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Reproductive Penalties in Welfare Policy: Poverty Rate Response to Family-Cap Repeals under the Temporary Assistance for Needy Families Program

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ABSTRACT

Since the 1996 welfare reform replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF), many states adopted "family-cap" policies that deny additional cash benefits following the birth of an additional child. Proponents argued that these caps would reduce government dependency and discourage nonmarital birth, while critics said family caps would only deepen poverty and harm children. This paper examines whether repealing family-cap policies improves economic outcomes for low-income families. Looking at staggered repeals of family caps across U.S. states between 1996 and 2021, I employ a difference-in-differences framework with state and year fixed effects to estimate the impact of repeal on state-level poverty rates. The results indicate that repealing family caps reduces poverty annually by approximately 0.93 percentage points on average. Event-study estimates show no evidence of differential pre-trends and reveal that poverty reductions emerge two years post repeal and grow over time, peaking at four years post repeal. These findings challenge the behavioral-deterrence rationale underlying family caps and suggest that repeal enhances economic security among vulnerable families, pointing to the need for a revaluation of the purpose of U.S. welfare policy.

INTRODUCTION

Since the Great Depression, the United States has maintained federal programs with a goal to provide financial support to economically vulnerable families. The origins of modern welfare trace to the 1935 Social Security Act, which created, among other provisions, a federal grant for states to aid "dependent children" whose families lacked sufficient income or support due to parental death, absence, or incapacity (Congressional Research Service, 2026). Initially called Aid to Dependent Children (ADC), this program later evolved into Aid to Families with Dependent Children (AFDC). For decades, AFDC has served as a lifeline for low-income families. However, welfare benefits through AFDC initially increased when families added children, leading critics to argue that the program fostered dependency on the government, discouraged labor force participation, and incentivized non-marital childbearing (Murray, 1984). In

response to this dilemma, President Bill Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), establishing Temporary Assistance for Needy Families (TANF): a replacement for AFDC that fundamentally transformed how welfare is administered in the United States (Congressional Research Service, 2026).

The PRWORA established TANF by federal statute with four purposes: first, to provide assistance to needy families so children could remain in their homes; second, to end dependence on government benefits by promoting job preparation, work, and marriage for parents; third, to prevent and reduce out-of-wedlock pregnancies; and fourth, to encourage the formation and maintenance of two-parent families. By stressing the goal of "end[ing] dependence," the law shows that TANF prioritized reducing long-term reliance on cash assistance over expanding benefit generosity (U.S. Department of Health and Human Services, Administration for Children and Families, 2024). The structure of the statute reflects a belief that promoting work and altering family behavior would reduce the prevalence of welfare participation over time. In this framework, shrinking caseloads and limiting long-term benefit receipt were indicators of success. This structure reflects policy logic: Reductions in out-of-wedlock births and increases in work participation were intended as mechanisms through which long-term welfare dependency would decline. In other words, altered family formation and labor supply behavior were viewed not as ends in themselves, but as instruments for reducing reliance on government assistance.

This emphasis on dependency reduction was explicit in both the statutory text and contemporaneous political rhetoric. PRWORA states as its second purpose the goal to "end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage (U.S. Department of Health and Human Services, Administration for Children and Families, 2024)." President Clinton, upon signing the legislation, framed the reform as a commitment to "end welfare as I know it," a shift from open-ended entitlement toward temporary assistance conditioned on work (Clinton, 1996). Congressional debates further emphasized dependency reduction. During House considerations of the bill, representatives repeatedly described welfare reform as an effort to end the "cycle of dependency" and move recipients "from welfare to work (U.S. House of Representatives, 1996)." Similarly, Senate supporters argued that welfare should no longer function as "a way of life," but instead as temporary assistance conditioned on employment (U.S. Senate, 1996). Thus, poverty reduction was not framed as the primary metric by which reform would be judged; rather, lawmakers treated behavioral change and caseload reduction as core policy objectives. Keeping that purpose in mind is helpful when discussing family-cap policies, since those caps were part of the same broader push to make welfare more temporary and more closely hinged on employment.

