

Welfare Reform: A Primer in 12 Questions

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Foreword

On February 11, 1997, the Public Policy Institute of California (PPIC) held its First Annual California Issues Forum at the Sacramento Convention Center. The subject was Welfare Reform: Public Assistance Across People and Programs. The forum featured a briefing by Thomas MaCurdy (Professor of Economics, Stanford University; Senior Fellow, Hoover Institution; and Adjunct Fellow, PPIC), who presented major findings of his study, *Who Will Be Affected by Welfare Reform in California?* co-authored by Margaret O'Brien-Strain (Dissertation Fellow, PPIC). The audience included members of the California State Legislature, the Wilson administration, and the media and other invited guests. In the discussion that followed, Senate President Pro Tempore Bill Lockyer requested that PPIC provide policymakers with further implications of its research for the state's welfare reform deliberations.

This primer on welfare reform is a response to that request. It is intended to provide a conceptual framework for policymakers in developing and evaluating reform options. It is also intended to help interested audiences understand the conflicts between and among the goals of welfare and the compromises and tradeoffs those conflicts require in the reform process.

The primer focuses primarily on questions for welfare reform in California, as legislators rewrite welfare laws and regulations under TANF, the Temporary Assistance for Needy Families program that replaced Aid to Families with Dependent Children (AFDC) in the 1996 federal welfare reform act. However, we believe that the questions it

addresses have implications for TANF reform in other states—and for welfare reform more generally—and may be of interest to state legislators, media commentators on welfare, and an interested public across the nation.

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1. Introduction

In August 1996, the federal government ended “welfare as we have known it” by eliminating the sixty-year-old federal guarantee of income support for poor children and their families. It ended the federal welfare program that provided this guarantee—Aid to Families with Dependent Children (AFDC)—and replaced it with TANF, the Temporary Assistance for Needy Families program. In place of the AFDC entitlement, TANF provides a relatively unrestricted grant of funds to the states (a block grant) and requires states to develop their own approaches to welfare. Like all the other states, California must now rewrite its welfare laws and regulations to conform to the new federal legislation. Table 1 lists the major federal requirements.

For years, state officials have asked for the freedom to design welfare programs consistent with their local conditions and preferences. Now, they have the opportunity. However, that opportunity comes with daunting challenges. Creating a new welfare system for California is daunting primarily because—as the welfare debate has amply demonstrated—there is little agreement on the goals of such a system. Further, even if parties to the debate reached consensus on goals, there is an inherent tension between and among goals, which makes system design a demanding exercise in identifying acceptable tradeoffs to reach those goals.

The pressure to reform welfare reflects a pervasive dissatisfaction with the goals and tradeoffs embodied in the current system. The purpose of this document is to provide a primer on welfare reform, that is, to explore questions that will help the citizens and

Table 1
Federal Welfare Reform

<ul style="list-style-type: none"> • Repeals federal AFDC requirements and establishes a new TANF program, with no entitlement benefits. • Replaces federal matching funds with a block grant to the states. • Requires that state plans include a provision that at least one adult in a family that has been receiving aid for more than two years participate in work activities (as defined by the state). 	<ul style="list-style-type: none"> • Requires states to reduce grants for recipients who refuse to engage in work (as defined by the state). • Penalizes states for not meeting specified rates of participation by TANF recipients in work-related activities. • Establishes a maintenance-of-effort requirement on state expenditures for needy families. • Limits to five years the amount of time a family can receive federal TANF funds.
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SOURCE: Legislative Analyst's Office, *Welfare Reform in California: A Welfare-to-Work Approach*, January 23, 1997, pp. 2-3.

legislators of California understand how goals may conflict and what kinds of tradeoffs may be necessary to serve whichever set of goals may finally guide the design of a new program.

The primer explores three categories of questions: Chapter 2 considers the question that frames the debate, the welfare goals it addresses, and the inherent conflicts among those goals. Chapter 3 discusses three questions that all welfare reforms must address. Chapter 4 examines nine questions especially relevant to development of the TANF program. The last chapter contains a checklist that offers a very large, but probably not exhaustive, set of questions focused primarily on TANF.

2. Framing the Welfare Debate

This is the question that frames the debate: What is the appropriate tradeoff among three competing goals of welfare—securing adequate benefits for needy children, providing incentives that induce desired behavior, and keeping public costs within acceptable bounds?

A Set of Reasonable Goals?

The goals in this framing question seem reasonable enough. Most people would agree that welfare should protect children from destitution. The focus is on children primarily because they cannot support themselves, because caring for children handicaps a parent in the labor market, and because they are in their formative years: Deprivation in childhood may limit their potential as adults. We care about an adequate standard of living for the most vulnerable segment of society—poor children. So *adequacy* becomes one goal of a welfare system.

Appropriate *behavior* is another goal. Most people would agree that a welfare program should not reward behavior that violates the collective sense of fairness and appropriateness. Welfare benefits, and the rules that determine who gets them and in what amount, potentially alter many of the choices recipients make. Depending on its design, the welfare system may reduce the incentive to earn money, to save it, to marry, to defer the birth of children, to limit family size, to obtain education, or to live with one's children.

Recipients' behavior is a matter of concern for several reasons. One is cost. If individuals respond to welfare by earning less, for example, program costs rise. Another reason is efficiency. Cash aid for poor single mothers, for instance, may be an inefficient way to alleviate child poverty if it prompts more poor women to become single mothers. A third reason is that the behavior encouraged by welfare may violate commonly held moral or ethical values and, particularly, notions of fairness. For instance, those who believe that parents should be married and able to support a child before having one may object that the welfare system treats couples who flout those values better than it treats couples who do not. Others may find it unfair that, in an age when the majority of mothers with young children feel the economic need to be employed, a welfare mother can choose to stay home with her children, with no obvious economic penalty.

Reasonable *cost* is a third goal. The cost to taxpayers should be no greater than necessary. Taxation hurts incentives in the rest of the economy, and money spent on welfare must be diverted from other uses, private as well as public. Moreover, a significant number of taxpayers have incomes not much higher than the incomes of many welfare families.

Although these goals seem reasonable enough, the potential for disagreement is patent: What level of income is "adequate" to protect children from destitution? What characterizes "appropriate" behavior? How much or how little cost to taxpayers is "reasonable"?

The Inherent Conflicts Among Welfare's Goals

Even if everyone agreed on the answers to these questions, welfare design would still be difficult because of the inherent conflicts among these goals. *Adequacy*, *behavior*, and *cost* are linked in a relationship that David Stockman (President Reagan's budget director) christened the "iron triangle." We cannot change one element of that relationship without affecting the other two. Tradeoffs among adequacy, behavior, and cost are inevitable and political differences naturally arise when legislators set about the difficult task of making those tradeoffs.

