fall into one of the specified exemption categories to participate in the Job Opportunities and Basic Skills Training (JOBS) program, which provided education, training, and work experience activities. Individuals were exempt from JOBS participation if they: were ill, incapacitated, or aged (over age 59); were under age 16 or in school full-time; were already working at least 30 hours per week; were in the second or third trimester of pregnancy; were needed in the home to care for an ill or incapacitated family member; resided in an area where the program was not available; were providing care to a child under age 3 (or age 1 at state option); or were providing care to a child under age 6 and child care was not available.

The AFDC exemption categories were reasonable and even reflect some of Winship’s own preferences, e.g., they would have “shielded” single mothers with very young children (e.g., all those with a child under one); those with severe developmental disabilities (e.g., the incapacitated), and those with extraordinary personal challenges (e.g., those caring for an ill or incapacitated person).

Under TANF, all the AFDC exemption categories are gone – even those Winship seems to deem important. States may, but are not required to, exempt certain individuals from participating in work-related activities. They can and often do have narrow – even no – exemptions for those

subject to work requirements. Using the AFDC exemptions as a baseline, consider the fact that as of July 2020 (without considering COVID exceptions)⁸:

- Nineteen (19) states had no exemption for single-parent unit heads for illness or incapacity.
- Twenty-six (26) states had no exemption for single-parent unit heads for those over age 59.
- Nine (9) states had no exemption for single-parent unit heads caring for an ill or incapacitated person.

Note: For federal work participation rate purposes, such an exemption wouldn't be needed after FY 2006, as the parent would not be considered a "work-eligible individual." The number of states would undoubtedly be much higher if such individuals were included in the calculation of the work participation rate.

- Forty-three (43) states had no exemption for a pregnant woman.
- Twenty-four (24) states did not exempt all single-parent unit heads with a child under age 1; 6 states had no exemption at all for such parents.

Three states (Colorado, Idaho, and New Mexico) did not have any exemptions.

Under AFDC, states could modify these exemptions by requesting a waiver, but such waivers were subject to a requirement for a rigorous evaluation, generally a randomized control trial. In this way, it would be possible to determine the impact of changes to exemptions on a range of outcomes.⁹ If the waiver resulted in negative effects on family well-being, it could be terminated. Under TANF, there are no rules on what exemptions states may apply to individuals, nor is there any requirement to evaluate these choices.

The role of work participation rate targets. Winship's statement that the 1996 law "set out fractions of states' caseloads that were not subject to the work requirements" is backwards. The law set out the fraction of the caseload that WAS subject to work requirements and this was a requirement for states to meet. This percentage was limited to families with an adult receiving assistance (or, with a work-eligible individual from FY 2007 on). When fully phased-in, states were to have 50 percent of families engaged in countable work activities for a minimum number of hours per week (averaged over the month). Winship may be suggesting that this means 50 percent of the families potentially subject to work requirements don't have to participate and that states can "shield" them (i.e., by granting exemptions like those in the former AFDC program.)

From a technical standpoint, Winship is right – if the target work participation rate is 50 percent, then that means states can effectively exempt 50 percent of the caseload required to participate from work requirements. The problem with the statement is that this applies to what the state can do to avoid a penalty – it says nothing about the exemption policies states can apply to individuals. Under AFDC, there were federally mandated exemptions. Under TANF, states can ignore those and extend work requirements to anyone they choose.

If Winship really cared about "shielding" mothers with infants, the developmentally disabled, and those with extraordinary personal challenges, he should consider the need for federally specified exemption categories. Leaving the decision to states is one reason why TANF's take-

up rate has declined to the point where virtually no eligible family receives assistance in some states.

Scott Winship: “In practice, very few people got kicked off the TANF rolls because they refused to work and that’s because the policy was such a success in reducing the number of families receiving welfare benefits that states actually got to count that towards the number of people that were meeting the work requirement and so it shielded people that were not going to be successful if forced into the workplace.”

