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**The Real Lessons From Bill Clinton's Welfare Reform**
Vann R. Newkirk II, Feb 5, 2018

*The 1996 creation of the Temporary Assistance for Needy Families program effectively killed cash assistance. Now, Republicans want to use it as a model for the rest of the social safety net.*

Welfare reform is back.

President Trump signaled its return to the forefront of national policy debates in his State of the Union address on Tuesday, when he announced a plan to "lift our citizens from welfare to work." He shouldn't have trouble finding support for it: With a collective of pro-reform officials leading key agencies, and with longtime entitlement crusader Paul Ryan as speaker of the House, the GOP in 2018 will have its best chance in a generation to make major changes to the country's safety-net programs, including Medicaid and food stamps.

As a template, Republicans will use the original welfare-reform bill: the 1996 law that created the Temporary Assistance for Needy Families, or TANF, program, which changed the financing and benefit structure of cash assistance. For conservatives, the program has been a model of resounding success, with shrinking costs and a welfare caseload that decreases by the year. But based on several studies of TANF and its beneficiaries, it barely reaches even the poorest Americans, and has all but ceased doing the work of lifting people out of poverty. "Welfare reform" didn't fix welfare so much as destroy it, and if similar changes were applied to Medicaid and food stamps, they would likely do the same.

First on the chopping block is Medicaid. The health-insurance program for low-income Americans has operated in fundamentally the same way for the last 50 years, providing federal funds to match what states pay to cover low-income people. Even with the Affordable Care Act's expansion of Medicaid, which was adopted by most states, the basic structure of the program has remained the same: an open-ended funding commitment with few eligibility restrictions other than income.

In 2017, the GOP tried to transform that setup substantially, proposing in multiple Obamacare-repeal bills that Medicaid morph into a program with a per capita cap or state block-grant structure. In both formats, there'd be an annual increase in funding, but it would correspond to some measure of inflation, not to Medicaid's program growth. In several House and Senate versions of repeal bills, the per capita-cap formula would have meant drastic cuts in real dollars to Medicaid's projected funding over time. Those bills came to fruition after a years-long push from Ryan, whose "Better Way" agenda became one of the guiding forces in the Obamacare-repeal process. In that proposal, Ryan outlined his reasoning for the caps and block grants, writing that "states have asked for flexibility to better manage their states' needs for years, and this per capita allotment proposal would ensure that reality by creating new statutory flexibilities."

Despite the speaker's best efforts, none of those bills passed, and most of Obamacare—sans the law's individual mandate—survived 2017 intact. But the White House still managed to modify Medicaid. Since her appointment in February 2017, Centers for Medicare and Medicaid Services Administrator Seema Verma indicated that she would allow states much more flexibility to create more austere versions of their Medicaid programs. Specifically, they could add work requirements for eligible adults via federal-government waiver, further restricting eligibility.

Earlier this month, CMS formalized Verma's reform ideas, announcing it would begin to approve these waivers. No previous administration had accepted similar waiver requests, with many of Verma's predecessors claiming additional eligibility requirements fell beyond Medicaid's statutory authority. Additional changes to state Medicaid programs now seem likely under Verma's watch, including time limits, drug testing, real premiums, and benefit cuts.

Medicaid isn't the only federal poverty program in the GOP's sights. As my colleague Kriston Capps reports, the Department of Housing and Urban Development is seriously considering work requirements for people receiving

housing assistance. Additionally, Ryan has expressed his desire to craft a comprehensive "entitlement reform" package this year, including major changes to the federal food-stamps program SNAP. While his Republican colleagues in Congress have blanched somewhat at the idea—fearing another prolonged fight with Democrats after losing multiple rounds of Obamacare repeal last year—pressure from states and the White House might force the issue.

Wisconsin Governor Scott Walker has pressed the Department of Agriculture to approve plans to drug-test certain cohorts of SNAP recipients and require them to work; he plans to go forward with both programs in 2018. In response, the USDA issued a press release indicating "how important it is for states to be given flexibility to achieve the desired goal of self-sufficiency for people." It later included that goal in its set of priorities for the 2018 Farm Bill. Secretary Sonny Perdue expanded on those objectives late last month, saying "it's evident that there are able-bodied adults without dependents who are on the food-stamp program, who we believe it is in their best interests, and their families' best interests, to move into an independent lifestyle."