The goals of adequacy and low program costs are straightforward notions, and the tension between them obvious: Other things equal, raising benefits raises costs. The matter of behavior is more complex. Since aid is for the needy, the lower one's income,

the larger the welfare benefit, and, as one's earnings rise, the benefit drops. Suppose a woman with two children receives \$500 per month and the rule is that, for every dollar she earns, her benefit drops by a dollar (as was often the case with AFDC). This gives her little economic motivation to work, because working does not increase her income.

Why would anyone design a welfare program with such poor work incentives? Because making work more attractive means either increasing the number of people who receive benefits or jeopardizing adequacy by reducing the basic welfare benefit. The following discussion illustrates why. Again, suppose a mother with two children who was not working at all receives \$500 per month. If her benefits are reduced by a dollar for every dollar earned, her spendable income (welfare and earnings combined) stays constant at \$500 as her earnings climb from zero to \$500. With earnings of \$500, she no longer receives any welfare—she is off the rolls, along with all those who have incomes above \$500.

One way to make work more appealing for her is to keep the basic benefit at \$500 but reduce it by only 50 cents for each dollar she earns. Under this rubric, she would not earn too much to collect any welfare until her earnings reached \$1,000. However, allowing anyone who earns less than \$1,000 to also collect welfare increases the rolls. Those who used to earn between \$500 and \$1,000 dollars per month, and were thus ineligible, would now be eligible for the program.

There is another way to exclude all those with earnings above \$500 and yet reduce the benefit by less than a dollar for each dollar earned: Simply reduce the basic benefit received by nonworking women to, say, \$250 but, again, reduce that benefit at the rate of 50 cents per dollar earned (the "benefit reduction rate"). In this example, no one with earnings above \$500 gets welfare, but adequacy for the poorest of the poor suffers.

The "iron triangle" holds metaphorically for other eligibility criteria as well. Current eligibility rules, for example, favor single parents over couples, creating an incentive for parents to separate. Extending welfare coverage to intact families would solve this incentive problem, but at the cost of increasing the caseload.

The tradeoff between behavioral incentives and adequacy is uniquely complicated in the case of TANF/AFDC by the fact that incentives seek to influence the parents' behavior but we care most about children's well-being. The fundamental problem is that, practically speaking, the system cannot separate the fortunes of the parent from the

fortunes of the child. Economic adversity cannot be used to cudgel the parent without also imposing hardship on the child. What is the appropriate tradeoff between parents' incentives and children's well-being? Some commentators suggest that a way out of this dilemma is to separate children from parents who fail to support them—a solution unlikely to be adopted. Aside from feelings about its morality or humanity, it is likely to cost taxpayers much more than they are prepared to spend: It is generally much cheaper to pay parents to care for their own children than to pay someone else to do it.

The Issue of Fairness

Incentive concerns go beyond the effects on caseload and cost. The behavior of welfare recipients may also violate many people's notions of fairness. Suppose the aim of welfare is to guarantee everyone a minimum standard of living by topping up the incomes of the poorest and that, in return, individuals are expected to do the most they can for themselves. In that case, a recipient's decision not to work at all, while a rational response to the program rules, would be seen by many as violating that implicit social contract.

The underlying problem is that we cannot know what an applicant would do if there were no welfare program. For example, we do not know what an applicant could earn if she did her best to get the highest-paying job she could. Similarly, we have little way of knowing how many children applicants would have in the absence of welfare, or whether they would marry. So, eligibility decisions are based on what can actually be seen. A person earning little or nothing has greater apparent need and therefore gets a larger benefit than someone who is working and earning more. As a consequence, fewer people work. Similarly, larger families imply larger needs, so benefit levels rise as family size increases, with the consequence that some women have more children than they would otherwise. Eligibility is based on *actual*/marital status, and fewer women marry. As long as the system targets assistance according to criteria that individuals can manipulate, some unwanted responses to the welfare program are to be expected.

Even if the welfare system had relatively little effect on recipients' behavior, people might care whether the program *seemed* fair. Fairness might dictate, for example, offering more generous help to a person whose predicament is the result of misfortune than to someone whose predicament results from a deliberate choice. However, we cannot know how much effort a person has invested in trying to avoid poverty; all we know is that the

level of effort varies greatly. Since all applicants must be treated alike, treatment of individual applicants will necessarily be unfair. For example, those who looked hard for a job and those who only pretended to look will get the same benefit.

Even perfect information about applicants' behavior or earnings potential would not end the debate over welfare. Those who believe that sex outside of marriage is immoral, for example, may argue that unwed mothers deserve less aid than mothers who find themselves widowed or abandoned. In general, as long as we do not all share the same set of values, we will continue to disagree about whom to help and how much.

Because the goals of a welfare program conflict, even a benign dictator could not design a welfare system he would love. Improved outcomes in one dimension worsen outcomes in another. In a democratic society, where policies must reflect the wishes of people with different values and with different beliefs about what the "facts" are, dissatisfaction with the welfare system is all the more certain. A realistic assessment of a welfare program recognizes that the program is the product of compromise: compromises among our goals and compromises among ourselves.

3. Three Questions That All Welfare Reform Must Address

Although California's deliberations over TANF design occasioned this primer, the first three questions that citizens, legislators, and the governor's office must address apply to all welfare reforms:

1. Are benefits adequate?
2. Will beneficiaries behave as reform intends?
3. Is the cost to taxpayers reasonable?

1. Are Benefits Adequate?

Science cannot determine how much income a family needs to get along. In considering this question, policymakers are trying 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. One place to start is by asking how much the state would be willing to give poor families if there were no incentive problems. Agreement about this figure may already be difficult. One answer might be the national poverty lines adjusted for regional differences in cost of living. However, incentive effects and cost considerations have apparently kept benefits under that amount: No state has an AFDC benefit that equals even half the national poverty line.

Two types of standards can be used to evaluate the adequacy of a proposed benefit: what the family can buy with the benefit, and where the benefit puts the family's standard of living, compared with other families' (or a narrower reference group's) standard of living.

What a family can buy with the benefit depends directly or indirectly on its characteristics, e.g., 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.

Considerations of relative standards of living are influenced by how well taxpayers are doing compared to some historical norm. Scholars have noted that the more the average person's standard of living rises, the more society thinks a poor family needs to get along.

In evaluating adequacy, time—an often forgotten but valuable resource—should also be considered. Children's well-being is strongly affected by the amount of adult time devoted to caring for them and to running a household. In considering work requirements, policymakers should recognize that time spent in paid work or commuting is time that cannot be spent on child care or housework. It may make sense to impose stiffer work requirements on multiple-adult than on single-adult households and to ease requirements when child care is needed but not available. Similarly, adequacy may require that the time/money mix of the welfare benefit be a function of children's ages. Perhaps younger children need more parental time but less cash expended on them than older children do.

2. Will Beneficiaries Behave As Reform Intends?

The range of welfare's *potentia*/behavioral effects is vast. Understanding the complexity and interdependence of the incentive problems improves the odds that the programmatic changes finally made will effectively address the most important behavior problems, without inadvertently aggravating others.