PC Response: This response is divided into two parts: 1) Did “very few people” get “kicked off the TANF rolls because they refused to work?; and 2) Did the “success in reducing the number of families receiving welfare benefits” help “shield people that were not going to be successful if forced into the work place?”

Did “very few people” get “kicked off the TANF rolls because they refused to work? Winship has never cited any empirical data to support this claim – he just asserts it as fact and ignores other ways in which “people get kicked off the TANF rolls” beyond work-related sanctions. In particular, many applicants and families receiving assistance may simply drop out when told to participate 130 hours per month in exchange for a few hundred dollars, i.e., expecting them to value their time at well below the minimum wage. Again, the clearest example is the declining take-up rate among eligible families (see figure above).

One of the more extreme examples of unreasonable work expectations was seen in Georgia, when B.J. Walker became commissioner.

Once Walker arrived in Georgia, poverty experts there say she set out to overhaul the state’s TANF program with a single goal: not just getting people into jobs, but keeping them from getting benefits by any means necessary. New applicants soon found themselves being handed flyers emblazoned with slogans like “TANF is not good enough for any family,” “TANF = work now,” and “We believe welfare is not the best option for your family.”

“Local offices were really taking a lot of steps to dissuade people from applying—or once they had applied, they were doing things to make the process really cumbersome and difficult,” recalls Allison Smith of the Georgia Coalition Against Domestic Violence, whose office began documenting troubling reports of welfare applicants being discouraged from applying for benefits by any and all means necessary: “Making them go through 60 job searches a week, or come to 8 orientations.” One woman in her seventh month of pregnancy was ordered to take a waitressing job that would require her to be on her feet all day. Another was told that if she applied for TANF while living in a shelter her children would be taken away. Smith recalls, “Some of the stuff that was said to individuals was pretty awful – ‘If you can’t find a job, we’ll have you shoveling shit at the dog pound.’”¹⁰

Georgia, perhaps more than any state, illustrates the failure of welfare reform. Between 1996 and 2020:

- The number of TANF cases *fell* from 131,155 to 8,799.
- The number of families in poverty *rose* from 161,462 to 189,517.
- The number of families in deep poverty *rose* from 73,810 to 95,507.
- The TANF-to-poverty ratio dropped from 82 to 5.¹¹

Is this really “shielding” vulnerable families from work and other requirements?

In *\$2 a Day: Living on Almost Nothing in America*, Kathryn Edin and Luke Shaefer interviewed families in four different cities (Chicago, Cleveland, a midsize city in the Appalachian region and small rural villages in the Mississippi-Delta).¹² They explain that one reason so few families receive TANF is that it is “dead” in the minds of the poor – “it doesn’t occur to people to apply”:

TANF is virtually dead in all of these places. It’s absolutely striking that every one of our families is categorically eligible for TANF, and none of them are receiving it. For most, it doesn’t even enter their minds to receive it. This was the most shocking thing of all, in a way. Prior to welfare reform, the large majority of poor people got something from the AFDC system [Aid to Families with Dependent Children, the old name of welfare] during the course of the year.

Now the fraction who get anything from TANF is very small, just over a quarter. It’s really a shadow of itself. We argue that it’s dead, and where it’s really dead is in the imaginations and thought processes of the poor. This is not seen as a fallback. In most cases, it doesn’t occur to people to apply. We saw this again and again in site after site.

Did the “success in reducing the number of families receiving welfare benefits” help “shield people that were not going to be successful if forced into the workplace?” Winship’s statement references the caseload reduction credit. He explains that “success in reducing the number of families receiving welfare benefits” allowed states “to count that towards the number of people that were meeting the work requirement and so it shielded people that were not going to be successful if forced into the workplace.”

Technically, the caseload reduction credit reduces the target work rate a state must achieve – it doesn’t affect the work participation rate itself. More important, however, is Winship’s belief that this would “shield” vulnerable families from work requirements. As noted above, the federal work requirements apply to states – not to individuals. Throughout most of TANF’s history, about 15 to 30 states have had a 0 percent target. And, even without it, states have been creative in finding ways to meet the work rate targets by taking advantage of loopholes. The real problem is the financial incentive states under the block grant structure for states to hassle, push, and force families off the rolls, as evidenced in the sharp declines in both the take-up rate and TANF-to-poverty ratio.