TANF replaced entitlement-based cash welfare with a federal block grant, offering states broad discretion over eligibility and benefit levels. Unlike AFDC, through which benefits were open-ended and adjusted automatically for children, TANF imposed strict work requirements for adult recipients and a lifetime limit on federally funded assistance. Further, TANF's block grants are fixed, meaning states receive a predetermined amount regardless of fluctuations in caseloads. These changes reflected both a philosophical and administrative reorientation. TANF intended to promote self-sufficiency by reducing

welfare dependency and encouraging work and family formation rather than long-term reliance on cash assistance. States profit from this flexibility and have implemented additional restrictive policies under TANF—among them, family caps.

Under a family-cap policy, when a welfare-receiving family has another child, the government does not increase cash benefits to account for the needs associated with that new child. In effect, the policy punishes childbirth among welfare recipients. This was a radical departure from the AFDC-era assumption that additional children warranted additional aid. That shift from AFDC to TANF has long spurred debate and research among economists, public scholars, and child-welfare advocates. Some early analyses suggested that welfare reform might shift behavior, as a tighter benefits structure could discourage nonmarital childbearing or childbearing on welfare. Peters et al. (2001) found that welfare reform appeared to influence behavior in the ways intended by Congress, like encouraging marriage and discouraging nonmarital pregnancy and childbearing; however, these effects were small and statistically uncertain. Subsequent empirical studies have produced mixed results. Kearny (2004) attempted to isolate the effect of family caps on birth rates and found no robust evidence of a decline after caps were implemented. The study set forth an estimate for the effect of the policy with a range from a small negative (-0.8%) to a small positive (+1.1%), statistically indistinguishable from zero. If family caps were intended to reduce dependency indirectly by altering fertility behavior, then the absence of measurable changes in birth rates undermines the behavioral mechanism through which the policy was justified. That being said, any increase in poverty associated with the caps cannot readily be defended as a transitional cost of achieving greater self-sufficiency. The data suggests a reduction in material support without corresponding behavioral gains.

Yet other scholarship criticizes family caps on ethical and socioeconomic grounds. Romero and Fuentes (2010) found that family caps did not have an impact on poor women's reproductive behaviors, raising serious questions about both the effectiveness and the justice of family-cap provisions. Critics further argue that by denying additional support when poor families have more children, family caps undermine the core safety-net mission of welfare, and as a result increase hardship, risk of poverty, and long-term disadvantages for children. One 2016 policy report contended that family caps "intensify the impact of poverty" among single mothers and children by exacerbating food and housing insecurity, and perpetuating racial and class inequities (Center on Reproductive Rights and Justice, 2016).

The results presented in this paper aim to address this tension by directly evaluating the effects on poverty rates. Poverty rates provide a measure of whether families' incomes are sufficient to meet a basic threshold of economic adequacy. If family caps were successful in encouraging lasting self-sufficiency through increased work or behavioral change, then limiting additional benefits should not increase the share of families falling below the poverty line, nor should removing those limits reasonably reduce it. If caps reduced the level of financial support available to families without producing offsetting gains in earnings, repeal should lower poverty. So, through changes in poverty rates, I can evaluate whether family-cap policies strengthened or weakened the economic position of low-income households. The given analysis does not examine fertility behavior, marriage rates, nor welfare participation. Rather, it

focuses on whether low-income families were more or less likely to fall below the poverty line, arguably the most important metric in any welfare program.

Given the debate about welfare's role in promoting long-term child development and family stability, it remains unclear whether family-cap policies achieve their goals of reducing nonmarital births or welfare dependency without harming vulnerable children. This paper builds on prior work by reexamining how family-cap policies influence poverty rates among welfare-receiving families. Using cross-state variation in cap repeals over time, I will measure how family caps correlate with changes in household income relative to poverty thresholds. In doing so, I set out to assess whether family-cap provisions produce net economic positives or harm for poor families. Henceforth, by revisiting both historical policy changes, the shift from the entitlement-based AFDC to block-grant TANF, and empirical evidence on the effects of family caps, this study contributes to the larger debate over whether welfare policy truly advances self-sufficiency and economic security.