The current political push for welfare reform seems motivated not merely by a desire to cut costs or by discontent with benefit levels, but also by dissatisfaction, across a wide span of the political spectrum, with recipients' behavior and with the incentives welfare gives them. The system is seen as rewarding (or, at least, largely removing the economic

penalties for) behavior perceived as morally wrong, socially harmful, or counter to participants' long-run interests.

Although there is political consensus that behavior and incentives are unsatisfactory, the real divisions arise in deciding what to do about them. Reform efforts and debates will be most fruitful if the participants force themselves to answer two very difficult questions:

1. What are the true motives in seeking to change incentives? Are we interested in changing incentives only to the extent that we thereby change behavior? Or do we want to install a different set of incentives that better satisfies notions of morality and fairness, whether or not they actually change behavior? If both goals matter, how do we rank them?
2. Are carrots or sticks more appropriate for altering behavior?

These questions are difficult to answer because we do not all start from the same basic premises. Some believe that the undesirable behavior is less willful and therefore less amenable to incentives than others do. 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).

Debate over behavior should begin from the premise that bad incentives are an inherent feature of transfers to the poor. Because we want to target aid to those who genuinely need it, we provide benefits to people with certain characteristics, such as single motherhood, that predispose to poverty. Even though this creates an incentive for would-be recipients to adopt those characteristics, getting rid of *all* bad incentives would make it impossible to provide the truly needy with adequate benefits. The challenge is to settle on the *level* of bad incentives society can tolerate for the sake of its other objectives.

Insisting on better incentives means allowing costs to rise, adequacy to decline, or both. New Jersey and California provide examples. In New Jersey, bearing an additional child while on welfare no longer increases the mother's monthly benefit. The legislators intended to improve incentives, but the "price" of improvement is reduced adequacy for families who, nevertheless, have another child. California has vacillated on how earnings should affect welfare benefits. The decision to reduce benefits by only 67 cents (instead of

100) for every dollar earned has increased a recipient's incentives to work. However, it may be rescinded because it has also raised program costs by making more workers eligible for welfare.

If citizens and legislators will accept neither increased costs nor greater economic hardship for some families, they are tacitly accepting the current level of incentive problems—unless they believe that some incentives can be improved without worsening others and without raising costs or reducing adequacy. Theory says and the history of welfare reform confirms that this is not possible.

3. Is the Cost to Taxpayers Reasonable?

The direct costs of AFDC have accounted for a relatively small proportion of California's government expenditures. In 1996, the state spent between 5 and 6 percent of its operating budget, or about \$2.7 billion of its own money, on AFDC. For welfare as for any government expenditure, whether that cost is reasonable depends very much on what the state is getting for its money.

If the state is going to tax a family with an income of \$15,000 to provide programs for a family with \$6,000, it should be reasonably certain that the lot of the poor family is improved enough to justify the transfer. The benefit to the program recipient very clearly has to be judged worth the cost to the taxpayer. When programs meet this criterion, their benefits are judged to exceed their costs. However, that criterion has not been persuasive in the welfare debate. Even if programs pass a cost-benefit test, they are generally seen as failures unless they also dramatically reduce welfare rolls. That has been the case for many JOBS (Job Opportunity and Basic Skills) programs, such as California's GAIN (Greater Avenues to Independence) program, which have passed a cost-benefit test but failed to reduce the caseload substantially.

If cost-benefit analysis is rejected, what other measure of reasonableness can be used? A common practice is to compare program costs to costs in other places or at other times. Welfare program costs may be considered reasonable if they are no higher than previous costs or if their share of the state budget remains the same. However, taxpayers sometimes seem satisfied only by lower costs or reduced caseloads.

Knowing only the changes in caseload or in total dollars spent on TANF, however, will not tell us the total cost of welfare to taxpayers. 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. The TANF caseload will probably come to consist mostly of children and young adults, so the other programs TANF is likely to affect are those serving younger recipients, e.g., education and training, child care, or foster care. TANF will also affect demand for programs—such as Food Stamps, General Assistance, foster care, child support collection efforts, or emergency shelters—that will help individuals no longer eligible for TANF.

4. Nine Questions Specific to Designing TANF

As California legislators face the challenge of designing TANF, they must consider issues, generic and specific, related to the scale of change, the focus of the program, TANF's relation to other programs, bureaucratic realities, and program evaluation. We discuss these issues by addressing the following nine questions:

4. How different can the new program be?
5. Who should be covered?
6. How will the new program fit in with other, remaining programs?
7. Will new programs be needed to complement TANF?
8. How should TANF respond to an economic recession?
9. What if appropriations are not sufficient to fully fund the programs as designed?
10. Can the bureaucracy get the job done?
11. What information is needed to evaluate TANF's performance?
12. How will success be judged?

4. How Different Can the New Program Be?

Does California want its version of TANF to resemble the former AFDC program or is dissatisfaction with AFDC so deep that welfare should be rethought? In the current

effort to redesign welfare, California's policymakers are much less constrained than in previous efforts. If they want to pass sweeping reforms, they can. Alternatively, they can choose to change very little.

The new federal legislation endorses experimentation by the states and gives them considerable leeway in designing their welfare programs. Although it does require the adoption of time limits, even that rule may not be as binding as it first seems. A state can, in effect, run dual welfare programs: a TANF that is paid for by federal dollars and is for individuals who have not reached their time limits, and another, paid for by state dollars, for those who are timed out.

However, sweeping change to California's welfare program has many potential drawbacks. Much of the wealth of expertise residing in the state's welfare bureaucracy would be made useless overnight and would have to be reconstituted in a slow and costly process. Major changes in program rules could bring major contractions or expansions in the caseload, with implications for costs, adequacy, and incentives. A new and untried program invariably brings surprises with it, as unpredicted contingencies arise, and it is hard to be cavalier about risk when it involves a program of such large proportions and when the well-being of California's poorest children is at stake.

Frustration with the status quo may make the idea of sweeping reform appealing, but the question of exactly what the sweeping reforms might be remains difficult. Policies used in other countries, or suggested by academics, to palliate child poverty have never achieved a political toehold in the United States. Californians seem unready to adopt the negative income tax, a child support assurance scheme, or child allowances on a scale that could begin to replace AFDC. The wholesale provision of subsidized child care or employment assistance also seems unlikely. Yet, if Californians seem unwilling to undertake new programs, or even major expansions of existing ones, they seem equally hesitant about radical cuts to the existing social safety net. Moreover, the length and complexity of the checklist in Chapter 5 suggest that starting de novo would be a virtually impossible task. The decisions to be made are too many and too intimately interconnected for the state to build from scratch a workable system that could win political support. Modifying AFDC and GAIN in important ways, while maintaining the basic structure of those programs, seems the most feasible approach.