In 2020, seven (7) states — Arkansas, Georgia, Indiana, Louisiana, Mississippi, North Carolina, and Texas — had a TANF to Poverty Ratio of 5 or less. As a result of sharp declines in the caseload, six (6) of these had a 0 percent target work rate (and North Carolina’s was just 2.3

percent). These states wiped out cash assistance – they didn’t use their 0 percent target to “shield” anyone from TANF’s work and other requirements.

To the extent states are guided by federal rules, one work requirement provision is likely responsible for a significant drop in the caseload – the requirement to participate 130 hours a month. Consider a single parent with two school-age children and the maximum grant in each of the states above.

- Arkansas: \$204; recipients are expected to value their time at \$1.57 an hour.
- Georgia: \$280; recipients are expected to value their time at \$2.15 an hour.
- Indiana: \$288; recipients are expected to value their time at \$2.22 an hour.
- Louisiana: \$240; recipients are expected to value their time at \$1.85 an hour.
- Mississippi: \$260; recipients are expected to value their time at \$1.85 an hour.
- North Carolina: \$272 recipients are expected to value their time at \$2.09 an hour.
- Texas: \$308; recipients are expected to value their time at \$2.37 an hour.

Is it any surprise so many eligible families don’t participate? Is this really how we want to “shield” families from unreasonable work requirements?

Scott Winship: “In the end, welfare reform passed. It included the carrots and sticks that Sam and I like a lot. And, because of the carrots and the sticks, poverty went down over time and it never went back to the level that it was back then. That’s a model for how we can reduce child poverty and hopefully increase upward mobility.”

PC Response: This response is divided into three parts: 1) carrots and sticks; 2) did the 1996 welfare reform drive down poverty; and 3) is it a model for the reform of other programs?

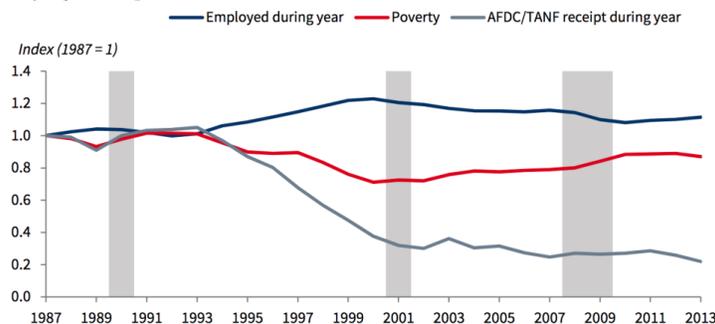
Carrots and sticks. Winship doesn’t explain which carrots and sticks were included in welfare reform, but presumably he is talking about carrots like the ability to expand benefits and incentives through more generous earnings disregards, asset limits, and work supports. By sticks he may mean policies that “toughened” welfare, such as increasing sanctions for noncompliance, narrowing exemptions, and imposing time limits. If this is what he meant, then the 1996 welfare reform law was not needed as states could adopt most of these policies through waivers to AFDC’s rules. The difference is that the AFDC waiver approach had accountability – the requirement to evaluate rigorously policy changes, whereas TANF is a blank check.

Poverty went down due to the 1996 welfare reform. Winship’s frequent claims that welfare reform reduced poverty are based on a simplistic analysis of trends over time. It fails to account for an array of confounding factors (e.g., expansions in other programs designed to “make work pay” and the strong economy), uses the wrong metric – the poverty *rate* vs. a measure that captures the *depth* of poverty, misses the importance of distributional effects, and ignores important implementation issues. Winship also often uses a comprehensive poverty measure that reflects the impact of tax credits and non-cash benefits – hardly a way to assess the impact of TANF. (For a more detailed critique of his arguments, see: “‘Welfare Reform’ *Increased* Poverty and No One Can Contest It: A Note to Conservatives,” available at: <https://petergermanis.com/wp-content/uploads/2021/02/Welfare-Reform-Increased-Poverty.pdf>.)

