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Welfare Reform after Ten Years: A State-by-State Analysis

This survey ranks and grades states by the success of their anti-poverty efforts and by the reform policies they adopted. We measured five variables that reflect states' success in fighting poverty and seven welfare reform policies states can adopt. Maryland, Idaho, Illinois, Florida, Virginia, and California rank best, while Rhode Island, New Hampshire, Kansas, Vermont, and Missouri rank at the bottom of our survey.

Welfare Reform after Ten Years assigns grades to the 50 states and the District of Columbia based on how they implemented the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which gave states unprecedented flexibility in implementing welfare reform.

The six states with the most successful anti-poverty programs are Maryland, Idaho, Illinois, Florida, Virginia, and California. The five with the least success are Rhode Island, New Hampshire, Kansas, Vermont, and Missouri. The states' overall ranking is an average of two separate analyses – anti-poverty success and welfare reform policies – evaluating a total of 12 variables.

1. Anti-Poverty Success

We measured five variables that reflect states' success in reducing poverty: percentage decline in the number of persons receiving Temporary Aid to Needy Families (TANF), change in poverty rate, TANF work participation rate, change in unemployment rate, and change in teenage birth rate.

The five states that have been most successful at reducing poverty are Louisiana, Florida, Maryland, Virginia, and New York. The five least successful states are Iowa, Michigan, New Hampshire, Indiana, and Nebraska.

- **Decline in the number of TANF recipients.** We consider the decline in the number of TANF recipients to be one of the most important variables we measured. It is also the variable most immediately and directly affected by government efforts.

Nationally, welfare rolls fell 67 percent – from 12.5 million to 4.0 million people – from 1996 to 2006. The six most successful states – Wyoming, Louisiana, Idaho, Illinois, Florida, and Georgia – reduced the number of TANF recipients by more than 85 percent. The laggards include Nebraska, Kansas, and Tennessee, with reductions of about 30 percent, and Indiana, with what should be an acutely embarrassing 22 percent.

- **Change in poverty rate.** In 1996, opponents of welfare reform predicted many women, children, and minorities would fall into greater poverty as a result. That prediction proved incorrect, as the national poverty rate declined between 1996 and 2006. Despite an economic slowdown in 2001, the poverty rate today remains lower than the rate 10 years ago. The best-performing states on this measure are California, West Virginia, Hawaii, the District of Columbia, Arizona, New Mexico, and New York, each reporting reductions in the poverty rate of more than 2 percentage points. The worst states are Nebraska, Wisconsin, and Indiana, each reporting increases in poverty of 2 percentage points or more.
- **TANF workforce participation.** The TANF program generally requires work participation from every recipient, although the program allows many exceptions. Montana, Kansas, Wyoming, Georgia, South Dakota, and Tennessee recorded the highest workforce participation rates for TANF recipients in 2006, each with rates greater than 55 percent. The poorest performing states were Missouri, the District of Columbia, Oregon, and Massachusetts, with rates below 20 percent.
- **Change in unemployment rate.** We include change in unemployment rate as a measure of the success of anti-poverty efforts because state governments have significant influence over this variable. Hawaii, New Mexico, the District of Columbia, Montana, and New York reduced their unemployment rates by 2 percentage points or more between 1997 and 2006. Wisconsin, Indiana, South Carolina, and Michigan raised their rates by 1 percentage point or more.
- **Change in teenage birth rate.** A major step in promoting self-sufficiency in welfare recipients is reducing the teenage birth rate. Teenage motherhood and out-of-wedlock births are major factors in adding to welfare enrollment. The teenage birth rate in the U.S. fell 12.5 percentage points between 1996 and 2005. It fell most rapidly in California, Nevada, Louisiana, Alabama, and Oregon, and most slowly in Iowa, Montana, South Dakota, North Dakota, and Wyoming.

