

GAO

Report to the Chairmen, Committee on Finance, U.S. Senate, and Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives

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June 1998

# WELFARE REFORM

## States Are Restructuring Programs to Reduce Welfare Dependence



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United States  
General Accounting Office  
Washington, D.C. 20548

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**Health, Education, and  
Human Services Division**

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June 17, 1998

The Honorable William V. Roth, Jr.  
Chairman, Committee on Finance  
United States Senate

The Honorable E. Clay Shaw, Jr.  
Chairman, Subcommittee on Human Resources  
Committee on Ways and Means  
House of Representatives

This report, prepared at your request, is the first of two reports that examine states' implementation of the Temporary Assistance for Needy Families (TANF) block grant, which was authorized by Public Law 104-193. This report focuses on how states are restructuring their welfare programs to meet the objectives of TANF specified in the law. The second report, to be issued later this year, will examine states' fiscal decisions for their TANF grants to determine whether states are taking steps to prepare for the effects of future economic downturns on their welfare programs.

We are sending copies of this report to the Ranking Minority Member, Committee on Finance, U.S. Senate; the Chairman and Ranking Minority Member, Committee on Ways and Means, and the Ranking Minority Member of its Subcommittee on Human Resources, House of Representatives; the Secretary of Health and Human Services; the Assistant Secretary for Children and Families; and other interested parties. We will also make copies available to others on request.

If you or your staff have any questions concerning this report, please call me at (202) 512-7215 or Gale C. Harris, Assistant Director, at (202) 512-7235. Other GAO contacts and staff acknowledgments for this report are listed in appendix VI.

A handwritten signature in black ink that reads 'Mark V. Nadel'.

Mark V. Nadel  
Associate Director  
Income Security Issues

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# Executive Summary

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## Purpose

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) made sweeping changes to the nation's cash assistance program for needy families with children. Title I of the law replaced the Aid to Families With Dependent Children (AFDC) program with fixed block grants to the states to provide Temporary Assistance for Needy Families (TANF) and ended the entitlement of families to assistance. In fiscal year 1996, AFDC paid benefits of over \$20 billion in combined state and federal funds to a nationwide caseload that averaged about 4.6 million families a month. As specified by the new law, the goals of TANF include ending welfare dependence by promoting job preparation, work, and marriage; preventing and reducing the incidence of out-of-wedlock pregnancies; encouraging the formation and maintenance of two-parent families; and providing states increased flexibility to help them achieve these goals. Among other provisions, the law requires that, to avoid financial penalties, states must impose work requirements for adults, meet steadily rising requirements for the percentage of adults that must participate in work activities, and enforce a 5-year lifetime limit on receiving federal assistance.

At the request of the Chairmen of the Senate Committee on Finance and the House Committee on Ways and Means' Subcommittee on Human Resources, this report (1) describes states' efforts to require and encourage welfare recipients and potential recipients to assume greater personal responsibility, (2) examines how states are providing services to support the objectives of TANF, and (3) reviews early reported data to assess states' progress in achieving program objectives.

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## Background

Welfare reform gives states flexibility to design their own programs and strategies for achieving program goals, including how to help welfare recipients move into the workforce. At the same time, states must meet federal requirements that emphasize the importance of work for those receiving assistance. To avoid federal financial penalties, in fiscal year 1997 states must ensure that adult recipients in 25 percent of all their TANF families and 75 percent of their TANF two-parent families are engaged in work activities. These rates increase in subsequent years. To be counted in states' participation rates, adults must participate a specified minimum numbers of hours per week in work activities, such as unsubsidized employment, on-the-job training, job search and job readiness assistance, community service, and vocational educational training. If adults fail to participate as required, states must reduce their cash assistance and may terminate assistance for the entire family. The Department of Health and

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Human Services (HHS) is the primary federal agency providing oversight of states' welfare programs. HHS' responsibilities include developing regulations and assessing penalties for noncompliance with the law.

Because many states had already begun experimenting with changing their AFDC programs through waivers of federal law, states were at different stages of implementing their reform efforts when the federal legislation was enacted. For example, Oregon implemented its welfare reform program statewide under waivers in mid-1996, while California did not enact welfare reform legislation until mid-1997.

To obtain information for this request, GAO selected seven states for in-depth tracking on the basis of various program indicators and demographic characteristics: California, Connecticut, Louisiana, Maryland, Oregon, Texas, and Wisconsin. In these states, GAO collected and analyzed program data as well as interviewed state and local officials and members of community advisory committees and advocacy groups. In addition, to provide information on other states—and on all 50 states, when data were available—GAO analyzed data collected by HHS and other organizations. In developing the methodology for this study, GAO consulted with its Welfare Reform Advisory Committee, which is composed of 11 experts in this field (see app. I for a list of members).

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## Results in Brief

Consistent with the thrust of the federal welfare reform law, states are moving away from a welfare system focused on entitlement to assistance to one that emphasizes finding employment as quickly as possible and becoming more self-sufficient. In the seven states GAO visited, welfare offices are generally being transformed into job placement centers, and in some instances applicants are expected to engage in job search activities as soon as they apply for assistance. Adults with mental and physical impairments and those caring for small children are less likely than before to be exempt from participating in work activities, and adults who fail to participate as required are more likely to have their family's assistance terminated. In the states GAO reviewed, the average proportion of adult recipients required to participate in work activities increased from 44 percent in 1994 to 65 percent in 1997. In addition, to reinforce the expectation that welfare is temporary, states have established time limits on receiving cash assistance—in some cases shorter than 5 years—and have modified various policies to help make welfare recipients financially better off if they obtain jobs than if they do not. States also have devised strategies to reduce the need for monthly cash assistance, such as

providing one-time, lump-sum payments in lieu of monthly payments and enhancing their efforts to reduce the number of out-of-wedlock pregnancies.

States also have modified their programs to better support welfare recipients in becoming more self-sufficient. In their efforts to change the culture of welfare offices, states are expanding welfare workers' roles by shifting their priorities from determining eligibility and cash assistance levels to helping recipients obtain work and become more self-sufficient. At the same time, states are using some of the additional budgetary resources available under the welfare reform law to enhance support services, such as transportation and child care, for recipients participating in work activities and poor families who have found jobs and left the welfare rolls. In addition, states are working to enhance their capacity to treat physical and mental health problems. In Oregon, state officials estimated that about 50 percent of the welfare caseload requires drug or alcohol treatment. Moreover, some states have given local administrative entities greater flexibility to design welfare-to-work programs tailored to the needs of their recipients. Implementing all these changes has not been quick or easy: among the most challenging and widespread implementation issues reported by the states have been training staff to perform their new roles and finding ways to involve recipients with multiple barriers to participation, such as mental and physical health problems and low literacy levels, in work activities.

Nationwide, welfare dependence has decreased. Welfare caseloads decreased by 30 percent between January 1994 and September 1997—and decreased by a larger percentage each year during this period. In addition, GAO's analysis showed that the seven states reviewed have generally increased their job placement rates. While these results are promising, it is too early to draw definitive conclusions about the success of states' programs because it is uncertain how states' programs will perform as more recipients leave welfare for work and states face increasing proportions of recipients with multiple problems, or if the current strong economy undergoes a major downturn. Moreover, little is known about program impacts, such as the effect the programs have had on the well-being of children and families. Future monitoring of states' programs will need to focus on areas such as job retention and earnings progression, children's welfare, and family stability.

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## Principal Findings

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### States' Policies Are Shifting Emphasis From Entitlement to Self-Sufficiency

States have modified their policies to require and encourage welfare recipients and potential recipients to seek work and become more self-sufficient. For example, in all seven of the states GAO visited, the proportion of recipients assigned to job placement activities—as opposed to education or training activities—was substantially higher in 1997 than in 1994, and the proportion assigned to job placement activities more than quadrupled in Connecticut and Louisiana during this time. All seven states now require nonexempt recipients to participate in work activities immediately upon applying for assistance or as soon as possible thereafter. In addition, five of the seven states have strengthened their sanctions by adopting provisions for terminating the assistance of the entire family for noncompliance with work requirements.

As part of an effort to “make work pay,” 42 states have changed their policies relating to the treatment of earned income from those previously in effect under AFDC to permit recipients to keep more of their monthly cash assistance payments or retain them for longer periods once they begin working. Nearly all states have increased the amount of assets or the value of a vehicle that recipients can own and still remain eligible for cash assistance. The asset and vehicle limits under the AFDC program were widely considered to be too low, creating barriers to families' efforts to become more self-sufficient.

States also have adopted varying time limits on the receipt of cash assistance. Nineteen states have established policies to terminate assistance for some families sooner than the 5 years specified by the federal law, but these states generally have also adopted policies to extend assistance beyond these limits in certain circumstances. For example, recipients in Connecticut can receive 6-month extensions to the state's 21-month time limit if they have made a good faith effort to comply with work requirements but have been unable to find employment. Tracking the time families receive cash assistance poses significant challenges for many states, given their need to upgrade their automated information systems to collect all of the data required for such an undertaking. While states have set time limits on eligibility for cash assistance, they generally have not used their flexibility under TANF to reduce cash assistance levels or deny eligibility to specific groups of people, except for convicted drug felons.

In addition, states are pursuing various strategies to reduce the need for welfare. As of November 1997, 30 states had reported that they were using “diversion,” a major new strategy that seeks to divert some applicants from monthly cash assistance by providing other forms of assistance, such as one-time, lump-sum payments; support services such as child care or Medicaid; and assistance with job search. To enhance the collection of child support, the welfare law requires states to reduce the amount of families’ cash assistance by at least 25 percent for noncooperation with child support enforcement requirements. Sixteen states have adopted stronger provisions that call for terminating families’ entire cash assistance payments on this basis. Finally, recognizing the strong link between teenage childbearing and welfare dependence, states are enhancing existing pregnancy prevention programs, especially for teens. Strategies being used by our case study states include abstinence education, stronger enforcement of statutory rape laws, and male involvement programs.

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### States Are Enhancing Support Services for Recipients

As states seek to expand the number of adults participating in work activities, they have generally expanded the roles of welfare workers to better support the work focus of their programs. Workers’ new responsibilities vary but include such tasks as motivating clients to seek work, exploring the potential for diversions, and collecting more information about applicants and recipients to determine what they need to facilitate self-sufficiency. Training workers to perform these broader responsibilities has been especially challenging because of the need to help workers change their perspectives and help them cope with workload pressures. For example, Oregon responded to such challenges, in part, by streamlining paperwork for determining eligibility to allow staff more time for new responsibilities.

As a result of their large, recent caseload declines, most states have more budgetary resources for their welfare programs under the TANF funding formula than they would have had under prior law, under which funding was tied to caseload size. The seven states GAO reviewed are using some of the additional available budgetary resources to provide services to help families address barriers to employment. For example, these states are using a range of approaches to help recipients obtain reliable transportation, such as providing funding for rural transportation systems, enlisting volunteers to provide transportation for recipients, and providing funds for vehicle repairs. Some states have enhanced services by providing mentors or making case management available to those who have left



welfare for jobs. As the most readily employable recipients leave welfare, states and localities are concerned that they will face a more difficult to serve population. In response to such concerns, Baltimore added a social service component to its welfare reform program, and Oregon placed counselors on site to provide mental health and substance abuse services. In addition, the seven states GAO visited have used federal and state funding to increase overall expenditures for their fiscal year 1997 child care subsidy programs for TANF and other low-income families, with increases over fiscal year 1996 expenditures ranging from about 2 percent in Maryland to 62 percent in Louisiana.

As welfare reform has provided states greater flexibility, some of GAO's case study states, in turn, have given local administrative entities greater flexibility to design programs tailored to the needs of their recipients. While policies regarding eligibility and cash assistance levels in these states continue to be set at the state level, local administrative entities now have more flexibility to customize their policies for moving recipients from welfare to work. To promote local accountability, these states are using methods such as creating financial incentives and establishing performance measures that focus more on desired outcomes. For example, California's welfare reform law stipulates that counties are to receive financial bonuses on the basis of their cost savings from recipients leaving welfare because of employment that lasted at least 6 months, increased earnings by recipients because of employment, and diversion of applicants from welfare for at least 6 months.

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### Welfare Dependence Has Decreased, but Little Is Known About Impacts on Families

While the number of families receiving cash assistance nationwide decreased 30 percent between January 1994 and September 1997, more than two-thirds of this decrease has occurred since January 1996. GAO estimated that three of the case study states more than doubled their job placement rates from 1995 to 1997, and two of them increased their rates by more than 70 percent. In addition, the seven states generally have increased the percentages of families participating in welfare-to-work programs under TANF compared with their prior welfare-to-work programs. While all seven states reported that they would meet their required TANF all-families participation rates for fiscal year 1997, two states reported that they would not meet their required rates for two-parent families.

In many states, favorable economic conditions appear to have facilitated implementation of "work first" approaches. It is not yet known, however, how states' welfare reform programs will perform under weaker economic

conditions. In addition, as indicated by states that have experienced large caseload reductions, many of the remaining recipients have multiple problems that interfere with their ability to work. So far, little is known about how effective states will be in helping these families become more self-supporting.

Despite early indications of progress toward key goals of welfare reform, much remains unknown about how families fare after leaving welfare with respect to economic stability and child and family well-being. However, some states have efforts under way to obtain information on such topics. For example, Maryland is tracking a random sample of families that have exited welfare to provide information on topics including employment and earnings, welfare recidivism, and receipt of foster care. In addition, concerned about the importance of having national data on the impacts of states' welfare reforms, the Congress included provisions in the welfare reform law that direct HHS to conduct research on the benefits, costs, and effects of state programs funded under TANF, as well as mandate that the Bureau of the Census expand a national survey of families to permit an evaluation of the law's impacts.

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## Comments From HHS and the States

GAO obtained comments on a draft of this report from HHS and the seven case study states. HHS and the states generally agreed with the report's findings and provided additional technical information that GAO incorporated in the report as appropriate. (Ch. 5 contains additional information about HHS and the states' comments and GAO's responses.)

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# Contents

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<b>Executive Summary</b>		2
<b>Chapter 1</b>		14
<b>Introduction</b>	<b>The Welfare System Before Reform</b>	14
	<b>Most States' Reform Efforts Preceded Federal Reform</b>	15
	<b>Key Provisions of Federal Reform</b>	16
	Moving From Dependency to Self-Reliance	17
	Reducing Out-of-Wedlock Pregnancies	18
	Providing Increased State Flexibility and Accountability	19
	<b>Objectives, Scope, and Methodology</b>	21
<b>Chapter 2</b>		26
<b>States' Policies Are Shifting Emphasis From Entitlement to Self-Sufficiency</b>	<b>States Have Strengthened Their Focus on Work</b>	26
	Recipients Are Being Required to Participate in Activities Tied to Employment	26
	More Recipients Are Being Required to Participate	35
	Participation Is Expected Sooner	38
	Stronger Sanctions for Nonparticipation Are Being Imposed	39
	<b>States Have Modified Policies to Encourage Self-Sufficiency</b>	43
	Incentives to Make Work Pay Are Being Increased	43
	Various Time Limits on Assistance Have Been Adopted	50
	Eligibility for Specific Groups and Grant Levels Remain Generally Unchanged	56
	<b>States Have Pursued Strategies to Reduce the Need for Welfare</b>	59
	Applicants Are Being Diverted With Focus on "What's Needed"	60
	Welfare Programs Add to Efforts to Collect Child Support	64
	Programs to Reduce Out-of-Wedlock Pregnancies Are Being Expanded	66
<b>Chapter 3</b>		73
<b>States Are Providing More Support Services and Restructuring Programs</b>	<b>States Are Expanding Worker Roles and Reorganizing Local Offices to Support Work Focus of Programs</b>	73
	Workers' Roles Have Expanded From Focus on Eligibility to Job Counseling	73
	Local Offices Have Been Reorganized to Consolidate Service Delivery	75
	<b>States Are Using Additional Budgetary Resources and Increased Flexibility to Support Families' Work Efforts</b>	76

Funding Rules for Welfare Programs Have Changed	76
Most States Have Additional Budgetary Resources Available	77
Welfare Reform Law Gives States More Flexibility Over Programs for Low-Income Families	79
States Are Enhancing Services to Better Support Families' Work Efforts	80
Increased Spending for Child Care Supports TANF Goals	83
<b>States and Localities Strive to Obtain Greater Employer and Community Involvement in Helping Recipients Obtain Work</b>	85
Diverse Approaches Are Being Used to Expand Involvement of Employers and Employer Associations in Welfare Programs	85
States and Localities Are Finding Roles for Other Organizations to Play in Welfare Reform Programs	87
<b>Devolution of Responsibility to Localities Is a Key Component of Some States' Welfare Reforms</b>	89
States Have Expanded Local Flexibility to Design Welfare-to-Work Programs	89
States Are Using Financial Incentives and Enhanced Focus on Outcome Measures to Promote Local Accountability	92

---

**Chapter 4**  
**Welfare Dependence**  
**Has Decreased, but**  
**Little Is Known About**  
**Impacts on Families**

<b>States Are Experiencing Declines in Caseloads and Increases in Job Placement and Participation Rates</b>	95
Welfare Caseloads Have Declined Sharply	95
States Generally Report Sizable Increases in Job Placement Rates	98
States Are Generally Increasing Levels of Participation but Facing Challenges With Two-Parent Families	100
<b>Little Is Known About Program Impacts on Well-Being of Children and Families</b>	105
Some States Are Tracking Families That Have Left Welfare	106
Welfare Law Includes Provisions to Ensure Collection of National Information on Program Impacts	108

<b>Chapter 5</b>		110
<b>Concluding Observations, Agency and State Comments, and Our Evaluation</b>	<b>Concluding Observations</b>	110
	How Do Families Fare After Leaving Welfare for Work or Being Diverted From Welfare?	110
	How Effective Are States in Working With Hard-to-Serve Cases?	111
	How Well Do States Manage the Devolution of Authority to Localities or the Privatization of Welfare Programs?	111
	How Would an Economic Downturn Affect States' Welfare Reform Programs?	111
	<b>Comments From HHS and the States and Our Evaluation</b>	112
<b>Appendixes</b>	Appendix I: GAO's Welfare Reform Advisory Committee Members	114
	Appendix II: Summary of States' Prereform Waiver Provisions	116
	Appendix III: Penalties Specified in the Federal Welfare Reform Law of 1996, as Amended	120
	Appendix IV: Changes in the Number of Families Receiving Cash Assistance, by State, January 1996 to September 1997	121
	Appendix V: Comments From the Department of Health and Human Services	123
	Appendix VI: GAO Contacts and Staff Acknowledgments	125
<b>Bibliography</b>		126
<b>Related GAO Products</b>		132
<b>Tables</b>	Table 1.1: Federal Law Sets Increasing Participation Requirements for One-Parent and Two-Parent Families	18
	Table 1.2: Summary Profile of the Seven Case Study States	22
	Table 1.3: States, Counties, and Cities Visited	24
	Table 2.1: Percentage of Active Participants Assigned to Various Work-Related Activities in Seven States Before and After Federal Reform	32
	Table 2.2: Full-Family Sanctions Imposed for Failure to Comply With Work Requirements in Four States	41
	Table 2.3: Asset Limits and Earnings Disregard Policies in Seven States	46
	Table 2.4: Time-Limit Policies in Seven States	51
	Table 2.5: Maximum Grant Levels for a Family of Three in Seven States Before and After Federal Reform	59

---

Table 3.1: Estimated Total Additional Budgetary Resources for 1997 Under TANF	79
Table 3.2: Projections of Job Growth and Required Levels of Caseload Participation in Work Activities in Maryland for Fiscal Year 1998	87
Table 4.1: States' Estimated Job Placement Rates Generally Have Increased Substantially	99
Table 4.2: Estimated Achieved and Required All-Families Participation Rates	102
Table 4.3: Two-Parent Caseloads and Estimated Achieved and Required Two-Parent Participation Rates	104

---

## Figures

Figure 2.1: Work Activities Under JOBS and Under TANF	29
Figure 2.2: Percentage of Active Participants Assigned to Job Placement Activities in Seven States Before and After Federal Reform	31
Figure 2.3: Percentage of Adult Recipients Required to Participate in Seven States Before and After Federal Reform	37
Figure 2.4: Making Work Pay in Oregon	49
Figure 2.5: Reaching Time Limits in Connecticut	53
Figure 2.6: Diverting Applicants From Cash Assistance in Wisconsin	62
Figure 2.7: Public Awareness Announcement Targeting Males in California	70
Figure 3.1: Changes in Funding for Assistance to Low-Income Families With Children	77
Figure 4.1: Nationwide Decline in Number of Families Receiving Cash Assistance Has Been Accelerating	96

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## Abbreviations

AFDC	Aid to Families With Dependent Children
APWA	American Public Welfare Association
CCDF	Child Care and Development Fund
CRS	Congressional Research Service
DOL	Department of Labor
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
JOBS	Job Opportunities and Basic Skills Training
TANF	Temporary Assistance for Needy Families
TIES	Texas Integrated Eligibility Services

# Introduction

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The Personal Responsibility and Work Opportunity Reconciliation Act (P.L. 104-193), enacted in August 1996, replaced AFDC with a block grant to the states, entitled Temporary Assistance for Needy Families. As specified in the law, the objectives of TANF are to

- provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- encourage the formation and maintenance of two-parent families.

All these goals are to be accomplished by providing states increased flexibility to design their own programs, thus allowing states to build on the initiatives they began experimenting with before federal reform. However, the law sets some parameters: to avoid financial penalties, states must impose work requirements for adults, meet steadily rising rates of caseload participation in work activities, and enforce a 5-year lifetime limit on the receipt of federally funded assistance, along with several other provisions. To enable HHS to monitor states' progress in meeting key program objectives, the law also requires states to meet new data reporting requirements. On November 20, 1997, HHS issued proposed regulations for implementing TANF in accordance with the new federal law; however, as of May 1998, these regulations had not yet been finalized.<sup>1</sup>

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## The Welfare System Before Reform

Under AFDC, states were required to provide benefits to all economically needy families with children who applied and were eligible under federal law and whose income and assets were within state-prescribed limits. In fiscal year 1996, over \$20 billion in combined federal and state funds were paid in cash assistance to a nationwide caseload that averaged about 4.6 million families a month. Within AFDC, states were required to establish welfare-to-work programs, called Job Opportunities and Basic Skills Training (JOBS), to ensure that AFDC families obtained the education, training, and employment that would help them avoid long-term welfare dependence. Federal matching funds for JOBS were available as a capped entitlement set at \$1 billion in fiscal year 1996. Historically, many families

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<sup>1</sup>HHS officials noted that while states were permitted to make their own reasonable interpretations of the 1996 welfare reform law before the publication of final rules for the TANF program, some of the state interpretations of the statute reflected by our report may not be sustained when HHS issues final rules.



were exempt from participating in JOBS, and less than a third of those required to participate actually were able to participate because of limited state funding.<sup>2</sup> In addition, within AFDC, unlimited federal matching funds were available for states opting to provide emergency assistance for families to avoid the destitution of a child or to provide for a child's living arrangements. Emergency assistance could be authorized for up to 30 days in any 12-month period, and eligibility criteria often differed from those of the regular AFDC program. As of 1995, all states but Alaska and Mississippi had implemented emergency assistance programs, spending about \$3.2 billion on these programs nationwide in fiscal year 1996. To ensure states adhered to the goals and requirements of the law governing these programs, HHS was given oversight responsibility to be exercised through its approval, review, and audit functions.

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## Most States' Reform Efforts Preceded Federal Reform

Before passage of the new federal welfare reform law, HHS had authority to waive certain statutory program requirements for AFDC, and most states had begun experimenting with various reforms intended to move more recipients from welfare to work. Between January 1987 and the passage of welfare reform in August 1996, 46 states<sup>3</sup> had received approval to implement waivers affecting their AFDC and JOBS programs—in some cases, statewide; in others, only in selected sites. These waiver initiatives included time limits, strengthened work requirements, and teen-parent requirements related to school attendance and living in supervised settings—provisions similar to those subsequently embodied in the new federal law. (See app. II for a summary of states' waiver provisions approved before passage of the federal welfare reform act.)

Because these waivers had been approved and implemented at different times, states were in different stages of implementing their reform efforts when the federal reform law was enacted. Some states continued their waiver programs implemented before federal reform, while other states enacted new legislation to redesign their programs after passage of the new federal law.<sup>4</sup> Oregon, for example, enacted legislation in 1995 and implemented its welfare reform program statewide in July 1996. In

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<sup>2</sup>See *Welfare to Work: Current AFDC Program Not Sufficiently Focused on Employment* (GAO/HEHS-95-28, Dec. 19, 1994), pp. 5-8.

<sup>3</sup>The term "state" includes the District of Columbia in this report.

<sup>4</sup>Under the new federal reform law, states' waiver provisions that are inconsistent with the new law may continue for the duration of the waiver if they were already in effect before the new law was enacted. However, all states—regardless of any waivers—are subject to certain requirements, such as the mandatory work requirements and the calculation of participation rates, discussed later in this chapter.

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contrast, California did not pass welfare reform legislation until mid-1997, with statewide implementation of its new program effective in January 1998.

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## Key Provisions of Federal Reform

The 1996 federal welfare reform law made sweeping changes to the nation's cash assistance program for needy families with children. Title I of the law ended the entitlement of families to welfare benefits and replaced the AFDC program, including JOBS and emergency assistance, with block grants to the states under TANF. The fixed amounts of states' grants under the new law are based on the amount of their grants received in specified fiscal years under prior law, supplemented for population increases under certain circumstances.<sup>5</sup> For fiscal year 1997, federal grants available to the states ranged from \$21.8 million in Wyoming to over \$3.7 billion in California, totaling \$16.7 billion nationwide. With respect to state funding, the federal reform law included a "maintenance-of-effort" provision requiring states to provide 75 to 80 percent of their historic level of funding.<sup>6</sup> Subsequent legislation provided additional federal funds totaling \$3 billion over 2 years for Welfare-to-Work Grants to be allocated to states for increased support of activities helping to place and keep individuals in unsubsidized jobs.<sup>7</sup>

Federal law also makes federal funding available to states for child care subsidies for low-income families, authorizing \$2.9 billion for fiscal year 1997 and up to \$3.7 billion in the year 2002. Under the new reform law, states are required to ensure that a significant percentage of these funds

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<sup>5</sup>Under the new welfare reform law, states' grants are based on the greatest of three options for determining the amount of their grants: (1) the average amount of grants received for fiscal years 1992, 1993, and 1994; (2) the amount of grants received for fiscal year 1994 (with some adjustments for states with high expenditures for emergency assistance in fiscal year 1995); or (3) a formula based on grants received for fiscal year 1995.

<sup>6</sup>Under the new welfare reform law, states that meet federally mandated minimum participation rates must provide at least 75 percent of their historic level of funding; states that fail to meet mandated rates must provide at least 80 percent. (Participation rates are discussed later in this chapter.)

<sup>7</sup>The Balanced Budget Act of 1997 authorized funds for Welfare-to-Work Grants for fiscal years 1998 and 1999. After certain set-asides, 75 percent of the funds are to be made available in formula grants and 25 percent in competitive grants. To qualify, states must fund their programs above their required TANF maintenance-of-effort level. For more details, Mark Greenberg, *Welfare-to-Work Grants and Other TANF-Related Provisions in the Balanced Budget Act of 1997* (Washington, D.C.: Center for Law and Social Policy, Aug. 1997).

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are used to provide child care assistance to current or potential TANF recipients.<sup>8</sup>

The federal welfare reform law also made significant changes to Medicaid—a federal/state-funded program that provides medical assistance to low-income families. Before welfare reform, AFDC recipients were automatically enrolled in Medicaid on the basis of their eligibility for cash assistance under AFDC. The new law severed the connection between eligibility standards for Medicaid and cash assistance, allowing states to set their own eligibility standards for Medicaid within certain parameters. However, most families who would have been eligible for Medicaid before welfare reform continue to qualify for services.<sup>9</sup>

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## Moving From Dependency to Self-Reliance

Because of congressional concern that welfare had become a way of life for some recipients, a key purpose of the new law was to promote work over welfare and self-reliance over dependency. In support of this goal, the law provides that states must require able-bodied recipients to participate in work or work-related activities and must impose a 5-year lifetime limit on federal assistance.

States must require adults in families receiving TANF-funded assistance to participate in work or work-related activities after receiving assistance for 24 months, or sooner, as defined by the state. If recipients fail to participate as required, states must at least reduce the families' grant and may opt to terminate the grant entirely.

To avoid financial penalties, states must ensure that a certain specified minimum percentage of their caseloads are participating in work or work-related activities each year. These percentages are referred to as "minimum mandated participation rates." To count toward states' mandated rates, adult recipients in families must participate a certain minimum number of hours in work or a work-related activity as prescribed

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<sup>8</sup>These funds are provided through the Child Care and Development Fund, which combines the funding streams of what had previously been four different programs and includes both discretionary and entitlement funds (for more details, see ch. 3). At least 70 percent of the entitlement funds must be used for current or potential TANF families. In fiscal year 1997, entitlement funds equaled almost \$2 billion, or about two-thirds of the total. See Welfare Reform: States' Efforts to Expand Child Care Programs (GAO/HEHS-98-27, Jan. 13, 1998).

<sup>9</sup>To ensure continued Medicaid coverage for low-income families, the law generally set Medicaid eligibility standards at AFDC levels in effect on July 16, 1996. The law provides the option to deny medical assistance to individuals who fail to meet the work requirements but does not permit states to deny medical assistance to minor children who are not the head of a household. For information on the Medicaid-related actions states have taken since welfare reform, see Medicaid: Early Implications of Welfare Reform for Beneficiaries and States (GAO/HEHS-98-62, Feb. 24, 1998).

in the law—such as job readiness workshops; on-the-job training; and, under certain circumstances, education. The required number of hours of participation and the percentage of a state’s caseload that must participate to meet mandated rates increase over time, as shown in table 1.1.

**Table 1.1: Federal Law Sets Increasing Participation Requirements for One-Parent and Two-Parent Families**

	Fiscal year					
	1997	1998	1999	2000	2001	2002
Minimum weekly average participation requirement (hours)						
One-parent families	20	20	25	30	30	30
Two-parent families <sup>a</sup>	35	35	35	35	35	35
Minimum mandated participation rates (percentage)						
All families	25	30	35	40	45	50
Two-parent families	75	75	90	90	90	90

<sup>a</sup>To receive federally funded child care assistance, two-parent families must participate for a combined total of at least 55 hours a week.

Source: 42 U.S.C. sec. 607.