Winship’s conclusion echoes that of the Trump Administration’s Council of Economic Advisers’ report, *Expanding Work Requirements in Non-Cash Welfare Programs*.¹³ That report also claimed that TANF was a successful model, primarily based on employment and poverty trends from 1996 to 2000:

Figure 12 shows for single mothers with children, (i) AFDC/TANF receipt, (ii) employment, and (iii) poverty, each expressed as a rate in the population and then indexed to 1987 values. Between 1996 and 2000, single mother caseloads fell by 53 percent. Over the same period, their employment rate increased by 10 percent, and their poverty rate fell by 20 percent.¹⁴

Figure 12. Index of Percent of Female-Headed Families Employed, in Poverty and Receiving AFDC/TANF, 1987–2013



Sources: Gabe (2014) tabulations of administrative records, survey data; National Bureau of Economic Research; CEA calculations.
 Note: AFDC/TANF receipt, poverty, and employment are indexed to 1987 levels. Grey shaded regions denote a recession for at least four months of a given year.

While the report claims that this is evidence of success, it should be clear from the report itself that such a conclusion is not warranted. As the figure shows, the employment gains and reductions in poverty pale in comparison to caseload declines. Both the employment and poverty trends got worse for 10 years starting around 2000, even as the caseload continued its precipitous drop. If welfare reform was such a success, what accounts for the reversal? It is also noteworthy that in the 1996 to 2000 period, the most significant change was the large windfall in federal funds most states received, because the block grant was based on historic funding levels when caseloads were at an all-time high – not the addition of any new carrots or sticks.

Both employment and poverty trends improved after 2010 up through COVID, but welfare reform had little impact on these improvements. As Robert Rector of The Heritage Foundation notes, “...as the number of people on cash welfare – what used to be called aid to families with dependent children – shrink, the capacity of welfare reform to have any effect on behavior has diminished.”¹⁵ This suggests that the turnaround is due primarily to the economy, not “welfare reform.”

A model for how we can reduce child poverty and increase upward mobility? The TANF experience is one of bureaucratic disentanglement (as evidenced by the sharp decline in the take-up rate from about 79 percent in 1996 to about 21 percent 2019) and about the conversion of an

income support program to a form of revenue sharing – a blank check with no meaningful accountability. How anyone can believe this should be a model for reforming other programs defies common sense.

In particular, TANF’s work requirements are dysfunctional – they are unreasonable for recipients, unrealistic for states (and thus characterized by gimmicks and loopholes vs. meaningful engagement), and not based on evidence. Moreover, even if they “worked” (though they didn’t), it is irresponsible to make broad generalizations across programs with different funding structures and target populations. Unfortunately, Winship and many other conservatives frequently make such a leap. The responsible course would be to evaluate program changes on a smaller scale before making nationwide changes – especially given the TANF experience. (For a detailed assessment of why TANF is not a model, see: “Expanding Work Requirements in Non-Cash Welfare Programs: TANF is NOT a Model, but a Cautionary Tale,” <https://petergermanis.com/wp-content/uploads/2021/02/TANF-No-Model.pdf>.)

In an article Winship co-authored with Senator Mike Lee (R-UT), they outline one possible approach:

Rather than more generous funding of existing anti-poverty programs, fewer obligations for their beneficiaries, or basic income entitlements, what low-income Americans need is a safety net that helps them to become self-reliant and restores dignity to their lives.¹⁶

Their solution is legislation they believe would “build on the lessons of welfare reform” – the “Welfare Reform and Upward Mobility Act.” The bill does not address the deficiencies of TANF’s work requirements, but instead creates a Rube-Goldberg-like set of bureaucratic rules for three overlapping, but uncoordinated, work requirements – two for TANF and one for SNAP. Specifically:

- The Act builds on TANF’s current dysfunctional work requirement and adds a second requirement for “non-working families” and another one for SNAP families with dependent children. It creates an impossible administrative burden on states – each work requirement has its own target population, rules on what activities count and the minimum hours of participation needed for an individual to count, work rate targets and how they are measured, sanction policies for individuals, and penalties for states.
- For states, the required work rates are unrealistic and unachievable. One of the biggest failures of conservative policymakers is to study the failed implementation of TANF’s work requirements. The Act’s new requirements are even more challenging and there is no reason to believe states could come close to meeting them.
- For states, the penalties for failing to satisfy the new work rate requirements are unprecedented in their harshness; indeed, for the new TANF requirement, the penalty itself could greatly exceed the amount a state spends on assistance.
- For individuals, the Act extends work requirements to parents needed in the home to care for a disabled family member and non-citizen parents ineligible for assistance; for TANF,

the second work requirement would go so far as to require disabled parents and parents with an infant to participate.

- For individuals, the mandated sanctions for non-compliance are unprecedented in their harshness, and can include the entire TANF/SNAP grant, leaving no safety net. While there may be a role for sanctions in welfare programs, sanction policies like other welfare policies should be subject to rigorous evaluation in selected sites before being implemented on a national scale; this Act's provisions are not based on any evidence regarding their effectiveness and threaten to throw millions of poor families even deeper into poverty. And, states may have no choice but to penalize them or be subject to draconian penalties themselves.
- There is no recognition of the cost associated with implementing and running welfare-to-work programs. The first-year cost could easily be \$10 billion or more (if states actually tried to implement it), yet the Act makes no provision for additional funding for such work programs.

The result will be predictable – more gimmickry and more poverty. (For a detailed assessment of the bill, see: “The Welfare Reform and Upward Mobility Act: A Conservative Plan to Eviscerate the Safety Net (An Update),” available at: <https://petergermanis.com/wp-content/uploads/2021/02/WRandUMA-2017.pdf>.)

The fact that anyone could consider the “Welfare Reform and Upward Mobility Act” as a serious proposal should disqualify them from any discussion of welfare reform and the design of work requirements.

* * *

Samuel Hammond: “Can I just say for the record, I think the welfare reform of the 1990s was a necessary and important reform. The old AFDC program paid people not to work and that was hugely problematic... welfare reform was both important and useful...” In a separate tweet, Hammond clarified: “...not my ideal reform, but specifically breaking the severe benefit cliffs in AFDC was important and necessary one way or another.”

PC Response: This response to Hammond addresses three questions: 1) Did AFDC have benefit cliffs? 2) Did AFDC pay people not to work (and is that important)? 3) Was the 1996 welfare reform law necessary and more importantly was it “reform”?

Did AFDC have benefit cliffs? Under AFDC, all recipients who worked were entitled to a \$90 work expense disregard. In addition, for the first four months of AFDC receipt, the next \$30 of earned income, plus one-third of the remainder, was disregarded in calculating eligibility and benefits. After four months and until one year, only the \$90 work expense and \$30 earned income disregards continued. After one year, there was no earned income disregard. This meant that after four months of AFDC receipt, if a recipient got a job, her grant was reduced by one dollar for every dollar that she earned above the amount set aside to cover work expenses and the temporary \$30 earned income disregard for up to 12 months.

A “benefit cliff” refers to situations in which a dollar of earnings triggers a much larger loss in benefits. The most serious benefit cliffs are related to Medicaid and child care benefits and – to a lesser extent – SNAP and housing assistance. After four months of work, AFDC imposed a 100 percent effective marginal tax rate, but that’s not the same as a benefit cliff. (The expiration of the one-third earned income disregard after four months could be considered a benefit cliff, but generally speaking the issue with AFDC was the dollar-for-dollar reduction in benefits for each dollar of earnings.)