2. Welfare Reform Policies

We also determined which states pursued enlightened welfare reform policies in seven areas known to encourage economic self-sufficiency: service integration, increased filing for the federal Earned Income Tax Credit (EITC), work requirements, cash diversion programs, family cap provisions, lifetime limits on aid, and sanctions.

The five states with welfare reform policies that most encourage self-sufficiency are Idaho, Maryland, Illinois, Delaware, and Oklahoma. The five with the least helpful policies are New York, Louisiana, Missouri, Rhode Island, and Vermont.

- **Service integration.** Service integration means welfare and other services are delivered in a coordinated fashion, often with a single caseworker or “self-sufficiency coach.” To evaluate service integration, we used a combination of direct inquiries to public aid directors, reports of integration in the social services research literature, and knowledge based on consulting with many governments and state agencies. Twelve states were considered “good,” 21 states were “average,” and 18 states were “poor” on this measure.
- **Earned Income Tax Credit.** EITC directs billions of dollars into the pockets of needy persons, is funded fully by the federal government, and is proven to encourage single mothers to enter the workforce. Nevertheless, many states have not been helpful in encouraging TANF-eligibles to apply for their maximum EITC benefits. A staggering \$90 billion went unclaimed in 2004.

In even the three best states – Mississippi, Louisiana, and Alabama – more than half of EITC aid was left unclaimed. The worst states in the nation – Massachusetts and New Hampshire – left 80 percent and 81 percent of EITC funds, respectively, “on the table.”

- **Work requirements.** PRWORA encourages states to require most TANF recipients to work or engage in work-related activities as preparation for leaving the rolls. Most states (37) require work right away. But nine states – Alaska, Colorado, Georgia, Hawaii, Kansas, Kentucky, Louisiana, Missouri, and Rhode Island – allow two years on welfare to pass before work is required.
- **Cash diversion.** “Cash diversion” programs provide applicants with a lump-sum cash payment to meet a short-term need. When a working mother’s car breaks down, for example, cash diversion allows the caseworker to provide money to fix the car without enrolling her on welfare. Thirteen states and the District of Columbia have cash diversion programs combined with referral to job search or job placement. Twenty-two states lack cash diversion programs.
- **Family caps provisions.** Family cap provisions reduce or eliminate the benefits one can receive for each additional child born while the mother remains on welfare. Arkansas, Delaware, Georgia, Indiana, Wisconsin, and Wyoming receive the top score for their family cap policies. Twenty-seven states and the District of Columbia do not have family caps and receive low scores.
- **Lifetime limits.** Knowing welfare payments will end after a certain number of months creates a strong incentive to prepare for work and accept job opportunities. Three states – Arkansas, Connecticut, and Idaho – limit benefits to individuals and their dependents to less than 30 months. Four states – Massachusetts, New York, Oregon, and Vermont – impose no lifetime limit.
- **Sanctions.** Strong sanctions encourage workforce participation and self-sufficiency. Only Michigan and Mississippi impose full sanctions of sufficient duration to qualify for the top score. Twenty-five states impose only partial sanctions for short periods of time.

3. Conclusion

Nationwide, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was a major policy success. Between 1996 and 2006, it led to a decline in the number of welfare recipients from 12.5 million to 4.0 million – 67.6 percent – along with smaller declines in the poverty rate, teenage birth rates, and unemployment rate.

Some states were notably more successful than others in addressing poverty and its major causes. This report card – the first to rank states by their welfare reform efforts – provides a roadmap for states seeking to put more of their poor on the road to economic self-sufficiency.

These rankings were made on the basis of academic research as well as judgment based on experience. Clearly, there is a strong basis for governors and legislators in poor-performing states to act now in fulfilling their responsibilities to their most disadvantaged citizens.

Based on Gary MacDougal, Kate Campaigne, and Dane Wendell, *Welfare Reform after Ten Years: A State-by-State Analysis of Regulatory Burden* (Chicago, IL: The Heartland Institute, June 2008.). Copies of the 105-page report card are available for \$39.99 each. Permission is granted to reprint or quote from this *Executive Summary*, provided appropriate credit is given.