5. Who Should Be Covered?

Development of TANF offers each state the possibility of rethinking large parts of its entire welfare system, not just AFDC. For example, because AFDC was originally conceived as a program to aid the children of widows and abandoned wives, it conditioned eligibility on the absence of a parent. This created an incentive for needy parents to separate. It may not have mattered much when divorce and unwed motherhood were rare (and heavily stigmatized); but now that they are commonplace, should state designers of TANF encourage family breakup by retaining such a condition? The AFDC-UP (Unemployed Parent) program was created in part to remedy this problem, but its eligibility conditions are complex and more restrictive than those of the main AFDC program. California has already eased one AFDC-UP restriction (the 100-hours-per-month limit on the primary earner's work hours). It could go further and meld the two programs in TANF.

Guaranteeing adequacy even to intact families would improve family structure incentives: Parents who stay together, married or not, would no longer be penalized. It would also help needy children in two-parent households and simplify the program and its rules. The tradeoff is that removing the additional eligibility conditions facing two-parent families would worsen work incentives for some of them and would increase the caseload and hence cost.

Alternatively, perhaps TANF coverage should be narrower. The aim of recent federal legislation was plainly to limit coverage to short-term users. Family cap policies also attempt to limit coverage by denying benefits to babies conceived on welfare. Conceptually, coverage could be narrowed to families with preschoolers or made contingent on some other attribute. Typically, narrowing coverage reduces direct costs but threatens adequacy. Moreover, the effects on behavior are mixed: On one hand, fewer people are exposed to the work disincentives created by means testing. On the other, narrowing the program may encourage individuals to try entering covered categories. For example, if coverage of able-bodied adults is narrowed to those on the rolls fewer than five years, some recipients may intensify their efforts to become economically self-sufficient, while others may, for the first time, report themselves disabled.

The introduction of time limits also raises an important issue of coverage. 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 should parents' incentives be weighed against children's well-being? If the household is treated as a children-only recipient unit and given any benefit (whether from TANF or some other program), it weakens parents' incentive to become more self-sufficient. Denying the children coverage altogether would improve incentives but at the price of a sharp reduction in adequacy for some children.

6. How Will the New Program Fit In with Other, Remaining Programs?

Of particular concern here are the other programs in which TANF recipients can participate simultaneously (such as Food Stamps, Medicaid, housing assistance, child care subsidies, or energy assistance). Participating in multiple programs can contribute to adequacy. As always, however, greater adequacy magnifies the potential advantages of welfare over work. What will participation in one program do to eligibility for another? Should TANF participants be automatically eligible for Medicaid, for instance? How should the receipt of housing benefits affect a person's TANF check?

When means-tested programs ignore each other in calculating benefits, or treat benefits more gently than earnings, adequacy is improved but incentives to work are weakened. Under current rules, in most states other than California, a woman enrolled in AFDC alone has little incentive to work, because it adds little to her net income. That disincentive may be magnified considerably if she participates in multiple programs. For example, if she receives housing assistance as well as AFDC, not only is she made better off by the extra aid, but she faces a 30-cent rent increase for each dollar she earns. Obviously, work becomes even less attractive. When benefits from other programs are factored in, many AFDC recipients face an effective marginal tax rate well over 100 percent: More earnings result in less total income. For example, earning her way off AFDC can leave a welfare mother worse off if her children lose their Medicaid coverage and she cannot afford to replace it. Reductions in Food Stamps and Medicaid benefits take an additional chunk out of each dollar earned by their recipients.

The existence of other programs may also take some of the teeth out of TANF's time limits. Consider a family with no earnings that exhausts its TANF eligibility. The family's income will fall but probably by less than the lost TANF benefit. Under current

rules, for example, the Food Stamps allocation may rise, and housing benefits (if any) might increase. Such automatic adjustments would partly cushion the effect of losing TANF cash aid. And if the state keeps the General Assistance program, would the parents be eligible? Allowing them to draw GA benefits would further blunt the threat of time limits.

Finally, equity among the poor is another reason to think carefully about how other welfare programs interact with TANF. This is particularly a problem with benefits that are rationed, such as subsidized child care or the housing assistance received by only a tenth of California's AFDC families. AFDC's treatment of housing aid, for instance, creates a substantial difference in living standards between those aided by the Department of Housing and Urban Development and others. These inequities arise because of the obvious improvements in adequacy for those who receive the benefits. Some commentators have suggested that the state should consider cashing out these in-kind programs, which give large benefits to the few, and raising the average benefit level by a small amount for the many.

7. 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 (Head Start, School Lunches, and Supplemental Food for Women, Infants, and Children, to name a few of the better known programs). Are such programs inevitably in TANF's future?

The answer to this question derives from a thematic question of welfare reform: How do we trade off parental incentives against the well-being of their children? There are two big issues to be resolved. The first is what safety net should be provided for families whose TANF benefits are stopped after two or five years on the program. The second is how work can be made a viable choice for low-earning single parents.

TANF's time limits are meant to push parents into the workforce and ultimately to use deprivation to force on them the responsibility of supporting themselves and their children. But if parents are unable or unwilling to find work, should they and their children be cut off without a penny? If not, what will the state provide for them? If they are given anything, will it gut the time limits of their power to motivate parents, thereby

vitiating the intent of federal law? If neither alternative is acceptable, the state must find some way to protect children while maintaining the time limits and preserving parents' incentives.

Ironically, TANF's success stories (those who earn their way off the rolls) might provide as thorny a dilemma as its failures. For poor single parents, work becomes a better proposition than welfare the moment TANF benefits are cut off. But will their earnings and the care they can then give their children satisfy the rest of society? If not, there are two broad approaches to lifting their standard of living to a socially acceptable level: The first is to help (former) beneficiaries earn more; the second is to help stretch their earnings to cover the necessities. Both seem likely to require new programs.

What programs, if any, should be used to help beneficiaries earn more? Should the state attempt to pay for child care, or even to provide it, so that single parents can work? Should California support education and training to make parents more employable or able to earn a wage high enough to sustain a family? Might California do better in this realm if it made a conscious effort to avoid supporting training for occupations traditionally occupied by women—at least, the low-paying ones? How much training is appropriate? To what extent are taxpayers willing to invest in the longer education and training periods associated with better paying jobs? What about help with job searches? Should California subsidize the employment of actual TANF recipients or of all potential eligibles? Should the state provide public sector jobs? What will the choices do to the wages and job prospects of those who are now the working poor? How can organized labor be induced to help solve this problem in ways that protect its members' interests?

What programs, if any, should be used to help low-wage single parents stretch their earnings to cover at least the minimum standard of living that society wants their children to have? What should be done about collecting child support? Once the state has done what it can to get *both* parents to fulfill their responsibilities, what more might be needed? How far short of a decent standard of living will families fall once we allow for Food Stamps and the Earned Income Tax Credit? If there is a shortfall, what other forms of income support should be provided? Should California contemplate an Earned Income Tax Credit of its own? Should California create a package to make up for federal cuts in Food Stamps and Medicaid to California's legal immigrants with children? Should MediCal coverage be extended to low-income adults whose employers do not provide

health insurance? In general, what do we want California's children to have that some of their parents may be unable to buy for them? Should the state make up the deficiency? To what extent? In kind or in cash? Finally, can any of these alternatives be structured to minimize the cost to taxpayers and perverse incentives for recipients?

