

## The Narrative

"To make matters worse, the federal safety net for poor families was torn to shreds by the Clinton administration."<sup>1</sup>

**MICHELLE ALEXANDER**, *The Nation*

"The safety net—the set of government efforts to come to the aid of the country's citizens when they are down on their luck, much of which has existed since the Great Depression—is thin and getting thinner."<sup>2</sup>

**ALANA SAMUELS**, *The Atlantic*

"The welfare state ceased its expansion and began to retreat, swept back by governments keen to boost growth by cutting taxes and removing labour-market restrictions."<sup>3</sup>

**RYAN AVENT**, *The Economist*

"Our constant and eager willingness to take food out of the mouths of the poor suggests that our great nation has failed."<sup>4</sup>

**EMILY HAUSER**, *The Week*

## Reality

Antipoverty spending in real terms more than doubled between 1995 and 2015. True, Congress froze federal spending for the specific welfare cash-assistance program targeted by the 1996 welfare reform, causing its budget to decline in real terms. But that decline represented less than 1 percent of the safety net with total spending of more than \$1 trillion in 2015.

**\$550 billion** increase in safety-net spending since passage of welfare reform

increased as well. The Earned Income Tax Credit grew by 160 percent, and a Child Tax Credit that did not exist in 1995 doled out more than \$20 billion. America's antipoverty strategy may need reform, but it does not lack resources.

Meanwhile, nearly every other safety-net program expanded dramatically in real terms. Spending on Medicaid increased by 159 percent, on food stamps by 99 percent, and on disability (Supplemental Security Income, or SSI) by 46 percent. Housing assistance and other nutrition programs, including nutrition assistance for new mothers and their children,

## Key Findings

- Between 1995 and 2015, social safety-net spending expanded by 102 percent, to more than \$1 trillion (in constant 2015 dollars); the reduction in spending caused by the 1996 welfare reform reduced this total by less than 1 percent.<sup>5</sup>
  - ◆ In total, federal and state spending on means-tested programs and related antipoverty initiatives increased from \$540 billion to \$1,090 billion.
  - ◆ Medicaid alone increased by \$349 billion and 39 million recipients.
  - ◆ Food stamps (aka the Supplemental Nutrition Assistance Program, or SNAP) increased by \$37 billion and 19 million recipients.
- Total cash benefits were higher in 2015 than in 1995, as increases in other programs offset Temporary Aid to Needy Families (TANF) declines by a factor of three.
  - ◆ Total cash benefits for welfare recipients fell from \$33.8 billion in 1996 to \$9.7 billion in 2013.
  - ◆ Disability spending (SSI) increased by \$17 billion, while the Earned Income and Child Tax Credits increased by \$58 billion.

## Welfare Reform in Isolation

The Personal Responsibility and Work Opportunity Act of 1996 converted the traditional welfare cash-assistance program known as Aid to Families with Dependent Children (AFDC) into a new program called Temporary Aid to Needy Families (TANF). The reform capped federal spending on TANF at its 1996 level and required states to impose work requirements on recipients. Twenty years later, a crescendo of shrill complaints depict a safety net under attack—in retreat, thinning, being shredded. These complaints misrepresent what happened over the past 20 years.

According to the Congressional Budget Office, federal spending on AFDC totaled \$21.4 billion in 1996. By 2013, spending on TANF had declined to \$17.1 billion.<sup>6</sup> The core of the case for a shrinking safety net turns on a reduction of less than \$5 billion over nearly 20 years.

States also spend on welfare; but unlike that of the federal government, their spending was not capped by reform, and it rose in nominal terms. The decline in state spending, in real terms, was only from \$18.6 billion to \$15.4 billion.<sup>7</sup> Taken together, total federal and state spending declined from \$40.0 billion to \$32.6 billion.

Because the immediate objective of welfare reform was to move families off welfare and into the workforce, the number of program recipients dropped more precipitously—from 12.6 million<sup>8</sup> recipients to 4.0 million,<sup>9</sup> or 68 percent. The share of TANF spending dedicated directly to cash payouts fell as well, from \$33.8 billion to \$9.7 billion, or 71 percent. Nonetheless, spending on other social services for many of the same families increased substantially. Work supports such as child care, transportation, work preparation, and subsidies in the form of tax credits increased fivefold—from less than \$2 billion to more than \$10 billion per year.<sup>10</sup> Spending on other social services, including the promotion of two-parent families, also increased.