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State-by-State Analysis (in alphabetical order by state)									
State	Overall			Anti-Poverty Success			Welfare Reform Policies		
	Points	Ranking	Grade	Points	Ranking	Grade	Points	Ranking	Grade
Alabama	52.6	29	C-	64.2	15	B	41	39	D-
Alaska	55.5	23	C	64.0	16	B	47	36	D
Arizona	68.0	11	B+	57.0	20	C+	79	9	A-
Arkansas	69.3	9	A-	52.6	24	C	86	3	A
California	72.7	6	A	66.4	12	B	79	9	A-
Colorado	37.1	45	F	29.2	43	F	45	38	D-
Connecticut	71.4	7	A-	66.8	11	B+	76	14	B
Delaware	57.5	20	C+	30.0	41	D-	85	4	A
District of Columbia	58.9	18	B-	56.8	21	C+	61	23	C
Florida	79.2	4	A	81.4	2	A	77	13	B
Georgia	61.1	16	B	75.2	7	A-	47	36	D
Hawaii	52.2	31	D+	75.4	6	A	29	45	F
Idaho	80.0	2	A	66.0	13	B	94	1	A
Illinois	79.6	3	A	74.2	8	A-	85	4	A
Indiana	43.8	39	D-	17.6	50	F	70	16	B
Iowa	47.1	37	D-	27.2	47	F	67	19	B-
Kansas	30.8	49	F	32.6	40	D-	29	45	F
Kentucky	48.2	36	D	55.4	22	C	41	39	D-
Louisiana	53.7	27	C-	82.4	1	A	25	48	F
Maine	46.3	38	D-	33.6	39	D-	59	26	C
Maryland	83.0	1	A	79.0	3	A	87	2	A
Massachusetts	34.9	46	F	28.8	45	F	41	39	D-
Michigan	40.0	43	F	25.0	48	F	55	31	D+
Minnesota	43.3	40	D-	27.6	46	F	59	26	C
Mississippi	61.2	15	B	51.4	26	C	71	15	B
Missouri	25.2	51	F	29.4	42	F	21	49	F
Montana	54.9	25	C	68.8	10	B+	41	39	D-
Nebraska	41.8	42	F	16.6	51	F	67	19	B-
Nevada	56.5	21	C+	64.0	16	B	49	34	D
New Hampshire	30.9	48	F	20.8	49	F	41	39	D-
New Jersey	67.0	12	B	55.0	23	C	79	9	A-
New Mexico	58.5	19	B-	63.0	18	B-	54	33	D
New York	51.8	33	D	75.6	5	A	28	47	F
North Carolina	60.9	17	B-	43.8	31	D+	78	12	B
North Dakota	48.7	35	D	38.4	36	D	59	26	C
Ohio	56.2	22	C	43.4	33	D	69	17	B-
Oklahoma	68.6	10	B+	52.2	25	C	85	4	A
Oregon	43.3	40	D-	38.6	35	D	48	35	D
Pennsylvania	37.7	44	F	34.4	38	D-	41	39	D-
Rhode Island	31.0	47	F	41.0	34	D	21	49	F
South Carolina	49.7	34	D	44.4	30	C-	55	31	D+
South Dakota	52.2	31	D+	45.4	28	C-	59	26	C
Tennessee	52.3	30	C-	37.6	37	D-	67	19	B-
Texas	63.2	13	B	65.4	14	B	61	23	C
Utah	52.8	28	C-	44.6	29	C-	61	23	C
Vermont	25.8	50	F	43.6	32	D+	8	51	F
Virginia	78.2	5	A	76.4	4	A	80	8	A-
Washington	54.3	26	C	49.6	27	C-	59	26	C
West Virginia	61.8	14	B	60.6	19	B-	63	22	C
Wisconsin	55.1	24	C	29.2	43	F	81	7	A-
Wyoming	70.1	8	A-	71.2	9	A-	69	17	B-