The rest of this paper is organized as follows: Section 2 describes the empirical setting by outlining the timing of family-cap repeals across various states in the 2000s. Section 3 describes the data on state poverty rates and key summary statistics. Section 4 outlines the empirical methodology and lists key results. Section 5 discusses the policy implications and conclusions.

EMPIRICAL SETTING

Although a substantial number of U.S. states adopted family-cap policies under TANF, by the 2000s, a cohort began to reverse course (Center on Reproductive Rights and Justice, 2016). Eight states specifically—Maryland, Illinois, Nebraska, Oklahoma, Wyoming, California, Massachusetts, and New Jersey—repealed their family-cap policies between 2002 and 2020. Maryland was the first, in October 2002. As the program proved costly and burdensome, all counties opted out of the policy, and the state legislature allowed the cap to expire in 2004. Illinois enacted a repeal starting in 2003, following a federal review that found the family cap deepened poverty rather than reduced birth rates; the state fully restored funding by July 2007. Nebraska repealed its cap in 2007, following a successful class-action lawsuit challenging the cap's application to families with disabled adults, plus a legislative decision that the cap had failed its intended purpose. Oklahoma repealed the policy in 2009 through a bill (S.B. 292) requested by its Department of Human Services to save roughly $6,000 per year, which the state spent issuing special vouchers and warrants under the cap's requirements. Wyoming's legislature repealed the cap in 2008 on the grounds that the state could maximize federal TANF funds more effectively.

California followed, albeit eight years later in 2016, repealing its family-cap policy after sustained advocacy and state evaluations concluded that the cap failed to change reproductive behavior, in addition to exacerbating material hardship among low-income families (PBS NewsHour, 2016). Massachusetts repealed its cap in 2019, with lawmakers citing evidence that the policy disproportionately harmed children and conflicted with the state's broader antipoverty goals (Schoenberg, 2019). New Jersey completed this shift in 2020, ending its family cap as part of a package of welfare reforms aimed at

aligning TANF with both child-well-being and poverty-reduction objectives rather than behavioral deterrence (Center on Budget and Policy Priorities, 2020).
However, state-by-state legislative records are uneven. While motivations are noted in repeal debates or state agency reports, empirical data directly linking each stated motive to measurable outcomes is often lacking. As a result, this paper treats these motives as plausible explanations rather than definitive determinants of repeal.

As of 2021, 13 states and territories still had some form of family-cap policy. Although in some of these, the benefit increment for an additional child was reduced rather than entirely eliminated. Even among those, seven did not increase the cash benefit at all when a new baby was born. Conversely, many states never adopted a family cap, or, if they did, they later rescinded it. The choice to avoid or repeal family caps seems to reflect a variety of motivations. Notably, these included political pressures; moral and ethical critiques (particularly around reproductive justice); research showing minimal effects on reproductive behavior or welfare caseloads; and growing concern that caps deepen poverty and hardship among children in low-income families. Some states may have judged that the administrative cost, political backlash, or negative social outcomes outweighed any potential savings. Others may have maintained caps, especially in states with tighter budgets or more conservative welfare philosophies, where limiting cash was prioritized.

DATA AND SUMMARY STATISTICS

The primary outcome variable, state-level poverty rates, is drawn from the U.S. Census Bureau's Current Population Survey. This data is compiled from the Census Bureau's official poverty statistics and provides annual measures for the number of individuals living below the federal poverty threshold in each state. The sample used here spans the years 1996 through 2021, showing both the adoption and repeal of family-cap policies across states. Information on the timing of family-cap repeals was collected from a mix of state legislative records, policy reports, and federal welfare websites—this allowed each state-year observation to be coded according to when a family cap was in effect. Eight states, in this study, are classified as "treated" beginning in the year a repeal occurs, and 13 "control" states include those that did not repeal a family cap during the same period.