Finally, to help ensure the temporary nature of assistance and to provide further impetus for moving recipients to self-reliance, the law prohibits the use of TANF funds to provide assistance for families with adults who have received assistance for more than 5 years, cumulative over their lifetimes.<sup>10</sup> Families with no adult receiving assistance (commonly referred to as “child-only” cases) are not subject to this limit, and up to 20 percent of a state’s average monthly caseload may be exempt on the basis of hardship or having been subjected to domestic violence.<sup>11</sup> States with time-limit waivers inconsistent with these provisions may delay implementing the 5-year lifetime limit until their waivers expire. Also, states may opt to continue to provide assistance beyond the 5-year limit using state funds.

## Reducing Out-of-Wedlock Pregnancies

To address concerns about the growing number of children born to unwed mothers and the impact on welfare caseloads, another key purpose of the new law was to reduce out-of-wedlock pregnancies and encourage the

<sup>10</sup>Months that the adult may have received assistance as a minor dependent (not head-of-household) do not count toward this lifetime limit.

<sup>11</sup>The federal reform law allows states to exempt a family from the time limit by reason of hardship or if the family includes an individual who has been battered or subjected to extreme cruelty and to elect as the base the average monthly caseload for either the current fiscal year or the preceding fiscal year.

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formation and maintenance of two-parent families.<sup>12</sup> To this end, the law included provisions requiring HHS and the states to establish goals and take action to reduce the incidence of out-of-wedlock pregnancies, especially among teens, and to provide annual progress reports to the Congress beginning this month.<sup>13</sup>

In addition, citing studies that indicate that the increase of teenage pregnancies among the youngest girls has been particularly severe and linked to predatory sexual practices of men who were significantly older, the law also requires states to conduct programs to provide education and training on the problem of statutory rape. To expand their reach to males, these programs are to be provided through law enforcement agencies, the education system, and other relevant counseling services.

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## Providing Increased State Flexibility and Accountability

Instead of prescribing in detail how programs are to be structured, the new law authorizes states to use their block grants in any manner reasonably calculated to accomplish the purposes of TANF. For example, states are allowed to set forth their own criteria for defining who will be eligible and what assistance and services will be available, provided states ensure fair and equitable treatment. States may opt to deny assistance altogether for noncitizens, drug felons, minor teen parents, or those determined to be able to work. Alternatively, these groups could be provided a different array of assistance and services funded by TANF or a separate state-funded program. States may also choose when to require adults to participate in work activities, what types of activities are allowed, whom to grant good cause for failure to participate, and whether or not to terminate grants to entire families for noncompliance.<sup>14</sup>

The law balanced this increase in state flexibility, however, with an increase in state accountability for working toward the goals of reform and HHS' responsibilities for tracking state performance and family outcomes. To enable HHS to rank the states annually on performance and make decisions concerning bonuses and penalties, states are required to submit a detailed quarterly data report. Using the state-reported data, HHS

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<sup>12</sup>From 1976 to 1992, the proportion of single women receiving AFDC who had never been married increased from about 21 percent to about 52 percent. See *Families on Welfare: Sharp Rise in Never-Married Women Reflects Societal Trend* (GAO/HEHS-94-92, May 31, 1994).

<sup>13</sup>We have another study under way that will address the issues around teen pregnancy in more detail.

<sup>14</sup>However, the law defines the types of activities that may count toward the state's mandated participation rate, as well as the cases that must be included in the calculation. The law also stipulates that if a one-parent family with a child under age 6 is unable to obtain needed child care, the state may not sanction the family for noncompliance with the work requirement, and failure to maintain assistance to such families is grounds for a penalty of up to 5 percent of the state's grant.

is required to rank the states annually according to the most and least successful work programs, taking into account (1) placements in long-term private sector jobs, (2) overall caseload reductions, (3) diversion of individuals from applying for and receiving assistance, (4) the number of children living in poverty, and (5) the amount of federal assistance provided to the state. HHS is also required to rank the states annually on the basis of the percentage of out-of-wedlock births in families receiving assistance and the reductions in the percentage of out-of-wedlock births from the prior year.

These state-reported data also provide the basis for awarding financial bonuses to the states to promote key program objectives. The federal reform law provides \$200 million per year for 5 years for bonuses to reward states with high performance in achieving the goals of TANF. States may be awarded bonuses in amounts up to 5 percent of their grants in fiscal years 1999 through 2003.<sup>15</sup> The law also provides \$100 million per year for 4 years for bonuses to reward states that demonstrate net decreases in the number of out-of-wedlock births. Up to five states may be awarded these bonuses of \$20 million in fiscal years 1999 through 2002. (If fewer than five states qualify, bonuses are increased to \$25 million.) The law specifies that the reduction in the number of out-of-wedlock births is to be determined for the most recent 2-year period for which such information is available and that only those states with no increase in abortion rates since 1995 are eligible for the bonuses.<sup>16</sup>

Data from the quarterly report are also to be used to determine whether or not the state will be assessed a penalty. The law, as amended, specifies 14 grounds for penalties, including failure to meet the maintenance-of-effort state funding requirement, failure to satisfy the minimum mandated participation rates, failure to implement the 5-year lifetime time limit, and failure to submit a quarterly data report. The total penalty in a single year can range up to 25 percent of a state's grant. (See app. III for a description of all 14 penalties.) Under some circumstances, HHS may determine that a state has "reasonable cause" for failing to meet some requirement and will not impose a penalty. Proposed regulations indicate, however, that if a state diverts cases to separate state programs or is continuing with

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<sup>15</sup>The formula for measuring high performance was to be defined by HHS in consultation with the National Governors' Association and the American Public Welfare Association no later than August 22, 1997. In March 1998, HHS published the formula for awarding high-performance bonuses in fiscal year 1999 and noted that a notice of proposed rule-making was being drafted that would address the applicable formula in future years. (See ch. 4 for further discussion of the high performance bonus.)

<sup>16</sup>In March 1998, HHS issued proposed regulations defining the data to be used in these calculations. (See ch. 2 for further discussion of the out-of-wedlock bonus.)

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inconsistent provisions under waiver, it may not be able to avoid a penalty through a reasonable cause exception.<sup>17</sup>

In addition to the quarterly report, states are required to submit their child poverty rates annually, along with a corrective action plan if the rate increases by 5 percent or more from the prior year. And beginning in 1999, HHS is required to submit annual reports on the circumstances of families reaching their time limits and families headed by teen parents.

To ensure evaluation of states' programs under welfare reform, HHS is mandated to conduct research on the costs and benefits of operating different state programs, including effects on welfare dependency, illegitimacy, teen pregnancy, employment rates, child well-being, and any other area deemed appropriate. HHS must also evaluate any innovative approaches it assists states in developing and may help fund states' evaluation efforts. Finally, HHS is required to work with the states to study and analyze outcome measures for evaluating the success of states' efforts to move families from welfare to work as alternatives to the minimum mandated participation rates.

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## Objectives, Scope, and Methodology

The Chairmen of the Senate Committee on Finance and the Subcommittee on Human Resources, House Committee on Ways and Means, asked us to monitor and report on states' efforts to implement programs to meet the stated objectives of title I of the new federal welfare reform law. Specifically, this report (1) describes states' efforts to require and encourage welfare recipients and potential recipients to assume greater personal responsibility, (2) examines how states are providing services to support the objectives of TANF, and (3) reviews early reported data to assess states' progress in achieving program objectives.

To obtain information for this request, we judgmentally selected for in-depth tracking seven states that reflect a diversity of circumstances based on various program indicators and demographics: California, Connecticut, Louisiana, Maryland, Oregon, Texas, and Wisconsin. Key factors considered in our selection of states included previous AFDC grant levels, AFDC funds per child in poverty, unemployment rates, child poverty rates, urban/rural population, presence of large cities, geographic region,

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<sup>17</sup>For example, under provisions of the proposed rule, exceptions will not be made for failure to meet minimum participation rates in states that divert cases to separate state programs to avoid the work participation requirements, or that are continuing to use alternative work requirements adopted under waivers, such as allowing a broader range of activities to count toward their mandated rates. However, the proposed rule is not binding, and the final rule may be different.

**Chapter 1  
Introduction**

experience with waivers, and whether programs are administered at the state level or by counties. Table 1.2 provides a summary profile of each state selected.

**Table 1.2: Summary Profile of the Seven Case Study States**

State	Type of administration <sup>a</sup>	Maximum AFDC grant level for a family of three (1996) <sup>b</sup>	Average monthly number of AFDC families (1996) <sup>c</sup>	Unemployment rate (percent, 1996) <sup>d</sup>	Child poverty rate (percent, 1996) <sup>e</sup>	AFDC funds per child in poverty (1996) <sup>f</sup>	Percent urban residents (1990) <sup>g</sup>	Date statewide reform program implemented <sup>h</sup>
Calif.	County	\$596	895,960	7.2	25.5	\$3,135	92.6	Jan. 1998
Conn.	State	543	58,117	5.7	22.7	2,587	79.1	Jan. 1996
La.	State	190	70,581	6.7	31.8	545	68.1	May 1997
Md.	State	373	74,106	4.6	16.6	2,113	81.3	Oct. 1996
Oreg.	State	460	33,444	5.9	20.1	1,851	70.5	July 1996 <sup>i</sup>
Tex.	State <sup>j</sup>	188	254,953	5.6	24.4	634	80.3	Jan. 1997 <sup>k</sup>
Wis.	County <sup>l</sup>	517	60,058	3.5	12.5	2,593	65.7	Sept. 1997 <sup>m</sup>
U.S. average		\$394	4,553,308	5.4	20.5	\$2,120	75.2	

(Table notes on next page)



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## Chapter 1 Introduction

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<sup>a</sup>In a state-administered program, the local welfare office (if any) is a unit of the state agency. In a county-administered program, the local welfare office is a unit of the local government.

<sup>b</sup>Maximum grant levels are amounts provided as of July 1996 for a family of three with no income (see L. Jerome Gallagher and others, One Year After Federal Welfare Reform: A Description of State Temporary Assistance for Needy Families (TANF) Decisions as of October 1997 [Washington, D.C.: The Urban Institute, May 1998], pp. VI-1 through VI-3).

<sup>c</sup>Data on number of families receiving AFDC are from HHS, Administration for Children and Families, Characteristics and Financial Circumstances of AFDC Recipients, Fiscal Year 1996 (Washington, D.C.: HHS, Apr. 1997).

<sup>d</sup>Data represent 1996 annual average unemployment rates from the Bureau of Labor Statistics.

<sup>e</sup>Data on child poverty rates are from the U.S. Bureau of the Census, 1997 Current Population Survey (Washington, D.C.: Bureau of the Census, 1997).

<sup>f</sup>Calculations are based on HHS data on total AFDC and related program expenditures for fiscal year 1996.

<sup>g</sup>"Urban residents" are defined as living in (1) a city, village, or other place with 2,500 or more inhabitants or (2) an area with at least 50,000 inhabitants, comprising one or more places and the surrounding territory. Data from the U.S. Bureau of the Census, Statistical Abstract of the United States—1997 (Washington, D.C.: Bureau of the Census, 1997), table 44.

<sup>h</sup>All states were required to implement TANF programs as of July 1, 1997, unless they opted to continue statewide programs previously implemented under waivers. Some states, such as California and Wisconsin, had made changes to conform to the TANF requirements by this date but subsequently implemented more fundamental changes to the structure of their programs.

<sup>i</sup>Before implementing this reform program, Oregon was granted waivers in 1992 and began implementing provisions to require more clients to participate in JOBS; teens to finish high school; and JOBS participants to be in drug, alcohol, or mental health treatment if needed.

<sup>j</sup>In Texas, eligibility services are administered by the state, whereas employment and child care services are being transferred to local workforce development boards.

<sup>k</sup>This program was implemented statewide in all counties with JOBS programs, covering about 90 percent of the state's welfare recipients. It was initially implemented as a pilot in one county in June 1996 and was expanded to five additional counties in September 1996 before going statewide in January 1997.

<sup>l</sup>However, as a result of Wisconsin's privatization initiative, the program is administered by private organizations in several counties.

<sup>m</sup>Before implementing this reform program, Wisconsin implemented a statewide waiver in 1987 requiring teens to finish high school, a limited waiver in four counties in 1994 encouraging teens to participate in case management activities promoting family responsibility, and a statewide waiver in March 1996 requiring applicants to participate in 60 hours of job-search activities before qualifying for monthly cash assistance and also requiring recipients to engage in work activities (including job search) full-time or face a prorated reduction of cash assistance up to the full amount of the family's grant.

**To describe states' efforts to design new programs and provide services, and to assess states' progress in achieving program objectives, we obtained and analyzed available program documents and data in each of the case study states. We also interviewed state and local program officials**

and members of welfare advocacy groups in the states we visited. We relied on the states for descriptions of their applicable laws. Table 1.3 lists the sites visited in each case study state.

**Table 1.3: States, Counties, and Cities Visited**

State	County	Largest city	Largest city population (1996 estimate) <sup>a</sup>
Calif.	Fresno	Fresno	396,011
	San Bernardino	San Bernardino	183,474
	Santa Clara	San Jose	838,744
Conn.	Hartford	Hartford	133,086
	Litchfield	Torrington	34,529
La.	Orleans	New Orleans	476,625 <sup>b</sup>
	Evangeline	Ville Platte	
Md.	Baltimore (city) <sup>c</sup>	Baltimore	675,401
	Washington	Hagerstown	34,633
Oreg.	Multnomah	Portland	480,824
	Linn	Albany	37,919
Tex.	Dallas	Dallas	1,053,292
	Navarro	Corsicana	23,320
Wis.	Fond du Lac	Fond du Lac	39,658
	Milwaukee	Milwaukee	590,503

<sup>a</sup>Data are from Population Estimates Program, Population Division, U.S. Bureau of the Census, Nov. 1997.

<sup>b</sup>Population less than 10,000.

<sup>c</sup>Independent city (not part of a county).

In addition, we analyzed data collected by HHS and other organizations to provide information on other states—and on all 50 states when available. For example, we analyzed HHS data on AFDC family characteristics and participation in the JOBS program to better identify states’ practices before reform. We also reviewed, and included where appropriate, nationwide data on states’ TANF programs gathered and summarized by HHS, the Congressional Research Service (CRS), the Urban Institute, the Rockefeller Institute, the American Public Welfare Association (APWA), and the National Governors’ Association.

To help us formulate the methodology for our study, we consulted with GAO’s Welfare Advisory Committee, comprising 11 nationally recognized experts in the welfare area. (See app. I for a list of members.) To provide quantitative data on the programs in the seven states we visited, we relied

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**Chapter 1**  
**Introduction**

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on data used by these states to manage their programs. In addition, we obtained comments on a draft of this report from the seven states and HHS. We conducted our work between February 1997 and April 1998 in accordance with generally accepted government auditing standards.

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# States' Policies Are Shifting Emphasis From Entitlement to Self-Sufficiency

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Consistent with the thrust of the federal welfare reform law of 1996, states are shifting away from a welfare system that focuses on a family's entitlement and eligibility determination to one focused on moving recipients—and potential recipients—to self-sufficiency. This shift is reflected in states' efforts to strengthen the work focus of their programs, modify policies concerning eligibility and grant levels to encourage self-reliance, and implement strategies to help reduce the need for welfare.

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## States Have Strengthened Their Focus on Work

States have generally strengthened their focus on work as a central feature of their reform efforts. Under prior law, limited numbers of AFDC recipients were referred to the JOBS program to prepare for and accept employment. Beginning under waivers and culminating with the enactment of TANF, the AFDC and JOBS programs have been replaced by a single, integrated program. Now, in many states, when people apply for welfare, they are simultaneously enrolling in a welfare-to-work program, and welfare offices across the country are being transformed into job placement centers. In an effort to place individuals as quickly as possible into jobs, these new work-focused welfare programs generally require participation in activities leading more directly to employment, require a higher percentage of recipients to participate, require participation sooner, and impose more stringent sanctions for failure to participate.

In implementing this transformation of welfare programs to a more work-focused approach, states have encountered numerous challenges. For example, increasing the percentage of recipients required to participate in work-related activities has required states to change caseworker roles from emphasizing eligibility determination to helping recipients address barriers to work by providing more and different services to those previously exempted from work requirements. How states have changed their programs to meet these challenges is discussed further in chapter 3.

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## Recipients Are Being Required to Participate in Activities Tied to Employment

Under most states' welfare reform programs, recipients are expected to participate in work or work-related activities leading more directly to employment, such as job readiness and job search. In response to TANF's restrictions on the types of activities that count toward minimum mandated participation rates, some states are shifting participants from education and training activities to community service. And in a few states, the number of hours recipients are required to participate has increased to better reflect hours comparable to full-time employment.

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**“Work First” Approach Is Being  
Adopted in Many States**

The previous JOBS program provided states with broad discretion regarding the type of activities assigned recipients; many states emphasized education and training as much as, if not more than, employment.<sup>18</sup> The typical sequence of activities involved initial assessment; development of an “employability plan”; then assignment to an activity such as education, job skills training, job readiness, or job development and placement. Under states’ reform programs, and consistent with the new federal law, greater emphasis is being placed on employment. Many states now require recipients to “test the job market” for a specified length of time before investing in costly assessments or vocational training programs—an approach commonly referred to as “work first.” Under these “work first” programs, recipients typically are provided an orientation and assistance in searching for a job; they may also receive some readiness training. Only those unable to find a job after several weeks of job search are then assessed for placement in other activities, such as remedial education or vocational training.<sup>19</sup>

Among our case study states, all but Louisiana have adopted a “work first” approach. In Oregon, officials told us that among those participating in a 4-week job readiness and job search program, 40 to 50 percent report finding jobs by the end of the 4 weeks. Even in sites such as Santa Clara County, California, that had traditionally placed a strong emphasis on education and training under JOBS, officials told us they have found that approach unsuccessful in moving recipients into work and self-sufficiency and that they, too, have embraced the “work first” approach. While encouraging recipients to find jobs as quickly as possible, however, Santa Clara officials said they have continued to emphasize the importance of education. They estimated that about 25 percent of the county’s recipients are able to find jobs with a livable wage, but as many as 75 percent will need to combine work with further training to obtain the skills necessary to move toward self-sufficiency. In Louisiana, officials told us that they have not adopted a “work first” approach because a large percentage of

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<sup>18</sup>See *Welfare to Work: Most AFDC Training Programs Not Emphasizing Job Placement* (GAO/HEHS-95-113, May 19, 1995) and *Welfare Reform: Three States’ Approaches Show Promise of Increasing Work Participation* (GAO/HEHS-97-80, May 30, 1997).

<sup>19</sup>For further discussion of the characteristics of a “work first” approach, see Amy Brown, *Work First: How to Implement an Employment-Focused Approach to Welfare Reform* (New York: Manpower Demonstration Research Corporation, Mar. 1997).

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their caseload has very low education and skill levels and is not job-ready.<sup>20</sup>

**Activities That Count Toward  
Participation Have Been  
Restricted**

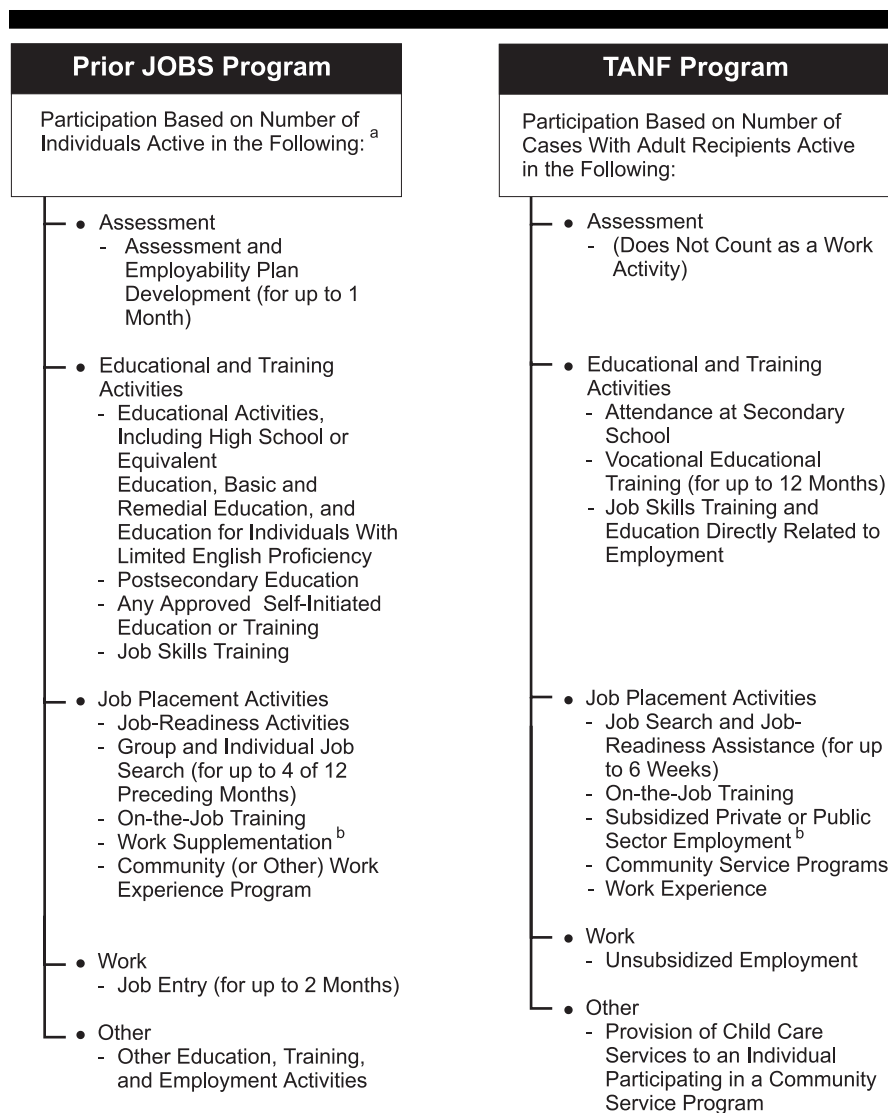
The increased emphasis on employment is reflected in the new federal law's list of activities that count toward minimum mandated participation rates—a more restricted list than that allowed previously under JOBS (see fig. 2.1). For example, under JOBS, families could participate in job readiness and education-oriented activities indefinitely, with few restrictions. Under TANF, however, job readiness activities may count for no more than 6 weeks per recipient; vocational educational training cannot count for more than 12 months for any individual; and education other than high school or its equivalent counts only if it is directly related to employment. In addition, not more than 30 percent of the number of individuals counted as engaged in work may be in vocational education or attending school as teen parents.

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<sup>20</sup>As part of a multiyear evaluation of the effectiveness of different welfare-to-work strategies, the federal government recently issued a study of three sites that simultaneously operated two different programs: a "labor force attachment" program, which emphasized placing people in jobs quickly, and a "human capital development" program, which emphasized education and training as a precursor to employment. The study found that while both programs increased individuals' 2-year cumulative employment and earnings, the labor force attachment program had larger impacts within this time period. See U.S. Departments of Health and Human Services and Education, Evaluating Two Welfare-to-Work Program Approaches: Two-Year Findings on the Labor Force Attachment and Human Capital Development Programs in Three Sites, National Evaluation of Welfare-to-Work Strategies (Washington, D.C.: U.S. Departments of Health and Human Services and Education, Dec. 1997).

**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

**Figure 2.1: Work Activities Under JOBS and Under TANF**



<sup>a</sup>Although states were required to provide job development and job placement services, participation in these activities did not count toward states' participation rates. Also, unsubsidized employment was generally not considered part of the JOBS program, which exempted those working 30 hours or more a week from participating.

<sup>b</sup>"Work supplementation" under JOBS provided for subsidized employment activities.

Source: Family Support Act of 1988 (P.L. 100-485, sec. 482[d] through [g]) and 42 U.S.C. sec. 607.

Federal law also specifies the minimum number of hours families must participate to count toward the mandated rates. The adult recipient in a single-parent family must participate in countable activities an average of at least 20 hours a week (escalating to 25 hours in 1999, and to 30 hours in 2000 and thereafter). Adult recipients in a two-parent family must participate for a combined total of at least 35 hours a week.<sup>21</sup> Under JOBS, participation was based on the average monthly number of individuals whose combined and averaged hours exceeded 20 hours per week. (For preliminary rates achieved using the new federal criteria for participation, see ch. 4.)

#### Assignment to Job Placement Activities Has Increased

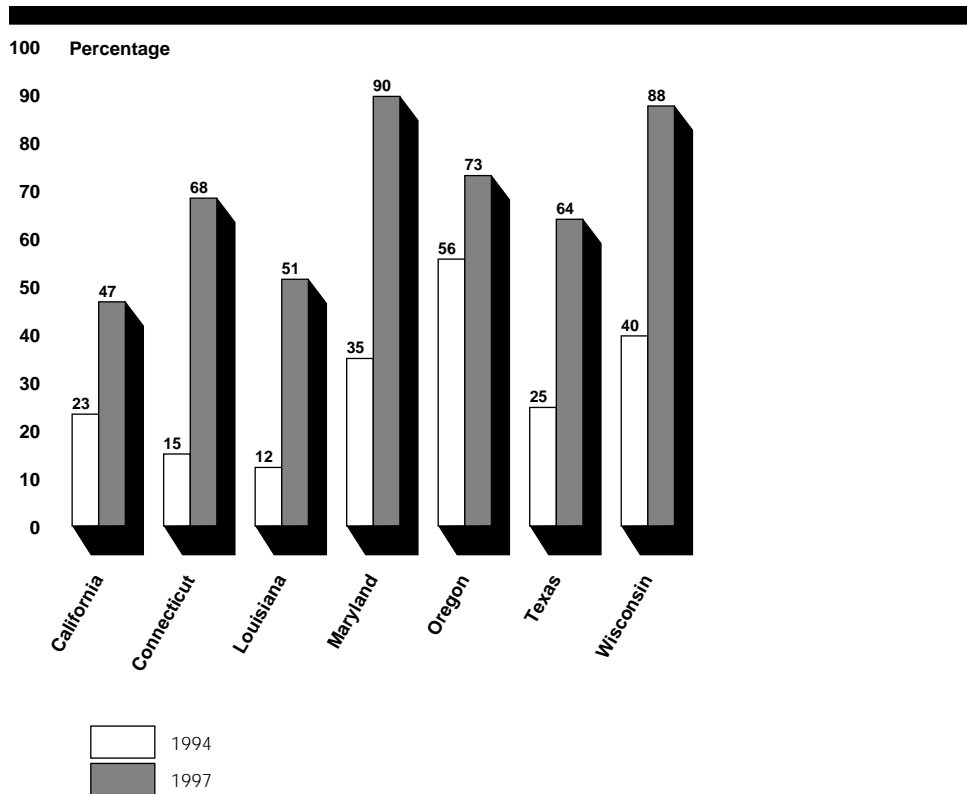
Consistent with the increased emphasis on employment in the new federal law, most states have adopted restrictions on the criteria for assigning recipients to training and education activities and the length of time such activities can be assigned. Available 1994 data from the previous JOBS program compared with more recent data under TANF indicate that assignment to job placement activities has increased while assignment to education and training activities, including vocational education, has decreased in most states. While these data reflect various months and may not be comparable across states, they provide a rough indication of the shift taking place within each state. Among our seven case study states, this shift is best exemplified by Connecticut and Louisiana, where the percentage assigned to job placement activities increased more than fourfold between 1994 and 1997, not including those who found unsubsidized jobs (see fig. 2.2). The shift is least apparent in Oregon, which had begun implementing reforms in 1992 and already had a large percentage of recipients assigned to job placement activities in the base year, and in California, which had not yet implemented its reform program but nevertheless doubled the percentage assigned to job placement by 1997.

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<sup>21</sup>Generally, to receive federally funded child care assistance under TANF, two-parent families must participate for a combined total of at least 55 hours a week.



**Figure 2.2: Percentage of Active Participants Assigned to Job Placement Activities in Seven States Before and After Federal Reform**



Note: "Job placement" activities include job search, job readiness, job development, community service, work experience, subsidized employment, and on-the-job training but not unsubsidized employment. Data on participation cover various time periods and may not be comparable across states but can provide a rough indication of the changes over time within each state.

Sources: The 1994 data are from Committee on Ways and Means, U.S. House of Representatives, 1996 Green Book (Washington, D.C.: U.S. Government Printing Office, Nov. 4, 1996), Table 8-7: Average Monthly Percentage of JOBS Participants by State and Component, Fiscal Year 1994, pp. 420-21. The 1997 data, obtained from the states, are for the following time periods: California (June 1997), Connecticut (Sept. 1997), Louisiana (Aug. 1997), Maryland (Apr. to Sept. 1997), Oregon (July to Sept. 1997), Texas (Sept. 1996 to Aug. 1997), and Wisconsin (Jan. to Dec. 1997).

**Types of Job Placement Activities Vary Among States**

All states had increased the percentage of active participants assigned to job placement activities as compared with education and training activities, although the types of work-related activities assigned those not working in unsubsidized jobs varied greatly among our case study states (see table 2.1). For example, in 1997, all states except Louisiana had assigned more than a quarter of their active participants to job search and job readiness activities. In Maryland, Oregon, Texas, and Wisconsin, over

**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

half the active participants not in unsubsidized jobs had been assigned to such activities.

**Table 2.1: Percentage of Active Participants Assigned to Various Work-Related Activities in Seven States Before and After Federal Reform**

Year	Calif.	Conn.	La.	Md.	Oreg.	Tex.	Wis.
<b>Education and training activities<sup>a</sup></b>							
1994	76.7	85.0	87.8	65.1	44.4	75.3	60.4
1997	53.3	31.7	48.6	10.5	27.5	36.1	12.5
<b>Job placement activities<sup>b</sup></b>							
<b>Job search, readiness, and development</b>							
1994	15.6	11.0	7.8	33.8	55.2	24.2	29.0
1997	28.6	45.4	11.5	56.3	59.0	50.4	61.5
<b>Community service and work experience<sup>c</sup></b>							
1994	6.3	1.1	4.3	0	0 <sup>d</sup>	0	6.7
1997	15.4	22.7	39.3	31.3	5.3	12.8	25.0
<b>Subsidized employment</b>							
1994	0	0	0	0.7	0.2	0	3.2
1997	1.4	0	0.5	1.9	7.9	0	0.8
<b>On-the-job training</b>							
1994	1.4	2.9	0.1	0.3	0.2	0.5	0.7
1997	1.3	0.3	0.1	0	0.3	0.7	0.3

<sup>a</sup>Education and training activities include high school or its equivalent, English as a second language, higher education, and vocational and job skills training.