8. How Should TANF Respond to an Economic Recession?

If recessions are accepted as inevitable and welfare programs must respond to them, the next question is "how?" 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—despite a 14 percent cut in the average (nominal) cash grant. Most of this expansion occurred in 1991 and 1992. Although the caseload is currently declining, the next recession is bound to swell the TANF rolls. If the program rules and benefit levels do not change, then a budget adequate for a good year will run out in a bad one. Because TANF is not an entitlement program, the state has more discretion in responding than it had under AFDC. It can cut benefits, deny them to some, or appropriate more money.

These are some of the questions that would have to be considered: In bad times should there be automatic adjustments to the program's budget? The federal law permits the state to establish a rainy day fund. Should California have such a fund? If so, how large should it be? In periods of increased demands on the program and decreased revenues, when the rainy day fund is exhausted, which cuts should be made? Should benefits remain the same for those on welfare, even if that means excluding newly eligible applicants? Or should benefits be reduced for those on the rolls and the savings devoted to the newly eligible? Should rules be put in place before a recession hits so that they go into effect automatically or should we return to the State Legislature and the Congress when the need arises?

9. What If Appropriations Are Not Sufficient to Fully Fund the Programs As Designed?

Thus far, time limits are the main difference between TANF and its predecessors. By themselves, time limits are simply program cuts. Time limits make it urgent for participants to find sources of income other than welfare but do nothing to help them

succeed at this. If reforms are to represent more than cuts, California's new welfare program will contain provisions to help recipients become more self-sufficient. This was the purpose of GAIN, which accompanied AFDC in California.

The GAIN program, however, was chronically underfunded. What if TANF's counterpart is, too? If recipients do not get child care, training, or job search help, it is harder for them to find and keep jobs. If too little money is appropriated, so that some participants get this help and others do not, is it reasonable to impose the same work requirements and time limits on all of them? If not, policymakers must decide for whom the two- and five-year rules should be eased, and how. Whether time limits are enforced or not, if funding considerations require rationing access to these programs, fair and efficient rules for rationing must be devised. Unfortunately, fairness and efficiency are sometimes at odds. It may be fairest to spread job aid evenly, but that may spread it too thinly to change anyone's job prospects. Fairness might dictate giving the most help to those who face the greatest obstacles to employment, but efficiency, that is, spending the fewest dollars to get the most recipients working, implies the opposite.

Will insufficient funding undermine the moral force of the five-year cap? Time limits are an attempt to change recipients' behavior, but they do so only by threatening adequacy. Incentives can also be improved by programs that lift obstacles to employment, albeit at a cost to the taxpayer. Threatening adequacy via the five-year cap may seem more palatable when tempered by provision of sufficient job training and child care because, together, they imply a sharing of effort between taxpayers and recipients.

10. Can the Bureaucracy Get the Job Done?¹

Between welfare laws and desired outcomes stands a massive bureaucracy. TANF's success may well turn on getting welfare bureaucrats to see their job not as issuing checks but as facilitating employment. The bureaucrats in most frequent contact with the clients under AFDC are "eligibility technicians": They are expected to know the rules, apply them rigorously, and get the checks out to those who qualify. Under TANF, the same street-level bureaucrats must transform themselves from strict guardians of the public purse to zealous employment coaches.

¹Our discussion of this question draws heavily upon the work of Eugene Bardach, Professor of Public Policy, University of California, Berkeley.

Unless the bureaucracy vigorously implements the program, the threat of the five-year time limit is unlikely to get most recipients working. However, converting the welfare system into a jobs program will take time and resources. Caseworkers must be convinced that this change in roles is morally acceptable. Managers must turn agencies that are alternately cautious and suspicious, or feckless and sympathetic, into agencies that consistently exhort and energize job placement. The jobs will not be there for the picking, so agencies will need to fund “job developers,” something with which many have little experience. Besides finding the jobs and motivating the mothers, bureaucrats must also help remove obstacles such as lack of child care and transportation, marginal literacy, language problems, or the need for caseworkers to be available outside normal business hours. Inevitably, the easiest cases to place will be on the job first and the recipients with the most complex problems will soon dominate the caseload. As hard-core welfare recipients come to dominate, keeping welfare advocates and private employers in the process and motivating caseworkers to maintain their effort may prove difficult.

More bureaucrats will be needed. Already overwhelmed, caseworkers will be expected to do everything they do now, as well as all the job search tasks. Moreover, eligibility assessments will be further complicated by the criterion of time spent on the program and by the increased percentage of the caseload with earnings. The latter means more complicated calculations and more frequent reporting and benefit adjustments. And jobs, or at least not reporting them, are a major source of potential fraud. Will a reduction in caseloads after two or five years eventually offset this growth in tasks? Or will the emergence of a multi-tiered program (one that includes the “ultimate safety net”) multiply the workload?

The challenge facing the welfare bureaucracy is formidable. Retraining must be undertaken on a massive scale. Will the time and resources needed to turn the bureaucracy into an effective instrument of TANF be available? If not, can TANF succeed?

11. What Information Is Needed to Evaluate TANF’s Performance?

Like many public programs, TANF will be under sharp public and partisan scrutiny. Like any other welfare program, it will be the product of many compromises, and each

faction will be watching its outcomes with special vigilance. Further, because it breaks new ground, its implementation will bring unintended, unexpected, or unwanted results. Consequently, program designers should be thinking now about what kinds of information effective evaluation will require. The goals they have for TANF will dictate what information is needed to determine whether it has succeeded. Most measures will fall under one of three broad categories: adequacy, behavior, and cost.

To judge TANF's effect on adequacy, analysts will want to know what has happened to the well-being not only of those eligible for the new TANF but also of those who would have been eligible for AFDC. This means trying, as hard as possible, to measure recipients' command over resources—money, in-kind goods and services, and time—from public as well as private sources. Analysts will want the answers to questions such as these: To what extent have earnings replaced benefits? What level of benefits are people receiving from other programs? Are those who are eligible for Food Stamps, the Earned Income Tax Credit, and so forth actually receiving these benefits? What has happened to the General Assistance caseload?

Other, less direct measures could enrich the picture of recipients' well-being. For example, have there been changes in children's school attendance or achievement? In household structure and composition? In the foster care population? In the frequency of women's brushes with the criminal justice system (for activities potentially driven by need, e.g., theft, prostitution, or drug dealing)? Are there signs of increased pressures on extended families or on private charities?

We will also want to know whether reform has had desirable effects on recipients' behavior. That will mean answering questions such as these: What fraction of recipients are working and how much are they earning? How many hours are they working and how long are their jobs lasting? Over the longer run, will there be changes in family size and structure? In the levels of education or training sought?