Table 1 shows baseline summary statistics, indicating that poverty rates vary over time and across states. The average poverty rate is 12.5%, and the median, 12.1%, is close to this value, indicating that the distribution is balanced and not skewed by extreme outliers. The standard deviation of 3.35 percentage points shows that there is a substantial spread in poverty levels across states and years.

Table 2 further investigates the differences between control and treatment states. Control states have a higher average poverty rate of 13.42%, while treated states in the pre-repeal period have a lower average of 11.14%, suggesting that states that went on to repeal family-caps tended to start with lower poverty.

Notably, though, the ranges overlap considerably, and both groups display similar patterns of variation over time.

These summary statistics show that while treated and control states differ slightly in their average poverty levels, both experience wide variation over time, providing a useful basis for a natural experiment comparing how poverty changes following a state's family-cap repeal relative to control states.

EMPIRICAL METHODS AND RESULTS

Given the substantial difference in poverty rate levels but relative similarities in poverty rate changes across states, this study uses a difference-in-difference (DID) approach to estimate how poverty rates change when a state repeals a family-cap policy. This method compares the change in poverty in states that repeal family caps to the change in poverty in states that do not, before and after the repeal occurs. Specifically, I estimate the following DID regression:

$$POVERTY\ RATE_{st} = \alpha + \delta_{DD} REPEALED_{st} + \sum_{k=Arizona}^{Wyoming} \beta_s STATE_{ks} + \sum_{j=1997}^{2021} \gamma_j YEAR_j + e_{st}, \quad (1)$$

In that equation, indices reflect state *s* in year *t;* the *k* state dummy variable $STATE_{ks}$ equals one when an observation is from state *k*, meaning *s=k*, and is zero otherwise. The year effects γ_j are similarly coefficients on year dummies $YEAR_j$. Note that there is no $YEAR_{1996}$ dummy because the 1996-year prediction is incorporated in the constant term. By incorporating state and year fixed effects, the model focuses on how poverty changes within the same state over time and contrasts that change with trends in other states. This allows the analysis to isolate the effect of a specific state repeal itself from broader national trends, for instance, a recession or economic recovery, which in theory would affect all states at the same time. Meanwhile, the regression relates a state's poverty rate to whether or not the state has repealed its family cap, while holding both state and year effects. The key coefficient δ_{DD} shows the average difference in poverty between treated and controlled states after repeal, relative to before repeal.

In Table 3, Columns (1)–(4) report progressively more restrictive specifications by incorporating more fixed effects. Ordinary Least Squares estimates without fixed effects suggest large negative associations between family-cap repeals and poverty rates, which attenuate substantially once state fixed effects are included. The preferred DID specification in Column (4), which includes both state and year fixed effects, indicates that repeal reduces poverty by approximately 0.93 percentage points, an average annual effect that is statistically significant and consistent with the subsequent dynamic event-study estimates.

The significant DID results motivate a subsequent event study specification to study "dynamic" effects, i.e., when did the repeal affect the poverty rate? The same econometric regression specification definitions are below, with the addition of a definition of "relative" time *m* referring to the number of years after a reform occurs (a negative value of *m* therefore refers to a pre-reform year):

$$POVERTY\ RATE_{st} = \alpha + \sum_{m \neq -1} \delta_{DD,m} REPEALED_{m,st} + \sum_{k=Arizona}^{Wyoming} \beta_s STATE_{ks} + \sum_{j=1997}^{2021} \gamma_j YEAR_j + e_{st} \quad (2)$$

The event study specification estimates the dynamic *m*th year annual effect of family-cap repeal. The event study specification allows two important analyses: It enables investigation of whether the parallel trends assumption is potentially violated, and it depicts the time path of the effects of the repeal on poverty rates. This approach tracks poverty in the years leading up to repeal and in the years following repeal, allowing the analysis to test whether treated and controlled states were on similar paths before the policy change and to observe when any effects begin to appear.