<sup>b</sup>Job placement activities do not include program entry, assessment, counseling, job entry, or unsubsidized employment.

<sup>c</sup>Under JOBS, states could operate a community work experience program to provide work experience and training to recipients in projects serving a useful public purpose in fields such as health, education, and public safety. Under TANF, both "work experience, if sufficient private sector employment is not available" and "community service programs" are included in the list of countable work activities. Since no further definitions of these activities have been provided and the distinction is unclear, we combined these categories.

<sup>d</sup>While this sample of the 1994 data reported to HHS included no recipients participating in community work experience, Oregon officials estimated that 2 to 5 percent of active participants had participated in community work experience sometime in 1994.

Sources: Data for 1994 are based on state reports to HHS on the average monthly number of participants, as summarized in Committee on Ways and Means, *1996 Green Book*, Nov. 4, 1996. Data for 1997 were provided by states and represent various reporting periods, ranging from 1 month (California, Connecticut, and Louisiana), to 3 months (Oregon), to 6 months (Maryland), to an entire year (Texas and Wisconsin). Shorter periods were preferable to avoid doublecounting across months. Data on participation cover various time periods and may not be comparable across states but can provide a rough indication of the shift taking place within each state. Data represent those actively participating, but they may not be participating to the extent necessary to count toward the states' minimum mandated participation rates. See ch. 4 for data on preliminary rates achieved using the new federal criteria for participation.

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**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

---

In addition, Connecticut, Louisiana, and Maryland had assigned a significant proportion of participants to community service and work experience placements. According to a Louisiana official, many participants were being shifted from education and training activities to community work experience because of TANF provisions that limit the extent to which recipient participation in education and training activities can be counted toward meeting the state's mandated participation rate. Louisiana officials told us that many of their recipients need remedial training before they can be assigned to vocational education programs, however, and voiced concerns about the limitations TANF places on counting recipients assigned to these activities. In contrast, other states placing fewer recipients in community service activities told us they viewed such placements as a last resort, useful only to provide recipients with little or no work history the necessary experience to obtain an unsubsidized job, or to comply with a state requirement to use such placements once a certain length of time had elapsed without finding a job.<sup>22</sup>

Offering subsidies to employers who hire and pay wages to recipients or who provide on-the-job training is one option states can use to help create job opportunities and move recipients into work when more training is needed.<sup>23</sup> In the past, however, such programs have been criticized for subsidizing jobs for participants who could have been hired into unsubsidized jobs. While 37 states indicated in their TANF plans as of November 1997 that they would provide employer subsidies, we found such subsidized employment placements were not widely used. Among our five case study states with subsidized employment programs (California, Maryland, Oregon, Texas, and Wisconsin),<sup>24</sup> state officials told

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<sup>22</sup>Use of community service placements as a last resort is also reflected by the fact that most states chose to opt out of a TANF provision allowing states to assign nonexempt adult recipients to community service after receiving 2 months of cash assistance if they were not otherwise participating in work activities. As of November 1997, 49 of the 54 states and territories had decided not to implement such a provision, including all of our case study states. Only Massachusetts, Michigan, New Mexico, South Dakota, and Guam had opted to implement the provision. (See National Governors' Association Center for Best Practices, Summary of Selected Elements of State Plans for Temporary Assistance for Needy Families, as of November 20, 1997 [Washington, D.C.: National Governors' Association, Nov. 20, 1997], p. 3.) However, some states have implemented their own requirements. For example, in California, once new applicants have received assistance for 18 months—or, once ongoing recipients have received assistance for 24 months after entering the welfare-to-work program—and have not found unsubsidized employment, they must be assigned to community service.

<sup>23</sup>Subsidized employment programs use TANF cash assistance payments, and sometimes cashed-out food stamps, to develop and subsidize jobs as an alternative to providing monthly cash assistance payments to participants. On-the-job training programs reimburse employers for providing training and additional supervision to participants.

<sup>24</sup>See National Governors' Association Center for Best Practices, Summary of Selected Elements of State Plans for TANF, Nov. 20, 1997.

us widespread use of such placements is generally not encouraged because they are expensive and often difficult to negotiate with employers. Maryland had implemented only a small pilot project using subsidized employment in the city of Baltimore, while Texas had implemented a project only in the Corpus Christi area. According to Texas officials, an evaluation of the Corpus Christi project will be completed before the project is expanded to other areas. Oregon had used subsidized employment placements most frequently but, even so, had assigned less than 10 percent of its participants to this activity in 1997.

To the extent that such placements are used, job developers generally screen recipients carefully and attempt to secure positions that are likely to result in the recipient's being hired to an unsubsidized position. For example, Oregon's "JOBS Plus" program subsidizes employers to hire recipients who lack job skills and experience, but it is a relatively small part of Oregon's welfare-to-work program. Job developers prescreen recipients before referring them for specific openings; nevertheless, only about half the placements result in unsubsidized jobs, and few big companies are willing to participate in the program. Similarly, Wisconsin's "Trial Jobs" component is designed for certain clients who lack sufficient work experience to be able to move directly to unsubsidized employment. Trial Jobs reimburses employers up to \$300 per month to offset some of the initial costs of new employee training and supervision. Such on-the-job training placements are made for up to 3 months, with a possible 3-month extension in some circumstances, and are expected to result in unsubsidized employment.

### Few States Are Opting to Exceed Minimum Hourly Requirements

At least initially, most states adopted the federal minimum standard of 20 hours of participation per week for most recipients in single-parent families, and 35 hours of participation for two-parent families. However, a few states have used the flexibility under TANF to increase the number of hours recipients in single-parent families are required to participate to better reflect hours comparable to full-time employment. For example, in Wisconsin, program requirements call for adult recipients to be assigned up to 40 hours of activities per week, and families receive grant amounts that are prorated by applying a sanction for hours missed without good cause multiplied by the federal minimum wage. In Oregon, the goal is to require 40 hours per week for every adult recipient, but those in certain situations are sometimes allowed to do less. California requires its counties to increase the number of hours of participation per week from 20 to 32 by July 1999, or sooner at county option. Among the three counties we visited, only Fresno had opted to require 32 hours

immediately. As discussed further in chapter 4, some state officials noted that tracking actual hours of participation in the various activities has created a huge increase in workload for staff.

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## More Recipients Are Being Required to Participate

Under states' welfare reform programs, a higher percentage of adult recipients are being required to participate in work activities and find jobs. Before reform, parents or caretaker recipients caring for a child under age 3 (or under age 1, at state option), along with those living in remote areas or with mental or physical impairments, were generally not required to participate in JOBS. Now, many states' reform programs have lowered the age-of-youngest-child exemption to 1 year or even younger<sup>25</sup> and require other traditionally exempt recipients to address their barriers, engage in work activities, and look for jobs.

The new federal reform law generally allows states to exempt whomever they choose from participating in their welfare-to-work programs.<sup>26</sup> However, virtually all adult recipients except for single custodial parents caring for a child under 1 year of age are to be included in the calculation of the state's participation rate.<sup>27</sup> As a result, the extent to which states exempt recipients for other reasons could affect states' ability to meet prescribed minimum participation rates and avoid financial penalties. Nevertheless, nearly all states are continuing to provide exemptions from participation requirements under some circumstances. In a shift away from blanket exemptions of broad categories of recipients, however, about half the states are making such determinations on a case-by-case basis or

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<sup>25</sup>Before federal reform, 11 states had adopted waivers requiring at least part-time participation before the youngest child reached the age of 1 year (see HHS, Setting the Baseline: A Report on State Welfare Waivers [Washington, D.C.: HHS, June 1997]). Under TANF, 19 states have adopted such provisions, with 5 of these states allowing no exemption based on the age of the youngest child (see L. Jerome Gallagher and others, One Year After Federal Welfare Reform, May 1998, p. V-3).

<sup>26</sup>TANF specifies only one mandatory basis for exemption: a state may not reduce or terminate assistance on the basis of a refusal of an individual to work if the individual is a single custodial parent caring for a child who is under 6 years old and needed child care within a reasonable distance by a suitable informal, or affordable formal, provider is unavailable.

<sup>27</sup>Also not included in the calculation of the state's participation rate are families with adult recipients being sanctioned for nonparticipation for up to 3 months within a 12-month period. However, single custodial parents caring for a child under 1 year of age may only be omitted from the calculation of a state's participation rate for a cumulative lifetime total of 12 months. Thus, parents who have a subsequent child while on assistance may be included in the calculation even though they may be exempt from the state's participation requirements. (See L. Jerome Gallagher and others, One Year After Federal Welfare Reform, May 1998, pp. V-1 and V-2.) In addition, proposed regulations issued in November 1997 indicate that states may be required to include cases that are exempt because of waiver provisions in the calculation of their participation rates, except research cases being studied as part of an evaluation.

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**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

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describing exemptions as deferrals, delays, or temporary exclusions that will end with resolution of the problem.

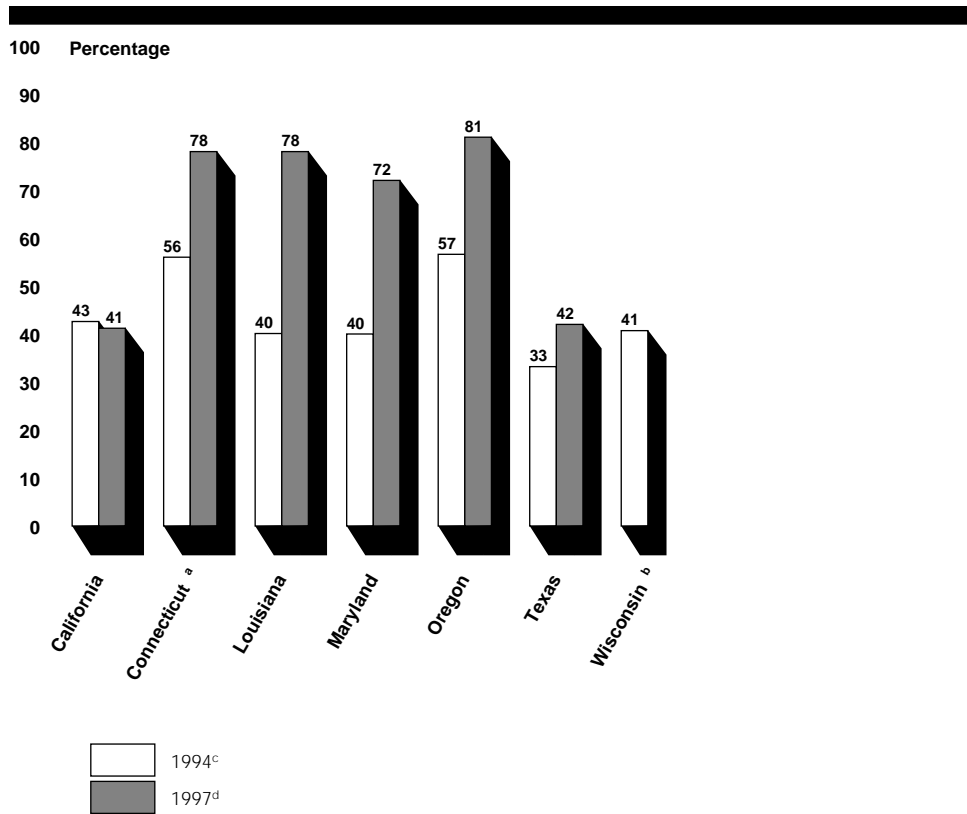
Among our seven case study states, the percentage of adult recipients required to participate in work activities increased from an average of 44.2 percent in 1994 to 64.8 percent in 1997 (see fig. 2.3). Percentages were highest in states such as Connecticut, Maryland, and Oregon, where expanded participation requirements had been implemented previously under waivers. Percentages were lowest in states such as California, where the state's welfare reform program had not yet been implemented, and Texas, where the age-of-youngest-child exemption is higher than in most other states.<sup>28</sup>

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<sup>28</sup>Before September 1997, Texas would exempt adult recipients caring for a child under age 5; since September 1997, the age-of-youngest-child exemption has been lowered to age 4 but is still among the highest in the nation.

**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

**Figure 2.3: Percentage of Adult Recipients Required to Participate in Seven States Before and After Federal Reform**



Note: Data represent those required to participate but not necessarily actively participating or participating to the extent necessary to count toward the states' minimum mandated participation rates. For data on preliminary rates achieved using the new federal criteria for participation, see ch. 4.

<sup>a</sup>Connecticut provided estimated data for 1997 that are based on the percentage of cases subject to time limits.

<sup>b</sup>In March 1996, Wisconsin began implementing a waiver that required increased participation and provided cash assistance that was based on hours of participation. In June 1997, the JOBS exemption policy was expanded to "universal participation," requiring referral of all adult recipients to Wisconsin's welfare-to-work program under TANF. However, those caring for a child under 12 weeks old are referred only as volunteers, and good cause exemptions continue to be granted on a case-by-case basis. No 1997 data on the percentage of adult recipients exempted on these bases were available.

<sup>c</sup>1994 data are based on the percentage of total adult recipients designated "JOBS Mandatory" (Committee on Ways and Means, 1996 *Green Book*, Nov. 4, 1996, Table 8-9: JOBS Participation by State, Fiscal Year 1994, pp. 425-27).

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**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

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<sup>d</sup>1997 data were obtained from the states and are based on the percentage of total adult recipients required to participate (or designated "nonexempt"). Data are for the following time periods in 1997: April to June (California), September (Texas), October (Connecticut, Louisiana, and Oregon), and December (Maryland).

Some case study states are requiring recipients with significant barriers to participate but are allowing a broader range of activities and fewer hours of participation than specified under TANF. For example, in California, Oregon, and Wisconsin, program rules allow recipients with a mental health or substance abuse problem to be assigned initially to treatment or counseling programs, and those with very young children to be assigned fewer than 20 hours of participation per week. In California, as long as such recipients comply with their assigned requirements, they are eligible to continue to receive assistance under TANF up to the 5-year time limit, but they are not counted when determining the state's participation rate. In Oregon, proposed rules would allow such recipients to receive assistance under TANF as well as count toward the participation rate because of the state's waiver, which will not expire until the year 2002. During the last quarter of fiscal year 1997, Oregon reported 22 percent of its participants had been assigned to drug, alcohol, mental health, or other counseling programs.

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**Participation Is Expected**  
**Sooner**

Under states' welfare reform programs, participation requirements are being imposed sooner than under JOBS, with many states requiring participation in job search activities immediately upon application for assistance. Before reform, recipients could wait months—or even years—before being required to participate, and many never were required to participate because of the lack of sufficient services and staff.<sup>29</sup> Now, in many states, new program rules call for applicants to be assigned to job search and placement activities as soon as they walk through the door and are initially screened as potential recipients. As a result, some find jobs and are diverted from receiving monthly cash assistance, as discussed later in this chapter.

The new federal reform law specifies that states must require recipients to engage in work activities either when the state determines they are ready to do so or after 24 months of assistance, whichever occurs earlier. According to TANF plans submitted nationwide, as of November 1997, 33 states had adopted the 24-month federal maximum, while 21 indicated that they would require recipients to engage in work activities sooner—including 11 states that require recipients to participate

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<sup>29</sup>See GAO/HEHS-95-28, Dec. 19, 1994, pp. 5-8.



immediately upon application.<sup>30</sup> Two of our seven case study states have adopted the 24-month federal maximum (Louisiana and Maryland), and five require recipients to participate immediately if they are not exempt (California, Connecticut, Oregon, Texas, and Wisconsin). For example, Texas implemented a policy in December 1997 requiring most applicants to attend workforce orientation sessions as a condition of completing the application process. Nonexempt recipients are required to participate in follow-up employment sessions and job readiness and job search activities. California's plan also calls for all nonexempt recipients to be assigned immediately to job search activities.

Even in the two case study states that do not impose immediate requirements according to their state plans, program officials indicated the states are requiring nonexempt recipients to engage in work activities as soon as possible. For example, Maryland state officials told us their program requires individuals to engage in work activities from the moment they come in contact with the local welfare departments. In Louisiana, officials told us that case managers assess recipients' skills and assign them to a work activity as soon as possible.

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### **Stronger Sanctions for Nonparticipation Are Being Imposed**

Many states' welfare reform programs call for imposing stronger sanctions on recipients who fail to participate in their assigned activities than the sanctions that were allowed before reform. Under JOBS, if a recipient failed to comply with work requirements without good cause, grants could be reduced only by the amount attributable to the noncomplying recipient, and conciliation processes were required to try to secure cooperation before the sanction could be imposed.<sup>31</sup> Now, in many states, program rules call for terminating the entire family's grant, and conciliation processes have been streamlined or, in some cases, eliminated.

The new federal reform law stipulates that if an adult recipient refuses to engage in work activities as assigned, the state must, at a minimum, reduce the family's grant by an amount prorated on the basis of the individual's failure to participate; the state may opt to reduce the grant

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<sup>30</sup>See National Governors' Association Center for Best Practices, Summary of Selected Elements of State Plans for TANF, Nov. 20, 1997, p. 3.

<sup>31</sup>Under JOBS, states were required to establish a conciliation procedure for the resolution of disputes involving an individual's participation in the program, including an opportunity for a hearing, before taking any action to suspend, reduce, discontinue, or terminate grants. This is different from a state's administrative or appeal process, which is still required under the new law and which takes place after the administrative action, or sanction, is imposed.

more, up to and including terminating the entire family's grant.<sup>32</sup> Under waivers prior to federal reform, 26 states had implemented provisions to terminate the entire family's grant for failure to participate, commonly referred to as "full family sanctions."<sup>33</sup> According to a summary of state plans compiled by the Urban Institute, a total of 36 states have adopted such provisions under TANF.<sup>34</sup> However, many states have maintained their conciliation processes even though they are no longer required.

Five of our seven case study states have adopted full family sanctions: Connecticut, Louisiana, Maryland, Oregon, and Wisconsin. Because Louisiana had only implemented its policy in March 1998, calling for a partial sanction for 3 months followed by a full-family sanction for continued failure to comply, no Louisiana families had received a full-family sanction at the time of our review. In the remaining four states, full-family sanctions had been adopted previously under waivers and had been in effect for at least a year. In these states, we found the number of cases in which full-family sanctions were imposed for failure to comply with work requirements varied widely but that the number never exceeded 1 percent of each state's total caseload per month (see table 2.2). Nationwide data on full-family sanctions imposed under TANF have not yet been issued by HHS and may differ significantly from the experiences of these states.

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<sup>32</sup>The law also allows states to terminate Medicaid coverage for an adult head-of-household for refusing to work; however, the law requires a Medicaid sanction to be lifted once the recipient begins complying with the state's rules and does not permit states to terminate Medicaid benefits for pregnant women, infants, or children who are not a head-of-household. Further, the law allows states to reduce a household's food stamp allotment by up to 25 percent for failure to comply with program requirements under TANF, or more at state option, consistent with the state's TANF provisions.

<sup>33</sup>See *Welfare Reform: States' Early Experiences With Benefit Termination* (GAO/HEHS-97-74, May 15, 1997), p. 29.

<sup>34</sup>See L. Jerome Gallagher and others, *One Year After Federal Welfare Reform*, May 1998, pp. V-7 and V-8.

**Chapter 2  
States' Policies Are Shifting Emphasis From  
Entitlement to Self-Sufficiency**

**Table 2.2: Full-Family Sanctions Imposed for Failure to Comply With Work Requirements in Four States**

State	Full-family sanctions imposed during first 9 months of implementation		
	Average number imposed per month	Full-family sanctions as percentage of average monthly caseload <sup>a</sup>	Months covered
Connecticut	9	< 0.1	Jan. 1996-Sept. 1996
Maryland	174	0.3	Oct. 1996-June 1997
Oregon	13	< 0.1	July 1996-Mar. 1997
Wisconsin	550 <sup>b</sup>	0.9	Mar. 1996-Nov. 1996

<sup>a</sup>Data calculated using fiscal year 1996 average monthly caseloads, as reported in HHS, Characteristics and Financial Circumstances of AFDC Recipients, FY 1996, Apr. 1997, or using caseload data provided by the state.

<sup>b</sup>Based on cases receiving no cash assistance for at least 1 month and not open as of December 31, 1996.

The structure of states' sanction and conciliation policies varies. For example, Wisconsin's policy requires providing cash assistance prorated by applying a sanction for hours missed without good cause, multiplied by the federal minimum wage, and the conciliation process has been eliminated. When initially implemented in March 1996, the policy also required providing no cash assistance if families' participation fell below 25 percent of scheduled hours. After initial implementation, a relatively high number of Wisconsin families received no cash assistance as a result of sanctions, in part, because no effort was made to contact the families and resolve any barriers to participation before denying assistance. Effective June 1997, Wisconsin eliminated the portion of its policy that required providing no cash assistance to families when participation fell below 25 percent of scheduled hours without good cause, and the number of full-family sanctions imposed has dropped significantly. In October 1997, 220 Wisconsin families received no cash assistance as a result of sanctions, compared with an average of about 550 per month during initial implementation. Wisconsin officials told us they believe their policy of reducing grants on a prorated basis for work hours assigned and not performed and eliminating the conciliation process before imposing sanctions work well as motivators that mirror the real world.

In contrast, county officials in Maryland told us their rigorous conciliation processes resulted in fewer terminations of families' grants, and Oregon officials told us they had terminated very few grants for the same reason.

While the threat of grant termination served as a motivator to some extent, welfare office workers in these states said that conciliation processes take the teeth out of sanctions if they provide families an opportunity to keep their grants simply by agreeing to cooperate. Workers said they hoped their conciliation processes would be changed to shorten the process and to prevent recipients from “gaming the system” by agreeing to cooperate and then failing to do so.

In Connecticut, relatively few families had their grants terminated after initial implementation, primarily because of the state’s program structure of graduated sanctions. While only 83 families received full-family sanctions during the first 9 months of implementation, 377 families received full-family sanctions over the next 3 months. However, more recent sanction data indicate that the number of sanctions may be subsiding now that the program has been fully implemented. In May 1997, only three cases received full-family sanctions, compared with an average of as many as 126 a month earlier in the implementation process. The early peak in the number of sanctions most likely reflects the conversion of the state’s existing caseload to the new program rules, as well as initial doubts among both recipients and caseworkers that grants actually would be cut off.

In imposing full-family sanctions, on the one hand, state officials maintain that if families are experiencing hardship caused by the loss of cash assistance, all they have to do is cooperate to have their grant reinstated. On the other hand, states have usually taken steps to address concerns raised by welfare advocacy groups about the well-being of children in families whose entire grant has been terminated for noncooperation. For example, states have generally adopted safeguards to ensure that families fully understand the implications of their actions, that services are available to help them participate, and that exemptions may be provided under certain circumstances. To ensure the children are not at risk of placement in foster care if grants are terminated, some states, such as Oregon, require a home visit before terminating a family’s grant for noncooperation and may continue to pay rent and utilities directly on behalf of a family to prevent destitution.

In other states, including three of our case study states, such concerns have resulted in continuing with only a partial reduction in grant amounts for noncooperation instead of imposing full-family sanctions. All three of these states nevertheless strengthened their sanction processes in other ways. For example, both Louisiana and Texas eliminated conciliation.

California shortened its conciliation process and required assistance to be provided as vouchers for rent and utilities for those families sanctioned for more than 3 months. In California's San Bernardino County, families accepting a reduced grant rather than attempting to participate were automatically referred to the fraud unit for investigation of possible unreported sources of income.<sup>35</sup> Despite these changes, officials we spoke with were skeptical about whether reduced grants alone would be a sufficient motivator for recipients to participate and were concerned that their inability to terminate such cases might affect their state's ability to meet minimum mandated participation rates over time. Because of the way participation rates are calculated, states can achieve higher rates by closing cases of families who fail to comply with work requirements for more than 3 months.<sup>36</sup>

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## States Have Modified Policies to Encourage Self-Sufficiency

States' reform programs have generally included various policy changes to reinforce the expectation that recipients will move from welfare to work and that welfare should be temporary, not a way of life. By changing policies on the calculation of cash assistance payments and the provision of support services, many states are attempting to ensure that "work pays"—that is, that recipients who find jobs are better off financially than recipients who do not find jobs. In addition, states have taken steps to limit the time cash assistance can be received—most states have chosen limits consistent with the new law, but some have shorter limits than the federally mandated 5-year lifetime limit. Many states have also adopted various extension and exemption policies as a safety net for families reaching these limits, at least under some circumstances. Finally, while making policy changes to help make work pay and cash assistance temporary, few states have opted to use their increased flexibility under TANF to restrict eligibility for certain groups or to lower grant levels. In fact, several states have expanded eligibility by simplifying income standards and liberalizing the criteria for two-parent families.

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## Incentives to Make Work Pay Are Being Increased

Making work pay involves the interaction of many factors, including grant levels, the impact of earned income on cash assistance, the availability of

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<sup>35</sup>Between January and March 1996, 60 such cases were referred for investigation on this basis. Investigators found fraud in 13, or about 22 percent, according to the head investigator. In all but one case, the finding of fraud was based on an inability to locate the families. The families no longer lived at their reported addresses but were using the addresses as mail drops and continuing to cash the checks.

<sup>36</sup>Under TANF, after a family has been sanctioned for 3 months, if it continues to receive partial grants, it must be counted in the denominator in the calculation of the state's participation rate. As the number of such families accumulates, it becomes increasingly difficult for the state to meet its mandated participation rate and avoid financial penalties. Thus, if such cases cannot be terminated, caseworkers are under pressure to find ways to motivate these families to participate.

support services, the earned income tax credit, and child support. Under the prior system, these factors could interact in such a way that families were financially better off on welfare than working at a low-wage job, and families already on welfare had few incentives to work.<sup>37</sup> As a result, reforms to increase incentives for families to choose work over welfare were among the first reforms that states began making under waivers. Under TANF, states are provided broad discretion in defining policies to help make work pay, such as determining how to calculate payment amounts and grant levels and whether to provide services to those not receiving monthly cash assistance.

To be eligible for assistance, families must have income and resources below certain limits defined by the states and referred to as income standards.<sup>38</sup> In determining a family's eligibility and calculating the amount of the cash assistance payment, allowances can be made for certain assets, such as a home or a car, and if a family member is employed, a portion of earned income can be excluded, or "disregarded," in the calculation.<sup>39</sup>

Under AFDC, the limits on a family's earnings, savings, and other assets were widely viewed as too low, creating a barrier to families' attempts to move toward self-reliance. For working families with incomes low enough to still qualify for assistance, after 12 months the AFDC grant would be reduced dollar for dollar for earnings, except for a \$90 monthly allowance for work expenses. As a result, to help families prepare for a future without monthly assistance payments, and as part of a general move to "make work pay," many states adopted waivers to increase their asset limits and change their "earnings disregard" policies to allow families to

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<sup>37</sup>See discussion in Mary Jo Bane and David T. Ellwood, *Welfare Realities: From Rhetoric to Reform* (Cambridge, Mass.: Harvard University Press, 1994), pp. 144-54.

<sup>38</sup>Under prior law, families were required to pass both a gross income test and a net income test. Gross income could not exceed 185 percent of the state's need standard, which was based on the amount of income each state determined as essential for a minimal standard of living for a particular family size. Net income could not exceed 100 percent of the state's need standard or the state's maximum grant level (which was generally less than the need standard). Under states' reform programs, several states have changed or eliminated the gross income test used to determine eligibility. For example, two of our case study states—Connecticut and Maryland—no longer employ any gross income test for determining eligibility. Other states, such as California, have increased the needs standard. In Wisconsin, families must meet a gross income limit of 115 percent of the poverty level to be eligible for assistance; if eligible on the basis of this gross income test, grant levels are not reduced as a result of receiving other income.

<sup>39</sup>In addition, some states have changed how income is counted toward this limit. For example, Maryland has opted to no longer count the income of a step-parent that falls below 50 percent of the poverty level in determining the eligibility of a two-parent family.

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**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

---

keep more of their grants when working, or to keep them longer.<sup>40</sup> According to states' TANF plans as of October 1997, 39 states had increased their countable asset limits, 48 states had increased their vehicle allowances, and 42 states had changed their earnings disregard policies, as compared with what was allowed under AFDC.<sup>41</sup> All our case study states have implemented changes to their asset limits, vehicle allowances, or earnings disregard policies to help make work pay (see table 2.3).<sup>42</sup>

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<sup>40</sup>Under waivers before federal reform, 25 states increased their countable asset limits, 32 states increased their vehicle allowances, and 31 states changed their AFDC earnings disregard policies, with some states disregarding all earned income up to the poverty line. See HHS, Setting the Baseline, June 1997.

<sup>41</sup>See L. Jerome Gallagher and others, One Year After Federal Welfare Reform, May 1998, pp. III-1 and VI-4.

<sup>42</sup>Changes in "earnings disregard" policies, such as increases in the amount of earnings disregarded in calculating the amount of cash assistance or extensions to the length of time such earnings are disregarded, raise new issues in the context of time-limited cash assistance. For example, while they may encourage some recipients to find jobs, they also make it possible for more families to continue to receive cash assistance after finding work, thereby slowing their exit from welfare. Moreover, some of these families may be receiving very small cash assistance payments yet continuing to use up some of their remaining months of eligibility for cash assistance. For further discussion, see Dan Bloom, After AFDC: Welfare-to-Work Choices and Challenges for States (New York: Manpower Demonstration Research Corporation, 1997), ch. 5.

**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

**Table 2.3: Asset Limits and Earnings Disregard Policies in Seven States**

<b>State</b>	<b>Countable asset limit</b>	<b>Vehicle value allowance</b>	<b>Individual development accounts</b>	<b>Monthly earned income disregard<sup>a</sup></b>
Calif. <sup>b</sup>	\$2,000 <sup>c</sup>	\$4,650	Yes	\$225 plus 50 percent of the remainder up to the minimum basic standard of adequate care <sup>d</sup>
Conn.	3,000	One vehicle	No	All earnings up to the poverty level until time limit reached
La. <sup>e</sup>	2,000	10,000	Yes	\$120; up to \$900 for the first 6 months of employment
Md.	2,000 <sup>f</sup>	One vehicle	No	26 percent up to the countable income limit
Oreg.	10,000 or 2,500 <sup>g</sup>	10,000	Yes	50 percent up to the countable income limit
Tex. <sup>h</sup>	2,000 <sup>i</sup>	4,650	No	Unchanged
Wis.	2,500	10,000	No	All income (except federally funded disregards) subject to the gross income limit of 115 percent of the poverty level, but disregarded in the calculation of the grants <sup>j</sup>
Prior limits under AFDC	1,000	1,500	No	\$90; \$30 plus 1/3 for the first 4 months, then \$30 for the next 8 months

(Table notes on next page)



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**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

---

<sup>a</sup>Disregards for child care expenses are not included.