Critics of the 1996 welfare reform lament both the absolute reduction in resources and the substitution of other services for cash. They also highlight situations in which states used federal TANF funds for their own preexisting antipoverty programs to free up their own state funds, representing, in effect, a further reduction in total antipoverty spending.<sup>11</sup> Even taken together, these changes are barely perceptible against the backdrop of rapid growth in other programs—often targeted toward the same population.

## Welfare Reform in Context

In 1995, the year prior to welfare reform, federal and state spending on antipoverty programs totaled \$540 billion. Of that total, Medicaid accounted for \$219 billion, food stamps and other nutrition programs for \$51 billion, housing for \$42 billion, and SSI (disability) for \$36 billion. The \$47 billion spent on family-services programs (primarily AFDC)<sup>12</sup> accounted for less than 10 percent of the total. Even had all other program spending been held constant for the subsequent 20 years, the decline in family-services spending to \$37 billion<sup>13</sup> would have represented a total safety-net cut of 2.0 percent—less than 0.1 percent per year.

But other safety-net spending did not stop growing. Medicaid alone added \$349 billion to its budget, while the creation of CHIP (Children's Health Insurance Program) added another \$13 billion—CHIP alone more than offset the total TANF cut. Total enrollment across Medicaid and CHIP increased from 33 million in 1995<sup>14</sup> to 72 million at the end of 2015.<sup>15</sup> Spending on SNAP climbed by \$37 billion, as its enrollment increased from 27 million to 46 million.<sup>16</sup>

Even cash benefits increased substantially. Total SSI spending (primarily a cash-benefit program) increased by \$17 billion.

## On the Record

America's safety net is thicker and wider than ever. It costs twice what it did at the time of welfare reform and reaches tens of millions more people. If the safety net of 1996 were actually preferable to today's, what would that say about the extra \$500 billion we now spend on it each year? The reduction in cash assistance to able-bodied, non-working adults has been an effort to more effectively fight poverty, not to harm the poor or save money.

**Oren Cass**, Senior Fellow, Manhattan Institute

Rapid growth in other forms of cash support—the Earned Income Tax Credit and Child Tax Credit—increased by \$58 billion. Together, these increases in means-tested cash support exceeded the decrease in TANF cash support by a factor of three.

All this ignores the dramatic increases in earned income now flowing toward households that might formerly have received AFDC benefits, thanks to the strong incentives that TANF created to enter the workforce. As the Manhattan Institute's Scott Winship noted recently, the employment rate for never-married mothers has risen dramatically since welfare reform, while the share living below the poverty line has declined.<sup>17</sup>

In short, the \$1 trillion safety net of 2015 was 102 percent larger than in 1995 but only 1 percent smaller than had TANF spending not declined. If a particular subset of welfare recipients is less well served by the safety net's reformed configuration, further reform could be appropriate. But claims that this evolution represents a thinning, shredding, or retreat of the safety net imply that the safety net of 1995 was *better* than that of 2015 and the 1 percent reduction has hurt more than the 102 percent increase has helped. That seems unlikely.

## Food Fight

Decrying any reduction in any antipoverty program as disastrous for the poor only frustrates the prospects for effective reform. It creates a one-way ratchet where resources once dedicated to a particular purpose can never be moved, locking inefficient allocations into place and discouraging budget-conscious policymakers from adding spending on things that work.