Table 4 reports the dynamic event study coefficients. The estimated coefficients for the pre-repeal periods (event times -3 and -2) are small in magnitude and statistically indistinguishable from zero, suggesting no evidence of differential pre-trends in poverty rates between states that repeal family caps and those that do not. The coefficient for the repeal year (event time 0) is negative but not statistically significant, indicating no immediate significant change in poverty rates in the year the repeal takes effect. However, the magnitude is fairly large and therefore economically meaningful, motivating the dynamic analysis.

The post-repeal estimates become larger in magnitude over time. In particular, poverty rates decline significantly beginning two years after repeal, with the annual effect peaking around four years after repeal. The estimates suggest an annual reduction in poverty of approximately 1.45 percentage points two years after repeal and a 1.50 percentage point annual reduction four years after repeal, both of which are statistically significant at conventional statistical thresholds.

Finally, to aid visual interpretation of the annual effects over time and statistical significance, Figure 1 plots the event study coefficients from Table 4 with associated 95% confidence error bars. The visual results suggest that there is strong evidence that the parallel trends assumption holds, and the resulting effect of repealing family caps significantly reduces poverty rates in treated states beginning two years after repeal, with the effects continuing to grow in magnitude over time.

CONCLUSION

This study asks whether repealing TANF family-cap policies improves economic outcomes for low-income families as measured through changes in state-level poverty rates. Using staggered variation in the timing of family-cap repeals across U.S. states between the years 1996 and 2021, the analysis compares poverty trends in “treated” states that repealed their caps to those in “control” states that did not repeal one during the same period. The empirical question is whether the removal of benefit restrictions after the birth of an additional child leads to measurable reductions in poverty.

To estimate this effect, this paper’s DID framework compares changes in poverty rates before and after repeal in treated states relative to changes in control states. The preferred specification includes both state

and year fixed effects, while estimating without fixed effects suggests a large negative association between repeal and poverty. In the model, repealing a family cap associates with an average annual reduction in the poverty rate of approximately 0.93%, a statistically significant effect. Event study estimates further validate the identifying assumptions, as pre-repeal coefficients are small and statistically indistinguishable from zero, supporting the parallel trends assumption, while post-repeal coefficients grow in magnitude over time. Poverty reductions become statistically significant roughly two years after repeal, with a 1.45% annual reduction, and peak four years later with a 1.5% annual reduction.

While this paper focuses on family-cap repeal, the broader record of TANF provides helpful context. Since its creation in 1996, the national TANF caseload has fallen as of 2022 by 76%, reflecting a dramatic reduction in the number of families receiving cash assistance. At the same time, the program now reaches far fewer families in poverty than AFDC did. In 2020, only 21% of families in poverty received TANF benefits, compared to 68% in 1996. The share of children living in deep poverty below 50% of the federal poverty threshold has increased after TANF's creation, and research cited suggests that the loss of benefits contributed to that rise (Center on Budget and Policy Priorities, 2022). Taken together, these patterns indicate that while TANF substantially reduced welfare participation, it likely has exacerbated overall poverty. This study does not attempt to resolve the full debate over TANF, but the evidence suggests that declines in caseloads alone do not reflect improved economic security for low-income families.

These results should be interpreted in light of TANF's stated purpose. The program's language emphasizes ending dependence by government benefits, promoting work, and discouraging nonmarital birth, rather than explicitly reducing poverty rates. Therefore, evaluating family-cap repeal against poverty outcomes requires a shift from a strictly statutory assessment to a normative one. While TANF may be judged internally on whether it reduces welfare participation, public welfare policy can also be evaluated on whether it materially improves the economic well-being of American families. In this paper, poverty reduction serves as that evaluative benchmark. As shown, through the evidence presented, limiting benefits through family caps increased the likelihood that families fell below the poverty line, while repeal reduced poverty over time. Even if caps were intended to reduce welfare dependence, the measurable increase in poverty associated with their presence suggests that any gains from reduced assistance were offset by broader economic harm. Poverty carries long-term fiscal and political costs. These include greater strain on public services, weaker labor market attachment, and higher downstream expenditures in health (National Academies of Sciences, Engineering, and Medicine, 2019), education (Holzer et al., 2008), and child welfare (Fuhrer, 2024)—and may well outweigh the short-term savings of limiting cash benefits.