<sup>b</sup>California's policies are provided under its new welfare reform law, enacted August 1997 and effective January 1998.

<sup>c</sup>The limit is \$3,000 for cases with a member aged 60 or older.

<sup>d</sup>California's minimum basic standard of adequate care is determined on the basis of the number of eligible people in the family, as adjusted to reflect regional variations in housing costs and changes in the cost of living.

<sup>e</sup>These policies were implemented in early 1998 as follows, according to Louisiana state officials: increase in asset limits and vehicle allowance effective March 1998; adoption of individual development accounts effective February 1998; and change to the earnings disregard policy effective January 1998.

<sup>f</sup>According to state officials, Maryland also allows each dependent child to save up to \$2,000 from earnings without counting it against the family's \$2,000 asset limit.

<sup>g</sup>\$10,000 is the limit for those participating satisfactorily in Oregon's welfare-to-work program; \$2,500 is the limit for those not participating.

<sup>h</sup>These policies became effective in Texas in October 1997, according to a state official. Texas' welfare waiver includes provisions for individual development accounts and "fill-the-gap" budgeting in four pilot counties but was not yet implemented at the time of our review. "Fill-the-gap" budgeting is a method of paying grants that allows working families to keep a greater portion of their grant as earnings increase up to the maximum grant level or, in some states, up to the need standard. Additionally, 1997 state legislation provided for the Texas Workforce Commission to establish individual development accounts for TANF recipients.

<sup>i</sup>The limit is \$3,000 for households with an elderly or disabled person, regardless of whether that person is in the assistance unit.

<sup>j</sup>Wisconsin state officials provided this information.

Source: L. Jerome Gallagher and others, One Year After Federal Welfare Reform, May 1998, pp. III-2, III-3, VI-5, and VI-6, except as otherwise noted.

**Under the new federal welfare reform law, states can also opt to allow recipients to establish individual development accounts to accumulate assets for further education, purchasing a home, or starting a business and not have these assets count in determining their eligibility for assistance. According to TANF plans as of October 1997, 22 states had opted to allow recipients to accumulate assets under restricted savings accounts of some type, including 3 of our 7 case study states: California, Louisiana, and Oregon (see table 2.3).<sup>43</sup> Texas also had plans to implement individual development accounts as authorized by 1997 state legislation.**

**In addition, by making support services available to families who are not receiving monthly cash assistance; by encouraging clients to take advantage of the earned-income tax credit; and, in a few instances, by**

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<sup>43</sup>See L. Jerome Gallagher and others, One Year After Federal Welfare Reform, May 1998, pp. III-1 through III-3.

adjusting grant levels, states are more able to ensure that the working poor are better off than those families relying on welfare and not working. For example, Oregon and Wisconsin provide child care services primarily on the basis of income, regardless of an individual's status as a welfare recipient or nonrecipient, and Oregon uses state funds to make income-based medical coverage available to low-wage workers who do not meet Medicaid eligibility criteria.<sup>44</sup> In states with policies to provide services on the basis of income rather than welfare status, families may no longer have an incentive to stay on welfare simply to gain better access to such services, and some families may be diverted from receiving monthly cash assistance, as discussed later in this chapter.

Also, when clients attend orientation sessions in some states, they are presented with charts to illustrate how they could be better off working for wages than they are receiving welfare grants—financially as well as psychologically. For example, in both Wisconsin and Oregon, a single mother with two children could expect to nearly double her monthly income if working at an unsubsidized job for 40 hours per week, as compared with receiving a cash assistance grant and not working (see fig. 2.4). According to a California welfare advocacy spokesperson, grant levels and income disregards were lowered, in part, to help ensure that the nonwelfare working poor would be better off than those on welfare.

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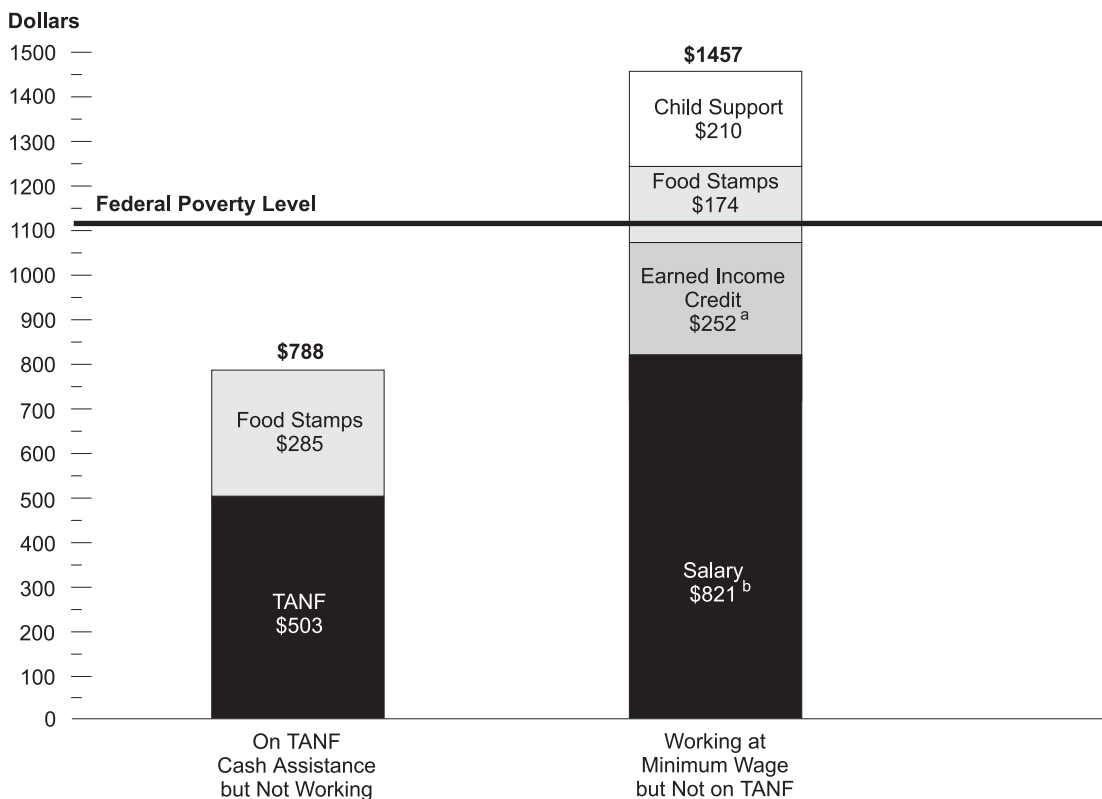
<sup>44</sup>Other states are also moving to establish income-based programs, making child care available to families regardless of welfare status. See [GAO/HEHS-98-27](#), Jan. 13, 1998, pp. 13-14.

**Figure 2.4: Making Work Pay in Oregon**

Signs on the doors of Portland, Oregon, welfare offices say: "A request for assistance in Oregon is a request for jobs services and services to help move to self-sufficiency." By making child-care and transportation assistance available and providing medical coverage through the Oregon Health Plan to low-wage families who do not qualify for Medicaid, case managers are able to help many applicants for assistance find jobs rather than become dependent on monthly cash assistance. To demonstrate that "work pays," clients are provided the following information on the financial implications of working versus receiving cash assistance:

**A Comparison of Net Monthly Income: Receiving Cash Assistance  
Versus Working (Family of Three)**

April 1998



Oregon also ensures that clients finding jobs exit welfare by setting a low income standard for TANF cash assistance. A three-person family with income above \$616 per month is ineligible for cash assistance.

<sup>a</sup>This figure includes the federal earned income tax credit, plus the state earned income, working family, and child care tax credits.

<sup>b</sup>This figure represents monthly gross wages for 40 hours of work per week at the Oregon minimum wage (\$6 an hour), minus taxes and the client's share of child care expenses.

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## Various Time Limits on Assistance Have Been Adopted

To promote the temporary nature of cash assistance and encourage families to move toward self-reliance, the new federal reform law prohibits states from using federal TANF funds to support families for more than 5 years. This time limit is cumulative, for life, for all adult recipients. However, states may continue to use federal funds to provide assistance for up to 20 percent of their caseloads beyond this 5-year limit if families are facing hardship and may continue to provide assistance for additional families using only state funds.<sup>45</sup> States' welfare reform programs generally include provisions to place time limits on assistance, but they often count months differently and provide different time frames and consequences for those families reaching the limits, compared with those required for claiming federal eligibility under the new law. Officials told us that tracking both state and federal time limits, especially across state lines, poses new and significant challenges for many states.

## Many States' Time Limits Include Safety Nets

States adopting time limits shorter than the federal 5-year maximum generally have also adopted policies to extend assistance under certain circumstances. In addition, some states provide for using state funds to extend assistance beyond the federal 5-year limit for more than the 20 percent of their caseload that can be exempted on the basis of hardship. As of October 1997, 30 states' TANF plans included a 5-year time limit on assistance for families, consistent with the federal law. However, nineteen states, including three of our case study states—Connecticut, Louisiana, and Oregon—had opted to impose shorter grant termination time limits on some families instead of (or, in the case of five states, in addition to) the 5-year limit for families.<sup>46</sup> As indicated in table 2.4, Connecticut, Louisiana and Oregon have adopted implementation policies to allow assistance to continue for families reaching the limits under certain circumstances.

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<sup>45</sup>States with time-limit waiver provisions inconsistent with the new federal law may continue to use TANF funds to support families consistent with their waiver provisions beyond the 5-year limit until their waivers expire. Under the proposed regulations, however, such states would not then be eligible for a reasonable cause exception to a penalty for failure to meet minimum work participation rate or time limit requirements.

<sup>46</sup>Among the remaining states, Iowa adopted individualized time limits; Michigan and Vermont have no time limit under state law; and four states plan to reduce, but not terminate, grants when families reach the 5-year time limit. See L. Jerome Gallagher and others, One Year After Federal Welfare Reform, May 1998, p. IV-3.

**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

**Table 2.4: Time-Limit Policies in Seven States**

<b>State</b>	<b>Date of implementation</b>	<b>Length of time limit</b>	<b>Effect on grants</b>	<b>Implementation policies</b>
Calif.	1/98	60 months	Grant reduction	Months do not count against the time limit if recipient is exempt.
Conn.	1/96 (under waiver)	21 months	Grant termination	6-month extensions are granted if recipient demonstrates "good faith" in complying with all work requirements but is unable to find employment.
La.	1/97	24 months during a 60-month period	Grant termination	Months do not count if recipient is disabled or incapacitated. Extensions may be granted if recipient is actively seeking employment, requires up to 1 year for completion of training that will lead to employment, or loses a job not as a result of performance or if factors relating to job availability are unfavorable. Hardship exemptions are also granted on the basis of individual circumstances.
Md.	1/97	60 months	Grant reduction <sup>a</sup>	Extensions are granted to families that include an individual who has been battered or subject to extreme cruelty, and to other populations to be determined.
Oreg.	7/95 (under waiver)	24 months during an 84-month period	Grant termination	Months do not count against the time limit if recipient is judged not employable, has not been given the opportunity to participate, is participating satisfactorily, or is caring for a sick family member (for up to 3 of the 24 months).
Tex.	1/97 (under waiver) <sup>b</sup>	12 months during a 72-month period; 24 months during an 84-month period; 36 months during a 96-month period	Grant reduction	Months do not count against the time limit if JOBS employment services are not available or if recipient has good cause for not participating. Extensions are granted for severe personal hardship, lack of support services, or living in area of high unemployment.
Wis.	9/97 <sup>c</sup>	60 months	Grant termination	Months do not count against the time limit for custodial parents of infants 12 weeks old or younger. <sup>d</sup> Extensions are granted on a case-by-case basis to families in unusual circumstances, such as when a member is unable to work because of personal disability or other significant limitations to employment, or when the local labor market precludes reasonable opportunity.

(Table notes on next page)

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**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

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<sup>a</sup>In Maryland, upon reaching the time limit, children continue to receive state-funded assistance in the form of vouchers.

<sup>b</sup>Time limit policies were implemented statewide in all Texas counties with JOBS programs, covering about 90 percent of the state's welfare recipients. These policies were initially implemented as a pilot in one county in June 1996 and expanded to five additional counties in September 1996, before going statewide in January 1997. Texas also has a 60-month grant termination time limit, with no extensions.

<sup>c</sup>While Wisconsin's time limit policy was implemented in September 1997, it provides for counting months retroactively to October 1996, excluding those months the recipient was an active JOBS participant.

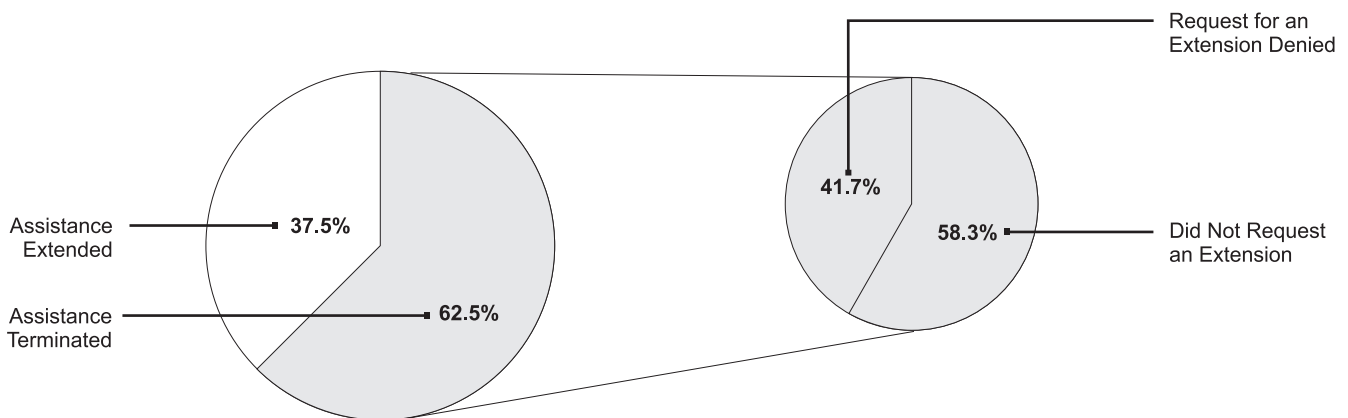
<sup>d</sup>Months do count if the 12-week-old or younger infant was born more than 10 months after the parent was first determined to be eligible for assistance and the child was not the result of sexual assault or incest.

Sources: National Governors' Association Center for Best Practices, Summary of Selected Elements of State Plans for TANF, Nov. 20, 1997; HHS, Setting the Baseline, June 1997; and documents provided by the states.

**Among the three case study states with shorter grant termination time limits, as of January 1998, families had begun reaching their time limits only in Connecticut, where program provisions call for terminating assistance after 21 months. Among families reaching their time limits, however, extensions were often granted (see fig. 2.5).**

**Figure 2.5: Reaching Time Limits in Connecticut**

Beginning in January 1996, families receiving welfare in Connecticut have been subject to a 21-month time limit on cash assistance.<sup>a</sup> Of the 2,667 families reaching their 21-month limit in December 1997, most had their assistance terminated, but over a third received extensions, as shown below:



Connecticut officials told us most of the families having their assistance terminated were employed and ready to exit welfare. Over half did not request extensions, and among those whose requests for extensions were denied, nearly all (over 97 percent) had earnings or other household income.

The vast majority of the extensions—about 94 percent—were granted because the families had demonstrated a good faith effort to comply with all work requirements. Extensions were granted to the remaining families on the basis of domestic violence, possible harm to the children, and circumstances beyond the families' control.

<sup>a</sup>This limit does not apply to those who are exempt from the time limit on the basis of age, disability, caring for a disabled relative, caring for a child under age 1, or being determined by the state to be unemployable.

Texas imposes both a 5-year grant termination time limit and shorter limits on some recipients, resulting in grant reductions. The shorter limits were implemented under waiver and call for imposing time limits of 12, 24, or 36 months, depending on the extent of the recipients' education and work experience. When these time limits are reached, the amount of assistance is reduced by the adult's portion of the grant, but assistance for the children continues. As of November 1997, no Texas families had reached their 5-year termination time limit, but 129 families were receiving reduced grants because they had reached the shorter limits.

Two of our case study states—California and Maryland—plan to provide state-funded assistance if the number of families reaching the federal 5-year time limit exceeds the 20 percent of state caseloads that can be exempted from the federal limit on the basis of hardship. In California, families reaching the federal 5-year limit, but not yet reaching the state's 5-year limit (which started later and counts months differently), will continue to receive full grants with state funds; families reaching the state's 5-year limit will continue to receive reduced grants for their minor children—again, with state funds. In Maryland, families reaching the federal 5-year limit will continue to receive state-funded assistance for their minor children through a third party or through vouchers.

### Tracking Time Limits Poses New Challenges

To enforce federal lifetime time limits and determine federal eligibility for a case, states are required to track the monthly receipt of assistance for individual cases indefinitely, including assistance that may have been received in other states. In addition, many states have adopted state-specific time limits differing from the federal limit regarding when the clock started, when a month counts toward the limit, and when the limit is reached. As a result, those states must track receipt of assistance against both a federal and a state clock, often using different criteria. States' automated information systems generally were not collecting all the data required to track cases against these federal and state limits, and upgrading their systems to do so poses significant new challenges for most states.

HHS reported in December 1997 that nearly two-thirds of states either are doing nothing to track cases against the federal 5-year limit or are still planning how to do so.<sup>47</sup> APWA reported that, while states are making progress toward automating the tracking for the federal 5-year time limit internally, this tracking requires states to make substantial modifications or replacements to information systems software and communications networks, and to increase data storage capacity, develop new applications, and improve transaction processing speed.

Among our case study states, Louisiana, Maryland, and Wisconsin had systems in place to track both federal and state time limits. In California, Connecticut, and Texas, systems were still under development. California officials said that programming their computer system to track both

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<sup>47</sup>The report, HHS, Report on Data Processing (Washington, D.C.: HHS, Dec. 1997), was based on a survey of states conducted by the National Governors' Association, APWA, National Association of State Information Resource Executives, and National Conference of State Legislatures. Although the survey was conducted in November and December 1996, HHS believes the survey's results continue to reflect the status of states' progress.



federal and state time limits will be challenging because of the different rules to be applied. The state is trying to implement a “statewide automated welfare system,” but this system is not expected to be up and running before 2002. Meanwhile, California is using data from its Medicaid information system to track which months, if any, a case receives TANF assistance. As of January 1998, Texas did not have the capability to track cases against the federal 5-year time limit and was awaiting guidance from HHS concerning implementation of inconsistent waiver provisions before developing a system. HHS had informed Texas that until the year 2002, when its waiver expires, only those recipients in counties that have been participating in the state’s JOBS program are subject to the federal time limit. But state officials said this gives recipients in non-JOBS counties no incentive to find work, and officials were uncertain about providing guidance to local offices on how time limits should be enforced pending final HHS regulations. Oregon’s data system has the capacity to track months on aid within the state, which it is doing for target populations under the new program; however, no effort is being made to apply this tracking to the time limit issue because, as a result of Oregon’s waiver, no cases are currently subject to the federal limit, and no cases are expected to reach the state limit because of the state’s sanction policy.<sup>48</sup>

States face even greater challenges in developing systems that will allow tracking receipt of assistance across state lines. Currently, there is no national computer system that tracks the receipt of assistance under TANF. While HHS has proposed various options, many issues about how best to design a system that can share or exchange information nationwide remain unresolved. Officials in some states, such as Maryland and Wisconsin, told us they are attempting to contact other states for information. Maryland workers are relying on telephone calls to other states to obtain this information, which is time-consuming and lacks any assurance of accuracy, while Wisconsin recently updated an out-of-state inquiry form requesting the number of months recipients were subject to time limitations. Officials in Texas told us that they will track time limits on assistance received only within the state, on the basis of criteria under the state’s waiver.

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<sup>48</sup>In Oregon, months count toward the time limit only if the family fails to cooperate, and the state has graduated sanctions resulting in a full-family sanction for failure to participate. Officials told us they do not expect any families to ever reach the state time limits in Oregon because, if families are cooperating, they can continue to receive cash assistance indefinitely (funded by the state after the waiver expires in the year 2002); if families are not cooperating, their grants will be terminated long before the time limit is reached.

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**Eligibility for Specific  
Groups and Grant Levels  
Remain Generally  
Unchanged**

Under federal reform, states are allowed to establish their own eligibility policies for specific groups and to determine grant levels, but most states have not made significant changes. Changes to eligibility policies generally have been limited to simplifying the criteria for two-parent families and denying assistance to convicted drug felons. Further, at least for the present, states generally have maintained grant levels, dispelling concerns that they would immediately engage in a “race to the bottom” by lowering the amount of grants and redirecting those savings to other programs.

**States Are Making Few  
Changes to Eligibility Criteria  
for Specific Groups**

Although allowed under the new federal welfare law to deny assistance to specific groups, states are continuing to provide assistance to most groups that were eligible for AFDC, and some states are expanding eligibility for two-parent families. Most states, however, have opted to deny assistance to convicted drug felons.

Two-parent families continue to be eligible to receive assistance in all states, and in some states, the eligibility criteria have been simplified and expanded.<sup>49</sup> Liberalization of eligibility for two-parent families has been promoted as a way to mitigate disincentives to the formation and maintenance of two-parent families that were perceived to have existed under prior law. To be eligible for AFDC, the law required that one parent in a two-parent family be unemployed or working fewer than 100 hours a month, and have a history of attachment to the workforce. Beginning under waivers and continuing under TANF, many states have taken steps to eliminate some or all of these rules. For example, 32 states received waivers to eliminate the 100-hour rule, and 24 states received waivers for the work history rule. As of October 1997, TANF plans in 35 states called for using the same eligibility criteria for two-parent families as are used for one-parent families. All but one of our case study states had adopted such provisions. In California, the one exception, two-parent applicant families are still subject to the 100-hour rule.<sup>50</sup>

Families headed by minor teen parents will also continue to be eligible for assistance in nearly all states, but with new restrictions. For example, in Wisconsin, teen parents under age 18 are regarded as the financial responsibility of their parents and are ineligible for cash assistance payments. They may, however, receive case management services and

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<sup>49</sup>AFDC's two-parent program, called the “Unemployed Parent” program, was initiated in 1961 and was mandated nationwide under the Family Support Act of 1988 (effective Oct. 1, 1990), enabling two-parent families to qualify for assistance.

<sup>50</sup>See L. Jerome Gallagher and others, One Year After Federal Welfare Reform, May 1998, pp. III-13 through 15.

other types of assistance such as child care and food stamps.<sup>51</sup> Similarly, in Maryland, minor teen parents are not allowed to receive cash assistance directly but must receive grants through a responsible third-party payee. For other states continuing to provide cash assistance to minor teen parent families, the new federal law makes eligibility for these families contingent upon compliance with requirements to attend school regularly and live in an adult-supervised setting. Before federal reform, 15 states had adopted such requirements under waivers. Now, all states providing assistance to teen parent families must adopt such requirements or provide assistance with state funds.<sup>52</sup> According to one Texas official, these requirements will be challenging to implement because the state has limited alternative adult-supervised settings for teen parents who cannot live at home.

Although the new federal law allows states to deny TANF assistance to certain “qualified alien” families residing in the United States at the time welfare reform was enacted<sup>53</sup>—August 22, 1996—all states except Alabama indicated they will continue to provide assistance to these families, according to state plans as of November 1997. In addition, although qualified alien families arriving after August 22, 1996, are prohibited from receiving TANF assistance for 5 years under the new federal law, several states, including California and Maryland, indicated they will use state funds to provide aid to these families as well.<sup>54</sup> California officials estimated the state cost for providing assistance for those no longer federally eligible will be minimal, at least for the next 6 months, but they noted that they may experience difficulty in distinguishing between those who are federally eligible and those who are not because the date of entry into the country has not been routinely gathered in the past.

People convicted of drug felonies compose the one group to which most states have opted to deny eligibility. Under the new federal law, an individual convicted of a felony involving the possession, use, or distribution of a controlled substance after August 22, 1996, shall not be

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<sup>51</sup>Minor teen parents in Wisconsin who cannot be supported by their parents are referred to child welfare services for appropriate living arrangements.

<sup>52</sup>States that had implemented a waiver with inconsistent teen parent provisions before federal reform was enacted are exempt from this requirement. For example, California is exempt from these provisions because of its “Cal-Learn” waiver, discussed later in this chapter.

<sup>53</sup>Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act defines qualified aliens as legal permanent residents, aliens paroled into the United States for at least 1 year, refugees, and aliens granted asylum or certain similar relief.

<sup>54</sup>GAO has another study under way examining the restrictions the new welfare reform law has placed on the eligibility of legal immigrants.

eligible for assistance, unless the state opts out of this provision by enacting a law specifically addressing this point. However, children in families that include adults who are convicted drug felons continue to be eligible to receive assistance. Nationwide, 37 states have adopted this provision to deny cash assistance to convicted drug felons, although some have narrowed the types of felonies to which this prohibition applies. The 17 states passing legislation to opt out of this provision (including 2 of our 7 case study states: Connecticut and Oregon) have generally made continuing assistance to convicted drug felons contingent upon participation in a drug treatment program.<sup>55</sup>

**Grant Levels Remain  
Unchanged in Most States**

Most states have not changed the grant levels paid to families that were in effect when the federal reform law was passed, thus dispelling for now concerns that federal block grants might result in widespread reductions in grant levels. In its summary of state plans, the Urban Institute reported that only 11 states made adjustments to their grant levels between 1996 and 1997: 5 states increased their grant amounts, 4 reduced their grant amounts, and 2 combined TANF and food stamps into a single grant. The remaining states kept the same grant amounts that were in effect in July 1996.<sup>56</sup> Among our seven case study states, California reduced its grant levels by 4.9 percent, while Wisconsin increased its grant levels by over 30 percent for a family of three assigned to the “Community Service Job” component (see table 2.5).

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<sup>55</sup>See National Governors' Association Center for Best Practices, Summary of Selected Elements of State Plans for TANF, Nov. 20, 1997.

<sup>56</sup>The five states that increased their grant amounts were Maryland, Montana, South Carolina, Vermont, and Wisconsin; the four states that reduced their grant amounts were California, the District of Columbia, Idaho, and Wyoming; the two states that combined their TANF and food stamps into a single grant were Minnesota and North Dakota. See L. Jerome Gallagher and others, One Year After Federal Welfare Reform, May 1998, pp. VI-1 through VI-3. In April 1997, the National Association of State Budget Officers reported that six additional states were planning to recommend changes to grant levels for 1998.

**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

**Table 2.5: Maximum Grant Levels for a Family of Three in Seven States Before and After Federal Reform**

State	Previous grant level (July 1996)	New grant level (October 1997)	Change in grant level
Calif. <sup>a</sup>	\$596	\$565 <sup>b</sup>	-\$31
Conn. <sup>a</sup>	543	543	Unchanged
La.	190	190	Unchanged
Md.	373	377 <sup>c</sup>	+\$4
Oreg.	460	460	Unchanged
Tex.	188	188	Unchanged
Wis.	517	673/628 <sup>d</sup>	+\$156/111

<sup>a</sup>Grant levels vary by county or city within the state. The amount shown is the grant level for the area containing the largest portion of the state population.

<sup>b</sup>Amount shown is for nonexempt families.

<sup>c</sup>According to state officials, Maryland's grants are indexed to inflation and adjusted on the basis of increases in the Consumer Price Index. In 1998, the grant level for a family of three was increased again to \$388.

<sup>d</sup>Families of three assigned to the "Community Service Job" component receive \$673; families of three assigned to the "W-2 Transition" component receive \$628 (see fig. 2.6).

Source: L. Jerome Gallagher and others, *One Year After Federal Welfare Reform*, May 1998, pp. VI-2 and VI-3, unless otherwise noted.

Some states have opted to change their grant levels for families only under certain circumstances. For example, 21 states have adopted policies not to increase cash assistance payments to families who have additional children while on assistance, commonly referred to as "family caps." In addition, under the new federal law, states are allowed to pay cash assistance to families migrating from other states on the basis of the grant levels of the prior state for the first 12 months of assistance. Nationwide, 14 states have adopted such policies, including 2 of our 7 case study states: California and Maryland. However, as of January 1998, California had not yet implemented this policy because of a court challenge.

**States Have Pursued Strategies to Reduce the Need for Welfare**

States' reform programs have also included various efforts to reduce the need for cash assistance through heightened expectations of self-reliance and personal responsibility. In this spirit, states have pursued strategies to divert individuals from applying for cash assistance; enhance child support collections from noncustodial parents; and prevent out-of-wedlock pregnancies, especially among teens.

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**Applicants Are Being  
Diverted With Focus on  
“What’s Needed”**

A major new strategy states are using to reduce the need for welfare is “diversion”—that is, families are diverted from receiving monthly cash payments if they can be assisted through other means. Before reform, when families walked through the door of a typical welfare office, the emphasis was on determining their eligibility for assistance and completing their application. Now, in states with diversion programs, the emphasis is on determining what families need to support themselves—perhaps without monthly cash assistance payments. In some cases, a one-time cash payment; support services such as child care, transportation, or health benefits in lieu of cash; or help in finding a job can enable a family to maintain its self-sufficiency without ever going on the welfare rolls. According to TANF plans submitted as of November 1997, 30 states indicated they have diversion programs, including 5 of our 7 case study states: California, Maryland, Oregon, Texas, and Wisconsin.<sup>57</sup>

**Providing One-Time Cash  
Payments**

One-time cash payments can help families support themselves in a number of ways. For example, such payments may enable families to get their cars repaired so they can get to work, make overdue rent payments so they can avoid eviction from their homes, or get through a medical emergency that temporarily precludes work. Unlike emergency assistance provided to prevent destitution and homelessness among families in the worst of situations, diversion assistance is provided to families who just need a modest boost to remain off the welfare rolls. All 30 states with diversion programs had provisions for one-time cash payments. Payment amounts may be up to \$1,000 or more, depending on the state, and applicants receiving the payments are typically prohibited from receiving TANF cash assistance for a specified time period. The most commonly reported period of time (or equivalency value of assistance) for diversion assistance is a maximum of 3 months, to be negotiated between the applicant and the caseworker depending on immediate need.