To compare costs to what they would have been under AFDC, analysts will also need to know costs and caseloads by county and compare costs to what they would have been under AFDC. All these data will have to be analyzed in ways that tell the state how much return on investment there is from each of the various carrots and sticks built into the final program. What is the bill for providing child care or job search assistance, and how much effect do these services have on recipients' success in the job market? How cost-

effective are job-related services compared with enabling recipients to continue their education or training? Do certain personal or household characteristics predict different responses and might they be considered in improving program design? Data from across the counties will be a rich source of evidence concerning the effects of different programmatic decisions made by the counties.

Such analyses are complex and have proven controversial. They require a good deal of data that are not normally collected as part of administrative record-keeping and that may be very costly to collect later. It might make sense to administer a questionnaire to a random sample of recipients before the reforms begin to bite and combine the data with what is known from administrative records about the sample members. Careful planning today for tomorrow's additional information needs will lower the cost of program evaluations and improve their quality.

12. How Will Success Be Judged?

However much information state agencies collect, however efficient they are at collecting it, and however canny they are at analyzing it, these will be exercises beside the point without clear, explicit consensus about the criteria for judging success. Put another way, one cannot evaluate a program's success without knowing what it was meant to achieve. Thus, no program design is complete until the designers have explicitly stated its goals. What should TANF's be? As we argued in the introduction, the pressure to reform welfare reflects a pervasive dissatisfaction with the goals and tradeoffs embodied in the current system. Can the designers of TANF do better?

This primer has tried making clear how goals conflict and what various tradeoffs might mean. Virtually everyone would agree on a welfare goal of improving recipients' incentives to work—but at what cost? The theme of this primer is that there is no free lunch: Incentives can be improved only by jeopardizing adequacy or incurring higher costs. The public must be prepared for this.

What if, as has happened in many demonstration programs, a large proportion of the caseload comes to consist of recipients simultaneously working and receiving welfare? Must caseloads decline significantly for the program to be considered a success, or will a decline in cost to taxpayers without a decline in caseloads be judged a success? Would an increase in costs be tolerable if outcomes were much better? And what incentives/

adequacy tradeoff can society tolerate? Some recipients will fail to meet the tougher challenges that the new program sets them. Will the public, indeed should it, accept some human casualties as the price of reform, once names and faces are attached to them? What fraction of current recipients is society willing to see destitute today for the sake of motivating others to find work tomorrow?

A productive discussion of goals also requires consideration of the time frame for achieving them. Costs, for example, may look very different over the short than over the long term. A policy that lowers costs today may raise them tomorrow, or vice versa. A radical cut in benefits may save money now but raise costs later if it stunts human potential. Alternatively, adopting “tough love” policies today may carry high human costs initially but produce valuable changes in behavior over the long run.

Once designers have reached consensus on goals and politically tenable tradeoffs, they need to make the goals explicit. Without public statement of feasible goals—that is, targets that can be reached simultaneously and that take due account of the inherent conflict among adequacy, behavior, and costs—voters will have no way of knowing whether progress is being made toward meeting those goals. The perception that progress is being made, as targets are met, might reduce the urge to drastically change the system every few years. Stabilizing the system for a decade, or a generation, would foster efficiency and fairness.

5. Design Issues Checklist

This chapter provides a checklist of questions intended to help officials identify the issues involved in designing a TANF program that will satisfy the state's welfare objectives. The number of questions policymakers must address in altering existing or designing new programs depends on how extensive the alterations are or how radically a new program departs from its predecessors. The greater the change, the larger the number of questions that must be answered. The very magnitude and complexity of the list suggests one reason why policymakers have, historically, tended to modify existing policies and programs incrementally rather than starting from scratch. The same consideration may lead California decisionmakers, at least in the short term, to modify the old AFDC program rather than attempting to create a totally new TANF structure. To help them sort out the issues, we first present the questions for designing the TANF program itself and then address the questions for considering complements to TANF.

TANF

The Basic Grant

How Should the Cash Grant Be Structured?

How should the grant be altered as a function of earnings? Should participants who work (or work more) be rewarded economically—either with a higher income or by retaining more of their future eligibility than those who do not work (or who work less)?

Should the grant be automatically indexed to inflation?

How should it be adjusted for family size?

How should it treat child support? Differently from other income?

How should cash benefits from other programs be counted? If we want to apply full or partial benefit “offsets,” how will we value in-kind benefits such as Food Stamps or MediCal?

Will TANF recipients automatically qualify for Medicaid? Adults as well as children?

Five-Year Lifetime Limit on Benefits

The federal government has mandated a five-year lifetime limit on TANF-benefit receipt. How (and whether) this limit should apply within California’s welfare program depends on what we want it to achieve.

How Should This Limit Be Administered?

Should it apply to the child or to an adult caregiver?

If the limit applies to an adult caregiver, there will be an incentive to transfer the children to another caregiver to preserve eligibility when time runs out. Is this desirable (it helps protect children from destitution) or undesirable (it may harm children to be shifted around, and it takes some of the teeth out of the five-year cutoff)? If the limit applies to adults, how should two-adult households be treated?

Should the five years of benefits be measured in months or dollars?

If five years of eligibility translates into 60 months of eligibility, should a whole month of eligibility be lost for each month that any benefits are drawn, even if the amount drawn is negligible because the recipient is also earning? Or should the 60 months of eligibility be translated into a dollar amount (60 times the monthly benefit) that a family can draw over a lifetime? Measuring in dollars may improve work incentives as well as the incentive to try to collect child support or to obtain any other available financial resources; from the recipients’ perspective, benefits not drawn in a given month are saved in case they are needed later, rather than “wasted.” It would also deal with the reality that the wages of many poor parents may need supplementation over a period of more than five years for their families to survive.

Should California Reduce Eligibility to Less Than the Federally Specified Five Years for Families Facing Fewer Obstacles to Self-Sufficiency?

One reason might be to generate funds for families with more difficulties or for use in periods of economic recession. If so, what should the criteria be for reduced eligibility? Possible examples are the ages and number of children; two- versus one-parent households; the parents' age, level of education, training, and facility in English; or the local unemployment rate.

What Exemptions to This Limit Should Be Permitted?

Should the disability of a parent or a child mean an exemption from the limit? If so, under what circumstances? If not, should disability instead create eligibility for a separate program? Before or after TANF benefits have been exhausted?

Should an elderly caregiver be exempted? Should a caregiver who is not the child's parent be exempted? Should parents under the age of 18, or 20, be exempted?

Should exemptions be lifelong, or temporary, and subject to review? How frequently should reviews occur?

Two-Year Time Limit to Find a Job

The federal government has also mandated a two-year limit on TANF-benefit receipt for recipients who are not employed.

Why Two Years?

What is the basis for the choice of two years as a period of benefit receipt without working? What are rational criteria for choosing this length? Do they imply a period of two years, or a longer or shorter one?

Should There Be Categorical Exemptions to the Limit?