Perdue's rhetoric would've fit right in during the first push to reform the cash-assistance program, the part of the federal safety net most commonly known as "welfare." With support from both sides of the aisle—and amid an ongoing stigmatization of welfare as a "dependency" program for black single mothers—former President Bill Clinton signed the Personal Responsibility and Work Opportunity Act in 1996. The legislation took the Aid to Families with Dependent Children, or AFDC, program—a 60-year-old stalwart created by Franklin Roosevelt in 1935 as part of the New Deal's Social Security Act—and effectively dismantled it. A more meager program, TANF, took its place.

TANF expanded Reagan-era welfare reforms that created a loose requirement for certain beneficiaries to engage in a training, education, and work program. TANF transformed that initiative into a much more aggressive work *requirement*, which narrowed the number of exempt adults, reduced the range of accepted activities to qualify for benefits, largely excluded education and classroom training as qualifiers, and set firm hours-worked standards. In keeping with its foundational ethic of "personal responsibility," TANF also created maximum time limits for receipt of aid, tightened eligibility, and allowed states to more harshly sanction beneficiaries for noncompliance.

The biggest change from AFDC to TANF was the funding structure. Clinton's welfare reform eliminated AFDC's open-ended funding structure and replaced it with a block grant to states that would not increase over the years to adjust for inflation. States were required to spend a certain amount of their own money to match federal dollars, but could also spread some of that money around to other, loosely-defined public-assistance programs that didn't necessarily provide cash benefits. States were also bound by TANF's work requirements, and could lose federal dollars if the number of working enrollees fell below a specific threshold.

But TANF offered states a loophole to avoid being stripped of funds: The percentage of people they had to get to work would decrease by the percentage of people that leave the program. In all, these measures created an ever-shrinking program with strong incentives on all sides to reduce the number of people served over time—with rather predictable results.

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A recent study from the liberal Center on Budget and Policy Priorities shows just how predictable those results have been. Today, TANF only provides cash assistance to about 23 percent of all families in poverty, a record low compared with AFDC's pre-reform height, when over three-quarters of all poor families received cash benefits.

According to the report's author, Ife Floyd, the study illustrates an accelerating trend of decreases in the TANF-to-poverty ratio, or the percentage of poor families that receive assistance. "What we've been seeing in recent years is a growing number of states where the size of the TANF program has really dropped," Floyd said. "What we are seeing now is there are 15 states where [the percentage of poor families served] is 10 or lower. Just 10 years ago, it was only two states."

While states have a broad range of TANF participation rates, the basic financial effects of block-granting TANF are the same. The actual size of the grant gradually decreases as inflation rises, meaning the grant disappears over time. But the ample flexibility of the TANF block grant allows states to use it essentially as a slush fund for filling holes in education, work training, and anti-poverty programs that were once paid for only by the state. As those programs become more reliant on federal dollars, the core TANF responsibilities—including cash assistance and child-care funding—diminish. Child care especially has reached a national crisis point for the nation's poor. In essence, the block grant slashes state safety-net funds at three different levels: at the level of federal welfare support, at the level of state matching funds, and at the level of state funding for other programs. The grant also forces states to cut enrollees and decreases average benefits.

Amplifying the effects of this financial straitjacket are TANF's other incentives to reduce the number of people receiving benefits. For many conservatives, a drastic reduction in TANF's caseload is evidence that the program is working; after all, the underlying logic of welfare reform is to push people into self-sufficiency. In 2014, the House Budget Committee—then chaired by Ryan—released a report extolling recent reductions. "The creation of the Temporary Assistance for Needy Families program is widely seen as the most successful reform of a welfare program," the committee wrote. "By December 2010, only 1.9 million households were receiving cash assistance through the TANF program."

But the TANF-to-poverty ratio throws doubt on that evaluation. For one, it shows that reductions in the number of TANF beneficiaries haven't really corresponded with equivalent decreases in poverty. Indeed, TANF hasn't lifted people out of poverty so much as it has just stopped serving them. As CBPP senior fellow Sharon Parrot put it, "[the size of the caseloads] has been driven by a decline in the degree to which the program provides help to people who need it."