Among our case study states, California requires its counties to provide diversion payments but allows counties to determine who shall be eligible and how much assistance to provide. In Wisconsin, the payments are in the form of “job access loans” that must be repaid or worked off. In determining whether such payments are appropriate, caseworkers in these states consider such factors as employment history, employment prospects, housing stability, and whether the expense is related to obtaining or maintaining employment or to a discrete financial crisis (as opposed to an ongoing financial need). During 1997, Maryland provided

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<sup>57</sup>See National Governors’ Association Center for Best Practices, Summary of Selected Elements of State Plans for TANF, Nov. 20, 1997, p. 5.

Providing Support Services in  
Lieu of Cash

one-time cash diversion payments to 643 families, with fewer than 4 percent of these families returning to receive ongoing monthly cash assistance.

The availability of support services such as child care, transportation assistance, and health care benefits—combined with food stamps but not tied to the receipt of monthly cash assistance—also may sometimes enable families to maintain their self-sufficiency without going on the welfare rolls.<sup>58</sup> For example, among our case study states, we found that Maryland would provide child care and medical assistance in lieu of cash for families who already have some prospects of employment. In Oregon, a study of applicants in the Medford branch office between January and June 1997 found that 83 percent of those diverted from monthly cash payments received other assistance, such as food stamps, medical benefits, or child care. Some states have faced barriers in implementing this strategy in the past, however. In the Texas counties we visited, the employment services program had periodically run out of funds for child care assistance for TANF applicants.<sup>59</sup> In California, officials found that most families, when given a choice, opt to receive both cash assistance and services, rather than services without the cash.<sup>60</sup> In Wisconsin, families may opt to receive such services as child care, medical benefits, and job placement assistance as an alternative to enrolling in TANF. Furthermore, those families enrolling in TANF who are determined to be “job-ready” may receive case management services in addition to these other services, but they are not eligible to receive monthly cash payments (see fig. 2.6).<sup>61</sup>

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<sup>58</sup>Unlike TANF cash assistance, medical assistance under the Medicaid program remains an entitlement for all eligible people.

<sup>59</sup>According to Texas state officials, appropriations for child care to support welfare reform efforts have since increased significantly.

<sup>60</sup>California implemented a waiver in 1994 separating the provision of child care and health services from the provision of cash assistance, but as families were eligible for both, nearly all opted to receive both. Under California's new reform law, families continue to be eligible for both and will receive services in lieu of cash only at the family's option. It is too early to tell whether time limits and the more rigorous work requirements will encourage more families to take the “services-only” option.

<sup>61</sup>TANF families determined to be job-ready, and therefore ineligible for monthly cash assistance, may receive a “job access loan” as described in the previous section.

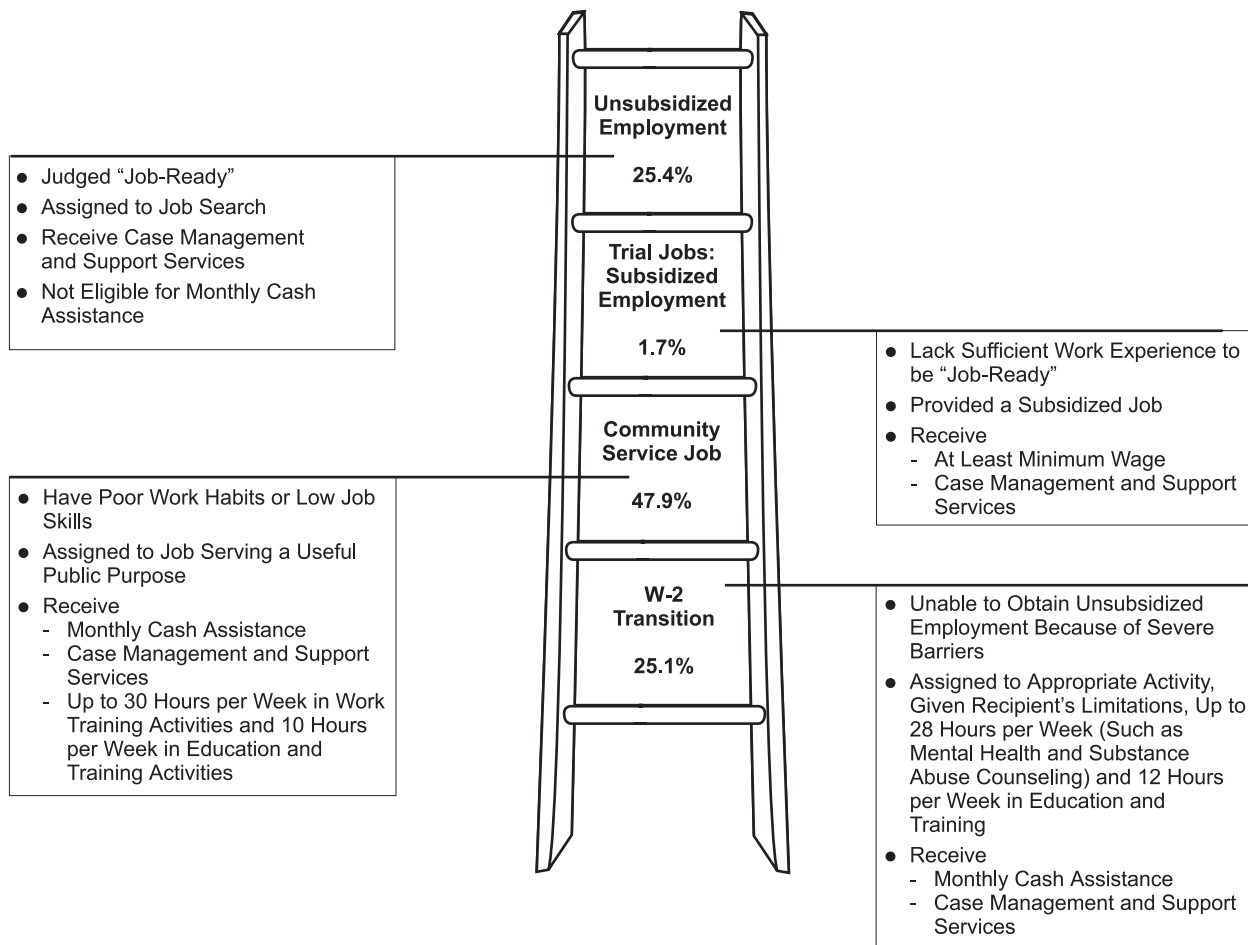
**Chapter 2  
States' Policies Are Shifting Emphasis From  
Entitlement to Self-Sufficiency**

**Figure 2.6: Diverting Applicants From Cash Assistance in Wisconsin**

Since the state's TANF program, "Wisconsin Works," was implemented in September 1997, few families seeking assistance in Dane County (which includes Madison and the surrounding area) have ended up receiving a welfare check. For example, 84 percent of the families seeking assistance in the county in January 1998 did not pursue their applications for TANF after learning of the new program rules, opting instead to take advantage of such services as food stamps, Medicaid, child care, and use of the state's computerized job-search system.

Families that do enroll in TANF are assigned to one of the four components of the Wisconsin Works "employment ladder." Families assigned to the unsubsidized employment component receive services to support their efforts to find a job but are not eligible for monthly cash assistance. Families assigned to other components are generally limited to 24 months in any single component and are expected to move up the ladder to unsubsidized employment and exit TANF as quickly as possible.<sup>a</sup> In February 1998, after 6 months of implementing Wisconsin Works, most of the TANF cases in Dane County had exited the program. Of those families remaining on TANF and assigned to a program component, about one-fourth were in the unsubsidized employment component and were receiving no monthly cash assistance.

**Percentage of TANF Cases in Each Program Component  
in Dane County, Wisconsin  
February 1998**





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<sup>a</sup>Families in any of the four components can be reassigned to another component at any time on the basis of a caseworker's evaluation of their progress.

**Providing Job Search Assistance**

Providing families assistance with job search and requiring applicants to engage in job search activities before making them eligible to receive monthly cash payments also may enable applicants to find jobs and be diverted from the welfare rolls. For example, under Texas' welfare reform program, most applicants are required to attend workforce orientations provided by the employment services agency or local workforce development board providers before they are approved to receive TANF cash payments. Applicants may access services available through the workforce centers to assist them in obtaining employment. Under Maryland's welfare reform program, applicants are required to participate in up-front job search as a condition of eligibility, and, on the basis of partial data, at least 9 percent of all job placements in fiscal year 1997 were for applicants who never received cash assistance. Under Oregon's program, most applicants are required to be engaged in job search for 30 days before being fully screened for TANF eligibility. In Wisconsin, applicants judged to be "job-ready" are assigned to the unsubsidized job component and are required to engage in job search activities with no cash assistance (see fig. 2.6 above). If an applicant is unable to find work, caseworkers review the case for barriers to employment and may assign the family to another program component that would include cash assistance. In California, we found that in two of the three counties we visited, applicants were required to participate in such activities, and, if they failed to do so, their applications would not be processed or would be denied, and no cash assistance would be provided.

**Stronger Program Requirements Also Result in Diversions**

Some potential recipients are also being diverted from pursuing their applications simply by learning of the stronger work and child support enforcement requirements at orientation. Under prior law, program staff were required to inform applicants of program rules, including work requirements under the JOBS program and child support enforcement requirements. However, these requirements often were not imposed immediately on applicants; and once applicants were on the rolls, if they failed to comply, their grants could be reduced but not terminated. HHS data from fiscal year 1992 indicate that about 11 percent of welfare applicants failed to complete their applications after the initial orientation process. Under welfare reform, most states are strengthening their work requirements and child support requirements and imposing these requirements sooner. Preliminary data for a few sites indicate that, once these more rigorous requirements are explained, more families may decide

not to pursue their applications than in the past. For example, one Maryland county official estimated that between July 1996 and January 1997, 19 percent of potential recipients withdrew their applications once new program requirements were explained to them. In Oregon, the Medford study found that 22 percent of potential recipients did not pursue applications after program requirements were discussed. And during January 1998 in one Wisconsin county, officials found that 84 percent of the families entering a welfare office decided not to pursue an application for TANF assistance once they learned of the new program rules.

### Preliminary Results

States were in the early stages of implementing their diversion strategies at the time of our review, and comprehensive statewide data on the effects of diversion were not yet available. On the basis of preliminary data, however, state officials in both Oregon and Wisconsin estimated that about 40 percent of applicants likely to have qualified for cash assistance were being diverted statewide. In a study of 1,169 applications for cash assistance in Medford, Oregon, during the first 7 months of 1997, 74 percent of potential recipient families were diverted from the rolls, including 52 percent who found employment and 22 percent who did not pursue their applications after learning of program requirements.<sup>62</sup> And as mentioned previously, according to data compiled in Dane County, Wisconsin, during January 1998, 84 percent of potential recipients were diverted from pursuing applications for TANF assistance, and of those enrolled as of February 1998, over 25 percent were receiving TANF services but no cash.

While diversion strategies have contributed to declining caseloads, state officials are cautious in declaring success. Use of cash assistance may be reduced with diversion, but the demand for other forms of assistance and services may remain high, and resources for these other services may be limited. Furthermore, limited data exist on the economic stability and well-being of families diverted from receiving ongoing cash assistance.

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### Welfare Programs Add to Efforts to Collect Child Support

In fiscal year 1996, only about 13 percent of the 7.4 million AFDC child support cases nationwide received at least one child support payment, according to preliminary data from HHS. Recognizing that child support is important to a family's self-reliance and that both parents should be held

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<sup>62</sup>Of the total 1,169 applicants, 17 percent went on cash assistance and 9 percent were found ineligible. Those found ineligible included those who had begun receiving unemployment compensation, had Social Security benefits or child support, had no eligible children in the household, or had moved from the area. Outcome data on those not going on cash assistance were based on a sample of 500 cases.

financially responsible for their children, states' welfare offices have taken steps to enhance child support collections on behalf of current and potential recipient families. Among our case study states, we found the following: (1) policies that terminate the entire family's grant for failure to cooperate with child support enforcement efforts without good cause, (2) policies that allow welfare families to receive more of the support collected on their behalf to encourage greater cooperation, and (3) efforts to work with the courts to require noncustodial parents to participate in work activities to bolster their ability to pay child support.

Prior law allowed states to sanction or deny assistance to adults who failed to cooperate with child support enforcement requirements without good cause, but not to deny assistance to the children. The new federal law requires states to reduce a family's grant amount by at least 25 percent for such failure to cooperate and provides the option for states to deny assistance to the entire family. Before federal reform, nine states had adopted waiver provisions to terminate a family's entire grant for such failure to cooperate, including two of our seven case study states: Connecticut and Maryland. After reform, a survey conducted by APWA in the summer of 1997 found that the number of states with policies to terminate grants on this basis has grown to 16; however, nationwide data on the number of grants terminated under TANF for failure to cooperate with child support enforcement requirements have not yet been compiled.<sup>63</sup>

To encourage cooperation, prior law also required states to give a recipient family the first \$50 of current support collected per month on the family's behalf, with the remainder used to offset the amount of the welfare payment being provided. The new law eliminated this requirement, but states can opt to continue the practice with their own funds.<sup>64</sup> According to TANF plans as of October 1997, 22 states were continuing policies to pass through some portion of any child support payment received. Among our case study states, California, Connecticut, Texas, and Wisconsin were continuing such policies, with Connecticut increasing the amount of the pass-through to \$100 and Wisconsin adopting provisions to

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<sup>63</sup>See APWA, *Survey Notes: Issues Affecting Children*, Vol. 1, No. 3 (1998).

<sup>64</sup>The federal share of amounts collected on behalf of recipient families must be paid to the federal government, so any amount passed through to the family must come from the state's share.

pass through the entire amount of the child support payment to the custodial parent.<sup>65</sup>

Under prior law, participation in the JOBS program was generally limited to AFDC applicants and recipients and did not include noncustodial parents.<sup>66</sup> Before passage of federal reform, however, 23 states had received waivers allowing noncustodial parents to participate in the JOBS program, either on a voluntary basis or as required by the courts, including 5 of our 7 case study states: California, Connecticut, Maryland, Oregon, and Wisconsin. In addition, under the new federal reform law, states are required to report the number of noncustodial parents participating in work and work-related activities under the states' TANF programs. During our site visits, we found that several local welfare offices had implemented efforts to work more closely with the courts to require noncustodial parents to participate in programs designed to place them in jobs and increase their ability to pay child support. For example, in both Fresno and Santa Clara counties, California, the welfare agencies had initiated such programs. Officials in Santa Clara told us that they not only expected to increase child support collections by placing more noncustodial parents in jobs, but they also believed that such an effort would identify a significant amount of previously unreported income. Similarly, in Wisconsin, one facet of the "Children First" program is to help fathers meet child support obligations by providing them services that are designed to enable them to obtain and retain employment.

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### **Programs to Reduce Out-of-Wedlock Pregnancies Are Being Expanded**

Because of the strong link between teenage childbearing and welfare receipt, states are trying to reduce the need for welfare through efforts to prevent out-of-wedlock pregnancies, especially among teens. Most states have had such programs under way for more than 25 years as part of their family planning services programs, funded under title X of the Public Health Services Act of 1970. And since 1978, adolescent family planning services have been specified in the statute as one of its essential services. More recently, however, states have begun to focus attention on other strategies to reduce teen pregnancies, such as abstinence education, the enforcement of statutory rape laws, and male involvement programs.

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<sup>65</sup>Under Wisconsin's program, the entire amount of the child support payment is disregarded for computation of the grant amount, but not for eligibility determination. See L. Jerome Gallagher and others, *One Year After Federal Welfare Reform*, May 1998, pp. VI-11 and VI-12.

<sup>66</sup>In a pilot effort, however, prior law did authorize HHS to permit up to five states to provide JOBS services, on either a voluntary or a mandatory basis, to noncustodial parents who were unemployed and unable to meet their child support obligations.

Under federal welfare reform, states are required to include in their TANF plans a description of how they intend to establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, especially among teens, and to conduct programs that provide education and training on the problem of statutory rape. HHS will rank the states annually on the basis of their reductions in out-of-wedlock births among families receiving TANF assistance and will award bonuses to up to five states for reductions in out-of-wedlock births among the general population.

In addition, HHS is required to develop a national strategy to prevent out-of-wedlock teen pregnancies and ensure that at least 25 percent of communities in this country have teen pregnancy programs in place. In response to this mandate, in January 1997, HHS issued a national strategy emphasizing the need to prevent teen pregnancies by encouraging teens to postpone sexual involvement, stay in school, and prepare for work. A report to the Congress is due this month.

## Abstinence Education

The federal reform law included a provision to enhance states' efforts to provide sexual abstinence education and authorized \$50 million annually for this purpose. States can use this money only for the development of mentoring, counseling, and adult supervision programs that encourage abstinence. All 50 states have applied for these funds with proposals to initiate new programs or expand upon existing efforts that focus on abstinence.<sup>67</sup>

As part of their efforts to reduce teen pregnancies, all our case study states proposed increasing their efforts to provide abstinence education aimed at both males and females. For example, officials in both California and Texas told us they plan to use the additional abstinence funds to provide grants to various local communities to administer abstinence and mentoring programs, and for a statewide media campaign on abstinence aimed at males. Both states plan to perform evaluations to determine the impact of these activities. In Wisconsin, officials have also proposed using portions of the state's abstinence funds for a media campaign, including an evaluation to determine impact. In addition, the Congress has authorized funds for HHS to conduct an evaluation of states' abstinence programs.

## Enforcement of Statutory Rape Laws

All states have statutory rape laws but generally have not rigorously enforced them. In response to studies that show that a substantial number

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<sup>67</sup>One state, New Hampshire, has decided not to spend its grant, however, because of difficulties in administering an abstinence-only program.

of teen girls are impregnated by older men and that many of these encounters, especially among younger teens, involve coercion, states have begun to increase their enforcement efforts.<sup>68</sup>

While some states had initiated programs before enactment of the new federal law, most states are enhancing their efforts in response to the new requirement to expand their teenage pregnancy prevention programs to include men. Under the new federal law, states are required to indicate in their TANF plans how they intend to address the problem of statutory rape, including education and training programs designed to reach law enforcement officials, the education system, and relevant counseling services. The new federal law also recommends that states aggressively enforce statutory rape laws.<sup>69</sup> According to state plans submitted as of August 1997, 29 states provided descriptions of the statutory rape education programs they planned to implement, while other states provided few details. Among our case study states, some—such as California and Connecticut—outlined extensive efforts, while others—such as Oregon and Wisconsin—indicated only that they planned to conduct a program as required.

California began strengthening its enforcement of statutory rape laws as a pilot in 1995 and expanded the program statewide in 1996, before federal reform was enacted. To increase the prosecution and conviction of adults who have unlawful intercourse with minors, specialized units were established within the county district attorneys' offices to investigate and prosecute cases, with the same prosecutor following a specific case all the way through the judicial process. In addition, California's civil penalties for statutory rape were increased effective January 1, 1997.

In response to the new federal requirements, Connecticut's governor declared that statutory rape laws are to be more aggressively enforced throughout the state and appointed a special prosecutor to enforce the statutory rape laws in Hartford, the city with the highest teen birth rate in the state. In addition, the state welfare department is working with the state health department to develop a media campaign to educate young

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<sup>68</sup>One study showed that men 20 years or older are responsible for half the pregnancies among girls aged 15 to 17. These pregnancies have the potential to affect girls' ability to finish high school and become independent adults, thus increasing the likelihood of welfare dependency. See Laura D. Lindberg and others, "Age Differences Between Minors Who Give Birth and Their Adult Partners," *Family Planning Perspectives*, Vol. 29, No. 2 (Mar./Apr. 1997).

<sup>69</sup>Under the new law, the U.S. Attorney General is mandated to establish and implement programs that study the links between teen pregnancy and statutory rape, especially by predatory older men committing repeat offenses, as well as to educate state and local criminal law enforcement officials on statutory rape prevention and prosecution.

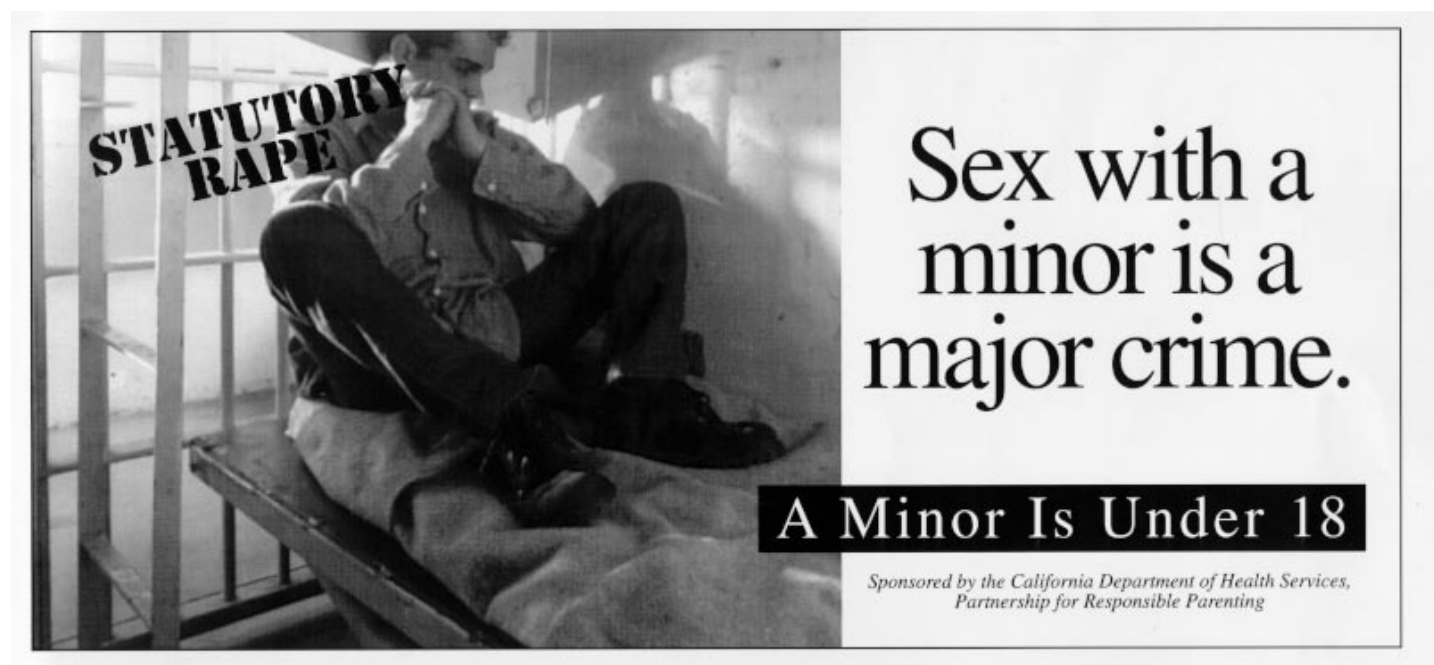
women about their rights under the statutory rape laws and to educate young men that statutory rape is a crime and will be prosecuted.

## Male Involvement

Many years before federal reform, states had initiated programs involving males, implemented in conjunction with their teen pregnancy prevention efforts. In response to the new law, however, some states' TANF plans indicate that the states have added to or enhanced their male involvement programs to emphasize abstinence and the prevention of statutory rape.

Among our case study states, for example, Connecticut's state plan directly mandates its service providers who are administering teen pregnancy prevention programs to incorporate a component that comprehensively addresses young males. Also, the state has developed a public awareness program that includes a video and curriculum materials targeted at males and females that will be distributed to middle schools and high schools. Louisiana is incorporating its male involvement program into its effort to reduce the unwed teen pregnancy rate in the state by at least 1 percent during 1998. The program will offer specialized services to preadolescent and adolescent males with an emphasis on manhood development, including counseling, mentoring, and tutoring. The state's plan also recommends that male leaders from business and academia be solicited as guest speakers and mentors and to act as role models. And in Maryland, the state created a "Responsible Choices" task force, which developed strategies targeting teen boys as well as teen girls, and young men as well as young women, in an effort to reduce the number of nonmarital births through various prevention and abstinence programs. An example of the type of material disseminated in California's public awareness campaign targeting males is shown in figure 2.7.

Figure 2.7: Public Awareness Announcement Targeting Males in California



### Teen Parent and Family Cap Requirements

Finally, some states maintain that more stringent requirements for those already on welfare can serve as a disincentive for future out-of-wedlock births. Some states specifically cited teen parent requirements and family caps as part of their efforts to reduce out-of-wedlock pregnancies.

The new federal welfare reform law enacted strict new provisions with respect to teen parents, including providing “no assistance for teenage parents who do not attend high school or other equivalent training program” and “no assistance for teenage parents not living in adult-supervised settings.” According to some state officials with whom we spoke, these provisions can not only deter teens from having their first child, but—perhaps more effectively—can help to encourage teens who are already parents not to have any more children until they finish school and become self-sufficient. As a result, some states explicitly include these policies in the out-of-wedlock initiatives outlined in their TANF plans.<sup>70</sup>

<sup>70</sup>See Jodie Levin-Epstein, *State TANF Plans: Out-of-Wedlock and Statutory Rape Provisions* (Washington, D.C.: Center for Law and Social Policy, Aug. 1997), p. 3.



For example, California's strategy to address teen pregnancy includes various intervention programs directed toward pregnant and parenting teens. All these programs predate the passage of federal welfare reform, and most have been in existence for more than 10 years. The Adolescent Family Life program, initiated in 1985 and administered by the Department of Health Services, provides pregnant and parenting teens with an individual case manager who helps link them to education, health, social services, and other assistance. In addition, various teen parent programs have been initiated and are administered by the Department of Education, including the Pregnant Minor program, the School-Age Parent and Infant Development program, the Pregnant and Lactating Students program, and the Gender Equity Teen Parent program. Finally, the Department of Social Services administers the Cal-Learn program, authorized in 1993, for all teen parents eligible for TANF (previously AFDC). Cal-Learn encourages teen parents to graduate from high school or its equivalent by meting out cash bonuses and sanctions on the basis of teens' school performance. Cal-Learn also provides case management, child care, and transportation services. State officials told us these programs were key to their effort to reduce the number of out-of-wedlock births due to second and subsequent pregnancies among teen parents on welfare.

In addition, while the federal law is silent on whether to prohibit grant amount increases for families on assistance when another child is born (commonly referred to as "family cap" provisions), according to TANF plans submitted nationwide as of October 1997, 21 states have adopted some type of family cap provision as part of their effort to discourage subsequent births, including 3 of our 7 case study states: California, Connecticut, and Wisconsin.<sup>71</sup> In Connecticut, a flat payment of \$50 per month is given for each additional child born to a family receiving assistance.<sup>72</sup> In addition, while Maryland officials do not consider their policy to be a family cap, the state's plan calls for increasing the amount of the grant only for the specific needs of an additional child born to a family on assistance and for paying this assistance directly to the vendor of the goods or services rather than to the caregiver.

## Ranking and Bonuses for Reducing Rates of Out-of-Wedlock Births

Under the new federal welfare reform law, HHS is required to rank the states annually on the basis of their proportion of out-of-wedlock births

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<sup>71</sup>These figures include states with provisions to provide no increase, a partial increase, or increased assistance only through a voucher. See L. Jerome Gallagher and others, One Year After Federal Welfare Reform, May 1998, pp. VI-8 and VI-9.

<sup>72</sup>See CRS, Transition to TANF: State Benefit Levels and Selected Program Rules, July 1, 1996 - January 1, 1997 (Washington, D.C.: CRS, June 25, 1997).

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**Chapter 2**  
**States' Policies Are Shifting Emphasis From**  
**Entitlement to Self-Sufficiency**

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among families receiving TANF assistance and the net change from the previous year, and to review the programs in the five states ranking highest and lowest. In addition, the law provides for bonuses of \$20 million for five states demonstrating a net decrease in out-of-wedlock births among the general population for the most recent 2-year period without increasing the state's abortion rate.<sup>73</sup>

In March 1998, HHS issued proposed regulations outlining the specific data to be used in awarding these bonuses. At the time of our review, all our case study states expressed an interest in these bonuses; however, some states were uncertain whether the data they collect on abortions would be adequate to allow them to qualify.<sup>74</sup>

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<sup>73</sup>If fewer than five states are eligible for a bonus, the amount of the bonus increases to \$25 million per state.

<sup>74</sup>According to the proposed regulations, HHS will identify the potentially eligible states on the basis of reductions in out-of-wedlock births and request data on the number of abortions from those states to verify eligibility. Some states, such as California, do not collect abortion data for the general population and had proposed using data for Medicaid recipients as a proxy rather than be disqualified on this basis. However, the proposed regulations stipulate that the data must count all abortions and cannot be based on subpopulations such as recipients of public assistance or Medicaid.

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# States Are Providing More Support Services and Restructuring Programs

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At the same time that states are requiring more welfare recipients to participate in work activities, they are modifying their programs to better support recipients in their work-related efforts. States have expanded the roles of welfare workers and reorganized local offices to better support employment. Further, states are using the flexibility provided by the new law, along with additional budgetary resources, to help welfare applicants and recipients address problems that interfere with work, including the lack of transportation and child care, and mental and physical health problems. Expanding partnerships with other organizations—especially employers—is yet another way that states are attempting to support recipients’ work efforts. Finally, some states have restructured program administration by giving local administrative entities greater flexibility to tailor programs to the needs of their recipients.

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## States Are Expanding Worker Roles and Reorganizing Local Offices to Support Work Focus of Programs

States are expanding the roles of welfare workers and reorganizing local welfare offices in an attempt to change the “culture” of welfare offices to reflect the greater emphasis on work. Training workers to perform their expanded roles has been among the most challenging and widespread implementation issues reported by states.

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## Workers’ Roles Have Expanded From Focus on Eligibility to Job Counseling

Recognizing that the success of their programs depends in large part on how well welfare workers implement reform policies, the states we visited have generally expanded workers’ roles to meet new program objectives. This expansion of roles is an attempt to shift the emphasis of staff from determining eligibility and issuing benefits to helping applicants and recipients obtain work and become more self-sufficient. State and local officials cited a range of new responsibilities for welfare workers, including communicating to recipients their responsibility to become employed, motivating recipients to seek work, exploring the potential for diverting applicants from the need for monthly cash assistance, and collecting more information about applicants and recipients to determine what services would facilitate their becoming more self-sufficient. As expressed by a worker in Texas, staff interactions with recipients have shifted away from a pattern of “Ms. Jones, has anything changed? No? Okay, see you in 6 months,” to a much greater focus on helping recipients obtain work.