Are there cases in which it is unfair, cruel, or wasteful to impose work requirements? What are they? (Possible examples might be those discussed above in the discussion of the five-year lifetime limit on benefits.)

Do the benefits of treating those cases differently from others outweigh the costs of creating an incentive to seek special treatment?

Are There Circumstances Under Which the Two-Year Limit Should Be Shortened or Extended?

Is there any rationale for allowing a two-year wait for families with no significant obstacles to employment? Should both parents in a two-parent household be allowed the full two years? Should any of the factors listed below affect the allowed waiting period, and if so, how?

The number, ages, and health of children in the household.

The number, ages, and health of adults in the household.

The relationship of the caregiver to the child (e.g., grandparent, unrelated adult, aunt, or uncle).

A scarcity of jobs—either in general, or for which the applicant is qualified.

The education, fluency in English, or previous work experience of the adult(s).

A lack of child care.

A lack of transportation.

Temporary illness or disability.

Should California try to change the following feature of TANF? The mothers who are most able to work face the least incentive to do so. The older one's youngest child, the less the responsibility of caring for the child interferes with one's ability to hold a job. We might therefore have stronger expectations that the parents of teens work than that the parents of preschoolers do. However, when one's youngest child reaches 18 (occasionally 19), the family loses eligibility for TANF anyway. If one's youngest child is 13 or older, the incentive is just to use up all 60 months of eligibility.

Are the benefits (in terms of cost, adequacy, or fairness, for example) that might accrue from tailoring the program to families' circumstances worth the costs of creating the impression that the limit can be circumvented, or of tempting recipients to change their circumstances to become eligible for a laxer standard?

When a child is in the care of an adult who is disabled, elderly, or not the child's parent, should that caretaker be exempted from work requirements? If so, under which circumstances? Will exemptions create a motive to transfer a child from one caretaker to another? Will work requirements be circumvented to any important extent in this way? Might imposing work requirements on such caretakers result in children's being moved out of their families into foster care?

Might there be a rationale for imposing similar work requirements on noncustodial parents who are not meeting their child support obligations, and who are not working, or who are working fewer than 40 hours a week?

What Type of Work Will Count as a Job?

Is self-employment countable? Work for family members? Volunteer or other unpaid work? Is there any minimum on what constitutes an acceptable wage? (For example, may a recipient satisfy the work requirement by claiming to be self-employed, but producing only tiny earnings?)

What Is the Minimum Number of Hours That Must Be Worked?

Is this minimum to be the same for everyone? Or should it depend on circumstances, for example, family responsibilities?

For workers whose hours of work are variable, over what span of time will we apply the minimum-hours standard (a week, a fortnight, a month, three months)? Should it matter whether the recipient or the employer determines the number of hours worked?

Should We Spend Money to Create Jobs?

If so, should it be by subsidizing private sector employment or by creating government jobs? Are publicly funded jobs to be jobs of last resort, reserved for recipients who have tried and failed to find a private sector job?

What Happens If a Recipient Finds a Job but Later Loses It?

Will the two-year clock start over? Or is it a cumulative two-year limit on time on welfare without a job? Will involuntary layoffs be treated no differently than quits without cause or firings? Will welfare recipients be exposed to abuse or exploitation by employers who know that their employees will lose welfare if fired from the job? Should safeguards be put in place?

Will Welfare Recipients Take Jobs from Other Low-Wage Workers or Bid Down Their Wages?

Will welfare recipients compete on an equal footing or be advantaged, for example, by being subsidized?

What About MediCal Coverage?

Will it continue for families whose employers don't provide health insurance? How will it interact with employer-provided plans, if any? Will families who are cut off because

they failed to find work within two years lose their MediCal coverage? Or will we continue to cover the children but not the adults?

Subsidized Child Care

If It Is Provided, Should It Be Provided in Cash or in Kind?

Cash stimulates demand. Supply will increase but prices will too. What effect will this have on families who must compete with TANF recipients for child care? Can, or should, California do anything to mitigate the effect? In-kind provision would ensure an increase in supply. It would also give California more direct control over the quality of services provided, but it would reduce parents' incentives to shop for affordable care, or for the kind or amount of care that meets their needs.

What Level of Expenditure Will Be Made or Reimbursed per Child?

Will the amount be adjusted for the child's age or special needs? Until what age are children entitled to care? How should the number of preschool-aged children in a household affect eligibility? (The more such children in a family, the more costly the care that allows parents to work.)

If Funds Are Inadequate to Provide Child Care for Every Family That Needs It, Is It Better to Ration Care (by Queuing or by Some Other Mechanism) or to Give All Eligible Families a Subsidy or Voucher That May Cover Only Part of Their Costs?

The rationing may be more desirable in terms of making sure that at least some people get enough care to allow them to work enough hours, but it may induce wasteful behavior (parents hog more care than they currently need to preserve access and thus overuse an underpriced resource). It is also less fair. Is there a good rationale for giving a large benefit to only a few of the eligible applicants (as is now done in housing aid and some subsidized child care) instead of giving a smaller benefit to all those eligible? Does that rationale outweigh considerations of horizontal equity (i.e., treating people of equal need equally) and incentives?

How should any additions to subsidized care mesh with California's existing subsidized care or with Head Start?

What assumptions should be made about federal income tax credits for child care? (Presumably, most parents will not be liable for tax, and the credit is nonrefundable.)

What Can/Should Be Done to Ensure Continuity of Child Care?

Child care providers say continuity of care is important: Children cannot drop in and out of care without harming the program and suffering emotional damage. TANF recipients are likely to be particularly subject to employment instability.

Will children be given care during intervals when their parents are not working?

What will happen when children are excluded from care because of illness?

What will happen when the caregiver fails to provide care (the center is closed or the babysitter is ill or absent)?

What will happen when families are asked to leave the program because of rule infractions?

Who Decides Whether Child Care Is Acceptable?

What about religious or moral objections to the care provided? Will the state inquire into whether the care used meets its standard? What about in-home care? Should there be limits on who may be paid for providing in-home care (noncustodial parents, grandparents, older siblings, etc.)?

Transportation

Should we raise the asset limit pertaining to a single automobile?

Should we provide transportation, or transportation subsidies, to certain recipients? If so, according to what criteria? Residential location? Density of public transit? What else?

Would transportation problems ever be a criterion in extending the two-year limit, or in exempting someone?

The Welfare-to-Work Process

General Requirements

What training will caseworkers need to become effective job-search coaches?

How will caseworkers select the 20 percent who are exempted from the five-year cutoff? Are the caseworkers' incentives in this regard the right ones, or will they choose the 20 percent in such a way as to make meaningless the time limit as a work incentive? Will we treat only the most treatable and let the rest run out their five years (except for the 20 percent)?

Caseworkers now operate using checklists and protocols. The new checklists and protocols will be vital to the success of the program. What will they look like?