The recent drama surrounding the expiration of SNAP eligibility for as many as 1 million childless adults in April 2016 illustrates the challenge well. "This thinning [of the safety net] goes beyond welfare," wrote Alana Samuels at *The Atlantic*. "The numbers of people receiving food stamps will drop, and thousands more people won't be able to eat, or survive. But to the policymakers who look for a shrinking welfare program, the changes will be considered a success."<sup>18</sup> At *The Week*, Emily Hauser described the "abrupt increase in the misery of hundreds of thousands of Americans," in a column titled "The Grotesque Injustice of Starving 1 Million Unemployed Americans."<sup>19</sup>

Yet those losing food stamps had only been eligible at all because of waivers triggered by the high unemployment rates of recent years.<sup>20</sup> Further, the removal of 1 million recipients compares with an *increase* of 20 million recipients since 2005.<sup>21</sup> The result of the 'cut'—or rather, the return to the pre-waiver standard for normal economic times—left 19 million more Americans receiving food stamps than had received them ten years earlier. That trajectory is inconsistent with the stated fears of a sudden mass starvation.

The game is transparent: new and more generous support is ignored by critics who complain that the safety net is weakening. But as soon as such expansions are even marginally re-

versed, the same critics declare that support to be of the utmost importance. New benefits count for nothing on the way up, but everything on the way down. The asymmetry encourages hyperbolic political rhetoric but discourages effective reform.

## Endnotes

- <sup>1</sup> See <http://www.thenation.com/article/hillary-clinton-does-not-deserve-black-peoples-votes>.
- <sup>2</sup> See <http://www.theatlantic.com/business/archive/2016/04/the-end-of-welfare-as-we-know-it/476322>.
- <sup>3</sup> See <https://www.1843magazine.com/features/why-do-we-work-so-hard>.
- <sup>4</sup> See <http://theweek.com/articles/616718/grotesque-injustice-starving-1-million-unemployed-americans>.
- <sup>5</sup> The growth of spending on social safety-net programs from 1965-2015 is detailed in the appendix to the author's Manhattan Institute Report, "Over-Medicaid-ed: How Medicaid Distorts and Dilutes America's Safety Net" (May 2016), which includes an explanation of the sources and methodology. See <https://www.manhattan-institute.org/html/over-medicaid-ed-how-medicaid-distorts-and-dilutes-americas-safety-net-8890.html>.
- <sup>6</sup> See <http://www.cbo.gov/publication/49887>.
- <sup>7</sup> Ibid.
- <sup>8</sup> See <https://www.gpo.gov/fdsys/pkg/GPO-CPRT-105WPRT37945/pdf/GPO-CPRT-105WPRT37945-2-7.pdf>.
- <sup>9</sup> See [http://www.acf.hhs.gov/sites/default/files/main/2013\\_recipient\\_tanssp.pdf](http://www.acf.hhs.gov/sites/default/files/main/2013_recipient_tanssp.pdf).
- <sup>10</sup> See <http://www.cbo.gov/publication/49887>.
- <sup>11</sup> See <http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant>.
- <sup>12</sup> Because of the shift in how the White House Office of Management and Budget accounted for AFDC before welfare reform versus TANF after welfare reform, the best apples-to-apples comparisons across long time periods utilize a series of accounts controlled by the Department of Health and Human Services Administration for Children and Families (within the 609 Subfunction Code) that include not only AFDC and TANF but also the Child Care and Development Block Grant, Child Support Enforcement, and Family Support Programs. All spending data available in OMB's Public Budget Database—Outlays, <https://www.whitehouse.gov/omb/budget/Supplemental>.
- <sup>13</sup> Ibid.
- <sup>14</sup> See <https://www.macpac.gov/publication/medicaid-enrollment-and-total-spending-levels-and-annual-growth>.
- <sup>15</sup> See <https://www.medicaid.gov/medicaid-chip-program-information/program-information/downloads/december-2015-enrollment-report.pdf>.
- <sup>16</sup> See <http://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap>.
- <sup>17</sup> See Scott Winship, "Was Welfare Reform a Success?" <http://www.manhattan-institute.org/html/issues-2016-welfare-reform-9001.html>.
- <sup>18</sup> See <http://www.theatlantic.com/business/archive/2016/04/the-end-of-welfare-as-we-know-it/476322>.
- <sup>19</sup> See <http://theweek.com/articles/616718/grotesque-injustice-starving-1-million-unemployed-americans>.
- <sup>20</sup> See <http://www.nytimes.com/2016/04/02/us/politics/thousands-could-lose-food-stamps-as-states-restore-pre-recession-requirements.html>.
- <sup>21</sup> See <http://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap>.