Training staff to perform their new roles has been one of the major challenges of welfare reform. Members of welfare advocacy groups in several states we visited voiced concerns about what they viewed as inadequate training of welfare staff in states' new program policies and cited examples of staff providing inaccurate information about these policies to applicants and recipients. State and local officials highlighted two key aspects of the challenge of training staff to perform their new roles: the need to change the perspective of staff and to help them cope with workload pressures. Many of the workers whose roles have been expanded are current or former eligibility workers, who were originally trained to apply complex rules to make accurate determinations of welfare eligibility and benefit levels.<sup>75</sup> In some instances, workers have encountered difficulties in making the transition to broader responsibilities that involve learning more about the lives of welfare recipients and making decisions about the most appropriate course of action for these recipients. For example, the director of one Wisconsin office told us that workers were uncomfortable with the considerable amount of discretion they had in their new roles that required them to use their judgment to determine the appropriate work component in which to place recipients.<sup>76</sup> The director said that he has attempted to help staff make the transition to their broader roles by working to keep them focused on client empowerment and employment.

Officials in Portland, Oregon, told us that the process of shifting workers' perspectives to focus more on helping families become self-sufficient had taken several years. Many factors helped facilitate this process, including making the expanded role a higher job classification to provide salary increases and providing training based on needs as identified by the workers themselves, according to Portland officials.

Welfare workers and managers cited a number of factors that contributed, to varying degrees, to the workload pressures that impinged upon workers' abilities to perform their new responsibilities. In addition to traditional problems, such as large caseloads and substantial amounts of

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<sup>75</sup>For example, Louisiana, Oregon, and Wisconsin combined eligibility determination and case management functions in a single role, which is now carried out by many former eligibility workers. Texas continued to keep the roles separate but expanded the responsibilities of the eligibility worker.

<sup>76</sup>In Wisconsin, local welfare agencies have some flexibility in determining the criteria they use to assign individuals to one of the four components of the "employment ladder" in the state's welfare reform program. This flexibility has resulted in some variations among local agencies in overall caseload assignments. For example, at the time of our site visit, two of the local agencies in Milwaukee County had assigned much higher percentages of individuals to the unsubsidized employment component than had the other local agencies in the county. These individuals may receive case management and support services but are not eligible for monthly cash assistance.

time required to determine eligibility and benefit levels and process sanctions, workers cited the extra time now required for initial meetings with applicants, the additional time required to keep abreast of policy changes, and the limited time for training. For example, officials in the two Maryland counties we visited reported that much of welfare workers' time was consumed with processing paperwork to sanction noncompliant clients, which limited the time available to work with other clients. Workers in New Orleans told us that the amount of time required to interview applicants had tripled under the state's welfare reform program, in large part because there is now much more information to be communicated to applicants. A worker in Wisconsin told us that much more time is now needed for initial meetings with applicants—from 2 to 5 hours—to learn more about them in order to make appropriate decisions. Some states have taken steps to reduce such workload pressures. For example, Oregon has streamlined the paperwork for determining eligibility to allow staff more time for case management.

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**Local Offices Have Been  
Reorganized to  
Consolidate Service  
Delivery**

Another way in which some states and localities have attempted to enhance their ability to serve welfare recipients is by reorganizing local welfare offices to consolidate service delivery. In some instances, this has taken the form of moving various welfare-related staff from various sites to one site. For example, at the time of our review, Fresno County, California, was in the process of bringing together eligibility workers and employment specialists at various sites to facilitate information sharing among staff and help recipients obtain employment more quickly. Fresno County officials told us that having these staff at the same location would also enable eligibility workers and employment specialists to hold joint orientations for applicants that focus on diverting applicants from monthly cash assistance.

Service consolidation is also occurring on a larger scale as welfare offices are being integrated into the workforce development system. As part of its effort to encourage states to consolidate workforce development services, the U.S. Department of Labor (DOL) has given 46 states grants to implement "One-Stop Career Centers," as of March 1998.<sup>77</sup> One-Stop Career Centers are intended to transform the fragmented array of employment and training programs into an integrated service delivery system for job seekers and employers. For example, Wisconsin and Texas have efforts under way to shift from welfare offices to one-stop centers as

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<sup>77</sup>DOL estimates that actual and projected grants to the states from 1994 through 2001 will total about \$450 million. This figure includes planning and development grants and implementation grants.

the service delivery mechanism for their welfare reform programs. These centers will provide access to a range of employment-related services, such as labor market information, job listings and referrals to employers, job search assistance, career counseling and job training, and case management. Serving welfare recipients through one-stop centers is a way of reinforcing the message that recipients are responsible for seeking employment and that staff at the centers are expected to facilitate recipients' efforts toward this objective. In addition, by making services available to all job-seekers, one-stop centers may help remove some of the "welfare stigma" previously encountered when services were provided out of a welfare office, according to state officials.

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### **States Are Using Additional Budgetary Resources and Increased Flexibility to Support Families' Work Efforts**

Recent declines in welfare caseloads, combined with the TANF block grant formula and the state maintenance-of-effort requirement in the new welfare law, have given most states more budgetary resources for their welfare programs than they would have had under prior program funding rules. Further, the new welfare law gave states flexibility to design their welfare programs and to allocate financial resources in substantially different ways than were allowed under prior law. The states we reviewed were using some of these additional resources in combination with increased flexibility in spending rules to enhance support services for applicants, recipients, and those leaving welfare for work. The law also provided federal funding for child care subsidies, and all seven states we reviewed had increased spending on child care for low-income families during fiscal year 1997.

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### **Funding Rules for Welfare Programs Have Changed**

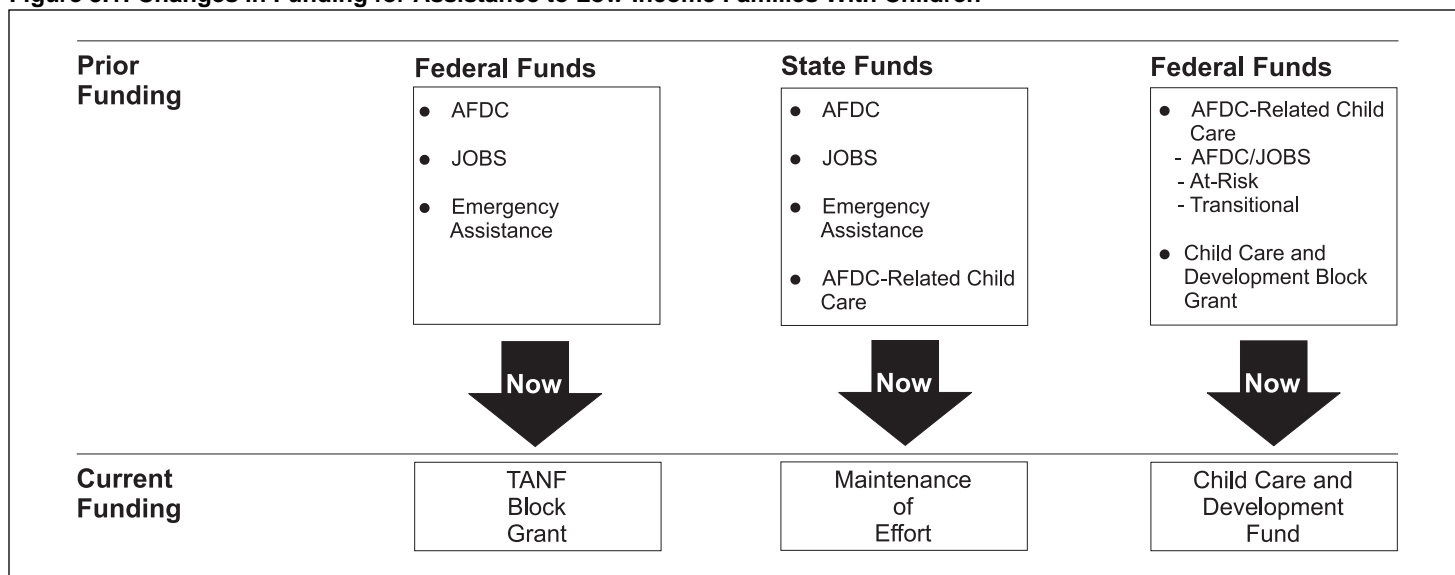
The welfare legislation dramatically changed the way the federal government and states fund programs and services for needy families with children. Previously, the federal government and the states shared the costs of AFDC, Emergency Assistance, the JOBS program, AFDC/JOBS Child Care, Transitional Child Care, and At-Risk Child Care. Unlimited federal funds were available for all of these programs except JOBS and At-Risk Child Care, for which federal funds were capped.<sup>78</sup> As shown in figure 3.1, TANF block grants to the states replaced the federal portion of the funding for the AFDC, JOBS, and Emergency Assistance programs. Each state's TANF block grant allocation was determined by the federal expenditures for

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<sup>78</sup>For these programs generally, the federal government matched state spending at rates ranging from 50 to 78 percent, in proportion to a state's per capita income. Administrative costs for these programs and all costs of the Emergency Assistance program were matched at a uniform rate of 50 percent.

these three programs in a base year from 1992 to 1995.<sup>79</sup> The law also required that states continue to spend state funds on low-income needy families at an amount at least equal to 80 percent of their fiscal year 1994 spending for all six of the programs. This maintenance-of-effort requirement is reduced to 75 percent for states meeting their required work participation rates.

**Figure 3.1: Changes in Funding for Assistance to Low-Income Families With Children**



The welfare reform law also provides states with federal funding to help meet the child care needs of low-income families. As shown in figure 3.1, federal child care funding through the Child Care and Development Fund (CCDF) was based on prior federal spending for the three now repealed child care programs as well as the existing Child Care and Development Block Grant. Like TANF, the amount of federal funds available for child care is now capped.

**Most States Have  
Additional Budgetary  
Resources Available**

Total program costs for AFDC each year were largely determined by the number of individuals receiving assistance, and states received federal funds for a portion of total program costs. Under TANF, the amount of

<sup>79</sup>Generally, states receive the highest of three amounts: federal spending on the programs replaced by TANF for federal fiscal year 1994 or federal fiscal year 1995 or the average of federal spending on the programs replaced by TANF for federal fiscal years 1992 through 1994.

federal funding is no longer determined by the number of individuals receiving assistance. Instead, states receive a fixed amount of federal funds each year and are required to contribute at least a minimum level of state funds, the amount of which is based on past spending levels.

Since TANF block grants to the states were based on expenditures for historically large welfare caseloads, the recent decline in caseloads has resulted in most states having more total budgetary resources available for their welfare programs than they would have had under prior funding rules. In order to estimate the additional resources available for states' programs under TANF, we constructed estimates of the 50 states' baseline program budgets under prior funding requirements and compared these with the states' estimated budgetary resources under TANF.<sup>80</sup> For the United States as a whole, we estimated that if all states had received a full year's TANF allotment in 1997 and had maintained state funding at 80 percent of historic levels, they would have had about \$4.7 billion more than we estimate they would have spent in 1997 under prior methods of financing.<sup>81</sup> On average, given the actual caseload size in 1997, we estimated that states would have had about 25 percent more budgetary resources under TANF than they would have had under AFDC funding rules. Table 3.1 shows these additional federal and state budgetary resources for the seven states reviewed, compared with estimates of expenditures these states would have made in 1997 under prior program funding.<sup>82</sup> Among these states, the estimated increase in resources ranges from 1 percent in Connecticut to 65 percent in Wisconsin.

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<sup>80</sup>Using states' actual 1996 expenditures for AFDC, JOBS, and Emergency Assistance—the programs TANF replaced—we calculated an average cost per case and used it, with some adjustments for inflation, to estimate what total program costs would have been for the actual 1997 caseloads for these programs. This amount was compared with states' federal TANF block grant funds and an amount equal to an 80-percent state maintenance-of-effort. For more information, see our forthcoming report on state fiscal planning under TANF.

<sup>81</sup>Federal fiscal year 1997 was a transitional year: states were required to implement TANF by July 1, 1997, but many states began earlier. Sixteen states were eligible for their full annual TANF grants for all of fiscal year 1997, and 28 states were eligible for grants for at least 9 months of the fiscal year.

<sup>82</sup>Differences between these estimates and those presented in state budget documents are the result of a variety of factors, including (1) differences between the state fiscal year and the federal fiscal year, (2) the fact that most states did not receive TANF for all of federal and state fiscal year 1997, and (3) assumptions made by state budget analysts about the effects of program reforms in the state's baseline that might not have been included in the expenditure data and assumptions used in our estimates.



**Chapter 3  
States Are Providing More Support Services  
and Restructuring Programs**

**Table 3.1: Estimated Total Additional Budgetary Resources for 1997 Under TANF**

<b>State</b>	<b>Estimated additional budgetary resources available in 1997, including federal TANF and state maintenance-of-effort spending at 80 percent (in millions)</b>	<b>Percentage increase these additional resources represent over 1997 estimated expenditures baseline</b>
California	\$548.8	8
Connecticut	5.5	1
Louisiana	87.4	48
Maryland	106.9	25
Oregon	109.6	43
Texas	239.2	32
Wisconsin	270.6	65

Source: GAO analysis comparing the total amount of 1997 federal TANF block grants plus state maintenance-of-effort levels at 80 percent with a baseline. The baseline is an estimate of what states would have spent for their 1997 caseloads based on average costs per case in 1996 for AFDC, JOBS, and Emergency Assistance, adjusted for inflation (except for cash benefits). For more information, see our forthcoming report on state fiscal planning under TANF.

While current circumstances provide states with additional budgetary resources, there is no guarantee that this situation will continue into the future. Even if, for example, economic conditions weaken and more families need assistance, the TANF block grant amount will not increase, and it will be up to each state to decide what level of benefits to provide and to whom, and to provide additional resources as it determines necessary.<sup>83</sup>

**Welfare Reform Law Gives States More Flexibility Over Programs for Low-Income Families**

In addition to changing the way the federal government funds assistance for needy families with children, the new welfare law gives states flexibility to spend program resources in ways that are substantially different from those available under prior law. The law gives states authority to use TANF funds in ways that were allowed under the earlier programs and, unless subject to a prohibition, “in any manner that is reasonably calculated to accomplish the purpose of the TANF program” for families with children. As discussed earlier, states do face many limits on how they use federal TANF funds—notably time limits. And federal law restricts expenditures for medical services and assistance to certain individuals and families, including certain aliens and teen parents. States are, however, liberated from many other detailed rules about the types of

<sup>83</sup>The welfare law did provide a contingency fund from which qualifying states can receive matching funds up to 20 percent of their TANF grants when their unemployment rate or Food Stamp program caseload exceeds a certain level. To be eligible for such funds, a state must have maintained 100 percent of its historic state spending during the fiscal year in which contingency funds are sought.

poor families that can be served and the types and amounts of assistance to be provided. As a result, states have more freedom to tailor services to families' unique situations, individual needs, and local environments. Further, states can expand eligibility to provide TANF services to a broader range of families than had been served under AFDC.<sup>84</sup> This means that supportive services, which in the past had been linked to eligibility for cash assistance, can now be provided in the absence of a welfare check, further freeing states to tailor services to individual need.<sup>85</sup> States have even more flexibility in how they spend their maintenance-of-effort funds. For example, these funds are not subject to time limits and thus can be used to provide services indefinitely and to certain legal aliens for whom federal funds cannot be used.

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### States Are Enhancing Services to Better Support Families' Work Efforts

The seven states we visited are using some of their additional budgetary resources to provide services to help families address barriers to employment, including lack of child care<sup>86</sup> and lack of transportation, as well as more complex mental and physical health problems. States are also continuing to provide services to families that have left the welfare rolls as a result of employment, including, in some cases, providing case management services to help ensure that families can deal with problems that might put parents' jobs at risk. In addition, some states are providing services to low-income working families that are not receiving cash assistance and that, under previous law, might not have been eligible for such assistance.

### Transportation

Helping welfare applicants and recipients obtain reliable transportation to work or work-related activities continues to be a challenge in many areas. Many poor families do not own cars, and even those with cars sometimes do not have reliable sources of transportation. Under AFDC eligibility rules, recipients were limited to owning vehicles valued at no more than \$1,500.<sup>87</sup> In addition, public transportation is sometimes limited or unavailable, especially for those in certain rural areas and in some urban areas where many of the available jobs are located in outlying suburban areas. In a

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<sup>84</sup>While some services could be provided to low-income nonwelfare recipients through Emergency Assistance, the focus of that program was to protect children from destitution or homelessness as the result of an emergency situation, rather than to promote employment.

<sup>85</sup>The federal welfare law unlinked Medicaid and cash assistance, leaving the entitlement to Medicaid for families that would have been eligible for AFDC based on July 1996 standards.

<sup>86</sup>Child care is considered an essential support service if poor families with children are to be able to work. Changes in funding of child care for low-income families are discussed in a later section.

<sup>87</sup>As indicated in ch. 2, most states increased the value of the vehicle allowance under their welfare waivers to address this problem.

study of welfare recipients in Connecticut, focus group participants throughout the state pointed to limited bus routes and hours of availability, as well as to the expense of transportation, as obstacles to obtaining employment. Officials in a rural county in Maryland told us that many of the better-paying jobs available are for night-shift work, when public transportation is unavailable. In urban areas such as Baltimore and Milwaukee, most of the available jobs are in the surrounding suburbs.

As states seek to expand the percentages of their caseloads participating in work activities, they are using a variety of approaches to enhance transportation services for recipients, including providing funding for rural transportation systems, enlisting volunteers to provide transportation for recipients, expanding bus routes, and providing funds for vehicle repairs. Oregon used some of its savings from caseload reductions to resume operation of a rural transportation system and reimburse volunteer drivers for transporting welfare recipients. Hartford, Connecticut, expanded bus routes on the basis of gaps in the public transportation system identified by a study that compared the geographic locations of welfare recipients with the job sites they were attempting to reach. Baltimore, Maryland, used funds from the Bridges-to-Work program, which is administered by the U.S. Department of Housing and Urban Development (HUD), to provide transportation services for recipients and thereby help them gain access to jobs in areas outside the city. A survey of states conducted by APWA found that some states provided one-time, lump-sum funds for specific needs, such as car repair, to applicants as a diversion strategy.<sup>88</sup>

## Mental and Physical Health Services

As states require larger percentages of their welfare caseloads to participate in work-related activities—including some recipients who were previously exempted because of a determination of physical or mental disability—and as more recipients leave welfare for employment, states are concerned that they will be left with a more difficult-to-serve population. Finding ways to involve these recipients in work activities was one of the most challenging and widespread implementation issues cited in the states we visited. Studies of these recipients have found that, in addition to being less likely to have prior work experience and more likely to have lower literacy levels, they tend to have multiple problems that make participation in work-related activities more difficult. These problems include physical and mental health issues such as depression, anxiety, personality disorders, substance abuse, and domestic violence. To

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<sup>88</sup>APWA, *Survey Notes: TANF Eligibility, Benefits, Work, Sanctions, and Exemptions*, Vol. 1, No. 2 (1997).

move these recipients toward self-sufficiency, states have sought to enhance their capacity to provide mental and physical health services.

Oregon officials estimate that about 50 percent of the state's welfare caseload requires drug or alcohol treatment services. Oregon introduced mental health and drug and alcohol services by integrating them into its life-skills training module for welfare recipients and by placing counselors on-site at welfare offices. The city of Baltimore, Maryland, added a social service component to its welfare program, relocating social service workers to welfare offices to deal primarily with hard-to-serve recipients and refer them to appropriate services to help remove their barriers to employment. For example, social service workers have arranged services for victims of domestic violence.

Under California's previous JOBS program, recipients who required mental health or drug and alcohol services were deferred from participation. However, California's welfare reform program eliminated these grounds for deferral. The California Senate Welfare Reform Conference Committee recently estimated that 15 percent of welfare cases in the state require mental health treatment, 25 percent need treatment for substance abuse, and 20 percent need help to deal with domestic violence. California's welfare reform legislation provided for the creation of separate funding streams and programs for substance abuse treatment services and mental health services for welfare recipients.

Transitional and  
Postemployment Services

In recognition of the importance of child care subsidies and medical assistance to low-income families, under prior law families leaving welfare because of employment were eligible for a year of transitional child care and medical assistance. Under TANF, 29 states plan to extend transitional child care beyond 12 months, and 12 states plan to do the same with transitional Medicaid, according to a study of states' TANF plans by the National Governors' Association. Some states do not set a specific limit on the length of time a child care subsidy can be received but instead base eligibility primarily on income criteria.<sup>89</sup>

Previous experience with welfare-to-work programs has shown that placing recipients in jobs is sometimes not as challenging as helping them remain employed so that they do not cycle back onto welfare. Leaving welfare is often more of a process than a one-time event, especially for

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<sup>89</sup>In addition to income eligibility criteria, however, many other factors may determine whether child care subsidies are available to low-income working families. In our report, [GAO/HEHS-98-27](#), Jan. 13, 1998, we discussed several of these factors, including copayments that families are required to make and states' having insufficient resources to fund subsidies for all eligible families who apply.

families with multiple barriers to employment. Recognizing these challenges, some states have sought to maintain a relationship with former welfare recipients through continued case management in order to provide job retention, reemployment, and advancement assistance services, which are referred to as postemployment services.

Thirty-five states are offering some form of case management services to individuals who have left TANF because of employment, according to the APWA survey of states, including four of our seven case study states. In many cases, the services are provided for up to 90 days after the family exits TANF. For example, in Oregon, case managers help to identify the supports needed to increase workers' employability, such as skills development and training. Connecticut developed a mentoring program in which experienced employees are matched with newly hired welfare clients to help them make the transition to the workplace environment. The state managed to overcome some early difficulties in recruiting mentors, according to Connecticut officials. Under California's welfare reform legislation, counties have the option of continuing to provide case management and supportive services for up to 12 months for former participants who become employed.

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### Increased Spending for Child Care Supports TANF Goals

While states can use TANF resources for child care, one of the largest sources of federal funds for child care subsidies for low-income families is the Child Care and Development Fund. The welfare reform law combined four federal child care programs with different target populations into one program with a single set of eligibility criteria and requirements, now called the Child Care and Development Fund (CCDF).<sup>90</sup> The new CCDF provides federal funds to states for child care subsidies for families who are working or preparing for work and who have incomes of up to 85

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<sup>90</sup>Three of the four child care programs—(1) AFDC/JOBS child care, which provided child care assistance to welfare families involved in work or approved education or job training activities; (2) Transitional Child Care, which provided 1 year of child care assistance to families leaving AFDC because of employment; and (3) At-Risk Child Care, which assisted low-income working families who were deemed to be at risk of becoming dependent on welfare without child care assistance—were repealed. The new law modified the fourth existing child care program, the Child Care and Development Block Grant, which previously had assisted families with incomes at or below 75 percent of the state median income who were working or in approved education and training.

percent of a state's median income.<sup>91</sup> The CCDF provided states with about \$3 billion in federal funds in fiscal year 1997.<sup>92</sup>

In a separate study of child care under the CCDF, we reported that all of the seven states reviewed used federal and state funding under the CCDF to increase overall expenditures in their fiscal year 1997 child care subsidy programs, with increases over fiscal year 1996 expenditures ranging from about 2 percent in Maryland to 62 percent in Louisiana.<sup>93</sup> Six of the seven states also reported an increase in the number of children served under their child care subsidy programs. All seven states expected to meet the fiscal year 1997 child care needs of families required to work under welfare reform as well as those of families moving off welfare. However, the states did note difficulties with locating a sufficient supply of certain types of care—infant care, nonstandard hour care, care for sick children, and care for children with special needs. States were also uncertain that supply would be adequate in the longer term and had varied initiatives under way to expand supply.

Some states are taking advantage of the new consolidated program to develop a more integrated child care system to support the work efforts of welfare and nonwelfare families. For example, Wisconsin and Oregon's child care programs, which are primarily based on income eligibility, are integrated programs that enable all potentially eligible families to access program services under the same procedures, criteria, and requirements. Such programs are important to ensure that families who have never been on welfare are treated the same with regard to child care subsidies as those who have been and that families can move from welfare to employment without fear of losing eligibility for subsidized child care.<sup>94</sup>

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<sup>91</sup>Nationwide, for fiscal year 1997, 85 percent of state median income for a family of four ranged from a low of \$31,033 in Arkansas to a high of \$52,791 in Connecticut.

<sup>92</sup>To receive its full federal allocation, a state has to maintain its expenditure of state funds for child care programs at specified previous levels and spend additional state funds above those levels. State spending on child care for low-income families may count toward a state's TANF maintenance-of-effort requirement and, at the same time, help it meet state spending requirements to get its full CCDF allocation.

<sup>93</sup>GAO/HEHS-98-27, Jan. 13, 1998.

<sup>94</sup>Child Care: Working Poor and Welfare Recipients Face Service Gaps (GAO/HEHS-94-87, May 13, 1994).

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## **States and Localities Strive to Obtain Greater Employer and Community Involvement in Helping Recipients Obtain Work**

Under the JOBS program, it was common practice for states and localities to contract with other organizations to provide education, training, and support services to welfare recipients. As states and localities now strive to move more recipients into work activities and reduce welfare dependence, they are placing greater emphasis on expanding their partnerships, especially with employers. For example, California requires that counties, in producing their local welfare plans, describe their partnerships with the private sector—including employers and employer associations—and indicate how these partnerships will identify jobs for recipients. Yet even in the strong national economy that currently exists, persuading employers to hire welfare recipients can sometimes be challenging. Moreover, some areas have weaker economies than others. The states and localities we visited are using a range of approaches to expand their partnerships with employers and other organizations.

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## **Diverse Approaches Are Being Used to Expand Involvement of Employers and Employer Associations in Welfare Programs**

Approaches that states and localities are using to strengthen linkages with employers include enlisting top state officials to solicit employers, giving employers a central role in designing local welfare-to-work programs, assessing the effectiveness of different strategies for obtaining employer involvement, and offering incentives to businesses to promote economic development.

In some instances, the impetus for partnering with employers has come from top state government officials. For example, Connecticut kicked off its welfare reform program with a large-scale direct-mail campaign to more than 35,000 businesses in the state that included a letter from the governor encouraging them to send in job orders for welfare recipients. In addition, the state commissioners of insurance and banking initiated partnerships of insurance companies, banks, the state Department of Social Services, and other organizations to provide welfare recipients classroom training, internships, and job opportunities in the banking and insurance industries.

Some states, such as Wisconsin and Texas, have sought to institutionalize the involvement of employers by giving them a central role in designing local welfare-to-work programs. For example, local welfare agencies in Wisconsin are required to establish Community Steering Committees, which are responsible for developing strong ties to local employers, creating and identifying job opportunities, and performing other roles that will benefit program participants. These committees must include representatives of local business interests. At the time of our site visits,

welfare agencies in Milwaukee were just beginning to form their committees, but Fond du Lac County had already established its committee two years earlier under previous welfare reforms. The director of the welfare agency in Fond du Lac County told us that, while the committee encountered some early difficulties in determining its role and developing an action plan, the committee has been extremely beneficial for welfare recipients in developing employment opportunities because its members have much greater influence with area employers than welfare officials ever could.

Another approach has been to assess the effectiveness of different strategies for obtaining employer involvement. In Connecticut, the Department of Social Services hired the Connecticut Business and Industry Association to determine what incentives and services would encourage small businesses to hire welfare recipients. The Association conducted pilot projects in three regions of the state and tested employer incentives, such as training subsidies and tax credits, and services, such as prescreening recipients' education and skills; peer mentoring; and hiring through the use of temporary agencies, chambers of commerce, and business consortiums.<sup>95</sup>

The lack of job growth in some locations has stimulated efforts to promote economic development. For example, the welfare reform program in the city of Baltimore faces a situation of low job growth. Maryland's Department of Human Resources, in conjunction with a university research partner, has projected the number of jobs that will be created in "target industries"—those in which recipients of cash assistance are most likely to obtain employment—in each jurisdiction statewide. These projections were then compared with projections of the number of adults that would have to engage in work activities in order for the state to achieve mandated federal participation rates. This analysis showed strikingly different labor market conditions in the two localities we visited. Washington County is projected to have three times as many new jobs in target industries as work activity positions needed. In contrast, Baltimore is projected to have only about 4 percent of the number of newly created jobs in target industries that are needed for work activity positions (see table 3.2). There have been various efforts to promote economic

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<sup>95</sup>The Association's study found that employers were not very interested in financial incentives to hire welfare recipients but were instead looking for motivated, prescreened individuals who had the skills they required. The study also concluded that working with business associations and chambers of commerce was effective because they were able to reach large numbers of their member employers easily and knew where the entry-level positions were and what skills were required of entry-level employees.



development in Baltimore. For example, the federal government has provided funds to designate sections of the city as “empowerment zones” and thereby attempt to attract and retain businesses by providing tax incentives and regulatory relief. As part of his effort to generate new jobs in the city, the Mayor of Baltimore lobbied successfully for the passage of legislation that would provide businesses incentives to clean up and redevelop commercial and industrial sites impaired through past activities.

**Table 3.2: Projections of Job Growth and Required Levels of Caseload Participation in Work Activities in Maryland for Fiscal Year 1998**

<b>Jurisdiction</b>	<b>Projected growth in employment in target industries<sup>a</sup></b>	<b>Number of adults required to participate in work-related activities to meet 30-percent TANF participation rate<sup>b</sup></b>
Maryland	5,932	8,567
City of Baltimore	175	4,129
Washington County	408	136

Note: These figures were forecast as of November 1996.

<sup>a</sup>“Target” industries are defined as those in which recipients of cash assistance are most likely to obtain employment, namely, industries that provide low-wage jobs, are cyclical, and in which more than half the employees are women.

<sup>b</sup>These estimates take account of credits for caseload reductions.

Source: Regional Economic Studies Institute, Towson University, Maryland.

**States and Localities Are Finding Roles for Other Organizations to Play in Welfare Reform Programs**

While partnering with employers has been a major focus, states and localities have also sought to develop and expand partnerships with other organizations to help address the needs of welfare recipients. For example, in August 1997, Maryland funded seven proposals for demonstration projects to be administered by private, nonprofit organizations.<sup>96</sup> These projects seek to help welfare recipients obtain and retain employment but differ considerably in planned approaches and populations targeted. One of the largest of these projects, located in Prince Georges County, enlists multiple program partners and community resources in an effort to serve teenage mothers, victims of domestic violence, long-term recipients, substance abusers, and other hard-to-serve cases.

<sup>96</sup>The state’s welfare reform law provides that 10 percent of any savings from caseload reductions or other reductions in the total amount of cash assistance payments is to be allocated to demonstration projects.