Did AFDC pay people not to work (and is that important)? The main purpose of AFDC was to provide assistance to needy families when they couldn’t work. Most families that used AFDC did so for relatively short periods of time and, beginning in the 1990s there were significant expansions in other programs designed to “make work pay,” most notably the Earned Income Tax Credit (EITC), Medicaid, child care, and the Child Tax Credit (CTC). As a result, the welfare system as a whole was restructured to make work pay. The fact that AFDC did not “pay” due to the high effective marginal tax rate is less important when considering the welfare system as a whole.

In addition, Hammond’s assessment of AFDC is based on the federal rules in place at the time and does not reflect actual state practice. Beginning in 1987, three Administrations granted states waivers to test alternatives to AFDC’s rules. These waivers were conditioned on a rigorous evaluation to assess their effectiveness. Many states sought and received waivers to earnings disregards – making them more generous by eliminating any cliffs and reducing effective marginal tax rates. In a summary of state waiver policies, one HHS report describes the number and type of earned income disregards granted prior to the 1996 welfare reform.

Many states came to the conclusion that the termination of the earned income disregard after a short period removed the economic incentive for AFDC recipients to work. Therefore, as part of a general move to “make work pay,” 32 states adopted changes to the earned income disregard. These changes...ranged from removing the time limit on the \$30 and one-third disregard, to disregarding all income up to the poverty line. Although these disregards were costly in the short-term, the hope was that by promoting work, they would enable recipients to leave AFDC, saving money in the long run.¹⁷

There was no need to enact TANF to reward work and indeed most states simply continued their past waiver policies. Over time, the erosion of the block grant’s value due to inflation, demographic changes, and the excessive flexibility of states to divert funding to fill budget holes has resulted in a situation in which few eligible families receive assistance.

Was the 1996 welfare reform law necessary and more importantly was it “reform”? If Hammond’s main concern is benefit cliffs and high effective marginal tax rates, then TANF was not necessary. States could easily receive waivers to test changes to earnings disregards. Moreover, because waivers were conditioned on a rigorous evaluation, it would have been possible to compare and assess a variety of approaches to build an evidence base. TANF has no evaluation requirement and very little has been learned about the effectiveness of various state approaches. The absence of an evaluation requirement is particularly irresponsible for policy

changes that have the potential to harm families, most notably full-family sanctions and time limits. TANF was a step backward for evidence-based policymaking.

The suggestion that TANF was “necessary” and “important” is unfortunate and totally inconsistent with Hammond’s support for an expanded child tax credit or child allowance. Indeed, an objective analysis of TANF should lead one to conclude that it is an unprecedented failure. While the law sent a symbolic message about the role of work requirements and time limits, in practice, neither of these elements have been implemented in the way Congress intended. In fact, TANF is not “welfare reform” at all, but a fixed and flexible funding stream that has failed to provide an adequate safety net or an effective welfare-to-work program. In many states, it has become a form of revenue sharing used to supplant state spending and fill budget holes.

TANF is a cautionary tale, not a model. Anyone who suggests that it is “important” and “useful” should ask themselves the following ten questions:

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 make sense to use TANF as a model for reforming other welfare programs?

The answer to each question should be “NO!” TANF has failed with respect to each of the first nine questions and thus should not be a model for reforming other welfare programs.

Hammond should also recognize that AFDC – while not perfect – was closer to a child allowance in a number of respects: 1) the funding structure was not fixed and could better respond to changes in economic and demographic conditions; 2) states were largely constrained to spend their funds on cash assistance to needy families rather than use the dollars as a slush fund to fill budget holes; and 3) while the child allowance has no work requirements, work requirements under AFDC were far more reasonable, realistic, and evidence-based than those in TANF.

The only way TANF could be considered as “important” and “useful” would be as an example of how NOT to reform a safety net program.

Samuel Hammond (tweet): “I agree and favor the accountability and flexibility of the waiver model more broadly. It produced a more genuine ‘laboratories of democracy’ dynamic.”

PC Response: To quote Wordle for success on the sixth try, “Phew.”