Caseflow

What will the intake process be? (Presumably, time limits and work requirements mean that applicants will have to be sorted in ways that they now are not.) What additional information must be obtained? Need a system be put into place for its verification? How will information about work and participation be fed back into the system to keep it current?

Assessment

When will work readiness, or need for supportive programs, be assessed? At what point in the process, and how, will the 20 percent of the caseload be chosen who are to be allowed to overstay the five-year limit, or to be (temporarily or permanently) excused from the work requirement?

Employment Services for Recipients

What will the intake process be?

How will it be modified to avoid wasteful repetition for those who find work only to lose it soon afterward?

How much education or training is to be provided (or even allowed, if it is used to avoid work)?

What will be done to help non-English speakers?

What supportive services will be provided or subsidized? Help finding child care, help paying for it, or the child care itself? How will we design the provision of supportive services so as not to disadvantage nonrecipient low-income workers?

If the full amount of services desired cannot be provided to all, how will they be rationed? How will efficiency and fairness be ensured?

If government-funded public service jobs materialize, who will get them and for how long?

Employment Services for Employers

How will employers be found, recruited, and persuaded to continue participating?

What, if anything, will be done to prevent former and current welfare recipients from crowding other low-wage workers out of jobs or bidding down their wages?

Which jobs and employers will qualify for subsidies, if any? How will we assess whether we are getting good value for money (for example, ensure that those hired into subsidized positions aren't those who would have been hired anyway, even without subsidies)?

Who will manage employer relationships? Caseworkers or specialized administrators? Will there be a process for mediating between workers and employers when problems arise on the job?

Who will ensure that workers get the earned income credit or any other work-related benefits they are entitled to?

Evaluation

Time limits may mean potentially radical change in the relationship between work and welfare. Would such change justify a reevaluation of the costs and benefits of employment support measures? Might they be different in a new environment, with recipients more motivated to work than in the past?

State Maintenance of Effort

After five years, states will face few requirements in terms of how much of their own money they spend on TANF; it could conceivably become a purely federal program. Would this be acceptable?

Role of the Counties

The counties have traditionally run the programs even though the state provided most of the funding. Is there a clear rationale for this to continue, or are there good reasons to make TANF a state-managed program?

Complements to TANF

The Ultimate Safety Net

How Much of a Safety Net Should the State Provide?

Whether the time limits have any teeth will depend on how much aid we give to those who reach their time limits. If time limits are applied to adults but not children, will the family become a "child-only" recipient unit? Will the adult be eligible for

General Assistance? For something else? If so, how will benefits for the adult and for a “child-only” TANF unit compare to the TANF benefit for the whole family?

Will we give MediCal coverage to those whose time limits expire?

Child Support

What Can California Do to Improve Collection of Child Support?

TANF is to be limited to five years, but children are dependent for many more years than that. Child support could make an important contribution to long-term adequacy.

What can California do to improve collection of child support?

Would more be collected if California followed the example of some other states and assigned collection responsibility to the Franchise Tax Board?

What if welfare recipients were permitted to keep all or most of any child support collected on their behalf? Anything that increases the incentive for women to name the father of their child will reduce the incentive for men to father children they don’t want to pay for. In the short term, however, passing more child support through to mothers would raise program costs. Would the gain to some poor children and the improvement in incentives be worth the initial cost increase?

What Is the Proper Role of the Absent Parent?

Is it fair that the caregiving parent, or the child, or the taxpayer be penalized for the behavior of an absent parent who neglects his or her responsibilities? Can we, and should we, subject those who are not paying child support to the same work requirements that face the parent who cares for the children? If an absent parent is not paying child support and is working less than 40 hours a week, should he or she face the same work requirements that the custodial parent does? Should he or she be offered (or obliged to take) a community service job to enable him or her to meet that obligation? Given that the absent parent does not incur child care expenses to work, is it more efficient to require him or her to work than the custodial parent? What about incentives for the absent parent? Custodial parents on TANF can be pushed to comply by the threat of benefit cuts. What motivation can be found for noncustodial parents?

Network of Other Programs

What can be done to aid mothers who want to be self-sufficient but who cannot earn enough to support their families, even working full time, year round? In particular, what can be done for mothers for whom this is true not just in the short run, but in the long run? Should a program be created to supplement their earnings or to help cover child care costs? Should it be made accessible even to those who have never drawn TANF benefits—so that TANF can become a last resort and the 60 months of eligibility kept against need?

Special Categories of Recipients

Legal Immigrants

What cash benefits will legal immigrants be eligible for?

Will they be eligible for Medicare coverage?

If the federal government bars them from collecting Food Stamps or Supplemental Security Income benefits, should California provide something for this group? What?

Illegal Immigrants

What, if anything, should we provide for illegal immigrants?

Teenaged Parents

What is the best way to encourage them to finish school? Financial incentives?

Provision of child care?

Should we (continue to) oblige minor parents to live with a parent or guardian? If so, what should be the exceptions to the rule?

As long as an absent father is under 18, will he be liable for child support? Or will the state meet his obligation until he has finished high school?

Evaluation of the Program

To some extent, individual responses to the new welfare program will be a function of recipients' characteristics. What data might we contemplate collecting to tailor the program to individual needs, to increase the program's success rate, and to use resources efficiently?

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Eugene Smolensky is a professor of public policy and dean of the Graduate School of Public Policy at the University of California, Berkeley. He also chairs the All-University Task Force on Welfare Reform. He is an internationally renowned economist and an expert on welfare programs and reform, poverty, and public finance. He has co-authored five books and more than 75 articles. He is an advisor to the World Bank and is on the Board of Trustees of the Russell Sage Foundation and the Board of Overseers of the Netherlands School of Government. He has served as an advisor to numerous organizations, including the U.S. Social Security Administration; the Department of Health, Education, and Welfare; and the National League of Cities. Professor Smolensky holds a Ph.D. in economics from the University of Pennsylvania.

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Eirik Evenhouse is a research assistant, working with Professor Smolensky, in the economics department at the University of California, Berkeley. He will receive his Ph.D. in economics in the fall of 1997. His graduate fields of concentration are labor economics and international economics, and his current studies include work on welfare reform, poverty, inequality, and child-support rules. He has received numerous fellowships, including an Olin Fellowship and a National Science Foundation Graduate Fellowship. He has co-authored publications on welfare reform in California, poverty and inequality, social safety nets, public assistance, child support, and restructuring distressed financial systems.

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Siobhán Reilly is an assistant professor at Vanderbilt University. She holds an M.A. in international affairs from Johns Hopkins University and will receive her Ph.D. in economics from the University of California, Berkeley, in the summer of 1997. Her research is focused on welfare reform, social safety nets, the targeting of public assistance, and child support. Her dissertation examines child-support and divorce laws. She has been a researcher at and consultant to the World Bank, co-authoring a review of financial-sector reform in socialist countries and analyzing the effect of rescheduling on African countries' debt burdens. She has also co-authored publications on welfare reform in California, child support, poverty, public assistance, and social safety nets.

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