In California, Santa Clara County is working with community-based organizations to establish services that will help welfare recipients retain jobs. For example, the county has established a 24-hour hot line that recipients can call for support when they encounter job-related problems, such as obtaining child care. In addition, the Silicon Valley Council of Nonprofits received a grant to work on strengthening the capacity of the nonprofit sector to participate in the county's welfare reform efforts and other objectives.

In some instances, states have encountered obstacles in their efforts to expand community involvement. For example, Maryland encountered resistance from some religious organizations when it solicited their involvement in administering noncash assistance to families whose cash assistance had been terminated because of noncompliance with program requirements.<sup>97</sup> These organizations cited various concerns, such as that the state was attempting to pass off to religious organizations its obligations to poor families, that administering such assistance would constitute for some religious organizations a conflict of interest by making them agents of the state, and that religious organizations could be exposed to liability. Although state law regarding the provision of noncash assistance was subsequently modified, religious organizations have played little role in administering noncash assistance in Maryland, according to members of advocacy groups in the state.<sup>98</sup>

States and localities have also found opportunities to benefit welfare recipients through partnerships with federal agencies. For example, the Weed and Seed program in Hartford, Connecticut, is a joint effort of HUD, the U.S. Department of Justice, and the state Department of Social Services that places social service programs directly in the community being served—in this case a public housing development. About a third of the program's caseload consists of TANF recipients. The program focuses on eliminating crime and drug use in the housing development and changing the way people live. The program targets young people and seeks

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<sup>97</sup>The state's welfare reform law provides that in such cases, the cash assistance that would have been paid to the family shall instead be paid to an organization on behalf of the family for up to 3 months. The organization is to provide transitional assistance in one or more of the following forms: counseling, housing, child care, household supplies and equipment, direct assistance other than a cash payment, or any other noncash assistance that may be necessary to assist the family to make the transition from welfare.

<sup>98</sup>For example, the law was modified to broaden the definition of who can provide transitional assistance from nonprofit organizations to "third-party payees," which includes nonprofit organizations, for-profit organizations, individuals approved by the state Department of Human Resources, and government entities. In addition, the law addressed the issue of liability by adding certain nonprofit organizations serving as third-party payees to the list of state personnel covered by the state Tort Claims Act.

to address their barriers to employment by providing services such as life-skills training, substance abuse treatment, and English language instruction. In Baltimore, the city Department of Social Services is working with HUD to address the issue of how welfare recipients in the city can use their federal housing vouchers to move to a neighboring county and pursue job opportunities. While housing vouchers are transferable to other locations, officials from the two agencies are working to develop strategies to publicize and facilitate such transfers.

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## **Devolution of Responsibility to Localities Is a Key Component of Some States' Welfare Reforms**

Just as the 1996 welfare reform law provided states greater flexibility to design and administer their assistance programs for needy families, some states have in turn given local administrative entities greater flexibility to design programs tailored to the needs of their recipients. Devolution of responsibility is a distinguishing feature of welfare reform in four of the states we examined: California, Maryland, Texas, and Wisconsin.<sup>99</sup> In Wisconsin, this devolution was accompanied by a privatization initiative that resulted in private organizations taking over administration of the TANF program in some localities. A central issue these states faced in implementing these changes in program administration was how to maintain local accountability. They are addressing this issue through such methods as providing financial incentives for local administrative entities and establishing performance measures that focus more on desired outcomes.

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## **States Have Expanded Local Flexibility to Design Welfare-to-Work Programs**

The devolution of responsibility in California, Maryland, Texas, and Wisconsin is reflected primarily in expanded local flexibility to tailor welfare-to-work programs to local needs and available resources. However, eligibility standards and cash assistance levels are still set at the state level in each of these states.<sup>100</sup>

### **California**

Counties in California have broad discretion under the state's welfare reform law in designing welfare-to-work programs. For example, while counties are required to provide an adequate range of activities to ensure that participants have access to needed activities and services to assist

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<sup>99</sup>California and Wisconsin have county-administered welfare programs, whereas Maryland has a state-administered program. In Texas, eligibility services are administered by the state, and employment and child care services are being transferred to local workforce development boards.

<sup>100</sup>Certain states have transferred some responsibility to localities in these policy-making areas. For example, Colorado's welfare reform program has statewide eligibility standards and a statewide minimum benefit schedule, but counties can determine whether to pay benefits higher than the statewide minimum or offer additional work incentives to employed recipients.

them in seeking unsubsidized employment, counties can determine the activities they will provide.<sup>101</sup> Moreover, counties can establish their own policies for how they will work with families transitioning off assistance because of employment or time limits. Counties receive block grants from the state to administer the program and can carry forward any unspent funds for up to 2 years, whereas unspent funds previously were reallocated among counties. Despite such expansions in flexibility, state officials told us that local discretion remains somewhat constrained because the state welfare reform law did not reduce local administrative burdens relating to eligibility determination and verification requirements.

## Maryland

One of the most important elements of Maryland's strategy to move families from dependence to independence is a focus on local solutions to local problems, according to state officials. Maryland designed its welfare reform program to provide local departments of social services with considerable flexibility in designing their work programs.<sup>102</sup> Local departments can determine what assessment tools to use, require recipients to participate in work activities more than the minimum required number of hours, establish their own policies regarding immediate job search requirements for applicants, and establish their own preferred strategies for moving recipients to employment within the "work first" model. The state gives local departments funding allocations for child care, employment and training services, Welfare Avoidance Grants, Emergency Assistance, and program administration but not for cash assistance grants, which are handled by the state. Local departments have the flexibility to use some or all of their Emergency Assistance funds for welfare diversion programs.

## Texas

As part of its effort to strengthen the linkage between employers and welfare recipients and achieve greater responsiveness to local needs and resources, Texas transferred responsibility for its welfare-to-work program to 28 local workforce development boards.<sup>103</sup> The broad mission of these boards is to design strategies to build an efficient and effective local workforce development system. With regard to the state's welfare reform program, the boards are responsible for designing the welfare-to-work program, contracting for program services, and overseeing the provision of these services. Workers from the state

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<sup>101</sup>However, state law prohibits counties from requiring job search and work experience of participants to the exclusion of offering a range of other activities.

<sup>102</sup>These local departments are units of the Maryland Department of Human Resources.

<sup>103</sup>The Texas Workforce Commission, which is the state administrator of workforce development funds, reviews the strategic and operational plans submitted by local workforce development boards.

Department of Human Services continue to determine eligibility for cash assistance. The state's philosophy acknowledges that the needs of business must drive the design of a workforce development system. Local workforce development boards must have a majority of representation from the private sector, including business owners, chief executives or chief operating officers, or other private sector executives. In addition, the presiding officers of the boards are to be selected from members representing the private sector.

Texas also had originally planned to solicit public and private sector bids to design and implement its Texas Integrated Eligibility Services (TIES) project. Under TIES, Texas wanted to consolidate eligibility determination for all health and human services and workforce programs into one overall system that contractors could manage. When Texas officials queried federal officials about the possibility of using private contractors to interview and determine applicant eligibility for TANF, Medicaid, and Food Stamp program benefits, however, they received letters from HHS that questioned the advisability of proceeding with the state's plans. One HHS letter stated that Medicaid's authorizing legislation and the Food Stamp Act preclude private contractors from evaluating applicant information and certifying eligibility.<sup>104</sup> Texas officials told us that because of HHS' interpretation of the law and other concerns that the state legislature had with the TIES project, the legislature subsequently limited the bid solicitation to developing new social service eligibility determination processes and the information management systems to support them.

## Wisconsin

In contrast to Texas, Wisconsin did privatize eligibility determination for TANF in some parts of the state. As part of Wisconsin's plan to establish a competitive environment for the administration of its welfare reform program, county and tribal departments of social or human services were required to meet certain performance standards—including reducing caseload size by 25 percent in a year—to ensure that they would be selected to operate the program. The state issued a request for proposals for the competitive selection of program operators in counties that did not meet the standards or declined to run the program. As a result, private nonprofit or for-profit organizations were selected to administer the TANF program in nine counties, including Milwaukee County. Milwaukee County was divided into six regions, because of the state's view that smaller entities have historically performed better under the state's welfare waiver

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<sup>104</sup>However, the 1996 welfare reform law specifically allows states to contract with private firms for conducting TANF activities, including determining applicant eligibility.

programs.<sup>105</sup> Local welfare agencies receive fixed funding allocations from the state and are responsible for determining program eligibility and administering work and support services. However, eligibility for Medicaid and food stamps continues to be determined by county government officials.<sup>106</sup>

Wisconsin state officials told us that their strategy is to inform local welfare agencies of key program objectives but tell them very little about how to accomplish them. State officials envision that fully institutionalizing this state and local relationship may take a couple of years. While the welfare agencies in Milwaukee were in the early stages of developing their welfare-to-work strategies at the time of our site visit, they had already begun to reflect some differences in emphasis. For example, one agency was emphasizing financial planning and helping participants become homeowners, another stressed entrepreneurial opportunities, and a third was focusing on providing community service jobs using its own organizational resources.

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**States Are Using Financial Incentives and Enhanced Focus on Outcome Measures to Promote Local Accountability**

As states shift responsibilities to localities and privatize the administration of welfare programs, they confront the challenge of how to maintain local accountability. This challenge is heightened because states now operate their programs with fixed federal block grants and are subject to various federal financial penalties and rewards based on their performance. Similar to the federal effort to promote state accountability under TANF, California, Maryland, Texas, and Wisconsin are working to promote local accountability in ways such as creating financial incentives for local administrative entities and establishing performance measures that focus more on desired outcomes.<sup>107</sup>

States have established financial rewards and penalties to encourage local administrative entities to achieve desired program objectives. For

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<sup>105</sup>Five private nonprofit or for-profit organizations administer the program in these six regions; one of these organizations administers the program in two of the regions.

<sup>106</sup>As a result, public assistance applicants in the localities administered by private contractors are interviewed twice: once by the private contractor for TANF and once by a county or local government employee for Medicaid and food stamps. Wisconsin officials believe that dividing program responsibility between private contractors and public employees dilutes the state's ability to monitor recipients' progress and compliance as well as its ability to realize administrative efficiencies. Wisconsin, like Texas, had been unsuccessful in its appeal to federal officials for policy changes that would allow states to unify and contract out their eligibility determination processes for the Medicaid and Food Stamp programs as well as for TANF.

<sup>107</sup>For a fuller discussion of some of the key issues and policy implications associated with the privatization of social services, see *Social Services Privatization: Expansion Poses Challenges in Ensuring Accountability for Program Results* (GAO/HEHS-98-6, Oct. 20, 1997).

example, Maryland's state law provides that 45 percent of any savings from caseload reductions or other reductions in the total amount of cash assistance payments is to be allocated to local departments on the basis of their achieved levels of cost savings.<sup>108</sup> California's law stipulates that each county will receive 75 percent of the state share of its savings resulting from the following outcomes: (1) recipients exiting the welfare program because of employment that lasted at least 6 months, (2) increased earnings by recipients resulting from employment, and (3) diversion of applicants from the welfare program for 6 months in addition to the number of months equivalent to state diversion payments.<sup>109</sup> On the other hand, any federal penalties for failure to meet federally mandated participation rates are to be shared equally by the state of California and those counties failing to meet the rates.

In Wisconsin, local welfare agencies get to keep a certain percentage of any "profit" they generate but also are at risk of having to put up some of their own funds if their fixed block grants from the state are insufficient. If their surplus is less than or equal to 7 percent of their total expense allocation from the state, they receive the entire surplus as profit. Any surplus in excess of 7 percent is to be distributed as follows: 10 percent to the local agency for unrestricted use, 45 percent to the state, and 45 percent to the local agency for reinvestment in the community for services to low-income people. State contracts with local welfare agencies also have a \$5,000 "failure to serve" penalty for failure to provide specified services.<sup>110</sup>

With respect to performance measures, Wisconsin's written contracts with local welfare agencies specify performance requirements for various process measures. For example, a Financial and Employment Planner must meet the applicant within 5 business days of the date the application is signed. The contracts also note that the state will develop outcome measures for future contracts, including measures related to the delivery of all required services within total expense allocations, percentages of applicants and recipients moved to unsubsidized employment, recidivism, quality of job placements as measured by wage rates and availability of employer-provided benefits, and administrative cost per case. Texas

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<sup>108</sup>This provision applies to savings generated for the 2-year period following the effective date of the law. The law also stipulates that local departments can carry over into the next fiscal year any of these allocations on the basis of cost savings that remain unexpended after the current fiscal year.

<sup>109</sup>The remaining 25 percent of savings is to be allocated to counties that have not achieved savings resulting from these outcomes but have performed in a manner worthy of recognition.

<sup>110</sup>For example, welfare agencies can be penalized for failure to serve if they fail to respond in a timely manner to a written contact from an applicant or participant or knowingly deny or refuse services that they knew or should have known were required by the contract.

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**Chapter 3  
States Are Providing More Support Services  
and Restructuring Programs**

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established employment entrance rates and earnings gains as the key performance measures for local workforce development boards.



# Welfare Dependence Has Decreased, but Little Is Known About Impacts on Families

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A large decrease in the size of the national welfare caseload indicates a significant reduction in families' dependence on cash assistance. In addition, states' progress in restructuring their welfare programs is reflected by increased levels of participation in work activities, including unsubsidized employment, among both families receiving and leaving welfare. Nonetheless, little is known about the impacts states' programs are having on the well-being of children and families. Some states, however, have efforts under way to track families that have left welfare, and the welfare reform law includes various provisions that are likely to generate national information about program impacts in the future.

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## States Are Experiencing Declines in Caseloads and Increases in Job Placement and Participation Rates

As states have reformed their welfare programs first under waivers and then under TANF, welfare caseloads nationwide have declined to an extent unprecedented since World War II. In addition, data from the states we visited show that these states generally have increased their job placement rates and the percentages of their caseloads participating in work and work-related activities, as compared with their earlier JOBS programs.

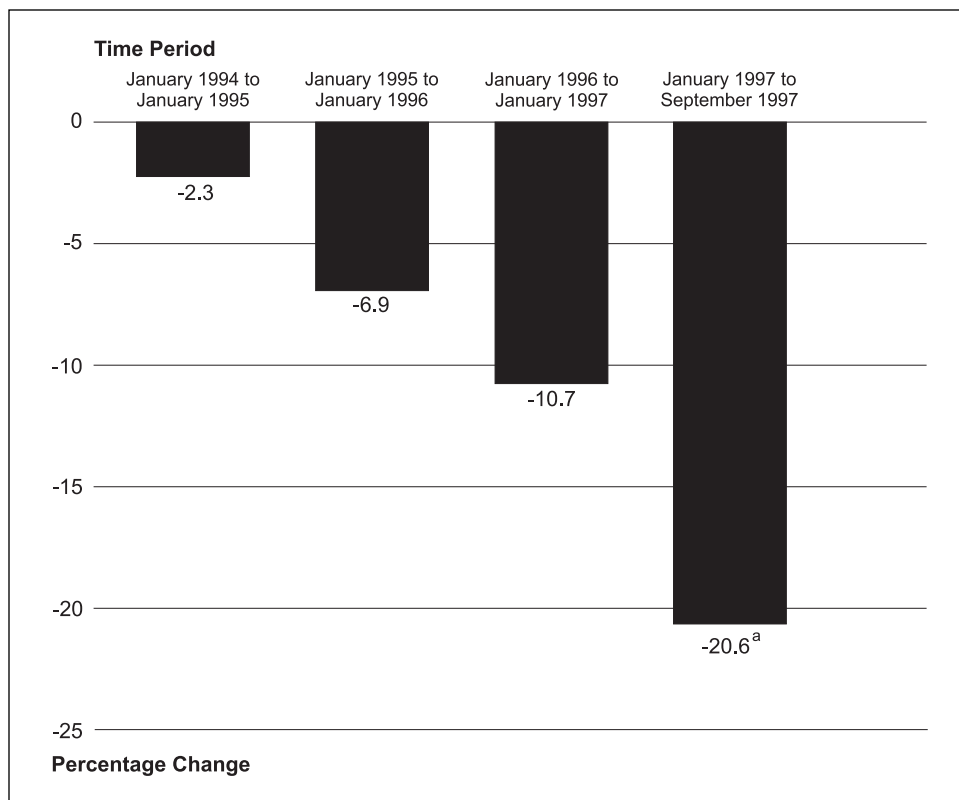
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## Welfare Caseloads Have Declined Sharply

After growing in the early 1990s and peaking in 1994, the national welfare caseload decreased by 30 percent between January 1994 and September 1997. Moreover, the caseload has been decreasing by a larger percentage each year, and most of the reduction has occurred since January 1996 (see fig. 4.1). Between January 1996 and September 1997, caseloads declined in all states and territories except Hawaii and Guam, with reductions ranging from 1 percent in Nebraska to 77 percent in Idaho. Twenty-five states had caseload reductions of 25 percent or more (see app. IV).

**Chapter 4**  
**Welfare Dependence Has Decreased, but**  
**Little Is Known About Impacts on Families**

**Figure 4.1: Nationwide Decline in Number of Families Receiving Cash Assistance Has Been Accelerating**



<sup>a</sup>These data have been annualized for comparability.

Source: GAO analysis of data from the Administration for Children and Families, HHS, supplemented by revised data from state officials in California and Texas.

While economic growth and state welfare reforms have been cited as key factors to explain nationwide caseload declines, there is no consensus about the extent to which each factor has contributed to these declines.<sup>111</sup>

<sup>111</sup>Two recent national studies of the 1993 to 1996 period point to economic expansion as a key factor. However, both studies also concluded that in states such as Oregon and Wisconsin, which implemented stringent welfare reform provisions during this period, these provisions also contributed significantly to caseload declines. See Council of Economic Advisers, *Explaining the Decline in Welfare Receipt, 1993-1996* (Washington, D.C.: Council of Economic Advisers, May 9, 1997) and James Ziliak and others, *Accounting for the Decline in AFDC Caseloads: Welfare Reform or Economic Growth?* (Ann Arbor, Mich.: University of Michigan, Sept. 1997). A critique of the Council of Economic Advisers study disputes its claim to have explained the decline in welfare caseloads. See Alberto Martini and Michael Wiseman, *Explaining the Recent Decline in Welfare Caseloads: Is the Council of Economic Advisers Right?* (Washington, D.C.: Income and Benefits Policy Center, The Urban Institute, July 1997). Another national study found a closer correlation between economic conditions and the size of two-parent caseloads than the size of single-parent caseloads. See Rebecca M. Blank, *What Causes Public Assistance Caseloads to Grow?* Working Paper #6343 (Cambridge, Mass.: National Bureau of Economic Research, Dec. 1997).

Among our case study states, Oregon and Wisconsin, which were early implementers of welfare reform, have seen the largest caseload declines from January 1996 to September 1997—42 percent and 52 percent, respectively. Officials in these two states said that, along with favorable economic conditions, implementing their welfare reform programs—which included instituting “work first,” diversions, and full-family sanctions; emphasizing full-time jobs and exiting welfare; and expanding child care assistance—has contributed to their large caseload declines.

National data are not yet available on the extent to which caseload declines have occurred as a result of increased employment and income for families, as opposed to other factors, such as full-family sanctions or fewer families applying for assistance. “Work first” policies and more stringent work requirements may lead some families to obtain jobs and leave welfare more quickly than otherwise; these policies might also discourage other families from applying for assistance. Time limits and stronger sanctions may reduce the length of time some families receive assistance, by either motivating them to obtain jobs and leave welfare or leading to the involuntary termination of their cases.

Changes in eligibility rules and earnings limits can also affect the size of caseloads. For example, in September 1997, Wisconsin began implementing its Wisconsin Works program, under which clients judged to be job-ready are not eligible to receive cash assistance. The state’s cash assistance caseload dropped by 55 percent from September 1997 to February 1998. State policies on earnings limits can also affect the extent to which caseloads decrease when recipients obtain employment. In California, where a three-person family can earn up to \$1,551 a month and still remain eligible for cash assistance, 23 percent of families that obtained employment left welfare in state fiscal year 1997. In contrast, a three-person family that earned more than \$616 a month in Oregon would no longer be eligible for cash assistance, and 70 percent of families there that obtained employment left welfare during the same period.

TANF caseloads can also decline because of administrative changes. For example, in 1997, Wisconsin removed about 5,000 child-only cases from its TANF program and transferred them to a kinship care program administered by local child welfare agencies under the supervision of the state Department of Health and Family Services.<sup>112</sup> These were cases in which the custodial adults were not the legally responsible parents and

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<sup>112</sup>Wisconsin transferred TANF funds to the Department to fund the kinship care program.

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cash assistance was paid only for the children. In contrast, Oregon has retained the child-only cases in its TANF program, and they constituted 28 percent of the state's TANF caseload in 1997.

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**States Generally Report**  
**Sizable Increases in Job**  
**Placement Rates**

Five of our seven case study states reported significant increases in the rates at which people in their programs found jobs, as compared with their rates under their JOBS programs, according to our estimates. As shown in the last column of table 4.1, California, Louisiana, and Maryland more than doubled their job placement rates from 1995 to 1997, and Oregon and Wisconsin increased their rates by more than 70 percent. Texas reported a slight decrease in its job placement rate, which a state official attributed to a delay in state appropriations for the program that left many staff positions vacant for much of fiscal year 1997. Although comparable data for Connecticut were not available, data on case closures suggest progress with regard to job placements: the number of families in Connecticut that exited the welfare rolls because of increased income rose by 32 percent from September 1996 to September 1997.

**Chapter 4  
Welfare Dependence Has Decreased, but  
Little Is Known About Impacts on Families**

**Table 4.1: States' Estimated Job Placement Rates Generally Have Increased Substantially**

State <sup>a</sup>	Time period <sup>b</sup>	Total number of job placements <sup>c</sup>	Average caseload	Job placement rate (placements per 1,000 cases) <sup>d</sup>	Change in job placement rate, 1995-1997 (percentage)
California	1995	84,458	906,262	93	+108
	1996	104,192	889,766	117	
	1997	159,796	829,344	193	
Louisiana	1995	4,699	79,825	59	+195
	1996	5,650	70,581	80	
	1997	9,855	56,577	174	
Maryland	1995	3,378	77,677	43	+295
	1996	8,849	74,106	119	
	1997	10,092	59,230	170	
Oregon	1995	18,001	39,264	458	+79
	1996	23,201	33,444	694	
	1997	19,987	24,307	822	
Texas	1995	37,288	273,759	136	-5
	1996	36,972	257,069	144	
	1997	28,387	219,579	129	
Wisconsin	1995	19,504	70,604	276	+74
	1996	23,280	54,954	424	
	1997	16,289	33,859	481	

Note: Under the AFDC and JOBS programs, the federal government did not require states to report numbers of job placements or job placement rates, so no federally defined reporting criteria exist for these data. As a result, we estimated job placement rates by using data states collected on their own in combination with data states routinely reported to HHS on AFDC caseloads. These estimates should be interpreted cautiously for several reasons. The numerator on number of job placements is a total for the year and may include duplicate job placements—a person could be placed in more than one job. The denominator, on the other hand, is an estimate of the average monthly number of cases in the same year. The denominator is smaller than the actual number of people who can potentially be placed in a job during the course of a year. That is, the number of people who can potentially be placed in jobs increases over time as new cases open and others close, even if the average number of cases remains constant. In addition, the numerator may include job placements for individuals who received assistance with job placement but who never received monthly cash assistance. For example, on the basis of partial data, at least 9 percent of the job placements in Maryland in fiscal year 1997 were for applicants diverted from receipt of monthly cash assistance.

<sup>a</sup>Comparable data were not available for Connecticut.

<sup>b</sup>Data for Louisiana, Maryland, and Oregon are for the federal fiscal year. California data are for the state fiscal year (July-June); Texas data are for the state fiscal year (Sept.-Aug.); and Wisconsin data are for the calendar year.

<sup>c</sup>Includes job placements both for people exiting welfare and for those who continued to receive cash assistance.

<sup>d</sup>We used the number of job placements per 1,000 average cases as the basis for examining each state's performance over time in order to adjust for changes in caseload size.

Sources: HHS, *Characteristics and Financial Circumstances of AFDC Recipients*, FY 1995 and FY 1996, and data obtained from states.

Officials in Oregon attributed the state's success with job placements in large part to the maturity of its program. In fiscal year 1997, the number of job placements in Oregon nearly equaled the number of cases remaining on cash assistance at the end of the year. State officials said that most of the cases that remained on cash assistance either had significant barriers to employment, such as drug, alcohol, and mental health problems, or were child-only cases not subject to work requirements.

Economic conditions and unemployment rates varied among states and counties within states, and in some cases state officials reported progress in job placements even in areas of high unemployment. For example, despite having the highest statewide unemployment of our case study states—7.2 percent as of June 1997—Louisiana reported one of the biggest increases in job placement rates since implementing the work component of its welfare reform program in May 1997. The state achieved an annualized job placement rate of 300 per thousand cases from May to September 1997—more than triple its job placement rate for all of fiscal year 1996—and 77 percent of recipients placed in jobs over this 5-month period exited welfare. However, Louisiana officials said they were having difficulty with job placements in rural areas, where jobs are particularly scarce. In Oregon, the rural eastern counties, where unemployment rates ranged from 7 to 22 percent, had a higher overall job placement rate than the rest of the state in fiscal year 1997. State officials cited several factors that contributed to the performance of these counties, including that they worked closely with local employers and assisted clients with out-of-area job searches and relocation costs, had a strong sense of community responsibility, and had service jobs despite the high overall unemployment rate.

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**States Are Generally Increasing Levels of Participation but Facing Challenges With Two-Parent Families**

Available data for our case study states indicate that the states generally have increased the percentages of their caseloads participating in work and work-related activities, compared with their performance under their prior JOBS programs. In addition, while all seven states indicated that they would meet their required TANF all-families participation rates for fiscal year 1997, two reported that they would not meet their TANF participation rates for two-parent families by wide margins.

**States Are Involving Greater Percentages of All-Family Caseloads in Welfare-to-Work Activities**

Using TANF definitions of participation, analysis of data on levels of participation under TANF and JOBS indicates that the case study states generally have increased the percentages of their caseloads participating in work and work-related activities. To facilitate comparison with fiscal

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**Chapter 4**  
**Welfare Dependence Has Decreased, but**  
**Little Is Known About Impacts on Families**

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year 1997, we developed estimates of what states' participation rates would have been for fiscal years 1994, 1995, and 1996 using TANF criteria. These estimates contain some degree of imprecision because we were unable to adjust for all relevant factors.<sup>113</sup> A comparison of columns 2 through 5 in table 4.2 shows that estimated all-families participation rates generally have risen over time and, in most instances, have at least doubled since 1994.

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<sup>113</sup>We did not adjust the estimated participation rates for prior years to take account of TANF restrictions on education and training activities, such as the provision that higher education is not a countable activity. Nor did we adjust the estimated participation rates for prior years to remove families sanctioned for 3 months or less in calculating participation rates, as allowed under TANF. While not making the first adjustment tends to lead to some level of overstatement of participation rates for years before 1997, not making the second adjustment tends to lead to some level of understatement.

**Chapter 4  
Welfare Dependence Has Decreased, but  
Little Is Known About Impacts on Families**

**Table 4.2: Estimated Achieved and Required All-Families Participation Rates**

State (1)	Estimated achieved rate, fiscal year (percentage)				Estimated required rate, fiscal year (percentage) <sup>a</sup>	
	1994 (2)	1995 (3)	1996 (4)	1997 <sup>b</sup> (5)	1997 (6)	1998 (7)
Calif.	16	19	25	23	22	17
Conn.	15	18	21	46	20	18
La.	11	15	17	22	13	1
Md.	9	10	13	25	16	3
Oreg.	26	39	80	79	10	0
Tex.	8	8	11	19	18	9
Wis.	28	31	59	55	8	0

Note: HHS will calculate the official required and actual TANF participation rates for states. The figures in this table are estimates based on data available at the time of our review. We used the following method to approximate what the participation rates for fiscal years 1994, 1995, and 1996 would be using TANF criteria: For the numerator, we added the number of recipients working 30 hours per week or more (because they were exempted from JOBS participation but counted under TANF) to the number of participants in approved JOBS activities meeting the 20-hour per week requirement. For the denominator, we used the number of families with at least one adult recipient minus the number with a child under 1 year of age. We did not subtract from the denominator cases in the first 3 months of a sanction, as allowed under TANF.

<sup>a</sup>The estimated required rates for fiscal year 1997 were calculated by subtracting the percentage of caseload decline between fiscal year 1995 and 1996 from 25 percent—the nominal TANF participation rate for fiscal year 1997. The estimated required rates for fiscal year 1998 were calculated by subtracting the percentage of caseload decline between fiscal year 1995 and 1997 from 30 percent—the nominal TANF participation rate for fiscal year 1998. These estimates understate the required participation rates to the extent that HHS (1) determines that any portion of states' caseload reductions was due to state eligibility policy changes and (2) reduces the caseload reduction credit by this portion, as stipulated by the welfare reform law.

<sup>b</sup>These estimates were calculated by the states, using definitions of approved work or work-related activities based either on TANF or state waivers. The estimates for Connecticut, Maryland, Oregon, Texas, and Wisconsin are for the fourth quarter of fiscal year 1997 (July-Sept. 1997), the first period in which TANF participation rates were effective. The time periods for the other two estimates are as follows: California (Apr.-June 1997) and Louisiana (July-Aug. 1997).

Source: Data on average monthly caseloads for fiscal years 1995 and 1996 used for calculating required rates are from HHS, Characteristics and Financial Circumstances of AFDC Recipients, Apr. 1997, except for Maryland, which provided its own calculation of its required rates. Data for fiscal year 1997 were provided by the states.

The welfare reform law requires states to have adult recipients in 25 percent of their TANF families participating in work activities in fiscal year 1997, rising to 30 percent in fiscal year 1998 and to 50 percent by fiscal year 2002.<sup>114</sup> The required participation rate for each state is reduced by the percentage reduction in the state's caseload from the base year of

<sup>114</sup>Families with no adult recipients are excluded in calculations of participation rates, and states also can exclude families with a child under 1 year of age and cases sanctioned for nonparticipation for up to 3 months.



fiscal year 1995 unless the reduction is the result of changes in eligibility criteria. So the effective required rate for most states in fiscal year 1998 is less than the nominal rate of 30 percent. While HHS has not issued data on states' required or achieved TANF participation rates for federal fiscal year 1997, each of our case study states expected to exceed its required all-families participation rate for this period, according to its own calculations (see cols. 5 and 6 of table 4.2). Even though the estimated achieved participation rates in California, Louisiana, and Texas for 1997 were less than 25 percent, these states expected to meet their required rates because of credits for caseload reductions. We estimate that most of the seven states will have substantially lower required participation rates for fiscal year 1998 because of credits for large decreases in caseloads between fiscal years 1995 and 1997 (see cols. 6 and 7 of table 4.2).