Henceforth, reducing welfare participation is a secondary objective; it is only defensible insofar as it supports the primary goal of reducing material hardship. The evidence presented here suggests that family caps failed that broader test. As welfare policy continues to evolve, efforts to promote responsibility and work must operate in service of poverty reduction rather than at its expense.

These findings provide little support for the view that family caps improved economic well-being through behavioral deterrence, as indicated in the study. More broadly, the given results directly challenge the behavioral-deterrence logic underlying family caps, indicating that restricting benefits solely punishes expanding families in poverty. By contrast, repeal appears to allow families greater financial stability, supporting healthier child development and reducing food and housing insecurity. Ultimately, this may reduce long-term reliance on assistance programs. These findings support the notion that welfare is not a tool for behavioral correction, but instead a mechanism for stabilizing families and investing in the futures of American children. As states continue to reconsider restrictive TANF provisions, this study suggests that eliminating family caps is not only ethically defensible but economically prudent.

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TABLES AND FIGURES

Table 1: Baseline Summary Stats

Variable	Mean	Median	Std. Dev.	Min.	Max.	Observations
Poverty Rate (%)	12.501	12.1	3.347	6.3	23.1	546
Repealed	0.381	0	0.486	0	1	546
Repealed x Post	0.158	0	0.365	0	1	546

Note. This table reports baseline summary statistics for the variables used in the analysis. Poverty Rate is measured as the percentage of the state population living below the federal poverty threshold. Repealed is an indicator equal to one if a state has repealed its family-cap policy in a given year, and Repealed x Post is an indicator equal to one for state-year observations after a repeal has occurred. Summary Statistics are calculated over 546 state-year observations between 1996 and 2021.

Table 2: Treated vs. Control States Poverty Rate Summary Statistics Before Repeal

Variable	Mean Poverty Rate	Median Poverty Rate	Std. Dev.	Min.	Max.	Number of States	Number of Observations
Control States	13.423	13.3	3.501	6.5	23.1	13	338
Treated States	11.137	10.8	2.483	6.3	16.9	8	122

Note. This table compares poverty rates in treated and control states prior to any family-cap repeal. Treated states are those that repealed a family-cap policy, measured only in the pre-repeal period, while control states include states that never repealed a cap. The table reports mean, median, standard deviation, minimum, and maximum poverty rates, in addition to the number of states and observations in each group. The state (year) in which treated states repealed their family cap included Maryland (2004), Illinois (2007), Nebraska (2007), Wyoming (2008), Oklahoma (2009), California (2016), Massachusetts (2019), and New Jersey (2020).

Table 3: DID Regression: Effect of Repealing family-caps on Poverty Rate

	(1)	(2)	(3)	(4)
REPEALEDst	-2.003**	-2.558**	-0.324	-0.931**
	(0.903)	(1.035)	(0.415)	(0.347)
State Fixed Effects	No	No	Yes	Yes
Year Fixed Effects	No	Yes	No	Yes
Number of Observations	546	546	546	546
Number of Clusters	21	21	21	21

Within R^2	0.048	0.188	0.0023	0.423

Note. This table reports DID estimates $\delta_{DD}$from Equation (1) of the effect of family-cap repeal on state-level poverty rates. The dependent variable is the state-level poverty rate in a given year (as percentage points). Standard errors are clustered at the state level. The dependent variable is the percent of the population in poverty (percentage points). Treatment timing is staggered across states.