For Peter Germanis, a former Reagan White House adviser who helped craft welfare reforms, the caseload reductions that the GOP has championed are only proof of TANF's failure. "From TANF's inception, TANF's caseloads fell much faster than the number of poor families," Germanis wrote in a statement to Congress in 2013. "So, while there may have been some 'help,' much of the decline seems to come from efforts to 'cajole, lure, or force' families off welfare (or keep them from coming on it), whether they have jobs or not." Other analyses of TANF's dramatic caseload reductions over the years have echoed Germanis's concerns. "Caseload declines are not a good thing if they mean many people are passing up needed assistance," warned one 2002 report from the Urban Institute.

TANF gave states incredible amounts of latitude and incentives to simply get rid of people on welfare rolls. The ability for states to fulfill required work rates with caseload reductions means TANF doubly incentivizes kicking people off. On the one hand, states might naturally want to reduce caseloads to lower administrative costs and keep up with a shrinking block grant. On the other, the cheapest and easiest way to hold onto the federal funds is not to pay for work-training and education programs for people in poverty. Rather, it's finding more ways to penalize people with loss of benefits and new time limits—and making it harder to apply for TANF in the first place.

Data from the last 20 years on exactly how and why people exited TANF (below) show how state TANF administrators have been ever more effective at moving people out of the program. The number of sanction-related exits spiked over time, with no obvious correlation between the shrinking size of the program and the number of people leaving it because they'd found a job.

Other metrics similarly highlight TANF's incredible 20-year disappearing act. While welfare reform did coincide with the entry en masse of single mothers into the workplace, as well as undoubtedly strong increases in employment among people in poverty, the upward trend in single mothers' workplace participation had begun years prior to welfare reform. Many analyses have placed the majority of the credit for increasing employment among TANF recipients not on the Clintonian reforms, but on an economy that overall improved under Clinton. To wit, work rates for single mothers declined sharply after 2000, tracking with a weakening economy.

When the bottom fell out of that economy with the Great Recession, TANF—by then already greatly diminished in terms of real value —barely changed, even though the number of Americans in need of assistance had sharply

grown. Caseloads during the recession never even reached 2000 levels, despite 21 states dipping into a special TANF contingency fund between 2009 and 2011 to cover increasing costs. Since then, employment rates among TANF beneficiaries have tracked mostly with national employment rates—with little evidence of TANF helping beleaguered poor people back into the workforce at appreciable levels. (One caveat: TANF recipients are much more likely to report barriers to work like illness, disability, or work as a caregiver.)

What exists now is the shrunken remnant of a program that once served as the cornerstone of the American anti-poverty system. The value of cash benefits and the number of beneficiaries have receded over time, with little to show in the way of improved outcomes for people in poverty. Indeed, it might be appropriate to say that the replacement of AFDC with TANF has actually contributed to the continued entrenchment of the deepest levels of poverty in the United States. According to the CBPP report, TANF now only lifts about a third of the enrolled families out of "deep poverty" that AFDC did. That analysis supports the findings of a 2013 working paper from the National Poverty Center that found the number of people living on less than $2 a day increased from 636,000 in 1996 to 1.65 million in 2011.

A 2017 special United Nations envoy examining extreme poverty in the United States observed that "rates of extreme poverty (i.e., living on less than $2 per day per person) are also increasing, again because of declining employment as well as growing 'disconnection' from the safety net." What's more, the report also found that with stagnating wages and increasing costs of living, welfare and other means-tested programs are far from guaranteed income streams that incentivize dependency. In fact, they aren't even really anti-poverty programs at all: They often barely provide subsistence for people who work minimum-wage jobs.

With TANF rapidly disappearing as a benefit even among those on the margins of American poverty, it's really just SNAP and Medicaid keeping most of the nonelderly poor afloat. And degraded food-stamps, housing, and public health-insurance programs could have even more visceral effects than the loss of cash assistance. Sanctions for people who can't work or can't easily pass an increasingly difficult eligibility test don't just mean the loss of a check—they mean the loss of meals, the loss of a home, the inability to get to a doctor, or worse.

If TANF is a useful model for the kind of entitlement reform that the country might embark upon over the next few years, many Americans can expect the federal safety net to functionally cease to exist within their lifetimes.

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