### Some States Encounter Difficulties Meeting Participation Rates for Two-Parent Families

In contrast to meeting the TANF participation rate for all families, meeting the required rate for two-parent families has presented some states with greater difficulty. States are required to have adult recipients in 75 percent of their two-parent families participating in work activities in fiscal year 1997, rising to 90 percent in fiscal year 1999.<sup>115</sup> Of the six states that provided data on their estimated two-parent participation rates for fiscal year 1997, Connecticut, Louisiana, Oregon, and Wisconsin reported they would meet their estimated required rates, though Louisiana would only meet the rate because of a sharply reduced two-parent caseload (see cols. 5 and 6 of table 4.3).<sup>116</sup> However, California and Texas, which accounted for 96 percent of the two-parent cases in our study states, indicated that they had fallen short of meeting their required rates by wide margins.<sup>117</sup> Caseworkers noted that two-parent cases often have mental health and substance abuse problems that make participation in job placement programs difficult.

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<sup>115</sup>Just as in the case of the all-families rate, states' required participation rates for two-parent families are reduced by the percentage of any reduction in the size of their two-parent caseloads.

<sup>116</sup>Maryland did not estimate its two-parent participation rate for the last quarter of fiscal year 1997 because the state was funding its two-parent cases with state funds only and thus concluded that the participation rate requirements did not apply.

<sup>117</sup>In its proposed regulations, HHS has suggested that the penalty for failure to meet the two-parent participation rate not be assessed on the entire TANF block grant but rather on the proportion equal to the two-parent family proportion of a state's caseload. This could result in substantial variations among states in the severity of any financial penalty, since states vary greatly in the percentages of their caseloads that are two-parent families. For example, the percentages in our case study states range from 0.2 percent in Louisiana to 17.9 percent in California (see col. 3 of table 4.3).

**Chapter 4**  
**Welfare Dependence Has Decreased, but**  
**Little Is Known About Impacts on Families**

**Table 4.3: Two-Parent Caseloads and Estimated Achieved and Required Two-Parent Participation Rates**

State (1)	Two-parent caseload, 1997 <sup>a</sup> (2)	Percentage of total caseload, 1997 (3)	Percentage change in two-parent caseload, 1995 to 1997 (4)	Estimated participation rate (percentage)		
				Achieved, 1997 <sup>b</sup> (5)	Required, 1997 <sup>c</sup> (6)	Required, 1998 <sup>c</sup> (7)
Calif.	143,946	17.9	-12	25	74	63
Conn.	3,239	6.0	+9	75	75	75
La.	136	0.2	-81	14	6	0
Md.	378	0.6	-44	<sup>d</sup>	42	31
Oreg.	989	4.1	-67	75	47	8
Tex.	10,558	4.9	+56	31	62	75
Wis.	1,476	3.6	-74	40	39	1

Note: HHS will calculate the official required and actual TANF participation rates for states. The figures in this table are estimates based on available data at the time of our review. Data are for the federal fiscal year.

<sup>a</sup>Average monthly two-parent caseload for the federal fiscal year.

<sup>b</sup>These estimates were calculated by the states, using definitions of approved work or work-related activities based on either TANF or state waivers. The estimates for Connecticut, Oregon, Texas, and Wisconsin are for the period July-September 1997, the first period in which TANF participation rates were effective. Louisiana's estimate is for July-August 1997, and California's estimate is for April-June 1997.

<sup>c</sup>The estimated required participation rates were calculated by subtracting the caseload declines between fiscal years 1995 and 1996 (for the 1997 rate) and between fiscal years 1995 and 1997 (for the 1998 rate) from 75 percent—the nominal TANF participation rate for fiscal years 1997 and 1998. These estimates understate the required participation rates to the extent that HHS (1) determines that any portion of states' caseload reductions was due to state eligibility policy changes and (2) reduces the caseload reduction credit by this portion, as stipulated by the welfare reform law.

<sup>d</sup>Maryland did not estimate its achieved two-parent participation rate because the state was funding its two-parent cases with state funds only and thus concluded that the participation rate requirements did not apply. The state's two-parent program has work requirements that are identical to those of its TANF program, according to state officials. However, because many of Maryland's two-parent families have multiple barriers to employment, the state is providing additional services to help them overcome these barriers.

Source: Data obtained from the states.

For fiscal year 1998, three of the seven states have dramatically lower required two-parent participation rates because of large declines in their two-parent caseloads. Since the two-parent caseloads in Louisiana, Oregon, and Wisconsin have decreased sharply since fiscal year 1995—the decreases range from 67 to 81 percent—these states' estimated required two-parent participation rates for fiscal year 1998 range from 0 to 8 percent (see cols. 4 and 7 of table 4.3). State officials cited various

reasons for the decline in two-parent caseloads, including an improving economy resulting in more two-parent families finding work; stronger work requirements; and the redefinition of two-parent families to exclude those with a disabled parent, as allowed under the Balanced Budget Act of 1997. On the other hand, Connecticut and Texas, which have expanded their eligibility rules since fiscal year 1995, have experienced an increase in their two-parent caseloads and therefore may not receive any reduction in the 75-percent required participation rate for fiscal year 1998.<sup>118</sup>

### Some States Voiced Concerns Over Focus on Participation Rates

TANF participation rates and their associated financial penalties were designed to serve as an incentive for states to increase the percentages of their caseloads participating in work activities. Nevertheless, some state officials we interviewed expressed concerns about the law's focus on participation rates and said that emphasizing outcome measures instead would better stimulate program effectiveness. These officials maintained that the law's provisions regarding countable activities and required number of hours were too restrictive and that tracking and reporting these elements to enable participation rates to be calculated was burdensome and distracted staff from helping recipients find jobs and become self-sufficient. The welfare reform law tasks HHS with working cooperatively with the states to determine whether outcome measures can be developed as an alternative to TANF participation rates to evaluate states' success in moving individuals out of the welfare system through employment.

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### Little Is Known About Program Impacts on Well-Being of Children and Families

The recent sharp decreases in welfare caseloads raise questions about the broader impacts of states' welfare reform programs on children and families. For example, to what extent do families who have left welfare return to welfare, how economically stable are they, and where do they stand on various measures of well-being? Moreover, how do children fare after losing assistance because their parents did not comply with new program requirements? Little information is available to begin answering such important questions. However, some states have efforts under way to collect data on such topics, and the welfare law also includes various provisions to help ensure that national information on program impacts is collected.

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<sup>118</sup>The issue is unresolved at this time because HHS has not published the final rules for the methodology for calculating caseload reductions.

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**Some States Are Tracking Families That Have Left Welfare**

Some of our case study states have efforts under way to collect data on families that leave welfare. For example, Maryland is tracking a random sample of over 2,000 families that exited welfare during the first 12 months of the state's welfare reform program (Oct. 1996 to Sept. 1997).<sup>119</sup> Maryland has issued two reports with interim findings.<sup>120</sup> Oregon has been tracking welfare recidivism to provide data for one of the state's performance measures: the percentage of families that remain off welfare for 18 months after case closure because of employment. California law mandates an evaluation of the direct and indirect effects of the state's welfare reform program, including effects related to employment, earnings, and self-sufficiency as well as those pertaining to child well-being, such as entries into foster care, at-risk births, school achievement, child abuse reports, and rates of child poverty.

Data on welfare recidivism indicate that some families are returning to welfare, but it is too early to determine whether recidivism patterns differ from those under AFDC.<sup>121</sup> In tracking families that left welfare because of job placements, Oregon found that 35 percent of families had returned to cash assistance sometime within 18 months but that only 10 percent were receiving cash assistance 18 months after case closure.<sup>122</sup> According to Oregon officials, it sometimes takes two or three job placements before recipients are able to hold a job and remain off welfare. This is reflected by findings from an evaluation of Oregon's Post-Employment Services Demonstration, which found that after the first year of the demonstration (1994-95), 61 percent of participants were no longer at their first job because they had left for a better job, quit without other job prospects, or

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<sup>119</sup>The state also plans to track a random sample of families that leave welfare in subsequent months.

<sup>120</sup>University of Maryland School of Social Work, *Life After Welfare: Second Interim Report* (Baltimore, Md.: University of Maryland School of Social Work, Mar. 1998) and Maryland Department of Human Resources, Family Investment Administration, and University of Maryland School of Social Work, *Life After Welfare: An Interim Report* (Baltimore, Md.: University of Maryland School of Social Work, Sept. 1997).

<sup>121</sup>For example, a study by Pavetti found that 45 percent of families returned to AFDC within 1 year of exiting and 72 percent, within 5 years. A study by Blank and Ruggles found lower recidivism rates: 21 percent of families returned to AFDC within 25 months of exiting, with the rate of return peaking at 5 months after exiting. See LaDonna Pavetti, "Questions and Answers on Welfare Dynamics," paper presented at a research meeting on welfare dynamics, The Urban Institute, Washington, D.C., Sept. 11, 1995, and Rebecca M. Blank and Patricia Ruggles, "Short-Term Recidivism Among Public-Assistance Recipients," *The American Economic Review*, Vol. 84, No. 2 (May 1994).

<sup>122</sup>These data are as of June 30, 1997.

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**Chapter 4**  
**Welfare Dependence Has Decreased, but**  
**Little Is Known About Impacts on Families**

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been fired or laid off.<sup>123</sup> The 1998 Maryland study found that 19 percent of all families who left welfare returned to the rolls within 3 months and 23 percent returned within 12 months, which suggests that families who return tend to do so fairly quickly. The study also found that families whose cases were recorded as closed because they started work or because their incomes exceeded eligibility limits had significantly lower 3-month recidivism rates: 3 percent and 11 percent, respectively.<sup>124</sup>

Little is known about the well-being of children and families after they leave states' welfare reform programs. The 1998 Maryland study found that of the cases that closed during the first 9 months of the program, 51 percent of adults reported earnings in the quarter after they left welfare. The average earnings of these adults were about twice as high as Maryland's maximum cash assistance payment for a family of three. Among our case study states that tracked the average wage for job placements in 1997, wages ranged from \$5.60 to \$6.60 an hour. A low-wage job combined with the earned income tax credit, food stamps, and subsidized child care may lift a family above the federal poverty line, but families may continue to be hard-pressed, especially in areas with high housing costs and in states that limit transitional child care and medical assistance to 1 year. Prior research on the AFDC program has indicated that recipients on average experienced little rise in wages over time.<sup>125</sup> However, Oregon officials have found some evidence in the state's welfare reform program that those placed in jobs who have remained employed have experienced a growth in wages. Oregon matched job placements with data on employer-reported wages between 1993 and 1996 and found that those who remained employed 3 years later had a wage growth averaging 14 percent per year.<sup>126</sup>

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<sup>123</sup>The goals of this federally initiated demonstration were to help individuals who became employed keep their jobs, help those who lost their jobs regain employment quickly, and reduce the amount of time on AFDC. See Toby Herr and others, *Something Old, Something New: A Case Study of the Post-Employment Services Demonstration in Oregon* (Chicago: Erikson Institute, Nov. 1995).

<sup>124</sup>The study does not cite the 12-month recidivism rates for these families.

<sup>125</sup>For example, using data from the National Longitudinal Survey of Youth, one study compared the change in wages among two groups of women between 18 and 22 years of age in 1979: one group that collected AFDC during all or part of at least 1 year between 1979 and 1981 and one that collected no AFDC during this period. From 1979 to 1990, the average real wage of the AFDC-dependent women, in 1991 dollars, rose from \$6.18 to \$6.85 an hour, compared with an increase from \$6.07 to over \$10.00 an hour for the other group. See Gary Burtless, "Employment Prospects of Welfare Recipients," *The Work Alternative: Welfare Reform and the Realities of the Job Market*, eds. Demetra Smith Nightingale and Robert H. Haveman (Washington, D.C.: The Urban Institute Press, 1995).

<sup>126</sup>In the study, 1,915 clients reported wages in 1993; the wage progression data were based on the 1,351 clients also found to have reported wages 12 quarters later.

Early results from the 1998 Maryland study indicate that case closures have not been associated with significant increases in the size of foster care caseloads. Of the 3,467 children in families that left welfare in the first 11 months of the program, only 15 children (0.4 percent) were placed in foster care after their families left welfare. Approximately 3 percent of the 3,467 children had been in foster care at some point before their families left welfare.

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**Welfare Law Includes Provisions to Ensure Collection of National Information on Program Impacts**

The welfare law tasked HHS with collecting various information that will help policymakers and researchers evaluate the impacts of TANF. For example, HHS is required to develop a formula to reward “high performing” states—those that achieve the goals of the law. While the formula for fiscal years 1999 to 2003 has not been finalized, HHS issued guidance to states in March 1998 on the performance measures that will be used for fiscal year 1998. In addition to job placements, these measures include job retention and wage progression, which would provide information on the economic stability of families after they are placed in jobs.<sup>127</sup> The welfare law also directs HHS to conduct research on the benefits, effects, and costs of the state programs funded under TANF to determine effects on welfare dependency, illegitimacy, and other areas. HHS is also required to evaluate innovative programs designed to decrease welfare dependency and increase child well-being. A key element in HHS’ pursuit of this research mandate is its continued funding of evaluations of state waiver programs, which assess the impacts of provisions such as time-limited assistance and work requirements.<sup>128</sup> Furthermore, beginning in 1999, HHS is required to submit annual reports to the Congress on the circumstances of families reaching their time limits and families headed by teen parents.

The welfare law also appropriated \$10 million per year beginning in 1996 for 7 years for the Bureau of the Census to continue to collect data on a national sample of families surveyed in the 1992 and 1993 panels of the Survey of Income and Program Participation to obtain information on the impacts of TANF. The law directs Census to pay particular attention to the issues of out-of-wedlock births, welfare dependence, how long people remain on welfare, causes of welfare recidivism, and status of children.

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<sup>127</sup>Welfare Reform: HHS’ Progress in Implementing Its Responsibilities (GAO/HEHS-98-44, Feb. 2, 1998) provides additional information on HHS’ efforts to develop regulations for the high-performance bonus and some of the challenges HHS has faced.

<sup>128</sup>See GAO/HEHS-98-44 for information about how HHS allocated its research funding under the welfare law.

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**Chapter 4**  
**Welfare Dependence Has Decreased, but**  
**Little Is Known About Impacts on Families**

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Census has subsequently developed an expanded survey, called the Survey of Program Dynamics, to collect information on these topics.

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# Concluding Observations, Agency and State Comments, and Our Evaluation

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## Concluding Observations

States are transforming the nation's welfare system into a work-focused, temporary assistance program for needy families. They are modifying their policies to require or encourage welfare recipients and potential recipients to work; rely on alternatives to cash assistance when appropriate; use welfare as temporary, rather than long-term, assistance; cooperate with child support enforcement requirements; and not become pregnant outside of marriage. At the same time, states are modifying their programs to better support welfare recipients in meeting these expectations, such as by expanding the role of welfare workers to include job counseling, transforming local welfare offices into job centers, enhancing support services, expanding efforts to establish partnerships with employers and other organizations, and giving local administrative entities more flexibility to tailor programs to local needs.

The confluence of a strong national economy and the availability to most states of greater budgetary resources under TANF than they would have received under prior law has created an optimal time for states to reform their welfare programs. Increases in job placement rates and levels of participation in work activities are early encouraging signs of progress toward some of the objectives of the federal welfare reform law. However, any comprehensive assessment of states' welfare reform programs must also take into account what happens over the longer term with respect to some critical issues, such as the following.

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## How Do Families Fare After Leaving Welfare for Work or Being Diverted From Welfare?

States are helping many families leave or avoid welfare by providing a range of services to support their work efforts, including Medicaid and child care assistance. However, these families' prospects for achieving some measure of economic stability remain an important issue, in light of prior research showing that welfare recipients, who often find jobs with low wages, generally have experienced little rise in wages over time after they began working.<sup>129</sup> To the extent that these families' earnings do not increase over time and their employment-based fringe benefits are limited, their ability to maintain employment and support themselves may depend to a great extent on the availability of income supports, such as subsidized medical and child care and the earned income tax credit. Federal and state policies and programs for assisting low-income working families are likely to play a critical role in the future success of welfare reform.

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<sup>129</sup>Gary Burtless, "Employment Prospects of Welfare Recipients," 1995.



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**How Effective Are States  
in Working With  
Hard-to-Serve Cases?**

As more recipients leave welfare for work, the characteristics of states' caseloads can be expected to change. Data from states that have implemented early reforms and experienced large caseload reductions indicate that many of the remaining recipients face multiple barriers to participation in work activities, such as mental health and substance abuse problems and domestic violence. As a result, even under continued favorable economic conditions, states' initial successes with moving applicants and recipients into employment will probably slow over time. In response, states will need to adjust their approaches to better enable families with a range of problems to take steps toward becoming more self-supporting. Although states can exempt up to 20 percent of TANF families from the federal time limit on assistance on the basis of hardship, even with more intensive supports, there may be some recipients who cannot be placed in the workforce because of the severity of their problems. In addition, there may be some adults whose lack of compliance with program requirements, for whatever reasons, puts their children at risk of a range of negative outcomes. Given time limits on assistance and pressure on states to meet rising federally mandated work participation rates, monitoring how these recipients and their children fare in states' welfare reform programs will be especially important.

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**How Well Do States  
Manage the Devolution of  
Authority to Localities or  
the Privatization of Welfare  
Programs?**

As we have seen, some states have given localities greater flexibility to design programs tailored to the needs of their recipients or privatized some functions of their welfare programs, such as eligibility determination. By encouraging experimentation, or in some cases, competition, these initiatives may hold some promise of developing more effective and efficient ways of serving needy families. However, these initiatives also heighten the challenges states face in ensuring local accountability and avoiding unintended negative results. Therefore, it is essential to pay attention to how well states are performing such tasks as specifying clear program goals and developing effective systems to monitor local performance.

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**How Would an Economic  
Downturn Affect States'  
Welfare Reform Programs?**

A comprehensive perspective on states' TANF programs cannot be obtained until it is known how they perform in both a strong economy and a weak one. Yet little is known about how a weak economy would affect states' programs. For example, some adults who had previously left welfare for work could become unemployed. While they could be eligible for unemployment insurance, some could once again apply for cash assistance after their unemployment insurance ran out. Furthermore, if

caseloads did increase significantly in a worsening economy, it is unclear what budgetary responses states would take in an environment of fixed federal TANF funding. They would have a range of options, such as using any reserve funds that they might have set aside; appropriating additional state funds; accessing TANF loan or contingency funds; or reducing program funding by cutting cash assistance levels, restricting eligibility, or reducing expenditures on services. Since these options are subject to varying constraints and could have very different effects on poor families, it will be important to pay close attention to how states respond in the event of an economic downturn.

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## **Comments From HHS and the States and Our Evaluation**

We obtained comments on a draft of this report from HHS and the seven case study states. HHS stated that the report provides a useful and comprehensive description of how states are implementing various reforms under TANF and provided two general comments. First, HHS noted that there were some inconsistencies between the information that it had regarding policies and activities in the seven states and the information included in the draft report but acknowledged that the states were reviewing the draft report. In their comments, the states generally agreed with the report's findings and provided additional technical information about their welfare reform programs, which we incorporated in the report as appropriate.

Second, HHS suggested that the report should indicate that, while states were permitted to make their own reasonable interpretations of the 1996 welfare reform law prior to the publication of final rules for the TANF program, some of the state policy interpretations reflected in the report may not be sustained when HHS issues final rules. In response, we added this information to the report. HHS also provided additional technical information, which we incorporated in the report as appropriate.

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# GAO's Welfare Reform Advisory Committee Members

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Harold Beebout, Mathematica Policy Research, Inc.

Douglas Besharov, American Enterprise Institute

Barbara Blum, National Center for Children in Poverty

Sandra Danziger, University of Michigan

Judith Gueron, Manpower Demonstration Research Corporation

Anna Kondratas, The Urban Institute

Lawrence Mead, New York University

Gerald Miller, Lockheed Martin IMS

Richard Nathan, Rockefeller Institute of Government, State University of New York

Barry Van Lare, Welfare Information Network

Michael Wiseman, University of Wisconsin

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# Summary of States' Prereform Waiver Provisions

State	Lowered age-of-youngest-child exemption to under 1 year <sup>a</sup>	Established full-family sanction for noncooperation with work requirements <sup>b</sup>	Increased asset limits over \$1,000 and/or vehicle allowances over \$1,500 <sup>a</sup>
AL	X		X
AK			
AZ			
AR			
CA			X
CO			X
CT		X	X
DE	X	X	X
DC			
FL	X		X
GA			X
HI	X		X
ID	X	X	
IL		X	X
IN	X	X	X
IA	X	X	X
KS		X	X
KY			
LA		X	
ME			X
MD	X	X	X
MA		X	X
MI	X	X	X
MN		X	X
MS		X	
MO			X
MT			X
NE	X	X	X
NV			
NH		X	X
NJ			
NM			
NY			
NC		<sup>c</sup>	X

**Appendix II  
Summary of States' Prereform Waiver  
Provisions**

Changed earned income disregard policies <sup>a</sup>	Imposed time limits on the receipt of benefits for entire family <sup>b</sup>	Liberalized 100-hour or labor force attachment rules for two-parent families <sup>a</sup>	Established full-family sanction for noncooperation with child support enforcement requirements <sup>b</sup>	Allowed or required noncustodial parents to participate in JOBS <sup>a</sup>	Imposed teen living and/or teen school attendance requirements <sup>b</sup>
		X		X	
		X			X
X		X		X	
X	X	X	X	X	X
X	X	X	X	X	X
X	X	X		X	
X				X	
X	X	X			X
X	X	X		X	
X		X			X
X		X	X		
	X				
X		X	X	X	X
X		X		X	X
X		X		X	X
X		X		X	
X		X		X	
X		X		X	X
X		X			
X	X	X			
X				X	
				X	
				X	
X	X	X			

(continued)

**Appendix II**  
**Summary of States' Prereform Waiver**  
**Provisions**

<b>State</b>	<b>Lowered age-of-youngest-child exemption to under 1 year<sup>a</sup></b>	<b>Established full-family sanction for noncooperation with work requirements<sup>b</sup></b>	<b>Increased asset limits over \$1,000 and/or vehicle allowances over \$1,500<sup>a</sup></b>
ND		X	X
OH		X	X
OK			X
OR	X	X	X
PA			X
RI			
SC		X	X
SD		X	X
TN	X	X	X
TX			X
UT		X	X
VT	X	X	X
VA		X	X
WA			
WV		X	
WI		X	X
WY			X
<b>Total</b>	<b>13</b>	<b>26</b>	<b>36</b>



**Appendix II  
Summary of States' Prereform Waiver  
Provisions**

Changed earned income disregard policies <sup>a</sup>	Imposed time limits on the receipt of benefits for entire family <sup>b</sup>	Liberalized 100-hour or labor force attachment rules for two-parent families <sup>a</sup>	Established full-family sanction for noncooperation with child support enforcement requirements <sup>b</sup>	Allowed or required noncustodial parents to participate in JOBS <sup>a</sup>	Imposed teen living and/or teen school attendance requirements <sup>b</sup>
X		X	X		
X	X	X	X	X	
X		X			
X	X	X		X	X
X		X			
	X	X		X	
X	X	X	X	X	
		X			
X		X	X	X	
X		X			X
X	X		X		X
X		X			
X	X	X		X	
				X	
<b>31</b>	<b>14</b>	<b>32</b>	<b>9</b>	<b>23</b>	<b>15</b>

<sup>a</sup>Data are based on waivers approved before enactment of the new federal welfare reform law on Aug. 22, 1996 (HHS, Setting the Baseline, June 1997).

<sup>b</sup>Data are based on waivers approved before the enactment of the new federal welfare reform law on Aug. 22, 1996 (GAO/HEHS-97-74, May 15, 1997, apps. III and IV).

<sup>c</sup>North Carolina's waiver provided for terminating benefits to the entire family for failure to enroll in the welfare-to-work program.

# Penalties Specified in the Federal Welfare Reform Law of 1996, as Amended

	<b>Grounds for penalty</b>	<b>Amount of penalty</b>
(1)	Use of grant in violation of the law	Amount so used (5 percent if intentional violation)
(2)	Failure to submit the data report required quarterly	4 percent
(3)	Failure to satisfy minimum participation rates	5 to 21 percent
(4)	Failure to participate in the income and eligibility verification system	Not more than 2 percent
(5)	Failure to comply with paternity establishment and child support enforcement requirements under the law	Not more than 5 percent
(6)	Failure to timely repay a federal loan fund for state welfare programs	The outstanding loan amount, plus interest
(7)	Failure to maintain certain level of historic effort (commonly referred to as the "maintenance-of-effort" requirement)	Amount of shortfall
(8)	Substantial noncompliance of state child support enforcement program with requirements of the law	1 to 5 percent
(9)	Failure to comply with 5-year limit on assistance	5 percent
(10)	Failure of state receiving amounts from contingency fund to maintain 100 percent of historic effort	Total amount paid from the contingency fund and not yet remitted
(11)	Failure to maintain assistance to adult single custodial parent who cannot obtain child care for child under age 6	Not more than 5 percent
(12)	Failure to expend additional state funds to replace grant reductions	Not more than 2 percent plus the amount the state failed to expend
(13)	Failure to maintain historic effort during a year in which a Welfare-to-Work Grant is received	Amount of the Welfare-to-Work Grant
(14)	Failure to reduce assistance for recipients refusing without good cause to work	1 to 5 percent

Source: 42 U.S.C. secs. 603 and 609.

# Changes in the Number of Families Receiving Cash Assistance, by State, January 1996 to September 1997

State	January 1996	September 1997	Percentage change
Alabama	43,396	21,171	-51
Alaska	11,979	10,957	-9
Arizona	64,442	50,025	-22
Arkansas	23,140	16,719	-28
California	904,940	756,950	-16
Colorado	35,661	24,579	-31
Connecticut	58,124	55,159	-5
Delaware	10,266	9,236	-10
District of Columbia	25,717	22,410	-13
Florida	215,512	140,937	-35
Georgia	135,274	90,746	-33
Hawaii	22,075	23,532	+1
Idaho	9,211	2,083	-77
Illinois	225,796	189,196	-16
Indiana	52,254	41,201	-21
Iowa	33,559	27,317	-19
Kansas	25,811	16,949	-34
Kentucky	72,131	59,505	-18
Louisiana	72,104	49,951	-31
Maine	20,472	16,636	-19
Maryland	75,573	53,359	-29
Massachusetts	90,107	72,430	-20
Michigan	180,790	140,854	-22
Minnesota	58,510	48,793	-17
Mississippi	49,185	31,061	-37
Missouri	85,534	65,527	-22
Montana	11,276	7,835	-31
Nebraska	14,136	13,979	-1
Nevada	15,824	11,202	-29
New Hampshire	9,648	6,679	-31
New Jersey	113,399	93,800	-17
New Mexico	34,368	17,800	-48
New York	437,694	359,707	-18
North Carolina	114,449	88,969	-22
North Dakota	4,976	3,686	-26
Ohio	209,830	160,162	-24
Oklahoma	40,692	26,894	-34

(continued)

**Appendix IV  
Changes in the Number of Families  
Receiving Cash Assistance, by State,  
January 1996 to September 1997**

<b>State</b>	<b>January 1996</b>	<b>September 1997</b>	<b>Percentage change</b>
Oregon	35,421	20,608	-42
Pennsylvania	192,952	147,211	-24
Rhode Island	21,775	19,557	-10
South Carolina	46,772	28,401	-39
South Dakota	6,189	4,377	-29
Tennessee	100,884	60,385	-40
Texas	231,154	166,919	-28
Utah	15,072	11,264	-25
Vermont	9,210	7,845	-15
Virginia	66,244	47,529	-28
Washington	99,395	86,792	-13
West Virginia	36,674	28,148	-23
Wisconsin	65,386	31,336	-52
Wyoming	4,975	1,564	-69
Guam	2,097	2,603	+24
Puerto Rico	51,370	45,932	-11
Virgin Islands	1,437	1,222	-15
<b>United States</b>	<b>4,593,862</b>	<b>3,539,689</b>	<b>-23</b>

Source: GAO analysis of data from the Administration for Children and Families, HHS, supplemented by revised data for California and Texas from state officials.

# Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

MAY 15 1998

Mr. Mark V. Nadel  
Associate Director, Income  
Security Issues  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Nadel:

Enclosed are the Department's comments on your draft report, "Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependence." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely,

A handwritten signature in cursive script that reads "June Gibbs Brown".

June Gibbs Brown  
Inspector General

Enclosure

The Office of Inspector General (OIG) is transmitting the Department's response to this draft report in our capacity as the Department's designated focal point and coordinator for General Accounting Office reports. The OIG has not conducted an independent assessment of these comments and therefore expresses no opinion on them.

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**Appendix V**  
**Comments From the Department of Health**  
**and Human Services**

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COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE  
U.S. GENERAL ACCOUNTING OFFICE DRAFT REPORT, WELFARE REFORM: STATES  
ARE RESTRUCTURING PROGRAMS TO REDUCE WELFARE DEPENDENCE  
(GAO\HEHS-98-109).

General Comments

Using the States of California, Connecticut, Louisiana, Maryland, Oregon, Texas and Wisconsin, the General Accounting Office (GAO) report provides a useful and comprehensive description of how States are implementing various aspects of reforms under Temporary Assistance for Needy Families (TANF). However, the Department notes a number of inconsistencies between the information we have regarding policies and activities in these States, and the information that is included in GAO's report. We understand that the States are reviewing this draft report simultaneously with our review. Clearly, they are in the best position to assess the accuracy of much of the information that has been included. However, we would like the opportunity to review the draft report again, after it is revised based on the States' comments.

Also, it might be wise to warn readers that some policy interpretations reflected in the report were made during the interim period between enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), and prior to publication of final rules for the TANF program. During this period, States were permitted to make their own reasonable interpretations of the statute. Some of these policy interpretations may not be sustained under final rules. Other policy positions reflect waiver provisions rather than the provisions of statute.

# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Gale C. Harris, Assistant Director, (202) 512-7235  
Andrew Sherrill, Evaluator-in-Charge, (202) 512-7252

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## Staff Acknowledgments

The following individuals also made important contributions to this report:  
David P. Bixler, Margaret E. Boeckmann, Donald J. Porteous, Cynthia J. Scott, Margie K. Shields, and Cheri Y. Truett.

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