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Reshaping the California Welfare System

In August 1996, with the stroke of a pen, President Clinton ended the nation's sixty-year-old guarantee of income support for poor children and their families. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 eliminated Aid to Families with Dependent Children (AFDC) and replaced it with a new program known as Temporary Assistance for Needy Families (TANF).

Instead of the AFDC entitlement, TANF provides a relatively unrestricted grant of funds to the states (a block grant) and requires them to develop their own approaches to welfare. Like all other states, California must now rewrite its welfare laws and regulations to conform to the new federal legislation.

Revising an old welfare system or creating a new one is a daunting challenge, primarily because there is little agreement on welfare goals. Even if there were a consensus on goals, there is an inherent tension among them, which makes system design a demanding exercise. To inform the debate, Eugene Smolensky, Eirik Evenhouse, and Siobhán Reilly developed *Welfare Reform: A Primer in 12 Questions*. The primer explores questions designed to help the citizens and legislators of California understand how welfare reform goals may conflict and the kinds of compromises that may be necessary. Synopses of the questions and discussion are presented below.

The primer begins by considering the question that frames the debate: What are the appropriate tradeoffs among the three principal goals of welfare—securing adequate benefits for needy children, providing incentives that induce desired behavior in welfare recipients, and keeping public costs within acceptable bounds? These goals are linked in a relationship that David Stockman (President Reagan's budget director) christened the "iron triangle." Government cannot change one element of the relationship without affecting the other two.

The primer next addresses three questions that all welfare reforms must answer and nine that are especially relevant for reform under TANF. It then concludes with a checklist of questions intended to help officials identify the issues involved in designing a TANF program. The magnitude and complexity of the list suggest one reason why policymakers have historically tended to modify existing policies and programs incrementally rather than starting from scratch: The greater the change, the larger the number of questions that must be answered.

Although the primer focuses on TANF design in California, the questions it addresses have implications for TANF reform in other states and for welfare reform more generally. Thus, it may be informative for state policymakers, the media, and interested citizens across the nation.

Three Questions That All Welfare Reform Must Address

Are benefits adequate? In considering this question, policymakers will need to agree on a benefit level taxpayers as well as recipients can live with: an amount government is willing to give needy families, considering incentives and cost. Adequacy may vary across households, depending on family characteristics—for example, the number of children and their ages, the number of able-bodied adults, family members' health, the local cost of living, work expenses, and the consumer durables (such as an automobile or washing machine) and other physical assets (such as a home) that the family owns.

Will recipients behave as welfare reform intends? Although there is political consensus that current welfare incentives and behavior are unsatisfactory, there is considerable debate over whether carrots or sticks are more appropriate for altering behavior. Some believe that it is essential to preserve adequacy and that behavior should be modified mainly with carrots (such as child care, training, or wage subsidies), even though this might increase welfare spending. Others believe that the best way to improve behavior is to chip away at government guarantees of adequacy, that is, to use sticks (such as benefit cuts, time limits, and family caps).

Is the cost to taxpayers reasonable? Deciding if costs are reasonable requires knowing not only what they are likely to be in the immediate future but what they may be over the long run. It also requires understanding not just the cost of the program being modified but the resulting effects on other tax-supported programs.

Nine Questions Specific to TANF

How different can the new program be? If California policymakers want to pass sweeping reforms, they can. Alternatively, they can change very little. Frustration with the status quo may make the idea of sweeping reform appealing, but major changes in program rules could produce large contractions or expansions in the caseload.

Who should be covered? Under TANF, states have the freedom to rethink large parts of their welfare system. For example, AFDC was originally conceived of as a program to aid the children of widows and abandoned wives, creating in the process an incentive for needy parents to separate. Providing benefits to intact families would improve the incentive for parents, married or not, to remain together. However, it would also increase costs and perhaps weaken work incentives. The introduction of time limits also raises an important question. To whom do the limits apply: children or their parents? What will happen to the children of parents who have exhausted their TANF eligibility?

How will the new program fit in with other programs? Participating in multiple programs can contribute to adequacy. As always, however, greater adequacy magnifies the potential advantages of welfare over work.

Will new programs be needed to complement TANF? Over the years, scores of additional programs have been created to complement AFDC, each to meet a particular need that AFDC itself did not seem to be meeting (e.g., Head Start, School Lunches, and Supplemental Food for Women, Infants, and Children). Are such programs inevitably in TANF's future? Two large issues need to be resolved. First, what safety net should be provided for families whose TANF benefits are stopped after two or five years on the program? Second, how can work be made a viable choice for low-earning single parents?

How should TANF respond to an economic recession? During the last recession, California's AFDC program expanded rapidly. By 1995, the AFDC caseload was 45 percent larger than in 1990, and AFDC outlays 25 percent higher. In periods of increased demands on the program, should there be automatic adjustments to the program's budget? If not, should benefits be lowered, or should eligibility requirements be made more stringent?

What if appropriations are not sufficient to fully fund the programs as designed? By themselves, time limits are simply program cuts. If reforms are to represent more than this, California's new welfare program will contain provisions to help recipients become more self-sufficient (such as child care, training, and job search assistance). If too little money is appropriated, how will such programs be rationed?

Can the bureaucracy get the job done? TANF's success may well turn on getting welfare bureaucrats to see their job not as issuing checks but as facilitating employment. Converting the welfare system into a jobs program will take time and resources. Besides finding the jobs and motivating the mothers, bureaucrats must also help remove obstacles such as lack of child care and transportation, marginal literacy, and language problems.

What information is needed to evaluate TANF's performance? Like any other welfare program, TANF will be under sharp public and partisan scrutiny. Further, because it breaks new ground, its implementation will bring unintended, unexpected, or unwanted results. Program designers should be thinking now about the kind of information that will be needed for effective program assessment. Careful planning today for tomorrow's information needs will lower the cost and improve the quality of evaluations.

How will success be judged? There must be clear, explicit consensus about the criteria for judging success. No program design is complete until the designers have explicitly stated its goals.

TANF Checklist

The primer concludes with a checklist of nearly 200 questions to help officials identify the issues involved in designing a TANF program that will satisfy the state's welfare objectives.

This research brief summarizes a report by Eugene Smolensky, Eirik Evenhouse, and Siobhán Reilly, Welfare Reform: A Primer in 12 Questions. *The report may be ordered by calling (800) 232-5343 [mainland U.S.] or (415) 291-4415 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, nonpartisan research on economic, social, and political issues that affect the lives of Californians.*

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