*** p<0.01, ** p<0.05, * p<0.10

Table 4: Event Study Regression: Dynamic Effects of Repealing family-caps on Poverty Rate

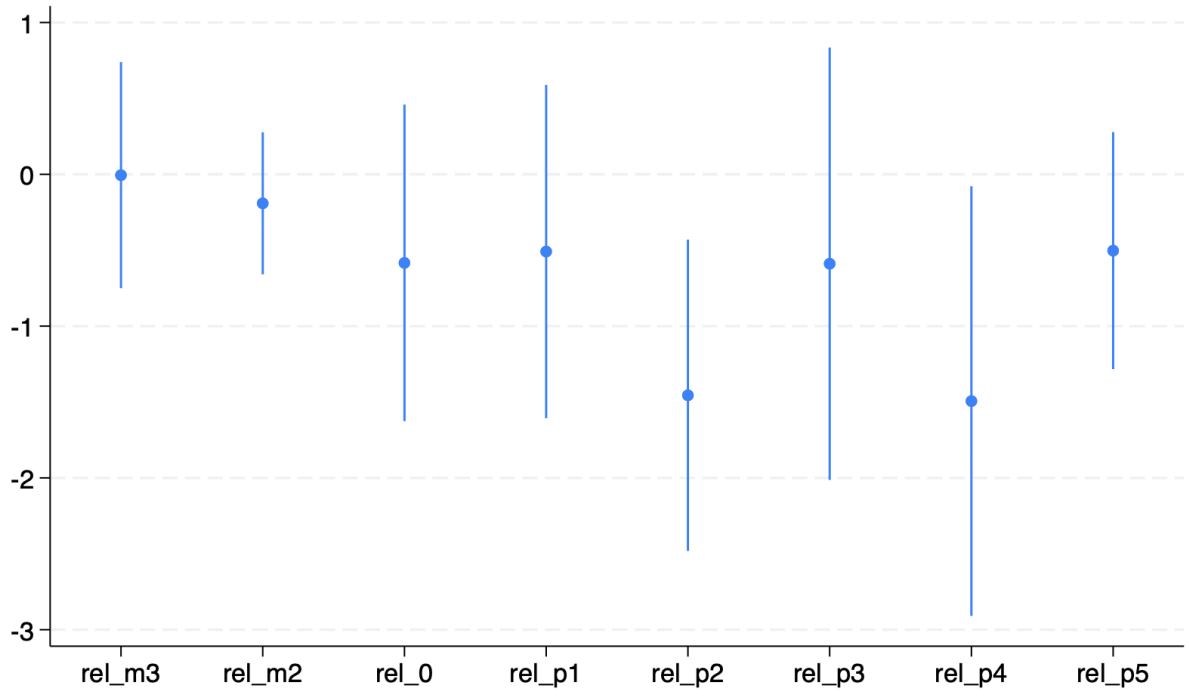
Years Relative to Repeal *m*	**Coefficient $\delta_{DD,m}$**
-3	-0.006
	(0.357)
-2	-0.191
	(.224)
0 (Year of Repeal)	-0.589
	(0.500)
+1	-0.509
	(.526)
+2	-1.456***
	(.492)
+3	-0.589
	(.678)

+4	-1.494**
	(0.678)
+5	-0.503
	(.374)
State Fixed Effects	Yes
Year Fixed Effects	Yes
Number of Observations	546
Number of Clusters	21
Within R^2	0.423

Note. This table reports event-study estimates $\delta_{DD,m}$ from Equation (2) of the effect of family-cap repeal on poverty rates in the years before and after repeal. The dependent variable is the state-level poverty rate in a given year (as percentage points). Coefficients measure the change in poverty relative to the omitted baseline period (one year prior to repeal). Negative event times correspond to years before repeal, and positive event times correspond to years after repeal. All specifications include state and year fixed effects, with standard errors clustered at the state level. Treatment timing is staggered across states.

*** p<0.01, ** p<0.05, * p<0.10

Figure 1: Illustration of Dynamic Effects of Repealing family-caps on Poverty Rate



Note. Figure 1 plots the event study regression coefficients $\delta_{DD,m}$ from Equation (2), where "rel_m*i*" refers to the period *i* years before repeal, and "rel_p*i*" refers to the period *i* years after the repeal. Standard errors clustered at the state level and displayed as error bars with implied 95% confidence interval lower bound and upper bound. The dependent variable is percent of the population in poverty (in percentage points). Treatment timing is staggered across states.

*** p<0.01, ** p<0.05, * p<0.10