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 R Street Institute, “Is the Child Tax Credit good public policy?,” May 4, 2022, available at: <https://www.youtube.com/watch?v=6q1D9yMu7t0>.

³ The Personal Responsibility Act of 1994. Draft. Title II, Section 201(b)(1), September 23, 1994.

⁴ U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: 21st Report to Congress*, March 2022, available at: <https://aspe.hhs.gov/sites/default/files/documents/85da9415ece89b2989ad290755d38f7b/welfare-indicators-rtc.pdf>.

⁵ Gene Falk, “Temporary Assistance for Needy Families,” Congressional Research Service, March 27, 2018.

⁶ Aditi Shrivastava and Gina Azito Thompson, “TANF Cash Assistance Should Reach Millions More Families to Lessen Hardship,” Center on Budget and Policy Priorities, February 18, 2022, available at: <https://www.cbpp.org/research/family-income-support/tanf-cash-assistance-should-reach-millions-more-families-to-lesser>.

⁷ Aditi Shrivastava and Gina Azito Thompson, “TANF Cash Assistance Should Reach Millions More Families to Lessen Hardship,” Center on Budget and Policy Priorities, February 18, 2022, available at: <https://www.cbpp.org/research/family-income-support/tanf-cash-assistance-should-reach-millions-more-families-to-lesser>.

⁸ Ilham Dehry, Sarah Knowles, Katie Shantz, Sarah Minton, and Linda Giannarelli, “Welfare Rules Databook: State TANF Policies as of July 2020,” January 2022, available at: [https://wrd.urban.org/wrd/Data/databooks/2020%20Welfare%20Rules%20Databook%20\(final%2002%2023%202022\).pdf](https://wrd.urban.org/wrd/Data/databooks/2020%20Welfare%20Rules%20Databook%20(final%2002%2023%202022).pdf).

⁹ This is an oversimplification of what can be learned from the waiver demonstrations. Many states had multiple waivers, so isolating the impact of any one waiver would be a challenge. However, the solution would have been to improve the waiver process – not give states a blank check.

¹⁰ Neal Demause, “Georgia’s Hunger Games,” *Slate*, December 26, 2012, available at: <https://slate.com/news-and-politics/2012/12/georgias-war-against-the-poor-the-southern-state-is-emptying-its-welfare-rolls-at-the-same-time-that-poverty-is-soaring.html>.

¹¹ Aditi Shrivastava and Gina Azito Thompson, “TANF Cash Assistance Should Reach Millions More Families to Lessen Hardship,” Center on Budget and Policy Priorities, February 18, 2022, available at: <https://www.cbpp.org/research/family-income-support/tanf-cash-assistance-should-reach-millions-more-families-to-lesser>.

¹² Kathryn J. Edin and H. Luke Shaefer, *\$2.00 a Day: Living on Almost Nothing in America* (New York: Houghton Mifflin Harcourt, 2015).

¹³ Council of Economic Advisers, *Expanding Work Requirements in Non-Cash Welfare Programs*, (Washington, D.C.: The White House, July 2018).

¹⁴ Council of Economic Advisers, *Expanding Work Requirements in Non-Cash Welfare Programs*, (Washington, D.C.: The White House, July 2018), p. 47, available at: <https://www.whitehouse.gov/wp-content/uploads/2018/07/Expanding-Work-Requirements-in-Non-Cash-Welfare-Programs.pdf>.

¹⁵ National Public Radio, “Has Welfare Reform Worked?,” March 5, 2007, available at: <https://www.npr.org/2007/03/05/7714067/has-welfare-reform-worked>.

¹⁶ Senator Mike Lee and Scott Winship, “Removing All Perverse Incentives,” *Pathways*, Winter 2018, p. 39, available at: https://inequality.stanford.edu/sites/default/files/Pathways_Winter2018_Social-Compact.pdf.

¹⁷ 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*, May 31, 1997, available at: <https://aspe.hhs.gov/reports/setting-baseline-report-state-welfare-waivers>.